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BILL NO.:	**House Bill 662** **Renewable Energy Surcharge – Retail Electric Customers**
COMMITTEE:	**Economic Matters**
HEARING DATE:	**March 16, 2011**
SPONSOR:	**Delegate Summers**
POSITION:	**Oppose**

House Bill 662 imposes a surcharge on certain electricity ratepayers whose electricity consumption exceeds average class consumption by 25% in any month. Proceeds from collection of the surcharge would be either rebated to customers who elect to purchase electricity generated from a Tier 1 renewable source or paid into the Strategic Energy Investment Fund (SEIF). The purpose of the SEIF is to invest in and promote energy efficiency, demand response and the development and deployment of clean and renewable energy technology. Additionally, money from the Fund is allotted to provide supplemental funds for energy assistance through the Electric Universal Service Program (EUSP).[1] House Bill 662 would exempt customers receiving low-income government assistance or unemployment benefits from being subject to the surcharge.

[1] House Bill 662 prohibits revenue received by the SEIF from the proposed surcharge from being used for energy assistance or rate relief.

The Office of People's Counsel (OPC) opposes House Bill 662 for the following reasons:

- The surcharge would penalize ratepayers with higher usage regardless of the reason for their higher than average consumption and regardless of whether the ratepayer has any control over the usage.
- Information is lacking on the estimated numbers of customers affected by the surcharge, the bill impact upon customers and the estimated proceeds to be distributed to projects and programs.
- Utilities are not likely to have access to sufficiently current information to verify whether a customer is receiving government assistance or unemployment benefits on a monthly basis.
- Utilities may not have sufficiently current information for each customer to verify whether that customer is purchasing electricity from a Tier 1 renewable source in any given month.

OPC understands that with the likely loss of federal and other funding and reduction in RGGI auction proceeds for energy conservation and renewable energy programs, ratepayer surcharges are seen as an attractive alternate funding option. However, while this Bill may have a laudable goal, its surcharge/rebate method of funding is unreasonably punitive and impractical given the current state of utility billing and information management systems.

OPC has long recognized the role that energy efficiency and demand response can play in meeting the energy needs of Maryland households, and has supported the development of ratepayer-funded programs. Those initiatives are intended to help with the affordability and reliability concerns of ratepayers, while addressing environmental, climate and health concerns. Similarly, OPC has supported the renewable portfolio standard (RPS) and Maryland's participation in the Regional Greenhouse Gas Initiative (RGGI) as means of encouraging the development of renewable energy. However, the cost impacts of the existing renewable energy initiatives are not directly funded by ratepayers, but instead are reflected in prices paid by all electricity consumers. The programs are not subject to PSC review and approval, and are not subject to cost-effectiveness tests (in contrast to the EmPower Maryland programs).

House Bill 662 imposes an unspecified surcharge on the bills of customers whose electricity consumption exceeds the average consumption by more than 25 % in a given month. (1000 kWh is typically used as an average level of residential usage). Thus, the Bill could result in imposition of a surcharge on any customer who has high monthly electricity usage due to air-conditioning (not just peak usage), excessive heat pump usage due to cold weather (35 degrees and below), reliance on certain medical equipment, defective meters, defective equipment or poorly insulated housing.

The bill provides for a rebate to be determined by the Public Service Commission. The rebate would be distributed to each customer who purchases electricity generated from a Tier 1 renewable source. In effect, those customers who purchase "wind energy" (there are several suppliers with wind energy offers that are from 5%-100% wind) from competitive suppliers would not pay the surcharge, but Standard Offer Service (SOS) customers whose usage meets the greater than average threshold[2] would pay the surcharge. Unfortunately, OPC has no way to predict at this time how much of an impact the proposed surcharge may have on customers from each of the utilities. Millions of customer accounts would have to be reviewed for each month of usage to predict the impact.

Even if OPC was not of the opinion that the Bill may be unreasonably punitive for certain customers, there are practical aspects to the Bill which may make it unworkable. For example, utilities do not have a readily identifiable and reliable way of determining which customers are receiving various forms of government assistance or unemployment benefits. This Bill would require the utilities to attempt to get access to that information from various state and federal agencies on a monthly basis in order to make the surcharge work. Even if the information could be given to utilities to comply with this Bill, there is often a lag in bringing agency records up to date.

Therefore, for the foregoing reasons, the Office of People's Counsel urges an UNFAVORABLE report.

[2] SOS customers include approximately 87% of residential customers of investor-owned utilities, as well as all customers of the municipalities and electric cooperatives.