GREEN MOUNTAIN POWER
MULTI-YEAR REGULATION PLAN
Filed June 4, 2018
Revised for GMP Rebuttal Testimony, February 4, 2019

This Plan constitutes a form of regulation for Green Mountain Power ("GMP" or the "Company") under 30 V.S.A. § 218d. The Plan governs the manner in which the electric rates of GMP will be regulated by the Public Utility Commission (the "PUC" or "Commission") during the term of the Plan, and a record of filings of all adjustments occurring out of this Plan shall be filed as a compliance tariff.

I. TERM

The Plan shall take effect on June 1, 2019 for rates effective October 1, 2019 and shall terminate on September 30, 2022. The Plan shall be divided for reference herein into the following rate periods:

FY20	October 1, 2019–September 30, 2020
FY21	October 1, 2020–September 30, 2021
FY22	October 1, 2021–September 30, 2022

Rates incorporating adjustments allowed under this Plan shall continue beyond the termination date, as provided in Section V(G) below. The Plan may be terminated or modified upon request of the Company and/or the Department of Public Service ("DPS" or "Department") and subject to approval by the Commission. GMP shall file a traditional cost of service rate case prior to the termination of the Plan to cover rates for Fiscal Year 2023.

II. SUMMMARY OF MULTI-YEAR REGULATION PLAN COMPONENTS

The proposed Plan consists of several components, which together are designed to address each of the specific elements of GMP's overall cost of service. These include a mix of components that will be fixed for the term of the Plan based on a reviewed forecast at the beginning of the Plan, components that are adjusted based on a formula, and components where costs and revenues will be forecast annually and then adjusted to collect or return actual costs and revenues in each fiscal year, plus other miscellaneous provisions. The specific treatment of each aspect of the company's cost of service and rate base are identified in **Attachment 1**, which describes whether the component will be fixed, forecasted and adjusted, or based upon a formula or calculation. The goal of the Plan is to develop a smoother rate path over three years, which will be accomplished by locking all non-power costs for the term of the Plan, and then only adjusting annual rates to incorporate any changes in power supply costs, revenue, and income taxes, changes in return on equity, and any specific adjustments approved by the PUC under this Plan.

The primary components of this Plan are as follows:

Fixed Components (collectively referred to as "Non-Power Costs").

1. Infrastructure Costs. The first fixed component of the plan addresses infrastructure costs, including capital expenditures, depreciation expense, and property taxes. With respect to capital expenditures, the Plan requires GMP to forecast the anticipated costs for capital investments based on capital spending plans in each of GMP's departments. The Plan then requires GMP to recover no more than the amounts set out in the Plan for each fiscal year, subject to the modifications and procedures described below. Associated depreciation expense will be fixed for the term of the Plan based on projected plant in service balance at the beginning of the Plan, the plant additions cap by year, and the forecasted numbers for an anticipated updated depreciation study to be implemented in FY2021. Related property taxes have also been calculated and fixed by year based upon expected expenditures and historical trends in the yearly amounts set forth below. The plan provides for three limited exceptions to the established capital investment caps, for: (1) capital expenditures associated with voluntary customer energy transformation projects that generate revenue for all GMP customers ("New Initiatives") that are above the base proposed

capital spending for these programs; (2) unforeseeable events that either require greater capital investments than anticipated or present strategic investment opportunities that would benefit customers, and (3) if submitted and approved by the PUC, a Climate Resiliency Plan to mitigate the increasing impacts of climate change-driven storms on GMP's Transmission and Distribution (T&D) systems. The details of these fixed capital expenditures, as well as the method for obtaining PUC approval of exceptions for expenditures beyond the cap, are addressed further in Section IV below.

2. O&M Costs. This component addresses GMP's operation and maintenance (O&M) costs. The recovery of these costs during the term of the Plan shall be consistent with Merger Savings mechanism established by the PUC in Docket 7770. Under this mechanism, "Base O&M" costs for GMP are fixed based on set platform costs for the period of FY20 through FY22 adjusted by the Consumer Price Index for all Urban Consumers, Northeast Region ("CPI-U Northeast"). Thus, for the three years of this plan, the "Base O&M" costs will be fixed, and continue to benefit customers as required in the Docket 7770 Order by providing at least the $144M guaranteed, over the ten-year term of the Merger Savings platform that will end concurrently with this Plan. These savings shall be accounted for and trued up through the associated Merger Savings Adjustor, described in Section V(C) below. A limited number of "Non-base O&M" costs fall outside of the O&M platform established in Docket 7770. For purposes of this Plan, these Non-base O&M will also be fixed at the beginning of the Plan based on three-year forecasts. The details of this component of the Plan are specified in Section IV below.

3. Financing Costs (Debt). This component of the Plan focuses on the cost of debt. The Plan requires GMP to forecast anticipated debt costs at the start of the Plan and fix those costs for the term of the Plan, subject to any changes in overall debt levels that may be authorized by the Commission in conjunction with new capital investments

approved under the limited exceptions in the Plan.

4. Investments in and Earnings from Affiliates. The Plan proposes to fix equity-in-earnings, including continued investments in and distributions from existing affiliated companies, based on a three-year forecast at the beginning of the Plan. The Plan requires GMP to seek Commission approval for any equity contribution during the Plan term for investments in new affiliates that did not exist at the start of the Plan, as set forth in Section IV(1)(D) below.

5. Property & Non-Property Taxes (excluding revenue-based taxes). The Plan requires GMP to fix all property taxes based on a three-year forecast at the beginning of the Plan. State & Federal Income taxes, Gross Revenue and Fuel Gross Receipts Taxes are excluded from this category and are addressed below.

6. Other Costs & Revenues. This component of the plan addresses other cost and revenue items not captured above. The Plan requires GMP to forecast and fix recovery of the costs based on its three-year forecast at the start of the Plan, subject to the adjustors described below. The details of this process are addressed further in Section IV(1)(E) below.

Formulaic Components

7. Financing Costs (Equity). With respect to equity, the Plan requires GMP to fix its overall debt to equity ratio at 50/50 plus or minus 1% in each year over the life of the Plan. With respect to overall return on equity ("ROE"), the Plan indexes ROE every year, starting from the 2019 rate year ROE, which is set at 9.3% based on the PUC's Order in Case No. 18-0974-TF. The ROE will be adjusted annually using a formula which indexes the change in ROE to a mix of U.S. government bonds and utility bonds. The indexing mechanism is described further below.

Forecasted & Annually Updated Components

8. Retail Revenue & Power Supply Costs. This component relates to power supply, transmission costs and revenue. This component will rely on an annual reviewed forecast of costs and retail revenue, and will be associated with two quarterly adjustors – a Retail Revenue Adjustor and a Power Supply Adjustor - which together would true up actual retail revenues and costs against the approved forecast for these items included in base rates, in a manner that would fully de-couple GMP from overall retail revenue while providing continued incentive for the Company to manage its power costs well. The forecasting methodology for this component is addressed in Section IV(2) below.
    - The Retail Revenue Adjustor functions by tracking actual retail revenue every quarter against the forecasted amount for that quarter. Any variations between the forecasted retail revenue and the actual quarterly results are reported as an over or under collection at the end of each quarter, and then collected or returned to customers through an adjustment in the next quarter. The details of this adjustment are addressed further in Section V(A)(1) below.
    - The Power Supply Adjustor trues up actual power supply costs against forecasted costs on a quarterly basis, with a cost variance calculation and power cost efficiency band of $150,000 applied to a portion of the power costs as described below. As with the Retail Revenue Adjustor, the Power Supply Adjustor will compare actual costs during the quarterly measurement period against the same forecasted costs in the relevant quarterly period included in rates, and then will collect or return any adjustments outside of an efficiency band on a quarterly basis. The details of this adjustment are addressed further in Section V(A)(2) below.

- The calculated collection or return resulting from both the Retail Revenue Adjustor and the Power Supply Adjustor will be netted against each other on a quarterly basis, and the resulting return or collection from both Adjustors will be set out as a separate line item on customer bills. The details of this calculation are addressed further in Section V(A)(3) below.

9. State & Federal Income Taxes, Accumulated Deferred Income Taxes (ADIT), and Gross Revenue & Fuel Gross Receipts Taxes. The Plan requires GMP to annually forecast State and Federal Income Taxes, ADIT, and Gross Revenue & Fuel Gross Receipt Taxes, because these components will be impacted by other items that are annually adjusted (either return on equity, revenue, or the Power Supply Adjustor). This annual estimate will be incorporated into the annual base rate filing and adjusted each year to reflect changes in net income based on formulaic adjustments to ROE (for Income Taxes and ADIT) or refreshed revenue and power costs as appropriate (Gross Revenue & Fuel Gross Receipt Taxes).

Other Plan Components

10. Exogenous Change Adjustor. The Exogenous Change Adjustor has three parts. The first addresses non-storm exogenous events outside the company's control, such as federal income tax changes. The second component addresses Major Storm events that occur during the term of the Plan and the third component addresses collection of Major Storm costs that were incurred before the start of the Plan ("Prior Major Storm Costs").

    A "Major Storm" is as defined in the GMP Service Quality and Reliability Plan as an event that exceeds $1.2 million in maintenance costs, and there will also be a $1.2 million deductible for the aggregate of all Major Storm exogenous events each fiscal year, as well as a $1.2 million threshold for any non-storm exogenous events. With respect to Major Storm events that occur during the term of the Plan, GMP will file a report on the qualifying exogenous costs in the quarter following each Major Storm, and then will collect those costs in the second quarter following the Major storm event.

GMP will also collect $8 million per year from customers through a separate line item on bills to cover the costs of Prior Major Storms incurred prior to the inception of the Plan which have been approved for recovery by the Commission, but are not yet being collected from customers at the inception of the Plan. The Plan therefore modifies the current regulation plan under which the Company is operating by covering already-approved major storm costs through an on-going collection allowed by this Plan, rather than requiring customers to pay multiple, higher costs through separate surcharges approved under its current plan. These Prior Major Storm costs currently total approximately $24 million. The details of this adjustment are addressed further in Section V(B) below.

11. Earnings Sharing Adjustment Mechanism. The Plan uses an Earning Sharing Adjustment Mechanism ("ESAM") to share actual earnings above or below the approved rate of return on equity with customers. The Plan provides a limited "dead band" for small changes in the earnings that do not result in any adjustment, and then a symmetrical "sharing band" of over or under earnings between GMP and its customers. All earnings above or below the sharing band will be refunded to or recovered from customers. The details of this mechanism are addressed further in Section V(D) below.

12. Emerald Ash Borer Assessment & Adjustor. The Plan incorporates an assessment and associated adjustor to address costs related to the infestation of the invasive Emerald Ash Borer (EAB), which has recently been confirmed in Vermont. The EAB assessment and adjustor covers the cost of pro-active removal of ash trees in power line corridors in geographic areas that are confirmed to have EAB infestations or are

at high risk of EAB infestation. Anticipated costs will be forecast for three years of the Plan and included in a separate line item assessment on bills, but will be subject to an adjustor to true up to actual costs incurred during the term of the Plan, based on any changes in the infestation spread rate. The details of this mechanism are addressed further in Section V(E) below.

13. Rate-Smoothing Adjustor. The Plan includes an overarching adjustment to create as smooth a rate path as possible for customers during the term of the Plan. This adjustment is established at the beginning of the Plan, based on a three-year forecast of (1) non-power costs, (2) power supply costs and revenue, (3) income taxes, plus (4) an estimated return on equity for each year of the Plan. Based on this overall three year forecasted cost of service a "Projected Smoothed Rate" will be developed, providing the projected average rate path target for each fiscal year in the Plan that would be required to collect the then-forecasted revenue requirement at a uniform projected rate change percentage over all three years. A regulatory asset or liability account will be established at the beginning of the Plan based on this forecast to account for any adjustments to the forecasted costs or revenues in each fiscal year that are necessary to establish the "Projected Smoothed Rate." The regulatory asset or liability will reverse over the term of the Plan and will be zero at the end of the Plan. There will be no subsequent adjustments to the smoothing regulatory assets and liabilities identified at the inception of the Plan.

    The Projected Smoothed Rate will set the actual rate change in Year 1 (FY20), and will provide a projection of rates for Year 2 (FY21) and Year 3 (FY22). Because non-power costs are locked at the beginning of the Plan based a three-year forecast, any changes in the actual Year 2 or Year 3 rate from the projected smoothed rate will be based only on changes in annual power supply costs or revenue forecasts, any adjustment to return on equity under the formula established in the Plan, and any change to other costs dependent on these adjustments (income taxes, ADIT, and Fuel Gross Receipt taxes), plus any changes authorized by the PUC under other specific provisions in this Plan. The details of this mechanism are addressed further in Section V(F) below.

14. Innovative Pilot Program. The Innovative Pilot provision of the prior regulation plan continues through this Plan, as outlined in **Attachment 2**. New Innovative Pilots developed during the term of the Plan which are not already included in base rates (whether as an existing Pilot or subsequent tariff) shall not result in plant additions that result in any rate adjustments under this Plan, except insofar they are specifically requested to be included in base rates under the New Initiatives exception in Section IV(1)(A)(iv). In addition, GMP shall obtain PUC approval of any individual pilot program that is anticipated to exceed $5 million in capital investments prior to including any amount over $5 million in rate base. Changes in revenue or power supply cost that result from New Initiative programs will be included in adjustments made pursuant to the Retail Revenue Adjustor or the Power Supply Adjustor.

15. Climate Resiliency Plan (CRP). Notwithstanding the other provisions of this Plan, GMP may file a CRP during the term of the plan proposing additional capital expenditures and/or targeted operational & maintenance expenses for climate change mitigation or storm hardening of GMP's transmission and distribution system.

16. Innovation and Performance Metrics. Finally, overarching this Plan is the measurement of specific Innovation and Performance Metrics. These set forth clear metrics to measure GMP's performance on issues that matter to customers. These are addressed in Section VII below.

III. PROCESS FOR ESTABLISHING ANNUAL BASE RATES AND COMPONENTS THEREOF.

1. Timing for Annual Base Rate Filing: GMP shall file the Initial Annual Base Rate for fiscal year 2020 (FY20) with the Commission by June 1, 2019 or within two weeks of the PUC's approval of the Plan, whichever is later, . The Initial Annual Base Rate filing shall provide the Projected Smoothed Base Rate for all three years of the Plan, utilizing the rate smoothing methodology set out in Section V(F), below. This methodology shall set the annual base rate for FY20, and provide the projected rate for FY21 and FY22, which will still be subject to any annual adjustments authorized under the Plan in those years. Subsequent base rate filings shall be made on June 1 of each year and include the expected base rate adjustments for the following year of the plan, based on any annual adjustments authorized under the Plan, The Annual Base Rate Filing shall be accompanied by a narrative explanation of information reasonably needed to assist in understanding the filing.

2. Notice: The Annual Base Rate Filing shall be posted on the Company website at the time of filing, and the Company shall provide individual customer notice through bill notification of each period's Plan Base Rate Annual Adjustment when its request to effectuate those changes is filed.

3. Review and Approval: The proposed Annual Base Rate filing shall be subject to DPS review and comment (including independent expert review, as needed), and PUC approval. The Department shall file comments on the Company's Annual Base Rate Filings within 60 days of the filing. Final rates for the coming fiscal year shall be set by the PUC no less than 30 days prior to the start of the fiscal year.

4. Schedule for Filings: The schedule for all required filings under this Plan are identified in **Attachment 8**, including the Annual Base Rate filings discussed in this

section, Adjustor filings discussed in Section VI, and the Plan Evaluation discussed under Section VIII.

IV. ESTABLISHING COMPONENTS OF ANNUAL BASE RATES.

GMP's annual base rates shall consist of a locked smoothed non-power cost component, forecasted power supply, revenue and income tax components, which will each be refreshed annually based on updated forecasts, and a return on equity component, which will be adjusted annually based on an ROE formula set in the Plan.

At the beginning of the Plan, GMP will develop a Projected Smoothed Base Rate based on forecasts of each of these four components. Although only the non-power cost component will be locked, the purpose of this mechanism is to smooth out anticipated variation in overall rates to the extent possible at the start of the Plan.

As part of GMP's Initial Annual Base Rate Filing, GMP shall calculate the Projected Smoothed Base Rate for the term of the Plan. The Projected Smoothed Base Rate represents the projected average rate path target for each fiscal year in the Plan that would be required to collect the then-forecasted revenue requirement at a uniform projected rate change percentage over all three years.

The three-year forecasted cost of service will consist of:

(1) Non-power cost forecast for FY20, FY21, & FY22;
(2) Power supply & revenue forecast for FY20, FY21, & FY22
(3) Income tax, ADIT forecast for FY20, FY21 & FY22, plus
(4) 3-year estimated ROE.

Non-power costs shall be locked for the term of the Plan, based on the three-year forecasts provided with the Initial Annual Base Rate filing. The remaining costs shall be adjusted annually according to the Plan.

For each year of the Plan, rates will be set as follows:

- For FY20, the Annual Base Rate will equal the Projected Smoothed Base Rate for FY 20.

- Annual Base Rate filings for FY21 and FY22 will then adjust the Projected Smoothed Base Rate to account for annual adjustments authorized under the Plan. The FY21 and FY22 Annual Base Rate filings will refresh the power supply & revenue forecasts, income taxes & ADIT, and the adjustment for ROE provided by the formula established in the Plan, plus any other changes authorized by the PUC under the specific provisions of this Plan. These adjustments to the Projected Smoothed Base Rate will establish the final annual base rate for FY21 and FY22.

In setting the proposed Annual Base Rates for each fiscal year, the fixed and forecasted components of GMP's cost of service shall be established as follows, consistent with **Attachment 1**:

1. NON-POWER COSTS (FORECAST & FIXED FOR 3-YEAR PERIOD)

A. INFRASTRUCTURE COSTS (CAPITAL EXPENDITURES, DEPRECIATION, PROPERTY TAXES).

i. Capital Expenditures

Overall capital expenditures that are closed to Plant In Service during each fiscal year of the Plan shall be equal to the following amounts:

FY20 $86.5 million
FY21 $85 million
FY22 $85 million

Subject to the exceptions identified below in Sections IV(1)(A)(iv) –(vi), GMP shall only be entitled to include in rates and recover the amounts identified above during the term of the Plan. GMP will limit annual capital expenditures to the amounts listed above, although actual annual plant additions will vary from this amount based upon the timing of capital project completions and the closing of projects from the Construction Work in Progress balance and to the Plant in Service balance. To allow for this annual variation between capital spending and Plant in Service, cumulative plant additions will not exceed $256.5 million during the term of the Plan.

ii. Depreciation Costs

Depreciation costs shall be fixed for the term of the Plan based upon the projected plant in service balance at the beginning of the Plan, the expected annual plant additions, known retirements and changes in depreciation accrual rates resulting from a Depreciation Study. The depreciation amounts for FY 21 and FY 22 will include a forecast for changes associated with an updated depreciation study, which will be implemented in FY21.

iii. Property Taxes

Property taxes fixed based on a three-year forecast of expected property taxes, taking into account the fixed capital expenditures identified above. To the extent relevant, this forecast may only be adjusted to reflect any allowed capital expenditure exceptions approved by the PUC under Section IV(1)(A)(iv)-(vi).

iv. New Initiative Capital Expenditures

To the extent that GMP proposes capital investments for New Initiative projects above the annual $5M cap in the coming fiscal year, it shall file known and measurable documentation, including appropriate financial analysis, for the proposed expenditures in its Annual Base Rate filing. These projects shall be limited to transformative customer-facing energy projects that require an initial upfront capital investment by GMP and are forecasted to contribute a net positive benefit to non-participating customers through new sources of revenue and/or cost savings over the life of the program. They may include investments for programs authorized as an Innovative Pilot, traditional tariffed offerings, or other capital projects that qualify under this provision.

GMP shall petition the Commission, file support, and receive approval before spending more than $5M on any individual Innovative Pilot initiative that involves an anticipated commitment of capital it intends to include in rate base.

v. Unexpected Circumstances and Strategic Opportunities

GMP may petition the PUC for approval at any time during the Plan to spend above the authorized capital expenditure levels listed above and to include such expenditures in rates when unexpected circumstances require capital expenditures that are above the authorized level and when increased capital expenditures beyond the cap are needed to pursue new strategic opportunities that would provide material benefit customers.

Strategic opportunities here may include, but are not limited to, categories of investments that serve to better monitor, manage, and operate the distribution system for more effective integration of distributed energy systems and loads that were not reasonably anticipated at the onset of the GMP plan, but help to advance the objectives of GMP's system to better serve customer objectives for lower cost service and better integration of distributed energy resources.

In its petition for relief, GMP will bear the burden of demonstrating that the proposed departure from the established capital expenditure limits is in customers' best interests and will result in just and reasonable rates. Base rates may be adjusted at the next quarter after any approval for spending under this provision, or at the next Annual Base Rate filing, unless otherwise ordered by the Commission

vi. Climate Resiliency Plan:

Notwithstanding the other provisions of this Plan, GMP may file a CRP during the term of the plan proposing additional capital expenditures and/or operational & maintenance expenses for climate change mitigation or storm hardening of GMP's transmission and distribution system. In the event that GMP proposes such a plan during the term of the MYRP, it would be supported by analysis demonstrating why the additional expenditures are necessary, appropriate, and in the best interests of customers

B. OPERATIONS & MAINTENANCE COSTS.

GMP's Base O&M costs, as defined in Docket 7770, shall be recovered under this Plan consistent with the PUC order in Docket 7770. This amount shall be set at the beginning of the Plan, in the Initial Annual Base Rate filing by applying the CPI-U Northeast inflation factor to the platform Base O&M costs for FY20, and an estimate of the CPI-U Northeast for FY21 and FY22. Non-platform O&M Costs as defined in Docket 7770 shall be set for the term of the Plan based on a three-year forecast of costs.

C. FINANCING COSTS (DEBT).

i. Debt Costs

GMP's debt costs shall be fixed based on a three-year forecast of anticipated debt balances and costs for each fiscal year. The cost of debt will be based on forecasted long-term and credit facility borrowing balances and reflect any change in the average long-term debt interest rate due to redemption of existing bonds and issuance of new bonds. The average credit facility debt interest rate will be forecasted based on terms of GMP's credit facility. These estimated debt costs will be fixed for the term of the Plan, subject to any changes in debt levels necessitated by the PUC's approval of strategic investments or new innovative programs authorized under the Plan, which will be incorporated in the next Annual Base Rate update.

ii. Debt to Equity Ratio

GMP shall utilize a 50/50 debt to equity ratio plus or minus 1% in all forecasting under the Plan and shall also endeavor to adhere to that ratio in its operations. To the extent its actual operating ratio differs, GMP shall be subject to the Earnings Sharing Mechanism described below.

D. EARNINGS IN AFFLIATES.

Equity-in-earnings, continued investments in, and distribution of earnings, will be fixed based on a three-year forecast for the following Affiliated Companies that are currently in rates:

- Vermont Yankee Nuclear Power Corporation;
- Maine Yankee, Connecticut Yankee and Yankee Atomic;
- Green Lantern;
- NE Hydro Trans and NE Hydro Trans Electric;
- VELCO;
- VT Transco;
- JV Solar-Battery; and
- JV Solar

Any proposal to invest in new affiliates during the term of the Plan will require specific PUC approval. The request for approval will include a summary of the cost of service impacts and/or benefits of the proposed new affiliate investment.

E. OTHER COSTS & REVENUES

Categories of non-power costs and revenues not addressed by the components addressed in Sections IV(1)(A-D) shall be set for the term of the Plan based on the reviewed three-year forecast of those costs and revenues, as set forth in **Attachment 1**.

2. POWER SUPPLY COST AND RETAIL REVENUE (FORECASTED AND UPDATED ANNUALLY).

GMP's annual forecast of retail revenue and forecast of power costs shall be established using the following methodology: Annually, a third-party vendor (Itron, Inc., or a similar outside consultant with expertise in the field of energy forecasting both throughout the country and within Vermont) will provide GMP with a weather-normalized retail revenue forecast and GMP will prepare a power supply forecast based upon the provided retail revenue forecast. The revenue forecast will take into account such factors as historical data, projections about economic growth and efficiency improvements, company tariffs, impacts on retail revenue due to greater solar net metering, and any other known changes for the upcoming year. The power supply forecast will include expected expenses associated with serving the retail revenue load, including costs and wholesale market revenues related to energy, capacity, transmission, ancillary services, renewable energy credits, and Renewable Energy Standard compliance. These forecasted net expenses will reflect both GMP's production and purchased contract costs, along with interchanges with the wholesale power market. GMP shall provide to the Department of Public Service the retail revenue forecast and the power supply forecast promptly upon completion and at least 30 days prior to GMP's Annual Base Rate filing to facilitate the Department's review.

3. INCOME TAXES & RELATED COSTS (FORECASTED AND UPDATED ANNUALLY).

GMP will annually forecast State and Federal Income Taxes, ADIT, and Gross Revenue & Fuel Gross Receipt Taxes based on the other authorized adjustments in overall income or power costs. The forecast of these costs will be updated annually and filed with the Annual Base Rate Filing.

4. FINANCING COSTS - RETURN ON EQUITY (ANNUAL UPDATE BASED ON FORMULA).

GMP's return on equity will be updated annually based on the formula established in this Plan. In FY20, GMP's ROE shall be indexed off of the ROE for the 2019 rate period in Case No. 18-0974, which was set by the Commission at 9.3%. In each ensuing year, indexing shall occur off of the ROE in effect for the current year. The indexing shall be consistent with **Attachment 3.** Calculations showing the appropriate adjustment will be filed annually with the Annual Base Rate Filing.

V. DESCRIPTION OF RATE ADJUSTORS

The following rate adjustors shall be applied during the term of the Plan. The timing for filing and the effective date of each adjustor is also summarized separately in Section VI of the Plan.

A. RETAIL REVENUE ADJUSTOR & POWER SUPPLY ADJUSTOR

1. Retail Revenue Adjustor: The Retail Revenue Adjustor shall collect or return to customers, on a bills-rendered basis as described below, the difference between the actual retail revenue every Measurement Quarter and the forecasted retail revenue amount included in base rates for that quarter (the "Quarterly Retail Revenue Variance Amount"). The measurement periods, filing dates, and the collection/recovery periods are as follows:

Retail Revenue Adjustor	**Measurement Period**	**Filing Date**	**30 Day Review Period End Date**	**Start Customer Notice**	**Adjustor Collection Period**
FY 2020 - 2022					
Q1	Oct 1 -- Dec 31	Jan 30	Mar 1	Mar 2	Apr 1 -- Jun 30
Q2	Jan 1 -- Mar 31	Apr 30	May 30	Jun 1	Jul 1 -- Sept 30
Q3	Apr 1 -- Jun 30	Jul 30	Aug 30	Sep 1	Oct 1 -- Dec 31
Q4	Jul 1 -- Sept 30	Oct 30	Nov 30	Dec 1	Jan 1 -- Mar 31

2. Power Supply Adjustor: The Company's rates will be subject to a quarterly Power Supply Adjustor effective on a bills-rendered basis as described below. The Power Supply Adjustor shall be the difference between the actual power supply costs every Measurement Quarter and the forecasted power supply costs included in base rates for that quarter, as adjusted by Power Supply Efficiency Calculation

set forth below. The resulting figure is the "Quarterly Power Supply Variance Amount." The measurement periods, filing dates and the collection/recovery periods are as follows:

Power Supply Adjustor	Measurement Period	Filing Date	30 Day Review Period End Date	Start Customer Notice	Adjustor Collection Period
FY 2020 - 2022					
Q1	Oct 1 -- Dec 31	Jan 30	Mar 1	Mar 2	Apr 1 -- Jun 30
Q2	Jan 1 -- Mar 31	Apr 30	May 30	Jun 1	Jul 1 -- Sept 30
Q3	Apr 1 -- Jun 30	Jul 30	Aug 30	Sep 1	Oct 1 -- Dec 31
Q4	Jul 1 -- Sept 30	Oct 30	Nov 30	Dec 1	Jan 1 -- Mar 31

The Power Supply Adjustor Calculation shall be made as follows:

<u>Component A Quarterly Variance:</u> The Component A Quarterly Variance for each Measurement Quarter, is the dollar amount of any variation between (a) actual Component A Costs for the Measurement Quarter, and (b) the Component A Costs included in the Company's base rates for the corresponding quarter, and shall be summed with:

<u>Component B Quarterly Variance:</u> Calculated as follows:

a. The Component B Quarterly Variance for each Measurement Quarter is the dollar amount of any variation between (1) actual total Component B Costs for the Measurement Quarter, and (2) forecasted total Component B Costs included in the cost of service underlying the Company's base rates for the corresponding quarter, summed with the result of the Component B Cost Variance calculation.

b. The Component B Cost Variance calculation compares (a) the cost per kWh achieved during the Measurement Quarter (actual Component B Costs for the Measurement Quarter divided by actual retail kWh sales volumes, in kWh for that quarter); with (b) the cost per kWh benchmark (forecasted Component B costs for the Measurement Quarter divided by forecasted retail kWh sales volumes for that quarter) and multiplies the resulting variance (in $ per kWh) by actual retail sales in kWh for the Measurement Quarter. The Component B Cost Variance is then modified by the amounts that GMP will absorb or retain – specifically, all Component B Cost Variance up to the Component B Efficiency Band of +/- $150,000, plus 10% of any Component B Cost Variance outside of that Component B Efficiency Band.

A list of the Company's Component A and Component B power supply costs is attached as **Attachment 4**.

The Company shall maintain separate accounts for Component A and Component B costs. The Power Supply Adjustor shall be reported as described below, and then collected or returned to customers through an adjustment in rates in the quarter following each report filing.

3. <u>Collection of the Retail Revenue Adjustor and Power Supply Adjustor:</u> The Retail Revenue Adjustor and Power Supply Adjustor shall be applied to all kWhs billed by the Company for every customer of every rate class except street lighting rate classes. The quarterly adjustment associated with both the Retail Revenue Adjustor and the Power Supply Adjustor shall be filed as described in Section VI below. These adjustors will be calculated separately, as described above, but for purposes of reflecting these adjustors on customer bills, the Quarterly Retail

Revenue Variance Amount shall be netted with the Quarterly Power Supply Variance Amount, and the result shall be divided by the projected retail kWh sales during the Collection Quarter based on the Forecast Methodology as discussed in Section IV(2), to create one single positive or negative adjustment per kWh line item on customer bills representing the combined, overall collection or return associated with both Adjustors for the Collection Quarter (i.e., the Power Cost and Sales True Up). For accounting purposes, the quarterly variance amounts shall be deferred and amortized in the Collections Period in an amount equal to the revenue increases or decreases that recover or repay the amortized amount.

Over/under-collections of the combined Retail Revenue Adjustor and the Power Supply Adjustor, due to a variance between projected and actual revenues, shall be deferred and included in the next base rate filing

A sample calculation of the Retail Revenue Adjustor, the Power Supply Adjustor, and how those adjustors will be netted to create a single kWh return or collection on customer bills is attached as **Attachment 5**.

B. <u>EXOGENOUS CHANGE ADJUSTMENT</u>

The Exogenous Change Adjustment has three components, (1) Non-Storm Exogenous Changes (2) Exogenous Major Storm Changes during the Plan, and (3) collection of Prior Major Storm costs, which were incurred before the start of the Plan. Each item is described separately below.

1. <u>Exogenous Non-Storm Changes:</u> shall consist of material cost or revenue changes from the Annual Base Rate filing. Exogenous Non-Storm Changes shall be measured over each fiscal year. Cost or revenue changes are material if the aggregate amount in any measurement period exceeds \$1.2 million, and they

relate to the following:

1. Changes in tax laws that impact the Company.
2. Changes in Generally Accepted Accounting Principles.
3. Any Federal Energy Regulatory Commission or New England Independent System Operator rule, tariff or other changes affecting the Company and not a part of the Power Supply Adjustor.
4. Other regulatory, judicial or legislative changes affecting the Company.
5. Net loss of major customer(s) load not related to weather and not a part of the Retail Revenue Adjustor.
6. Major unplanned maintenance costs or investments, such as those incurred due to unexpected major maintenance (unrelated to storms) and major repairs to Company-owned power plants and not a part of the Power Supply Adjustor.

The $1.2 million for Exogenous Non-Storm changes is a threshold not a deductible. If the threshold is met the total incremental impact of the Exogenous Non-Storm Change will be reported 60 days after the end of each fiscal year, along with a proposal to collect costs or return revenues to customers. This may include proposing to offset the costs, or apply the revenue against, other annual adjustors in this Plan, or propose a plan to collect from, or return these benefits to customers separately through a line-item credit, as it has done for federal tax reform benefits as approved by the Commission in 2018 and the Company's 2019 base rate filing in Case No. 18-0974-TF.

2. <u>Exogenous Major Storm Changes:</u> shall consist of increased costs experienced by the Company relating to the incremental maintenance expenses incurred for Major Storms (as defined in the Company's Service Quality & Reliability Performance, Monitoring & Reporting Plan (the "SQRP")), and further defined as a storm that

causes the Company to incur incremental maintenance expenses in excess of $1.2 million.

This per-storm $1.2 million in maintenance costs is a threshold, which defines what qualifies as a "Major Storm," and is not a per-storm deductible.

To the extent the Company experiences one or more "Major Storms," in a fiscal year it may recover those costs from customers, minus a one-time annual $1.2 million deductible which is deducted from the total aggregate cost associated with all qualifying Major Storms in any given fiscal year. Once this annual $1.2 million deductible is met in any fiscal year, GMP will collect cost associated with Major Storms that occur during the term of the Plan on a quarterly basis. In the quarter following the qualifying storm, GMP will file a report documenting costs associated with all Major Storm costs above the $1.2 million annual deductible that occurred in that quarter, and will propose a line item charge sufficient to collect those costs in the next quarter (second quarter after the storm(s)). Subject to DPS review and PUC approval, the line item surcharge will go into effect in the second quarter after the storm event (i.e., storm occurring in January, would be reported 30 days from end of first quarter, and if approved, collection would commence on July 1).

3. Prior Major Storm Costs. Existing Exogenous Major Storm Costs for storms occurring prior to the start of the Plan presently total approximately $24 million ("Prior Major Storm Costs"). GMP will collect these Prior Major Storm Costs through a separate line item on the bill on a surcharge percentage basis, in a total amount of $8 million annually from customers in all customer classes, in order to retire the existing balance by the end of the 3-year Plan.

C. MERGER SAVINGS ADJUSTMENT

The Merger Savings Adjustment shall reflect the rate treatment of the merger savings O&M platform approved by the Commission in Docket 7770 and incorporated into the three-year forecast of all non-power costs set at the beginning of this Plan. The Company shall file the Merger Savings Report with supporting cost documentation, 60 days following the end of the fiscal year, and any over or under collection of actual savings will be returned or collect as ordered by the Commission.

D. EARNINGS SHARING ADJUSTOR MECHANISM

Commencing on October 1, 2019, the Company's rates will be subject to an Earnings Sharing Adjustor for each rate period during the Plan term. No later than 60 days after the end of each fiscal year ("ESAM Measurement Period"), the Company shall file with the Commission and Department its Actual Earnings for the ESAM Measurement Period, the proposed Earnings Sharing Adjustor calculation and supporting information. The Earnings Sharing Adjustor will be returned to/collected from customers in an adjustment as described below that goes into effect April 1 of each rate period as a separate line-item on customer bills. Actual Earnings will be calculated on a regulatory basis based on the same methodology as the earnings cap calculation reflected in the PUC's Order in Docket Nos. 6946/6988 (*i.e.,* exclude the Company's disallowed costs and results of unregulated operations (but business services shall be included in cost of service)). Actual Earnings shall include the earnings impact of the adjustments under this Plan but shall not include the earnings impact of shareholder merger-related adjustments to Base O&M Costs. The Variance Amount (as defined below) shall be deferred and amortized during the following base rate year ("ESAM Adjustment Period").

The Earnings Sharing Adjustor shall be calculated as follows:

1. Calculation of Variance Amount:
   i. If Actual Earnings reflect an ROE that is within a range equal to 50 basis points below and 50 basis points above the Board-approved ROE during the ESAM Measurement Period, there will be no Earnings Sharing Adjustor. This +/- 50 basis point band is the ESAM Efficiency Band.
   ii. If Actual Earnings reflect an ROE that is 50 to 100 basis points above or below Board-approved ROE, 50% of the revenue impact of the lower earnings is collected from, or 50% of the revenue benefit of the higher earnings is returned to, customers in the Earnings Sharing Adjustor. This +/- 50 to 100 basis point band is the ESAM Sharing Band.
   iii. If Actual Earnings reflect an ROE that is 101 or more basis points below or above the Board-approved ROE, the entire revenue impact or benefit flows to customers in the Earnings Sharing Adjustor.

2. Calculation and Collection of Earnings Sharing Adjustor:

   i. The Earnings Sharing Adjustor shall be a positive or negative fraction equal to
      a. the total dollar Variance Amount derived in Section V(D)(1) above, divided by
      b. projected revenues from Company charges during the ESA Adjustment Period, based on the Forecast Methodology.
   ii. The Earnings Sharing Adjustor fraction shall be applied to the revenue from each rate element for each rate class.
   iii. Over/under-collections of the Earnings Sharing Adjustor, due to a variance between projected and actual revenues, shall be deferred and included in the next base rate filing.

A sample calculation is attached as **Attachment 6**.

E. EMERALD ASH BORER ASSESSMENT & ADJUSTOR.

The Plan establishes a separate line item assessment and associated adjustor to collect costs related to addressing reliability and safety issues caused by the infestation of the invasive Emerald Ash Borer, which has recently been confirmed in Vermont. GMP will be implementing an EAB Mitigation Plan to proactively remove ash trees in power line corridors that are confirmed to have EABs infestations or are at high risk of EAB infestation. The annual assessment to cover this work will be $1.2 million in each fiscal year, which will be collected through a separate line item on customer bills. Within 60 days following each fiscal year, GMP shall file an annual report on actual EAB expenditures under the mitigation plan, and identify any returns or collections necessitated by changes in the infestation spread rate which will be collected or returned through an adjustment to the EAB line item assessment. This adjustment shall be subject to DPS review and PUC approval prior to implementation, and would be incorporated into rates immediately upon PUC approval.

F. RATE SMOOTHING ADJUSTOR.

The Rate Smoothing Adjustor (RSA) shall be established at the beginning of the Plan based on a three-year forecast of (1) non-power costs, (2) power supply costs and revenue, and (3) income taxes, and (4) an estimated return on equity for each year of the Plan. Based on this forecast, The RSA shall establish an annual amount that is either added to or subtracted from the forecasted revenue requirement of FY20, FY21, or FY22, in order to set a Projected Smoothed Base Rate for each fiscal year. The Projected Smoothed Base Rate represents the projected average rate path target for each fiscal year in the Plan that would be required to collect the then-forecasted revenue requirement at a uniform projected rate change percentage over all three years.

Together with the RSA, a regulatory asset or liability account will be established at the beginning of the Plan based on this forecast to account for any adjustments to the forecasted costs or revenues in each fiscal year that are necessary to establish the "Projected Smoothed Rate." The regulatory asset or liability will reverse over the term of the Plan and will be zero at the end of the Plan.

G. RESIDUAL ADJUSTMENTS

The collection/return of all Adjustors under this Plan shall continue beyond the term of the Plan as allowed by this Plan or otherwise ordered by the Commission. Any over/under collection for any Adjustor under this Plan remaining at the end of its term and not yet subject to a Commission order regarding its collection or return shall be deferred and addressed in the Company's next base rate case.

VI. SCHEDULE FOR FILING ADJUSTORS; NOTICE AND REVIEW OF ADJUSTOR FILINGS

Each Adjustor listed above shall be filed in accordance with the following schedule:

1. Retail Revenue Adjustor & Power Supply Adjustor – Within 30 days of the close of the quarter, GMP shall file documentation showing the calculations of each adjustor, subject to review and comment by the Department. The Adjustors shall go into effect the first day of the second quarter following the relevant quarterly measurement period.

   The Retail Revenue Adjustor and Power Supply Adjustor are not subject to Commission suspension, but the Commission may open an investigation and to the extent it finds, after notice and hearing, that the calculation was inaccurate or reflected costs inappropriate for inclusion in rates, it may require a correction as necessary.

2. Exogenous Non-Storm Change Adjustment & Earnings Sharing Adjustment Mechanism – Within 60 days after the end of each measurement period, calculations associated with both the Exogenous Non-Storm Change Adjustor and the Earning Sharing Adjustor shall be filed and subject to review and comment by the Department. The Commission shall approve the proposed adjustments no later than 45 days prior to April 1 of the following year, so that the Exogenous Non-Storm Change Adjustor and Earnings Sharing Adjustor amount can be reflected as separate line items on customer bills for the ensuing 12 months, unless otherwise ordered by the Commission, commencing April 1 of each year.

3. Exogenous Major Storm Adjustors – Within 30 days of the close of the quarter, GMP shall file documentation showing the cost of any Major Storm costs above the $1.2 million annual deductible that occurred in the measurement quarter, and show calculations for collection of Major Storm costs in the following quarter, subject to review and comment by the Department. The Exogenous Major Storm Adjustor shall go into effect the first day of the second quarter following the relevant quarterly measurement period.

4. Merger Savings Adjustment Report – the Merger Savings Adjustment Report shall be filed no later than 60 days after the end of the fiscal year.

5. EAB Adjustor. The $1.2 million annual assessment will go into effect starting with rates in FY20 through a separate line item on customer bills. Within 60 days following each fiscal year, GMP shall file an annual report on actual EAB expenditures under the mitigation plan, and identify any returns or collections necessitated by changes in the infestation spread rate which will be collected or returned through an adjustment to the EAB line

item assessment. This adjustment shall be subject to DPS review and PUC approval prior to implementation, and would be incorporated into rates immediately upon PUC approval.

VII. INNOVATION AND PERFORMANCE METRICS

A. INNOVATIVE PILOT PROGRAM

The Innovative Pilot provision of the prior regulation plan continues through this plan, as outlined in **Attachment 2**. New Innovative Pilots developed during the term of the Plan that are not already included in base rates (whether as an existing Pilot or subsequent tariff) shall not result in any plant additions that cause rate adjustments under this Plan, except insofar they are specifically requested to be included in base rates under the New Initiatives exception in Section IV(1)(A)(iv). Any changes to revenue or power supply cost that result from New Initiative programs will be included in adjustments made pursuant to the Retail Revenue Adjustor or the Power Supply Adjustor.

B. VERMONT ENERGY PLAN INVESTMENT

The Company shall continue to support Vermont's statewide energy goals by advancing promising technologies (e.g. electric vehicles, heat pumps, energy storage, solar power, etc.) and by exploring new services to facilitate efficient, low carbon energy choices by electric customers and consistent with least cost principles.

C. SERVICE CHOICES

The Company will continue to work with the Department to explore and implement additional innovative service choices, including as the result of the implementation of advanced automated meter reading technologies and infrastructure.

D. SERVICE QUALITY

The Company's Service Quality & Reliability Performance Monitoring and Reporting Plan ("SQRP"), as it may be amended from time to time, is hereby incorporated into and made a part of this Plan.

E. INNOVATION & PERFORMANCE MEASUREMENT METRICS

The Company shall measure and annually report on the Innovation and Performance Metrics identified in **Attachment 7**. These metrics shall be measured on a fiscal year basis and will be provided for purposes of tracking only. There will be no penalties or incentives associated with tracking these metrics during the term of the Plan. An annual report on these metrics shall be provided by at the same time as GMP's annual Plan Evaluation under Section VIII (B) below.

VIII. OTHER PLAN COMPONENTS

A. LOW INCOME

The Company shall match contributions by its customers to the Company's Warmth Program, and the amount of the Company's match shall not be included in rates. In addition, The Company will contribute 5% of any excess earned utility net income above the allowed utility net income to its low-income customer support programs, after consultation with the Department of Public Service and its Consumer Affairs division.

B. PLAN EVALUATION

Beginning January 30, 2021 and each year thereafter under the Plan, the Company shall file a report with the Commission and Department evaluating the effectiveness of the Plan's performance in achieving the goals of 30 V.S.A. § 218d. The evaluation shall include the performance of the plan relative to the innovative and performance metrics set out in Section VII, and an update to the Action Plan included in the most recently filed Integrated Resource Plan ("IRP"). In advance of filing the reports, the Company shall confer with the Department with respect to the measurement criteria to be used in the reports. The Company will continue to use the criteria jointly agreed-upon with the Department in the annual reports assessing the Plan's effectiveness.

IX. LIMITATIONS ON OTHER RATE CHANGES.

No general rate adjustment other than described herein will be implemented between October 1, 2019 and September 30, 2022, except that the Company may seek temporary rate increases pursuant to 30 V.S.A. § 226(a) and the Company may file modified or new tariffs for new services and adjustments on a revenue-neutral basis subject to Commission approval pursuant to 30 V.S.A. §§ 225, 226, 227. The Company may also file non-tariffed proposals for Innovative Pilot products or services beyond the basic sale of electricity that are consistent with Vermont state energy policy, subject to Commission approval pursuant to the process set out in **Attachment 2**. Nothing herein shall preclude the Department from requesting a Commission Order requiring that a new or existing Innovative Pilot be offered through a tariff.

X. MISCELLANEOUS

A. During the term of the Plan, the application of Title 30, including 30 V.S.A. §§ 218(a), 225, 226, 227 and 229, to GMP shall be modified by the provisions of the

Plan and the Commission order approving the Plan.

B. The Company shall continue to file concurrently with each Adjustor filing the type of documentation it has previously filed under prior regulation plans with respect to each type of filing.

C. The Company shall describe the Plan in a separate mailing at least one month prior the first rate adjustment under the Plan and shall work with the Department in the development of customer communications and materials to be provided to customers. The Company will also hold twice yearly meetings with customers, one in its northern service territory and one in its southern service territory, to answer questions and review its performance under the Plan, including a discussion of the innovation and performance metrics tracked under the Plan.

D. Nothing in the Plan will be interpreted as preventing the Department from requesting a Commission investigation into the Company's rates or the Commission from undertaking such an investigation. The retroactive effect of any such investigation, shall be consistent with 30 V.S.A. § 227(b).