



State of Maine
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GOVERNOR

William S. Harwood
PUBLIC ADVOCATE

Office of the Public Advocate
Retail Electricity Supply Report
April 12, 2023

Senator Lawrence, Representative Zeigler and distinguished members of the Joint Standing Committee on Energy, Utilities, and Technology,

My name is William Harwood and I am the Public Advocate, here today to present the OPA's Report on Maine's retail electricity supply, which was prepared pursuant to Senator Grohoski's legislation from last session, LD 318, "Resolve, To Direct the Office of the Public Advocate To Study Reforming Maine's System of Retail Electricity Supply To Provide More Options to Maine Customers and Support Maine's Climate Goals". (Public Law 2021, Chapter 164).

The Report is based on extensive research and analysis by highly respected national experts, led by Susan Baldwin of SMBaldwin Consulting and Steve Estomin of Exeter Associates. The research and analysis of each firm is included in their respective reports attached to the OPA Report, as Attachments A and B.

The Report also reflects the input of an informal stakeholder advisory group of knowledgeable Maine public officials and industry leaders, including:

Noël Bonam & Barbara Alexander, AARP
Susan E. Clary, Central Maine Power Company
Marc Hanks, NRG Energy
Lori Hemmerdinger, C.N. Brown
Stephen Johnston, Versant Power
Jeff Jones, Maine Power LLC
Ben Lucas, Maine State Chamber of Commerce
Sean Mahoney, Conservation Law Foundation
Claire Swingle, Maine Governor's Energy Office
Mitch Tannenbaum, Maine Public Utilities Commission



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The OPA appreciates the time, effort, and valuable contributions of each member of the stakeholder group. However, it is important to note that the conclusions and recommendations submitted in this Report do not necessarily reflect the views of individual members of the stakeholder group. Written comments from stakeholders are included in the Report.

As you know, as part of electric utility restructuring in 2000, Maine required our electric utilities to stop supplying ratepayers with electricity and limit their operations to just delivering the electricity to be supplied by other non-utility suppliers. Specifically, a new category called CEPs was created for those who wanted to supply electricity to Maine consumers and the Standard Offer program was also created to provide “default service” to those who declined to select a CEP. With occasional minor adjustments this arrangement has continued for the past 23 years. The Baldwin and Exeter Reports represent a long overdue critical review of the programs.

Based on the extensive analysis of the Baldwin and Exeter teams and the input from the stakeholder group, OPA is recommending several significant changes to improve the retail supply of electricity to Maine residential consumers. Specifically, the Baldwin study focused on reforming the rules governing the residential market served by Competitive Electricity Providers (CEPs) and the Exeter study focused on reforming Standard Offer Service (SOS). Each of their Reports include analysis of their respective subject areas and recommendations to benefit Maine consumers.

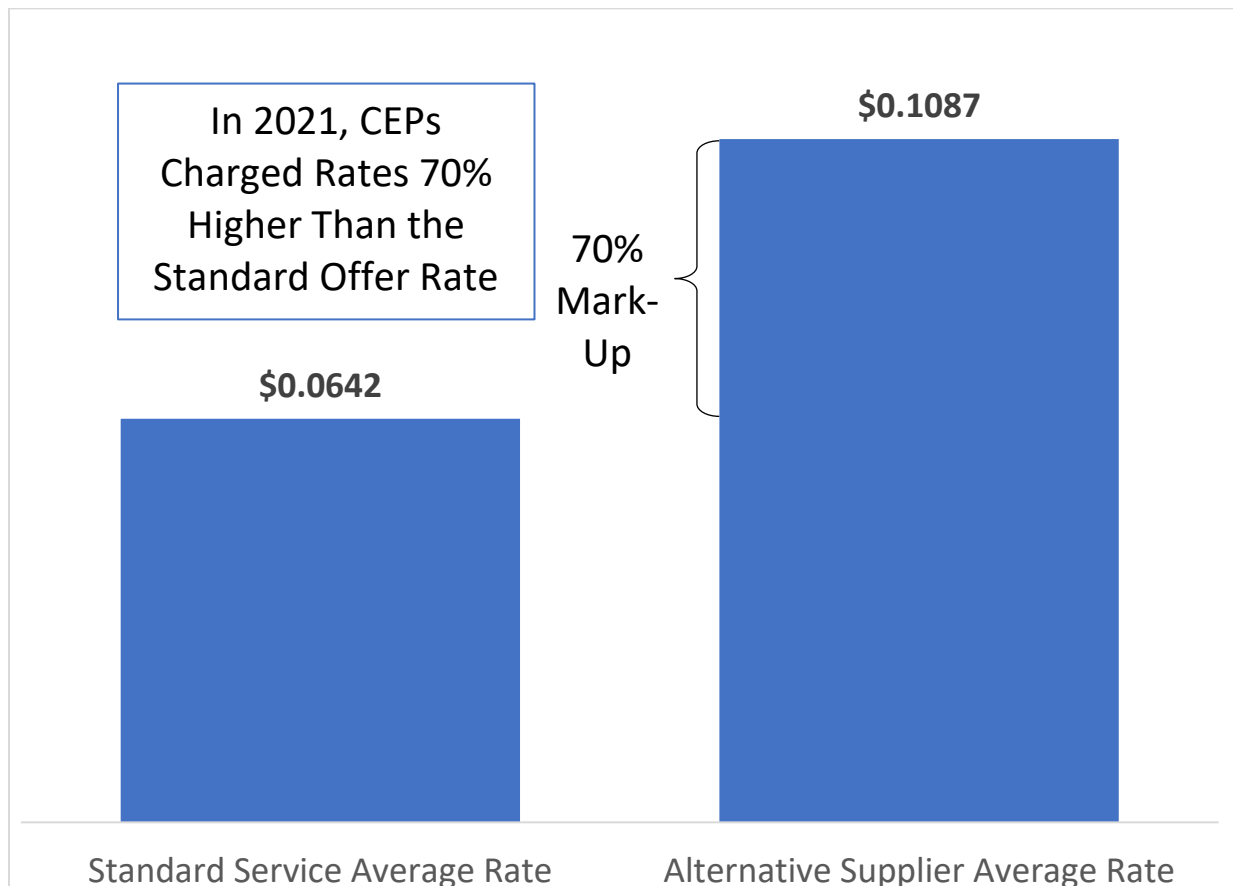
REFORMING RETAIL SUPPLY BY CEPs

At a high level, the Baldwin Report concludes that the anticipated benefits of the competitive electricity market for residential customers, including promised innovations in pricing and products, never materialized. Accordingly, the OPA is recommending phasing out residential CEP service.



First, more than 90% of residential customers take SO service, rather than CEP service. 90% of your constituents have concluded that any potential benefits from trying to figure out which CEP supplier might save them a few dollars is not worth the time or effort.

Second, for the four-year period from 2018 through 2021, those customers that did elect CEP service, paid on average \$20M/yr. more than what they would have paid had they been supplied by the SOP. Although there are a few CEPs that do benefit a limited number of Maine consumers, in the aggregate, CEPs charge more than the SOP prices set by the PUC. In 2021, CEP prices range from approximately \$0.07 per kWh to \$0.17 per kWh with an average price of \$0.11 per kWh. As shown on the chart below, this average price is 70% higher than the 2021 SO price of \$0.06 per kWh. (Prices rounded to the nearest whole cent).





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In 2021, on average, households receiving CEP service paid between \$310 and \$340 more than if they purchased from the SOP. We can all imagine better uses for this \$20M/yr. excess charge, such as investments in energy efficiency or low-income assistance.

As a result of the average CEP rate being higher than the SOP rate, there is an increased cost per customer:

Retail Electricity Overpayments			
Year	Average Number of Customers	Estimated Overpayment	Average Extra \$ per Customer
2018	105,786	\$19,063,404	\$180.21
2019	76,053	\$24,827,597	\$326.45
2020	67,730	\$19,598,810	\$289.37
2021	64,279	\$20,870,704	\$324.69

Third, it appears that there are a disproportionately large number of low-income ratepayers included in the 10% that elect CEP service. Low-income customers are approximately 40% more likely to purchase from CEPs than other consumers. We know that many low-income customers are desperate to reduce their utility bills and are particularly susceptible to aggressive CEP marketing. Unfortunately, many of these low-income customers do not have the time or sophistication to continuously monitor the price being charged by their selected CEP against the SOP price set by the PUC. When this happens, savings frequently disappear over time and customers find themselves being billed and paying CEP prices that are higher than the SO price. Recently, Electricity Maine converted many of its customers to a variable rate program and as a result started charging customers \$0.39 per kWh, more than twice the current SO price of 0.17 per kWh. At a time when we are all concerned about LIAP funding and trying to find ways to help low-income ratepayers pay their utility bills, this practice is a particularly tragic development. We have attached more information regarding Electricity Maine and a few brief summaries of the many customers who have called our office recently to complain about CEP prices and service.



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Finally, most of these CEPs are not local businesses. Of the \$49M in revenues earned by residential CEP suppliers in 2021, \$47M went to companies based outside of Maine.

If we did phase out CEP service to residential customers, it would open up a number of promising opportunities. Specifically, if there were no competition from CEPs, the PUC would have more flexibility to offer an alternative optional “green” standard offer service to help us achieve our climate change goals and could also engage in some creative rate design of SOP pricing such as seasonal pricing to promote winter heat pump usage or TOU pricing to send a more accurate price signals to consumers to encourage them to use electricity more efficiently. Under the current CEP/SOP arrangement, the PUC is constrained in pricing SO service by the risk that CEPs will temporarily undercut the SO price and thereby minimize the desired impact of the creative rate design.

To assure ratepayers are not paying more than necessary, the OPA is recommending that the Standard Offer Provider(s), as periodically selected by the Maine Public Utilities Commission (PUC), be the exclusive retail suppliers to all residential customers. CEPs would have the option to continue to serve commercial and industrial customers.

Alternatively, if the Legislature decides to allow CEPs to continue providing residential service, the OPA is recommending that, as outlined in the Baldwin Report, existing consumer protections should be tightened by:

- a) capping CEP prices at Standard Offer prices;
- b) prohibiting residential CEP contracts with rates that vary month to month;
- c) improving transparency of competing CEP prices to allow consumers to compare prices and fuel mix;
- d) developing a public CEP report card showing consumer complaints and all state enforcement actions against each CEP;
- e) improving annual CEP reports to the PUC;
- f) strengthening regulation of door-to-door sales by CEPs; and



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- g) requiring CEPs to provide additional resources to OPA and PUC for consumer education, complaint handling and compliance and enforcement actions.

Overall, the CEP program does not benefit Maine consumers- and OPA recommends that it be phased out.

REFORMING STANDARD OFFER SERVICE

The Exeter Report focuses on the need for Standard Offer reform. The Report responds to recent large increases in SO prices. In just over a year's time, the SO price in Maine tripled from approximately 6 cents/kWh to approximately 18 cents/kWh. There are few basic commodities whose prices increase so dramatically over such a short period of time. Unfortunately, this results in financial hardship for: low-income consumers; consumers living on a fixed income; those who live paycheck to paycheck; and small businesses on a tight budget who have a limited ability to pass these increases on to their customers.

The Exeter Report points out a number of weaknesses with the current SOP program. Specifically, by bidding out the entire residential load each year, the customers face the full impact of changes in market prices from one year to the next. And that is what has happened the last two years.

To address this problem, Exeter recommends that the procurement be stretched out over a number of years whereby the supply contracts are 'layered' or 'laddered' and thereby introducing more price stability and less price volatility into the SO program. For example, each year the SO bidding could be for a three-year contract for 1/3 of the electricity load and the three contracts would then be averaged into a single SOP price. Each year one contract would drop out and a new contract would be added to make sure that price changes were gradual and not unduly large.

To address this situation, the OPA has worked with Senator Vitelli on her bill, LD



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987, "An Act to Promote Electricity Price Stability for Standard-offer Service." The OPA believes that designating a new SO Provider for a term of up to 10 years has the potential to reduce the future risk of sudden sharp price increases. By implementing a 'laddering' approach to purchasing SO supply recommended in the Exeter Report, this new SO Provider can, subject to oversight by the PUC, structure and diversify its energy purchases over time to stabilize prices.

In addition, as mentioned previously, the new SO Provider should be directed to help achieve Maine's climate goals by offering consumers an optional "green" Standard Offer supply and/or adopting, subject to PUC oversight, rate design changes that promote the efficient use of electricity as a substitute for fossil fuels.

Finally, the synergies between the SMBaldwin Report and the Exeter Report should be noted. Making the SO Provider the exclusive retail supplier of electricity to residential customers allows the setting of SO prices that minimize price volatility, benefiting households throughout Maine. Without the risk that CEPs temporarily offer prices below SO prices when market conditions are favorable, and then raise them above SO prices shortly thereafter (which puts pressure on SO Providers to also "follow the volatile market"), the SO Provider will be better able to maintain stable prices.

Thank you for your time, attention, and consideration of this very important report. The Office of the Public Advocate looks forward to working with the Committee while it considers legislation resulting from the Report.

Respectfully submitted,

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Summary of Ongoing Investigation of Competitive Electricity Providers Attachment A to OPA Retail Supply Study Presentation (4/12/2023)

- Late last year, Electricity Maine began transferring its customers from fixed rate contracts, which it had previously used for many years with customers, to variable rate contracts that resulted in prices that were in some cases three times the rate previously charged and more than double the standard offer rate. Electricity Maine appears to have done this without obtaining customers' consent to the new contract at the new price. When customers understandably became upset at the new price after receiving their electricity bills, they contacted Electricity Maine to cancel the service but many of them were unable to reach Electricity Maine customer representatives or were put on hold for hours at a time.
- Many Electricity Maine customers are used to an auto-renew contract and ignore the annual letters; this year, Electricity Maine put them on variable rates instead of auto-renewing, at a rate of .399, resulting in dozens of calls from customers getting electric bills between \$600-\$1,000.
- One man believed he was on the standard offer until his bill tripled. He called CMP to investigate his high bill and found out Electricity Maine had raised his rate to 0.379. Even before the rate hike, he was paying .129 when the Standard Offer was .118.
- A woman from Albion said her bill tripled - she tried to call Electricity Maine for 4 days to investigate and never got through.
- A woman from Old Orchard swears she never signed up with Smart Energy and only realized she was their customer when she got a \$313 electric bill -- they were charging her .379 per kWh
- A woman from Skowhegan saw her bill increase from \$98 to \$350 when she suddenly became a Major Energy customer without her knowledge or consent.
- A man from Saco called Electricity Maine before his contract was up and told them he didn't want to be on a variable rate - and was then put on a variable rate, sticking him with a \$250 electric bill
- One man got a call from Major Energy and gave them his CMP account number because he believed he was talking to CMP - once he realized they weren't he told them he didn't want to switch from the Standard Offer. He was then switched to Major Energy and called us because he believes this company is taking advantage of older people.