Schedule A – Narrative Summary of Fiscal Year 2024 Annual Base Rate Filing under Green Mountain Power's Multi-Year Regulation Plan

Green Mountain Power (GMP) submits its Annual Base Rate Filing for Fiscal Year 2024 (FY24) pursuant to GMP's Multi-Year Regulation Plan (Plan).[1] The Plan was approved by the Public Utility PUC (PUC) on August 31, 2022, after a thorough review process, which involved public hearings, a technical workshop, extensive formal discovery by the Department of Public Service (DPS or Department), numerous experts, and an evidentiary hearing. In its approval order, the PUC concluded the Plan creates a fair and transparent process for setting GMP's rates and includes appropriate mechanisms to encourage further innovative efforts for GMP to help customers cut carbon and costs through programs that boost resiliency and increase local and renewable energy delivered through managed resources. Greater storm resilience for customers and communities also supports electrification and load management through the use of battery storage that deliver savings for all customers and helps meet the State's ambitious renewable energy and greenhouse gas reduction goals.

The Plan covers GMP's rates for the Fiscal Year periods of 2023–2026. The PUC conducted a full cost of service review for FY23 rates. FY24-26 rates are set each year based upon those components of the cost of service that are fixed throughout the Plan's term, along with the results for those elements that are annually refreshed or otherwise updated.[2]

This filing presents the annual smoothed rate base adjustment for FY24 which, if approved, will commence on October 1, 2023. The filing also includes updated forecasts for GMP's cost of service in FY25 and FY26 as required, in order to establish the Projected Smoothed Annual Base Rate for the Plan. These forecasts reflect the locked components already set in the Plan, along with updated ones as authorized in the Plan, including: updated annual power supply and revenue forecasts; adjustment to return on equity under the formula established in the Plan; updates to limited categories of elements that are subject to reforecast based on market-based information or third-party forecast; and discrete costs dependent on these adjustments (such as income tax).

Based on these updates and the rate smoothing mechanism in the Plan, GMP is requesting a rate change of 5.29% for FY24. As the Plan contemplates, FY25 and FY26 would be built off of this same projected rate, subject to updates creating adjustments each year, along with the additional optional smoothing provided in the Plan for FY25 and FY26.[3]

The overall change in rates reflected in these forecasts is primarily driven by significant economic and world events outside of GMP's control that have occurred since the last benchmark for GMP rates, which was set in late 2021 for the FY23 cost of service filing made January 18, 2022. Since then, the Russian invasion of Ukraine disrupted regional and global power markets, and lingering supply chain constraints from the pandemic resulted in overall inflationary pressures and escalating interest rates. These economic circumstances have affected all sectors, including energy.

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[1] Case No. 21-3707-PET.
[2] Plan at Section III & IV.
[3] Plan at Section V.

In spite of these volatile external market conditions, the overall structure of the Plan is working effectively as intended to moderate and smooth impacts for GMP customers. Implementation of the rate smoothing adjustor requires GMP to manage these pressures on its balance sheet and spread them out for customers while simultaneously achieving the best possible outcomes across its operations.

GMP is particularly focused on this given other external pressures, including among others: 1) the effects of high energy costs, reflected in the approximately $30M in excess Power Supply costs accrued to date; and 2) four major storms experienced in FY23 – which included three of the ten largest storms in GMP's history – requiring immediate response to ensure safe and reliable service. These storms incurred costs over $34M above the major storm fund already in place. These items – along with other regulatory amounts GMP carries such as the rate smoothing component of the Plan – have significantly changed GMP's liquidity from a year ago and will require vigilance to ensure continued financial strength for customers. Fortunately, as was true during the pandemic, the Plan creates flexibility to seek PUC guidance and approval for changes such as these to meet unprecedented events.

As is practice, GMP will continue to find ways to reduce rates for customers during the remaining years of the Plan while staying strong operationally so that we continue to deliver safe, reliable, clean, and cost-effective service for customers.

I. Details of the FY24 Base Rate Filing

Many of GMP's non-power costs have been locked for the remaining three-year term of the Plan, based on the forecasts provided as part of the FY23 Rate Case and Plan proceeding. The items in the Plan that are subject to annual reforecast or readjustment include: 1) power supply costs; 2) retail revenue; 3) certain operating and maintenance (O&M) costs; and 4) return on equity (ROE) and associated income taxes changes based on other authorized adjustments. In addition, debt costs over the last three years of the Plan are locked based on the updated forecast provided in this filing.

Here are the details of the primary components of the FY24 base rates that are subject to annual reforecast or updating:

1. **Power Costs.** See Schedule C (Cost of Service). The primary driver of power supply increases is the change in energy markets from the time the last benchmark was set (in late 2021). The Russian invasion of Ukraine, concerns over winter fuel supply in Europe, and inflationary pressures throughout the economy and across the globe drove energy market prices to unexpected highs in 2022. While recent months have seen some moderation, forward base energy market prices remain significantly higher than our last rate filing. Energy market prices and inflation also impact the pricing formulas in our largest power purchase agreements that contain annual adjustments and impacts results for other energy-tied items such as balancing transactions, congestion, and line losses. GMP's largely hedged position and Vermont's long-

standing policy to support long-term stable contracts mitigated these upward pressures.

In keeping with our current FY23 base power portfolio benchmark, our FY24 base rate filing does not include the two-year ISO-New England cost-of-service contract for the Mystic generating station that commenced last summer and will expire June of 2024. Throughout FY23, the month-to-month charges imposed by the regional Mystic contract have been volatile and unpredictable because the Mystic charges are driven primarily by the netting of two highly variable quantities: the cost of liquefied natural gas (LNG) purchases at the Everett Marine Terminal and the revenues that those purchases generate through resales of natural gas and generation of power at Mystic. In addition, some of the specific drivers of the costs, like volumes of LNG purchases and pricing terms are not transparent to customers paying for these decisions through their utilities, or to the utilities themselves. For these reasons there would be no reliable, known measurement upon which to build such costs into base rates. To date, the effects of the Mystic contract have been smoothed for customers via the power supply adjustor. In this filing, GMP is continuing that treatment for the duration of the contract through next June of 2024. GMP has provided quarterly accounting related to these costs in its power supply adjustor filings and continues to engage with DPS, VELCO, ISO-NE, and other regional stakeholders on the effects of this required capacity contract on customers, the decisions the operator has made, and the communication by ISO-NE regarding these imposed charges.

While the terms of the underlying LNG purchases are not publicly known, there is reason to hope that the Mystic charges could decline in the second contract year – particularly if the Everett Marine Terminal is able to benefit from observed declines in Atlantic LNG prices and did not irresponsibly lock in two-year fixed price commitments upfront at a time of extremely high prices.

2. **Retail Revenue.** See Schedules C (Cost of Service) & F (ITRON Forecast). GMP's retail revenue for FY24 is prepared by a third party, ITRON. This forecast reflects load and revenue growth for FY24 compared to FY23. As described in ITRON's report, the pandemic resulted in an increase in residential sales but a drop in commercial & industrial ("C&I") sales, particularly for small C&I, as work and education shifted from offices and campuses to homes. The FY24 forecast continues to show some of these structural changes, with increased residential sales and C&I projected to remain flat. On the residential side, ITRON also reports that electrification efforts are beginning to contribute to the overall growth in sales, particularly as heat pump installations in GMP's service territory increase. Based on ITRON forecasts, GMP is projecting a $17M increase in retail revenue in FY24 compared with the amount in FY23 rates, which benefits all customers.

3. **Updated O&M Costs.** A significant portion of GMP's operational costs were locked for the term of the Plan. Those components that are not locked are updated annually

either through a formulaic inflation adjustment using the CPI-U NE inflation factor, or for those costs that are largely outside of GMP's control, updated forecasts based on outside expert information on expected FY24 costs. Formulaic updates include among other things, pole inspections, non-major storm costs, field operations expenses like the underground outage prevention program, and some administration and general costs not included in the other O&M categories. For FY24, the actual change in the CPI-NE for the twelve months ending March 31, 2023 is 4.3%, which is the inflation factor used in this filing for these categories. Re-forecasted costs include healthcare, insurance, and pension costs (based on third party forecasts), which have been incorporated into this filing. Combined, these re-forecasted O&M cost categories represent a 1.01% increase over FY23 costs.

4. **ROE.** See Schedule E (Capital Structure). Under Section IV(D) of the Plan, the ROE is adjusted by a long-standing set formula, measuring the change in the daily average yield of the 10-year Treasury Note between February 15 and May 15, compared to the same period at last review. GMP's existing authorized ROE is then adjusted by 50% of the change in the average daily yield during the measurement period to establish the FY24 ROE.[4] The ROE was last set by this methodology in 2021 for FY22 rates because the ROE was held flat in the FY23 cost of service review without application of the formula. Since that time, the long period of low inflation ended; this and the other world and economic events described elsewhere created an increase in the 10-Year Treasury Note yield. Under the approved ROE formula, the ROE for FY23 will be 9.58%, returning to a level similar to those set in the FY14-FY15 time period and still among the lower ROEs for similar utilities nationwide.

5. **Updated Debt Financing Costs.** Overall capital investment and debt levels were set and locked during the term of the Plan, subject only to any changes in debt levels resulting from the PUC's approval of additional expenditures under the terms of this Plan. Financing costs over FY24-FY26 are to be locked based on the updated forecast filed with this FY24 Annual Base Rate Filing.[5] As reflected on Schedule E, GMP is forecasting an average cost of debt (taking into account both short and long-term debt) of 4.20% in FY24, 4.14% in FY25 and 4.15% in FY26.

6. **Climate Plan and Broadband Deployment Rider Projects.** The FY24 filing includes the final year of GMP's initial Climate Plan projects as approved by the PUC. These projects benefit customers by investing in system resiliency to address the increased severity and damage caused by climate change driven storms. The projects included in this filing were completed between October 1, 2021 and September 30 2022, and are already providing benefits to customers. The projects were previously reported to the PUC in GMP's Final Climate Plan Report, filed November 30, 2022, and are summarized again in Schedule I. Because of the long

[4] Plan at Attachment 3 (ROE Formula).

[5] Plan at Section IV(3).

useful life of these projects, their rate effect is spread over many years. GMP seeks to include $1.5M in incremental impact, or 0.22%, over FY23 rates for these beneficial projects.

This filing similarly includes the second year of projects implemented under GMP's approved Temporary Unserved Locations Broadband Deployment Rider, which facilitates broadband connection for the hardest to serve customers, thereby enabling greater participation in GMP's innovative programs and creating grid benefits for all. Like our Climate Projects, these investments have a similarly long life; the filing includes $0.2M in incremental expense, or 0.02% addition in rates compared to FY23. The pace of these projects is increasing and GMP looks forward to continuing to help this critical initiative in the years ahead.

7. **Energy Storage System (ESS) reconciliation.** In Case No. 22-0175-TF, the PUC authorized GMP to complete in FY23 capital investments under GMP's innovative ESS program that were originally planned for FY22 but were impacted by supply-chain and logistical delivery issues continuing from the pandemic. GMP's Plan calls for a report on the status of these FY23 installations, along with a proposal for any cost of service true-up associated with the timing of installation.[6] GMP is on track to complete this additional spending in FY23 and, as outlined in Schedule G, has proposed the return in FY24 of a small regulatory liability ($0.6M) to reconcile the timing difference for customers due to the revised in-service dates for these systems.

These items with the smoothing adjustment represent in aggregate a 5.29% rate change in FY24, as detailed on Schedule A-1. A summary of each of the schedules provided with this filing is attached as Schedule A-2.

II. Public Review and Approval Process

GMP will provide customer notice of this filing and the proposed base rate change on customers' bills starting in June 2023, as soon as the notice is approved. This filing has been posted to GMP's website; the Plan and other associated filings are also linked on GMP's website. In addition, GMP will schedule another bi-annual public meeting open to all customers in-person and carried live on Facebook, which will include an opportunity to answer questions related to the Plan and proposed rate changes.

The Department received preliminary power supply and retail revenue forecasts on May 1, 2023, as required by the Plan. GMP also provided the Department with its analysis of the limited number of long-term, low-value contracts that are fixed for the term of the Plan and why these do not require any adjustments to the Plan or forecasts, as required by the Final Order in Case Nos. 21-3707-PET and 22-0175-TF. Under the Plan, the

[6] Plan at Section VIII(G).

Department will provide its comments and recommendations to the PUC within 60 days of this filing, after seeking any further information required from GMP.

GMP looks forward to answering any questions the PUC may have as it reviews this filing. GMP respectfully requests approval of this filing no later than September 1, 2023, as set forth in the Plan, so there is sufficient time to implement by October 1, 2023.

Schedule A-1 – Comparison of Fiscal Year 2023 vs. Fiscal Year 2024 Projections

Below is a summary of the drivers of the changes in Fiscal Year 2024 (FY24) base rates compared to the existing Fiscal Year 2023 (FY23) base rates, as approved by the Public Utility Commission in its Order Setting Base Rates for FY23, issued August 31, 2022 in Case No. 22-0175-TF. FY24 Base Rates have been developed consistent with GMP's existing Multi-Year Regulation Plan (MYRP), as approved by the Commission in Case No. 21-3707-PET.

Summary of Changes between Approved FY23 Base Rate and Filed FY24 Base Rate			
	$ change (M)	% change	
Power Supply / Production	38.9	5.68%	Power Cost forecasted annually per MYRP. Changes result from updated costs and volumes from both contracted and market-based sources necessary to meet projected retail sales demand since time of last benchmark for rate review in late 2021, after which the war in Ukraine and a spike in inflation created higher energy markets resulting in higher energy balancing costs, indexed contract prices, fuel costs, and related items.
Transmission	2.1	0.30%	Transmission costs forecasted annually per MYRP. Modest year-over-year change results from slightly higher VELCO VTA expenses, and revenue requirement, based upon VELCO forecast and GMP review.
O&M	6.8	1.01%	Reflects combination of original forecasted; annually reforecasted; and inflation-adjusted changes between FY23 and FY24. Formulaic inflation factor of 4.3% applied to pertinent O&M components based upon CPI-U NE.
Depreciation, Amortization, and Property Taxes	1.9	0.27%	Reflects original forecasted changes between FY23 and FY24. Also contains related impacts of FY22 completed Climate Plan and Broadband projects as well as return of ESS regulatory liability for timing differences.
Return on Rate Base, including taxes	21.3	3.10%	ROE updated annually per approved formula. Result based on formula that sets ROE at 9.58%, along with corresponding tax amounts, rate base changes based upon original forecast, adjustments for additional VT Transco investment, related Climate Plan and Broadband project investments, and updated debt costs, all as per MYRP.
Transco Investment/Equity-in Earnings	-3.1	-0.45%	Updated per MYRP. Primary driver is VT Transco investment.
Revenue	-17.6	-2.58%	Updated per MYRP by Itron, Inc., reflecting the forecasted FY24 increase in retail sales since time of last benchmark.
Other Operating Revenue	0.6	0.09%	Reflects original forecasted change between FY23 and FY24.
Gross Receipts & Fuel Tax	0.7	0.12%	Updated as required by MYRP to reflect results of reforecasted Cost of Service.
Climate Plan	1.5	0.22%	Updated per Final Order in Case No. 20-0276-PET for completed projects.
Broadband Deployment Rider	0.2	0.02%	Updated per Final Order in Case No. 21-0546-PET for completed licenses.
Rate Smoothing Adjustor	-17.1	-2.49%	Calculated Initial Rate-Smoothing Mechanism as required by MYRP applied to Updated Forecasts.
FY24 Base Rate	**36.2**	**5.29%**	

Schedule A-2 – Summary of Supporting Schedules

This filing is supported by ten schedules, which provide details on the rate request and the authorized adjustments made under the MYRP.

- **Schedule A** provides an overview of the FY24 Annual Base Rate Filing and comparison of the FY24 Base Rate to the FY23 Base Rate currently in effect.
- **Schedule B** provides a summary of the FY24 Base Rate, together with the forecasted Projected Smoothed Base Rate for FY25 and FY26 (which are subject to updates creating adjustments each year, along with the additional optional smoothing provided in the Plan for FY25 and FY26).
- **Schedule C** provides the detailed Cost of Service (COS) Base Rate results for FY24 and forecasts for FY25 and FY26. Each component of the COS is described on a separate sheet in Schedule C, with a narrative explanation of what the item represents and how the adjustments were developed, along with a description of whether the component is fixed for the term of the Plan, inflation index adjusted, or reforecasted, and includes a link identifying the supporting files.
- **Schedule D** provides the projected Rate Base Balances for FY24-FY26 based on GMP's agreement to lock capital that is closed to plant during the term of the Plan, unless other investments are approved by the PUC under one of the exceptions in the Plan. Each component of Rate Base is described on a separate sheet in Schedule D, with a narrative description of what the item represents and how the amount was developed, along with a link identifying the supporting files. As with Schedule C, individual tabs in Schedule D also indicate if the component is fixed for the term of the Plan, inflation index adjusted, or reforecasted.
- **Schedule E** provides the capital structure and weighted average cost of capital for FY24, applying the PUC-approved methodology for adjustments to return on equity during the term of the Plan.
- **Schedule F** provides the updated Revenue Forecast, prepared by a third party, ITRON.
- **Schedule G** identifies the regulatory liability GMP has incorporated into rates in FY24 related to the installation of Energy Storage Systems (ESS) that were anticipated in FY22 but, due to supply chain and pandemic related delays, will be completed in FY23, as authorized by the PUC Order in Case Nos. 21-3707-PET and 22-0175-TF.
- **Schedule H** updates the Extreme Storm Restoration Fund line-item surcharge to reflect the proposed FY24 Cost of Service.
- **Schedule I** identifies GMP's Climate Plan projects included in this filing, which were completed between October 1, 2021 and September 30, 2022, and are already providing benefits to customers. The projects were previously reported to the PUC in GMP's Final Climate Plan Report, filed November 30, 2022, and are summarized again in Schedule I.

- **Schedule J** provides GMP's annual benchmark report based on reported FERC Form 1 data for identified peer group utilities.

Additional supporting files referenced in each schedule have been provided electronically in original format on a thumb drive to the Department and the Commission and are available to others upon request.