



January 25, 2024

Honorable Mark Lawrence
Honorable S. Paige Zeigler
Joint Legislative Committee on Energy, Utilities and Technology
100 State House Station
Augusta, ME 04333

Re: Testimony NFNA LD 1962, An Act to Limit Utility Shutoffs

Dear Senator Lawrence, Representative Zeigler, and Members of the Committee:

Unitil appreciates the opportunity to provide testimony regarding LD 1962 as amended by the sponsor on January 18, 2024. Unitil testifies neither for nor against this amended bill. We hope that our comments are helpful.

About Unitil: Unitil is a natural gas and electric distribution company in Northern New England, serving natural gas customers in Maine as Northern Utilities. Unitil is Maine's largest natural gas distribution company, serving approximately 35,000 customers in the state within the following communities: Auburn, Biddeford, Cape Elizabeth, Cumberland, Eliot, Falmouth, Gorham, Gray, Kennebunk, Kittery, Lewiston, Lisbon, Lisbon Falls, New Gloucester, North Berwick, Old Orchard Beach, Poland, Portland, Saco, Sanford, Scarborough, South Berwick, South Portland, Wells, and Westbrook. Unitil and its predecessors have been serving customers in Maine since 1849.

Sponsor Amendment to LD 1962: Last week, Unitil received a copy of the sponsor's amendment to LD 1962. Section 1 of the amendment would require that utility rates be "affordable." Section 2 of the amendment would limit the scope of the bill to gas utilities and transmission and distribution utilities, and would modify current Maine law governing customer disconnections by requiring:

1. That disconnections may not occur during extreme weather or temperature conditions; and
2. That a disconnection may not occur unless a customer does not pay or make a payment arrangement on an undisputed bill amount over \$225.

Sections 3 and 4 of the bill would apply only to transmission and distribution utilities, not gas utilities.

Comments regarding Section 1 of the Sponsor's Amendment: Under current law, public utility rates must be "just and reasonable." This law is consistent with findings by the US Supreme Court that utility rates must set high enough to allow investor-owned utilities to earn a reasonable rate of return and not be set so low as to be "confiscatory." The concept of "affordability" proposed by the sponsor's amendment represents an important goal for all parties; however, it is not clear how this concept could be implemented in conjunction with the constitutional "just and reasonable" standard. It is also not clear how "affordability" should be defined. For example, if inflation or state regulations drive up utility costs to a level that makes rates unaffordable for some customers, would that require the Maine PUC to set rates at a level below cost? If so, that would be a taking,

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and not be “just and reasonable.” Likewise, if utility rates are affordable to some customers but not others, how would that impact the rate-setting process? Would that mean utility rates must be set based on income levels? Would business and industrial customers end up paying more in rates? Unitil very much agrees that “affordability” is an important value in the rate-setting process, but we don’t see how this concept can be appropriately added to statute without creating tremendous confusion and potentially unintended consequences.

Comments regarding Section 2 of the Sponsor’s Amendment: Under current Maine regulation, gas utilities cannot disconnect a customer during the wintertime period. The rules include very specific dates that are objective and easy to follow. Section 2 of the amendment adds a new concept to the disconnection timetable: “extreme” weather or temperature conditions. In concept, we understand the purpose of this proposal. In practice, we are not clear what is considered “extreme” and whether this is measured at the customer’s premises. Is ninety degrees considered extreme? And what if it is very hot in one part of the State, but not another part of the State? And how is this determined? Before a standard like this can be imposed, there needs to be very objective standards to allow utilities, customers, and regulators to know that a disconnection is permitted, or not.

The other aspect of Section 2 relates to disconnections when a customer’s unpaid bill is at or below \$225. We do not object in principle to establishing reasonable debt amounts, as long as they are clear. However, we would caution that setting a higher debt amount could result in customers having more debt at the time of disconnection, which would be a credit burden on those individuals going forward. Likewise, because unpaid bills ultimately represent a cost that must be borne by all other utility customers, a higher debt amount could result in higher utility rates to the extent more customers have more unpaid bills. This cost is known as “bad debt,” and this cost is part of the expenses that are included in the utility rate-setting process.

Conclusion: For the reasons noted above, the Sponsor Amendment to LD 1962 as it relates to gas utilities is well-intentioned. However, the amendment contains many ambiguities that will make it difficult to set utility rates and manage the customer billing and disconnection process. These ambiguities would need to be resolved in a balanced way to ensure all utility customers are treated fairly.

Please do not hesitate to contact me should you have any questions.

Sincerely,

Katherine A. Bourque

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