BEFORE THE STATE OF MAINE PUBLIC UTILITIES COMMISSION

In the Matter of Central Maine Power's
Request for Approval of Annual
Compliance Filing

Docket No. 2023-00038

Initial Testimony of
Jesse Houck

On Behalf of
Maine Office of the Public Advocate

September 6, 2023

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I. INTRODUCTION AND OVERVIEW

INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, title, and employer.

A. My name is Jesse Houck. I am an Economic Analyst for the Office of the Public Advocate (the OPA).

Q. Please summarize your professional and educational experience.

A. My professional experience is largely within private industry accounting and finance. I have prepared a Summary that can be seen in Exhibit JH-1. Prior to my professional career I received a bachelor's degree in Business and Economics from the State University of New York College at Cortland, and a Master of Business Administration from Clarkson University.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is two-fold. First, I explain why Central Maine Power's (CMP or the Company) incremental storm costs include external contractor and affiliate costs that were excessive and imprudently incurred. Second, I quantify the OPA's proposed disallowance of incremental storm costs. The OPA's legal arguments regarding CMP's imprudence will be set forth in the OPA's briefs. My testimony is limited to identifying the areas of imprudence and quantifying the OPA's proposed disallowance.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Q. Please summarize your primary conclusions.

A. My primary conclusions include the following:

- A prudent utility would follow the guidelines contained in its Emergency Response Plan when responding to storms.
- CMP failed to follow the guidelines set forth in its Emergency Response Plan when managing storm costs for storms in 2022.
- Due to this failure, CMP imprudently incurred excessive storm costs that should not be recovered from ratepayers.

- I do not lightly reach these conclusions, as I assume that the motivation for this excessive spending was to more quickly restore service. However, that is no excuse for excessive spending. Regardless of the motive, ratepayers should not have to pay for imprudently incurred utility expenditures.

Q. Please summarize your primary recommendations.

A. My primary recommendations include the following:

- Disallowance of the recovery of $796,154 from Tier 1 storm costs incurred during 2022;
- Disallowance of the recovery of $5,136,099 from Tier 2 storm costs incurred during 2022;
- Disallowance of the recovery of $44,855,155 from Tier 3 storm costs incurred during 2022;
- Disallowance of the recovery of $452,740 in external contractor costs related to three storms in which CMP reported incurring these costs but did not report hiring any external crews;
- Disallowance of the recovery of $2,336,348 in affiliate-related storm costs incurred during 2022.

My total proposed disallowance for all the above recommendations is $53,576,496. Support for these recommendations is provided in detail below.

ORGANIZATION OF TESTIMONY

Q. How is the remainder of your testimony organized?

A. My testimony is organized as follows: In Section II, I provide an overview of the storm costs included in CMP's filing and an overview of the storm cost recovery mechanism applicable to such costs. In Section III, I explain why CMP's external contractor costs are excessive based on: (a) CMP's own Emergency Response Plan, (b) CMP's 2020 storm costs for Tier 3 storms, which are much more reasonable than 2022 Tier 3 storm costs, and (c) a comparison of CMP and Versant incremental costs for the December 23, 2022

storm. In Section IV, I explain that CMP failed to provide adequate evidentiary support for certain storm costs. In Section V, I provide two reasons why CMP should not be allowed to recover the incremental affiliate storm costs in this proceeding because: (a) the cap on affiliate service expense prevents CMP from recovering any additional amounts in rates and (b) CMP failed to obtain Section 707 approval of affiliate agreements that allow its affiliates to provide storm restoration services. In Section VI, based on the foregoing deficiencies, I quantify the OPA's proposed imprudence disallowance. Finally, in Section VII I offer a brief conclusion.

II. CMP'S 2022 STORM COSTS AND STORM COST RECOVERY MECHANISM

STORM COSTS INCLUDED IN CMP'S FILING

Q. Please explain the storm costs that are included in CMP's filing.

A. According to CMP, the Company incurred over $125 million in storm costs in 2022. A portion of these costs, approximately $10 million, are already included in the Company's distribution base rates. However, the Company is allowed to seek recovery of the remaining costs according to the storm cost recovery mechanism approved by the Commission.

Q. How does CMP propose to recover the incremental storm costs?

A. CMP has proposed to amortize approximately $117 million in incremental storm costs over two years beginning July 1, 2023. On June 22, 2023, the Commission approved a Stipulation allowing new storm costs to be recovered in rates but allowing this proceeding to remain open for the Commission to consider whether CMP's storm costs were prudently incurred. Any adjustment to the amount of incremental storm costs allowed in rates will be incorporated into CMP's next Annual Compliance Filing proceeding.

STORM COST RECOVERY MECHANISM

Q. Please explain the storm cost recovery mechanism applicable to CMP's storm costs.

A. Under CMP's storm cost recovery mechanism,[1] a storm is classified into one of three "Tiers." Below is a table provided by CMP in its distribution rate case explaining the three tiers:

Category	Cost Recovery Mechanism
Tier 1 (costs are less than $3.5 million per event)	$8.1 million per year embedded in rates with a +/- 25% deadband on the $8.1 million, such that amounts over or under the deadband annually are shared 50-50 between CMP and customers.
Tier 2 (costs are $3.5 million to $15.0 million per event)	$6 million per year embedded in rates and placed into a reserve storm account. If the reserve balance for Tier 2 storm costs exceeds $10 million at the end of the calendar year, CMP and customers share any overage 50-50 with CMP's share of any negative balance capped at $3 million. CMP annually reconciles its prudently incurred costs against the reserve balance.
Tier 3 – (costs are > $15 million per event)	The first $15 million of incremental storm costs are subject to Tier 2 treatment. CMP's exposure for sharing under the Tier 2 storm provisions for any single Tier 3 storm event is capped at $2 million, and Tier 3 storm costs above $15 million are deferred for future recovery.

[1] CMP's storm cost recovery mechanism was adjusted in CMP's recent distribution rate case. However, because CMP's filing occurred before the Commission approved these changes and because CMP is requesting recovery of 2022 storm expenses, these changes do not apply to this proceeding.

Q. Why is the Tier Classification relevant?

A. The Tier classification of a storm is relevant because the cost treatment differs according to the classification. For example, for every dollar of Tier 1 storm expense above the 25% deadband, the Company shares 50% of such costs. Thus, any disallowance in Tier 1 storm costs would be reduced by 50% because the Company is already responsible for 50% of those costs under the storm cost recovery mechanism.

Q. Can you summarize the storm costs included in CMP's filing by their Tier classification?

A. Yes. CMP's filing shows that the Company incurred the following storm costs for each Tier in 2022:

Tier Classification	Amount
Tier 1	$13,342,788[2]
Tier 2	$21,108,398[3]
Tier 3	$93,336,956[4]
Total	$127,788,142

Q. Is the above total the amount that CMP is proposing to recover from customers?

A. No. Because CMP's rates already include some costs for storm restoration plus a reserve account, CMP is requesting recovery of an incremental amount of $117,118,403, which includes carrying costs. This amount is what CMP proposes to recover from ratepayers and does not include any amounts that CMP is required to absorb under the storm cost recovery mechanism.

[2] June 5 Master Exhibits, Att 2 TIER 1 Costs p30.
[3] June 5 Master Exhibits, Att 2 2022 Storm Summary p1.
[4] June 5 Master Exhibits, Att 2 2022 Storm Summary p1.

III. CMP'S EXTERNAL CONTRACTOR COSTS ARE EXCESSIVE

CMP REGULARLY EXCEEDS THE EXTERNAL STAFFING GUIDELINES IN ITS EMERGENCY RESPONSE PLAN

Q. What is the Company's Emergency Response Plan?

A. Every investor-owned utility transmission and distribution utility must have an Emergency Response Plan (ERP) that is filed with the Commission. The plan must include, among other things:

> Provisions for internal and external staffing, including identification of management staff roles and responsibilities and identification of field employee roles and responsibilities, for utility operations during an emergency, for ensuring sufficient local knowledge of the system and for implementation of the emergency response plan, including a process for acquiring additional external resources required to address the emergency.[5]

CMP recently testified that its ERP "underwent a complete rewrite in 2019" and that the "plan was further reviewed, updated, and filed as required in January 2022."[6] According to CMP, it "continuously reviews its storm response policies, procedures, and strategies" in its ERP. A copy of CMP's ERP that was in effect during 2022 is attached as Exhibit 1.

Q. Does the prudence standard require a utility to follow the staffing guidelines in its ERP?

A. My understanding is that prudence is the "course of conduct that a capably managed utility would have followed in light of existing and reasonably knowable circumstances." Presumably, a capably managed utility would follow the staffing guidelines contained in its ERP.

Q. Does CMP's ERP classify storms according to their severity?

A. Yes. CMP's ERP includes five primary event levels based on the severity of the storm. The ERP uses a reverse number scale such that Level 5 events are minor and Level 1 events are the most severe. Level 5 events are further broken down into "minor" and

[5] 35-A M.R.S. § 3144(2)(B).
[6] 8/11/22, CMP Electric Operations Testimony, Docket No. 2022-00152, at EOP-43.

"moderate" categories. Below is a table from the Company's ERP showing how the Company classifies storm events:

a. Event Level Classifications

The event level is determined based upon the criteria described in Figure 6.1 below. Any single parameter does not establish the event level. Rather it is a combination of Category values, used in conjunction with additional incident information that determines the appropriate level of response. The Matrix estimates are based on historical events and outcomes/results may vary depending on actual resource availability and extent of sustained damage. The Event Level Classification Matrix and Weather Predictors are utilized during the planning and response phase of an outage event and are evaluated on a regular basis.

PARAMETER	EVENT LEVEL CLASSIFICATION							
	5 MINOR	5 MODERATE	5	4	3	2	1A	1
CUSTOMER OUTAGES	≤10,000	>10,000 - ≤20,000	>20,000 - <64,000	≥64,000- <192,500	>192,500- <321,000	>321,000- <449,250	>449,250 - 577,600	>577,600
PERCENTAGE OF CUSTOMERS AFFECTED*	Up to 1.6%	≥ 1.6% - < 3.15%	≥ 3.15% - < 10%	≥10% - <30%	≥30% - <50%	≥50% - <70%	≥70% - < 90%	≥90% - 100%
FEEDER / CIRCUIT LOCKOUTS	-	Up to 5	>5	>10	>25	>50	>100	>200
OMS OUTAGE ORDERS	-	≥25 - <50	≥50 - <75	≥75 - <400	≥400 - <1,000	≥1,000 - <2,000	≥2,000 - <3,000	≥3,000
TROUBLE ORDERS (PARTIAL SERVICE / NON-OUTAGE ORDERS)	-	≥50	≥75 - <100	≥100 - <500	≥500 - <1,000	≥500 - <1,000	≥1,000 - <2,500	≥2,500
WIRE DOWN ORDERS	-	≥25	≥50 - <75	≥75 - <100	≥100 - <250	≥250 - <700	≥700 - <1,500	≥1,500
GLOBAL ESTIMATED RESTORATION TIME (FROM PEAK)	<12 hrs.	≥12 hrs. - <24 hrs.	≥24 hrs. - <48 hrs.	>2 days – <5 days	≥5 - <7 days	≥7 - <9 days	≥9 - <14 days	≥14 days
SUBSTATION PROBLEMS	-	1	1	2	3	≥4 - <10	≥10 - <14	≥14

*Percent of customers affected is based on the total number of customers 641,791.
**Global Estimated Restoration Time is based on historical data and prior to completion of field verified damage assessments.

The ERP also includes guidelines regarding the event level that might be expected given a particular weather forecast. These weather predictor tables are included on pages 49 and 50 of the ERP.

Q. Does CMP's ERP include guidelines for external staffing during storms based on the event level classification?

A. Yes. Below is a table from CMP's ERP that provides the external staffing needs by event level:

c. **Staffing Needs by Event Level**

Following is a summary of the estimated number of mutual aid and/or contractor resources needed to restore customers within the time associated with the event level. These numbers represent a range, and specific resource needs would be determined based upon the actual damage sustained. Resource needs are not specific to a type of weather event but are more closely aligned with the potential damage based upon the classification in Section 6.b – Event Level Weather Predictors, or based on the actual damage sustained during an event. Resource requirements are linked to the event level, regardless of the type of weather that caused the classification. Mutual assistance needs will be continually reassessed throughout the event and scaled up or down as necessary. Overhead Line Construction resource numbers defined in crew / bucket numbers. 2 FTE's (qualified lineman per bucket)

Resource level needs by event level for all internal ERP positions are included in the respective Appendix section.

MUTUAL ASSISTANCE / CONTRACTOR FIELD RESOURCES	EVENT LEVEL							
	5 MINOR	5 MODERATE	5	4	3	2	1A	1
Overhead Line Construction Crews (Defined as 2 person crews)	-	25-50	50-125	125-175	175-325	325-500	500-1000	1000-2000

Q. Did CMP follow the ERP staffing guidelines for all 2022 storms?

A. No. My analysis of the storms included in CMP's filing shows that CMP exceeded the maximum recommendation for external staffing needs for 12 out of 23 storms included in its filing. In performing this analysis, I looked at both CMP's predicted event level and actual event level. I compared the maximum staffing recommendation for the more severe of the predicted or actual event level for each storm, with the actual resources secured by CMP for the storm.

Attached as Exhibit 2 is a modified version of ODR-002-003 Attachment 1 identifying the storms for which CMP exceeded the staffing recommendation in its ERP. I have added additional columns to the exhibit to show the maximum recommended external staffing for each event and the number of crews in excess of the maximum for all of the identified storms. Note that this analysis does not include the number of pole digger crews or tree crews.

Q. Do you believe the number of external pole digger crews and tree crews retained for each storm were reasonable?

A. No. Based on the number of actual poles replaced in each storm, it appears that CMP hired an excessive number of external pole digger crews for many storms. For example, CMP replaced 18 poles in the January 17 storm, but it hired 39 external pole digger crews. In fact, the number of pole digger crews exceeded the number of actual poles replaced for all but two storms for which the Company tracked such data.

Q. Did CMP need to hire additional external crews to meet the restoration timelines in its ERP?

A. No, the additional external crews were not required to meet the restoration timelines in CMP's ERP. In fact, CMP typically restores power much faster than the restoration time estimates provided in its ERP. For example, CMP's ERP states that a Level 5 event will take the Company between 24 to 48 hours to restore power to all customers. However, for the nine Level 5 events (excluding minor and moderate Level 5 events) included in its filing, the longest restoration time for a storm was 25 hours, 18 minutes, and CMP restored power faster than 24 hours in 8 out of 9 of those events. Similarly, the estimated restoration time for a Level 3 event is 5 to 7 days but CMP restored power following the Level 3 December 23 storm in just 3 days, 13 hours.

Q. What is the downside to these faster restoration times?

A. I recognize that for affected customers, any delay in restoration of service can be a burden. However, storm restoration is a balance between restoring power quickly on the one hand and cost on the other. By hiring excessive external contractors to restore power to customers as fast as possible, CMP has incurred much greater storm costs than it otherwise would have had the Company used the staffing levels and restoration timelines in its ERP.

CMP'S 2020 TIER 3 STORM COSTS WERE MUCH MORE REASONABLE

Q. Did you compare CMP's 2022 Tier 3 storm costs to storm costs from prior years?

A. Yes. Attached as Exhibit 3 is information CMP provided related to two Tier 3 storms it incurred in 2020: one on April 9 and the other on December 5. Both of these storms were Level 3 events that caused approximately 200,000 service interruptions at peak and resulted in incremental costs of approximately $24 million each. CMP retained 402 external crews for the April 9 storm and 352 for the December 5 storm, compared to the ERP maximum staffing recommendation for a level 3 storm of 325. The restoration cost per customer hour of interruption was $4.88 for the April 9 storm and $4.87 for the December 5 storm.

Q. Is there anything else to note about these two storms?

A. The other important fact about these two 2020 storms is that the Company was operating under COVID-19 protocols. As a result, the Company needed to rent more trucks and hotel rooms to implement social distancing requirements that are no longer applicable. The Company confirmed that these factors increased the cost of storm restoration. See Exhibit 4.

Q. How do the costs of the 2020 storms compare to the costs of the December 16 and December 23, 2022 Tier 3 storms?

A. The costs of the 2022 storms are much higher because CMP retained many more external crews for those storms. For the Level 4 December 16 storm, CMP retained 540 crews and incurred incremental costs of approximately $31.8 million. CMP's restoration cost per customer hour of interruption for this storm was $52.9—more than 10 times higher than either of the 2020 storms. For the Level 3 December 23 storm, CMP retained 637 external crews and incurred incremental costs of approximately $57.9 million. The restoration cost per customer hour of interruption for this storm was $14.28—nearly three times the cost of either of the 2020 storms.

Q. Did CMP restore power within the timelines provided in its ERP for the 2020 storms?

A. Yes. Per CMP's ERP, a Level 3 event will require between 5 and 7 days to restore power from the time of peak outages. For the April 9, 2020 storm, CMP restored power in approximately 121 hours or 5 days, 1 hour. For the December 5 storm, CMP restored power in just over 96 hours or 4 days, even lower than the minimum estimated time of restoration in its ERP.

CMP'S STORM COSTS ARE MUCH HIGHER THAN VERSANT'S EVEN AFTER ADJUSTING FOR THE SIZE DIFFERENCE BETWEEN THE TWO UTILITIES

Q. Did you compare CMP's storm costs to storm costs incurred by Versant Power in 2022?

A. Yes, for the December 23, 2022 storm. Versant Power has filed a request for an accounting order to defer its incremental costs of the December 23, 2022 storm in Docket No. 2023-00140. Although the case is still ongoing, Versant has requested to defer incremental costs of $5.5 million associated with that storm.[7] According to Versant's filing, the December 23 storm was the fifth largest in terms of cumulative service interruptions since Versant began tracking the impact of large storms in 2004. See Exhibit 5.

Q. How do the two utilities compare in terms of size?

A. Below is some basic information about each utility:

Versant Power[8]

- Customer Accounts: 165,000
- Miles of Distribution Lines: 6,300 miles
- Service Territory: 10,400 square miles

CMP[9]

- Customer Accounts: 653,170
- Miles of Distribution Lines: 23,734
- Service Territory: 11,000 square miles

Given the above information, it is reasonable to expect that CMP's restoration costs would be at most four times higher than Versant's for a storm that has similar impacts to the service territories of both utilities because CMP has slightly less than four times as

[7] Because both CMP and Versant are allowed to recover only incremental storm expenses, the amount requested by Versant is comparable to the amount included in CMP's filing for that storm.

[8] Versant information from: https://www.versantpower.com/about-us/our-company/

[9] CMP information from: www.cmpco.com/documents/40117/46386390/22-4888+CMP+Fact+Sheet_1.26.23.pdf/6c31a69c-72bf-14e9-a267-e688128a4ddd

many customers and slightly less than four times as many miles of distribution lines across a slightly larger service territory. But CMP's incremental restoration cost for the December 23 storm was more than ten times higher than Versant's.

Q. Do both utilities track the restoration cost per hour of service interruption?

A. Yes. Information filed by Versant shows that its incremental restoration cost per hour of service interruption for the December 23 storm was approximately $2.15, see Exhibit 6, compared to CMP's cost of $14.28. Thus, CMP's costs are six times greater than Versant's on a per unit basis.

Q. How do the restoration times compare?

A. As expected, CMP's restoration time is shorter than Versant's restoration time. However, it appears that a higher percentage of Versant's customers were impacted and therefore it is reasonable to expect a longer restoration time.

Q. Did you compare the costs incurred by the two utilities for any other storms?

A. No, because Versant Power has not sought an accounting order for any other 2022 storms. This suggests that Versant's incremental costs for each of the other 2022 storms did not exceed the threshold for an accounting order.

IV. CMP HAS FAILED TO PROVIDE ADEQUATE EVIDENTIARY SUPPORT FOR CERTAIN STORM COSTS

Q. Do you have any concerns about the information provided by CMP in discovery?

A. Yes, there are three areas of concern. First, CMP failed to provide any evidentiary support for the external costs of three smaller storms included in its filing. As a result, there is no way for the Commission to determine whether these costs are reasonable, and they should therefore be disallowed. Second, despite multiple requests, CMP failed to provide contracts for storm restoration services with the majority of its external storm contractors. Because CMP does not have contracts in place, it cannot demonstrate that the amounts it paid these contractors was at the lowest reasonable cost for such services. Finally, CMP stated in response to a request for email communications that it had deleted emails that would have been responsive to the request.

CMP Provided No Evidentiary Support for the External Contractor Costs of Three Smaller Storms

Q. Please elaborate on the first issue you mentioned regarding lack of evidentiary support for the external costs of three storms.

A. As shown in Exhibit 2, there are three storms for which CMP shows external contractor costs, but CMP has not identified any external crews as providing services during these storms. These three storms are:

- 7/14/22 Storm – external crew cost of $144,752.51 but no external crews identified
- 7/18/22 Storm – external crew cost of $169,563.10 but no external crews identified
- 7/28/22 Storm – external crew cost of $138,434.87 but no external crews identified

Because CMP has failed to provide any evidence justifying these costs, they should be disallowed.

CMP Failed to Provide Contracts with the Majority of its Storm Contractors

Q. Please elaborate on the second issue you mentioned regarding contracts.

A. In discovery, the OPA requested that CMP "provide copies of all agreements between CMP and other entities that pertain to storm restoration services provided in 2022."[10] In response, CMP provided just five contracts, despite the fact more than 60 contractors worked on the December 23 storm alone. The OPA followed up in questioning at the technical conference to confirm that all contracts had been provided and once again asked CMP to provide all the agreements as an oral data request.[11] See Exhibit 7.

In response, CMP provided four pages of rate sheets, three of which appear to be expired. See Confidential Exhibit 8.

At the May 30 technical conference, the OPA again followed up on the contracts and asked whether the rate sheets provided were still in effect. CMP's witness stated that "those are the rates . . . that we have on file or attached to their contract. So I'm inclined

[10] OPA-001-006.
[11] ODR-001-003.

to believe that's the rates that they're using and they haven't updated them. That's why we're still using them, but we'll have to look at a couple invoices just to confirm."

Q. Are the rates included in the rate sheets provided by CMP still used by those contractors?

A. No, it appears that three out of the four contractors for which CMP provided rate sheets, charged rates that differ from the rate sheets that CMP has on file for those companies. Confidential Exhibit 9 includes invoices issued to CMP from the contractors at issue. As can be seen by comparing the rates charged in this exhibit to the rates CMP has on file and provided in Confidential Exhibit 8, the rates actually charged to CMP were higher than the rates that CMP had on file for those contractors.

Q. Did the OPA confirm that all contracts in CMP's possession were provided?

A. Yes, the OPA again asked whether all contracts were provided. CMP's witness confirmed that it provided all rate sheets that the Company has on file. See Exhibit 10. Its witness further stated that contractors are subject to the Company's standard terms and conditions.

Q. Does the Company's standard terms and conditions include rates to be charged or define the scope of work to be performed?

A. No, they do not. In fact, the terms and conditions **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**

Q. Have you identified those contractors that provided storm restoration services in 2022 for which CMP has no contract or up-to-date rate sheet?

A. Yes. Attached as Confidential Exhibit 12 is a list of contractors that provided storm restoration services to CMP in 2022. CMP has produced contracts or effective rate sheets with just six companies. This means that for the vast majority of the storm contractors it used in 2022, CMP did not know ahead of time the rates it would be charged by these companies prior to receiving the invoices.

CMP FAILED TO PRESERVE RELEVANT EVIDENCE RELATED TO THE JANUARY 17 AND JANUARY 29 STORMS

Q. Please elaborate on the final issue you mentioned regarding deleted emails.

A. As an oral data request, the OPA requested that CMP provide "all communications and modeling created by the cost tracker during each Tier 2 and Tier 3 storm event."[12] The cost tracker is a position required by the Company's ERP who is tasked with modeling costs based on restoration timelines and planned crew counts. The cost tracker is required to make daily communications of the "daily cost burn rate" including assumptions used within the cost model. See Exhibit 1 at 155.

In response to the OPA's data request, CMP stated: "Email communications are deleted after one year; therefore, we no longer have access to the email communications sent for those Tier 2 events that occurred on January 17th and 29th 2022." See Exhibit 13. Communications from the cost tracker for two Tier 2 storms are relevant to CMP's recovery of the costs of those two storms. Thus, it appears that CMP has deleted information relevant to this case.

V. CMP'S INCERMENTAL AFFILIATE STORM COSTS SHOULD BE DISALLOWED

THE CAP ON AFFILIATE SERVICES EXPENSE

Q. Please explain the cap on affiliate services applicable to CMP.

A. In Docket 2012-00530, the Commission approved an annual limit of $32.5 million on the amount that CMP's parent may collect from CMP and CMP's other Maine affiliates.[13]

According to CMP's testimony submitted in its recent distribution rate case,[14] CMP's rates include an allocation of $31.351 million in affiliate costs, with $14.222 million allocated to transmission and $17.130 million allocated to distribution. See Exhibit 14.

[12] ODR-001-002.
[13] July 2, 2013 Order Approving Stipulation, Docket No. 2012-00530.
[14] 8/11/22 Revenue Requirement Panel Testimony, Docket No. 2022-00152.

This is CMP's share of the $32.5 million cap, with the remaining amount allocated to CMP's other Maine affiliates. Because CMP's rates are already set to recover the maximum amount allowed by the cap on affiliate services expense, CMP cannot recover incremental affiliate expenses in this docket.

CMP FAILED TO DEMONSTRATE IT HAS SECTION 707 APPROVAL FOR ITS AFFILIATES TO PROVIDE STORM RESTORATION SERVICES

Q. Please explain the basis for your statement that CMP lacks Section 707 approval for affiliate storm restoration services.

A. The OPA's legal argument on this issue will be set forth in briefs. It is my understanding that Section 707 requires Commission approval of all contracts or arrangements for the provision of services between a public utility and its affiliate.

The OPA asked CMP to produce all contracts pertaining to storm restoration services, but CMP did not produce any contracts between CMP and its affiliates. Nevertheless, CMP is seeking recovery of payments made to its affiliates for storm restoration services.

The OPA also asked CMP to provide the Commission Orders authorizing CMP to receive storm restoration services from its affiliates. CMP responded that there are no such Orders.[15] At the May 10 technical conference, Counsel for CMP confirmed that CMP did not receive any Commission approval for affiliate storm restoration services. See Exhibit 15.

Q. Can you quantify the amount CMP paid to affiliates for storm restoration in 2022?

A. Yes, CMP has quantified the amount in OPA-001-007 Attachment 1. See Exhibit 16. In total, CMP incurred and is seeking to recover $2,336,348 in storm-related charges from affiliates in 2022.

[15] OPA-001-008.

VI. QUANTIFICATION OF PROPOSED DISALLOWANCE

Q. Can you quantify your overall recommended disallowance?

A. Yes. Exhibit 17 includes a calculation of my recommended disallowances. They include the following:

- A reduction of $1,592,309 million in Tier 1 storm costs. This results in a reduction to the recoverable amount of $796,154 because 50% of the costs were already absorbed by CMP's shareholders.
- A reduction of $3,639,113 in Tier 2 storm costs. An additional reduction of $1,496,986 is also applied because the January 17 storm would have been a Tier 1 storm and therefore required shareholders to absorb 50% of the cost but for CMP's excessive external contractor costs. This results in a total Tier 2 reduction of $5,136,099.
- A reduction of $44,855,155 in Tier 3 storm costs.
- A reduction of $452,740 due to a lack of evidentiary support for external contractor costs related to the July 14, July 18, and July 28 storms.
- A reduction of $2,336,348 in affiliate charges.

Adding these together yields an overall disallowance of $53,576,496.

VII. CONCLUSION

Q. Do you have any concluding remarks?

A. CMP's external contractor costs are excessive judged by multiple different standards, including comparisons to CMP's prior storm costs and Versant's storm costs. Most importantly though, they are excessive according to CMP's own Emergency Response Plan. Taken together, there is clear evidence of imprudence.

While calculating an imprudence disallowance can sometimes be difficult, the evidence here is clear. The above percentage reductions to CMP's storm costs are a reasonably accurate estimate of the imprudently incurred costs that should not be recovered in rates.

Q. Does this conclude your testimony?

A. Yes.