STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Tariff filing of Green Mountain Power Corporation requesting a change in rates, effective October 1, 2022	)))	Case No. 21-____-TF
Petition of Green Mountain Power for approval of its new multi-year regulation plan pursuant to 30 V.S.A. §§ 209, 218, and 218d	)))	Case No. 21-3707-PET

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

January 18, 2022

Summary of Testimony

Mr. Ryan and Mr. Bingel provide an overview of the rate change presented in this filing. They provide the overall cost of service that will continue GMP's ability to provide clean, cost-effective, and reliable power for customers. They also review GMP's capital structure and cost of debt and equity in the FY23 rate year. In addition, they present GMP's initial FY24–FY26 forecasts for the remaining years under GMP's proposed New Plan.

Exhibit List

Exhibit GMP-ER-RB-4[1]	FY23 Rate Filing Schedules
Exhibit GMP-ER-RB-5	Itron Load Forecast
Exhibit GMP-ER-RB-6	FY24–FY26 Initial Forecast
Exhibit GMP-ER-RB-7	Revised New Plan (Redline of Exhibit GMP-ER-RB-1)

[1] Because this testimony is also filed as supplemental testimony in the New Plan proceeding, Case No. 21-3707-PET, exhibit numbering in this testimony continues from the exhibits submitted in that case, ending with Exh.GMP-ER-RB-3.

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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 as an officer in the U.S. Army on active duty 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 PUC 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, 21-1965-PET, and 21-3707-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. Most recently I presented testimony in the proceeding for GMP's proposed new regulation plan (Case No. 21-3707-PET). I also provided testimony before the PUC 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?

A4. We provide an overview of the rate change requested in this filing and describe the components of the cost of service that will continue GMP's ability to provide clean, cost-effective, and reliable power for customers. We start with a summary of ratemaking mechanics and a description of the key changes between this filing and our most recent base rate filing, along with an overview of the principal savings and rate drivers in this filing. We then describe the cost of service and rate base adjustments. We also review capital structure and identify revenues at current and proposed rates. Finally, we describe the initial FY24 to FY26 forecast to support our new regulation plan proposal ("New Plan") and the updates we are proposing to the New Plan.

II. Summary of GMP's 2023 Rate Year Filing

Q5. Please describe GMP's filing.

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 established the process by which GMP set rates for the three-year period starting in FY20 and ending with FY22. Consistent with the PUC's order in Case No. 18-1633-PET, we are filing this base rate filing for rates to take effect October 1, 2022, for the FY23 period. At the same time, we are also seeking approval of a new regulation plan in Case No 21-3707-PET ("New Plan"), which carries forward the major elements of the Current Plan and is proposed to be in place for four years, with the option to extend one year subject to PUC approval. This FY23 base rate review will set base rates in the first year of the New Plan.

Our filing is based on a 12-month Test Year, which is FY21 (October 1, 2020–September 30, 2021) ("Test Year"), an interim year of FY22 (October 1, 2021–September 30, 2022) ("Interim Year"), and 12-month Rate Year for FY23 (October 1, 2022–September 30, 2023) ("Rate Year"). As described below, and consistent with the approach approved in the 2019 rate case and the Current Plan, we have used forecasts for load and revenue for the FY23 period. In addition, as outlined in our September 1, 2021 filing proposing the New Plan, we are providing three years of forecasted cost-of-service materials for FY24 through FY26. These materials help to provide a path for stable rates for customers through the term of the New Plan, similar to how the Current Plan operates. Once the FY23 base rate is established, the components of the New Plan, including a new proposed optional rate-smoothing mechanism and other adjustors, will provide even greater customer rate stability for the term of the New Plan.

Q6. Can you identify the exhibits that support your testimony?

A6. Our testimony includes four exhibits:

- **Exh. GMP-ER-RB-4** consists of FY23 rate filing schedules that outline and support the major components of this rate filing. The index in this Exhibit outlines the schedules supporting the filing, including cost-of-service and rate-base adjustments.
- **Exh. GMP-ER-RB-5** is the load forecast prepared by an expert independent consultant Itron, Inc. ("Itron").

- **Exh. GMP-ER-RB-6** contains the FY24–FY26 forecasts, which are provided as supplemental support for GMP's proposed New Plan.
- **Exh. GMP-ER-RB-7** is a redline version of the New Plan (previously submitted as **Exh. GMP-ER-RB-1** in Case No. 21-3707-PET), which includes proposed modifications to the New Plan and two of its attachments that have come up in the process of preparing the FY23 case. These exhibits are explained in more detail throughout our testimony.

III. Overview of Ratemaking Approach, Costs, and Changes from 2019 Rate Case

Q7. At a high level, can you please explain how GMP's cost of service is developed and identify the major components of the cost of service?

A7. Rates are set based upon the cost of service, meaning the amount of revenue needed to cover the costs to provide safe and reliable power for customers, with an opportunity to earn a reasonable return for capital investments. The revenue requirement for a particular rate year is measured against sales and other revenue expected for that same year; if expected sales revenue is lower than the revenue requirement, rates will increase to cover the difference. The percentage increase is based upon the difference between current rates and the rates that are shown to be required in the rate year.

The fundamental part of establishing rates is determining the appropriate cost of providing service during the rate year. This is determined by evaluating the costs in the Test Year and making appropriate adjustments for changes that are anticipated to occur from the Test Year to the Rate Year. Utilities include costs in the rate year's revenue requirement that are just and reasonable, prudently incurred, and known and measurable.

The cost of service has two overarching components: costs directly related to providing service to customers (sometimes referred to as "operating costs") and costs related to GMP's rate base—meaning investments we have made or will make through the end of the rate year to provide service, along with the associated depreciation expenses, taxes, and return.

We developed the Rate Year cost of service by taking the actual level of these costs incurred in the Test Year. We then adjusted based upon known and measurable changes so the net costs reflect, as closely as possible, the projected level of costs that will occur in the Rate Year. We undertook this review with the understanding that the Test Year occurred during a pandemic (and that its impacts continue in the Interim Period).

Q8. Do any aspects of GMP's rate filing reflect material differences in methodologies compared to those used in the 2019 rate case?

A8. This filing follows traditional ratemaking principles and the methodologies approved in the 2019 rate case, with limited exceptions that are detailed fully in this filing. The exceptions are designed to provide greater accuracy, and therefore greater stability, in ratemaking or to accomplish a lower overall cost to our customers. We are committed to demonstrating to the Commission that approval of these items will result in just and reasonable rates with good customer outcomes. The areas of material difference from the 2019 rate case include:

- Rate period – This filing uses a 12-month rate year, instead of the 9-month rate period that was used in the 2019 case to move the rate period back onto a fiscal year cycle and align with the proposed rate periods under the Current Plan.
- Operating and Maintenance ("O&M") Costs – In the 2019 case and through the Current Plan, O&M was handled under the Merger Savings Platform established in Docket 7770. With the completion of the Merger Savings Platform specified in the PUC's Order in Docket 7770 at the end of the Current Plan, O&M costs for the FY23 case were developed using standard methods. Depending on the O&M category, expenditures are based on known and measurable adjustments between the Test Year and Rate Year or a multi-year average, as most appropriate to accurately reflect expected FY23 costs.
- Return on Equity ("ROE") – As discussed further below, we have submitted this filing with the current allowed ROE of 8.57% for FY23 Rate Year. The New Plan under review continues substantially the same mechanisms in the Current Plan, including the ROE adjustment formula. GMP proposes to maintain the current ROE rather than increasing it to 10.25% as would otherwise be supported by current economic conditions using the standard methodologies previously applied by the Commission for setting ROE during rate proceedings, as described in the testimony of Julie Lieberman, who is a cost of capital expert. While this will leave us with what is currently the lowest allowed ROE of any vertically integrated electric utility in the United States, our proposal is directly tied to the overall structure of our multi-year regulation plan approach and will yield a

smoother, more predictable rate path for customers, while allowing for needed investments.[2]

- Consistent with GMP's Climate Plan, approved in Case No. 20-0276-PET, the filing incorporates Climate Plan projects completed and placed in service between April 1, 2021, and September 30, 2021. Consistent with GMP's Broadband Tariff Rider, approved in Case No. 21-0546-PET, the filing also includes projects implemented under this tariff that were completed by September 30, 2021. The effect of these Climate Plan and Broadband projects on the cost of service are shown separately in **Exh. GMP-ER-RB-4**, Schedules C and D.
- In this case GMP modeled power supply costs and revenues received from GLOBALFOUNDRIES U.S. 2 LLC ("GF") consistent with GF's proposal to become its own utility starting in FY23, which is presently before the Commission in Case No. 21-1107-PET and related Case No. 21-1109-PET ("GF Proceedings"). Given the ongoing GF Proceedings, the PUC also recently approved an up-to-one-year extension of GF's current term contract through the end of FY23, to provide greater certainty on GF's rates in the Rate Year in the event GF's request is not resolved in time to implement before FY23. As discussed further below, to address these circumstances, GMP is modifying its proposed New Plan to ensure that power supply costs and associated revenue,

[2] The proposed ROE is also essentially equivalent to the results that would be obtained under the ROE adjustment formula in the Current Plan, if an updated three-month measurement period ending December 15, 2021, was used for this filing (comparing the change in 10-year Treasury daily average bond yields from February 16, 2021, to May 15, 2021, to September 15, 2021, to December 15, 2021.)

whether as a retail customer or through the power purchase agreement ("PPA") and transition payments received from GF, will be incorporated into and handled through GMP's existing Power Supply and Retail Revenue adjustor. This ensures that regardless of the status of GF's request our customers are protected, as the financial outcome for customers will remain essentially the same in the Rate Year.[3]

- Construction Work in Progress ("CWIP") – In the 2019 filing, CWIP rate base was calculated based on test period CWIP and included only capital projects that were not accruing allowance for funds used during construction ("AFUDC") projects and were expected to close to plant in service before the end of the rate period. In the 2023 filing, CWIP rate base is calculated on the Test Year CWIP balance excluding AFUDC projects.
- GMP is requesting a new rate treatment for a portion of our IT capital investments—allowing an overall IT budget for anticipated spending needs, including identified projects and the IT blanket, up to a historical baseline—to operate effectively in this current dynamic technological and cyber security environment. As outlined in GMP witness Mark Dincecco's testimony, this

[3] In the event that GF's proposal is approved, a series of asset transfers will also be required between GMP, GF, and VT Transco, to implement GMP's new proposed service territory, excluding the GF campus, as explained in Case No. 21-1109-PET. The precise book values of assets transferred between parties in this transaction will not be known until the time of the transactions, and as a result, the effects of prospective transfers are not included in the filing. If they occur, these transfers will happen consistent with any future approval as required after the Commission rules on GF's pending request. It is anticipated based upon review of the current book value of all assets at issue that GMP will be selling assets of slightly greater value than it is purchasing, and therefore any impacts from this aspect of the transaction, if it occurs, are expected to be minimal.

request is driven by the accelerated planning cycle for IT projects, which requires a nimble project planning process to account for technological and security developments occurring within the planning horizon and happening at a very rapid pace.

Q9. Can you summarize the principal cost drivers of the rate filing?

A9. Compared to what is currently in rates for customers, more than half of this year's rate change of 2.34% results from power supply market increases, inflation- and market-tied price changes in long-term contracts, and continued increases in net-metering costs. Increased costs for goods and services, including tree trimming, and some operational expenses are mitigated by some favorable one-time adjustments and cost controls and stronger overall retail revenue forecasts as businesses emerge from the pandemic, resulting in an overall low rate-change request.

Q10. Can you please explain the challenges presented by the pandemic in developing adjustments for the Rate Year?

A10. For this filing, the Test Year falls right in the middle of the ongoing COVID-19 pandemic. This unprecedented global crisis created significant volatility for our customers. GMP, like our customers, had to make swift, unexpected changes to the way we conduct our daily business while at the same time continuing to provide essential services to our customers. This included, among other things, moving to remote work for office teams, requiring single occupants in vehicles for field teams, and other social distancing measures. While some of these measures added extra steps to our work and extra mileage and wear and tear on our fleet, they were necessary to ensure the safety of our team and the continued reliability of our systems for customers. The safety of our colleagues and our customers guides all we do, and while we are now in a period of high cases across the state, we continue to lead with appropriate precautions during the evolving pandemic to keep our teams and customers safe.

At the same time, as discussed further in our testimony supporting GMP's New Plan, we managed serious liquidity challenges because many customers were in economic distress and could not pay their bills. We recognized the turmoil and moved quickly to voluntarily suspend disconnection and collection activities and worked in collaboration with the Department of Public Service ("DPS" or "Department") and the Commission to implement the Commission's disconnection moratorium to ensure customers were protected during this uncertain time. The pandemic also led to changes in electricity usage, with residential load increasing as customers worked from home, and commercial and industrial loads reduced.

While effects from the pandemic are continuing, we have been very mindful of these changes and potential impacts on Test Year to Rate Year differences as we prepared this filing. From the perspective of load, revenue, and power supply, we continue to rely on a forecasted approach in this filing, as was done in the 2019 case and throughout the Current Plan. This forecast methodology provides a more accurate method for addressing this historical event and future variation in the Rate Year. The forecast approach is also important because, as was the case in 2019, the FY23 period serves as the foundation for the New Plan, which will utilize the same forecasting methodology for other years of the New Plan, together with a continuation of the Power Supply & Retail Revenue Adjustor, as discussed in our New Plan testimony. We have taken a similar approach on the expense side, with a focus on developing adjustments that reflect the Rate Year, keeping these known and measurable changes favorable to customers where possible, with the unique aspects of the Test Year in mind.

Q11. How were the forecasted Rate Year revenues calculated?

A11. GMP uses Itron to develop the forecasted load, as we have for regulation plan base rate filings since 2007. Itron has developed load projections that are used in regulatory proceedings in Vermont and many other states. Itron uses regression analysis to develop their sales forecast. GMP provides Itron billed data from prior periods and forecasted solar net-metering installed capacity. GMP reaches out to two of the largest customers to receive their expected sales for the upcoming year, and provides this information to Itron. GMP also gives Itron any known changes to customer loads due to factors such as a customer shutting operations or putting a new facility online. Itron combines our feedback with the regression analysis data inputs they gather, such as expected economic growth and appliance efficiency standards, to develop their forecast. Please see **Exh. GMP-ER-RB-5** for Itron's forecast report.

Q12. Can you explain further how Climate Plan projects have been handled in this filing?

A12. Consistent with GMP's Climate Plan, we have included all Climate Plan projects that were completed and placed in service between April 1, 2021, and September 30, 2021, in this filing. The FY23 base rate change from these projects is shown separately in **Exh. ER-RB-4, Schedules C & D.**

The Climate Plan provides that as part of the FY23 case we should identify anticipated FY22 Climate Plan projects and propose a regulatory approach for recovery of the regulatory assets associated with these projects. Climate Plan at Section V(3) Anticipated FY22 Climate Plan projects were identified in GMP's FY22 Annual Base Rate filing (June 1, 2021, Case No. 21-1963-TF), but as in prior years the final completed projects will depend on permitting and other potential timing issues outside of our control, subject to the $14M annual cap for such projects. For these reasons, we are not proposing to include FY22 Climate Plan projects in base rates until the projects are completed and placed in service, consistent with the approach used the first two years of the Climate Plan. We will file a final Climate Plan report after the close of FY22 and then will seek to include all completed, in-service FY22 Climate Projects in the FY24 annual base rate filing under the New Plan, anticipated in June of 2023, for rates effective October 1, 2023.

As described in Mr. Burke's testimony, for FY23 and beyond, all GMP departments have incorporated climate resiliency work into their capital planning philosophies and project development processes. Such projects will be handled as standard capital projects going forward, subject to the total proposed capital cap in the New Plan, with the same year-to-year flexibility for actual closings within any given year of the New Plan.

Q13. Can you describe how projects under GMP's Broadband Rider are handled in this filing?

A13. GMP has incorporated costs associated with projects that were completed under the terms of the Broadband Tariff Rider through September 30, 2021. The base rate changes associated with these projects are shown separately in **Exh. GMP-ER-RB-4, Schedules C & D.** Broadband Rider projects will be included in subsequent base rate filing requests after the projects have been completed and placed in service.

IV. Cost of Service Details and Adjustments

Q14. Let's turn to your cost-of-service calculations. Please summarize the different Schedules included in Exh. GMP-ER-RB-4.

A14. **Exh. GMP-ER-RB-4** contains eight schedules, with supporting sub-schedules. **Schedule A** is the index for **Exh. GMP-ER-RB-4**. **Schedule B** is a summary of the FY23 base rate change. **Schedule C** sets forth GMP's cost of service for the 2023 rate period and the resulting revenue increase based on a comparison of those costs with revenues from customers, which is addressed below. The cost of service is based on adjustments to the FY21 Test Year costs for known and measurable changes. Details on each of the cost-of-service adjustments are outlined in sub-schedules C-1 to C-33 **Exh. GMP-ER-RB-4.** Test Year amounts are based on GMP's actual Test Year financial results. As indicated in **Exh. GMP-ER-RB-4**, **Schedule C**, the Rate Year cost of service is $685.826M and the resulting revenue deficiency between this number and the forecasted Rate Year revenue from customers is $15.220M, resulting in a revenue adjustment increase of 2.34%. As noted further below, based on our initial review of the Department's testimony in Case No. 21-3707-PET, we have modified the New Plan proposal so the FY23 base rate will be set based exclusively on this cost of service.

Exh. GMP-ER-RB-4, **Schedule D** sets forth GMP's *pro forma* Rate Year rate base investment of $1,771.842M. It reflects 13-month average balances for the Test Year, adjusted for known and measurable changes to derive *pro forma* Rate Year balances. Details on each of the rate base adjustments are outlined in sub-schedules D-1 to D-17 in **Exh. GMP-ER-RB-4**.

Exh. GMP-ER-RB-4, **Schedule E** identifies GMP's pro forma Rate Year cost of capital. It reflects 13-month average test period balances of long-term debt, short-term debt, and common equity, adjusted for known and measurable changes to derive capital balances as of the end of the Rate Year. For the 12-month Rate Year, the overall weighted rate period cost of capital is 6.30% with a cost of debt of 4.02% and a cost of common equity of 8.57%. We support the capital structure and cost of debt in our testimony and exhibits and GMP's proposal for the annual cost of equity, which is supported by analysis conducted by Ms. Lieberman in her testimony and exhibits.

Exh. GMP-ER-RB-4, **Schedule G** summarizes the Current Plan separate line-item bill adjustors that will cease September 30, 2022 and the proposed new separate line item bill adjustor that will begin October 1, 2022 under the New Plan.

Exh. GMP-ER-RB-4, **Schedules H & I** summarize the impacts on the cost of service of the Climate Plan and Broadband projects GMP is requesting to include in base rates in the FY23 filing.

Q15. Can you please identify and summarize the major cost-of-service adjustments and the witness who supports each adjustment?

A15. There are 33 known and measurable adjustments to the cost of service ("COS") from the Test Year to the Rate Year. The following table summarizes the adjustments (listed as COS 1 through COS 33) and indicates which witness provides support for each one. Our testimony following this table describes each of the relevant FY23 adjustments, which we support. The adjustments assigned to Ms. Fischer, Mr. Castonguay, and Mr. Burke are addressed in their respective testimony.

Adj. No	Description	Witness	Adj. Total ($000s)
COS 1	Purchased Power, Net	Fischer	$7,988
COS 2a	Production – Fuel	Fischer	$(939)
COS 2b	Production Joint-Owned O&M Costs	Castonguay	$740
COS 2c	Production GMP Owned O&M Expense	Fischer	$187
COS 3	Transmission by Others	Fischer	$4,781
COS 4	Other Transmission-Related Costs	Fischer	$24
COS 5	O&M – Salaries and Wages	Ryan/Bingel	$677
COS 6	O&M – Overtime and Other Pay	Ryan/Bingel	$109
COS 7	O&M – Minor Storm Restoration	Burke	$2,094
COS 8	O&M – Vegetation Management.	Burke	$2,892
COS 9	A&G Capitalized	Ryan/Bingel	$2,055
COS 10	O&M – Benefits – Active Medical	Ryan/Bingel	$992

Adj. No	Description	Witness	Adj. Total ($000s)
COS 11	O&M – Benefits – Pension	Ryan/Bingel	$(6,877)
COS 12	O&M – Benefits – Retiree Medical	Ryan/Bingel	$(669)
COS 13	O&M – Benefits – 401(k) Match	Ryan/Bingel	$224
COS 14	O&M – Insurance Premium Expense	Ryan/Bingel	$522
COS 15	Fleet Expense	Castonguay	$224
COS 16	O&M – Test Year to Rate Year One-time Items	Ryan/Bingel	$(2,027)
COS 17	Carrying Costs on REC Inventory	Ryan/Bingel	$84
COS 18	Amortization of Debt – Discount Expense	Ryan/Bingel	$(44)
COS 19	Credit Facility Fees	Ryan/Bingel	$(60)
COS 20	Other Taxes, Primarily Payroll Taxes	Ryan/Bingel	$153
COS 21	Federal & State Income Taxes	Ryan/Bingel	$6,608
COS 22	Municipal Taxes	Ryan/Bingel	$2,616
COS 23	Depreciation Expense	Ryan/Bingel	$1,466
COS 24	Accretion Expense	Ryan/Bingel	$18
COS 25	Reg Assets, Deferred Debts, Reg Liabilities Amortizations	Ryan/Bingel	$(3,689)
COS 26	Equity-in-Earnings of Affiliates	Ryan/Bingel	$(2,312)
COS 27	Other Operating Revenue	Ryan/Bingel	$(6,329)
COS 28	Removal of EAB Deferral	Ryan/Bingel	$(31)
COS 29	JV Solar Flip	Ryan/Bingel	$3,246

Adj. No	Description	Witness	Adj. Total ($000s)
COS 30	Removal of Past Storm & Power Fixed Charge Amortization	Ryan/Bingel	$(8,713)
COS 31	Gross Revenue and Fuel Gross Receipt Taxes	Ryan/Bingel	$470
COS 32	Uncollectible Expense	Ryan/Bingel	$(244)
COS 33	Return on Utility Rate Base	Ryan/Bingel	$7,891

Q16. Before turning to specific adjustments can you speak further to how O&M costs are handled in the FY23 case?

A16. 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. Although the overall results will not be available until after the end of FY22, we are on track to deliver more than our commitment of $144M in customer savings from the merger.[4] With the conclusion of the Merger Savings Platform, we have addressed FY23 O&M expenses in this filing through standard ratemaking methodologies, including either known-and-measurement adjustments, or multi-year averages where appropriate for certain O&M categories, consistent with past practice.

Q17. Please explain COS Adjustment No. 5 – O&M – Salaries and Wages.

A17. This adjustment captures the Test Year to Rate Year cost of service change in O&M straight-time salaries and wages for employees. Over-time, other pay (i.e., on-call pay),

[4] Overall results will be available only after the end of the Current Plan in FY22 and GMP will report final savings in its final Earnings Sharing and Merger Savings Report due November 30, 2022, along with any proposal for accruals related to this or other amounts outstanding at the end of the Current Plan.

and production payroll are reflected in other adjustments and are excluded here. The FY23 O&M salaries and wages amount was calculated as follows:

- The annual salaries and wages for all GMP job positions (filled and vacant) was calculated based on salary and wage rates in effect as of January 11, 2021.
- Updates were made to reflect the impacts on salaries and wages of actual and planned retirements, new positions added, rate changes (progressions and upgrades), vacant positions, and any department changes that occurred through September 2021.
- The projected September 2021 annual salaries and wages was adjusted to FY23 by incorporating GMP's annual compensation adjustment which occurs annually in January. The projected compensation adjustments in this filing were 2.9% for January 2022 and 2.5% for January 2023 based on known and anticipated changes at the time the case was prepared.
- The O&M portion of FY23 salaries and wages was calculated by applying the actual Test Year O&M salaries and wages percentage (O&M salaries and wages as a percentage of total salaries and wages) to the total FY23 salaries and wages.
- Finally, the FY23 production salaries and wages amount was deducted from the FY23 O&M salaries and wages.

The FY23 O&M salaries and wages excluding production is $29.868M which is an increase of $0.677M over the Test Year amount of $29.190M.

Q18. Please explain COS Adjustment No. 6 – O&M – Overtime and Other Pay.

A18. This adjustment captures the Test Year to Rate Year cost-of-service increase in O&M overtime and other pay (i.e., on-call pay) for employees. Production overtime is reflected in another adjustment and not included in this adjustment. Major storm overtime and other pay are excluded from this adjustment because incremental major storm costs are not reflected in base rates. The FY23 O&M overtime and other pay is the five-year average (FY2017 to FY2021) of these costs escalated to 2023 dollars. The escalation factors reflect actual union contract increases through 2022 and the projected increase for 2023. The FY23 O&M Overtime and Other Pay expense is $6.409M—an increase of $0.109M over the Test Year amount of $6.3M.

Q19. Please explain COS Adjustment No. 9 – A&G Capitalized.

A19. This adjustment captures the Test-Year-to-Rate-Year increase in cost of service resulting from the A&G costs capitalized as part of the capital overhead rates applied to property, plant, and equipment capital projects during construction. The decrease in the A&G costs capitalized of $2.055M is the result of an updated calculation that captured lower A&G costs. The value used in the Test Year reflected the A&G rate that was applied across all years of the Current Plan. This rate had been set for the 2019 traditional rate case and was consistently applied across the term of the Current Plan. The Rate Year amount incorporates projected capital projects in 2023 and changes in the A&G costs eligible for capitalization that will occur during the term of the New Plan.

Q20. Please explain COS Adjustment No. 10 – O&M – Benefits – Active Medical.

A20. This adjustment captures the Test Year to Rate Year cost of service increase in O&M active medical costs. The Rate Year O&M active medical cost was calculated by applying an annual 7.3% active Vermont medical market trend rate to the Test Year cost. This trend rate was developed by Willis Towers Watson ("WTW"), GMP's benefits consultant, based on our active medical claims over the last two and a half years. The consultant did not find any changes over the last four years that would change that overall trend. The FY23 Active Medical Expense is $7.543M—an increase of $0.992M over the Test Year amount of $6.552M.

Q21. Please explain COS Adjustment No. 11 – O&M – Benefits – Pension.

A21. This adjustment captures the Test Year to Rate Year cost of service decrease in O&M pension plan expense. The FY23 total pension cost was developed by WTW. The FY23 O&M pension expense is $1.879M, which is a decrease of $6.877M from the Test Year amount of $8.756M. The large O&M pension expense decrease from the Test Year to the Rate Year is the result of pension settlement accounting entries recorded in the Test Year triggered by the number of retirees who elected to receive lump-sum payments out of the pension plan upon retirement that year. FY23 pension cost did not reflect a settlement accounting entry since at this point in time it is not known if there will be a sufficient number of Rate Year retirees electing for those payouts to trigger settlement accounting.

Q22. Please explain COS Adjustment No. 12 – O&M – Benefits - Retiree Medical.

A22. This adjustment captures the Test Year to Rate Year cost of service decrease in O&M Benefits – Retiree Medical expense. The FY23 total retiree medical expense was developed by WTW. The FY23 O&M retiree medical was ($2.578M) which is a decrease of $0.669M from the Test Year amount of ($1.909M). Retiree medical expense is a credit or reduction to the cost of service because the expected return on retiree medical plan assets exceeds the service and interest cost components of the retiree medical cost.

Q23. Please explain COS Adjustment No. 13 – O&M – Benefits – 401(k) Match.

A23. This adjustment captures the Test Year to Rate Year cost of service increase in O&M 401(k) company match expense. The FY23 401(k) cost tracks with related expenses by incorporating salary and wage changes from FY21 to FY23 that are eligible for the match and adjusting the number of eligible employees and match percentage from the Test Year to FY23. GMP closed our defined benefit pension plan over 12 years ago. Employees hired before the plan was closed are eligible for and receive a 4.75% 401(k) match while employees hired after the defined benefit pension plan was closed are eligible to receive a 401(k) match at the rate of 7.5%. The Test Year O&M overhead rate is applied to the FY23 401(k) match cost to calculate the FY23 O&M 401(k) match expense of $1.939M, an increase of $0.224M from the Test Year amount of $1.715M.

Q24. Please explain COS Adjustment No. 14 – O&M – Insurance Premium Expense.

A24. This adjustment captures the Test Year to Rate Year cost of service increase in insurance expense. The FY23 total insurance cost was calculated by applying the percentage change in insurance premium costs experienced in the Test Year and Interim Year to the Test Year cost to develop the FY23 cost. The FY23 O&M insurance expense was calculated by applying the Test Year O&M overhead rate to the FY23 total insurance cost, yielding the FY23 O&M Insurance expense of $3.339M, an increase of $0.522M over the Test Year amount of $2.817M.

Q25. What have the cost trends of insurance been and can you explain any plans GMP has to address these trends during the Rate Year and going forward into the New Plan period?

A25. There is significant cost pressure from insurance premium increases. We have worked to manage this during the last few years during the Current Plan period, working with carriers and third-party administrators on coverages to minimize impacts, but costs continue to increase more than other areas of business based on larger market forces outside of our control. For determining FY23 premiums, we have taken the last two-year average in insurance costs increase.

For the remainder of the New Plan, we have proposed to include insurance premiums in the annual refresh category of O&M costs, recognizing that we will receive annual premium information from outside providers and that the industrywide cost trends are largely out of our control. In addition, we have been exploring other ways to manage insurance costs for customers, including whether a captive insurance vehicle through and with our parent organization would be beneficial. If we did pursue this, the captive would be Vermont-based and regulated by the Department of Financial Regulation and would move forward only if analysis shows this approach would be more appropriate for customers. If so, the annual refresh process will ensure these savings are captured for customers.

Q26. Please explain COS Adjustment No. 15 – Fleet Expense.

A26. This adjustment captures the Test Year to Rate Year cost of service increase to operate our fleet of vehicles. The total amount of spending for the Test Year was adjusted for known and measurable changes in the Rate Year. The portion of spending that flows to O&M rather than to capital is based upon the Test Year ratio. This adjustment results in a $0.224M increase in the cost of service. Mr. Castonguay discusses GMP's fleet in more detail in his testimony, including GMP's plans for leasing of heavy-duty vehicles and continued electrification of our own vehicles.

Q27. Please explain COS Adjustment No. 16 – O&M – Test Year to Rate Year One-Time Items.

A27. This adjustment captures the Test Year to Rate Year cost-of-service decrease in one-time costs. It removes one-time costs that were incurred in the Test Year but not expected to recur in the Rate Year; costs expected to be incurred in the Rate Year that were not reflected in the Test Year; and other miscellaneous cost-of-service adjustments. This adjustment was developed by each department through specific review of their Test Year and Rate Year actual expenses and budgets. This results in a net reduction to the FY23 cost of service of $2.027M.

Q28. Please explain COS Adjustment No. 17 – Carrying Costs on REC Inventory.

A28. This adjustment increases the Rate Year cost of service for the return on the REC inventory we maintain. Consistent with the Department's recommendation in Case No. 18-0974-TF, we earn a return on the inventory at a rate equal to our credit facility borrowing rate, rather than at the weighted-average cost of capital. The inventory levels reflect 13-month average balances as forecasted by GMP's power supply team. For FY23, this amount is expected to be $0.084M.

Q29. Please explain COS Adjustment No. 18 – Amortization of Debt – Discount Expense.

A29. This adjustment captures the Test Year to Rate Year cost-of-service decrease in the amortization of expenses incurred in the issuance of debt securities. The FY23 amortization is $0.418M which is a decrease of $0.044M from the Test Year amount of $0.462M. The decrease is attributable to the debt issuance costs reduction with certain debt securities becoming fully amortized between the beginning of the Test Year and the end of the Rate Year.

Q30. Please explain COS Adjustment No. 19 – Credit Facility Fees.

A30. This adjustment captures the Test Year to Rate Year cost-of-service decrease in letters of credit fees and fees based on the unutilized portion of GMP's credit facility. The FY23 fees are $0.104M, which is a decrease of $0.060M from the Test Year amount of $0.164M. As part of the negotiations to replace our credit facility, which was scheduled to mature in September 2021, GMP negotiated a more favorable unused credit facility fee, reducing the rate from 0.100% to 0.050%, while increasing the size of the facility to $175M from $150M.[5]

Q31. Please explain COS Adjustment No. 20 – Other Taxes, Primarily Payroll Taxes.

A31. This adjustment incorporates the impacts that Test Year to Rate Year changes in salaries and wages will have on payroll income taxes. The FY23 payroll taxes expense was calculated by applying the annual compensation adjustment percentages used to calculate the COS Adjustment No. 5 – O&M – Salaries and Wages adjustment to the Test Year Payroll Taxes expense. The FY23 payroll taxes expense was $2.908M, which is an increase of $.153M from the Test Year amount of $2.755M.

Q32. Please explain COS Adjustment No. 21 – Federal & State Income Taxes.

A32. This adjustment reflects federal and state income taxes, which were calculated based on statutory income tax rates adjusted for book and tax permanent differences and income tax credits. This adjustment reflects a federal income tax rate of 21% and the return to customers of the tax reform Accumulated Deferred Income Taxes ("ADIT") balance over 33 years. In addition, Kingdom Community Wind's 10-year window for receiving production tax credits will expire at the end of 2022.

[5] See Case No. 21-1270-PET.

Q33. Please explain COS Adjustment No. 22 – Municipal Taxes.

A33. This adjustment captures the Test Year to Rate Year cost of service increase in property taxes. The FY23 property tax expense was calculated by applying an historical trend of 3.89% in property tax billings to the Test Year property tax expense to calculate the Rate Year property tax expense. In developing this historical trend, we reviewed the year-over-year percentage change in property billings for the last five years (FY2018–FY2021). We consider the FY2021 year-over-year billing increase (11.63%) an outlier and removed it from the trend calculation since it was significantly above the annual FY2018–FY2020 increases which ranged from 2.40% to 5.98%. This resulted in an historical trend percentage of 3.89%, which was used in this adjustment. The FY23 property tax expense is $35.606M which is an increase of $2.616M over the Test Year amount of $32.990M.[6]

Q34. Please explain COS Adjustment No. 23 – Depreciation Expense.

A34. This adjustment captures the Test Year to Rate Year cost-of-service increase in depreciation expense. This adjustment incorporates the annualized impact of plant additions and retirements through the Test Year and those that have occurred or will occur through the end of the Rate Year. The FY23 depreciation expense adjustment is $65.762M, an increase of $1.466M over the Test Year amount of $64.296M.[7]

[6] The impact on property taxes due to the dissolution of JV Solar into GMP on October 1, 2022, is not reflected in this adjustment but is incorporated into COS Adjustment No. 29 – JV Solar Flip.

[7] The impact on depreciation expense as a result of the dissolution of GMP JV Solar into GMP on October 1, 2022 is not reflected in this adjustment but is incorporated into COS Adjustment No. 29 – JV Solar Flip.

Q35. Please explain COS Adjustment No. 24 – Accretion Expense.

A35. This adjustment captures the Test Year to Rate Year cost-of-service increase in accretion expense. It is based on a schedule prepared by GMP to support the annual financial audit. The FY23 accretion expense is $0.305M, which is an increase of $0.018M over the Test Year amount of $0.287M.

Q36. Please explain COS Adjustment No. 25 – Reg Assets, Deferred Debits, Reg Liabilities Amortizations.

A36. This adjustment captures the Test Year to Rate Year cost-of-service decrease in the amortization of various regulatory assets, deferred debits, and regulatory credits. The net FY23 amortization is $2.547M, which is a $3.689M decrease from the Test Year net amortization of $6.237M.

Q37. Please explain COS Adjustment No. 26 – Equity-in-Earnings of Affiliates.

A37. This adjustment captures the Test Year to Rate Year cost-of-service decrease from equity in earnings from investments in affiliates. The FY23 equity in earnings from investments in affiliates is $78.007M, which is an increase of $2.312M from the Test Year amount of $75.695M. This is largely attributable to increased VT Transco earnings resulting from additional equity investments that have been made or will need to be made by GMP into VT Transco during FY2022 (the Interim Period) and FY2023. VELCO witness Michele Nelson discusses these additional equity investments in her testimony. VT Transco creates a significant recurring customer benefit of more than $20M per year, and this amount grows with each additional VT Transco investment.

Q38. Please explain COS Adjustment No. 27 – Other Operating Revenues.

A38. This adjustment captures the Test Year to Rate Year cost-of-service decrease from non-retail utility revenue. Revenue associated with categories such as mutual aid of other utilities, pole attachments, various services such as disconnects and reconnects, transmission capacity resales, and contributions in aid of construction fall into this category. Revenue associated with Energy Innovation Center programs also falls into this adjustment, as would the transition fee that GF has agreed to pay GMP if GF's proposal is approved in Case No. 21-1107-PET. Adjustments in this category are based upon forecasts, an agreed-upon contract with GF, and multi-year averages for the category of mutual aid, which has high year-over-year volatility, and disconnects/reconnects, which due to the pandemic were well below historical levels.

The FY23 Other Operating Revenue is $25.800M, which is an increase of $6.329M from the Test Year amount of $19.471M. This is largely attributable to the transition payments GMP would receive from GF beginning in FY23 if its proposal is approved. As noted above, the Commission recently approved a one-year extension of the existing Term Contract, to provide additional time for review of GF's proposal and further certainty about how GF would be treated in FY23 if GF's proposal is not approved.[8] Although we have modeled GF's proposed utility commencing in FY23, as noted further below, we would receive equivalent revenue from GF as a retail customer in FY23 if the proposal is not approved. We are seeking to modify the New Plan to

[8] Case No. 21-4829-SC.

ensure that regardless of whether the GF's proposal is in place, or the extended Term Contract controls in FY23, the overall treatment will be the same so that FY23 rates are not affected. In the event the proposal did not go forward, GMP would have time to seek any review needed for FY24–26 because of the approved extension of the Term Contract.

Q39. Please explain COS Adjustment No. 28 – Removal of EAB Deferral.

A39. This adjustment captures the Test Year to Rate Year cost-of-service decrease of $0.031M resulting from removing from the Test Year the Emerald Ash Borer ("EAB") deferral which is being collected from customers as a separate bill line item on a surcharge percentage basis through FY22. See Section V(E) of the Current Plan. Mr. Burke addresses this issue further in his testimony.

Q40. Please explain COS Adjustment No. 29 – JV Solar Flip.

A40. This adjustment captures the Test Year to Rate Year cost-of-service increase from the JV Solar Flip. Not captured in the adjustment are the impacts the JV Solar Flip has on rate base, purchased power, and the cost of RECs. As was contemplated when the GMP JV Solar Tax Equity Partnership was formed,[9] GMP exercised this option on October 1, 2021, to purchase the tax equity partner's remaining membership units on December 31, 2021. Consistent with how GMP JV Solar was reflected in the Current Plan, GMP will operate GMP JV Solar as a single member LLC through September 30, 2022, and on October 1, 2022, we will include the GMP JV Solar project companies into GMP. This

[9] See Case No. 18-0974-PET.

adjustment will increase Rate Year cost of service by $3.246M. Although not captured as individual adjustments in this filing, the JV Solar Flip also affects rate base, purchased power, and the cost of RECs. When these other Rate Year cost-of-service changes due to the JV Solar Flip are included, customers are better off overall by approximately $0.7M.

Q41. Please explain COS Adjustment No. 30 – Removal of Past Storm and Power Fixed Charge Amortization.

A41. This adjustment captures the Test Year to Rate Year cost-of-service decrease of $8.713M resulting from removing from the Test Year prior major storm costs and net power amortizations incurred prior to the Current Plan, which are being collected from customers as a separate bill line item on surcharge percentage basis through September 30, 2022. See Section V(B)(3) of the Current Plan.

Q42. Please explain COS Adjustment No. 31 – Gross Revenue and Fuel Gross Receipt Taxes.

A42. This adjustment captures the Test Year to Rate Year cost-of-service increase from Gross Revenue and Fuel Gross Receipts taxes. This adjustment is calculated by applying the gross revenue tax (0.525%) and fuel gross receipts tax (0.50%) now in effect to the FY23 revenue components subject to these taxes. The total FY23 tax is $7.556M, which is an increase of $0.470M over the Test Year amount of $7.085M.

Q43. Please explain COS Adjustment No. 32 – Uncollectible Expense.

A43. This adjustment calculates the FY23 uncollectible expense by reviewing the historical five-year trend (2017–2021) of the ratio of uncollectible expense to retail revenue. As with other adjustments based on historical trends, outliers were excluded from the trend calculation. The FY17 uncollectible expense to retail revenue ratio of 0.000085 was excluded from the trend calculation because it was well below the 2018 to 2021 ratios which ranged between 0.002273 and 0.003405. The low FY17 ratio was due to a one-time adjustment that year to reduce the reserve, given the performance of the collection efforts at the time. Many Vermonters are still struggling as we emerge from the pandemic and even with the substantial State assistance for customers with arrears, the level of reserve built through the uncollectible expense is currently high. Even so, we have left the annual amount set aside to account for uncollectible expense relatively stable during the pandemic. The overall trend ratio of 0.002968 was then applied to the FY23 retail revenue to calculate the Rate Year Uncollectible Expense.

Q44. Please explain COS Adjustment No. 33 – Return on Utility Rate Base.

A44. This adjustment reflects the change to return on utility rate base resulting from applying the weighted average cost of capital from **Exh. GMP-ER-RB-4**, **Schedule E** to the FY23 13-month average rate base from **Exh. GMP-ER-RB-4**, **Schedule D**, as further discussed below.

V. Rate Base Details and Adjustments

Q45. Please describe the rate base in this filing.

A45. The rate base, which reflects the 13-month average level of investment for the Test Year ending September 30, 2021, and adjusted for known-and-measurable changes through the end of the Rate Year (September 30, 2023), is summarized in **Exh. GMP-ER-RB-4, Schedule D**.

Q46. Please explain how the Test Year plant balances were adjusted.

A46. We started with the plant balances at the end of the Test Year and added the monthly capital additions through the end of the Rate Year. Mr. Burke discusses capital additions further in his testimony. Based on these calculations, we calculated a 13-month average balance for plant in service for the Rate Year. Growth-related capital projects are included in the above calculation.

Q47. Please identify the witnesses who support the rate base adjustments contained in Schedule D of Exhibit GMP-ER-RB-4.

A47. The following table summarizes the 17 adjustments to the FY21 Test Year and indicates which witness provides support for each adjustment. Our testimony following this table describes each of the adjustments in the table we support (RB5 through RB17). Mr. Burke, Mr. Castonguay, and Mr. Dincecco address the capital plant additions associated with rate base adjustments RB1 through RB5, listed below.

Adj. No	Description	Witness	Adj. Total ($000's)
RB 1	Production	Castonguay	$105,990
RB 2	Transmission	Burke	$38,858
RB 3	Distribution	Burke	$71,600
RB 4	General	Burke	$(2,443)
RB 5	Construction Work in Progress	Ryan/Bingel	$(45,858)

RB 6	Investment in Affiliates	Ryan/Bingel	$(15,395)
RB 7	Community Energy & Efficiency Development Fund	Ryan/Bingel	$(4,265)
RB 8	Unamortized Debt Discount and Expense	Ryan/Bingel	$(495)
RB 9	Regulatory Assets and Deferred Debits	Ryan/Bingel	$13,339
RB 10	Working Capital Allowance	Ryan/Bingel	$1,150
RB 11	Accumulated Depreciation	Ryan/Bingel	$95,345
RB 12	Customer Advances for Construction (CIAC)	Ryan/Bingel	$(56)
RB 13	Accumulated Deferred Income Taxes and Tax Reform Liability	Ryan/Bingel	$21,991
RB 14	Accumulated Deferred Investment Tax Credits	Ryan/Bingel	$(197)
RB 15	Regulatory Liabilities	Ryan/Bingel	$(1,400)
RB 16	Accrued Pension Expense	Ryan/Bingel	$8,203
RB 17	Accrued Post-Ret. Medical Expense	Ryan/Bingel	$(4,316)

Q48. Please explain RB Adjustment No. 5 – Construction Work in Progress (CWIP).

A48. The FY23 CWIP rate base balance was calculated based on the Test Year monthly CWIP balances on projects under construction excluding construction projects accruing AFUDC. The FY23 CWIP rate base balance was $11.936M, which is a decrease of $45.858M from the Test Year total CWIP balance of $57.794M.

Q49. Please explain RB Adjustment No. 6 – Investment in Affiliates.

A49. This adjustment reflects the various equity investments and includes the impacts of a Vermont Yankee return of capital of $0.634M in October 2021, the planned dissolution of GMP JV Solar in October 2022 (reduction of $51M), and an additional investment in VT Transco of $32.1M in December 2021. The FY23 Investment in Affiliates rate base balance is $724.376M, which is a decrease of $15.395M from the Test Year balance of $739.770M.

Q50. Please explain RB Adjustment No. 7 – Community Energy and Efficiency Development ("CEED") Fund.

A50. This adjustment represents the Test Year to Rate Year decrease in the CEED Fund balance. No additional CEED Fund investments are required. The decrease is attributable to the recurring annual CEED Fund amortization. The FY23 rate base balance was $5.248M, which is a decrease of $4.265M from the Test Year balance of $9.513M.

Q51. Please explain RB Adjustment No. 8 – Unamortized Debt Discount and Expense.

A51. This adjustment reflects unamortized deferred debt issuance costs. The FY23 rate base balance was $4.562M, which is a decrease $0.495M from the Test Year balance of $5.057M.

Q52. Please explain RB Adjustment No. 9 – Regulatory Assets and Deferred Debits.

A52. This adjustment reflects the unamortized balances of the regulatory assets and deferred debits. The FY23 rate base balance was $17.160M, which is a $13.339M increase from the Test Year balance of $3.821M. Most of this change is to reflect existing balances that have accrued over several years that were not added to rate base in the Test Year, and which have been added to rate base but not amortized in the Rate Year.

Q53. Please explain RB Adjustment No. 10 – Working Capital Allowance.

A53. This adjustment reflects materials and supplies including fuel, prepayments, Millstone 3 nuclear fuel, and a cash working capital requirement. The cash working capital requirement was calculated using a lead-lag study approach. The lead-lag study developed lead-lag factors for the time between when services were rendered and the receipt of revenues for such services and between when labor and other costs were incurred and when payments were made for such costs. The FY23 rate base balance was $51.252M, which is an increase of $1.150M from the Test Year balance of $50.101M.

Q54. Please explain RB Adjustment No. 11 – Accumulated Depreciation.

A54. This adjustment reflects the accumulated depreciation balance as of September 30, 2021 (end of the Test Year) adjusted for Interim Period and Rate Year retirements and depreciation expense. The FY23 rate base balance was $854.064M which is an increase of $95.345M from the Test Year balance of $758.719M.

Q55. Please explain RB Adjustment No. 12 – Customer Advances for Construction (CIAC).

A55. This adjustment reflects the CIAC book and tax difference which is being amortized through September 2024. The FY23 rate base balance is $0.036M, which is a reduction of $0.056M from the Test Year balance of $0.092M.

Q56. Please explain RB Adjustment No. 13 – Accumulated Deferred Income Taxes and Tax Reform Regulatory Liability.

A56. This adjustment reflects the impacts of temporary book and income tax differences and the protected plant regulatory liability which is being returned to customers over 33 years. The FY23 rate base balance is $434.937M, which is an increase of $21.991M from the Test Year balance of $412.945M.

Q57. Please explain RB Adjustment No. 14 – Accumulated Deferred Investment Tax Credits.

A57. This adjustment reflects the Investment Tax Credits ("ITC") that have been taken as a deduction on the corporate tax return but not yet returned to customers through rates. We amortize the deferred ITC over the depreciable life of the property, plant, and equipment that generated the ITC. The FY23 rate base balance is $0.790M, which is a decrease of $0.197M from the Test Year balance of $0.986M.

Q58. Please explain RB Adjustment No. 15 – Regulatory Liabilities.

A58. This adjustment reflects the unamortized balances of regulatory liabilities. The FY23 rate base balance was $14.159M, which is a decrease $1.400M from the Test Year balance of $15.559M.

Q59. Please explain RB Adjustment No. 16 – Accrued Pension Expense.

A59. This adjustment reflects the cumulative funding into the pension plan beyond cumulative costs. The FY23 rate base balance was $10.923M, which is a decrease of $8.203M from the Test Year balance of $19.126M.

Q60. Please explain RB Adjustment No. 17 – Accrued Post-Ret. Medical Expense.

A60. This adjustment reflects the excess of post-retirement medical plan assets over plan obligations due to return on plan assets exceeding costs. The FY23 rate base balance was $8.170M, which is an increase of $4.316M from the Test Year balance of $3.854M.

VI. GMP's Capital Structure and Cost of Debt & Equity

Q61. Please describe GMP's capital structure for the Test Year and Rate Year.

A61. The capital structure for the Test Year and the Rate Year are identified below:

Test Year	In $000s	
Long-term Debt	$ 795,445	43.9%
Credit Facility	$ 125,324	6.9%
Total Equity	$ 892,052	49.2%
Total Capital	$1,812,821	
Rate Year		
Long-term Debt	$ 805,038	43.2%
Credit Facility	$ 126,993	6.8%
Total Equity	$ 931,319	50.0%
Total Capital	$1,863,351	

The cost of each component of the capital structure is set out in **Exhibit GMP-ER-RB-4, Schedule E**. As indicated, the cost of capital in the Rate Year consists of 43.9% for long-term debt, 6.8% for credit facility debt, and 50.0% for equity. The cost of long- and short-term debt reflects per-books numbers and estimates for new issuances through the end of the Rate Year (described below). The Rate Year weighted after-tax cost of capital identified on the exhibit is approximately 6.30%.

Q62. How is GMP proposing to handle Return on Equity for the FY23 rate period?

A62. As described earlier in our testimony, GMP has reflected in this rate filing the existing ROE of 8.57%. This ROE was established in the FY22 Annual Base Rate filing under the Current Plan using the ROE adjustment formula in that Plan, and it remains the lowest approved ROE for an integrated utility in the U.S. As part of this case, GMP requested a market-based ROE analysis from our expert, Julie Lieberman, to establish what ROE would be justified using standard methodologies relied on by the Commission for setting ROE. This analysis, outlined in Ms. Lieberman's testimony, would result in an ROE of 10.25%, based on the increased market risk and volatility and comparison with authorized returns of similarly situated peer utilities in the U.S. Ms. Lieberman's analysis provides important context for the Commission's consideration, and her proposed ROE would be just and reasonable given current market conditions.

Nevertheless, to provide certainty and rate stability for customers, GMP is proposing to maintain the existing ROE if the New Plan is adopted in substantially the same form as proposed. As discussed in our testimony supporting the New Plan, we seek to continue critical components of our Current Plan, which have been shown to work well, including during the recent volatile market conditions associated with the COVID-19 pandemic. While the filed ROE is substantially lower than the expert recommendation, we manage risk by the terms of the proposed New Plan and the recommendations in this filing—and importantly, by innovating and investing in nation-leading initiatives and critically-needed grid transformation for our customers. The provisions of the Current Plan work together to balance risk and share benefits with customers. Continuing these provisions, including the ROE adjustment formula, will provide important certainty for customers, and GMP over the next several years, which counterbalances the otherwise low ROE compared to peers and market. If the New Plan is not adopted or is substantially modified to include provisions that have not previously been implemented, do not have a track record of performance, or present greater risks, the approach to setting the ROE level at the start of the Plan would no longer be appropriate.

Q63. Were any adjustments made to the common stock equity component of the capital structure?

A63. Yes. As in prior years, we reduced our common stock equity balance by approximately $8M to reflect the portion of common stock equity balance that supports non-utility operations.

VII. New Plan Revisions and FY24–FY26 Forecasts

Q64. Is GMP making any modifications to the New Plan proposal filed September 1, 2021?

A64. Yes. After an initial review of the Department's testimony in Case No. 21-3707-PET and taking into consideration the DPS's comments on the length of the New Plan, we are modifying the New Plan to set FY23 rates based exclusively on this cost-of-service case. The remaining three-year period of the New Plan—FY24–FY26—will continue to be set based primarily on forecasts provided with this filing, along with certain updated costs filed in advance of FY24. This approach uses FY23 as a springboard for the period of the

New Plan similar to how the 2019 Rate Case was used as a foundation for the Current Plan, while also addressing the DPS's interest in a shorter three-year forecasted period.

GMP's proposed revisions are outlined in the attached redline version of the New Plan, **Exh. GMP-ER-RB-7**, including this change for FY23 and other minor clarification to the New Plan, described below. GMP is providing the initial FY24 to FY26 forecast with this FY23 case. As noted in the revised New Plan, all the same costs will be set based on this initial forecast as originally proposed, using the same methodologies, except for debt costs which are dependent on market conditions. We plan to set them based on the updated FY24–FY26 forecast to be filed with the FY24 annual base rate filing, in June 2023. The Initial Rate-Smoothing Mechanism will be used to set base rates in FY24 through FY26.

Q65. Can you describe how GMP's initial FY24–FY26 forecasts were developed?

A65. Our three-year forecasts for the FY24–FY26 periods and supporting schedules are provided in **Exh. GMP-ER-RB-6**. The various cost-of-service and rate base categories contained in these initial forecasts were developed using methodologies outlined in the New Plan. We have prepared an updated version of Attachment 1 to the New Plan, which summarizes these specific methodologies for each cost-of-service and rate base category including a new column which describes how the initial FY24 to FY26 forecasts were developed for each category. See **Exh. GMP-ER-RB-7** (redlined New Plan including revised Attachment 1).

Q66. Can you summarize how these initial forecasts are used and will be updated under the New Plan?

A66. These initial forecasts serve essentially the same purpose as originally proposed and provide the foundation for setting the primary components of the cost of service over the New Plan period. The exception is that we are asking that final debt costs not be established until the updated forecasts are filed, given the current uncertain and volatile economic environment. See revised Attachment 1 to the New Plan contained in **Exh. GMP-ER-RB-7**. We then propose to use the Initial Rate-Smoothing Mechanism for FY24–FY26, after setting FY23 under this cost-of-service filing.

When our FY24 base rate request is filed in June 2023, we will also file updated forecasts, using the methodology specified in the New Plan. In subsequent years, annual base rates will only change based on the methodologies and adjustments authorized under the Plan.

Q67. You mentioned GMP had a few other minor clarifications to the Plan. Can you identify those changes?

A67. Yes. Three other minor changes are necessary to address circumstances and information that developed and clarifications we have found since the time of filing.

The first relates to the ongoing review of GF's proposal, pending before the Commission in Case No. 21-1107-PET, and how to handle GMP's costs and revenues related to serving GF's load in the event GF's proposal is not addressed in time. The second revision relates to confirming how GMP's O&M expenses related to Fleet will be handled under the Plan. The third clarification relates to Attachment 4 in the New Plan, and specifically the addition of one new category of Component A costs in the Power Supply Adjustor that was inadvertently not listed in the original Attachment. The first two changes are described below. Ms. Fischer describes the Component A clarification.

Q68. How does the New Plan account for the current proceeding on GF's petition to become a self-managed utility?

A68. The New Plan includes a revised provision at Section VI(A)(4) which clarifies that revenue for electricity, as a retail customer or through PPA and transition payments, received from GF will be incorporated into and handled through GMP's existing Power Supply and Retail Revenue adjustor. If GF's proposal goes forward, GMP will receive PPA payments during the proposed transition period and a Transition Fee payment. Any revenue received under the PPA will be recorded to a sub-account of FERC account 442 – Commercial and Industrial Sales and tracked independently. Similarly, any Transition Fee payments will be recorded in a sub-account of FERC account 456 – Other Electric Revenues, so that these fees can also be tracked independently. The modified section of the New Plan makes clear that both of these GF-related sub-accounts will be subject to the proposed power supply/retail revenue adjustor. Should the proposal not move forward, this is the same way that retail revenue from GF would be handled. This revised provision ensures that the impact of serving GF—whether it continues to take power as a customer under the Term Contract through retail revenue as extended through FY24, or under the PPA and Transition Fee structure if GF's utility proposal is approved—is neutral for our customers, regardless of the outcome of the ongoing proceeding.[10]

Q69. How does the New Plan account for GMP's treatment of O&M costs related to Fleet expenses?

A69. In the revised version of Attachment 1(c) of the New Plan, we have clarified that fleet O&M expenses are fixed based on an upfront forecast. See **Exh. GMP-ER-RB-7.** The original proposal did not expressly indicate the treatment of these expenses. As explained further in Mr. Castonguay's testimony, we plan to take advantage of lease arrangements for fleet vehicles instead of vehicle purchases in FY23 and other years, if beneficial to customers. Mr. Castonguay explains the analysis GMP has conducted that shows this approach to leasing vehicles, which are recorded as O&M costs, is better for customers in the long term compared to traditional vehicle purchases, which would be capitalized. The clarification in the New Plan with respect to Fleet O&M costs anticipates this lease approach and is designed to facilitate this beneficial alternative.

Q70. Does this conclude your testimony?

A70. Yes.

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[10] As noted in testimony above, if the GF proposal is approved, the separate asset transfer necessary to implement GMP's revised service territory is also not anticipated to have a significant cost impact.