Exhibit GMP-ER-1

GREEN MOUNTAIN POWER
MULTI-YEAR REGULATION PLAN
Filed June 4, 2018

This Plan constitutes a form of regulation for Green Mountain Power ("GMP" or the "Company") under 30 V.S.A. § 218d. The Plan governs the manner in which the electric rates of GMP will be regulated by the Public Utility Commission (the "PUC" or "Commission") during the term of the Plan, and a record of filings of all adjustments occurring out of this Plan shall be filed as a compliance tariff.

I. TERM

The Plan shall take effect on July 1, 2019 for rates effective October 1, 2019 and shall terminate on September 30, 2022. The Plan shall be divided for reference herein into the following rate periods:

FY20	October 1, 2019–September 30, 2020
FY21	October 1, 2020–September 30, 2021
FY22	October 1, 2021–September 30, 2022

Rates incorporating adjustments allowed under this Plan shall continue beyond the termination date, as provided in Section V(E) below. The Plan may be terminated or modified upon request of the Company and/or the Department of Public Service ("DPS" or "Department") and subject to approval by the Commission. GMP shall file a traditional cost of service rate case prior to the termination of the Plan to cover rates for Fiscal Year 2023.

II. SUMMMARY OF MULTI-YEAR REGULATION PLAN COMPONENTS

The proposed Plan consists of ten primary components, which together are designed to address each of the specific elements of GMP's overall cost of service. These include a mix of fixed cost components, and components where costs and revenues will be calculated annually or forecast and then adjusted to collect or return actual costs and revenues in each fiscal year, plus other miscellaneous provisions. The specific treatment of each aspect of the company's cost of service and rate base are identified in

Attachment 1, which describes whether the component will be fixed, forecasted and adjusted, or based upon a formula or calculation.

The primary components of this Plan are as follows:

Fixed Components

1. Infrastructure Costs. The first fixed component of the plan addresses infrastructure costs, including capital expenditures, depreciation expense, and property taxes. With respect to capital expenditures, the Plan requires GMP to forecast the anticipated costs for capital investments based on capital spending plans in each of GMP's departments. The Plan then requires GMP to recover no more than the amounts set out in the Plan for each fiscal year, subject to the modifications and procedures described below. Associated depreciation expense will be fixed for the term of the Plan based on projected plant in service balance at the beginning of the Plan, the plant additions cap by year, and the forecasted numbers for an anticipated updated depreciation study to be implemented in FY2021. Once the depreciation expense is fixed the only update to depreciation during the Plan will be to true up any final changes associated with this deprecation study that vary from the forecast when it is finalized in FY2021. Related property taxes have also been calculated and fixed by year based upon expected expenditures and historical trends in the yearly amounts set forth below. The plan provides for two limited exceptions to the established capital investment caps, for capital expenditures associated with voluntary customer energy transformation projects that generate revenue for all GMP customers ("New Initiatives") that are above the base proposed capital spending for these programs, and for unforeseeable events that either require greater capital investments than anticipated or present strategic investment opportunities that would benefit customers. The details of these fixed capital expenditures, as well as the method for obtaining

PUC approval of exceptions for expenditures beyond the cap, are addressed further in Section IV below.

2. O&M Costs. The second component addresses GMP's operation and maintenance (O&M) costs. The recovery of these costs during the term of the Plan shall be consistent with Merger Savings mechanism established by the PUC in Docket 7770. Under this mechanism, "Base O&M" costs for GMP are fixed based on set platform costs for the period of FY20 through FY22, and subject only to inflation adjustments based on the Consumer Price Index for all Urban Consumers, Northeast Region ("CPI-U Northeast") during those three fiscal years. Thus, for the three years of this plan, the "Base O&M" costs will be capped, and continue to benefit customers as required in the Docket 7770 Order by providing at least the $144M guaranteed, over the ten-year term of the Merger Savings platform that will end concurrently with this Plan. These savings shall be accounted for through the associated Merger Savings Adjustor, described in Section V(C) below. A limited number of "Non-base O&M" costs fall outside of the O&M platform established in Docket 7770. For purposes of this plan, these Non-base O&M costs will be subject only to annual adjustments for inflation and payroll related costs. The details of this component of the Plan are specified in Section IV below.

Formulaic and Forecasted Components

3. Financing Costs. The third component of the Plan focuses on the cost of financing, including cost of debt and equity. With respect to debt, the Plan requires GMP to forecast anticipated debt costs annually. With respect to equity, the Plan requires GMP to fix its overall debt to equity ratio at 50/50 plus or minus 1% in each year over the life of the Plan. With respect to overall return on equity ("ROE"), the Plan indexes ROE every year, starting from the 2019 rate year ROE which GMP has proposed be 9.3% based upon its agreement with the Department of Public Service in

Case No. 18-0974. The ROE will be adjusted annually using an indexing method based on a mix of U.S. government bonds and utility bonds. The indexing mechanism is described further below. The ROE also may be adjusted upward if the Company achieves superior performance for certain Performance Incentive Metrics. The details of this component of the Plan are specified in Sections IV & VII below.

4. <u>Retail Revenue & Power Supply Costs</u>. The fourth component relates to power supply, transmission costs and revenue. This component would rely on annual forecasts of costs and retail revenue, and would be associated with two quarterly adjustors – a Retail Revenue Adjustor and a Power Supply Adjustor - which together would true up actual retail revenues and costs against the forecast for those items, in a manner that would fully de-couple GMP from overall retail revenue while providing continued incentive for the Company to manage its power costs well. The forecasting methodology for this component is addressed in Section IV(4) below.
    - The Retail Revenue Adjustor functions by tracking actual retail revenue every quarter against the forecasted amount for that quarter. Any variations between the forecasted retail revenue and the actual quarterly results are reported as an over or under collection at the end of each quarter, and then collected or returned to customers through an adjustment in the next quarter. The details of this adjustment are addressed further in Section V(A)(1) below.
    - The Power Supply Adjustor trues up actual power supply costs against forecasted costs on a quarterly basis, with a cost variance calculation and power cost efficiency band of $150,000 applied to a portion of the power costs as described below. As with the Retail Revenue Adjustor, the Power Supply Adjustor will compare actual costs during the quarterly measurement period against the same forecasted costs in the relevant quarterly period included in rates, and then will collect or return any adjustments outside of an efficiency band on a quarterly basis. The

details of this adjustment are addressed further in Section V(A)(2) below.

- The calculated collection or return resulting from both the Retail Revenue Adjustor and the Power Supply Adjustor will be netted against each other on a quarterly basis, and the resulting return or collection from both Adjustors will be set out as a separate line item on customer bills. The details of this calculation are addressed further in Section V(A)(3) below.

5. Investments in and Earnings from Affiliates. The Plan proposes to forecast annually equity-in-earnings to include continued investments in and distributions from existing affiliated companies. The Plan requires GMP to seek Commission approval for any equity contribution during the Plan term to new affiliates that did not exist at the start of the Plan, as set forth in Section IV(5) below.

6. Other Costs & Revenues. The sixth component of the plan addresses other cost and revenue items not captured above, including state, federal and other non-property taxes, and other revenue. The Plan requires GMP to annually forecast the costs and revenues for these components and will fix recovery of the costs each year of the Plan based on this annual forecast, subject to the adjustors described below. The details of this process are addressed further in Section IV(6) below.

Other Adjustor Components

7. Exogenous Change Adjustor. The seventh component of the Plan is an Exogenous Change Adjustor, which has two parts. The first addresses major storm events and the second addresses non-storm exogenous events outside the company's control, such as federal tax changes. Under the Plan, GMP will collect $8 million per year from customers through a separate line item on bills to cover exogenous events that occur

during the Plan, as well as pay down the costs of major storms incurred prior to the inception of the Plan which have been approved for recovery by the Commission but are not yet being collected from customers at the inception of the Plan. The Plan therefore modifies the current regulation plan under which the Company is operating by covering already-approved major storm costs through an on-going collection allowed by this Plan, rather than requiring customers to pay multiple, higher costs through separate surcharges approved under its current plan. The exogenous costs collected from customers will be recorded to a regulatory liability account. A "Major Storm" is as defined in the GMP Service Quality and Reliability Plan and as an event that exceeds $1.2 million in maintenance costs, and there will also be a $1.2 million deductible for the aggregate of all storm exogenous events each year, as well as a $1.2 million threshold for any non-storm exogenous events. Actual incremental exogenous costs, net of the storm deductible, if applicable, will be offset against this regulatory liability as the costs are approved for recovery by the Commission. For any Exogenous Change that benefits customers, unless otherwise ordered by the Commission, the Company will return these benefits to customers separately through a line-item credit, as it has done for federal tax reform benefits as approved by the Commission in 2018 and proposed by the Company for 2019 in Case No. 18-0974. The details of this adjustment are addressed further in Section V(B) below.

8. <u>Earnings Sharing Adjustment Mechanism</u>. The eighth component of the Plan is an Earning Sharing Adjustment Mechanism ("ESAM"), under which actual earnings above or below the approved rate of return on equity will be shared with customers. The Plan provides a limited "dead band" for small changes in the earnings that do not result in any adjustment, and then a symmetrical "sharing band" of over or under earnings between GMP and its customers. All earnings above or below the sharing band will be refunded to or recovered from customers. The details of this mechanism are addressed further in Section V(C) below.

Other Plan Components

9. Innovation and Performance Metrics. The ninth component of the plan are specific Innovation and Performance Metrics, which set forth clear metrics to measure GMP's performance on issues that matter to customers. These are addressed in Section VII below.

10. Innovative Pilot Program. Finally, the Innovative Pilot provision of the prior regulation plan continues through this Plan, as outlined in **Attachment 2**. New Innovative Pilots developed during the term of the Plan which are not already included in base rates (whether as an existing Pilot or subsequent tariff) shall not result in plant additions that result in any rate adjustments under this Plan, except insofar they are specifically requested to be included in base rates under the New Initiatives exception in Section IV(1)(d). Changes in revenue or power supply cost that result from New Initiative programs will be included in adjustments made pursuant to the Retail Revenue Adjustor or the Power Supply Adjustor.

III. PROCESS FOR ESTABLISHING ANNUAL BASE RATES AND COMPONENTS THEREOF.

1. Timing for Annual Base Rate Filing: GMP shall file the proposed Annual Base Rate for the coming fiscal year with the Commission by July 1, three months in advance of the start of the next fiscal year period. The proposed base rates shall be made up of the fixed costs components of the Plan plus annual calculations and forecasts for the adjustable components of the Plan, as defined below in Section III(B). The Annual Base Rate Filing shall be accompanied by a narrative explanation of information reasonably needed to assist in understanding the filing.

2. Notice: The Annual Base Rate Filing shall be posted on the Company website at the time of filing, and the Company shall provide individual customer notice through bill

notification of each period's Plan Base Rate Annual Adjustment when its request to effectuate those changes is filed.

3. Review and Approval: The proposed Annual Base Rate filing shall be subject to DPS review and comment (including independent expert review, as needed), and PUC approval. The Department shall file comments on the Company's Annual Base Rate Filings within 30 days of the filing. Final rates for the coming fiscal year shall be set by the PUC no less than 30 days prior to the start of the fiscal year.

IV. ESTABLISHING COMPONENTS OF ANNUAL BASE RATES.

In setting the proposed Annual Base Rates for each fiscal year, the fixed and forecasted components of GMP's cost of service shall be established as follows, consistent with **Attachment 1**:

1. INFRASTRUCTURE COSTS (CAPITAL EXPENDITURES, DEPRECIATION, PROPERTY TAXES).

a) Capital Expenditures

Overall capital expenditures that are closed to Plant In Service during each fiscal year of the Plan shall be equal to the following amounts

FY20 $86.5 million
FY21 $85 million
FY22 $85 million

Subject to the exceptions identified below in Sections IV(1)(d) & (e), GMP shall only be entitled to include in rates and recover the amounts identified above during the term of the Plan. GMP will limit annual capital expenditures to the amounts listed above, although actual annual plant additions will vary from this amount based upon the timing of capital project completion, closing projects from the Construction Work in Progress balance and to the Plant in

Service balance. To allow for this annual variation between capital spending and Plant in Service, cumulative plant additions will not exceed $256.5 million during the term of the Plan.

b) Depreciation Costs

Depreciation costs shall be fixed for the term of the Plan based upon the projected plant in service balance at the beginning of the Plan, the expected annual plant additions, known retirements and changes in depreciation accrual rates resulting from a Depreciation Study. The depreciation amounts for FY 21 and FY 22 will include a forecast for changes associated with an updated depreciation study, which will be implemented in FY21. At the time of the Annual Base Rate filing in FY 2021 and FY2022, depreciation costs shall be adjusted to reflect the actual results of the depreciation study and to reflect any allowed capital expenditure exceptions discussed below in Section IV(1)(d) & (e).

c) Property Taxes

Property taxes by year are fixed based on the fixed capital expenditures identified above and the historical trends in property taxes, and as follows:

FY20 $31.2 million
FY21 $32.7 million
FY22 $34.3 million

At the time of the Annual Base Rate filing in FY2021 and FY2022, property tax costs shall be adjusted to reflect any allowed capital expenditure exceptions discussed below in Section IV(1)(d) & (e).

d) New Initiative Capital Expenditures

To the extent that GMP proposes capital investments for New Initiative projects above the annual $5M cap in the coming fiscal year, it shall file known and measurable documentation, including appropriate financial analysis, for the proposed expenditures in its Annual Base Rate filing. These projects shall be limited to transformative customer-facing energy projects that require an initial upfront capital investment by GMP and are forecasted to contribute a net positive benefit to non-participating customers through new sources of revenue and/or cost savings over the life of the program. They may include investments for programs authorized as an Innovative Pilot, traditional tariffed offerings, or other capital projects that qualify under this provision.

e) Unexpected Circumstances and Strategic Opportunities

GMP may petition the PUC for approval at any time during the Plan to spend above the authorized capital expenditure levels listed above and to include such expenditures in rates when unexpected circumstances require capital expenditures that are above the authorized level and when increased capital expenditures beyond the cap are needed to pursue new strategic opportunities that would provide material benefit customers. In its petition for relief, GMP will bear the burden of demonstrating that the proposed departure from the established capital expenditure limits is in customers' best interests and will result in just and reasonable rates. Base rates may be adjusted at the next quarter after any approval for spending under this provision, or at the next Annual Base Rate filing, unless otherwise ordered by the Commission.

2. OPERATIONS & MAINTENANCE COSTS.

GMP's Base O&M costs, as defined in Docket 7770, shall be recovered under this Plan consistent with the PUC order in Docket 7770. This amount shall be established annually in advance of each fiscal year in the Annual Base Rate filing by applying the CPI-U Northeast inflation factor to the platform Base O&M costs, per the Commission's order in Docket 7770. Non-platform O&M Costs as defined in Docket 7770 shall be reforecast annually and adjusted only based on inflation and payroll changes.

3. FINANCING COSTS.

a) Debt Costs

GMP's debt costs shall be set annually based on a forecast of anticipated debt balances and costs for each fiscal year. The cost of debt will be based on forecasted long-term and credit facility borrowing balances and reflect any change in the average long-term debt interest rate due to redemption of existing bonds and issuance of new bonds. The average credit facility debt interest rate will be forecasted based on terms of GMP's credit facility.

b) Return on Equity (ROE)

In FY20, GMP's ROE shall be indexed off of the ROE set for the 2019 rate period in Case No. 18-0974, which GMP has requested at 9.3%, based upon its agreement with the Department in the 2018 rate case. In each ensuing year, indexing shall occur off of the ROE in effect for the current year. The indexing shall be consistent with **Attachment 3.** In addition, ROE may be adjusted upward (after indexing) in accordance with the Performance Metrics as set forth in Section VII below.

c) Debt to Equity Ratio

GMP shall utilize a 50/50 debt to equity ratio plus or minus 1% in all forecasting under the Plan and shall also endeavor to adhere to that ratio in its operations. To the extent its actual operating ratio differs, GMP shall be subject to the Earnings Sharing Mechanism described below.

4. <u>RETAIL REVENUE AND POWER SUPPLY COSTS.</u>

GMP's annual forecast of retail revenue and forecast of power costs shall be established using the following methodology: Annually, a third-party vendor (Itron, Inc., or a similar outside consultant with expertise in the field of energy forecasting both throughout the country and within Vermont) will provide GMP with a weather-normalized retail revenue forecast and GMP will prepare a power supply forecast based upon the provided retail revenue forecast. The revenue forecast will take into account such factors as historical data, projections about economic growth and efficiency improvements, company tariffs, impacts on retail revenue due to greater solar net metering, and any other known changes for the upcoming year. The power supply forecast will include expected expenses associated with serving the retail revenue load, including costs and wholesale market revenues related to energy, capacity, transmission, ancillary services, renewable energy credits, and Renewable Energy Standard compliance. These forecasted net expenses will reflect both GMP's production and purchased contract costs, along with interchanges with the wholesale power market. GMP shall provide to the Department of Public Service the retail revenue forecast and the power supply forecast promptly upon completion and at least 30 days prior to GMP's Annual Base Rate filing to facilitate the Department's review.

5. <u>EARNINGS IN AFFLIATES</u>

Equity-in-earnings, continued investments in, and distribution of earnings, will be forecasted annually for the following Affiliated Companies that are currently in rates, or are proposed to be included in rates as part of the 2019 Rate Case:

- Vermont Yankee Nuclear Power Corporation;
- Maine Yankee, Connecticut Yankee and Yankee Atomic;
- Green Lantern;

- NE Hydro Trans and NE Hydro Trans Electric;
- VELCO;
- VT Transco;
- JV Solar-Battery; and
- JV Solar

Any proposal to invest in new affiliates during the term of the Plan will require specific PUC approval. The request for approval will include a summary of the cost of service impacts and/or benefits of the proposed new affiliate investment.

6. OTHER COSTS & REVENUES

Categories of costs and revenues not addressed by the components addressed in Sections IV(1)-(5) shall be set annually based on a formulaic calculation or forecast of those costs and revenues, as set forth in **Attachment 1**.

V. DESCRIPTION OF RATE ADJUSTORS

The following rate adjustors shall be applied during the term of the Plan. The timing for filing and the effective date of each adjustor is also summarized separately in Section VI of the Plan.

A. RETAIL REVENUE ADJUSTOR & POWER SUPPLY ADJUSTOR

1. Retail Revenue Adjustor: The Retail Revenue Adjustor shall collect or return to customers, on a bills-rendered basis as described below, the difference between the actual retail revenue every Measurement Quarter and the forecasted retail revenue amount included in base rates for that quarter (the “Quarterly Retail Revenue Variance Amount”). The measurement periods, filing dates, and the collection/recovery periods are as follows:

Retail Revenue Adjustor	Measurement Period	Filing Date	30 Day Review Period End Date	Start Customer Notice	Adjustor Collection Period
FY 2020 - 2022					
Q1	Oct 1 – Dec 31	Jan 30	Mar 1	Mar 2	Apr 1 – Jun 30
Q2	Jan 1 – Mar 31	Apr 30	May 30	Jun 1	Jul 1 – Sept 30
Q3	Apr 1 – Jun 30	Jul 30	Aug 30	Sep 1	Oct 1 – Dec 31
Q4	Jul 1 – Sept 30	Oct 30	Nov 30	Dec 1	Jan 1 – Mar 31

2. Power Supply Adjustor: The Company's rates will be subject to a quarterly Power Supply Adjustor effective on a bills-rendered basis as described below. The Power Supply Adjustor shall be the difference between the actual power supply costs every Measurement Quarter and the forecasted power supply costs included in base rates for that quarter, as adjusted by Power Supply Efficiency Calculation set forth below. The resulting figure is the "Quarterly Power Supply Variance Amount." The measurement periods, filing dates and the collection/recovery periods are as follows:

Power Supply Adjustor	Measurement Period	Filing Date	30 Day Review Period End Date	Start Customer Notice	Adjustor Collection Period
FY 2020 - 2022					
Q1	Oct 1 – Dec 31	Jan 30	Mar 1	Mar 2	Apr 1 – Jun 30
Q2	Jan 1 – Mar 31	Apr 30	May 30	Jun 1	Jul 1 – Sept 30
Q3	Apr 1 – Jun 30	Jul 30	Aug 30	Sep 1	Oct 1 – Dec 31
Q4	Jul 1 – Sept 30	Oct 30	Nov 30	Dec 1	Jan 1 – Mar 31

The Power Supply Adjustor Calculation shall be made as follows:

Component A Quarterly Variance: The Component A Quarterly Variance for each Measurement Quarter, is the dollar amount of any variation between (a) actual Component A Costs for the Measurement Quarter, and (b) the

Component A Costs included in the Company's base rates for the corresponding quarter, and shall be summed with:

Component B Quarterly Variance: Calculated as follows:

a. The Component B Quarterly Variance for each Measurement Quarter is the dollar amount of any variation between (1) actual total Component B Costs for the Measurement Quarter, and (2) forecasted total Component B Costs included in the cost of service underlying the Company's base rates for the corresponding quarter, summed with the result of the Component B Cost Variance calculation.

b. The Component B Cost Variance calculation compares (a) the cost per kWh achieved during the Measurement Quarter (actual Component B Costs for the Measurement Quarter divided by actual retail kWh sales volumes, in kWh for that quarter); with (b) the cost per kWh benchmark (forecasted Component B costs for the Measurement Quarter divided by forecasted retail kWh sales volumes for that quarter) and multiplies the resulting variance (in $ per kWh) by actual retail sales in kWh for the Measurement Quarter. The Component B Cost Variance is then modified by the amounts that GMP will absorb or retain – specifically, all Component B Cost Variance up to the Component B Efficiency Band of +/- $150,000, plus 10% of any Component B Cost Variance outside of that Component B Efficiency Band.

A list of the Company's Component A and Component B power supply costs is attached as **Attachment 4**.

The Company shall maintain separate accounts for Component A and Component B costs. The Power Supply Adjustor shall be reported as described below, and then collected or returned to customers through an adjustment in rates in the quarter following each report filing.

3. <u>Collection of the Retail Revenue Adjustor and Power Supply Adjustor:</u> The Retail Revenue Adjustor and Power Supply Adjustor shall be applied to all kWhs billed by the Company for every customer of every rate class except street lighting rate classes. The quarterly adjustment associated with both the Retail Revenue Adjustor and the Power Supply Adjustor shall be filed as described in Section VI below. These adjustors will be calculated separately, as described above, but for purposes of reflecting these adjustors on customer bills, the Quarterly Retail Revenue Variance Amount shall be netted with the Quarterly Power Supply Variance Amount, and the result shall be divided by the projected retail kWh sales during the Collection Quarter based on the Forecast Methodology as discussed in Section IV(4), to create one single positive or negative adjustment per kWh line item on customer bills representing the combined, overall collection or return associated with both Adjustors for the Collection Quarter (i.e., the Power Cost and Sales True Up). For accounting purposes, the quarterly variance amounts shall be deferred and amortized in the Collections Period in an amount equal to the revenue increases or decreases that recover or repay the amortized amount.

   Over/under-collections of the combined Retail Revenue Adjustor and the Power Supply Adjustor, due to a variance between projected and actual revenues, shall be deferred and included in the next base rate filing

A sample calculation of the Retail Revenue Adjustor, the Power Supply Adjustor, and how those adjustors will be netted to create a single kWh return or collection on customer bills is attached as **Attachment 5**.

B. EXOGENOUS CHANGE ADJUSTMENT

No later than 60 days after the end of each fiscal year ("Exogenous Change/Storm Measurement Period"), the Company shall file with the Commission and Department an Exogenous Change Adjustment. The Exogenous Change Adjustment shall be calculated for the Exogenous Change/Storm Measurement Period and shall equal the sum of any (1) Exogenous Non-Storm Changes, plus any (2) Exogenous Storm Changes (collectively, "Exogenous Changes") as provided below. Any Exogenous Changes, positive or negative, will be deferred in Exogenous Non-Storm and Major Storm Regulatory Asset/Liability Accounts, and offset against an Exogenous Change Adjustment Regulatory Liability Account, described below, as approved by the Commission in an annual Exogenous Change Adjustment filing.

1. Exogenous Non-Storm Changes: shall consist of material cost or revenue changes from the Annual Base Rate filing. Cost or revenue changes are material if the aggregate amount in any measurement period exceeds $1.2 million, and they relate to the following:

    1. Changes in tax laws that impact the Company.
    2. Changes in Generally Accepted Accounting Principles.
    3. Any Federal Energy Regulatory Commission or New England Independent System Operator rule, tariff or other changes affecting the Company and not a part of the Power Supply Adjustor.
    4. Other regulatory, judicial or legislative changes affecting the Company.
    5. Net loss of major customer(s) load not related to weather and not a part of the Retail Revenue Adjustor.

6. Major unplanned maintenance costs or investments, such as those incurred due to unexpected major maintenance (unrelated to storms) and major repairs to Company-owned power plants and not a part of the Power Supply Adjustor.

The $1.2 million for Exogenous Non-Storm changes is a threshold not a deductible. If the threshold is met the total incremental impact of the Exogenous Non-Storm Change will be recorded in an Exogenous Non-Storm Regulatory Asset or Liability Account and transferred to the Exogenous Change Adjustment Regulatory Liability Account when approved by the Commission. For any Exogenous Change that benefits customers, the Company will propose in its Exogenous Change Adjustment filing to return these benefits to customers separately through a line-item credit, as it has done for federal tax reform benefits as approved by the Commission in 2018 and proposed by the Company for 2019 in Case No. 18-0974-TF.

2. <u>Exogenous Storm Changes:</u> shall consist of increased costs experienced by the Company relating to the incremental maintenance expenses incurred for Major Storms (as defined in the Company's Service Quality & Reliability Performance, Monitoring & Reporting Plan (the "SQRP")), and further defined as a storm that causes the Company to incur incremental maintenance expenses in excess of $1.2 million.

   This per-storm $1.2 million in maintenance costs is a threshold, which defines what qualifies as a "Major Storm," and is not a per-storm deductible.

   To the extent the Company experiences one or more "Major Storms," it may recover those costs from customers, minus a one-time annual $1.2 million deductible which is deducted from the total aggregate cost associated with all qualifying Major Storms in any given Exogenous Change/Storm Measurement Period. The aggregate Major Storm incremental maintenance costs incurred during an Exogenous Change/Storm Measurement Period in excess of $1.2 million will be charged to an Exogenous Major Storm Regulatory Asset account and offset against the Exogenous Change Adjustment Regulatory Liability Account when approved by the Commission.

3. Exogenous Change Adjustment Regulatory Liability Account: This is a regulatory liability account through which the Company will collect funds from customers in a consistent and stable method over the life of the Plan to cover Exogenous Change Adjustments. Specifically, the Company will collect an Exogenous Change/Major Storm Fee through a separate line item on the bill on a surcharge percentage basis, in a total amount of $8 million annually from customers in all customer classes to cover the cost of Exogenous Change Adjustments. The Exogenous Change/Major Storm Fee also shall cover costs associated with Major Storms incurred prior to the inception of this Plan and approved for recovery by the Commission, but not yet collected from customers ("Prior Major Storm Costs").

   The amounts collected from customers through this mechanism will be recorded to the Exogenous Change Adjustment Regulatory Liability Account and used to offset costs only upon approval of the Exogenous Change Adjustment for any Exogenous Change/Storm Measurement Period, consistent with the filing schedule described in Section VI below. Each Exogenous Change Adjustment filing will clearly indicate the amounts that will be applied to recover costs for (1) Non-Storm Exogenous Changes, (2) Major Storm Exogenous Changes, and (3) Prior Major Storm Costs.

The Exogenous Change Adjustment Regulatory Liability Account will accrue interest income/expense based on the Company's credit facility interest rate.

The Company recognizes that Prior Major Storm Costs will exceed substantially the annual customer collection of $8 million for Major Storms during the Plan term. The Company may request additional Major Storm cost recovery only if Major Storm costs exceed $12 million in any Exogenous Change/Storm Measurement Period. Conversely, if during the Plan term the Company's Exogenous Change Adjustment Regulatory Liability Account balance exceeds $12 million, the Company will file a proposal with the Commission on how best to return up to 50% of the amount between the account balance and $8 million to customers.

For purposes of the Exogenous Change Adjustment, an Exogenous Change Adjustment Regulatory Liability is when the cumulative Exogenous Changes/Major Storm Fee collected from customers exceeds the cumulative Exogenous Change Adjustments already approved for recovery by the Commission or those incurred and to be requested at the next Exogenous Change Adjustment filing. An Exogenous Change Adjustment Regulatory Asset is when the Exogenous Change Adjustments and Prior Major Storm Costs approved for recovery by the Commission exceed cumulative Exogenous Change/Major Storm Fee collected from customers.

C. MERGER SAVINGS ADJUSTMENT

The Merger Savings Adjustment shall reflect the rate treatment of the merger savings O&M platform approved by the Commission in Docket 7770 and shall occur on a yearly basis effective October 1. The Company shall file this adjustment, with supporting cost documentation, 60 days following the end of the fiscal year, and the adjustment shall be incorporated into the base rate change for the following fiscal year.

D. EARNINGS SHARING ADJUSTOR MECHANISM

Commencing on October 1, 2019, the Company's rates will be subject to an Earnings Sharing Adjustor for each rate period during the Plan term. No later than 60 days after the end of each fiscal year ("ESAM Measurement Period"), the Company shall file with the Commission and Department its Actual Earnings for the ESAM Measurement Period, the proposed Earnings Sharing Adjustor calculation and supporting information. The Earnings Sharing Adjustor will be returned to/collected from customers in an adjustment as described below that goes into effect April 1 of each rate period as a separate line-item on customer bills. Actual Earnings will be calculated on a regulatory basis based on the same methodology as the earnings cap calculation reflected in the PUC's Order in Docket Nos. 6946/6988 (*i.e.*, exclude the Company's disallowed costs and results of unregulated operations (but business services shall be included in cost of service)). Actual Earnings shall include the earnings impact of the Power, Revenue and Exogenous Change Adjustments, but shall not include the earnings impact of shareholder merger-related adjustments to Base O&M Costs. The Variance Amount (as defined below) shall be deferred and amortized during the following base rate year ("ESAM Adjustment Period").

The Earnings Sharing Adjustor shall be calculated as follows:

1. Calculation of Variance Amount:
   i. If Actual Earnings reflect an ROE that is within a range equal to 50 basis points below and 50 basis points above the Board-approved ROE during the ESAM Measurement Period, there will be no Earnings Sharing Adjustor. This +/- 50 basis point band is the ESAM Efficiency Band.

ii. If Actual Earnings reflect an ROE that is 50 to 100 basis points above or below Board-approved ROE, 50% of the revenue impact of the lower earnings is collected from, or 50% of the revenue benefit of the higher earnings is returned to, customers in the Earnings Sharing Adjustor. This +/- 50 to 100 basis point band is the ESAM Sharing Band.

iii. If Actual Earnings reflect an ROE that is 101 or more basis points below or above the Board-approved ROE, the entire revenue impact or benefit flows to customers in the Earnings Sharing Adjustor.

2. Calculation and Collection of Earnings Sharing Adjustor:

   i. The Earnings Sharing Adjustor shall be a positive or negative fraction equal to
      a. the total dollar Variance Amount derived in Section V(D)(1) above, divided by
      b. projected revenues from Company charges during the ESA Adjustment Period, based on the Forecast Methodology.

   ii. The Earnings Sharing Adjustor fraction shall be applied to the revenue from each rate element for each rate class.

   iii. Over/under-collections of the Earnings Sharing Adjustor, due to a variance between projected and actual revenues, shall be deferred and included in the next base rate filing.

A sample calculation is attached as **Attachment 6**.

E. RESIDUAL ADJUSTMENTS

The collection/return of all Adjustors under this Plan shall continue beyond the term of the Plan as allowed by this Plan or otherwise ordered by the Commission. Any balances remaining in the Exogenous Change Adjustment Regulatory Liability Account at the end of the Plan will be addressed in the Company's next base rate case. Any over/under collection for any Adjustor under this Plan remaining at the end of its term and not yet subject to a Commission order regarding its collection or return shall be deferred and addressed in the Company's next base rate case.

VI. SCHEDULE FOR FILING ADJUSTORS; NOTICE AND REVIEW OF ADJUSTOR FILINGS; EFFECTIVE DATE

Each Adjustor listed above shall be filed in accordance with the following schedule:

1. Retail Revenue Adjustor & Power Supply Adjustor – Within 30 days of the close of the quarter, GMP shall file documentation showing the calculations of each adjustor, subject to review and comment by the Department. The Adjustors shall go into effect the first day of the second quarter following the relevant quarterly measurement period.

   The Retail Revenue Adjustor and Power Supply Adjustor are not subject to Commission suspension, but the Commission may open an investigation and to the extent it finds, after notice and hearing, that the calculation was inaccurate or reflected costs inappropriate for inclusion in rates, it may require a correction as necessary.

2. Exogenous Change Adjustment & Earnings Sharing Adjustment Mechanism – Within 60 days after the end of each measurement period, calculations associated with both the Exogenous Change Adjustor and the Earning Sharing Adjustor shall be filed and subject to review and comment by the Department. The Commission shall approve the proposed adjustments no later than 45 days prior to April 1 of the following year, so that the Earnings Sharing Adjustor amount can be reflected as separate line items on customer bills for the ensuing 12 months, unless otherwise ordered by the Commission, commencing April 1 of each year and the Exogenous Change

Adjustor amount can be offset against the Exogenous Change Adjustment Regulatory Liability Account.

3. Merger Savings Adjustment – the Merger Savings Adjustment report shall be filed no later than 60 days after the end of the fiscal year.

VII. INNOVATION AND PERFORMANCE METRICS

A. INNOVATIVE PILOT PROGRAM

The Innovative Pilot provision of the prior regulation plan continues through this plan, as outlined in **Attachment 2**. New Innovative Pilots developed during the term of the Plan which that are not already included in base rates (whether as an existing Pilot or subsequent tariff) shall not result in any plant additions that cause rate adjustments under this Plan, except insofar they are specifically requested to be included in base rates under the New Initiatives exception in Section IV(1)(d). Any changes to revenue or power supply cost that result from New Initiative programs will be included in adjustments made pursuant to the Retail Revenue Adjustor or the Power Supply Adjustor.

B. VERMONT ENERGY PLAN INVESTMENT

The Company shall continue to support Vermont's statewide energy goals by advancing promising technologies (e.g. electric vehicles, heat pumps, energy storage, solar power, etc.) and by exploring new services to facilitate efficient, low carbon energy choices by electric customers and consistent with least cost principles.

C. SERVICE CHOICES

The Company will continue to work with the Department to explore and implement additional innovative service choices, including as the result of the implementation of advanced automated meter reading technologies and infrastructure.

D. SERVICE QUALITY

The Company's Service Quality & Reliability Performance Monitoring and Reporting Plan ("SQRP"), as it may be amended from time to time, is hereby incorporated into and made a part of this Plan.

E. SERVICE QUALITY STRETCH GOALS

In addition to compliance with the state-wide service quality and reliability standards in the Company's SQRP, and the SQRP penalties that apply in the event the standards are not met, the Company is also encouraged to out-perform those standards through in the following categories.

1. Non-outage Calls Answered
2. Outage Calls Answered
3. Quarterly Customer Satisfaction Rate
4. Annual Customer Satisfaction Rate
5. Percentage of Customer Complaints

The specific metrics, performance criteria, and measurement period are identified in **Attachment 7**. Measurement of these criteria shall be based on the Company's annual SQRP report. In the event that GMP exceeds the performance standard for these stretch goals, a 5-basis point adder for each individual goal met on an annual basis (totaling no more than 25 basis points) will be incorporated into the Company's allowed ROE for the subsequent fiscal year. This ROE adder will be incorporated into the allowed ROE (after indexing) in the Company's Annual Base Rate Filing.

F. INNOVATION MEASUREMENT METRICS

The Company shall measure and annually report on the following categories of activities:

- Connected Distributed Energy Resources (DERs);
- Third Party Installed DER Resources;
- Load Islanding;
- Performance Against Peak Events;
- Customer Technology Adoption/Cost of Back-Office Services

The specific criteria and metrics to be measured for each category are identified in **Attachment 7**. These metrics shall be measured on a calendar year basis and will be provided for purposes of tracking only. There will be no penalties or incentives associated with tracking these metrics during the term of the Plan. An annual report on these metrics shall be provided by at the same time as GMP's annual SQRP report.

VIII. OTHER PLAN COMPONENTS

A. LOW INCOME

The Company shall match contributions by its customers to the Company's Warmth Program, and the amount of the Company's match shall not be included in rates. In addition, The Company will contribute 5% of any excess earned utility net income above the allowed utility net income (including any ROE adjustments relating to Performance Incentive Metrics) to its low-income customer support programs, after consultation with the Department of Public Service and its Consumer Affairs division.

B. INTEGRATED RESOURCE PLAN UPDATES

The Company shall provide the Commission and the Department an update to the Action Plan included in the most recently filed Integrated Resource Plan (“IRP”) no later than March 31st of each year of this Plan.

C. PLAN EVALUATION

Beginning December 1, 2021 and each year thereafter under the Plan, the Company shall file a report with the Commission and Department evaluating the effectiveness of the Plan’s performance in achieving the goals of 30 V.S.A. § 218d. In advance of filing the reports, the Company shall confer with the Department with respect to the measurement criteria to be used in the reports. The Company will continue to use the criteria jointly agreed-upon with the Department in the annual reports assessing the Plan’s effectiveness.

IX. LIMITATIONS ON OTHER RATE CHANGES.

No general rate adjustment other than described herein will be implemented between October 1, 2019 and September 30, 2022, except that the Company may seek temporary rate increases pursuant to 30 V.S.A. § 226(a) and the Company may file modified or new tariffs for new services or adjustments on a revenue-neutral basis subject to Commission approval pursuant to 30 V.S.A. §§ 225, 226, 227. The Company may also file non-tariffed proposals for Innovative Pilot products or services beyond the basic sale of electricity that are consistent with Vermont state energy policy, subject to Commission approval pursuant to the process set out in **Attachment 2**. Nothing herein shall preclude the Department from requesting a Commission Order requiring that a new or existing Innovative Pilot be offered through a tariff.

X. MISCELLANEOUS

A. During the term of the Plan, the application of Title 30, including 30 V.S.A. §§ 218(a), 225, 226, 227 and 229, to GMP shall be modified by the provisions of the

Plan and the Commission order approving the Plan.

B. The Company shall continue to file concurrently with each Adjustor filing the type of documentation it has previously filed under prior regulation plans with respect to each type of filing.

C. The Company shall describe the Plan in a separate mailing at least one month prior the first rate adjustment under the Plan and shall work with the Department in the development of customer communications and materials to be provided to customers.

D. Nothing in the Plan will be interpreted as preventing the Department from requesting a Commission investigation into the Company's rates or the Commission from undertaking such an investigation. The retroactive effect of any such investigation, shall be consistent with 30 V.S.A. § 227(b).