

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc.)	
Participating Transmission Owners)	Docket No. ER20-2054
Administrative Committee)	

**FORMAL CHALLENGE OF THE NEW ENGLAND STATES COMMITTEE ON
ELECTRICITY, INC. TO CENTRAL MAINE POWER COMPANY**

I. INTRODUCTION

Pursuant to Attachment F, Appendix C, Section VI.2 of the ISO New England Open Access Transmission Tariff (“OATT”), the New England States Committee on Electricity (hereinafter “NESCOE”) hereby makes this Formal Challenge to the rate schedules of Central Maine Power Company (“CMP”), which were included in the Annual Update (the “Annual Update”) filed by the Participating Transmission Owners Administrative Committee (“PTOAC”) in this docket on July 31, 2025. As described at greater length herein, CMP seeks to recover through its formula rate incentive compensation based on financial targets, contrary to FERC precedent that makes clear that such costs are not a cost to serve customers but instead benefit only utility shareholders. To be clear, NESCOE does not challenge CMP’s request to collect incentive compensation based on goals that benefit customers—only that portion of its incentive compensation that is based on financial targets. Although CMP characterizes NESCOE’s challenge as an attack on the formula rate itself, it is in fact a challenge to an input of the formula rate, which the Commission recently upheld as proper in its recent order ruling on a formal challenge filed by the Maine Office of the Public Advocate.

Accordingly, NESCOE respectfully requests that the Commission direct CMP to make a supplemental filing under the Transmission Formula Rate Protocols to remove these costs from its filing and reimburse customers for costs collected to date. In the alternative, if the Commission agrees with CMP that these costs are recoverable through its current formula rate—which it should not—then NESCOE respectfully requests that the Commission find the current formula rate to be not just and reasonable and initiate a Section 206 proceeding *sua sponte* to revise the formula rate to make it clear that costs for incentive compensation that are based on financial targets are not recoverable from customers.

II. BACKGROUND

A. Procedural History

On July 31, 2025, the PTOAC filed its Annual Update with the Commission. The PTOAC’s 2025 informational filing notes that it is the outgrowth of a section 206 proceeding this Commission initiated *sua sponte* in 2015. The Commission commenced the proceeding, *inter alia*, “due to its concerns over ... the ‘transparency and challenge procedures with regard to the formula rates’ for transmission services by the PTOs under the ISO OATT....”¹ That Section 206 proceeding resulted in a settlement that featured adoption of the Transmission Formula Rate Protocols that govern the recovery of regional network service and local network service rates in New England. That settlement included a six-year moratorium on interested parties pursuing a Section 206 petition seeking changes to the Transmission Formula Rate Protocols—a moratorium which expired on December 31, 2024.²

¹ Transmittal Letter, at 1.

² See *ISO New England Inc. tariff filing per 385.602*, dated June 20, 2020, Exhibit 3, Settlement Agreement, ¶ 18.

Pursuant to the Transmission Formula Rate Protocols, the information exchange period for the Annual Update began on June 13, 2025, following the New England Transmission Owners (the “NETOs”) posting a draft version of the Annual Update on ISO-NE’s website. During the information exchange period, NESCOE served information requests to certain of the NETOs, including CMP.

As to CMP, NESCOE served four sets of information requests. Sets 1 and 2 included questions concerning CMP’s incentive compensation. In its response to Set 1, CMP objected and refused to answer a question seeking the amount of incentive compensation that was based on financial targets, claiming, *inter alia*, that “it seeks information beyond the scope of the information exchange process.”³ NESCOE’s second set of information requests included questions seeking additional information on incentive compensation as well as explanations for CMP’s responses and certain statements in documents that CMP provided in response to prior questions. CMP provided information concerning a cap on service company costs and responded to a question seeking the meaning of a term in a heading in a document.⁴ However, as to all other questions on the subject—including questions simply asking for explanations in documents previously produced by CMP—CMP responded that NESCOE’s request sought “information beyond the scope of the information exchange process” and provided no additional responsive information.⁵

Per the Transmission Formula Rate Protocols, NESCOE served its Informal Challenge on November 14, 2025 (the “Informal Challenge”).⁶ The Informal Challenge, *inter alia*, challenged

³ Attachment 1, Selected CMP Responses to Information Requests (“IR Responses”), at NESCOE-CMP-001-014.

⁴ Attachment 1, IR Responses, at NESCOE-CMP-002-025, NESCOE-CMP-002-030.

⁵ *Id.* at NESCOE-CMP-002-026 through NESCOE-CMP-002-29.

⁶ Attachment 2, Informal Challenge.

CMP's failure to provide responsive information concerning employee incentives included in its cost of service.⁷ In its Informal Challenge, NESCOE stated that CMP's refusal to fully answer NESCOE's information requests violated the Transmission Formula Rate Protocols and, accordingly, requested that CMP provide the responsive information or, as an alternative, provide information sufficient to calculate any amounts of incentive compensation that were based on financial targets and included in its Annual Update filing.⁸

On December 15, 2025, CMP served its written response to the Informal Challenge (the "Written Response").⁹ The Written Response asserted certain arguments that claimed that CMP was entitled under its formula rate to collect incentive compensation that was based on financial targets.¹⁰ Notwithstanding this position, CMP provided additional information in its Written Response and in a confidential attachment that sufficed to allow NESCOE to calculate the amount of CMP's incentive compensation expense that was based on financial targets.¹¹ NESCOE now brings this Formal Challenge to request that the Commission direct CMP to remove these costs from its RNS and LNS rates.^{12,13}

⁷ *Id.*, at 2–4. NESCOE also asserted informal challenges concerning CMP's calculation of its true up as well as certain alleged errors regarding to the Accumulated Provision for Injuries and Damages. The true up issue is the subject of CMP's supplemental filing made on December 5, 2025, and the parties were able to resolve the Accumulated Provision for Injuries and Damages issue without a formal challenge.

⁸ *Id.*, at 3–4.

⁹ Attachment 3, Written Response.

¹⁰ *Id.*, at 4–6.

¹¹ Although not the subject matter of this Formal Challenge, NESCOE notes that the Written Response disclosed that CMP has a practice of capitalizing a portion of its expense for incentive compensation. *See* Attachment 3, Written Response, at 4.

¹² CMP provided NESCOE with an extension until February 9, 2026, to file this Formal Challenge in order to accommodate further discussion in an effort to resolve the issue underlying this Formal Challenge. Unfortunately, the parties were unable to reach a resolution, hence the instant Formal Challenge.

¹³ Pursuant to § VI.2.a.v of the Transmission Formula Rate Protocols, NESCOE represents that the issues presented in its Formal Challenge are not pending in any existing Commission proceeding or in any other proceeding of which NESCOE is aware.

B. CMP's Incentive Compensation Program

As discussed *supra*, CMP, through its contributions to the Annual Update, seek costs associated with incentive compensation for its employees. CMP recovers for two programs: the Avangrid Performance Award (“APA”) and Executive Variable Pay (“EVP”) plans.¹⁴ CMP’s APA plan provides benefits for “regular, full-time and part-time non-union employees” while the EVP plan is limited to Avangrid executives.¹⁵

As mentioned, *supra*, CMP provided information allowing NESCOE to calculate the amount of its incentive compensation in an attachment to its Written Response to NESCOE’s informal challenge. NESCOE witness Michele Slater has used that information to calculate the amount of incentive compensation that is based on financial targets. NESCOE includes an affidavit from Ms. Slater as an attachment to this Formal Challenge, which estimates the amount of CMP’s incentive compensation included in the Annual Update and calculates the financial impact of removing this expense from the Annual Update.^{16,17} The total financial impact of granting NESCOE’s formal challenge is set forth in paragraph 19 to Ms. Slater’s affidavit.

¹⁴ Attachment 1, IR Responses, at NESCOE-CMP-001-13.

¹⁵ *Compare* Attachment 1, IR Responses, at NESCOE-CMP-001-014 Attachment 1, at 5 *with* Attachment 1, IR Responses, NESCOE CMP-001-014 Attachment 2, at 3.

¹⁶ Attachment 4, Affidavit of Michele M. Slater (“Slater Aff.”).

¹⁷ NESCOE has redacted portions of the Slater Affidavit that include information included or derived from material designated as privileged pursuant to terms of a confidentiality agreement that NESCOE entered into with CMP in order to receive the privileged material. That confidentiality agreement, *inter alia*, requires that NESCOE seek confidential treatment pursuant to 18 C.F.R. § 388.112 if NESCOE includes material designated as privileged in a filing at FERC. Accordingly, NESCOE has provided a redacted version of the affidavit as well as a public version. Also, pursuant to 18 C.F.R. § 388.112, NESCOE includes a draft protective order with terms identical to those included in the Commission’s model protective order. That draft protective order is attached hereto as Attachment 5.

III. ARGUMENT

A. Under Commission Precedent, Incentive Compensation That Is Based on Financial Targets Does Not Provide Benefits to Customers.

The Commission should disallow CMP's costs for incentive compensation that is based on financial targets because those costs benefit shareholders and do not provide benefits to CMP's electric customers.

The Commission has recognized that incentive compensation that is based on financial targets—rather than on goals seeking to provide quality service to customers—does not provide benefits to ratepayers and thus can be successfully challenged by interested stakeholders. Specifically, in *Pacific Gas and Electric Company*, Opinion No. 572, 173 FERC § 61,045 at P 239 (2020), *affirming Pacific Gas and Electric Company*, Initial Decision, 165 FERC P 63,001, at PP 841–50 (2018), the Commission disallowed costs for incentive compensation that was based on financial targets. In the Initial Decision affirmed by the Commission, the Administrative Law Judge reasoned that “Commission precedent requires the exclusion of expenses that do not benefit ratepayers.”¹⁸ Similarly, the Administrative Law Judge recognized that the Federal Power Commission, the precursor to FERC, recognized that the award of stock options similarly “tend[s] naturally to divert management from its public responsibilities and to focus its attention on maximizing prices and earnings.”¹⁹ The Administrative Law Judge also found, *inter alia*, that the “fact that many incentive payment packages have a financial component... does not justify... passing the cost of that component on to ratepayers.”²⁰

¹⁸ 165 FERC P 63,001, at P 844, *citing Public Service Commission v. FERC*, 813 F.2d 448, 456 (D.C. Cir. 1987) and *Trunkline Gas Co.*, 90 FERC ¶ 61,017, at 61,064 (2000).

¹⁹ *Id.* at P 845, *quoting Black Hills Power & Light Co.*, 31 F.P.C. 1605 (1964).

²⁰ *Id.* at P 850.

In its Written Response, CMP cites certain FERC Orders to support its claim that incentive compensation that is based on financial targets is recoverable from customers. However, the cases that CMP cites are all inapposite and can be easily reconciled with the Commission's holding in *Pacific Gas and Electric*.

First, CMP cites *Williams Natural Gas Co.*, 77 F.E.R.C. P61,277 (1996). In *Williams*, the Commission allowed costs for cash awards and stock awards to executives "based upon each individual executive's achievement of specific performance objectives."²¹ There was, however, no claim in *Williams* that these awards were based on financial targets. Accordingly, *Williams* stands for no more than the general proposition that reasonable incentive compensation based on utility performance is recoverable. Importantly, NESCOE does not challenge the amount of incentive compensation paid to CMP employees that is based on performance objectives related to providing service to ratepayers—NESCOE only challenges the portion that rewards employees for benefiting the company's shareholders.

Similarly, CMP cites two related cases in a matter concerning Entergy Services, Inc. Unlike *Williams*, the challengers in the *Entergy* matters did allege that the utility sought to collect incentive compensation based on financial targets. However, the Commission rejected the challengers' claims because the challengers provided no evidence to support their claims.²² Here, by contrast, NESCOE *has* provided evidence that CMP collects expenses for incentive compensation based on financial targets, included in the accompanying affidavit of Michele

²¹ *Id.* at P62,179.

²² *NRG Energy, Inc. v. Entergy Servs.*, 126 F.E.R.C. P 61,053, P 33 (Jan. 16, 2009) (denying complaint because challenger "has not provided any evidence that would support its argument" and reasoning that challenge "has not submitted affidavits, documents, or testimony that would attest to the accuracy of its allegations, and such evidence is required by our rules."); *Entergy Services, Inc.*, 126 FERC P 61,101, P 31 (Feb. 9, 2009) (dismissing complaint because challengers did not provide any "specific data to support their claim that Entergy is inappropriately flowing through executive bonuses.")

Slater. This evidence is derived from information that CMP itself has produced in response to NESCOE's Informal Challenge. Thus, unlike the plaintiff in the *Entergy* cases, NESCOE has fully supported its claims with evidence.

Finally, CMP mistakenly relies on *Constellation Mystic Power, LLC*, 165 FERC P61,267, P 87 (2018). In *Constellation Mystic Power*, Constellation Mystic Power, pursuant to Section 205, sought approval of a cost-of-service contract for continued operation of the Mystic 8 and 9 natural gas-fired generating units.²³ For its true up provision, Constellation Mystic Power proposed protocols modeled on the formula rate protocols for transmission owners in MISO.²⁴ In that case, NESCOE argued that Constellation Mystic Power should cap employee incentives “at 21 percent of base pay based on a comparison of annual overtime percentage at comparable utilities and other factors.”²⁵ NESCOE also asked the Commission to “disallow incentive pay based entirely on financial performance because such pay should be based on performance measures that benefit customers, not shareholders....”²⁶ Although the Commission rejected NESCOE's requests in that docket, the rejection was procedural rather than substantive.²⁷ Specifically, the Commission held that “NESCOE's concerns regarding recovery of excessive expenses is a prudence challenge that is appropriately raised during the true-up process.”²⁸ Here, NESCOE properly raises its claims in a formal challenge to an Annual Update—the RNS and LNS analogue to the “true-up process” in *Constellation Mystic Power*.

²³ *Id.* at P 1.

²⁴ *Id.* at P 165.

²⁵ *Id.* at P 80.

²⁶ *Id.* at P 81.

²⁷ Although the Commission was critical of some of NESCOE's evidence in that proceeding—namely, the use of state public utility commissions decisions—the Commission did not find that the incentives based on financial performances provided to benefits to consumers. *See id.* at PP 87–88.

²⁸ *Id.* at P 86.

Accordingly, CMP's claim that *Constellation Mystic Power* militates against NESCOE's Formal Challenge here is without merit.

CMP further claims in its Written Response that customers benefit from incentive compensation that is based on financial targets because "[c]ustomers benefit from a financially healthy utility" which helps the utility "obtain capital."²⁹ CMP does not cite any FERC precedent supporting these claims. On the contrary, the Administrative Law Judge in *Pacific Gas and Electric* rejected an identical claim that incentives based on financial targets provide benefits to customers because the financial health of a utility helps it raise capital. In rejecting this argument, the Administrative Law Judge held that, if the company can recover payments attributable to the company's financial performance, then it "can recover any payments that benefit shareholder regardless of whether the payments are for activities that directly benefit ratepayers."³⁰ The Administrative Law Judge's reasoning in *Pacific Gas and Electric* continues to be sound. If the Commission were to count "utility health" as a customer benefit in and of itself, then a utility could justify recovering *any* payment to its shareholders on the ground that such payments have "customer benefits." CMP provides no compelling reason for the Commission to reverse course and find that a utility confers benefits onto customers by the mere act of increasing its payments to its shareholders.

Accordingly, as described above, under Commission precedent, costs for employee incentives that are based on financial targets do not provide benefits to ratepayers and thus should be removed from CMP's RNS and LNS rates.

²⁹ Attachment 3, Written Response, at 5.

³⁰ 165 FERC P 63,001 at P 848, citing *Public Service Commission of New York v. FERC*, 813 F.2d 448, 456 (D.C. Cir. 1987) (upholding the Commission's disallowance of expenses for advertising designed to enhance the company's image despite the company's argument that such advertising would help it raise capital).

B. Despite CMP's Contentions, NESCOE's Formal Challenge Does Not Challenge the Formula Rate Itself.

CMP's Written Response asserts various theories seeking to characterize NESCOE's challenge to an input to CMP's formula rate as a challenge to the formula rate itself. CMP's arguments, however, are belied by the consistent Commission view that "acceptance of a formula rate constitutes acceptance of the formula, but not the inputs to the formula" and that parties "can challenge the inputs to the formula rate in the same way as they can challenge costs in a stated rate case, including but not limited to the prudence of those expenditures."³¹ Indeed, as to the New England Transmission Formula Rate Protocols specifically, the Commission recently reaffirmed in connection with a formal challenge to a refusal to provide information, that "[t]he Protocols provide that 'information and document requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable,' *but it is appropriate to request information related to whether the inputs to the formula rate are just and reasonable, including the prudence of expenditures.*"³²

CMP's arguments in its Written Response reflect an overly formalistic view of the formula rate process that is not consistent with the Commission's treatment of formula rates.³³ CMP first argues that the formula rate "does not incorporate a limitation on incentive compensation recovery comparable to the exclusions directed in *PG&E*."³⁴ Under CMP's theory, nearly all inputs would be unreviewable because of course the inputs in the formula rate do not comprehensively and prospectively recite each and every scenario whereby a utility might

³¹ See *Constellation Mystic Power, LLC*, 179 FERC P 61,011, at P 25 (April 28, 2022), citing *Appalachia Power Co.*, 23 FERC P 61,023, at 61,088 (1983).

³² *ISO-NE Inc.*, 192 FERC P 61,234, at P 42 (Sept. 18, 2025) (emphasis added, internal citations omitted).

³³ See *Constellation*, 179 FERC P 61,011, at P 25, citing *Appalachia Power*, 23 F.E.R.C. P 61,023, at 61,088.

³⁴ Attachment 3, Written Response, at 4.

determine that particular input in a manner that is not just and reasonable. CMP further claims that NESCOE cannot challenge the input in the relevant worksheet because the relevant cell in the tariff worksheet references a particular FERC account number and the value in CMP's version of the spreadsheet is the same value as the one in that FERC account.³⁵ Under this view, every input in the Transmission Formula Rate Protocols that references a FERC account number or a line on FERC Form 1—the vast majority of the inputs that make up the RNS revenue requirements—would be significantly insulated from any review for just and reasonableness, as interested parties could only challenge whether the utility properly recorded these amounts in its reporting obligations to FERC.

Moreover, CMP's insistence that the Transmission Formula Rate Protocols mandate that CMP collect all of its incentive compensation expense through transmission rates is belied by the practices of other NETOs. In particular, New England Power revealed that it does indeed provide incentive compensation to certain employees based on financial targets, but that the company does not flow those costs through to LNS or RNS transmission rates.³⁶ Similarly, although Rhode Island Energy did initially include some expense for incentive compensation based on financial targets in the Annual Update, it did so in error and it represented that it would remove those amounts once NESCOE requested that it do so in an informal challenge.³⁷

In fact, CMP tells on itself in its efforts to distinguish *Pacific Gas and Electric* in its Written Response. Specifically, CMP states that "...PG&E is inapposite. PG&E involved the litigation of Pacific Gas and Electric Company's (PG&E) stated transmission rates."³⁸ The clear

³⁵ Attachment 3, Written Response, at 4–5.

³⁶ Attachment 6, New England Power Company's Responses to NESCOE 1-14 and NESCOE 2-24.

³⁷ Attachment 7, Responses to Informal Challenge of New England States Committee on Electricity by Narragansett Electric Company d/b/a Rhode Island Energy, at 2–3.

³⁸ Attachment 3, Written Response, at 4.

thrust of this statement is that CMP believes that formula rates are *per se* more generous than rates through litigated rate cases and, therefore, a utility may pass on costs through a formula rate that it could not prove are just and reasonable in a litigated case. CMP's view, however, is in clear conflict with the Commission's statutory charge to ensure that rates are just and reasonable as well as the Commission's consistent precedent that inputs to a formula rate are reviewable in the same way as costs in a rate case. Accordingly, the Commission should grant NESCOE's formal challenge and direct CMP to remove its expense for incentive compensation that is based on financial targets from its portion of the Annual Update filing.

C. In the Alternative, the Commission Should Open a Proceeding to Find That the Formula Rate is Unjust and Unreasonable as to the Recovery of Incentive Compensation That Is Based on Financial Targets.

If the Commission finds—as it should not—that it cannot disallow CMP's expense for incentive compensation that is based on financial targets without a change to the formula rate itself, the Commission should open a proceeding pursuant to Section 206 of the Federal Power Act to make the necessary changes to the formula rate. Under Section 206 of the Federal Power Act, 16 U.S.C. § 824e, the Commission itself may initiate rate changes but only upon finding that the existing rates are unjust, unreasonable, unduly discriminatory or preferential.³⁹ As described *supra* in Section II.A, the moratorium on changes to the Formula Rate Transmission Protocols ended on December 31, 2024, so there is no longer any barrier to making changes to the formula rate.

Here, there is sufficient basis to find that the formula rate is unjust and unreasonable because it allows a utility to recover expense for incentive compensation that is based on financial targets. As described in Section III.A *supra*, incentive compensation that is based on

³⁹ *Maine Pub. Util Comm'n v. Federal Energy Regulatory Comm'n*, 454 F.3d 278, 283 (D.C. Cir. 2006) (other internal citations omitted).

financial targets provides no benefits to ratepayers and thus it is unjust and unreasonable for ratepayers to shoulder those costs. In addition, clarification is necessary, because despite the worksheets for the transmission owners in New England being essentially the same, as discussed *supra*, some NETOs recover costs for incentive compensation that is based on financial targets in RNS and LNS rates and some do not.

Notably, a finding that the formula rate is unjust and unreasonable for this limited purpose can be addressed with an exceedingly minor change to the Transmission Formula Rate Protocols. Incentive compensation is collected as part of Administration and General Expense recorded on line 32 of Worksheet 4 of Appendix A to Attachment F of Section II of the OATT. Administrative and General Expenses are already subject to certain debits and is sub-totaled on line 39. Simply adding a new line in between lines 32 and 39 that makes clear that any expense for incentive compensation that is based on financial targets should be deducted from the utility's Administrative and General Expenses would make unmistakably clear that these costs should be removed.

IV. CONCLUSION

For the reasons described herein, NESCOE respectfully requests that the Commission grant NESCOE's requested relief.

Respectfully Submitted,

/s/ Nathan Forster

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Dated: February 9, 2026

CERTIFICATE OF SERVICE

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served by electronic mail a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Osterville, Massachusetts this 9th day of February, 2026.

/s/ Nathan Forster

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