

**CITY OF BALTIMORE
COUNCIL BILL 19-0127R
(Resolution)**

Introduced by: Councilmembers Henry, Bullock, Dorsey, Cohen, Burnett, President Young,
Councilmembers Clarke, Sneed, Middleton, Reisinger
Introduced and read first time: January 14, 2019
Assigned to: Judiciary and Legislative Investigations Committee

A RESOLUTION ENTITLED

1 A COUNCIL RESOLUTION concerning

2 **Request for State Action – Reform Residential Retail Electricity and Natural Gas Markets**

3 FOR the purpose of calling on the Baltimore City delegation to the 2019 Maryland General
4 Assembly to create legislation that requires the Public Service Commission to collect and
5 analyze retail electric and natural gas supplier actual rates, usage, and zip-code information
6 and data for residential customers; eliminate retail supplier individual residential market
7 contracts; make aggregated supply options that would lower costs available to households;
8 and enact additional consumer pricing and contract safeguards for all Maryland residents who
9 choose third-party energy supply.

10 **Recitals**

11 Nearly two decades ago, the Maryland General Assembly passed the Electric Customer
12 Choice and Competition Act of 1999, or the Electric Choice Act. The Public Service
13 Commission (PSC) authorized retail competition for residential gas customers in 1999, and
14 legislation requiring licensing and consumer protection requirements for gas retail competition
15 was passed in 2000. Before the electricity and natural gas markets were deregulated, all
16 Maryland residents got their electricity and natural gas from the regulated monopolies that were
17 granted franchises to provide electricity and natural gas in specific service areas. The
18 authorization of retail competition allowed residents to purchase electricity from retail electricity
19 suppliers and retail natural gas suppliers. The authorization of retail competition aimed to
20 increase competition in the electricity and natural gas markets; the law anticipated that
21 competition and innovation would result in economic benefits for all consumer classes.

22 Retail competition authorized by the Maryland General Assembly and the PSC has reached
23 some of its aims. There are hundreds of licensed suppliers and over 60 active electricity and
24 natural gas suppliers to Baltimore City consumers at any given time. The market now has
25 renewable and green energy options, fixed and variable rate plans, customer reward and loyalty
26 programs, and a variety of benefits including airline points, charitable donations, and National
27 Park passes. Large commercial customers are, on average, saving money.

28 Yet, federal data, and a report commissioned by the Maryland Office of People’s Counsel,
29 indicate that retail competition in Maryland has largely failed to lower prices for residential
30 consumers; on the contrary, prices are, on average, considerably higher. Regulated utility
31 providers in each service area charge residential Standard Offer Service (SOS) rates. Third-party
32 supplier residential electricity data published by the U.S. Energy Information Administration

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

Council Bill 19-0127R

1 reveal that, from 2014 to 2017, Maryland households that chose retail electricity paid an
2 estimated \$255 million more than they would have if they had remained with their regulated
3 utilities' standard offer, excluding suppliers who sell renewable energy. In short, the energy sold
4 is the same, but the price is substantially higher.

5 The Baltimore City Council is deeply concerned by a recent Abell Foundation report that
6 found that our City's most vulnerable households are being targeted by retail suppliers and are
7 paying significant pricing premiums. Much of the assistance money meant to help vulnerable
8 households pay their utility bill is going to third party suppliers in the form of higher prices.
9 Increased energy burdens for Baltimore City's low-income consumers have severe and real
10 negative health, medical, financing, and housing consequences.

11 In order to stop retail suppliers from overcharging Maryland residents, the Maryland General
12 Assembly needs to create legislation requiring the PSC to collect rate data from retail electricity
13 and natural gas suppliers marketing in Maryland. Until this data is collected and published,
14 Maryland citizens will continue to be overcharged. Understanding what actual rates are charged
15 and how these retail plans are established and billed will give legislators the necessary
16 knowledge to put reforms in place and meet the end-goal of the Electric Choice Act.

17 The legislation should require the PSC to run initial and then yearly reports that analyze the
18 number of utility accounts that are variable priced accounts versus fixed rate accounts, determine
19 the actual price levels of all retail accounts, and, if possible, also determine the number of retail
20 accounts that are subject to termination fees. This data should be provided separately for
21 customers that receive assistance from the Office of Home Energy Programs (OHEP) and from
22 non-OHEP accounts. While this data is being collected and analyzed, the legislature should
23 consider a temporary moratorium on retail supply for customers from the individual residential
24 market.

25 Experience in other states indicates that aggregated supply can and does lower prices.
26 Maryland legislation should enable OHEP and local government to acquire aggregated energy
27 under contract, provided such contracts guarantee savings as compared to SOS rates and have
28 other safeguards. The legislation should also discontinue individual residential contracts
29 permanently and do the same for variable rates (energy rates that change on a month-to-month
30 basis and often shoot up during especially hot or cold months). Many retailers sign up customers
31 for variable rates without explaining how a variable rate works. Instead of explaining how a
32 variable rate works, many direct sales agents solely focus their sales pitch on cash or loyalty
33 incentives. The customer, who the retailer has failed to properly inform about the rate plan, is
34 surprised, or even unaware, when they are hit with a huge utility bill, especially when the weather
35 takes a turn. When given the choice, customers choose fixed rates over variable rates. Since
36 variable rates are highly volatile and frequently misunderstood by consumers, the legislature
37 should seriously consider eliminating residential auto-renewal to variable-rate contracts without
38 explicit customer explanation and opt-in.

39 The legislation should improve the design of utility bills to make them more readable and
40 informative for consumers, and the legislation should require and fund changes to improve
41 retailer pricing and contract transparency. Residential utility bills (both online and physical
42 versions) should have the full third-party pricing plan information, including the pricing plan's
43 name and the contract start and stop dates. Providers should clearly list utility SOS electricity
44 and natural gas rates on their websites and on utility bills. Retail providers should include
45 information on all utility bills that show how much the customer saved or overpaid on that

Council Bill 19-0127R

1 invoice cycle compared to the regulated utility offer. All bills should use clear language that is
2 easily understandable; all monetary figures should begin with the dollar sign, and the phrase
3 “kilowatt hours” should be spelled out, rather than abbreviated as “KH”. If energy retailers are
4 allowed to continue charging variable rates, retail suppliers should be required to list the past 12-
5 month variable electric or natural gas rates on their websites in a place that customers and
6 potential customers can easily find. Retail suppliers should also be *required* to inform customers
7 about upcoming rate changes and provide customers with a variety of options through which they
8 can receive this information, such as via phone call, text, or physical mail.

9 The legislation should also require the Public Service Commission to establish a unit within
10 the agency responsible for monitoring the competitive markets and investigations to ensure
11 compliance with the consumer protection rules. Enhanced consumer protection rules are needed,
12 but lack force without adequate enforcement procedures and tools. The Commission also should
13 be able to provide relief to all consumers hurt financially by deceptive practices and non-
14 compliance with consumer protection laws and regulations. Without resources that allow the
15 PSC to investigate and enforce provisions of this legislation, the legislation will lack genuine
16 force.

17 Finally, the Maryland General Assembly’s legislation should delay approving the retail
18 supplier requests before the necessary data has been gathered and analyzed and the necessary
19 consumer protections have been enacted. The legislation should make sure to disallow supplier
20 consolidated billing. Supplier consolidated billing blocks consumers from accessing their utility
21 bill and therefore denies consumers the opportunity to learn about their energy usage or utility
22 rates. This information is necessary for consumers to make decisions in the marketplace, and
23 Maryland residents should not be denied it.

24 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the
25 Baltimore City Council requests the Baltimore City delegation to the 2019 Maryland General
26 Assembly to create legislation that requires the Public Service Commission to collect and analyze
27 retail electric and natural gas supplier actual rates, usage, and zip-code information and data for
28 residential customers; eliminate retail supplier individual residential market contracts; make
29 aggregated supply options that would lower costs available to households; and enact additional
30 consumer pricing and contract safeguards for all Maryland residents who choose third-party
31 energy supply.

32 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Baltimore City
33 Delegation to the 2019 Maryland House of Delegates, the Maryland Public Service Commission,
34 the Maryland Office of People’s Counsel, and the Mayor’s Legislative Liaison to the City
35 Council.