



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Philip L. Bartlett, II
CHAIRMAN

R. Bruce Williamson
Randall D. Davis
COMMISSIONERS

Harry Lanphear
ADMINISTRATIVE DIRECTOR

Testimony Neither For Nor Against
LD 1264 – An Act To Allow Owners and Renters To Use Future Electric Bill
Payments To Finance Heat Pumps

April 15, 2021

Senator Lawrence, Representative Berry, honorable members of the Committee on Energy, Utilities, and Technology, the Public Utilities Commission (Commission) testifies neither for nor against LD [1264](#), *An Act To Allow Owners and Renters To Use Future Electric Bill Payments to Finance Heat Pumps*.

This legislation allows a transmission and distribution (T&D) utility to enter into a financing agreement with a customer for the purchase price and installation costs of an efficient electric heat pump and receive payment through subsequent charges on the customer's electric bill. The legislation also provides for payment by a subsequent purchaser of the property on which the heat pump is located or by a subsequent renter of the tenant's unit if the tenant's landlord or the owner of the property signs the agreement. Finally, the legislation specifically authorizes a utility to disconnect electric service for failure of a customer to pay the finance charge.

At the outset, the Commission emphasizes that the fundamental policy decision raised by this legislation is whether T&D utilities should be providing what is essentially a banking service by offering financing for heat pump purchases and installations. In reviewing this legislation, the Committee may want to consider if there is a need for such a utility program; specifically, whether there exists a lack of financing availability from other sources. The Commission notes that the Efficiency Maine Trust (EMT) currently has programs for heat pump rebates and financing.

Another fundamental issue is whether a utility should be allowed to disconnect electric service for failure to pay the financing charges in that such charges are unrelated to the provision of utility services.

In considering this legislation, it is important to consider potential rate impacts of this proposed financing method. For example, if the utility loses money through this financing, should ratepayers bear those costs? A related question is whether financing costs charged by the T&D utility ought to be based on the utilities' cost of borrowing or some other rate. In practice, it may prove difficult to ensure that costs are paid for only by those who participate in the program unless the T&Ds are given the option to create such a program only at shareholder risk.

Finally, the Commission notes that Title 35-A, section 713 specifies that the utility may not charge ratepayers for costs attributable to "unregulated" business ventures undertaken by a utility or a utility affiliate. Chapter 820 of the Commission rules govern "non-core" activities. The rules require that, for any significant ventures, non-core activities are required to be conducted through a separate affiliate and the ratepayers isolated from any costs from the venture. The Committee may want to consider whether any utility heat pump financing activities should occur through a separate subsidiary pursuant to Commission rules.

The Commission welcomes any questions and will be present for the work session.

Sincerely,



Garrett Corbin
Legislative Liaison

cc: Energy, Utilities, and Technology Committee Members
Deirdre Schneider and Daniel Tartakoff, Legislative Analysts