



**SIERRA
CLUB**

7338 Baltimore Ave
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Committee: Economic Matters

**Testimony on: HB768 – “Montgomery County – Community Choice Energy – Pilot Program
MC27-21”**

Position: Support

Hearing Date: February 18, 2021

The Maryland Sierra Club and our Montgomery County Group submit this testimony in support of HB768. This bill will establish a pilot program enabling Montgomery County to implement a “community choice energy plan,” and thereby combine the electricity purchasing power of its residents to reduce ratepayer costs and select an electricity source favored by county residents.

What the Community Choice Energy (“CCE”) bill will do:

- This local bill is enabling legislation to allow the Montgomery County government, if it so chooses, to pool (“aggregate”) the electricity demand of large numbers of residents to purchase electricity on residents’ behalf from a source considered most favorable for and by the community.
- The county would decide upon the criteria for selecting the electricity provider – e.g., cost, type of source (especially clean/renewable), etc. There are no mandates in this regard.
- The bill continues in full force the supplier-choice model in use in Maryland today¹, i.e., individual households in an aggregated portion of the county would retain the right to choose a different electricity provider (their local utility’s standard service or a different third-party provider) than the one selected by the county government.

Advantages to Montgomery County:

- CCE will provide a powerful tool for the county to meet the substantial clean energy requirement of its ambitious greenhouse gas reduction goals.
 - It is estimated that the county can meet about 40% of its energy requirements through locally generated clean renewable energy.² The remaining roughly 60% will need to be purchased from sources outside the county.
 - CCE will provide a proven cost-effective mechanism to obtain large quantities of clean renewable energy through low cost power purchase agreements.
 - Maryland’s 2019 Clean Energy Jobs Act commits our state to important increases in the amount of electricity coming from renewable energy sources, especially wind and solar. But we have a long way to go to reach those targets. Right now, almost all our electricity comes from coal, fracked gas, and nuclear. While this bill has no mandate regarding the source of the county’s

¹ Maryland is a “deregulated” electricity market, meaning that individual households can choose to get their electricity from either their utility (“standard offer service”) or a different (“third party”) energy supplier.

² Jacobson MZ et al, *100% Clean and Renewable Wind, Water, and Sunlight (WWS) - All-Sector Energy Roadmaps for the 50 United States*, Energy and Environmental Science; April 2015

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CCE electricity, the county will have the ability to contract for clean renewable energy, generated within the county, elsewhere in Maryland, and elsewhere in the country.

- Importantly, the CCE mechanism makes virtually no demand on the public budget.
- CCE is a ratepayer-favorable extension of our deregulated electricity market – This approach combines the core deregulation concept of consumer choice with the savings obtained from pooled purchasing power, e.g., when individuals shop at Costco or get their health insurance through their employer instead of a more expensive individual plan. Put differently, CCE enables communities to have access to the low cost clean renewable energy that large corporations like Amazon and Google, and other large organizations like sports arenas, are already getting.
- Electricity in Maryland is expensive – Latest data from the U.S. Energy Information Agency found the residential cost of electricity per kilowatt hour in Maryland to be higher than in 36 other states.³ The total average bill for a Maryland household is more than in 43 other states.⁴ A recent study found that almost 95% of the third-party suppliers in Maryland cost more than standard offer service.⁵
- Energy bills are a major burden on struggling households – While middle- and upper-income households in Maryland spend on average about 4% of their income on energy, low income households pay 15% on average.⁶ At very low levels of income, energy may cost as much as 20% or more of what a family has to spend. High energy bills often cause poor families to choose between keeping the lights on and paying for other essentials like school supplies or health care.⁷
- CCE can specifically target reduced energy costs for low-income community members – Montgomery County may add to the savings for low-income residents by specifically developing aggregated service for low income portions of the county. For low-income families receiving energy assistance, CCE can mean getting more electricity for the value of that energy assistance.
- CCE can support new green jobs and businesses in Montgomery County and elsewhere in Maryland – The purchase of energy from clean renewable sources – solar, wind, and energy storage – will provide secure financing that supports the expansion of those energy sources, including here in our county and the state. So, beyond helping to meet our clean renewable energy targets, CCE will also help develop the new green jobs and businesses that the clean energy transition promises.

³ U.S. EIA – Electric Power Monthly (Release of December, 2019).

⁴ U.S. EIA – 2018 Average Monthly Bill (by State) – Residential.

⁵ See n.3.

⁶ Peltier L and Makhijani A: Maryland's Dysfunctional Residential Third-Party Energy Supply Market; Abell Foundation, Dec 2018.

⁷ See n.3.

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- By piloting CCE in Maryland, the county can play a leadership role in developing a CCE model which then may be expanded statewide. The county's implementation of CCE will require partnering with the Public Service Commission in developing the requisite detailed regulations and mechanisms. This partnership can, in turn, provide important learning experiences for the state as a whole.

Conclusion

This bill provides multiple benefits to Montgomery County and to county ratepayers. It amplifies the consumer choice that electricity market deregulation is intended to provide, supports local governments' role in serving their residents, promises lower costs for ratepayers – especially for households burdened by energy costs – and offers an important mechanism to move the county toward its green energy and green development goals. We urge a favorable report on this bill.

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