STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2022-00152

June 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

ORDER APPROVING STIPULATION

BARTLETT, Chair; SCULLY and GILBERT, Commissioners

I. SUMMARY

By this Order, the Commission approves the May 31, 2023 Stipulation entered into by Central Maine Power Company (CMP or the "Company"), the Maine Office of Public Advocate (OPA), Efficiency Maine Trust (EMT), AARP Maine (AARP), Competitive Energy Services (CES), Walmart, Inc. (Walmart), the International Brotherhood of Electrical Workers Local Union # 1837 (IBEW), Nicholas Alexander, and Industrial Energy Consumer Group (IECG) (collectively referred to as the Stipulating Parties).

II. BACKGROUND

Section II, Background, is provided in Attachment A.

III. DESCRIPTION OF THE STIPULATION

Based upon the record in this case, the Stipulating Parties agree and recommend that the Commission conclude this proceeding by issuing an order that approves, accepts, and adopts the Stipulation. The following description of the Stipulation highlights many of the significant aspects of the Stipulation but does not describe each and every provision.

A. Distribution Revenue Deficiency and Rate Increase Implementation

1. Distribution Revenue Deficiency

Under the terms of the Stipulation, the Commission approves a phased-in rate increase, which results in revenue increases for CMP. The Stipulation does not explicitly request that the Commission approve a "distribution revenue requirement."[1] Rather, CMP's distribution revenues will increase pursuant to a two-year forward-looking rate plan. The rates associated with these increases are determined using the same billing units that form the basis for the projected revenue amounts; in other words, the Stipulation establishes the actual rates. The increases will occur in four equal levelized

[1] According to Attachment 2 of the Stipulation, CMP's current distribution revenue requirement is $294,805,000.

amounts every six months beginning on July 1, 2023. The next three increases will occur on January 1, 2024, July 1, 2024, and January 1, 2025. The period of July 1, 2023 through June 30, 2024 constitutes Rate Year 1, and the period of July 1, 2024 through June 30, 2025 is Rate Year 2. The amount of each increase will be $16.75 million. Stipulation, ¶ 31. Each increase will add approximately $1.25 to the average residential customer's bill.[2] Stipulation Attachment 1.

These revenue increases include amounts for operations and maintenance (O&M) but are largely driven by increases in capital investment forecast by the Company to occur during the period covered by the Stipulation. The Stipulating Parties have agreed to the revenue increases, and do not seek specific approval of any particular investment in the capital forecast. If CMP does not expend the full amount allocated for investments in Rate Year 1, the revenue increase in the subsequent period will be reconciled downward against the forecast investments amounts for Rate Year 1 and rates will be reduced accordingly following the next year's annual compliance filing case. The same process will occur at the end of Rate Year 2 for effect the following year. By agreeing to set revenue increases based on forecast investments, the Stipulating Parties do not intend or seek a finding that any of the investments are prudent, reserving that determination for after-the-fact analysis by the Commission, if necessary.

The Stipulating Parties agree that CMP's return on equity (ROE), used to set its cost of capital, will be 9.35%, and that the equity ratio will be a hypothetical 50/50 debt to equity ratio. This results in a weighted average cost of capital in Rate Year 1 of 6.71% and a pretax weighted average cost of capital of 8.54%. Stipulation, ¶ 37.

Under the Stipulation, CMP agrees not to seek another rate increase that would become effective sooner than July 1, 2025. *Id.* ¶ 39.

2. SQI Revenue Adjustment Mechanism

The Stipulation imposes an incentive mechanism on CMP "[t]o ensure that the Company provides safe, reasonable and adequate facilities and service and to ensure that customers realize the reliability benefits of the Company's proposed capital investments during and after the Rate Plan Term." Stipulation, ¶ 40. At the heart of this incentive mechanism are Service Quality Indicators (SQIs) that use reliability metrics established in Commission Rule Chapter 320. The incentive is provided by a penalty mechanism that would impose a maximum of $8.8 million per year for a failure to meet the benchmarks assigned in the Stipulation to the SQI metrics.

[2] The amount of $1.25 is subject to change based on certain adjustments such as the revenue decoupling mechanism.

This penalty mechanism is significantly weighted toward reliability, the benchmarks for which increase during and after the Rate Plan.[3] Two metrics that measure the duration and frequency of outages, CAIDI and SAIFI[4], are included. The third reliability metric, called Division SAIFI, measures the results of the Company's progress installing, by geographic division, automation equipment that is specifically aimed at reducing outages. The increasingly stringent reliability related SQIs reflect the expectation that reliability will continuously improve over the term of the rate plan.

Three customer service metrics are also included in the incentive mechanism: Calls Answered, Calls Abandoned, and Bill Accuracy, each weighted at 5% of the total possible penalty.

Under the Stipulation, each percentage point that a reliability target is missed during one of the rate years will count as negative ten points, and each percentage point that a reliability target that is exceeded will count as 2.5 positive points. Within the reliability metrics, these amounts will be netted to that year's total points which are used to determine any downward adjust to revenue requirement. There is no provision for an upward adjustment based upon net positive points. The adjustment will be factored into the rates in the following year's rate change. The Stipulating Parties agree that this incentive mechanism will remail in place until modified by the Commission.

3. Earnings Sharing

The Stipulating Parties agree that any annual earnings by the Company in excess of 10.35%, *i.e.* 100 basis points above the allowed ROE, will be shared 50% with customers. Stipulation, ¶ 43.

4. Vegetation Management

Under the Stipulation, CMP's vegetation management would change, converting the cycle trim program from 5 years to 6 years, beginning to implement a "ground to sky" trim on its three phase circuits and expanding the hazard tree removal program. *Id.*, ¶ 32(a).

5. Storm Cost Recovery Mechanism

Starting with an approved stipulation in a 2013 CMP rate case,[5] the Company has recovered costs associated with restoring service following storms under a three-

---

[3] The Stipulation sets reliability benchmarks that become increasingly more stringent through 2026. The 2026 benchmarks and the SQI mechanism will remain in place beyond 2026 unless or until modified by Commission order. Stipulation, ¶ 41(j).

[4] CAIDI stands for Customer Average Interruption Duration Index. SAIFI is System Average Interruption Frequency Index.

[5] *See*, *Central Maine Power Company, Request for New Alternative Rate Plan ("ARP 2014")*, Docket No. 2013-00168, Order Approving Stipulation (Aug. 25, 2014).

tiered mechanism. Under the Stipulation, this mechanism continues with certain changes agreed to by the Stipulating Parties. *Id.*, ¶ 44. For Tier 1 storms, where the cost of recovery is no more than $3.5 million, the amount embedded in rates changes from $8.1 million to $7.4 million and the “deadband” around this number, outside of which costs are shared 50/50 with ratepayers, changes from +/- 25% to +/-15%. For Tier 2 storms, where the recovery costs are between $3.5 million and $15 million, the amount embedded in rates changes from $6 million to $6.7 million and the reserve account is increased from $10 million to $20 million. Apart from the effect from the changed reserve account, Tier 3, where the costs of recovery exceed $15 million, is unchanged. The total amount in rates for storm recovery under the Stipulation will remain $14.1 million though the amounts in Tiers 1 and 2 have shifted. The costs of “pre-staging” crews in anticipation of a major storm that is forecast to a High Confidence EEI level 3 classification will be charged to the Tier 2 storm reserve regardless of the eventual outcome of the storm.

6. Revenue-Decoupling Mechanism

The Stipulating Parties agree to the continuation of CMP’s distribution revenue decoupling mechanism (RDM) as approved in Docket Nos. 2013-00168, 2018-00194, and 2020-00159, subject to certain changes to how the RDM would be applied. Stipulation, ¶¶ 45-46. The purpose of an RDM is to reduce the Company’s dependence on its actual kilowatt-hour sales and kW customer demand to collect its revenues. This reduces the exposure of the Company to risks associated with fluctuating electricity consumption and removes any potential disincentives for the Company to supporting energy efficiency efforts. The risks and benefits of the RDM flow to all ratepayers.

B. Rate Design

1. *Fixed Charges – Residential and Small Business Classes*

The Stipulation provides that the fixed charges for CMP’s residential customers (Rate A and Rate A-TOU) will not change but will be considered in the Company’s next distribution rate case. Stipulation, ¶ 52. The fixed charge for the SGS and SGS-TOU rates will increase by $1 each of the four times the revenue requirement increases pursuant to this Stipulation. *Id.,* ¶ 53.

2. Time Of Use Rates

The Stipulation reflects the fact that to be able to change the various time of use (TOU) periods, the Company will first upgrade its metering and billing system, a process that will take approximately fifteen months following approval of this Stipulation. The Stipulating Parties agree that once that is complete, the TOU periods for commercial and industrial (C&I) customers will be changed so that, for the entire year, the on-peak period is 5 p.m. to 9 p.m. on weekdays. *Id.*, ¶ 54(b).

The TOU periods for residential customers will be one of the subjects of discussion in the follow-on proceeding described below.

3. Expedited Rate Design Follow-On Proceeding

The Stipulating Parties agree that CMP will commence, within 30 days of approval of the Stipulation, an "Expedited Rate Design Follow-On Proceeding." *Id.,* ¶ 55. This proceeding is described as a collaborative process between the Company, Commission Staff, the parties and others who may intervene. This follow-on proceeding largely concerns residential customers and is planned to undertake the following:

- Develop rate designs options that:
  - Incentivize customers to shift usage away from the summer peak
  - Incentivize the use of heat pumps and other beneficial electrification heating technologies during winter, and
  - Complement the incentives and programs offered by EMT
- Consider 4-5 alternative rate designs targeting optimized use of electric vehicles (EVs) and heat pumps
- Consider the development of a Peak Time Rebate program
- Consider the development of a Non-Firm Customer rate option (for commercial customers)
- Consider and collect data concerning impacts on residential customers of an increase to the fixed charge
- Consider optimal ways to educate ratepayers about these rate designs.

In this follow-on proceeding, a "Data Collection, Measurement and Evaluation Plan" will be developed to "collect, maintain and analyze" relevant data concerning future residential rate design options. This will include looking at customer bill impacts, impacts on load profiles and socio-economic data on participating customers.

Under the Stipulation, CMP will file, "on or about" December 1, 2023, a final proposal that results from the collaborative follow-on proceeding.

4. Methodology for Calculating Rates for MGS, IGS and LGS Customer Classes

Under the Stipulation, the service and seasonal demand charges for the MGS, IGS, LGS, and LGS-TOU classes will be adjusted to better reflect the marginal cost of service. *Id.*, ¶ 56. The monthly customer charge of each class will be set at 75% of the amount prescribed by the marginal cost study adjusted to collect the revenue requirements of the class. The Summer, Winter, and Shoulder season on-peak demand charges, and the Summer off-peak demand charge, will be set at the marginal cost amount adjusted to collect the class revenue requirement. The Shoulder off-peak demand charge will be reallocated to the Summer off-peak demand charge. The remaining customer and local distribution costs will be allocated proportionally to the Shoulder and Winter off-peak demand charges. The kVAR charge will be set at the rate proposed by the Company. All of these changes will take effect as soon as practicable following the proposed upgrades to the metering and billing system. The kVAR charges proposed by the Company are accepted by the Stipulating Parties.

5. Extension of CMP's Electric Technology Rate

CMP agrees to review the performance of its Electric Technology Rate, an optional rate designed for customers who own electric vehicles or use heat pumps. After reviewing utilization, adoption and customer satisfaction, the Company will consider extending or revising this rate. *Id.*, ¶ 57.

C. Parties' Positions Regarding Stipulation

No party objected to the Stipulation.

IV. DECISION

A. Standard of Review

To approve a Stipulation, the Commission must consider the following criteria:

1. Whether the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;

2. Whether the process that led to the stipulation was fair to all parties;

3. Whether the stipulated result is reasonable and is not contrary to legislative mandate; and

4. Whether the overall stipulated result is in the public interest.

Chapter 110 § 8(D)(7). For the reasons set forth below, the Commission finds that all the criteria for approval have been satisfied in this instance.

B. Broad Spectrum of Interests

The Stipulation was entered into by CMP, the OPA, AARP Maine, CES, EMT, Walmart, Nicholas Alexander, IECG, and IBEW. None of the remaining parties objected to the Stipulation. In the past, the Commission has held that as few as two parties, with differing views and interests, represent a sufficiently broad spectrum of ratemaking interests. *See, e.g., Mid Maine Telecom LLC, Pine Tree Telephone, LLC, Saco River Telephone, LLC, Request for Reorganization*, Docket No. 2020-00268, Order Approving Stipulation (March 16, 2021) (approving a stipulation signed by only the petitioning utility and the OPA). These signatories represent a very broad array of interests including low income, residential and commercial & industrial customers, competitive energy suppliers, and Maine's electricity efficiency administrator, and clearly satisfy our first criterion for approval.

C. Fairness of Process

The settlement process began with bilateral discussions between CMP and OPA. On March 30, 2023, a settlement conference was held where the parties were presented with the results of those bilateral discussions and asked to provide comment and input. The Commission's Rules provide that all parties shall be given an opportunity to participate in stipulation discussions. MPUC Rules Ch. 110 § 8(D)(1). The March 30 conference was noticed in a procedural order and all parties were invited to attend. No party objected to the participation of Commission Staff in settlement discussions. Subsequent settlement conferences, each noticed by procedural order in which all parties were invited to attend, were held on April 21, May 3, 4, 9, 11, 15, 17, 19, 23, 30, and 31 2023. The Commission finds that this process was fair to all parties and conforms with Commission rules.

D. Reasonableness of Result

This Stipulation represents the result of negotiations between the signatories, a process of give and take that leads to a package with many parts each of which is valued differently by a given party. And so it is with the Commission, which, in approving a stipulation, may consider some terms as providing important safeguards for ratepayers, others as satisfying statutory or policy criteria and still others as simply acceptable. The question, thus, is whether the Stipulation when viewed as a whole is fair, reasonable and consistent with the public interest. *Central Maine Power Company, Proposed Increase In Rates,* Docket No. 92-345 (II), Detailed Opinion and Subsidiary Findings at 3 (Jan. 10, 1995). For the reasons set forth below, the Commission finds that the stipulated result, when evaluated as a whole, is fair and reasonable.

E. Public Interest

The Commission is charged by statute "to ensure safe, reasonable and adequate service, to assist in minimizing the cost of energy available to the State's consumers, to ensure that the rates of public utilities subject to rate regulation are just and reasonable to customers and public utilities and to reduce greenhouse gas emissions to meet the greenhouse gas emissions reduction levels set forth in Title 38, section 576-A." 35-A M.R.S. § 101. The Commission finds that this Stipulation meets each of these requirements.[6]

[6] The Commission also finds that the Stipulation is consistent with the following statutory provisions:

- 35-A M.R.S. § 103-A (climate requirements)
- 35-A M.R.S. § 301 (determination of just and reasonable rates)
- 35-A M.R.S. § 303 (valuation of property for ratemaking purposes)

The record upon which this Stipulation rests reveals that CMP seeks to make significant investments in its distribution system, one purpose of which is to maintain and enhance the reliability of that system.[7] The investments included in the Company's forecasted capital plan include, among others, ongoing and improved vegetation management, distribution line inspections, substation upgrades, transformer replacements, system automation, a grid model enhancement project (GMEP), increased functionality of CMP's Energy Control Center and other betterments and technological improvements. These investments, if developed and executed prudently, will lead to continued provision of safe, reasonable and adequate service. In fact, evidenced by the SQI incentive mechanism, the Stipulating Parties expect reliability to improve as result of this rate plan.

Many of the public comments received in the Commission's Case Management System, and almost all the testimony given by citizens at the Commission's three public witness hearings, opposed the increase in rates. Some customers testified that they cannot afford the increase; others believe it is not needed. The Commission's obligation to fix just and reasonable rates that are affordable for ratepayers is balanced by its duty to ensure that the utility has sufficient revenues to furnish safe, adequate and reliable service, has the opportunity to meet its operating expenses and earn a fair return on its investment. 35-A M.R.S. § 301; *Camden and Rockland Water Company v. Maine Public Utility Commission*, Me. 432 A. 2d 1284 (1981). The Commission recognizes that even small increases in the cost of electricity are burdensome for customers. However, the increases approved here are significantly less than the increases proposed by the Company in its initial filings, and represent an appropriate balance. Moreover, CMP will not be able initiate a general rate case seeking a change in base distribution rates to be effective prior to July 1, 2025, *i.e.* the end of the plan.

The investments contemplated in the Company's capital investment plan serve to strengthen the distribution system in preparation for an increase in EV and heat pump

- 35-A M.R.S. § 307 (approval of changes in utility requested changes to rate schedules)
- 35-A M.R.S. § 310 (investigation of proposed changes in public utility rates)
- 35-A M.R.S. § 506 (authority to inspect utility books and records)
- 35-A M.R.S. § 3143 (declaration of policy on smart grid infrastructure)
- 35-A M.R.S. §§ 3151- 3156 (Electric Rate Reform Act)
- 35-A M.R.S. § 3172 (Older citizens transmission and distribution service policy)
- 35-A M.R.S. § 3195 (authority to promote transmission and distribution utility efficiency through incentive ratemaking)

[7] The record that forms the evidentiary basis for this order is the same as that relied upon by the Stipulating Parties (Stipulation, ¶ 65): (1) the Stipulation, (2) all confidential or public materials contained in the Commission's Record of Docket No. 2022-00152; and (3) all confidential or public materials contained in the Commission's Record of Docket No. 2022-00038.

usage, elements of beneficial electrification.[8] The GMEP project is intended to improve CMP's ability to study, plan and monitor its system by improving how it collects and uses system data and integrates that data into a system model. This and other proposed investments can create efficiencies as more and more distributed energy resources (DERs) connect to the grid. These investments help minimize the cost of energy (by providing incentives to wean customers off expensive fossil fuels) and at the same time help to reduce greenhouse gas emissions.[9]

The Commission finds that the Stipulation's levelized approach to increasing the rates, by having stepped increases every six months, is reasonable. This is particularly true given that standard offer supply rates are historically high today, and customers have been stretched with rising costs across the economy over the last few years. Rate increases based upon forecast capital investments are authorized in 35-A M.R.S. § 3195(1)(C). While the Stipulation contemplates that the stepped rate changes are determined in reference to these forecasts, the Commission notes that under the Stipulation, the revenues may be less if the Company spends less than authorized. Finally, as the Stipulation appropriately recognizes, the Commission makes no finding of prudence with respect to any aspect of these investments and retains the right to investigate any investment or practice contained in this Stipulation at a later time.

Within the SQI Incentive section, the Stipulation uses SAIFI and CAIDI, two well-known metrics for measuring reliability. A third mechanism, Division SAIFI, is new. Stipulation, ¶ 40. This metric will measure the reliability improvements resulting from CMP's Distribution Automation Program investments installed by the Company sequentially by geographic division, starting with the Alfred Division. As this effort moves to the Brunswick and Portland Divisions during the term of the rate plan, the Stipulation contemplates that CMP will make a compliance filing proposing the benchmarks for each division, using the five-year SAIFI average (plus one standard deviation) as the starting benchmark for the respective division. Following this the parties will "collaborate in setting the specific benchmarks for the ensuing years and, if necessary, seek Commission approval of such benchmarks." *Id.*, ¶ 40(b). The Commission assumes that the benchmarks for the Brunswick and Portland Divisions will be set consistently with the Alfred Division benchmarks, and that after the first year is set to reflect the historic average SAIFI for the division, the benchmarks in each subsequent year of the program would reflect SAIFI improvement of about 7% per each year of the program. The Commission finds that the SQI incentive mechanism in the Stipulation is reasonable and

---

[8] "'Beneficial Electrification' means electrification of a technology that results in reduction in the use of a fossil fuel, including electrification of a technology that would otherwise require energy from a fossil fuel, and that provides a benefit to a utility, a ratepayer or the environment, without causing harm to utilities, ratepayers or the environment, by improving the efficiency of the electricity grid or reducing consumer costs or emissions, including carbon emissions." 35-A M.R.S. § 10102(3-A).

[9] The Commission notes that the Stipulating Parties agreed not to adopt CMP's proposed Capital Adjustment Mechanism (aka "Capital Trackers"). The Commission generally disfavors Capital Trackers of the nature proposed by CMP.

well-structured to provide a meaningful incentive to the Company to deliver on the promises in its testimony that this rate increase is needed to not only maintain but also enhance the reliability of its system.

The Commission finds that the changes to CMP's Storm Recovery Mechanism are reasonable and appear to preserve proper incentives for the Company to restore service after damaging storms.

The RDM targets will continue to be calculated on a calendar-year basis and the associated RDM adjustments will be determined as part of the Company's Annual Compliance Filing. During the term of the Stipulation, the annual RDM revenue targets will be set using the same billing units for the applicable period (or portion of the period) that are the basis for the revenue levels and rates reflected in the Stipulation, rather than the billing units that would otherwise result from the growth factor formula specified in the RDM. For the period of 2023 before the term of the rate plan, namely January through June, revenue targets will be calculated using the test year adjusted billing units in the method that continues from the Company's previous rate case (Docket No. 2018-00194). For the period of 2023 during the term of the rate plan, namely July through December, revenue targets will be calculated using the forecasted billing units from the Company's Rebuttal Testimony in this proceeding and reflected in the rates in the Stipulation. This latter method will continue throughout the term of the rate plan.

For each of the four periods within the rate plan, the revenue targets will be based upon the corresponding six months of revenues at established rates. These rates are set based upon the annualized revenues shown in Attachment 2, Schedule M of the Stipulation. For the duration of this term, there will be no adjustments to billing units for customer growth because the revenue targets are already set based on forecasted units. Upon the expiration of the term of the rate plan, the RDM target will again be adjusted for customer growth.

The Commission finds that the agreement among the Stipulating Parties to not increase the fixed charge for residential customers is acceptable for the limited term of the rate plan. The Commission recognizes the difficult issues that arise with this topic and looks forward to addressing it in the Company's next distribution rate case.

With respect to the follow on rate design proceeding, the Commission looks forward to making substantial progress in implementing rate design changes. Comprehensive and forward-looking rate design is needed to address climate change and provide options for customers to pay less for electricity. Although that was not achieved by this Stipulation, the Commission is encouraged by the parties planned future efforts.

Finally, the Stipulation requires CMP to file by June 1, 2023, a compliance filing providing distribution rate schedules reflecting the revenue requirement increase to take effect on July 1, 2023. Stipulation, ¶ 60(a). However, June 1 has passed. Thus, the Commission requires that by June 15, 2023, CMP make a compliance filing providing the supporting documentation that shows how the agreed upon revenue increase to be in effect on July 1, 2023 is applied to CMP's rate design and the resulting rate calculations and to work with Staff to coordinate the filing of rate schedules for effect on July 1, 2023.

In sum, the Commission finds that the Stipulation is reasonable, is not contrary to relevant legislative mandates and is in the public interest.

F. Motion to Dismiss

Because the Commission has ruled on the merits of this case by approving the Stipulation, the OPA's January 20, 2023 Motion to Dismiss is moot.

Accordingly, the Commission

O R D E R S

1. That, the Stipulation submitted in this matter on May 31, 2023 is approved. A copy of this Stipulation is attached and is incorporated into this Order;

2. That CMP is authorized to change its distribution rates effective July 1, 2023, January 1, 2024, July 1, 2024 and January 1, 2025 consistent with the terms of this Order;

3. That by June 15, 2023, CMP make a compliance filing providing the supporting documentation that shows how the agreed upon revenue requirement to be in effect on July 1, 2023 is applied to CMP's rate design and the resulting rate calculations;

4. That by December 1, 2023, CMP make a compliance filing providing the supporting documentation that shows how the agreed upon revenue requirement to be in effect on January 1, 2024 is applied to CMP's rate design and the resulting rate calculations;

5. That by June 16, 2024, CMP make a compliance filing providing the supporting documentation that shows how the agreed upon revenue requirement to be in effect on July 1, 2024 is applied to CMP's rate design and the resulting rate calculations;

6. That by December 2, 2024, CMP make a compliance filing providing the supporting documentation that shows how the agreed upon revenue requirement to be in effect on January 1, 2025 is applied to CMP's rate design and the resulting rate calculations; and

7. That the Director of the Commission's Electric and Gas Utility Industries is authorized to approve rate schedules filed by CMP that are in compliance with this Order.

Dated at Hallowell, Maine, this 6th day of June 2023.

/s/ Harry Lanphear
Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Bartlett
Scully
Gilbert

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party at the conclusion of an adjudicatory proceeding written notice of the party's rights to seek review of or to appeal the Commission's decision. The methods of review or appeal of Commission decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 11(D) of the Commission's Rules of Practice and Procedure (65-407 C.M.R. ch. 110) within **20** days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought. Any petition not granted within **20** days from the date of filing is denied.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21** days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S. § 1320(5).

Pursuant to 5 M.R.S. § 8058 and 35-A M.R.S. § 1320(6), review of Commission Rules is subject to the jurisdiction of the Superior Court.

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

BACKGROUND

Initial Filing

On May 26, 2022, in accordance with Chapter 120 of the Commission's rules, CMP filed a Notice of Intent to File a General Rate Case. On June 3, 2023, the Commission, through its Administrative Director, notified CMP (via letter), of a defect in the Company's Notice, namely that it omitted the anticipated date of filing. On June 7, 2022, CMP filed a Supplemental Notice of Intent to File a General Rate Case (Supplemental Notice), noting an anticipated filing date of August 4, 2022. In the Supplemental Notice CMP noted that it would seek a rate effective date of July 30, 2023.

On August 11, 2022, CMP filed its Initial Filing, consisting of pre-filed testimony from 15 witness panels as well as the information required under Chapter 120. CMP's Initial Filing proposed a three-year rate plan, with increases to the Company's distribution revenue requirement of $47.7 million, $27.7 million, and $23.4 million over the three year term, with a total bill impact of a 4.1% increase in the first year, and bill increases of 2% or less in the second and third years. The Company requested that the first distribution rate increase go into effect on May 10, 2023. The proposed rate increases were based on a cost of capital reflecting a 10.20% return on equity (ROE) and a common equity ratio of 50% and CMP's forecast of capital investments during the rate plan term based on the Company's Capital Investment Plan for 2023 through 2026. The Company's Initial Filing also requested approval for Capital Adjustment Mechanisms for six proposed capital investment projects or programs, which, if approved and implemented, would have resulted in further rate increases.

On September 9, 2022, CMP filed updated versions of certain testimony and exhibits. To permit more time for consideration of the Company's case, this update modified the rate effective date for the first rate change to August 1, 2023, and set the rate years as August 1, 2023 to July 31, 2024, August 1, 2024 to July 31, 2025, and August 1, 2025 to July 31, 2026. This update requested rate increases of $51.2 million, $27.6 million, and $23.0 million for these rate years.

Intervenors

On August 5, 2022, the Hearing Examiners issued a Notice of Proceeding that provided customers and other interested parties an opportunity to intervene and set an intervention deadline for August 26, 2022. Numerous parties filed petitions to intervene in the proceeding, all of which were granted in Procedural Orders dated August 22, 2022, September 2, 2022, and September 12, 2022. At the initial case conference held August 19, 2022, the deadline for interventions was extended to September 2, 2022, due to the timing of the receipt of the Customer Notice for certain customers receiving the notice via mail.

Intervenors in this proceeding include the OPA, CES, Darien Sawyer, IECG, Governor's Energy Office (GEO), Acadia Center, Conservation Law Foundation (CLF), Walmart, Natural Resources Council of Maine (NRCM), ChargePoint, Inc., EMT, Andrew Kessler, Nicolas Alexander, AARP, IBEW, and Our Power (hereinafter collectively referred to as the Intervenors).

Consolidation of Records

On October 10, 2022, the Commission consolidated the record of the Investigation of Central Maine Power Company Management Issues and Related Ratemaking and Performance Incentive Mechanisms (Docket No. 2022-00038) (hereinafter the "CMP Management Investigation") into this Docket. These record materials helped inform the resolution of the issues in this proceeding as set forth in this Stipulation. Docket No. 2022-00038 was subsequently closed on February 7, 2023.

Bench Analysis and Intervenor Testimony

On December 2, 2022, CES, the OPA, AARP, GEO, Walmart, and EMT filed direct testimony on the Company's proposed revenue requirement, three-year rate plan, revenue allocation and rate design proposals. On December 5, 2022, the Staff filed a Bench Analysis addressing many aspects of the Company's initial filing.

In the Bench Analysis, the Staff expressed concerns regarding the overall level of capital spending proposed by CMP and pre-approving three years of rate increases without appropriate guardrails to ensure customers receive the benefits of the increased spending. The Bench Analysis did not oppose the implementation of a three-year rate plan but requested that the Company provide in its rebuttal quantitative reliability and customer service metrics, as well as quantifiable means to verify that CMP spends the increased revenue requirement in the areas proposed and on projects that provide maximum value to customers. The Bench Analysis opposed the Company's requested Capital Adjustment Mechanisms. The Bench Analysis also provided reports from a cost of capital witness who recommended an allowed ROE of 9.0% and a common equity ratio of 50%, and from a depreciation witness who advocated for use of a different methodology for the determination of the depreciation rates for net salvage. The Bench Analysis also included a report from London Economics, "Comprehensive Multi-Year Rate Plan Structures," which provided an overview of performance based ratemaking and multi-year rate structures employed by other jurisdictions.

In its direct case, the OPA opposed Commission approval of a multi-year rate plan and advocated that CMP's distribution revenue requirement should be calculated by use of the "attrition technique" whereby plant additions are forecast by reference to the historical compound average growth rate for plant additions during the previous five years, rather than by reference to the Company's Capital Investment Plan. The OPA opposed approval of the Company's proposed Capital Adjustment Mechanisms and recommended an ROE of 8.79% and common equity ratio of 47%.

The other intervening parties asserted various positions regarding aspects of the Company's case. Among other issues, CES advocated for an allowed ROE of 9.10%, rejection of the Company's proposed Capital Adjustment Mechanism for two battery energy storage systems (BESS), and implementation of the Company's grid model enhancement project (GMEP) at the Company's expense. Among other issues, AARP recommended that the Commission reject the Company's request for a three year rate plan, approve the lowest ROE that is legally defensible given recent increases in the total cost of electricity for CMP customers, and reject certain of the Company's proposed grid modernization, beneficial electrification, clean energy transition and customer service related proposals. AARP also opposed any increase to the residential fixed customer charge and recommended a rate increase at the minimal level of investment needed to ensure reliability of service and customer service. Among other issues, the GEO opposed the Company's requested three-year rate plan, advocating instead for the Commission to establish a comprehensive framework for performance based regulation before approving any multi-year rate plan and offered recommendations regarding certain of the Company's proposed capital investments and Capital Adjustment Mechanisms. Among other issues, Walmart advocated against the Company's proposed Capital Adjustment Mechanisms and the Company's requested ROE. EMT offered recommendations and opinions on certain of the Company's proposals for grid modernization and beneficial electrification.

Sufficiency of Customer Notice

On November 23, 2022, the Staff issued a Procedural Order Seeking Comments on Notice Sufficiency seeking briefs from CMP, the OPA, and other parties regarding whether revenue requirement increases granted to CMP in this case should be restricted to no more than what CMP described in its original notice to customers sent in August 2023 or whether CMP should be directed to send to its customers an updated notice that reflected the potential rate impacts of the Company's proposed Capital Adjustment Mechanisms.

CMP filed its brief on December 6, 2022, asserting that CMP's customer notice complied with all requirements of Chapter 110 and that nothing in Chapter 110 specifies that amounts stated in the notice constitute a binding cap on the revenues the utility may ultimately be allowed. The OPA filed a responding brief on December 20, 2022, arguing that the customer notice was insufficient and requesting that the Commission require CMP to issue a new customer notice at shareholder expense.

On February 21, 2023, the Commission issued an Order regarding Sufficiency of Customer Notice directing CMP to send to customers an additional notice that provided a complete description of the revenue requirements proposed by CMP in its rebuttal testimony, including the amounts associated with the proposed Capital Adjustment Mechanisms, as well as the estimated bill impact for CMP's average residential customer. On March 10, 2023, CMP subsequently sent the additional notice by email to those customers that have authorized electronic communications, and on or about March 17, 2023, the Company mailed the additional notice to the remaining customers.

OPA's Motion to Dismiss

On January 20, 2023, the OPA filed a Motion to Dismiss arguing that CMP's evidence regarding its proposed muti-year rate plan, including its proposed Capital

Adjustment Mechanisms, do not satisfy the Commission's standards for cost-of-service or incentive ratemaking, and thus these portions of CMP's rate request were not just and reasonable as a matter of law.

CMP filed its Opposition to the Motion to Dismiss on February 24, 2023, arguing that there was no basis to dismiss CMP's proposed multi-year rate plan or Capital Adjustment Mechanisms as CMP's testimony and supporting evidence met the Company's evidentiary burden to establish that its rate plan and Capital Adjustment Mechanisms fit squarely within the Commission's broad ratemaking authority under 35-A M.R.S. § 3195 ("Section 3195") to approve rate-adjustment mechanisms, further the objectives of incentive ratemaking, and will result in just and reasonable rates over the term of the proposed rate plan.

On March 3, 2023, IECG also filed a Response to the OPA's Motion to Dismiss supporting a multi-year rate plan, and the OPA filed Reply Comments to CMP's Opposition to the Motion to Dismiss. CMP and the OPA filed a letter on March 13, 2023, jointly requesting that the Commission stay consideration of the OPA's Motion to Dismiss while parties explored settlement.

<u>CMP and Intervenor Rebuttal Testimony</u>

CMP, the OPA, and AARP filed rebuttal testimony on February 7, 2022. In its rebuttal case, the Company responded to various recommendations offered by the Staff and intervening parties and presented proposals to address the concerns raised with respect to its requested three-year rate plan. These proposals included the adoption of reliability- and customer service-related Service Quality Indicators (SQIs), a downward only revenue adjustment mechanism tied to SQI performance, enhanced performance reporting, a customer report card, and an earnings sharing mechanism.

The OPA's rebuttal testimony responded to the Bench Analysis's support for higher residential fixed service charges. AARP's rebuttal testimony responded to the OPA and the Bench Analysis with respect to CMP's costs associated with upgrading its billing and metering system to offer TOU or other rate design options and various TOU rate proposals. AARP also identified the lack of data with respect to current and proposed rate design options for residential customers that should be examined prior to any significant rate design changes in this proceeding.

<u>Reply Bench Analysis and Intervenor Surrebuttal Testimony</u>

On April 6, 2023, the Staff filed a Reply Bench Analysis and the OPA, AARP, CES, EMT, and GEO filed surrebuttal testimony.

In the Reply Bench Analysis, the Staff expressed openness to approval of CMP's proposed three-year rate plan and the calculation of the Company's revenue requirement by reference to the Company's Capital Investment Plan, but recommended adoption of more stringent SQIs and an alternative SQI revenue adjustment mechanism with greater financial exposure for the Company.

In its Surrebuttal testimony, the OPA maintained its opposition to CMP's requested multi-year rate plan and its position that plant additions used to calculate the Company's revenue requirement should be calculated based on the attrition technique, not the Company's Capital Investment Plan. The OPA's recommended ROE increased to 9.10%, but its recommended common equity ratio remained at 47%.

In its Surrebuttal testimony, AARP responded to CMP's rebuttal testimony with regard to the Company's recommendation to increase the residential fixed customer charge and presented AARP's concerns about the potential adverse impacts on low income residential customers if the fixed customer charge is increased.

Discovery and Hearings

Written discovery was conducted and technical conferences were held after every phase of testimony. Following CMP's filing of its initial testimony, Staff and Intervenors filed written data requests directed to CMP on September 15, 2022. CMP filed data responses on October 14, 2022, with a four-day technical conference held November 4, 8-10, 2022. Following Staff and Intervenor testimony, CMP filed data requests on December 20, 2022 directed to Staff and Intervenors. Staff and Intervenors filed data responses on January 5, 2023. A two-day technical conference took place on January 13-14, 2023.

After CMP's rebuttal testimony, Staff and Intervenors filed a second set of data requests on February 21, 2023. CMP filed data responses on March 2, 2023. A two-day technical conference was held March 15-16, 2023. After surrebuttal testimony, CMP filed data requests on April 14, 2023, and Staff and Intervenors filed data responses on April 24, 2023. Throughout the course of discovery, CMP answered over 1,450 data requests. Staff and other parties responded to over 350 data requests.

There was also robust public participation in the case. Public witness hearings were held on April 4, 2023, in Lewiston, April 6, 2023, in Hallowell, and April 11, 2023, in Saco. Approximately 45 people testified at these hearings. Most testifying witnesses opposed CMP's proposed rate increases. Over 80 public comments have been filed in the Commission's case management system in this proceeding, mostly by individual customers. Most public comments opposed CMP's proposed rate increases.

Settlement

On March 6, 2023, CMP and the OPA filed a joint letter requesting that the Hearing Examiners schedule a settlement conference on the matter. On March 7, 2023, the Hearing Examiners issued a procedural order requesting all parties indicate whether they assent to Staff participation in the settlement process. ChargePoint, IECG, AARP, EMT, CES, and Walmart all affirmatively assented to Staff participation. No party opposed or objected to Staff participation in the settlement process. On March 17, 2023, the Hearing Examiners issued a Procedural Order scheduling the first confidential settlement conference for March 30, 2023.

As scheduled, the first settlement conference was held on March 30, 2023. Subsequent settlement conferences were held among the Staff and the Parties on April 21, May 3, 4, 9, 11, 16, 17, 19, 30, and 31, 2023. Each of these settlement conferences were noticed by the Hearing Examiners, and all parties had the opportunity to participate.

As a result of these settlement discussions, the Stipulating Parties have resolved the revenue requirement, rate plan, and rate design portions of the case. Staff supports this Stipulation. All intervening parties were provided an opportunity to participate in settlement discussions. The Stipulating Parties represent a majority of the active participants in this proceeding. Following the issuance of a Procedural Order on June 1, 2023, no party filed an objection to the Stipulation or otherwise sought to be heard.