STATE OF MAINE
PUBLIC UTILITIES COMMISSION

August 26, 2024

Docket No. 2024-000__

VERSANT POWER
Request for Accounting Order for Deferral of Incremental Storm Restoration Costs

PETITION FOR APPROVAL OF ACCOUNTING ORDER

Pursuant to 35-A M.R.S. § 501, Versant Power ("Versant" or the "Company") respectfully requests an accounting order authorizing Versant to defer, for recovery in a future distribution rate case, the extraordinary incremental distribution costs incurred to restore electric service to customers impacted by two extreme weather events that occurred in December 2023 and January 2024. Specifically, the Request seeks to recover $16,260,613 in costs stemming from a storm event beginning on December 18, 2023 (the "December 2023 Storm"), and $8,131,029 in costs stemming from the storm event beginning January 10, 2024 (the "January 2024 Storm"). The extraordinary costs that Versant prudently incurred restoring service to customers during these storms meet the Commission's standards for the issuance of an accounting order.

I. Background on the December 2023 Storm

The following is a summary of the December 2023 Storm event. For more details on the storm and restoration activities, please see the detailed storm report submitted as Exhibit A. For more details regarding the costs of the storm, please see Confidential Exhibit C.[1]

In terms of cumulative service interruptions, the December 2023 windstorm registered as the second largest storm in Versant's service territory since 2005, when Versant began aggregating and tracking the impacts of large storms. On December 13 and 14, 2023, forecasters identified an area of low pressure that was likely to create a weather event for most of New England the following week. The forecast included strong winds and heavy rains likely entering Versant's

[1] Confidential Exhibits C and D will be filed separately once a suitable protective order is entered.

service territory on Monday, December 18. However, weather models were not convergent and remained inconsistent regarding the storm's potency. The morning forecast of December 18, 2023, marked a significant shift in the predicted severity of the storm; winds were now predicted to reach seventy miles per hour in coastal regions and sixty miles per hour inland. In response to the shift in forecast, Versant's models anticipated 80,000-90,000 peak outages with 119 line crews required. Notably, this prediction was before the full extent, impact, and system damage from the event became known. Due to the uncertain impacts of the weather system across New England, utilities and contractors had "locked-in" all resources typically available for restoration response. This resulted in extremely limited non-native resources being initially available to Versant. Versant's efforts to secure contract-resource crews are discussed in more detail in Exhibit A.

The December 2023 Storm arrived in Versant's service territory around 6:00 a.m. on December 18, 2023 and caused widespread damage. The storm arrived with winds that were significantly higher than the updated forecast predicted, with gusts ranging from sixty to over ninety miles per hour. Wind gusts peaked at ninety-three miles per hour in Washington County. By the morning of December 19, 2023, the storm had passed, and the damage to the electric system was extensive.

The storm resulted in 99,986 service interruptions at its peak (Day 1) and approximately 141,932 service interruptions over its duration. Versant resolved 1,872 individual "no-power" repair tickets in response to damage and handled 2,775 reports of wires or poles down or other emergency situations. In total, the December 2023 Storm caused 201 broken poles, damaged 171 pole top transformers, and necessitated the replacement of 155 cross arms.

The December 2023 Storm resulted in incremental distribution costs of approximately $16.3 million. As noted above, the December 2023 Storm was the second largest storm in terms of cumulative service interruptions since Versant began aggregating and tracking the impacts of

large storms in 2005. A storm report with additional background on the December 2023 Storm and Versant's response is included with this Petition as Exhibit A.

Versant ended its system emergency on the afternoon of December 24, 2024, and completed the vast majority of its restoration work the same day. The company followed its System Emergency Operations Plan ("SEOP") to prepare for and respond effectively to this significant outage event. The Company's preparation and restoration efforts resulted in safe and efficient restoration for customers.

The incremental, distribution-related cost associated with restoring power following the December 2023 Storm was approximately $16.3 million, which accounted for approximately 16% of Versant's total approved distribution operating expenses in current rates. The cost details regarding the overall and incremental costs that Versant incurred as a result of the December 2023 Storm are shown in Confidential Exhibit C.

II. Background on the January 2024 Storm

Just two weeks after restoration from the December 2023 Storm was complete, on January 4, 2024, Versant's Maxar Weather Service models began to forecast a potent storm expected to arrive in Versant's service territory on Wednesday, January 10, 2024. The storm was being forecast as a regional event across the entirety of Maine's coastline. In addition to the high winds and extreme flood potential, the weather models predicted that a significant cold front would arrive after the storm, heightening concerns around extended outages and increasing the need to restore power in a timely fashion. Given the high level of confidence in the early forecasts, Versant began preparing for the storm on January 7. Based on Versant's early modeling, as well as the cold weather front that was coming in post-storm and the fact that many customers had been through several storms over the past month (including the significant December 2023 Storm only weeks before), the Versant team prepared for a 48- to 72-hour response in accordance with its System

Emergency Operation Plan ("SEOP").

One further complexity associated with the forecast was that another weather system was immediately following the January 10 event and was expected to arrive on the morning of Saturday, January 13. It was expected to be very similar if not identical to the weather system beginning on January 10. At this point, Versant had no choice but to establish restoration and modeling plans that treated both events as one system for restoration purposes, given the interrelationship between executing the restoration resulting from the impacts of the January 10 weather and preparing for the January 13 event, as well as the proximity in time of both systems.

The January 2024 Storm arrived in Versant's service territory around 11:20 p.m. on January 9, 2024, and brought significant wind, ice, and snow, as well as substantial coastal flooding because of the storm surge, waves, and an astronomically high tide cycle. The actual impacts of the storm, while significant, were less than the initial forecasts from Versant's third-party weather service. Versant's successful restoration efforts resulted in most customers being restored by the end of January 11. Since our forward-looking planning also had to take into account the potential impact of the anticipated January 13 weather, the storm team's discussions focused on the matter of resource availability and the fact that there could be significant risk to our timely restoration of our customers if Versant released crews on January 12 and was not able to get them back on our system ready for the January 13 weather.

A final decision was made to hold all existing resources and not to demobilize the external crews on Friday, January 12. The basis for this decision was knowing that the January 13 event was expected to be very similar to the impact of the January 10 storm and require a similar number of resources. If Versant were to release external crews on Friday, it would be probable that those crews would be picked up by another utility and Versant would no longer have the necessary crews to restore power based on the forecasts and impacts modeled as of that date. This situation was

further exacerbated by the fact that there was an Arctic cold front moving in on Sunday, January 14, which would bring single-digit temperatures and wind chills, and which would clearly slow restoration efforts and create additional concerns regarding extended outages. Therefore, the two events were treated as one for restoration purposes, and crews were retained.

Ultimately, Versant was able to restore power to all of its customers by the end of the day on January 14. The January 2024 Storm resulted in 35,029 service interruptions at its peak (Day 1) and 53,154 service interruptions over the storm's duration. Versant generated and resolved 538 individual "no-power" repair tickets in response to damage and handled 305 reports of wires or poles down or other emergency situations. The storm resulted in 48 broken poles, 46 damaged pole-top transformers, and 31 cross arms requiring replacement.

The January 2024 Storm resulted in incremental distribution costs of approximately $8.1 million, which accounted for approximately 8% of Versant's total approved distribution operating expenses in current rates. The cost details regarding the overall and incremental costs that Versant incurred as a result of the January 2024 Storm are shown in Confidential Exhibit D.

The early forecasts of severe weather, combined with the storm's multi-day duration, significantly complicated remediation efforts. Nonetheless, the Company followed its SEOP to prepare for and respond effectively to this significant outage event. The Company's preparation and restoration efforts resulted in safe and efficient restoration for customers.

III. Request for Accounting Order

In total, Versant incurred approximately $24.4 million in incremental distribution-related costs due to the two extraordinary storms, as shown in Confidential Exhibits C and D. To put this into perspective, $24.4 million represents approximately 24% of Versant's total approved distribution operating costs in current rates. As noted above, the $16.3 million in incremental costs from the December 2023 Storm alone constitute 16% of Versant's total distribution operating costs

in current rates, while the $8.1 million in incremental costs from the January 2024 Storm constitutes approximately 8% of Versant's total distribution operating costs in rates.

Requests for accounting orders to defer costs for future recovery are appropriate "where the costs are, or are estimated to be, extraordinary." *Versant Power*, Request for Accounting Order for Deferral of Incremental Storm Restoration Costs, Docket No. 2023-00140, Order at 3 (Me. P.U.C. Oct. 17, 2023). "To be extraordinary, a utility's costs must be 'unusual and sufficiently large that absent a deferral the item would unduly impact earnings." *Id.* "In determining whether an amount is sufficiently large, the Commission has considered the proportionality of storm costs compared to total distribution operating expenses." *Id*. The Commission has declined to set a specific percentage as a bright-line rule, but in the past has considered a threshold of approximately 2.5-3.0% of the utility's total distribution operating expenses as a guideline. *C. Me. Power Co.*, *Request for Approval of an Accounting Order*, No. 2021-00081, Order at 14 (Aug. 24, 2021) ("The closer the percentage is to approximately 2.5% to 3.0%, the more the Commission has to look at the circumstances of the storm . . . ."). Both of the Storms, as addressed individually below, squarely meet these standards.

A. The December 2023 Storm

As described above, the incremental costs that Versant incurred as a result of the December 2023 Storm represented approximately 16% of total approved distribution operating costs in current rates and were therefore "unusual" and "sufficiently large." *See Versant Power,* Request for Approval of an Accounting Order for Deferral of Incremental 2019 and 2020 Storm Restoration Costs, Docket No. 2020-00208, Order at 18 (Me. P.U.C. June 23, 2021) (concluding that a storm representing "4.0% of total distribution operating expenses" were "'sufficiently high' to meet the extraordinariness standard"). The peak number of outages for the December 2023 Storm reached 99,986, with cumulative outages reaching 141,932. Versant's system also experienced extensive

damage as a result of the storm, including 201 broken poles, 171 damaged pole top transformers, and forty-four damaged cross-arms. *See id.* at 17–18. ("As for whether it was 'unusual,' the extent of physical damage was extraordinary, with dozens of broken poles, dozens of broken cross-arms, and tens of thousands of cable-feet of conductor needing replacement. The quantity of outages was also extraordinary, with cumulative outages into the six figures."). Thus, the December 2023 Storm satisfies the Commission's standard for an accounting order.

Furthermore, the approximately $16.3 million requested for deferral was prudently incurred to secure the safe and efficient restoration of service to Versant's customers. As outlined in Exhibit A, Versant closely followed its SEOP when preparing for, staffing, and responding to the December 2023 Storm. Confidential Exhibit C provides detailed support for the storm costs associated with the December 2023 Storm. The Company closely tracked its costs for this storm and utilized a distinct project within its accounting system to track specific storm costs. The "Summary" tab of Confidential Exhibit C provides a breakdown of the total cost of the storm by the cost driver, including:

- Distribution capital costs (Column B);
- Distribution operating costs (Column E);
- Transmission operating costs (Column F);
- Non-Incremental Distribution costs (Column H); and
- Incremental Distribution costs (Column I).

The "Data" tab provides the complete listing of the cost associated with the storm, and tabs "D Capital," "T O&M" and "D O&M" are a subset of the "Data" tab allocating the costs to the various categories of spend as shown on the "Summary" tab. For all these reasons, an accounting order for the December 2023 Storm is appropriate and should be granted.

B. The January 2024 Storm

As described above, the incremental costs that Versant incurred as a result of the January 2024 Storm represent approximately 8% of total approved distribution operating expenses in current rates and were therefore "unusual" and "sufficiently large." *Cf. Versant Power*, Request for Accounting Order, Docket No. 2023-00140, Order at 3. The January 2024 Storm ultimately caused significant damage, including 48 broken poles, 46 damaged pole top transformers, and 31 cross-arms needing replacement. *See Versant Power,* Request for an Accounting Order, No. 2020-00208, Order at 18. (concluding that the extent of the April 9, 2020 storm's physical damage was "unusual" because there were, among other things, "dozens of broken poles, [and] dozens of broken cross-arms"). For these reasons, the January 2024 Storm warrants issuance of an accounting order.

The Commission has previously treated weather events occurring close in time as one restoration effort for purposes of granting an accounting order. For instance, in Docket No. 2020-00208, the Commission noted that two events separated by four days should be treated as one for purposes of an accounting order:

> As the Bench Analysis pointed out, this case presents an interesting policy question of when two (or more) storms become one for purposes of an accounting order analysis. Here, restoration following the April 9 and April 13 storms overlapped in time, resulting in almost $4.5 million incurred for about one week of overall restoration. The proximity in time of these storms meant that Versant could not easily separate the costs of the two storms. This issue of proximity and overlap in time is itself "unusual."

Versant Power, Request for Accounting Order for Deferral of Incremental 2019 and 2020 Storm Restoration Costs, Docket No. 2020-00208, Order at 19 (Me. P.U.C. June 23, 2021).

Similarly, restoration activities between the January 10 and January 13 weather events overlapped in time, as outages had not been fully restored from the January 10 event when the January 13 event occurred. Given the proximity and overlap in time, the two events are

appropriately treated as one restoration effort for purposes of an accounting order. *Id.*

Furthermore, Versant reasonably relied on the forecasts from its Maxar weather service in planning and preparing for the storm, particularly its decision to retain crews on January 12 prior to the January 13 event. *See generally Pub. Utilities Comm'n Investigation into the Response by Pub. Utilities to the October 2017 Storm*, No. 2017-00324, Order at 3 (Oct. 4, 2018) ("In advance of major storms that present the potential for outages, utilities carefully monitor weather forecasts and take actions based on the expected severity of the storm and predicted number of outages."). Versant's timely restoration of customers would have been significantly compromised if Versant released crews on January 12 and was not able to get them back on system ready for the January 13 weather. This concern was exacerbated by the fact that the weather models predicted a significant cold front would arrive shortly after the storm, heightening concerns around extended outages and increasing the need to restore power in a timely fashion. For all these reasons, Versant's decision to retain crews was prudent and reasonable. *See id.* (noting that, even if utilities "overestimate the need to pre-stage, absent a finding of imprudence, these additional costs are borne by ratepayers.").

Ultimately, the approximately $8.1 million requested for deferral was prudently incurred to secure the safe and efficient restoration of service to Versant's customers. As outlined in Exhibit B, Versant closely followed its SEOP when preparing for, staffing, and subsequently responding to the January 2024 Storm. Confidential Exhibit D provides detailed support for the storm costs associated with the January 2024 Storm. The Company closely tracked its costs for this storm and utilized a distinct project within its accounting system to track specific storm costs. The "Summary" tab of Confidential Exhibit D provides a breakdown of the total cost of the storm by the cost driver, including:

- Distribution capital costs (Column B);

- Distribution operating costs (Column E);
- Transmission operating costs (Column F);
- Non-Incremental Distribution costs (Column H); and
- Incremental Distribution costs (Column I).

The "Data" tab provides the complete listing of the cost associated with the storm, and tabs "D Capital," "T O&M" and "D O&M" are a subset of the "Data" tab allocating the costs to the various categories of spend as shown on the "Summary" tab.

IV. Conclusion

For all the foregoing reasons, Versant respectfully requests that the Commission approve an accounting order permitting it to defer the approximately $24.4 million of incremental distribution costs (the totals of Column I on Confidential Exhibit C and Column I on Confidential Exhibit D) incurred to restore electric service to customers affected by the Storms, with carrying costs at the Company's weighted average cost of capital as determined in its most recent distribution rate case, for future recovery in rates.

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Respectfully submitted,
Versant Power
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