STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Petition of Green Mountain Power Corporation for approval of its new Multi-Year Regulation Plan pursuant to 30 V.S.A. Sections 209, 218, and 218d	)))	Case No. 21-____-PET

PREFILED DIRECT TESTIMONY
OF EDMUND F. RYAN AND ROBERT A. BINGEL
ON BEHALF OF
GREEN MOUNTAIN POWER

September 1, 2021

Summary of Testimony

The testimony of Edmund Ryan and Rob Bingel describes how GMP proposes to set the various components of the cost of service throughout GMP's next Multi-Year Regulation Plan and describes how the proposal improves upon the plan now in effect. Mr. Ryan and Mr. Bingel also explain how GMP's proposal meets the criteria of 30 V.S.A. § 218d.

Exhibit List

Exhibit GMP-ER-RB-1	2023 Multi-Year Regulation Plan
	- Attachment 1(a) – Summary of Cost-of-Service Treatment
	- Attachment 1(b) – Summary of Rate Base Treatment
	- Attachment 1(c) – Summary of O&M Cost Treatment
	- Attachment 2 – Innovative Pilot Program
	- Attachment 3 – Annual ROE Indexing Methodology
	- Attachment 4 – Component A and B Power Supply Costs
	- Attachment 5 – Example RRA and PSA Calculation
	- Attachment 6 – Example ESAM Calculation
	- Attachment 7 – Innovation and Performance Metrics
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Exhibit GMP-ER-RB-2	Summary of New Plan Major Elements
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PREFILED DIRECT TESTIMONY OF EDMUND F. RYAN AND ROBERT A. BINGEL ON BEHALF OF GREEN MOUNTAIN POWER

I. Introduction

Q1. Please state your names and occupations.

A1. **Eddie Ryan:** My name is Edmund F. Ryan, and I am employed by Green Mountain Power ("GMP") as Controller.

Rob Bingel: My name is Robert A. Bingel, and I am employed by Green Mountain Power as Manager, Financial Planning and Analysis.

Q2. Please describe your educational and business backgrounds.

A2. **Eddie Ryan:** I received a master's degree in Business Administration in 1992 from the University of Vermont. I also hold a Bachelor of Arts degree from Castleton State College with a concentration in accounting and have successfully passed the Vermont Certified Public Accountant and Certified Internal Auditor exams. I have worked in the accounting field for over 30 years.

Rob Bingel: I have been employed for over 16 years at GMP. Besides my current role at GMP, I have worked as a financial analyst and purchasing manager. From 1995 to 1997, I worked as a production supervisor and engineer for Merck & Co., Inc. ("Merck"). I began my career as a financial analyst at International Business Machines ("IBM") in 1999. While at IBM, I forecasted spending and presented financial measurements for the manufacturing center. I also led the project team responsible for developing an activity-based costing system for the chip fabricator. I joined GMP in 2005, and I currently am responsible for developing both annual and long-term financial forecasts. I hold a

Bachelor of Science in Chemical Engineering from the Massachusetts Institute of Technology, a Master's degree in Chemical Engineering from Cornell University, and a Master's degree in Business Administration and General Management from the University of Texas at Austin. I served in the U.S. Army as both an active officer abroad and in the reserves.

Q3. Have you previously testified before the Public Utility Commission ("Commission" or "PUC")?

A3. **Eddie Ryan:** Yes, I have provided testimony before the Commission in Docket Nos. 5701/5724, 5863, 6120, 6300, 7162, 7191, 7210, 7612, 7660, 7770, 8190, 17-3112-INV, 18-0974-TF, 18-1633-PET, 19-3537-TF, 19-3167-TF, 20-0276-PET, 20-1401-PET, and 21-1965-PET. I have also presented testimony before the New Hampshire Public Utilities Commission on behalf of Central Vermont Public Service Corporation's ("CVPS") former New Hampshire subsidiary, Connecticut Valley Electric Company ("CVEC"), in Docket DR 20 96-170, a petition for an increase in base rates by CVEC.

Rob Bingel: Yes, I have provided testimony before the Commission in the 2017 Regulation Plan Extension case (Case No. 17-3232-PET) and GMP's innovative products tariff riders proceeding (Docket No. 8794).

Q4. What is the purpose of your testimony and how it is organized?

A4. The purpose of our testimony is to describe how GMP proposes to set the various components of its cost of service in the next proposed Multi-Year Regulation Plan ("New

Plan") and to describe how the proposal improves upon the plan now in effect for customers.

In Section II, we describe how the timing for the New Plan will align with GMP's anticipated FY23 rate case. In Section III, we summarize the improvements GMP is proposing in the New Plan, including an additional rate-smoothing mechanism proposed to be used during the New Plan. In Section IV, we describe category by category GMP's proposed treatment of costs and revenue under the New Plan in more detail and summarize the New Plan's adjustors and other provisions. In Section V, we discuss how the New Plan fits the criteria of Section 218d. The New Plan is attached as **Exh. GMP-ER-RB-1**.

II. Process for Implementation of New Plan

Q5. To start, can you please briefly summarize how GMP's current regulation plan operates?

A5. As the Commission is aware, GMP is currently operating under a regulation plan approved in Case No. 18-1633-PET on May 24, 2019, and as amended August 27, 2020 in Case No. 20-1401-PET and August 27, 2021 in Case No. 21-1965-PET ("Current Plan"). The Current Plan was authorized under 30 V.S.A. 218d following two rate cases and a year-long review. It established the process by which GMP set rates for the three-year period commencing in FY20 and ending with FY22. The Current Plan combines a clear and transparent approach to lock a large percentage of costs for customers over its life, subject to certain exceptions, with reasonable mechanisms to track and adjust other variable costs. The key adjustment mechanisms in the Current Plan are a Power

Supply/Retail Revenue Adjustor, an Exogenous Change Adjustor (including both a Major Storm Adjustor and a Non-Storm Exogenous Change Adjustor) and an Earnings Sharing Adjustment Mechanism. The Current Plan also smoothed the initial three-year rate path for customers, continued the commitment GMP made to achieve $144M in customer savings from the merger with CVPS, accounted for new or unanticipated costs such as for the Emerald Ash Borer infestation that was emerging at the outset of the Current Plan, and set up a mechanism to recover $25.6M of prior major storm and power supply adjustor costs through a separate line-item surcharge.

The overall structure of the Current Plan balanced the desire for greater rate path certainty for customers with the need for flexibility to confront the rapidly changing energy landscape. As described further below, we believe the overall structure of the Plan has worked well for customers, and we are not proposing significant changes in the New Plan, but rather have focused on targeted modifications where we believe the regulation plan structure can be improved to benefit customers.

Q6. Before we dive into how the New Plan will be implemented, can you describe how GMP's Current Plan functioned during the pandemic?

A6. As described further in Mr. Burke's testimony, the Plan functioned well despite the significant challenges presented by the unexpected global pandemic that hit just months after the Plan was put into place. Mr. Burke speaks further to the operational changes we were able to quickly implement to continue providing reliable service to our customers, while ensuring the safety of our workforce. In addition, the pandemic also presented a number of financial challenges. There is no question that our customers were hit hard by the pandemic, which is evident in the significant increase in accounts receivable and uncollectable reserve balances in FY20 and continuing into FY21. To help customers, GMP voluntarily stopped collections activity right away, and worked together with the Department of Public Service ("Department" or "DPS") and the Commission to implement the moratorium on disconnections and collection activities during the pandemic. We also worked with the Department to seek Commission approval of amendments to our adjustors to ensure fewer rate changes for customers during the pandemic.

We also did significant outreach to make sure customers were aware of the State's initial COVID-19 Arrearage Assistance Program, which directly helped reduce our customers' debt by $5.8M. But we saw the number of customers in arrears and total delinquencies continue to rise, even after that initial State support for our customers, to more than $20M; therefore, we worked with others to support a second round of aid through the State's program, which recently began to offer our customers further debt relief. GMP worked diligently to manage liquidity in this rapidly changing environment, and we were able to do so effectively without seeking any changes to those aspects of the Plan. GMP's ROE was also significantly impacted by a major drop in the 10-year Treasury note during the pandemic, showing the type of volatility which, in the longer term, could affect our overall stability, though it did not do so during the Current Plan term.

All of these challenges must continue to be monitored, but it is a testament to the overall structure and design of the Current Plan that we were able to weather this turmoil and still produce strong results for customers, including rate changes that cumulatively will be below the forecasted three-year rate path originally approved by the Commission in September 2019.

Q7. Turning to the New Plan, can you briefly explain how rates will be set based upon the FY23 rate case in the proposed New Plan?

A7. The Current Plan expires September 30, 2022, and does not include an extension mechanism. Consistent with the Commission's order in Case No. 18-1633-PET, GMP will be filing a cost-of-service rate case in January 2022, for rates to take effect October 1, 2022. The New Plan is proposed to be in effect for four years, running from FY23 to FY26. The FY23 rate case that we will file this coming January will provide for a detailed review of GMP's cost-of-service at the outset of the New Plan and will establish the rate path for the following three years of the New Plan. This FY23 cost-of-service review, together with an initial rate-smoothing mechanism described below, will set base rates in the first year of the New Plan.

To develop a smooth rate path during the New Plan, we will also file forecasts for FY24–FY26 in the FY23 rate case. Thereafter, the components of the New Plan, including a proposed optional rate-smoothing mechanism and other adjustors, will control any changes in rates in the subsequent three years of the New Plan. We have also included in the New Plan the ability to request a one-year extension of its framework, after conferring with the Department, subject to Commission approval. Like the Current Plan, at the end of the New Plan, GMP will file another cost-of-service rate case, unless otherwise ordered by the Commission.

III. Proposed Plan Improvements

Q8. Can you summarize both the similarities and differences in the New Plan GMP is proposing compared to the Current Plan?

A8. As described in Mr. Burke's testimony, we believe our overall regulation plan has worked well for customers, and therefore we are proposing to continue the general framework of the Current Plan, with some improvements designed to accommodate continued key investments and a smooth rate path for customers.

With respect to capital investments, GMP's approach to locking the overall level of capital plant additions over the proposed four-year term with limited exceptions, while providing GMP flexibility to manage its capital projects year to year, will remain essentially the same, with only some minor changes to the programs included in base capital, such as our Climate Plan and existing tariffed New Initiative programs, as discussed further in Mr. Burke's testimony.

We also propose to maintain in the New Plan the key adjustors largely in their current form, including the Power Supply, Retail Revenue, and Major Storm Adjustors, as modified by the Commission's approval in Case No. 20-1401-PET. We also propose to substantially maintain the Exogenous Non-Storm Adjustor and the Earnings Sharing Mechanism as set forth in the Current Plan. Other components, including treatment of depreciation costs, property taxes, debt and equity costs (including the methodology for adjusting Return on Equity during the term of the Plan), and Federal, State, and other non-property taxes will also remain the same.

In other areas of the New Plan, we are proposing relatively modest but important modifications that will result in improved plan performance and even better outcomes for customers. Chief among these changes is regulatory treatment of all Operating and Maintenance ("O&M") costs. O&M costs in the Current Plan are handled under the Merger Savings Platform established in Docket 7770. With the completion of the Merger Savings Platform specified in the Commission's Order in Docket 7770 at the end of the Current Plan, the approach we propose in the New Plan relies on the same basic performance regulation framework used to address other expenses. Under this approach, some O&M costs will be fixed for the term of the Plan based on a forecast at the beginning of the Plan; some components will be updated annually using a formula based upon an established inflation factor; and some components—namely external costs not in GMP's direct control—will be reforecast and updated annually.

When we embarked on our new regulation plan a few years ago, keeping a predictable and smoother path for customers was among our key goals. The Current Plan as approved by the Commission did this through a design that provided a yearly forecast up front and then limited annual reforecasting thereafter. That design worked well overall, even in the face of an unexpected and unprecedented pandemic that shut down economic activity and caused upheaval for everyone. In fact, the design of the Current Plan allowed us to keep rates below our originally projected smoothed rate average over the three-year period, and we made some important amendments during the term of the Current Plan, with Commission approval, to ensure adjusters operated as smoothly as possible for customers. However, the pandemic did create greater volatility than we could have predicted, and customers still experienced year-to-year rate variation during the Plan period. While another disruption on the scale of the recent pandemic is, hopefully, unlikely, we are proposing an option for an additional rate-smoothing mechanism in the New Plan to allow GMP the chance to smooth rates year to year within the New Plan period, with Department review and Commission approval, if needed.

We prepared **Exh. GMP-ER-RB-2,** which provides a summary of the New Plan, noting material changes proposed from the Current Plan. This exhibit references the applicable New Plan section number, as we updated the format of the New Plan to remove some duplicative summary sections at the beginning to streamline and simplify it. We describe the key components of the New Plan further in the following Sections.

IV. <u>Description of Individual Plan Components</u>

Q9. Please explain how different cost and expense elements are treated in the New Plan.

A9. As we describe in greater detail below, all elements of costs and expenses are treated either under a fixed forecast set as a part of the approval process; an indexed forecast tied to a specific published Consumer Price Index input; or an annually reforecast number based upon GMP-specific information, such as independent-source forecasts or bid amounts. **Exh. GMP-ER-RB-1, Attachments 1a, 1b, and 1c** show the proposed treatment of each element of GMP's Cost of Service and Rate Base, and we summarize these items further below. The treatment of capital costs is covered in Mr. Burke's testimony. Power supply costs and retail revenue are covered in Mr. Smith's testimony.

A. Depreciation and Property Tax Forecasts Associated with Capital Expenditures

Q10. You mentioned that Mr. Burke addresses GMP's proposal to treat Capital Additions in essentially the same manner as under the Current Plan. Can you describe how GMP will treat associated depreciation expense under the New Plan?

A10. Our treatment of depreciation costs will mirror how we are handling capital addition costs, with these associated costs locked in the same manner as under the Current Plan. The only proposed change to the current approach is to make clear that depreciation costs will be updated to take into account any capital addition changes that are actually authorized by the Commission during the New Plan term under other exceptions. This was intended and implied in the Current Plan, but was not clearly specified, and we have updated the language of the New Plan in Section IV(A)(1)(ii) to make this clear.

For the New Plan period, depreciation expense will be capped by year. For FY23, depreciation expense will be determined as part of the FY23 rate case and calculated based on plant-in-service balances at the end of the test year, plant additions and retirements that occur from the end of the test year to the end of the rate year, and depreciation accrual rates applied to these plant balances. For FY24–FY26, depreciation expense will be calculated based on the plant-in-service balances at the end of the FY23 rate year determined by the FY23 rate case, the expected annual plant additions described by Mr. Burke, estimated retirements, and depreciation accrual rates applied to these plant-in-service balances.

Although depreciation expense will be fixed over the life of the New Plan, except for Commission-approved capital additions, we believe the risk of a lesser expense is quite low since such a significant portion of the depreciation expense is based upon GMP's existing plant-in-service balances. We are also confident that forecasted plant additions presented by Mr. Burke are needed and appropriate to provide reliable service to our customers. Moreover, if GMP's actual depreciation expense during the New Plan period is significantly less than the fixed amounts, the existing Earnings Sharing Adjustor Mechanism would work to appropriately recapture that benefit for customers.

Q11. Will GMP be updating depreciation rates in a new study during the New Plan period?

A11. No. As noted in the Current Plan, GMP's most recent depreciation study was implemented in FY21. Consistent with commitments to conduct a depreciation study every five years, GMP proposes to complete our next deprecation study in FY25, to go into effect no earlier than in the years following the end of the New Plan. This will allow the proposed depreciation accrual rates based on the study to be reviewed as part of a cost-of-service rate case.

Q12. How will property taxes be treated under the New Plan?

A12. No changes have been made to the treatment of property taxes in the New Plan. As in the Current Plan, GMP proposes to calculate and fix property taxes based on GMP's historical trend in property tax expense and the impact projected plant additions and retirements will have on property tax expense. Property tax expense for FY23 will be determined as part of the FY23 rate case. GMP will use the FY23 property tax historical trend percentage to calculate and fix the FY24–FY26 property tax expense. The fixed property tax amounts can only be adjusted to reflect the impacts of allowed capital addition exceptions approved by the Commission on property tax expense.

B. O&M Costs

Q13. Please describe how GMP will treat O&M costs under the New Plan.

A13. As noted above, GMP's existing Merger Savings Platform specified in the Commission's Order in Docket 7770 will be completed at the end of the Current Plan. GMP is on track to deliver more than its commitment of $144M in customer savings from the merger. The overall results will be available only after the end of FY22, though GMP expects to describe its merger savings performance in the course of FY23 rate case review. Going forward in the New Plan, GMP is proposing to fold in O&M costs using methods similar to those used for other expenses. Under this proposed approach, some categories of O&M costs will be fixed based on forecasts approved at the outset of the New Plan; some categories will be updated annually by a specific inflation factor or index set during this proceeding; and some categories will be reforecast annually based on information provided by independent sources.

Q14. Can you describe how GMP proposes to categorize and treat specific O&M costs in the New Plan?

A14. Costs more directly under GMP's control will be locked over the term of the Plan based on the FY23 known and measurable costs and the accompanying three-year forecasts for FY24–FY26 provided at the start of the Plan. This category represents approximately one-third of our total O&M costs. Locking in these costs based only on an approved forecast helps ensure GMP continues to perform well for customers throughout the New Plan period. Another category of costs will be updated annually based only upon an established or indexed inflation factor, to be set as part of this proceeding; these include, among other things, certain customer accounting, customer service, field operations expenses like Digsafe underground damage prevention, pole inspections, non-major storm costs, and administration and general costs not included in the other O&M categories. Together, these represent another one-third of our total O&M costs. Finally, for the remaining third of O&M costs that are truly out of GMP's control—like pension (mostly driven by retirements and interest rates); healthcare and other insurance costs that have moved based upon larger market forces; and costs like tree trimming that are subject to annual fixed-price bidding processes that cannot reasonably be conducted years in advance—we will annually reforecast and update these costs.

Overall, setting a defined methodology that fixes the changes allowed for a significant portion of our O&M costs annually will help ensure continued good performance and outcomes for customers. The FY23 rate case will provide an opportunity for a detailed review of GMP's O&M costs, and that standard process will set the foundation for costs for the first year of the New Plan and beyond. **Exh. GMP-ER-RB-1, Attachment 1c** summarizes each category of O&M costs and the proposed treatment under the New Plan. **Exh. GMP-ER-RB-3** provides a summary of historical costs by percentage over the past three years in each of the three categories, showing that under this approach approximately two-thirds of GMP's annual O&M costs will be either fixed or adjusted only under a formula for inflation.

Q15. Has GMP done any internal benchmarking to compare its performance on a cost basis to other peer utilities?

A15. Yes. For the past several years, GMP has continued to track our performance against several peers through comparison of the FERC Form 1 filings, which are a publicly available data source that allows for benchmarking based on standardized information. GMP continues to rank near the top of this peer group with the third-lowest costs per customer out of twenty comparable utilities in the most recent review. We are particularly pleased to see that result in light of our rural, storm-challenged service territory, and believe the proposed approach in the New Plan for managing O&M expenses will allow us to continue to achieve these positive outcomes for customers.

C. Equity in Affiliates, Other Revenue.

Q16. Does GMP propose to make any changes to how Equity in Affiliates are treated as compared to the Current Plan?

A16. Yes, but only a minor clarification is proposed, related to GMP's investment in Vermont Transco LLC ("VT Transco"), which follows the modification the Commission approved in Case No. 21-1965-PET. Under the Current Plan, GMP's earnings from equity in affiliates are locked for all three years, with the option to seek approval for investments in any *new* affiliate. GMP's affiliates during the term of the New Plan are expected to include VT Transco, VELCO, Vermont Yankee Nuclear Power Corporation, Maine Yankee, Connecticut Yankee and Yankee Atomic, Green Lantern, NE Hydro Trans and NE Hydro Trans Electric, and JV Solar-Storage. All benefits that come from these investments go 100% to our customers, and as such it is important to capture all of them year to year while ensuring that the Department and Commission have oversight in the event any significant new ventures are proposed. GMP proposes to continue to lock all of these investments based on forecasts at the beginning of the New Plan, allowing changes only upon Commission review and approval, with the exception of VT Transco, which GMP proposes to reforecast and update annually in the New Plan.

Q17. Why is GMP proposing to reforecast and update VT Transco investments?

A17. As outlined in our approved petition to modify the Current Plan in Case No. 21-1965-PET, and discussed in Mr. Ryan's prefiled testimony in that proceeding (see Q18), investments in VT Transco create a significant recurring customer benefit. In its cost-of-service filings, GMP reduces the cost of service by the earnings GMP receives from its investment in VT Transco and includes its VT Transco investment in rate base. This rate treatment results in customers receiving a cost-of-service VT Transco earnings credit of approximately 14% on the VT Transco investment while only having to pay approximately 8% on the VT Transco investment being included in rate base. Given the size of GMP's VT Transco investment, this ratemaking treatment produces a net annual customer benefit in excess of $20M, which grows with each additional VT Transco investment.

GMP is proposing to reforecast and update the VT Transco investments because GMP wants to make sure customers receive the full benefit of the VT Transco investments from the time the investments are made, including VT Transco investments that were not contemplated at the time GMP prepared its initial New Plan forecasted FY24 to FY26 base rate change.

Q18. How does GMP seek to account for Other Revenue in the New Plan?

A18. GMP receives payments categorized as Other Revenue from various sources such as mutual aid, pole attachments, innovative services, contributions in aid of construction tax adder, and transmission tariffs. All Other Revenue sources reduce our cost of service and directly benefit customers. These Other Revenue categories are currently locked based on forecasts that were approved at the beginning of the Current Plan, and GMP proposes to treat them the same in the New Plan, with one revision. We have modified the New Plan to clarify and confirm that revenue associated with New Initiative tariffed programs approved during the term of the New Plan will be updated to take into account new expected revenue that may flow from these programs to benefit all other customers. While it is beneficial to ensure GMP works to hit its multiyear projections for Other Revenue in most areas, New Initiatives are developed on a shorter timeframe. The modification is designed to be clear that any additional benefits generated by New Initiatives flow to customers, which happened and was the intent of the Current Plan.

D. Income Taxes and Related Costs

Q19. Does GMP propose any changes to how income taxes and related costs are treated under the New Plan?

A19. No. GMP's income taxes and related costs are proposed to continue to be reforecast and updated annually, as they have been. Income taxes and related costs consist of Federal and State Income and Gross Revenue, and Fuel Gross Receipts taxes. The FY23 rate case will provide a detailed review of these costs for that rate period, and initial forecasts for FY24–FY26 will be included in the three-year forecasts provided during the FY23 rate case for purposes of establishing the initial rate smoothing adjustment. Thereafter in each Annual Base Rate filing, GMP will reforecast these tax categories based on known and measurable changes in the coming rate year.

E. Debt & Equity

Q20. Is GMP proposing to make any changes to how the debt and equity components of the New Plan work, compared to the status quo?

A20. No. We propose to continue to utilize a 50/50 debt-to-equity ratio, plus or minus 1%, to calculate annual rates for the life of New Plan. Debt costs will be locked based upon a forecast at the beginning of the New Plan, as in the Current Plan, with the ability to update only to take into account changes stemming from any changes authorized under the New Plan that may be approved by the Commission (for example, a strategic opportunity that is separately approved by the Commission.) A 50/50 debt equity ratio is in the middle of the range supported by previous Commission decisions, including our Current Plan, and is at a level that gives GMP a chance to maintain a strong credit rating along with necessary liquidity to meet its obligations.

Looking ahead, GMP has very few new First Mortgage Bond Issuances coming up for the duration of the New Plan, and the Credit Facility was very recently renegotiated, making the overall financing expenses forecast fairly predictable.

With respect to equity, GMP proposes to continue the same formula for annual adjustments for Return on Equity ("ROE"). As indicated in Attachment 3 to the New Plan, the formula calculates the average change of the 10-Year U.S. Treasury Note over a defined three-month measurement period, and then adjusts the ROE by 50% of the measured change.

Q21. How will the initial starting point for ROE be set for the Plan?

A21. Based on the ROE formula in the Current Plan, GMP's ROE is currently set at 8.57%, which is at this point the lowest ROE for any vertically integrated utility in the country. The initial starting point for ROE in the New Plan will be set as part of the FY23 rate case, which will give the Commission the opportunity to consider GMP's proposal and expert evidence on the appropriate ROE for FY23 and what adjustment, if any, is necessary to establish just and reasonable rates. For the following years of the New Plan, GMP proposes to keep the current adjustment methodology for the ROE.

F. Rate-Smoothing Mechanism

Q22. Can you describe how GMP will implement the proposed Rate-Smoothing Mechanism and any changes GMP is proposing in the New Plan?

A22. The Initial Rate-Smoothing Mechanism established at the beginning for the Plan will be carried forward from the Current Plan to the New Plan. Under the New Plan, the Initial Smoothed Base Rate Path is set at the beginning of the Plan based on the FY23 Cost of Service Filing and the initial forecasted FY24 to FY26 cost of service. This Rate-Smoothing Mechanism establishes the annual amount that is either added to or subtracted from the revenue requirement for each fiscal year of the Plan, to set an Initial Smoothed Base Rate path. The Initial Smoothed Base Rate will set the FY23 base rate and will represent the projected average annual base rate change for each fiscal year of the Plan based on current forecasted revenue requirements and a uniform projected annual base rate change for all four years of the Plan. A regulatory asset or liability will be established at the beginning of the Plan based on this Rate-Smoothing Mechanism to account for any adjustments to the forecasted costs or revenues in each fiscal year that are necessary to establish the Initial Smoothed Rate. The regulatory asset or liability will reverse over the term of the Plan and will be zero at the end of the Plan.

In addition to this Initial Rate-Smoothing Mechanism, under the New Plan, GMP will have the option of proposing additional rate smoothing for FY24, FY25, and FY26 of the difference between each fiscal year's actual base rate change and its Initial Smoothed Base Rate Change, where such smoothing would benefit customers by minimizing rate variation over the term of the Plan. GMP will propose any smoothing in the Annual fiscal year Base Rate filing, which is subject to Commission review and approval.

G. Earnings Sharing Adjustment Mechanism

Q23. Does the New Plan include an Earnings Sharing Adjustment Mechanism?

A23. Yes, GMP is continuing the Earnings Sharing Adjustment Mechanism ("ESAM") in the same format as the Current Plan, including the same efficiency bands and asymmetric sharing bands approved in the prior regulation plan proceeding.

Q24. Can you explain the purpose of the ESAM and what if any impact the ESAM has had under the Current Plan?

A24. The ESAM is essentially a mechanism for handling the risk that GMP's actual earned utility ROE varies significantly from the Commission-approved ROE during the term of its regulation plan. It does so by sharing some over- or under-recoveries, outside of a defined efficiency band, between GMP and its customers.

It is important to note that GMP's ROE provides an opportunity for earnings, but is not a guarantee. Through performance in any given year, GMP achieves an earned ROE that usually varies from the authorized ROE. This variance will be caused by certain actual rate year costs, revenues and rate base being more or less than the cost, revenues and rate base reflected in the approved base rate cost of service. Given the overall design of the Plan, and its other important features, including in particular a complete revenue decoupling, GMP has not seen significant fluctuations in actual/expected returns under the Current Plan, even during the extremely turbulent times created by the pandemic. As a result, the ESAM is not expected to be applied during the term of the Current Plan.

Nevertheless, retaining the ESAM feature is important. It serves as a backstop to ensure that rates will remain just and reasonable by flowing any potential significant overearnings back to customers. As noted in Mr. McDonnell's and Mr. Nelson's testimony, ESAMs are a key component of any performance-based regulation plan, and GMP's asymmetric ESAM in particular benefits customers by providing them a greater share of significant overearnings.

Q25. How specifically would the ESAM work?

A25. The ESAM measurement periods are the rate periods under the New Plan: Fiscal Years 2023, 2024, 2025, and 2026 (plus any extension period if authorized). For each of these measurement periods, GMP's actual return on equity is calculated in the same manner as a cost-of-service filing. Rate adjustments are then made, based on how far GMP's actual return on equity falls above or below its approved return. The ESAM has a symmetrical efficiency band and asymmetrical earnings sharing bands, with GMP bearing a greater share of the risk under this asymmetrical design.

The tiers and resulting adjustments are proposed to remain as previously approved (and as supported by the Department) as follows:

- 50 basis points above or below the approved return: no adjustment is made.
- 50–125 basis points above approved return: 75% of revenue benefit is returned to customers.
- 50–150 basis points below approved return: 50% of the revenue impact of the lower earnings is collected from customers.
- More than 125 points above the approved return: the entire revenue benefit flows to customers.
- More than 150 points below the approved return: the entire revenue impact is collected from customers.

In addition, the New Plan retains the feature of the prior ESAM to provide support for low-income customers. GMP will contribute 5% of any excess earned utility net income above allowed utility net income, if any, through existing programs, as designed in consultation with the DPS and its Consumer Affairs division.

On or before November 29 each year, GMP will file with the Commission and the Department its complete financial results for the preceding fiscal year, with calculations and documentation supporting the ESAM. Actual earnings will be calculated on a regulatory basis (i.e., excluding disallowed costs and the results of unregulated operations). Actual earnings shall include the earnings impact of the Power Supply Adjustor, Revenue Adjustor, and Exogenous Change Adjustor. Any resulting ESAM adjustment will be a separate line item on the customer's bill.

The format of the ESAM filing will be consistent with Current Plan ESAM filings made by GMP. **Exh. GMP-ER-RB-1, Attachment 6** is a sample calculation of the Earnings Sharing Adjustment under the New Plan.[1]

H. *Exogenous Change Adjustors*

Q26. Please describe the Exogenous Change Adjustor GMP proposes.

A26. Overall, GMP proposes the same straightforward approach to defining the Exogenous Change Adjustor as it presently utilizes, including both an Exogenous Non-Storm component and an Exogenous Major Storm component.

[1] Note that to the extent GMP's actual earned return varies from the target return by an amount that exceeds the Earnings Sharing Band, under Generally Accepted Accounting Practices ("GAAP") GMP must accrue the revenue impact of the difference for book purposes and either create a regulatory asset (if the actual return is less than the target) or defer the revenue impact of the difference and create a regulatory liability (if the actual return is greater than the target). The regulatory asset or liabilities that are created are eliminated over the twelve-month ESAM adjustment period.

Q27. Can you describe the Exogenous Non-Storm Adjustor in more detail?

A27. Yes, the Exogenous Non-Storm Adjustor has been an important component of GMP's prior regulation plans and is intended to cover unexpected circumstances that have a material impact on costs or revenues and are truly outside of GMP's control. These events are enumerated in the Plan and include:

1. Changes in tax laws that impact GMP, as have occurred in the past when corporate tax law changes were implemented at the federal level.
2. Changes in Generally Accepted Accounting Principles.
3. Any Federal Energy Regulatory Commission or New England Independent System Operator rule, tariff, or other change affecting the Company and not a part of the Power Supply Adjustor.
4. Other regulatory, judicial or legislative changes affecting the Company not already anticipated in the design of the regulation plan.
5. Net loss of major customer(s) load not related to weather and not a part of the Retail Revenue Adjustor.[2]
6. Major unplanned costs or investments, such as those incurred due to unexpected major maintenance or operations interruptions (unrelated to storms), major repairs to Company-owned power plants not a part of the Power Supply Adjustor, and major unplanned expense items such as pension settlement accounting.

For any Exogenous Non-Storm change, costs or revenue changes are considered material only if the incremental costs in aggregate exceed a $1.2M threshold in each measurement period. This amount is a threshold, not a deductible, and in the event the threshold is not reached, GMP absorbs changes below this amount. These enumerated

[2] GMP would not treat the GLOBALFOUNDRIES U.S. 2 LLC ("GF") transition to a Self-Managed Utility ("SMU") as an exogenous event if the SMU proposal presently before the Commission in Case Nos. 21-1107-PET and 21-1109-PET is approved but may be required to seek such treatment in the event that GF were to substantially reduce its load or depart under other unplanned or unexpected terms.

exogenous events are the same as in the Current Plan, but we have added further language in item #6 to provide examples of some of the types of events that would qualify for exogenous treatment under this provision.

Q28. How are Non-Storm Exogenous Changes recovered?

A28. Under the Plan, Exogenous Non-Storm costs and revenue changes are addressed annually based on any qualifying events that occur in each measurement period (which is the fiscal year). If the $1.2M threshold is met, the total incremental impact of the Exogenous Non-Storm Change will be reported within 60 days of the end of each fiscal year, along with a proposal to collect costs or return revenues to customers.

Q29. Can you describe how GMP proposes to handle Major Storms that occur during the New Plan?

A29. Major Storms are defined as a severe weather event that satisfies all three of the following criteria from GMP's Service Quality and Reliability Plan ("SQRP"):

i. Extensive mechanical damage to the utility infrastructure has occurred;
ii. More than 10% of the customers in a service territory are out of service due to the storm or the storm's effects; and
iii. At least 1% of the customers in the service territory are out of service for at least 24 hours.

In addition to these SQRP criteria, Major Storms must meet a $1.2M threshold, meaning storm restoration and related work causes the Company to incur incremental maintenance expenses in excess of $1.2 million. Qualifying Major Storms are handled under the Exogenous Major Storm Adjustor in the New Plan, described further below, and storm costs under this threshold are addressed in GMP's general O&M costs. This division in treatment between major and minor storms has been a longstanding approach, and is appropriate because Major Storms are significant events, with significant associated restoration costs, which can vary over time. If GMP were required to include these costs in general operating costs and base rates, the associated cost fluctuations could result in annual over/under collections from year to year leading to substantial annual variation in rates for customers. Thus, it is better for customers to track, account for, and recover Major Storms costs through a separate line item outside of base rates. This also provides greater flexibility in how these costs are addressed, including the opportunity to recover excessive costs over longer periods of time, or to offset these costs with other adjustments under the Plan.

Exogenous Major Storm Changes consist of increased costs experienced by GMP relating to the incremental maintenance expenses incurred for Major Storms. In addition to the $1.2M per storm threshold, the Plan also includes an overall $1.2M deductible for cumulative Major Storm costs experienced in a fiscal year. This provides for efficient management and shared risk, as GMP absorbs the first $1.2M in major storm costs before collecting any incremental costs from customers.

Q30. How does GMP propose to handle costs that exceed the annual deductible and meet the definition of a Major Storm?

A30. There are two mechanisms we propose to handle these costs. First, we propose to continue the Major Storm Adjustor as presently utilized in the Current Plan, including the modified methodology approved by the Commission in Case No. 20-1401-PET. Under this approach, Major Storm Exogenous costs are monitored and reported on a quarterly basis, and recovery is handled together with the Power Supply/Retail Revenue Adjustor ("PSRRA"). Major Storm costs above the $1.2M annual deductible are netted against PSRRA variances in each quarterly reporting period (the PSRRA component of this adjustment is discussed in more detail in Mr. Smith's testimony). When combined quarterly net change adjustor amounts move in the same direction in two consecutive quarters, a collection or return will be triggered, and the cumulative adjustor balance carried forward from the prior quarter will be reflected on customer bills in the following quarter. If a collection or return is not triggered, the cumulative net balance of the combined adjustors will be carried forward to the next measurement period, described as the "Cumulative Carry Forward" amount.

This approach has worked well under the Current Plan since the modification approved in Case No. 20-1401-PET was made, resulting in fewer, smaller adjustments for customers, and GMP proposes to continue the approach in the New Plan. The only adjustment GMP proposes to this approach is a $1M threshold for any potential collections/returns. To further minimize the potential for adjustments for customers, if a collection or return would otherwise be triggered, but the cumulative net balance to be collected or returned is less than $1M, the amount will be carried forward to be netted against the next quarter net adjustor.

Second, recognizing how disruptive truly large storms can be for customers, we also propose an ongoing collection line item to blunt Major Storm costs for customers over the term of the New Plan. To this end, the New Plan includes a Major Storm Restoration Fund, to be used to offset Major Storms or other adjustors or costs as approved by the Commission that occur during the term of the New Plan, as described further below.

Q31. The Current Plan has a Prior Major Storm and Past Power Cost line item. What happens to that line item in the New Plan?

A31. That line-item collection was associated with historic Major Storms (more than $24M that had accumulated prior to the start of the Current Plan) and a small amount of prior power adjustments that occurred under earlier plans. These collections will be completed at the end of the Current Plan.

As explained in Mr. Burke's testimony, GMP has seen more frequent and intense storms, and these impacts are only expected to increase as the impacts of climate change accelerate. Recognizing Major Storms and their effect on customer bills, as evidenced by the $24M in Major Storm costs that were incurred prior to the start of the Current Plan, GMP proposes to utilize a Major Storm Restoration Fund for customers in the New Plan, in the amount of $6M per year, lower than the current line item on customer bills. While we could instead utilize only the adjustor mechanism for these charges, history has shown what will happen—stacked costs and large charges for customers when truly big storms roll through. Having a separately collected and accounted for line item enables GMP to use such funds to offset Major Storms or other adjustors or costs, subject to Commission approval, and return the funds to customers if the fund accumulates a significant balance, which avoids stacking costs and large charges for customers.

Q32. How will this new Major Storm Restoration Fund be implemented?

A32. GMP will collect the Major Storm Restoration Fund through a separate line item on the bill on a surcharge percentage basis, in a total amount of $6 million annually from customers in all customer classes. GMP will accrue interest income/expense on the balance of the regulatory liability based on GMP's credit facility interest rate. The amounts collected from customers through this mechanism will be recorded to the Major Storm Restoration Fund and used to offset costs. GMP will report the fund balance each quarter as part of the Power Supply/Retail Revenue and Major Storm Adjustor report, and will seek Commission approval for any proposed use of the fund to offset potential collections under this net adjustor or elsewhere.

I. Other Plan Provisions

Q33. Does the New Plan allow GMP to make major strategic investments for important customer-focused opportunities if any arise over the term of the New Plan that are not yet contemplated?

A33. Yes. The New Plan continues the unexpected circumstances or strategic opportunities exception from the Current Plan. Experience with this exception under the Current Plan shows its value—GMP sought only one narrow exception in the past two years, requesting and receiving approval for an important broadband tariff rider to help facilitate greater broadband access for GMP customers. Should a similar opportunity arise during the New Plan, it will be important for GMP and our customers to have a mechanism to make such an investment. While these investments normally would involve other

Commission approval (for example, the broadband exception required a tariff approval, but other opportunities could implicate other approvals such as Section 248), it is important that the regulation plan account for the treatment of any such opportunity in rates. As in the Current Plan, the provision applies to significant unforeseen capital projects and strategic investments that are not included in our multi-year forecasts. We have tweaked the provision to include both capital and potential O&M expenses, which are needed given the new proposed treatment for O&M costs in the New Plan following completion of the merger savings platform.

Q34. Does the New Plan continue provisions to account for significant market or other changes affecting the fundamental regulatory environment?

A34. Yes, it does. As with the Current Plan, the New Plan allows GMP to terminate the regulation framework and file a rate case in the event that operating under the New Plan adversely impacts the financial stability of GMP to the detriment of our customers. This continues an important protection for customers and the company and serves as a backstop that would only be used in an exigent circumstance. The Plan also allows the Department to request an investigation to terminate the Plan in the event it believes such an action is appropriate to protect customers for similar reasons. Any such request would be subject to the approval of the Commission.

Q35. Does the New Plan contain a Merger Savings Adjustor?

A35. No. This adjustor is no longer necessary as the merger savings platform approved by the Commission in Docket 7770 will be complete prior to the start of the New Plan and both the New Plan and the Current Plan allows for any adjustments that flow to following years to continue. GMP is on track to deliver more than the $144M of guaranteed customer savings established in Docket 7770, and will assess as a part of the FY23 rate case the status and treatment of any remaining regulatory asset associated with the Merger Savings Adjustor that will remain at the end of the Current Plan.

Q36. What about bill adjustors already approved or that will be approved by the Commission under GMP's Current Plan for collection—are those affected by the New Plan?

A36. No. The collection/return of all adjustors under the Current Plan continue beyond the term of that plan as allowed by this New Plan or otherwise ordered by the Commission. For example, the modified PSRRA and Major Storm Adjustor amortizes recovery or returns over a 12-month period following a triggering event, which depending on when a collection or return commences, could carry over into the term of the New Plan. These adjustors approved by the Commission during the Current Plan will continue in rates as planned and will not be affected by the New Plan.

Any over/under collection for any adjustor under the Current Plan remaining at the end of its collection term and not yet subject to a Commission order regarding its collection or return must be deferred and addressed in a future regulation plan or rate filing.

V. Section 218d Criteria

Q37. In your view, does the New Plan meet the criteria for least cost service under 30 V.S.A. § 218d(a)(1)?

A37. Yes. First, as with the Current Plan, the New Plan establishes a framework for GMP to continue to provide least cost service as GMP and our customers both benefit by keeping costs down under the Plan, as required under § 218d(a)(1). GMP will continue to fix a portion of its costs for the term of the New Plan, subject to certain narrow exceptions that require Commission approval. The New Plan also continues the existing revenue decoupling from the Current Plan, which removes any possible disincentive for providing least cost service through services or resources that would reduce electric sales. This decoupling may prove even more beneficial for customers in the years ahead as strategic electrification increases and load may grow. The Plan also continues the Power Supply Adjustor, which requires GMP to true up power and transmission costs versus its forecast, with GMP bearing a portion of the cost for spending more than its power cost forecast in any quarter under the Power Supply Adjustor ("PSA") efficiency band. The New Plan also continues the existing ESAM in the same form as the Current Plan. The Commission concluded in its decision approving the Current Plan that the PSA efficiency band and the ESAM encourage GMP to control costs, which will continue in the New Plan.

Q38. How does the New Plan provide just and reasonable rates for service to all GMP customers as required under § 218d(a)(2)?

A38. The design of the New Plan also continues to provide for just and reasonable rates for service to GMP customers, consistent with § 218d(a)(2). To achieve this outcome, the New Plan extends critical features of the Current Plan in substantially the same form. These include capped capital spending, revenue decoupling, and adjustors with dead bands that maintain the strong alignment between GMP's and our customers' interests. As the Commission previously concluded, the adjustors in the New Plan ensure that GMP does not significantly over- or under collect on its actual cost of service and provides flexibility to address unexpected events or opportunities that could negatively impact customers. Together these mechanisms help to continue and sustain GMP's strong credit rating, which benefits our customers. Standard & Poor's, our credit rating agency, recently upgraded GMP's rating from A- to A, and highlighted that the use of a multi-year regulation plan along with power-cost and storm-cost adjustors allows GMP to operate in a regulatory environment that favors a balanced risk-sharing framework. Adoption of the New Plan would extend that stable and balanced approach.

Q39. Please explain how the New Plan allows GMP to deliver safe and reliable service as required under § 218d(a)(3).

A39. The New Plan also continues the existing mechanisms in the Current Plan that enable GMP to deliver safe and reliable service to customers. This includes both proactive resiliency efforts and mechanisms to help address and minimize impacts of unexpected events or costs that could threaten safety or reliability. On the resiliency side, the New

Plan incorporates and extends GMP's existing Climate Plan projects, which encourage cost-effective measures to harden our system and mitigate the impact of climate change on our system to reduce outages to the extent possible before they occur. When unexpected events do occur, the Plan also continues the Exogenous Change Adjustment to address both Major Storm and non-storm exogenous events that could adversely impact customers. The New Plan adopts and continues existing thresholds for both Major Storms and non-storm events, as well as the existing Major Storm deductible that requires GMP to absorb the first $1.2M in Major Storm costs. In addition, although capital spending will be capped, GMP will retain flexibility to adjust spending within the cap as needed to ensure safe and reliable service. The allowance to petition for relief if unforeseen significant costs arise also will support safe and reliable service.

Finally, the New Plan continues to incorporate GMP's service quality and reliability performance monitoring, and GMP is obligated to meet and report on these safety and reliability standards. This reporting, together with other required performance metrics, will provide transparent data on GMP's services.

Q40. Section 218d(a)(4) requires "incentives for innovations and improved performance that advance state energy policy such as increasing reliance on Vermont-based renewable energy and decreasing the extent to which the financial success of distribution utilities between rate cases is linked to increased sales to end use customers and may be threatened by decreases in those sales." Does the New Plan meet this requirement? Please explain.

A40. Yes. As with the Current Plan, the New Plan contains and expands upon several features that directly support GMP's continued innovation and an electric system that is closer, more connected, and empowers customers. In particular, GMP proposes to continue the Innovative Pilot provision, which has successfully encouraged the development of new programs to advance State energy policy. This approach has led to important advancements in energy storage, grid modification and transformation, greater electrification of our transportation system (the top source of carbon pollution in Vermont) through EV adoption, and overall decarbonization of the system, which must continue and accelerate. To that end, these innovative efforts will be further supported in the New Plan through a revised approach to incorporate new tariffed programs that may be approved by the Commission during the term of the Plan, ensuring that we can scale up successful innovative programs and services that deliver greater benefits to customers.

The continued revenue decoupling feature also supports this criterion. As the Commission concluded in reviewing GMP's Current Plan, this mechanism decreases the extent to which financial success between rate cases is linked to increased sales. Similarly, as described in Mr. Smith's testimony, extension of the existing Power Supply

Adjustor supports Vermont-based renewable energy by reducing key potential barriers through managing fluctuations in power costs and revenues that are naturally associated with reliance on intermittent power sources.

Finally, GMP's continued tracking of performance metrics in areas important to State energy goals will provide data that can be used in future proceedings to design mechanisms to further these goals, including potential financial mechanisms to achieve desired outcomes for customers.

Q41. How does the New Plan promote improved quality of service, reliability, and service choices as required under § 218d(a)(5), and encourage innovation in the provision of service as required under § 218d(a)(6)?

A41. As discussed above, the New Plan continues the basic framework of the Current Plan to achieve the goals of these two sections, including the incorporation of GMP's service quality and reliability performance and reporting obligations, along with other transparent performance metrics. The New Plan also extends the focus in the Current Plan on programs that expand new service offerings for customers, through GMP's Innovative Pilot program, which includes comparable third-party offerings of these services. The New Plan builds on these successful programs with a mechanism for incorporating new tariffed innovative services that may be proposed during the Plan term, subject to Commission approval.

The Plan continues GMP's focus on improved service for our customers through the expanded resiliency work we have been pursing under the existing Climate Plan. These resiliency projects—including storm hardening projects like undergrounding and resiliency zones to power critical facilities through outages—will be incorporated directly into GMP's fixed capital budgets during the term of the New Plan. Finally, the New Plan provides for the same type of flexibility as the Current Plan so that GMP can seek approval to pursue important programs for our customers, such as our recent Broadband Rider, which is designed to provide more equal access for customers to many of the innovative offerings discussed above, which rely on high-quality internet service.

Q42. Please explain how the New Plan establishes a reasonably balanced system of risks and rewards that encourages GMP to operate as efficiently as possible using sound management practices, as required under § 218d(a)(7).

A42. The Commission previously concluded that GMP's current Plan established a system of reasonably balanced risks and rewards that encourage efficient operation, and the New Plan will continue these same basic mechanisms to achieve the same balance. In particular, the New Plan incorporates and extends the same suite of related adjustors, including the Retail Revenue Adjustor, Power Supply Adjustor, Major Storm Adjustor, and ESAM. These adjustors, together with their relevant dead bands and/or deductibles and thresholds, create a system of shared risk and reward between GMP and our customers. This approach encourages continued efficient management and cost control, while sharing the benefit of savings between GMP and our customers. In addition, the extensive performance metrics required under the Current Plan will continue to allow for transparent review of GMP's operations across critical areas from service quality and reliability to decarbonization, electrification, and innovation.

Q43. Does the New Plan provide a reasonable opportunity, under sound and economical management, to earn a fair rate of return as required under § 218d(a)(8)? Please explain.

A43. Our experience under the Current Plan indicates that the New Plan will continue to meet this goal. The ROE established under the existing Plan methodology resulted in the lowest ROE for a vertically integrated utility, which causes GMP some pause, and as described by Mr. Smith, the cost variance calculation and dead bands in the Power Supply Adjustor have required GMP to absorb greater costs than otherwise would have occurred under prior plans. However, on balance and absent even steeper declines in Treasuries, we continue to believe the incentives and shared benefits of the New Plan will promote efficient operation while still allowing GMP to earn a fair rate of return while making critical investments to benefit customers.

Q44. If savings result from the New Plan, will savings be shared with customers, as required by § 218d(b)? Please explain.

A44. Yes. As with the Current Plan, all the adjustors in the New Plan are designed to continue to work both ways, ensuring that customers will share in any savings while encouraging GMP to achieve those savings. The Retail Revenue Adjustor and Power Supply Adjustor are continued in the same form. They are designed to true up costs during each year of the Plan, and the asymmetric efficiency band provides for a sharing of cost savings, while requiring GMP to assume greater responsibility for increased costs. The ESAM also functions as a backstop on the entire plan, and in the event of significant differences in actual earnings, provides for shared savings with customers outside of the dead bands.

Q45. Does the New Plan avoid an adverse impact to GMP's eligibility for rate-regulated accounting in accordance with applicable generally accepted accounting standards, as required by § 218d(m)(1)? Please explain.

A45. Yes. Consistent with the Commission's conclusion on the Current Plan, nothing proposed here adversely impacts GMP's ability to meet rate-regulated accounting in accordance with generally accepted accounting standards.

Q46. How does the New Plan reasonably preserve the availability of capital on favorable terms, as required by § 218d(m)(2)?

A46. As further described above, the stability of a multi-year regulation plan and the design of the proposed adjustors are critical to maintaining a good credit rating to be able to borrow on favorable terms and at lower costs for customers. Approval of these provisions will therefore reasonably preserve the availability of capital on favorable terms.

Q47. Does that conclude your testimony at this time?

A47. Yes, it does.