STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2022-00152

April 6, 2023

CENTRAL MAINE POWER COMPANY
Request for Approval of Distribution Rate Increase and Rate Design Changes Pursuant to 35-A M.R.S. § 307

REPLY BENCH ANALYSIS

Table of Contents

Table of Figures

List of Exhibits

I. INTRODUCTION

On August 11, 2022, Central Maine Power Company (CMP or the Company) filed this distribution rate case, seeking an initial increase in distribution rates by May 10, 2023, followed by an increase in each of the two following years. To extend the schedule to allow sufficient time for the Commission and parties to process the filing, CMP supplemented the filing on September 9, 2022. This extended the initial rate effective date to August 1, 2023.[1] CMP uses a test year of calendar year 2021.

Following the schedule established for the case in an August 22, 2022 Procedural Order, Commission Staff (Staff) and parties conducted written and oral discovery on CMP. On December 2, 2022, intervening parties to this proceeding filed testimony in response to CMP's proposal. Intervenors filing testimony are as follows: Walmart, Inc. (Walmart), AARP Maine (AARP), Efficiency Maine Trust (EMT), Competitive Energy Services, LLC (CES), the Governor's Energy Office (GEO), and the Office of the Public Advocate (OPA). On December 5, 2022, the Commission's Advisory Staff (Staff) filed its Bench Analysis. *Central Maine Power, Request for Approval of Rate Change*, Docket No. 2022-00152, Bench Analysis (Dec. 5, 2022) (Bench Analysis or BA).

As laid out in the August 22, 2022 Procedural Order, CMP conducted written and oral discovery on the testimony of the intervening parties and Staff. On February 7, 2023, CMP filed its rebuttal testimony. *Central Maine Power, Request for Approval of Rate Change*, Docket No. 2022-00152, Rebuttal Testimony and Exhibits of Central Maine Power (Feb. 7, 2023) (Rebuttal). In the Rebuttal, CMP provided additional and

[1] *See* August 26, 2022 Procedural Order.

updated testimony regarding the Company's proposed three-year rate plan, base-capital plan investments, Capital Adjustment Mechanism (CAM) investments, and the requested revenue requirement. CMP also included proposals aimed at addressing accountability including proposed service quality indicators, a revenue adjustment mechanism, performance reporting, and earnings sharing.[2]

Also, the OPA and AARP each filed rebuttal testimony. The OPA's and AARP's testimonies addressed certain rate design issues.

II. RATE PLAN

A. Introduction

1. CMP's Proposal

CMP seeks approval of a three-year rate plan. Unlike a traditional rate case in which the utility establishes its revenue requirement based on a historic test year that may then be adjusted for cost changes that occur during a single future rate year, and which gives the utility has the right to file a subsequent rate case within one year, the proposed rate plan would involve three rate years, the first of which is informed by the test year. Rates would also increase in the second and third rate years principally, but not entirely, in response to the amount of distribution plant CMP placed into service in the previous rate year. CMP would only be able to file another rate case after the expiration of the rate plan.

---

[2] This Reply Bench Analysis does not attempt to reflect Staff's view of every potential issue in this case. It is intended to contain the Advisory Staff's technical analysis of certain issues at this stage of the proceeding. Readers should not infer from the lack of discussion, Staff's agreement with any particular aspect of CMP's distribution rate proposal. Moreover, the fact that an issue, either evidentiary or otherwise, may not be addressed in the Reply Bench Analysis does not preclude Staff's ability to raise it in later stages of this proceeding.

CMP proposes several categories of capital investment in distribution plant. CMP does not seek approval of any particular investment; rather, the Company wants approval of forecasted capital spending *amounts* for each year of the rate plan and the flexibility to manage its investments in each year as needed. It states that any spending above the amounts forecast for each year would not be recovered in the following year. If investment amounts in any one year do not reach the forecast amount for that year, the revenue difference would be returned to customers the following year (*i.e.* a downward only plant in service reconciliation). PP Test. PP-16.

In the Bench Analysis at page 20, Staff summarized CMP's capital investment proposal in Figure 5, reproduced here as Figure 1:

Figure 1: CMP Actual and Forecast Investment Plan, 2018-2026[3]

$000	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
Asset Condition, Reliability, Resiliency	$38,190	$57,370	$87,897	$108,423	$98,876	$92,489	$114,313	$116,578	$129,991
Customer	$9,658	$18,147	$20,614	$32,299	$23,647	$19,503	$17,908	$18,436	$18,980
Capacity	$3,857	$4,170	$12,343	$4,099	$4,022	$17,407	$2,335	$0	$0
System Operations	$23,183	$47,688	$33,557	$31,710	$41,326	$34,148	$38,719	$37,309	$51,594
Modernization	$4,492	$1,898	$3,751	$2,155	$10,666	$16,452	$16,752	$27,678	$35,041
Total	$79,381	$129,273	$158,162	$178,686	$178,537	$180,000	$190,000	$200,000	$235,606

In its Initial Filing, more detail behind the Figure 1 spending categories was included in Exh. CIP-2. In Rebuttal, CMP made minor adjustments to these proposed investments, which are reflected in Exh. CIP-REB-2, a slightly modified version of the

[3] This table is reproduced from CIP Test. CIP-13, Table 1.

original exhibit. In Rebuttal, CMP has not materially changed its planned capital investments. CIP-REB-3.

CMP has repeatedly stated, in both its Initial and Rebuttal filings, that the capital investment plan is intended to "maintain and *enhance*" system reliability, meet customer expectations, and contribute to meeting the demands of climate change. *See, e.g.*, PP Test. PP-9 (emphasis added). In Rebuttal, CMP identified several projects that are intended to improve system reliability. CIP-REB Test. CIP-REB-7, *et. seq*. The proposed Distribution Automation program, in which remote-controlled protective devices are to be installed where needed throughout CMP's system over the next ten years, "is specifically developed to improve system-wide reliability performance." *Id*. at 8. The Resiliency Program, currently aimed at eight specific poor-performing circuits, is forecast to significantly improve reliability on those circuits in the near term. *Id*. at 9-10. CMP also plans to undertake Comprehensive Area Studies in which it will perform a "full reliability assessment" of each substation and connecting circuits and recommend any necessary reliability upgrades. *Id*. at 10. The Company expects that this will lead to an average SAIFI improvement of 39% in the three area studies in the capital plan. *Id*. at 11: Figure 5.

The Company characterizes its system as aging and explains that a disproportionate number of poles placed into service in the early post-war period are now in need of replacement. PP Test. PP-4. Attending to these assets through routine inspections and replacements is expected to address problems before there are failures, and thus would not contribute to increased reliability. CIP-REB Test. CIP-REB-13. CMP further states that it needs to strengthen its distribution system to better withstand stronger and more frequent storms. CIP Test. CIP-3, CIP-22, CIP-24, CIP-25, CIP-30. CMP also says it must increase its investments to meet the growth of distributed energy resources (DER) such as rooftop and community solar generation, electric vehicle (EV) charging and the increase in the use of heat pumps, all of which need to connect to and use the distribution grid. *Id.* at CIP-2, CIP-12-13.

In the Bench Analysis, beginning on page 24, Staff asked CMP to consider and propose metrics or other means through which the Commission could ensure the Company delivers on the promises made in its filing regarding reliability and customer service. In response, CMP proposed using existing service quality metrics *i.e.*, SAIFI, SAIDI and CAIDI, to measure its reliability performance, proposing modest increases in the stringency of the baseline metrics. PP-REB Test. PP-REB-7; Figure 1. This topic, along with CMP's proposed use of existing customer service metrics such as call answering, meter reading and bill accuracy, are discussed in Section III. The Company further offers to provide a series of periodic reports on its performance in areas such as capital investments, operations and vegetation management. *Id*. at 14-16. Staff will respond to these proposals in the Examiners' Report. Finally, the Company proposes an Earnings Sharing Mechanism. This is addressed in Section IV.

2. Staff Analysis

At this point in the case, Staff supports a three-year rate plan in connection with the Company's proposed capital investment plan.[4] Staff supports the annual reconciliation of capital investment amounts presented by the Company, with the

[4] Staff does not support the Company's proposed Capital Adjustment Mechanism. *See* Section V.

possible downward only adjustment. The Company has committed to refrain from filing a new rate case during the term of a rate plan (EXM-008-029) and Staff sees value in avoiding the possibility of one or more full rate cases between now and 2026.

Staff generally supports approval of the amounts of investment dollars associated with the projects and programs listed in Exhibit CIP-REB-2. As stated in the Bench Analysis, these projects "appear designed to contribute to safe and reliable service." BA at 22. While the funds needed for these investments raise rates, Staff concludes that the plan is likely to lead to lead to fewer and shorter outages, which is of great importance to all customers. Further, as CMP testifies, its capital plan will help prepare the grid for a future when an increasing number of Maine citizens will have electric vehicles in need of frequent charging and will heat and cool their homes with electric heat pumps. Each of these end uses put pressure on CMP to develop and maintain its grid to accommodate the increase in load. Each will also reduce the use by Maine customers of gasoline for cars, and fuel oil, propane, wood and natural gas for heating, thus contributing to the state's efforts to reduce greenhouse gases that contribute to climate change. Efforts to reduce the use of fossil fuels, described generally in this proceeding as "beneficial electrification," will help fulfill the Commission's statutory obligation to "facilitate the achievement by the State of the greenhouse gas emissions reductions" specified in statute. 35-A M.R.S. § 103-A. Staff believes that strengthening the distribution system in the ways proposed by CMP benefits ratepayers.

Staff emphasizes that its support for the rate increases is integral to its proposed service quality index (SQI) and penalty mechanism discussed below. These "guardrails" are intended to ensure that CMP delivers what it says it will deliver: increasing levels of reliability and resiliency as measured by well-known industry metrics. This matter is discussed in Section III.

B. Attrition Analysis

A ratemaking alternative to a three-year rate plan is the so-called "attrition" technique used in recent CMP rate cases. *See, e.g. Public Utilis. Comm'n, Invest. into Rates and Revenue Requirements of Central Maine Power Company*, Docket No. 2018-00194, Order at 31, *et. seq*. (Feb. 19, 2020). CMP seeks to avoid having its rates set by use of this mechanism, stating that the current needs of the distribution system cannot be met with the funds set using historic five-year rate base averages. CIP Test. CIP-33. In the event the Commission uses the attrition technique, CMP proposes use of an average of the last three years' rate base because CMP's current increased investment strategy began three years ago. Mr. Morgan, the OPA's witness, recommends "the use of the five-year CAGR growth rate" to determine appropriate rates. Direct Test. of L. Morgan at 15.

CMP has provided calculations of both variations of its attrition analysis: a five-year compound annual growth rate (CAGR) and a three-year CAGR. Both the five-year and three-year CAGR calculations provided by CMP exclude historical Consolidated Communications, Inc. (CCI) related plant additions because of the separate recovery mechanism proposed by the Company for CCI-related plant additions. RRP-REB Test. RRP-REB-4. The Company clarified that the historical CCI-related plant additions should be included in the attrition calculation if recovery via the proposed Capital

Adjustment Mechanism is denied.[5] RRP-REB Test. RRP-REB-4. Results from the Company's five- and three-year attrition analyses are summarized in Figure 2 below, which also provides for comparison of the plant additions associated with the proposed Capital Investment Plan.

Figure 2: CMP's Summary of Updated Attrition Technique Analysis ($ in millions)

No	Description	One	Two	Three
1	Attrition Technique - Five Years (2017-2022)	$ 123.9	$ 131.1	$ 138.6
2	Attrition Technique - Three Years (2019-2022)	$ 139.6	$ 148.6	$ 158.2
3	Capital Investment Plan Plant Additions	$ 166.0	$ 171.8	$ 192.2

RRP-REB Test. RRP-REB-4.

Staff notes that while Mr. Morgan did not provide his calculation, he points to the Company's attrition analysis that uses the five-year calculation. Staff has reviewed CMP's three- and five-year attrition calculations and finds them to be accurate. This attrition approach, using either the three- or five-year calculation, with or without the addition of specific projects or programs, is an option available to the Commission for calculating plant additions and ultimately approving a change in CMP's distribution revenue requirement.

III. CUSTOMER PROTECTIONS – PERFORMANCE INCENTIVES

A. Introduction

As noted above, Staff's support for the Company's three-year capital investment plan is directly contingent upon a strong incentive mechanism aimed at ensuring that CMP will maintain and invest in its distribution system in a way that increases its

[5] Staff proposes that the Commission reject CMP's CCI pole tracker proposal, but Staff has not performed the analysis suggested by CMP.

reliability, both on a day-to-day basis and during storms. Staff's view is that there is a direct interaction between CMP's capital investment levels and an incentive mechanism: the higher the revenue requirement, the more stringent the incentive mechanism. CMP has repeatedly promised in its Initial and Rebuttal testimonies that its capital investments will transform its electrical grid in the coming years. These promises lead to a responsibility to produce an increasingly reliable grid to serve its customers. With this in mind, Staff proposes the following incentive mechanism to accompany the capital investment plan (not including the trackers) proposed by CMP.

B. CMP's Proposed SQI Revenue Adjustment Mechanism

In its Rebuttal Testimony, CMP proposed an SQI comprised of ten[6] service quality metrics with Targets and a mechanism to (a) measure and score actual performance against the Targets and (b) calculate a potential "Revenue Adjustment" (*i.e.,* penalty). PP-REB Test. PP-REB-10-14. Pursuant to CMP's SQI Revenue Adjustment Mechanism (RAM), its aggregate penalty exposure in any year would be capped at $7.5 million. Within the overall mechanism and aggregate penalty cap, each metric would have an equal weight, *i.e.*, would be worth +/- 10 points. A metric would be assigned a negative point score if actual performance was less favorable than the target and a positive point score if performance was more favorable than the target. In terms of the point-scoring calculation, a metric would be assessed the full 10 points only if it varied from the target by 100%. For example, the weight assigned (nominally) to the SAIFI[7] metric would be fully implicated only if CMP's actual SAIFI for the year diverged

[6] There would be nine metrics initially, pending setting a target for "Customer Contact Satisfaction."

[7] For a description of the SAIFI metric, see Bench Analysis beginning at 8.

from the target by 100% or more.[8] The individual metrics as scored against the applicable target would be aggregated, with positive and negative point values offsetting each other. No penalty would be applicable unless the total score of the ten metrics was a negative value, in which case the penalty would be calculated by multiplying that value (as if it were a percent) by $7.5 million. For example, if the total score was -10, then the penalty for that year would be 10% of $7.5 million, or $750,000.

As noted above, CMP's proposed RAM includes ten metrics, each of which is given ten points. The metrics include the standard reliability indices, CAIDI[9] and SAIFI, as well as several indices related to customer service performance. The proposed targets for the reliability indices become more stringent in the last two years of the RAM term; the customer service-related indices are the same in each year.[10]

Figure 3 below provides a summary of CMP's proposal:

[8] As noted by Mr. Purington, that actual SAIFI would diverge from the target by 100% is "unlikely". Tr. 29 (Mar. 15, 2023).

[9] CAIDI stands for Customer Average Interruption Duration Index.

[10] Notably, for the "Calls Answered," Calls Abandoned," "Blocked Calls," "Meters Read," and "Bill Accuracy" metrics, the targets proposed by CMP are set at the minimum performance levels required by Commission rule. A benchmark for the "Customer Satisfaction Metric" would be established after collecting two-years of data and the "Customer Service Guarantee," a/k/a "Field Services," metric would have a benchmark of 98%.

Figure 3: Summary of CMP SQI Proposal

Exhibit PP-REB-1
Docket No. 2022-00152

Central Maine Power Company
SQI Revenue Adjustment Mechanism

Purpose: To illustrate the calculation of the SQI Revenue Adjustment Mechanism on CMP's Revenues based on actual 2022 SQI results

	A SQI Description	B Target Metric	C Actual Result	D Maximum Points	E Actual Points
	Maximum Threshold Metrics				
1	CAIDI	2.18	1.68	10	2.29
2	SAIFI	1.89	1.71	10	0.95
3	SAIDI	4.12	2.87	10	3.03
4	Calls Abandoned	7.00%	2.93%	10	5.81
5	Blocked Calls	3.00%	1.47%	10	5.10
	Minimum Threshold Metrics				
6	Calls Answered	80.00%	81.20%	10	0.15
7	Meters Read	99.00%	99.47%	10	0.05
8	Bill Accuracy	99.60%	99.76%	10	0.02
9	Customer Contact Satisfaction	75.00%	75.00%	10	0.00
10	Field Services Requests	98.00%	99.80%	10	0.18
11	**Calculated Points**				**17.59**
12	Maximum Possible Points				0.00
13	Final Result (lesser of row 11 and row 12)				0.00
14	**Percentage Adjustment**				**0.00%**
15	Adjustment Basis				$ 7,500,000
16	**Downward Revenue Adjustment**				**$ -**

Notes:
1) Maximum Threshold Metrics are results where the Company's performance is expected to be below the target
2) Minimum Threshold Metrics are results where the Company's performance is expected to be above the target
3) Positive points reflects performance better than the metric
4) Negative Points reflect performance worse than the metric
5) Downward revenue adjustment equals Final Result (expressed as a percentage) multiplied by $7.5 million
6) Metric value assumed for Customer Contact Satisfaction SQI for illustrative purposes only
7) Combined actual results for Calls Abandoned and Blocked Calls allocated based on approximate historical breakdown

C. Staff Assessment of CMP's Proposal

In Staff's view, CMP's proposal is insufficient in terms of providing meaningful incentives to CMP or assurances to ratepayers that the investments funded by distribution rate increases will result in improved service reliability.[11]

The design flaws in CMP's proposal include:

[11] Staff emphasizes that the purpose of a mechanism, such as the SQI RAM, is not to impose penalties on CMP or create ways to flow money back to ratepayers. Rather, the purpose is to provide strong incentives for CMP to achieve the targeted levels of reliability by the pendency of financial consequences for failing to do so.

- The number of metrics and relative weighting among them result in weak incentives for reliability performance.
- The reliability targets, most notably for SAIFI, reflect significantly less improvement than CMP's own testimony indicates it expects to result from its proposed investments. *See, e.g.*, CMP CIP-REB Figure 3.
- Inclusion of the customer service metrics provides little (if any) value over Chapter 320 of the Commission's Rules.
- Finally, the underlying calculations that would determine any penalty amount are flawed in at least two significant respects: (i) a metric would have to miss its target by 100% to incur the full penalty amount applicable to it (which, as noted above, the Company considers to be unlikely) and (ii) by aggregating the metrics, many of which have targets reflective of *minimum* performance levels, any incentivizing effects (or value) from the reliability component of the RAM is virtually eliminated.

Given these design flaws, Staff examined how CMP's proposed SQI RAM would have operated in each of the last four years (2019, 2020, 2021, 2022). Notably, the CMP RAM would not have resulted in a penalty in any of these years, ***even if*** the most rigorous targets proposed by CMP were in place. *See* PP-REB-1; EXM-026-003; ODR-006-001. In fact, even if the more rigorous targets proposed by Staff were inserted, CMP's RAM would still not have indicated or resulted in a penalty in any of these four years. *See* Reply BA Exhibit 1.

For these reasons, Staff considers CMP's proposal to be ineffective by its very structure and design. Stated another way, it does not appear to be fruitful to try to improve CMP's SQI RAM by "tweaking" it, or simply by increasing target levels or penalty amounts. Given this, Staff has developed an alternative to CMP's proposal, described below.

D. Staff SQI RAM

As noted above, Staff considers CMP's proposed SQI RAM to be structurally flawed such that it would provide ineffective incentives for increased reliability. Given this, Staff has developed an alternative SQI RAM, the key features of which are summarized below and in Figure 4:

- The maximum penalty amount subject to the RAM is $15 million/year.
- The focus is on reliability improvements from investments and the rate increases to fund them.
- It includes both system-wide and circuit-level reliability metrics.
- It does not include customer service metrics, which are set by Chapter 320 and a separate mechanism for field service (discussed in Section III(E)).
- It applies the maximum penalty for a metric if its target is missed by 10% or more.
- Between 0% and 10%, the penalty amount for each metric would be scaled linearly, e.g., if the target is missed by 5% then the applicable penalty would be 50% of the maximum for that metric.

- It establishes targets that reflect and incentivize meaningful reliability improvement over the RAM period.[12]

Figure 4: Summary of Staff SQI RAM

		Target for Year Indicated					
	Metric	***2023***	***2024***	***2025***	***2026***	***Metric Weight***	***Penalty Max***
1	CAIDI	2.18	2.00	1.90	1.85	30%	$ 4,500,000
2	SAIFI	1.89	1.80	1.70	1.60	30%	$ 4,500,000
3	Circuit-level SAIFI Improvement (Note 1)	228%	228%	228%	228%	20%	$ 3,000,000
4	SAIDI without Exclusions (3-yr rolling avg) (Note 2)	16.00	15.20	14.44	13.72	10%	$ 1,500,000
5	Circuits with FAIFI > 6.3 (Note 3)	12	10	10	10	10%	$ 1,500,000
	TOTAL					100%	$ 15,000,000

*Note 1: Target = 6 circuits per year, 38% improvement each; Target = (6 * 38%). See CMP CIP-REB testimony Figure 4 and 5.*
Note 2: Targets = SAIDI of 16.0 for 2023 with 5% improvement in each subsequent year.
Note 3: Number of circuits with FAIFI > 6.3; Target = 12 in 2023, 10 (or fewer) in each subsequent year.

Finally, as noted above and summarized in Figure 5 below, Staff proposes SAIFI and CAIDI targets that reflect higher levels of reliability than the targets proposed by CMP, as well as reliability levels that improve over the RAM term as the benefits associated with CMP's capital investments are realized.

[12] Staff notes that such improvement is consistent with CMP's own testimony, *e.g.*, CIP-REB Figure 3.

Figure 5: Comparison of Staff and CMP CAIDI and SAIFI Targets

CMP SQI Revenue Adjustment Mechanism (RAM)

Staff Proposed CAIDI and SAIFI Targets Compared to CMP:

	Target for Year Indicated				
	2023	**2024**	**2025**	**2026**	**Improvement over Plan Period**
CAIDI					
Staff Proposal	2.18	2.00	1.90	1.85	**15.1%**
Year-Year % Chg	*NA*	*8.3%*	*5.0%*	*2.6%*	
CMP Proposal	2.18	2.18	2.13	2.09	**4.1%**
% Difference (Staff v. CMP)	*NA*	*8.3%*	*10.8%*	*11.5%*	**11.0%**
SAIFI					
Staff Proposal	1.89	1.80	1.70	1.60	**15.3%**
Year-Year % Chg	*NA*	*4.8%*	*5.6%*	*5.9%*	
CMP Proposal	1.89	1.89	1.85	1.82	**3.7%**
% Difference (Staff v. CMP)	*NA*	*4.8%*	*8.1%*	*12.1%*	**11.6%**

Staff looks forward to providing more information and responding to questions about the SQI RAM in response to data requests and questions from the parties.

E. Field Services SQI and Other Customer Service Metrics

Regarding the Field Services metric, in the Bench Analysis, Staff requested CMP to propose a metric to evaluate the Company's responsiveness to field service requests. BA at 30. In Rebuttal, CMP proposed a Customer Service Guarantee metric that measures the timeliness of connecting customers for new service. Performance for the metric would be based on the methodology the Company developed to track new service connections in its last Alternative Rate Plan (ARP2008). The proposed metric measures the number of days it takes for the Company to complete six kinds of new residential service tasks/connections as described in Figure 6. EOP-REB Test. EOP-REB 9-10.

Figure 6: Field Services

New Service Type	Number of Days to Complete
Single Phase, overhead line extensions with flat rate pricing, including temporary service that requires an overhead line extension up to 10 poles	One Pole – 32 Business Days Two-Ten Poles – 34 Business Days
Single Phase, under group line extensions up to 2,000 feet and involving up to one pole with flat rate pricing	35 Business Days
Single phase, private overhead line extensions with flat rate make ready pricing, including temporary service that will have a private overhead line extension.	20 Business Days
Polyphase service drop from existing facility with no poles. No transformer upgrade and no CT rated metering (only self-contained metering up to 400 amps with no special metering requirements)	40 Business Days
Polyphase, overhead line extensions, including temporary service, that requires an overhead line extension up to 10 poles and up to 150 kVa transformer capacity.	70 Business Days

The Company also stated that it provides a Customer Guarantee Credit of up to $250[13] on a customer's first bill if the customer is not connected by the date that was given to the customer and proposed that any amounts paid to customers under the Customer Service Guarantee program be credited against any downward revenue adjustment resulting from CMP's failure to meet or exceed the Customer Service Guarantee metric in any given year. *Id*. at 11.

[13] During a Technical Conference, CMP stated that it will pay a flat $250 to each customer if CMP misses the Customer Service Guarantee metric. Tr. 187 (Mar. 16, 2023)

Staff recommends that the proposed Customer Service metrics, the Customer Service Guarantee metric and the Customer Contact Satisfaction (survey) metric not be included in the SQI for which CMP is exposed to a potential financial penalty. Staff further recommends that the Customer Service and Customer Contact Satisfaction metrics be addressed through the Chapter 320 Rule process. Chapter 320, however, does not establish a specific metric to measure CMP's performance in meeting its field services commitments. Thus, Staff recommends that CMP implement its proposed Customer Service Guarantee metric and report on its performance along with the other SQI metrics listed above in Figure 6. Though the metric will not have an appurtenant financial penalty associated with it (other than the Customer Service Guarantee) it is Staff's recommendation that CMP provide each impacted customer a flat $250 credit if CMP fails to meet any of the timeframes shown in Figure 6.

Staff looks forward to providing more information and responding to questions about the SQI RAM in response to data requests and questions from the parties.

IV. CUSTOMER PROTECTIONS – EARNINGS SHARING MECHANISM

A. <u>CMP's Proposal</u>

In Rebuttal, CMP proposes an earnings sharing mechanism. As proposed by CMP, "any earnings that the Company realizes during a rate year over 150 basis points above the ROE used to set rates would be shared equally (50/50) with customers." PP-REB Test. PP-REB-16. Under CMP's earnings sharing mechanism, any amounts due to customers would be determined as part of the ACF process and calculated after all reconciliation actions have been considered. *Id.* at 16-17. If any amounts are owed to customers, it would be incorporated into the following annual price change. *Id.* at 17.

B. <u>Staff Analysis</u>

As noted by CMP in its Rebuttal, an earnings sharing mechanism is typically part of multi-year performance-based rate plans and allows customers to share in any cost savings realized by the rate plan. *Id.* at 16. However, CMP's proposal warrants a mechanism that returns cost savings to customers at a lower threshold. Setting the earnings sharing mechanism at 150 basis points over ROE does not offer customers the appropriate level of protection that is required by CMP's ambitious proposal. The Company has only earned 150 basis points above its ROE three times since 2009 and has not over earned since 2017. GEO-003-013, Attach. 1.

Thus, *any earnings* over the allowed ROE should be subject to the earnings sharing mechanism and result in a 50% flowback to ratepayers. The return owed to customers would be measured on a calendar year basis. Any amount over the allowed ROE indicates that CMP is over earning and that customers are overpaying. This would ensure that if CMP earns over the allowed ROE its customers would share equally in the benefits.

V. CAPITAL ADJUSTMENT MECHANISM

A. Introduction

In Rebuttal, CMP continues to seek approval of a Capital Adjustment Mechanism for five areas of investment: (1) replacement of end-of-life utility poles owned by Consolidated Communications, Inc. (CCI) with CMP poles; (2) replacement or upgrades concerning CMP or CCI poles necessary for broadband investments; (3) EV chargers; (4) battery storage pilots; and (5) Active Network Management (ANM). For the same reasons as set forth in the Bench Analysis, Staff does not support this mechanism for recovery of any amounts spent on these investments. These investments are either part of the Company's core utility service requirements or suffer from some combination of significant uncertainty, legal ambiguity or competing offerings from other stakeholders. They are not the kind of investments that should be subject to a capital tracker, should the Commission be inclined to approve such a mechanism.

B. CCI Poles

In its Rebuttal, CMP continues to support a capital tracker mechanism for the recovery of the replacement of CCI poles. CMP entered into an agreement in 2019 with CCI to replace its end-of-life poles that fail CMP's Distribution Line Inspection. This occurred because CCI was not maintaining or replacing its own poles in a way that supported the reliability of the electric distribution grid. CMP has taken on the replacement of CCI poles as part of its core responsibility to provide reliable and safe service. Staff continues to support its position expressed in the Bench Analysis. As such, Staff does not currently support increasing the forecast investment dollars in CMP's Capital Investment Plan.

C. Broadband Related Poles

To date, there is arguably general agreement that the forecast for broadband expansion is unclear as it relates to municipal projects aimed at unserved or underserved areas pursuant to 35-A M.R.S § 9202(5) and eligible for the Municipal Exemption under Chapter 880 of the Commission's Rules. In Rebuttal, CMP attempts to build its case for a broadband tracker by including not just municipal exemption projects with their questionable future costs but also all broadband make ready work that "will need to be completed whether paid for by pole attachers or not." EOP-REB-20.

Regarding the costs for these pole attachments, CMP has a responsibility as a pole owner to meet requirements of 35-A M.R.S. § 711 as well as Chapter 880. Although these rules prescribe firm timelines for pole owners for survey and make ready work associated with attachers, Chapter 880 does not establish the specific charges or fees that should be applied to attachers for survey or make ready work. The only fees for attachers that are calculated or prescribed by the Commission relate to annual pole rental fees. This regulatory flexibility provides CMP and other pole owners with the ability to adjust unregulated fees to meet market conditions. In ODR-006-030, CMP indicated that it recently increased the hourly rate in 2021 for make ready work performed from $100 to $120 an hour. This rate change suggests that CMP has - and uses - flexibility to set make ready costs for commercial attachers so that costs to CMP could be better aligned with revenues.

CMP's Rebuttal suggests that the Company does not have much control over the planning or costs of future commercial broadband projects, even those that do not invoke the municipal exemption. EOP-REB Test. EOP-REB-20-21. While CMP may not always have advance notice of smaller broadband projects, the larger projects that may increase the Company's workload appear to be actively promoted in the public domain. Two of the state's largest pole attachers, CCI[14] and Charter Communications,[15] continue to publicly signal their plans for massive commercial broadband projects in the coming months.[16] In the November 10, 2022 Technical Conference, CMP indicated that it

[14] Norman, Zara, Award of $8.8M means Skowhegan, surrounding towns to see high-speed internet service by next year, Kennebec Journal (Feb. 16, 2023), https://www.centralmaine.com/2023/02/16/award-of-8-8m-means-skowhegan-surrounding-towns-to-see-high-speed-internet-service-by-next-year/.

[15] Bellavance, Meaghan, Jack Molmund, Spectrum invests $82M in Maine to expand broadband internet, News Center Maine (Mar. 23, 2023), https://www.newscentermaine.com/article/money/charter-invests-70m-in-maine-to-expand-multiple-gigabit-speeds-broadband-access/97-388cbdb5-567c-4edd-ac47-6b820b8d5ed0.

communicates with the ConnectME Authority or with the Maine Connectivity Authority. Tr. 6 (Nov. 10, 2022). Thus, CMP appears to be able to obtain sufficient information to allow it to plan for needed investments related to broadband.

D. Electric Vehicle Incentives

1. Ratepayer Impacts of Electric Vehicle Programs

In Rebuttal, CMP continues to propose an Electric Vehicle (EV) Make-Ready Program that would fund utility-side electrical infrastructure to support the deployment of EV chargers. GM-REB Test. GM-REB-25 et seq. The Company argues that its proposed program is aligned with Maine state policy goals. *Id*. at 24. CMP disagrees with Staff's comparison of CMP's and EMT's EV charger pilot programs in the Bench Analysis, arguing that the relatively higher cost per plug of CMP's program means that CMP's program design "encouraged more private investment with each dollar of subsidy." *Id*. at 27.

Staff is generally supportive of CMP's willingness to promote the State's transportation electrification policy goals. However, the proposed EV Make-Ready Program design would be expensive for Maine ratepayers, especially relative to other potential sources of funds for EV incentive programs. In CMP's proposed program, ratepayers would pay approximately $38.2 million over 38 years to support a total of $9.1 million in project incentives. ODR-002-024, Att. 1, and EXM-010-008. Simply dividing these figures results in a nominal lifetime cost to ratepayers of $4.20 for every $1.00 incentive.

In comparison, other sources of EV funds may be considerably more cost-effective. For example, under the federal grants that EMT receives under the National Electric Vehicle Infrastructure (NEVI) program, ratepayers will pay $0 cost for every $1 incentive. Installers receiving the incentive are required to pay 20% of the project costs, and federal taxpayers make up the remaining 80%. EXM-034-006. Another alternative source of funding for EV programs is EMT. If tax-funded federal or state programs do not cover any of the budget for a program administered by EMT, the cost to Maine ratepayers would be approximately $1 (or slightly higher) for every $1 incentive. Federal, state, and EMT programs are all likely to be considerably more cost-effective, by a ratio of four times or more, relative to CMP's proposed program design in promoting EV infrastructure.

2. CMP's Role in EV Deployment

As described in the previous section, providing subsidies for EV chargers through CMP capitalized funding is likely to be much costlier for Maine ratepayers than alternative sources, such as federal grants and EMT assessments. However, the State's utilities will still have a central role in achieving the State's transportation electrification goals. In particular, CMP should consider developing managed charging programs in the future. CMP is aware of similar programs in the region, including programs conducted by its sister utilities in Connecticut and New York. EXM-034-007.

Because it has the greatest visibility into real-time conditions and trends on its own distribution and transmission networks, CMP may have a distinct advantage in administering managed charging. The Company could leverage this network data, in addition to the high-resolution usage data provided by its meters, to design a managed charging program that results in significant value for the Company and its ratepayers. Properly designed, such a program could be coupled with significant incentives for its participants. In the long term, as transportation electrification accelerates across the state, managed charging could play a role in reducing the need for costly new generation, transmission, and distribution infrastructure in Maine and across the region. In general, CMP should collaborate closely with EMT, the Governor's Energy Office and other stakeholders to design and propose future transportation electrification programs. For example, there may be the opportunity to do so in the Commission's ongoing *Proceeding to Identify Priorities for Grid Plan Filings*, Docket No. 2022-00322.

E. <u>Battery Energy Storage Systems</u>

3. CMP's Position

In Rebuttal, CMP continues to propose two pilot Battery Energy Storage Systems (BESS), the Trap Corner BESS Microgrid Pilot project and the Woolwich Peak Shaving BESS Pilot project. CMP contends that these projects would provide reliability benefits as well as learning opportunities for CMP to understand how energy storage will impact and potentially benefit its system.

4. Staff Analysis

As noted in the Bench Analysis CMP's battery pilots raise significant legal issues concerning whether batteries are "generation" under Maine law and thus, whether utility ownership and operation of those assets is permitted. BA at 52. Staff anticipates that those legal issues will be the subject of briefing after the evidentiary record has closed, and this Reply Bench Analysis does not address those legal issues.

With respect to the stated reliability need, CMP has offered no additional compelling evidence in Rebuttal. Thus, Staff remains unconvinced of the reliability need for either of the battery pilots. Further, CMP's Rebuttal illustrates the benefit-cost analysis results for the Woolwich (Exhibit GM-REB-1) and Trap Corner (Exhibit GM-REB-2) BESS projects. The results for the projects were 2.08 and 0.552, respectively. In its response to EXM-034-017, CMP states that "[w]hile the Trap Corner pilot is showing an initial BCA less than 1, the two proposed energy storage projects (Trap Corner and Woolwich) should be evaluated as a portfolio…As a portfolio, the average BCA for the two pilots would be above 1.0."

Staff is concerned with the validity of using an unweighted average to assess the BCA of such a portfolio. CMP is correct that a simple averaging the two project BCAs would result in a value of 1.32, which is higher than 1.0. However, this simple average of BCA results does not reflect the significant disparity between project costs and benefits across the two projects. A BCA on portfolio total benefits and costs results in a BCA of 0.729, which is not cost effective.

Figure 7: BESS Portfolio Benefit/Cost Analysis

	Woolwich	Trap Corner	Portfolio
Benefits	$ 2,613,810	$ 5,281,590	$ 7,895,400
Costs	$ 1,257,393	$ 9,566,966	$ 10,824,359
BCA	2.08	0.552	0.729

Average BCA	1.32

Batteries could become an important component of CMP's system. Thus, it could be useful for CMP to gain more experience with the impact of batteries on its system. However, CMP did not engage stakeholders such as the OPA (including its non-wires alternatives coordinator) and EMT when it developed its proposed battery pilot programs. Also, the Commission's proceeding to examine integrated system planning for its investor-owned utilities (noted above) will involve extensive stakeholder input into grid modernization efforts such as the use of batteries.[17] CMP may be able to present a more compelling case for a different battery pilot in the future with more input from the relevant stakeholders. Finally, Staff notes that it expects CMP will gain some experience with battery solutions through the non-wires alternative to the Section 31 rebuild that the Commission approved in July 2022.[18] CMP also has access to information from its affiliates that operate batteries in other jurisdictions.

F. Active Network Management

In Rebuttal, CMP argues that the Active Network Management (ANM) pilot should be approved as a capital tracker, and that the costs of the "head end" system should be spread across all ratepayers, not just DERs. GM-REB Test. GM-REB-16. The Company argues that broad recovery of "head end" ANM costs is justified because the project will allow for automated curtailment of DERs across CMP's entire system. *Id*. at 17. This may result in an increase in local hosting capacity for DERs and facilitate the future interconnection of solar PV distributed generation, managed EV charging, and energy storage. *Id*. at 18.

Staff sees value in the services provided by the ANM pilot. However, at this time, the majority of the benefits of the project still appear to flow to DERs themselves. The ability to automate the curtailment of DERs could reduce the costs of both interconnecting and operating DERs. In the absence of DERs, in particular distributed solar PV, the ANM pilot would likely not be needed.

---

[17] *Proceeding to Identify Priorities for Grid Plan Filings*, Docket No. 2022-00322.

[18] *Central Me. Power Co. Request for Rebuild of Section 31*, Docket No. 2019-00309, Order (July 12, 2022).

While CMP argues that the ANM pilot could also benefit managed EV charging and energy storage, these technologies are still nascent in CMP's service territory. It is unclear whether CMP has any plans to include any other technologies besides distributed solar PV in the ANM pilot. For example, CMP does not propose deploying EV managed charging in the instant case. *Id*. at 30. While the ANM project appears to support Maine's policy goals in promoting DERs, Staff maintains its position that the costs of the ANM pilot should be recovered from the DERs themselves. Staff therefore also maintains its position that the ANM pilot should not be recovered from all ratepayers.

VI. STORM COSTS

A. CMP's Position

In its Rebuttal testimony, CMP continues to support the changes it proposed to the storm cost recovery mechanism. These modifications include (1) changing the deadband for Tier 1 storms from +/- 25 percent to +/- 10 percent, (2) increasing the Tier 2 and 3 reserve amount from $10 million to $20 million, and reducing the Company's share of a negative balance to $1.5 million and $1 million for Tier 2 and 3 storms, respectively, and (3) charging all pre-staging costs for storms forecast to be "major" to the Tier 2 storm reserve, regardless of the ultimate Tier classification of the storm. RRP-REB Test. RRP-REB-31. The Company states that its proposed changes to the Storm Cost Mechanism are all intended to reduce, but not eliminate, the Company's exposure to storm restoration costs. CMP would continue to share with customers the risk that actual storm costs for Tier 1 and Tier 2 storms exceed the amounts funded in rates, but the extent of the Company's potential sharing would be reduced. PP-REB Test. PP-REB-28.

B. Staff Analysis

Currently, Maine's two investor-owned utilities have differing approaches to storm cost recovery. Versant recovers storm costs in rates based on adjusting for the difference between the test year expense and the five-year historical average incremental labor and non-labor expense; and applying inflation rates to project cost growth of these expenses. For extraordinary storms, Versant may seek an accounting order from the Commission. Since 2017, Versant has sought and received accounting orders for three storms. In the Bench Analysis, Staff proposed that CMP could use this approach in lieu of the existing recovery mechanism. While this approach would initially include more in base rates, it would be more straightforward than a mechanism like CMP's and would eliminate the need for annual reconciliations. CMP argues that this approach would impact initial rates too significantly and does not support it. *Id*. at 28. Staff notes that, although not cited by CMP as a reason for its position, the "base rates" approach would also affect its risk and exposure to storm costs. No other parties commented on the alternative storm cost recovery mechanisms.

Assuming the current mechanism is the preferred option, Staff proposes the following adjustments to CMP's proposal:

CMP proposes lowering the deadband for sharing on Tier 1 storms from +/- 25 percent to +/- 10 percent. For Tier 1 storms, CMP currently has $8.1 million in rates. Anything within the deadband (currently +/- 25%) in either direction accrues to the Company. Above or below the 25% band the Company and its customers share evenly. The sharing is reconciled in the Annual Compliance Filing. At 25%, this deadband amount is approximately $2 million. If the deadband is narrowed to +/- 10 percent, the amount would be approximately $800,000. Staff is reluctant to agree to a +/- 10 percent deadband because it would significantly increase the amount of storm costs that are subject to reconciliation each year and would dampen the incentive effects of the storm mechanism by reducing CMP's exposure to these costs. A more moderate change to the deadband, such as +/- 15 percent ($1.2 million) would address CMP's concern, at least to some extent, while also preserving more of the incentive benefits of the mechanism.

CMP proposes moving all pre-staging costs for storms forecast to be "major" to the Tier 2 storm reserve, regardless of the eventual severity of the storm. While Staff acknowledges that pre-staging needs are changing given the available regional resources, Staff recommends that if eligible pre-staging costs are charged to the reserve account, then an adjustment to the amount placed in rates for Tier 1 and Tier 2 storms should be made to reflect this change. Staff proposes to use the average eligible pre-staging costs experienced over the past three years to determine the adjustment. This adjustment will not affect the total amount to be placed in rates; however, it would reallocate costs between the two tiers. Figure 8 provides the calculation. Staff proposes to include $7.4 million in rates for Tier 1 storms and $6.7 million for Tier 2 storms.

Figure 8: Tier 1 Pre-Staging Cost Estimates

Tier 1 Pre-Staging Costs Estimates	
Year	**Pre-Staging Cost Est. ($)**
2022	860,052
2021	619,824
2020	592,778
2019	557,755
2018	848,345
5- year average	695,751
3-year average (2022-2020)	690,885

CMP proposes to increase the Tier 2 and 3 reserve from $10 million to $20 million. Staff does not oppose this adjustment.

Currently, CMP's share of any negative balance in the reserve account is capped at $3 million, and CMP's exposure for sharing under the Tier 2 storm provisions for any single Tier 3 storm event is capped at $2 million. CMP proposes to reduce its share of a negative balance to $1.5 million and to set the single event cap at $1 million. As Staff noted in the Bench Analysis, each of these changes shifts risk to customers and lessens the incentives for cost control provided by the mechanism. Therefore, Staff proposes to keep the sharing caps at current levels.

VII. OTHER REVENUE REQUIREMENT ISSUES

A. Cost of Capital

In Rebuttal, CMP's expert witness Anne Bulkley continues to propose a return on equity (ROE) of 10.2%.[19] Staff's expert witness, Randall Woolridge, continues to

[19] Other parties including Competitive Electricity Services, Walmart, and AARP addressed CMP's proposed ROE in their initial testimony arguing that CMP's proposed ROE of 10.2% should be much lower. For example, AARP contends that "[i]t is not the time for optional investments of any kind and needed investments must be provided at

propose a ROE of 9.0%. Dr. Woolridge's testimony is attached as Exhibit 2. At this time, Staff conducts no further analysis of Dr. Woolridge's testimony.

B. Depreciation

In Rebuttal, CMP's expert witness John Spanos continues to propose a depreciation methodology with which Staff's expert witness, William Dunkel, disagrees.[20] Mr. Dunkel's Reply Bench Report is attached as Exhibit 3. Staff will make a recommendation in the Examiner's Report as to which of the two methodologies its supports. However, Staff discusses principles that will aid in that conclusion below.

Staff's primary concern as it relates to depreciation is the level of "net salvage" to be included in the depreciation rate. In reviewing the depreciation methodology set forth in this case, the Commission must determine which methodology most accurately calculates the net salvage to try to ensure that current customers pay as close to that cost as possible without paying too much and to reduce the chance of cross-generational subsidies. While the original cost of the asset is known, the cost of net salvage cannot be known until the actual retirement of the asset. Staff agrees that the depreciation rates should include a component for net salvage to provide for removal costs and ensure that customers who enjoy the benefits of the assets pay for all the costs related to those assets. However, if the component for net salvage is too high, current customers may pay more than the actual cost of removal. If the component is too low, there are insufficient funds to pay for the cost of removal. Utilities and

---

the lowest possible cost with the lowest rate of return that is legally defensible." Alexander Test. 6.

[20] Both methodologies produce approximately the same depreciation expense of approximately $67,764,000 in the first-rate year. They would however produce significantly different depreciation expenses in subsequent years.

customers are made whole when depreciation rates are recalculated, but that happens over a long period of time, which also impacts rate base.

With these principles in mind, Staff expects to provide a depreciation recommendation in its Examiners' Report.

C. Inflation

In Rebuttal, CMP updated its inflation forecast and continues to propose an inflation reconciliation mechanism. As described in CMP's Direct Testimony, CMP uses a general inflator to adjust cost and revenue projections for items where a specific forecast is not used. RRP Test. RRP-16. Revenue requirement items subject to the general inflator would also be subject to the inflation reconciliation mechanism. *Id*. at 17. Below, Staff provides a comparison of the inflation escalators provided in CMP's Rebuttal and those derived from the Congressional Budget Office projections of the Gross Domestic Product Chained Price Index released in February 2023. The two forecasts are similar. In the past, Staff has proposed using an average of the GDP-PI from the Congressional Budget Office and CMP's figures. That average is also reflected in Figure 9. Staff notes that projections are subject to change, but, in theory, the most recent projections are likely to be closer to the true value. Any actual deviation from the forecasted values is likely to be small and unlikely to favor either CMP or ratepayers. Thus, it is Staff's current view that if the projections are reasonably certain, a reconciliation mechanism is not needed.

Figure 9: Inflation Forecast Comparison

	CMP Rebuttal Exhibit RRP-REB-2	Congressional Budget Office[21]	Average
Rate Year 1	12.51%	12.43%	12.47%
Rate Year 2	2.15%	2.24%	2.20%
Rate Year 3	2.04%	2.09%	2.07%

D. Affiliate Services Costs

There has been a cap on the level of affiliate services costs that CMP may include in its revenue requirements for several years. Staff has been concerned that CMP, through either outsourcing of activities or the transfer of employees from the affiliate service company to CMP, has tried to circumvent the cap. CMP stated that even though it had outsourced some services, the vendor payments are still made at the service company level and remain subject to the cap. CMP also stated that no employees have had a material impact on the revenue requirement. An employee must spend 80% or more of their time working on a specific operating company before the employee can charge their time to that operating company. ODR-006-014. Based upon this representation, CMP has shown that costs for the same services are not reflected both in the affiliate charges and in the individual accounts included in the revenue requirement. Thus, there is no double recovery. Staff supports utilities evaluating costs paid to affiliates and whether savings could be found by outsourcing the service. However, to ensure that the goals from setting the cap are met, the Commission may wish to consider an audit or investigation to evaluate whether changes should be made

[21] https://www.cbo.gov/system/files/2023-02/51135-2023-02-Economic-Projections.xlsx

to the affiliate cap if services previously provided by an affiliate are outsourced or moved back in-house to CMP to ensure that the underlying goals of the cap are met.[22]

E. Customer Service

1. Customer Service – Bank and In-Person Payment Fees

In its Rebuttal, CMP proposes to include $2.5 million in its revenue requirement for bank fees and in-person payment fees. CMP explains that the $2.5 million includes $1.544 million for the cost of taking debit and credit card payments incurred in 2022, plus $415,000 to cover new construction payment fees, plus $82,000 for in-person agency fees, plus $458,438 to cover *potential organic growth* in debit and credit payments by other residential customers. CS-REB Test. CS-REB-6-7 (emphasis added). CMP further explained that the potential organic growth equates to approximately an additional 265,000 payments being made each year by debit or credit card, rather than being mailed (out of 1.84 million payments in 2022). *Id.*

2. Staff Analysis

Staff has concerns regarding the $458,438 for "potential organic growth" of credit and debit card payments that the Company proposes to include in its revenue requirement. CMP provided no documentation or analysis to quantify the $458,438.

Staff asked CMP to explain and provide workpapers demonstrating how it calculated the $458,438. In its response, CMP explained that the calculation began with the proposed revenue requirement of $2,500,000 minus the 2022 Debit and Credit Card Expenses of $1,544,128, minus the 2022 In-Person Agency Fees of $82,000, minus the

[22] The OPA contends in its Direct testimony that CMP's executive compensation and affiliate services charges should be reduced by approximately $5.8 million. Staff expects to address OPA's arguments in the Examiners' Report.

$415,434 for new construction payment fees, leaving $458,438 to cover organic growth in debit or credit card payments. EXM-036-008. At the technical conference, Staff stated that it appeared that CMP did not actually forecast or otherwise attempt to quantify the amount of organic growth of credit and debit card payments that would be expected and instead backed into the $458,000 cost estimate. CMP agreed that was an accurate observation and explained:

> MR. DAVIDSON: Is there a reason that the company didn't try to forecast the amount of organic credit and debit card payments that it may expect to receive?
>
> MS. BALL: Other than not being entirely capable of figuring out what customers are going to do at any given time, that's my best answer, to be honest. We are seeing natural growth in what customers want, but part of what we're attempting to -- what we're trying to make available to customers is the mobile app which is going to make payments more seamless for customers and faster. I expect that to drive credit card payments. We expect with the new platforms to be able to offer things like payment alerts and bill alerts and different functionality that I think are going to encourage people to use the mobile app. I hesitate to try to forecast that growth and overshoot the mark and be trying to collect more in the revenue requirement given that it isn't a reconcilable number.

Tr. 64-65 (Mar. 15, 2023).

This amount is not “known and measurable” and therefore should be removed from the Company’s revenue requirement.

F. <u>General Office Building Lease</u>

CMP executed a lease with the U.S. General Services Administration for approximately 49,598 feet of office space on the second and third floors of CMP’s General Office in Augusta, Maine. Ch. 120 Information § 5.C.13; ODR-002-015. As discussed in the Bench Analysis, the Commission deferred until CMP’s next general rate case the question of whether to waive the requirement in Section 6(A) of Ch. 820 that the transaction is treated “below the line.” BA at 10; *Central Me. Power Co.,* *Request for Waiver Re: Ch. 820 for Lease of General Office Space Pertaining to CMP*, Docket No. 2022-00010, Order at 5 (April 7, 2022). The current status of the lease is confidential information and is not detailed here. *See* EXM-035-005; OPA-017-006. However, CMP has committed to flow back to customers any positive benefits of the lease:

> MR. MARSHALL: And so I'm just thinking ahead. Does the company have a proposal for how it would flow any benefit back to customers if the lease is not finalized during the pendency of this case?
>
> MR. COHEN: The company -- so, Brian, this is Peter. Again, we're getting close to this point of confidentiality. At this point the company has not made the proposal. I think that to the extent there was a lease that resulted in customer benefits, the company believes, as it did when it made its initial filing, that those benefits should be provided back to customers.

Tr. 88 (Mar. 15, 2023). Because this issue remains unresolved, once CMP has additional information concerning the lease and the revenues and expenses associated with it, CMP should file a report in this docket updating the Commission and the parties to this proceeding, so that the issue may be revisited as appropriate.

G. Vegetation Management

The Company's Vegetation Management Program request proposes to maximize the reliability impact for each Vegetation Management Program dollar by focusing on the root cause of tree-related outages, namely, by identifying and removing potential tree risks from outside the normal trim zones. CMP proposes two ancillary programs to address these risks: (1) Ground-to-Sky 2 Trimming on 3-Phase, and (2) an Expanded Hazard Tree Program. To minimize the financial impacts to customers, CMP proposes to fund these ancillary programs in part by increasing the circuit cycle for routine maintenance from five to six years without significant impacts to reliability. VMP-REB Test. VMP-REB-2.

In Rebuttal, CMP responded to issues raised in the case by both the OPA and Staff.

- In his testimony, OPA witness Mr. Morgan raised concerns regarding the inclusion expenses associated with Lakeside Environmental Consultants LLC ("ECI"). CMP responded by clarifying the scope of work that ECI performed in helping to develop the Company's vegetation management proposal for this rate case. Additionally, CMP provided a purchase order and related ECI invoices are also provided as Exhibit VMP-REB-1. *Id*, at 4.
- In response to the Staff's Bench Analysis, CMP proposed several performance metrics and reports that will aid is assessing the effectiveness of its Vegetation Management Program. These include reporting (1) the circuit miles planned versus circuit miles completed; (2) the number of tree crews working on the system; (3) tree related customer interruptions caused during non-storm times; and (4) non-storm tree related SAIFI. *Id*.
- CMP confirmed that it would provide the Vegetation Management Request for Proposals when it became available and would provide quarterly updates on the selection process. *Id*, at 6.
- CMP responded to Staff's general concern about the overall number of items included in the reconciliation by addressing the ancillary trim program. CMP proposes to continue with the downward only reconciliation of the ancillary vegetation management costs as it serves to benefit customers. *Id*.

Staff is generally supportive of CMP's response to the concerns raised related to the Vegetation Management Program. However, Staff reserves judgment on the overall cost to be included in rates based on review of the RFP and subsequent updates.

VIII. ANNUAL COMPLIANCE FILING

A. Introduction

The annual true-up of certain costs (and revenues) between rate cases is a departure from traditional ratemaking structures and is an ongoing exception to the prohibition on "single issue" ratemaking. In practice, it frequently benefits the utility's shareholders by allowing the pass-through of certain costs, which often increase over time. Thus, it serves to reduce utility shareholder risk. In the Bench Analysis, Staff highlighted these concerns and noted that neither Versant Power nor any of the Maine gas utilities have similar mechanisms by which distribution rates are adjusted without a rate case or rate plan. BA at 57. Staff also raised concerns about the number of items proposed by CMP for annual reconciliation and the complexity of doing so in a relatively tight timeframe. Going forward, it may be useful for the Commission to consider items proposed for annual reconciliation in three different categories (1) costs already approved by the Commission for reconciliation; (2) costs associated with external policy mandates, such as those mandated by the Legislature; and (3) costs that may be very difficult to calculate and which may be very volatile. Moreover, the Commission may wish to consider "sunsetting" the reconciliation of particular costs after a reasonable period of time. With these principles in mind, Staff discusses one item proposed by CMP for annual reconciliation below.

B. Repair Tax Allowance

1. CMP's Proposal

CMP requests "full tracking of the difference between provided and actual repairs flow through benefits." Tax Test. TAX-4. In support, CMP notes that federal tax rules permit immediate tax expensing of certain property replacements (repairs) that are capitalized and depreciated for book purposes. However, the amount of the repair tax deduction can vary greatly from year to year. CMP states that predicting the amount of repairs tax benefit is difficult because (1) it is an estimate of the level of deduction that will be available for work yet to be performed, and (2) the determination of the appropriate tax treatment (deduction or capitalization) requires an analysis of property replacements and the operational reason for replacement. *Id.* at 3. CMP further states that it "remains mindful that actual qualifying deductions will depend largely on sampling outcomes it cannot predict." *Id.* at 4.

CMP clarified that it would reconcile the difference between the repair tax flow through benefit reflected in rates and the actual repair tax deduction taken on its tax return. Tr. 8 (Nov. 1, 2022). CMP proposes to recover/return the difference through the annual compliance filing.

In response to Staff's question as to why normalizing the tax basis repair deduction would not be an appropriate way to reflect the item in the revenue requirement, CMP argued in Rebuttal that the normalized amount over the previous three and five years was $5.5 million and $7.3 million less than the $18 million included in the revenue requirement and would increase the Rate Year 1 revenue requirement by $7.7 million and $10.2 million respectively.

2. Staff Analysis

Staff stated in its Bench Analysis that it agreed that the repair tax benefit could vary a great deal from year-to-year but it did not believe that was a sufficient reason to reconcile any difference annually. BA at 71. CMP provided the differences between the provision recorded on its books and the deduction taken on its return for the period 2018 to 2021:

	Provision	Return	RTP
2018	(15,828,251)	(23,671,743)	(7,843,492)
2019	(24,313,617)	(18,074,852)	6,238,765
2020	(20,779,098)	(31,675,061)	(10,895,963)
2021	(54,426,801)	(46,337,040)	8,089,761

EXM-014-003.

However, those figures are not the same as summarized in the original direct testimony on TAX-3 for 2020 and 2021 of $4.2 and $18.3 million respectively. It is likely that the testimony reflects distribution only whereas the provision shown in the response applies to both distribution and transmission.

The estimation of the repair tax benefit to determine the amount to be recorded on the utility's books and to be taken as a deduction on its tax return is part of utility's ordinary course of business. Additionally, the level and type of capital expenditures as well as when they are made are within the utility's control. These decisions impact the level of repair tax benefit. The ability to reconcile costs is a mechanism generally reserved for costs that are outside of a utility's control, not for costs that are simply variable.

The complexities of calculating the repair tax benefit (statistical sampling, initial estimates for books, adjusted tax deductions with potential for audit adjustments) make it less suitable for recovery through a reconciliation mechanism. The only easily identifiable amount to reconcile would be the amount of repair tax benefit that was included in the revenue requirement to calculate the distribution rates. However, as CMP stated at the technical conference, the date when the actual repair tax deduction amount is known does not coincide with the periods used for CMP's annual compliance filing. Tr. 18 (Nov. 1, 2022). CMP's tax returns, while covering a calendar year, are not filed until the fall that follows the calendar year. In contrast, the annual compliance filing is filed in the spring and is not for a calendar year, creating difficulty in following the reconciliations. In response to EXM-014-005, CMP showed that any reconciliation would take place at least two years after the applicable rate year.

Staff has reviewed the testimony and data responses and agrees that given the proposed increase in capital improvements and therefore the potential tax repair allowance deduction, it would not be appropriate to use a historical normalization to determine the level reflected in the revenue requirements. CMP calculated the level included in revenue requirements based upon the 2021 book provision using a higher level of property that would qualify for accelerated repairs treatment (but reflected the same tax repair deduction in each of the subsequent years of the proposed rate plan given that it proposed reconciliation of this item). If the Commission approves a three-year rate plan, CMP should also update the tax repair allowance deduction reflected in each year based upon the planned capital approvements.

Staff still believes that repair tax allowance deduction is within the Company's control and therefore, not appropriate for reconciliation. However, if the Commission were to allow reconciliation, Staff believes that any reconciliation recovery should not be done in the annual compliance filing due to the delay between the rate year, tax year and compliance filings but should be considered in the next rate proceeding.

C. Timing

Given the concerns raised with respect to the complexity of CMP's proposed annual compliance filing and the relatively short time in which the Commission and parties would have an opportunity to process the annual filings, CMP proposes extending the time for review by several months. If the Commission declines to include in the annual compliance filing some of the items proposed by CMP and/or the Capital Adjustment Mechanism, Staff believes the more appropriate timing for the annual compliance filing, would be a filing on February 1 or March 1 of each rate year,[23] with an August 1 effective date for associated rate changes.

IX. RATE DESIGN

A. Introduction

In its Initial Filing, CMP proposes its interclass revenue allocation methodology along with several rate design changes, including increasing the monthly fixed customer charge for the Residential and Commercial/Industrial (C&I Classes) and revising the time of use (TOU) periods for both optional and default rates. See, BA at 77- 86. These proposals generated significant responses from several parties. *See* Whited/Borden

[23] Depending on what is included a two-part filing may also make sense, with some information filed on February 1, and other information filed on March 1.

Test.; Alexander Test. 13-20; CES Test. 48-69; GEO Test. 45-59; Chriss Test. 19-31. Rate Design was discussed in the Bench Analysis at pages 77-86.

B. Interclass Revenue Allocation

In its Direct, CMP presents its revenue allocation methodology, which includes the reallocation of LGS-ST-TOU revenue requirements between Rate A and SGS classes. The Company uses a +/- 15% tolerance band for ratios of the Embedded Cost of Service (ECOS) and Marginal Cost of Service (MCOS) to revenue requirement. Where class contributions to revenue requirement are 15% over MCOS *and* ECOS, the Company allocates the amounts in excess to classes whose contributions are within the tolerance band. This resulted in those two classes having rate increases that were slightly higher than the increase in class cost of service. RD Test. RD-7.

Staff observes that the amount reallocated was approximately $241,077 and was split between Rate A and SGS based on the ratio of their base revenues. Ex. RD-REB-1. Given the kWh sales across which these revenues would be collected, Staff calculates that the impact to Rate A is $0.000054/kWh and to SGS an impact of about $0.000046/kWh. The bill impact to the average customer of either of these classes is about $0.03/Month. The magnitude of the reallocation is relatively minor and by reallocating this amount, the Company has ensured that it complies with traditional cost-of-service ratemaking principles.

C. TOU Periods

1. AARP Maine's Position

AARP Maine's witness recommends not changing the current TOU periods. She also recommended creating a detailed plan to "design, implement, market, and educate customers, as well as gather key indicia concerning any new rate option." Alexander

Rebuttal 3 at 15. Due to the recency of implementation of the current TOU periods, she argues that it would be premature to make changes to them without studying customer interest, load profile impacts, customer demographics, and other variables. She argues that without formal analysis, changes to the existing TOU rate design would be theoretical in nature and therefore unreasonable.

2. CMP's Position

In its Rebuttal, the Company revises its initial proposal for the TOU periods to adhere to the recommendations of Staff and CES more closely. In the MCOS Rebuttal, the Company's witness continues to recommend that on-peak hours include the hour of 4-5 p.m. to avoid peak chasing and "due to the observed intra-hour net load variability that exists in that hour." MCOS-REB Test. MCOS-REB-16. The revised schedule removes the shoulder periods as suggested by both Staff and CES and sets the on-peak periods at 4-9 p.m. weekdays during July and August and 4-9 p.m. every day during the rest of the year with all other hours being off-peak.

3. Staff Analysis

Staff continues to believe that simplicity of the TOU periods is the most important consideration to increase uptake and effectively shift load. While the Company's rebuttal filing presents a significantly simplified TOU schedule, Staff believes that uptake of the rates would be maximized with the simplest possible schedule. Staff therefore recommends that the hours and days of the week to which on-peak pricing applies be the same all year. The on-peak periods should either apply to weekdays only, or everyday January through December. Additionally, Staff accepts the Company's argument that the hour of 4-5 p.m. should be included in the on-peak period. Staff's proposed TOU periods and CMP's revised periods are shown in Figure 10.

Figure 10: Proposed TOU Periods

	Months	On-Peak	Off-Peak
CMP Rebuttal			
Summer	July – August	4 PM - 9 PM (Weekdays)	All Other
Winter	December – February	4 PM - 9 PM (Everyday)	All Other
Other	March – June, September – November	4 PM - 9 PM (Everyday)	All Other
Staff Alt. 1			
	January – December	4 PM - 9 PM (Weekdays)	All Other
Staff Alt. 2			
	January – December	4 PM - 9 PM (Everyday)	All Other

D. Residential Customer Minimum Monthly Charge

1. CMP's Position

In Rebuttal, CMP does not change its request for increases in the fixed customer charges. For Rate A and A-TOU, CMP requests to increase the current charge of $10.73 by $5.00 in rate year 1, and $2.00 in each of rate year 2 and rate year 3. CMP's proposal would result in a charge of $19.80 [sic] at the end of the three-year plan. RD-REB Test. RD-REB-3. CMP states that the Marginal Cost of Service Study (MCOSS) submitted with its Initial Filing supports collecting both meter/customer-related and local facilities costs in the fixed charge. CMP points out that its proposed increases fall well short of the $30.72 residential fixed charge amount suggested by the MCOSS. *Id.* at 4.

CMP also rebuts the OPA's recommendation of lowering fixed charges to protect affordability for low-income customers, stating that to do so would result in bill levels that would not reflect costs appropriately. Ms. Nieto suggests that a more efficient alternative would be to provide discounted fixed charges to qualifying low-income customers with a cap on usage to incentivize conservation. MCOS-REB Test. MCOS-REB-10.

Rebutting the testimony of the OPA, AARP, and the GEO, CMP testifies that there is insufficient evidence to conclude that the majority of CMP's low-income customers are low-usage customers, stating that CMP does not have sufficient records or information about its customers to provide a "direct correlation of income levels and monthly kWh usage." RD-REB Test. RD-REB-5. CMP outlines the available information stating 1) that CMP customers eligible for HEAP benefits use on average 609 kWh/month, exceeding the 550 kWh class average; 2) that AMP participants use on average 1,050 kWh/month, also exceeding the class average; and 3) that of the 226,000 CMP residential customers who use less than 400 kWh/month, 65,000 are seasonal customers who are likely not low income. *Id*. at 6.

2. OPA's Position

The OPA presents two arguments against raising the fixed charge. The first is that the costs of local facilities vary with demand and are thus not fixed. Whited/Borden Test. at 4. Whited and Borden cite the example of a customer who purchases an EV and begins charging it at home; this would place an increased demand on the system that may lead to the need for a larger transformer. *Id*. They state that putting local facilities costs into the fixed charge would lead to low-usage customers subsidizing high-usage customers, and, citing their own direct testimony, that low-income customers would therefore subsidize higher-income customers. *Id*. at 5.

The OPA claims that increased fixed charges and lower volumetric charges reduce a customer's incentive to manage their bills by lowering usage. While these witnesses acknowledge that higher fixed charges would generally promote beneficial electrification, they say this would come at the expense of energy efficiency and conservation. *Id*. at 6.

The OPA continues to maintain that low-income customers would be disproportionately harmed by the increased fixed charge because of the contention that the majority of low-income customers use less kWh than average. *Id*. at 7. Whited and Borden assert that Staff's reliance on a Legislative report on the State's AMP program is misplaced because of AMP eligibility requirements, and that Staff failed to rebut the OPA's direct evidence taken from the Residential Energy Consumption Survey and CMP's customer satisfaction survey that "clearly indicate that income is highly correlated with energy consumption." *Id*. at 7-8.

3. AARP's Position

On behalf of AARP, Ms. Alexander opposes an increase to the fixed customer charge, testifying that it is regressive and would shift costs from higher income high-usage customers to lower usage low-income customers. Alexander Rebuttal at 6-7. Citing unspecified "statistically valid surveys of residential energy consumption" and low levels of participation in low-income programs by eligible Maine households, Ms. Alexander concludes that the Commission should avoid increasing the fixed charge. *Id*. at 6-7. She also disagrees with Staff's contention that an increased fixed charge would promote beneficial electrification. *Id*. at 6.

4. Staff Analysis

Staff continues to support an increase in the fixed customer charge relative to an increase in the volumetric kWh charge, because the majority of CMP's distribution costs are not caused by variations in volumetric usage.

E. Local Facilities Costs

No party has argued that the metering and customer-related costs are appropriately part of the fixed charge; the debate is over where in rates the local facilities costs should be reflected.[24] The sizing of most of these facilities is driven by semi-standardized design demand estimates. For this reason, Staff is persuaded that these costs are more fixed than volumetric. There is no evidence in this case that CMP frequently replaces local facilities plant because of increased customer kWh usage. This is consistent with Ms. Nieto's testimony that local facility costs "do not meaningfully change with volumetric usage by individual customers." *See*, BA at 84.

Additionally, the growth of DERs, such as community solar projects, impacts customer and local facilities cost recovery. Under the current Net Energy Billing kWh credit program, participants have the ability to offset their billed kWh consumption despite their use of the local facilities. Lost distribution revenues due to the kWh credit program are recovered in stranded costs and are collected across all ratepayers. Collecting local facilities costs through fixed charges helps mitigate the cross-subsidization of customers with DERs by customers without DERs.

F. Beneficial Electrification

Staff believes that shifting rate design from volumetric charges to fixed charges would improve the attractiveness and affordability of beneficial electrification. A lower marginal cost of electricity consumption (for residential customers, the volumetric kWh

[24] Local facilities are defined to include the distribution system elements between the customer and the substation, such as local transformers, poles, and conductors.

rate) has potential to increase the adoption of electrified technologies, such as heat pumps and EVs, relative to fossil-fueled alternatives.

The Rebuttal Testimony of Whited and Borden concludes that an increased residential service charge "would deter energy efficiency and conservation, thereby undermining state greenhouse-gas emissions reduction policies." *Id.* at 3. Staff disagrees that increased electricity consumption for beneficial electrification would undermine Maine's climate policies. The purpose of beneficial electrification is to offset direct combustion of fossil fuels with electricity, such that greenhouse gas emissions and overall energy costs are reduced.[25] Increasing the affordability of electrification works in support of, not against, Maine's climate goals.

G. Usage by Low-Income Customers

Rate design often involves comparing the relative impacts of a rate change on different groups of customers with different usage levels and patterns. In this case, regarding CMP's proposal to increase the fixed monthly charge for Residential Rate A, several parties have raised concerns about the impact of the fixed charge on low-usage customers. This, in turn, has raised the question of what the usage levels are of CMP's low-income customers because low-income customers are more severely impacted by rate changes than other customers.

Staff agrees with CMP that evidence of the usage levels of CMP's low-income customers is mixed. Staff notes the analysis done by CMP concluding that "customers with monthly usage higher than 596 kWh will realize a benefit under the proposed higher customer charge and lower volumetric charge." RD-REB Test. RD-REB-7.

[25] https://www.eesi.org/electrification

Because of the unavailability of data, it is not clear whether the current population of low-income customers taking service from CMP use, on average, less or more than the residential monthly level of 596 kWh – that is, whether low-income customers will benefit or not from an increased fixed charge. In Staff's view, the focus on trying to correlate kWh usage and income level risks missing several important points, including (1) customers with higher kWh usage (whether high- or low-income) have higher electricity bills, which is relevant to affordability; (2) if the goal is to provide assistance to low-income customers, it may be preferable to do so directly through existing or new programs; and (3) the alignment with rate design and CMP's cost structure discussed above.

Staff has quantified the impact to high users compared to low users resulting from adoption of CMP's fixed charge proposal.[26] Figure 11 compares the bill impacts of the rate design proposed by CMP ("CMP Proposal") to the rates with no change to the fixed charge ("Current Fixed") for four residential customers of varying kWh consumption levels.

[26] Staff's workpapers for this analysis are attached as Exhibit 5.

Figure 11: Comparison of Monthly Bill Impacts With and Without Increased Fixed Charges

			Estimated Bill Amount		*Bill Impacts*	
	kWh per month	**Current Rates**	**CMP Proposal**	**Current Fixed**	**CMP Proposal**	**Current Fixed**
RY 1						
Customer A	200	$17.88	$22.78	$19.57	$4.90	$1.68
Customer B	500	$28.61	$33.26	$32.82	$4.65	$4.21
Customer C	800	$39.34	$43.74	$46.08	$4.39	$6.73
Customer D	1200	$53.65	$57.71	$63.75	$4.06	$10.10
RY 2						
Customer A	200	$17.88	$25.10	$20.57	$2.31	$1.00
Customer B	500	$28.61	$36.04	$35.33	$2.78	$2.50
Customer C	800	$39.34	$46.98	$50.08	$3.24	$4.01
Customer D	1200	$53.65	$61.57	$69.76	$3.86	$6.01
RY 3						
Customer A	200	$17.88	$27.24	$21.35	$2.15	$0.78
Customer B	500	$28.61	$38.40	$37.28	$2.37	$1.95
Customer C	800	$39.34	$49.56	$53.20	$2.58	$3.12
Customer D	1200	$53.65	$64.45	$74.44	$2.88	$4.68

In the CMP Proposal, bill impacts are spread fairly evenly across customers with different usage levels. In contrast, in the Current Fixed scenario, high-usage customers bear the vast majority of the costs of the rate plan. In the Current Fixed scenario, there is a much stronger disincentive for the ratepayer to use each additional kWh of electricity, because the volumetric cost per kWh increases dramatically. All else equal, this would reduce electrification incentives relative to the CMP Proposal.

Staff has also compared the relative contributions to marginal costs and revenue recovery across usage levels for ratepayers in Residential Rate A. Figure 12 displays the revenue deficiencies for a single month for the two rate designs (with and without an increase to the fixed charge). These revenue deficiencies are calculated as the difference between the revenue requirement and the revenue recovered per customer per month for the rate period. Although customers with below-average usage appear to be subsidized by those with higher-than-average consumption under both rate design scenarios, cross-subsidization is in fact reduced when a greater portion of costs are allocated to the fixed charge in the CMP Proposal.

Figure 12: Customer Revenue Deficiencies With and Without Increased Fixed Charges

	kWh per Month	CMP Proposal	Current Fixed
RY 1 Revenue Requirement/Customer:			$ 34.92
Customer A	200	($12.13)	($15.35)
Customer B	500	($1.66)	($2.10)
Customer C	800	$8.82	$11.16
Customer D	1200	$22.79	$28.83
RY 2 Revenue Requirement/Customer:			$ 38.08
Customer A	200	($12.99)	($17.51)
Customer B	500	($2.04)	($2.76)
Customer C	800	$8.90	$12.00
Customer D	1200	$23.49	$31.68
RY 3 Revenue Requirement/Customer:			$ 41.04
Customer A	200	($13.80)	($19.69)
Customer B	500	($2.64)	($3.77)
Customer C	800	$8.52	$12.16
Customer D	1200	$23.40	$33.40

H. Demand Charges

CMP proposes rate design changes to the IGS and LGS customer classes that increase the base distribution summer on-peak demand charge. This rate is applicable to these classes during the months of July and August. The IGS-S class receives an increase in this time period from the current rate of $2.15/kW to $17.10/kW in rate year one, a 695% increase; IGS-P increases from $2.87/kW to $23.14/kW, a change of

706%; LGS-S increases from $2.75/kW to $20.93/kW, a change of 661%; and LGS-P increases from $2.96/kW to $25.34/kW, a change of 756%. CMP Ex. RD-REB-1 Corrected 3-30-23. These are summarized in Figure 13.

Figure 13: Summary of Summer Peak Demand Increases for Large C&I

kW-On Peak July and August Rates ($/kW)					
		7/1/2022		8/1/2023	% Var
IGS-S	$	2.15	$	17.10	695%
IGS-P	$	2.87	$	23.14	706%
LGS-S	$	2.75	$	20.93	661%
LGS-P	$	2.96	$	25.34	756%

1. Walmart's Position

In Direct Testimony, Walmart's witness, Mr. Chriss, expresses concern that the IGS and LGS class rate designs proposed by CMP do not reflect the cost of service of those classes and fail the efficiency goal as stated by the Company by shifting cost responsibility within the rate class.[27] Chriss Test. at 24. Mr. Chriss notes as an example that the distribution summer, on-peak demand charge for IGS-S increases from the current rate of $2.15/kW to $17.10/kW in Rate Year 1, an increase of 795%. *Id*. at 22. He expresses further concern that the distribution bill impacts to these customers are not insignificant, ranging from -50% to 144% change in cost. To moderate the changes to these customer classes, Mr. Chriss proposes a middle ground between CMP's proposed rates and the rates recommended by the MCOSS. *Id*. at 30-31.

2. CMP's Position

[27] Currently there are 194 customers in IGS-S with average summer peak demand of 991 kW, 59 in IGS-P with average summer peak demand of 1,085 kW, 13 in LGS-S with average summer peak demand of 2,162 kW and 56 in LGS-P with average summer peak demand of 3,960.

CMP's MCOSS witness, Ms. Nieto, suggests putting more of the cost of the IGS and LGS classes into the fixed customer charge with a tiered structure that increases the fixed charge when a demand threshold is exceeded. MCOS-REB Test. MCOS-REB-14. In its Rebuttal, CMP states that it is open to discussion on the rate design of the IGS and LGS customer classes. RD-REB Test. RD-REB-16 at 6.

3. Staff Analysis

Staff agrees with Walmart that the changes proposed by CMP are overly drastic and should be significantly moderated to reduce bill shock for IGS and LGS customers. Staff is particularly concerned with the potential impacts to Maine's seasonal businesses that could see disproportionately large cost increases in the summer months and may not have realistic options (at least in the near term) to shift or reduce demand during the nine hours each weekday during July and August that comprise CMP's on-peak period.

Staff will provide its recommendation on this issue in the Examiners' Report.

I. <u>Customer Education</u>

1. CMP's Position

In its Direct Testimony (Rate Design and Revenue Allocation), CMP indicated that with the proposal of new TOU period structure and addition of new optional rates that target beneficial electrification it would develop a customer engagement campaign to raise awareness. *Id*, at 5. The Company recognized that absent these efforts, customers may have difficulty understanding the new TOU periods and making changes to their consumption. *Id*, at 15. CMP stated that development of this plan should involve Staff as well as interested parties such as Efficiency Maine Trust. Tr. 52 (Mar. 16, 2022).

2. AARP's Position

In Rebuttal, AARP recommends "that no new TOU rate options be developed or approved in this proceeding…the Commission should not approve billing, metering, and marketing or educational expense increases at this time without a documented plan…No such plan has been presented." Alexander Reb. Test. at 3. AARP further remarks that prior to implementation of or marketing and outreach for TOU rate changes, further analysis must be performed on existing TOU rates and the current TOU customers.

3. CES's Position

In its Direct Testimony, CES states that CMP's non-residential customers are fully capable of understanding any changes to TOU periods and rate design. CES Direct at 53. Further, CES suggests that "the messaging of an outreach and education campaign for the rate design update is simple," and provides the example of a customer who wishes to charge their electric vehicle. The messaging should be structured to allow the customer to select the tariff and the time of use to maximize their savings.

4. Staff Analysis

Staff recognizes that in this proceeding and others, a number of significant changes to rate options for customers have been presented. Staff agrees with the parties that outreach and engagement are important to the efficient uptake of rates targeted at beneficial electrification and for existing TOU customers to make the transition. The need for a comprehensive and meaningful effort to educate customers of CMP's TOU offerings is apparent. In the event that the Commission accepts a change to TOU rates, Staff suggests that CMP file a compliance report that specifically details its customer education efforts, including the costs associated with each component.

X. RATE SMOOTHING

The Company indicates its willingness to smooth the annual rate increases over the term of its proposed Rate Plan. PP Reb. Test. PP-REB-17. The Company illustrates the deferral accounting associated with levelized rate increases across the three rate years. RRP Reb. Test. RRP-REB-58 (Figure 19). Given a scenario in which the proposed rate increase for rate year 1 is significantly larger in magnitude than those for rate years 2 and 3, and that carrying costs are not substantially high, Staff agrees that rate smoothing is generally worth considering as an affordability measure.

Staff notes that the outcome of rate smoothing as defined by CMP would be "mitigating to some extent the customer impacts of the current high electricity supply prices." PP Reb. Test. PP-REB-17. Staff clarifies that given the rate smoothing scenario provided in ODR-006-024, the levelization of revenues does not mitigate the impact of supply prices as it still results in overall positive bill impact versus the test year.[28]

In its response to ODR-006-024, the Company provides the rates that correspond to the levelized revenue increases described above. Staff observes that proposed smoothing of class revenues only impacts the volumetric distribution rates (*e.g.*, $/kWh, $/kW, etc.) and the fixed minimum and/or service charges remain unchanged. This decision was affirmed in CMP's response to EXM-030-002: "Because CMP proposes customer charges reflect the marginal costs, the impacts of revenue smoothing will be applied to volumetric rates." It is unclear to Staff that recovery of marginal costs could not be achieved with rate smoothing that extended to the fixed portion of customers' distribution charges. Additionally, Staff has concerns that if rate

[28] Workpapers associated with Staff's analysis are attached as Exhibit 6.

smoothing were applied in this way, the resulting dynamics between fixed and variable charges could lead to mixed messaging to ratepayers and serve only as a barrier to their understanding of their bill changes.

XI. CONCLUSION

In conclusion, Staff has endeavored to provide the Company with guidance of the Staff's view on the topics discussed above and offered evidence for possible inclusion the evidentiary record in this proceeding. Staff looks forward to any discovery on any matter discussed herein.

Dated: April 6, 2023

Respectfully submitted by:

Eric J. Bryant

Nora R. Healy

Daya J. Taylor

Hearing Examiners

On behalf of the Advisory Staff:

Derek Davidson
Ethan Grumstrup
Faith Huntington
Michael Johnson
Briana Littlefield
Jameson McBride
Michael Simmons
Lucretia Smith
Julie Pallozzi