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THE MARYLAND HOUSE OF DELEGATES
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Testimony in Support of HB 1224
March 9, 2020 * Economic Matters

Why this bill matters

This bill is about preserving state resources *and* ensuring that low-income Marylanders have access to the lowest-cost energy and gas available.

Currently, low-income households that receive energy assistance funds from the Office of Home Energy Program (OHEP) may enroll in and use any retail supply for energy and use the limited state funds to cover these often-overpriced bills. Although 380,000 Marylanders qualify (175% of the FPL), only about 100,000 Marylanders currently enroll in OHEP programs. The average annual income of these households is \$15,000. Many of these Marylanders are often targeted by third-party energy suppliers with the often-false promise that their energy bills will be reduced if they contract with these suppliers. These suppliers may lock consumers in to contracts that end up increasing consumers' bills and have fees if the consumers try to switch back to standard offer service.

Households that receive energy assistance funds and have agreements with third-party suppliers may pay on average \$525 more a year when they choose deregulated energy over standard offer service. Some suppliers specifically target consumers in low-income zip codes through aggressive door-to-door sales and taping, including outside of local DSS officers. Some companies are incentivized to target households with energy assistance and charge them more because they are guaranteed payment through OHEP.

What this bill does

As originally drafted, the legislation would have prohibited third-party energy suppliers from enrolling residential customers that have received Energy Assistance funds in the last year or have participated in any assistance programs that are authorized by the Public Service Commission.

As amended, however, it will follow the lead of several other states that have created “guaranteed savings plans” to ensure that households that receive energy assistance are not in variable-rate contracts and are signed up by suppliers whose offerings meet or beat standard offer service prices.

The **amended bill** will require the Public Service Commission to create by regulation a program that

1. Prohibits third party suppliers from (a) providing energy or gas to Maryland households that have used energy assistance programs in the past 12 months OR (b) continuing to provide energy or gas to Maryland households that enroll in energy assistance programs or charging a termination fee UNLESS
 - a. The third party supplier is certified by the PSC in a “guaranteed savings plan program.”
- (2) The PSC shall create a “guaranteed savings plan program” to certify third-party suppliers that demonstrate past ability and future commitment to charging at least 1% less than standard offer service for customers on energy assistance programs. These suppliers, and only these suppliers, will be allowed to receive funds from OHEP energy programs.

The act would take effect on July 1, 2020 but the prohibitions would not take effect until November 1, 2021, after the PSC had published regulations creating the program.

This legislation will ensure that limited state energy assistance funds are truly helping Marylanders pay for their energy needs. HB 1224 will maximize OHEP funds and protect low-income households from exploitative and deceptive practices.

Why you should vote for this bill

This legislation is necessary to protect state resources and prevent low-income consumers from being victimized by energy suppliers.