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March 16, 2023

L.D. 542: An Act to Comprehensively and Equitably Reform Electricity Rates

BEFORE THE ENERGY, UTILITIES, AND TECHNOLOGY COMMITTEE

TESTIMONY OF AARP MAINE: IN OPPOSITION

Chairs Lawrence and Zeigler, and the Joint Standing Committee on Energy, Utilities, and Technology:

Good morning, my name is Alf Anderson, and I am an Advocacy and Outreach Director with AARP Maine. AARP Maine is a non-partisan, non-profit organization with more than 200,000 members statewide. I'm here today to testify IN OPPOSITION TO L.D. 542 AS PROPOSED.

As originally printed, the bill was labeled a "concept draft," and stated that this bill would require the Public Utilities Commission to make dramatic changes to the residential rate design for essential electric service that will harm lower income, fixed income, and lower usage customers. Specifically, the bill would eliminate rates based on usage of kilowatt hours and require distribution service to be based on fixed charges, require Standard Offer to be billed on time of use rates, and require a determination of net energy billing rates based on "systemic and social benefits." AARP opposes all three of these directives.

Rate design is a zero sum game because the rate structure must result in collecting the approved revenue requirement. Any change in rate structures shift costs among ratepayers of the same class and some will pay more and some will pay less. Furthermore, unlike our progressive income tax structures, electricity prices are regressive in that those with lower or fixed income pay a higher percentage of their household income for essential electricity compared to higher income customers. Keeping these two key points in mind when considering mandates for rate design changes will help explain AARP's concerns with this proposed legislation.

The revised version of this bill printed on March 13, 2023, eliminates some of the most adverse proposals as stated in the original bill's Summary. However, the revised bill

reflects a number of continuing concerns to AARP Maine.

With regard to the directives concerning performance-based rates, the Legislature adopted directives on this policy in the last session in *L.D. 1959, An Act Regarding Utility Accountability and Grid Planning for Maine's Energy Future*. And those directives are being considered and implemented in ongoing PUC rulemakings to establish performance standards and penalties and in current base rate proceedings pending for both CMP and Versant Power.

AARP questions the benefits of multi-year rate cases based on speculative forecast costs. We prefer the traditional cost of service model. Any performance metrics or metrics reward payments should be narrowly focused and conducted under limited-term pilots. They should also include consumer protections and tied to achieving positive outcomes for consumers such as increased reliability and affordability. We support the bill's provision for an annual review by the PUC as well as the allowing the PUC to award metrics rewards or penalties. However, the authorized rate of return should be adjusted down to reflect the reduced business risk from this alternative regulation.

AARP Maine is particularly concerned about the vague notion of promoting "carbon reduction," "beneficial electrification," and "electric vehicles" since these policies carry significant implications for affordable electric service for Maine's fixed and lower income customers. It is our view that the current Legislatively mandated policies that govern the Commission's ratemaking authority are sufficient at this time.

Second, the bill's clear intent is to promote time of use rates for both distribution and generation supply service or the Standard Offer. While AARP does not oppose an optional time of use rate for distribution service and notes that several time varying and seasonal varying rate options are already available for CMP's customers, we oppose any suggestion that distribution service should consist primarily of time of use rates or that the Standard Offer should mandate time of use rates for residential customers.

AARP supports a statistically valid analysis of the current and newly adopted rate options that were intended to respond to "electrification" policies. No such analysis of the current or newly adopted time of use or seasonal rate options have been evaluated in Maine. For example, both CMP and Versant Power have offered time of use rates for many years, but there has never been any analysis or evaluation of these rate options to determine customer satisfaction or the impact of the participating customer's usage profile on peak load demand. Both time of use rate options are poorly subscribed and reflect the general view of residential customers that time-based rate options are not preferred or desired. We recommend that the bill require the Commission to conduct a rigorous analysis of current rate options prior to moving to any further expansion of more volatile rate options for residential customers.

Time of use rates charge very high prices for electricity usage at times when many residential customers must use electricity for home heating and cooling. These rate structures threaten the affordability of essential electric service to customers whose

income or housing type does not allow for investments to avoid higher bills. This type of mandate would radically change the statutory purpose of Standard Offer which is intended to reflect the “lowest cost” and provide a stable rate for essential electric service for residential customers. I attach AARP Maine’s Comments to the PUC on its recent Notice of Inquiry concerning potential implementation of time of use rates for Standard Service.

Thank you.

Alf Anderson
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AARP Maine

