State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 624-3687 (voice) 711 (TTY)
www.maine.gov/meopa

Janet T. Mills
GOVERNOR

William S. Harwood
PUBLIC ADVOCATE

Testimony in Support of
LD 2143, "An Act to Dedicate the Revenue from the Sales Tax on Electricity to Low-Income Ratepayer Assistance"
February 6, 2024

Senator Grohoski, Representative Perry, and distinguished members of the Joint Standing Committee on Taxation,

My name is William Harwood, here today as Public Advocate, to testify in strong support of LD 2143, "An Act to Dedicate the Revenue from the Sales Tax on Electricity to Low-Income Ratepayer Assistance." The OPA would like to thank Representative Warren for sponsoring this bill.

This bill is supported by the Maine Electricity Ratepayer Advisory Council (ERAC), a statutorily created organization of 18 members from state government, private industry, and low-income advocacy groups. Attached is an excerpt from the ERAC Annual Report filed last December 1st indicating ERAC's support for this bill (Attachment A).

This bill would help make electricity affordable for low-income Mainers by dedicating the sales tax collected on the sale of electricity to residential ratepayers to the PUC's Low Income Assistance Program (LIAP). This proposal has the potential to raise approximately $15M/year for LIAP.

Currently, low-income ratepayers are facing a large "affordability gap" of approximately $68M/yr. What this means is that Maine's low-income ratepayers need approximately $90 million/yr of financial aid in order for electricity to be affordable but currently they are only receiving $22.5 million/yr in financial assistance. This results in the $68M/yr. gap. Attached is a summary of the $68M/yr affordability gap (Attachment B). The approximately $15M/yr to be contributed by this bill will reduce the gap by 22%.

State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 624-3687 (voice) 711 (TTY)
www.maine.gov/meopa

Janet T. Mills
GOVERNOR

William S. Harwood
PUBLIC ADVOCATE

Today Mainers are barraged by multiple, alarming economic stressors. Nearly 11%[1] of the population lives at or below the federal poverty level (FPL),[2] juggling the costs of food, housing, medical bills, etc. with ever rising utility bills. On average, Americans spend approximately 2.3% of their income on electric bills.[3,4] But a two-person, Maine household at 100% FPL[5] spends approximately 7%[6] of their income to keep the lights on and, in some cases, to heat their home.[7,8] This is nearly double the 4%-of-income standard that the Public Utilities Commission (PUC) uses to determine "affordable" electricity costs (no ratepayer should be expected to pay more than 4% of household income for electricity).

The impact of high utility costs falls heavily on low-income households that do not have additional resources. The Community Action Agencies in Maine are reporting an overall 8% increase in applicants for heating aid this winter compared to the same time last

---

[1] *U.S. Census*, S1703. Selected Characteristics of People at Specified Levels of Poverty in the Past 12 Months. 2022 Data.

[2] As of January 17, 2024, the FPL for a two-person household is $20,440.

[3] *U.S. Bureau of Labor Statistics*, Table 1101. Quintiles of income before taxes: Annual expenditure means, shares, standard errors, and relative standard errors. Consumer Expenditure Surveys, 2022. https://www.bls.gov/cex/tables/calendar-year/mean-item-share-average-standard-error/cu-income-quintiles-before-taxes-2022.pdf (last accessed Jan. 24, 2024).

[4] On average the poorest quintile of Americans spends 3.7% of their income on electricity while the richest quintile spends only 1.6%.

[5] *Federal Register*, "Annual Update of HHS Poverty Guidelines, January 17, 2024. The FPL for a two-person household is $20,440.

[6] A Maine household at 75% FPL spends 9.4% of their income on electricity.

[7] 6,270 kWh/year is the average annual residential electricity consumption; *Sage Management Consultants, LLC*, "Low-Income Electric Assistance Program Best Practices Study and Assistance Gap Update (Prepared For the State of Maine Office of the Public Advocate and the Electric Ratepayer Advisory Council) – December 1, 2023 ("The Sage Report"). $0.2299/kWh is the weighted average total electric rate; *Maine Public Utilities Commission*, Residential Electricity Rates in Maine as of January 1, 2024, https://www.maine.gov/mpuc/regulated-utilities/electricity/delivery-rates (last accessed Jan. 31, 2024). 6,270*$0.2299=$1,441/yr.

[8] $1,441/$20,440 = 7%.

year with some local offices seeing a large spike in emergency calls, forcing the Maine State Housing Authority to cut the average heating aid benefit in half.[9]

Our Office receives many calls from Mainers facing disconnection, who, unfortunately, do not receive enough support to keep up with their electric bills. One woman called us stating she had fallen four times in recent months, broken her hip and her femur, and was facing a truly tough time. She had worked with Opportunity Alliance for help with her bills, but still reached out to our Office for any other assistance we could offer. Her story is not unique. We are often told that we are the caller's "last chance," that they have reached out to General Assistance, community action agencies, 2-1-1, local churches and even the Office for Family Independence, and they simply cannot secure the funding needed to pay their bill so the utility can turn their power back on.

Alarmingly, in 2024 we expect more LIAP participants than ever. Without additional funding, low-income customers may receive the same or even less assistance than last year. The affordability gap appears to be getting wider, not smaller (refer to Overview of LIAP, Attachment C).

An important feature of LIAP is that the customers receive assistance before disconnection. Once disconnection occurs, customers who were not on a payment arrangement at the time of the disconnection may be required to pay a deposit and the amount overdue in full before their service is reconnected, along with a reconnection fee.[10] In 2023, Maine's largest electric companies sent approximately 108,500 disconnection

[9] https://www.mainepublic.org/business-and-economy/2024-01-24/applications-for-heating-aid-are-up-this-winter.

[10] 65-047 ch. 815 sections 12(B)(1)(a)(iii), 12(D).

State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 624-3687 (voice) 711 (TTY)
www.maine.gov/meopa

Janet T. Mills
GOVERNOR

William S. Harwood
PUBLIC ADVOCATE

notices and performed 32,000 disconnections.[11] Mainers are better off when their neighbors are able to meet their basic needs without facing loss of essential utility services.

There have been some recent efforts to reduce the "affordability gap" but they do not go nearly far enough. Last year the PUC increased ratepayer funding for the program from approximately $7.5M/yr. to $15M/yr. And last year the Legislature approved a two-year budget appropriation of $15M ($7.5M/yr.) for LIAP. Unfortunately, the current level of $22.5M/yr. funding does not come close to closing the $68M/yr gap. And there is no assurance that the Legislature will approve additional LIAP funding in the next biennium budget.

LD 2143 represents an excellent opportunity to use ratepayer generated tax revenue to address our serious affordability problem. LD 2143 will not raise anyone's CMP or Versant bill. It will simply direct the PUC to use the proceeds from the existing tax on residential electricity usage to help those ratepayers who are suffering the most under today's historically high electricity prices. The dedication of this tax revenue to LIAP will provide a sustainable source of revenue for this critically important program.

Thank you for your time, attention, and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 2143 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

William S. Harwood

William S. Harwood

[11] https://mainemorningstar.com/2024/01/25/senate-president-jackson-looks-to-limit-when-peoples-power-can-be-disconnected/

State of Maine
Electric Ratepayer Advisory Council

Second Annual Report
December 1, 2023

Recommendations for the Maine Low-income Assistance Program (LIAP)

Based on the recommendations of the Sage Report, the Council makes the following recommendations for modifying the Low-Income Assistance Program (LIAP):

1. Continue expanding funding for LIAP to eventually achieve a four percent affordability target[1] for LIAP participants.
2. Convert program from an annual lump sum benefit to monthly discounts.
3. Set LIAP discount percentages for each of the four FPL tier to achieve an affordability target in each tier, on average.
4. Consider Implementing a consistent charge per kWh for all ratepayers across all utilities to fund LIAP.
5. Increase the LIAP funding from ratepayers.[2]
6. Increase taxpayer funding by dedicating a portion of the state sales tax on electricity to LIAP funding.
7. Implement an annual true-up with each utility to ensure that they are fully reimbursed for all LIAP benefits and program costs.
8. Implement automatic enrollment for all DHHS clients with household incomes at or below 150 percent of the FPL.
9. Make reasonable accommodations in the implementation of these recommendations for the consumer-owned utilities (COUs) that have limited resources.

---

[1] Reevaluate the affordability target of 4% over time as beneficial electrification increases electric heating, the use of electric vehicles, and other increases in electricity usage, as usage and costs associated with other fuels decrease.

[2] An Act to Create the Electric Ratepayer Advisory Council, Public Law 2021, chapter 623 (LD 1913), the legislation creating the Council, includes the language, "Identify methods to fund electric assistance programs that do not result in shifting costs to ratepayers." This recommendation includes funding from taxpayers and allocating the electricity sales tax to LIAP in addition to increasing LIAP funding from ratepayers. We do not believe the statute prohibits increasing LIAP funding from ratepayers; it does require considering other alternatives, which are included here. The Best Practices Study found that the principal funding for all other surveyed states' assistance programs was from ratepayers. New Hampshire was the only surveyed state that had temporary assistance program funding from taxpayers, like Maine.

Office of the Public Advocate
Your Trusted Source for Utility Information

MAINE ELECTRIC RATEPAYER AFFORDABILITY GAP
February, 2024

% of Federal Poverty Guidelines (2-Person Household)	Estimated Number of Customers	Average Annual Household Income	Affordability Target: 4% of Income	Average Annual Utility Bill	Funds Needed To Achieve Individual Affordability Target	Total Funds Needed To Achieve Affordability Target
0%–75%	50,031	$7,665	$307	$1,441	$1,135	$56,778,706
75%–100%	20,128	$17,987	$719	$1,441	$722	$14,532,064
100%–125%	23,578	$23,097	$924	$1,441	$518	$12,203,560
125%–150%	21,853	$28,207	$1,128	$1,441	$313	$6,843,997
Total:	**115,590**					$90,358,306
				Current LIAP Funding		($22,500,000)
				AFFORDABILITY GAP		**$67,858,306**

Office of the Public Advocate
Your Trusted Source for Utility Information

OPA Testimony, Attachment C
LD 2143
131st Second Session

Overview of the Low Income Assistance Program (LIAP)

Since 2015, the Low-Income Assistance Program (LIAP) has provided critical, direct relief to these customers, in the form of a bill credit.[1] LIAP is currently funded by "assessments"[2] collected by Transmission & Distribution utilities (the T&Ds) from their ratepayers based on the percentage of residential customers the T&Ds serve.[3] The funds are then "apportioned" to each T&D based on the percentage of LIHEAP and DHHS customers in their service area. The T&Ds determine the relative size of the bill credit for each of their LIAP customers based on income level, with poorer customers receiving the largest credits.[4] The actual amount of the bill credit a customer receives is based on the total LIAP funding for the Program Year (PY).[5] In PY 2021-2022, 27,123 Maine households received LIAP assistance. In PY 2022-23, that jumped to 38,092 Maine households (a 40.4% increase.)

For PY 2023-2024, participation in the first quarter (October 1 – December 30) was 23,464 customers, which is 32% higher (5,678 customers) than in the first quarter of PY 2022-2023 (17,786 customers.) This is undoubtably due, in part to the PUC's expansion in

---

[1] Typically, a bill credit is applied at the time customers enroll in LIAP. Then, a second credit (often smaller than the first) may be applied later in the Program Year depending on how much of a T&D's apportioned LIAP funds remain unspent.

[2] $15 million in total for LIAP PY 2023-24. No. 2023-00056, Order (Me. P.U.C. Mar. 30, 2023).

[3] In 2023, Governor Mill's provided one-time additional funding for LIAP of $15 million from the General Fund, which will supplement PY 2023-24 and PY 2024-25 LIAP budget($7.5 million each year). P.L. 2023, c. 412.

[4] As required by statute.

[5] Every year the PUC reviews the LIAP budget. LIAP is funded by "assessments" collected by T&Ds from their electric rate payers based on the number of residential customers they have. The budget is then "apportioned" to each T&D based on the number of low-income customers? from the previous year.

LIAP eligibility to include additional low-income electric customers, in response to a $15 million temporary subsidy for LIAP from the General Fund. But notably the PUC predicted that the expanded eligibility would only increase LIAP participation in PY 2023-24 increase by 15% (6,892 customers). Where there are already 5,678 additional LIAP participants, and where the second quarter (January 1 – March 31) is historically when the biggest increases in LIAP participation occur, LIAP participation is on its way to break new participation records. Notably, after the first quarter of PY 2023-2024, the T&Ds have already spent 32% of their funding.