

**Porter, James**

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**From:** Winn, Brian  
**Sent:** Wednesday, August 15, 2018 9:23 AM  
**To:** Tierney, June; McNamara, Ed; Porter, James; Allen, Riley; Grace, Sheila; Potter, Dan; Margolis, Anne  
**Subject:** RE: Musings about our GMP meeting yesterday...

June,

At the meeting yesterday you indicated Riley, Jim, Ed and I should meet to determine the next steps. I would suggest that we include Dan and Sheila in this meeting. Before we have any communication with GMP we need to flesh out what we mean when we say the company needs to assume part of the financial risk. This is likely to be subject to broad interpretation internally.

Brian

-----Original Message-----

**From:** Tierney, June  
**Sent:** Wednesday, August 15, 2018 8:59 AM  
**To:** McNamara, Ed <Ed.McNamara@vermont.gov>; Porter, James <James.Porter@vermont.gov>; Allen, Riley <Riley.Allen@vermont.gov>; Winn, Brian <Brian.Winn@vermont.gov>; Grace, Sheila <Sheila.Grace@vermont.gov>; Potter, Dan <Dan.Potter@vermont.gov>; Margolis, Anne <Anne.Margolis@vermont.gov>  
**Subject:** Musings about our GMP meeting yesterday...

FWIW, last night I reviewed GMP's direct engineering testimony from Steve Litkovitz. I know Steve to be a very credible witness (worked with him a lot when He and I were both at PSD). Steve is a man of few words, but he is pretty clear - at least to my satisfaction - that there are experimental benefits for this project (= think innovation). So, as we approach discussions with GMP following the filing of their rebuttal testimony, I would ask all of us to consider whether we are overlooking the strength of his testimony. Are we crediting Steve the engineer as much as we should? I understand from the team that GMP has concede/admitted that the justification for the project is purely economic. But Steve speaks for the company too, and that isn't what he is saying. His testimony speaks of engineering/experiential benefits which seem to me to be additional, however incremental.

The fundamental issue here is what is the appropriate balance to strike in balancing SH and RP risk in our present environment, as we regulate the utility simultaneously in a rate case and a siting case. Regulatory history holds that utility SHs should bear the risk of unproven endeavors, as the rate regulated utility's mission is to provide safe and reliable service (not whiz-bang-gee-whiz service) at least-cost for which RPs are to pay just and reasonable rates.

But we are not in the golden age of ratemaking now, where rates were set assuming ever-increasing load, and snoozy, familiar capital investments. We are now in an environment of dramatic change and transition. In addition to matters of affordability and winter fuel security, for purposes of grid/energy transformation,

our utilities must also act competently on issues of renewable generation and integration, storage, data analytics, use of excess capacity, regional markets (and attendant dynamics and changes), etc. etc. etc.

Our focus as regulators properly is on ratepayer advocacy for just and reasonable rates, as well as on planning for and facilitating a competent infrastructure system that supports RP need and demand for reliable and renewable energy. PSD answers for both of those responsibilities and must find a way to properly balance them, not elevate one over the other.

The microgrid case is challenging us because it is a siting case that has significant rate implications in a pending rate case - as rational regulators with integrity, we recognize that a decision to support a 248 siting CPG effectively requires conceding the fairness of ratebasing at least some modicum of the project's capital cost.

We need our utilities to be innovative so that our RPs are served by a grid that can keep up with the realities of tomorrow, not yesterday. The company needs to learn how to best deal with what is coming, and it is appropriate for RPs to pay the tuition because the lessons ultimately are being learned for their benefit and to more fully realize the larger public good of a modern, functional, efficient, and cost-effective grid and power supply. Steve Litkovitz testified that this project can help GMP do that. Let's give him the benefit of our doubt as regulators who don't wear hard hats as much as he does. And let's convey to GMP leadership that we need the company to assume part of the financial risk because that is the most transparent and effective means by which regulators can ensure that RPs are bearing a just and reasonable cost for utility innovation, as opposed to ill-considered false starts — an outcome that is in the utility's interests too.

Sheila, please make sure Alex gets this email - I don't seem to have an email address for him. Thanks.

Sent from my iPhone