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 DIRECT TESTIMONY OF
STEVEN D. HUNT
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

April 20, 2026

Summary: Mr. Hunt discusses in detail several proposed adjustments and recommendations regarding Green Mountain Power Corporation's ("GMP" or "Company") cost of service on behalf of the Vermont Department of Public Service ("Department" or "DPS").

Mr. Hunt Sponsors the Following Exhibits:

Exhibit DPS-SDH–1	Professional Resume of Steven D. Hunt
Exhibit DPS-SDH-2	Discovery Response Q.DPS.GMP.2-1
Exhibit DPS-SDH-3	Discovery Response Q.DPS.GMP.2-3
Exhibit DPS-SDH-4	Federal Power Commission Order No. 561
Exhibit DPS-SDH-5	Discovery Response Q.DPS.GMP.2-15

PREFILED DIRECT TESTIMONY OF STEVEN D. HUNT

I. INTRODUCTION

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

A1. My name is Steven D. Hunt. My business address is 1850 Parkway Place, Marietta, GA 30067. I am a Principal at the firm GDS Associates, Inc. ("GDS"), a multi-disciplinary engineering and consulting firm offering expertise in regulatory ratemaking, accounting, economics, finance, and engineering on behalf of its clients related to matters associated with electric, gas and water utilities.

Q2. Please outline your formal education.

A2. I earned a Bachelor of Science in Business with a major in Accounting from Virginia Polytechnic Institute and State University ("Virginia Tech") in 2001. Additionally, I earned a master's degree in accounting and information systems from Virginia Tech in 2002.

Q3. Are you a Certified Public Accountant?

A3. Yes. I am a certified public accountant licensed in Washington, D.C.

Q4. Please state your professional experience.

A4. I am an accounting and rate specialist with 24 years of experience on regulatory accounting and cost-of-service ("COS") rate regulation matters in the electric, natural gas, and oil industries. I began working at GDS in August 2020 as a Senior Project Manager and advanced to a Principal in 2024. During my time at GDS, I have provided expert accounting and rate reviews of costs included in the revenue requirement of electric utility companies for retail and wholesale rate determinations and natural gas distribution companies for retail rate purposes. Prior to GDS, I worked for the Federal Energy Regulatory Commission ("FERC") from 2002-

2020. I worked entirely in the Regulatory Accounting program as an Accounting Analyst, Manager, Deputy Chief Accountant, and Chief Accountant, where I worked directly with FERC's rate and legal programs on numerous electric and natural gas rate applications, accounting request filings, policy statements, rulemakings, and accounting guidance letter orders. Additionally, I was a leading author or reviewing official for most FERC accounting orders and audit reports in the electric, natural gas, and oil industries for the majority of my tenure at FERC.

Q5. Have you testified in Vermont in the past?

A5. Yes. I submitted testimony in the following proceedings before the Vermont Public Utility Commission ("Commission"):

- Case No. 21-0898-TF - Petition of Vermont Gas Systems, Inc. for a change in rates and for use of the System Expansion and Reliability Fund in connection therewith.
- Case No. 22-0175-TF - Tariff filing of Green Mountain Power requesting a 2.34% increase in base rates effective on bills rendered on or after October 1, 2022; and Case No. 21-3707-PET - Petition of Green Mountain Power Corporation for approval of a Multi-Year Regulation Plan ("MYRP") pursuant to 30 V.S.A. Sections 209, 218, and 218d.
- Case No. 23-0561-TF - Petition of Vermont Gas Systems, Inc. for a change in rates and for use of the System Expansion and Reliability Fund in connection therewith.
- Case No. 23-3501-PET - Petition of Green Mountain Power for approval of its zero outages initiative as a strategic opportunity pursuant to 30 V.S.A. § 218d and GMP's MYRP.

- Case No. 25-1955-PET - Petition of Green Mountain Power Corporation for approval of its new MYRP pursuant to 30 V.S.A. Sections 108, 209, 218, and 218d.

Q6. Have you testified before any other regulatory commissions?

A6. Yes. I have submitted testimony before the following regulatory commissions:

- Public Utility Commission of Texas;
- Railroad Commission of Texas;
- Maryland Public Service Commission;
- Minnesota Public Utilities Commission; and
- Federal Energy Regulatory Commission.

Q7. What are your qualifications to provide testimony before the Commission?

A7. I have devoted a substantial portion of my career to public service at FERC as advisory staff and developed extensive experience presenting accounting and COS facts, rate analysis, and ratemaking recommendations in FERC proceedings. I also served as the FERC Chief Accountant and Director of the Division of Audits and Accounting in the Office of Enforcement for 32 months and, in prior roles, served as the Deputy Chief Accountant, Accounting Manager, and Senior Accountant. In these roles, I routinely provided expert explanations and recommendations on the application of FERC accounting regulations and COS ratemaking policy and regulations in various rate proceedings, accounting filings, and audit proceedings. This expert advice was provided to FERC commissioners and all levels of senior leadership through various detailed written memoranda and orally in group project meetings. These experiences supporting FERC ratemaking, accounting, and audit programs and associated career advancement demonstrate my knowledge in this specialized field. Additionally, for the past five years, I have filed expert witness testimony and provided consulting services in numerous retail rate proceedings before several other retail jurisdictions, which have evaluated COS, MYRP, and formula rates. My professional resume provides further details of my experience, provided as **Exhibit DPS-SDH-1**.

Q8. For whom are you appearing?

A8. I am testifying on behalf of the Department.

Q9. Were your testimony and exhibits prepared by you or under your direct supervision and control?

A9. Yes.

Q10. Please summarize the purpose and organization of your testimony.

A10. My testimony presents recommendations on several key issues and is broken down as follows:

- **Section I:** Introduction;
- **Section II:** MYRP-Recommendation Modifications;
- **Section III:** Exclusion of Below-the-Line Costs;
- **Section IV:** Adjustment for Uncollectable-Accounts Expense; and
- **Section V:** Calculation of Allowance for Funds Used During Construction

II. MYRP-RECOMMENDATION MODIFICATIONS

Q11. Do you propose any modifications to your recommendations made in Case No. 25-1955-PET, the ongoing GMP MYRP proceeding?

A11. Yes. First, in the MYRP proceeding, I recommended reviewing GMP's proposed removal of its Major Storm Restoration Fund once this proceeding was filed. Upon review of the matter in this proceeding, I am satisfied with GMP's proposal regarding the Major Storm Restoration Fund. Second, in the MYRP proceeding, I recommended that the specific investments in affiliates that GMP proposed to include in rate base be evaluated further in this proceeding before concluding on the reasonableness of GMP's rate base treatment. Upon further analysis of GMP's proposal included in the COS in this proceeding, I have no proposed changes regarding the treatment of investments in affiliates. Thus, I believe GMP's treatment of investments in affiliates should be left as is without modification.

Q12. Did you discuss GMP's treatment of unamortized debt discount and expense in rate base in your MYRP testimony in Case No. 25-1955-PET?

A12. Yes. In my prefiled direct testimony, I noted that GMP proposed to include unamortized debt discount and expense as a component of rate base rather than as a component in the development of the cost of capital. GMP believes that its proposed unamortized-debt-discount-and-expense treatment aligns with other deferred expenses in rate base that are amortized over a specified period. In my prefiled direct MYRP testimony, I explained that unamortized debt discount and expense represent a reduction in the proceeds of borrowing and increase the effective interest rate. As such, I stated that debt discount and issuance costs are a component of the cost of debt. I also recommended that GMP's treatment of unamortized debt costs be evaluated in the FY27

Base Rate proceeding to determine whether a more precise recovery method, such as the yield-to-maturity method, results in a material outcome and renders GMP's approach to be outside the zone of just and reasonable outcomes.

Q13. Based on your analysis do you recommend an adjustment regarding the treatment of the unamortized debt discount and expense?

A13. No. Although I recognize that GMP's treatment of unamortized debt discount and expense is different from that allowed by FERC and other retail jurisdictions, I do not find the result of GMP's methodology to result in an outcome outside the zone of just and reasonable outcomes.

III. EXCLUSION OF BELOW-THE-LINE COSTS

Q14. What are non-operating, or below-the-line, costs?

A14. Non-operating costs, or below-the-line costs, are items of expense and revenue that are generally not directly related to the operations of utility service and are viewed as non-operating in nature. Non-operating costs include, but are not limited to, donations, penalties, lobbying, life insurance of officers and employees where the company is the beneficiary, gains and losses on the sale of investments, and the revenues, costs, and expenses of merchandising, jobbing, and contract work. These costs are reported as non-operating revenues and expenses under the FERC Uniform System of Accounts and presented in the income statement after the computation of operating net income. As such, these costs are commonly referred to as "below the line." For ratemaking purposes, because of the non-operating nature of these costs, they are generally excluded from the development of rates.

Q15. What does the Department recommend with respect to below-the-line costs?

A15. It is recommended that GMP exclude from the COS certain costs recorded in Administrative and General ("A&G") expense accounts that are appropriately classified as below-the-line, i.e., a non-operating, expense. I provide the specific costs for exclusion in Table 1 below. Based on my review of the Company's response to Q.DPS.GMP.2-15 provided as **Exhibit DPS-SDH-5**, these costs include public affairs, lobbying, advertising, sponsorships, and other expenditures that do not relate to the provision of regulated utility services. As such, these costs should not be included in the COS.

Q16. Why is it important to exclude these costs in this proceeding?

A16. It is important to exclude non-operating, below-the-line costs because they are not incurred to provide regulated utility service and are, therefore, not properly recoverable from customers. As shown in **Table 1**, GMP has included costs related to public affairs, advocacy, advertising, and sponsorship activities that are discretionary in nature and appropriately borne by shareholders. It is normal ratemaking practice to only include costs that are reasonable, necessary, and related to utility operations in the COS. Below-the-line costs are presumptively excluded from recovery unless the utility demonstrates that such costs are just and reasonable and provide a clear benefit to customers.

Including these costs in A&G expense accounts would overstate operating expenses, inflate revenue requirements, and result in unjust and unreasonable rates. Accordingly, excluding these costs ensures that rates accurately reflect the cost of providing regulated service and preserves the appropriate distinction between shareholder and customer responsibilities.

Ref.	Entity	Amount ($)
a.	Vermont Businesses for Social Responsibility	5,462.50
b.	Mountain Times (World Cup 2024 advertising)	1,000.00
c.	American Dairy XPO	900.00
d.	Bring Back the Trades, Inc.	2,500.00
e.	Deerfield Valley Lions	500.00
f.	Green Up Vermont	8,500.00
g.	MRPS Partners in Education	500.00
h.	Vermont Businesses for Social Responsibility	522.50
i.	Vermont Energy and Climate Action Network	6,000.00
j.	Vermont League of Cities & Towns	9,005.00
k.	Vermont Sustainable Jobs Fund	15,000.00
	Total Below-the-Line Costs	**49,890.00**

Table 1: Below-the-Line and Non-Recoverable Costs Identified (Q.DPS.GMP.2-15)

IV. UNCOLLECTIBLE ACCOUNTS EXPENSE ADJUSTMENT

Q17. What is uncollectible-accounts expense in a proposed COS?

A17. Uncollectible-accounts expense is reported in FERC Account 903 (Uncollectible Accounts) and is commonly referred to as bad-debt expense. Uncollectible-accounts expense represents the amount of sales revenues that a utility estimates will not be collected from customers.

Q18. What adjustment does GMP make regarding uncollectable-accounts expense in its proposed COS?

A18. GMP makes a COS adjustment for uncollectable expense as its Adjustment No. 32.1 The adjustment removes from the COS the uncollectable expense in the test year and recomputes uncollectable expense based on a ratio that is applied to the adjusted COS revenues.[2] The uncollectable-accounts ratio proposed by GMP is a five-year average of retail revenue to

[1] See Case No. 26-0096-TF, GMP-LD-RB-3 – FY 2027 Rate Filing Schedules, COS Filing Format FY 2027 Traditional.xlsx, tab COS adjs.
[2] See Case No. 26-0096-TF, GMP-LD-RB-3 – FY 2027 Rate Filing Schedules, COS Filing Format FY 2027 Traditional.xlsx, tab Uncollectible expense, Excel lines 11 and 15.

uncollectable accounts expense for FY 2021-2025.[3]

Q19. What is your analysis of GMP's uncollectable-accounts expense adjustment?

A19. GMP's proposed uncollectable accounts expense ratio relies on a multi-year average for the period FY 2021-2025 that includes years not representative of current or expected conditions. As shown in **Table 2** below, the uncollectable-accounts expense ratios for FY 2021 and FY 2023 are materially elevated relative to FY 2025, with deviations of approximately 21% and 50%, respectively. These years reflect atypical conditions and are not indicative of normalized customer payment behavior.

By contrast, the FY 2024 uncollectable-accounts expense ratio is within approximately 3% of FY 2025, indicating that more recent experience has stabilized at a lower level. This trend is consistent with the dissipation of pandemic-related impacts that temporarily increased arrearages and uncollectable-expense levels in earlier years. Accordingly, the inclusion of FY 2021 and FY 2023 in GMP's proposed multi-year average overstates the level of uncollectable accounts expense that is reasonably expected to occur during the MYRP period. A more appropriate approach would place greater weight on recent, normalized years—specifically FY 2024 and FY 2025, which better reflect current and forward-looking conditions.

[3] See Case No. 26-0096-TF, GMP-LD-RB-3 – FY 2027 Rate Filing Schedules, Bad Debt 2025-2030, COS Support, Cell G25.

FISCAL YEAR	RETAIL REVENUE	ACCOUNTS EXPENSE	UNCOLLECTIBLE / TOTAL REVENUE	DIFFERENCE TO 2025	% CHANGE
2018	$ 617,999,517	$ 1,405,003	0.002273	0.000589	21%
2022	$ 699,484,821	$ 2,137,792	0.003056	0.000241	9%
2023	$ 692,182,507	$ 2,913,710	0.004209	0.001394	50%
2024	$ 756,171,927	$ 2,055,351	0.002718	-0.000098	-3%
2025	$ 811,525,379	$ 2,285,000	0.002816	0.000000	0%

Table 2 – Uncollectable-Accounts Expense Adjustment Analysis

Q20. What is the recommendation for the uncollectable-accounts expense adjustment?

A20. I recommend that GMP compute the uncollectable-expense accounts ratio using an average of the most recent two years. Under my proposed adjustment, the uncollectable-accounts expense ratio will decrease by approximately 15%, from 0.003241 to 0.00277. The proposed adjustment to the uncollectable accounts ratio results in a reduction to GMP's proposed downward adjustment by $410,000 when applied to the Company's proposed adjusted COS. The actual impact will be based on the COS values ultimately approved in this proceeding.

V. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION CALCULATION

Q21. What is AFUDC?

A21. During the period that a particular facility is under construction and has not yet been placed in service, a regulated entity is permitted to earn a return on the funds used for construction of said facility. This return on construction costs during the period of construction is referred to by its common accounting term—Allowance for Funds Used During Construction ("AFUDC").[4] The regulated entity periodically calculates AFUDC by applying its AFUDC rate to its construction

[4] See 18 C.F.R. Part 101, Electric Plant Instruction No. 3, Paragraph 17, Allowance for Funds Used During Construction.

costs or Construction Work in Progress ("CWIP") in Account 107, and then "capitalizes" the resulting AFUDC amount by adding it to the CWIP in Account 107 for the facility under construction. When the specific facility goes into service, the entire amount of costs pertaining to that facility in Account 107 consists of the actual construction costs plus the capitalized AFUDC on those costs during the period of construction. When the facility is placed in service, the construction costs are transferred to Account 101 as the base cost of the new facility in service and are recovered through depreciation while earning a long-term rate of return until such recovery.[5]

Q22. What COS adjustment should be recognized as it pertains to the AFUDC Rate?

A22. I recommend that GMP recognize a $2.45 million downward COS adjustment to GMP's gross plant to reflect the use of an excessive AFUDC rate. Specifically, GMP's AFUDC calculation improperly excludes short-term debt from the capital structure used to derive the AFUDC rate.

The exclusion of short-term debt results in an artificially elevated AFUDC rate because it over-weights higher-cost components of capital, such as long-term debt and equity, while omitting a lower-cost source of financing that is presumed to be used to fund construction activities. As a result, GMP capitalizes financing costs at a rate that exceeds its actual cost of funds.

This overstated AFUDC rate leads to an over-capitalization of plant placed in service, which in turn increases rate base and results in higher revenue requirements borne by customers.

[5] Dominion Energy Transmission, Inc., 173 FERC ¶ 61,248, 62,640 (2020).

Therefore, a COS adjustment is necessary to remove the excess AFUDC embedded in plant balances and to ensure that rates reflect only prudent and accurately calculated financing costs.

Q23. What debt did GMP improperly exclude from short-term debt in the calculation of its AFUDC rate?

A23. Although GMP states that it did not have any short-term borrowings for 2023 through 2025, I observed that GMP has a letter of credit for $134,097,828 at a 4.92% interest rate.[6] Based on my analysis, GMP classified this debt as Notes Payable and appears to present the debt in the FERC Form 1 in Account 231, Notes Payable. Amounts recorded in Notes Payable are current obligations and not considered long-term debt. Accordingly, it is my expectation that the GMP should have treated the letter of credit as short-term debt.

Q24. How is short-term debt treated in the calculation of its AFUDC rate?

A24. Under the calculation of AFUDC, short-term debt is treated as the first source of capital for financing construction costs. Accordingly, to the extent that short-term debt balances exceed average construction balances, the AFUDC rate will be fully computed using the cost of short-term debt.

Order No. 561 of the Federal Power Commission (FERC's predecessor), which established the AFUDC regulations, states the following in response to the treatment of short-term debt in the AFUDC rate calculation:

> It is generally impossible to specifically trace the source of funds used for various corporate purposes and it was not the purpose of our proposed rule to do so. Instead, we proposed a rule that would give a utility an opportunity to be compensated for the

[6] See Case No. 26-0096-TF, Attachment DPS.GMP.2-1, tab AFUDC2025, Excel line 95, provided as **Exhibit DPS-SDH-2**.

> total cost of capital devoted to utility operations, including its construction program. In order to accomplish this, it is necessary to look to how the cost of capital is handled in a rate proceeding so that a method for determining AFUDC can be devised that will not result in double counting of the same capital cost or will not omit important categories of capital cost. Typically, short-term debt has not been included in rate of return computations for cost of service purposes on the grounds that such debt is temporary and is used essentially for construction purposes; however, the cost of such debt represents a valid and necessary expenditure for conducting utility operations which ultimately must be recovered through rates. By adopting the approach of permitting the capitalization of short-term debt cost through AFUDC, we provide such a mechanism. It should be understood that this method is for the purpose of establishing a rate for AFUDC and not for establishing a method for allocating short-term interest cost for the purpose of a rate proceeding.[7]

Q25. Do GMP's short-term-debt balances exceed its average construction balances?

A25. Based on my analysis, yes. Average construction balances for FY 2025 were $97,365,263, while the short-term debt for the letter of credit was approximately $134 million. Since short-term-debt balances exceeded construction balances, the maximum AFUDC rate was the 4.92% cost rate for the letter of credit.

Q26. What is the impact of GMP not considering the letter of credit as short-term debt?

A26. GMP states that the AFUDC rate is calculated for 2020, and the current rate in the system is 6.62%. This is approximately 1.7% higher than the maximum AFUDC rate of 4.92% based on the discussion above.

Q27. What is the impact of GMP capitalizing amounts of AFUDC using an excessive AFUDC rate?

A27. As noted above, this results in GMP capitalizing excessive amounts of AFUDC and overstating

[7] Amendments to Uniform System of Accounts for Public Utilities and Licensees and For Natural Gas Companies (Classes A, B, C And D) To Provide for the Determination of Rate for Computing the Allowance for Funds Used During Construction and Revisions of Certain Schedule Pages of FPC Reports, 57 F.P.C. 608, 608–09 (1977) (provided as **Exhibit DPS-SDH-4).**

gross plant balances. GMP provides that it had average construction balances in FY 2023, 2024, and 2025 of $33 million, $53.5 million, and $57.7 million, respectively.[8] These construction balances were stated to represent the amounts not included in rates and are presumed to be eligible for AFUDC. Since AFUDC was capitalized on these balances, it appears that GMP over-capitalized AFUDC by 1.7% on these construction balances, which results in a cumulative overstatement of AFUDC of $2.45 million.

Q28. What is your recommendation regarding AFUDC?

A28. I recommend that GMP reduce gross plant included in the COS by $2.45 million, which will also affect accumulated depreciation, depreciation expense, and any deferred tax effects related to the overstatement of AFUDC. I also recommend that GMP prospectively adjust its procedures for calculating AFUDC to include all sources of short-term debt for capital projects in the short-term debt computation.

Q29. Does this conclude your direct testimony?

A29. Yes.

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[8] See Attachment A.DPS.GMP.2-3, provided as **Exhibit DPS-SDH-3**.