

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 20-1401-PET

Petition of Green Mountain Power Corporation for approval of a modification or waiver of certain provisions of its multi-year regulation plan, pursuant to 30 V.S.A. §§ 209, 218, and 218d	Hearings at Montpelier, Vermont August 6, 2020
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Order entered: 08/27/2020

PRESENT: Jake Marren, Esq., Hearing Officer

APPEARANCES: Daniel C. Burke, Esq.  
Vermont Department of Public Service

Geoffrey Hand, Esq.  
Malachi T. Brennan, Esq.  
Dunkiel Saunders Elliot Raubvogel & Hand, PLLC  
for Green Mountain Power Corporation

**FINAL ORDER**

In this Order, the Vermont Public Utility Commission (“Commission”) adopts the following proposal for decision.

**PROPOSAL FOR DECISION**

**I. INTRODUCTION**

This matter concerns the petition of Green Mountain Power Corporation (“GMP” or the “Company”) to modify certain components of its Multi-Year Regulation Plan (“MYRP” or the “Plan”), which was approved by the Commission on May 24, 2019, and is in effect until September 30, 2022.<sup>1</sup> GMP proposes to revise how the Power Supply/Retail Revenue (“PSA”) and Exogenous Major Storm (“Major Storm”) Adjustors are collected or returned to customers for the remaining term of the Plan. GMP proposes to net future changes in the PSA and new Major Storm costs against one another, monitor the variance over multiple quarters, and only

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<sup>1</sup> *Petition of Green Mountain Power Corp.*, Case No. 18-1633-PET, Order of May 24, 2019 (“PUC Order Approving MYRP”).

start a collection or return if the net amount moves in the same direction for two quarters in a row. These changes are intended to smooth out the total amount collected and reduce the number of potential rate changes resulting from these adjustors. The new net adjustment will be named the “Current Energy/Major Storm Adjustment” on customer bills and will be collected as surcharge commencing October 1, 2020.

Power supply costs from periods before the MYRP will be added to Major Storm costs that have already been incurred. These amounts will be collected as a separate line item named the “Past Storm & Power Fixed Charge” on customer bills. The Past Storm & Power Fixed Charge will also commence October 1, 2020, and will be collected for the remaining term of the Plan.

The Department of Public Service (“Department”) does not oppose GMP’s proposal to adjust its quarterly collection mechanisms. The Department recommends that the Commission “adopt a less complex variation of GMP’s proposed collection methodology to allow for better transparency into GMP’s rates.” Specifically, the Department recommends that GMP “measure and implement adjustors quarterly, as required under the MYRP, using a rolling 12-month amortization period for returns/collections without adjustor offsets.”

The differences between the Department and GMP’s positions are nuanced, and reasonable people could find either proposal to be the better method of collecting the PSA and Major Storm Adjustors. I acknowledge the Department’s concern that “GMP’s approach is complex and may be difficult to communicate to customers.” However, I recommend GMP’s proposal because I think that the potential benefit of less frequent rate adjustments for customers outweighs the benefits of the Department’s proposal. Accordingly, I recommend that the Commission approve the modifications as proposed by GMP.

## **II. PROCEDURAL HISTORY**

On June 1, 2020, GMP filed a petition seeking modification of certain provisions of its MYRP.

On June 23, 2020, a scheduling conference was held remotely via video conference.

On July 10, 2020, the Department filed its first round of prefiled direct testimony from witness J. Riley Allen.

On July 23, 2020, GMP filed rebuttal testimony from witness Edmund Ryan.

On July 30, 2020, GMP filed a report on its Power Supply and Retail Revenue Adjustor results for the third quarter of fiscal year 2020.

On July 31, 2020, the Commission issued a memorandum with information requests for both GMP and DPS.

On August 5, 2020, GMP and the Department separately filed responses to the Commission information requests with supporting attachments.

On August 6, 2020, an evidentiary hearing was held remotely via video conference, with both of the parties attending. In addition to the prefiled testimony and exhibits, the Hearing Officer entered into the record GMP's and the Department's August 5, 2020, responses to the Hearing Officer's information requests and associated attachments. In addition, one redirect exhibit from GMP was admitted at the hearing and filed in ePUC.

On August 21, 2020, the parties filed their post-hearing briefs and proposed findings of fact.

### **III. FINDINGS**

#### *Summary of the MYRP and Adjustment Mechanisms*

1. The MYRP establishes the process by which GMP will set rates for three years, commencing with the current 2020 Fiscal Year ("FY2020"). Ryan pf. at 3.
2. The MYRP locks a large percentage of costs for customers over its term, subject to certain exceptions, with adjustor mechanisms to track and adjust other variable costs, including the PSA and the Major Storm Adjustors. Ryan pf. at 3-4.
3. The PSA tracks power costs, such as changes in net power and transmission-related costs, and variances in retail sales volumes over each quarter. GMP absorbs any PSA changes within an established "efficiency band," plus 10% of any additional variance in the power supply expenses that the Company has some control over, and then returns or collects remaining variances on a quarterly basis. Ryan pf. at 4
4. The Major Storm Adjustor tracks storm recovery costs for storms that cause more than \$1.2 million in response and recovery expenses. Those costs are collected from customers

on a quarterly basis after GMP absorbs the first \$1.2 million in annual Major Storm costs. Ryan pf. at 4.

5. These adjustors are measured quarterly, and reports on each adjustor are filed 30 days after the close of each quarter. Currently, the PSA automatically goes into effect in the second quarter following the measurement period, and the Major Storm Adjustor also goes into effect in the second quarter following the measurement period, unless otherwise ordered by the Commission. The total adjustment for each quarterly measurement period is returned or collected over a single quarter. Ryan pf. at 4–5.

*Background on Implementation of Adjustment Mechanisms and the Basis for Proposed Modifications.*

6. The first quarterly adjustments (measurement period Q1 of FY2020 with a Q3 of FY2020 collection period) included \$4.6 million in Major Storm costs (after GMP absorbed an additional \$1.2 million of Major Storm costs) and a relatively modest variance in PSA of approximately \$711,000, along with stacked prior power supply adjustments approved under GMP’s previous regulation plans of \$1.26 million (called the “Net Power Adjustor” in the Q1 FY2020 filing, Case No. 20-0399-TF). Ryan pf. at 6.

7. In total, the Q1 adjustments were approximately \$5.4 million (not including the Net Power Adjustor, which was proposed to be collected over a multi-year period). Ryan pf. at 6.

8. These adjustments were due to go into effect on April 1, 2020—just after Governor Scott’s “Stay Home, Stay Safe” order went into effect—and would have resulted in significant collection at the time that customers were experiencing the early impacts of the COVID-19 pandemic. Ryan pf. at 7.

9. GMP requested deferral of the first FY20 quarterly adjustors as well as the Net Power Adjustor due to the expected economic impacts of COVID-19. The Commission granted that request on March 30, 2020, in Case No. 20-0399-TF. Ryan pf. at 7.

10. At the end of April, GMP reported the results of the second quarter of FY20, as required by the Plan. Ryan pf. at 7.

11. This winter saw historically low power costs (primarily due to warmer weather, although the end of the quarter in March was also influenced by the developing pandemic), along

with a one-time reimbursement from VELCO due to a change in its depreciation schedules. These conditions created a substantial balance to return to customers—very close to being the opposite of the result of the prior quarter. Ryan pf. at 7.

12. This provided an opportunity to offset a significant portion of the deferred Q1 customer collection; however, the present design of the MYRP does not allow for a netting of these offsetting adjustor amounts. Ryan pf. at 7.

13. GMP moved for a temporary modification to the MYRP to authorize this offset (and defer the remainder). The Department supported the motion, and the Commission approved the request on May 29, 2020, in Case No. 20-0399-TF. Ryan pf. at 7; Case No. 20-0399-TF Order of the Commission (May 29, 2020).

#### *Summary of Proposed Changes*

14. GMP proposes to adjust the collection basis for the PSA and the Major Storm Adjustor to allow netting of the two adjustors; to change customers' bills only when two consecutive quarterly net adjustments go in the same direction, collection or return; and to extend the return/collection periods by amortizing over twelve months rather than a quarter. These changes will likely result in fewer rate adjustments and more stable rates for customers. Ryan pf. at 5.

15. The quarterly measurement and reporting period for adjustors will stay the same. GMP will calculate the PSA and the Major Storm Adjustor using the same methodology established in the Plan. The results of these calculations will be reported in the same manner presently required by the Plan, 30 days after the end of each measurement period. Ryan pf. at 9.

16. The resulting quarterly PSA and the Major Storm Adjustor amounts will be netted into a single quarterly adjustment. Because the two adjustors are being netted, it will no longer be possible to return or collect the PSA on a \$/per kWh basis and the Major Storm Adjustor as a revenue surcharge percentage. GMP is proposing to apply a revenue surcharge percentage to return or collect this net adjustor because the rate change is uniform across all customers in all rate classes. Changes will be more clearly communicated to customers in terms of overall bill impact compared to the variable impacts caused by the \$/per kWh efficiency band for this

adjustor and will be applied using the same methodology presently authorized under the Plan. Ryan pf. at 9–10.

17. While the measurement and reporting period will remain the same, GMP will only implement a return or collection of the net quarterly adjustments if the quarterly net adjustment goes in the same direction for two quarters in a row. When the current measurement quarter goes in the opposite direction from the prior quarter, the amounts for the two quarters will be netted against each other, and this net amount will be carried forward into the next quarter, booked as a regulatory asset or liability. This amount will be held until the net quarterly adjustment goes in the same direction for two quarters in a row, at which point collection or return would commence for net quarterly adjustors deferred to the end of the prior measurement quarter. Ryan pf. at 10.

18. When a return or collection is implemented, the amount to be returned or collected will be amortized over a 12-month basis, not over a quarter as currently required under the Plan, and will go into effect on a bills-rendered basis beginning the second quarter after the triggering-event quarter. Ryan pf. at 10.

19. At the end of the Plan, any net deferred balances not yet collected/returned to customers using this methodology will be addressed in a future regulation plan or rate filing. Ryan pf. at 11.

20. The combined net PSA and Major Storm Adjustor will be renamed the “Current Energy/Major Storm Adjustor” and will appear as a single line item on customer bills. 8/6/2020 Tr. at 29 (Ryan); Attachment GMP.PUC1.2.2a.

21. GMP also proposes to add prior accrued adjustments associated with power supply adjustors that pre-date the MYRP with the current authorized Prior Major Storm Adjustor. This new combined adjustor will be renamed the “Past Storm & Power Fixed Charge” and will appear as a separate line item on customer bills. 8/6/2020 Tr. at 21 (Ryan); Attachment GMP.PUC1.2.2a.

22. Consistent with the requirements of the Plan, GMP will provide customer notice of any adjustments under the Plan 30 days prior to implementation on customer bills. Ryan pf. at 16.

23. The communication of changes associated with the adjustors will now be expressed in a single percentage change, rather than as separate descriptions for the PSA (expressed on a kWh basis) and the Major Storm Adjustor (expressed on a revenue surcharge basis). Ryan pf. at 16–17.

24. The dollar impact associated with each of these individual adjustors can still be distinguished on the customer notice, but a total combined percentage change now can help customers understand the exact change they will see on their bill. Ryan pf. at 17.

25. GMP has filed a sample of a customer notice for the net adjustments, so that the form of the notice is uniform and can be implemented quickly when a return or collection of the net adjustor is triggered. Ryan pf. at 17; Case No. 20-1407-TF GMP Response to DPS Comments and Revised Tariffs (August 21, 2020) (filed concurrently).

26. GMP evaluated the impact of the proposed approach in comparison to the current MYRP approach by modeling several potential scenarios. This modeling was informed by past experience in adjustor variances. Ryan pf. at 12.

27. GMP used the modeling to analyze the potential timing and scale of adjustments under both the existing method and the proposed modified approach. Ryan pf. at 12.

28. GMP's modeling indicated that there will be smoother returns, less stacking of costs, and less frequent adjustments compared to the current MYRP method. Ryan pf. at 12; Exh. GMP-ER-2.

29. GMP considered a number of different approaches as part of its analysis, looking for the best way to provide greater rate stability for customers, while limiting the risk of stacked costs, which could lead to greater rate changes in the future. Ryan pf. at 12.

30. GMP is carrying adjustor balances from prior plans under previous Commission orders. Ryan pf. at 13.

31. Modeling indicated that the quarterly-basis approach would result in more frequent bill changes compared to the proposed solution, which would allow netting of offsetting amounts before any adjustment is made to customer bills. Ryan pf. at 13.

32. Although the proposed solution could also create increasing regulatory balances in the event that quarters fluctuate back and forth between collection and return without full offsets,

in practice this is unlikely to occur because major storms create only costs and never a return adjustment, thus creating a bias towards collections. Ryan pf. at 13.

33. While the proposed approach does require converting the PSA to a common unit to allow netting, customers stand to benefit from this conversion through a simple and clear price signal on bills as opposed to competing adjustors expressed in different units, which create variable customer impacts based upon class and usage. Further, the differences between the bases of collection are minimal. Ryan pf. at 14.

34. Prior experience has shown that both adjustors can, at times, result in significant collections, particularly for major storms. Ryan rebuttal at 4.

35. In the event of a significant disruption with potential for a large collection in a single quarter, the Commission has the flexibility to consider alternative approaches, such as extending the amortization period, which would be a better and more flexible way to handle this than a specific cap every quarter. Ryan pf. reb. at 5.

36. In addition to the modifications to the MYRP proposed in this case, GMP has sought a one-time modification to allow any nominal revenue sufficiency after review of FY21 base rates to flow through quarterly adjustments as an offset, rather than through base rates, in Case No. 20-1407-TF. Ryan pf. at 3.

#### **IV. DISCUSSION**

The Department generally supports GMP's proposal to revise the collection process for the PSA and Major Storm Adjustors. However, the Department recommends an alternative to GMP's proposal to change customers' bills only when two consecutive quarterly net adjustments go in the same direction. The Department argues that it would be more transparent to customers if GMP collected the adjustors "using a rolling 12-month amortization period for returns/collections without adjustor offsets."<sup>2</sup> The transparency described by the Department arises because GMP would net PSA and Major Storm variances twice: first when it makes its quarterly measurements and then again when the Company nets quarterly variances against each

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<sup>2</sup> Department Brief at 4 (quoting Ryan pf. at 13).



other. Using GMP's methodology, the final percentage surcharge does not convey to customers what portion of the rate adjustment is attributable to Major Storms or PSA variances.

While the two-quarter procedure proposed by GMP is somewhat more complex than the Department's preferred method, it has the benefit of potentially fewer collection periods and therefore fewer customer bill changes requiring notice. GMP's belief that its method will produce fewer collection periods is based on its experience implementing the adjustors and the modeling conducted by the Company.<sup>3</sup> The Department has not challenged the Company's models and calculations in this proceeding. Therefore, while there is no guarantee that GMP's method will produce the best results, I think that its potential for providing rate stability outweighs the concerns articulated by the Department. GMP will also address some of the Department's concern by stating the dollar impact associated with each of these individual adjustors on any customer notice.<sup>4</sup> Accordingly, I recommend that the Commission adopt GMP's proposed collection method.

On July 30, 2020, GMP filed a report in this case detailing its third-quarter adjustors for the 2020 rate year. Under the MYRP as amended in this case, GMP need not file a new tariff case requesting approval of the third-quarter adjustors until the conclusion of the fourth quarter for the 2020 rate year if both quarters combined require a collection or return.

## V. CONCLUSION

I recommend that the Commission approve GMP's proposed modifications to the MYRP. This Proposal for Decision has not been served on all parties to this proceeding in accordance with 3 V.S.A. § 811 because all parties waived their right to comment on the proposal for decision.<sup>5</sup>


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<sup>3</sup> See findings 28-31, above.

<sup>4</sup> Ryan pf. at 17.

<sup>5</sup> Tr. 8/6/2020 at 44 (Hand and Burke). Pursuant to 3 V.S.A. § 811, waivers of the right to comment on a proposal for decision must be submitted in writing. If the Department changes its position and seeks an opportunity to comment on this proposal for decision, it may file a motion for reconsideration and the Commission will treat the filing as comments on the proposal for decision.

Dated at Montpelier, Vermont this 27th day of August, 2020.


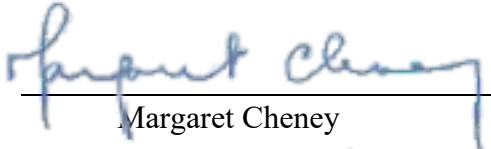

  
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Jake Marren, Esq.  
Hearing Officer

**VI. ORDER**

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission (“Commission”) that:

1. The findings and conclusions of the Hearing Officer are adopted.
2. Modification of Green Mountain Power’s (“GMP”) Multi-Year Regulation Plan (“MYRP”) as proposed is approved, consistent with the Commission’s findings and discussion in this Order.
3. GMP shall file a redline and clean copy of the MYRP reflecting the approved changes, along with other minor changes in Attachment 5 of the Plan, which summarizes how the Power Supply/Retail Revenue Adjustor is calculated, and Attachment 8 of the Plan, which summarizes MYRP filing deadlines, within ten days of issuance of this Order.

Dated at Montpelier, Vermont, this 27th day of August, 2020.

 _____ )	PUBLIC UTILITY
Anthony Z. Roisman )	
) )	
 _____ )	COMMISSION
Margaret Cheney )	
) )	
 _____ )	OF VERMONT
Sarah Hofmann )	
) )	

OFFICE OF THE CLERK

Filed: August 27, 2020

Attest:   
Clerk of the Commission

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.*

PUC Case No. 20-1401-PET - SERVICE LIST

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