

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 18-0974-TF

Tariff filing of Green Mountain Power Corporation requesting a 5.45% increase in its base rates effective with bills rendered January 1, 2019, to be fully offset by bill credits through September 30, 2019.

PREFILED SURREBUTTAL TESTIMONY OF

KEVIN J. MARA

ON BEHALF OF THE

VERMONT DEPARTMENT OF PUBLIC SERVICE

October 8, 2018

Summary: Mr. Mara responds to Green Mountain Power's rebuttal testimony regarding capital expenses related to transmission and distribution projects. Mr. Mara agrees with GMP that is appropriate to include the Direct Transfer Trip protection project for Ottauquechee Hydro facility in rates, but has not revised any other recommendations from his direct testimony.

Surrebuttal Testimony
of
Kevin J. Mara

1 **Q1. What is your name and business affiliation?**

2 A1. My name is Kevin J. Mara. I am a Vice President of the firm GDS Associates, Inc.
3 ("GDS").
4

5 **Q2. For whom are you appearing?**

6 A2. I am testifying on behalf of the Vermont Department of Public Service ("Department"
7 or "PSD").
8

9 **Q3. Did you previously provide testimony in this matter?**

10 A3. Yes, I submitted prefiled direct testimony in this matter on August 10, 2018.
11

12 **Q4. Did you review Mr. Fiske's rebuttal testimony?**

13 A4. Yes, I reviewed Mr. Fiske's rebuttal testimony as well as the responses of the Green
14 Mountain Power Corporation ("GMP") to the Department's third data request.
15

16 **Q5. Did Mr. Fiske's rebuttal testimony change any of the conclusions or
17 recommendations from your direct testimony?**

18 A5. Following my review of GMP's rebuttal testimony, my conclusions and
19 recommendations remain unchanged except my position regarding the Direct Transfer
20 Trip protection to the Ottauquechee Hydro facility. GMP's Financial Analysis stated

1 the project was necessary to support various solar and hydro generators currently
2 operating on this circuit.¹ Mr. Fiske clarified that the Ottawaquechee Hydro facility is
3 owned by GMP.² Due to GMP's ownership of this facility, I now believe this project is
4 necessary.

5

6 **Q6. Mr. Fiske described your approach to T&D planning as “less customer-focused,**
7 **more reactive philosophy to T&D planning.” Do you agree with his assessments?**

8 A6. No. Mr. Fiske described GMP's planning philosophy as customer-centric planning.
9 Customer-centric planning typically utilizes many different analytics to measure and
10 improve customer satisfaction. Mr. Fiske indicated that GMP uses SAIFI, CAIDI, and
11 customer satisfaction as the analytics.³ It is my opinion that customer-centric planning
12 should include more analytics than those listed by Mr. Fiske, which is why in my
13 direct testimony, I recommended the use of the ICE Calculator. Further, it is possible
14 to reduce SAIFI and CAIDI indices by undergrounding the distribution lines.
15 However, the impact on rates would prove to be a dramatic increase to consumers. As
16 I stated in my direct testimony, customer satisfaction is a combination of reliability
17 and cost. Therefore, to maximize the value of system upgrades, the analysis of the
18 capital investments needs to consider the historical reliability of the facility to which
19 the investment is being made. This is why the Memorandum of Understanding

¹ This information was included in GMP's capital project folder for project 148867 Ottawaquechee fiber – Financial Analysis.xls

² Fiske pf reb. at 18, lines 15-17.

³ Fiske pf reb. at 2, line 1.

1 adopted by the Commission last year in Case 17-3112-INV (the “17-3112 MOU”)
2 required GMP to provide the primary reason the project is being proposed, which
3 could include customer service, reliability, safety, operational efficiency, state energy
4 policy and/or innovation, as well as a narrative description of the qualitative and/or
5 quantitative benefits that should be created by the project.⁴ My analysis of projects is
6 based on the data and spirit of the MOU while maintaining the customer-centric
7 planning.

8

9 **Q7. You recommended disallowance of motor operated air break (MOAB) switches**
10 **and Mr. Fiske disagreed with your position. Can you comment on his rebuttal**
11 **arguments?**

12 A7. MOAB switches are used on transmission lines to remotely operate via the SCADA
13 system. If a switch is rarely used, a question arises as to whether a capital investment
14 is necessary to convert it from a manual switch to a MOAB switch. GMP provided the
15 number of operations in a five-year period ending July 2018 for the 141 MOABs
16 currently in use on its system, which includes operations for exercising the switches.⁵
17 The median value for the number of operations of a GMP MOAB is 2.8 operations.
18 Exercising a MOAB switch is necessary to be sure the device will operate when
19 needed. The frequency of exercising varies among utilities, but once per year is very

⁴ *Investigation into GMP’s tariff filing requesting an overall rate increase in the amount of 4.98%, Case No. 17-3112-INV, Memorandum of Understanding (“MOU”) between PSD and GMP, November 9, 2017, Exhibit 2, page 2 of 3.*

⁵ GMP discovery response DPS3.Q4.

1 common. Thus, when factoring out the exercising of the switch, a MOAB on GMP's
2 system is likely operated less than twice (1.8 times) per year. I noted in my direct
3 testimony that GMP's analysis for these MOABs lacks justification based on the
4 potential frequently of operation of the switches. Thus I do not find Mr. Fiske's
5 rebuttal compelling to justify the addition of the MOABs.

6

7 **Q8. Did GMP make changes to its estimates based on the error you identified for**
8 **flaggers on construction projects?**

9 A8. Yes. Mr. Fiske agreed to reduce the costs of projects to correct the error I identified.

10 The total correction reduction recommended by Mr. Fiske is within 3% of my
11 recommended cost reduction for the sum of the following Projects;

12 149811 E Lake Shore Dr.

13 153149 Notch Road Tie

14 153711 Stonehedge

15 155051 Newfane Line 6 to Line 3

16 158518 Sheldon Line 9 – Phase 1

17 159358 Barre Conv – 37Cir

18 I am satisfied with Mr. Fiske's proposed reductions.

19

20

21

1 **Q9. Can you address Mr. Fiske’s comments regarding projects 149662 – Bennington**
2 **tie and 149663 – Pownal tie?**

3 A9. Yes. The point of my direct testimony is that GMP did not consider a reasonable,
4 feasible alternative to the project. The alternatives provided by GMP were
5 insufficient for a project that costs \$1,975,251, and there will be significant line losses
6 on GMP’s proposed solution versus the cost of a new substation. This type of analysis
7 could only be addressed with a present worth analysis. The fact the line is already
8 built does not change the need for a clear justification for the line.⁶

9

10 **Q10. Do you agree with Mr. Fiske’s arguments regarding the use of historical costs to**
11 **establish known and measurable costs for future years?**

12 A10. No. Mr. Fiske’s arguments only prove that historical costs are not known and
13 measurable. As Mr. Fiske states, the blanket costs vary from year to year.⁷ The very
14 definition of known and measurable means actual expenditures rather than spending
15 that can “fluctuate from year to year based on system needs, equipment failures, lead
16 times and customer requests.”⁸

17

18 GMP’s actual expenditures through July 2018 for the blanket work orders⁹ compared
19 to the 2018 budget for these blankets is shown in the following table:

⁶ Fiske pf reb. at 18, line 5-6.

⁷ Fiske pf reb. at 26.

⁸ *Id.*

⁹ GMP discovery response DPS3.Q2.

**Blanket Work
 Orders for 2018**

Project Category	GMP Budget 2018	Actual Spending Jul-18	Under Spending of 2018 Budget
Meters	\$861,346	\$259,626	\$601,720
Regulators and Capacitors	\$1,030,733	\$0	\$1,030,733
Transformers	\$3,713,335	\$1,461,033	\$2,252,302
Distr. Lines Blanket	\$16,798,224	\$24,266,660	N/A
Substation	\$870,822	\$415,893	\$454,929
Transmission	\$1,361,245	\$800,714	\$560,531
	\$24,635,705	\$27,203,926	\$4,900,215

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This information demonstrates that GMP spending is \$4,900,215 behind on all blankets except distribution line blankets. Based on this data it seems very unlikely that plant associated with these capital blankets will be in service by the end of 2018. To be clear, I understand that Vermont law establishes a firm prohibition on retroactive ratemaking, and I am not making any recommendations regarding costs that were allowed by the Commission in Case 17-3112. I also recognize that GMP’s blankets are set by using multi-year averages, which will result in year-to-year variances. However, the discrepancy between costs included in rates and actual spending is indicative of my overall concern with GMP’s use of blanket work orders under the Commission’s known and measurable standard, which requires “changes

1 that are measurable with a reasonable degree of accuracy and have a high probability
2 of being in effect in the adjusted test year.”¹⁰

3

4 **Q11. Do you agree that blanket amounts are decreasing as Mr. Fiske asserts?**

5 A11. No. As I demonstrated in my direct testimony, meter costs and regulators and meter
6 blanket costs are increasing. The transformer historical costs are also increasing.
7 GMP did budget less than the 5-year average for meters and transformers, but if the
8 five-year average is not a valid method for these blankets, then I question the validity
9 of using the five-year average of historical actuals for any other blanket.

10

11 Further, if the blankets always decrease over time, the logical conclusion is the
12 blankets will eventually decrease to zero. However, capital expenditures will be
13 required to maintain the system, and these values will need to increase. Thus, a snap-
14 shot of one budget period is not sufficient to claim a long-term trend.

15

16 **Q12. Do you agree with Mr. Fiske that the distribution line blanket is based on a five-**
17 **year average of fiscal years?**

18 A12. No. Mr. Fiske suggested in his rebuttal testimony that Distribution Line Blankets less
19 than \$250,000 were based on historical costs and provided a table depicting these

¹⁰ *Investigation into GMP's tariff filing requesting an overall rate increase in the amount of 4.98%*, Case No. 17-3112-INV, Order of 12/21/2017, page 12.

1 costs.¹¹ This data is not consistent with the original rate filing for Distribution Line
2 Blankets, which used a ratio to develop these budgets, which I discussed in my direct
3 testimony. In addition, in response for a PSD request for projects over \$250,000 in the
4 distribution line blanket for 2016-2019, GMP replied as follows:

5 GMP has not conducted an analysis of the historical rate periods in
6 2016 or 2017 to determine the number or total dollar amounts for
7 spending on prior distribution line blanket projects over \$250,000,
8 consistent with the new methodology adopted in 2018. It would
9 take significant additional time to identify individual blanket
10 projects above \$250,000 that closed to plant in 2016 and 2017, and
11 then to adjust the annual spending amounts in the blankets each
12 year (which are based on historical five-year averages) to properly
13 remove the closed-to-plant values for these projects.¹²

14 Based on this response, it appears that GMP does not have the historical data to project
15 the Distribution Line Projects excluding projects over \$250,000 as asserted by Mr.
16 Fiske in his rebuttal testimony.

17

18 **Q13. Does this conclude your surrebuttal testimony?**

19 A13. Yes.

¹¹ Fiske pf reb. at page 30, line 3.

¹² GMP discovery response DPS3.A7(a).