STATE OF MAINE
PUBLIC UTILITIES COMMISSION

PUBLIC UTILITIES COMMISSION PUBLIC UTILITIES COMMISSION Inquiry into Multi-Year Rate Plans for Investor-Owned Transmission and Distribution Utilities No. 2025-00354	**ACADIA CENTER'S COMMENTS ON STRAW PROPOSAL** February 9, 2026

On December 5, 2025, the Commission stated in its Notice of Inquiry that "[t]he purpose of this inquiry is to provide a process to receive input and develop Commission guidance with respect to the Commission's preferred approach to multi-year rate plans, including expectations for performance metrics. The Commission aims to provide guidance that Maine's two investor-owned transmission and distribution utilities may use in developing proposed multi-year rate plans that include performance metrics." see Notice of Inquiry at 1. On January 20, 2026, the Commission submitted a Straw Proposal (Proposal) from Christensen Associates Energy Consulting (CAEC) as a starting point for this inquiry, focused primarily on Central Maine Power (CMP, the Company).

Acadia Center, a Maine nonprofit research and advocacy organization committed to advancing the clean energy future in Maine, appreciates the opportunity that this docket provides to establish reasonable bounds around multi-year rate plans (MYRP) within the Maine regulatory and statutory construct and to ensure MYRPs "support[] affordability while ensuring reliable electric service and appropriate investment in the state's distribution grid." see Proposal at 2. These are laudable goals, and Acadia Center welcomes the discussion. Acadia Center also thanks CAEC for the work put into this initial Proposal, particularly given the relatively short time afforded.

Revenue Decoupling and Price Cap Framework

Though there did seem to be some consensus in the January 23, 2026, Workshop that the Proposal's format as a price cap rather than a revenue cap was undesirable because it would require ending decoupling, Acadia Center agrees with CAEC that a price cap format better incents electrification and does not necessarily oppose ending or modifying decoupling as part of a MYRP provided certain guardrails, delineated in these comments, are put in place. A framework wherein CMP would strictly prefer to increase electricity

sales rather than maintain neutrality, would, Acadia Center believes, benefit ratepayers by 1) spreading out costs over more kilowatt-hours (kWh), 2) more directly aligning CMP's business incentives with state policy goals, and 3) increasing competition for heating customers. Additionally, Maine's energy efficiency (EE) programming is administered by Efficiency Maine Trust (EMT) rather than the electric distribution companies (EDCs), which mitigates the split incentive for the EDC to reduce EE programming effectiveness as a means to drive electricity sales.

While there is not historical data to review, it is noteworthy that the Massachusetts Department of Energy Resources has recently proposed to similarly eliminate decoupling with the intention that recoupling may serve as a replacement for the current attrition relief mechanism in Massachusetts' EDCs' MYRPs.[1] This may not be entirely feasible because, as the RMI and Synapse report submitted as Attachment B to the Commission's January 27, 2026, Procedural Order (Synapse Report) states, "sales are not necessarily a good proxy for utility costs because costs tend to be driven more by peak demand than by energy consumption." see Synapse Report at 35. Nonetheless, the point remains that, when the utility does not receive automatic revenue certainty, the utility must more directly manage its own revenues. Doing so can bring benefit to both the utility, through increased revenue, and the customer, as described above.

Additionally, there is academic evidence of a correlational association of revenue decoupling with a higher rate of growth for electricity prices as well as statistically significant increased persistence of higher prices.[2] Movement away from a revenue decoupling framework may tighten the relationship between prices and what revenue is actually required.

A revenue cap framework, while potentially providing similar cost containment benefits to a price cap framework, would not provide these additional ratepayer benefits nor the commensurate boost to reaching state policy goals; it would be a missed opportunity to allow the EDCs' incentives to remain misaligned from the state's preferences.

Alternatively, if the Commission does not believe that recoupling is feasible in Maine, Acadia Center would recommend that the persistence of a revenue decoupling mechanism (RDM) be clearly identified as a valuable risk-reduction mechanism for the EDC and treated as such for future ratemaking purposes. As Mr. Peter Cohen, representing CMP, said in the January 23, 2026, Workshop (Workshop), "if you take an RDM away from a

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[1] Mass. Dep't of Energy Resources, *Rate Task Force Ratemaking Straw Proposal* (Nov. 24, 2025), https://www.mass.gov/doc/rate-task-force-ratemaking-straw-proposal/download. Slide 39.
[2] Arlan Brucal & Nori Tarui, *The Effects of Utility Revenue Decoupling on Electricity Prices*, Vol. 101 *Energy Econ.* 105440 (2021), https://doi.org/10.1016/j.eneco.2021.105440

public utility, you are going to influence their cost of capital." see Workshop Transcript at 30. The implication, which has also been identified in academic literature, is that having an RDM reduces utility risk and, therefore, may reduce the utility's cost of capital compared to not having the revenue decoupling mechanism.[3]

X Factor

Though Acadia Center does not doubt that CAEC has done a reasonable job on the Proposal's TFP study, Acadia Center cannot support a negative productivity factor, as it is highly unusual and remunerates the utility for productivity loss, subverting the intention of performance-based ratemaking. The Hawaii PUC has rejected negative X factors for exactly this reason.[4]

Acadia Center does support the usage of an X factor set by determining average total factor productivity (TFP), but, rather than setting the X factor at -0.54 percent, Acadia Center points to the recommendation in the Synapse Report that multiple independent TFP studies be done for the Commission's consideration: "In Alberta, several total factor productivity studies are considered when determining an X factor and the regulator repeatedly commented on the valuable insights it gained from examining competing analyses provided by different parties." see Synapse Report at 17.

Acadia Center recommends the Commission 1) clarify that negative X factors are not appropriate for an indexed cap formula, price or revenue, in Maine, and 2) request additional parties provide alternative TFP studies for review and comparison in any eventual rate case.

F Factor

Acadia Center shares the concerns identified during the Workshop by the Office of the Public Advocate (OPA) that the F factor mechanism contained in the Proposal seems to create a structure wherein a multi-year forecasted revenue requirement is litigated in a rate case, which is very similar to the process in which the Commission has twice declined to engage. see Workshop Transcript at 39-41. The OPA echoes a point made in the Synapse report at 16: "All else being equal, an index-based formula is likely to lead to greater efficiency improvements because it escalates revenues based on circumstances outside of the influence of the utility, whereas the use of forecasts can provide an opportunity for the utility to inflate its predictions… As such, it is almost impossible for parties to determine whether utility cost savings during [a forecasted] MRP are a result of bona fide

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[3] Costello, Ken. "Revenue decoupling for natural gas utilities." *National Regulatory Research Institute, April* (2006). https://pubs.naruc.org/pub/FA8632C3-D249-F21E-079C-840D9EBA2FBA

[4] Hawaii PUC Docket No. 2018-0088, Decision and Order No. 37507 (Dec. 23, 2020), at 49-56.

efficiency gains versus savings relative to an inflated forecast." While it is the case that an indexed price cap framework with an F factor disaggregates the revenue requirement into inflation, industry wide productivity, and company-specific revenue needs, the fact remains that the company continues to provide the forecasts of its revenue needs upon which the price cap is based. Fundamentally, revenue requirement forecasts create a known pitfall in MYRP design into which Maine would be falling if the F factor were included in the Proposal's indexed cap formula.

On February 2, 2026, CAEC submitted a Supplemental Report into the record, emphasizing that the stretch factor (S factor) provides a ratepayer-protective benefit by reducing the cost increase due to the F factor as compared to a fully forecasted MYRP. see Supplemental Report at 2. While this may be true, it may not be true; a fully forecasted MYRP could also contain ratepayer-protective, rate increase-limiting elements at the Commission's discretion based on the litigated record of that case. It is also not necessarily the case that an S factor, even a relatively large S factor, provides ratepayers protection; if the F factor is sufficiently inflated, it could well be that ratepayers may be better off if both the S and the F factors were removed from the finalized framework.

Additionally, though the Proposal posits "the F factor is a useful indicator of the price effect of state regulatory objectives, allowing regulators to compare the cost to ratepayers from investments related to state policy goals with the economic cost of not making those investments," it is not clear why the particular circumstances of Maine's grid and its management should be considered separately from Maine's policy when compared to industry average productivity. see Proposal at 8. Utilities everywhere operate under the specific statutory and regulatory environments of their state, but also with the history of their own grid management. Any costs contained in the forecasted F factor may be driven by policy, or they may be driven by utility management decisions; it is not clear how those distinct impacts to revenue requirement would be accurately accounted for in any meaningful way in a forecast, much less one provided by the utility. The F factor is a confounded indicator of state policy price effects at best, and at worst it could be deliberately used to mislead.

The Proposal also provides substantial risk reduction for the utility beyond the F factor. It does not seem entirely reasonable to Acadia Center that the utility should be able to forecast its revenue requirements while also benefiting from the risk reduction of the small proposed deadband around the proposed earnings sharing mechanism (ESM), as well as the unusually protective qualities of the Z factor as proposed.

The Commission should remove the F factor from the formula. If the Commission prefers to maintain the usage of an F factor as described, Acadia Center supports in the alternative

the recommendation from the Synapse Report at 17 to order a management audit in any future ratemaking proceeding to ensure that a MYRP's "base revenues reflect common sense efficiencies the utility should do automatically, rather than ones it should be incentivized to do," thereby ensuring an uninflated going-in revenue requirement to help mitigate any potential forecasting inflation.

Exogenous Factor

While Acadia Center agrees there should be a means to recover certain exogenous costs subject to specified criteria, the Z factor recommended in the Proposal allows for broad recoverability that should be substantially limited. First, the Proposal identifies transmission charges as a recoverable cost under the Z factor. This is, however, a framework for recovery of distribution rates, so it is not clear why transmission-related costs should be included.

The materiality threshold is particularly concerning. CAEC provides an extensive list of exogenous cost types, including storm costs, then recommends the materiality threshold apply to the sum of the exogenous costs incurred. Total storm costs alone may reasonably be anticipated to annually surpass the threshold example of $2 million.[5] Further, Acadia Center disagrees with the reasoning to adopt a materiality threshold based on a decision at the Massachusetts Department of Public Utilities (DPU) without also adopting the additional ratepayer protections that the DPU approved: that eligible costs must "(1) be beyond the Company's control; (2) arise from a change in accounting requirements or regulatory, judicial, or legislative directives or enactments; (3) be unique to the electric distribution industry as opposed to the general economy; and (4) meet a threshold of 'significance' for qualification," and that "exogenous cost recovery must be subject to a significance threshold that is noncumulative."[6] The list of recoverable costs CAEC provides is substantially broader than that which would be recoverable by the exogenous factor approved by the DPU based on the factors enumerated above, and the DPU requires a noncumulative materiality threshold, but yet CAEC supports its recommendation to use the product of .0013 and CMP's operating revenue by pointing to the DPU's "years of experience regulating electric…utilities using indexed rate plans." see Proposal at 11.

Acadia Center recommends that storm costs largely be incorporated into base rates using a historical average, with a substantially higher, storm cost-specific materiality threshold in place to provide recovery in truly warranted circumstances. This threshold should be set to

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[5] Central Maine Power Co., *2025 Annual Compliance Filing Update Narrative*, Docket No. 2025-00018 (Me. Pub. Utils. Comm'n Apr. 30, 2025), at 7 (in which Central Maine Power sought an increase of approximately $59M to recover incremental storm costs).

[6] Mass. Dep't of Pub. Utils., *Final Order*, Docket No. 22-22 (Nov. 30, 2022), at 72.

recover storm costs specifically for high-cost, low-probability events, based on historic storm costs. The Commission should also 1) limit recoverable costs to those that fall under the DPU-approved eligibility criteria previously cited, and 2) require that the thresholds be per event rather than cumulative.

If the Commission should prefer the single materiality threshold as set out in the Proposal, Acadia Center recommends in the alternative that the Commission 1) limit recoverable costs as previously stated and 2) identify a higher materiality threshold appropriately commensurate with allowing cumulative exogenous cost recovery.

Earnings Sharing Mechanism

Acadia Center recognizes that eliminating revenue decoupling puts additional pressure on the utility's financial returns, particularly in the period of adjustment to recoupling. CMP currently operates under an asymmetrical ESM, as described in the Proposal, which Acadia Center would continue to support in its current state as appropriate if a revenue cap is implemented and the RDM is not removed.

Acadia Center's recommendation, however, aligns with the Proposal's in that an indexed price cap be implemented without an RDM. If the Commission is interested in the Proposal's recommendation, rather than moving to the proposed symmetrical ESM, Acadia Center would recommend a lopsided symmetrical ESM that operates with an asymmetric 400 basis point deadband that goes 100 basis points above and 300 basis points below the authorized return on equity (ROE). For example, if the authorized ROE is 9.35%, the ESM would share 50% of earnings above 10.35% with the ratepayers, and ratepayers would share 50% of earnings below 6.35% with the EDC. As "utility management is responsible for forecasting, cost control, and operational decisions…[and r]atepayers, in contrast, lack both the information and the ability to influence these outcomes," this asymmetric deadband provides both ratepayers and EDC protection, while appropriately allotting the utility a reasonably larger share of risk and incenting electrification via increasing sales. see Synapse Report at 25.

Implementation of the Price Cap

Though MYRPs are intended to reduce administrative burden and costs, they can have the opposite effect, depending on design and implementation. see Synapse Report at 33. As such, Acadia Center would provide a note of caution with regards to the annual filings recommended by CAEC. While Acadia Center may hope these filings will be uncontroversial, it cannot reasonably support language that appears to prejudge them as such or recommend that they not invite major regulatory review, particularly with respect to proposed recovery of exogenous costs. Acadia Center recommends the Commission

clarify that uncontroversial filings are preferable, but nothing precludes stakeholders from intervening.

Performance Incentive Mechanisms

The Commission identified three topic areas it was interested in exploring in CAEC's straw proposal: customer usage management, affordability, and reliability. CAEC proposed one performance incentive mechanism (PIM), for customer usage management, and two reporting metrics, for affordability and reliability.

First, Acadia Center believes there is no reason not to identify actual PIMs that provide incentives for reaching state policy priorities in the instant proceeding, even without fully articulating all needed details, rather than waiting for any future proceeding. As such, Acadia Center recommends moving beyond reporting metrics for the three areas identified.

While reporting metrics are valuable, and their incorporation, subject to specifics, is generally appreciated and appropriate as a means of preventing service quality erosion and ameliorating information asymmetry, CMP already operates under a service quality indicator regime that provides some of this benefit. Two new reporting metrics, as proposed by CAEC, may not provide a meaningful amount of additional insight: the Illinois utility Commonwealth Edison's initial MYRP included 30 reporting metrics.[7] There are many metrics that would provide valuable insight for stakeholders and the Commission into the state and operations of CMP's grid assets, which can be further identified in any multi-year ratemaking procedure. This proceeding is an opportunity to provide guidance around meaningfully reorienting utility incentives, and Acadia Center recommends the Commission take full advantage.

Acadia Center appreciates the unique position of EMT as the program administrator for efficiency, beneficial electrification and demand management, and the challenges this arrangement poses to a utility customer usage management PIM. The Proposal attempts to maneuver around these issues but seems to somewhat miss the point. In the Workshop, Mr. Crowley, representing CAEC, stated with regard to a possible peak load reduction PIM: "We don't want the utility to say…we're going to pursue everything we can to reduce peak load, and it might come at the detriment of electrification." see Workshop Transcript at 87. Utilities always operate under competing incentives; with the removal of the RDM, the preference to electrify will persist even against the competing incentive to reduce peak load. Additionally, PIMs can be reward-only, penalty-only, or symmetrical. If CAEC is concerned that a reward-only PIM for peak load reduction would not provide enough

[7] Commonwealth Edison Co., *Tracking Metrics Progress Report for 2024*, ICC Docket No. 22-0067 (June 3, 2025), https://www.icc.illinois.gov/docket/P2022-0067/documents/366524/files/642142.pdf

incentive against the electrification incentive, the PIM structure should be changed to be symmetrical, providing both a carrot and a stick.

Mr. Crowley continued, "…it is difficult for a company that doesn't control what customers do to control its own system load factor." see Workshop Transcript at 87. However, the AMI Utilization PIM's design rewards the utility specifically based on peak load reductions, so it stands to reason that the utility does have a means to impact peak load reduction and, therefore, system load factor.[8] see Proposal at 18. It would be preferable to incent either peak load reduction or improved system load factor as policy goals rather than to incent specific programmatic activities. By giving the EDC leeway to broadly reach for outcomes rather than preselecting particular tactics, the utility should be able to determine how to most inexpensively obtain its reward, or if it is even cost-beneficial to obtain. Acadia Center also believes that, with EMT's participation, there is no reason why EMT's impact on system load factor or peak load reduction could not reasonably be controlled for in the design of any PIM rewarding improvement (or penalizing backsliding) in either of those metrics. As peak load reduction is functionally incorporated into system load factor, Acadia Center recommends inclusion of a PIM symmetrically incenting improvement in system load factor and penalizing decline. Such an incentive is responsive to the Commission's interest in improving customer use management.

Additionally, it is worth noting that improving system usage in a load growth and electrification context can act as an affordability measure, reducing the per-unit cost to consumers by spreading costs associated with serving peak demand over more kWh, as Mr. Ethan Tremblay of the Maine Department of Energy Resources explained at the Workshop. see Workshop Transcript at 91.

With respect to the reliability and the affordability topics, Acadia Center recommends the inclusion of PIMs, rather than reliance on reporting metrics. To incent reliability improvements, Acadia Center supports a PIM comprised of an index of reliability metrics not already incorporated into the utility's SQI framework, which may include customers experiencing multiple interruptions (CEMI) and customers experiencing long interruption durations (CELID). This PIM could be constructed similarly to Commonwealth Edison's indexed reliability metric for equity investment eligible communities.[9] Other reliability metrics beyond CEMI and CELID should also be considered, as Maine's geography and grid performance are unique, and improvements to reliability should be targeted to Maine's particular issues.

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[8] System load factor is calculated by dividing the total energy usage by the peak demand over the same period.

[9] Ill. Commerce Comm'n, *Final Order*, Docket No. 22-0067 (Sept. 27, 2022), at 103-4.

To manage affordability concerns, Acadia Center recommends a PIM targeting reductions in residential customer disconnections. While it may be the case that utilities do not control their customers' behaviors, utilities do have tools to reduce arrearages and prevent disconnections. Utilities in Illinois have PIMs to incent reductions in residential customer disconnections, and utilities in New York had similar PIMs in place until they were disrupted by the COVID-19 pandemic.[10,11] Such a PIM should be symmetrical in nature, both incentivizing reductions in disconnections and disincentivizing increased disconnection activities, and set at an appropriate baseline with a reasonable deadband. Reductions in disconnections can provide benefit to both the utility and other ratepayers: by maintaining customers who might otherwise be disconnected, the utility can continue to collect at least some portion of its owed revenue requirement from those customers, rather than carrying that debt forward until it must be recovered from other ratepayers, who are then covering costs they have not caused.[12]

Acadia Center again wishes to thank the Commission and CAEC for the significant work done on this complicated topic, particularly given the short timelines involved in this proceeding. Formulating a well-designed MYRP framework is complex and involves identifying and making weighty trade-offs. Acadia Center appreciates the opportunity to participate and submit these comments and would be happy to provide any additional information necessary.

Respectfully submitted,



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[10] *Id.,* at 168.
[11] New York Pub. Serv. Comm'n, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans*, Docket No. 17-E-0238 (Mar. 15, 2018), at 22.
[12] Emma F. Hand, David S. Shaffer, Linda J. Willard, Clarence Hawkes, III, Rebecca E. Kennedy & Dena Sholk, "Utility Disconnections and Shutoffs", 46 *Energy L.J.* 299 (2025).