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GOVERNOR

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Testimony In Support of
LD 1427, “An Act to Clarify the Public Utilities Commission's Authority to Consider
the Impact on Low-income Residential Ratepayers When Setting Rates”
April 20, 2023

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

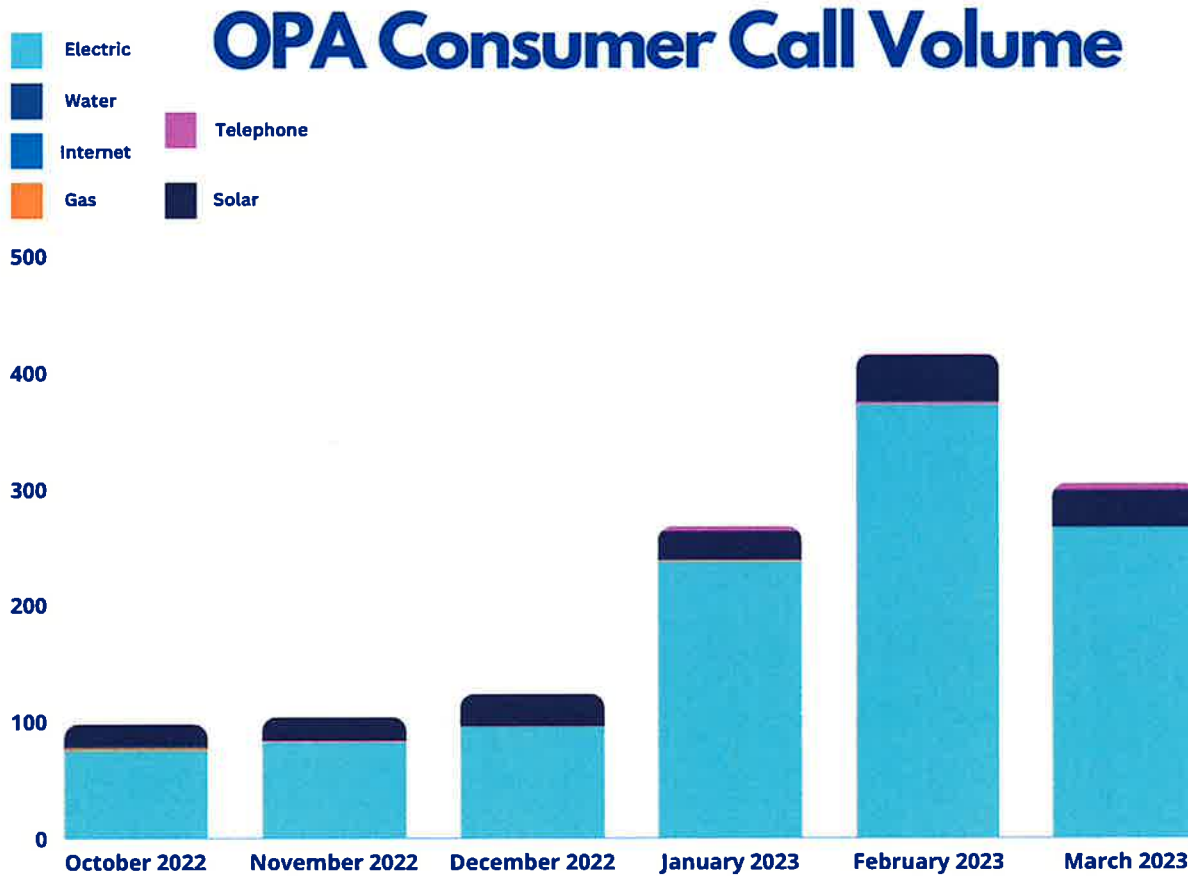
My name is William Harwood, here today, as Public Advocate, to testify in support of LD 1427, “An Act to Clarify the Public Utilities Commission's Authority to Consider the Impact on Low-income Residential Ratepayers When Setting Rates.” Thank you to Representative Zeigler for submitting this bill on behalf of our Office.

Although short on detail, this is important legislation. Over the last 16 months, Standard Offer prices increased from approximately \$0.06/kWh to approximately \$0.18/kWh. With projected large increases in Distribution rates and Stranded Cost rates scheduled to take effect this summer, the total “amount due” residential price of electricity may reach \$0.30/kWh by the fall. Just a few years ago, this would have been an unheard-of price. This is extraordinary when compared to recent historical prices in the \$0.10 – 0.15/kWh range. For the first time ever, residential customers will soon be paying more than \$2,000/yr. for electricity. It does not take much math to realize that those living on \$20-30K/yr. simply cannot afford to pay CMP or Versant \$2K/yr. Sadly, we have come a long way from industry predictions 50 years ago that, as a result of new technology, electricity would soon become too cheap to meter.

These disturbing increases hit our low-income ratepayers hardest. Based on the recent work of the national consultants to the Electric Ratepayer Advisory Council. We have prepared the attached Ratepayer Affordability Gap, summarizing the crushing financial burden facing low-income ratepayers. Based on the well-established national standard that no household should be expected to pay more than 4% of their household income for



electricity, we have shown that we are facing a \$74M affordability gap. Right now, our modest \$15M LIAP program is not nearly enough to get the job done. This affordability gap is reflected in the recent increase in consumer complaints received by the OPA:



Although this is not the hearing to discuss how to begin to close the gap, this legislation lays down an important foundation for doing so. Specifically, it clarifies that the PUC has the authority to consider the ability of low-income ratepayers to pay for electricity when it sets utility rates.

You may hear that this is already the law. However, the PUC recently rejected a request by the OPA to provide a one-time emergency \$75 bill credit to low-income ratepayers to help them absorb the 40 percent increase in SO prices on January 1st, that took



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effect just when the full impact of the winter heating season hit these consumers. Attached is the Order (Docket No. 2022-00350) which states that the PUC does not have the statutory authority to grant the OPA's proposed bill credit. We can debate the merits of the OPA's proposal for an emergency bill credit, but I certainly hope we can all agree that if the PUC determined that it had merit, it should have the statutory authority to approve it.

LD 1427, if enacted, will clarify that the PUC has broad authority to use all of its expertise and experience to address the growing and burdensome affordability gap facing low-income ratepayers.

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 1427 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

A handwritten signature in cursive script that reads "William S. Harwood".

William S. Harwood
Public Advocate

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2022-00350

December 20, 2022

OFFICE OF THE PUBLIC ADVOCATE
EMERGENCY PETITION FOR BILL
CREDIT TO OFFSET STANDARD OFFER
INCREASE DURING WINTER MONTHS
PROPOSAL

ORDER

BARTLETT, Chairman; DAVIS and SCULLY, Commissioners

I. SUMMARY

Through this Order, the Commission denies the Office of the Public Advocate's (OPA) emergency petition for approval of a bill credit of \$75 for low-income customers of Central Maine Power Company (CMP) and Versant Power (Versant).

II. BACKGROUND

On December 9, 2022, the OPA filed an emergency petition for approval of a one-time bill credit of \$75 for certain low-income customers of CMP and Versant. In its petition, the OPA points to recently announced increases in the standard offer rates of CMP and Versant customers effective January 1, 2023, and increased prices for food, gasoline, and housing by inflationary pressure. The OPA asserts that Maine customers need immediate relief and providing a \$75 bill credit for customers participating in Maine's Low-Income Assistance Program (LIAP) will help low-income customers purchase needed electricity and thereby avoid late fees, reduce the utilities' bad debt write off, and reduce the number of customers facing disconnection. According to the OPA, this one-time bill credit would approximately offset the \$25/month increase in standard offer prices for the three-month winter period.

The OPA states that assuming the number of CMP and Versant LIAP customers is now approximately 25,000, a \$75 one-time bill credit will cost approximately \$1.875 million. According to the petition, this additional cost to the utilities can be reflected in an accounting order for each utility that can be recovered in transmission and distribution (T&D) rates "at some future time when supply prices are not so exorbitant." Petition at 4-5. The OPA further states that it recognizes that this would be a modest attempt to partially address a much bigger and long-term structural problem in our society and does not propose that this program serve as a precedent for the future. *Id.* at 5.

The OPA cites to three sections of Title 35-A as providing authority for its petition: section 101, section 307 and section 3214(3). Section 101 outlines the Commission's core mission: to ensure safe, reasonable and adequate service, to assist in minimizing the cost of energy available to the State's consumers, to ensure that the

approval of a program for low-income customers.

Moreover, Section 3214 directs the Commission to oversee the implementation of a statewide financial assistance program for low-income electricity customers.² Chapter 314 is the Commission's implementing rule creating the statewide LIAP. The rule creates a central fund to finance the program and apportions the fund to T&D utilities based on the percentage of eligible persons residing in their respective service territories. Section 5(C) of the rule requires that the Commission monitor the needs of Maine's low-income electric customers and evaluate annual LIAP funding and expenditure levels and program design features. On or before April 1 of each year, the Commission adjusts the overall assessment, as well as each utility's assessment, as necessary to ensure that the assistance provided by the LIAPs is consistent with the provisions of section 3214. The Commission does this by tracking the overall cost of electricity and modifying the overall assessment if the average cost of electricity in the State has changed significantly. The Commission does this in its annual LIAP assessment and apportionment dockets. *See, e.g., Maine Public Utilities Commission, Establishment of Assessment and Apportionment Amounts for Low-Income Assistance Plan and Assessment Amounts for Oxygen Pump and Ventilator Programs Pursuant to Chapter 314*, Docket No. 2022-00037, Order (June 7, 2022). The utilities then seek to recover these costs in rate cases. This is part of the pending CMP and Versant rate

² Section 3214 provides in part:

1. Policy. In order to meet legitimate needs of electricity consumers who are unable to pay their electricity bills in full and who satisfy eligibility criteria for assistance, and recognizing that electricity is a basic necessity to which all residents of the State should have access, it is the policy of the State to ensure adequate provision of financial assistance.

2. Low-income assistance. In order to continue existing levels of financial assistance for low-income households and to meet future increases in need caused by economic exigencies, the commission shall:

- A. Receive funds collected by all transmission and distribution utilities in the State at a rate set by the commission in periodic rate cases; and
- B. Set initial funding for programs based on an assessment of aggregate customer need in periodic rate cases. The funding formula may not result in assistance being counted as income or as a resource in other means-tested assistance programs for low-income households. To the extent possible, assistance must be provided in a manner most likely to prevent the loss of other federal assistance.

Id. at § 1 & 2.



Office of the Public Advocate

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MAINE ELECTRIC RATEPAYER AFFORDABILITY GAP March, 2023

% 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%	20,400	\$7,395	\$296	\$1,916	\$1,620	\$33,048,000
75%–100%	34,875	\$17,354	\$694	\$1,916	\$1,222	\$42,617,250
100%–125%	6,145	\$22,284	\$891	\$1,916	\$1,025	\$6,298,625
125%–150%	8,580	\$27,214	\$1,089	\$1,916	\$827	\$7,095,660
Total:	70,000					\$89,059,535
						(Current LIAP Funding \$15,000,000)
						AFFORDABILITY GAP \$74,059,535