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THE MARYLAND HOUSE OF DELEGATES
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**Testimony in Support of HB 397: Electricity and Gas - Energy Suppliers - Supply Offers**
Economic Matters Committee * February 4, 2020

***What this bill does***
This bill requires the PSC to create a “guaranteed savings plan” through an administrative process to vet and approve third party energy supply offers to ensure they are not charging more than standard office service. The PSC will designate those energy suppliers who commit to charging at or below the standard offer service rate or gas commodity rate as “approved suppliers” who can then enroll customers who are receiving energy assistance through the Office of Home Energy Providers (OHEP).

Unapproved third party suppliers will be prohibited from providing energy or gas to Maryland households enrolled in energy assistance programs.

With sponsor amendments, this legislation would allow the PSC until January 1, 2023 to work with stakeholders to develop and promulgate regulations in order to create a program to certify third-party suppliers. The prohibition on unapproved suppliers enrolling customers on energy assistance would not take effect until July 1, 2023.

This bill will ensure that households that receive energy assistance are not in third party and/or variable-rate contracts and are signed up by suppliers whose offerings meet or beat standard offer service prices. Other states have simply banned third-party suppliers from selling to low-income customers after realizing the money their state was losing to third party suppliers through energy assistance programs. In some cases, states have put a price cap on third-party suppliers across the board (5% in New York). This legislation seeks to find a middle ground by protecting state resources and providing customers with pre-approved options.

***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.

About 380,000 Marylanders qualify for assistance through OHEP, which is available to residents at or below 175% of the FPL. The average annual income of these households is **$15,000**. Currently, low-income households that receive energy assistance funds from OHEP may enroll in any retail supply for energy, many of which charge more than standard offer service. This negatively impacts state funds and consumers in several ways. In the OHEP program designed to help low-income consumers pay off debt, state dollars are going directly to pay third-party suppliers for debt incurred by consumers - often debt that is significantly higher than it would have been under a Standard Offer Service (SOS). In the ongoing energy assistance program, because the amount OHEP pays is based on usage and poverty level, the dollars provided often will not help a family meet their higher bills under a third-party system and their energy will be turned off - wasting OHEP dollars and resulting in a horrible situation for the family.

This an inefficient use of government money: the State ends up paying an unnecessary premium and the consumer is not getting any added value from switching off of the SOS. This bill only affects 30,000 accounts out of 415,000 Marylanders on third party energy suppliers — 7%.

Many low-income Marylanders are targeted by third-party energy suppliers. Some companies are incentivized to target households with energy assistance and charge them more because they are guaranteed some payment through OHEP. The promotion can be intense. They call, send mail, set up kiosks in malls, Costco, and even outside the Department of Social Services, and go door-to-door. Third party energy suppliers lead consumers into thinking that a switch from their regulated utility supply will necessarily save them money. But on average, households that choose third-party suppliers are paying more, not less, after switching. These suppliers may lock consumers into contracts that end up increasing their bills and have high termination 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. This adds up! About 30,000 families on deregulated energy then turn to OHEP to pay down their utility bills.

The minimal reporting required in the legislation is also important: currently, OHEP (an arm of DHS) is providing energy assistance dollars to OHEP customers without an understanding of where those dollars are going - to the utility or a third party supplier.

***Why you should vote for this bill***
This legislation will ensure that limited state energy assistance funds are truly helping Marylanders pay for their energy needs. HB 397 will maximize OHEP funds and protect low-income households from exploitative and deceptive practices. This legislation is necessary to protect state resources and prevent low-income consumers from being victimized by energy suppliers.

## SPONSOR AMENDMENTS

- Change the date by which the Commission shall establish regulations and an administrative process to run this program to January 1, 2023 to allow for more time for regulations to be developed, considered, and adopted
- Change the effective date of the bill July 1, 2023
- Add language to clarify in section B on page 2 that:
  - An energy supplier cannot provide, or renew a contract to provide electricity and gas to households in the state that enroll in the energy assistance programs ***unless*** the commission approves the supply offer. They also cannot charge a termination fee.
- Clarify that the suppliers and utilities shall cooperate and assist with providing data to the PSC for reporting requirements
- Allow for optional self-reporting when an energy assistance customer files a complaint, instead of required reporting
- Strike section E on page 3 - we will not require the PSC to conduct test case analysis verifying approved supplier rates, as, according to their testimony on the Senate cross file, they already plan to “review approved offers to determine if they remain at or below the new SOS rate” which changes at least twice/ year for electric and one/ month for gas