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**CASD BULLETIN No. 2023-01**

To: All Electric T&D Utilities

From: Derek D. Davidson, *Derek D. Davidson*  
Director, Consumer Assistance and Safety Division (CASD)

Date: June 28, 2023

Re: Allocation of Customer Payments

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The purpose of this CASD Bulletin is to provide guidance to electric transmission and distribution utilities (electric utilities) regarding the proper way to allocate customer and assistance payments in situations where a customer has a past due balance. The Commission has recently received questions from electric utilities regarding the proper way to allocate customer and assistance payments in situations where a customer has a past due balance and: 1) makes a large payment that exceeds the amount due under the customer’s payment arrangement; 2) receives a payment from an assistance agency or the LIAP; or 3) receives a payment from an assistance agency or the LIAP and the customer is participating in the Arrearage Management Program (AMP).

Regardless of whether a payment is made by the customer, through an assistance agency, or through LIAP, electric utilities must allocate the payment in accordance with Chapters 322 and 815 of the Commission’s rules. Section 6(C) of Chapter 322 states:

1. When a customer’s payment is less than the total amount of the customer’s bill, the partial payment shall be allocated in the following order:
  - a. Past due transmission and distribution and standard offer charges with the oldest charge paid first. When transmission and distribution charges and standard offer charges are of the same age, the transmission and distribution charge shall be paid first.
  - b. Past due competitive electricity provider charges with the oldest charge paid first.
  - c. Current transmission and distribution charges.

- d. Current standard offer charges.
  - e. Current competitive electricity provider charges.
2. Notwithstanding subsection C(1), when a Special or Regular Payment Arrangement or Budget Payment Plan is in effect on an account, payment shall be allocated first to the amount due under the arrangement or plan and then to the competitive electricity provider charges, with the oldest competitive electricity charges paid first.

Further, Chapter 815, section 8(H) states “[w]hen a utility receives payment that is insufficient to pay the full account balance, the utility must apply the payment to the oldest balance due, unless instructions from the customer, a disputed bill, or a payment arrangement requires otherwise.”

The payment allocation process established by Chapter 322 is often referred to as the “payment waterfall” and ensures that partial payments, i.e., payments that do not cover the current and past due charges in full, are allocated first to past due electric utility and standard offer charges, then to past due CEP charges. The overdue electric utility charges and standard offer charges are paid first because customers can be disconnected for non-payment of these charges. Further, the allocation of payments to the oldest amount first avoids a large imbalance among electric utility and standard offer uncollectibles.

Taken together, Chapters 322 and 815 require electric utilities to follow the payment waterfall when applying customer and assistance payments, unless a customer instructs the utility to apportion the payment differently. This requirement also applies to customers with an outstanding past due balance. For example, if a customer on payment arrangement pays more than the payment arrangement amount due for a particular month, the excess payment should be allocated pursuant to the payment waterfall. To illustrate this, if a customer is on a payment arrangement of current plus \$100 and receives a bill for \$100 (\$200 due in total on the payment arrangement) and pays \$300, the terms of the payment arrangement dictate that \$200 be attributed to cover the current charges and the \$100 towards the past due amount, with the remaining \$100 being allocated pursuant to the payment waterfall. Similarly, if a customer has a past due balance and receives a LIAP credit or some other form of assistance payment, the payment should be allocated first to the oldest electric utility charges first, then to the oldest standard offer charges, etc., consistent with the payment waterfall.

The exception to this process is when the customer provides an electric utility with specific instructions regarding the allocation of a payment. In these situations, the electric utility should apply the payment as instructed by the customer. Absent such instruction, the electric utility must apply the payment pursuant to the payment waterfall.

Some utilities have reported creating credit balances with assistance payments or customer payments that exceed the amount due under a payment arrangement instead of applying these payments to the past due amount, as required by the payment waterfall. This practice is not consistent with the Commission’s payment allocation rules; risks

creating an imbalance between electric utility, standard offer, and CEP uncollectibles; may expose customers to higher late payment charges; and may ultimately place customers at greater risk of disconnection (in the long term). For these reasons, it is important that electric utilities follow the requirements of Commission rules and the payment waterfall process when applying customer and assistance payments.

This requirement also applies to customers participating in the AMP and who make a monthly payment that exceeds the current amount due or a receive an assistance benefit. In these situations, the amount paid above the current amount due or the assistance payment must be paid towards any past due balance first in accordance with the payment waterfall and not placed as a “credit” on the customer’s account.

Hopefully this bulletin provides clarity to electric utilities regarding the proper way to allocate customer and assistance payments when a customer has a past due amount. Please feel free to contact me at (207) 287-1596 or at: [derek.d.davidson@maine.gov](mailto:derek.d.davidson@maine.gov) if you have questions regarding this bulletin.

DDD/kp