

July 27, 2023

MAINE PUBLIC UTILITIES COMMISSION Inquiry
Regarding Temporarily Expanding Low-Income Assistance
Plan Eligibility

VERSANT POWER'S
RESPONSE TO JULY 13, 2023,
NOTICE OF INQUIRY

Versant Power (“Versant” or “Company”) submits the following comments in response to the Commission’s July 13, 2023 Notice of Inquiry (“NOI”):

INTRODUCTION

The NOI seeks comment on “how to allocate the additional funding for Fiscal Year 2023-2024 and Fiscal Year 2024-2025” of the statewide Low-Income Assistance Program (“LIAP”). It appears the Commission is weighing raising the Federal Poverty Level (“FPL”) eligibility threshold against increasing the amount of the individual customer benefit. There are considerations which support and others that weigh against expanding eligibility. This submission contains sections setting forth both sides, and ultimately recommends modest expansion of eligibility.

I. CONSIDERATIONS WHICH WEIGH AGAINST EXPANSION OF ELIGIBILITY

a. The current Department of Health and Human Services (“DHHS”) enrollment process is flawed.

While efforts to automate the DHHS enrollment process are planned for the future, the enrollment process in place today has many challenges. For the 2022-2023 program year, DHHS sent a letter to customers whom it determined met 75% of the FPL level and were eligible to enroll in their utilities’ LIAP program. The customer was instructed to fill in their applicable information and return the letter to their utility, who then automatically enrolled the customer in the program. This process led to low enrollment overall, with only 14% of the anticipated 5,390 Versant Level 1 customers enrolling. In addition, despite what seemed to be a

simple enrollment process, the letter led to some customer confusion and dissatisfaction. Most notably, many customers did not understand they were only eligible to receive one LIAP benefit, even though they received the DHHS letter but were also qualified for LIAP benefits through Maine State Housing Authority (“MSHA”). DHHS and MSHA also calculate the federal poverty level differently, therefore customers may have received a Level 2-4 benefit if they enrolled in LIAP through MSHA first, but also received a letter from DHHS stating they were eligible for a Level 1 benefit. Versant enrolled the customer in the applicable level based on how we received the enrollment first, much to the confusion of customers. If the goal is to provide more overall benefit to more customers, expanding eligibility may be inefficient because of the problems with the letter enrollment process, which will remain the same for the 2023-2024 program year. Because the program as it exists already makes the lowest income customers eligible, it is unlikely that the letter enrollment process would be more effective with less disadvantaged customers.

Finally, if the DHHS enrollment into the LIAP program is expanded beyond the Level 1 poverty level, it is uncertain how a utility would know for which poverty level a customer qualifies. Utilities do not collect customer information relating to their income level or economic status, nor does Versant feel this is an appropriate exercise for utilities to engage in. Will DHHS be willing to send out level specific letters which demonstrate this? Or can the utility accept the customer’s representation on this front? If DHHS is not willing to identify the customer’s FPL on these letters, the issue of expansion beyond Level 1 may be moot.

b. The Office of the Public Advocate’s proposal to expand the Arrearage Management Plan program may be impacted by an expanded LIAP.

The Office of the Public Advocate has proposed expanding eligibility for an Arrearage Management Plan (“AMP”) to all customers who qualify under LIAP.¹ While Versant is not taking

¹ See Docket 2023-00134.

a position on that proposal here, it is important to note that, if this proposal is implemented and LIAP eligibility is expanded, then there will almost certainly be more Arrearage Management Plans. More of these plans means more administrative burden for utilities, and also more arrearage to be forgiven. Everything related to the AMP is currently a manual process for Versant. Versant is in the process of automating AMP-related processes, but that is an incremental effort, which is burdensome and requires labor resources. Even if this program is not expanded, if the OPA's proposal is adopted it will necessarily increase the number of customers eligible for AMP.

c. Funding is Temporary, and Expansion risks depleting funding.

Governor Janet Mills has allowed for a fifteen-million-dollar addition to LIAP. However, this benefit is only guaranteed for the next two years and may not be continued thereafter. Expanding eligibility for the program necessarily will deplete available funding more quickly than maintaining the status quo. Aggressive expansion raises this risk. If there is a problem with funding it could create a situation where many customers experience a large increase in their monthly bills when this benefit is reduced, unless future funding is found. Customers come to rely on these benefits as permanent and plan their budgets around these benefits. Many are on fixed incomes and disrupting these benefits could have severe cascading effects on their finances. This makes a conservative approach to expanding eligibility arguably preferable to other approaches because it lowers the chances that lack of funding will require benefits to be reduced in the future.

d. Expanding eligibility may make it difficult to maintain current LIAP customers at the same level of benefits.

The OPA has urged that whatever changes are implemented that current customers enrolled through MSHA and receiving LIAP benefits continue to receive the same relative

benefit level, i.e., that current LIAP customers should not see their benefit reduced as a result of changes to the eligibility requirements for the program. To address this concern Versant has created a spreadsheet attached hereto as Exhibit A, which explores five different scenarios for expanding eligibility for LIAP, with different rates of enrollment. In each of these scenarios, at least some groups of customers would see their benefits reduced, although some much more than others. This means that increasing eligibility is likely to reduce benefits for at least some customers currently receiving benefits. All numbers in parenthesis are negative numbers, representing a negative change. The total funding, average cost of electricity, and average annual usage per customer are kept constant throughout the Scenarios. The additional \$7.5m is allocated to each utility according to the same formula used to allocate the assessment in the 2022-2023 program year. Please bear in mind that these calculations are not guarantees, and each of them are based on assumptions, which may or may not turn out to be accurate. These Scenarios will be discussed in turn:

i. Scenario 1

This scenario assumes that all Federal DHHS customers from the 2021 Supply Rate Relief enroll in LIAP, up to 150% of the FPL. As stated above, the past enrollment rates were 14% of eligible Versant customers (16% for Bangor Hydro and 10% for Maine Public Divisions) enrolled in the 2022-2023 Program Year. Therefore, an increase to 100% enrollment would be large, and this result is unlikely. The result is many more customers receiving benefits, but all customers other than Level 4 customers would see their benefits reduced from 2023. The total average change in benefits is also the most negative of all the scenarios.

ii. Scenario 2

This scenario assumes that the same percentage of customers enroll as were enrolled in the 2022-2023 Program Year, up to 150% of the FPL. (16% for BHD and 10% for MPD). This is a conservative, but not impossible, outcome. In this scenario only those customers at Level 1 experience a negative change in benefits. Scenario 2 results in the second highest average

positive change in benefits overall among the Scenarios.

iii. Scenario 3

Scenario 3 assumes a 25% increase in enrollment over Scenario 2. In this scenario again only those customers at Level 1 experience a negative change in benefits. This negative change is slightly more than Scenario 2 because the benefits are spread over more customers due to higher enrollment, and the average change in benefit is positive, but smaller than Scenario 2 for the same reason.

iv. Scenario 4

Scenario 4 assumes 100% enrollment of Level 1 and Level 2 enrollment only. This results in negative change in average benefit for all customers other than those in Level 4, who would experience a modest increase.

v. Scenario 5

Scenario 5 assumes 25% of incremental increase in Level 1 and Level 2 enrollment only. This results in positive change in benefit for all customers other than those at Level 1 in MPD. This also results in the highest average positive change in benefit over all customers. This Scenario 5 is arguably the most likely outcome.

e. The Majority of low-income customers in Maine likely qualify for Levels 1 and 2 of the Federal poverty guidelines, not 3 and 4.

The OPA has developed a “Maine Electric Ratepayer Affordability Gap” analysis document.² This document estimates the number of customers who qualify for each level of the Federal Poverty Guidelines for a 2-Person household.³ The OPA’s estimate is that 78.9% of the relevant Maine electric customer base falls into the first two levels, up to 100% of the Federal Poverty Guidelines. This suggests that limiting expansion to these first two levels will reach the vast majority of low-income Mainers, and also the most in need.

² See attached Exhibit B.

³ While the OPA’s analysis refers to “% of Federal Poverty Guidelines,” these four percentages correspond to levels 1-4.

II. CONSIDERATIONS WHICH SUPPORT EXPANSION OF ELIGIBILITY

While there appear to be many more customers at or under 100% of FPL than in the 101-150% range, all low-income customers need help—not just those in certain levels of poverty. This is particularly true now, as there have been two years of unprecedented levels of rate increases leading to more customers in need.

The intention was to expand the program in 2023, but through the third quarter of 2023, BHD had increased enrollment by 27% and MPD by 34% over PY22 levels. This led to a total of 10,564 low-income customers enrolled in the program currently—far below what was originally hoped. With enrollment being far lower than expected, and with the factors that have contributed to that low enrollment unlikely to change, it is reasonable to make conservative estimates regarding increases in enrollment. However, with low enrollment being an issue, this might weigh in favor of opening eligibility to more groups. Funding levels are a significant concern, because, as set forth in Section I(c) above, any expansion of eligibility runs the risk of prematurely depleting available funding. If enrollment remains low, expansion may not have a significant impact on funding levels, reducing this risk.

It is incredibly difficult to predict what may happen without real data. Opening the program up to all poverty levels will help all parties determine what enrollment will actually be, what customer needs are, how much existing funding can cover, and inform the 2024-2025 program year spending levels. Also, if the program is expanded to include all poverty levels, and the existing funding is “overspent,” it may be possible to use a recovery mechanism through increases in future rates for any amount beyond the apportionment amount.

Assuming benefits continue to be allocated on a lump sum basis, as opposed to a monthly basis, another way to allow for expansion while keeping a conservative approach would be to go to full expansion, but to withhold 50% of funding in Program Year '23-'24 to see what

the impact will be in the first two quarters of the year, and adjust benefits as needed in early 2024.

It is difficult to address the issue of reducing benefits for current LIAP customers without separating those customers in some way from this program. One solution would be to allocate the additional funding to allow for expansion of DHHS customers only and not comingle this with the \$15m already allocated to existing LIAP customers. To do so, utilities could follow the methodology proposed in Versant's final comments in docket 2021-00400.

CONCLUSION

Taking all of the points set forth above into consideration, with the additional funding and low current enrollment, it appears that expansion is warranted. But because a conservative approach has the lowest potential to reduce benefits for existing LIAP customers, and runs the lowest risk of prematurely depleting funding, Versant recommends expanding the program to include only Levels 1 and 2, or up to 100% of FPL. This recommendation assumes that the DHHS would be able to positively identify which level the customer is eligible for with their enrollment letter.

Dated: July 27, 2023,

Respectfully submitted,

VERSANT POWER

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