

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 24-1709-TF

Tariff filing of Green Mountain Power Corporation for approval of a 5.26% increase for its FY25 annual base rate adjustment effective with bills rendered on or after October 1, 2024	
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Order entered: 08/26/2024

ORDER APPROVING ANNUAL BASE RATE FILING

I. INTRODUCTION

This case concerns the annual base rate filing that Green Mountain Power Corporation (“GMP”) is required to file with the Vermont Public Utility Commission (“Commission”) pursuant to Sections III and IV of GMP’s Multi-Year Regulation Plan (“MYRP”).¹ In this year’s base rate filing, GMP proposes a 5.26% adjustment for FY25, which is consistent with the projected smoothed annual base rate adjustment of 5.29% that GMP projected last year in its FY24 base rate filing.² As discussed below, the Commission concludes that GMP’s proposed base rate filing is consistent with the requirements of the MYRP. Based on this determination, the Commission approves GMP’s requested 5.26% rate increase for its FY25 annual base rate adjustment. The Commission also directs GMP to file an update with its next annual base rate filing on when it intends to (1) conduct its next fully allocated class-cost-of-service study; and (2) file its proposed rate design changes.

II. PROCEDURAL HISTORY

On May 31, 2024, GMP filed its annual base rate adjustment in this case. GMP’s filing included a cover letter, table of contents, revised tariff sheets, the cost of service, and additional supporting documentation.

On July 12, 2024, the Commission issued a request for information to GMP.

¹ The MYRP was approved by the Commission on August 31, 2022, in Case No. 21-3707-PET, and amended in Case No. 23-0141-PET on March 30, 2023.

² See Schedule B – Rate Base Summary (dated 6/1/23) in Case No. 23-1852-TF.

On July 19, 2024, GMP filed a response to the information request.

On July 31, 2024, GMP made a filing with the Commission explaining its efforts to respond to customers who provided public comments in this case.

On August 1, 2024, the Department filed a recommendation on the proposed base rate adjustment. The Department explained that it has “conducted a detailed and comprehensive review of GMP’s proposed 5.26% rate increase.”³ The Department further stated that its “analysis focused on the accuracy of cost components, the treatment of fixed-price operations and maintenance contracts, and the transparency of the earnings sharing mechanism adjustments.”⁴ The Department recommends that the Commission approve the requested 5.26% rate adjustment without further hearings or investigation.

III. PUBLIC COMMENTS

The Commission received 63 public comments from customers regarding this case.⁵ Almost all these customers express concern that electric bills are too high in GMP’s service territory and requested that the Commission either approve a lower rate increase or deny the rate increase altogether. Many of these customers reference multiple consumer cost increases tied to inflation and some specifically mention the difficulty of accommodating cost increases on a fixed income. Five commenters express frustration with non-storm outages. Two commenters argue that more distribution utility choices might decrease costs for customers. Four commenters express frustration with the pay of GMP executives and believe their pay should be frozen or cut before a rate increase is passed on to customers. One commenter expresses frustration with paying more to support Vermonters with low income, presumably through the Energy Assistance Program (“EAP”). One commenter recommends a cap on rate increases for Vermonters who do not use fossil fuels for heating and a similar cap for customers over age 65.

In its response to the public comments, GMP states that it reviewed each public comment received and reached out to each commenter that it could identify as a customer. GMP reports that the customers it spoke with expressed gratitude for the outreach. GMP provided information

³ Department’s August 1, 2024, Recommendation at 2.

⁴ *Id.*

⁵ Public comments filed as of 8/9/2024.

about costs and the structure of the MYRP. GMP provided interested customers with information regarding enrollment in the EAP as applicable.

The Commission considered all the comments while reviewing the record to make its final decision in this case. However, the Commission notes that some of the comments – for example, those addressing competitive electric suppliers – raised issues that are either outside the scope of our review of GMP’s base rates or not within the Commission’s statutory authority to implement.

Affordability

The Commission understands and shares the concerns of Vermonters who are facing cost pressures from inflation and other factors, especially those on fixed incomes. In determining whether to approve a rate increase, the Commission considers whether the new rates are based on costs prudently incurred by a utility to serve its customers. GMP has provided documentation that the proposed rate increase complies with its MYRP and that the costs driving the rate increase meet the statutory and regulatory standards for inclusion in rates.

The Commission encourages customers who meet the income eligibility requirements for GMP’s EAP program to apply for enrollment in the program.⁶ We also encourage all customers to take advantage of programs offered by Efficiency Vermont.⁷

Service Quality

GMP is subject to a Service Quality and Reliability Performance Monitoring and Reporting Plan (“SQRP”) that requires quarterly tracking and reporting on a series of service-quality metrics. The plan includes performance measures regarding specific aspects of GMP’s service, such as customer calls, billing, complaints, safety, and reliability. Additionally, GMP

⁶ More information about the energy assistance program is available at <https://greenmountainpower.com/help/what-is-the-energy-assistance-program-eap/>.

⁷ More information about programs offered by Efficiency Vermont is available at <https://www.efficiencyvermont.com>.

must annually file reliability reports identifying areas of GMP's system that are experiencing reliability issues. These reports can be viewed online using ePUC.⁸

IV. BASE RATE ADJUSTMENT PROVISIONS UNDER THE MYRP

Section IV of the MYRP sets out a formulaic and mechanical process that GMP must follow to make its annual base rate adjustments over the term of the MYRP.⁹ For GMP's 2025 annual base rate adjustment, which is at issue in this case, Section IV of the MYRP provides that the annual base rate adjustment:

will consist of (1) Non-power cost forecast; (2) Power supply & revenue forecast; (3) Cost of debt; (4) Income tax and Accumulated Deferred Income Tax ("ADIT") forecast; and (5) estimated Return on Equity ("ROE").

Non-power costs include capital expenditures, depreciation costs, and property taxes. These cost categories are fixed for the term of the MYRP. Non-power costs also include Operations and Maintenance ("O&M") costs. O&M cost categories defined under the MYRP include "Other Power Supply, Transmission-Other, Distribution, Customer Accounting, Customer Service and Information, Sales and Administrative, and General Categories."¹⁰ The MYRP explains that "GMP has the ability to exert various levels of control over certain of these cost types and very limited or no control over other cost types."¹¹ Certain cost types over which GMP has some level of control will be either fixed or adjusted for inflation.¹² Cost types over which GMP has little or no control will be reforecast annually based on updated actuarial reports, consultant reports, or bids or other cost-related information.

GMP's annual forecast for retail revenue and power costs is based on a weather-normalized retail revenue forecast provided by a third-party vendor (Itron, Inc. or a similar

⁸ Interested persons may review any public report filed with the Commission at <https://epuc.vermont.gov/?q=node/119>. To access GMP's SQRPs filings, select "Service quality report" from the report type drop-down menu and enter "Green Mountain Power" into the field for the name of reporting entity.

⁹ The current MYRP is set to expire on September 30, 2026. The Commission will assess the annual base rate adjustment process as part of its consideration of any future alternative regulation plan filed by GMP pursuant to 30 V.S.A. § 218d.

¹⁰ MYRP at Section IV.A.2.

¹¹ *Id.*

¹² Cost types that are adjusted for inflation during each annual base rate filing will be set based on the actual change in the Consumer Price Index- Northeast ("CPI-NE") for the 12 months ending March 31 of each year. For example, the inflation adjustment for FY25 is set based on the change in the CPI-NE for the 12 months ending March 31, 2024. MYRP at Attachment 3.

outside consultant with expertise in the field of energy forecasting). GMP then prepares a power supply forecast based on that retail revenue forecast.

The MYRP sets GMP's debt-to-equity ratio at 50%/50% plus or minus 1%.¹³ GMP's debt level is fixed based on a forecast of anticipated debt balances for each fiscal year.

As part of the annual base rate filing, GMP forecasts state and federal income taxes, ADIT, and gross revenue and fuel gross receipts taxes based on the other adjustments.

GMP's authorized rate of return on equity ("ROE") is adjusted annually based on fluctuations in the yield on the 10-Year Treasury Note Rate.¹⁴ Indexing for the following year is based on the ROE in effect for the current year.

Section IV also authorizes GMP to request approval to include capital costs associated with tariffed offerings for New Initiatives Programs. The MYRP provides that:

During the term of the [MYRP], GMP will not seek to recover through rates the cost-of-service impacts of New Initiative capital projects until after the capital project is complete and recorded to plant in service. GMP will separately track and record to a regulatory asset the incremental cost-of-service impacts (return, accumulated deferred income taxes, depreciation expense, property taxes, and O&M costs, offset by incremental other operating revenue) from the time the New Initiative capital project is placed in service until the New Initiative capital project cost-of-service impacts are reflected in base rates.

In this case, GMP has included \$3.7 million in additional investments associated with its Energy Storage System ("ESS") tariff program that are included in rate base through March 2024 above the level included in FY24 rates.

V. DISCUSSION

GMP proposes that the Commission approve a 5.26% base rate increase, which it calculated by following the base rate adjustment mechanisms included in Section IV of the MYRP. The base rate increase is comprised of the following adjustments:

- *Power Costs*: Overall lower energy prices are offset by increased transmission costs; exclusion of the expired Mystic generating station contract is also reflected in the filing;
- *Retail Revenue*: The \$1.5 million increase in retail revenue for FY25, according to the forecast prepared by Itron, Inc., is driven by residential, small commercial, and industrial

¹³ MYRP at Paragraph IV.A.3.ii.

¹⁴ MYRP at Attachment 3.

sales and electrification efforts, specifically heat pumps; and is somewhat offset by net-metered solar installations.

- *Operating and Maintenance Costs*: Some categories increased by 3.37% according to the Consumer Price Index – Northeast Region (“CPI-U NE”) inflation index or increased according to other third-party data, resulting in higher health care, insurance, and pension costs. Vegetation management costs increased to reflect the most recent contractor bids. The ADIT is updated based on calculations provided by Vermont Transco, LLC, and GMP’s latest tax data.
- *Capital Structure*: The ROE for FY25 is adjusted to 9.97% based on the MYRP’s formula, reflecting higher yields in the current inflationary environment.
- *Broadband Deployment Rider*: Includes \$0.5 million for the third year of GMP’s broadband deployment program as approved by the Commission in Case Nos. 24-0509-TF and 24-0511-PET.
- *Energy Storage Systems*: Includes an additional \$3.7 million for investment in energy storage systems.
- *Regulatory Assets*: Includes the return of regulatory assets for synergies and pension settlement accounting over 10 years as approved in Case No. 23-4085-PET.

The Department represents that it has conducted a thorough review of GMP’s base rate adjustment. The Department found that GMP’s calculations adhere to the regulatory requirements established in the MYRP. The Department also reviewed the public comments filed in this case.

We have reviewed GMP’s proposed base rate adjustment and supporting documentation within the context of the MYRP. Additionally, we issued information requests and GMP filed responses that helped us to gain a better understanding of GMP’s assumptions in developing its base rate adjustment. These responses assisted in our review of the tariff filing. Like the Department, we conclude that GMP has adhered to the terms of the MYRP and that the base rate increase should be approved.

We also approve GMP's request to include \$3.7 million in additional investments associated with its ESS tariff program in the base rate adjustment.¹⁵ The FY25 base rate filing reflects the amount of ESS-related investment closed to plant through March 31, 2024, that exceed the amount already included in FY24 base rates. On August 17, 2023, in Case No. 23-1335-TF, the Commission approved removing the annual installation limit for the ESS tariff program. The Commission recognized that GMP's capital spending limits would likely need to be revisited in the future to accommodate the removal of the annual installation limit.¹⁶ Accordingly, we find that it is appropriate to increase GMP's capital spending by \$3.7 million pursuant to Section IV of the MYRP, which authorizes GMP to request approval to include capital costs associated with tariffed offerings for New Initiatives Programs in base rates.

In last year's base rate adjustment, GMP projected a 5.29% increase for both FY25 and FY26. GMP's current filing requesting a 5.26% annual base rate adjustment for FY25 is consistent with this previous projection.

We acknowledge GMP's efforts to respond to the large number of public comments filed in this case to provide additional information, answer questions, address concerns, and explain "how the multiyear plan structure helps keep rates smoother and more predictable."¹⁷ Given that GMP has projected a 5.26% increase to base rates in FY26, it will not be surprising if the Commission receives a similarly large volume of public comments in next year's base rate adjustment filing.¹⁸ We strongly encourage GMP to consider ways to proactively educate customers on the MYRP rather than waiting to educate customers after the next base rate adjustment is filed. It will be helpful for customers to understand the rate-smoothing effects of the MYRP and that without this mechanism customers would likely see larger but less frequent base rate increases. Customers would also benefit from information on the mechanics of quarterly adjustments in plain language.

¹⁵ In Case No. 24-1715-PET, GMP is requesting approval to include an additional \$11.3 million in ESS tariff-related investments in its FY26 base rate filing. See supplemental prefiled testimony of Madeline Murray-Clausen dated July 31, 2024. The Commission will issue a separate ruling on that petition.

¹⁶ *Tariff filing of Green Mountain Power Corporation for revisions to Energy Storage System Service and Bring Your Own Device Program Tariffs to be effective June 10, 2023*, Case No. 23-1335-TF, Order of 8/17/23 at 5.

¹⁷ Letter from Geoffrey H. Hand, Esq., on behalf of GMP, to Holly R. Anderson, Clerk of the Commission, dated July 31, 2024.

¹⁸ The Commission received 32 comments regarding GMP's base rate adjustment filed last year in Case No. 23-1852-TF. In this case, the Commission received nearly double the number of public comments.

Lastly, in our request for information we asked GMP whether it anticipated the need to revisit its most recent fully allocated class-cost-of-service study during the remainder of the MYRP period. In response, GMP explained that timing an allocation study to align with the end of its power purchase agreement with GlobalFoundries in FY26 would “make sense, as it will provide the necessary information to inform and support any new rate designs.”¹⁹ We direct GMP to file an update with its next annual base rate filing on when it intends to (1) conduct its next fully allocated class-cost-of-service study; and (2) file its proposed rate design changes with the Commission.

VI. CONCLUSION


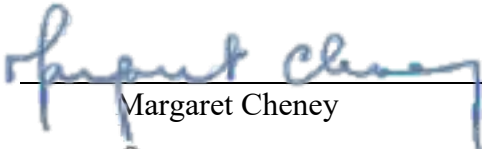
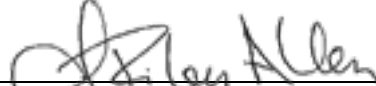
Based on our review of GMP’s tariff filing and supporting documentation and the Department’s recommendation, we conclude that the annual base rate filing conforms with the requirements of the MYRP. We also approve a \$3.7 million increase to GMP’s capital spending limit for costs associated with its ESS tariff program. Therefore, we approve GMP’s tariff filing for a 5.26% increase in base rates, effective with bills rendered on or after October 1, 2024. We also direct GMP to file an update on its efforts regarding rate design changes with its next annual base rate filing as described above.

SO ORDERED.

¹⁹ GMP’s July 19, 2024, Response to Information Request at 10.

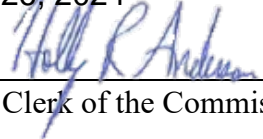
SO ORDERED.

Dated at Montpelier, Vermont, this 26th day of August, 2024.

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Edward McNamara)	PUBLIC UTILITY
)	
)	COMMISSION
Margaret Cheney)	
)	
)	OF VERMONT
J. Riley Allen)	

OFFICE OF THE CLERK

Filed: August 26, 2024

Attest: 
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.

PUC Case No. 24-1709-TF - SERVICE LIST

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