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February 6, 2025

Testimony in Opposition: LD 186, AN ACT TO CLARIFY THE PUBLIC UTILITIES COMMISSION'S AUTHORITY TO ESTABLISH TIME OF USE PRICING FOR STANDARD OFFER SERVICE

Chairs Lawrence and Sachs and honorable members of the Joint Standing Committee on Energy, Utilities and Technology. I am Alf Anderson, Associate State Director for Advocacy and Outreach for AARP Maine. AARP is a non-profit, non-partisan social mission organization with more than 200,000 members across the state. We work on a range of energy issues at the state level. The core principles we approach this work with include affordability, reliability, and accountability.

AARP Maine opposes this bill because it will allow the Public Utilities Commission to implement their stated intent to mandate time of use (TOU) rates for residential customers, a policy change that should not be implemented in this manner.

The Commission has already initiated a proceeding to explore its stated desire to make the Standard Offer a time of use rate design and its preference to make this rate a default or mandatory rate for residential customers.¹ The Comments received to date do not reflect any consensus to pursue this dramatic change in how residential customers are charged for essential electric service.

AARP Maine, the Office of Public Advocate, Central Maine Power Co., Versant Power among others, have urged the Commission to implement pilot programs and explore the full range of programs and rate options in addition to TOU that would achieve the stated purpose.

While the Commission's notice acknowledged that it would have to engage in a rulemaking to pursue its stated objective, this bill would eliminate that barrier. Chapter 301 of the Commission's rules states: "For the residential and small non-residential standard offer class... the standard offer rate shall be an amount per kWh that does not vary by level of usage, or by time of year or day. The rate structure shall not include any demand charges nor any amounts charged on a per customer or fixed-charge basis." This bill would effectively repeal this policy that has been in place for decades and perhaps allow the Commission to avoid a public rulemaking process that would ensure a proper evaluation of facts and interests of all affected stakeholders.

¹ Notice of Inquiry, Docket No. 2024-00231 (September 12, 2024), Request for Comments in the Inquiry Regarding Rate Structure for Standard Offer Service ("Inquiry"). In this Notice the Commission stated, "The Commission expects that a standard offer/delivery TOU rate would be a default opt-out product, as stated in the Notice."

No other state has made their Standard Offer as a TOU rate from the wholesale market. Other states require what consumers have requested—a fixed price electric service that is purchased to avoid volatility in prices. This was the subject of a Resolve adopted by this Committee in 2023 and should be implemented as you asked the Commission to do.²

The stated purpose of TOU rates is to send price signals to customers and reduce the usage of electricity during more expensive peak hours—late afternoons and evenings in the summer and winter. AARP supports the development of voluntary, cost effective, and well-designed programs to achieve this objective.

However, the Commission has not undertaken any analysis of any specific time of use rate or provided any evidence that such a dramatic change would reduce the price of electricity we purchase in the wholesale market or make a significant difference in distribution service rates.

To date the Commission has rejected the suggestion that pilot programs are necessary prior to enacting a mandate for TOU. No cost benefit analysis of mandating time of use prices for residential customers has been done or even ordered.

It may be more cost effective to focus on those usage profiles and appliances that are likely to increase peak usage, such as heat pumps, water heaters, and electric vehicles and explore pilot programs that reward customers for avoiding peak usage. These programs should be explored with Efficiency Maine Trust based on Maine’s direct statutory endorsement of this type of approach to integrate such programs with fixed price Standard Offer.

Maine is a cold weather state and TOU prices will be highest on late afternoons and early evenings in the winter when home heating drives up electricity usage. For small businesses, particularly restaurants and stores that rely on these hours for their business income, TOU rates will also have an impact on electric bills. Implementing TOU in this manner will conflict with Maine’s policy to encourage electrification and replace fossil fuels with electrically powered heat pumps. TOU prices will harm those very customers with the highest prices in the winter during the hours when the home heating is most needed. The potential harm to vulnerable customers who are forced to pay higher bills to keep warm without any technology in place to avoid these high prices is a risk we should not take. Such a policy will discourage customers from installing heat pumps.

In addition, there are costs that would have to be incurred to develop and implement a default TOU rate via the Standard Offer and coordinate that rate with the utility’s distribution service rates.

CMP and Versant Power would have to make changes to their billing systems and engage in

² Resolves Ch. 39. This Resolve requires the PUC to within 30 days of the effective date of this section, to “initiate a proceeding to develop a procurement strategy and consider other measures that could be used to increase rate stability for residential customers....” “The Commission shall consider in the proceeding the use of varied contract lengths and terms to reduce price volatility from year to year.”

significant public education to prepare their customers for this change, offer bill protection, change their web sites and offer bill calculators, and handle the increased customer communications and complaints to their call centers. Other states have spent millions of dollars to implement TOU with billing software changes, customer education, and consumer protections, such as bill protection and shadow billing on every bill. All these costs will have to be paid for by residential customers whether or not the predicted benefits of TOU pricing occur.

WHAT IS THE BETTER PATH FORWARD? First, no change in the statutory or regulatory policy to purchase a fixed price Standard Offer should be implemented at this time. Second, well designed pilot programs that reflect both opt in TOU pricing and incentives and rebate programs should be implemented and evaluated to determine the most cost-effective approach to reduce future peak loads, including demand response and efficiency programs implemented by Efficiency Maine Trust. Maine should take a holistic approach to ensure affordable bills and rate options that are fair to customers in Maine.

I urge you to consider the already over-burdened electricity ratepayers in Maine and reject this bill.

Thank you for the opportunity to provide our views on this important bill. If you have questions for us, you can contact me at aanderson@aarps.org or at 207-330-1147.

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