BACKGROUND AND NEEDS ANALYSIS: MAINE'S LOW INCOME BILL PAYMENT ASSISTANCE PROGRAMS

A Report to the Maine Public Utilities Commission

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I. HISTORY OF MAINE'S LOW-INCOME BILL PAYMENT ASSISTANCE PROGRAMS.

The Maine Public Utilities Commission (MPUC) approved a design for a bill payment assistance program targeted to low income customers for each of Maine's three investor-owned utilities, effective with the 1991-92 program year.[1] While significant program reviews were undertaken by the PUC in 1993-94, the current program design has been in effect at each utility with only minor changes since that time. The PUC established a funding cap of approximately .5% of each utility's revenues[2] for the program costs and has made some alterations in the program design to achieve annual funding approximately equal to this funding cap. The programs were negotiated or litigated separately and are reflected in the utility's residential rate tariffs, i.e., the PUC has never adopted a program rule per se. Each program is coordinated with the program year cycle for the federally funded Low Income Home Energy Assistance Program (LIHEAP) and triggers eligibility for the program

[1] These programs were adopted after the PUC rejected a pilot program targeting a rate reduction or discount to low income customers, Docket No. 89-68 (October 31, 1990), which was followed by the Legislature's approval of a specific authorization for bill payment assistance programs funded through ratepayers of the investor-owned utilities, 35-A M.R.S.A. §3152(1)(C).

[2] The funding target will obviously vary annually by utility revenues, but has averaged $5.5 million per year for the last several years for the three investor-owned utilities. This spending target does not include administrative costs incurred by the utilities to implement the program.

based on household/customer qualification for LIHEAP. Each program was designed based on the input of the utilities themselves, as well as the local community-based agencies representing low-income clients in the utility's service territory.

A. **Central Maine Power Company's Electricity Lifeline Program (ELP).**

1. **Program Description.** The ELP was designed as a variation on the Percentage of Income Payment program theme in which the customer's bill payment requirement to the utility was calculated based on the relationship between the customer's total household income and the customer's annual electricity bill from CMP. Benefits are only paid to a customer when the annual household electric usage exceeds a predetermined percentage of total household income. While the early years of the program varied the percentage of income calculation, the current program in effect since 1994-95 establishes a benefit that varies by the household's income:

   a. For participants with income at or below 75% of federal poverty guidelines, the percentage of income used to calculate the benefit is 6% when the usage is 5,000 kwh or less and 11% when the annual usage is 14,000 kwh or more. For participants with income above 75% of the federal poverty guidelines, the percentage of income is 7.1% when the annual usage is 5,000 kwh or less and 12.1% when the annual usage is 14,000 kwh or more. A formula is used to calculate the benefit amount when the usage is in between these two amounts.

   b. The benefit is calculated as a fixed credit and the household is required to pay the co-payment, that is, the annual household income times the % income calculated above. The minimum co-payment is the monthly customer charge (equal to the charge for the first 100 kwh). The difference between the estimated annual bill and the participant's co-payment is the annual fixed credit, which is reduced by the amount of any LIHEAP benefit applied to the customer's account.[3] There is no maximum benefit amount under the current program.

[3] Pursuant to the federal regulations and the Maine State Housing Authority (MSHA) rules, LIHEAP benefits are issued directly to the energy vendor for the customer's primary heat source (which in Maine is typically the fuel oil vendor). LIHEAP benefits are sent to the household's electric utility only if the applicant heats with electricity or if the customer is applying for emergency funds (of which there is only a limited amount each program year) and there is a disconnection notice pending. Only 10-11% of the LIHEAP benefits are provided to electric utilities.

c. Customers are provided a budget payment plan equal to the monthly co-payment amount and the amount due as a result of the customer's arrears balance at the beginning of the arrangement. The arrears balance is divided into 12 equal payments, but there is no reduction of the arrears balance or arrears forgiveness as part of this program.

d. The program excludes households with a substantial or a deep housing subsidy because those households already receive a subsidy through the housing program when their total household shelter costs, including electricity, exceed 30% of their household income. The program also excludes households which do not have an electric account in the name of the LIHEAP recipient, i.e., renters who heat is included in the rent or who do not pay a separate electric bill.

2. **Program funding levels and participation history.** The program grew steadily throughout the early years, and then has declined somewhat in recent years, due primarily to the general improvement in Maine's economy and growth in personal household income. However, program design changes have also had an impact on spending levels and participation. The highest level of participation occurred in 1993-94 when 13,827 households received a total of $4,671,210. During the 1997-98 program year, 8,662 households were enrolled during the program year. As of September 30, 1998, 7,763 participants were active in the program (i.e., receiving a benefit that month). Total program expenses were $3,840,495, approximately $600,000 less than the budget for that year. During the 1998-99 program year, 7,489 customers were enrolled during the program year and 7,933 were actively participating by the end of the program year. Total program costs were $2.9 million, which is significantly less than the $4.45 million budget. This program activity reflects a decreased level of participation over the last several years, with a 42% decrease in participation since 1993-94. As of the third quarter for the 1999-2000 program year (June 30, 2000), 7,883 customers had enrolled, but the actual program expenses were significantly under the budget. CMP had spent only $1,622,341 as of that date.

3. **Benefit Levels.** The average benefit for the program has ranged from $464 in 1993-94 to $487 for the 1997-98 program year and $370 for the 1998-99 program year. These benefit levels are higher than those provided under most straight discount rate programs because the program design targets the highest benefit amounts to the lowest income households with the highest electric bills. Since there is no cap on the household's maximum benefit

amount, benefit levels under the program have ranged from the minimum of $50.00 to a high of over $1,000 in several cases.

B. **Bangor Hydro-Electric Company's Low-Income Rate Discount Program.**

1. **Program Description.** Bangor Hydro's program is a tariffed rate discount that varies by the customer's household income. A customer may apply directly to the local CAP agency or to the utility showing eligibility for LIHEAP.

   a. For households with an income below 50% of federal poverty guidelines, there is a 50% discount on usage above 100 kwh. For customers with income between 50% and 75% of federal poverty guidelines, a 40% discount is applicable to usage over 200 kwh. For customers with income between 76% and 100% of federal poverty guidelines, a 33% discount is applied to usage above 300 kwh per month. For customers with income between 101% and 150% of federal poverty guidelines, a 33% discount is applied to usage above 500 kwh per month. The intent of this discount structure was to target a higher discount over the monthly bills of very low income customers and provide a modest subsidy to those with higher income and higher usage.

   b. Customers with a substantial housing subsidy, as defined by the LIHEAP rules, are not eligible.

   c. Customers are not required to enter into a budget payment program and those who encounter payment difficulty during the program year are treated with the standard residential collection program.

2. **Program Funding and Benefit History.** Bangor Hydro's discount program results in a larger percentage of eligible low-income customers participating in the program compared to CMP's ELP, but at a far lower individual benefit amount. For the 1997-98 program year, BHE enrolled 5,502 customers and provided an average annual benefit of $155.58 ($13 per month) for a total benefit cost of $856,000. During 1998-99, the utility enrolled 5,399 participants for a total benefit cost of $933,509 or an average benefit amount of $172. As of the third quarter for the 1999-2000 program year (June 30, 2000), BHE had enrolled 6,465 customers and expended $680,348. In contrast to CMP's program expenditures, BHE has typically exceeded its

program year budget.

3. **Benefit Amount.** The benefits provided to individual customers in this rate discount program are very modest, averaging $12-13 per month and $150-170 per year. There has been no analysis of the impact of this benefit amount on the customer's ability to maintain and retain utility service or the utility's avoidance of higher collection costs.

C. **Maine Public Service Company's PowerPACT Program.**

1. **Program Description.** MPS's PowerPACT program is unique. The program enrolls LIHEAP-eligible customers who either have electric heat or an electric water heater (thus, eliminating low usage customers) and requires the customer to make payments according to a payment plan negotiated with the Company, often less than the full amount of the winter electric bill, and then receive a credit on the customer's account in May/June if the required payment arrangement was kept. The fixed benefit in the form of a credit varies from $85 for those with household income between 126-150% of federal poverty guidelines to $160 for those at or below 75% of federal poverty guidelines. The purpose of this program design is to award customers for making regular monthly payments during the winter period when customers cannot be disconnected for nonpayment under Maine's winter disconnection rule. The benefit amount is scaled to reflect the higher energy burden of those with lower household incomes, but does not vary the amount of the benefit by customer usage.

2. **Program Funding History.** During the 1997-98 program year, this program enrolled 1,934 customers, 121 of which failed to meet the program's payment plan terms and so did not receive a credit on the May electric bill. Of the 1,813 who received a credit, the average amount was $110.50 for a total program cost of $200,347. This was $37,000 less than the approved funding level. During the 1998-99 program year, 1,892 customers enrolled in the program and 140 were terminated (123 disconnections for nonpayment) either because the customer failed to keep the payment terms or ended the customer relationship with MPS. The total benefit expenses were $220,900.

3. **Benefit Amount.** The benefit in the form of a credit applied to the customer's May bill is lower than the rate discount provided to Bangor Hydro's eligible customers, at least for those at the lower end of the federal poverty guidelines. The average benefit amount in 1998-99 was $126. It is not known whether the program design or benefit amount has had an impact on the participating

customer's ability to retain or maintain electric service. The number of customers who fail the program, i.e., who do not receive the credit because they have not maintained (or restored missing payments) payments according to the terms of the payment plan has varied from 16% in the early years of the program to 6.25% in the 1997-98 program year. During 1998-99, 6.5% of the participants were disconnected for nonpayment.

4. **Consumer-owned utilities.** Maine has 10 small publicly owned or consumer-owned electric utilities. None of these utilities provide formal low-income programs, but they do comply with the Commission's credit, collection, payment arrangement, and winter disconnection rules (Chapter 810). Pursuant to 35-A M.R.S.A. § 3504, a consumer-owned electric utility may seek exemption of any requirements of the Commission rules or the Public Utility law, except for the mandated process for consideration of rate changes. Recently, the Legislature exempted the three "island" electric utilities from electric restructuring (35-A M.R.S.A. § 3202(6).

5. **Energy Management Programs.** All three investor-owned utilities were required to market their no-cost energy management programs to low-income program participants as part of the low-income bill assistance program. Typically, this has included an energy audit, energy efficiency light bulbs and water heater wraps. At MPS this included the weatherization program for electrically-heated dwellings, most of which are federal low-income housing units. CMP's benefit structure resulted in very high benefit amounts to a few customers due to their very low income and high usage and the Kennebec Valley CAP (serving the Augusta and Waterville areas) did a special study of these participants and urged CMP and the Commission to target energy management services, including fuel switching, to such customers. KVCAP argued that the impact of the energy efficiency measures would reduce the size of the following year's ELP benefit. Beginning in 1993, CMP's program rules were changed to allow the customer to use the benefit to fund energy management services, but the program rules excluded fuel conversion as an allowable activity. At that time, KVCAP had identified 36 households that used more than 18,000 kwh per year. In part due to the analysis of these households and their usage patterns, the Commission ordered that CMP's benefits could be used for fuel conversion, starting in 1994. During the next several years KVCAP attempted to enroll these high use clients in an energy management program and use part or all of the ELP benefit to fund these usage reduction measures, including fuel conversion. A five-year summary (1993-98) of these efforts analyzed homeowners using over 15,000 kwh per year was done, representing approximately 200 clients. Unfortunately, KVCAP

concluded that the success of the energy management effort was extremely limited. Only 10% of the highest users were willing to commit some of their ELP benefit to reduce future usage and energy need. Only 4% of the total benefits targeted to this group was committed to energy efficiency ($18,156 out of total ELP credits of $433,181). As a result, over this five-year period, ELP benefits totaling $417,000 were paid, an average of $417 per year to each client. In fact, several clients were paid a benefit of over $2,000 per year in this program and refused energy reduction services. Most clients refused these services because they were afraid that it would reduce their benefit in the following years.

II. THE IMPACT OF MAINE'S ELECTRIC RESTRUCTURING LAW.

A. **Needs-Based Low-Income Assistance.** 35-A M.R.S.A. § 3214, enacted as part of Maine's electric restructuring law, imposes an obligation to ensure adequate provision of financial assistance. This assistance must continue existing levels of financial assistance and meet future increases in need caused by economic exigencies. The PUC must receive funds collected by all transmission and distribution utilities in the State at a rate set by the PUC in periodic rate cases. Therefore, all utilities, including consumer-owned electric utilities, must fund low-income assistance programs. The initial funding level must be set by the PUC based on an assessment of aggregate customer need. Finally, the funding formula must be set so that any assistance is not counted as income or as a resource in other means-tested assistance programs for low-income households, and, to the extent possible, assistance must be structured to prevent loss of other federal assistance.[4]

1. One interesting aspect of this statutory directive is that it does not require the PUC to conduct a rulemaking. Nor does it describe the funding level or type of program that must be continued or created. However, the emphasis on needs suggests that the program funding level, and perhaps program design, should be varied by the actual ability of low-income electric customers to obtain and maintain electric service at a reasonable price in a competitive environment.

2. Participants in the Legislative proceedings to adopt the electric restructuring law have stated that it was the assumption of the Committee that the

[4] The intent of this language is to prevent a household from losing Food Stamps or other means-tested programs by counting the value of the low-income utility benefit in the household's income.

Commission's current funding target of .5% of utility revenues would continue and be expanded to include all other consumer-owned utilities.

B. **LD 1500 (1999-2000 Legislative Session), An Act to Create a Low-Income Electric Consumer Trust Fund**, was introduced first pursuant to a proposal by Central Maine Power Company to use incremental state tax revenues associated with CMP's sale of its power plants (approximately $70 million) to establish a trust fund for the electric low-income programs throughout the state. If enacted, this bill would have removed the funding of these programs from utility rates and, according to the author's estimates, would have funded programs at all utilities that would have been equal to about .5% of utility revenues, i.e., $6-7 million per year. The bill required the statewide program to be based on the CMP ELP program in both eligibility criteria and benefit levels, to be implemented by the Maine State Housing Authority and the regional CAP agencies in conjunction with LIHEAP. CMP convened a group of stakeholders in which the PUC, MSHA, low-income advocates, and CAP agencies participated. During the First Legislative Session, the funds that were earmarked in the bill to establish the trust fund were used to fund other initiatives. The bill was carried over and during the Second Session, it was amended to establish a $70 million trust fund using General Fund revenues. However, the bill was not funded and died on the Appropriations Table. Nonetheless, the work done by the informal stakeholders demonstrated a consensus among interested parties that a statewide program should reflect the targeted ELP concept, should be administered by the MSHA and the CAP agencies in coordination with LIHEAP, and the funding for the program should target approximately .5% of utility revenues.

III. ENERGY BURDEN OF MAINE'S LOW-INCOME HOUSEHOLDS.

A. **Poverty in Maine.**[5] Maine's recession that began in 1990 caused the number of poor in Maine to increase rapidly, rising past historical levels by 1993. This rate of poverty has begun to drop gradually in the latter half of the decade because Maine, similar to the rest of the Nation, has enjoyed a steady increase in income growth and decrease in unemployment statistics. Based on the 1990 Census, there were approximately 25% of Maine's households with income at or below 150%[6] of the federal poverty

[5] Most of the information for this section was derived from Maine State Planning Office reports and publications, particularly the *1998 Report Card on Poverty in Maine*, January, 1999.

[6] The federal poverty guideline is widely acknowledged to be far below the level required for a family to live independent of assistance and to be in need of revision. Stephanie Seguino, *Living on the Edge: Women Working and Providing for Families in the Maine Economy, 1979-1993*, Margaret

guidelines and 13.3% of households with income at or below 100% of the federal poverty guidelines. By 1997, the rate for households below 100% of federal poverty was estimated at 10.9%. Maine ranks 20th in poverty rate, but income growth lags behind most other states. Maine had an average per capita income growth of 4.6% in 1998, for an overall rank of 36th in the Nation. This is a drop from the 28th rank in 1988. The Maine State Housing Authority estimates that there are 26,000 substandard housing units among Maine households with income at or below the federal poverty level. Transfer payments (social service benefits, retirement income, unemployment benefits) from government contribute significantly to Maine households. In 1996, one dollar in five of total personal income in Maine came from transfer payments, nearly 25% above the national average.

1. **Disabled.** A third of the adults with a disability that prevents them from working live in poverty. In 1998, 30,680 Mainers received disability payments from the Social Security program. Payments averaged $658 per month, just below the poverty level for a one-person household. In 1998 there were 21,637 disabled adults receiving SSI benefits. The average monthly benefit was $313, less than half the poverty rate for a single person.

2. **Working Poor**. In 1990, 39% of the poor were persons of working age (16-64). By 1990, over half of the poor (51%) are working age adults, even though the number of poor was smaller in 1990. In 1998, the Maine median wage was $10.19, so that over half of all workers were earning less than $11.41 per hour, the estimated livable wage for a two-person household (single parent, 1 child).[7] Nearly one in four families (24%) receiving TANF of August, 1999 had a working parent. In the 1997 working poor parents survey, many had experienced going without in the previous 12 months: 13% experienced utility disconnections; 17% ran out of heating fuel, and 10% had to skip meals for a day or more.[8]

3. **Children.** One in four Maine children live in poverty. In 1997, an estimated

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Chase Smith Center for Public Policy, University of Maine, Orono, ME, 1995, pp.11 and 38. Seguino developed a Maine basic needs budget for wage-earner families, which in 1993 for a single parent and two children was approximately 185% of the federal poverty level.

[7]Pohlman, Lisa, et al., *Getting By in 1999: Basic Needs and Livable Wages in Maine*, Maine Center for Economic Policy, Augusta, ME, November, 1999.

[8]Fitzgerald, John, *Working Hard Falling Behind: A Report on the Maine Working Poor Parents Survey*, Maine Center For Economic Policy, Augusta, ME, 1997.

40% live in homes where the income is less than 200% of federal poverty level. A quarter of these children lack health insurance.

4. **Elderly.** Because wages have historically been lower in Maine, workers have less at retirement. The average Social Security benefit to Maine retirees is only 92% of the average benefit nationally. Though the poverty rate among the elderly has dropped significantly once the cost of living factor was built into the Social Security benefit formula, many elderly live at the edge of poverty, especially older women.

5. **Health Care Coverage**. Many low-income working families go without health insurance. One study estimated there were 188,000 uninsured Maine people in 1997, or almost 15% of the population. This was the highest uninsured rate in New England and most are in working families.[9]

6. **Social Service Programs.** The AFDC/TANF program serves families in crisis. New federal limitations on these programs and the general improvement in the economy have led to significantly lower caseloads beginning in 1998. The caseload peaked at 23,000 in the early 1990's and has dropped to less than 14,000 in 1999, resulting in almost 32,000 individuals served. The Food Stamp caseload is much higher and has not shown such a dramatic drop. As of the end of 1999, 51,662 households participated in this program

7. **LIHEAP**. The funding history for this program shows a peak in 1993-94 when almost 60,000 households were served with a grant amount of $26.3 M (which included an emergency allocation of $7.8 M that year). For the last several years the Maine allocation has been $13-14 M. For the 1998-99 program year, LIHEAP provided fuel assistance benefits to 34,475 households at an average benefit of $261, fuel assistance of $1 to 1,288 households to increase the Food Stamps benefit, emergency crisis intervention of $375 to 1,450 households and weatherization services (15% of the LIHEAP grant) to 1,000 clients. The total grant to Maine was $15.2 M, of which 10% was allocated to administrative costs, the maximum allowed by the federal grant conditions. The bulk of the grant, $8.8 M was spent on fuel assistance and only $.5 M on emergency crisis assistance. In 1999-2000, the typical $14 M grant was supplemented by $9.9 M in emergency funds (due in

[9] Carrasquillo, O. et al., Going Bare: Trends in Health Insurance Coverage, 1989-1996, *American Journal of Public Health.* Vol. 89, No. 1 (1999), 36ff.

part to the weather and the dramatic rise in heating fuel oil prices during the winter) for a total of $23.9 M. This will enable the average fuel assistance benefit to rise to an estimated $300 this year and serve 37,000 households.

a. This program serves very low income households. 24% receive SSI and 50% receive Social Security-Disability income. 43% of the served households have either an infant under the age of 2 or an elderly person at risk of hypothermia.

b. The program provides benefits primarily for fuel oil or kerosene (80%) and only 10% of the households heat with electricity. However, 36% have an electric water heater.

8. **REACH.** In 1998, Maine was awarded a three-year (1998-2000) energy management grant of $1.5 million. The purposes of the REACH Initiative are to: minimize health and safety risks that result from high energy bills; increase efficiency of energy usage by low-income families; and target energy assistance to individuals who are most in need. The Project was based on the finding that LIHEAP eligible households in Maine spend, on average, a disproportionate amount (15% or more) of their annual household income on essential electrical energy needs in comparison to median income families, which, on average, spend less than 5% of their income on electricity. The total Maine LIHEAP population (approximately 45,000 households) will be targeted with a four-tiered conservation model:

(1) Tier I: conservation education and information provided to all LIHEAP clients;
(2) Tier II: home energy audits; education and referral targeted to the highest users, approximately 1,325-2,200 clients;
(3) Tier III: appliance repair and replacement and other energy use reduction measures targeted to 260 to 330 clients with usage in excess of 15,000 kwh; and
(4) Tier IV: heating system conversions in electrically-heated households targeted to 160 electrically-heated homes with a minimum 15,000 kwh usage.

This program has an extensive evaluation feature built into the program design.

9. **Costs of Electricity.** Under Maine's retail competition market rules, larger electric transmission and distribution utilities will obtain the Standard Offer for generation

services by means of a competitive bid process supervised by the PUC for all customers who choose not to choose a competitive provider. Customer bills are unbundled and show the regulated transmission and distribution charges, as well as the separate charge for Standard Offer generation supply (or the competitive provider's charges if the customer has selected an alternative provider that bills through the utility). Because the price for Standard Offer service was set low compared to retail market prices, there are very few residential customers shopping and almost no alternative providers seeking residential customers. This, of course, may change over time if Standard Offer prices rise or retail market prices decrease. However, the costs of a low-income program should be calculated for the near term based on the price for Standard Offer service. As of March 1, 2000, the rates in effect for transmission and distribution service and Standard Offer service at each electric utility at various residential usage profiles are as follows:

Electric Utility	**500 kwh**	**1000 kwh**	**2000 kwh**
CMP	$59.16	$118.32	$236.64
BHE[10]	$78.95	$148.49	$236.64
MPS	$58.28	$116.56	$233.11
EMEC	$56.35	$111.46	$221.68
Madison Electric	$49.96	$97.40	$192.27
Kennebunk Light & Power	$27.41	$52.46	$102.57
Van Buren Light & Power District	$31.68	$62.70	$124.75
Houlton Water Co. (Electric Div.)	$34.67	$66.45	$130.01
Central Monhegan	$260	$510	$1010
Matinicus Plantation	$147.25	$279.50	$544
Swans Island			

[10] BHE's Standard Offer rate has recently increased by 32.5%, resulting in a 10-12% total bill increase, effective October 1, 2000. The rates in this chart do not reflect this increase.

Electric Utility	500 kwh	1000 kwh	2000 kwh
Cooperative	$105.52	$206.63	$408.85
Fox Islands Electric Coop.	$65.22	$123.26	$239.34
Isle-Au-Haut Electric	$175	$335	655

It should be noted that the rates in effect on the small island communities often reflect the use of diesel generators to provide electricity.

10. **Energy Burden.** A household's expenditure for energy (or electricity) can best be analyzed from the perspective of the percentage of household income devoted to this type of expenditure. A low-income household typically spends a higher level of percentage of household income on energy compared to middle or upper- income families. In other words, the energy burden for low-income households is much higher than for non-low-income households. This is true both nationally and in Maine. It is also true even though, on average, low-income households use less energy than higher income households.[11] In other words, even though the monthly bill is lower than comparable upper income households of the same size, the impact of this monthly bill on a low-income household, particularly the very low-income households below 100% of federal poverty guidelines, is much higher and likely to result in late payment, the need for payment arrangements, a higher incidence of collection activity, including disconnection of service for nonpayment. When a very low-income household has a high usage factor (due to faulty appliances, type of housing, type and state of repair of heating source), the combination may result in an extremely high energy burden. When an energy burden for any household reaches a certain point, the monthly bill is no longer affordable.

    a. Home heating expenditures represented a higher percentage of annual household income for low-income households (3.1%) than for non-low-income households (.7%) in 1997.[12] The percent of income spent on home heating varies by fuel type:

[11] The average residential energy expenditures for all U.S. household in 1993 was $1,283 and for low-income households, $1,038. EIA Residential Energy Consumption Survey for 1993, U.S. Department of Energy.

[12] *LIHEAP Home Energy Notebook for FY 1997*, available at the LIHEAP Clearinghouse website: http://www.ncat.org/liheap/pubs/notebook97.htm.

Fuel Type	Average Low Income	Average Non-Low Income
Fuel Oil	4.4%	1.1%
Propane	3.5%	.9%
Natural Gas	3.5%	.7%
Electricity[13]	2.3%	.5%

b. The impact of electricity expenditures on a low-income household budget goes way beyond the cost of heating, however. Of the total energy expenditures by a low-income household in 1993, on average 63% was for electricity according to the 1993 Residential Energy Survey by DOE. This percentage of the household budget necessary to pay for electricity is growing over time. Factoring the cost of electricity in addition to the costs for home heating in the above chart results in a significant increase in low-income energy burden, 10.7% on average and 15% for the mean. Over half of the low-income energy households spend more than 15% of their income for heat and electricity. The Very Poor households (income at or below 100% of poverty), on average, spent 22% of their entire annual income on energy bills. Those households between 100-150% of poverty spent 9% on average for energy bills.

c. This high energy burden is exacerbated in Maine where electricity prices are high ($0.11 per kWh on average versus $0.8 in the Midwest and $0.6 in the South) and fuel oil is the typical heating fuel of choice in older, less energy-efficient housing. The highest clusters of energy burdens in the DOE 1993 survey were for high proportional electricity expenditures and bulk fuel users, most of whom lived in the Northeast region. In fact, the cluster of high-expenditure and low-income households used large quantities of electricity, were desperately poor, and paid the highest rates for electricity. While a small group nationally (less than a million families), households with both extreme burdens and expenditures for energy have a higher incidence of public assistance, use of mobile homes, dramatically lower incomes, and used an average of 19% more kwh per year than standard household usage, while their median usage was nearly double that of other low-income customers.[14]

[13] The national figures for heating with electricity predominantly represent newer, better insulated, homes and housing units constructed in the South and West.

[14]Economic Opportunity Research Institute, *A Profile of the Energy Usage and Energy*

d. The most recent energy burden analysis specific to Maine was done by the National Consumer Law Center based on 1988-92 energy expenditure and income data.[15] For Maine households receiving AFDC, the energy burden in 1992 was 22.7%, 16% for an elderly couple receiving SSI, and 14.5% for a household relying on minimum wage income.

IV. STATEWIDE PROGRAM DESIGN: KEY PROGRAM DECISIONS AND SCENARIOS.

A. **Spending Target.** In the first years of the bill payment assistance program, the Commission adopted a guideline that the investor-owned utilities should spend approximately .5% of their jurisdictional revenues for this program. The Commission has made changes in the program design, particularly for CMP's ELP, to lower costs when the projected or actual costs appeared to exceed this spending limitation. While the Legislature's authorization for this program has never included a specific spending target and the statutory language supports the proposition that the level of spending should reflect the needs of low-income customers for affordable electric service, there has been a general understanding that the current level of effort would be continued and expanded to include participation by the non-investor-owned utilities. In fact, the current budgeted spending level for the utility's existing program is already included in the redesigned rates for the three investor-owned utilities, as well as the ongoing administrative costs associated with the implementation of these programs. However, the ongoing administrative costs have not typically been included in the calculation of the benefit spending targets. These program benefit costs no longer represent .5% of the regulated revenues of the three utilities because the .5% target was set on total revenues for fully-bundled retail jurisdictional revenues. The exact percentage of the transmission and distribution utility revenues were not identified in the Commission unbundling decisions, but the prior dollar amount included in rates was continued in the

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Needs of Low-Income Americans, Washington, D.C., March 28, 1999, available at the LIHEAP Clearinghouse website: http://www.ncat.org/liheap/pubs/profile.htm.

[15]Saunders, M., and Spade, M., *Energy and the Poor: The Crisis Continues*, National Consumer Law Center, Boston, MA and Washington, D.C., January, 1995.

unbundled T&D revenue requirement.

B. **Smaller electric utilities.** Those electric utilities that do not presently have a targeted bill payment assistance program included in the rate structure will need to be authorized to track and seek recovery of representative program costs in a future base rate proceeding. The very small electric utilities will probably not have the infrastructure to support electronic data transfer or frequently modified payment arrangements. The Commission should explore the option of allowing small consumer-owned electric utilities to apply the ELP benefit to the customer's account in one lump sum.

C. **Administration of the Program.** The current programs are administered by each of the three investor-owned utilities under the supervision of the Commission. Each utility has negotiated contracts with the various CAP agencies within its jurisdiction for intake and determination of eligibility for the utility assistance program as part of the CAP intake for LIHEAP.[16] Utilities refer potentially eligible customers to the CAPs for determination of eligibility. With the expansion of a program to all electric utilities and the statewide nature of the new program, it seems more efficient to administer the program on a statewide basis under a common set of rules and administrative procedures. The Maine State Housing Authority has indicated an informal interest in taking on this role, but will need legislative authorization for such a task. The use of MSHA in this role seems reasonable in light of this agency's role in the implementation of LIHEAP and DOE's weatherization program and its contractual relationship for the delivery of these programs with CAP agencies throughout the State. It would be efficient to adopt a uniform method of contracting for CAP services and use the MSHA infrastructure to handle determinations of eligibility in concert with LIHEAP. Both MSHA and CAP payments for administration of the program should not exceed 10% of the total program benefit costs. This approach is modeled after the federal LIHEAP program which also has a program rule that imposes a 10% cap on administrative expenses.

D. **Retail Electric Competition; Portable Benefits.** Utilities will now provide unbundled bills to all customers, showing the regulated T&D charges and the charges for either the Standard Offer or the price charged for generation service by the customer's alternative electricity provider.[17] The design of the low-income program should reflect the existence of retail competition and allow customers to carry their benefits toany competitive electric supplier chosen by the customer.

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[16] However, each utility has negotiated different contract terms for this CAP function.

[17] The smaller electric utilities are not required to unbundle their electric bills.

1. With respect to the percentage of income program, the utility should calculate the customer benefit and resulting co-payment based on the estimated annual bill, including both T&D charges, other regulated charges, and the Standard Offer rate. This is likely to be the rate at which the vast majority of residential customers will receive electric service in the early years of competition in any case. Customers who shop for electricity and select an alternative electric provider that charges less than the Standard Offer should benefit from the resulting savings without the recalculation of the credit and co-payment amount for the rest of the program year in question.

2. With respect to any program design that relies on tariffed rate discounts, the amount of the discount should be applied to the regulated T&D rates for the electric utility in question. However, the effect of the discount should be analyzed as a percentage reduction in the total bill, that is, for both the T&D services and the Standard Offer rates for generation service. Under this approach, the amount of the discounts on the T&D rates would be larger in order to reflect the lack of any discount applied to the generation portion of the bill. This would allow the customer to shop for generation supply and carry their benefit with them. If the customer was able to obtain generation service at a lower rate than the Standard Offer, this would provide additional savings beyond those provided by the discount.

E. **Arrears.** None of the current utility programs reduce or subsidize the customer's arrears balance which exists at the time the customer is enrolled in the program. CMP's ELP customers must roll their arrears balance into the 12-month payment arrangement required as part of the program. MPS includes any arrears balances in the required payment arrangement as well; only these balances are spread over an even shorter time period (until May-June). BHE does not require a payment arrangement as a condition of enrollment, but follows its traditional policy of requiring a payment arrangement as a condition of continuing service when a customer develops an arrears balance. If a customer enters the program with a high arrears balance, the risk of nonpayment and resulting collection activity is increased. The impact of a large arrears balance can totally wipe out the affordability of the customer's required co-payment under ELP, often doubling it so that a customer is paying over 20% of their income to maintain electric service. The Commission may want to consider a modest arrears forgiveness program when a customer enters the assistance program with a particularly high arrears balance. Such an approach would require a customer payment toward the arrears balance, followed by a forgiveness of some portion of the arrears. A typical approach is to forgive $2 in arrears for every $1 paid by the customer coupled with a long payment program. Several Pennsylvania utilities use this approach to their CAP payment plans. At a minimum, the Commission should

consider a program rule that would require a utility to offer a longer payment arrangement for the arrears portion of the customer's payment to reduce the impact of the arrears balance on the resulting monthly payment requirement.

F. **Fixed Credit Percentage of Income Program (ELP).** The Central Maine Power ELP program has been widely viewed by stakeholders as the best-targeted and most effective program design of the three utility programs. The stakeholders participating in the negotiations relating to LD 1500 supported the statewide use of the ELP model. If adopted statewide, fewer low-income customers will qualify for such a program compared to other program designs, such as a rate discount, but those who do qualify will receive a benefit that is directly related to the customer's annual electricity bill as a function of the household income. The expansion of this approach on a statewide basis will require a determination of the following key program decisions.

1. **Percentage of Income Payment**. The hallmark of the ELP approach is the focus on an individualized ability to pay (based on a percentage of income devoted to electric service) and the calculation of the customer's payment obligation in the form of a fixed monthly amount (total estimated bill minus the customer's benefit amount). This approach requires a determination of the applicable percentage of income used to calculate the customer's co-payment. The current ELP requires the customer to pay based on a two-tiered approach that attempts to consider both usage level and income. For those with very low income (below 75% of poverty), low users must pay 6% of income and higher users pay 11% of income. For those with higher income (above 75%), low users pay 7.1% of income and higher users pay a maximum of 12.1% of income. The percentage of income used to calculate the customer's co-payment has been the focal point of changes designed to control the overall program spending level in the past.

2. **Impact on Larger Households**. Customers with large families (and, therefore, higher usage) are often required to pay a higher percentage of income relative to their poverty status than smaller families. For example, a household with 3 members at 50% of poverty will normally use less electricity than a household with 6 members. However, the higher usage by the larger household may trigger the requirement for a higher co-payment, i.e., the higher percentage of income. Several CAPs have noted this adverse impact on the larger families and have suggested that this inequity should be corrected.

3. **Maximum Credit**. The current ELP does not establish a maximum customer benefit. A small group of eligible customers receive very high annual ELP benefits, as documented in the KVCAP study of high usage ELP recipients

described earlier in this report. This is true even in light of the ELP formula which requires a high usage customer to pay 11% or 12.1% of their household income for electric service. Most stakeholders support the addition of a maximum benefit amount for the statewide program. A maximum benefit amount of $600 ($50 per month) has been used to calculate various program cost scenarios described later in this report.

4. **Minimum Benefit**. The current ELP requires that the annual customer credit must be over $50 to be enrolled in the program. In other words, the benefit must exceed $50. This has had the effect of eliminating many otherwise eligible customers compared to the early years of the program when this minimum benefit rule was not in effect. According to the CAPs, this program rule has had a particularly adverse effect on low-income elderly clients whose benefit (often due to their low usage and income above 100% of poverty) under the current formula is often less than $50. The purpose of this minimum benefit was to eliminate the administrative costs of calculating an annual budget payment plan to reflect a relatively small monthly credit ($4.17) on the bill. However, the Commission may want to explore an alternative approach in which there is a lower minimum benefit amount (e.g., $36), but not require the customer who receives a benefit amount of less than $50 to enter into a payment arrangement for the balance of the annual bill. The smaller benefit amounts could then be provided in the form of a lump sum credit, similar to how a LIHEAP benefit is reflected on the customer's bill. This would avoid the administrative costs associated with the need to calculate and implement a payment arrangement.

G. **Targeted Rate Discount (BHE)**. An alternative program design would use the targeted rate discounts modeled on the program in effect at Bangor Hydro-Electric Company. This approach would vary the amount of the discount with the customer's household income level. Those participants with the lowest income levels would receive the greatest discount. This approach has the advantage of simplicity of administration (programmed tariffed rate discount), but customers would still need to be qualified through an evaluation of household income, presumably by means of the LIHEAP intake process. This type of program is likely to result in providing more customers with a lesser benefit compared to the ELP approach. BHE's current approach varies the amount of the discount based on the customer's income level, but also tapers off the discount so that lower usage customers in the second and third rate discount tiers receive either a smaller discount or no discount. This structure results in small or no discounts at all for customers over 100% of poverty unless the household uses over 500 kwh per month. There has been little support among stakeholders for this type of assistance program and the difficulties associated with programming this

type of rate structure using the LIHEAP database described below has meant this type of analysis has received a low priority to date.

H. **Coordination with Energy Management and Conservation Programs.** Any program should require participants to accept no-cost energy management programs offered by or through T&D utilities pursuant to Chapter 380 of the Commission's rules. The programs available to participants in the low-income bill payment assistance program should be coordinated with the design and implementation of the electric energy conservation program planning currently underway under the coordination of the State Planning Office.

V. PROGRAM COSTS

A. **Use of LIHEAP/REACH database.** At the beginning of this project it was hoped that various statewide low-income program scenarios could be developed by means of a database of low-income households which would contain both electric usage and income information provided by the Maine State Housing Authority. This would allow the calculation of estimated program costs for each electric utility. This has not been possible. The MSHA was only able to provide a database of combined income and usage information for selected CMP customers so that it has not been possible to project the costs of an ELP (or any other program) to other utilities using customer usage profiles from each utility's service territory. However, the database does consist of 5,989 CMP households and has been used to project ELP costs under various program design scenarios. These customers have the following income and usage profile[18]:

2439 Below 75% Poverty [Average usage: 8172 kwh]
3258 Bet 75-125% Poverty [Average usage: 7283 kwh]
411 Bet 125-150% Poverty [Average usage: 7004 kwh]

The manipulation of this database demonstrates the impact of the current ELP on the LIHEAP population. The following scenarios were modeled on the sample group of

[18] The usage information for these customers was typically not provided for an entire we-month period. However, for the purposes of this analysis the usage information was totaled, a monthly average calculated and then multiplied by 12 to obtain the annual usage.

CMP customers:

(1) Current ELP formula: minimum benefit of $60 and no maximum;
(2) Current ELP formula: minimum benefit of $36 and max. of $600;
(3) ELP with 5% co-payment below 75% income and 10% co-payment above 75% income: minimum benefit of $36 and max. of $600;
(4) ELP with 6% co-payment below 75% income and 11% co-payment above 75% income: minimum benefit of $36 and max. of $600.

These same scenarios were then modeled using the same database of CMP customers, but using the BHE rate structure.19 This allows for an examination of the program benefit formula for different utility rate structures. For the purpose of this analysis, it was assumed that the sample group of customers had the same usage profile as a similar sample of BHE customers, but this assumption may not be totally accurate and should be taken into account when evaluating the results of these various program scenarios. As of March 1, 2000, BHE's residential rates were 18% higher than CMP's residential rates. This is true for both the regulated distribution rates and the Standard Offer energy rates.

Finally, a program scenario was constructed using the rate discount approach and modeled using both CMP and BHE rates:

40% discount on distribution rate for below 75% income;
30% discount on distribution rate for income between 75% and 125%;
15% discount on distribution rate for income between 125-150% income.

The results of these program scenarios are presented in the following table:

19 Most of the scenarios were run prior to the implementation of the BHE Standard Offer rate increase, but at least one scenario was run with the increased Standard Offer rate. This distinction is noted in the discussion below.

	% No Benefit	% Benefit <$36	% Benefit <$60	% Benefit >$600	Total: Benefits
Current ELP: Min. $50(60) No Max. CMP Rates	47%	52%	56%	6%	$949,202 (Avg. $356)
Current ELP: Min. $50 ($60) No Max BHE Rates	29%	34%	37%	12%	$1,614,718 (Avg. $425)
ELP: Min. $36/Max $600 CMP Rates	47%	52%	56%	6%	$777,480 (Avg. $269)
ELP: Min. $36/Max $600 BHE Rates	29%	34%	37%	12%	$1,284,662 (Avg. $323)
ELP ($36/$600): <75%B5% income >75%B10% income CMP Rates	37%	39%	41%	24%	$1,531,092 (Avg. $420)
ELP ($36/$600): <75%B5% income >75%B10% income BHE Rates	27%	30%	32%	33%	$1,866,916 (Avg. $443)

ELP ($36/$600): <75%B6% inc. >75%B11% income CMP Rates	42%	44%	46%	21%	$1,374,698 (Avg. $412)
ELP ($36/$600): <75%B6% inc. >75%B11% income BHE Rates (20)	26%	29%	%	36%	$1,942,535 (Avg. $454)
Rate Discounts: <75%B40% Delivery Rate >75<125%B30 % >125<150%B15 % CMP Rates	Avg. BillB <75%: $968 >75%: $857				$1,198,396 Avg. Discount: <75%: $253 >75<125%: $169 >125<150%: $80
Rate Discounts: <75%B40% Delivery Rate >75<125%B30 % >125<150%B15 % BHE Rates	Avg. Bill -- <75%: $1,111 >75%: $980				$1,423,044 Avg. Discount: <75% $300 >75-<125%: $200 >125<150%: $97

The key observations of these results are as follows:

1. The current ELP (minimum benefit of $50, required co-payment of 12 X minimum monthly bill, no maximum benefit) eliminates over half the LIHEAP

) This program scenario reflects the recently approved increase in BHE Standard Offer rates from $.045 to $.06101. It is the only program scenario ı the Table that reflects this recent rate increase.

clients with its program structure and targets a significant amount of program benefits to customers with high usage. By establishing a $600 cap on benefits, program costs are reduced 18%. Therefore, if a benefit cap is imposed, the formula for calculating benefits should be changed to allow for increased enrollment; otherwise, the spending target will not be met.

2. The current ELP formula results in a significant increase in program costs when modeling BHE rates; this increase is more than the 18% increase that would otherwise be predicted due to the higher BHE rates compared to CMP. In fact, the BHE rate scenario for the current ELP formula results in a 70% increase in benefit costs, far more than can be explained by the rate differential alone. This is due primarily to the increased number of LIHEAP customers who are eligible for a benefit under the BHE rate scenario compared to CMP's rates, using the current ELP formula.

3. The differential (other than the impact caused by the difference in rates) between the CMP and BHE rate scenarios practically disappears when the ELP formula is changed to eliminate the usage factor in the formula to calculate the ELP benefit. When ELP benefits are calculated based solely on the households percentage of income and a maximum benefit cap of $600 is imposed, the resulting program cost differential between CMP and BHE rate scenarios drops dramatically.

4. A rate discount that varies the percentage of discount by percentage of poverty can be structured to assess the discount solely on the Delivery Costs (i.e., regulated portion of the bill) and will cost approximately the same as the ELP formula that calculates benefits based on a percentage of income. However, under the rate discount approach, the number of customers that qualify for a benefit is coincident with the LIHEAP population (assuming the benefit structure does not factor in usage, but relies entirely on income to trigger the benefit amount) and the average benefit is much lower.

5. Assuming a continuation of the percentage of income approach, a change in the current ELP formula to eliminate the usage factor in the benefit calculation formula and substitute a maximum benefit cap will have comparable results. This change in the formula will eliminate the problem of the larger family size not being considered in the formula and will be administratively easier to implement and explain to clients. This will allow the use of a simpler formula in which the customer's percentage of federal poverty guidelines determines the percent of income required as a customer co-payment.

B. **Program Costs and Rate Impacts**.

Using the simplified ELP program formula which would require customers to pay 6% of income for electricity below 75% of poverty and 11% of income for electricity for above 75% of income with a minimum benefit of $36 and maximum of $600, statewide program costs can be estimated based on an expansion of the current database of approximately 6,000 LIHEAP customers. During the 1998-99 program year, LIHEAP served 35,763 clients, including 1,288 subsidized housing clients and 3,918 clients who rent with heat included. We should assume that 30,000 LIHEAP clients will pass the initial screening for application for an ELP statewide.[21] Approximately 40% of potentially eligible LIHEAP clients will be eliminated based on the recommended program formula, i.e., usage and income combination will result in a benefit less than the required co-payment, resulting in an estimate of 18,000 households qualifying for the proposed program. At an average benefit of $412, total program costs for a full 12 months for 18,000 participating customers would be $7.4 million. Using another estimation method, a five-fold expansion of the program from the 6,000 clients in the database to a statewide 30,000 clients would total $6.9 million using CMP rates. Total statewide total would be somewhat higher as a result of the higher BHE rates for both T&D and Standard Offer service. The 6/11% percentage of income program scenario will cost $1.94 million for 6,000 customers using these BHE rates so that total statewide program costs will be higher than the estimate calculated using CMP rates alone. However, MPS's rates are slightly less than CMP's (11.6555 cents per kwh for MPS versus 11.8321 cents per kwh for CMP). As a result, it is appropriate to consider that a program that will provide benefits under the 6/11% percentage of income scenario will have a maximum statewide cost of $7-8 million.

Finally, this estimate of maximum program benefit costs is an over-estimate of the costs that are likely to be incurred in any program year because <u>no program will operate at full scale for all eligible customers for a 12-month period</u>. All the utility annual reports demonstrate clearly that customers that are enrolled do not uniformly incur a full 12 months of program benefit costs due to late enrollment in LIHEAP, moves, and other customer transfers and drop-outs during the program year. For example, during the 1998-99 program year CMP has reported that 7,489 were enrolled during the program year and 1,074 terminated during this same time period (dropped out of ELP, disconnection for nonpayment, moved or ceased to continue as a customer). Since the

[21] This estimate assumes that subsidized housing clients and that customers without an electricity account in the name of a household member will continue to be eliminated from eligibility for an ELP-type program. While renters with heat included may also have an electricity account, the usage on that account is likely to be relatively low.

program year expenses for CMP were only $2.9 million, clearly the average benefit decreased as well as the number of customers participating in the program compared to earlier years. For the 1999-2000 program year (as of June 30, 2000), CMP has reported that 7,883 customers have enrolled in ELP during the program year and has only spent $1.6 million of the $3.9 million budgeted for benefits.

There are a variety of ways to calculate the program-spending target that should be funded by Maine's electric utilities. The Commission should use a variety of factors. First, the program scenario that requires electric customers to pay between 6 and 11% of household income for electric service seems appropriate in light of the history of the CMP's ELP benefit structure and the household's need for other expenditures for shelter, heat, food, and medical expenses. Most other states that have adopted a percentage of income approach have relied on the Ohio PUC's Percentage of Income Program which requires households to allocate a total of 15% of income for both electricity and natural gas. To ask Maine low-income households to allocate up to 6-11% of income for electricity alone is a significant burden that is not replicated by any middle class household. Any increase in these percentages may trigger other household emergencies.

Another approach would be to calculate the size of a program that reflects .5% of jurisdictional revenues of all Maine electric utilities. This approach would require a calculation based on fully-bundled retail revenues since the Commission's historical spending target was established prior to electric restructuring in the early 1990s. The most recent figures for retail revenues are from 1998. As reported by the U.S. Department of Energy's Energy Information Administration, the total retail sales revenues for Maine's electric utilities (both investor and consumer owned) was $1,131,000,000 in 1998. Using this figure, an ELP with a budget of .5% of revenues would total $5,655,000. Of course, this figure has no doubt increased due to sales increases and rate increases since 1998.

A third approach would be to calculate a reasonable percentage of transmission and distribution revenues for the ELP budget. Of course, this would require a higher percentage than .5% because T&D revenues do not include the generation supply portion of the sales revenues. The Commission has completed its unbundling cases and determined the T&D revenue requirement for all Maine electric utilities (except for the three "island" utilities that are exempt from restructuring). The statewide total T&D revenues are $568,317,929.22. If the spending target is increased to $6,000,000 to reflect the "needs" and the updated sales revenues since 1998, this budget represents

22 These revenue figures have been provided by the Commission Staff and reflect the most recent rate and revenue requirement changes approved by the Commission for CMP and EMEC.

1.05% of the total statewide T&D revenues.

Using the results of the needs analysis and the historical .5% spending target, an ELP with an initial program budget of $6 million seems appropriate. The electric utilities (again, with the exception of the island utilities) should be required to fund a proportionate share of this total program budget.

Of the total program benefit costs, a maximum of 10% or $600,000 should be set aside for administrative costs (to be divided between MSHA and the CAP agencies). This will leave approximately $5.4 million for program benefits. This amount will serve approximately 13,100 customers (at an average benefit cost of $412) to 12,300 customers (at an average benefit cost of $440 for those utilities with higher rates) for a full program year.

The Commission may want to consider increasing the ELP funding requirement beyond $6 million to allow for the funding of the administrative costs. The current ELP benefit budgets incurred by the investor-owned utilities do not include administrative costs which are presumably funded as part of the utility's operations and maintenance expense in its revenue requirement. In order to assure a stream of benefit dollars to low-income customers that reflects a program cost of $5.8 to $6 million, the Commission should increase the assessment by at least $600,000 for a total of $6.6 million. This approach will result in reduced expenses incurred by the investor- owned utilities because the increased ELP expenses will be matched by reduced administrative costs associated with the CAP contracts that will no longer be necessary.

The following Table projects individual utility funding requirements based on an ELP budget of $6 million and administrative costs of $600,000:

ELP FUNDING	T&D Revenues	Percent of Total T&D Revenues	Projected ELP Funding (1)	Projected ELP Funding (2)
CMP	$424,412,000	74.68%	$4,928,789	$4,923,179
BHE	$103,179,000	18.16%	$1,198,240	$1,196,876
MPS	$29,143,000	5.13%	$338,444	$338,059
EMEC	$6,195,051	1.09%	$71,944	$71,863
Houlton	$1,748,911	0.31%	$20,310	$20,287
KLP	$1,121,394	0.20%	$13,023	$13,008
MEW	$983,585	0.17%	$11,423	$11,410

Fox Island	$762,780	0.13%	$8,858	$8,848
Swans Island	$277,626	0.05%	$3,224	$3,220
Van Buren	$234,582	0.04%	$2,724	$2,721
Island Electrics (3)	$260,000	0.05%	Not applicable	Not applicable
TOTAL	$568,317,929	100.00%	$6,596,981	$6,589,472
			1.16%	
ELP Funding (1) calculates the funding obligation by multiplying Col. C by Col. B. ELP funding (1) calculates the funding obligation by multiplying Col. B by .0116				

If MSHA is the administrator of the fund, the most logical approach would be for the various utilities to transfer some portion of the annual funding requirement to MSHA throughout the program year who would then hold these monies for disbursement back to the utilities based on actual program benefits costs incurred. There should not be any attempt to use a particular utility's program dollars for a particular utility's eligible customers. Rather, the funds should be transferred back to the utilities based on the actual costs incurred on a monthly basis for the credits that appear on customer bills. It would not be appropriate to transfer the annual credit amount in a lump sum to the utility because many customers do not incur a full 12 months of benefits. Rather, the utility should track benefit expenditures as they appear on customer bills and issue an invoice to MSHA for the monthly credit amount. This will insure that program benefit costs are tracked monthly. If there is a serious discrepancy on an annual basis between the utility's funding for this program and its customer participation in the program or the costs incurred for customer participation, this should be reviewed by both the MSHA and the PUC for possible funding changes and program design changes. If, during any program year, either funding by the utilities is insufficient for the number of enrolled customers or the program is significantly under spending its funding target, the MSHA should be required to report this information to the PUC. The PUC should then open a formal investigation and issue an order to alter program participation requirements or funding levels.