



Maryland Chapter

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**Committee:** House Economic Matters  
**Testimony on:** HB 561 - “Electric Industry – Community Choice Energy”  
**Position:** Favorable  
**Hearing Date:** February 13, 2020

The Maryland Sierra Club submits this testimony in support of HB 561, a bill to enable local governments to implement a “community choice energy plan,” and thereby combine the electricity purchasing power of their residents to reduce ratepayer costs and select an electricity source favored by those residents.

**What the Community Choice Energy (“CCE”) bill does:**

- This bill allows local governments (counties, cities, or groups of these entities) the choice to pool (“aggregate”) their residents to purchase electricity on their residents’ behalf from a source considered most favorable for and by the community.
- The county or city establishing a CCE plan would have the discretion to decide upon the criteria for selecting the electricity provider – e.g., cost, type of source (especially clean/renewable), etc. There are no mandates in this regard.
- Within an “aggregated” electricity-purchasing community, individual households would retain the right to choose a different electricity provider than the one selected by the local government, i.e., they could opt out of the CCE plan and choose instead to use their local utility’s standard service or get their electricity from a different third-party provider. In other words, this bill continues in full force the supplier-choice model in use in Maryland today.<sup>1</sup>
- This is simply enabling legislation; that is, it just allows a CCE plan to happen in Maryland if any local governments choose to create one. No local government would be required to use CCE.
- The bill includes numerous safeguards. These include that any locality interested in using CCE would be required to draft a detailed implementation plan, share it widely with the public, and then obtain approval for the plan from the Public Service Commission. The Commission also would be required to adopt consumer protection regulations.
- Importantly, the bill makes virtually no demand on the state budget.

**The following facts are the basis for our support of this legislation:**

- **Communities in other states are saving money and supporting clean energy by combining the buying power of their residents** – Other states have already shown that when community residents combine their purchasing power through community choice aggregation, they can get their electricity below the utility standard offer service cost.
- **CCE is a ratepayer-favorable extension of our deregulated electricity market** – This approach combines the core deregulation concept of consumer choice with the kind of savings you get when

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<sup>1</sup> Maryland is a “deregulated” electricity market, meaning that individual households can choose to get their electricity from either their utility (“standard offer service”) or a different (“third party”) energy supplier.

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you shop at Costco or get your health insurance through your employer instead of a more expensive individual plan, i.e., pooled purchasing power.

- **CCE can reduce energy costs for low-income community members** – Local jurisdictions can save money for low-income residents by either aggregating their whole population or specifically developing aggregated service for low income portions of their communities. For low-income families receiving energy assistance, CCE can mean getting more electricity for the value of that energy assistance.
- **Electricity in Maryland is expensive** – Latest data from the U.S. Energy Information Agency found the residential cost of electricity per kilowatt hour in Maryland to be higher than in 36 other states.<sup>2</sup> And the total average bill for a Maryland household is more than in 43 other states.<sup>3</sup> A recent study found that almost 95% of the third-party suppliers in Maryland cost more than standard offer service.<sup>3</sup>
- **Energy bills are a major burden on struggling households in our state** – While middle- and upper-income households in Maryland spend on average about 4% of their income on energy, low income households pay 15% on average.<sup>4</sup> At very low levels of income, energy may cost as much as 20% or more of what a family has to spend. High energy bills often cause poor families to choose between keeping the lights on and paying for other essentials like school supplies or health care.<sup>3</sup>
- **CCE can help Maryland meet its clean renewable energy goals** – The 2019 Clean Energy Jobs Act (CEJA) commits Maryland to important increases in the amount of our electricity coming from renewable energy sources, especially wind and solar. But we have a long way to go to reach those targets. Right now, almost all our electricity comes from coal, fracked gas, and nuclear. CCE has no mandate regarding the source of a community’s electricity; but through their local governments, residents can contract for the kind of source they prefer, which is often clean renewable energy. In this way, communities can have access to the low cost clean renewable energy that large corporations like Amazon and Google, and other large organizations like sports arenas, are already getting.
- **Communities that choose clean renewable energy through CCE can support new green jobs and businesses for Maryland** – If communities choose to purchase energy from clean renewable sources – solar, wind, perhaps with energy storage – the contracts that they enter will provide secure financing that supports the expansion of those energy sources, including here in our state. So, beyond helping to meet CEJA’s clean renewable energy targets, CCE will also help develop the new green jobs and businesses that CEJA promises.

## Conclusion

This bill provides multiple benefits to Maryland and to our ratepayers. It amplifies the consumer choice that electricity market deregulation is intended to provide, supports local governments’ role in serving their residents, promises lower costs for ratepayers – especially for households burdened by energy costs – and offers an important mechanism to move Maryland toward its green energy and green development goals. It is a win-win-win for Maryland. We urge a favorable report by this Committee.

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<sup>2</sup> U.S. EIA – Electric Power Monthly (Release of December, 2019)

<sup>3</sup> U.S. EIA – 2018 Average Monthly Bill (by State) - Residential

<sup>4</sup> Peltier L and Makhijani A: Maryland’s Dysfunctional Residential Third-Party Energy Supply Market; Abell Foundation, Dec 2018

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