

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 31 (Senator Washington)
 Finance

Electricity and Gas – Energy Suppliers – Supply Offers

This bill generally prohibits, beginning July 1, 2022, a third-party retail supplier from offering to provide or continuing to provide electricity or gas to households in the State that have received energy assistance from the Office Of Home Energy Programs (OHEP) within the past fiscal year. However, the Public Service Commission (PSC) must, by January 1, 2022, establish an administrative process to approve such supply offers, subject to specified conditions – namely, an approved supply offer must include a commitment to charging at or below the standard offer service (SOS) rate or gas commodity rate for customers receiving energy assistance. Each year, PSC must create test cases for new enrollments that must be run through each utility’s billing and enrollment system quarterly to verify that suppliers on the approved list are correctly charging households that receive energy assistance. The bill contains a related annual reporting requirement for PSC. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: Special fund expenditures increase by \$178,100 in FY 2022. Future year expenditures reflect ongoing costs. Special fund revenues increase correspondingly from assessments imposed on public service companies.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	\$178,100	\$160,500	\$165,100	\$170,900	\$176,800
SF Expenditure	\$178,100	\$160,500	\$165,100	\$170,900	\$176,800
Net Effect	\$0	\$0	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law: The Electric Customer Choice and Competition Act of 1999 facilitated the restructuring of the electric utility industry in Maryland. The resulting system of customer choice allows the customer to purchase electricity from a competitive supplier or to continue receiving electricity under SOS. Default SOS electric service is provided by a customer's *electric company* (e.g., Baltimore Gas and Electric Company or Pepco). Competitive electric supply is provided by competitive *electricity suppliers*. In either case, the electric company delivers the electricity and recovers the costs for delivery through distribution rates. Gas supply and delivery are similarly restructured, with gas suppliers and gas companies.

Energy Assistance

OHEP within the Department of Human Services (DHS) administers a variety of energy assistance programs and services for residential customers using local administering agencies, including local departments of social services, in each county and Baltimore City. These programs include the Electric Universal Service Program bill payment assistance, Maryland Energy Assistance Program bill payment assistance (heating source), and gas and electric arrearage assistance programs. The income eligibility for each of these programs is 175% of the federal poverty level.

State Fiscal Effect: The bill creates new and ongoing responsibilities for PSC that cannot be absorbed with existing resources. Therefore, special fund expenditures for PSC increase by \$178,083 in fiscal 2022, which accounts for the bill's July 1, 2021 effective date. This estimate reflects the cost of hiring one regulatory economist and one staff attorney to monitor supplier offers and engage in ongoing enforcement efforts. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$161,593
Other Operating Expenses	16,490
Total FY 2022 PSC Expenditures	\$178,083

Future year expenditures reflect salaries with annual increases and employee turnover and ongoing operating expenses. Special fund revenues increase correspondingly from assessments imposed on public service companies.

The extent to which special/federal fund expenditures from OHEP energy assistance programs may be reallocated across customers due to the bill is unknown; overall expenditures are not affected. DHS did not indicate the need for any additional resources as a result of the bill.

Small Business Effect: Electricity and gas suppliers are generally prohibited from enrolling and serving customers who have received financial assistance from OHEP in the previous fiscal year, beginning July 1, 2022. As such, the bill (1) precludes small suppliers from serving a portion of their potential market unless they can at least compete with SOS prices and (2) requires additional verification procedures at the time of contract enrollment and renewal.

Additional Information

Prior Introductions: SB 685 of 2020, a similar bill, passed the Senate with amendments and was referred to the House Economic Matters Committee; no further action was taken. Its cross file, HB 1224, received a hearing from the House Economic Matters Committee, but no further action was taken.

Designated Cross File: HB 397 (Delegate Lierman) - Economic Matters.

Information Source(s): Public Service Commission; Department of Human Services; Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2021
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