



SB31/HB397

SUPPORTS RETAIL CHOICE

PROTECTS FAMILIES

PROTECTS STATE BUDGETS

SB31/HB397

Sponsors: Sen. Washington and Del. Lierman

Low-Income & OHEP Energy Supplier Guaranteed Savings Plan:

Low-income families receiving state utility bill energy assistance grants (OHEP) that enroll with a third-party energy supplier will receive guaranteed electricity and natural gas supply rates that will be lower, or equal to, their utility's prices.

Fiscally responsible legislation that:

- Offers best Retail Choice pricing for most financially vulnerable families.
 - Protects \$15 million a year in wasted state energy assistance funds.
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HB397/SB31 Overview Contents:

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Page 5: HB397/SB31 legislation

Pages 6 & 7: Low-Income Loss equals \$15,000,000 wasted energy assistance funds each year.

Pages 8 & 9: 2019 Rates By Supplier. \$108 million more than utilities.

Pages 10 & 11: Baltimore Sun Commentary, Lierman & Washington

Pages 12: AARP's op-ed



\$650 MORE / YEAR

Avg. Amount Paid by 110 Baltimore City OHEP families for choosing deregulated electricity & gas.

Same energy.

Electric Rate +64%. Gas Rate + 88%

HOUSE BILL 397 / SENATE BILL 31

1. AN ACT concerning
- 2 Electricity and Gas – Energy Suppliers – Supply Offers

(A) ON OR BEFORE JANUARY 1, 2022, THE COMMISSION SHALL BY REGULATION OR ORDER ESTABLISH AN ADMINISTRATIVE PROCESS TO APPROVE SUPPLY OFFERS FOR ELECTRICITY OR GAS FOR HOUSEHOLDS IN THE STATE THAT RECEIVE ENERGY ASSISTANCE THROUGH A PROGRAM ADMINISTERED BY THE OFFICE OF HOME ENERGY PROGRAMS.

(B) (1) BEGINNING JULY 1, 2022, AN APPROVED SUPPLY OFFER MAY NOT OFFER TO:

- (I) PROVIDE ELECTRICITY OR GAS TO HOUSEHOLDS IN THE STATE THAT HAVE RECEIVED ENERGY ASSISTANCE DURING THE PREVIOUS FISCAL YEAR;
- (II) RENEW A CONTRACT TO PROVIDE ELECTRICITY OR GAS TO HOUSEHOLDS IN THE STATE THAT ENROLL THE HOUSEHOLD IN AN ENERGY ASSISTANCE PROGRAM UNLESS THE COMMISSION APPROVES THE SUPPLY OFFER; OR

(III) CHARGE A TERMINATION FEE.

(2) AN APPROVED SUPPLY OFFER FROM A THIRD-PARTY RETAIL SUPPLIER SHALL INCLUDE A COMMITMENT TO CHARGING AT OR BELOW THE STANDARD OFFER SERVICE RATE OR GAS COMMODITY RATE FOR CUSTOMERS RECEIVING ENERGY ASSISTANCE.

(3) IF A THIRD-PARTY RETAIL SUPPLIER'S OFFER IS NOT APPROVED BY THE COMMISSION, THE THIRD-PARTY RETAIL SUPPLIER MAY NOT:

- (I) RECEIVE FUNDS FROM AN ENERGY PROGRAM ADMINISTERED BY THE OFFICE OF HOME ENERGY PROGRAMS; OR
- (II) CHARGE A CUSTOMER RECEIVING ASSISTANCE FROM AN ENERGY PROGRAM ADMINISTERED BY THE OFFICE OF HOME ENERGY PROGRAMS.

(C) THE OFFICE OF HOME ENERGY PROGRAMS MAY ALLOCATE FUNDING TOWARD SUPPLIER CHARGES AS PART OF ARREARAGE ASSISTANCE FOR CONTRACTS THAT PRECEDED A CUSTOMER'S APPLICATION FOR ENERGY ASSISTANCE FROM THE OFFICE OF HOME ENERGY PROGRAMS.

“Here’s how this plays out in reality”

If a low-income household on third-party energy supply paid an extra \$500 a year for choosing deregulated supply, there’s a greater chance they will get behind on their utility bill.

The average OHEP household had about \$16,000 in income in 2018. If that household later applied for and received a \$500 OHEP grant, that grant was wasted on the premium price paid for utilities and still didn’t help the family by making utility costs affordable.”

*Del. Lierman and Sen. Washington
Baltimore Sun op-ed Sept. 22, 2020*

The Challenge - It Turns out Pennies Matter.

When 20% of Maryland families pay 2¢ more per kilowatt hour of electricity and 25¢ more for a therm of natural gas, it adds up. \$750 million more since 2014.

Energy suppliers get 70% of their new sales going door-to-door. Commission-only sales agents hyper-focus on zip codes where Maryland's most financially vulnerable households reside. And lower-income households who are strapped for cash, especially now, believe the sales pitches. But there are rarely savings. Suppliers sell low, then bill high.

There are roughly 30,000 Maryland households receiving energy assistance on third-party supply. A recent analysis of 110 BGE bills, all receiving energy assistance grants, revealed that an extra **\$650** was paid per year. This is because electricity rates were 64% higher than BGE's regulated rates, and natural gas rates were 88% higher. Unaffordable utility bills lead to Turn-off notices.

To keep power on, families then turn to MD energy assistance which was designed to lower family energy costs. If a utility bill is \$650 more due to sky-high deregulated pricing, the state grants are wasted and go to suppliers, instead of making utility bills more affordable.

The solution is SB31/HB397

Low-Income & OHEP Energy Supplier Guaranteed Savings Plan

Low-income families receiving state utility bill energy assistance grants (OHEP) that enroll with a third-party energy supplier would receive guaranteed electricity and natural gas supply rates that would be lower, or equal to, their utility's prices. Suppliers that pre-enroll with the Public Service Commission will guarantee that Retail Choice's benefits go to the neediest families.

- Fiscally responsible legislation that supports Retail Choice.
- Offers best Retail Choice pricing for the most financially vulnerable families.
- Protects **\$15 million a year** in wasted state energy assistance funds.

Switching utility companies means many low-income Marylanders paying more | Baltimore Sun COMMENTARY

By BROOKE LIERMAN and MARY WASHINGTON SEP 22, 2020

If you have received a knock on the door or a call on your phone from an energy company other than a main regulated supplier such as BGE or Pepco, then you know that Maryland has a busy third-party retail utility market.

Since the COVID-19 pandemic began, regulators have prohibited utility shut-offs for families unable to pay their bills. However, just as the weather is beginning to turn and as students are staying at home to participate in school, the utility termination moratorium is scheduled to end — on Oct. 1. Although the Office of Home Energy Programs has grant money available for families to help pay their bills, for families who have signed up with third-party energy suppliers, the funds may not be enough to prevent a shut-off.

These third-party suppliers have led consumers into thinking that a switch from their regulated utility supply will save them money. In actuality, on average, households that choose third-party suppliers are paying more, not less, after switching. Maryland's energy market was deregulated under the wide-sweeping 1999 Electric Choice Act. As of July, 418,000 Maryland households, about 18%, have switched from their regulated energy supplier — BGE, Pepco, Delmarva, SMECO or Potomac Edison — to one of the 70 or so deregulated third-party suppliers.

The switch from standard service to a third-party retailer always starts with a promising offer: switch from your current energy supplier for savings and maybe even rewards (maybe free airline miles). If you decide to switch, you may pay a lower rate to start — or if you've signed up for a variable rate — your rate may then spike from the introductory low rate.

Adding to higher utility bills, these deregulated supplier contracts often include sky-high exit fees, which can trap lower-income families into predatory energy contracts. These increased rates do not affect all Marylanders equally. Some 30,000 of these households are extremely low income and are receiving state-funded energy bill assistance through Maryland's Office of Home Energy Programs (OHEP) to help them pay high utility bills.

During the truncated 2020 Maryland legislative session, we introduced the Energy Assistance Protection Act (S.B. 685 and H.B. 1224) to ensure that Maryland taxpayers' energy assistance dollars are not wasted on more expensive third-party energy suppliers. Data conclusively show that third-party suppliers

Baltimore Sun 9/22/20 op-ed cont...

are profiting from millions of state energy assistance dollars rather than fully paying down customer utility bills. The result is a loss for both Maryland consumers and Maryland taxpayers, and a win for third-party suppliers.

From 2014 to 2017, Maryland households lost millions of dollars using third-party suppliers, paying about \$255 million more for electricity than if they had simply stayed with their regulated utility provider, according to the Abell Foundation. A survey of households in Southern Maryland found that customers paid on average about \$500 more per year using a third-party electric suppliers. In Baltimore City a survey of 40 accounts whose owners had applied for state help paying their energy bills after getting cutoff notices found that their average electricity rate was 51% higher than BGE and their natural gas rate 78% higher.

Some third-party suppliers have targeted low-income consumers through aggressive door-to-door sales and setting up tables outside Department of Social Services offices, where residents apply for energy assistance. Such suppliers are incentivized to target households likely to need energy assistance because they are guaranteed payment, even if their customers don't pay their bills. Maryland regulations put the risk of consumer default on utilities, not on suppliers. The Energy Assistance Protection Act would solve this problem by holding suppliers to their word. It would allow customers to retain a choice of energy suppliers, and would require any third-party supplier who wants to sell to households that receive OHEP funds to guarantee that their net price to consumers be lower than standard rates available through their regulated utility.

Other states, including Ohio, New York and Pennsylvania, have already taken similar action, in some cases designing programs guaranteed to have rates lower than those through the standard regulated utility. Maryland taxpayers should not be on the hook to guarantee profit to third-party energy suppliers who are exploiting low-income residents. Our legislation, when enacted, would guarantee that this exploitative practice would end. We look forward to championing this legislation during the next legislative session.

Delegate Brooke Lierman - District 46

Senator Mary Washington - District 43

In 2019, Consumers Paid \$108,355,000 More Than Utilities

How to read this chart across:

Scan down to about line 8. The NRG portfolio of brands was the #2 market share residential energy supplier. NRG's 45,389 customers paid an average 11¢ per kWh electricity compared to the average Maryland regulated "standard" electricity rate of 7.4¢. A 49% mark-up. NRG's average household used 11,648 kWh of electricity, and thus **paid \$418 above** utility electricity rates.

The last two columns on the right explain how the NRG brands initially offer a combo of variable and fixed rate introductory offers that auto-renew to variable rates, as described in their customer contracts.

2019 Maryland Residential Third-Party Supplier Pricing Results									
Market Share	SOURCE D.O.E. EIA-861	# Customers	Avg. Supplier Rate Charged	Avg. MD SOS electric rate	Supplier vs. MD SOS avg.	Avg Household kWh usage	Avg. Amount Household Paid Over Utility	Intro Offers 12/20 <small>mdelectricchoice.com</small>	Renewal Terms 12/20 <small>mdgaschoice.com</small>
1	Constellation - Exelon sub.	115,687	\$0.075	\$0.074	1%	15,809	\$17	Fixed 12, 24, 36	Fixed
	NRG~ Reliant	19,979	\$0.114	\$0.074	54%	11,298	\$453	Variable & Fixed 6,12,24	Variable
	NRG~XOOM	15,002	\$0.096	\$0.074	29%	11,853	\$258	Variable & Fixed 6,12,24	Variable
	NRG~Stream Energy MD	6,830	\$0.112	\$0.074	52%	12,418	\$476	Variable & Fixed 6, 18	Variable
	NRG~Discount Power Inc - (CT)	483	\$0.091	\$0.074	23%	8,559	\$148	Fixed 6, 12	Variable
	NRG~Energy Plus Holdings LLC	3,095	\$0.149	\$0.074	101%	11,694	\$876	Fixed 12, 24	Variable
2	NRG portfolio average	45,389	\$0.110	\$0.074	49%	11,648	\$418		
3	WGL Energy	41,388	\$0.085	\$0.074	14%	11,289	\$121	Fixed 12,24	Variable- Not disclosed
4	Direct Energy (NRG as of 7/20)	33,323	\$0.097	\$0.074	32%	10,509	\$247	Fixed 8,12,18	Variable
5	MDGE/Energy Services Providers	20,168	\$0.123	\$0.074	66%	9,309	\$455	Fixed 6, 12, 24, 36	Variable
6	Commerce (Just Energy)	18,928	\$0.096	\$0.074	30%	9,830	\$219	Fixed 3, 24,36	Variable
7	Ambit Energy	13,643	\$0.097	\$0.074	32%	10,349	\$241	Variable	Variable
8	SmartEnergy	12,337	\$0.100	\$0.074	35%	9,820	\$256	Not on site	Variable
9	IDT Energy	7,863	\$0.125	\$0.074	70%	8,740	\$450	Var. & F 6,12	Variable
10	SFE Energy	5,468	\$0.079	\$0.074	7%	9,161	\$49	Not on site	Variable
11	Palmco Power	4,932	\$0.158	\$0.074	113%	7,349	\$616	Variable	Variable
12	Spark Energy (was Oasis)	4,729	\$0.152	\$0.074	106%	8,781	\$686	Fixed 3,6,12 mo.	Variable
13	Liberty Power	4,153	\$0.108	\$0.074	46%	7,364	\$249	Fixed 6,12,18,36	Fixed
14	Josco Energy	3,703	\$0.112	\$0.074	51%	7,062	\$266	Variable & Fixed	Variable
15	North American Power	3,568	\$0.129	\$0.074	74%	13,979	\$770	Variable & Fixed	Variable
16	Tomorrow (was Sperian)	3,440	\$0.116	\$0.074	57%	9,724	\$410	Fixed 6, 12	Variable
17	Public Power	3,409	\$0.144	\$0.074	95%	10,966	\$768	Not on site	Variable
18	Eligo Energy	3,395	\$0.099	\$0.074	34%	11,541	\$287	Fixed 3	Variable
19	Major Energy	3,309	\$0.163	\$0.074	120%	9,322	\$829	Variable & Fixed 6, 12	Variable
20	Viridian Energy	3,289	\$0.145	\$0.074	96%	11,501	\$819	Fixed 12, 24	Variable
21	Mpower Energy	2,537	\$0.121	\$0.074	63%	6,696	\$313	Not on site	Variable
22	LifeEnergy	2,454	\$0.085	\$0.074	15%	8,066	\$89	Not on site	Variable
23	Spring Energy	2,317	\$0.099	\$0.074	33%	7,931	\$196	Variable & Fixed 6, 12	Variable
24	Engie- Think Energy	2,189	\$0.087	\$0.074	18%	10,847	\$143		Variable
25	Interstate Gas Supply	2,058	\$0.095	\$0.074	28%	9,156	\$189		Variable
26	Starion Energy	1,955	\$0.140	\$0.074	90%	10,347	\$686	Fixed 9, 12	Variable
27	StateWise Energy	1,932	\$0.173	\$0.074	133%	5,024	\$496		Variable
28	Great American Power	1,571	\$0.102	\$0.074	37%	7,348	\$203		Variable
29	AEP Energy	1,507	\$0.069	\$0.074	-7%	15,251	-\$78	Fixed 6, 12	Variable
30	National Gas & Electric	1,254	\$0.106	\$0.074	43%	18,774	\$598	Fixed 6, 12	Variable
31	Titan Gas LLC	1,153	\$0.113	\$0.074	53%	9,460	\$368		Variable

Supplier #32 to # 39 pricing continued...

2019 Maryland Residential Third-Party Supplier Pricing Results									
§0074	SOURCE D.O.E. EIA-861	# Customers	Avg. Supplier Rate Charged	Avg. MD SOS electric rate	Supplier vs. MD SOS avg.	Avg Household kWh usage	Avg. Amount Household Paid Over Utility	Intro Offers 12/20 mdelectricchoice.com	Renewal Terms 12/20 mdgaschoice.com
32	Horizon Power and Light	1,082	\$0.155	\$0.074	110%	10,122	\$819		Variable
33	Greenlight Energy	1,034	\$0.110	\$0.074	48%	8,779	\$314	Variable	Variable
34	AP Holdings	652	\$0.073	\$0.074	-2%	9,822	-\$12		Variable
35	SunSea Energy	602	\$0.147	\$0.074	98%	4,523	\$329		Variable
36	Plymouth Rock Energy	596	\$0.127	\$0.074	72%	8,995	\$481		Variable
37	Park Power	486	\$0.119	\$0.074	61%	9,858	\$445	Not selling	Variable
38	Shipley Choice	479	\$0.107	\$0.074	44%	12,516	\$409	Fixed 12	Variable- Not disclosed
39	American Power & Gas	440	\$0.114	\$0.074	54%	13,457	\$535	Variable	Variable
	TOTAL MD (No Renewable suppliers)	379,326	\$0.093	\$0.074	26%	12,002	\$231		Variable
	Cash Paid Above Utility		87,476,620						

Pricing for “100% Renewable” Suppliers

	100% Renewable Plans	# Customers	Avg. Supplier Rate Charged	Avg. MD SOS electric rate	Supplier vs. MD SOS avg.	Avg Household kWh usage	Avg. Amount Household Paid Over Utility	Intro Offers 12/20 mdelectricchoice.com	Renewal Terms 12/20 mdgaschoice.com
1	Inspire Energy	16,659	\$0.117	\$0.074	58%	9,473	\$408	Fixed 6 & subscriptions?	Variable- Not disclosed
2	Star Energy Partners	14,639	\$0.094	\$0.074	28%	9,272	\$189	Fixed 6	Variable
3	CleanChoice	13,765	\$0.118	\$0.074	59%	9,382	\$412	Fixed 12	Variable
4	Clearview Energy	6,650	\$0.099	\$0.074	35%	10,792	\$276	Fixed 6, 12	Variable
5	NRG-Green Mountain	5,987	\$0.135	\$0.074	82%	10,454	\$636	Fixed 6, 12	Variable- Not disclosed
	TOTAL RENEWABLE	57,700	\$0.111	\$0.074	51%	9,654	\$362		
	All Suppliers 2019 Results	437,026	\$0.095		29%	11,692	\$248		
	Total value paid over utility SOS rates in millions.		\$108,355						

Data Source is Department of Energy, EIA 861 filings.

"In short, they are attempting to fleece consumers."

The promotion is intense. They call, they send mail, they set up kiosks in malls, Costco and even outside the Department of Social Services and go door-to-door. Third party suppliers rely on predatory sales tactics targeting low income, older and vulnerable consumers and the come-ons often sound like this: "We have a \$100 rebate check waiting for you, press one to get the details."

In short, they are attempting to fleece consumers.

*AARP Maryland's Hank Greenberg
Sun Commentary October 1, 2020*



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H G Roebuck & Son Inc.

4987 Mercantile Road

Baltimore, MD 21236

During a cold-snap in January 2018, HG Roebuck & Son paid an extra \$12,567 to a deregulated natural gas supplier. Accountant had missed the contract renewal and deregulated gas pricing switched to high variable rates. Checked father's BGE account, a deregulated supplier charged 50% more than BGE for electricity.