



Barbara Noveau, Executive Director, DoTheMostGood—Montgomery Country

Committee: House Economic Matters

Testimony on: HB561 - Electric Industry – Community Choice Energy

Position: Favorable

Hearing Date: February 13, 2020

DoTheMostGood—Montgomery Country (DTMG) is a progressive grass-roots organization with more than 1600 members who live in a wide range of communities from Bethesda near the DC line north to Germantown and beyond, and from Potomac east to Silver Spring and Olney. DTMG supports legislation and activities that keep its members healthy and safe in a clean environment. DTMG strongly supports HB 561 because it will create a mechanism for communities to decrease energy costs for Maryland consumers. HB561 will enable local governments in Maryland to choose to aggregate electricity purchases on behalf of all residents in the jurisdiction in order to negotiate more favorable rates with electricity suppliers. HB561 will also allow communities to negotiate for a greater mix of renewable energy than the renewable portfolio standard currently set by the Maryland Public Service Commission. This will authorize communities to move more quickly to 100% renewable energy.

HB561 is merely enabling legislation; no Maryland jurisdiction will be mandated to aggregate electricity purchases. Furthermore, no consumer will be required to participate in their jurisdiction's CCE organization. Residents will be able to opt out and continue purchasing electricity from other available providers in the same manner as they have been doing.

Maryland will not break new ground with the passage of the HB561. Eight states already have similar enabling legislation: California, Illinois, Massachusetts, New Jersey, New York, Ohio, Rhode Island, and Virginia. The CCE organizations in these states served approximately five million customers as of 2017. Illinois enacted CCE enabling legislation ten years ago and by 2017 had 490 community choice energy organizations in place. Ohio enacted enabling legislation in 1999, and by 2017 had 130 active CCE organizations. Massachusetts enacted enabling legislation in 1997 and had 190 CCE organizations in place by 2017.

HB561 will be good for Maryland consumers. In 1999, when Maryland deregulated the electricity market by passing the Electric Customer Choice and Maryland Competition Act, the intent was to lower rates for all customers. However, the opposite has happened, because residential customers were denied the ability to leverage their market power to negotiate for lower rates. HB 561 would help remedy that. The opt-out provision in HB561 is important to ensure that there are options for those who do not want to participate. In other states with community choice aggregation, only about 15 % of ratepayers typically opt-out.

Despite having a deregulated electricity market that allows consumers to choose their electricity supplier, Maryland has the 15th highest electricity rates in the nation. (In Maryland, the residential rate for electricity averages 12.84 cents per Kwh, commercial rates average 10.43 cents per Kwh, and industrial rates average 8.09 cents per Kwh.) HB 561 will allow local governments to act as aggregators for their constituents and, through the power of bulk purchasing, negotiate significantly lower rates than the default Standard Offer Service (SOS) rate charged by Maryland's utilities. The Environmental Protection Agency has found that, in the other states that adopted CCE, electric rate savings for participating communities dropped as much as 15 to 20% (<https://www.epa.gov/greenpower/community-choice-aggregation>). This would be a win for all Marylanders, particularly for low-income and fixed-income households.

In addition, by choosing to implement their aggregation authority under HB561, communities will be able to protect their residents from being targeted by unscrupulous third-party suppliers who target low-income and elderly ratepayers and charge rates higher than SOS rates. Maryland's deregulated energy market allows consumers to purchase their energy from third-party suppliers who act as middlemen between the utilities and consumers. Third-party suppliers purchase energy from the utilities at a bulk rate and then sell that energy back to consumers. However, a limited study in Baltimore found that low-income households on third-party supply applying for assistance with energy costs actually paid an average of 51 percent more than the Standard Offer Service price. Other studies showed that in 2017, about 97 percent of households on third-party supply paid more than the utility-offered Standard Offer Service rate and that between 2014 and 2017, Maryland households on third-party supply actually paid about \$255 million more than they would have on Standard Offer Service. HB 561 will allow Baltimore and other cities as well as counties with a high percentage of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce "heat or eat" conflicts for their residents. Such savings would also allow energy assistance dollars go farther, ultimately providing financial help to more households.

Finally, and importantly, HB561 will allow local communities to address climate change. HB561 will build on both the Greenhouse Gas Reduction Act and the 2019 Clean Energy Jobs Act by enabling communities to transition more quickly to renewable energy sources if they choose, by allowing local governments to negotiate to have all or most of their energy needs met through clean energy sources. The biggest barrier consumers currently face in changing to clean energy is that it is difficult, confusing, and time-consuming to make the switch. Montgomery County has identified CCE as an essential tool in reaching its goal of reducing greenhouse gas emissions by 80% by 2027 and 100% by 2035.

In summary, Maryland consumers and the environment will benefit from passage of HB561. HB 561 is supported by 45 co-sponsors in the House of Delegates, the Maryland Climate Coalition, the NAACP, and the Maryland Consumers Rights Organization. For all of the reasons mentioned above, DTMG strongly supports HB 561 and urges a **FAVORABLE** report on this bill.

Respectfully submitted,

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