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Committee: Finance
Testimony on: SB 315 - "Community Choice Energy"
Position: Favorable
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Thank you for allowing my testimony today. As a Licensed Clinical Social Worker (LCSW-C) for over 20 years with Montgomery County, MD, Department of Health and Human Services (DHHS) in Special Needs Housing, I feel I am particularly knowledgeable about this bill being considered in a way that offers a unique perspective that I would like to bring to the Committee's attention. Community Choice Energy will help to lower energy burdens for low-income households in Maryland and prevent homelessness.

First of all, I would like to strongly urge you to support the proposed Community Choice Energy Act (CCE), also known as Community Choice Aggregation (CCA) Act. It is a program that allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their existing utility provider. CCEs are an attractive option for communities that want more local control over their electricity sources, more green power than is offered by the default utility, and/or lower electricity prices. By aggregating demand, communities gain leverage to negotiate better rates with competitive suppliers and choose greener power sources.

CCEs are currently authorized in California, Illinois, Ohio, Massachusetts, New Jersey, New York, and Rhode Island. In 2016, community choice aggregations sold about 8.7 billion kilowatt-hours of green power to about 3.3 million customers. A number of other states are also exploring CCEs. To learn more about the status of states' efforts to enact CCE-enabling legislation, visit: <http://www.leanenergyus.org/cca-by-state/>.

WILL LOWER ENERGY BURDENS FOR LOW-INCOME HOUSEHOLDS AND PREVENT HOMELESSNESS

By aggregating a large number of consumers, local governments can purchase electricity at prices significantly below the Standard Offer Service rate, which is the default rate charged by Maryland's utilities.

Based on available evidence, low-income households using third-party supply are being disproportionately harmed. (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.) A report by the Abell Foundation, based on a limited sample in Baltimore (no official agency collects statewide data) found that low-income households on third-party supply applying for assistance with energy costs paid an average of 51 percent over the Standard Offer Service price. (And when their energy comes from natural gas, they pay 78 percent over the Standard Offer Service price.) This is actively and disproportionately harming low-income and fixed-income Marylanders. Further, about a third of energy assistance dollars went to pay for these higher costs rather than reducing energy burdens as they are intended to do. At the present time, just over a quarter

of households eligible for assistance actually get it. Statewide, in 2016 assisted households had an average income of \$14,700 and average annual energy bills of \$2,180 --15% of income. Even for them, post-assistance energy burdens remain high – more than 10 percent of household income. The already severe economic stresses faced by low-income households are intensified by high energy bills. Community Choice Energy will allow Baltimore and other cities as well as counties with high percentages of low-income residents, such as those in Western Maryland and the Eastern Shore, to lower electricity costs and reduce “heat or eat” conflicts. They would also have the salutary effect of making assistance dollars go farther, ultimately providing financial help to more households.

In my work with the Department of Health and Human Services, Special Needs Housing in Montgomery County, my job was to prevent homelessness of vulnerable families. To accomplish this, Montgomery County, as do most other municipalities in Maryland, uses State (Emergency Assistance to Families with Children) (or EAFC) grants to assist residents (who met eligibility requirements) coming to our agency to pay their utility bills that are threatened to be turned off or have been turned off for non-payment. Turn off of essential utilities can be the first step in losing one’s housing, as those services are necessary to continue functioning in one’s home. What I would like to bring to the committee’s attention, is the fact that, as stated above, low income families often pay more than the average resident for energy services. This is because in Maryland, customers are allowed to select third party suppliers. Unfortunately, some of these suppliers are predatory lenders who target low income customers who end up paying more than they might otherwise pay with a more reputable third party supplier.

The Community Choice Energy Act would prevent any kind of over-charging from happening because, as stated above, the municipality will negotiate for rates and terms on behalf of their residents. The difficult and confusing task of trying to select a third party supplier, which ordinarily falls on the consumer, will be taken on by the municipality. This will prevent any type of predatory lenders entering the picture and will ensure the best rates and terms. And as stated above, from my personal knowledge of working with low income residents at DHHS, it will help to increase the numbers of residents having the lowest possible energy costs. And also increase their ability to pay their utility bills--thereby decreasing their dependence on State grants. Even more importantly, CCE could help prevent homelessness, by decreasing low-income families utility costs.. In addition to being a very upsetting, costly and distressing time for families affected by homelessness, it can also be costly for state and local municipalities to house these families until they are able to find rental housing again.

In addition, this will allow more residents of all income levels to have the cheapest rates. Currently, in addition to the problem of predatory lenders, the vast majority of consumers in Maryland don’t even engage a cheaper or cleaner provider as the process is so complicated and rife with unknowns that it discourages consumers from switching to a preferable company altogether.

For these reasons, I urge you to support the Community Choice Energy Act. The outcome will be good, cheaper and cleaner energy rates for consumers of all income levels--but in particular it will help lower income residents to remain housed.