MAINE PUBLIC UTILITIES COMMISSION
AUGUSTA, MAINE

IN RE:)
) Docket No. 2022-152
CENTRAL MAINE POWER COMPANY) May 3, 2023
_______________________________________)

Request for Approval of a Rate Change - 307

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CONFERENCE COMMENCED (May 3, 2023, 9:00 a.m.)

MR. BRYANT: This is a technical conference in docket number of 2022-152, Central Maine Power Company request for approval of a rate change. This was noticed in an August 22nd, 2022 Procedural Order. Purpose of these conferences is for discovery and follow-up series of data requests filed on surrebuttal testimony and the Reply Bench Analysis. I'd like to begin by taking appearances. Let me start with Central Maine Power Company.

MR. DES ROSIERS: Jared des Rosiers from Pierce Atwood on behalf of Central Maine Power.

MS. TRACY: Sarah Tracy from Pierce Atwood on behalf of Central Maine Power.

MR. COHEN: Peter Cohen, Central Maine Power.

MS. TUGGEY: Carlisle Tuggey, Central Maine Power.

MR. BRYANT: Will there be any CMP folks remotely who will be participating in the conference by asking questions? Okay. We can stop there.

MS. GEAUMONT: We have two additional people over here. Colleen Geaumont --

MR. BRYANT: -- speaking?

MS. GEAUMONT: Colleen Geaumont, Central Maine Power, but Mariah and I will not be speaking.

MR. BRYANT: If you're not going to speak, I don't think there's a need for you to identify your (indiscernible).

MS. GEAUMONT: Thank you.

MR. BRYANT: The Office of the Public Advocate, please.

MR. LANDRY: Andrew Landry for the Office of the Public Advocate.

MS. CHAMBERLIN: Susan Chamberlin, Office of the Public Advocate.

MR. MARSHALL: Brian Marshall for the Office of the Public Advocate.

MR. BRYANT: Anybody here from Competitive Energy Services either in the room or remotely? No one in the room. Governor's Energy Office?

MS. SWINGLE: Yes, this is Claire Swingle for the Governor's Energy Office.

MR. BRYANT: Morning.

MS. SWINGLE: Morning.

MR. BRYANT: Walmart, Incorporated? You're on mute, Melissa.

MS. HORNE: Sorry. Melissa Horne on behalf of Walmart Inc.

MR. BRYANT: Good morning. Efficiency Maine Trust.

MR. BURNES: Ian Burnes with Efficiency Maine Trust.

MR. HASLETT: Good morning. Nat Haslett with Efficiency Maine Trust.

MR. BRYANT: Good morning. AARP Maine?

MR. COFFMAN: Yes. John Coffman on behalf of AARP.

MR. BRYANT: Good morning, John. And my understanding is that Barbara Alexander will be joining us later this morning?

MR. COFFMAN: That is correct.

MR. BRYANT: The Industrial Energy Consumer Group, anybody participating for them? Conservation Law Foundation?

MR. TURNER: Yeah, good morning. Phelps Turner, Conservation Law Foundation.

MR. BRYANT: And I see that -- Nicholas Alexander, can you identify yourself for the record, please? You have to put your -- turn off your mute button. I see he's present on Teams but not appearing to be responding. Are there representatives of any of the other parties to this case who would like to make an appearance this morning, enter their appearance?

MS. PALMER: Hi, this is Caroline Palmer on the Teams call, and I'm here as one of the consultants with the Maine Governor's Energy Office.

MR. BRYANT: Good morning. Thank you.

MS. PALMER: Morning.

MR. BRYANT: So on behalf of the staff, my name is Eric Bryant. I'm one of the Hearing Examiners. We have Commissioner Scully present. It's possible that the Commission Chair Bartlett will join us at some point, but I don't -- do not believe he's here yet. I'd like to ask my staff colleagues to identify themselves, beginning with the lawyers.

MS. HEALY: Nora Healy, Hearing Examiner.

MS. TAYLOR: Daya Taylor, Hearing Examiner.

MR. DAVIDSON: Derek Davidson, director of consumer assistance and safety division.

MS. LITTLEFIELD: Briana Littlefield, staff.

MR. GRUMSTRUP: Ethan Grumstrup, staff.

MR. SIMMONS: Michael Simmons, staff

MR. MCBRIDE: Jameson McBride, staff.

UNIDENTIFIED: (Indiscernible), staff.

MR. JOHNSON: Michael Johnson staff.

MR. BRYANT: And remotely, I think we have Faith Huntington. Faith, can you enter your appearance?

MS. HUNTINGTON: Yes, Faith Huntington, working with the Commission staff.

MR. BRYANT: Is there anybody who needs to enter appearance that hasn't done so yet? I think I've got everybody.

MS. ZEH: Eric, just letting you know that Sally Zeh from staff is on as well.

MR. BRYANT: Okay. Thank you, Sally. I just have a quick question before we get started. Will the company have any questions regarding broadband with the --

MR. DES ROSIERS: No.

MR. BRYANT: -- in the -- from the Reply Bench Analysis?

MR. DES ROSIERS: We will not.

MR. BRYANT: Okay. Will the OPA have any questions regarding broadband?

MR. LANDRY: No.

MR. BRYANT: Okay. I think that excuses Mr. Johnson. So the last couple days there been some interesting developments. The IECG indicated that it sought to ask questions of parties. The Examiners granted that with some conditions yesterday. The IECG's not present, but I'm going to ask if anybody has any objection to the IECG's late request to participate in this conference. And if I don't hear anything, that's fine. You don't all have to chime in saying no. Okay, hearing none. Little bit of housekeeping. With regard to the upcoming hearings which are going to start in a couple of weeks, I expect to have the prehearing order out later this week. It'll be similar to other prehearing orders you've seen. I would really like it if parties and witnesses kept those four dates available and didn't have them -- do not create conflicts. Scheduling can sometimes be a nightmare, and I really would like to avoid that. We've been flexible so far, but it may be more difficult with a full hearing to be flexible. So please -- and I understand that the Governor's Energy Office has identified one witness who's unavailable on one day. So, let's see, I think that's -- I think that checks all the boxes. So we -- according to the schedule that was published and revised yesterday, we'll begin with CMP's questions of staff regarding the Reply Bench Analysis and any data responses beginning with the issue of rate design. So I'll turn it over to Central Maine Power Company.

MS. TRACY: Good morning. I think these questions will be directed to Mr. Grumstrup, and just a couple of quick questions to further elucidate your responses to data requests. I'd like to start with your response to CMP 014-015 which were question -- my question around the seasonal rate proposed -- position of the OPA. In that response, staff indicated that it did not support the OPA's recommendation with respect to a seasonally-differentiated rate with respect to rate A, but that with respect to rate ATOU, it indicated -- the staff indicated that it had no position but expected to make a recommendation in the Examiner's Report. I just wanted to further press that a little bit and ask whether staff has any particular concerns with respect to adopting a seasonally-differentiated rate for rate ATOU that you could express at this point without expressing necessarily a recommendation.

MR. GRUMSTRUP: I think we're open to that possibility, but I don't think that we necessarily think that it needs to be included or not.

MS. TRACY: I'd like to direct your attention to the next data response CMP 014-016. This was a question around the Walmart proposal with respect to the -- or change methodology with respect to demand charges for the IGS and LGS classes. Walmart proposed in their testimony a revised methodology and the question asked whether staff supports -- or supported Walmart's proposed rate design modification with respect to that recommendation from Walmart. And the staff indicated that it had no recommendation on the issue or on Walmart's proposal at this time but expected to make a recommendation in the Examiner's Report. So similar question, does the staff have any particular concerns regarding Walmart's proposal that it would seek to address through a later recommendation in the Examiner's Report that you can share at this time?

MR. GRUMSTRUP: I think Walmart's proposal is one possibility. Right now I don't think we would make a definitive conclusion on it. But we do, as we said in the Reply Bench Analysis, think that the differentials between the demand charges and the different seasons for those classes does seem overly high. And so we would be thinking about ways to redistribute that summer on-peak demand charge to other periods most likely.

MS. TRACY: Okay. And with respect to Walmart's sort of redistribution, were there any particular concerns that you had given -- for that particular proposal, recognizing that there may be other ways to handle it?

MR. GRUMSTRUP: I don't think so.

MS. TRACY: All right, thank you. No further questions.

MR. BRYANT: Okay. Proceed with Mr. des Rosiers' questions on other topics.

MR. DES ROSIERS: And I'm going to go out of order in the Reply Bench Analysis because I know Lucretia is here and I just have a couple questions on tax. And certainly you may stay for the whole period, but I figured I'd get rid of those sooner rather than later if that's okay.

MR. BRYANT: Thanks. We appreciate that.

UNIDENTIFIED: (Indiscernible).

MR. DES ROSIERS: That's fine. So I'm particularly focused on page 40 of the Reply Bench Analysis, lines 20 through 22. And in that paragraph on page 40 it discusses the staff's view -- or staff's view that it wouldn't be appropriate to use a historical normalization to determine the level reflected in the revenue requirement. Then at the last sentence then but goes on that, "If the Commission approves a three-year rate plan, the company should also update the tax repair allowance deduction reflected in each year based on the planned capital improvements." And question is could you explain what's intended or what this update would include? When would it be provided? What's sort of the purpose of the update?

MS. SMITH: In looking back at the repair tax allowance that was included or the normalization, it was the same amount every year, and there was discussion that the one had been reflected because of the capital improvements in the first year. So what I was not able to determine is whether that reflected just the possible deductions or repair tax for the first year and whether the -- given that there are continued improvements, whether that was still reflective of what the continued improvements were, capital and additions would be, for the other years or whether that was just the -- what was that year and then carried forward for the next two years which would mean that it was not the right number for years two and three. So my concern would be that the right number be included for years two and three if we adopt a three-year rate plan specifically for those years.

MR. DES ROSIERS: So then it would be -- I guess just thinking logistically and timing through sort of the proceeding of a hearing, is this an update that you would look -- staff would look for the company to provide sort of at the hearings based on the company's proposed capital plan for each of the three years, what -- you know, using whatever forecasting method could be used to develop or used to forecast a deduction for each year, provide that for the Commission to consider and approve in determining the revenue requirement? Or, I guess, alternatively, is it the Commission approves is there a rate plan and approves the level of capital investments and then in some sort of a compliance filing it's an update based on where the Commission ends up on the -- those first two questions? We're trying to figure out when -- what -- when we're doing the update and what are we updating based on.

MS. SMITH: I would say yes to both because the sheer fact is that if the Commission were to approve exactly what the capital additions are in the rate plan and there would be no change and that would be certainly acceptable to have at the hearing. We would want to know the (indiscernible). But if the capital improvements are in the plan that are ultimately approved by the Commission differ, then I would think that that would also differ that component as it would other components when you run through the rate model. And I'm -- just don't believe that there's, like, some other things in the rate model that are tied to -- so if we make one change, it will -- it would reflect back. I don't believe that is in the rate model.

MR. DES ROSIERS: And it's my understanding then that -- is it staff's view that having a forecasted tax basis repairs deduction based on the approved capital investment, whatever level that is approved, would be the preferred approach for setting rates without reconciliation?

MS. SMITH: I've gone back and forth on that given everything, and I don't know that I'm a hundred -- I lean towards not having reconciliation just because the repair tax allowance -- just because of the timing of everything. It's a very complex thing to do, but I don't know that we've reached a final decision based upon everything that comes in. I think that would also -- looking at the final numbers would take that into account.

MR. DES ROSIERS: Thank you. So now we'll shift gears to talk about SQIs and the SQI revenue adjustment mechanism. And really starting on page 12 of the Reply Bench Analysis. And then the -- on the top of page 12, the staff will -- identifies a series of what it perceives as design flaws in the company's SQI and SQI revenue adjustment mechanism. And the first one that's identified is the number of metrics and the relative weighting as providing a weak incentive for reliability performance. And I'd ask -- or -- that concern -- or the staff explain that concern and, in particular, what makes either an incentive mechanism weak or strong or what would be a strong incentive in staff's view (indiscernible) as opposed to a weak incentive?

MS. HUNTINGTON: Well, just generally, Jared, a strong incentive mechanism is one, to state the obvious, that provides the company with the financial incentives to achieve reliability improvements or to achieve the appropriate reliability targets Was that your question?

MR. DES ROSIERS: Okay. The -- and the particular weights that staff has proposed are set forth in Figure 4 on page 14 of the Reply Bench Analysis with the staff proposing five reliability-related metrics and then allocating the weights to those metrics with CAIDI and SAIFI being awarded each 30 percent and then the other three sort of new proposed metrics. So the remaining 40 percent. And could you explain sort of staff's rationale for setting the metrics -- excuse me, setting the weights for those five metrics and how you arrived at, you know, the 30/30/20/10/10 weighting? And sort of what's the rationale and thinking and logic supporting that and -- as opposed to some other weighting?

MS. HUNTINGTON: The logic at a high level is to focus on the reliability metrics, the standard reliability metrics because this SQI RAM (phonetic) is being proposed in the context of a rate plan in which CMP is seeking to recover costs associated with investments that will -- are intended to improve reliability. So coupled with the rate plan, staff really is interested in a SQI mechanism that is tied to the basis for -- you know, the reasons for the rate increases which are, at least in large part, related to reliability investments.

MR. DES ROSIERS: And in staff's understanding or view, which of the proposed investments or proposed programs are those that are intended or drive the expected improvement in reliability?

MS. HUNTINGTON: I'll start with one and then ask

Michael and Derek to jump in. But, for example, there's -- there is a lot of testimony from CMP witnesses about the distribution automation program and very specific estimates which, I believe at least in part, were done with the reliability calculator that indicate what is expected by way of SAIFI improvements from that program by identified circuits, by identified regions for the distribution automation program. Michael and Derek, do you want to talk about some of the other programs?

MR. SIMMONS: Yeah, I would just mention that, you know, I think the company has provided pretty strong evidence that their vegetation management changes would be intending to improve SAIFI.

MR. DAVIDSON: I don't have anything further then.

MR. DES ROSIERS: Now, in the staff's recommendation -- and this is discussed also on page 13 of the Reply Bench Analysis. One of the other changes that staff has recommended from the company's proposal is the exclusion of the -- any customer service related metrics in the SQIs covered by the rate plan or covered by the revenue adjustment. I understand the staff's logic to be that those customer service metrics, because they are proposed to be at the same levels as established under Chapter 320, you know, add little to the incentive or any -- little into the rationale. Is that fair or is there more to the reason why the staff would exclude any inclusion of customer service metrics?

MS. HUNTINGTON: As -- you know, again, for the general reason that we really think it's important for this mechanism to focus on reliability-related improvements. I would also just add, and we note this in the Bench Analysis that, in particular, with respect to how CMP's mechanism includes the customer service metrics, you know, as you noted, Jared, they -- the targets are largely reflective of minimum performance levels. The way that the company's mechanism is structured and operates, they serve to offset the reliability metrics and water down the effectiveness of the reliability metrics which, you know, just led us to eliminate from -- them from the mechanism entirely. Not to not to suggest that customer service performance is not important. It is obviously, but we don't believe it should be dealt with in this same mechanism, at least not as CMP has proposed dealing with it.

MR. DES ROSIERS: And you sort of foreshadowed my next question because I recall sitting here -- well, actually not sitting here. Sitting down the road about a mile or so in the last CMP rate case and spending hours upon hours discussing customer service metrics and the importance of customer service and the concerns that the Commission had with the company's customer service performance which ultimately led to a hundred-basis-point penalty with respect to customer service. To then come to this case and have a customer service sort of excluded is -- does that send the odd or wrong message, I guess, to those that look at, you know, how the Commission would be regulating and concerning and over -- providing oversight of the company's performance?

MS. HUNTINGTON: Again, I don't -- we're not saying that customer service is not important and that metrics and targets for customer service are not important. We're just saying not -- we would prefer that it not be done in the same mechanism where we're focusing on reliability. Derek, do you want to add to that?

MR. DAVIDSON: Yeah. So I think the -- you know, part of the reason that 320 was developed, the changes that we implemented, was because of the service quality problems that you're referring to. And so we spent a lot of time in that case coming up with what we thought were appropriate metrics to measure all aspects of utility service quality and also to establish benchmarks for reasonable service. And so the whole reason that we did that case was the very issues you're talking about. And so in this case, as Faith said earlier, there's specific spending levels that are being proposed with a quantifiable improvement in service for reliability. And our objective here is let's try to capture that committed improvement in reliability. We don't have a similar commitment to improvement on the customer service. Customer service is that you're going to continue with the reasonable levels. And so that's basically the -- those are the same benchmarks, the same expectations that were set in 320. So it's absolutely not importance. We think they're both important, but because there's not a commitment to improve the customer service, on the customer service metrics, where there is that commitment on the reliability, that's the reason we feel it's appropriate to keep the two separated.

MR. DES ROSIERS: And the --

MS. HUNTINGTON: And, again, I would just underscore, -- sorry. I would just underscore that, you know, our approach is also in the context of how CMP proposed to include the customer service metrics which was not -- in our view, in my view, not helpful and, in fact, harmful to the effectiveness of the reliability metrics.

MR. DES ROSIERS: And I guess following up on that point, has the staff considered other ways of sort of a drilling -- addressing the perceived shortcoming in the company's proposal, you know, either through different weights for different metrics or through, you know, different ways of addressing penalties or financial consequences that might flow from missing one metric versus another?

MS. HUNTINGTON: We have, but it's in the context of settlement. So I can't really probably discuss it.

MR. DES ROSIERS: And, Faith, you mentioned that we

-- in your prior response talking about the company's proposed -- proposal and it -- to offset good performance on one metric as a way to offset, you know, performance that doesn't meet a metric in another. And obviously in the Reply Bench Analysis the recommendation is to do away with any kind of mechanism like that. So all the metrics would stand separately, and if you meet all but one but you miss one you, you'd still be subject to a penalty. In the Bench Analysis, there was language requesting or putting out for the company, you know, the idea of proposing a mechanism that included a positive financial incentive as opposed to strictly a negative financial incentive. You know, obviously we got sticks if you get penalties, but there can also be carrots for some kind of a benefit if you achieve good performance. Did staff consider in the Reply Bench Analysis any alternative to put forward a positive financial incentive mechanism?

MS. HUNTINGTON: We have considered positive incentives. They're not -- and there aren't any reflected in the Reply Bench Analysis. And I think -- only speaking for myself, others can comment on this as well. I would be reluctant to do it in the same way the company did, but maybe there could be some positive incentive structured differently. And the reason I would be reluctant to do it in the way that the company did it is, you know, based on what we've seen from actually applying a -- the company's mechanism to actual performance. It really renders -- I would be worried that something like that would render the effectiveness of the reliability metrics either weak or completely ineffective.

MR. DES ROSIERS: In the -- I've -- from your prior responses -- I guess let me just explore that a little bit. The -- is some of the concern the company's proposal to sort of potentially offset good customer service performance against reliability performance and, you know, mixing them between the different categories of service?

MS. HUNTINGTON: Not -- that might be part of it, but that's not all of it. I mean, I think each one of the metrics is important and should not be diluted. And I also would be concerned that you know, as everybody knows, these metrics and these targets have a lot of variability in them, and, you know, something like a lucky year that affected positively one of the metrics could inure to, you know, just dilute the effectiveness of one or the other metrics. It's -- it just -- it worries me.

MR. DES ROSIERS: And have you given thought to an alternative of how -- what you would view in -- as an appropriate positive financial incentive to deal with the concerns that you've identified with staff's -- excuse me, with the company's proposal something that you think strikes the right balance?

MS. HUNTINGTON: Again, we have. We've talked about it, but it's in the context of a confidential settlement discussion.

MR. DES ROSIERS: You mentioned a moment ago the -- a bit of the variability with the metrics and, you know, a lucky year versus an unlucky year, and I want to explore that a little bit. As I understand the staff's proposal with the five metrics and the weightings and the maximum penalty, a metric like SAIFI is awarded 30 percent of the maximum $15 million penalty. So in a given year, a miss of the SAIFI metric could result in a penalty of $4.5 million. It's -- would you agree that $4.5 million represents approximately 50 to 60 basis points of ROE for the company based on its revenue requirement in this case?

MS. HUNTINGTON: I'd accept that subject to check. I don't know, Jared.

MR. DES ROSIERS: And under the staff's proposal, to achieve -- or to realize or experience that $4.5 million penalty, CMP would only have to miss the SAIFI target by ten percent. So the ten percent miss equals the maximum penalty. Is that right?

MS. HUNTINGTON: Correct, correct.

MR. DES ROSIERS: And would you agree that SAIFI, at least in part, is a metric that is beyond the company's control?

MS. HUNTINGTON: In an absolute sense, yes, but, again, the metrics are set relative to historic actuals.

They're -- and informed by what the company has provided by way of evidence for improvements over the rate plan period. It's -- clearly if there's -- you know, clearly the company can't control the weather obviously. But there are -- you know, there are certain things that the company has done and will do that are reflected in how the targets are set.

MR. DAVIDSON: And maybe I could jump in on that as well. I don't necessarily agree with the statement that it's totally out of the control of the company. The proposal for adding protection devices for sectionalizing, that's going to have a significant impact on SAIFI. That's totally under the company's control. The vegetation management has a lot -- has a big effect on SAIFI. That's under the company's control. So there -- while we do everything we can by taking a historical -- using historical data to set the benchmarks, to take into consideration that variability for weather, there is a lot that is under the company's control.

MR. DES ROSIERS: And fair enough.

MR. DAVIDSON: And I think that's what we're trying to reflect going forward is we want to see that improvement that the company is saying if you allow us to spend this amount of money, here's what you should see for improvement.

MR. DES ROSIERS: And fair enough. And if I -- I don't believe I said totally outside of the company's control. I believe I said in part beyond the company's control for

SAIFI.

MR. DAVIDSON: That's not what I heard but okay.

MR. DES ROSIERS: Well, if I said totally, it was not my intention. The -- but to go to Ms. Huntington's point, you know, you use an example, Faith, of the lucky year in which, you know, things are great. Would you agree that there can be other years in which -- we'd call it the unlucky year that, due to the weather or due to abnormally high number of motor vehicle accidents, the SAIFI results can be much worse through you know, things that the company cannot control?

MS. HUNTINGTON: I agree there are certain things that affect SAIFI that the company does not control.

MR. DES ROSIERS: And the exposure that the company would have for SAIFI -- or let me back up. CAIDI deals with duration, and so that is how quickly -- at a high level how quickly the company can restore power after an outage. Would you agree that there are, you know, more things the company can do to manage CAIDI than SAIFI?

MS. HUNTINGTON: I'm not sure. I don't have an opinion about that. Derek or Michael, do you?

MR. DAVIDSON: (Indiscernible) the question that the company has more control over CAIDI than SAIFI?

MR. DES ROSIERS: Yes.

MR. DAVIDSON: I mean, CAIDI's a measure of how quickly service is restored. So from that perspective -- I don't know if I could say that it would -- that it's more. There's control to a certain extent over both, and weather impacts both. So I think the company has control over both for a certain extent.

MR. SIMMONS: Yeah, I would say that it's difficult to make that determination. There's a lot of projects in here that are intended to avoid outages altogether. Covered conductor, that sort of thing. So there's a lot that the company can do to avoid SAIFI, and then they do have a lot of control on how they respond to outages.

MS. HUNTINGTON: And, again, I would just observe, you know, we agree that there are -- that there is variability in these metrics, again, which is why we -- they're set the way that they're set. But, you know, the point of a SQI mechanism is not to structure it so that the company's never exposed to a penalty. If that's the point, then what is the purpose of the mechanism? We have designed it so that that it may very well be the case that the company is -- incurs penalties under it. That's the point, to provide that -- to have that potential consequence to incentivize the reliability improvements.

MR. DAVIDSON: Maybe one more piece of info that I think is pertinent to the variability discussion is having the -- using the TMED exemption for exempting significant outage days takes into account, the best that it can, the variation in weather. It's using a five-year average for SAIDI, and that changes over time. So it is constantly addressing variability that you have in weather. So a lot of that variability should be addressed in the TMED process.

MR. DES ROSIERS: Now, under the TMED process you're establishing a five-year baseline for what is a storm or a major event day. But under that process, there can be weather events that are not excluded but, nonetheless, cause outages.

MR. DAVIDSON: Correct.

MR. DES ROSIERS: And the number of those non-excludable events in a given year, if they are above the five-year average, could have a significant impact on SAIFI in that year. Obviously, the greater number of them will get picked up in the average the next year. That right way to think about it?

MR. DAVIDSON: Yeah. I think to add to that, I would also argue that the events that don't reach excludable levels are the types of events that the company needs to build its system to withstand and to plan for.

MR. DES ROSIERS: Looking at now the response to CMP 14-02 which concerns the proposed $15 million maximum penalty for the staff's revenue adjustment mechanism, how did the staff arrive at 15 million as the proposed cap?

MS. HUNTINGTON: It was not anything mathematical or scientific. It was our judgment based on its size relative to the investments and rate increases the company is seeking for reliability improvements in this case.

MR. DES ROSIERS: Sort of can you explain then the relationship between the -- that cap -- proposed cap amount and the investment amounts?

MS. HUNTINGTON: I don't have the investment amounts in front of me, but just rough order of magnitude, it was intended to be an order of magnitude that was about half of the rate increases, the revenue requirement increases, in each year.

MR. DES ROSIERS: So the -- okay. So the tie is more to the revenue requirement increases as opposed to the investments or is there also a relationship between investments and the 15 million?

MS. HUNTINGTON: It's not as precise as your question is suggesting, Jared, but it was intended to be, you know, an order of magnitude that was meaningful in the context of the revenue requirement increases the company is seeking, a large portion of which, as we understand it, is to support the reliability improvements and investments that the company has described.

MR. DES ROSIERS: And in staff's view, is it an appropriate signal to send that if a utility proposes investments to improve reliability, it should be at risk of greater financial penalties during the time it's making those improvements?

MS. HUNTINGTON: Well, it's certainly, in my view, appropriate to provide incentives to a company that is seeking a rate plan to cover investments to improve reliability, that ratepayers -- that customers actually realize the benefits, those reliability benefits. I think that's entirely appropriate.

MR. DES ROSIERS: The -- in considering the cap, did the staff look at the relationship of this cap relative to the caps that were in place in CMP's prior alternative rate plans for SQIs?

MS. HUNTINGTON: Derek, you might have looked at that.

MR. DAVIDSON: Yes, I looked at it.

MR. DES ROSIERS: And what -- did you reach any conclusions as to the relationship?

MR. DAVIDSON: The -- this is -- this one is -- the one proposed here is higher. And I think the reason that it is higher is, in past, it was -- the purpose of the SQI was to ensure that that service didn't degrade under an alternative under a performance-based ratemaking. So we wanted to make sure in those cases that the company continued the levels of service that it had been providing up to that point. This is very different. This is a three-year forward looking and asking for very significant increases in spending based on commitments that the company is going to do in the future. And

I think that's very different than the rate plans we were under before. And so that's why we thought in this situation that a -- a higher percentage of a penalty compared to revenues is what -- how I looked at it was appropriate. Or is appropriate.

MR. DES ROSIERS: And was there any benchmark gleaned as to the relationship of the potential penalty to revenues of the company?

MR. DAVIDSON: As a --

MR. DES ROSIERS: You just said you looked at in terms of revenues. Did you sort of benchmark what the relationship was to the prior SQI penalties, caps and the prior ARPs relative to the company's revenue at that time versus revenues under this proposed rate plan?

MR. DAVIDSON: Approximately double.

MR. DES ROSIERS: Did you consider the relationship of this -- of the staff's proposal relative to the SQI penalty mechanism that was imposed on -- or established for Versant in its most recent merger order and that it's been operating under in recent years?

MR. DAVIDSON: This is definitely a different recommendation, but I'd say again it's for different purposes. In the ENMAX merger, we were looking at making sure -- we were concerned in a merger situation that service doesn't degrade under that. So the primary purpose in that case was to continue service levels. Now there had also been some problems with SAIFI, and so we looked at some modest improvements. But those improvements weren't based on specific spending levels. It was based on problematic service. So this is, again, a very different -- the purpose of this is different than the purpose of the SQI under the ENMAX.

MR. DES ROSIERS: Did you calculate or consider what the $15 million penalty is -- would be relative to the company's ROE that would be -- will be established in this docket?

MR. DAVIDSON: I did not.

MR. DES ROSIERS: Would you have -- and, Faith, did you look at that?

MS. HUNTINGTON: I did not. Was -- that was your earlier question, right?

MR. DES ROSIERS: Well, I asked relative to the four and a half million, but, I mean, would you accept, subject to check, that a $15 million penalty in any given year is approximately equal to 180 to 190 basis points of ROE?

MS. HUNTINGTON: Again, I will accept that subject to check.

MR. DES ROSIERS: And in setting the proposal, did staff look at any precedent from outside of Maine and sort of what is an appropriate level of financial consequence in a -- for an SQI mechanism relative to ROE or relative to other factors that other commissions have adopted?

MS. HUNTINGTON: We certainly looked at rate plans in other states and we -- and we've certainly, as Derek described, you know, considered rate plans and SQI mechanisms that have been adopted here. You know, again, this is a very specific context for the plan that we've proposed which, again, is in the context of a three-year rate plan with significant rate increases that are being made, at least in large part, to support reliability-based investments. So we felt that, in this context, it was appropriate to structure something that provided a very strong financial incentive for the company to provide the reliability improvements it has testified it will provide.

MR. DES ROSIERS: Looking at CMP 14-03, that asked about the application -- or the application of the maximum penalty for a metric being that if one percent -- a one percent miss of the metric equates to ten percent of the penalty. Is that the right way to understand staff's recommendation?

MS. HUNTINGTON: Yes.

MR. DES ROSIERS: The -- how did the staff arrive at that suggestion or recommendation that a one percent miss should equate to a ten percent penalty or, conversely, a ten percent miss should correspond to the entire penalty?

MS. HUNTINGTON: Again, it was -- and, Derek, you might have some background on similar structures, but, again, it was based on our objective of structuring this in a way that provided meaningful financial incentives to the company.

MR. DAVIDSON: Yeah, and so -- and maybe to add to that. So the way the company had originally proposed its SQI -- and we -- and as -- and we haven't had -- the SQIs that we've recommended over the years have never had a structure, to my knowledge, like this where it would take a hundred percent miss to incur a full penalty. And in our opinion that's unacceptable. And call answering is a good example. So if you basically say I'm not going to answer any phone calls for the next year and that -- it takes that drastic a step to totally incur a full penalty, we think that's a problem with the design. And so ten percent are pretty significant miss. And so that was the intent is to have, you know, the -- you shouldn't be able to totally -- have to totally miss an SQI in its entirety to incur the full penalty because that's absolutely unacceptable service. And the ten percent is consistent with other SQIs that we've recommended.

MR. DES ROSIERS: Looking at CMP 014-005, and this asks specifically on the -- with respect to the SAIFI targets. Now in the Reply Bench Analysis on Figure 4 on page 14 is where the particular recommended targets -- or where the -- staff's recommendations for the targets are by year. And the -- in the response to this data request -- or this data request asked for sort of the basis for how you got to those numbers or what's staff's recommendation. And the answer was the SAIFI targets are informed by, and first was CMP's historic actual SAIFI and then, second, the expected improvements from the various proposed investments. And I want to understand what informed by means in the context of the response.

MS. HUNTINGTON: When we looked at historic actuals, there wasn't a straight mathematical calculation where we took an average, but we wanted to make sure that we weren't starting with a target that was -- that diverged significantly from historic actuals. The first year targets for both SAIFI and CAIDI in our proposal, I believe, are the same as the existing targets for CMP, or they're certainly the same, I believe, as what the company has proposed. And then for SAIFI in particular, we had it structured over time to capture the levels of improvement in SAIFI that appear to be associated with the company's investments as described in the company's testimony.

MR. DES ROSIERS: So it's -- if I'm understanding that, and please correct me if I'm wrong, the company presented forecasted improvements based on use of the reliability calculator, and did staff adopt them in their entirety or in whole cloth in setting these metrics?

MS. HUNTINGTON: Well, it's not that easy. I mean, we took the testimony that the company provided that was == that provided specific improvements by circuit ID, by region of the system, and then we also considered other steps the company is taking over the period, such as vegetation management, that should contribute to reliability improvement. And we are proposing improvement in SAIFI that reflects, you know, an improvement over the plan period of about 15 percent phased in by year.

MR. DES ROSIERS: With respect to vegetation management, is it right to understand that the improvements that -- or the program elements that would lead to SAIFI improvement are the ground-to-sky clearing and the hazard tree removal?

MS. HUNTINGTON: Michael, do you want to comment on that?

MR. SIMMONS: Yeah, I think those are the two primary drivers, yes.

MR. DES ROSIERS: And in -- and you mentioned earlier with respect to the capital -- or the investments, the principal one that the staff was looking at is the distribution automation?

MS. HUNTINGTON: That's the one that appeared to be the most -- the improvements calculated with the most precision by the company.

MR. DES ROSIERS: And would you agree that during the term of this rate plan -- or strike that. Would you agree that the company's proposal with respect to distribution automation is to install those devices on a division-by-division basis?

MS. HUNTINGTON: That's my understanding.

MR. DES ROSIERS: And that during this plan, the focus in 2023, 2024, and 2025 is to complete the installation of devices in the Alfred division and begin installations in the Portland and Brunswick divisions?

MS. HUNTINGTON: That's my understanding.

MR. DES ROSIERS: And so in those areas, and certainly in Alfred, by the end of three years, the expectation is of significant improvements in terms of SAIFI?

MS. HUNTINGTON: That's my understanding.

MR. DES ROSIERS: The -- in assessing -- or in determining the appropriate metrics, how much weight did staff give to the forecast produced by the company's reliability calculator?

MS. HUNTINGTON: I don't -- I'm not sure I can answer the question the way that you posed it. There were certainly -- we certainly took them very seriously and incorporated them in the improvement pattern of the SAIFI targets.

MR. DES ROSIERS: In setting the proposed SAIFI metrics, did staff consider the -- any impacts from increasing storm activity? So if the storm activity is trending upwards, how that would impact SAIFI results systemwide as opposed to in those portions of the system where automation is installed?

MS. HUNTINGTON: Other than the TMED discussion, I -- Derek, if you want to add anything else on that -- other than that, no, we didn't do any forecast of more extreme weather patterns.

MR. DAVIDSON: I agree.

MR. DES ROSIERS: Would staff agree that if the company simply invested in the system just to maintain its current reliability targets, it would need to increase its investments due to increasing storm activity?

MS. HUNTINGTON: I don't have a comment on that. Michael or Derek, do you?

MR. DAVIDSON: I don't think you can -- we can answer that question because increasing storm activity, (indiscernible) have to assume that it's increasing. Then what types of storms? I mean, it's -- to be more specific, I --

MR. SIMMONS: Yeah, I would assume that the company would prioritize certain projects differently if it were trying to maintain based on storm activity.

MR. DES ROSIERS: Did the staff go look at the company's historical performance over, say, the last decade relative to reliability performance and storm activity in Maine?

MS. HUNTINGTON: We certainly looked at the company's historic actual SAIFI and CAIDI. We didn't map those against the weather conditions in each one of those years, if that's your question.

MR. DES ROSIERS: Looking then at CMP 14-06 which is

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MS. HEALY: -- 14-5 if I may. Was there -- Faith, did you have a correction to the -- was there a typo in the response to 14-5 that you wanted to clarify?

MS. HUNTINGTON: Yes, the reference to the exhibits in the CMP SIP REB testimony are incorrect. They should be referencing Exhibits 2 through 5 -- or Figures 2 through 5.

MR. DES ROSIERS: Instead of two through B?

MS. HUNTINGTON: Correct.

MS. HEALY: Thank you.

MR. DES ROSIERS: And then with respect to 14-06, this one asks the same question with respect to CAIDI. And the response is similar, but it includes in the response the phrase "to a lesser extent than SAIFI." Could you explain what is meant by to a lesser extent?

MS. HUNTINGTON: Yes. You know, as we've been discussing, the testimony by the company about the investments, such as distribution automation, are really focused on SAIFI improvements. And I know there's testimony from the company that -- it is possible that CAIDI could actually degrade a little bit. But what I wanted to -- what we were referring to in that response is that looking at the historic actuals, the CAIDI target -- the current CAIDI target and the proposed target for year one as proposed by the company and reflected in our mechanism appears very much higher than the company's actual performance. And so it looked to us like it was artificially or inappropriately too high to begin with. So we tried to adjust for that as well.

MR. DES ROSIERS: Did staff do any -- strike that. There was testimony in the case with respect to the potential impacts on CAIDI that could -- are expected as more automation devices are installed. Did staff do any analysis or any research with respect to that consideration or that dynamic whereby the reduction in the number of outages of short duration can actually have an impact on CAIDI?

MS. HUNTINGTON: I did not.

MR. DAVIDSON: I did not either.

MR. SIMMONS: Not any specific research, no.

MR. DES ROSIERS: And does staff understand sort of that dynamic of why automation can actually have a negative impact on CAIDI?

MR. SIMMONS: Yeah, I think --

MR. DAVIDSON: Yes.

MR. SIMMONS: -- it makes sense.

MR. DES ROSIERS: It's an oddity that when you take out those odd -- those outages that may have taken 20 minutes before or a half an hour to fix, now it's being done in, you know, seconds. It's no longer an outage. So it's not included in the calculation?

MR. SIMMONS: Yeah, I think a -- you know, I think that's correct for that first -- say, (indiscernible) the circuit of 2,000 people, that first 500 customers that are on an automated device, they may not have an outage. If there's a sectionalizer, you might be able to put the next 500 back on, you know, in 20 minutes as opposed to the whole line being out for an hour. The next line, you know, is also another 20 minutes. So before where everybody would be out for two hours, you know, with automation you might get that -- take that first batch of 500 customers out of the equation, but you might also be improving that second segment, the third segment so that they're also considerably less than the two hours. So that's -- you know, that's one type of investment that I think the company is making that would improve CAIDI and may offset some of the degradation that you're talking about.

MR. DES ROSIERS: And turning to CMP 14-07, this question focused on the in-service dates of the proposed investments that the company seeks to do, and the response simply points back to the prior two responses that we just talked about with respect to CAIDI and SAIFI. But I guess to -- just to explore this in a little bit more detail, we've talked about the particular programs and projects that are -- staff understands are intended to address reliability. Did staff factor into the proposed metrics and how they change over time the in-service dates for those projects and programs as set forth in the company's capital plan?

MS. HUNTINGTON: We certainly did generally which is why we have the targets improving gradually over the planned period to achieve, you know, cumulative improvements of 15 percent. We certainly are aware that, for example, the distribution automation program is being deployed by division, and we certainly understand that, you know, improving reliability in one division, you know, doesn't -- if you're going to improve reliability by 40 percent in that division, it does not translate to 40 percent systemwide. So we've taken into account that the systemwide improvements will be realized over time as division-by-division SAIFI gets improved from the automation program. That's exactly why the targets increase over the plan period.

MR. DES ROSIERS: Then could you look at CMP 14-09? And this request then concerns the third metric staff is proposing which is circuit level SAIFI improvement. And it -- the metric is set at 228 percent each year for circuit-level improvement. And before we get into the detail, could one of you explain sort of the intent behind this metric and how you envision its calculation?

MS. HUNTINGTON: Yes, this is intended, again, to track the investments at the circuit level, and the amounts are derived from CMP's testimony. I don't know which -- I don't have the reference in front of me, but where the company identified by circuit number, by circuit ID, which circuits it was targeting in each year and the expected SAIFI improvement for each circuit from the program which was in the range of 38 to 40 percent. And so this metric is intended to capture the improvement at an individual circuit level based on completing the program for six circuits each year and realizing 38 percent improvement in each circuit. You know, as we acknowledge, the -- you know, the parameters of how that actually gets defined, which circuits are included, whether there's just a basket of circuits and any six can be done in a given year, you know, that will need to be worked out in a little bit more detail. But that's the intent, and it comes, again, from the company's testimony about the program rollout at specified circuits.

MR. DES ROSIERS: And the -- in your response, you point to the Figures 4 and 5 in the company's rebuttal capital testimony. So if you have those, just going to try to make sure we're talking about the same thing.

MS. HUNTINGTON: Yeah, I don't have them in front of me, Jared. See if I can --

MR. DES ROSIERS: Well, that -- I mean, just to try to keep the record clear, so Figure 4 in the capital rebuttal is the estimated resiliency program for SAIFI improvement from the resiliency program, and it lists eight circuits that have an estimated improval for the average of 38 percent. And then Figure 5 presents the estimated comprehensive area study SAIFI improvement, and it's -- I think it's 11 different circuits with an average SAIFI improvement of 39 percent. And then just want to understand -- and -- but then within that 39 percent, there's a range of circuit improvements from as low as 13 percent and as high as 75 percent depending on the circuit. Now, the proposed metric reflects that each year there would be six circuits that, in the aggregate, would achieve 228 percent improvement?

MS. HUNTINGTON: Correct, six circuits times 38 percent per circuit.

MR. DES ROSIERS: And in developing those metrics, did you look at the in-service dates for the various proposals -- or these various improvements for these circuits?

MS. HUNTINGTON: We certainly did which is how we how we arrived at six circuits per year.

MR. DES ROSIERS: Well, if we look at -- and in the company's supporting evidence with respect to these -- and so let me back up. As part of one of the exhibits to the company's rebuttal capital testimony is where it calculated -- and this is exhibit CIP REB 1 -- it presents the forecasted improvements for these circuits by year -- or when they would go into service. Does that -- correct to your understanding?

MS. HUNTINGTON: I don't have it in front of me, sorry.

MR. DES ROSIERS: Okay. And -- but then it also factored in when the circuits -- excuse me, when the improvements or upgrades for those circuits were intended to be improved -- to be completed. They weren't all to be included in 2023. Would you agree with that?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: And the range of in-service dates for them is between 2023 and 2026?

MS. HUNTINGTON: Again, I don't have the exhibit in front of me, but I'll take it -- take that as an accurate description.

MR. DES ROSIERS: Has staff identified which circuits it envisions in each year would produce this 228 percent improvement?

MS. HUNTINGTON: We have done no independent analysis of that. Again, this is relying on the company's testimony with respect to the specific numbers of circuits and the expected reliability improvements.

MR. DES ROSIERS: And did staff factor in any lag between the completion of the improvement and the improvement in reliability performance?

MS. HUNTINGTON: Not explicitly, no.

MR. DES ROSIERS: I ask because they're -- circuits are done in 2023. They'll be done sometime this year. Until they're done, they can have an impact on the reliability performance this year. Is that fair?

MS. HUNTINGTON: Yes. Again, you know, I do think there are implementation issues around this metric that would need to be worked out. The -- you know, the percent reliability improvements are a percent over something, and I'm not sure what that something is. So, you know, I agree completely that there would need to be more detail around how this particular metric would be measured and implemented.

MR. DES ROSIERS: (Indiscernible). And that -- actually I -- you just flagged a question that I forgot to ask which was -- and it would -- it sounds like we need to work out what the baseline would be if where we're -- if we're measuring 228 percent, we got to have somewhere we're measuring against. And that's to be determined?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: Turning to CMP 14-10. Now, this metric -- excuse me, this data response concerns the staff's proposed SAIDI without exclusions metric which I understand would be calculated based on a rolling three-year average. Is that correct?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: And the proposed metric for 2023 is 16, and then it goes down from there annually over the life through 2026. How was the 2023 metric of 16.0 calculated? What's the basis for that?

MS. HUNTINGTON: It was based on historic actuals. I can't recall exactly what historic period was looked at. We can provide that in an ODR if you'd like, but it was based on historic actuals that we requested the company provide and they provided in this case in a data response.

MR. DES ROSIERS: We would like to have that as am ODR just to get the calculation of that.

MS. HUNTINGTON: Okay.

MR. DES ROSIERS: And with this metric --

MR. BRYANT: This is going to be ODR set seven, I believe. That'll be ODR 7-1.

MR. DES ROSIERS: What is staff seeking to measure with this SAIDI without exclusion metric?

MS. HUNTINGTON: Well, to state the obvious, we're trying to measure the company's performance with respect to restoring service after major storms.

MR. SIMMONS: And I think it also gets at the general resiliency of the system based on the investments the company's making towards resiliency.

MR. DES ROSIERS: The -- now the 2023 metric of 16.0, we'll understand where it came from, but now for determining compliance, it's now the end of 2023. It's next year. It's the annual compliance filing process. The company has to file a report to say whether it met this metric. What data would the company be using to calculate its performance to compare to the 16.0 metric?

MS. HUNTINGTON: It would be the historic average over the three-year prior period.

MR. DES ROSIERS: So that would be the company's results for SAIDI without exclusions for 2021, 2022, and 2023?

MS. HUNTINGTON: That's, I think, how we described it. I'm not sure what the three-year period would be, but that's what made sense to me.

MR. DES ROSIERS: So if we accept that that's the period, we'd be -- the company would be using data of its performance for a period prior to the commencement of the rate plan and prior to any of the investments contemplated by the rate plan to determine its compliance with that metric?

MS. HUNTINGTON: That's correct.

MR. DES ROSIERS: Does that create any concern that the company is exposed to a penalty for its conduct at a prior period in which it was not subject to a financial consequence for its SAIDI without exclusions performance?

MS. HUNTINGTON: I understand the point. Perhaps. But on the other side, you know, it does -- it did seem important to include a rolling average -- a multi-year period to avoid -- you know, to avoid an abnormally bad year, and it's not clear how else to do this in a way that would have the metric taking effect right away.

MR. DES ROSIERS: And now this proposal is a metric based on SAIDI which is -- if I -- simple math, SAIFI times CAIDI gets you to SAIDI. So this one picks up sort of both the incentive to manage duration but also the number of -- frequency of outages. Is that fair?

MS. HUNTINGTON: Yes.

MR. DES ROSIERS: And with respect to the aspect of SAIFI that we talked about earlier that, at least in part, SAIFI is beyond the company's control, if there's abnormal weather events beyond the historical norm or an abnormally high number of motor vehicle accidents that's beyond the historical norm, that can increase SAIDI in a given year?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: And then the -- from the duration point of view now, we talked about earlier the ability of the company to try to manage duration by more -- increasing its storm response. And as I understand this metric, it is a measure of its -- how it is responding to restore power after major weather events. Does this create any concern about the incentive it sends to the company as to what it should do or how much it should spend with respect to storm restoration if it is exposed to a penalty for the duration of outages from all weather events?

MS. HUNTINGTON: We certainly understand that dynamic, and that's probably one of the big reasons why there has never to date than a metric that includes major -- that does not exclude major storms. Ideally, a metric like this would be coupled with some mechanism, and maybe the storm cost recovery mechanism addresses this at least in part, that would provide incentives with respect to the cost the company incurs when restoring outages. There -- we understand that point.

MR. SIMMONS: I would add that the weighting of this metric is the lowest of the various metrics. So that also is taken into consideration in that way.

MR. DES ROSIERS: So the company under, the storm cost recovery mechanism, has the financial consequence of having to share in prudently-incurred storm restoration costs, but if it spends more of those, it will share more in those. But it spends more to avoid a penalty for not achieving its SAIDI without exclusions target?

MS. HUNTINGTON: Again, it's a balance of those two competing incentives with the right -- what the right balance is. There's probably no idea right balance, but we think they're both important.

MR. DES ROSIERS: Then the -- CMP 14-11. This question deals with the staff's proposal for circuits with FAIFI greater than 6.3. And just to start, what is staff trying to capture? What is the incentive? Or what is the behavior or improvement that is sought to be measured and incentivized with this metric?

MS. HUNTINGTON: This is to try and put some mechanism around an issue that has been reported on for years and years and years with respect to the so-called worst performing circuits. You know, the company, as you know, reports on the worst-performing circuits every year, and we are just seeking to include some incentive that would create a mechanism to try and reduce the number of those worst-performing circuits.

MR. SIMMONS: Yeah, and I would add that, you know, I think it also serves as kind of a counterbalance to some of the other programs that are being offered such that -- you know, where the company's focusing on kind of the bang for the buck which I think is, you know, a fine way to go about it. But this metric is making sure that some of the smaller circuits that might get ignored -- so I think what this is showing is kind of the historic number of worst-performing circuits year over year as reported by the company.

MR. DES ROSIERS: The metric -- the benchmark of 12 for 2023, how was that calculated?

MS. HUNTINGTON: That comes, again, from the company's historic actuals. I don't recall whether it was -- over what period that was averaged, but -- Michael, you may recall, but it comes from actual performance.

MR. SIMMONS: Yeah, I don't recall the period, but we could --

MR. DES ROSIERS: Could we have an ODR to provide the basis for the 12 metric for 2023 for this SQI?

MS. HUNTINGTON: Certainly.

MR. BRYANT: Why don't we add that to the existing --

MR. DES ROSIERS: And that's fine --

MR. BRYANT: -- the other ones --

MR. DES ROSIERS: -- (indiscernible) --

MR. BRYANT: -- other calculation.

MR. BRYANT: Totally fine. And so the idea -- and there's some historical calculation that supports 12 as sort of representative of the historical past. It would stay 12 in 2023 and then it would go down to 10 for the ensuing years '24 through '26?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: And the idea being that when the company reports its worst-performing circuits using FAIFI, if it reports more than ten individual circuits anywhere on the system that has a FAIFI of greater than 6.3, it would be exposed to this penalty?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: The -- and I take it this could be any circuit. It's not specific to a circuit that has previously been identified as a worst-performing circuit?

MS. HUNTINGTON: That's right.

MR. DES ROSIERS: And now -- because -- in the company's case here there are eight circuits that are proposed for the resiliency program which, in large part, were identified based on historical circuit performance. Did staff factor that proposal in setting this?

MS. HUNTINGTON: I don't know.

MR. DES ROSIERS: And I guess -- or just to see how this test -- sort of make sure I understand the mechanism right, if in 2023 the company identifies 12 circuits as worst performing and it decides to implement various improvements, whether they be vegetation management on those circuits, whether it be the installation of tree wire, whether it be, you know, sectionalizing or something else that they do, and then in -- and they do that in 2023 -- or excuse me, they do that in 2024 because they've -- these have been identified in 2023, but in 2024 there are 12 different circuits on the system other than those that have a FAIFI -- SAIFI -- excuse me, FAIFI greater than 6.3, the company would be exposed for the penalty?

MS. HUNTINGTON: Correct.

MR. DES ROSIERS: And what is the mechanism or incentive for the company to, in advance, you know, eliminate a worst-performing circuit before it's a worst-performing circuit?

MS. HUNTINGTON: Well, I assume there is some contribution to overall system SAIFI and CAIDI that would be important..

MR. SIMMONS: I would also think that the performance of those circuits would be, at least in some ways, identified through the inspections that the company does through the vegetation management cycle trims and the issues identified there, the DLI program. Those are all programs that the company does to provide preventative maintenance to their infrastructure.

MR. DES ROSIERS: And, well, in that regard, did -- has the staff considered sort of the timing of the vegetation management program? Currently it's five years. The inspection DLI program is five years. If a circuit appears on the worst-performing circuit and it is -- that year it happens to be in year five, it will be trimmed the next year. Now under the company's proposal here, it would be six, into the next year. Is that factored into this analysis of whether they would be penalized for that circuit which is now at the end of -- you know, hasn't yet got to the next vegetation management cycle or inspection cycle?

MR. SIMMONS: Insofar that --

MS. HUNTINGTON: Not as -- go ahead, Michael. Sorry.

MR. SIMMONS: I was just going to say insofar that it -- that sort of relationship is calculated in the average that was used to set this. I think that's the extent of the analysis.

MS. HUNTINGTON: And I would just observe, you know, as I noted earlier, the company has reported on worst-performing circuits for years. So it's not as if this is a new issue. So, you know, I assume the company has been taking steps to address those worst-performing circuits, even though it wasn't a component of a formal SQI mechanism.

MR. DES ROSIERS: Sure, but I -- what I guess I'm -- the disconnect for me is this metric doesn't strike me as one to measure improvement on a worst-performing circuit. It's a measure to reduce the number of circuits that have an individual circuit FAIFI of greater than 6.3. So -- because if we fix the worst-performing circuits that are identified, it doesn't -- that's not measured here. You know, it's -- because there could be another circuit next year that would be triggered.

MS. HUNTINGTON: I understand that. The purpose of this is to reduce the number of circuits that are outliers on the poor service quality side.

MR. DAVIDSON: And I think it's important to keep in mind at a high level these things are all relating to each other. So the -- you know, the SQI has an increasing company-wide SAIFI performance. So that creates an incentive for the company to focus on large circuits with lots of customers. To -- because it's a lot easier if you reduce SAIFI on a large number of customers the way the math works. So that also encourages to maybe look -- to lessen the focus on your smaller circuits which -- I shouldn't say smaller circuits. Circuits with less customers. So these are working together. It's not so much to look at a specific circuit. It's to ensure that the company's focus doesn't entirely move to large circuits to the detriment of circuits with smaller numbers of customers.

MR. DES ROSIERS: Are there -- and I -- part of my understanding -- or is -- my understanding of part of what's driving the staff's SQI proposal is the amount of investments and what they are intended to improve, reliability. Are there particular proposed investments in the company's capital plan that sort of the staff views as, you know, being measured by this metric, circuits with a FAIFI of greater than 6.3?

MS. HUNTINGTON: I don't think we mapped the specific circuits that are identified by the company to the so-called worst-performing circuits. So I don't know the answer to your question, but -- well, that's it.

MR. DAVIDSON: I think the key thing to remember is the number. It's not the specific circuits. The number that fall into -- that are over the 6.3.

MR. DES ROSIERS: I'm all set.

MR. BRYANT: I was just going to ask you because we need to take a break. So we will take a 15-minute break. We'll resume at 10:50 with the OPA's questions of the staff.

CONFERENCE RECESSED (May 3, 2023, 10:35 a.m.)

CONFERENCE RESUMED (May 3, 2023, 10:50 a.m.)

MR. BRYANT: So we'll go back on the record. I'd like Ms. Alexander to make her appearance, and then I'll call on people who have joined since earlier on Teams. Go ahead, Barbara. Can you enter your appearance?

MS. ALEXANDER: Yes, but I don't know what microphone I'm supposed to -- is this the correct microphone?

MR. BRYANT: That works.

MS. ALEXANDER: Yeah, okay. Barbara Alexander, consultant for AARP Maine.

MR. BRYANT: Thank you. And for Competitive Energy Services, I see that Eben is joined by Teams. Can you make your appearance, please?

MR. PERKINS: Yeah, Eben Perkins with CES.

MR. BRYANT: And on behalf of the Office of the Public Advocate, Eric Borden has joined. Could you make your appearance, please?

MR. BORDEN: Good morning. Eric Borden with OPA.

MR. BRYANT: Thank you. And, Mr. Balakumar, for -- on behalf of the Governor's Energy Office, would you make your appearance? You're on mute. I'm sorry, you are on mute.

MR. BALAKUMAR: Sorry about that. Good morning everyone. This is Nikhil Balakumar consulting on behalf of the Governor's Office. Happy to be here.

MR. BRYANT: Is there anyone else who's joined since earlier this morning who needs to make their appearance now? Okay, hearing none, we're going to resume the technical conference with questioning by the Office of the Public Advocate of the staff. So I'll turn it over to you.

MS. CHAMBERLIN: Thank you. It's Susan Chamberlin from the Office of the Public Advocate. So we heard a conversation about the SQI standards this morning. Is staff's support for CMP's three-year rate plan dependent on implementation of staff's SQI revenue adjustment mechanisms?

MS. HUNTINGTON: I think our final recommendation will be provided in the Examiner's Report, but I -- speaking for myself, I do believe it's very important in the context of a three-year rate plan that is intended to support investments and reliability-based investments, that there be a mechanism that provides an incentive for the company to actually provide those reliability improvements.

MS. CHAMBERLIN: Thank you. And staff has a proposed earnings sharing mechanism and that requires all earnings over the allowed ROE subject to a 50 percent flow back to ratepayers which is measured by calendar year. Is staff's support for CMP's three-year rate plan contingent on implementation of staff's earnings sharing mechanism?

MS. HUNTINGTON: I would give the same answer, that our recommendation will be in the Examiners -- provided in the Examiner's Report. I don't know whether anyone else on staff has a comment on that.

MR. DAVIDSON: I mean, I would probably just add to that just that when -- I think we are looking this -- we wouldn't look at this independent of everything else. So I think the earnings sharing would be considered along with the SQI. So independently, it's hard to say if we had -- if this happens, then staff disagrees. I think we're looking at things collectively, but it is important to staff.

MS. CHAMBERLIN: Were you going to add something?

MR. SIMMONS: No, that's fine.

MS. CHAMBERLIN: No, you're fine? Okay. Thank you. So you would agree that CMP is obligated by statute to undertake investments which result in safe, reasonable, and adequate facilities and service, correct?

MR. DAVIDSON: Yes.

MS. CHAMBERLIN: And with an historic test year, the utility makes investments for safe, reasonable, and adequate facilities first and, secondly, seeks rate recovery when those investments are in use to serve ratepayers. Do you agree?

MS. HUNTINGTON: Are you asking a legal question? I don't know how to answer that.

MS. CHAMBERLIN: Well, it's using legal language, but I think it's a practical question. The utility makes investments and then, secondly, seeks rate recovery when those investments are in use to serve ratepayers.

MS. HUNTINGTON: Well, that's certainly the structure of a traditional historic test year type rate case. But, you know, this Commission has approved rate plans for CMP and I believe for Versant. So it's a different context that I think we've approached this case.

MS. CHAMBERLIN: Yes. So CMP would be receiving approval for investments which are not yet used and useful by the ratepayers if the three-year rate plan is approved. Is that a fair summary?

MS. HUNTINGTON: Again, when -- the used and useful, is that a -- I don't really feel qualified to comment on the legal issues. But to your basic question, yes, the purpose of this three-year rate plan and the associated incentive mechanisms are to approve a plan whereby CMP would be authorized to recover costs associated with certain investments over a multi-year period.

MS. CHAMBERLIN: And these -- the proposals in this year are projected investments. They haven't made them yet, correct?

MS. HUNTINGTON: Correct. I think that's true. By definition when we're talking about a forward-looking great plan for future investments.

MS. CHAMBERLIN: Yeah, correct. Okay. Now CMP is not relieved of its obligation to provide safe, reasonable, and adequate facilities if it doesn't receive its proposed projected three-year rate plan, correct?

MS. HUNTINGTON: Again, I think you're asking a legal question. So I'm not going to comment, but I will just observe that, you know, before this case, the Commission had looked at the structure of CMP and the context around the capital that is available to CMP to make the kinds of investments that one might ideally wish that they would make. And I think, in part, that led to this case. So again, I'm approaching -- I was approaching this case with a little bit of a broader perspective than just the historic test year with known and measurable change type rules.

MS. CHAMBERLIN: So regardless of the actual legal language, you're saying that CMP is still required to meet whatever those legal requirements are, whether it's a projected rate plan or an historic one. Their obligations are the same.

MS. HUNTINGTON: I'm not -- I can't really comment on that.

MS. CHAMBERLIN: Anyone else?

MR. SIMMONS: Well, I would just say that, you know, Chapter 320 exists. So in regard to that, they're required to meet the standards that are set under Chapter 320.

MS. CHAMBERLIN: Correct. Okay, thank you. So turning to rate design, in CMP's rebuttal testimony, CMP states, "Customers with monthly usage higher than 596 kilowatt hours will realize a benefit under the proposed higher customer charge and lower volumetric charge." Is staff generally aware of that position?

MR. MCBRIDE: Yes.

MS. CHAMBERLIN: Okay. And does staff agree that the corollary is also true, customers with usage of less than 596 kilowatt hours will experience higher bills due to an increased customer charge and lower volumetric charge?

MR. MCBRIDE: Yes.

MS. CHAMBERLIN: And the rebuttal Bench Analysis states -- and this is at page 49 -- "Because of the unavailability of data, it's not clear whether the current population of low-income customers taking service from CMP use, on average, less or more than the residential monthly charge of" -- "monthly level of 596 kilowatt hours."

MS. LITTLEFIELD: I believe we answered a data request to that end, and I think we were clear that the evidence is mixed.

MR. MCBRIDE: What was the question on that?

MS. CHAMBERLIN: Well, I'm just orienting you to what the position is of the Reply Bench Analysis.

MR. MCBRIDE: Yeah, I got the cite. Yeah.

MS. CHAMBERLIN: Okay. So in its rate design rebuttal testimony, CMP provided an Exhibit RD-3. And I have paper copies if people want them, but it is just part of their rebuttal testimony.

MS. HEALY: You guys need a minute to pull it up or would you like a paper copy?

MR. MCBRIDE: I think we can pull it up. I have it up now.

MS. CHAMBERLIN: Okay. Thank you. Looking at rate A bill impacts rate year one.

MR. MCBRIDE: That's the tab?

MS. CHAMBERLIN: Yeah.

MR. MCBRIDE: Yeah.

MS. CHAMBERLIN: Okay. And it shows the cumulative percentage of customers at each usage level. Generally see that?

MS. LITTLEFIELD: That's column V?

MS. CHAMBERLIN: Column V.

MS. LITTLEFIELD: Yeah.

MS. CHAMBERLIN: Yeah. And if you look over at the right and you add up the levels to 550 kilowatt hours, the cumulative percentage is 59.6 percent. You see that?

MS. LITTLEFIELD: I'm sorry, the cumulative percentage of what?

MS. CHAMBERLIN: The cumulative percentage of use. If you look over in that column, it's 59.6 percent. So it says average number of customers, percent of total, cumulative percent of total.

MR. MCBRIDE: Total use?

MS. CHAMBERLIN: Well, this is how the columns are labeled.

MS. LITTLEFIELD: So --

MR. MCBRIDE: I don't think it's labeled total use.

MS. LITTLEFIELD: Can I make a clarifying point? I think what you're looking at is row 57 which shows the cumulative percentage of the total number of rate A customers using 550 kilowatt hours a month or less. Is that correct?

MS. CHAMBERLIN: Yes, that's correct. Apologize if I wasn't clear, but you've got --

MR. MCBRIDE: Just to clear the record, it's the percentage of total customers, not the percentage of total use.

MS. CHAMBERLIN: Okay, thanks. All right. So if you look at 550 kilowatt hours, the percentage of total customers is 59.6 percent.

MS. LITTLEFIELD: I see that, yes.

MS. CHAMBERLIN: Okay. And then if you look up to 600 kilowatt hours, it moves up to 74.5 percent.

MR. MCBRIDE: Yes.

MS. CHAMBERLIN: Okay. So according to CMP's figures, at least 60 to 74.5 percent of CMP's residential customers have average monthly usage of less -- approximately 596 kilowatt hours?

MS. LITTLEFIELD: I will say, yes, I agree to that in the context of Exhibit RDREB-3. However, I believe that exhibit has been supplemented to show the exclusion of net energy billing and seasonal dwellings and I think some other possible customer types within rate A. And that minimizes -- or, sorry, not minimizes, but it reduces the cumulative percentage of the total.

MS. CHAMBERLIN: And could you point out where that supplement is and what the reduction would be?

MS. LITTLEFIELD: Just give me a moment.

MR. MCBRIDE: It might be an ODR.

MS. LITTLEFIELD: I think I have it up actually. There were two ODRs in the last technical conferences, ODR 6-23, and -- I think there was another one. I think it was ODR 6-18, but I can take that back if you need me to.

MS. CHAMBERLIN: No, I can look for those.

MS. LITTLEFIELD: Okay. So basically what that did was it adjusted -- I think ODR 6-23 adjusted the kilowatt hour amounts to include total consumption before credits were applied. And ODR 6-18 showed the customer count taking out of consideration the seasonal dwellings and the NEB participants because that was skewing towards the lower end of the spectrum.

MS. CHAMBERLIN: So I'm looking at ODR 6-18, and it has the 600 number. And you go across and it still says 74.5 percent.

MR. MCBRIDE: I think that might not reflect the change in seasonal. It might not exclude seasonal customers, but, again, this is kind of ODR territory, so it's hard to do this kind of analysis on the fly.

MS. LITTLEFIELD: Sure. Yeah. And if you scroll down in that file, you can see there's incremental adjustments at the bottom from rows 32 downward. So I'm not sure about the math there.

MR. MCBRIDE: You can see that there is -- a significant portion of the customers with usage levels of 200 kilowatt hours a month or less are, in fact, seasonal or net energy billing customers.

MS. CHAMBERLIN: So if you look at the average number of customers using 400 or less and you add those, I get -- and I'm using the original RD-3, I get 225,695 customers using 400 or less.

MR. MCBRIDE: Is there a question?

MS. CHAMBERLIN: Yeah. The question is the company points to its analysis that approximately 65,000 residential customers who use 400 kilowatt hours or less are seasonal or vacation homes. So if you do the math there, there's approximately 160,000 other residential customers using less than 400 kilowatt hours a month who are not seasonal customers.

MR. BRYANT: So, Susan, are you trying to get the staff to agree with the company's exhibit and the math contained in the company's exhibit?

MS. CHAMBERLIN: Yes, I'm just pointing out that there is data on the low-income customers, and if you do the math, these are the figures.

MR. MCBRIDE: I'm sorry, the low-income customers?

MS. CHAMBERLIN: The low-use customers, sorry.

MR. MCBRIDE: There is data on the low-usage customers, yes.

MS. CHAMBERLIN: Right. So when you're looking at the company saying that 65,000 residential customers are unlikely to be low-income customers, we have a remainder of 160,000 other customers that may be low-income customers. We simply don't know.

MR. MCBRIDE: I'm not sure if there's anything that relates to this to income in these exhibits, unless you're pointing to some other data source.

MS. CHAMBERLIN: I'm pointing to the company's testimony. So it was the company's testimony at RDREB-6 that says these customers are unlikely to be low income.

MR. BRYANT: So are you asking staff to back up the company's testimony or -- I mean, a fair question would be has the staff independently verified this information but getting people to agree with another party's documents is -- doesn't seem like a good use of time here.

MS. CHAMBERLIN: No, that's not what I was doing. I was saying staff's Reply Bench testimony was that there's no data. And I'm pointing out that there is data and here is the data.

MR. MCBRIDE: So there's data on low income?

MS. CHAMBERLIN: There's data on low use.

MR. MCBRIDE: Yeah?

MS. CHAMBERLIN: And then the company associates low use with people who are not low income. And I'm asking do you agree with that? I could start with -- there. Do you agree with that assertion?

MR. MCBRIDE: I -- it's not our testimony. I feel like this is kind of making several logical jumps around their testimony and our testimony. And I don't think that's our testimony nor is it our analysis in those workpapers.

MS. CHAMBERLIN: So the Reply Bench Analysis supports the increase in the customer charge, correct?

MR. MCBRIDE: That's correct.

MS. CHAMBERLIN: And the underlying assumption is that this will not harm low-income customers. Is that correct?

MR. MCBRIDE: How would you define harm?

MS. CHAMBERLIN: This would not cause low-income customers less ability to pay their bills.

MR. MCBRIDE: Yeah, I think we are not claiming that the rate design changes that we're supporting in this case would not harm anyone. I mean, of course, increasing rates at all harms people. And so I don't think we make the case that it has -- that this, you know, result that we're endorsing here would have no effect on low-income customers in the sense of not increasing their bills at all. I think the only result that could be expected to not harm low-income customers is rejecting the request for a rate increase.

MS. LITTLEFIELD: I'd like to jump in as well. So I need to take a step back and first talk about fixed versus variable charges. So it was -- in the Reply Bench Analysis we stated that one of the reasons why staff has supported the fixed charge increase for residential customers is because of the company's own marginal cost of service study which shows that the majority of these facilities costs are more fixed than they are variable. And so if we're talking about harm, I think we need to consider interclass subsidization, and by that I mean low usage and high usage subsidizing one another. And from what we've seen, given the marginal cost of service for a rate A customer, it would appear that those under the current fixed charge amount are being subsidized by those who are higher usage. And that is because they are paying overall higher than their marginal cost.

MS. CHAMBERLIN: Did staff do any analysis on the impact on low-income customers about the proposed changes?

MS. LITTLEFIELD: As we've stated earlier, we don't have data on specific low-income customers within CMP, and so we were unable to do that sort of analysis.

MS. CHAMBERLIN: Are you familiar with ODR 1-013, Attachment 1? This is average usage for accounts that receive ELP benefits.

MR. MCBRIDE: I'm sorry, could you repeat the reference?

MS. CHAMBERLIN: Yeah, it's ODR 001-013.

MR. MCBRIDE: It'll take a second. Going back in history here. Yeah. You have it Briana?

MS. CHAMBERLIN: And you are also familiar with ODR 001-014?

MR. MCBRIDE: Are we familiar with it? Yes, we're familiar with it.

MS. CHAMBERLIN: And this has annual customer usage and kilowatt hour by income?

MR. MCBRIDE: Yes, it has a survey that the company conducted. So it doesn't have, you know, the data for the company's customers. It has a sample.

MS. CHAMBERLIN: It's a sample of the data from the company's customers, correct?

MR. MCBRIDE: Yeah, but, again, I think we addressed this in some past testimony. It's a small sample.

MS. CHAMBERLIN: However, it is some data on the low-income use patterns of customers, correct?

MR. MCBRIDE: That's correct.

MS. LITTLEFIELD: I would just like to state that we have not defined low income. This shows income levels with different brackets of income. I don't think that in the Reply Bench or in any other testimony that I've reviewed that we have defined low income. But continue.

MS. CHAMBERLIN: Yeah, I think I'm going to stop there. Thank you.

MR. BRYANT: Okay. Does the OPA have further questions for staff? Is that it?

MS. CHAMBERLIN: No further questions.

MR. BRYANT: Okay, thank you. Next on the schedule would be the AARP's questioning of the staff.

MS. ALEXANDER: Thank you very much. I'd like to ask some questions of the staff on aspects of the rate design issues in this proceeding. The Bench Analysis -- the Reply Bench Analysis on page 47 starts a discussion of beneficial electrification and links those words with the staff's recommendations in this proceeding. Would someone on the staff define the term beneficial electrification, please?

MR. MCBRIDE: Sure, yeah. I mean, in my understanding, beneficial electrification is switching to electricity as the energy source for an end use that was previously, you know, sourced by direct combustion of fossil fuels.

MS. ALEXANDER: Would you also agree that that term means increasing the amount of reliable renewable energy on the grid?

MR. MCBRIDE: No.

MS. HEALY: I'd just like to say that I don't think the witness is a providing illegal definition, but go ahead.

MS. ALEXANDER: Are you aware that there is a definition of beneficial electrification in Maine law?

MR. MCBRIDE: I would reference Nora's answer on that.

MS. ALEXANDER: Did you check the definition of beneficial electrification in the Maine law?

MR. MCBRIDE: No, but if you'd like to provide it for the purposes of this hearing, that would be great.

MS. ALEXANDER: It's a definition in the Efficiency Maine Trust statute. I can give you the reference, but I don't have it off the top of my head. Is there some provision of the public utility ratemaking law that you looked at to discuss your implementation of beneficial electrification in this proceeding?

MR. MCBRIDE: That's an interesting question because I think in this Reply Bench Analysis, it's not actually a portion that I drafted, but I think there is a reference to the portion of the Title 35-A statute that references the Commission's statutory obligation to facilitate reductions in carbon emissions. So that was part of our reasoning in the Reply Bench Analysis.

MS. ALEXANDER: Okay, thank you. You say here -- or someone on the staff says here on page 47, "Staff believes that shifting rate design from volumetric charges to fixed charges could" -- "would improve the attractiveness and affordability of beneficial electrification." Is it fair to assume that you're talking here about the customer's decisions to invest in heat pumps and electric vehicles?

MS. LITTLEFIELD: That's certainly part of it, yes.

MS. ALEXANDER: What would be the other part?

MS. LITTLEFIELD: I believe that beneficial electrification, in general, we like to approach it from a technology neutral standpoint. So there could potentially be other beneficial electrification technologies in the future that we don't know about.

MS. ALEXANDER: But you aren't projecting that your views about the fixed customer charge in this case has any relationship to some unknown future technology, are you?

MS. LITTLEFIELD: I'm not sure I understand the question. Could you restate that?

MS. ALEXANDER: I believe you indicated that your definition of beneficial electrification might refer to future unknown technologies. I'm asking if your proposal in this rate case has to do with some future unknown technology.

MS. LITTLEFIELD: I think that our position on beneficial electrification being important as a consideration in rate design is technology neutral. So we are looking at it from the standpoint that any source of beneficial electrification is going to increase customer usage. And just because we haven't specified what technologies that's aiming to make more attractive, I think that it's implicit in our Reply

Bench.

MR. MCBRIDE: And I would just add to that that, you know, I think you specified two technologies, heat pumps and electric vehicles, but there are potential other technologies. I mean, one that has got some recent, you know, press is the issue of gas stoves. Obviously Maine has relatively few gas stoves relative to the rest of the Northeast. But, you know, there are other technologies in which fossil fuels are combusted directly. There's a lot. You know, there's pool heaters, things like that, right? Grills. There's all kinds of different stuff, all kinds of different silly reasons why people burn fossil fuels. And I think the goal of beneficial electrification is to replace the direct combustion of fossil fuels with electricity, regardless of what appliance or technology is combusting the fossil fuel directly.

MS. ALEXANDER: Are you aware of any evidence that your proposed endorsement of higher fixed customer charge will have any particular influence on a customer's decision to purchase any of those alternative non-fossil fuel technologies?

MR. MCBRIDE: Yeah, so we addressed this I believe in the first technical conference on our initial Bench Analysis. And although we didn't conduct any analysis on the customer's decision to electrify in this case, I believe in that technical conference I referenced one resource that I'm aware of which is the Efficiency Maine Trust heating cost comparison calculator which essentially shows, you know, how much it costs to heat a home under various different heating technologies. And the -- you know, obviously the most important input for determining the cost of heating a home with an electric technology such as an air source heat pump is the volumetric electric rate. So as you increase the volumetric electric rate in that calculator, heat pumps look less attractive. And that, I think we believe, is a decent representation of how customers make these decisions.

MS. ALEXANDER: And do you agree customers pay total bills?

MR. MCBRIDE: Yes.

MS. ALEXANDER: Do you agree that the vast percentage of the bill for current CMP customers is not the distribution or the fixed charge but the standard offer?

MR. MCBRIDE: I think we would need to define vast, but that is a -- that's a large portion of it as well as the delivery is also a large portion of the bill.

MS. ALEXANDER: Do you have any evidence about people's decisions to make investments based on other than the total bill as opposed to a calculation that provides information to customers about the impact of volumetric charges on their purchasing decisions?

MR. MCBRIDE: I think the question is a little bit unclear. I think there are many different factors that influence a customer's decision to electrify. The total bill is one of them. Rate design, I could imagine, is another one of them, but of course, they all kind of flow through the total bill as well as the -- I can also imagine the prices of the fossil fuels and the efficiency and prices of the fossil fuel appliances also have a factor. I actually -- I will admit that I wrote my graduate thesis on customer's decisions to electrify. So I'm very happy to talk about it, whether it's in this case or otherwise.

MS. ALEXANDER: But you did recognize that the customer's total bill is primarily the factor that people will use in these decisions, didn't you?

MR. MCBRIDE: I wouldn't -- again, I think it's hard -- without defining primary, you know, decision, I think it's hard to assign, you know, weights to these different factors. I think the total bill, the electric bill, obviously is something that people will look at. And the thing that affects, you know, how much electrification costs is primarily the volumetric charge from the -- the total volumetric charge. So totally inclusive of supply and delivery.

MS. ALEXANDER: And are -- have you looked at the customer comments filed in this rate case?

MR. MCBRIDE: Yes.

MS. ALEXANDER: Are you familiar with this one? "CMP rates are becoming a unaffordable to me. I live in a modestlysized apartment with a heat pump. I've had to keep my apartment colder this past winter because of the outrageous prices. I was lucky it was a comparably mild winter. Even so, there were multiple days this past winter when my apartment was 56 degrees and I couldn't afford to make it warmer. Other days it was 58. I was thankful on warmer days when it was above 62 inside. This isn't just a few dollars here and there. Rates have gone up astronomically. Mainers are suffering. Our health and livelihood is on the line because of these prices, some of the highest in the country." You familiar with that?

MR. MCBRIDE: Yes.

MS. ALEXANDER: And is it your opinion that an increase in the fixed customer charge for a low-use customer in this situation is going to have some impact on purchasing a heat pump or any other?

MR. MCBRIDE: Without getting into it too much, I think in that case that customer heated with a heat pump. And so the decision of how much heating to use is reflective of the volumetric charge. So actually for that customer, a decrease or even a relative decrease in the volumetric charge would make heating relatively cheaper.

MS. ALEXANDER: So let's talk about the volumetric charge which the staff is proposing to allow CMP to market a very expansive and more expensive time-of-use rate. Is that correct?

MR. MCBRIDE: Can you repeat the question?

MS. ALEXANDER: Yes, talking about the volumetric charge, the staff is in favor of the company's proposal to adopt a more expanded -- a different structure and more expensive ratepayer money to market a time-of-use rate. Is that correct?

MS. LITTLEFIELD: That was not in our Reply Bench.

MR. MCBRIDE: Yeah, and I'm not really sure what the connection between that and the volumetric charge is. I kind of assumed when we were talking about the volumetric charge, we were talking about the volumetric charge for rate A.

MS. ALEXANDER: Well, I'm not assuming that.

MR. MCBRIDE: So what --

MS. ALEXANDER: We have a time-of-use proposal in effect for this rate case, correct?

MS. LITTLEFIELD: I believe that time-of-use proposal is for an existing time-of-use class. So I don't know what you're referring to when you are kind of cross referencing that with the volumetric charges.

MS. ALEXANDER: Well, if it's not a fixed charge, it's volumetric charge, correct?

MS. LITTLEFIELD: I think that the company has proposed, at least for rate A, that there are both fixed and variable components of their rates for distribution. So I'm not sure what you're asking.

MS. ALEXANDER: I am asking about the company's proposal to market a new distribution-only time-of-use rate.

MR. MCBRIDE: I have several points to make about this. One is that if we're not just talking about rate A, then it's not just fixed in volumetric, right? If you look at all the company's rate schedules, there's also charges for demand as well as reactive power-related charges for all --

MS. ALEXANDER: My questions are related to the residential customers of CMP, and we have a time-of-use rate in effect right now. Do you agree with that?

MR. MCBRIDE: I certainly agree with that, yes, yeah.

MS. ALEXANDER: Okay. And there's a proposal in this case to change that and market it with brand new millions of dollars in upgraded technologies and marketing costs --

MS. TRACY: Object --

MS. ALEXANDER: -- for the time-of-use rate. Do you agree with that? Are you familiar with that proposal that --

MR. BRYANT: Hold on, Barbara, there's been an objection.

MS. TRACY: Ms. Alexander is characterizing CMP's proposal, and we don't -- we need -- we either need a reference to where she's referring to, but we do not agree with characterization.

MR. BRYANT: Can you provide a reference for the millions of dollars of education or information that you just referenced? Because --

MS. ALEXANDER: Yes, I can, but obviously I can't do it on the fly. Their proposal included --

MR. BRYANT: Well, maybe you can rephrase your question so that it doesn't include that because I think that's confusing the witnesses and confusing the record.

MS. ALEXANDER: Well, there's money in this rate case to redesign and market a new time-of-use rate. Do you agree with that?

MR. MCBRIDE: I don't think so because I think it's the same TOU rate A.

MS. LITTLEFIELD: So I believe that the company's testimony stated that they have a budget for certain customer education and marketing expenses. But -- and I believe that was answered in a data request. It was relatively small. I'm remembering about $136,000.

MR. MCBRIDE: And just to further expand on that answer, you know, we certainly do recognize that there is a proposal to change the TOU periods, and that is addressed in the Reply Bench Analysis.

MS. ALEXANDER: Okay, let's go to page 50 of the Reply Bench Analysis. Comparison of monthly bill impacts with and without increased fixed charges. Okay? This is for rate A. Is that fair to say, not a time-of-use rate analysis?

MS. LITTLEFIELD: That's correct.

MS. ALEXANDER: So has the staff done an analysis of the impact of any of the fixed charge proposals in light of a customer taking a time-of-use rate?

MS. LITTLEFIELD: No.

MS. ALEXANDER: Okay. And this chart is distribution bill impacts only. Is that fair to say?

MS. LITTLEFIELD: That's correct.

MS. ALEXANDER: It does not include the standard offer?

MS. LITTLEFIELD: That's correct.

MS. ALEXANDER: It is not the total bill impact?

MS. LITTLEFIELD: It is the incremental bill impact of the distribution rate.

MS. ALEXANDER: Okay. But we've agreed that customers pay a total bill, correct?

MS. LITTLEFIELD: I would agree that customers are billed on a total delivery and supply basis, yes.

MS. ALEXANDER: Right, right. Turning to page 44 of the Reply Bench Analysis, the staff has a position on the time periods involved for TOU. Is that correct?

MR. GRUMSTRUP: Yes.

MS. ALEXANDER: And your recommendation is that on-peak rates would be higher than off-peak rates, correct? I mean, that's the definition of time of use.

MR. GRUMSTRUP: Yes.

MS. ALEXANDER: And your proposal is that during the winter from December through February, your -- or CMP's proposal is that the on-peak rate be from 4 to 9 p.m.?

MR. GRUMSTRUP: Correct.

MS. ALEXANDER: And your recommendation reflects a 4 p.m. to 9 p.m. rate for various alternatives here, correct?

MR. GRUMSTRUP: Correct.

MS. ALEXANDER: So if a customer has installed a heat pump and joined the 100,000 customers who've chosen to do that recently, they would see very high prices during the winter from 4 to 9 p.m., correct?

MR. GRUMSTRUP: That's possible, depending on how they manage their load.

MS. ALEXANDER: Are you aware of a customer's inability to operate an electrified heating system from 4 to 9 p.m. in the winter?

MR. GRUMSTRUP: Sorry, can you rephrase that question?

MS. ALEXANDER: Sure. Are you aware of any process or policy or technology that would allow the company (sic) to avoid using their electrified heat pump from 4 to 9 p.m. during the winter?

MR. MCBRIDE: Yes.

MS. ALEXANDER: And would you explain that, please?

MR. BRYANT: Hold on. In the question you said company, I think you meant --

MR. MCBRIDE: Yeah, I think you meant customer. I just kind of went over that.

MR. BRYANT: Yeah, go ahead.

MR. MCBRIDE: But I believe the question referred to customers being able to reduce their usage from heat pumps during the 4 to 9 p.m. period. Is that the question?

MS. ALEXANDER: Yes.

MR. MCBRIDE: Yeah. So the answer would be that a thermostat would be the way.

MR. GRUMSTRUP: So the -- one strategy customers can use to do that is to preheat, and that is generally -- basically they increase the temperature prior to the on-peak period coming into effect and then reduce it afterward during the on-peak period when they run off residual heat.

MS. ALEXANDER: And -- but you would agree, I hope, that it would not be your recommendation that people reduce their heat pump level to the 58-degree mark that this woman described in her comment, correct?

MR. MCBRIDE: We certainly don't take a position on (sic) the Reply Bench Analysis on what temperature people should set their thermostats to.

MS. ALEXANDER: Ah.

MS. LITTLEFIELD: I don't believe in the Reply Bench Analysis we actually included in the discussion of TOU rates the impact on any beneficial electrification. I think that those two things have been conflated. So I just want to state that for the record.

MS. ALEXANDER: That's interesting. You have certain rate design options that you've linked to beneficial electrification, but other rate design options are not related?

MS. LITTLEFIELD: I think what staff wrote in the Bench Analysis -- the Reply Bench is about the TOU periods, not about the actual rates charged in those periods. So to the extent that you're asking about whether there's any impact on heat pump users and their behavior, we didn't discuss in the Reply Bench what the price differentials are or the bill impacts to those customers. So we don't have that analysis.

MS. ALEXANDER: You haven't done it?

MS. LITTLEFIELD: We do not have it. We have done it.

MS. TRACY: Attorney Bryant, I'd also like to register a belated objection as to foundation. Ms. Alexander hasn't established that the customer that she's questioning about in the comment is actually a TOU customer.

MR. BRYANT: I think that's pretty obvious. We don't know what rate class the customer was in of the one you read, Ms. Alexander.

MS. ALEXANDER: I do not know and it didn't matter for the question that I asked.

MR. BRYANT: That's fair. Thank you.

MS. ALEXANDER: Couple more questions. Is the staff familiar with the electric Rate Reform Act entitled 35-A?

MS. HEALY: Could you point us to the -- what section are you talking about?

MS. ALEXANDER: Section 3151. "This subchapter shall be known and may be cited as the Electric Rate Reform Act." And then I'll bring your attention to 3152 in which a policy and findings are set out.

MS. HEALY: Do you have copies of that that you can share with the witnesses?

MS. ALEXANDER: No, I don't. Then they could look that up at later time. I'm bringing to their attention and asking if they're familiar with it.

MR. GRUMSTRUP: No, not at the top of our heads.

MR. MCBRIDE: I think we're familiar with it in the sense that we're familiar with all of 35-A which is that we deal with it on a daily basis, but we probably couldn't quote it from memory.

MS. ALEXANDER: Fair enough. Of course. I would just point the staff's attention and ask if you took into account the following policy. "Require the Commission to consider the ability of low-income residential customers to pay in full for electric services as transmission and distribution rates are redesigned consistent with these policies."

MR. GRUMSTRUP: We do consider that.

MS. ALEXANDER: But you don't know how many low-income customers there are in the CMP service territory, correct?

MR. MCBRIDE: That's an interesting question because I think we have some sources of data on how many low-income customers there are because we have data on the low-income programs. But I think the difficulty that we've had in this case in particular is relating the low-income customers' and, in particular, all customers' incomes to usage levels which is slightly different from thinking about how many low-income customers there are. You know, just to expand on that a little bit more and maybe too much, but, you know, you could look at the census data for CMP service territory and get a sense of how many low-income customers there are in CMP's service territory, but that wouldn't help you answer the question of how those individual customers' electric usage relates to their income level.

MS. ALEXANDER: You can say that. I do not, but that's the --

MR. MCBRIDE: Well, I'm not testifying for you. So that's good.

MS. ALEXANDER: That's correct. You are not and --

MS. HEALY: And you're not testifying today.

MS. ALEXANDER: Right. So my question is how does the staff take into account its obligation with respect to considering low-income residential customers in its rate design decisions?

MR. MCBRIDE: I think there's many different ways we take into account low-income residential customers. I think the testimony that we've submitted in this case reflects a lot of discussion about our, you know, attempts to characterize low-income customers and difficulties that I already mentioned in relating low-income, and income levels in general, to usage. As well as, obviously, all of our testimony in this case and in many other cases about the low-income assistance programs that the Commission helps administer.

MS. ALEXANDER: So following up on this issue, I'll point you to your response -- or the staff's response to OPA-021-004. And the question --

MR. MCBRIDE: Yeah, it's going to take a second, hold on.

MS. ALEXANDER: That's no problem.

MR. MCBRIDE: And just if you could repeat the reference, that would be --

MS. ALEXANDER: That's correct. OPA 021-004, 24 April '23. And the answer to the question from the OPA about taking into account the comprehensive data -- I'm reading the question now. You don't have to agree with that.

MS. HEALY: Maybe I've lost the reference. Did you say OPA 21-24 or --

MS. ALEXANDER: No, OPA 021-004.

MS. HEALY: thank you.

MS. ALEXANDER: If I misspoke, I apologize.

MS. LITTLEFIELD: I think she said 4/24 as in the date.

MS. HEALY: Thank you.

MS. ALEXANDER: Okay. So just looking to the answer that was provided, staff -- I'm reading now -- "Staff considered all evidence presented on this topic to reach its recommendation. Furthermore, staff believes the appropriate focus should be on those low-income ratepayers who have high usage and, therefore, have the highest electricity bills relative to their income." What data do you have about how many low-income ratepayers have high usage?

MS. LITTLEFIELD: I think that it's evident that those with high usage and, therefore, the highest electricity bills are going to be more likely to seek assistance, and we have data that's been provided about arrearage management and the LIAP programs. And those we would categorize as probably being a the least likely to pay their bills, and usually that's correlated with the highest bills.

MR. MCBRIDE: And just to expand a little bit more, I think what we're really trying to get at here is the notion of energy burden which, as I'm sure everyone is aware, is the share of someone's income -- the share of someone's income that's taken up by their energy expenses. So for these customers who are low-income and high usage, they're likely to be among the highest energy burdened.

MS. ALEXANDER: I'm asking how many of them there are.

MR. MCBRIDE: That's a good question. I don't think we have great data on that. I think as Briana mentioned -- as Briana answered, you know, we can approximate those. We can get some sense of that from some of the assistance programs, but because we don't have great data, as I've mentioned several times, correlating income and usage, we don't really have an absolute sense of, you know, the number of customers in that group.

MS. ALEXANDER: Thank you. One more question. I asked you if you were familiar with one Maine statute. I'm going to bring another one to your attention and ask if the staff took this into account in the development of its proposals. It's older citizens transmission and distribution service policy. It's Section 3171 of the Maine law or the Maine 35-A law. And the policy here is that "It is the purpose of lifeline transmission and distribution service to alleviate the upward spiral in the cost of transmission and distribution service to older citizens and at the same time to encourage as well" -- "as reward, the conservation of scarce energy supplies by adopting the approach of constant per-unit cost for the use of electricity." Do you see that or are you aware of this provision of law?

MS. LITTLEFIELD: I see that, yes.

MS. ALEXANDER: Did you take that into account in your recommendations?

MR. GRUMSTRUP: Yes.

MS. ALEXANDER: How?

MR. GRUMSTRUP: It, along with any other considerations for low-income customers, elderly customers, go into our judgment on all aspects of the rate case.

MR. MCBRIDE: And I would just add to that that, you know, I think the section you just quoted mentions, you know, that we should adopt the approach of constant per-unit cost for the use electricity, and that's reflected, at the very least, in CMP's rate A. in rate A there's a constant per-unit cost of the use of electricity.

MS. ALEXANDER: But you would agree fixed charges is not a representation of that policy, correct?

MR. MCBRIDE: No, but the other half of the bill -- I mean, the other part of the bill is, right? The constant per-unit cost is the kilowatt hour cost.

MS. ALEXANDER: Right, but you want to -- you have to agree, I hope, that you're shifting some of the recovery of cost to fixed charges, correct.

MR. MCBRIDE: Yeah, but that doesn't make the per-unit cost of electricity not constant, right?

MS. LITTLEFIELD: I'm not sure that that policy -- I'm not a lawyer so I can't speak to what the statute is intended to mean, but what I am reading and what you have quoted to us is about the kilowatt hour charge, and I don't think that there's a discussion of fixed or minimum charges in this policy. And if there is a, could you provide where that is?

MS. ALEXANDER: No, there's not a discussion that I can see here about fixed charges. That's the point of the policy. I will leave that for argument..

MR. MCBRIDE: What do you mean by the point of the policy? I -- just to clarify the record on that.

MR. BRYANT: Well, hold on, no --

MS. ALEXANDER: You're asking me to interpret --

MR. BRYANT: -- Barbara's asking the questions --

MR. MCBRIDE: Okay, okay. Okay, sorry. Yeah, well, okay, fair enough.

MS. ALEXANDER: I was asking if you took it into account. You've answered my question to the best of your ability, and I appreciate that. Thank you. That concludes my questions.

MR. BRYANT: Okay. Thank you, Barbara. Next, the Governor's Energy Office has set aside 30 minutes to ask questions of the staff.

MS. PALMER: Hi, everyone. This is Caroline Palmer on behalf of the GEO. Can you all hear me okay?

MR. BRYANT: Good morning. Yes, we can. Thank you.

MS. PALMER: Great. I'll be asking staff about rate design today. And so I like to refer to staff's Reply Bench Analysis at page 46, line 24 which states that the majority of CMP's distribution costs are not caused by variations in volumetric usage. And --

MR. MCBRIDE: Yes.

MS. PALMER: Thanks. I'd like to ask is it your position that local facilities costs do vary with changes in customer kilowatt requirements?

MS. LITTLEFIELD: I would say that the company provided testimony that showed that they don't, with any regularity, perform upgrades for changes in customer demand. I think that certainly in their design standards that the average or the maximum demand is considered in sizing those facilities. And so I'm not stating that there's no impact, but the costs are more fixed than they are variable.

MS. PALMER: Okay. I have some follow up about that relationship that I'll get to in a couple questions. I'm wondering is staff aware that the company intends to phase out 10 kVA transformers, making 25 kVA the smallest standard-sized transformer moving forward?

MR. MCBRIDE: Yes.

MS. PALMER: And did the company's decision to increase that transformer capacity from 10 to 25 kVA have to do with increasing demand requirements?

MR. MCBRIDE: Can't answer that because that is on the company's side.

MS. PALMER: I can point you to the record on that. If you could refer to CMP's response to Gov -- Governor's Energy Office 3-16.

MS. LITTLEFIELD: Just give us a moment to get there, please.

MS. PALMER: Yes.

MR. BRYANT: Sorry, what was the reference again one more time?

MS. PALMER: The Governor's Energy Office discovery number 3-16.

MR. BRYANT: Thank you.

MS. PALMER: And in that response, do you agree -- or let me know if you need another moment. All right, hearing none, do you agree that the company stated that the change -- the increase in transformer size is reflective of CMP's distribution planning anticipation that electrification trends will increase load growth?

MR. MCBRIDE: It's CMP's response. I mean, I can quote what the response says. It says, "Transformers for single homes on average will serve fewer customers on account of expected trends of electrification and/or installation of larger transformers for the same number of customers connected to it."

MS. PALMER: Yes. Later in the response -- there's more to the response. However, I can move past that. Did staff evaluate any other ways to recover these demand-related costs outside of kilowatt hour charges or outside of increasing the fixed charge as proposed by CMP?

MR. MCBRIDE: I think there's kind of several parts to your question, and I want to make sure I address all of them. I think the sort of predicate of the question is that they're demand-related costs. Is that correct? You're just kind of assuming that these are -- that the increase in transformer size is demand related?

MS. PALMER: Oh, it's not an assumption. It's stated by the company in the discovery response we just looked at. They relate that increased transformer side to increased load growth.

MR. MCBRIDE: I think that's, like, your conclusion about the company's data response, and it feels like it's not really related to our testimony. I'm not trying to be difficult. I'm just kind of trying to figure out how this relates to our testimony because I think you're kind of asking me to, like, do the company's reasoning for it or something like that.

MS. PALMER: Oh, no, no. No, I wouldn't ask that. I related to your testimony because the Reply Bench Analysis, as I referred to at the beginning of my questioning, stated that the majority of CMP's distribution costs are not caused by variations in volumetric usage. And the question for staff was if staff believes or takes the position that those costs vary with changes in kilowatt requirements.

MR. MCBRIDE: I think we do take the position that there are demand-related costs for the company.

MS. LITTLEFIELD: I'd like to add something to that before you go on. So I think in the Bench Analysis -- Reply Bench Analysis what we were saying is that on an individual customer basis, the sizing of a transformer is not necessarily going to be super individualized. It's subject to a standard that the company has in its system planning, and that system planning might take into account aggregate growth in demand or in load. But because it's a standardized move to a different size, that is not going to be changed by individual customer behavior as quickly. Does that make sense? So essentially what I'm getting at is that if I increase my load by double, CMP has system planning efforts in place that are going to accommodate some of that growth, and they're not going to necessarily -- every time I increase my billing consumption every month, they're not going to be thinking, well, what upgrades do I have to do to the grid? Does that make sense?

MS. PALMER: Yes, that does make sense. I -- that leads me right into -- or I hear what you're saying (indiscernible) I agree. That leads me right into my next line of questioning. I think what you're saying is very similar to the Reply Bench Analysis, 47, line 6 which states that there is no evidence in this case that CMP frequently replaces local facilities plant because of increased customer kilowatt hour usage. And I'd just like to ask you about some examples on the record that do seem to demonstrate that load growth could trigger facilities upgrades -- upgrade costs. If you could refer to OPA 10-3, number -- or letter E --

MR. MCBRIDE: And just while we're pulling that up, I mean, again, with sort of, like, the assumption in the question, I think you're kind of aligning the difference between kilowatt hours and load growth and demand, right? Because what we say in the Reply Bench Analysis is that there's no evidence that CMP replaces local facilities plant because of increased customer kilowatt hour usage. We don't say that there's no evidence that CMP replaces plant because of increased customer kilowatt usage. So that's not our testimony.

MS. PALMER: That's a good distinction. On that point, I'm wondering -- I'll return to the last discovery, but since you raised that point, I'm wondering did staff see the analysis by OPA witnesses Borden and Whited in their direct testimony showing a linear relationship between a customer's energy consumption and maximum demand?

MR. MCBRIDE: There's a positive correlation between the two, but a linear relationship to me would imply that it's one to one which I don't think it necessarily is.

MS. PALMER: In this, linear does not have to mean one to one. They specify kind of the fit of that -- of their model and acknowledge that it's not one to one, that it is linearly correlated and that a customer's energy consumption and maximum demand are related, positively related.

MR. MCBRIDE: And just to be clear -- sure. I mean, just to be clear, the notion of being linear has to do with their selection of a model, right? I mean, if you think about how they would do that, you just choose a linear model. That doesn't necessarily mean that the data is linear. I mean, there's a positive correlation, yes.

MS. PALMER: Yes, the results of the model would depend on the model specifications, that's true.

MR. BRYANT: My -- can I interrupt you? My sense is that the Q&A is getting away from Q&A and becoming more like a debate. I'd asked the questioner to please, you know, come back to a question and the answer -- person answering to just answer the question. Can -- thank you.

MS. PALMER: All right, to return to OPA 10-3, letter

E, that states, "EVs, air source heat pump, and air conditioning adoption may drive up customer maximum demand and, therefore, put pressure on the local conductor, and the company may need to upgrade conductor ampacity at that time." Does staff agree that CMP's statement indicates that local facilities would be replaced due to increased kilowatt requirements and corresponding load?

MS. LITTLEFIELD: I think that -- and this is not my testimony, but I think that what OPA 10-3, subsection E is stating is that it could.

MS. PALMER: Okay.

MS. LITTLEFIELD: Emphasis on "it could" put pressure on the local conductor, and obviously to follow on with that, they talk about rate design and incentivizing load shifting to mitigate that pressure on that conductor. So I think that it does not show that they are replacing this plant with any significant regularity.

MS. PALMER: Okay. Does staff agree that if they were upgrading local facilities, that would constitute a change in cost, an increase in facilities cost?

MR. MCBRIDE: Yes.

MS. PALMER: Okay. A question regarding beneficial electrification. If you could refer to staff Reply Bench Analysis at 47, line 18 which states, "Staff believes that shifting rate design from volumetric charges to fixed charges would improve the attractiveness and affordability of beneficial electrification." Does staff also believe that a time-of-use rate could be structured to incentivize electrification?

MR. MCBRIDE: Certainly could.

MS. PALMER: Does staff believe that a time-of-use rate could do so more equitably than increasing the customer charge and using a flat kilowatt hour rate?

MR. MCBRIDE: That's a really big question. I feel like we definitely don't make that claim in our testimony.

MS. PALMER: Okay. That concludes my questioning.

MR. BRYANT: Thank you, Ms. Palmer. So that is -- that's the end of parties who have set aside time to ask questions of the staff. I guess now I'll ask if any other parties have follow-up questions for the staff before we move on to the next panel. I don't see anyone in the room who's -- hasn't already participated. Anybody online care to ask any -- need to ask any follow-up questions of the staff? Okay, seeing nothing. Okay. So the next on the schedule is the witness panel for the Governor's Energy Office, and that is Mr. Nelson, Ms. Palmer, and Mr. Balakumar. And Efficiency Maine Trust has set aside some time to ask that panel questions. I would remind the three witnesses that you're under oath from a previous session and, Ian, why don't you to go ahead and ask your questions.

MR. BURNES: Was hoping we'd maybe get some calories into us before we did this, but I think it's a wise strategy to keep this short. So my questions are -- you know, we're going to zone in on page 62 of your recommend -- the updates to your recommendations. Hopefully we can work here and not have to go too far into detail into each one of these proposals. But in coming to these recommendations, was the panel aware of Efficiency Maine Trust's triennial plan and the programs for active load management that are included in Efficiency Maine Trust's fifth triennial plan?

MR. NELSON: Can you -- sorry, can you tell me one more time what page of the surrebuttal?

MR. BURNES: Sixty-two, and this is specifically around the recommendation that the company run an active load management program.

MR. NELSON: Yeah. Mr. Balakumar, do you want to take that one?

MR. BALAKUMAR: Yes, we were aware of Efficiency Maine's programs, yes.

MR. BURNES: So is it the assumption then that the company would take advantage of our programs or start a new program?

MR. BALAKUMAR: So I think the idea here was -- and this is kind of the theme of the broader recommendations regarding electric vehicles, was really to take a -- ensure that Maine as a whole takes a comprehensive approach across investments, load management, make-ready planning, and making sure we have comprehensive plans around each of those. I think our intention here is not to replace existing programs but leverage existing investments and learnings where possible. I think we believe that there's an important role here for Efficiency Maine and for the utilities. And so we believe these plans will really find a way to bring all the parties together to make sure that we're coordinated across all these programs.

MR. NELSON: And I would just add onto that, if you don't mind, Mr. Burnes.

MR. BURNES: Please.

MR. NELSON: We think that the -- specifically the ALM issue, having worked on this in several states, is very important. And to be clear, I'm not clear on exactly the roles and responsibilities across Maine with respect to how you're going to manage behind-the-meter and in-front-of-the-meter load and associated grid asset requirements, but ALM is going to have impacts on both the behind the meter and in front of the meter. And so, you know, we see that collaboration is kind of needed on that piece. We're open to figure out how to make that work. We're not duplicating efforts.

MR. BURNES: Okay. So that sounds fair. So in your recommendations, especially around active load management, you don't mention Efficiency Maine Trust or our programs, but perhaps you might amend those recommendations or add to them to say that the report should take full advantage of the investments and experience already made by Efficiency Maine Trust in the areas of active load management in coming up with the utility's proposed plan.

MR. NELSON: Yeah, I think, again, you know, similar thread of definitely not wanting to create duplicative load management offerings and wanting them to be complementary. And having some structure in place to ensure that whatever Efficiency Maine is offering is complementary to CMP. Does that make -- does that answer your question?

MR. BURNES: I think so, but I just want to make sure that we're clear for the record and all the parties understand that your recommendation is not that the company run an ALM pilot but that a (sic) ALM pilot should occur. There's a difference, right?

MR. NELSON: Yeah, I think load management, in general, we're saying we need a comprehensive framework to ensure that the services that EVs require to be integrated efficiently and at a low cost are in place. Whose roles -- the roles and responsibilities for providing the load management services I think is a little beyond our exact scope here. I think that's kind of the -- you know, that's kind of beyond the scope of our testimony to say Efficiency Maine should be doing

X, CMP should be doing Y. I think what we're trying to say is there needs to be a process that does actually make it clear the roles and responsibilities and how these programs and services will complement one another.

MR. BURNES: Okay. And just one level -- further level of detail, you're calling for a pilot. You may be aware or may not be aware that Efficiency Maine Trust has already run a pilot that includes EV telematics and EV chargers. Would you agree that if we've already run that pilot, that it would be better to just apply those learnings and do a program?

MR. NELSON: I think with any pilot that you're running should have a path to scale to a full offering. And so I have not reviewed the specifics of those pilots. So I'm not sure what their objectives were, if they achieved those objectives. So I can say at a high level that generally that's how you should be working with pilots is seeing if they were successful and then scaling those offerings if they were successful.

MR. BURNES: Okay.

MR. NELSON: But I can't testify specifically to the specifics of the pilot.

MR. BURNES: Okay. So that's -- I just don't want anybody to be confused here that we need to go backwards and do a pilot when we've already had a successful pilot in Maine. So you wouldn't recommend that?

MR. NELSON: Well, Mr. Balakumar can help me out here if, but we're talking about -- specifically, we're talking about a pilot program for ALM and you noted that you've done a pilot for -- with telematics and EVSE. Is that what you're saying?

MR. BURNES: Yes, we've done a pilot for -- so just to be clear, I don't want this to turn into a conversation. So we have a program now in place for active and passive load management for EV chargers and telematics that is the result of a successful pilot program. You wouldn't want us to go back and repeat that pilot or have someone else repeat that pilot, you would want us to build on that success and not go backwards?

MR. NELSON: Yes, and to try to make sure this is clear, automated load management is different from active and passive load management. Automated load management happens at the time of connection to the grid for the EV chargers. So it's limiting the point of interconnection capacity using either a software or a smart inverter. And so -- or, for example, on-site storage. And so that's why you've got limited capacity on the behind-the-meter meter side and then the -- if you don't have the utility involved, they can't reflect the limited capacity that's going in behind the meter to limit the upgrades on the utility side. Right? So if you have a bank of, you know, a hundred L2 chargers that have a five-megawatt peak with no software, no controls, you can limit it and say that bank creates an upgrade at four megawatts. You can limit the point of interconnection capacity before four megawatts and not upgrade the utility side and still have most of the capacity that you would need for those L -- that hundred L2 chargers, right? Because it's very infrequent that you're going to have all hundred L2s charging at the exact same time on peak. Right? So their coincident peak on site is very rarely going to hit five megawatts, but most of the time the utility's taking that five megawatts and building the system out to it because they have to prepare for that worst case scenario. And so that's what the automated load management pilot would be looking at. It's also called EV energy management systems. So there's multiple different ways you can do this, but what we find is that there's a big education component because a lot of people aren't aware of the process of how to do this and how to integrate it into the interconnection process and the line extension process.

MR. BURNES: Okay, I think that's helpful, and I think that highlights the need to include both in front and behind the meter. Are -- so I think to summarize here, what we're looking at is basically an update in your recommendation just to include the idea that the company in this -- that your recommendation would ask the company to involve Efficiency Maine Trust in the active load management and be sure to coordinate the resources that Efficiency Maine Trust has already invested in. Does that sound right?

MR. NELSON: I don't know at what time we are updating our recommendation. I guess I would say here that our recommendations are not meant to duplicate efforts in any areas. Our -- and so to the extent that our recommendations are duplicating functions already provided by Efficiency Maine, the Commission should be looking at harmonizing our recommendations with that so that we're minimizing costs for ratepayers because we're not here to create duplicative systems. Mr. Balakumar, you have something to add?

MR. BALAKUMAR: Yeah, and to build on that, we've mentioned I believe a few times in testimony the importance of collaboration with stakeholders on these plans and specifically Efficiency Maine. So I think our recommendations already kind of imply that any load management plan or any plans related to EV programs would include significant stakeholder collaboration and ensuring all resources available are utilized efficiently.

MR. BURNES: Okay. I think -- given that I may be standing between a large group of people and lunch, I think that wraps up what I have. Thank you guys very much.

MR. BRYANT: Thanks, Ian.

MR. NELSON: Yeah. Thank you, Mr. Burnes.

MR. BRYANT: Does any party have a follow up for this panel before I excuse them? Hearing none, you're excused.

Thank you for your testimony today. And, yes, we will take lunch now. We were five minutes early on when I needed to take the break. Let's come back at 1:15. And what we will have then are some questions by staff of Mr. Borden, the OPA's rate design witness. See you in an hour. Thank you.

CONFERENCE RECESSED (May 3, 2023, 12:15 p.m.)

CONFERENCE RESUMED (May 3, 2023, 1:15 p.m.)

MR. BRYANT: We -- the -- what's left on the schedule today is some questions from staff with Mr. Borden. I can also say that after the company decided not to have questions for our witness tomorrow, we -- staff will also relent and not have questions for Mr. Holloway so that we will not have a technical conference at all tomorrow. Frees up time for whatever else we may need if we end up needing anything, of course, but no -- I'll put a procedural order out to that effect.

So with that said, let me ask Briana to begin her questioning of Mr. Borden. Mr. Borden, I believe you are under oath from the last proceeding. So I remind you that you remain under oath.

MR. BORDEN: Yeah.

MS. LITTLEFIELD: Good afternoon, Mr. Borden.

MR. BORDEN: Good afternoon.

MS. LITTLEFIELD: Is it your recommendation that both optional residential TOU and the default residential service rates should include in their rate design an element of seasonality?

MR. BORDEN: Yes.

MS. LITTLEFIELD: And in your response to data response (indiscernible) 012-018 you provided workpapers which proposed what seasonal TOU pricing could look like based on the company's own marginal cost of service study. Is that correct?

MR. BORDEN: Yes.

MS. LITTLEFIELD: And did you perform a similar analysis to show what seasonal price differentials would look like for default residential?

MR. BORDEN: I believe that's in our direct testimony. I believe we did in our direct testimony. I can try to find it.

MS. LITTLEFIELD: Okay. If you could find the reference, that would be helpful. And in the previously-mentioned data request, that did not include an analysis of bill impacts?

MR. BORDEN: Correct.

MS. LITTLEFIELD: Thank you. Are you aware of any peer-reviewed literature or data that shows any similarly-situated utilities changing their default residential service to a seasonally-differentiated delivery pricing?

MR. BORDEN: Can you repeat that please?

MS. LITTLEFIELD: Are you aware of any peer-reviewed literature or data which shows the impact of a similarly-situated electric utility changing their default residential service option to seasonally-differentiated rates?

MR. BORDEN: So many utilities have seasonally-differentiated rates. Off the top of my head, am I aware of literature, I don't know that I could cite the specific study, but I'm sure that there's literature out there. Yeah, I mean, many utilities have seasonally-differentiated rates. That's not uncommon.

MS. LITTLEFIELD: So is it correct that in your -- for preparation of your testimony, that you would have reviewed any of this literature about default residential service rates?

MR. BORDEN: So our testimony was primarily based on economic principles and reviewing the utility's testimony and, in particular, utility data about marginal costs across seasons in this case. So we are providing recommendations based on utility data from its own study.

MS. LITTLEFIELD: Okay. Thank you. And if the company were ordered by the Commission to implement seasonal distribution pricing for opt-in residential rate classes, would that not serve as sufficient incentive for those who wish to invest in efficiency measures, different technologies?

MR. BORDEN: I'm not sure I understand the question.

MS. LITTLEFIELD: In your rebuttal testimony at page six in your discussion of modifying all residential fixed charges, you talk about, given that there's an optional rate, there's no reason to modify rates faced by all other customers. I wondered if you could apply the same reasoning for not applying seasonality to the default service rate.

MR. BORDEN: So the default service rate is going to be the rate that the vast majority of customers are on. That rate will be providing certain signals, certain price signals, to customers. And so certainly with electrification, at least at this stage, you have a minority of customers able to do that. It -- that does provide them that option, but I think just saying, well, every customer should find the rate -- you know, the correct rate kind of dismisses the importance of the default rate that we put customers on.

MS. LITTLEFIELD: And so you believe that these incentives and price signals are necessary in the default service rate?

MR. BORDEN: Well, particularly when it comes to thinking about cost causation, thinking about what, you know, interclass subsidization, and those types of issues, we need to be implementing default rates that address those issues.

MR. GRUMSTRUP: So just to be clear, you're saying that the default rate should be seasonally-differentiated. And are you then also saying that there should not be a fixed rate or should -- that it should just be opt in?

MR. BORDEN: Sorry. So you're asking me about two things, seasonal differentiation and the fixed charge, or --

I'm unclear.

MR. GRUMSTRUP: Well. So you -- you're suggesting that the default rate should be seasonally-differentiated, correct?

MR. BORDEN: Yes.

MR. GRUMSTRUP: So if the default rate is seasonally-differentiated, there would be no flat rate throughout the year. Is that right?

MR. BORDEN: I think by flat rate you're referring to a variable charge. The --

MR. GRUMSTRUP: I just mean that -- a rate with a price that does not change throughout the year.

MR. BORDEN: Yes, the rates would change seasonally.

MR. GRUMSTRUP: Okay. So there would be no option for a ratepayer that wanted a price that did not change throughout the year?

MR. BORDEN: Well, I think there would still be -- I don't actually know if CMP has, for example, what are referred to as budget payment plans or the ability to have a fixed price throughout the year. So there may be that option. But in terms of the rate options, no, the rates would be -- all be seasonally-differentiated, meaning that they would vary between summer and winter at minimum.

MR. GRUMSTRUP: Okay. Thank you.

MS. LITTLEFIELD: Mr. Borden, could I have you turn your attention to your response to Examiners 38-002? And it's your testimony --

MR. BORDEN: Can you give me a moment? Sorry.

MS. LITTLEFIELD: Yeah, sorry.

MR. BORDEN: Okay, go ahead.

MS. LITTLEFIELD: All right. And in your response to Examiners 38-2, you state that incorporating seasonality into TOU rates encourages customers to invest in more efficient appliances in higher-cost seasons. I would assume -- well, no, I'll ask you. Does this statement apply to the default service residential customers as well?

MR. BORDEN: Yes.

MS. LITTLEFIELD: And would this framework of seasonal pricing have the potential to penalize or potentially harm those who don't have, for whatever reason, the ability to make such investments in efficient technologies?

MR. BORDEN: I don't know that I would see it as harming them. It's sending price signals that are aligned with the utility's marginal cost study. And so, you know, by not sending those price signals, you're harming other customers. If you're asking -- well, so, yeah, I'll stop there.

MS. LITTLEFIELD: Okay. And you continue and you say that seasonality also provides improved economic signals for fuel switching in the winter. Again, I'll ask would this framework have potential to penalize or to harm those who, for whatever reason, are unable to switch fuels?

MR. BORDEN: So I think --

MS. LITTLEFIELD: For example, people who rent or are not in control of their primary heating sources.

MR. BORDEN: So, again, it's reflecting on the fact that marginal costs are much higher in the summer than in the winter, yet the utility's rates don't reflect that. And so you get -- as it says, you have interclass equity issues, fairness issues. You know, the -- there's no -- on an annual basis there's no bill impact, but on a seasonal basis, there is a bill impact. Like, we're not increasing the revenue requirement somehow with this recommendation.

MS. LITTLEFIELD: I mean, I understand that rate design is a zero sum game, right? But I'm kind of thinking of this more as total bill impact from individual customer basis. But -- for their entire year, but I'll put that aside. And then I heard you just kind of use this term, and you use it also on page eight of your surrebuttal testimony. You state that pricing -- the same price for all hours for all seasons results in interclass inequities. Could you explain the use of that term, interclass inequities?

MR. BORDEN: It's just thinking about -- so we're just talking about the residential class and different residential customers and, you know, in particular, customers -- sort of subsidization that occurs across just residential customers.

MS. LITTLEFIELD: So you speak to customers on the residential rate who use a larger share of their electricity during the winter subsidizing those who use a larger share of their electricity during the summer. Would the same also be true of winter intensive usage customers being cross subsidized by summer intensive customers? Do you know --

MR. BORDEN: I don't understand the question or -- like, in what case, under the utility's rates, under our proposal?

MS. LITTLEFIELD: So under the utility's current rate A and residential TOU rates without seasonality, I think the concern that was brought up in your surrebuttal testimony is that customers who use more in the winter would be subsidizing customers who use more in the summer. And I'm wondering if the reverse is not true.

MR. BORDEN: I don't believe the reverse is true.

MS. LITTLEFIELD: Okay. And also in response to Examiners 38-2, you've stated that seasonal differentiation and pricing improves interclass equity and fairness. Do you have any data that shows seasonal usage by income level that would be applicable to this case?

MR. BORDEN: So there we're talking about -- we were not using fairness in terms of income level.

MS. LITTLEFIELD: Okay. How were you defining fairness?

MR. BORDEN: Honestly, pretty similar as interclass equity. Because customers -- because, as the company's marginal cost service study shows, customers who use more in the summer in general, particularly depending on the time, cause more costs on the system. And so from an economic perspective, those customers should be paying more than customers who use less or more in winter.

MS. LITTLEFIELD: Okay. I'm going to move a little bit away from this seasonality topic. In your response to Examiners 38-1, you stated -- you've actually restated your direct testimony, your recommendation that, as an alternative to raising the fixed charge, that a higher number of kilowatt hours be included in the minimum for residential classes. Could you kind of confirm my understanding that this would mean you'd have more customers within rate A, for example, paying exactly the minimum customer charge? Is that what that means?

MR. BORDEN: Right, if you include more kilowatt hours as part of that fixed charge, then I think that's right. By definition, you'd have more customers paying that depending on, yeah, how much you increase it by.

MS. LITTLEFIELD: Okay. And then I'd like to just kind of dive into that methodology a little bit more. So in calculating rates under this scenario, would you determine the amount of the total fixed charge before or after you apply the kilowatt hours into the minimum? And I recognize that was a confusing question. It was confusing to me writing it.

MR. BORDEN: I think I'm confused. I'll -- so you're determining -- well, are you saying how do you determine the bill impact or -- I think, you know, you're determining the fixed charge based on, you know, your cost of service study, economic principles, and then you're determining bill impacts after that. I don't know if that -- I think that answers the question, but I'm not sure.

MS. LITTLEFIELD: I guess -- so if you're determining the amount of the fixed charge before you're determining how many kilowatt hours are included in the minimum, then I guess I don't understand how the total fixed charge would be calculated. If it's after you've included that minimum kilowatt hours, then it would, in theory -- this is a question. This isn't a statement. In theory, would this result in the average dollars per kilowatt hour price be lower than in the current proposal by the company? Do you understand what I'm getting at there?

MR. BORDEN: Possibly. I think, you know, we did, in this data request, you know, propose an initial methodology, but certainly, like, my preference would be to kind of look at bill impact and iterations of, okay, this fixed charge with this amount of minimum kilowatt hours, like, what does that do to bill impacts, you know, and look at it more iteratively that way than just saying, like, there's one number of minimum kilowatt hours that can be included in the fixed charge.

MS. LITTLEFIELD: And, Mr. Borden, did you provide anywhere in this record any such analysis on bill impacts?

MR. BORDEN: No, this -- I mean, this is not our primary recommendation. Our recommendation is that the fixed charge be rejected -- or the fixed charge increase be rejected. We said as an alternative if -- that if the Commission doesn't agree with us, that they should at least increase the number of kilowatt hours included in the fixed charge.

MS. LITTLEFIELD: Okay, thank you. I think I'm all set.

MR. BRYANT: Okay. Is there any follow up from another party on the questioning that just occurred? I see no hands. So, Mr. Borden, you're excused. Thank you for your testimony.

MR. BORDEN: Yeah. Thank you.

MR. BRYANT: And that concludes the questioning on the schedule for today. As I said earlier, no one has questions for witnesses tomorrow so this will bring the technical conference to a close. I will issue a procedural order canceling tomorrow's technical conference. And with that, we are adjourned and can go off the record.

CONFERENCE ADJOURNED (May 3, 2023, 1:38 p.m.)

C E R T I F I C A T E

I hereby certify that this is a true and accurate transcript of the proceedings which have been electronically recorded in this matter on the aforementioned hearing date.

D. Noelle Forrest

D. Noelle Forrest, Transcriber