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Via ePUC

Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street, 4th Floor
Montpelier, VT 05620-2701

Re: FY2023 3rd Quarter Report of Power Supply, Retail Revenue, and Exogenous Major Storm Adjustors

Dear Ms. Anderson:

In this Quarterly Adjustor Report for the third quarter of Fiscal Year 2023 (FY2023 Q3), Green Mountain Power (GMP) reports on: (1) results for the Power Supply and Retail Revenue Adjustor (PSRRA); (2) results for the Exogenous Major Storm Adjustor (EMSA); and (3) how these results are treated under the Multi-Year Regulation Plan, as filed and approved in Case No. 21-3707-PET, and amended by the Commission on March 30, 2023, in Case No. 23-0141-PET (the Plan).

As detailed below, the net cumulative balance to be carried forward to the next quarter for the PSRRA is $4.36M. For the EMSA, while there were no Major Storms during the third quarter, there were Major Storm expenses of $8.0M associated with a very significant wet heavy snowstorm that hit Vermont and the region just before the end of the prior quarter that had expenses not accounted for until the third quarter.

Under the Plan, these quarterly results require that, beginning October 1, 2023, the Cumulative Carry Forward balance of the $34.578M previously reported that had accrued as of the end of FY2023 Q2 be triggered for collection, along with amounts previously approved and already on customer energy statements. As approved in Case No. 23-0141-PET, this combined balance of $52.566M will be collected through the end of the Plan to create a smoother path for customers.[1] The net result for customers will be a change to the Current Power and Major Storm adjustor line item, from 0.89% currently reflected to 2.43%

[1] On March 30, 2023, the PUC approved amendments to the Plan extending the default amortization period of collections or returns from twelve months to the remaining period of the Plan or twelve months, whichever is longer. See Case No. 23-0141-PET.

The details supporting these results are set forth in the Attachment to this filing and described below.

I. Power Supply and Retail Revenue Adjustor Report – Third Quarter Fiscal Year 2023 Results

Attachment 1 to this letter sets forth the accounting details of our FY2023 Q3 PSRRA, and includes the following information:

- Tab 1: Actual Power Costs;
- Tab 2: Power Supply and Retail Revenue Adjustor Results;
- Tab 3: Variance Explanations;
- Tab 4: Retail Sales and Revenue Variances; and
- Tab 5: Supporting Workpapers – Power Costs

Below is a summary of these results and an explanation of the drivers of the variances between actual results and forecast.

I. Power Supply and Retail Revenue Adjustor – FY2023 Q3 Results

In FY2023 Q3, due to continued higher regional costs associated with the required Mystic Cost of Service Agreement, along with higher contract costs tied to the energy markets and overall higher energy balancing costs, the net PSRRA calculation resulted in an under collection of $4.360M:

Retail Revenue Collected:	$0.207M less than forecast
Power Supply Costs (net):	$4.153M more than forecast Component A: $1.593M more than forecast Component B: $2.560M more than forecast (after Efficiency Band adjustment)
Total FY2023 Q3 PSRRA:	**$4.360M undercollection**

Primary factors driving the variance between actual results and the forecast for the quarter are as follows:

Retail Revenue and Sales Volume

Retail revenues were $0.207M, about 0.1%, lower than forecast.[2] The variance includes lower small and large commercial and industrial (C&I) sales of $3.0M, largely offset by higher residential sales of $2.8M. On a MWh basis, sales were lower than forecast, driven by lower C&I sales that were somewhat offset by higher than forecasted residential sales. The weather through the end of June was mild (and the quarter ended before the flood), with the overall impact being slightly lower loads than forecasted.

[2] Retail sales volume was 28,163 MWh, or 3.0% lower than forecast with a positive $0.0049 per kWh average rate variance, which was 3.0% higher than forecast.

Power Supply

As experienced in previous quarters this fiscal year, Mystic Cost of Service charges that are out of our control resulted in significant unforeseen costs. We continue to participate in regional conversations with VELCO seeking ways for ISO-NE and the Mystic owner to try and ameliorate this tough situation for customers. In addition, energy costs this quarter were higher than forecasted due to a higher volume of balancing purchases, as well as higher contract costs for both formulaic-priced contracts based in part upon energy market prices and inflation and for short-term, fixed-price contracts that reflected a higher energy market environment. Overall, power supply costs were $4.962M higher than forecast. Here are the details:

- Component A

Component A was $1.593M higher than forecast for the quarter. The mandatory regional charges associated with the Mystic Cost of Service Agreement totaled $4.072M for the quarter, as shown in Attachment 1. As explained in our previous quarterly filings, the Mystic Capacity Payment is a required ISO-NE charge associated with an out-of-market cost of service agreement under which Mystic Units 8 and 9 in Massachusetts along with the Everett liquified natural gas (LNG) terminal that supplies those units will provide service for the region through May 2024. These ISO-NE imposed costs are not in GMP's or other distribution utilities' control, but we and other load serving entities are required to cover them under the FERC-approved agreement. As expected, in the spring, when LNG deliveries waned, Mystic costs were more moderate and primarily driven by the fixed costs rather than the difference between the high uneconomic LNG fuel costs and the low market value that drove the winter costs. Offsetting some of the Mystic costs were lower than budgeted RNS costs due to lower RNS rates and loads, and lower than budgeted forward capacity market costs as a result of a favorable summer 2022 peak that lowered our Capacity Load Obligation beginning June 2023, the last month of the reported quarter.

- Component B

Gross Component B costs were $3.369M above forecast. The primary reasons for the variance were higher contract costs, as well as higher energy balancing costs due to lower generation than budgeted from several resources. As previously reported, GMP made short-term energy purchases and sales to help reduce spot energy market exposure for customers. These transactions, which occurred well after the forecast that set the benchmark, are reflected as an unfavorable $4.8M variance to contract costs and a favorable $3.4M variance to resales this quarter. These purchases effectively reduced the need for balancing spot market transactions; however, several resources had lower generation than forecasted that led to additional balancing purchases. The lower generation from Seabrook, hydroelectric, wind, standard offer projects, and McNeil resulted in contract and fuel costs that were $3.7M lower than forecasted but required replacement power purchases $3.2M higher than forecasted. As in previous quarters during this fiscal year, higher than budgeted long-term power purchase agreements with pricing tied to changes in inflation and market indices were $1.4M of the variance this quarter; these variances from the benchmark will continue through the end of the fiscal year. This quarter also featured net metering costs that were $1.3M higher than forecasted due to a strong quarter of solar generation.[3]

As required by the Plan, GMP absorbed the full amount of the "Efficiency Band" adjustor, which decreased the magnitude of the Component B variance for customers by $0.809M, yielding a net Component B variance of $2.560M above forecast for the quarter.[4]

As discussed above, all these variances—Retail Revenue, Component A, and Component B after the Efficiency Band adjustment—net to a total under collection of $4.360M for the quarter.

II. Exogenous Major Storm Adjustor – FY2023 Q3 Results

A Major Storm hit Vermont just before the end of last quarter, in mid-March. Given the timing, we submitted the invoices received and processed in FY2023 Q2 through March 31st in the last quarterly filing. Storm cost details are set forth in Attachment 2.

Under our Plan, we set a base level of expected storm restoration in our annual budget and cover any additional expenses caused by qualifying Major Storms through two mechanisms, an ongoing Major Storm Restoration Fund and, if needed, the EMSA.[5] In addition, as part of this adjustor filing, GMP has credited Major Storm Restoration Fund Collections through June 30, 2023 to partially offset Major Storm costs through that date. We ask for the Commission to approve that quarterly offset as a part of the tariff filing accompanying this report. After applying this offset to the total incurred costs for these Major Storms through June 30, 2023, the balance of $6.520M is reflected in the Cumulative Carry Forward.

The table below shows Major Storm expenses and deductible, Major Storm Restoration Fund collections, the resulting EMSA after application of Restoration Funds, and the Restoration Fund balance as of the quarter's end.

[3] Net metering costs are based on billing cycles and are somewhat lagged. Therefore, the full quarter of actual energy generation is not captured. Net metering costs in FY2023 Q3 are associated with physical generation that took place March through June, depending on customers' billing cycles.
[4] The Efficiency Band amount was based on a higher per unit Cost Variance ($0.0022/kWh Component B rate variance) coupled with retail sales volume of 1,072,887 MWh.
[5] Consistent with the Plan, GMP covers the first $1.2M of any Major Storm expense in any given year; this amount has been incurred and accounted for previously in this fiscal year.

Measurement Period	Reported Quarterly Major Storm Expense	Major Storm Deductible	Major Storm Expense Less Deductible[6]	Quarterly Major Storm Restoration Fund Collections	Net Exogenous Major Storm Adjustor[7]	Major Storm Restoration Fund Balance at end of Quarter
FY2023 Q1	$2,968,830	$1,200,000	$1,768,830	$1,427,273 (including $6,946 in interest)	$0[8]	($341,557)
FY2023 Q2	$25,848,701	$0	$25,848,701	$1,672,434 (including $29,382 in interest)	$24,517,824	$0
FY2023 Q3	$7,961,929	$0	$7,961,929	$1,441,690 (including $53,946 in interest	$6,520,239	$0

III. <u>Quarterly Net Adjustment and Cumulative Carry Forward</u>

Under the Plan now in effect, when the Cumulative Carry Forward balance of the prior measurement period is greater than $1M and two consecutive quarterly adjustments are in the same direction, the Cumulative Carry Forward balance will be reflected in energy statements starting the first day of the next quarter through the remainder of the Plan term, unless otherwise ordered by the Commission. Here, the FY2023 Q2 Cumulative Carry Forward of $34.578M is triggered for collection beginning October 1, 2023. In accordance with the Plan, we will combine the FY23 Cumulative Carry Forward of $34.578M with the already-approved amounts on customer's energy statements associated with prior quarter results, as a single line item on customer energy statements. The Quarterly Net Adjustment from FY2023 Q3 of $10.901M ($4.360M from the PSRRA and $6.541M for net storm costs) will be carried forward, to be reconciled with the EMSA and Major Storm Fund balance when triggered for collection.

The chart below reflects the results of FY2023 Q2, and the calculation of the Cumulative Carry Forward since the beginning of FY2022:

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[6] Total Major Storm Balance, after application of deductible but before application of any Major Storm Restoration Fund amounts.

[7] Represents the Exogenous Major Storm Adjustor included in quarterly Cumulative Carry Forward after application the deductible and any Restoration Fund collections.

[8] The Net Major Storm Adjustor in FY2023 Q1 assumed application of the full existing balance of the Major Storm Restoration Fund as of January 30, 2023, plus anticipated future Restoration Fund collections to cover the full reported Q1 Major Storm Expense. This resulted in no EMSA being included in the Q1 Cumulative Carry Forward, and a small negative balance in the Major Storm Restoration Fund at the end of the quarter. The remaining Q2 Restoration Fund collection was applied to the Q2 Major Storm Expense resulting in a $0 Fund balance as of the end of that quarter.

Measurement Period	PSRRA $	Exogenous Major Storm Adjustor	Quarterly Net Adjustment $	Cumulative Carry Forward $	Collection (Return) to Customers
FY2022 Q1	$574,079	$0	$574,079	($3,223,143)	n/a
FY2022 Q2	$6,420,518	$0	$6,420,518	$6,420,518	($3,223,143)
FY2022 Q3	$905,263	$0	$905,263	$905,263	$6,420,518
FY2022 Q4	$11,175,244	$0	$11,175,244	$12,080,507	n/a
FY2023 Q1	$6,343,620	$0	$6,343,620	$6,343,620	$12,080,507
FY2023 Q2	$10,059,980	$24,517,824	$34,577,804	$34,577,804	$6,343,620
FY2023 Q3	$4,360,232	$6,520,239	$10,880,471	$10,880,471	$34,577,804

Under the Plan, $34.578M carried forward from the prior quarter is now triggered for collection, with the remainder rolling forward to the next quarterly reporting period.

GMP is filing with this Report a tariff request to apply the total combined adjustment to customers' energy statements starting October 1, 2023, through September 30, 2026. The proposed line-item collection to customers for this amount is 2.43% based on a percentage of expected retail revenue and would replace the 0.89% amount currently on energy statements.

As noted above, GMP proposes that each quarter's Major Storm Restoration Fund collection be credited against any accrued or incurred Major Storm costs (less any deductible that applies); this is the treatment that we reflected in last quarter's report and seek to implement now and going forward. This treatment is consistent with the Plan and is subject to Commission approval pursuant to Section VII prior to implementation. The accompanying tariff filing reflects this proposed treatment.

Vermont experienced historic, damaging floods this month. While GMP's infrastructure withstood the devastation far better than experienced in other areas statewide, the multi-day event in July was another Major Storm that featured numerous heavy downpours, road wash outs, and lightning that caused damage for our customers requiring power restoration by line crews. This storm happened after the close of the third quarter, and we will report on it in our next quarterly filing. As climate change causes an increase in the frequency and severity of storms state- and region-wide, GMP will continue to proactively bring forward solutions to keep customers powered up and will manage storm response with safety and customer restoration foremost in our minds.

IV. Conclusion

GMP appreciates the Commission's and Department's review of this report and the accompanying tariff filing. If you have any questions, please feel free to contact me.

Sincerely,
GREEN MOUNTAIN POWER

Robert Bingel

Encls.
cc: Erin Brennan, Department of Public Service (via ePUC and email)
Jim Porter, Department of Public Service (via ePUC and email)