

**STATE OF VERMONT  
PUBLIC UTILITY COMMISSION**

Petition of Green Mountain Power Corporation        )  
for modification of GMP’s Multi-Year Regulation    )  
Plan under 30 V.S.A. § 218d and approval of        )  
FY22 New Initiative Investments                        )  
Case No. 21-\_\_\_\_-PET

**PREFILED DIRECT TESTIMONY  
OF EDDIE RYAN  
ON BEHALF OF  
GREEN MOUNTAIN POWER**

June 1, 2021

**Summary of Testimony**

Mr. Ryan’s testimony summarizes the narrow modification GMP is proposing to its Multi-Year Regulation Plan (“MYRP” or “Plan”) to authorize an additional equity investment in Vermont Transco LLC (“VT Transco”) that all Distribution Utilities are making, and to adjust equity in earnings from VT Transco for this additional investment and for the impacts of certain Accumulated Deferred Income Taxes (“ADIT”) adjustments VT Transco will be recording in Fiscal Year 2022 (FY22), which when taken together result in a small decrease in the FY22 cost of service for customers. He also introduces GMP’s request for approval for New Initiative investments under the relevant provisions of the Plan, which are described further by Mr. Castonguay.

**Exhibit List**

- Exhibit GMP-ER-1 – Second Amended MYRP (Redline)
- Exhibit GMP-ER-2 – Summary of VT Transco Impacts
- Exhibit GMP-ER-3 – Cumulative Incremental GMP Cost of Service  
Impact of VT Transco Issuing Membership Equity  
Instead of Long-Term Debt (2022-2026)

**PREFILED DIRECT TESTIMONY OF  
EDDIE RYAN  
ON BEHALF OF GREEN MOUNTAIN POWER**

**I. Introduction**

1 **Q1. Please state your name and occupation.**

2 A1. My name is Eddie Ryan. I am employed by Green Mountain Power (“GMP”) as  
3 Controller.

4 **Q2. Please describe your educational and business background.**

5 A2. I received a master’s degree in Business Administration in 1992 from the University of  
6 Vermont. I also hold a Bachelor of Arts degree from Castleton State College with a  
7 concentration in Accounting and have successfully passed the Vermont Certified Public  
8 Accountant and Certified Internal Auditor exams. I have worked in the accounting field  
9 for over 30 years.

10 **Q3. Have you previously testified before the Public Utility Commission (“Commission”  
11 or “PUC”)?**

12 A3. Yes, I have provided testimony before the Commission in Docket Nos. 5701/5724, 5863,  
13 6120, 6300, 7162, 7191, 7210, 7612, 7660, 7770, 8190, 17-3112-INV, 18-0974-TF, 18-  
14 1633-PET, 20-0276-PET, 19-3537-TF, 19-3167-TF, 20-1401-PET, 21-1107-PET, and  
15 21-1109-PET. I have also presented testimony before the New Hampshire Public  
16 Utilities Commission on behalf of Central Vermont Public Service Corporation’s former

1 New Hampshire subsidiary, Connecticut Valley Electric Company (“CVEC”), in Docket  
2 DR 20 96-170, a petition for an increase in base rates by CVEC.

3 **Q4. What is the purpose of your testimony?**

4 A4. The purpose of my testimony is to describe the narrow modifications GMP is proposing  
5 to our existing MYRP to authorize an additional equity investment in VT Transco being  
6 made by all Distribution Utilities and to adjust equity in earnings from VT Transco for  
7 this additional investment and for the impacts of certain Accumulated Deferred Income  
8 Taxes (“ADIT”) adjustments VT Transco will be recording in FY22. There will be  
9 various small cost of service impacts associated with these changes to items such as  
10 income taxes, Transmission by Others Expense, and return on rate base, all of which are  
11 permitted to be updated under the provisions of the MYRP. The combined impact of  
12 these changes is a small decrease in the FY22 cost of service for customers. I also briefly  
13 describe the additional investments GMP is seeking in FY22 under the New Initiative  
14 provision of the MYRP to allow GMP to continue investments in its popular tariffed ESS  
15 battery program, as described further in the testimony of Joshua Castonguay.

16 **Q5. To start, can you provide a brief overview of GMP’s current MYRP?**

17 A5. Yes. As the Commission is aware, GMP is currently operating under an MYRP approved  
18 by the Commission in Case No. 18-1633-PET on May 24, 2019, and amended in Case  
19 No. 20-1401-PET. The Plan was authorized under 30 V.S.A. § 218d following two  
20 traditional rate cases and a year-long review. It establishes the process by which GMP

1 sets rates for three years, commencing in FY20. The Plan combines a clear and  
2 transparent approach to lock a large percentage of costs for customers over its life,  
3 subject to certain exceptions, with reasonable mechanisms to track and adjust other  
4 variable costs. The Plan therefore balances the desire for certainty in the overall rate path  
5 with the need for flexibility to confront the rapidly changing energy landscape.

6 With respect to the issues raised in the present Petition, the Plan locked certain  
7 categories of GMP's cost of service over the three-year period, including GMP's  
8 investment in, and equity in earnings from, affiliated entities, such as VT Transco, and  
9 also locked GMP's overall investments during the Plan subject to certain exceptions.  
10 These exceptions included changes to investments for innovative projects, called New  
11 Initiatives under the Plan. GMP is seeking a narrow modification of the investment in  
12 affiliates and equity in earnings component of the Plan to account for the new VT  
13 Transco equity call, and for approval for additional New Initiative investments in FY22.

14 **Q6. Can you summarize the proposed Plan modification GMP seeks related to the VT**  
15 **Transco equity investment and earnings?**

16 A6. GMP is seeking to modify Section IV(A)(4) of the Plan, which presently limits equity  
17 investments in and earnings from affiliates, including VT Transco, to the amounts  
18 forecasted in our original three-year forecast, filed in June of 2019. Although the Plan as  
19 drafted includes a mechanism to authorize investments in *new* affiliates, this mechanism

1 does not directly address investment in existing affiliates, such as VT Transco.<sup>1</sup> As a  
2 result, in order to respond to VT Transco's most recent equity call, which was not  
3 planned at the time of GMP's original three-year forecast in 2019, we need to seek a  
4 narrow modification of the Plan to authorize including the impacts of this investment in  
5 GMP's FY22 cost of service. VT Transco is also planning to record two ADIT entries in  
6 FY22 which were also not reflected in their original forecast. This modification will also  
7 allow these changes to be reflected in the FY22 cost of service. I have attached a redline  
8 version of the Plan indicating the specific modifications we are proposing to address this  
9 and other issues covered in my testimony, which is attached as **Exh. GMP-ER-1** –  
10 Second Amended MYRP (Redline).

11 **Q7. Why is GMP requesting this modification?**

12 A7. **Exh. GMP-ER-2** summarizes the FY22 cost of service impacts of the additional VT  
13 Transco investment and the two ADIT adjustments previously mentioned in my  
14 testimony. As you can see from this exhibit, all three items impact Transmission by  
15 Others Expense. The MYRP as currently designed requires these Transmission by  
16 Others Expense impacts to be incorporated into the FY22 cost of service through the  
17 annual forecast refresh mechanism, but would not allow GMP to update its equity  
18 investment in VT Transco or flow the benefits of that additional investment through to

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<sup>1</sup> This may have been an oversight in the Plan drafting—the Plan's intent was to limit investments in new affiliates (based upon discussion of GMP's previous joint venture projects), but there does not appear in the record any intention to exclude additional investments in VT Transco, the inclusion of which produces a net benefit to customers.

1 customers in the equity in earnings of affiliates line item. The result of this mismatch is  
2 that customers would see expense increases but would not see other partially offsetting  
3 benefits incorporated into FY22 base rates. The intent of the requested narrow  
4 modification is to avoid having the cost paid by customers without the benefits also  
5 flowing to them, and instead allow the full effect of these items, including benefits, to be  
6 reflected in the FY22 cost of service. As indicated in **Exh. GMP-ER-2**, the combined  
7 cost of service impacts of these items addressed by this modification result in a decrease  
8 of 0.18%. Without approval of these modifications, the cost of service would decrease  
9 by 0.12%.

10 **Q8. Please describe the additional VT Transco equity investment in more detail.**

11 A8. VT Transco's initial three-year forecast under the MYRP assumed VT Transco would  
12 raise \$40M of additional capital in June 2021 by issuing long-term debt. VT Transco  
13 subsequently determined it was in the long-term best interest of customers to raise the  
14 additional capital by issuing members equity instead of long-term debt, and to issue the  
15 additional members equity in December 2021. VT Transco's latest forecast now reflects  
16 \$40M of members' equity being issued in December 2021. Although, as shown in **Exh.**  
17 **GMP-ER-2**, the FY22 cost of service impact of issuing this equity is a small increase to  
18 the cost of service, this increase will be more than offset by cost of service decreases in  
19 subsequent years resulting in an overall benefit to customers (*See Exh. GMP-ER-3*).  
20 Over VT Transco's forecast time horizon, through 2026, the cumulative net benefit to  
21 GMP's customers is \$10.5M. The benefit to GMP's customers is expected to continue

1 beyond the 2026 forecast time horizon. Moreover, while there is a small impact on  
2 GMP's FY22 cost of service of 0.25%, as shown on **Exh. GMP-ER-2**, this is offset in  
3 this rate year by two other VT Transco adjustments related to ADIT, namely VT  
4 Transco's ADIT reconciliation adjustment and its anticipated return of excess ADIT  
5 related to prior tax reform. GMP will manage this additional VT Transco investment  
6 within its existing capital structure.

7 **Q9. Please describe the return of VT Transco excess ADIT adjustment on Exh. GMP-**  
8 **ER-2 in more detail.**

9 A9. VT Transco's most current forecast assumes VT Transco receives Federal Energy  
10 Regulatory Commission ("FERC") approval in calendar year 2021 to return the 2020 and  
11 2021 catch-up excess ADIT amortization in December 2021, and to begin amortizing the  
12 remaining excess ADIT liability on a monthly basis beginning in January 2022. As  
13 shown on **Exh. GMP-ER-2**, the impact on GMP's FY22 cost of service is a decrease of  
14 0.46%. The monthly amortization of the remaining excess ADIT liability will also  
15 positively benefit future cost of service filings.

16 **Q10. The return of VT Transco Excess ADIT Adjustment on Exh. GMP-ER-2 shows an**  
17 **Excess ADIT Tax Credit. Does the Plan require a modification for this item?**

18 A10. No. This amortization is recorded to income tax expense which the Plan allows to be  
19 updated annually to reflect approved Plan changes.

20

1 **Q11. What happens if the FERC approval to return the VT Transco Excess ADIT is**  
2 **delayed?**

3 A11. VT Transco anticipates FERC will approve the return of its Excess ADIT in December of  
4 2021, which is why we have proposed a plan for incorporating this adjustment into FY22  
5 rates. However, a FERC delay in approving VT Transco's return of this Excess ADIT  
6 will delay the return of this benefit to customers and will result in higher Transmission by  
7 Others Expense which will flow through the Power Supply Adjustor until the return is  
8 approved by FERC, at which point this benefit will be returned to customers. GMP's  
9 Excess ADIT Tax Credit amortization is linked to and needs to remain in sync with VT  
10 Transco's Excess ADIT return. A FERC delay in returning the VT Transco's Excess  
11 ADIT will result in GMP delaying the amortization of its Excess ADIT Tax Credit until  
12 VT Transco is allowed by FERC to return its Excess ADIT. A delay in GMP's Excess  
13 ADIT Tax Credit amortization has no net impact on GMP's cost of service.

14 **Q12. Please describe the separate ADIT reconciliation adjustment on Exh. GMP-ER-2 in**  
15 **more detail.**

16 A12. VT Transco is also in the process of completing a reconciliation of its ADIT balances.  
17 As a result of this reconciliation, in October 2021 VT Transco expects to record an ADIT  
18 reconciliation adjustment on its books. As can be seen on **Exh. GMP-ER-2**, the impact  
19 this adjustment has on GMP's FY22 cost of service is immaterial. The Transmission by  
20 Others Expense and Equity in Earnings from VT Transco cost of service impacts go in  
21 the opposite direction, virtually offsetting each other.

1 **Q13. Finally, can you briefly describe the proposed additional New Initiative investments**  
2 **GMP is seeking for FY22?**

3 A13. Yes. As described further in Mr. Castonguay’s testimony, GMP is seeking approval for  
4 additional investments in FY22 under the New Initiative provision of the MYRP. This  
5 provision allows GMP to seek approval for capital investments above \$5M annually, or  
6 \$15M over the three-year term of the Plan.<sup>2</sup> In FY22, GMP anticipates \$10.6M in New  
7 Initiative capital investments, for a total of \$22.5M over three years. This level of  
8 investment is necessary to continue GMP’s approved and in-progress Energy Storage  
9 System (“ESS”) Tariff program, at the level of customer uptake we have experienced and  
10 as allowed in that tariff. As explained further by Mr. Castonguay, the requested  
11 additional investments would result in a small (0.09%) rate change in FY22, but would  
12 allow GMP to continue to produce net positive benefits for customers over the life of the  
13 program, to the benefit of all GMP customers.

14 **Q14. Does that conclude your testimony?**

15 A14. Yes, it does.

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<sup>2</sup> MYRP Section IV(A)(1)(iv).