STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Petition of Green Mountain Power Corporation for approval of its new Multi-Year Regulation Plan pursuant to 30 V.S.A. Sections 108, 209, 218, and 218d	)))	Case No. 25-____-PET

PREFILED DIRECT TESTIMONY
OF LAURA DOANE & ROB BINGEL
ON BEHALF OF
GREEN MOUNTAIN POWER

August 29, 2025

Summary of Testimony

The testimony of Laura Doane and Rob Bingel describes how GMP proposes to set the various components of the cost of service throughout GMP's next Multi-Year Regulation Plan and describes how the proposal improves upon the plan now in effect. Ms. Doane and Mr. Bingel also explain how GMP's proposal meets the criteria of 30 V.S.A. § 218d.

Exhibit List

Exhibit GMP-LD-RB-1 2027 Multi-Year Regulation Plan

- Attachment 1(a) – Summary of Cost-of-Service Treatment
- Attachment 1(b) – Summary of Rate Base Treatment
- Attachment 1(c) – Summary of O&M Cost Treatment
- Attachment 2 – Innovative Pilot Program
- Attachment 3 – Annual ROE Indexing Methodology
- Attachment 4 – Component A and B Power Supply Costs
- Attachment 5 – Example RRA and PSA Calculation
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- Attachment 7 – Innovation and Performance Metrics
- Attachment 8 – Summary of Filings under New Plan
- Attachment 9 – Example Benchmark Report
- Attachment 10 – ZOI Regulatory Accounting Procedure
- Attachment 11 – Resilience Project Regulatory Accounting Procedure
- Attachment 11a – Resilience Projects Annual Scoping Report
- Attachment 11b – Resilience Projects Annual Base Rate Report
- Attachment 11c – Example Annual Base Rate Filing Lead Schedule

- Attachment 12 – Customer-Driven Storage Regulatory Accounting Procedure
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Exhibit GMP-LD-RB-2 Summary of New Plan Major Elements

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PREFILED DIRECT TESTIMONY OF LAURA DOANE AND ROB BINGEL ON BEHALF OF GREEN MOUNTAIN POWER

I. Introduction

Q1. Please state your names and occupations.

A1. **Laura Doane:** My name is Laura Doane, and I am employed by Green Mountain Power as the Manager of Operational Finance.

Rob Bingel: My name is Robert A. Bingel, and I am employed by Green Mountain Power as Manager, Financial Planning and Analysis.

Q2. Please describe your educational and business background.

A2. **Laura Doane**: I received a bachelor's degree in business administration from the University of Vermont in 2007 and have worked in accounting and utility finance positions since that time. I started my employment with Central Vermont Public Service Corporation in 2010 as a financial accounting and reporting analyst. I continued in that role with Green Mountain Power, most recently moving into the position of Manager of Operational Finance. In these positions I've worked on numerous aspects of GMP's regulatory finance and accounting structure, including fixed asset accounting, financial statements and audits, budgeting, forecasting and cash management.

Rob Bingel: I have been employed for over 20 years at GMP. Besides my current role as Manager of Financial Planning and Analysis, I have worked as a financial analyst and purchasing manager at GMP. From 1995 to 1997, I worked as a production supervisor and engineer for Merck & Co., Inc. I began my career as a financial analyst at IBM in 1999. While at IBM, I forecasted spending and presented financial measurements for the manufacturing center. I also led the project team responsible for developing an activity-based costing system for the chip fabricator. I joined GMP in 2005, and I currently am responsible for developing both annual and long-term financial forecasts. I hold a Bachelor of Science in Chemical Engineering from the Massachusetts Institute of Technology, a master's degree in chemical engineering from Cornell University, and a master's degree in business administration from the University of Texas at Austin. I served in the U.S. Army as both an active officer abroad and in the reserves.

Q3. Have you previously testified before the Public Utility Commission (PUC or Commission)?

A3. **Laura Doane:** Yes, I submitted testimony on behalf of GMP in the Zero Outages Initiative (ZOI) proceeding (Case No. 23-3501-PET).

Rob Bingel: Yes, I provided testimony before the Commission in GMP’s innovative products tariff riders proceeding (Docket No. 8794); GMP’s 2017 Regulation Plan Extension case (Case No. 17-3232-PET); GMP’s current Multi-Year Regulation Plan Proceeding (Case No. 21-3707-PET); and GMP’s FY23 Rate Case (Case No. 22-0175-TF).

Q4. What is the purpose of your testimony and how is it organized?

A4. The purpose of our testimony is to describe how GMP proposes to set the various components of GMP’s cost of service in the next proposed Multi-Year Regulation Plan (“New Plan”) and to describe how the proposal improves upon the plan now in effect for customers.

In Part II, we describe how the process for reviewing and implementing the New Plan is proposed to align with GMP's anticipated traditional rate case filing for fiscal year 2027 ("FY27 Rate Case"). In Part III, we summarize the updates and new features GMP is proposing in the New Plan based upon experience over the past several years. In Part IV, we describe GMP's proposed treatment of costs and revenue under the New Plan by category and summarize the New Plan's adjustors and other provisions. In Part V, we discuss how the New Plan fits the criteria of Section 218d. The New Plan and its attachments is **Exhibit (Exh.) GMP-LD-RB-1**.

Q5. To start, can you please briefly summarize how GMP's current regulation plan operates?

A5. GMP is currently operating under a regulation plan approved in Case No. 21-3707-PET on August 31, 2022, and amended March 30, 2023, in Case No. 23-0141-PET and October 18, 2024, in Case No. 23-3501-PET ("Current Plan"). The Current Plan was authorized under 30 V.S.A. 218d following a year-long process that included a full rate case review in the corresponding FY23 rate case. It established the process by which GMP set rates for the four-year period commencing in FY23 and ending with FY26.

The Current Plan combines a clear and routine approach for setting annual base rates that are smoothed over the plan period, with reasonable mechanisms to track and adjust variable costs. The key adjustment mechanisms in the Current Plan are a Power Supply/Retail Revenue Adjustor, an Exogenous Change Adjustor (including both a Major Storm Adjustor and a Non-Storm Exogenous Change Adjustor), and an Earnings Sharing Adjustment Mechanism. The Current Plan combines the outcomes of the Major Storm

Adjustor with the Power Supply/Retail Revenue Adjustor to help further smooth costs for customers from fluctuations in power costs and from the historic and multiple damaging storms Vermont has experienced.

Q6. Please describe the goals and intended benefits for GMP customers of the regulatory plan structure.

A6. The overall structure of the Current Plan balanced the goal of stability for customers with the need for flexibility to confront rapid changes in the economy and energy landscape. As described further below, the structure has worked overall as intended during the past two plan periods, during economic disruptions, including interest rate increases and high inflation following the pandemic and the invasion of Ukraine, along with increasing extreme weather events. The benefit of the Plan shows in the continued position of GMP's rates compared to peers in New England, as captured here:

Company	Total Retail Average Rate (c/kWh)[1]
Green Mountain Power	20.13
Public Service Company of New Hampshire DBA Eversource Energy	20.47
Unitil Energy Systems, Inc.	21.29
Versant Power - Maine Public	23.86
Versant Power - Bangor Hydro	23.93
Connecticut Light & Power Company	25.93
Rhode Island Energy Company	26.47
Eversource Energy	30.10
National Grid (Massachusetts Electric Company)	32.57
Fitchburg Gas & Electric Light Company	34.99

[1] December 2024 data of peer Northeast utilities from Edison Electric Institute.

As we describe below, the New Plan retains major features of the Current Plan in order to continue to support stability, reliability, innovation, and long-term resilience, with targeted modifications where the New Plan structure can reflect the experiences of the past several years, improve its efficiency, and contribute to better long-term outcomes for customers.

II. Process for Implementation of the New Plan

Q7. Turning to the New Plan, can you briefly explain how the process for review intersects with GMP's upcoming rate case?

A7. The Current Plan expires September 30, 2026. Consistent with the Commission's order in Case No. 21-3707-PET, GMP will be filing a cost-of-service rate case in January 2026, for FY27 rates to take effect October 1, 2026. The New Plan is proposed to be in effect for four years, running from FY27 to FY30. The FY27 Rate Case that will be filed this coming January will provide for a detailed review of GMP's cost of service at the outset of the New Plan and will set base rates in the first year of the New Plan.

To develop a smooth rate path beyond FY27, we will also file forecasts for FY28–FY30 during the rate case. Thereafter, the components of the New Plan, including a proposed rate smoothing mechanism and other adjustors, will set the parameters for changes in rates in the subsequent three years of the New Plan. Like the Current Plan, at the end of the New Plan, GMP will file another cost-of-service rate case, unless otherwise ordered by the Commission.

Q8. What about GMP's other open rate-related proceedings; how will review of the New Plan coordinate with those matters?

A8. At the time of this filing, a petition for Energy Storage System (ESS) funding is pending, along with GMP's tariff for Zone 4 Energy Storage to complete our resilience work based upon the Commission's Order of October 18, 2024, in Case No. 23-3501-PET ("ZOI Order"). Both these requests are to make specific investments through FY26 while the Current Plan is in effect. The New Plan contains provisions that would support continuing these types of investments if permitted by the Commission. For example, as Mr. Castonguay describes, the ESS tariff expires at the end of the Current Plan; any newly approved customer sited energy storage program would be subject to express requirements for including such investments contained in the New Plan. Similarly, in the event the Commission permits storage as a solution for rural customers in Zone 4 locations, as an extension of the program described in GMP's pending petition, such investment would adhere to the detailed resilience project framework set forth in the New Plan.

Q9. What is the proposed schedule of filings throughout the New Plan?

A9. Like the Current Plan, GMP expects to make several filings every year regarding performance, adjustors, fiscal year outcomes, and annual base rate requests. GMP has included a detailed schedule outlining the topics, sequence, and deadlines for all of these filings in Attachment 8 of the New Plan (**Exh. GMP-LD-RB-1**).

III. Proposed Plan Improvements

Q10. Can you summarize both the similarities and differences in the New Plan GMP is proposing compared to the Current Plan?

A10. We prepared **Exhibit GMP-LD-RB-2** to provide a summary of the New Plan by category, noting material changes proposed from the Current Plan. This exhibit references the applicable New Plan section number. We summarize the key changes in the New Plan below and provide more detail on other components that remain essentially the same to the Current Plan in Part IV of our testimony.

A. Capital Investment Changes

Q11. Describe the changes GMP proposes to how Capital Investments are treated.

A11. While the New Plan continues the approach to managing capital project investment year to year and locking the overall level of base capital plant additions over the proposed four-year term, the New Plan sets out specific, well-defined modifications that support GMP's annual resilience work and customer driven storage tariff offerings, as well as potential strategic investments in GMP's Searsburg facility and the Deerfield facility for which GMP holds a purchase option. We describe the resilience project accounting framework further below, in support of Mr. Burke's testimony on the substance of the resilience project proposal.

Mr. Castonguay describes the treatment for Customer Driven Storage Programs, laid out in Section IV.A.1.v and Attachment 12 of the New Plan (**Exh. GMP-LD-RB-1**), which from an accounting perspective mirrors how GMP proposes to treat resilience projects.

Mr. Castonguay also describes why the New Plan includes a provision that allows GMP to seek additional capital investment for upgrades to the Searsburg Wind facility, and to potentially purchase the Deerfield Wind facility through the option in GMP's PPA with the developer. These investments would only be included in rates if approved later by the Commission. See **Exh. GMP-LD-RB-1** at Section IV.A.1.vi.

In conjunction with these specifically defined capital investments that may be added during the New Plan period if approved by the Commission, we are also proposing that administrative and general costs assigned to capital projects be refreshed annually to incorporate accurate costs more promptly into project costs for any such approved capital investments. See **Exh. GMP-LD-RB-1** at Attachment 1c.

Q12. Can you speak further to the regulatory accounting approach for how resilience investments will be incorporated into rates?

A12. Mr. Burke describes the reasons GMP is proposing a regular, detailed framework for resilience projects during the New Plan that creates a process for annual review of the scope of GMP's expected investment coupled with approval to include projects in rates only after they are completed. The framework builds upon the resiliency work now underway as approved in the ZOI Order and relies upon the regulatory accounting developed and approved for the Climate Plan, broadband investments, and additional customer storage investments. See **Exh. GMP-LD-RB-1, Attachment 11**. GMP will propose in the 2027 Rate Case a not-to-exceed capital amount for resilience projects that will not be included in Base Rates until projects are closed to plant and subsequently included in an approved rate filing. This framework has allowed flexibility in deploying projects without customers paying upfront. As resilience projects are being constructed and closed, the depreciation and cost of capital are deferred through a regulatory asset and incorporated into rates, once reviewed and approved, at the next rate case in accordance with Attachment 11 and the schedule required by the New Plan. Question 28 below addresses further how depreciation associated with these and other projects is handled. For FY27, the not-to-exceed amount will be proposed in the traditional rate case proceeding filed in January and reviewed by the Commission, and GMP will provide annual forecasts for future years of resilience work at the same time. See **Exh. GMP-LD-RB-1, Attachment 11**.

Q13. Is the regulatory accounting framework for resilience projects beneficial for customers?

A13. Yes. The proposed approach is designed so that customers will only pay for the capital costs associated with this work in rates once the work is completed, delivering benefits for customers, and approved by the Commission. In addition, we will be accounting for internal costs associated with anticipated capital investments for resilience work when creating forecasts submitted for the FY27 Rate Case and in setting base rates annually. We will spread capitalized labor over the base capital plus the not-to-exceed resilience capital projects. GMP retains the risk of completing less than the annual limit for resilience work since additions to rate base will be limited to the projects actually completed and approved by the Commission.

Q14. The Current Plan has a broad exception for unexpected circumstances and strategic capital investments. How does the New Plan treat capital investments that may arise but are not yet certain?

A14. In response to Department feedback about the nature and volume of strategic capital investment exception and with the goal of identifying investments that will provide the greatest benefit, the New Plan removes the unexpected circumstances or strategic opportunities exception from the Current Plan in favor of more defined provisions for Resilience Projects and Customer Driven Storage, plus the potential for wind facility investments, which are discussed in more detail in Mr. Castonguay's testimony. The New Plan expressly requires GMP to seek a specific amendment to the regulation plan in the event GMP determines investment in other areas is required. The New Plan lists the standard GMP must meet if GMP were to seek additional capital investment. See **Exh. GMP-LD-RB-1** at Section IV.A.1.viii.

B. Property Tax Changes

Q15. What changes are you proposing for the treatment of Property Tax expenses?

A15. We propose to reset property taxes annually based on prior year actuals and other known changes. For property taxes in particular, the timing of the methodology in the Current Plan is not aligned with the Annual Base Rate filing process and GMP's fiscal year. Most property tax invoices are received in the July/August timeframe, while the rate filing is done in June. Resetting property taxes with the prior year's data and any other already-known changes will allow for more accurate rates and avoid the need to pre-emptively estimate a multi-year annual increase, which has proven difficult given the volatility statewide.

C. O&M Cost Changes

Q16. Please describe key changes in how GMP proposes to treat O&M Costs.

A16. The details of O&M Cost categories are described in Part IV of our testimony below because they follow the same overall structure as in the Current Plan, with some categories fixed for the term of the Plan based on a forecast at the beginning of the Plan; some components updated annually using a formula based on an established inflation factor; and some components are re-forecasted and updated annually based upon external documentation or sources (like costs subject to annual bidding or based upon actual billing during the year). The New Plan sets forth some additional categories of O&M to be updated annually such as material changes that affect payroll and updates to administrative and general costs assigned to capital projects in order to address increasing cost variability experienced during the Current Plan. This reduces risk all around and helps smooth changes between plan periods – key goals of the regulation plan framework.

D. Equity In Affiliates Changes

Q17. Does GMP propose to make any changes to how Equity in Affiliates are treated as compared to the Current Plan?

A17. Yes. Under the Current Plan GMP's investment in Vermont Transco LLC ("VT Transco"), is updated annually, following the modification the Commission approved in

Case No. 21-1965-PET. All other investments in existing affiliates are locked for the Plan period in the Current Plan. In the New Plan, GMP proposes to treat all existing affiliate investments the same, permitting reforecasting when known investments will occur. Investment in any new affiliate would be excluded (and would be subject to whatever Commission process under Title 30 may be appropriate.) The reason for this proposed change is that while several of GMP's essentially dormant affiliates (like the closed nuclear facilities) are not expected to require any additional investment, we know that NE Hydro Trans and NE Hydro Trans Electric, along with VT Transco, will. NE Hydro Trans and NE Hydro Trans Electric are the vehicles for investment in the Phase I/II transmission line and the associated facilities, and both are proposing upgrades in the coming years to continue to serve New England customers. Like VT Transco, these investments earn returns that flow back to GMP customers. All benefits that come from these investments go 100% to our customers, and as such it is important to capture all of them year-to-year while ensuring that the Department and Commission have oversight, in the event any significant new ventures are proposed.

E. Debt & Equity Changes

Q18. Have you proposed any changes to how Debt and Equity are treated in the New Plan?

A18. A few minor changes are proposed. GMP will maintain the required 50/50 ratio for debt to equity, plus or minus 1%, as required in the Current Plan. The changes proposed are as follows:

- First, while long-term debt rates will remain locked for the term of the plan, the short-term rate, represented by GMP's credit facility interest rate, will be updated annually based upon the a comparison of the current Secured Overnight Financing Rate (SOFR) on the date of measurement and the forecasted SOFR for the upcoming Fiscal Year (based on the average of the forecasted rate for all four quarters), following the methodology provided in **Exh. GMP-LD-RB-1, Attachment 14**. The forecast will be based on a proposed publicly-available independent source or one otherwise agreed between GMP and the Department, and an example of the calculation can be found in **Exh. GMP-LD-RB-1, Attachment 14**.
- Second, for equity, while we intend to continue the annual Return on Equity (ROE) setting methodology in the New Plan, we propose a slight modification to incorporate a longer, smoother, year-over-year measurement period that is also better timed to annual base rate filings. This will extend the measurement period from the current three-month measurement period to a six-month measurement period and move it back to better accommodate the timing of rate filings. The short measurement period in the Current Plan (February 15 to May 15) tends to over-emphasize specific short-term financial events in that window and also ends too close to the June 1 annual base rate filing deadline. A longer six-month period, beginning October 1 and ending March 31 each year, will work better administratively and provide smoother adjustments for customers based on a longer set of data. We have analyzed how this measurement period

change would have affected the ROE set for the Current Plan and have confirmed that the new proposed measurement period would have resulted in smoother, slightly lower ROEs over the Current Plan period.[2]

- Third, as further described below, GMP proposes to provide the Commission with a GMP Debt Forecast based upon the level of capital investment expected over the term of the New Plan that can be reviewed and approved in the course of the FY27 Rate Case and New Plan review; the New Plan includes a process for more streamlined, routine Section 108 notices when issuances are consistent with and based upon that approved GMP Debt Forecast.

Q19. Tell us more about GMP's new proposal for Section 108 debt financing approvals under the New Plan.

A19. The New Plan adds a new process for Section 108 review that: (1) provides a full review of debt financing over the term of the plan, offering a more comprehensive debt review; (2) provides added market flexibility for GMP during the term of the Plan; and (3) reduces costs and improves efficiency.

To achieve this, the New Plan leverages the work that GMP already does to prepare anticipated debt balances, reviewed by the Department and the Commission in the regulation plan proceeding. It does this by including Section 108 review of GMP's

[2] Specifically, while the differences are small, this sample confirmed that the changes would have been smoother:

	2023	2024	2025	2026
3 month	8.57	9.58	9.97	9.94
6 month	8.57	9.57	9.85	9.88

overall Debt Issuance Forecast in the FY27 Rate Case, which enables the Department and Commission to not only review forecasted debt issuances over the term of the plan, but to approve that forecast and debt issuances and other financings that fall within the scope of that forecast. This will reduce the number of required regulatory proceedings that are needed over the term of the New Plan and provide more market flexibility, which benefits our customers.

Q20. What is the proposed process for full review of GMP's debt financing under the New Plan?

A20. The New Plan requires GMP to file a GMP Debt Forecast of issuances during the term of the New Plan at the time we file the FY27 Rate Case. This will provide the Department and Commission a full review of the proposed financing level during the Commission's review of the FY27 Rate Case and New Plan, so that the Commission can determine whether to approve that proposed level of debt as consistent with the general good of the State and the Vermont Electric Plan. Thereafter, GMP can rely upon that Commission approval during the term of the Plan for any financings or debt issuances during the term of the Plan, but only if: (1) they are consistent with the GMP Debt Issuance Forecast reviewed and approved by the Commission in the FY27 Rate Case; (2) GMP files a notice of the debt issuance or financing with the Commission and Department in the form of Attachment 13 of the New Plan 21 days prior to the scheduled closing; and (3) GMP files a post-closing notice within 10 days of closing confirming the debt issuance or financing closed as expected. Under this process GMP can proceed with closing for any financing or issuance that is consistent with the already-approved GMP Debt Issuance Forecast without commencing an entirely new regulatory process.

Q21. What are the benefits of the proposed Section 108 process in the New Plan?

A21. The New Plan's Section 108 process has several benefits. First, the New Plan leverages the Commission's procedural discretion under Section 108 to review and approve financings in a manner that allows the Commission and Department to review and consider GMP debt levels over the full term of the Plan. This provides a more complete picture of GMP debt level during the term of a plan than a one-off review of each financing proposal throughout the term.

Second, the proposed process adds valuable market flexibility to GMP's debt issuance process. Under standard Section 108 review, it can be challenging to leverage market opportunities due to the timeframe required for the issuance of Commission approved debt. In addition to the upfront time of preparing a new petition and prefiled testimony, the Commission's standard procedures call for approval within 60 days, which is usually followed by a 30-day appeal period prior to closing on a proposed issuance or financing. The proposed process in the New Plan provides the same overall review but also enables GMP to go to market during the term of the Plan with a 21-day notice period. This adds valuable flexibility because GMP will be able to go to market when it makes the most sense to do so based on market conditions, as long as the issuance or financing is consistent with the debt levels the Commission deems approved in the FY27 Rate Case.

By filing a notice 21 days in advance, GMP is also likely to have more timely information about the potential details regarding an issuance of financing. For example, in the most recent GMP proceedings under Section 108, the amount of the proposed issuance has been fixed, however, the requests have necessarily included a range of maturity and illustrative interest rates because the issuance was not to occur for at least 90 days. Finally, the proposed process reduces costs. Over the term of the New Plan, like in recent years, GMP could expect to file at least one or two annual financing requests with the Commission. Each of these requests requires internal time preparing prefiled testimony and exhibits for the filing as well as outside legal costs to organize and file a litigated proceeding in ePUC. The Department and Commission also spend valuable resources and time ensuring that each of these requests is individually reviewed in a timely manner such that a final order can be issued on a 60-day schedule that is consistent with the Commission's standards and procedures. By leveraging the regulatory review process that is already in place regarding forecasted debt levels under GMP's current plan into a substantive Section 108 process, GMP, the Department, and the Commission can establish a framework under the New Plan that reduces overall costs to GMP and is efficient for the Department and Commission. In the event a proposed financing is not consistent with the fully reviewed GMP forecast, the New Plan requires GMP to make a separate full filing under Section 108.

F. Changes To Adjustors

Q22. What changes is GMP proposing in the New Plan to the methodology for measuring and recovering or refunding the various adjustors?

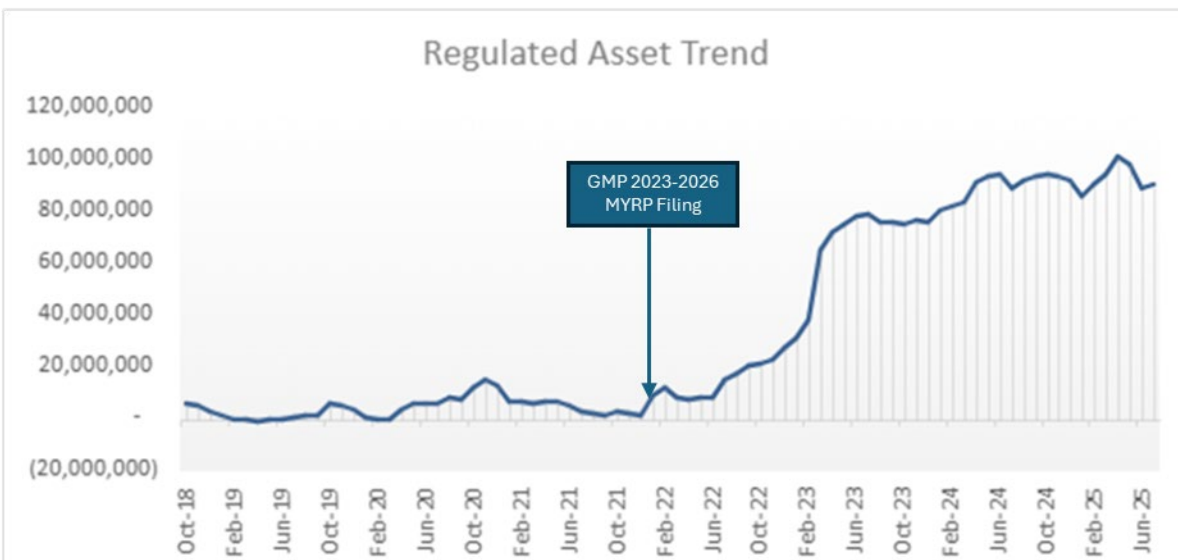
A22. As set forth in Part IV of our testimony, the New Plan maintains the key quarterly adjustors and the rate smoothing adjustor in their current form, with a few proposed changes regarding the carrying costs and collection periods. These adjustors have proven beneficial for customers, helping to reduce base rate variation across rate years during each plan period while recovering only costs actually incurred with risk sharing built in.

In the New Plan, GMP proposes to recover at the short-term debt cost the cost for carrying balances for these adjustors. In the current interest rate environment, carrying on GMP's balance sheet amounts to be recovered in the future has real and significant costs. These amounts are typically financed with short-term debt and, when balances are larger, by both debt and equity. GMP is proposing to recover these costs at the rate established annually for short-term debt, as set forth in the New Plan, **Exh. GMP-LD-RB-1** at Section IV.A.3.i and Attachment 14, to help reduce risk associated with significant smoothing and adjustor balances. The balances will flow through rates when approved in accordance with the approved amortization period. See **Exh. GMP-LD-RB-1** at Section IV.A.3.i.

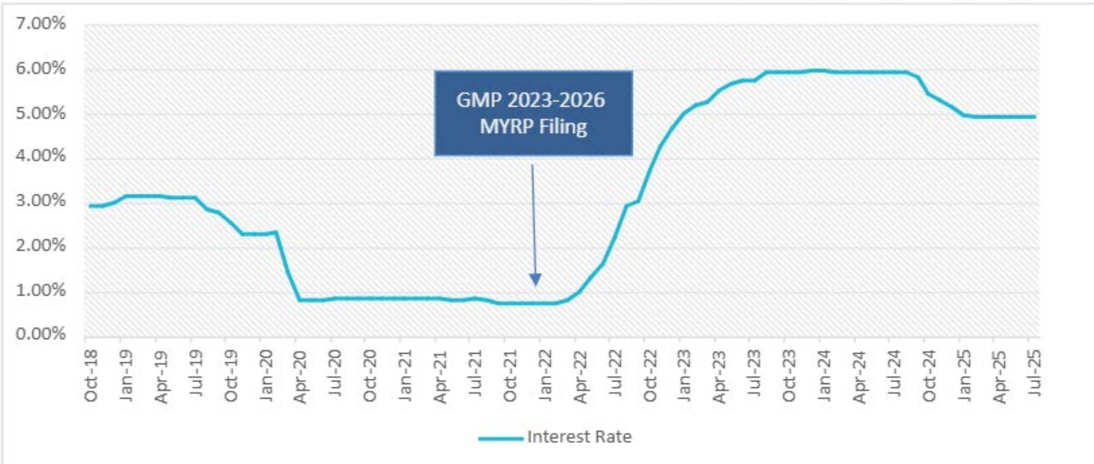
Q23. Can you provide more context on why GMP is seeking this update?

A23. For context, over the last three fiscal years, GMP has absorbed $7.391M in Component B and Major Storm deductibles through the ESAM and has also carried significant balances for customers to facilitate smoothing, which has resulted in large unrecoverable financing expenses. While the framework in the Current Plan carried over from prior years, the balances that GMP had to carry then were nowhere near what they have been for FY23-25, when interest rates have also been at their highest levels in 15 years. Without recovery of this expense, we would have to reconsider the recovery period for adjustors along with the structures and definitions applied to Major Storm costs in the New Plan.

As an illustration of this expense, during the 2019 to 2022 Multi-Year Regulation Plan (MYRP), the average monthly balance of the Retail Revenue, Power Supply, and Major Storm adjustors was $2.8M; due to the Russian invasion of Ukraine, energy price spikes, and unanticipated costs for regional supply security, the balance reached a peak of $82.4M during fiscal years 2023 and 2024, as indicated in the figure below:



At the same time the average cost of short-term debt went from 1.69% to 5.57%. The timing of the MYRP filings also impacted our ability to predict the outcomes as illustrated in the below figure:



These unrecoverable costs caused a substantial gap in GMP's financial position that is tied not to our performance but to external events and the structure of the Current Plan itself. In absolute dollars, the cumulative forecasted pre-tax under earnings for the Current Plan, even after ESAM recovery, is expected to reach over $50M. If this gap continues, it will erode GMP's financial profile, weakening creditworthiness and access to capital. The results over the last several years clearly show the benefit to customers of reduced volatility and lower overall rates. We can continue this important benefit while also ensuring recovery of a portion of the actual expense associated with carrying those balances to importantly realign GMP's financial profile. Given the Current Plan's unrecovered financing costs for carrying the adjustors and smoothing balances, and the overall plan structure, the average annual under earnings before any ESAM recovery has amounted to 185 basis points for the last 2 completed fiscal years, with similar expectations for both this year and next.

G. *Changes To Other Plan Provisions*

Q24. Does GMP propose to maintain the Major Storm Restoration Fund that is a separate line item for customers under the Current Plan?

A24. No, that item is not included in the New Plan structure. As described in Mr. Burke's testimony, we will be resetting storm costs in the FY27 Rate Case based upon the last few years of experience, which have seen increased frequency and damage from even those storms that do not qualify as Major Storms under GMP's Service Quality and Reliability Plan (SQRP). Given the improved offsets and smoothing that have been incorporated into the quarterly adjustors through amendment of the Current Plan and the request to recover expenses for carrying balances, the New Plan removes the Major Storm Restoration fund, which presently appears as a separate line item on customer energy statements.

IV. Details of Individual Plan Components

Q25. Now that you have highlighted changes between the Current Plan and the New Plan, please explain in detail how different cost and expense elements are treated in the New Plan.

A25. As we describe in greater detail below, like now, all elements of costs and expenses are included in rates under either a fixed forecast set as a part of the approval process; an indexed forecast tied to a specific published Consumer Price Index input; or an annually reforecast number based upon GMP-specific information, such as independent-source forecasts, invoices received, or bid amounts. **Exh. GMP-LD-RB-1, Attachments 1a, 1b, and 1c** to the New Plan show the proposed treatment of each element of GMP's cost of service, rate base, and O&M, and we summarize these items further below. As noted, Mr. Burke covers in greater detail GMP's capital planning process and the important resilience project work that builds upon the ZOI investment currently underway, while Mr. Castonguay describes GMP's continued Innovative Pilots and New Initiative investments. Details of GMP's power supply costs and retail revenue are covered in Ms. Fischer's testimony.

H. <u>Depreciation and Property Tax Forecasts Associated with Capital Expenditures</u>

Q26. How will GMP treat depreciation during the New Plan period?

A26. As required under Section IV(A)(ii) of the Current Plan, GMP is performing an updated depreciation study now, in FY25, to be reviewed and incorporated into future rates and the New Plan, beginning with the FY27 Rate Case. As previously done, we will share a draft of this report with the Department when it is completed, likely this November, for review and discussion. Once the new study is completed, as described further below, the new accrual rates will be incorporated utilizing the same depreciation methodology as the Current Plan.

Q27. Can you describe in more detail how GMP will treat associated depreciation expenses under the New Plan?

A27. Like now, depreciation expense will follow approved capital additions during the term of the Plan. For FY27, depreciation expense will be determined as part of the FY27 Rate Case and calculated based on plant-in-service balances at the end of the test year, plant additions and retirements that occur from the end of the test year to the end of the rate year, including investments completed up to September 30, 2026 consistent with the Commission's ZOI Order, and depreciation accrual rates applied to these plant balances. For FY28–FY30, depreciation expense will be calculated based on the plant-in-service balances at the end of the FY27 rate year determined by the FY27 Rate Case, the expected annual plant additions described by Mr. Burke, estimated retirements, any depreciation costs associated with any other capital investments closed to plant and approved by the Commission, and depreciation accrual rates applied to these plant-in-service balances.

Q28. How are retirements associated with resilience projects incorporated into this treatment of depreciation expense?

A28. The treatment will be consistent with all retirements including those retired due to replacement with underground, storm restoration and other capital improvements. As further explained below, the original cost of a retiring asset is taken out of plant in service and moved to the accumulated depreciation reserve for the asset group, netting with any accumulated depreciation that has been booked over the life of the asset. Depreciation studies are conducted periodically, such as the one currently in process for the FY27 Rate Case, to determine the overall depreciation rates based on the asset group as a whole. The vast majority of all utility plant are depreciated in groups, where depreciation is averaged over a collection of similar assets that are grouped together, such as poles or meters or transformers. The group method ensures smooth depreciation of a large group of similar assets with relatively long lives. The group as a whole depreciates according to its expected average life, not by any individual item. The group method assumes that some assets will last longer and some assets shorter than the average service life with these timing differences evening out across the pool. As such, when assets are retired the group method depreciation does not create accounting losses or accounting gains; rather the accumulated depreciation reserve is designed to handle variations in the pool. On a periodic basis, a utility is required to perform a depreciation study to ensure the depreciation rates of the group have not changed significantly and overall match the actual service life pattern of this group of assets with similar characteristics.

Q29. You mentioned already in Part III above the proposed change to include an annual refresh of property taxes, but can you describe how they will be initially incorporated into the New Plan through the FY27 Rate Case?

A29. Property taxes will initially be set in the FY27 Rate Case based on known and measurable adjustments to the test year. As in the Current Plan, GMP will use the FY27 property tax plus the historical trend percentage to calculate and forecast the FY28–FY30 property tax expense in the Initial Smoothed Forecasts filed with the FY27 Rate Case. Then, as described in Part III of our testimony, we propose that with each annual base rate filing, property tax amounts for the next fiscal year period will be adjusted to reflect the level of the prior year actual tax payments, plus any adjustment to reflect the impacts of allowed capital addition exceptions approved by the Commission.

I. O&M Costs

Q30. Please describe how GMP will treat O&M costs under the New Plan.

A30. As noted above, the broad structure of the Current Plan will be maintained, with some updates to reflect recent experience, better account for increasing cost variations in certain categories, and improve the effectiveness of the Plan for customers. As in the Current Plan, costs that are largely under GMP's control will be locked over the term of the Plan based on FY27 known and measurable costs and accompanying three-year forecasts (FY28-FY30). A second category of costs will be updated annually based only upon an established or indexed inflation factor, to be set as part of this proceeding; these include, among other things, certain customer accounting, customer service, field operations expenses like DigSafe underground damage prevention, pole inspections, non-major storm costs, and administration and general costs not included in the other O&M categories. The third category of costs, which are outside GMP's control, will be annually reforecast and updated; these include pension (mostly driven by retirements and interest rates); healthcare and other insurance costs that have moved based upon larger market forces; and costs like tree trimming that are subject to annual fixed-price bidding processes that cannot reasonably be conducted years in advance. **Exh. GMP-LD-RB-1, Attachment 1c** summarizes each category of O&M costs and the proposed treatment under the New Plan. Specific changes from the Current Plan are highlighted in bold in this exhibit and discussed further below.

J. Equity in Affiliates, Other Revenue.

Q31. Explain how equity in affiliates and other revenue are treated in the New Plan.

A31. We mentioned in Part III, above, how the New Plan proposes a change to annually refresh as needed forecasted equity in affiliates for investment in existing affiliates. For other operating revenue, the New Plan continues the identical treatment that exists in the Current Plan. Specifically, GMP receives payments categorized as other revenue from various sources such as mutual aid, pole attachments, innovative services, contributions in aid of construction tax adder, and transmission tariffs. All other revenue sources reduce our cost of service and directly benefit customers. GMP proposes to treat them the same in the New Plan as in the Current Plan, locking in the approved forecasts at the outset while updating in any year when new investments are approved, such as for customer-driven storage systems that create lease revenue. Revenue associated with Customer Driven Storage programs approved during the term of the New Plan will be updated to take into account any new expected revenue that may flow from these programs to benefit all other customers. See **Exh. GMP-LD-RB-1** at Section IV.A.4.

K. Income Taxes and Related Costs

Q32. Does GMP propose any changes to how income taxes and related costs are treated under the New Plan?

A32. No. GMP's income taxes and related costs are proposed to continue to be reforecast and updated annually, as they have been. As discussed in review of the Current Plan, income taxes and related costs consist of federal and state income and gross revenue, and fuel gross receipts taxes. The FY27 Rate Case will provide a detailed review of these costs for that rate period, and initial forecasts for FY28–FY30 will be included in the three-year forecasts provided during the FY27 Rate Case for purposes of establishing the initial rate smoothing adjustment. Thereafter in each Annual Base Rate filing, GMP will reforecast these tax categories based on known and measurable changes in the coming rate year. See **Exh. GMP-LD-RB-1** at Section IV.C.

L. Debt & Equity

Q33. Apart from the changes already highlighted in Part III above, please explain how debt and equity will be incorporated into rates under the New Plan.

A33. As noted above, the overall structure of the debt and equity components of the Plan will remain the same with a 50/50 debt-to-equity ratio, plus or minus 1%, used to calculate annual rates for the life of the New Plan. A 50/50 debt equity ratio is in the middle of the range supported by previous Commission decisions, including our Current Plan, and is at a level that gives GMP a chance to maintain a strong credit rating through our underlying financial ratios along with necessary liquidity to meet our obligations. GMP proposes to continue the same formula for annual adjustments for ROE. As indicated in Attachment 3 to the New Plan, the formula calculates the average change of the 10-Year U.S. Treasury Note over a defined measurement period (proposed to be six months in the New Plan, rather than three months, as noted previously), and then adjusts the ROE by 50% of the measured change. See **Exh. GMP-LD-RB-1** at Attachment 3. The initial starting point for ROE in the New Plan will be set as part of the FY27 Rate Case and will incorporate recent trends in the U.S. 10Y Treasury yields if needed.

M. Rate-Smoothing Mechanism

Q34. Can you describe how GMP will implement the Rate-Smoothing Mechanism proposed in the New Plan?

A34. Consistent with the Current Plan, the Rate-Smoothing Mechanism will be implemented through two related components. First, at the beginning of the plan period, the Initial Smoothed Base Rate Path for FY28-30 will be set based on the FY27 Cost of Service Filing and forecasts for the future year periods. This Rate-Smoothing Mechanism establishes the annual amount that is either added to or subtracted from the revenue requirement for fiscal years 2028-2030 of the New Plan. The Initial Smoothed Base Rate represents the projected average annual base rate change for the subsequent fiscal years of the New Plan based on current forecasted revenue requirements and a uniform projected annual base rate change those years. A regulatory asset or liability will be established at the beginning of the New Plan based on this Rate-Smoothing Mechanism to account for any adjustments to the forecasted costs or revenues in each fiscal year that are necessary to establish the Initial Smoothed Rate. As noted in Section III, the New Plan provides for GMP to accrue or credit a return on the balance of the regulatory asset or liability based on GMP's short-term debt cost as updated annually.

GMP will have the option to propose additional rate smoothing for FY29 and FY30 of the difference between each fiscal year's actual base rate change and the Initial Smoothed Base Rate Change, where such smoothing would benefit customers by minimizing rate variation over the term of the New Plan. As in the Current Plan, GMP will propose any smoothing in the Annual Base Rate Filing, which is subject to Commission review and approval.

N. Earnings Sharing Adjustment Mechanism

Q35. Does the New Plan include an Earnings Sharing Adjustment Mechanism?

A35. Yes, as noted above, GMP is continuing the Earnings Sharing Adjustment Mechanism ("ESAM") in the same basic format as the Current Plan. See **Exh. GMP-LD-RB-1** at Section VI.C.

Q36. Can you explain the purpose of the ESAM and what if any impact the ESAM has had under the Current Plan?

A36. As described in testimony in the prior plan proceeding, the ESAM is essentially a mechanism for handling the risk that GMP's actual earned utility ROE varies significantly from the Commission-approved ROE during the term of the regulation plan. It does so by sharing some over- or under-recoveries, outside of a defined efficiency band, between GMP and our customers.

It is important to note that GMP's initial allowed ROE provides an opportunity for recovering the cost of capital but is not a guarantee. In each year, GMP always sees an earned ROE that varies from the authorized ROE. This variance will be caused by certain actual rate year costs, revenues, and rate base being more or less than the cost, revenues, and rate base reflected in the approved base rate cost of service. The overall design of the Current Plan, and its other important features, including a complete revenue decoupling, has minimized application of the ESAM; however the ESAM has caused a customer recovery in the last two years as earned ROE has deviated from the authorized ROE. With this New Plan, we are making adjustments to reduce the potential for systemic and recurring ESAM recoveries as has occurred in recent years given economic and weather volatility creating material deviations compared to rates as filed along with unrecovered costs.

Retaining the ESAM feature is important to ensure that rates remain just and reasonable by flowing any potential significant overearnings back to customers. The guardrails provided by the ESAM also ensures that unforeseen, unexpected material events are not borne solely by the customers nor by GMP. As noted in prior proceedings, ESAMs are a key component of any performance-based regulation plan, and GMP's asymmetric ESAM in particular benefits customers by providing them a greater share of positive variance in earnings while bearing a lower share of negative variances.

Q37. How specifically does the ESAM work?

A37. The ESAM measurement periods are the fiscal year rate periods under the New Plan: FY27-FY30. For each of these measurement periods, GMP's actual return on equity is calculated in the same manner as a cost-of-service filing. Rate adjustments are then made, based on how far GMP's actual return on equity falls above or below the approved return. The ESAM has a symmetrical efficiency band and asymmetrical earnings sharing bands, with GMP bearing a greater share of the risk under this asymmetrical design. **Exh. GMP-LD-RB-1** at Section VI.C.

The tiers and resulting adjustments are proposed to remain as previously approved as follows:

- 50 basis points above or below the approved return: no adjustment is made.
- 50–125 basis points above approved return: 75% of revenue benefit is returned to customers.
- 50–150 basis points below approved return: 50% of the revenue impact of the lower earnings is collected from customers.
- More than 125 points above the approved return: the entire revenue benefit flows to customers.
- More than 150 points below the approved return: the entire revenue impact is collected from customers.

In addition, the New Plan retains the feature of the prior ESAM to provide support for low-income customers. GMP will contribute 5% of any excess earned utility net income above allowed utility net income, if any, through existing programs, as designed in consultation with the Department and its Consumer Affairs division. **Exh. GMP-LD-RB-1** at Section VI.C.

On or before November 29 each year, GMP will file with the Commission and the Department our complete financial results for the preceding fiscal year, with calculations and documentation supporting the ESAM. Actual earnings will be calculated on a regulatory basis (i.e., excluding disallowed costs and the results of unregulated operations). Actual earnings shall include the earnings impact of the Power Supply Adjustor, Revenue Adjustor, and Exogenous Change Adjustor. Any resulting ESAM adjustment will be reflected on customer bills as approved by the Commission. In the event an ESAM recovery or return is triggered, GMP will propose the period of collection for Commission approval. **Exh. GMP-LD-RB-1** at Section VI.C.

The format of the ESAM filing will be consistent with Current Plan ESAM filings made by GMP. **Exh. GMP-LD-RB-1, Attachment 6** is a sample calculation of the Earnings Sharing Adjustment under the New Plan.[3]

O. <u>Exogenous Change Adjustors</u>

Q38. Is GMP proposing any changes to the Exogenous Change Adjustor?

A38. No, GMP proposes the same Exogenous Change Adjustor as is presently included in the Current Plan, including both an Exogenous Non-Storm component and an Exogenous Major Storm component. **Exh. GMP-LD-RB-1** at Section VI.B.

Q39. Can you describe the Exogenous Non-Storm Adjustor in more detail?

A39. Yes, as described in GMP's prior regulation plan proceeding, the Exogenous Non-Storm Adjustor has been an important component of GMP's plans for many years and is intended to cover unexpected circumstances that have a material impact on costs or revenues and are truly outside of GMP's control. These events are enumerated in the Plan and include:

1. Changes in tax laws that impact GMP, as have occurred in the past when corporate tax law changes were implemented at the federal level.

[3] Note that to the extent GMP's actual earned return varies from the target return by an amount that exceeds the Earnings Sharing Band, under Generally Accepted Accounting Practices ("GAAP") GMP must accrue the revenue impact of the difference for book purposes and either create a regulatory asset (if the actual return is less than the target) or defer the revenue impact of the difference and create a regulatory liability (if the actual return is greater than the target). The regulatory asset or liabilities that are created are eliminated over the authorized ESAM adjustment period.

2. Changes in Generally Accepted Accounting Principles.

3. Any Federal Energy Regulatory Commission or New England Independent System Operator rule, tariff, or other change affecting the Company and not a part of the Power Supply Adjustor.

4. Other regulatory, judicial or legislative changes affecting the Company not already anticipated in the design of the regulation plan.

5. Net loss of major customer(s) load not related to weather and not a part of the Retail Revenue Adjustor.[4]

6. Major unplanned costs or investments, such as those incurred due to unexpected major maintenance or operations interruptions (unrelated to storms), major repairs to Company-owned power plants not a part of the Power Supply Adjustor, and major unplanned expense items such as pension settlement accounting.

For any Exogenous Non-Storm change, costs or revenue changes are considered material only if the incremental costs in aggregate exceed a $1.2 million threshold in each measurement period. This amount is a threshold, not a deductible, and in the event the threshold is not reached, GMP absorbs changes below this amount. These enumerated exogenous events are the same as in the Current Plan. **Exh. GMP-LD-RB-1** at Section VI.B.1.

Q40. How are Non-Storm Exogenous Changes recovered?

A40. As in the Current Plan, Exogenous Non-Storm costs and revenue changes are addressed annually based on any qualifying events that occur in each measurement period (which is the fiscal year, not calendar year). If the $1.2 million threshold is met, the total

[4] Starting October 1, 2026, the transition period for GLOBALFOUNDRIES U.S. 2 LLC ("GF") to be a standalone Self-Managed Utility ("SMU") as approved in Case Nos. 21-1107-PET and 21-1109-PET will be complete, reducing the risks previously associated with this potential exogenous event.

incremental impact of the Exogenous Non-Storm Change will be reported within 60 days of the end of each fiscal year, along with a proposal to collect costs or return revenues to customers. **Exh. GMP-LD-RB-1** at Section VI.B.1.

Q41. Can you describe how GMP proposes to handle Major Storms that occur during the New Plan?

A41. Mr. Burke describes what GMP customers have experienced in storm damage in the past several years and explains how the resilience work GMP is pursuing will help mitigate these costs over time. The New Plan continues the basic framework for storm restoration accounting, including the Exogenous Major Storm Adjustor. Major Storms are defined as a severe weather event that satisfies all three of the following criteria from GMP's SQRP:

i. Extensive mechanical damage to the utility infrastructure has occurred;
ii. More than 10% of the customers in a service territory are out of service due to the storm or the storm's effects; and
iii. At least 1% of the customers in the service territory are out of service for at least 24 hours.[5]

In addition to these SQRP criteria, Major Storms must meet a $1.2 million threshold, meaning storm restoration and related work causes GMP to incur incremental maintenance expenses in excess of $1.2 million. Qualifying Major Storms are handled under the Exogenous Major Storm Adjustor in the New Plan, described further below, and storm costs under this threshold are addressed in GMP's general O&M costs (which,

[5] See GMP SQRP at 12 (as filed April 18, 2025, in Case No. 25-0751-PET)

as described above, will be reset in the FY27 Rate Case, specifically by utilizing the 13 month average of costs over the last 5 years for these storms). This division in treatment between major and minor storms has been a longstanding approach. It continues to be appropriate because Major Storms are significant unplanned events, with significant associated restoration costs, which vary widely over time. If GMP were required to attempt to include these costs in general operating costs and base rates, rates may be set too high and regardless, the associated cost fluctuations could result in annual over or under collections from year to year leading to substantial annual variation in rates for customers. Thus, it is better for customers to track, account for, and recover Major Storms costs through an adjustor. This also provides greater flexibility in how these costs are addressed, including the opportunity to recover excessive costs over longer periods of time, and to offset these costs with the Power Supply and Retail Revenue adjustments under the Plan, as occurs now.

Q42. How does GMP propose to handle costs that exceed the annual deductible and meet the definition of a Major Storm?

A42. As noted above, the New Plan will continue the Major Storm Adjustor as presently designed in the Current Plan, including the modified collection methodology approved by the Commission in Case No. 20-1401-PET. **Exh. GMP-LD-RB-1** at Sections VI.B.2 and VII. Under this approach, Major Storm Exogenous costs are monitored and reported on a quarterly basis, and recovery is handled together with the Power Supply/Retail Revenue Adjustor ("PSRRA"). Major Storm costs above the $1.2M annual deductible are netted against PSRRA variances in each quarterly reporting period. When the combined quarterly net change adjustor amounts move in the same direction in two consecutive quarters, a collection or return will be triggered, and the cumulative adjustor balance carried forward from the prior quarter will be reflected on customer bills in the following quarter. As noted in Part III, above, GMP proposes in the New Plan to recover at the short-term credit facility rate the cost for carrying balances under this methodology.

If a collection or return is not triggered, the cumulative net balance of the combined adjustors will be carried forward to the next measurement period, described as the "Cumulative Carry Forward" amount. To further minimize the potential for adjustments for customers, if a collection or return would otherwise be required, but the cumulative net balance to be collected or returned is less than $1M, the amount is carried forward to be netted against the next quarter net adjustor. The New Plan continues to propose that such balances be collected or returned over the plan period or 12 months, whichever is greater, unless otherwise ordered by the Commission.

This approach has worked well under the Current Plan since the modification approved in Case No. 20-1401-PET was made, resulting in fewer, smaller adjustments for customers, and GMP proposes to continue the approach in the New Plan. **Exhibit GMP-LD-RB-1** at Section VII.

P. <u>Adjustor for Revenue and Power Supply</u>

Q43. Explain briefly the method for reporting and implementing any collection or return for the quarterly PSSRA in the New Plan.

A43. Ms. Fischer describes the PSSRA in detail; the New Plan continues the decoupling of power costs and revenue through the quarterly Power Supply/Retail Revenue Adjustor and as noted in the previous answer continues the methodology that nets the results with any Major Storm costs incurred as a part of the Exogenous Change Adjustor. Revenue decoupling and annual power supply refreshes, combined with GMP's smoothed quarterly adjustment methodology that is described above, have been cornerstones of the regulatory plans. They work well to protect customers from fluctuations in power supply costs, provide customers with the benefits of increased retail sales between annual refreshes, and align GMP's goals for customers with state energy policy, all as described in more detail by Ms. Fischer. **Exh. GMP-LD-RB-1**, Section VI.A, describes the methodology for implementing this adjustment, and Attachment 5 provides an example of this calculation.

Q. <u>Other Plan Provisions</u>

Q44. Does the New Plan continue provisions to account for significant market or other changes affecting the fundamental regulatory environment?

A44. Yes. As in the Current Plan, the New Plan allows GMP to terminate the regulation framework and file a rate case in the event that operating under the New Plan adversely impacts the financial stability of GMP to the detriment of our customers. This continues an important protection for customers and GMP and serves as a backstop that would only be used in an exigent circumstance. The Plan also allows the Department to request an investigation to terminate the Plan in the event it believes such an action is appropriate to protect customers for similar reasons. Any such request would be subject to the approval of the Commission. **Exh. GMP-LD-RB-1** at Section I.

Q45. How will bill adjustors already approved or that will be approved by the Commission under GMP's Current Plan be handled under the New Plan?

A45. Consistent with the terms of the Current Plan, the collection/return of all adjustors approved under the Current Plan will continue beyond the term of that plan as allowed by this New Plan or otherwise ordered by the Commission. For example, the modified PSRRA and Major Storm Adjustor amortizes recovery or returns over no less than a 12-month period following a triggering event, which depending on when a collection or return commences in the coming year, will carry over into the term of the New Plan. These adjustors approved by the Commission during the Current Plan will continue in rates as planned and will not be affected by the New Plan.

Any over/under collection for any adjustor under the Current Plan remaining at the end of its collection term and not yet subject to a Commission order regarding its collection or return must be deferred and addressed in a future regulation plan or rate filing. **Exh. GMP-LD-RB-1** at Section VI.E.

Q46. How will ZOI investments that were completed under the Current Plan but not yet approved for addition to rates be treated?

A46. The New Plan specifically recognizes and incorporates the already-approved Regulatory Accounting Framework approved in the ZOI Order to cover any projects closed to plant through FY26 but not yet included in a rate filing for Commission review and approval when the New Plan goes into effect. Specifically, the FY27 Rate Case will incorporate such projects closed to plant through September 30, 2025; the FY28 Annual Base Rate filing will incorporate projects closed to plant from October 1, 2025, through September 30, 2026. **Exh. GMP-LD-RB-1**, Attachment 10.

V. Section 218d Criteria

Q47. In your view, does the New Plan meet the criteria for least cost service under 30 V.S.A. § 218d(a)(1)?

A47. The New Plan continues a robust framework for ensuring GMP provides least-cost service for our customers. Building on the successes of the Current Plan, the New Plan maintains core mechanisms designed to keep costs down and align performance with customer benefits. These include keeping a portion of non-power supply costs fixed for the plan's duration, offering greater cost-certainty for customers and a strong incentive for GMP to manage these expenses efficiently. The New Plan also continues revenue decoupling, removing any disincentive to promote services or resources that reduce electricity sales. This feature becomes even more beneficial as strategic electrification increases and loads grow. Furthermore, the Power Supply Adjustor with its efficiency band, and the Earnings Sharing Adjustment Mechanism, remain in substantially the same form, ensuring GMP bears a portion of the risk for power costs and shares any over/under-earnings with customers, thereby encouraging accurate forecasting and cost control. The New Plan continues GMP's commitment to data reporting and performance metrics, including SQRP reporting that will incorporate new resilience measures, and provides transparency and insights for efficient operations.

Q48. How does the New Plan provide just and reasonable rates for service to all GMP customers as required under § 218d(a)(2)?

A48. The New Plan ensures just and reasonable rates by extending critical features of the Current Plan, including overall capped capital spending, revenue decoupling, and adjustors with dead bands that align GMP's and our customers' interests. These mechanisms prevent significant over- or under-collection of actual service costs and provide flexibility for unexpected events. The plan's balanced approach of fixed costs and annual adjustments for expenses outside GMP's control like property taxes and short-term debt rates contributes to rate stability and accuracy. Additionally, the inclusion of carrying costs at the short-term credit facility rate for smoothing mechanisms and adjustors recognizes actual financial impacts on GMP, which supports a strong credit rating and can benefit customers through lower financing costs.

Q49. Please explain how the New Plan allows GMP to deliver safe and reliable service as required under § 218d(a)(3).

A49. The New Plan ensures GMP can deliver safe and reliable service by continuing and enhancing existing mechanisms. It strengthens proactive resilience efforts by including resilience projects and customer energy storage in rates after completion and upon PUC approval, allowing agile grid hardening and distributed storage deployment. As Mr. Castonguay notes, energy storage provides more reliable service and safety while also producing benefits for all customers.

The New Plan also retains the Exogenous Change Adjustor for major storms and non-storm events, maintaining the $1.2 million major storm deductible that requires GMP to absorb initial costs. The separate Major Storm Restoration Fund line item is removed, with minor storm costs reset in the FY27 Rate Case and major storm costs recovered through the existing exogenous storm adjustor. The Plan also directly incorporates GMP's updated SQRP measures, with proposals to incorporate results from GMP's ongoing resilience work, providing required reporting to ensure transparency and accountability.

Q50. Section 218d(a)(4) requires "incentives for innovations and improved performance that advance state energy policy such as increasing reliance on Vermont-based renewable energy and decreasing the extent to which the financial success of distribution utilities between rate cases is linked to increased sales to end use customers and may be threatened by decreases in those sales." Does the New Plan meet this requirement? Please explain.

A50. Yes, the New Plan meets this requirement by offering incentives for innovation and improved performance that advance state energy policy. It continues the revenue decoupling feature through the Power Supply and Retail Revenue Adjustor, which ensures financial success is not tied to sales volumes, thereby supporting efficiency and other state energy policy goals as described by Ms. Fischer. The plan also maintains the Innovative Pilot Program, which fosters new offerings that advance state energy policy goals like grid transformation and decarbonization. Furthermore, as outlined in Mr. Castonguay's and Mr. Burke's testimony, the New Plan continues GMP's overarching performance metrics, including SQRP modifications proposed in Case No. 25-0751-PET which together will continue to provide data to inform future policy and operational improvements.

Q51. How does the New Plan promote improved quality of service, reliability, and service choices as required under § 218d(a)(5), and encourage innovation in the provision of service as required under § 218d(a)(6)?

A51. The New Plan promotes improved quality of service, reliability, and service choices by continuing to incorporate directly into the Plan GMP's proposed SQRP amendment. It expands on efforts to enhance system reliability through dedicated resilience work, including storm hardening and undergrounding projects, helping to directly address the increasing extreme weather events impacting customers. The plan explicitly encourages innovation by extending the Innovative Pilot program, which has a proven track record of facilitating the development of new service offerings and will continue to support equity of access to renewable and clean energy offerings. It also maintains a mechanism for incorporating new tariffed innovative services that may be proposed during the New Plan term, subject to Commission approval, further broadening customer choices.

Q52. Please explain how the New Plan establishes a reasonably balanced system of risks and rewards that encourages GMP to operate as efficiently as possible using sound management practices, as required under § 218d(a)(7).

A52. The New Plan establishes a reasonably balanced system of risks and rewards by continuing a set of related adjustors, including the Retail Revenue Adjustor, Power Supply Adjustor, Major Storm Adjustor, and ESAM. These adjustors, with their dead bands, deductibles, and thresholds, create a system of shared risk that incentivizes efficient management and cost control. GMP continues to manage a significant amount of O&M costs based on locked forecasts, or preestablished formulas, placing meaningful risk on GMP to control expenses. Additionally, the New Plan includes recovery of some carrying costs for smoothing mechanisms and adjustors, along with continued recovery of the cost of capital for deferred capital investments, all of which recognize real costs incurred. This helps further mitigate financial risks and ensures GMP is able to keep financing costs low, which benefits customers.

Q53. Does the New Plan provide a reasonable opportunity, under sound and economical management, to earn a fair rate of return as required under § 218d(a)(8)? Please explain.

A53. Yes, the New Plan provides a reasonable opportunity for GMP to earn a fair rate of return under sound and economical management. As noted above, The New Plan maintains a balanced debt-to-equity ratio and continues the ESAM with asymmetrical dead bands, ensuring that GMP does not significantly under- or over-earn the approved rate of return and incentivizes efficient operations. The proposed modification to the ROE methodology, extending its measurement period to six months, aims to provide smoother and more predictable adjustments, contributing to financial stability. The inclusion of carrying costs at the short-term credit facility rate for smoothing mechanisms and adjustors also acknowledges financial outlays by GMP, which helps reduce financial risk and supports our ability to maintain a strong credit rating.

Q54. If savings result from the New Plan, will savings be shared with customers, as required by § 218d(b)? Please explain.

A54. Yes, the New Plan ensures that any savings resulting from our operation are shared with customers. The Retail Revenue Adjustor and Power Supply Adjustor are continued in the same form. They are designed to true-up costs during each year of the Plan, and both the asymmetric efficiency band and quarterly adjustor calculations provide for a sharing of cost savings, while requiring GMP to assume greater responsibility for increased costs, all as further described in Ms. Fischer's testimony. The Earnings Sharing Adjustment Mechanism also functions as a backstop, providing for shared savings with customers outside of defined dead bands in the event of significant differences in actual earnings. As described above, GMP has proposed modest modifications in the New Plan which should help limit when the ESAM is applied, but the asymmetric sharing remains if an ESAM collection or return is applied.

Q55. Does the New Plan avoid an adverse impact to GMP's eligibility for rate-regulated accounting in accordance with applicable generally accepted accounting standards, as required by § 218d(m)(1)? Please explain.

A55. Yes. Consistent with the Commission's conclusion on the Current Plan, nothing proposed here adversely impacts GMP's ability to meet rate-regulated accounting in accordance with generally accepted accounting standards. The Plan specifically includes, in the detailed accounting procedures set forth in Attachments 11 and 12, criteria for recovery of the cost of capital that meets GAAP requirements.

Q56. How does the New Plan reasonably preserve the availability of capital on favorable terms, as required by § 218d(m)(2)?

A56. As further described above, the stability of a multi-year regulation plan and the design of the proposed adjustors are critical to maintaining a good credit rating, are often mentioned in discussion with debt investors, and allow GMP to be able to borrow on favorable terms and at lower costs for customers. GMP's most recent S&P report notes the importance of the regulatory plan and its associated mechanisms for managing risks. Approval of these provisions will therefore reasonably preserve the availability of capital on favorable terms.

Q57. Does that conclude your testimony at this time?

A57. Yes, it does.