## Testimony In Support of LD 414, "An Act to Clarify the Provision of Notice of Proposed Rate Increases to Public Utility Customers" March 2, 2023

Senator Lawrence, Representative Zeigler and distinguished members of the Joint Standing Committee on Energy, Utilities, and Technology,

My name is William Harwood and I am the Public Advocate, here today to testify in support of LD 414, "An Act to Clarify the Provision of Notice of Proposed Rate Increases to Public Utility Customers." We appreciate Senator Lawrence's sponsorship of this bill.

The purpose of LD 414 is to improve the process by which ratepayers are informed that the utility serving them is proposing a rate increase. This notification is one of the most important communications between a utility and its customers. This legislation addresses three related issues that arose in recent rate cases.

## SELF SERVING PROMOTIONAL STATEMENTS

In February 2022, the Maine Water Company asked the PUC for rate increases for 4 for of its Divisions: Camden & Rockland, Freeport, Millinocket, and Oakland (Docket Nos. 2022-00056, 2022-00057, 2022-00058, 2022-00059). The rate case notices that customers received (attached to this testimony) contained self-serving promotional statements about the "high quality of water and service" that customers were receiving "24 hours a day, 365 days a year," lauded the Company's "Customer Satisfaction Scores," and assured customers that the Company "operate efficiently" and is making "the best use of customers' dollars."

In March 2022, Summit Natural Gas (SNG) sent notices to their customers about its proposed new rate plan. The SNG notice (attached) touted the Company's "stellar customer service" and "cost-effective, environmentally conscious service."

These rate case notices represent one of the most important moments in the entire utility/ratepayer relationship where the ratepayers are informed about what is likely the most critical issue to ratepayers – the rate they pay. Unfortunately, by allowing self-servings promotional statements by utilities to be included in these formal notices, the important message about a proposed rate increase and the ratepayers' opportunity to object become blurred and may not get through. Very simply, ratepayers may see these notices as an attempt by the utilities to boost their public image and miss the important details about the process for voicing any objection to the proposed rate increase.

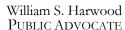
Over many years, it has been the practice for utilities under the direction of the PUC to provide a "plain vanilla" notice that simply informed ratepayers of the proposed increase, their right to object, and the reasons for the increase. Indeed, this traditional practice is reflected in the two recent notices sent out by Central Maine Power (CMP) and Versant Power announcing their proposed increases (copies attached).

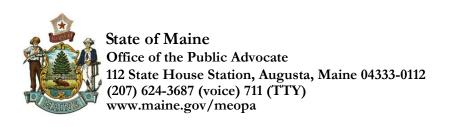
However, because of a lack of clarity in the law, some utilities, including Maine Water and Summit Utilities, are now challenging that long standing practice.

LD 414 will restore the traditional practice by requiring the PUC, in consultation with the utility, to draft the notice to be mailed to ratepayers.

## FIRST CLASS MAILING

For many years, it was the practice of the PUC to require rate case notices to be sent by first class mail, rather than bulk mail (or sometimes referred to as "marketing" mail). This was an attempt to increase the number of ratepayers who actually opened the envelope and read the notice. Although slightly less expensive, it is well understood that customers do not treat bulk mail like first class mail. According to a recent report, only 41% of bulk mail is





actually read<sup>1</sup>. However, recently, utilities have been allowed to send these rate case notices by bulk mail, which is generally used to mail flyers, circulars, and advertising.

Currently, the cost difference is approximately \$0.15/piece of mail. In the case of Maine Water Company (MWC) it would have only cost an additional \$1,800 to send the mailing by first-class (0.33% of MWC's original rate request). LD 414, if passed, would restore the original practice of requiring all rate case notices to be sent first class.

## RATE CASE CAP

Finally, LD 414 proposes that the amount of the increase included in the formal notice to ratepayers serve as a cap on the amount of any increase awarded by the PUC at the conclusion of the case. In two recent cases, the utility has taken the position during the case that it was free to ask for an increase above the amount included in the ratepayer notice sent out at the beginning of the case. Because ratepayers cannot be expected to follow the overwhelming amount of information exchanged between the parties to a rate case, most ratepayers would have no way of knowing that the utility had revised the amount of the increase, so it was actually higher than what the ratepayer was originally told in the formal notice at the beginning of the case. Unfortunately, this situation has the potential to lead to a "bait and switch" practice in which the utility "low balls" the amount of the proposed increase set forth in the original notice and later advocates for higher amount during the actual case.

In the case of MWC, the PUC approved percentage increases for Camden & Rockland, Freeport, Millinocket, and Oakland Divisions that were substantially higher than the percentage increase customers were told in the original notices. For example, Oakland customers were notified of a 9.89% increase, but the Company was awarded a 15.11% increase.

<sup>&</sup>lt;sup>1</sup> HDS 2021 Annual report.pdf (prc.gov)

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In the CMP Rate Case, CMP omitted from its ratepayer notice a significant portion of its rate request attributable to its proposed multi-year rate adjustment mechanisms. CMP argued that because its rate adjustment mechanisms would only go into effect in future years, the rate impact of those later year increases did not need to be included in the notice. The Commission has recently rejected CMP's argument and directed CMP to send a new second notice informing ratepayers of the full amount of the proposed increase.

LD 414 would stop this practice by simply capping any final increase awarded at the conclusion of a rate case by the amount of the proposed increase that ratepayers were notified of, at the beginning of the case.

Thank you for your time, attention, and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 414 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

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