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

January 16, 2026

Summary: Mr. Hunt discusses in detail several proposed adjustments and recommendations regarding Green Mountain Power Corporation's ("GMP" or "Company") Multi-Year Regulation Plan ("MYRP") 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 GMP.DPS 1.Q23

Exhibit DPS-SDH-3 Discovery Response GMP.DPS 2.Q34

Exhibit DPS-SDH-4 Discovery Response GMP.DPS 2.Q1 & Supplemental Response

Exhibit DPS-SDH-5 Discovery Response GMP.DPS 2.Q3

Exhibit DPS-SDH-6 Discovery Response GMP.DPS 2.Q10

PREFILED DIRECT TESTIMONY OF STEVEN D. HUNT

Q1. Please state your full 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 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 multi-year rate plan.

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 amount of my career to public service at FERC as advisory staff, and I became extremely experienced presenting accounting and COS facts, rate analysis, and ratemaking recommendations in proceedings before FERC. I 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 the Commission and in several other retail jurisdictions, which have evaluated COS, MYRP, and formula rates. My professional resume provides further details of my experience, provided as Exhibit PSD-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 of your testimony.

A10. My testimony proposes recommendations to GMP's MYRP regarding the following:

- Major Storm Cost Recoveries;
- Equity Investments in Rate Base;
- Cost of Debt Related to the Inclusion of the Unamortized Debt Discount and Expense in Rate Base;
- Cost of Debt Related to the Proposed Fixed Cost of Long-Term Debt; and
- MYRP Adjustments Related to Depreciation Costs, Property Taxes, and Return on Equity.

I. COLLECTION OF STORM COSTS

Q11. Please explain GMP's proposed change regarding the recovery of storm costs.

A11. In his prefiled direct testimony, GMP Witness Burke states that GMP proposes to reset storm restoration costs in the fiscal year ("FY") 2027 rate case, recognizing the multi-year pattern of increased damaging storm activity.[1] GMP's proposed MYRP will also remove the separate line item on customer bills for advance collection of major storm costs.[2] Instead of this pre-collection, all major storm-related costs will be recovered after they are incurred through the existing exogenous change adjustor, with only actual costs of implementing this rate smoothing mechanism incorporated.[3]

[1] Prefiled Direct Testimony of Michael Burke, Page 13.
[2] Exhibit GMP-LD-RB-1, Page 27.
[3] Prefiled Direct Testimony of Michael Burke, Page 13.

Q12. Do you agree with the removal of the pre-collection of storm costs under the proposed MYRP, as described by Witness Burke?

A12. No. As Witness Burke describes it, there is multi-year pattern of increased damaging storm activity, causing a significant amount of money spent on restoration. By recovering all major storm costs through a deferral mechanism, as GMP proposes in its new MYRP, the entire amount of a major storm will be deferred for recovery in future years and, thus, be subject to carrying charges. By comparison, the pre-collection of major storm costs has effectively allowed for a recovery of a portion of a major storm during the period the storm occurs thereby eliminating the potential for a certain amount of carrying costs. Accordingly, I recommend maintaining the pre-collection of major storm costs, as opposed to eliminating it.

Of note, this recommendation does not affect the amount of storm costs recovered, only the timing of such recoveries. Aside from reducing carrying costs that would be borne by ratepayers, this recommendation shortens regulatory lag because GMP would recover a portion of storm costs in the period the storm was incurred and avoid seeking recovery of all major storm costs in future rates through a deferral mechanism.

Q13. Do you believe that $6 million is the proper amount to be collected for major storms?

A13. Possibly. Historically, the $6 million amount has been less than the cost of major storms incurred by GMP. However, what constitutes the "proper" amount should be decided in the FY27 base rate proceeding, which can factor in the expected effects of GMP's resiliency efforts. I believe that the collection should be based on a sliding scale, established via the five-year average of major storm costs. Mr. Burke has already committed to providing this information in the five-year rolling average of storm costs, so over time, this amount should reduce as GMP's resiliency efforts produce tangible results.[3] Should the Commission determine in the future that storm damage costs have abated enough that the pre-collection is no longer necessary, any balance remaining in the deferral account should be returned to customers.

II. EQUITY INVESTMENTS IN RATE BASE

Q14. Please discuss GMP's proposed treatment for equity investments in rate base.

A14. In their testimony, Witness Bingle and Witness Doane, Exhibit LD-RB-1, Attachment 1(b), present a table showing, among other things, various components of rate base,[4] which include *Investment in Existing Affiliates Incl. Transco.* In their response to Q.DPS.GMP.1-72, Witness Bingle and Witness Doane proffer that "[t]hese [investments] are appropriate for inclusion in rate base because they reflect GMP's

[4] Exh. GMP-LD-RB-1, Attachment 1(b), Summary of Rate Base Treatment.

investments in these entities for customers, and the accompanying equity in earnings benefits flow back to customers.[5]"

Q15. GMP states that "[i]nvestments in Affiliates have been included in rate base (with a corresponding reduction to the cost of service for equity in earnings from affiliates) as approved by the Commission through many orders. These items were included in every approved Annual Base Rate filing in the current and prior MYRP." What is your opinion on this statement?

A15. I agree that Investments in Affiliates have been included in rate base and earned a return in prior cases before this Commission; however, there was no discussion or finding about whether the inclusion was proper or improper. I respectfully recommend that the specific investments in Affiliates that GMP proposes to include in rate base be evaluated further in the FY27 Base Rate proceeding before concluding on the reasonableness of this proposal.

[5] Data request response DPS.GMP.1-72.

III. COST OF DEBT – INCLUSION OF THE UNAMORTIZED DEBT DISCOUNT AND EXPENSE IN RATE BASE

Q16. Please discuss GMP's proposal on the treatment of the unamortized debt discount and expense in rate base.

A16. In their testimony, Witness Bingle and Witness Doane, Exhibit LD-RB-1, Attachment 1(b), present a table showing, among other things, the components of rate base,[6] which includes Unamortized Debt Discount and Expense. In response to Data Request Q.DPS.GMP.1-67, GMP stated that "[u]namortized debt discount and expense is included as a component of rate base rather than a component in the development of the cost of capital because it aligns with other deferred expenses in rate base that are amortized over a specified period."

Q17. Do you agree with the inclusion of unamortized debt discount and expense as an asset in rate base?

A17. No. Debt discount and issuance costs do not provide future economic benefits to GMP and are not used and useful in the provision of service to customers. Rather, they represent a reduction in the proceeds of borrowing and increase the effective interest rate. As such, debt discount and issuance costs are a component of the cost of debt. Simply because they are "amortized over a specified period" as certain assets does not make them an asset included in rate base.

[6] Exh. GMP-LD-RB-1, Attachment 1(b), Summary of Rate Base Treatment.

Q18. Witness Bingle and Witness Doane state that Unamortized Debt Discount and Expense has been included in the approved rate base in multiple Commission approved rate orders, including during the current MYRP and the prior version. Does this justify the continued inclusion of Unamortized Debt Discount and Expense in rate base?

A18. It does not. I agree that Unamortized Debt Discount and Expense has been included in and earned a return on rate base prior cases before this Commission. However, in the most recent case on this issue before this Commission, the Commission observed that it has allowed alternative methods for rate treatment of unamortized debt discount costs that are similar to the yield to maturity method required by FERC.[7] Ultimately, the Commission recognized that rate recovery through a yield-to-maturity approach may be more precise than recovery through rate base but ultimately accepted the inclusion of the unamortized debt cost in rate base because the differences between approaches were small and within the zone of just and reasonable outcomes. I recommend 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.

[7] See Petition of Vermont Gas Systems, Inc. for a change in rates and use of the System Expansion and Reliability Fund for an overall 0.1% increase in rates effective April 1, 2023, Case No. 23-0561-TF (Order Issued October 10, 23, 2023), Pages 13-14.

IV. COST OF DEBT – FIXED COST OF LONG-TERM DEBT

Q19. Please discuss GMP proposed treatment of long-term debt under its proposed MYRP.

A19. GMP proposes to set its long-term debt rate in the FY27 Rate Case based on the FY27 cost of debt and lock its long-term debt rates based on its initial estimates for the FY28 – FY30 base rates.[8] However, GMP also states that overall debt costs will be subject to adjustment to any changes in debt levels necessitated by the Commission's approval of additional expenditures under the terms of the MYRP in the next Annual Base Rate update.

Q20. What are your recommendations regarding GMP's proposal for the cost of long-term debt?

A20. I recommend that the cost of long-term debt remain subject to updates throughout the term of the MYRP to allow the opportunity for customers to benefit from lower debt costs if the opportunities arise. The Department expects that GMP will exercise prudent management of finance costs to identify opportunities to refinance higher-cost debt, as well as secure low-cost debt for current financing needs, the benefit of which will flow through to ratepayers. That is, the weighted average cost of debt should be passed through to ratepayers. Accordingly, GMP's proposal should be modified to adjust for

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[8] Exhibit GMP-LD-RB-1, Page 14 of 29.

any prudent change to the overall long-term debt costs, including but not limited to, adjustments to any changes in debt levels necessitated by the Commission's approval of additional expenditures under the terms of the MYRP in the next Annual Base Rate update.

V. MYRP ADJUSTMENTS

Q21. What MYRP adjustments do you recommend for depreciation costs?

A21. In Section IV.A.1.ii of the MYRP, GMP proposes that depreciation costs will be fixed for the term of the MYRP based on the projected plant-in service-balance at the beginning of the Plant, the expected annual plant additions, and associated investments. This forecast will also be adjusted to reflect any allowed capital expenditures approved by the Commission. I am concerned that GMP's proposed adjustments for depreciation costs appear to only reflect allowed capital expenditure, without express consideration of retirements. Changes to depreciation cost adjustments should be based on the *net* of allowed capital expenditures, less retirements. Accordingly, I recommend that the depreciation costs included in adjustments to the initial base FY27 Rate Case also explicitly include adjustments for all plant retirements that occur during the term of the MYRP. This recommendation will ensure that depreciation costs on plant investments will no longer be recovered once the plant is retired.

Q22. What MYRP adjustments do you recommend for Property Taxes?

A22. In Section IV.A.1.iii of the MYRP, GMP proposes that property taxes will be forecasted through the term of the MYRP and updated annually in each Annual Base Rate Filing.

GMP proposes that the annual adjustments will take into account prior year actual charges, expected changes for the coming year, and the effect from allowed capital expenditures. I am concerned that GMP's computation of property taxes lacks relevant details and, therefore, recommend a few clarifications to the computation of property tax adjustment. I recommend clarifications to ensure that annual adjustments for expected changes for the upcoming year be based on the actual or effective property tax rate and tax credits or exemptions for the rate year. Estimates of the property tax rate should not be used. Also, I recommend that annual adjustments to property taxes be based on the net of allowed capital expenditures, less retirements. GMP's proposal currently does not explicitly mention plant retirements that would no longer be subject to property taxes.

Q23. What MYRP adjustments do you recommend for Return on Equity?

A23. In Section IV.D of the MYRP, GMP proposes that the ROE will be established for FY27 in the FY27 Rate Case and will thereafter be updated annually based on an indexed formula provided in Attachment 3 of the MYRP. The indexed formula computes annual adjustments to the ROE established in the FY27 Rate Case based on 50% of the change in the 10-year Treasury bond yield. I recommend that the ROE be established during the FY27 Rate Case and remain fixed for the duration of the MYRP, as opposed to changing annually. GMP has not provided an explanation or support for the requested annual adjustments to the ROE or discussed how the adjustments based on Treasury bond yields will reflect changes in GMP's overall risk and return needed to provide to shareholders.

By including an ROE adjustor based on the 10-year Treasury bond yield, GMP's annual cost of service will be subject to an additional point of volatility and may be based on factors that cannot be predicted or measured to directly relate to GMP's utility operations. Therefore, I recommend the ROE remain the same throughout the MYRP term.

VI. REVIEW AND APPROVAL PROCEEDURES

Q24. Please describe GMP's proposed timelines for annual base rate filings.

A24. GMP proposes making annual base rate filings by June 1. The annual base rate filing will be subject to DPS review and comments within 60 days (i.e., by August 1) and the Commission will need to issue an order establishing final rates by September 1 or no less than 30 days of the October 1 implementation of each year's MYRP.

Q25. Please describe GMP's proposed timelines for the quarterly adjustor mechanisms provided in the MYRP.

A25. Under Section VI.A of the MYRP, GMP proposes two adjustor mechanisms: (1) the Power Supply and Retail Revenue Adjustor ("PSRRA") and (2) the Major Storm Adjustor. In terms of timelines, the PSRRA is meant to change base rates on a quarterly basis for filings made on January 30, April 30, July 30, and October 30. The Major Storm Adjustor, on the other hand, is meant to be filed 30 days after the end of a quarter in which a qualifying event occurs and will include the invoiced major storm costs of that quarter. Accordingly, to the extent GMP has a Major Storm event, it will make quarterly filings on same dates noted above for the PSRRA. These two adjustor mechanisms will each have a 30-day review period, and the proposed rate adjustment will be included in rates at the start of the following quarter.

Q26. Please discuss GMP's proposed review and approval timelines for other adjustor mechanisms in the MYRP.

A26. Under Section VI. B.1 of the MYRP, GMP proposes an Exogenous Non-Storm Changes Adjustor that may be filed annually, 60 days after the end of the fiscal year or November 1. This filing will be subject to review and comment by the Department with a 60-day review period, or until January 1 of the following year. GMP further seeks to have a Commission order on its filing by approximately February 15, or no later than 45 days prior to April 1. GMP also proposes an Earnings Sharing Adjustor under Section VI.C of the MYRP to be filed annually on the same timeline as the Exogenous Non-Storm Changes Adjustor noted above.

Q27. Please summarize the annual and quarterly rate adjustments for the Department and Commission to review.

A27. As noted above, GMP will file its annual base rate filing on June 1 to be effective October 1 of the same year. The Base Rate will then be subject to adjustment by five (5) adjustor mechanisms. Two of the adjustor mechanisms—the Exogenous Non-Storm Changes Adjustor and Earnings Sharing Adjustor—are filed annually on November 1, have a 60-day review period by the Department, and a proposed April 1 effective date. The Base Rate will also be subject to adjustment quarterly by two other adjustors that are filed 30 days after the end of the quarter, have a 30-day review period by the Department, and would be effective at the start of the following quarter. Accordingly, customer rates are subject to adjustment on each calendar year quarterly increment:

- Annual Base Rate Adjustment – October 1
- Exogenous Non-Storm Changes Adjustor and Earnings Sharing Adjustor – April 1
- PSRRA and Major Storm Adjustor – October 1, January 1, April 1, and July 1 ("Proposed Quarterly Adjustors")

Q28. What are your observations of GMP's proposed adjustments to Base Rates?

A28. GMP's proposal results in up to 15 filings over the course of each year to reflect updates to the Base Rate and other Adjustors. The series of filings currently places and will continue to place a strain on the Department's time and resources, cause frequent rate changes for customers, and make it difficult for customers to adequately follow reasons for rate changes. I recommend that GMP adjust its MYRP to make fewer rate filings and adjust rates no more than twice a year. For example, GMP could limit its filing for rate effective dates of May 1 and October 1 as follows:

- February 1 filing date for the Proposed Quarterly Adjustors, the Exogenous Non-Storm Changes Adjustor, and Earnings Sharing Adjustor. Allowing a 60-day review period, the Commission can authorize an adjustment to Base Rates effective May 1.

- June 1 filing date for the Base Rate filing and the Proposed Quarterly Adjustors. Allowing a review period consistent with Section III.D. of the MYRP, the Commission can authorize new Base Rates effective October 1.
- The proposed dates are illustrative, and I believe that other dates and timeframes may also be appropriate. The main takeaways are: (1) more consistent customer rates (less frequent changes); (2) greater transparency for customers and regulators; and (3) less regulatory strain on Commission and Department resources.

Q29. Does this conclude your direct testimony?

A29. Yes.