STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 26-0096-TF

Tariff filing of Green Mountain Power Corporation for a 7.5% rate increase effective with bills rendered on or after October 1, 2026	

PREFILED SURREBUTTAL TESTIMONY OF
CYNTHIA L. ZAMORA
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

June 19, 2026

Summary: Ms. Zamora responds to the adjustments made by Green Mountain Power Corporation ("GMP" or "Company") witness Julie Lieberman to the cost of capital models used to develop her recommendation regarding an appropriate Return on Equity ("ROE") for GMP on behalf of the Vermont Department of Public Service ("Department" or "DPS"). Ms. Zamora continues to support her recommended ROE of 8.91% for GMP.

Ms. Zamora Sponsors the Following Exhibit:

Exhibit DPS-CLZ–8 Discovery A.DPS.GMP.2-22 with Attachment

PREFILED SURREBUTTAL TESTIMONY OF CYNTHIA L. ZAMORA

Q1. Please state your full name, address, and occupation.

A1. My name is Cynthia L. Zamora. My business address is 6836 Bee Caves Road, Bldg 1, Suite 225, Austin, TX 78746. I am a Senior Consultant at GDS Associates, Inc. ("GDS").

Q2. Have you previously submitted prefiled direct testimony in this proceeding?

A2. Yes. I provided prefiled direct testimony on behalf of the Department in this proceeding on April 20, 2026.

Q3. What is the purpose of your prefiled surrebuttal testimony?

A3. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of GMP witness Julie Lieberman and her proposed "upward" adjustments to the cost of capital models used to develop my recommended 8.91% ROE for GMP.

Q4. How is your surrebuttal testimony organized?

A4. My surrebuttal testimony is divided into four parts. First, I respond to Ms. Lieberman's assertion that my recommended 8.91% ROE understates GMP's cost of equity. Second, I respond to Ms. Lieberman's position regarding the incorporation of historical growth rates, book value growth rates, and sustainable growth methodologies as part of my comprehensive evaluation of an appropriate cost of capital for GMP. Third, I respond to Ms. Lieberman's criticisms of my Capital Asset Pricing Model ("CAPM") recommendation. Finally, I respond to Ms. Lieberman's characterization of GMP's regulatory and business risk profile under the proposed Multi-Year Regulation Plan ("MYRP").

Q5. Please respond to Ms. Lieberman's assertion that your recommended ROE does not satisfy the standards established in *Bluefield* and *Hope*.

A5. My recommended ROE of 8.91% is grounded in the standards established in *Bluefield* and *Hope*, which require that utility investors have the opportunity to earn returns sufficient to attract capital, maintain confidence in the utility's financial integrity, and remain comparable to investments of similar risk. My recommendation provides fair compensation commensurate with GMP's risk profile while ensuring that rates are no higher than necessary to support GMP's financial integrity and continued access to capital. Although 8.91% may be below the current average authorized ROEs recently approved, as explained in my prefiled direct testimony,[1] GMP has operated under an authorized ROE below my recommendation for multiple fiscal years. Specifically, GMP's allowed ROE was 8.20% in FY 2021 and 8.57%[2] in FY 2022 and FY 2023. During this period, GMP reported no difficulty accessing capital, issuing $139 million in First Mortgage Bonds with credit spreads consistent with similarly rated entities at the time.[3] Accordingly, my recommended ROE of 8.91%, as derived from my cost of capital models, reflects prevailing market requirements for investment in GMP, given its risk profile and is sufficient to support the provision of safe and reliable service to Vermont ratepayers. Moreover, GMP will continue to operate under a MYRP framework with regulatory features that are favorable to its operations and financial

[1] *See* Case No. 26-0096-TF, Zamora Direct PFT at 6 and Exhibit DPS-CLZ-2.
[2] GMP opted to hold flat in FY23.
[3] *See* Exhibit DPS-CLZ-2.

condition. As a result, GMP presents a lower risk profile than most utilities operating under a traditional historical cost of service framework without an MYRP and therefore warrants a return below that of the proxy group.

I further continue to recommend that the ROE approved in this proceeding remain fixed throughout the term of the MYRP. Given ongoing market volatility, the Automatic Adjustment Mechanism ("AAM") in the MYRP is likely to continue producing ROE outcomes that exceed what is reasonable and necessary, thereby placing upward pressure on rates and adversely affecting customer affordability. Investors view utilities as long-term investments, and there is no evidence that linking ROE to 10-year Treasury yields appropriately reflects changes in GMP's overall risk or the returns required to attract and retain capital. Fixing the ROE for the duration of the MYRP will enhance rate stability and eliminate one annual cost of service adjustment for ratepayers.

Q6. Please respond to Ms. Lieberman's critique of the ROE averages cited in your direct testimony.

A6. Ms. Lieberman's critique focuses on minor differences in calculated ROE averages; however, those differences are not material to the conclusions in my testimony. As she acknowledges, the reported averages for 2024 and 2025 are clustered within a range of approximately 9.7% to 9.9%. The determination of a reasonable ROE depends on other factors including a company's specific risk characteristics, its regulatory framework, and prevailing capital market conditions. While recent authorized ROEs may provide useful context, they are not a substitute for a case-specific cost of equity analysis. My recommendation is case-specific, and the mere fact that it may be below certain recent ROE approvals does not render it unreasonable given GMP’s risk profile.

Q7. Please respond to Ms. Lieberman’s characterization that the proxy group used in your analysis is not fully comparable to GMP.

A7. I do not agree with Ms. Lieberman’s characterization. As discussed in my prefiled direct testimony, my proxy group was developed using similar screening criteria to identify publicly traded utilities with risk profiles comparable to GMP.[4] With respect to my criterion No. 7, I applied a 60% threshold based on regulated electric operating income, whereas Ms. Lieberman applies an 80% threshold based on regulated electric revenues. I believe operating income is the more meaningful metric for assessing risk, as total revenues may reflect company size but can obscure underlying risks, while operating income provides a clearer indication of earnings derived from regulated electric operations. While no proxy group will be identical to a specific utility, the purpose of the analysis is to identify a representative set of companies that reflect the range of risks faced by GMP. Ms. Lieberman’s critique focuses on the inclusion of two utilities, Con Edison and PSE&G, which she asserts are not fully comparable; however, both companies satisfy criterion No. 7. Minor differences in proxy group selection do not materially affect the ROE estimates, rather: the divergence between our respective results is driven primarily by differences in modeling assumptions. In my professional

[4] *See* Case No. 26-0096-TF, Zamora Direct PFT at Q45-48, pages 23-25.

judgment, the inclusion of Con Edison and PSE&G in the proxy group does not render my proxy group or my ROE results unreasonable.

Q8. Please respond to Ms. Liberman's criticisms of your use of historical, book value, and sustainable growth rates.

A8. As explained in my prefiled direct testimony,[5] my analysis takes a comprehensive and balanced approach by considering multiple growth metrics, including historical, book value, and sustainable growth rates, in addition to forward-looking measures such as projected earnings growth. This approach is designed to capture a range of reasonable growth rate expectations rather than relying on any one single measure. While Ms. Lieberman favors exclusive reliance on forecasted earnings growth, such estimates are inherently uncertain and subject to revisions. Incorporating historical and fundamental growth metrics, such as a sustainable retained earnings growth rate, provides a useful point of reference and helps ensure that the analysis is not unduly influenced by short-term market expectations or analyst projections that may not materialize. Moreover, the use of multiple growth measures mitigates the risk of overstating growth assumptions and, in turn, the cost of equity. By contrast, reliance on a single forward-looking earnings metric may bias results upward, particularly in periods of heightened market optimism. The historical growth rates for the proxy group should also be reviewed because the regulatory ratemaking framework results in fewer fluctuations and more stable revenues and earnings. Accordingly, my inclusion of historical, book value, and

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[5] *See id*. at Q57-Q58, pages 30-31.

sustainable growth rates along with projected earnings growth reflects a reasonable approach to estimate GMP's cost of equity.

Q9. Please respond to Ms. Lieberman's assertion that you misapplied the Gordon Growth Model.

A9. I do not agree with Ms. Lieberman's assertion that I misapplied the Gordon Growth Model. As explained in my prefiled direct testimony, I estimated the dividend yield using Value Line's projected 2027 dividends and observed market prices over a representative period.[6] Because my approach relies on a forward-looking dividend estimate, it already reflects expected near-term growth. Ms. Lieberman's critique centers on her preference to further adjust the dividend yield to approximate first-year growth; however, my approach adheres to the DCF framework by pairing a forward-looking dividend estimate with a range of expected growth rates. The difference between my results and Ms. Lieberman's reflects alternative analytical judgments rather than any misapplication of the DCF model.

Q10. Please respond to Ms. Lieberman's criticism of your treatment of the CAPM results.

A10. I do not agree with Ms. Lieberman's assertion that there is no analytical support for applying additional judgment to my CAPM results solely because my analysis incorporates an ex-post market risk premium. As explained in my prefiled direct testimony,[7] even with the inclusion of an ex-post market risk premium, the CAPM

[6] *See id* at Q53, page 28.
[7] *See id.* at Q74, page 37.

results remain elevated relative to my other cost of equity analyses, reflecting in part the current higher interest rate environment. Accordingly, I exercised professional judgment to moderate the influence of the CAPM results by assigning a 0.50 weight, which is comparable to the weighting applied by Ms. Lieberman.

Q11. Please respond to Ms. Lieberman's assertions that you materially understated the S&P 500 growth rate used in your CAPM analysis.

A11. I do not agree with Ms. Lieberman's assertions that I materially understated the S&P 500 growth rate used in my CAPM analysis. I applied the FERC screening criteria to exclude non-dividend paying companies and those with projected growth rates that are either negative or exceed 20%, as such growth is not sustainable in perpetuity. After applying the FERC screening criteria, more than 300 companies remained in the sample, providing a broad representation of the U.S. equity market. Even after applying this screening criteria, my resulting projected long-term market growth rate of 11.38% is elevated relative to long-term projected GDP growth of 3.91%.[8] By comparison, Ms. Lieberman's projected long-term market growth rate of 14.21%[9] is more than three and a half times the long-term projected GDP growth rate, resulting in an upward bias in expected return. Incorporating the FERC screening criteria is intended to produce a more measured and sustainable estimate of expected market returns, as it is not reasonable to assume that the broader equity market can maintain growth rates materially above the underlying U.S. economy over the long term.

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[8] *See* Exhibit DPS-CLZ-6, column f; Exhibit DPS-CLZ-5.
[9] *See* Exhibit GMP-JFL-7.2 at page 1.

Q12. Please respond to Ms. Lieberman's claim that correcting your analysis would result in ROE estimates that are more consistent with her conclusions.

A12. I do not agree with Ms. Lieberman's characterization that she is correcting my cost of capital models to align with her recommendation. The upward adjustments she proposes reflect alternative modeling assumptions, not corrections to errors in my analysis. As explained in my testimony, my approach incorporates multiple growth measures, applies reasonable screening criteria, and weights the model results based on informed professional judgment. While her preferred assumptions would produce higher ROE estimates, that outcome reflects those assumptions rather than any deficiency in my analysis or cost of service models.

Q13. Please respond to Ms. Lieberman's characterization of GMP's risk profile under the MYRP.

A13. I do not agree with Ms. Lieberman's characterization that GMP continues to face substantial business and regulatory risk under the MYRP. As discussed in my prefiled direct testimony,[10] the MYRP includes several mechanisms that reduce risk and regulatory lag such as preapproved capital investment plans, forward-looking rate setting and earnings-sharing mechanisms, which enhance revenue stability and improve visibility into future earnings, all of which are favorable from an investor perspective.

Under its group methodology, S&P Global Ratings ("S&P") assesses GMP as a core subsidiary of Noverco and aligns GMP's issuer credit rating with the group credit profile

[10] *See* Case No. 26-0096-TF, Zamora Direct PFT at Q44, page 22.

of "A-", one notch above its stand-alone credit profile. S&P's "excellent" business risk profile reflects GMP's lower-risk regulated electric utility operations, and the risks identified by Ms. Lieberman are already incorporated into this assessment. In addition, rates are established through the MYRP with preapproved capital investment plans, which enhance cash flow predictability and mitigate risks associated with regulatory lag and potential disallowances.[11] The MYRP framework reduces earnings volatility and enhances cost recovery, supporting the conclusion that GMP's overall risk is largely mitigated and remains below that of the proxy group, including those vertically integrated utilities that operate under a traditional historical test year framework.

Q14. After reviewing Ms. Lieberman's rebuttal testimony, is there anything you would revise about your analysis and recommendation from your prefiled direct testimony?

A14. No. Ms. Lieberman's rebuttal does not identify any issue that would warrant revising my analysis or recommendations.

Q15. Please explain why your recommended ROE continues to be appropriate for GMP.

A15. My recommended ROE of 8.91% for GMP is based on the results from my constant growth DCF, multi-stage DCF, and CAPM analyses, and reflects a weighting approach similar to that applied by Ms. Lieberman. This ROE represents a reasonable estimate of GMP's current cost of equity under prevailing market conditions and provides fair compensation commensurate with GMP's investment risk, while limiting customer costs to no more than necessary to maintain GMP's financial integrity and access to

[11] *See* Attachment DPS.GMP.2-22, provided as **Exhibit DPS-CLZ-8** (2025 S&P report).

capital. Given current market conditions, the continued attractiveness of utility investments, and GMP's regulated operations and credit profile, an ROE of 8.91% appropriately balances investor requirements with customer affordability. This balance is particularly important in light of GMP's continued elevated capital expenditure plans under the MYRP.

Q16. Does this conclude your surrebuttal testimony?

A16. Yes.