STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Tariff filing of Green Mountain Power Corporation requesting a change in rates, effective October 1, 2026	)))	Case No. 26-____-TF
Petition of Green Mountain Power for approval of its new multi-year regulation plan pursuant to 30 V.S.A. §§ 209, 218, and 218d.	)))	Case No. 25-1955-PET

PREFILED DIRECT & SUPPLEMENTAL TESTIMONY OF JULIE LIEBERMAN ON BEHALF OF GREEN MOUNTAIN POWER

January 16, 2026

Summary of Testimony

Ms. Lieberman's testimony presents the market information and analyses used to estimate the required Cost of Equity for Green Mountain Power ("GMP"). Ms. Lieberman's recommended Return on Equity ("ROE") range of 9.91 – 10.91 percent incorporates a review of GMP's specific business risks and provides an assessment of the reasonableness of GMP's requested ROE of 9.94 percent on a common equity ratio of 50 percent.

Exhibit List

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I. Introduction

Q1. Please state your name, affiliation, and business address.

A1. My name is Julie F. Lieberman, and I am employed by Atrium Economics, LLC ("Atrium") as a Managing Consultant. Atrium is a management consulting and economic advisory firm, focused on the North American energy industry. Based in Hilton Head, South Carolina, Atrium specializes in utility regulatory support, ratemaking, financial advisory services, energy market strategies, market assessments, energy commodity contracting and procurement, economic feasibility studies, and capital market analyses. My Atrium business address is 10 Hospital Center Commons, Suite 400, Hilton Head, South Carolina, 29926.

Q2. On whose behalf are you testifying?

A2. I am submitting this testimony on behalf of Green Mountain Power ("GMP") in this proceeding.

Q3. Please describe your experience in the energy and utility industries and your educational and professional qualifications.

A3. I have been with Atrium for three years and serve as one of Atrium's professionals who provides expert testimony on matters pertaining to cost of capital, regulatory accounting issues, finance, and policy in the energy industry. This work includes analyzing regulatory practices, estimating the cost of capital for the purpose of ratemaking and

providing expert testimony and studies on financial matters pertaining to policy, rates, valuation, and capital costs. I am a licensed (though non-practicing) Certified Public Accountant ("CPA") in the state of Texas.

I was previously employed for 17 years as a Senior Project Manager with Concentric Energy Advisors, Inc., where I provided support for numerous cost of capital and regulatory testimonies, and also held securities licenses for Series 7, 63, and 79 by the Financial Industry Regulatory Authority ("FINRA"), though those licenses have become inactive due to my discontinuation of employment with Concentric, which had a securities designation by FINRA. I served as the Treasurer of the New England Women in Energy and the Environment from 2008 to 2022. I hold a M.S. in Finance from Boston College and a B.S. in Accounting from Indiana University.

I served as Project Manager for cost of capital testimony before the Vermont Public Utility Commission ("PUC" or "Commission") in two prior GMP rate cases in Docket Nos. 17-3112-INV and 18-0974-TF and in GMP's 2019 Multi-Year Rate Plan proceeding in Docket No. 18-1633-PET. In 2022, I submitted testimony on behalf of GMP in its FY23 Rate Case in Case No. 22-0175-TF, and the associated Multi-Year Regulation Plan Proceeding, Case No. 21-3707-PET.

My educational and professional background is summarized more fully in **Exh. GMP-JFL-1**.

II. Purpose and Overview of Testimony

Q4. What is the purpose of your Direct Testimony?

A4. The purpose of my Direct Testimony is to present evidence and provide a recommendation regarding GMP's ROE and comment on GMP's request to hold its current approved ROE flat at 9.94 percent rather than at a higher amount that would be justified by the analysis I present below. My Direct Testimony also discusses GMP's capital structure in comparison to the proxy group companies supporting my analysis. My analyses and recommendations are supported by the data presented in **Exhs. GMP-JFL-1** through **GMP-JFL-11**, which have been prepared by me or under my direction.

Q5. What is your conclusion regarding the appropriate cost of equity for GMP?

A5. My analyses support an ROE in the range of 9.91 – 10.91 percent. This range reflects a more normalized economic environment than when I last developed an ROE estimate for GMP in early 2022. When I consider all my analyses equally, the mean ROE estimate would be 10.86 percent. However, my CAPM estimates are significantly above my other analyses and recently awarded ROEs for vertically integrated electric utilities. As such, though I do not discount the importance of my CAPM analysis to highlight the additional risk to publicly traded utilities in current equity markets, I have tempered those results by affording less weight (0.50) to the CAPM results and more weight (1.25) to each the Risk Premium results and Discounted Cash Flow ("DCF") model results. I have explicitly adjusted my results according to these weights, such that my mean ROE estimate is 10.41 percent.

As this Commission has recognized in the past, there is a need to consider the results of the analyses in the context of current capital market conditions and to provide an opinion that is informed by the analyses' results but not necessarily determined by them.[1] The relative weighting I have used is appropriate in these circumstances but may not be appropriate in other capital market conditions where I would anticipate that each methodology would be more closely aligned and would be weighted equally in my ROE recommendation.

Based on the discussion above, I have recommended an ROE of 10.50 percent (which is above my adjusted mean result of 10.41 percent) for GMP on 50.0 percent equity. This estimate appropriately reflects the increased business risk that GMP carries relative to the proxy group, properly accounts for current capital market conditions and provides adequate compensation to investors for the risks they have to assume in the current market environment.

Q6. GMP's current ROE is governed by an Automatic Adjustment Mechanism ("AAM") that tracks the 10-year Treasury bond. What ROE is the AAM currently producing and would it be a reasonable starting point for GMP's New MYRP Plan rather than resetting GMP's ROE?

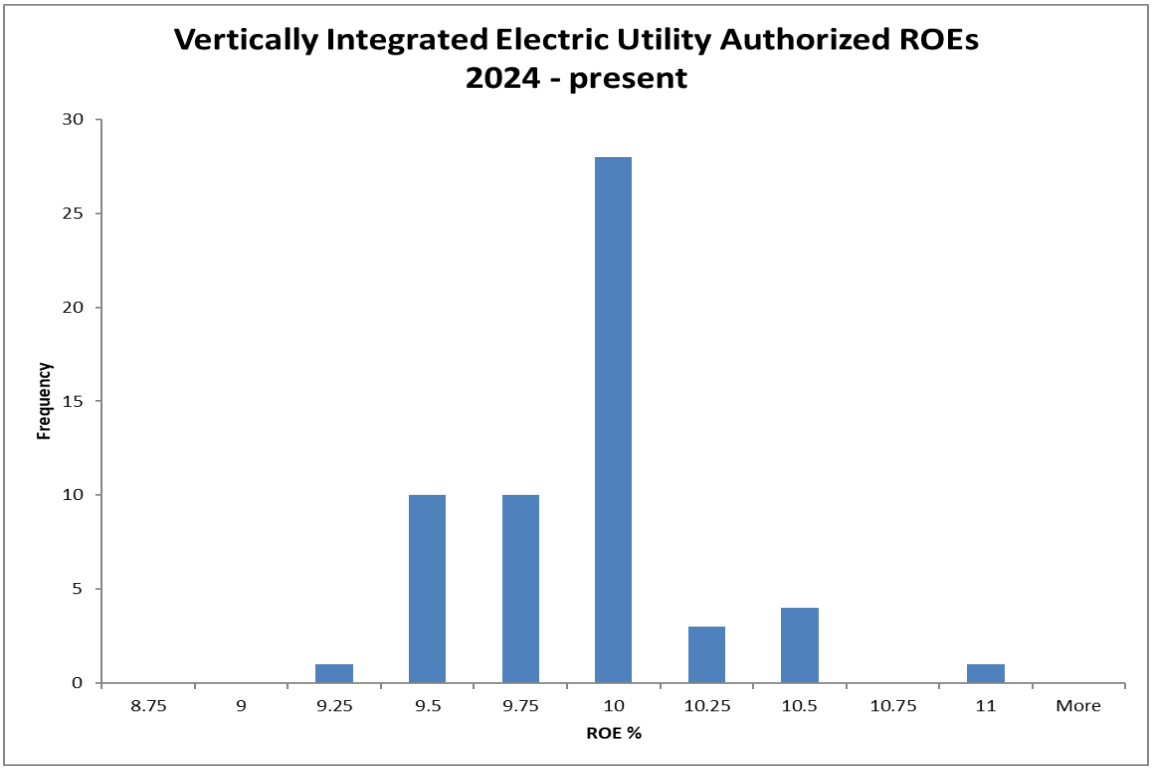
A6. Most recent computations of GMP's AAM formula yield an ROE of 9.94 percent for FY 2026, which commenced October 1, 2025. Though this is lower than my ROE recommendation, it is not outside the range of reasonableness.

[1] See Investigation into Green Mountain Power Corporation's tariff filing requesting an overall rate increase in the amount of 4.98%, to take effect January 1, 2018, Case No. 17-3112-INV, Final Order at 15 (December 21, 2017) ("2018 Rate Case Final Order").

Q7. How has GMP's ROE AAM aligned with authorized ROEs of other vertically integrated electric utilities over the past few years?

A7. Although GMP's ROE formula has produced some of the lowest returns in ratemaking history going back as far as 1980 (as far back as SNL publishes regulatory data), i.e., 8.20 percent for FY 2021, 8.57 percent for FY 2022 (which GMP opted to hold flat for FY 2023), with increasing interest rates it has produced ROEs that are more aligned with the authorized ROEs in utility regulatory proceedings. The ROE formula result was 9.58 percent for FY 2024, 9.97 percent for FY 2025, and 9.94 percent for FY 2026. As Figure 1, below, shows, GMP's formula is currently producing ROEs that are aligned with recent regulated electric ROE decisions.

Figure 1: Recently Authorized Vertically Integrated Electric ROEs



As Figure 1 (above) shows, for the 57 cases for which ROE was decided between January 2024 and November 2025, the most prevalent ROE for vertically integrated electric utilities was between 9.75 and 10.00 percent. The average of the approved ROEs in those 57 cases was 9.82 percent, and the median was 9.80 percent. The highest ROE issued during that period was 10.95 percent, and the lowest was 9.25 percent. I recognize that my recommendation of 10.50 is on the higher end of the recent ROE range for vertically integrated utilities but is justified based on GMP's risk profile discussed further below.

Q8. Is it your opinion GMP's utility risk has changed since GMP's ROE was last examined in 2021/2022?

A8. Yes. Though I believe that risk in the utility sector, at large, has moderated slightly since 2022 (as evidenced by the decline in utility betas to 0.75 today, from 0.87 in 2021) – still far from the pre-pandemic normal of 0.65. Rising interest rates, and the loss of clean energy incentives at the national level that underpinned the economics of renewable energy projects create targeted risk and add more rate pressure for a progressive utility like GMP that has focused its efforts on innovation and clean energy. Increasing storms and the associated unrecoverable storm costs provide a much greater earnings shock for a small utility like GMP than for its larger peers. The risks that GMP has assumed in its Proposed MYRP, i.e., locking in elements of its Proposed Multi-Year Plan and allowing a $1.2 million annual deductible for major storm recovery serve to increase GMP's risk and its ability to earn its allowed return. GMP has assumed a large degree of risk in its operations and is operating in a very volatile federal policy environment. Overall, the risks that have been identified, high interest rates, lingering inflation, the loss of federal

subsidies and credits for clean energy, and increasingly severe weather events all point to greater business risk for GMP. I have considered this elevated business risk in my ROE recommendation.

Q9. Please provide a brief overview of the analyses that you conducted to support your ROE recommendation.

A9. My ROE recommendation is based on the range of results produced from three modeling methodologies, the DCF model, the CAPM analysis, and the Risk Premium approach. Analysts and academics understand that ROE models are tools to be used in the ROE estimation process, and that strict adherence to any single approach, or the specific results of any single approach, can lead to flawed conclusions. No model can exactly pinpoint the correct Return on Equity, but rather each model brings its own perspective and set of inputs that inform the estimate of ROE. Therefore, my analysis appropriately considers the range of results produced by these three different models. The DCF model is based on reputable third-party growth rate projections, as well as market-based information on current annualized dividends and recent stock prices. The CAPM analysis is based on both current and forecasted interest rates and a projected market risk premium. The Risk Premium approach calculates the risk premium as the spread between authorized ROEs for electric distribution companies and Treasury bond yields to estimate the ROE.

My recommendation also considers the general economic and capital market environment and the influence capital market conditions exert over the results of the DCF and CAPM models. In addition, I also consider GMP's business and regulatory risks in

relation to a set of proxy companies to assist in the determination of the appropriate ROE from the range of my analytical results.

Q10. How is the remainder of your Direct Testimony organized?

A10. The remainder of my Direct Testimony is organized as follows. Section III provides background on the regulatory principles that guide the determination of ROE. Section IV presents a review of current and projected economic and capital market conditions and their impact on utility Cost of Capital. Section V describes the criteria and approach for the selection of a proxy group of comparable companies. Section VI provides a description of the data and methodologies used to estimate the cost of equity, as well as the results of the DCF, CAPM, and Risk Premium analyses. Section VII provides an assessment of the business risk factors I have considered in arriving at an appropriate ROE for Green Mountain Power. Section VIII reviews GMP's capital structure in the context of the proxy group. Section IX summarizes my results, conclusions, and recommendations.

III. Regulatory Principles

Q11. Please describe the guiding principles used in establishing the cost of capital for a regulated utility.

A11. The foundations of public utility regulation require that utilities receive a fair rate of return sufficient to attract necessary capital to maintain important infrastructure for customers at reasonable rates. The basic tenets of this regulatory doctrine originate from several bellwether decisions by the United States Supreme Court, notably *Bluefield Waterworks and Improvement Company v. Public Service Commission of West Virginia*,

262 U.S. 679 (1923) ("*Bluefield*"), and *Federal Power Commission v. Hope Natural Gas Company,* 320 U.S. 591 (1944) ("*Hope*"). In *Bluefield*, the Court stated:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties…. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.

Later, in *Hope*, the Court established a standard for the ROE that remains the guiding principle for ratemaking regulatory proceedings to this day:

> [T]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

Q12. Please briefly discuss how these principles apply in the context of the regulated rate of return.

A12. Regulated utilities are capital intensive entities that rely primarily on common stock and long-term debt to finance their capital (i.e., permanent property, plant, and equipment) and rely on short-term debt to finance working capital requirements for expenditures such as power purchases. The weighted average cost of capital ("WACC") for a regulated utility is based on the costs of the individual sources of capital (i.e., debt and equity), weighted by their respective book values of equity and debt in its capital structure. The ROE represents the cost of raising and retaining equity capital and is estimated by using

one or more analytical techniques that use market data to quantify investor requirements for equity returns.

The Commission has acknowledged that the ROE estimates derived from analytical techniques are not determinative in themselves but must be considered in the context of capital market conditions and what is truly reasonable. The Commission has noted:

> Neither the law nor regulatory precepts prescribe a specific methodology for setting the appropriate return on equity. Instead, the [Commission] has substantial discretion to weigh factors so as to achieve the overarching goal of authorizing a return on equity that is fair and reasonable to all stakeholders. The critical element is the reasonableness of the result, not necessarily the methodology used to achieve it.[2]

The DCF, CAPM and Risk Premium approaches, while fundamental to the ROE determination, are analytical tools; one should not assume that the results of these tools can be mechanistically applied without also using informed judgment to consider economic and capital market conditions, the relative risk of GMP compared to the proxy group companies, as well as the overall reasonableness of the result.

Based on these widely recognized standards, the Commission's order in this case should provide GMP with the opportunity to earn a Return on Equity that is:

- Commensurate with returns on investments in enterprises having comparable risks;
- Adequate to attract capital on reasonable terms, thereby enabling Green Mountain Power to provide safe, reliable service; and

[2] 2018 Rate Case Final Order at 15, (quoting *In re. Investigation into tariff filing of Vermont Gas Systems, Inc. re: proposed cost of service*, Docket 7843, Final Order at 26 (August 21, 2012)).

- Sufficient to ensure the financial soundness of Green Mountain Power's operations for customers.

Importantly, a fair return must satisfy all three of these standards. The allowed ROE should enable GMP to finance capital expenditures on terms commensurate with those of enterprises of comparable risk and provide GMP with the ability to raise capital under a full range of capital market conditions in a manner that allows GMP to remain financially sound and meet its obligations to customers. The importance of this financial flexibility was particularly evident during the financial crisis of 2008-09, when lesser rated companies, including utilities, struggled to raise capital and/or paid substantial premiums for access to capital; and more recently during the global pandemic of 2020-21, where companies faced severe disruption and acute stress in capital markets.

Q13. What are your conclusions regarding regulatory principles?

A13. The ratemaking process is premised on the principle that, in order for investors and companies to commit the capital needed to provide safe and reliable utility service, the utility must have the opportunity to recover the return of invested capital, and the market-required return on that capital. Because utility operations are capital intensive, regulatory decisions should enable the utility to attract capital on fair and reasonable terms. The financial community carefully monitors the current and expected financial condition of utility companies, as well as the regulatory environment in which they operate. In that respect, the regulatory environment is one of the most important factors considered by both debt and equity investors in their assessments of risk. It is important that the ROE authorized in this proceeding takes into consideration the current and expected capital

market conditions that GMP faces, as well as investors' expectations and requirements regarding both risks and returns. A reasonable ROE meets all three criteria of fairly compensating continued investment, affording continued access to capital by the utility on reasonable terms, and providing adequate financing flexibility to maintain the financial integrity of the utility. These returns typically are set on a stand-alone basis.[3]

IV. Economic and Capital Market Conditions

Q14. What are the key factors affecting the cost of equity for regulated utilities in the current and prospective capital markets?

A14. The cost of equity for regulated utility companies is being affected by several key factors in the current and prospective capital markets, including: 1) prevailing economic conditions, including relatively elevated interest rates; 2) inflation and the impact of tariffs; 3) the potential for a softening economy and risk of recession; 4) federal monetary policy; 5) federal policy changes, and 6) changes in technology, including Artificial Intelligence. In this section, I discuss each of these factors and how it affects the models used to estimate the cost of equity for regulated utilities.

A. Prevailing Economic Conditions including Elevated Interest Rates, Elevated Inflation, and Lingering Supply Chain Issues

[3] The Commission has an established history of setting return on equity based on the analytical results of a proxy group analysis of comparable-risk, investor-owned utilities, as was done in several of the most recent GMP's rate proceedings. *See, e.g.*, Docket Nos. 8190, 8191, Final Order at 21–22 (August 25, 2014); and more recently, the 2018 Rate Case Final Order at 15.

Q15. Why is it important to consider the effects of prevailing economic conditions when setting the appropriate ROE?

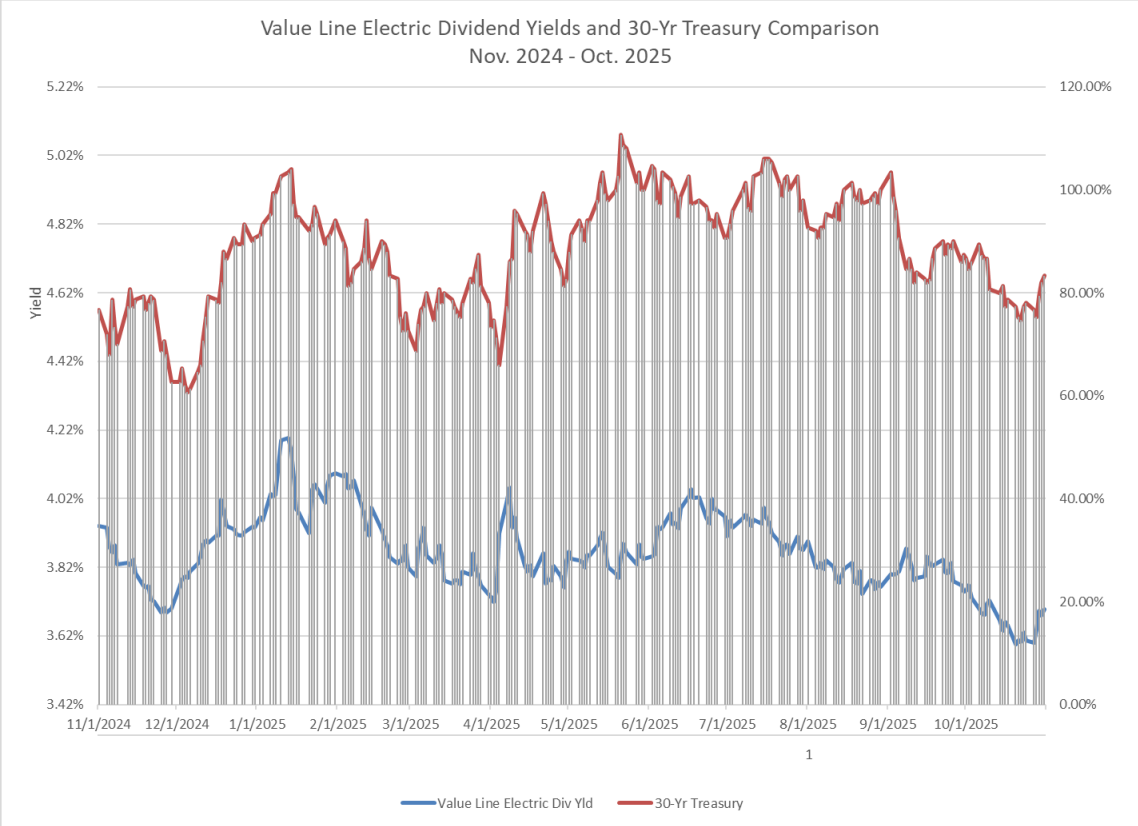
A15. It is important to consider prevailing and expected conditions in the general economy and financial markets because the authorized ROE for a public utility should allow the utility to attract investor capital at a reasonable cost under a variety of economic and financial market conditions, as underscored by the Hope and Bluefield decisions. The standard ROE estimation tools, such as the DCF, CAPM, and Risk Premium models, each reflect the state of the general economy and financial markets by incorporating specific economic and financial data. These inputs are, however, only proxies for the various economic and market forces that determine a utility's required return. Consideration must be given to whether the assumptions relied on in the current or projected data are appropriate. Therefore, an assessment of fluctuating market conditions is integral to any ROE recommendation.

Q16. How do market conditions affect the traditional ROE estimation models?

A16. Each of the ROE estimation models is affected by market conditions. The regulated utility's capital-intensive nature, predictable cash flows and the potential for high dividend payouts can make them an attractive proxy for low-risk income investors. Indeed, it is well established that dividend yields tend to track U.S. long-term Treasuries. When treasury yields rise, investors rotate out of utilities and into safer bonds that now pay more. This results in lower utility valuations and higher returns tracking the higher yield of Treasuries. Figure 2 (below) demonstrates this relationship for the past year. As

the chart shows, Treasuries (the top line on the chart) maintain a similar trajectory as The Value Line electric utility dividend yields.

Figure 2: Value Line Electric Dividend Yields and 30-Yr Treasury Yields



Q17. Are we in a higher interest rate environment compared to the period around GMP's prior traditional rate case in 2021/2022?

A17. Yes. As shown in Figure 3, below, we are in an elevated interest rate environment, even though rates have come off their peak. The Fed Funds Rate is in the 3.50 percent to 3.75 percent range after sitting near 0 percent in 2021. 30-year Treasuries range from 4.5 percent to 5 percent, while they were hovering around 2 percent in 2021, when I last prepared an ROE analysis for GMP. The current level of elevated bond yields that have prevailed over the last several years has caused a shift in investments towards Treasury

bonds from lower-risk equities, such as utility stocks. As prices for utility stocks have decreased, the dividend yield (calculated as the dividend divided by price) has increased, resulting in a higher ROE using the DCF model than would have occurred if we were still in a lower-interest rate environment.

Figure 3: 30-Yr Treasury Yields

Source: Yahoo! Finance

Q18. How does the current higher level of interest rates impact the CAPM and Risk Premium Models?

A18. Interest rates have significant influence in the CAPM and Risk Premium models. Treasury bond yields are used as direct inputs for the risk-free rate in the CAPM, and similarly, corporate bond yields are priced off Treasury bonds and generally move in tandem. Accordingly, Risk Premium models that use either Treasury or corporate utility bond yields are also directly impacted by the level of interest rates. The influence that

higher Treasury bond yields exert on CAPM and Risk Premium models' ROE results is often muted by an offsetting change in the market risk premium, due to the tendency of the market risk premium to move opposite to bond yields.

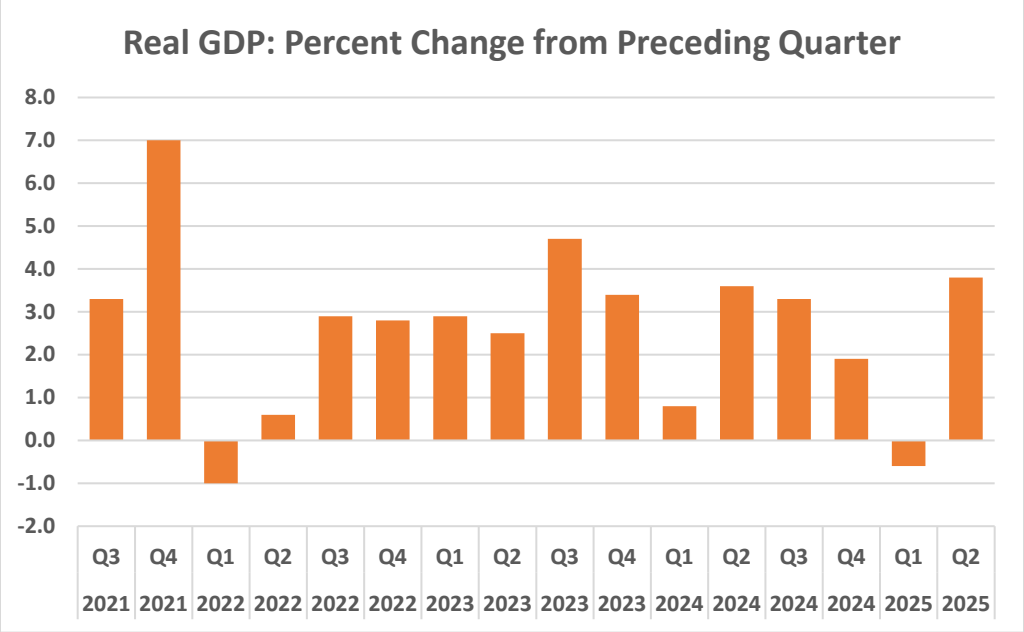
Q19. Why is there an inverse relationship between bond yields and the market risk premium?

A19. Generally, the expected market return tends to be much more stable than bond yields. As interest rates rise, ROEs also rise, but the relationship is not one to one. As a result, since the expected market return is comprised of the current risk-free rate of return (U.S. Treasuries) plus the market risk premium, if U.S. Treasury yields increase, the market risk premium would likely decrease to some extent such that the market return is less reactive. Of course, exceptions can be found in significant market disruptions or major geopolitical events.

Q20. Please describe prevailing economic and capital market conditions.

A20. Since the sharp recession associated with the COVID-19 pandemic, GDP has moved from an extremely rapid post-pandemic rebound (2021), to a period of normalization and more moderate expansion from 2022 to 2025. As shown in Figure 4 below, Real GDP growth in early 2025 has hovered around 2 – 3 percent, supported by: easing inflation, gradual Federal rate cuts or expectations of cuts, stabilizing housing activity and resilient consumer spending. 2025 could be described as a return to more normal economic expansion.

Figure 4: U.S. Real GDP Growth

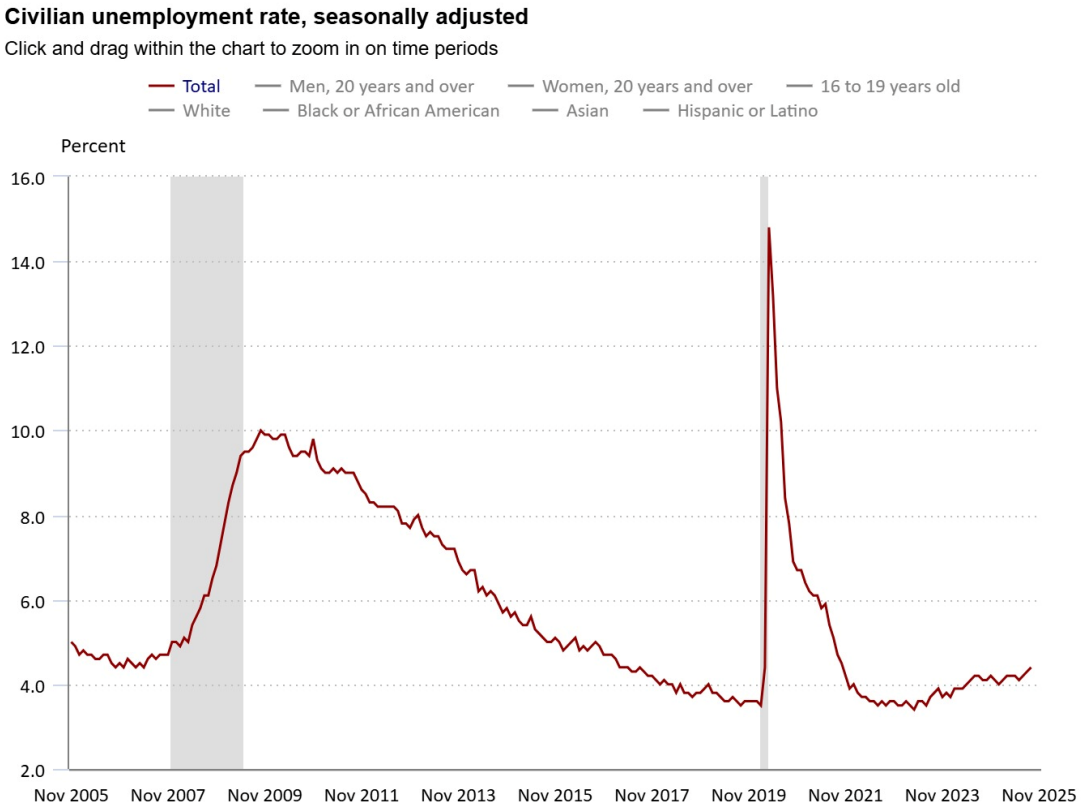


Source: U.S. Bureau of Economic Analysis

As shown in Figure 5 below, the U.S. unemployment rate has been hovering around 4 percent in the wake of its acute rise in 2020 reflecting pandemic-related job loss and its subsequent recovery to more normal levels in 2022. The unemployment rate has been gradually ticking up from its post-pandemic low of 3.4 percent in April 2023 to its most recently published rate of 4.6 percent in November 2025.[4] The gradual ticking up of unemployment rates is primarily due to normalization from the extreme monetary tightness that had prevailed under post-pandemic federal monetary policy, which led to higher interest rates and cooling labor markets. Overall, unemployment remains at unconcerning levels though continued softening of labor markets may pose an economic concern in the future.

[4] Bureau of Labor Statistics (BLS), Seasonal Unemployment Rate 2015-22025, LNS14000000 through November 2025.

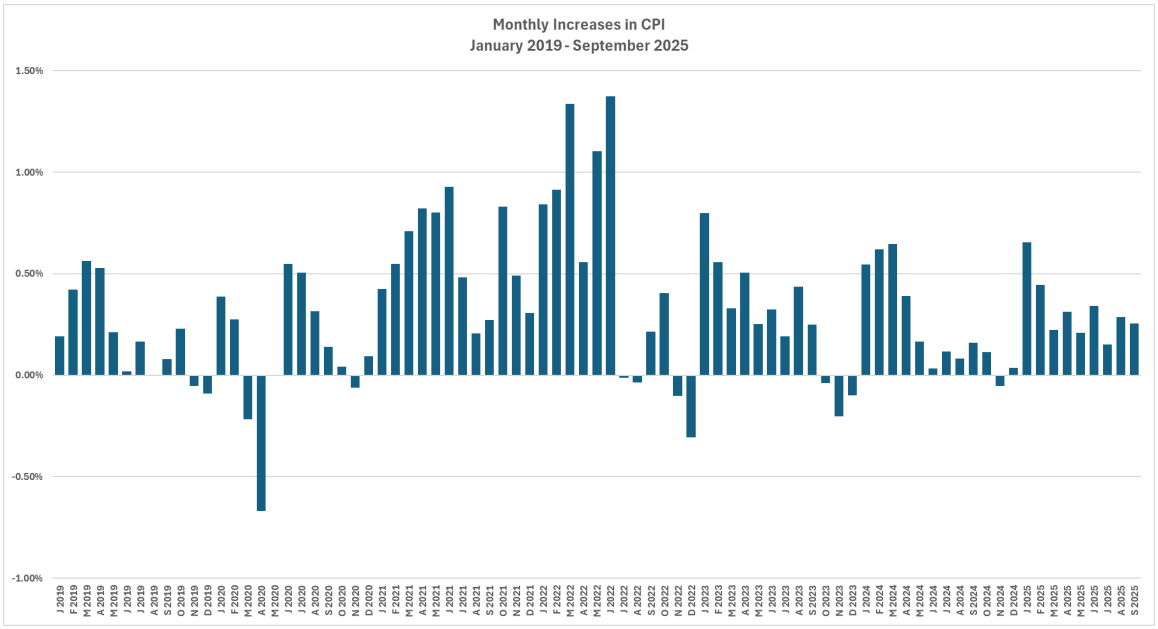
Figure 5: U.S. Unemployment Rate



Source: *https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm*

Inflation, as measured in the U.S. by the Consumer Price Index has been moderating from its post-pandemic highs to more normal levels. Figure 6 below shows that since the Fall of 2022, inflation has been relatively stable, with near-term increases since January 2024 averaging a monthly increase of 0.27 percent, translating to an annualized inflation rate of approximately 3.3 percent. This is higher than the Fed's target inflation rate of 2.0 percent, revealing sustained inflationary pressures in the economy such as unresolved supply chain issues and the impact of newly established tariffs on consumer prices.

Figure 6: Monthly Increases in CPI



Source: Bureau of Labor Statistics, Series ID CUUR0000SA0

B. *Inflation Expectations and The Impact of Tariffs*

Tariffs almost always raise future inflation expectations by increasing the price of foreign goods for manufacturers, wholesalers, and end use consumers. Once the market has absorbed the new pricing, the tariff will no longer pose month-over-month consumer price increases, but consumers will pay an overall higher price for their goods than with no tariffs at all. This will raise future inflation projections, which will ultimately be factored into bond yield expectations as well as utility valuations. Higher inflation means higher interest rates, and higher interest rates lead to higher overall costs of capital for both debt and equity. For capital intensive utilities, higher interest rates and higher prices will pressure earnings, resulting in lower utility valuations and increased required returns.

Since issuing its first round of "Liberation Day" tariffs in April 2025, the tariffs have been mired in uncertainty. Now being challenged in the Supreme Court, there is a

very real chance that some portion of the current administration's tariffs may be determined to be illegal, which could then require a massive roll back of the tens of billions of dollars already collected. According to the Federal Register, tariff receipts as of September 2025 totaled $195 billion, more than $77 billion than had been collected during the prior year.[5] With the uncertainty around which tariffs will be 'negotiated away', which will be found to be illegal, and which will be renegotiated, it is almost impossible for analysts to definitively quantify the present and future impact of the tariffs. However, the market position on tariffs can be summed up by Blue Chip Financials Forecasts, which reports that "Tariffs have become less of an inflation concern. Tariff pass-through to prices, while noticeable, continues to appear modest and less than previously feared in the context of over-all inflation."[6]

C. The Potential for a Softening Economy and Risk of Recession

Q21. Do investors express concern over a softening economy and the risk of recession?

A21. Yes. Currently, Blue Chip respondents assign a 34 percent probability that the U.S. will go into recession over the next 12 months.[7] This risk is comparatively low when measured against December 2022, when 82 percent of Blue Chip respondents believed that the Fed would not be successful reigning in inflation without precipitating a mild recession.[8] Nonetheless, analysts' current concerns stem from the higher interest rate

[5] U.S. Department of the Treasury, Bureau of Fiscal Service, Final Monthly Treasury Statement, for Fiscal Year 2025 Through September 30, 2025, and Other Periods
[6] Blue Chip Financial Forecasts, Vol. 44, No. 11, October 31, 2025.
[7] Id. at 3.
[8] Blue Chip Financial Forecasts, Vol. 41, No. 12, December 2, 2022.

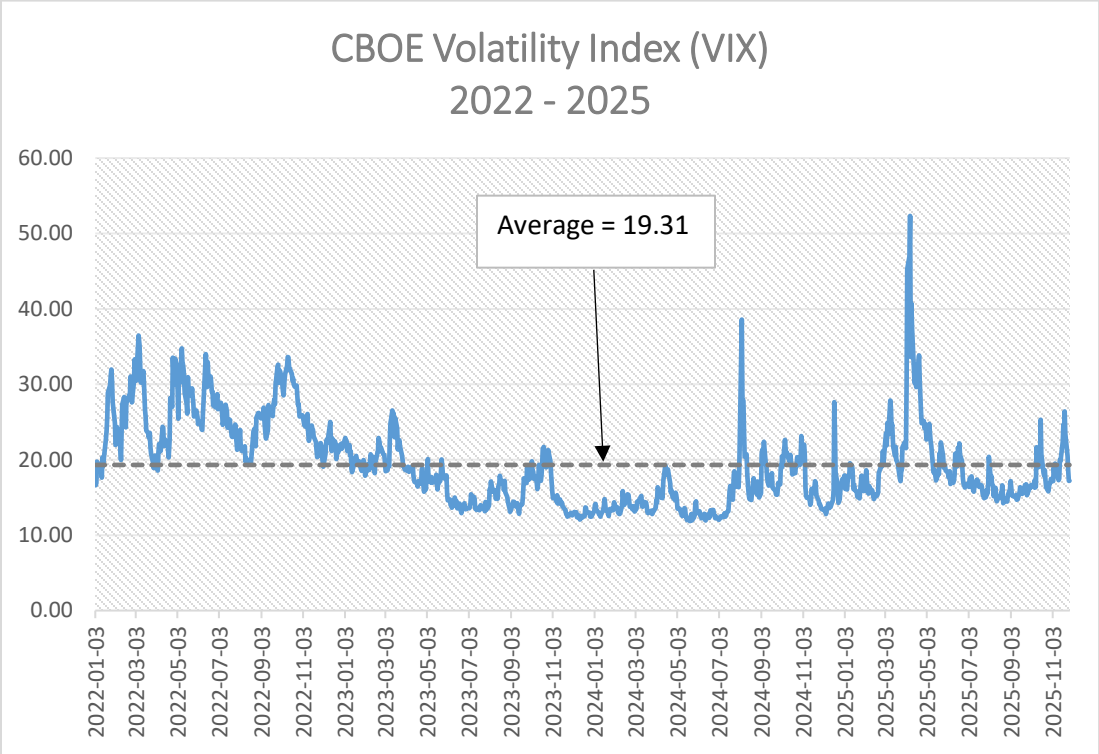
environment, lingering inflation, a cooling labor market, geopolitical tensions, and potential escalation of trade wars in response to imposed tariffs.[9]

Q22. Are markets signaling investor concerns?

A22. The short answer is no. Market volatility, as measured by the Chicago Board Options Exchange ("CBOE") Volatility Index (or "VIX") has been roughly at average levels, except for a few notable bumps in the road (August 2024 – technical factors set off a market scare, and April 2025 with the announcement of the current administration's "Liberation Day" tariffs). The VIX index measures the implied volatility of the S&P 500 index option over the next 30 days (annualized for the upcoming 12 months) and is understood to be a leading indicator of market stress. As shown in Figure 7 below, the index is currently 17.21, compared to 17.87 in October 2021 (when I last prepared evidence for GMP). The average over the period January 2022 to November 27, 2025, is 19.31. Generally, increased volatility implies greater investment risk and increasing cost of equity. It appears that from an investor confidence perspective, markets are operating at normal levels of volatility and do not appear to be unduly concerned about the chances for a softening economy or the possibility of recession.

[9] Blue Chip Financial Forecasts, Vol. 44, No. 11, October 31, 2025.

Figure 7: Implied Volatility (VIX)



Source: St. Louis Federal Reserve Bank, VIXCLS

D. Federal Monetary Policy

Q23. Please discuss how the Federal Reserve's monetary policy has influenced capital market conditions.

A23. Over the past three years, U.S. capital markets have been shaped primarily by the Federal Reserve's transition from an aggressive inflation-fighting tightening cycle (2022–2023) to a period of restrictive policy stability (2023–2024), followed by a cautious pivot toward easing in (2024-2025). These policy phases have materially influenced interest rates, credit availability, equity valuations, and investor risk appetite. The rapid tightening cycle increased the cost of capital, compressed valuations, and tightened credit. The subsequent period of high but stable policy rates anchored markets at a

restrictive equilibrium. Finally, the early phase of the easing cycle in 2024-2025 supported a broad-based improvement in financial conditions consistent with the Fed's stated goal of achieving disinflation without sacrificing labor-market stability. The cumulative effect is a capital market environment now positioned for gradual normalization, contingent on continued progress in inflation and macroeconomic conditions.

Q24. What tools does the U.S. government have to combat inflation?

A24. Most often, the U.S. government turns to monetary policy to combat inflation. By raising interest rates, the Federal Reserve is able to reduce demand in the economy, which leads to lower economic growth and lower overall inflation. The Fed can impact interest rates by controlling monetary supply. Less supply of money in the economy increases the cost of obtaining money through interest rates, thereby also dampening economic growth and slowing inflation. Increases in interest rates also tend to result in increases in currency exchange rates which also serve to slow the economy and reduce inflationary pressures.

Q25. What actions has the Fed taken to address inflation while supporting the economic recovery?

A25. Over the past several years, U.S. monetary policy has moved through one of the most aggressive tightening cycles in modern history, followed by a careful transition toward easing as inflation moderated and labor-market risks rebalanced. Review of the Fed's FOMC statements summarizing its actions over the period reveals a consistent narrative: inflation was driven by a combination of pandemic-related supply disruptions, surging demand, geopolitical shocks, and broadening price pressures; and the Federal Reserve

sought to reduce inflation and restore price stability while preserving labor-market strength without plunging the country into recession—a classic "soft landing."

Inflation rose sharply in 2021 and into early 2022, driven by strong household demand, constrained supply chains, and tight labor markets. Chair Powell testified in March 2022 that inflation was "well above" the 2 percent goal due to supply bottlenecks, waves of the COVID-19 virus, and broadening price increases, all exacerbated by Russia's invasion of Ukraine and the resulting higher energy costs.[10] The FOMC's March 16, 2022 statement similarly emphasized "supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures" as core drivers of inflation.[11] With demand elevated and labor markets historically tight, these factors created an environment in which inflation became persistent and widespread. To counter this, the Federal Reserve began raising the federal funds rate in March 2022, initiating a tightening cycle that ultimately lifted rates from 0 – 0.25% to a peak target range of 5.25%–5.50% by mid-2023.

Throughout 2023 and early 2024, the FOMC held policy at this "restrictive" level, emphasizing that it would not reduce rates until it gained "greater confidence" that inflation was moving sustainably toward 2 percent.[12] This phase of policy—sustained high rates combined with continued balance-sheet reduction (quantitative tightening)—was designed to slow demand gradually, allowing supply to catch up while maintaining the resilience of the labor market. The Fed repeatedly signaled attentiveness to the risks

[10] Powell, Statement before the Committee on Financial Services (March 2, 2022)
[11] Powell, FOMC Statement (March 16, 2022)
[12] Powell, FOMC Statement (January 31, 2024)

on both sides of its dual mandate and the importance of allowing cumulative tightening to work its way through the economy.

In September 2024, the Fed began reducing the Fed Funds Target rate with a series of cuts. By early 2025, with inflation easing and the balance of risks improving, the FOMC began shifting toward a more neutral stance. By September 2025, softening labor-market indicators—including slower job gains and a modest uptick in unemployment—prompted further rate cuts, lowering the target range to 4.00%–4.25%.[13] A second cut followed in October 2025, accompanied by the announcement that balance-sheet reduction would conclude on December 1, signaling a full transition toward policy normalization while retaining flexibility to support economic stability.[14]

Taken together, these actions illustrate the Federal Reserve's soft-landing strategy: tighten aggressively to contain inflation, maintain restrictive conditions until clear progress is achieved, and then ease cautiously as downside risks to employment emerge. This deliberate sequencing—data-dependent rate pauses, incremental cuts, and a gradual end to balance-sheet reduction—aims to guide inflation back to 2 percent without triggering a deep contraction. The Fed's statements consistently emphasize its willingness to adjust the stance of policy as appropriate should risks arise, underscoring its commitment to achieving maximum employment and price stability while minimizing economic disruption.

[13] Powell, FOMC Statement (September 17, 2025)
[14] Powell, FOMC Statement (October 29, 2025)

Q26. What is the financial market's perspective on the future path of interest rates?

A26. Generally, financial markets expect a continued gradual lowering of the federal funds target rate to what they view as the new normalized level of roughly 3.00 to 3.25 percent, which will be met with two to three additional rate cuts between now and the end of 2026. Short-term Treasuries are expected to follow the rate cuts, but the long-term Treasury yield response is projected to be muted. Beyond 2026, analysts are projecting little change to interest rates or long-term bond yields.

According to the most recent Blue Chip Financial Forecasts, the 5-year average forecast (2027-2031) for the federal funds target rate is 3.2 percent; and the following 5-year average forecast (2032-2036) for the Fed Funds target rate is 3.1 percent. The Blue Chip Forecast shows that survey respondents are looking for 2 more 25 bps rate cuts between now and the end of 2026. Long-term bonds are not expected to be responsive to rate cuts. Blue Chip forecasts that 30-year Treasury yields will remain unchanged at a rate of 4.6 percent through 2029 and will moderate slightly to 4.5 percent in 2030 and 4.4 percent by 2031. The long-term forecast from 2032-2036 projects an average rate for 30-year Treasuries at 4.5 percent.[15]

Data compiled by the CME group[16] (shown in Table 1 below) corroborates these views and shows that investors expect the federal funds rate will be lowered by 50 basis points in two separate rate cuts by the end of next year. According to Blue Chip, 72 percent of survey respondents believed the first cut would occur in the December 2025

[15] Blue Chip Financial Forecasts, Vol. 44, No. 12, December 1, 2025.
[16] The company was formed from the merger of the Chicago Mercantile Exchange and the Chicago Board of Trade in 2007, and has now expanded to include the New York Mercantile Exchange, The Commodity Exchange, Inc., NEX Group, Kansas City Board of Trade, and has an ownership interest in the S&P Dow Jones Indices.

meeting, to be followed by two rate cuts in 2026.[17] According to the CME Fedwatch Tool below, 84.5 percent believe that there will be no change in rates in the January 2026 meeting and expect two additional rate cuts to occur by the end of 2026. So, though we will experience some easing by the Fed, long-term bond yields are not expected to experience the same downward movement.

Table 1: Investor Expectations of Future Federal Funds Rate Increases[18]

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES											
MEETING DATE	**200-225**	**225-250**	**250-275**	**275-300**	**300-325**	**325-350**	**350-375**	**375-400**	**400-425**	**425-450**	**450-475**
1/28/2026		0.0%	0.0%	0.0%	0.0%	15.5%	84.5%	0.0%	0.0%	0.0%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	6.4%	44.0%	49.6%	0.0%	0.0%	0.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	1.3%	14.2%	45.2%	39.3%	0.0%	0.0%	0.0%	0.0%
6/17/2026	0.0%	0.0%	0.7%	8.5%	31.6%	41.9%	17.3%	0.0%	0.0%	0.0%	0.0%
7/29/2026	0.0%	0.2%	3.1%	15.4%	34.6%	34.5%	12.1%	0.0%	0.0%	0.0%	0.0%
9/16/2026	0.1%	1.2%	7.3%	22.1%	34.6%	26.8%	7.9%	0.0%	0.0%	0.0%	0.0%
10/28/2026	0.3%	2.2%	9.6%	24.0%	33.4%	23.9%	6.7%	0.0%	0.0%	0.0%	0.0%
12/9/2026	0.6%	3.4%	12.0%	25.5%	31.8%	21.0%	5.6%	0.0%	0.0%	0.0%	0.0%
1/27/2027	0.5%	3.3%	11.7%	25.1%	31.6%	21.4%	6.1%	0.2%	0.0%	0.0%	0.0%
3/17/2027	0.6%	3.6%	12.1%	25.3%	31.3%	20.9%	5.9%	0.2%	0.0%	0.0%	0.0%
4/28/2027	0.6%	3.4%	11.7%	24.6%	30.9%	21.5%	6.7%	0.5%	0.0%	0.0%	0.0%
6/9/2027	0.6%	3.3%	11.3%	24.1%	30.7%	21.9%	7.3%	0.8%	0.0%	0.0%	0.0%
7/28/2027	0.5%	3.1%	10.6%	22.9%	30.1%	22.6%	8.6%	1.3%	0.1%	0.0%	0.0%
9/15/2027	0.5%	2.8%	9.9%	21.7%	29.4%	23.4%	10.0%	2.1%	0.2%	0.0%	0.0%
10/27/2027	0.5%	2.6%	9.2%	20.6%	28.7%	23.9%	11.2%	2.8%	0.4%	0.0%	0.0%
12/8/2027	0.0%	0.1%	1.0%	4.2%	12.1%	22.6%	27.5%	20.8%	9.1%	2.2%	0.3%

[17] The first rate cut has already occurred as a result of the Fed's December 10, 2025 meeting, where it reduced the federal funds rate target by 25 bps to 350-375 level.
[18] CME Group, *FedWatch* as of December 26, 2025.

E. Impact of Federal Legislative Changes

Q27. Please describe the ways in which the One Big Beautiful Bill Act, passed in July 2025, impacts regulated electric utilities that are pursuing aggressive clean energy initiatives.

A27. The One Big Beautiful Bill Act ("OBBBA" or "the Act") sharply constrains the federal incentives that previously underpinned utility-scale solar and wind. The Act terminates or restricts nearly all clean-energy tax credits, including the residential clean energy credit, clean electricity production credit, and the clean electricity investment credit. These provisions unwind core components of the IRA framework and will raise the capital cost of new renewable generation for investor-owned utilities operating under cost-of-service regulation. Because regulated utilities can only recover prudently incurred costs through rates, the elimination of these credits has the potential to directly increase future revenue requirements associated with achieving state policy goals related to renewable energy requirements.

For regulated electric utilities with progressive capital agendas, the combined effect is a re-weighting of investment incentives toward conventional or fossil-aligned infrastructure. The Act's "America-First Energy Policy" provisions expand allowances for fossil-related activities while dramatically narrowing clean-energy credit pathways. For utilities operating under integrated resource plans, multi-year rate plans, or forward-test-year regimes, this shifts the prudence calculus: solar and wind now carry higher forecasted net revenue requirements, reduced access to tax-efficient financing, and diminished regulatory certainty. In practice, the Act makes it more difficult for utilities to

pursue large-scale clean-energy portfolios on economic grounds alone, slowing solar/storage buildouts and pushing utilities toward lower-risk more traditional resources and investment. Overall, the end result is likely to increase utility electric rates in states with aggressive RPS targets, increase utility regulatory and financial risk, and reduce any headroom in rates.

F. New Technology, Including Artificial Intelligence

Q28. What impact does Artificial Intelligence and the requisite infrastructure have on the U.S. economy?

A28. Artificial intelligence ("AI") and the rapid expansion of large-scale data centers are reshaping the U.S. economy across productivity, labor markets, industrial competitiveness, energy systems, and geopolitical positioning. The impacts are overwhelmingly significant, though uneven—AI amplifies national economic potential while also creating new bottlenecks and vulnerabilities. AI will break the pattern of sluggish productivity in the U.S. as it enables faster output for complex research, drafting, analysis, modeling, administrative work, robotics, etc. Since the U.S. is at the forefront of the AI frontier, the AI learning that has already begun will reinforce U.S. leadership.

AI is the biggest single economic opportunity for the United States since the internet, but also the largest infrastructure challenge. AI requires massive capital and infrastructure. Continued U.S. leadership in the field will depend increasingly on access to high-end semiconductors, domestic data center capacity, skilled labor (e.g., software engineers, data scientists, electrical engineers, etc.), and capital-intensive supply chains

for construction, transmission, cooling, and networking. Large data centers are becoming the new competitive industrial base—akin to steel mills or auto plants in earlier eras. Nations with sufficient computing capacity will be competing for dominance in the development of advanced AI models; those without such computing capacity will be left behind and will risk technological dependence.

Artificial intelligence and the build-out of massive data centers strengthen the U.S. economic position by enhancing productivity, innovation, and global technological leadership—but only if the country can overcome its emerging bottlenecks in energy supply, grid capacity, semiconductor manufacturing, and workforce development. The impacts, including impacts on electric rates, may be felt more regionally where these facilities are pursued. Conversely, where load is needed, data centers can create new load and help to lower costs for customers when sited appropriately.

G. Capital Market Summary

Q29. Please summarize your understanding of the economic and capital market conditions and how they will impact utility ROE assessments.

A29. Taken together, these economic and capital market conditions point to a structurally higher and more uncertain cost of equity for regulated utilities than prevailed in the pre-pandemic period. Elevated interest rates, still-lingering inflation, and supply chain frictions have pushed risk-free benchmarks and utility dividend yields higher, directly influencing DCF, CAPM, and Risk Premium results, while tariffs and the potential for renewed trade tensions add another layer of policy-driven inflation and valuation risk. At the same time, recession odds, though lower than in late 2022, remain non-trivial, and the

gradual normalization of monetary policy implies only modest relief on borrowing costs over the next several years, rather than a return to the ultra-low rate environment that previously supported lower allowed ROEs. Federal legislative changes also increase regulatory and financial risk by raising the effective cost of clean energy investments and compressing rate headroom, even as AI-driven load growth and the capital demands of data centers require utilities to finance large, long-lived infrastructure. In this environment, investors will require a clear, risk-commensurate return to continue supplying equity capital to utilities on reasonable terms. Accordingly, an authorized ROE must recognize that today's utilities are operating in a higher-rate, more volatile, and more policy-sensitive landscape, and should be set at a level that is fully sufficient to attract and retain capital on competitive terms while supporting the substantial investments needed to maintain safe, reliable, and increasingly decarbonized service.

V. Proxy Group Selection

Q30. Please provide a summary profile of GMP.

A30. GMP is a wholly-owned subsidiary of Northern New England Energy Corporation ("NNEEC"), which is wholly-owned by Energir Inc.- Canada, a wholly-owned subsidiary of Noverco Inc. – Canada, of which the ultimate parent is Caisse de dépôt et placement du Québec – Canada. GMP has one wholly-owned subsidiary, Vermont Yankee Nuclear Power Corporation ("VYNPC"). GMP also holds a 75% stake in Vermont Transco LLC, which provides transmission of high-voltage electricity in ISO – New England.

GMP operates as a vertically integrated electric utility in Vermont that purchases, generates, transmits, distributes, and sells electricity, and utility construction services.

GMP is regulated by the Vermont Public Utility Commission ("VPUC") and by the Federal Energy Regulatory Commission ("FERC"). GMP serves over 275,000 residential and business customers with carbon-free electricity on an annual basis in Vermont. It has an elevated concentration of high-consumption commercial and industrial customers (greater than 50% of its revenues), which could lead to cash flow volatility. GMP self-generates between 15% and 20% of its energy requirements, primarily with renewable power. The remainder of GMP's energy requirements are supplied through contracted power purchase agreements and state-mandated energy programs.

GMP currently operates under a four-year multi-year regulation plan ("MYRP") and has embarked on a proactive Resilience Program which will continue to focus capital investments on undergrounding and storm hardening its distribution system to improve resilience for its customers.

GMP has been credited with being at the forefront of electric utility innovation, ranked one of the most Innovative Energy Companies in the world by Fast Company in 2024 – an honor it has earned six times and most recently was highlighted as an innovator among electric utilities for its ground breaking work to boost resiliency and equity for all customers.[19] GMP was also the first utility to be certified as a B Corporation. ("B Corp.") B Corps. are companies that use business as a force for good and are certified by the non-profit B Lab to meet rigorous standards of social and environmental

[19] https://greenmountainpower.com/news/gmp-named-to-fast-companys-2024-most-innovative-companies-in-the-world/

performance, accountability, and transparency. GMP received its initial certification in 2014 and was recertified in 2017, 2021, and 2025. [20] GMP has also recently been recognized by the Smart Electric Power Alliance ("SEPA") as a nationwide leader in resiliency in 2024, 2023, and 2021.[21] Time Magazine also recognized GMP as one of the 100 Most Influential Companies of 2022, and GMP was featured in a TIME article as an innovator revolutionizing the grid in 2021.[22] Most recently, JD Power's annual national survey of utility customers placed GMP first among midsize utilities in the East Region for customer satisfaction in 2025.[23]

GMP's Long-Term Issuer credit rating was recently reduced from "A" (Outlook: Stable) to "A-" (Outlook: Stable) by S&P Global Ratings in July 2025, primarily based on the ratings link between its primary holding company, Noverco, which is also currently rated "A-". S&P notes that GMP's stand-alone credit profile (SACP) is unchanged from its previous rating of "BBB+".

Q31. Why is it necessary to select a proxy group to estimate the cost of equity for GMP?

A31. Since the ROE is a market-based concept and GMP is not publicly traded, it is necessary to establish a group of companies that is both publicly traded and comparable to GMP. Even if GMP were a publicly traded entity, it is possible that transitory events could bias GMP's market value in one way or another in a given period of time. A significant

[20] https://www.bcorporation.net/en-us/find-a-b-corp/company/green-mountain-power/
[21] https://greenmountainpower.com/news/green-mountain-power-named-a-national-leader-for-grid-transformation/ and https://greenmountainpower.com/news/green-mountain-power-awarded-power-player-of-the-year-by-sepa/
[22] https://time.com/collection/time100-companies-2022/
[23] https://greenmountainpower.com/news/gmp-earns-top-spot-from-customers-in-jd-power-residential-customer-satisfaction-survey/

benefit of using a proxy group is the ability to mitigate the effects of anomalous events that may be associated with any one company. The proxy companies used in my ROE analyses possess a set of business and operating characteristics similar to GMP's vertically integrated electric distribution operations and thus provide a reasonable basis for the estimates of ROE.

Q32. Please describe the specific screening criteria you have utilized.

A32. I began with the 35 investor-owned electric utilities covered by Value Line and then screened companies according to the following criteria:

1. Consistently pays quarterly cash dividends with no dividend disruptions or decreases over the past six months;
2. Maintains an investment grade long-term issuer rating (BBB- or higher) from S&P;
3. Is covered by more than one equity analyst;
4. Has positive earnings growth rates published by at least two of the following sources: Value Line, Thomson First Call (as reported by Yahoo! Finance), and Zack's Investment Research ("Zacks");
5. Net generation comprises at least 15% of the Company's utility electricity sales to customers (based on a 3-year average);
6. Regulated revenues make up more than 60% of the consolidated company's total revenues (based on a 3-year average);
7. Regulated electric revenues make up more than 80% of the consolidated company's total regulated revenues (based on a 3-year average);

8. Regulated net plant in service from regulated electric operations makes up more than 80% of the consolidated company's net plant in service (based on a 3-year average); and

9. The company is not involved in a merger or other transformative transaction for an approximate six-month period prior to my analysis.

Q33. What is the composition of your resulting proxy group?

A33. Based on the screening criteria discussed above, and financial information through October 31, 2025, I arrived at a proxy group consisting of the companies shown in Table 2 (below). The results of my screening process are shown in **Exh. GMP-JFL-3**.

Table 2: Proxy Group

Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Duke Energy Corp	DUK
Dominion Resources, Inc.	D
Entergy Corporation	ETR
Evergy, Inc.	EVRG
IDACORP, Inc.	IDA
NextEra Energy, Inc.	NEE
OGE Energy Corp.	OGE
Pinnacle West Capital Corporation	PNW
Portland General Electric Company	POR
PPL Corporation	PPL
Southern Company	SO
Xcel Energy Inc.	XEL

Q34. Your proxy group has changed since GMP's prior rate filing. Can you explain why?

A34. Yes. Though I have applied essentially the same screening criteria as I applied in my prior testimony, I have included three companies in my proxy group in this proceeding that previously did not satisfy my proxy group screening criteria in 2021.

Dominion Resources was excluded from my proxy group in my previous ROE study because it did not meet the regulated electric to total regulated screen of 80 percent in 2021. Since then Dominion has been divesting in natural gas utilities (sale of East Ohio Gas, Public Service Company of North Carolina, Questar Gas to Enbridge in 2023-2024, and sale of Hope Gas, Inc. to Hearthstone Utilities Inc. in 2022), such that now its

regulated Electric Revenue to Total Regulated Revenue has averaged 89.7 percent for the period 2022-2024; and the net electric utility plant to total utility plant has averaged 97.1 percent for the three-year period.

In addition, both OGE and PPL were engaged in major transactions at the time of my last testimony. OGE was selling its interest in Enable Midstream to Energy Transfer, Inc.; and PPL was selling Western Power Distribution plc to National Grid and acquiring Narragansett Electric Company from National Grid. Both transactions were complete prior to the 6-month window for proxy selection in my current ROE Study. Conversely, Allete was included in my previous Study, but is being acquired by Global Infrastructure Management LLC, owned by Black Rock, and the Canadian Pension Plan Investment Board, and accordingly has been excluded from my current proxy group.

Hawaiian Electric has also been excluded since it no longer meets the credit rating screen and its dividend has been suspended. Hawaiian Electric is facing significant financial and legal challenges following the 2023 Maui wildfires.

Q35. Do your screening criteria result in a group of companies that investors would view as comparable to Green Mountain Power?

A35. Yes. I have selected this group of electric utilities to best align with the financial and operational characteristics of GMP. Though it is not possible to find a publicly held, vertically integrated, investor-owned utility that is identical to GMP for inclusion in the proxy group, I believe my proxy screening criteria homes in on the key attributes of utility risk that discerning investors would consider and appropriately conveys the market derived return in compensation for those risks.

First, my proxy group screening criterion requiring an investment grade credit rating ensures that the proxy group companies, like GMP, are not in financial distress and are financially sound. Because credit ratings take into account business and financial risk, the ratings provide a broad measure of investment risk for investors.

In addition, I have only included proxy companies that self-generate at least 15 percent of their retail electric requirements to adequately represent the operating characteristics and unique set of risks of a vertically integrated electric utility with electric generation in rate base. Such risks include unplanned outages and/or maintenance, changing environmental regulations applicable to the generation portfolio, delays or overages in plant construction costs, etc. These unique risks are not shared by pure transmission and distribution ("T&D") utilities.

I have also screened potential proxy companies on the percent of revenues from regulated operations to differentiate between utilities that are primarily regulated and those with substantial unregulated operations or market-related risks. In the past, I have also screened on the percent of operating income from regulated operations to further refine this screening criterion, but the percentages of regulated revenue and regulated operating income have historically been quite similar, and I consider this step duplicative and unnecessary. If a potential proxy group candidate has in excess of 60 percent regulated revenue, this is sufficient to qualify the proxy candidate as a regulated utility.

To focus essentially on electric utilities, I have screened the proxy group based on the percentage that electric utility operations contribute to the total regulated financial results to ensure that the selected utilities, like GMP, derive the vast majority of their regulated revenue from electric operations. My screen requires that the percentages of

regulated electric revenues to total regulated revenues; and the percentage of electric utility net plant to total regulated net plant, exceed 80 percent. In my previous testimony, I performed this screen on net operating earnings, but again, I consider this screen mostly duplicative to the revenue screen and have decided to review net plant as an alternative that focuses on the investment allocation to electric operations.

I have screened out candidates with major mergers or acquisitions on the horizon to ensure that the share prices, growth rates, and beta are not unduly impacted by the announcement or moving forward with a major transaction or merger within the last six months.

Again, although no proxy group can perfectly capture the unique risk profile of GMP, I have been able to find a group of publicly owned companies with reasonably close electric utility profiles to GMP. I will later review the risk of GMP relative to the proxy group to determine if any further adjustment, on the basis of risk profile, is needed to my overall results.

VI. Determination of the Appropriate Cost of Equity

Q36. What models did you use in your ROE analyses?

A36. I have considered the results of several ROE estimation models, including the Constant Growth DCF, Multi-Stage DCF, Risk Premium, and CAPM models. When faced with the task of estimating the cost of equity, analysts are inclined to gather and evaluate as much relevant data (both quantitative and qualitative) as can be reasonably obtained.

Consistent with the *Hope* finding, "[I]t is the result reached, not the method employed, which is controlling."[24]

H. Constant Growth DCF Model

Q37. Please describe the DCF approach.

A37. The DCF approach, which is widely used in regulatory proceedings, is based on the theory that a stock's current price represents the present value of all expected future cash flows. In its simplest form, the DCF model expresses the ROE as the sum of the expected dividend yield and long-term growth rate:

$$k = \frac{D(1+g)}{P_0} + g \qquad [1]$$

Where "*k*" equals the required return, "*D*" is the current dividend, "*g*" is the expected growth rate, and "*P*" represents the subject company's stock price.

Assuming a constant growth rate in dividends, the model may be rearranged to compute the ROE accordingly, as shown in Formula [2]:

$$r = \frac{D}{P} + g \qquad [2]$$

Stated in this manner, the cost of common equity is equal to the dividend yield plus the growth rate in dividends.

[24] Hope *op. cit.*

Q38. What are the assumptions underlying the Constant Growth DCF model?

A38. The Constant Growth DCF model is based on the following assumptions: (1) a constant average growth rate for earnings and dividends; (2) a stable dividend payout ratio; (3) a constant price-to-earnings multiple; and (4) a discount rate greater than the expected growth rate.

Q39. Please summarize your application of the Constant Growth DCF model.

A39. I calculated DCF results for each of the proxy group companies using the following inputs:

1. Average stock prices for the historical period, over 30, 90, and 180 trading days through October 31, 2025.
2. Annualized dividend per share as of October 31, 2025; and
3. Company-specific earnings growth forecasts for the term "g".

My application of the Constant Growth DCF model is provided in **Exh. GMP-JFL-4.**

Q40. Why did you use averaging periods of 30, 90, and 180 trading days?

A40. It is important to use an average of recent trading days to calculate the term P in the DCF model to ensure that the calculated ROE is not skewed by anomalous events that may affect stock prices on any given trading day. At the same time, it is important to reflect the conditions that have defined the financial markets over the recent past. In my view, consideration of those three averaging periods reasonably balances those interests.

Q41. Did you adjust the dividend yield to account for periodic growth in dividends?

A41. Yes, I did. Utility companies tend to increase their quarterly dividends at different times throughout the year, so it is reasonable to assume that such increases will be evenly distributed over calendar quarters. Given that assumption, it is reasonable to apply one-half of the expected annual dividend growth for the purposes of calculating this component of the DCF model. This adjustment ensures that the expected dividend yield is representative of the coming 12-month period. Accordingly, the DCF estimates reflect one-half of the expected growth in the dividend yield.[25]

Q42. What sources of growth have you used in your DCF analysis?

A42. I have used the consensus analyst five-year growth estimates in earnings per share ("EPS") from Yahoo! Finance and Zacks, as well as EPS growth rate estimates published by Value Line.

Q43. Why did you focus on earnings per share growth?

A43. The Constant Growth DCF model assumes that dividends grow at a constant rate in perpetuity. Accordingly, in order to reduce the long-term growth rate to a single measure, one must assume a constant payout ratio, and that earnings per share, dividends per share, and book value per share all grow at the same constant rate. Over the long term, however, dividend growth can only be sustained by earnings growth. As noted by Brigham and Houston in their text, Fundamentals of Financial Management: "Growth in dividends

[25] The expected dividend yield is calculated as $d_1 = d_0 (1 + \frac{1}{2} g)$.

occurs primarily as a result of growth in earnings per share (EPS)."[26] It is therefore important to focus on measures of long-term earnings growth from credible sources as an appropriate measure of long-term growth in the DCF model.

Q44. Are other sources of dividend growth available to investors?

A44. Yes, although that does not mean that investors incorporate such estimates into their investment decisions. Academic studies suggest that investors base their investment decisions on analysts' expectations of growth in earnings.[27] I am not aware of any similar findings regarding non-earnings-based growth estimates. In addition, the only forward-looking growth rates that are available on a consensus basis are analysts' EPS growth rates. The fact that earnings growth projections are the only widely accepted estimates of growth provides further support that earnings growth is the most meaningful measure of growth among the investment community.

Q45. What are the results of your Constant Growth DCF analysis?

A45. The results of my Constant Growth DCF analysis are provided in **Exh. GMP-JFL-4** and summarized below in Table 3.

[26] Brigham and Houston, Fundamentals of Financial Management (Concise Fourth Edition) at 317. Thomson South-Western. Emphasis added.
[27] See, e.g., Harris and Marston, Estimating Shareholder Risk Premia Using Analysts Growth Forecasts at 65. Financial Management (Summer 1992); see also Vander Weide and Carleton, Investor Growth Expectations: Analysts vs. History at 81. The Journal of Portfolio Management (Spring 1988). Please note that while the original study was published in 1988, it was updated in 2004 under the direction of Dr. Vander Weide. The results of that updated study are consistent with Vander Weide and Carleton's original conclusions.

Table 3: Constant Growth DCF Results

	Mean Low	Mean	Mean High
30-day average	9.00%	10.07%	11.01%
90-day average	9.13%	10.20%	11.14%
180-day average	9.24%	10.30%	11.25%
Average	**9.12%**	**10.19%**	**11.13%**

Q46. How did you calculate the Mean High, Mean Low, and Overall Mean DCF results?

A46. I calculated the Mean High DCF result using the maximum growth rate (i.e., the maximum of the Yahoo! Finance, Value Line, and Zacks EPS growth rates) in combination with the expected dividend yield for each of the proxy group companies. I used a similar method to calculate the Mean Low DCF results, using the minimum growth rate for each company. The Mean results reflect the average growth rate of all sources for each company in combination with the expected dividend yield.

I. Multi-Stage DCF Model

Q47. Have you considered any other forms of the DCF model?

A47. Yes, in order to address some of the limiting assumptions underlying the constant growth form of the DCF model, I also considered the results of a multi-period (three-stage) DCF model (the "Multi-Stage DCF" model). The Multi-Stage DCF model tempers the assumption of constant growth in perpetuity in the constant growth DCF model with a three-stage approach: near-term, transitional, and long-term growth.

Q48. Please describe your Multi-Stage DCF analysis.

A48. My Multi-Stage DCF analysis approaches the ROE from the perspective of an investment in the stock of each of the proxy group companies. The model calculates the internal rate

of return of the cash flow stream such that the present value of the annual dividend cash flows exactly equal the average current stock price of the associated proxy group company. The model assumes dividends grow according to the assumed growth rate for each stage.

Q49. Please explain the dividend growth rates in your Multi-Stage DCF analysis.

A49. The near-term growth rate refers to Value Line, Yahoo! Finance and Zacks EPS forecasts for Years 1–5, using the mean of these rates as the Overall Mean scenario and the high and low of these rates as Mean High and Mean Low scenarios, respectively. I then transition to a long-term forecast of gross domestic product ("GDP") growth for Years 11 forward. Years 6–10 are linear interpolations of the near-term and long-term growth rates. The Multi-Stage DCF model is useful for testing the assumption that dividends will grow at a constant growth rate over time.

Q50. How did you calculate the long-term GDP growth rate?

A50. The long-term GDP growth rate is based on a real (constant dollar) GDP growth rate, combined with estimates for inflation. I have used two sources of real GDP growth: (1) the consensus Blue Chip Financial Forecast of 1.90 percent; and (2) the historical real GDP growth rate for the period from 1929-2024 of 3.18 percent, based on data from the Bureau of Economic Analysis. I have applied the inflation estimate to the estimate of real GDP growth to develop the nominal (i.e., post-inflation) GDP growth rate. I have used two alternative estimates for inflation: (1) the Blue Chip Financial forecast for the Consumer Price Index from 2032-2036 (2.20 percent); and (2) the 30-day average spread between the 30-year Treasury bond and the 30-year Treasury Inflation-Protected

Securities ("TIPS") bond (2.23 percent), which is an inflation-indexed bond that presents the broader market's view of forward-looking inflation. The results, as shown in **Exh. GMP-JFL-5**, are nominal GDP growth estimates of 4.16 percent (using projected real GDP growth) and 5.47 percent (using historical real GDP growth).

Q51. What are the results of your Multi-Stage DCF analysis?

A51. The results of my Multi-Stage DCF analysis are provided in **Exhs. GMP-JFL-6.1–GMP-JFL-6.6**, and the mean results are summarized in Table 4 below.

Table 4: Multi-Stage DCF Results

	Mean Low	Mean	Mean High
	Projected GDP Growth		
30-day average	8.02%	8.29%	8.55%
90-day average	8.18%	8.45%	8.73%
180-day average	8.30%	8.58%	8.86%
Average	**8.17%**	**8.44%**	**8.71%**
	Mean Low	**Mean**	**Mean High**
	Historical GDP Growth		
30-day average	9.08%	9.34%	9.59%
90-day average	9.23%	9.49%	9.75%
180-day average	9.35%	9.62%	9.88%
Average	**9.22%**	**9.48%**	**9.74%**

Q52. What is your conclusion regarding the results of the Multi-Stage DCF Model?

A52. While the Multi-Stage DCF model allows for the selection of different growth rates in the three stages of the model, like the Constant Growth DCF model, the Multi-Stage DCF model relies on the historic dividend yield (which is low by historical standards). Consequently, as discussed earlier in my testimony, when capital market conditions influence the analysis such that on the surface may appear to be unreasonable, it is

important to consider the results of alternative analyses such as the CAPM and Bond Yield Risk Premium analysis which may serve to moderate apparent extremes and develop a reasonable estimate from multiple perspectives of the appropriate equity return.

J. CAPM Analysis

Q53. Please briefly describe the general form of the Capital Asset Pricing Model.

A53. The CAPM is a risk premium approach that estimates the cost of equity for a given security as a function of a risk-free return plus a risk premium (to compensate investors for the non-diversifiable or "systematic" risk of that security).[28] As shown in Equation [3], the CAPM is defined by four components, each of which must theoretically be a forward-looking estimate:

$$K_e = r_f + \beta(r_m - r_f) \qquad [3]$$

where:

K_e = the required ROE for a given security;

r_f = the risk-free rate of return;

β = the beta of an individual security; and

r_m = the required return for the market as a whole.

The term $(r_m - r_f)$ represents the market risk premium ("MRP"). According to the theory underlying the CAPM, since unsystematic risk can be diversified away, investors

[28] Systematic risks are fundamental market risks that reflect aggregate economic measures and therefore cannot be mitigated through diversification. Unsystematic risks reflect company-specific risks that can be mitigated and ultimately eliminated through investments in a portfolio of companies and/or market sectors.

should be concerned only with systematic or non-diversifiable risk. Non-diversifiable risk is measured by beta, which is defined as:

$$\beta = \frac{Covariance(r_e, r_m)}{Variance(r_m)} \quad [4]$$

where:

r_e = the rate of return for the individual security or portfolio.

The variance of the market return, noted in Equation [4], is a measure of the uncertainty of the general market, and the covariance measures the extent to which the returns on a specific security varies with the market. Thus, beta represents the extent to which a given security will respond to a given change in the market return, and for portfolio investors it reflects the risk that the selected security will not be effective in diversifying systemic market risks.

Q54. What risk-free rate did you use in your CAPM analysis?

A54. I have used an average of the Blue Chip forecast quarterly projections of the yield on 30-year Treasury bonds from the last quarter of 2025 to the last quarter of 2026 (5 quarterly projections) to arrive at 4.64 percent as my estimate of the risk-free rate.[29] I believe this time period is most appropriate as it brings my ROE recommendation up to the period of the base rate filing for 2027 rates.

[29] Blue Chip Financial Forecasts, Vol. 44, No. 10, October 1, 2025 at 2.

Q55. What measures of beta did you use in your CAPM analysis?

A55. As shown in **Exh. GMP-JFL-7.1**, I reported beta coefficients from Value Line (which are calculated using 60 months of weekly data, regressed against the returns of the New York Stock Exchange Index) and yielded a beta of 0.747. Value Line has applied a standard adjustment for mean revision to their raw beta estimate.

Q56. What Market Risk Premium ("MRP") did you use in your CAPM analysis?

A56. I conducted a Constant Growth DCF analysis on each of the S&P 500 companies and calculated the expected total market return, weighted by market capitalization. This market return is implied by current stock prices and projected earnings growth for each of these companies as of October 31, 2025. I then used the MRP that results from subtracting the risk-free rate (based on the 5-quarterly projections of the 30-year Treasury bond, or 4.60 percent from the total market return. My calculation as shown in **Exh. GMP-JFL-7.2** yielded a market derived ex-ante MRP of 10.84 percent. This approach to deriving the forward-looking MRP is consistent with the approach used by the Federal Energy Regulatory Commission ("FERC") in developing a forward-looking MRP in Opinion No. 531.[30]

Q57. What are the results of your CAPM analyses?

A57. As shown in **Exh. GMP-JFL-7.3**, the CAPM results are **12.70 percent**. These forward looking CAPM results are higher than my Risk Premium results and my DCF results as they are based on a forward-looking estimate of the market risk premium, which is

[30] FERC Opinion No. 531 at para. 147, footnote 292.

estimated to experience significant growth over the long-term. In addition, the CAPM is highly sensitive to the elevated interest rate environment we are currently experiencing. These forward-looking CAPM results are higher than my Risk Premium results and my DCF results due largely to the level of overall return that is projected for the S&P 500 and the relatively high risk free rate of 4.6 percent. I am skeptical that my CAPM results are reflective of the expected market return over the next five years, i.e., that the S&P 500 will experience long-term growth of 14.21 percent, given the relatively high interest rate environment we are currently experiencing and which is projected for the next decade. As such, I afford only 50 percent weight to my CAPM results in my overall ROE recommendation.

Risk Premium Analysis

Q58. Please describe the Risk Premium approach that you used.

A58. In general terms, this approach recognizes that equity is riskier than debt because equity investors bear the residual risk associated with ownership. Equity investors, therefore, require a greater return (i.e., a premium) than a bondholder would. The Risk Premium approach estimates the cost of equity as the sum of the equity risk premium and the yield on a particular class of bonds.

$$ROE = RP + Y \qquad [5]$$

Where:

RP = risk premium (difference between allowed ROE and the 30-Year Treasury Yield) and

Y = applicable bond yield.

Since the equity risk premium is not directly observable, it is typically estimated using a variety of approaches, some of which incorporate ex-ante, or forward-looking estimates of the cost of equity, and others that consider historical, or ex-post, estimates. For my Risk Premium analysis, I have relied on authorized returns from a large sample of electric utility companies.

Q59. How did you develop your Risk Premium Analysis?

A59. To estimate the relationship between risk premia and interest rates, I conducted a regression analysis using the following equation:

$$RP = a + (b \times Y) \qquad [6]$$

where:

RP = risk premium (difference between allowed ROEs for electric utilities and the 30-Year Treasury Yield);

a = Intercept term;

b = Slope term; and

Y = 30-Year Treasury Yield.

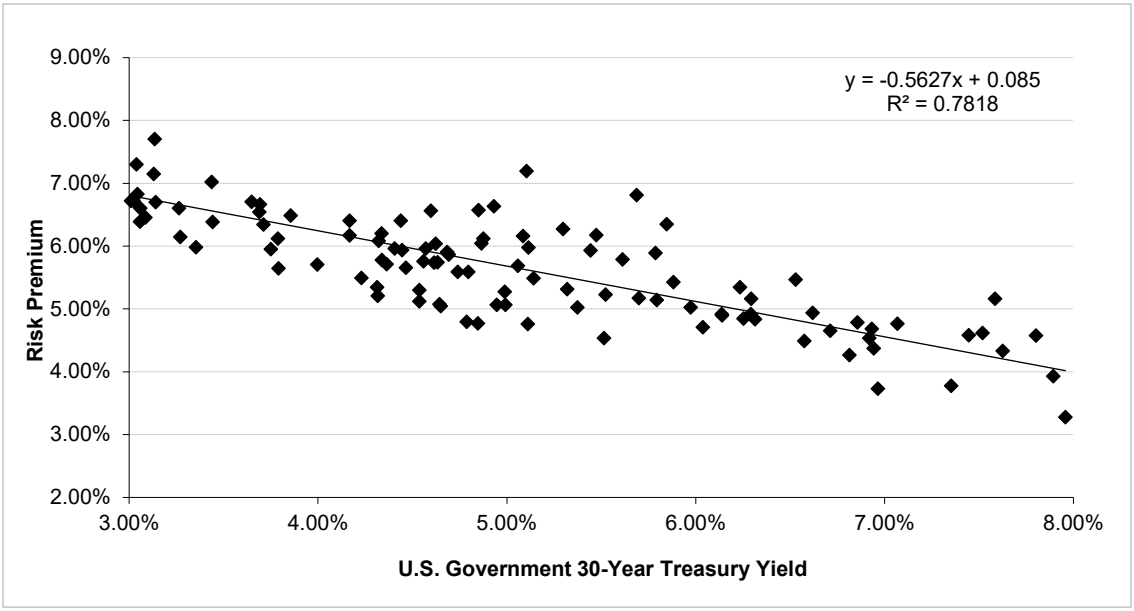
Data regarding allowed ROEs were derived from 1,205 electric utility company rate cases from January 1992 through September 30, 2025 (the last full quarter), as reported by Regulatory Research Associates in its quarterly electric ROE statistics.

Q60. What did your Risk Premium analysis reveal?

A60. The Risk Premium analysis showed that there is a relationship between the risk premium and the bond yield, where the risk premium varies with the level of bond yield, and

generally increases as the bond yields decrease, and vice versa. This is illustrated in a scatter plot of my risk premium data shown in Figure 8 below.

Figure 8: Risk Premium Scatter Plot



In order to apply this relationship to current and expected bond yields, I consider two estimates of the 30-year Treasury yield, including the current 30-day average and a near-term Blue Chip consensus forecast for Q4 2025 – Q4 2026. Based on the regression coefficients in **Exh. GMP-JFL-8**, which allow for the estimation of the risk premium at varying bond yields, the results of my Risk Premium analysis are shown in Table 5.

Table 5: Risk Premium Results Using 30-Year Treasury Yield

	30-Day Average Yield on 30-Year Treasury Bond	Q4 2025 - Q4 2026 Forecast for Yield on 30-Year Treasury Bond[31]
Yield	4.67%	4.60%
Risk Premium	5.87%	5.88%
Resulting ROE	10.54%	10.52%

VII. Business Risks

Q61. Are there factors specific to GMP's operating environment that you considered in your ROE recommendation?

A61. Yes, there are several additional factors that have a direct bearing on GMP's ability to earn its authorized return that can be explained by GMP's relative risk compared to the proxy group. Those factors include GMP's operating risk (including its small size) and regulatory risk. GMP's major risk drivers are laid out in the following sections of this Chapter.

A. Operating Risk

Q62. GMP identifies severe, frequent storms as one of its most significant operating challenges. How does this impact GMP's operating risk profile?

A62. GMP's MYRP testimony outlines how storm driven outages and restoration costs have grown materially over the past ten years and require accelerated resilience investments to

[31] Blue Chip Financial Forecasts, Vol. 44, No. 11, (October 31, 2025), at 2.

help mitigate these impacts for customers. Frequent major storms have led to increasing and unsustainable restoration costs for customers and over the four years covered by GMP's prior MYRP, storm restoration costs have greatly exceeded anything in GMP's history. GMP incurred $100 million for storms in 2023 and 2024, alone. These severe weather events have led GMP to accelerate storm hardening and undergrounding projects, through its Resilience Program, in the areas hit hardest by outages. The resilience work GMP has taken and is continuing to undertake reflects a broader shift away from reactive restoration and toward proactive investment. In the Proposed MYRP, GMP has proposed to increase resilience investments, to mitigate storm restoration costs and storm response time while improving customer and crew safety. This Proposed Plan seeks to continue these investments. Approved storm hardening and resiliency work under the ZOI Order (in Case No. 23-3501-PET) will help to mitigate increasingly significant storm costs while adding nominal rate pressure in the short-term and could lead to a slower pace of regulatory approval and recovery.

Q63. Doesn't GMP receive major storm cost recovery through the Exogenous Adjustor of its Proposed MYRP?

A63. Yes. To the extent there are one or more "Major Storms," in a fiscal year, GMP may recover those costs from customers, minus a one-time annual $1.2 million deductible that is deducted from the total aggregate cost associated with all qualifying Major Storms in any given fiscal year. Collection or return of major storm costs are netted with recoveries under Power Supply & Retail Revenue Adjustors ("PSRRA") to arrive at a net quarterly

adjustment on customer bills.[32] But there are no special provisions for non-major storm costs, which are fixed under the Current Plan and are proposed to remain fixed under the Proposed Plan. If the $1.2 million major storm threshold is not met, or when GMP restores customers efficiently to reduce the restoration time, storm restoration costs are recovered through base O&M, which could prove woefully inadequate in meeting large storms that fall below the $1.2 million major storm threshold or where restoration took place within 24 hours. Arguably, GMP's proposed resilience work will push more storms into this category. Though GMP is at risk for the $1.2 million per year for major storms, in my opinion it has significant exposure under its current MYRP for storm cost restoration that falls below the $1.2 million threshold, particularly in light of all the work it is doing to minimize the cost impact of major storms and improve restoration times.

Q64. How is GMP impacted by federal legislation passed in July 2025?

A64. The downstream effects of federal legislation passed in July 2025, under the title, the One Big Beautiful Bill Act (or "OBBBA"), will likely increase the cost of renewable power over time and put upward pressure on utility rates, which will translate to higher financial and regulatory risk for GMP.

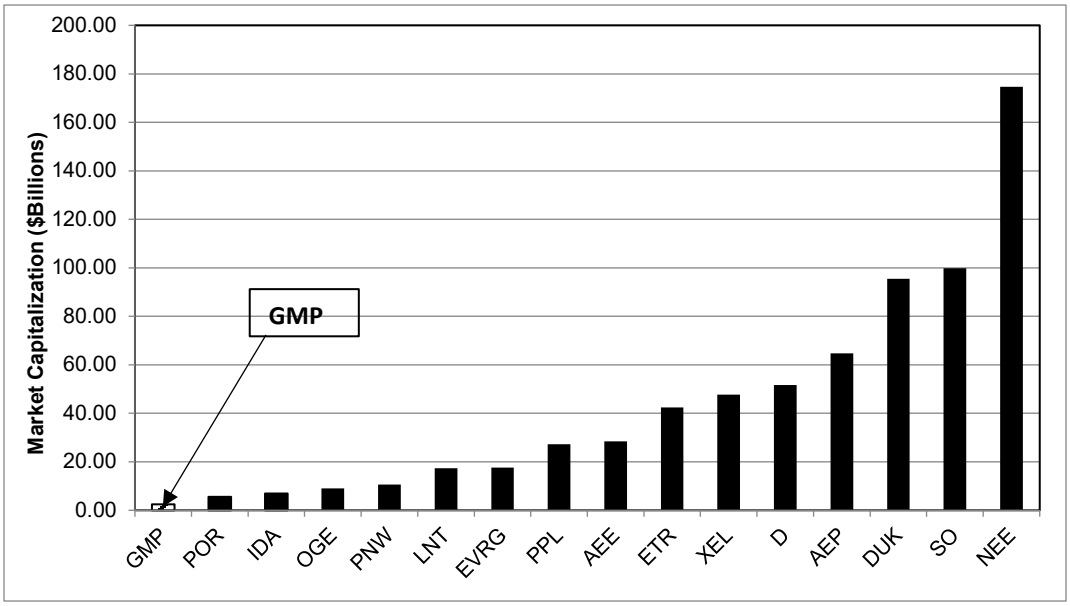
Q65. To what extent does GMP's relatively small size affect its risk profile?

A65. Substantial academic literature recognizes that smaller companies require higher returns than larger companies, even after the relative illiquidity of smaller company stock is

[32] There are special netting provisions and carryover provisions that make this netting process less than straight forward but would not result in unrecoverable costs or additional risk to GMP.

taken into account. Figure 9 (see also **Exh. GMP-JFL-9**) shows GMP's implied market capitalization relative to the proxy group companies.

Figure 9: Relative Market Capitalization



GMP's small size relative to the proxy group companies means that the Company's earnings and cash flows may be disproportionately affected by declining demand, conservation measures, storm outages, and changes in weather in contrast to a larger utility. Similarly, capital expenditures for non-revenue producing investments such as generation outages, system maintenance, and replacements will put proportionately greater pressure on customer costs. Taken together, these risks affect the return required by investors for smaller companies. As the data above indicates, GMP is very small compared to the proxy group companies used for the ROE analysis which serves as a risk compounding element to GMP's already risk-heavy business profile.

B. Regulatory Risks

Q66. How does the regulatory environment affect a utility's access to and cost of capital?

A66. The regulatory environment affects both the access to and cost of capital in several ways. First, the proportion and cost of debt capital available to utility companies is influenced by the rating agencies' assessment of the regulatory environment. As noted by Moody's, "[f]or rate-regulated utilities, which typically operate as a monopoly, the regulatory environment and how the utility adapts to that environment are the most important credit considerations."[33] Moody's further notes:

> Utility rates are set in a political/regulatory process rather than a competitive or free-market process; thus, the Regulatory Framework is a key determinant of the success of the utility. The Regulatory Framework has many components: the governing body and the utility legislation or decrees it enacts, the manner in which regulators are appointed or elected, the rules and procedures promulgated by those regulators, the judiciary that interprets the laws and rules and that arbitrates disagreements, and the manner in which the utility manages the political and regulatory process. In many cases, utilities have experienced credit stress or default primarily or at least secondarily because of a break-down or obstacle in the Regulatory Framework – for instance, laws that prohibited regulators from including investments in uncompleted power plants or plants not deemed "used and useful" in rates, or a disagreement about rate-making that could not be resolved until after the utility had defaulted on its debts.[34]

It also is important to recognize that regulatory decisions regarding the authorized ROE and capital structure have direct consequences for the utility's internal cash flow generation (sometimes referred to as "Funds Flow from Operations," or "FFO"). Since credit ratings are intended to reflect a company's ability to fund financial obligations, the ability to internally generate the cash

[33] Moody's Investors Service, Regulated Electric and Gas Utilities (December 23, 2013) at 6.
[34] Id. at 9.

flows required to meet those obligations (and to provide an additional amount for unexpected events) is of critical importance to debt investors.

Q67. How does GMP's regulatory jurisdiction compare to that of the proxy companies?

A67. The regulatory environment has generally been constructive, allowing GMP to maintain a healthy financial profile and to pursue innovative initiatives for customers. I have performed an analysis that compares the Regulatory Research Associates ("RRA") ranking of the regulatory commissions for each proxy group company to the Vermont PUC. RRA performs this ranking based on its assessment of how investors perceive the regulatory risk associated with ownership of utility securities in that jurisdiction, focusing the assessment on the probable level and quality of earnings to be realized by the utility under the particular state's regulatory, legislative, and court actions. As shown in **Exh. GMP-JFL-10**, the relative perception of regulatory risk for GMP is very similar to the jurisdictions of the other proxy group companies. The Vermont regulatory environment is currently ranked "Average-Low", while the proxy group regulatory jurisdictions average a slightly higher ranking between "Average" and "Average-High". Though this difference is not significant on its own, when considered with other risks in the aggregate, it may warrant additional consideration in my ROE recommendation.

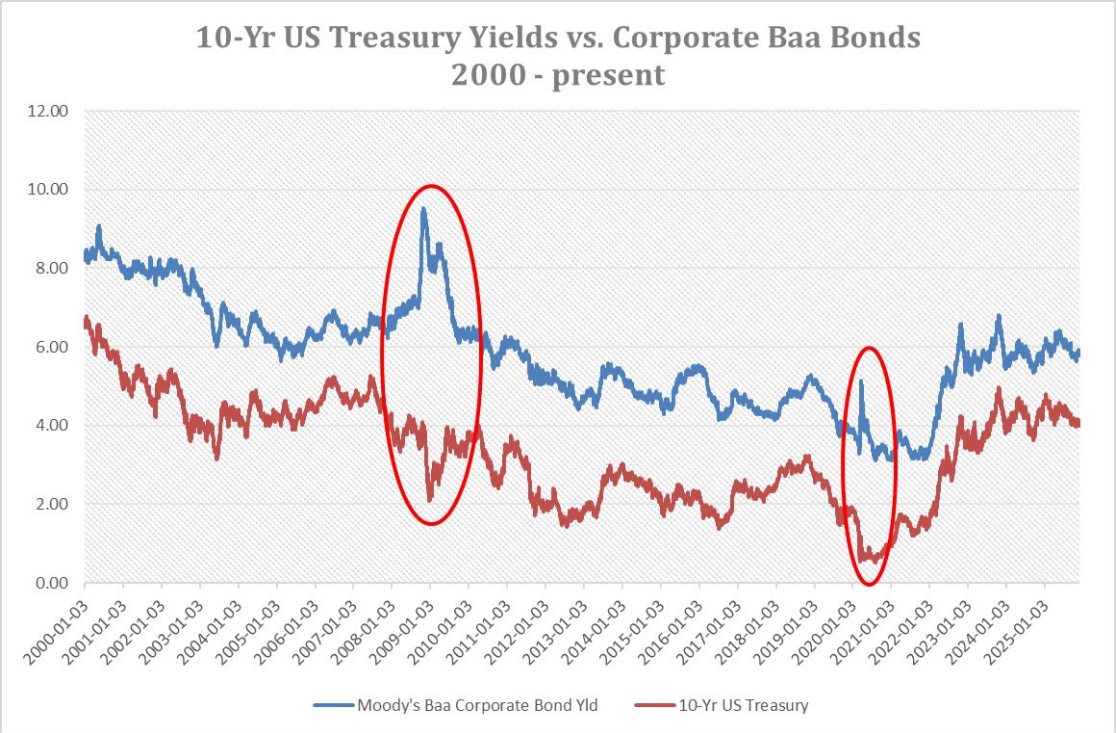
Q68. Does GMP's ROE Adjustment Mechanism Impact its Risk Profile?

A68. In my opinion, it does. The ROE adjustment mechanism is intended to keep pace with a changing capital market environment. As interest rates increase, the ROE AAM would provide an increase to ROE (50% of the change in 10-year bond yields over the measurement period); and conversely as interest rates decrease, the ROE adjusts

downward. However, the problem is that corporate returns on equity simply do not track perfectly to government bond yields, particularly in times of economic strife and monetary policy intervention. When the government is engaged in economic stimulus, they keep interest rates low, even though corporate credit does not follow suit. In extreme cases, corporate yields and government Treasury yields may actually move in opposite directions. Below is a figure tracking corporate credit and government Treasury yields. As Figure 10 (below) shows, in periods of economic crisis, the yields may become dislocated and move opposite each other. The corporate credit spread element of an ROE formula becomes important during such times since corporate equity is always riskier than corporate debt and should track corporate debt directionally. In addition, Treasury yields are generally more volatile than corporate bond yields,[35] thus providing opportunities for ROE formulas based entirely on government bond yields to get off track. As mentioned earlier in this testimony, GMP's ROE Adjustment formula has produced the two lowest ROEs of any vertically integrated electric utility ever. However, as noted below, so long as the other critical components of its proposed new regulation plan ("Proposed Plan") remain the same, GMP has indicated that it is willing to accept this risk. Nonetheless, it is an important risk that should be noted.

[35] For example, in the data series listed in Figure 10, 10-year Treasury yields have a coefficient of variation of 0.39, and corporate bonds have a coefficient of variation of 0.23, meaning that Treasurys are more volatile relative to their average.

Figure 10: 10-Yr Treasury Yield vs. Corporate Baa Bond Yields (2000 to present)



Q69. Does GMP's Proposed Plan create significant new risk for the Company?

A69. On balance, no. The Proposed Plan continues important risk mitigation components of the former plan, but there are some proposed modifications that add risk for GMP. For example, capital costs will continue to be largely fixed for the term of the Plan, with some flexibility to manage capital investment year to year and take advantage of known important strategic options (like purchase option that GMP holds on the Deerfield Wind facility), but the exceptions are more limited than in prior plans. If unexpected material capital costs arise during the Plan, GMP must file an amendment to the Plan with specific treatment for the new capital item.

Many Operations and Maintenance ("O&M") costs are either fixed for the term

of the Plan or adjusted annually by an inflation factor. The balance is reforecast annually. To the extent that O&M costs are fixed or escalated, there is potential risk that large unforeseen increases in certain expense items may not be recoverable under the Plan. However, GMP's ESAM does help to mitigate some of this risk.

Long-term debt rates will also remain fixed for the term of the Plan and equity finance costs will continue to be modified in accordance with the ROE adjustment formula tied to 50% of the change in the 10-year Treasury over the proposed six-month measurement period. Fixing long term debt rates adds risk since bond issuance costs are not known at the time of a rate filing. The risk of using an AAM to set ROE was discussed previously.

Also discussed previously, the exogenous adjustor account, which recovers significant exogenous costs, continues to include a $1.2M major storm deductible. The Proposed Plan, however, removes the Major Storm Restoration Fund.

The Earnings Sharing Adjustment Mechanism is the same as in the former plan, with asymmetrical sharing bands and differing sharing percentages that favor customers when earnings are above the sharing threshold.

Lastly, GMP proposes to recover a carrying charge on regulatory asset balances at the short-term debt cost. GMP points to the current interest rate environment, and the high cost to GMP of carrying balance sheet amounts to be recovered in the future.

In the Proposed Plan, there are several instances where GMP has assumed greater risk than in the former plan. For example, the elimination of the Storm Restoration Fund in the Proposed Plan will increase storm-related financial exposure for the Company. Consistent with the prior plan, GMP has locked in its capital expenditures budget over

the term of the Proposed Plan, as well as its debt costs starting in FY28, with some limited exceptions. This continues to pose a risk to the Company for unexpected capital requirements or debt issuances. Though the Proposed Plan also contains some risk reductions, i.e., the proposal to allow a carrying charge on regulatory balances and reforecasting certain O&M costs, on balance in my view, GMP has assumed slightly greater risk under the Proposed Plan than the prior plan.

Q70. Do you anticipate that GMP's risk profile will be impacted by the transition to the Proposed Plan?

A70. Not significantly, if adopted as proposed. Since the Proposed Plan is substantially similar to the former plan, with the exception of the above noted instances where GMP has assumed slightly more risk, and given the robust and generally constructive regulatory environment, I would not expect the transition to the Proposed Plan to impact GMP's risk profile. My recommendations are based on the assumption that GMP will experience the same regulatory and credit treatment during the rate period as it does currently.

Q71. What do you conclude with respect to GMP's business risk profile relative to the proxy group?

A71. In the areas I evaluated, GMP has greater business risk than the proxy group, due to the following primary risk factors: increased storms in its service territory, sweeping legislation under the OBBBA that will negatively impact renewable power costs going forward, GMP's relative small size making it more vulnerable to unexpected earnings shortfalls than its larger peers, locking in elements of its Proposed Plan, all serve to increase GMP's risk. Many of these risks are unique to GMP. Further, its ROE

adjustment formula may provide insufficient equity returns if Treasury bond yields lose their alignment with equity returns. Lastly, there is a systemic gap between the equity return that GMP is allowed versus that which is actually earned. The inability in the past to earn its allowed return on equity, due in part to large construction work in progress balances that do not earn equity returns, the exclusion of certain operating expenses from consideration in rates, the asymmetrical earnings sharing and power supply deadbands, as well as the $1.2 million major storm deductible, all are not recovered through rates and serve to reduce earnings well below that which is allowed by the Commission. GMP has assumed a large degree of risk in its operations and is operating in a very volatile policy environment. I consider this elevated business risk as I make my ROE recommendation.

VIII. Capital Structure

Q72. What is GMP's historical and proposed capital structure?

A72. GMP is currently authorized a common equity ratio of 50% and is proposing in this proceeding that its regulatory capital structure allow 50.0% equity (plus or minus 1%).

Q73. How does the capital structure affect the cost of equity?

A73. The capital structure relates to a company's financial risk, which represents the risk that a company may not have adequate cash flows to meet its financial obligations and is a function of the percentage of debt (or financial leverage) in its capital structure. In that regard, as the percentage of debt in the capital structure increases, so do the fixed obligations for the repayment of that debt. Consequently, as the degree of financial

leverage increases, the risk of financial distress (i.e., financial risk) also increases.[36] Since the capital structure can affect a company's overall level of risk, it is an important consideration in establishing the rate of return.

Q74. How did you assess the reasonableness of GMP's capital structure with respect to the proxy group?

A74. The proxy group has been selected to reflect comparable companies in terms of business and financial risks. Therefore, it is appropriate to compare the capital structures of the proxy group companies to that of GMP in order to assess whether the Company's capital structure is reasonable and consistent with industry standards for companies with commensurate risk. I calculated the actual weighted average capital structures for each of the proxy group operating companies on a quarterly basis for the four quarters ending Q2 2025. As shown in **Exh. GMP-JFL-11**, GMP's historical common equity ratio of approximately 50% is slightly below the mean common equity ratio for the proxy group operating companies over this period.

Q75. What is your conclusion regarding the appropriateness of GMP's capital structure in this proceeding?

A75. Based on the analysis presented in **Exh. GMP-JFL-11**, my conclusion is that a capital structure for GMP including an equity percentage of between 50 to 55 percent would be appropriate. GMP's proposed equity ratio of 50.0% is below the mean and median of the proxy group companies (both 53.24 percent) but is within the range of proxy group

[36] *See* Morin, *New Regulatory Finance* at 45–46. Public Utility Reports, Inc. (2006).

equity ratios. Though GMP's proposed ROE is slightly more conservative than the proxy group companies it is reasonable and is supported by the ROEs of the individual proxy group companies.

IX. Conclusions and Recommendation

Q76. What is your conclusion regarding a fair ROE for GMP?

A76. Based on the quantitative analyses provided in my testimony, I have established a range of ROE results shown in Table 6 (below). I have averaged the Multi-Stage and Constant Growth DCF approaches to obtain a single average DCF result that is averaged with the results of my CAPM and Bond Yield Risk Premium Methodologies. I have weighted my CAPM results with a factor of 0.50, as they are quite high and do not believe my CAPM results would be sustained in a longer term forward view of the market. I have increased the weighting on both my DCF estimate and my Risk Premium estimate to 1.25 for each, as I believe they provide a more reasonable long-term view of market returns. I consider a reasonable range of ROE for GMP to be within 50 bps of the mean of all methods (subject to the weighting discussed above). The resulting reasonable range is roughly 9.91 percent to 10.91 percent. I recommend an ROE of 10.5 percent. This ROE recommendation is corroborated by my Risk Premium result, and appropriately factors in GMP's increased level of risk relative to the proxy group as I have recommended an ROE in the upper half of the reasonable range. As indicated previously, GMP is proposing to hold its current approved ROE flat at 9.94 percent for FY27 rather than request a higher amount that would be justified by the analysis I have presented. Though

GMP's proposal is lower than my recommendation, it is not outside the range of reasonableness.

Table 6: Summary of ROE Results

Constant Growth DCF			
	Mean Low	Mean	Mean High
30-Day Average	9.00%	10.07%	11.01%
90-Day Average	9.13%	10.20%	11.14%
180-Day Average	9.24%	10.30%	11.25%
Average	**9.12%**	**10.19%**	**11.13%**
Multi-Stage DCF - Forecasted GDP Growth			
	Mean Low	Mean	Mean High
30-Day Average	8.02%	8.29%	8.55%
90-Day Average	8.18%	8.45%	8.73%
180-Day Average	8.30%	8.58%	8.86%
Average	**8.17%**	**8.44%**	**8.71%**
Multi-Stage DCF - Historical GDP Growth			
	Mean Low	Mean	Mean High
30-Day Average	9.08%	9.34%	9.59%
90-Day Average	9.23%	9.49%	9.75%
180-Day Average	9.35%	9.62%	9.88%
Average	**9.22%**	**9.48%**	**9.74%**
Overall DCF Average Result	**8.84%**	**9.37%**	**9.86%**
Capital Asset Pricing Model			
	Value Line Beta		
CAPM	12.70%		
Overall CAPM Average Result	**12.70%**		
Treasury Yield Plus Risk Premium			
	Current 30-day Average Treasury Bond Yield	Near-Term Blue Chip Forecast Yield	Near-Term Blue Chip Forecast Yield
Risk Premium Analysis	10.54%		10.51%
Overall RP Average Result	**10.52%**		
Average of Results			
	Mean Low	**Mean**	**Mean High**
All Methods	**10.68%**	**10.86%**	**11.03%**
Re-weighted Results	**10.18%**	**10.41%**	**10.61%**

Q77. Does this conclude your testimony?

A77. Yes.

I, Julie Lieberman, declare that the testimony and exhibits that I have sponsored are true and accurate to the best of my knowledge and belief and were prepared by me or under my direct supervision. I understand that if the above statement is false, I may be subject to sanctions by the Commission pursuant to 30 V.S.A. § 30.

Dated at Sudbury, Massachusetts on the 16th day of January, 2026.

Julie Lieberman