STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 25-1955-PET

Petition of Green Mountain Power Corporation for approval of its new Multi-Year Regulation Plan pursuant to 30 V.S.A. Sections 108, 209, 218, and 218d	

PREFILED DIRECT TESTIMONY OF
JACOB M. THOMAS
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

January 16, 2025

Summary: Mr. Thomas discusses his concerns and recommendations regarding three major elements of the Multi-Year Regulation Plan ("MYRP") proposed by Green Mountain Power Corporation ("GMP"): (1) inclusion of the so-called "Zero Outages Initiative" in the MYRP; (2) the Earnings Sharing Adjustment Mechanism; and (3) the Exogenous Change Adjustment on behalf of the Vermont Department of Public Service ("Department" or "DPS").

Mr. Thomas Sponsors the Following Exhibits:

Exhibit DPS-JMT–1	Professional Resume of Jacob M. Thomas
Exhibit DPS-JMT-2	GMP Response to Q.DPS.GMP.1-85, Q.DPS.GMP.1-86, and Q.DPS.GMP.1-96

PREFILED DIRECT TESTIMONY OF JACOB M. THOMAS

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

A1. My name is Jacob M. Thomas. My business address is 1850 Parkway Place, Suite 800, Marietta, Georgia 30067. I am a Principal of the firm GDS Associates, Inc. ("GDS"). I am a registered professional engineer in Georgia and a member of the American Statistical Association.

Q2. Please outline your formal education.

A2. I received a Bachelor of Science in Industrial Engineering from Georgia Institute of Technology in 2000. I received a Master of Business Administration with a concentration in Finance from Auburn University in 2006.

Q3. Please state your professional experience.

A3. I began working with GDS in June of 1996 as a cooperative student while attending the Georgia Institute of Technology. After graduation in December of 2000, I accepted a full-time position in GDS's Distribution Services department and became a Principal in GDS on January 1, 2019. In the past 25 plus years, I have provided statistical, financial, and economic consulting to utilities and regulatory agencies nationwide.

In the area of statistics, I have provided services to clients with respect to load forecasting, market research, sample design, load research, measurement and verification, and other statistical modeling. I have produced dozens of load forecasts, participated in, and managed all aspects of load research studies, managed customer survey processes, and performed impact evaluations of demand response and energy efficiency programs for several clients. I have also evaluated short-term and long-term price elasticity of demand for forecasting purposes.

In the areas of finance and economics, I specialize in retail and wholesale Cost of Service ("COS") development and design, retail and wholesale rate design, financial forecasting, economic impact analysis, and benefit-cost analysis of demand response programs. My professional resume is provided as Exhibit DPS-JMT-1.

Q4. Have you previously testified before the Vermont Public Utility Commission ("Commission")?

A4. Yes. I have testified on behalf of the Department in Docket No. 7440, in Case No. 18-0974-TF, in Case No. 21-0898-TF, in Case No. 21-3707-PET/Case No. 22-0175-INV, and in Case No. 23-3501-PET.

Q5. Have you testified before any other regulatory commissions?

A5. Other than in Vermont, I have submitted testimony before the Federal Energy Regulatory Commission and the following state regulatory bodies:

- Florida Public Service Commission
- Georgia Public Service Commission
- Indiana Utility Regulatory Commission

- Michigan Public Service Commission
- North Carolina Utilities Commission
- North Dakota Public Service Commission
- Public Service Commission of Maryland
- South Carolina Public Service Commission
- Utah Public Service Commission

Q6. For whom are you appearing?

A6. I am testifying on behalf of the Department.

Q7. Were your testimony and exhibits prepared by you or under your direct supervision and control?

A7. Yes, they were.

Q8. Please summarize the purpose of your testimony.

A8. My testimony will cover four areas of GMP's MYRP. I first discuss inclusion of the Zero Outages Initiative ("ZOI") into the MYRP and discuss concerns about GMP's support for ZOI projects which may be alleviated in GMP's upcoming fiscal year ("FY") 2027 rate filing. Next, I review the Earnings Sharing Adjustor Mechanism ("ESAM") and how it has performed historically. Although I raise some general concerns about the mechanism in general, I conclude that the ESAM should remain in the MYRP structure but that the "deadband" should be modified to produce a more equitable potential outcome for ratepayers. My testimony then turns to the two elements of the Exogenous Change Adjustment ("ECA"). I recommend that the limit that triggers the ECA under the major storm changes be adjusted to reflect the fact that costs have increased in recent years. Finally, I make two recommendations regarding the non-major storm portion of the ECA. As with the storm portion, I recommend an adjustment to the $1.2 million threshold that triggers ECA cost recovery. I also recommend eliminating the net loss of major customer component that can be used to trigger the ECA.

I. ZERO OUTAGES INITIATIVE IN THE MYRP

Q9. Did GMP incorporate the ZOI construct into the proposed MYRP?

A9. Yes, they did. Section IV.A.1.iv includes ZOI "Resilience Projects" as a distinct component of base rates, with the scope and investment level to be set annually for the term of the plan.[1]

Q10. Are there any significant differences in how GMP proposes to treat the ZOI in the MYRP versus Case No. 23-3501-PET?

A10. No. Although some elements may be slightly different in the proposed MYRP than those put forward by GMP in Case No. 23-3501-PET (the "Initial ZOI Case"), the plan is largely the same.

[1] See Exhibit GMP-LD-RB-1 at 10.

Q11. Since the ZOI framework is largely the same as in the Initial ZOI Case, is this a major change to the MYRP?

A11. It absolutely is a major change in the MYRP. Incorporating the ZOI into the MYRP would formalize a new and separate category of spending, in effect memorializing potentially significant additional capital investments in resiliency projects above and beyond regular capital expenditures which are already included and have been part of prior MYRPs. With this change, GMP shareholders would have a high likelihood of enjoying returns on significant amounts of capital investment in both ordinary capital and resiliency projects over the course of the MYRP.

Q12. What concerns do you have about the ZOI plan as presented by GMP?

A12. In the Initial ZOI Case, key elements of the Department's position were that: (1) the ZOI plan lacked financial support (including but not necessarily limited to benefit-cost analysis); (2) GMP did not identify sufficient reporting and tracking metrics to assess whether the investments were beneficial to ratepayers; and, (3) the plan raised concerns about appropriate risk sharing between ratepayers and shareholders.[2] It appears from the proposed MYRP that the Department's concerns still stand, even after the Commission issued a limited approval in the initial ZOI Case authorizing $150 million of investment in initial ZOI projects and setting expectations for the information and analysis needed to justify further spending.[3] However, it is my understanding that GMP may be providing

[2] See, e.g., Petition of Green Mountain Power Corp., Case No. 23-3501-PET, Order of 10/18/24 at 17.

[3] See id. at 22, 24-25, 27.

further details regarding benefit-cost analysis and other ZOI plan elements in its upcoming FY27 rate filing.

Q13. Does the new MYRP fully address elements of the Commission's Final Order in the Initial ZOI Case (Case No. 23-3501-PET)?

A13. There is no evidence in the proposed MYRP showing that GMP has fully addressed the Final Order. As noted earlier, GMP may be providing such context in its FY27 rate filing. The elements that should be included in particular are outlined by the Commission as stated in its Final Order in Case No. 23-3501-PET:

"[W]e agree with the Department's general contention that GMP must improve its upfront financial planning and analyses in support of the ZOI."[4]

"However, we must also ensure that ratepayers, who will be paying for the ZOI investments for decades, derive meaningful benefits from this program and are shielded from unnecessary financial risk. Therefore, we expect to see more detailed planning from GMP in the near-term future before we authorize the company to expand the scale of the ZOI program . . . ."[5]

"As noted above, we anticipate that GMP will include a much more expansive ZOI proposal as a major component of its next proposed alternative regulation plan. Our

[4] Id. at 22.
[5] Id. at 24.

expectation is that GMP's proposal will be supported by granular-level data derived from ZOI projects that are completed in the near-term future. Specifically, we anticipate that GMP will present evidence assessing actual costs of completed construction projects to support its planning for future ZOI projects. GMP will need to thoroughly describe how it will account for any assets that become "stranded" as a result of the ZOI projects, such as utility poles that are no longer necessary in locations where GMP completes undergrounding projects. We also expect that GMP will be in a better position to assess the costs and benefits of various options for proposed upgrades, especially because it will have actual data for the costs of major components of the ZOI, including new spacer cable and undergrounding projects."[6]

"Therefore, we will not require that GMP's initial ZOI investments be subjected to performance metrics that could result in an automatic disallowance. GMP should, however, anticipate that we will expect future requests for additional ZOI spending to be paired with proposed performance metrics that carry financial consequences."[7]

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[6] Id. at 24-25.

[7] Id. at 27.

Q14. What do you recommend with respect to the ZOI in the MYRP?

A14. While it is clear that GMP is incorporating ZOI work into the proposed MYRP, the details of proposed spending and any associated planning, financial justification, or actionable performance metrics remain to be seen. As discussed by Witness Poor, the timing challenges inherent in the MYRP review process mean that key information is not expected until GMP files its FY27 base rates on January 16.[8] As also referenced by Mr. Poor, a recommendation on this aspect of the MYRP cannot be made until that filing is reviewed and the details of GMP's resilience proposal(s) are known. If GMP provides sufficient information and analysis, the Department will have the information needed to evaluate the proposal and provide a full recommendation. If and when that information is forthcoming, it would be preferable to have the key elements that the Department has requested be referenced more formally in the MYRP. I would not recommend approval of this aspect of the MYRP as proposed thus far, without stronger guardrails and safeguards around ZOI project planning.

II. EARNINGS SHARING ADJUSTOR MECHANISM

Q15. Can you briefly describe the ESAM?

A15. The ESAM is a construct designed to help levelize GMP's earned returns to within a defined bandwidth. Under the proposal, GMP's Return on Equity ("ROE") is set based on Commission approval in FY27 and then adjusted by a formula for future fiscal years. If actual returns fall within +/- 50 basis points of the approved ROE, no adjustment is made to rates. If the ROE is 50 to 125 basis points above the approved ROE, 75% of the excess

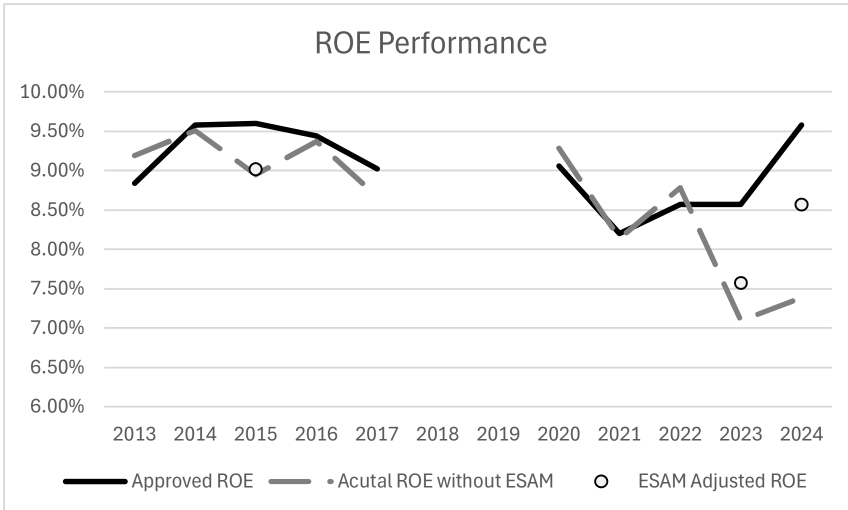
[8] See Direct Prefiled Testimony of TJ Poor, Department of Public Service at 16 (filed 1/16/26).

is returned to ratepayers. If the ROE is more than 125 basis points too high, all of the excess returns are returned to ratepayers. If the ROE is 50 to 150 basis points below the approved ROE, 50% of the difference is collected from ratepayers and if it is more than 150 basis points below the approved ROE, the total shortage is charged to ratepayers.

Q16. How has the ESAM performed so far?

A16. Since 2013, GMP has earned an ROE that is below the approved ROE in seven years and earned above the approved ROE in three years (data is through 2024 but excludes 2018 and 2019).[9] The actual ROE was within the ESAM Efficiency Band (+/- 50 basis points) in most years, such that an ESAM adjustment was only made in three years. In each of those years, GMP earned lower than 125 basis points below the approved ROE, meaning ratepayers saw a subsequent rate increase. For those three years, the average adjustment was 58 basis points. On the other hand, GMP has not had to return any excess returns to ratepayers over this time period.

[9] Data provided by GMP in response to Q.DPS.GMP.1-93a.



Year	Allowed ROE	Return before ESAM	Basis Points Over/(Under)	ESAM Triggered
2013	8.84	9.19	35.15	
2014	9.58	9.51	(7.00)	
2015	9.60	8.95	(65.00)	Y - too low
2016	9.44	9.37	(7.00)	
2017	9.02	8.67	(35.00)	
2018				
2019				
2020	9.06	9.28	22.40	
2021	8.20	8.14	(6.00)	
2022	8.57	8.78	21.40	
2023	8.57	7.09	(147.63)	Y - too low
2024	9.58	7.39	(219.40)	Y - too low

Q17. Do you think that the ESAM is working to the benefit of ratepayers?

A17. As currently constructed, I do not. The current ESAM mechanism virtually guarantees a certain level of return, not just an opportunity to earn a return. This could incentivize inefficient operations, which penalizes ratepayers. Since ratepayers have no control over operating expenses, losses should accrue to shareholders. On the other hand, if the utility is earning in excess of its approved return, then all prudent costs and the appropriately designated return on investment have been recovered, and any excesses should be returned to ratepayers. An approved ROE is not a representation of how much return the utility is allowed to earn, rather it represents the limit on the utility's opportunity to earn.

Q18. What do you recommend regarding the ESAM?

A18. I recognize that the concept of the ESAM is to smooth returns over time with the hope of maintaining more stable rates for ratepayers. It also provides a level of decoupling, allowing GMP to pursue efficiency and conservation efforts without sacrificing opportunity to earn a return on investment for shareholders. Therefore, I would not recommend complete elimination of the ESAM from the MYRP. However, I would recommend narrowing the deadband on the high side. My recommendation is to adjust when the ESAM applies for returns earned in excess of the approved ROE. Specifically, I recommend that the "deadband" be revised to 20 basis points above the approved ROE instead of 50 basis points. As shown in the table below, this adjustment would have resulted in an equal number of years in which ratepayers benefitted with some return of excess returns and shareholders would have benefitted with recovery of additional returns when the achieved ROE was too low.

Year	Allowed ROE	Return before ESAM	Basis Points Over/(Under)	ESAM Triggered
2013	8.84	9.19	35.15	Y - too high
2014	9.58	9.51	(7.00)	
2015	9.60	8.95	(65.00)	Y - too low
2016	9.44	9.37	(7.00)	
2017	9.02	8.67	(35.00)	
2018				
2019				
2020	9.06	9.28	22.40	Y - too high
2021	8.20	8.14	(6.00)	
2022	8.57	8.78	21.40	Y - too high
2023	8.57	7.09	(147.63)	Y - too low
2024	9.58	7.39	(219.40)	Y - too low

III. EXOGENOUS CHANGE ADJUSTMENT: EXOGENOUS MAJOR STORM CHARGES

Q19. Please explain the Exogenous Change Adjustment.

A19. The Exogenous Change Adjustment ("ECA") is an element of the MYRP designed to allow GMP to recover changes in costs that are generally outside of GMP's control. The ECA is composed of two elements: a major storm change element and a non-major storm change element. The ECA is prescribed in Section VI.B of the proposed MYRP (Exhibit GMP-LD-RB-1), at pages 20-22.

Q20. Please provide further detail on the major storm change element of the ECA.

A20. The Exogenous Major Storm Change element represents GMP's ability to recover incremental maintenance expenses in the event of one or more Major Storms occurring during a given year. The change is triggered if two conditions are met: 1) a Major Storm occurs as defined by GMP's Service Quality & Reliability Performance, Monitoring, &

Reporting Plan (the "SQRP"); and, 2) such storm causes GMP to incur incremental maintenance expenses in excess of $1.2 million. If one or more such storms impact GMP's service territory in a given fiscal year, a one-time annual $1.2 million deductible is deducted from the total aggregate cost associated with all qualifying Major Storms in that given fiscal year and the remaining incremental costs are recovered through the ECA mechanism in a subsequent quarterly filing with the Commission.

Q21. In your opinion, is the $1.2 million major storm threshold and deductible still appropriate for the MYRP?

A21. Having a major storm adjustment mechanism is still an appropriate element of the ECA. However, I would recommend adjusting the $1.2 million threshold/deductible to be reflective of changes in the cost of doing business over time.

Q22. Why would you recommend a new threshold?

A22. Costs for all utilities have increased in recent years due to multiple factors including increased cost of capital distribution equipment, increases in wages and salaries, and other inflationary impacts. As a result, the threshold is triggered more easily with less maintenance activity and less damage to equipment relative to when the threshold was first designed. Furthermore, as GMP continues investing in its ZOI projects, the expectation would be that storm costs and recovery from major storms should ease relative to prior years. This should mean that an increase in the threshold and deductible carries less risk for shareholders as ZOI projects are completed. It is reasonable that ratepayers should share in the benefit by adjusting the threshold at which they will be forced to pay for incremental changes in major storm costs.

Q23. What threshold and deductible would you propose?

A23. My recommendation for storm-related costs would be to create a threshold based on total distribution plant in service. Under such a construct, the amount of risk GMP is taking for major storm maintenance costs will adjust as GMP invests in distribution resiliency projects which, in theory, should reduce costs associated with major storms over time. Such a threshold, however, would need to be computed after GMP has filed its FY27 rate filing.

IV. EXOGENOUS CHANGE ADJUSTMENT: NON-MAJOR STORM COSTS

Q24. Please describe the non-major storm element of the ECA.

A24. The non-major storm changes are related to expense adjustments outside of GMP's control and not related to major storms. These are generally related to changes in tax law, changes in Generally Accepted Accounting Principles, rules or tariffs implemented by the Federal Energy Regulatory Commission or New England Independent System Operator, changes caused by regulatory, judicial, or legislative actions not covered by the MYRP, net loss of a major customer, and other unplanned costs or investments due to unexpected non-storm events.

Q25. What is your first recommendation with respect to the non-major storm exogenous change adjustment?

A25. I recommend eliminating the net loss of major customer adjustment clause from the ECA.

Q26. Why do you recommend eliminating the net loss of major customer component of this adjustment?

A26. I have two concerns with this non-storm exogenous factor. First, it is not well defined which could lead to future disagreements about what constitutes a "major customer." Although not explicitly stated in the MYRP, it is generally understood that the clause was intended for the potential impact to GMP from the loss of the Global Foundries load. As shown in GMP responses to discovery as provided in Exhibit DPS-JMT-2, GMP did not define what it considers a major load and anticipates that with the "exit of Global Foundries from GMP's load, this feature is unlikely to be relied upon." Second, it is not reasonable to have ratepayers pay increased costs associated with loss of a load. Customer turnover is a common occurrence in utility service. If a future customer is large enough that stranded facilities costs could negatively impact GMP, the contract/rate for such load should sufficiently shield other ratepayers from the risk associated with abandonment of dedicated facilities to serve the large load and/or appropriate contributions in aid of construction should be received from the connecting load. Given these concerns and GMP's expectation that reliance on this adjustor is unlikely, elimination of the clause is appropriate to ensure that MYRP adjustment provisions are specific, beneficial, and relevant.

Q27. Would you make any other adjustments to the non-storm costs for the ECA?

A27. Yes, I recommend adjusting the non-storm cost threshold from \$1.2 million to \$1.5 million for FY27 in recognition of higher costs that have materialized since the threshold was initially designed and adjusting the threshold by the Consumer Price Index – All Urban

Customers for the Northeast (the "CPI") in each subsequent year of the MYRP. The $1.5 million adjusted threshold was computed by taking cumulative inflation as measured by the CPI from 2019 through 2025, applying that to the original $1.2 million threshold, and rounding to the nearest one-hundred thousand dollars. I used the CPI as reported in November of each year as November 2025 is the most recent month of data available.

V. SUMMARY AND CONCLUSION

Q28. Can you please summarize your recommendations in your direct testimony?

A28. My testimony has generally covered three areas of the MYRP. First, I recommend a "wait and see" approach to incorporation of the ZOI into the MYRP. If GMP provides the additional detailed plans about ZOI investments that is anticipated in the FY27 rate filing, then incorporating the ZOI may be appropriate. For the ESAM, I recommend an adjustment to reflect that if GMP earns more than 20 basis points higher than the approved return, the ESAM adjustment mechanism will result in a return of overcollection to ratepayers, as opposed to the current 50 basis point threshold. Finally, I recommend some adjustments to the ECA. First, I recommend adjusting the threshold of the major storm changes from a fixed $1.2 million to an approach tied to distribution plant in service and to be more fully developed in the FY27 rate filing. I recommend eliminating the loss of major load provision in the non-major storms portion of the ECA. Finally, I recommend adjusting the non-major storm threshold from $1.2 million to $1.5 million in FY27 based on inflation from 2019 through 2025 and recommend an automatic adjustment to the threshold based on inflation for the remaining years of the MYRP.

Q29. Does this conclude your direct testimony?

A29. Yes.