

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 18-1633-PET

Petition of Green Mountain Power for approval of)
a multi-year regulation plan pursuant to 30 V.S.A.)
§§ 209, 218, and 218d)

**PREFILED REBUTTAL TESTIMONY OF
BRIAN OTLEY
ON BEHALF OF GREEN MOUNTAIN POWER**

February 4, 2019

Summary of Testimony

Mr. Otley responds to testimony from the Department of Public Service and Renewable Energy Vermont with respect to their recommendations regarding capital spending and Innovation and Performance Metrics and other data tracking.

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EXHIBIT LIST

GMP-BO-4 (Rev.)	Innovation and Performances Metrics
GMP-BO-7	Sample Metric Report Template

**PREFILED REBUTTAL TESTIMONY OF
BRIAN OTLEY
ON BEHALF OF GREEN MOUNTAIN POWER**

I. Introduction

1 **Q1. Please state your name, address and occupation.**

2 A1. My name is Brian Otley, and I am a Senior Vice President and the Chief Operating
3 Officer for Green Mountain Power (“GMP” or the “Company”).

4 **Q2. Have you previously submitted testimony in this proceeding?**

5 A2. Yes, I previously provided prefiled direct testimony on June 4, 2018 in support of the
6 Multi-Year Regulation Plan (“MYRP” or the “Plan”) proposed by GMP.

7 **Q3. What is the purpose of your testimony today?**

8 A3. I respond to issues raised by the Department of Public Service (“DPS” or the
9 “Department”) with respect to capital spending levels and recommended Innovation and
10 Performance Metrics (“PMs”) and other data tracking items, and also address Renewable
11 Energy Vermont’s (“REV”) performance metric recommendations.

12 **Q4. Have you reviewed testimony from the Department and REV?**

13 A4. Yes, I have.

14 **Q5. How is your testimony organized?**

15 A5. My testimony is broken into two substantive sections. The first section addresses
16 recommendations and comments from the Department regarding capital spending levels

1 and proposed Innovation and Performance Metrics, and the second section addresses
2 REV's recommendations on performance metrics.

II. Response to the Department of Public Service

3 **Q6. To start, do you have any comments related to the Department's support for GMP's**
4 **proposed capital spending under the Plan?**

5 A6. Yes. We appreciate the Department's support for the proposed base capital expenditures
6 in the Plan. As we indicated to the Commission during the workshop this past summer,
7 the level of capital spending in this Plan represents a decrease from historic levels, and it
8 will be a challenge to meet customer needs within this cap. While we believe the
9 proposed levels are appropriate at this time, we do still have concerns, and those concerns
10 have only increased since we last met with the Commission. As discussed further in
11 Mary Powell's testimony, we are particularly concerned with the escalating impact of
12 climate-change-driven storms on our transmission and distribution systems, and the
13 resulting reliability and cost implications for our customers. These events are becoming
14 more frequent and more intense and that trend is anticipated to continue. To help
15 mitigate these impacts, it is likely that we will need to accelerate the pace of our current
16 storm-hardening measures in the near future. We are not proposing additional spending
17 at this time, but as Ms. Powell explains, we believe it is prudent to raise the issue now,
18 and request the ability to present a comprehensive Climate Resiliency Plan to address
19 these challenges during the MYRP term, subject to PUC review and approval.

1 **Q7. Turning to the issue of performance metrics, can you please summarize the**
2 **Department’s position and recommendations with respect to the performance**
3 **metrics GMP has proposed?**

4 A7. With respect to performance metrics, the DPS expressed some concern about the use of
5 incentive mechanisms with existing service quality metrics, but is generally supportive of
6 the Plan’s inclusion of these metrics and other tracking of information related to
7 transformative measures. The DPS provided a list of potential additional tracking
8 information (see *Exhibit PSD-JRA-1*) that could be incorporated into the Plan, noting
9 that the list was intended to serve as a basis for discussion with GMP and narrowed down
10 as appropriate to objectively assess GMP’s performance during the Plan period.

11 **Q8. What is GMP’s general response to the Department’s recommendations?**

12 A8. As noted in my direct testimony, GMP is supportive of tracking metrics and uses metrics
13 routinely to operate our business. Based on initial discussions with the Department we
14 think we can come to agreement on a list of metrics that make sense to track during the
15 Plan period. GMP proposed a number of performance metrics in the initial Plan and
16 agrees that tracking information under the Plan will be useful for assessing the
17 Company’s performance and progress throughout the Plan period, so long as the metrics
18 are tracking information that is feasibly obtained and can be tracked in a simple and
19 straightforward manner. We welcome the feedback provided by DPS—and Renewable
20 Energy Vermont—on the best metrics to track, and have considered how to incorporate
21 those suggestions into our proposal.

1 **Q9. What changes, if any, is GMP proposing to the performance metrics it recommends**
2 **tracking in the Plan?**

3 A9. Based on our discussions with the Department, GMP is recommending that most of the
4 potential performance metrics included in Mr. Allen’s testimony be included in the Plan
5 as tracking metrics, with some clarifications to make sure all of the parties understand
6 exactly what will be tracked under each metric. We have revised and updated our
7 original proposal to include an expanded list of these metrics, which is attached as
8 ***Exhibit GMP-BO-4 (Rev.)***. This list represents a combination of GMP’s originally
9 proposed metrics and additional items requested by the Department, which also address
10 the recommendations from REV. We believe this comprehensive list will provide
11 additional transparency and insight on GMP’s operation during the Plan, as requested by
12 DPS and REV. It will also help establish baselines for GMP performance in each area,
13 which could be useful in developing incentive mechanisms in a subsequent plan period,
14 although not all of these metrics will necessary lead to specific incentives in the future.

15 As indicated in ***Exhibit GMP-BO-4 (Rev.)***, the expanded list of metrics includes
16 data related to annual capital spending levels, GMP’s power portfolio (emissions profile,
17 percent carbon-free or renewable, and peak performance data), distributed generation
18 (“DG”), and ongoing transformational and innovative measures (e.g. Electric Vehicles
19 (“EV”) and Distributed Energy Resource (“DER”) capacity, as well as some general
20 performance metrics related to interconnection timing and enrollment in certain
21 programs. GMP believes this list is appropriately tailored to track information that is

1 already available or reasonably obtained and will lead to a useful assessment of GMP's
2 performance under the Plan.

3 A handful of the Department's suggested metrics are not included in our proposal,
4 either because they are duplicative of, or incorporated into, other metrics, or because the
5 information is not reasonably tracked by GMP, or because GMP is not the best source for
6 the requested information.

7 **Q10. Does GMP have a proposal for how these metrics would be reported to gauge**
8 **performance? If so, please explain.**

9 A10. GMP recommends submitting one annual performance metric report to the PUC on no
10 later than January 30 of the year following the close of the fiscal year. This timing will
11 coincide with our annual Service Quality and Reliability Plan Report. We have included
12 a proposed template for the annual report as *Exhibit GMP-BO-7*. We have incorporated
13 this reporting requirement in the Revised Plan, and have consolidated the reporting
14 requirement with other annual reports under the Plan, including the annual Plan
15 Evaluation, and an update on our Integrated Resource Plan action items. The updated list
16 of Performance Metrics, and the annual report template have been included as a revised
17 Attachment 7 to the Plan. In addition, we have added a proposal for two annual public
18 meetings for customers in which we would answer questions and, among other things,
19 discuss our annual performance under the Plan. These changes are noted in the Revised
20 Plan, which is attached to Mr. Ryan's testimony as *Exhibit GMP-ER-1(Rev.)*.

1 **Q11. The Department proposes to eliminate the performance incentives mechanism for**
2 **exceeding stretch goals for certain customer service metrics in the Plan. What is**
3 **GMP’s response to this proposal?**

4 A11. GMP initially proposed that customer service quality metrics in the plan include stretch
5 goals tied to an incentive mechanism, which would reward superior performance above
6 and beyond the established state minimum standards in each category. We proposed this
7 incentive mechanism because GMP’s current Service Quality and Reliability Plan
8 (“SQRP”) does not include any mechanism for encouraging performance beyond the
9 minimum standards. Instead, the Plan only penalizes under-performance below the
10 standard. In our view, a symmetrical system—of penalties for under-performance and
11 incentives for meeting stretch factors beyond those established minimums—would serve
12 customers better by always encouraging utilities to provide better performance even after
13 the minimum is achieved.

14 The Department would prefer not to include these additional stretch incentives in
15 this initial MYRP. While we disagree with the Department’s view of the value of this
16 mechanism, we are willing to remove this recommendation in an effort to reach
17 agreement on the performance metrics aspects of the Plan. Taking these incentives out
18 means that for the first three years, this Plan will really focus on just tracking and
19 reporting performance. As the Department notes, this data could be used to set baselines
20 in future plans for the metrics that can reasonably be turned into incentive mechanisms.
21 To the extent this Plan evolves into a performance-based regulation plan in the future, we
22 would emphasize that we think it will be important to have symmetry in performance

1 metrics with both penalties and incentives, as that encourages the best outcomes for
2 customers.

III. Response to Renewable Energy Vermont

3 **Q12. Turning to Mr. Phelps’s testimony on behalf of REV, how does GMP respond to**
4 **Mr. Phelps recommendations for changes to the Plan?**

5 A12. First, I would note that we generally agree with Mr. Phelps’s view of the objective and
6 value of performance-based regulation, and the role performance incentive metrics can
7 play in this type of regulatory system. We were also pleased to read that he was
8 supportive of the goals for the Plan that GMP articulated in our testimony when he stated,
9 “I think the goals listed by GMP are commendable goals for GMP, regulators, and
10 stakeholders.”¹

11 In his testimony, Mr. Phelps identifies several recommendations for potential
12 improvements in the Plan. These can generally be summarized as a set of
13 recommendations related to designing the incentive component of the Plan and a set of
14 recommendations on additional metrics REV would like to see GMP track over the term
15 of the Plan. With respect to the design of incentives components, Mr. Phelps
16 recommends that any incentives be symmetrical, with both upside and downside, be set at
17 a known value at the beginning of the Plan, and be incorporated specifically into target
18 earnings for each year in the Plan. My response to this is addressed below. With respect
19 to specific performance metrics, Mr. Phelps suggests that GMP expand its proposed

¹ Phelps pf. at 5.

1 metrics to track DER adoption and carbon emissions reductions, interconnection related
2 information, GMP's energy mix and emissions, and information related to electric
3 vehicle adoption and use. As discussed below, I believe the changes we have proposed to
4 the Plan to address DPS's recommendations also resolve Mr. Phelps's comments.

5 **Q13. What is GMP's response to Mr. Phelps's recommendations on the design of**
6 **performance incentive mechanisms?**

7 A13. As noted above, I believe there are areas of agreement between GMP's position and Mr.
8 Phelps's view of how performance incentive metrics should be designed in a
9 performance-based regulation plan. For example, we agree with Mr. Phelps that any
10 incentive mechanisms should have a symmetrical design. That said, the changes we have
11 proposed to address the Department's recommendations make this incentive design issue
12 moot at this point. GMP has accepted the Department's recommendation to remove the
13 incentive mechanism for specific performance metrics from the Plan, which was tied to
14 stretch goals for customer service standards. As a result of this change, none of the
15 performance metrics that are tracked and reported under the Plan will have positive or
16 negative incentives associated with them directly. The purpose of these metrics will be to
17 establish a baseline of GMP's performance during the Plan period in each category.
18 These metrics may become true performance incentives in a future regulation plan, if
19 appropriate at that time. Mr. Phelps's recommendations on design of incentive metrics
20 may therefore be appropriate for consideration in a subsequent plan period, but given the
21 Department's recommended changes, are no longer relevant to the currently proposed
22 Plan.

1 **Q14. What is your response to Mr. Phelps's recommendations regarding other**
2 **performance metrics that REV would like to see included in the Plan?**

3 A14. We appreciate REV's perspective on specific metrics to track in the Plan. As discussed
4 in Section II above and outlined in *Exhibit GMP-BO-4 (Rev.)*, GMP is proposing to add
5 a number of additional metrics to the Plan based on the recommended list provided by the
6 Department. There is a great deal of overlap in the general categories that REV proposed
7 for additional tracking, such as EV infrastructure and capacity, DER capacity, timing of
8 interconnection applications, etc. After reviewing REV's suggestions against the
9 Department's list of specific metrics, we believe that the proposed additions in *Exhibit*
10 *GMP-BO-4 (Rev.)* encompass and appropriately address REV's recommendations as
11 well. GMP believes these additional metrics are reasonable in scope, tied to clear and
12 objective data points, and are feasible for GMP to provide. Some of the information
13 proposed by REV for innovative measurement tracking is not easily obtained or tracked
14 by GMP (the number of electric vehicle miles traveled in GMP territory, for example),
15 and therefore isn't really appropriate for a performance metric in the Plan. But the other
16 metrics we have proposed will help address the general issues raised in these areas, to the
17 extent the information is available to GMP (such as the number of EV home chargers
18 connected to GMP's shared-access platform and the number of public EV charging
19 stations). We believe these additional metrics generally satisfy REV's request for more
20 information on these topics.

21 **Q15. Does that conclude your testimony today?**

22 A15. Yes, it does.