

August 25, 2014

CENTRAL MAINE POWER COMPANY,
Request for New Alternative Rate Plan
("ARP 2014")

ORDER APPROVING
STIPULATION

WELCH, Chairman; Littell and Vannoy, Commissioners

I. SUMMARY

In this Order, we approve a Stipulation filed in the above-referenced matter which resolves all revenue requirement matters in this proceeding other than those revenue requirement matters involving Automated Metering Infrastructure (AMI), which are resolved by our approval of a Supplemental Stipulation issued concurrently with this Order. The Stipulation also resolves some, but not all, of the rate design issues which were raised during this proceeding. Pursuant to the Stipulation, the remaining rate design issues were reserved for Commission determination and are addressed in a companion order.

II. BACKGROUND

A. Procedural History

On July 1, 2008, the Commission approved a five-year Alternative Rate Plan (ARP) for CMP which took effect on January 1, 2009 and expired on December 31, 2013. *Central Maine Power Company Chapter 120 Information (Post ARP 2000) Transmission and Distribution Utility Revenue Requirements and Rate Design and Request for Alternative Rate Plan*, Docket No. 2007-215, Order Approving Stipulation (July 1, 2008). Pursuant to the provisions of the Commission's Order Approving Stipulation, on May 1, 2013, CMP filed revenue requirement information based on a 2012 calendar year consistent with the requirements of Chapter 120 of the Commission's Rules. In that filing, CMP proposed a distribution rate increase of \$41.4 million, or 18.2%. As part of its proposal, CMP proposed to accelerate the amortization of the Company's Cost of Removal (COR) Regulatory Liability to mitigate the impact of the proposed rate increase. After mitigation the proposed increase in rates would be \$18.2 million, or 8%.

As part of its filing, the Company also proposed a new ARP (ARP 2014) which would run from January 1, 2014 through December 31, 2018. Under the terms of its ARP 2014 proposal, the Company's operations and maintenance revenue requirements would continue to be subject to the traditional inflation minus X formula. However, CMP's capital revenue requirement, which would include depreciation, property taxes and return on investment, would be based on CMP's proposed Capital Recovery Mechanism (CRM). Under the Company's CRM, CMP's capital revenue requirement would be based on CMP's projections of capital costs subject to reconciliation and a proposed sharing mechanism.

A Notice of Proceeding that provided customers and other interested persons with an opportunity to intervene was issued on May 9, 2013. Petitions to intervene were filed by the following entities and were subsequently granted by the Examiners: the Office of the Public Advocate (OPA); the Conservation Law Foundation (CLF); Environment Northeast (ENE); GridSolar, LLC (GridSolar); the Natural Resources Council of Maine (NECM); the Industrial Energy Consumer Group (IECG); Maine Independent Colleges Association (MICA); Ski Maine (Ski Maine); Midcoast Regional Redevelopment Authority (MRRA); Maine Association of Building Efficiency Professionals (MABEP); Efficiency Maine Trust (EMT); VCharge, Inc. (VCharge); Thermal Energy Storage of Maine (TESM); FISC Solutions, Pregrine Turbine Technologies; Edward Friedman; Mary Fournier and David Fournier (the Fourniers); Gary Goldsmith; Sandra Kelley; and Diane Wilkins.

On June 19, 2013, the OPA filed a Motion of Partial Dismissal seeking dismissal of CMP's CRM. The Commission issued an Order of Partial Dismissal on August 2, 2013 which granted the OPA's Motion pursuant to Section 10(G)(2) of Chapter 110 of the Commission's Rules of Practice and Procedure. In granting the OPA's Motion, the Commission found that CMP's own evidence did not provide a basis for deciding the CRM proposal in its favor, that proceeding to hearing would needlessly prolong the decision-making process causing undue burden and expense to the parties and to the Commission, and that there were no additional policy reasons present here to allow the CRM proposal to remain in the case. As part of the Commission's Order of Partial Dismissal, CMP was provided an opportunity to amend its case and to propose another mechanism which allows for increased capital investments without shifting the risk of over estimation and uncertainty to ratepayers.

On August 1, 2013, CMP filed Phase II of its rate case proposal, which included a proposed Revenue Allocation and Rate Design as well as supporting testimony for CMP's Revenue Decoupling Mechanism (RDM) proposal. CMP filed an amended rate plan in light of the Commission's Order of Partial Dismissal and also filed an updated Revenue Requirement proposal on September 20, 2013. On November 25, 2013, CMP submitted an additional update to its Revenue Requirement proposal.

On December 12, 2013, Staff filed a Bench Analysis and the OPA, GridSolar, EMT, IECT, MICA, MEBEP, and TESM filed direct testimony on the Company's proposed revenue requirement, ARP 2014 and revenue allocation and rate design proposals. In its Bench Analysis, Staff recommended that the Commission reject the Company's ARP proposal and made certain recommended adjustments to CMP's revenue requirement that would result in a lower of the rate increase. Staff's recommendation included an allowed ROE of 9.25% and a common equity ratio of 47%. The Bench Analysis also opposed the implementation of an RDM and rejected CMP's proposal to continue the extraordinary storm cost recovery mechanism. Instead of the Company's extraordinary storm costs mechanism, the Staff presented a storm cost recovery methodology based upon a normalized average level of historic incremental storm expenditures over a 12-year period.

The OPA's direct testimony proposed additional adjustments to the Company's revenue requirements, including alternative depreciation rates and an allowed ROE of 8.5%, and a common equity ratio of 50%. The OPA supported implementing an RDM with certain modifications to the Company's request. The OPA also proposed treating the Company's proposed Customer Relationship Management and Billing (CRM&B) system through a separate rate adjustment mechanism, which would go into effect when the CRM&B system is put into service.

The OPA, GridSolar, IECG, MABEP, MICA, and TESM opposed CMP's proposed rate design, with particular objection to the Company's proposed standby rates for customers with installed behind-the-meter generation. GridSolar proposed an alternative rate design methodology consisting of a fixed customer charge and a demand charged based upon a customer's average hourly peak load during certain specified hours on the day of CMP's annual system peak.

In their direct testimonies, the Intervenors all supported, or did not object to, some form of an RDM. The only exception was the IECG, who advised the Commission to exercise caution in approving an RDM in general, but did not comment on specifics of CMP's RDM proposal.

CMP filed rebuttal testimony on February 4, 2014. On March 21, 2014, Staff filed a Reply Bench Analysis and the OPA, GridSolar, IECG, MICA, and Ski Maine filed Surrebuttal testimony. In the Reply Bench Analysis, Staff recommended additional changes to CMP's revenue requirement, as well as an increase in the amount to be included in rates for an incremental storm recovery mechanism calculated based on a nine year period. In its surrebuttal testimony, the OPA raised an issue regarding CMP's treatment of tax basis repairs during ARP 2008.

Public witness hearings were held at the Commission's Offices in Hallowell, Maine on April 2, 2014 and in Portland, Maine on April 3, 2014. Hearings on the pre-filed testimonies in the case and on the Staff's analyses were held on April 9-10 and April 14-18, 2014.

Following the hearings, settlement conferences was held between the Company, Staff and many of the Intervenors on May 9, 2014; May 20, 2014; May 28, 2014; June 2, 2014; June 3, 2014; June 5, 2014; June 10, 2014; June 11, 2014, June 20, 2014, June 24, 2014, June 26, 2014 and July 1, 2014. Additional settlement conferences were held between the Staff and Parties, without the Company, on May 19, 2014, May 30, 2014, June 6, 2014 and June 25, 2014.¹

On July 3, 2014, the Commission received a Stipulation and Supplemental Stipulation in this matter which was entered into by CMP, the OPA, GridSolar, CLF,

¹ CMP waived the ex parte rules to allow the non-CMP Parties to hold a settlement conference with Staff without the presence of the Company.

NRCM, IECG, MICA, Ski Maine, MRRA, MABEP, EMT, VCharge and TESM (Collectively referred to as the Settling Parties). The Stipulation proposes to resolve all revenue requirement, storm treatment, ARP and RDM issues in the case. Issues involving the AMI Revenue Requirement are addressed in the Supplemental Stipulation and are the subject of a separate order being issued concurrently with our decision here. The Stipulation also addresses certain, but not all, rate design issues. The rate design issues not resolved by the Stipulation were the subject of additional litigation and are also addressed in a separate order.

By way of a Procedural Order dated July 7, 2014, non-signatory parties in the case were given an opportunity to oppose the stipulations by filing a Statement in Opposition. The Fourniers opposed the stipulations and, on July 11, 2014, a Notice of Hearing was issued by the Examiners which scheduled a hearing on the stipulations for July 21, 2014. At the request of the Fourniers, the hearing on the stipulations was rescheduled to July 28, 2014.

B. Opposition to the Stipulations

In a Pre-Hearing Order issued on July 24, 2014, the Examiner required that CMP make available the following panel of witnesses to address the Fourniers' general objections: Eric Stinneford, Steven Adams (all matters), Peter Cohen (revenue requirement), Mark Marini or Ann Theriault (rate design). In addition, the Staff would be made available to answer questions on all areas covered by the stipulations. The Pre-Hearing Order also provided that, to the extent the Fourniers wished to present any documentary evidence not already in the record, they should identify such evidence in a memorandum to be filed with the Commission by noon on July 25, 2014.

On July 25, 2014, the Fourniers submitted a Memorandum along with twelve pictures the Fourniers took, which according to the Memorandum and subsequent affidavit filed by the Fourniers on July 28, 2014, showed that CMP was taking down trees outside of its right-of-way without the permission of landowners. At the hearing, counsel for CMP objected to the introduction of the Fourniers proposed photographs on the grounds of relevance. The Hearing Examiner concluded that the question of whether CMP had properly obtained the consent of landowners to take down the trees pictured was not an issue in the case and was not relevant to any issue resolved by the Stipulation. The Examiner noted that if the Fourniers believed that CMP was not obtaining land-owner consent for tree-trimming, the proper avenue would be to file either a complaint with the Commission's Consumer Assistance Division (CAD) or to file a ten-person complaint with the Commission. Therefore, the Examiner ruled that the pictures submitted by the Fournier's along with the accompanying affidavit of July 29, 2014 were inadmissible. The Fourniers orally moved that the Commission reconsider the Examiner's ruling. On reconsideration, the Examiner's ruling was sustained by the Commission. The Fourniers were provided with an opportunity to question CMP's witness panel and the Staff panel at the hearing and to also present oral argument in support of their opposition to the stipulations.

III. DESCRIPTION OF THE STIPULATION

A. Distribution Revenue Requirement (Stipulation, Part IV(A)) And Rate Increase Implementation (Stipulation, Part IV(B))

Under the terms of the Stipulation, CMP's distribution revenue requirement will increase by an amount of \$24.257 million effective July 1, 2014. The Company's revenue requirement reflects the Settling Parties' agreement on the amount for recovery from customers of the Company's O&M expense items, certain adjustments set forth in the Supplemental Stipulation regarding AMI, depreciation accrual rates and income tax matters, including the tax basis repairs/unit of property deduction and PowerTax regulatory asset, and allowed return on its rate base. The revenue requirement is calculated based on a rate base of \$782.001 million a pretax weighted cost of capital of 10.32%, which is based on a 9.45% return on equity (ROE) and a 50% equity ratio.

Under the Stipulation, the agreed upon increase in CMP's distribution revenue requirement will be included in CMP's distribution rate schedules on September 1, 2014, with CMP permitted to recover the value of the two-month delay from July 1 to September 1 through a one-time increase in the amortization of the COR regulatory liability in the amount of \$4.227 million. To minimize the customer impact of the agreed upon distribution revenue requirement increase, the Settling Parties have agreed that, to the extent possible and consistent with the requirements of applicable law and the functionality of CMP's existing billing system, CMP's share of the damage awards received by Yankee Atomic Electric Company and Connecticut Yankee Atomic Power Company in connection with Phase II of the litigation against the U.S. Department of Energy (DOE) will be used to reduce customer costs from stranded cost rates effective September 1, 2014.

B. Storm Costs Treatment (Stipulation, Part IV(D))

The Stipulation provides that, effective July 1, 2014, CMP will implement a new recovery mechanism for incremental storm restoration costs. Under this mechanism, CMP's distribution rates will annually include \$10 million for storm cost recovery. Storms will be classified into three categories: Tier 1 (Normal); Tier 2 (Large); and Tier 3 (Extraordinary). Tier 1 Storms are defined as storms where the incremental restoration costs are less than \$3.5 million. Tier 2 Storms are defined as storms where the incremental restoration costs are between \$3.5 million and \$15 million. Tier 3 Storms are defined as storms where incremental restoration costs total more than \$15 million. Of the \$10 million included in rates annually, \$4 million will be allocated for Tier 1 storm costs. The annual costs for Tier 1 storms will not be subject to reserve accounting or reconciliation treatment.

The remaining \$6 million collected annually in rates will be credited to a reserve account for Tier 2 storm costs. As provided in detail in the Stipulation, Tier 2 storm costs will be charged against the reserve account. On an annual basis, CMP will

reconcile its actual incremental, prudently incurred Tier 2 storm costs against the reserve balance. In the event that the reserve balance at the end of the calendar year exceeds \$10 million (positive or negative), CMP and customers will share on a 50/50 basis any such overage with CMP's share of any negative balance capped at \$3 million per year. Distribution rates will be adjusted effective July 1 (with the first adjustment effective date being July 1, 2015, if necessary) of the following year to include the customers' share of any such overage (positive or negative).

For Tier 3 storms, the first \$15 million of incremental storm costs will be subject to Tier 2 treatment and charged against the reserve account. CMP's exposure for sharing under the above Tier 2 storm provisions for any single Tier 3 storm event is capped at \$2 million. Tier 3 storm amounts above \$15 million will be deferred for future recovery pursuant to an individual accounting order request. Distribution rates will be adjusted on July 1 of the year following the Tier 3 storm for the recovery of deferred amounts over \$15 million.

C. Revenue Decoupling Mechanism (Stipulation, Part IV(C))

The Stipulation provides that, effective September 1, 2014, a revenue decoupling mechanism (RDM) will apply to CMP's distribution revenues. The RDM will remain in effect until changed by a subsequent Commission Order. The RDM will have two RDM classes: (1) Residential; and (2) Commercial and Industrial. The LGS-T, LGS-ST and Area and Street Lighting rate classes will be excluded from the RDM.

Under the RDM, the actual revenues for each of the RDM classes will be reconciled against the revenue targets for the RDM classes. The first reconciliation will cover the sixteen month period from September 1, 2014 through December 31, 2015. All subsequent reconciliations will be calculated on a calendar year basis (January 1 through December 31). The initial RDM Revenue Targets for the RDM classes will be based on the applicable rate year revenue requirement. The RDM revenue targets for subsequent years (beginning July 1, 2015) will be adjusted annually by 75% of the average annual year over year customer growth rate (positive or negative) for the rate classes within those RDM classes.

The recovery of any under-collection under the RDM will be subject to an annual cap set at 2% of distribution revenues applicable to each RDM class. For the initial 16 month reconciliation period (September 1, 2014 through December 31, 2015), the cap will be proportionately adjusted for the applicable period. Any under-collection amount over the annual cap will be deferred for recovery in a subsequent year. No cap will apply to the return of any over-collection. For as long as the RDM is in place, CMP will collaborate with the Efficiency Maine Trust on ways to promote efficiency, including, through CMP's web site, bill inserts, Energy Manager platform and the Bill Alert program.

D. Alternative Rate Plan (Stipulation, Part IV(F))

As part of the Stipulation, CMP agrees to withdraw its request for a new alternative rate plan (ARP2014). As such, CMP will not be subject to Service Quality Indicator (SQI) penalties. However, each year by April 1, CMP will file an Annual Reliability Report with the Commission that will provide service quality and reliability performance information for the prior year, including Customer Average Interruption Duration Index (CAIDI), System Average Interruption Frequency Index (SAIFI), Feeder Average Interruption Frequency Index (FAIFI) (for circuits that exceed 6.3), Business Calls Answered within 30 seconds, and New Service Installations.

E. New Customer Billing System (Stipulation, Part IV(E))

The Settling Parties agree that there is a need to replace CMP's current customer service billing system (CSS), which is more than 23 years old and based on obsolete technology. To facilitate CMP's implementation of a new billing system, no later than March 1, 2015, CMP will initiate a separate Commission proceeding addressing the capabilities and functionalities of the new billing system. CMP's filing shall incorporate the Commission's decision in this docket regarding rate design issues and shall include the Company's recommendation regarding appropriate billing system capabilities and functionalities. The Company will also include a good faith proposal for billing all customers on a demand charge basis and a preliminary cost estimate for the Company's recommended billing system with such capabilities and functionalities. Nothing in the Stipulation shall preclude CMP, Staff or Parties from raising additional issues in this future proceeding, including, but not limited to, whether any portion of the new billing system or its capabilities and functionalities should be outsourced. The Parties agree to endeavor to complete the proceeding within six months of the date of CMP's initial filing to allow adequate time to construct and implement the new billing system.

CMP may also initiate a single issue revenue requirement adjustment proceeding, under 35-A M.R.S. § 3195, associated with the new billing system (as part of any capabilities docket or separately) whereby distribution rates will be adjusted to recover the prudently incurred net costs of the new billing system. Any such rate adjustment for the new billing system will take effect no earlier than the in-service date for the system. CMP's option to initiate a specific rate proceeding regarding the new billing system does not in any way limit the Company's right to initiate a general rate case at any time allowed by statute.

F. Revenue Allocation (Stipulation, Part IV(I)) And Rate Design (Stipulation, Part IV(J))

The Settling Parties agree that the agreed upon revenue requirement increase will be allocated so that the MGS-P and the IGS-S rate classes receive revenue increases at 1.5 times the overall system average increase resulting from the

Stipulation. No revenue allocation increase will be applied to rate classes A-LM, SGS, LGS-ST and LGS-T. All other classes will be allocated a proportional share of the remaining revenue requirement.

The Settling Parties also agree to several changes to CMP's rate design and Terms and Conditions. These changes will be effective on September 1, 2014 and will remain in effect until modified by subsequent Commission Order. The agreed upon changes include setting the fixed monthly customer charges for CMP's rate classes as follows:

- a. Rate A: \$10.00 per month, including 50 kWh of usage.
- b. Rate A-TOU: \$10.00 per month.
- c. Rate A-LM: \$13.53 per month.
- d. SGS: Single Phase: \$15.00 per month; Three Phase: \$19.10 per month.
- e. All Other Rate Classes: The fixed monthly customer charges for all other classes will remain at July 1, 2013 levels.

The Settling Parties also agree that:²

- The per-kWh charges for the distribution component of the IGS-P-TOU rate will be eliminated.
- CMP will apply a uniform increase on all unit charges to recover the revenue requirement assigned the Area Lighting and Street Lighting rate classes, and CMP will remove from its rate schedules Area and Street Lighting options that have not been utilized in the last three years.
- CMP will set the rate charged for the shoulder period (*i.e.*, 12:00 pm to 4:00 pm) equal to the rate charged for the peak period (7:00 am to 12:00 pm and 4:00 pm to 8:00 pm) for all TOU rate classes.
- The Rate O tariff sheets will be modified as provided in Attachment 9 to the Stipulation. In addition, CMP agrees that without prior Commission approval it will not seek to eliminate the Rate O rate schedule, or to amend or eliminate the provisions in Schedule 12(D)(5) of Schedule 21-CMP to the ISO-New England Open Access Transmission Tariff, relating to load used for calculating the transmission rates applicable to transmission level customers eligible to take service under Rate O. CMP will not initiate a proceeding

² The full text of the Stipulation sets forth all the changes in detail. The Stipulation's terms, incorporated into this Order by reference, govern CMP's rate design under this Order.

requesting the Commission to approve the elimination of Rate O for a period of at least five years.

In addition, as part of the Stipulation, CMP agrees to withdraw its request for standby rates in this proceeding. CMP's withdrawal is without prejudice to the Company's or any other party's right to advocate, at any time after the Commission's order approving this Stipulation, for or against standby rates in any appropriate forum including, without limitation, in future Commission adjudicatory and/or rulemaking proceedings and before the Maine Legislature. Finally, the Settling Parties also agree that certain rate design issues specified in Paragraph 73 of the Stipulation are not resolved by the Stipulation and will be presented to the Commission for litigation in this proceeding.

IV. OPPOSITION TO THE STIPULATION

The Fourniers are the only parties to oppose the Stipulation. The Fourniers oppose the Stipulation for the following reasons:

1. The process that lead to the Stipulation was unfair because the settlement discussions that lead to the Stipulation were considered confidential.
2. The process that lead to the Stipulation was unfair because Ms. Fournier states that she was treated rudely and that the questions that she raised during the settlement process were not adequately answered.
3. The Stipulation will result in rates that are not affordable to most customers and, therefore, are not just and reasonable in accordance with Maine law.
4. That the Stipulation does not provide the proper incentive to the Company to operate as efficiently as possible.

V. 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, we find that all of the criteria for approval have been satisfied in this instance.

B. Whether the Parties to the Stipulation Represent A Sufficiently Broad Spectrum of Interests

The Stipulation in this case was entered into by CMP, the OPA, the IECG, GridSolar and other parties including environmental groups, trade associations and competitive energy suppliers. This very broad array of signatories clearly satisfies our first criterion for approval.

C. Whether the Process That Led to Stipulation Was Fair to All Parties

Based on the information that was presented in this case, we find that the process that led to Stipulation was fair to all parties. 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). In this instance, all parties, including the Fourniers, were provided with notice of all settlement discussions either through a procedural order or through e-mail correspondence. This fact does not appear to be in dispute. The Fourniers, however, argue that the process was not fair because the settlement discussions were considered confidential.

Treating settlement discussions and settlement offers made during such discussions as confidential is certainly not unique or novel to Commission proceedings. In contested court cases, settlement discussions are always kept confidential. The reason for such treatment is to allow parties to engage in such discussions without the concern that the offers that they make during settlement will be used against them in the litigation process if settlement discussions fail. As such, the settlement process and the potential to resolve matters by agreement are enhanced. We find that our rules, which require that all parties be provided with an opportunity to participate in settlement discussions, strike an appropriate balance between openness in the process and the parties needs for confidentiality of such discussions. We also note that in this case, the Stipulation was not filed until after all hearings and discovery had been completed. Thus, it is clear here that there was no short-circuiting of the process and that all parties had an opportunity to explore all relevant issues in the case.

With regards to Ms. Fournier's allegations that she was treated rudely during the settlement process and that the parties did not adequately address her

substantive questions during the settlement discussions, we certainly take allegations concerning disrespect and inaccessibility seriously. Our rules require that our process be fair to all parties and this requires that all parties be treated with respect. At the same time, no one party should be allowed to interrupt or interfere with orderly settlement discussions at the expense of other parties. While the Commission will continue to assess how it can make its process more "user-friendly", understandable and accessible to ordinary citizens, it must also be recognized that many of the issues involved in public utility ratemaking are sometimes complex. It is for that very reason that State law created the OPA to participate in Commission proceedings.

In this case, based on the record before us, we find that the process established by the Hearing Examiners in this case was fair to all parties to the proceeding, including the Fourniers.

D. Whether the Stipulation is Reasonable, In The Public Interest, and Consistent With Legislative Mandates

In deciding whether a stipulation is reasonable, fair and consistent with the public interest, the entire stipulation must be considered as a package. Whether we disagree with a particular provision of the stipulation, or would have come up with a different result were we to decide the case after litigation, is not the question. Rather, the question 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 (aa), Detailed Opinion and Subsidiary Findings at 3 (Jan. 10, 1995). For the reasons set forth below, we find that the stipulated result, when evaluated as a whole, is fair, reasonable and in the public interest.

In their opposition to the Stipulation, the Fourniers argue that the rates that will result from the Stipulation are not affordable to many Mainers. In this regard, we would first note that by deferring the distribution rate change until September 1, 2014 and coupling that rate change with the decrease in stranded cost rates, the Settling Parties have been able to significantly reduce the impact of the distribution price change which was the subject of this proceeding. As can be seen from Table I below, the overall distribution rate increase is 10.5% reflecting a revenue requirement increase of approximately \$24 million. However, when the stranded cost revenue requirement reductions, including offsets from the DOE Yankee litigation settlement proceeds and RGGI costs credits approved in Docket No. 2014-00077 and Docket No. 2013-00433 are also considered, the overall rate change for all customer classes will be approximately -0.4%. For the majority of residential customers who take service under CMP's Rate A, the rate change will be approximately 4.0%.

TABLE I

Percentage Change in CMP Core Rates -- July 1, 2013 to September 1, 2014						
	Distribution	ELP	Conservation	Stranded Cost	Transmission	TOTAL
Residential Service (Rate A)	11.6%	0%	0%	-151%	5.7%	4.0%
Residential Time-of-Use Service (Rate A-TOU)	11.6%	0%	0%	-150%	6.1%	3.2%
Load Management Service (Rate A-LM)	-0.5%	0%	0%	-159%	-38.1%	-10.7%
Small General Service (Rate SGS)	-0.5%	0%	0%	-151%	-1.9%	-6.3%
Medium General Service - Secondary Voltage (Rate MGS-S)	11.6%	0%	0%	-149%	4.9%	-6.6%
Medium General Service - Primary Voltage (Rate MGS-P)	17.1%	0%	0%	-150%	-0.2%	-6.9%
Intermediate General Service - Secondary Voltage (Rate IGS-S)	17.1%	0%	0%	-147%	4.0%	-13.3%
Intermediate General Service - Primary Voltage (Rate IGS-P)	11.6%	0%	0%	-149%	6.2%	-7.2%
Large General Service - Secondary Voltage (Rate LGS-S)	11.6%	0%	0%	-148%	2.3%	-14.9%
Large General Service - Primary Voltage (Rate LGS-P)	11.6%	0%	0%	-149%	6.6%	-9.3%
Large General Service - SubTransmission Voltage (Rate LGS-ST)	-0.5%	0%	0%	-100%	-9.1%	-18.0%
Large General Service - Transmission Voltage (Rate LGS-T)	-0.5%	0%	0%	-100%	30.4%	6.2%
Area Lighting (Rate AL)	11.6%	0%	0%	-154%	22.7%	10.9%
Street Lighting (Rate SL)	11.6%	0%	0%	-154%	22.7%	11.0%
TOTAL	10.5%	0%	0%	-145%	5.1%	-0.4%

While we recognize that even a modest increase such as this can be difficult for some customers to afford, our obligation to ensure just and reasonable rates also encompasses our duty to ensure that the utility will be provided sufficient revenues to furnish safe, adequate and reliable service and have 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*, (1481) Me. 432 A. 2d 1284. The Stipulation in this instance was filed after all testimony was submitted and the Commission conducted more than a week of expert witness hearings and held two public witness hearings. Based on this ample record, we find that the results of the Stipulation are well within the range of reasonableness.

In particular, we find the Return on Equity (ROE) used in the calculation of the Stipulation's revenue requirement to be reasonable and consistent with recent Commission decisions on the issue. We also note that the RDM mechanism agreed to in the Stipulation is reasonably designed and will reduce CMP's financial reliance on throughput. By doing so, the utility's incentive to oppose efficiency measures is reduced and the State's objective of promoting efficiency is enhanced. The state's efficiency objectives are further promoted by CMP's commitments to work with EMT and actively promote energy conservation and efficiency programs.

We also find the Stipulation's Storm Recovery Mechanism to be reasonable. In *Central Maine Power Company, Annual Price Changes Pursuant to Alternative Rate Plan (ARP 2008)*, Docket No. 2011-00077, Order at 17 (July 27, 2012), we noted that in future storm costs proposals CMP and the Staff should consider provisions which remove the incentive for the utility to act in ways which have the effect of increasing the number of interruptions and also consider alternatives to the binary

nature of CMP's ARP 2008 provision, which either fully included or fully excluded all costs related to a storm event. We find that the Stipulation's Storm Cost Recovery Mechanism addresses these concerns and through its sharing mechanism provides CMP with new incentives to control storm costs that may operate more effectively than the prior storm recovery mechanism. We also find that the increased amount included in rates for storm costs in the Stipulation, along with the Stipulation's Storm Reserve Account Mechanism, should reduce the rate volatility which has resulted from extraordinary storms in the past.

We also find that the Stipulation's provision for recovery of CMP's proposed new billing system in a separate future proceeding to be reasonable. In that future proceeding, the costs and capabilities of the billing system will be more clearly established and recovery of those costs can be timed to coincide with the system's implementation.

With regards to the rate design issues resolved by the Stipulation, we find the resolution to be modest but directionally well supported by moving rates closer to costs. For example, the Stipulation allows for the fixed monthly customer charge for residential and small commercial customers to increase to more appropriately reflect the fixed costs of service. In their opposition to the Stipulation, the Fourniers cited the number of public comments which were submitted to the Commission in opposition to CMP's Rate Proposal in this case. We note that most, although not all, of these comments referred to, and opposed, CMP's proposed standby rate. Under the terms of the Stipulation, CMP has withdrawn its standby rate proposal.

Finally, we find that the Stipulation is not contrary and is wholly consistent with all relevant legislative mandates and criteria.

Accordingly, we

ORDER

1. That the Stipulation submitted in this matter on July 3, 2014 is approved. A copy of the Stipulation is attached hereto and is incorporated into this Order.
2. That CMP is authorized to change its distribution rates effective September 1, 2014 consistent with the terms of this Order.
3. That the Director of the Commission's Electric and Gas Utility Industries is authorized to approve rates filed by CMP which are in compliance with this Order.

Dated at Hallowell, Maine, this 25th day of August, 2014

BY ORDER OF THE COMMISSION

/s/ Harry Lanphear

Harry Lanphear
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Littell
 Vannoy

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC 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. 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).

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.