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March 4, 2021

To: The Honorable Dereck E. Davis
Chair, Economic Matters Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 1327 – Public Utilities – Transitional and Default Electrical Service -
Implementation (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in opposition to House Bill 1327 submitted by Delegate Kathleen M. Dumais. The bill would phase out Standard Offer Service, which is the price for electricity set by the Public Service Commission for consumers who do not choose a competitive electricity supplier and is used as the baseline for helping a consumer determine whether a competitive electric supply offer is reasonable. The Division is concerned that eliminating Standard Offer Service would result in increased, unregulated electricity prices for Maryland consumers.

Deregulation of electricity in 1999 was intended to increase competition in the marketplace and reduce the cost of electricity to the public. However, most consumers who have signed up through electricity suppliers since deregulation in Maryland have not saved money. In fact, data compiled by consumer advocates and the Office of People's Counsel has shown that those signing up with third party suppliers end up paying more than if they had stayed with standard offer service. Many of those experiencing increased costs appear to be low-income consumers. The Division has supported legislation that would bar consumers receiving financial assistance for utilities from being charged more than the Standard Offer Service price, which would be undermined by eliminating Standard Offer Service.

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This bill would allow electricity cooperatives to continue offering Standard Offer Service, but there are few such cooperatives in Maryland. Many consumers may be assigned to a third-party supplier through competitive assignment or default service. Past experience suggests that this will result in increased costs for consumers.

On the positive side, this bill prohibits door to door sales by electricity suppliers, which has been a source of complaints about deceptive sales practices. However, the definition of door-to-door sales is not consistent with the definition in the Commercial Law Article to which electricity suppliers are currently subject.

For these reasons, we ask that the Economic Matters Committee return a unfavorable report on this bill.

cc: The Honorable Kathleen M. Dumais
Members, Economic Matters Committee

Commented [SSW1]: Is the definition in the bill better than the definition in the Door to Door Sales Act?