HB 1224– SUPPORT

Electricity and Gas - Energy Suppliers - Assisted Customers

Economic Matters Committee Hearing 3/9/2020

Laurel Peltier - Energy Supplier Reform Coalition

Chairman Davis and members of the Economic Matters Committee: Thank you for the opportunity to testify and share my written comment in support of HB 1224.

In 2016, while standing in front of Baltimore City's Social Service office, I got a pit in my stomach. Energy suppliers were intentionally signing up low income folks, and I knew the prices each of these suppliers were actually charging. It wasn't the "awesome" rates being sold.

Today, I estimate about $10,000,000 a year of Office of Home Energy Program's $87,000,000 in grants - rate and tax payer funded—is not paying down utility bills, but rather flowing to energy suppliers.

I was reporting for Baltimore Fishbowl and had just run Energy Information Administration File 861 data, and had confirmed that Marylanders were paying a lot more by switching to deregulated suppliers. In this EIA 861 data, there were some suppliers that had very high prices — 50% more than utility rates — and the average electricity usage for their customers for the year was low — say 6,500 kilowatt hours vs. 11,000. Could suppliers be targeting target low income and charging premium prices?

I drove to Social Services on North Avenue and watched sale after lousy sale in front of the public assistance office where people who are broke and struggling to pay bills were enrolling with these suppliers. "Save 20% off BGE." "Get a coupon for a free month." "Here's a $15 Family Dollar gift card." No details about contracts, rates, or exit fees. I interviewed some folks who I had signed up and they really didn't get that they had jumped from a regulated utility to a deregulated supplier and all that entails. They needed savings.

After multiple articles written, client interviews at GEDCO CARES, market research, participating in PSC's PC44 working group for two years, and writing the Abell Foundation Report: *Maryland's Dysfunctional Residential Third-Party Energy Supplier Market*, I know, and this is supported by evidence and data, the 1999 Electric Choice Act isn't working for most residential and small business owners. And I used to be a fan of switching energy supply to renewable versions — now, even that is suspect.

Why am I focused on reforming the energy supplier market? I am asked that question a lot. Heaven knows my family and friends would like to never hear the word supplier again. I'm not a paid lobbyist, nor do I work at a non-profit. The oddest thing happened during a PSC PC44 working group meeting in 2017. One of the biggest energy suppliers was sharing how they value their customers, how more sales in our state would mean more happy customers, and if they could bill them on their letterhead they could add on more products. This went on and on. I looked down at my newly printed pricing sheet and this supplier charged on average 29% more for switching.

The reason that I have taken on this project as a volunteer is because I see a wrong, an unintentional wrong, and I saw few who were shining the light on this wrong.

What is happening in Maryland, as well as the other 13 states, is that deregulating energy supply actually opened the door for mostly out-of-state energy traders to legally fleece households, and sadly, target low-income households who are receiving state financial assistance.

Have you ever seen a supplier TV ad? Or a radio spot? Do you know supply rates for gas and electric if you want to compare rates? Did you know what a variable rate was — I didn't. Does it seem plausible that a consumer product could legally change from a contractual fixed rate, and then buried in the T&C's is a gotcha that the account will go to variable rates with no notification? Unlike other consumer markets, this one doesn't look and smell like a consumer market, because it isn't one.

And, these high energy supply rates can cause harm.

During the summer of 2018, I interviewed and recorded rates from 40 people who visited Baltimore City's GEDCO CARES energy assistance center for the Abell Foundation Report. All interviewees were in utility bill crisis, and all had signed up with the Office of Home Energy Program (OHEP-energy aid) looking for financial help. Now they were at a little and beautiful place in my Baltimore City neighborhood that helps people. Volunteers sit down and help our neighbors navigate the energy crisis maze of help, and also work to access Fuel Fund additional monies and BGE matching credits.

You see, half, yes, 50% of CARES clients are on energy supply. The state average is 19% today. The rates CARES clients pay are obscene— 50% on average more than BGE for electricity and a shocking 75% more for natural gas. A $25 gift card offered to a person who is really broke to switch over their energy account borders on immoral in my book. Charging a $240 early termination fee to a lady who was slammed by a supplier is hostage-taking. She stayed with a supplier for a year to wait out her pricey contract, all the while paying a lot more. There is no consumer help line, people have to call the supplier directly and you should sit in on those cancellation calls. It's truly amazing.

And these are families who are getting public assistance to help pay their utility bills. Their bills are high to begin, and they got higher because of this tricky pricing and supplier products. Then rate and tax payers foot the bill. Did you know that if you rent an apartment that a power cutoffs can trigger eviction? I didn't. People can lose housing vouchers if their utility account is cut off. What world is all this normal?

After researching for two years, we finally figured out how it could be that an energy supplier could make a business model work if their customers defaulted.

In 2009, our Pubic Service Commission, in an effort to grow the market, regulated Consolidated Billing with Purchase of Receivables (POR). The market was nascent, even after those problematic rate freezes expired, energy supply wasn't growing. Consolidated Billing with POR was finalized, then the utilities spent millions, who knows how much rate payer money, to make this happen on consumer bills. By 2010, it went into effect and the market grew.

Consolidated Billing/POR means suppliers sign up customers and send supplier billing data to utilities who print the charge on the one utility bill (problem #17 try finding that charge). Then this regulation forced utilities to buy back that amount owed to the supplier (purchase the account receivable), and place the 'supplier charge due' on utility balance sheets. This means that utilities get to collect the charges, not suppliers. Utilities then wire the money to the supplier with a slight "discount fee" for bad debt (about 1% usually). So, if one of Oasis Power's 2,229 customers, (the winner of highest supplier rates charged in Maryland in 2018) defaulted, utilities, really the rate payer, pays that bill. Yet Oasis Power got paid even though Oasis charged their average electricity supplier customer an extra $918 more than the utility average, pushing many possible to termination and then to energy assistance.

The idea behind POR was that utilities have the power to get the bill paid because utilities cut-off power, and that makes sense. But with little oversight, and zilch reporting, suppliers were free and clear to charge high prices without risk of default. How many industries does this occur? Maryland never stepped back and asked, "Is this working?"

Imagine, since 2014 to 2018, Energy Information Administration 861 data reveals that consumers paid $340 million more for electricity after switching. I estimate about $225 million for gas — there's no gas reporting of any kind anywhere. The other week, I saw a bill for $1.39 per gas therm; BGE is $0.40. Charging more than 300% for natural gas was legal as the laws are written today.

To my delight, many legislators, non-profits, influencers, City Councilman and women, and media outlets and just plain nice people have chipped in their time to help figure out how this can be changed. A coalition has formed to bring a voice to reform. The reason that AARO has been a key ally is that on the whole, suppliers seems to enroll people over the age of 50. I think there are many reasons for this, but older folks, many of whom are on fixed incomes, seem to get duped at pretty high rates.

I've helped TV personalities, scientists, unemployed truck drivers, bartenders, CEOs of major firms, neighbors, friends, families and business owners read their BGE bills. I've shown them how to figure out if they're on a supplier, and saving or losing. I've found 5 accounts that saved. I've seen about 400-450 bills now. None of these people are stupid, nor did any sign a contract thinking they'd be duped into paying more. Few saw a paper copy of Contract Summary Plan where a rep listed through all these plan details because that critical contract is buried on an e-tablet used for direct sales. If they had, few would buy most of these plans. Most people I've helped were embarrassed when they saw the math. A few got refunds because I've helped them file a complaint with the PSC because they were slammed, they had not authorized the switch. Many are just plain mad. Mad that the energy supply pricing is deregulated while the payment system for suppliers through POR isn't dergeulated—it's actually highly regulated in their favor. There is one pricing regulation, monthly rate increases are capped to 30% or less each month.

The PSC has made some big and positive changes in the past year. Their role is critical to enforcing and regulating the common sense laws on the books. But on many occasions, I heard that the PSC doesn't regulate pricing, the General Assembly is in charge of that.

As unconventional as this written testimony is, I think this wrong needs real reform and quick action. Year after year, the millions just keep going out of our state. This is fixable and thank you for considering that at a minimum, HB1224 would quickly protect low-income families on OHEP assistance from the financial bleed. An aggregated system that ensures OHEP accounts meet or beat utility rates means that the Electric Choice Act would deliver some form of economic benefits to families that really need it.

THE DATA: Without data, reality is hidden.

The pricing chart below is a sorted list of the Departure of Energy's Energy Information Administrations Sales_Ult_Cust 2018 excel file found on their web site. This chart excludes "green" suppliers like CleanChoice and Clearview because they sell renewable-only plans. Though who knows what that means as there's no reporting or method to verify their high pricing premiums.

Suppliers and utilities report to the EIA megawatts sold, revenues and customer counts to the DOE. This data is collected by state and by year. Analysts can also compute the actual price each utility charged their average supply customer. Maine uses this data for their retail choice reporting. RESA published a report using this data to back up their argument that regulated states on the whole fare better than unregulated states. This is solid pricing data. Other states run billing data to verify the numbers and to collect gas data as well as low-income compared to others. SB686/HB260 would report prices that hit utility bills, not the advertised rates.

In short, about 275,000 households, that's 10% of our state, pays premiums for switching — some pay significant premiums. And, I've met very few who are getting any rewards. Thank you for your time and your focus on reforming the Electric Choice Act.

2018 Prices – Worst to Best –
By Supplier compared to Utility Supply Rates

2018 Residential Retail Choice Electricity Price Results ~ Maryland (suppliers in red seem in low-inco

	$0.078	# Choice Households	Price Premium to State	Extra Paid / Customer	# Households by Loss/Save	Avg.
1	Oasis Power, LLC	2,229	88%	$918		
2	NRG - Energy Plus Holdings	3,892	90%	$865		
3	Horizon Power and Light, LLC	1,112	59%	$746		
4	Starion Energy PA, Inc.	2,616	83%	$661		
5	Spark Energy, LP	3,167	67%	$567		
6	Major Energy Electric	5,484	88%	$545		
7	NRG - Reliant Energy	17,848	51%	$501		
8	Public Power & Utility	4,218	56%	$501		
9	Viridian Energy PA LLC	4,238	53%	$499		
10	North American Power	6,103	43%	$489		
11	IDT Energy, Inc.	9,930	62%	$446		
12	HIKO Energy, LLC	948	75%	$433		
13	Stream Energy Maryland, LLC	7,337	40%	$424		
14	Park Power LLC	691	53%	$399		
15	Discount Energy Group, LLC	217	36%	$364		
16	Sperian (Tomorow Energy)	3,042	35%	$333		
17	SPRING POWER	1,576	51%	$326		
18	Shipley Choice, LLC	615	29%	$309		
19	Palmco Power MD, LLC	5,125	52%	$303		
20	Ambit Energy Holdings, LLC	13,151	29%	$291		
21	Liberty Power Corp.	2,990	49%	$286		
22	Plymouth Rock Energy, LLC	533	48%	$284		
23	Greenlight Energy Inc.	612	36%	$271		
24	MPower Energy NJ LLC	2,285	45%	$248		
25	Interstate Gas Supply, Inc.	2,610	29%	$215		

2018 Residential Retail Choice Electricity Price Results ~ Maryland (suppliers in red seem in low-inco

	$0.078	# Choice Households	Price Premium to State	Extra Paid / Customer	# Households by Loss/Save	Avg.
26	Direct Energy Services	35,363	27%	$201		
27	MDGE- Energy Services	18,560	21%	$192		
28	XOOM Energy Maryland, LLC	17,226	18%	$160		
29	ENGIE Retail, LLC	2,459	15%	$143		
30	Star Energy Partners, LLC	16,980	20%	$136		
31	NextEra Energy Services, LLC	79	12%	$127		
32	SmartEnergy Holdings, LLC	7,339	16%	$117		
33	Agera Energy LLC	314	10%	$108		
34	Great American Power, LLC	1,124	23%	$102		
35	Just Energy (Commerce)	19,147	11%	$96	221,160	
36	American Power & Gas	11	7%	$83		
37	Energy.Me Midwest LLC	10	5%	$73		
38	Planet Energy	41	10%	$69		
39	WGL Energy Services, Inc.	45,719	6%	$51		
40	Constellation EXELON	111,399	4%	$43		
41	LifeEnergy, LLC	2,096	5%	$42		
42	Nordic Energy Services, LLC	24	9%	$31		
43	SFE Energy Maryland, Inc	6,458	3%	$31	165,758	
44	Discount Power Inc - (CT)	86	-6%	-$10		
45	Eligo Energy, LLC	1,055	-2%	-$17		
46	MidAmerican Energy Services, LLC	345	-3%	-$40		
47	First Point Power, LLC	7	-3%	-$73		
48	AEP Energy	401	-11%	-$122		
49	First Energy Solutions Corp.	8	-11%	-$137		
50	AP Holdings LLC	1,000	-46%	-$241	2,816	
	Maryland Total	389,820	22%	$186		

Source: Dept. Of Energy E.I.A.861 Report. Excel file available upon request. Suppliers in bold sell in low-income zips.

MD 2018 RESIDENTIAL "RENEWABLE ENERGY SUPPLIER RESULTS (E.I.A 861)

Supplier Name	Customer Count Residential	Avg Supplier kWh Rate charged	+/_ to standard Utility rate	Extra Paid for "green" over utility conventional
CleanChoice Energy	13,075	$0.125	60%	$440
Clearview Electric	12,803	$0.097	24%	$112
Inspire Energy	11,589	$0.120	53%	$420
NRG (Green Mtn.)	6,410	$0.133	70%	$628
	43,877	**$0.119**	**52%**	**$367**
MS 2018 Statewide Avg Utility Rate-conventional	**$0.078**			
Revenues above SOS	**$16,084,359**			

Energy Supplier Reform Coalition Members

Nonprofits, faith-based organizations, citizens and consumer groups are taking action to reform Maryland's deregulated residential third-party energy supplier market.

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