<u>Schedule A – Narrative Summary of Fiscal Year 2025 Annual Base Rate Filing under Green Mountain Power's Multi-Year Regulation Plan</u>

Green Mountain Power (GMP) submits its Annual Base Rate Filing for Fiscal Year (FY) 2025 pursuant to GMP's Multi-Year Regulation Plan (Plan).[1] The Plan was approved by the Public Utility Commission (PUC or Commission) on August 31, 2022, after a review process that involved public hearings, a technical workshop, extensive formal discovery by the Department of Public Service (DPS or Department), party and expert testimony, and an evidentiary hearing. The Plan covers GMP's rates for FY23–26. The Commission conducted a full cost of service review to set FY23 rates in the first year of the Plan, and then sets FY24-26 rates each year based upon those components of the cost of service that are fixed throughout the Plan's term, along with results for elements that are annually refreshed or otherwise updated under the Plan's terms.[2]

This filing shows an annual smoothed rate base adjustment for FY25 of 5.26%, starting October 1, 2024. The FY25 adjustment is consistent with and based upon the Projected Smoothed Annual Base Rate for the Plan, which was set at 5.29% during last year's FY24 approval. As the Plan contemplates, FY25 and FY26 are built off of this same projected rate, subject to required updates that create adjustments each year. With this filing we provide updated forecasts for both FY25 and FY26, and incorporate the additional optional smoothing provided in the Plan for these two years.[3]

The updates required by the Plan include: annual power supply and revenue forecasts; adjustment to return on equity under the formula established in the Plan; annual reforecasts of a limited set of items based on economic data or third-party bids or updates; and updates to discrete costs dependent on all these adjustments, such as income tax. The filing also incorporates the adjustments recently approved on February 13, 2024, in Case No. 23-4085-PET.

Including these changes, the FY25 base rate filing is in line with the expected annual smoothed adjustment approved last year. This outcome keeps base rate changes for customers steady and prevents the volatility that has been seen elsewhere in the region for electric service and in other industries. The overall structure of the Plan continues to work effectively as intended to moderate and smooth impacts for GMP customers, requiring GMP to manage pressures on its balance sheet and spread them out for customers while simultaneously achieving the best possible outcomes across operations to serve customers.

The stability in the Plan is extremely important with climate change and the increasing frequency and severity of multiple damaging storms facing GMP and customers. After the record-breaking set of storms in FY23, customers have once again faced damaging impacts in this fiscal year, resulting in significant storm repair costs. We have now experienced four of the ten largest storms in our history just in the past year and a half. To combat this, GMP has accelerated undergrounding and storm hardening work for customers under the Plan and has filed a Zero Outages Initiative with the Commission that demonstrates our commitment to deliver reliable,

[1] Case No. 21-3707-PET.
[2] Plan at Section III & IV.
[3] Plan at Section V.

resilient electric service to all customers throughout our territory.[4] Greater storm resilience for customers and communities keeps everyone safe, and also lowers restoration and maintenance costs, supports electrification and decarbonization, and together with storage creates a dynamic, two-way, distributed grid that delivers savings for all customers while meeting the State's ambitious renewable energy and greenhouse gas reduction goals.

GMP will continue to look for ways to enhance resilience, increase reliability, keep rates affordable for customers, and stay strong operationally so that GMP continues to provide safe, reliable, clean, and cost-effective service for all our customers.

I. Details of the FY25 Base Rate Filing

Following this summary is an index of each of the Schedules provided with this filing. As noted, many costs have been locked for the term of the Plan. Items that are subject to annual reforecast or readjustment include: 1) power supply costs; 2) retail revenue; 3) certain operating and maintenance (O&M) costs; and 4) return on equity (ROE), along with associated income taxes changes based on other authorized adjustments. Here are brief descriptions of the primary components of the FY25 base rates, as reflected in the filing:

1. **Power Costs – Schedule C (Cost of Service)**. This filing reflects overall lower energy prices for the upcoming period, compared to last year's forecasts, along with offsetting increased transmission costs. This filing follows the same forecast methodology used in GMP's rate case and prior annual base rate reviews, and reflects formulaic annual pricing changes in supply contracts, purchased volumes based upon forecasts prepared by ITRON, Inc., contract deliveries and projected generation, and continued inflationary pressure moderated somewhat from prior forecasts.

   Fortunately, in June 2024 the Mystic generating station service contract expires, ending those significant costs imposed in Vermont and throughout the region. No forecast has been provided by ISO-New England regarding the potential magnitude in the upcoming year of the Inventoried Energy Program (IEP), a two-season limited-duration program meant to increase energy adequacy and security in the winter months, set to expire in February 2025. In keeping with our current benchmark methodology, the FY25 filing does not include IEP costs for customers in base rates, recognizing that they are highly variable based upon weather, short-term fuel costs, unit availability and other factors, and are not reasonably predictable. There is no reliable, known measurement upon which to build the IEP into base rates for FY25; for that reason, GMP is continuing the same treatment of limited duration winter programs as in previous years, providing quarterly accounting related to these costs in the power supply adjustor filings. We will continue to watch for further solutions the region is considering for winter supply adequacy after the IEP is scheduled to end this winter.

[4] Case No. 23-3501-PET.

The FY25 power supply forecast reflects currently in-effect Renewable Energy Standard requirements and does not incorporate changes recently passed by the General Assembly in H.289 as that bill was vetoed and is subject to action during an override session not expected until later in June. The magnitude in FY25, should it become law, is minimal because of the effective date, the lag in reflecting transactions of Renewable Energy Credits, and the modest initial adjustments mandated in the legislation. The FY25 forecast also does not reflect solar power purchase agreements for projects currently under review by the Commission and delays expected in-service dates for Standard Offer solar projects based upon actual outcomes of built projects and requests to delay commissioning. Finally, the increased regional transmission costs for FY25 reflected in Schedule C are based upon a May 2024 forecast provided by VELCO, including amounts owed under the 1991 Vermont Transmission Agreement.

2. **Retail Revenue – Schedule C (Cost of Service) & Schedule F (ITRON Forecast)**. GMP's retail load and revenue forecast, which provides the volumes needed to serve customers, is prepared by a third party, ITRON. This forecast reflects revenue growth for FY25 compared to FY24, though at a slightly lower level than the last forecasts provided to the Commission. As described in ITRON's report, residential sales continue their recent positive trend, though at a somewhat moderated level. The report also notes a rebound in small commercial & industrial sales, a positive sign of recovery for this sector heavily impacted by the economic downturn caused by the pandemic. The FY25 forecast continues to show the outcomes of electrification efforts, particularly with heat pumps, and the offsetting effect of net-metered solar. Based on ITRON forecasts, GMP is projecting a $1.5M increase in retail revenue in FY25 compared with the amount in FY24 rates, a benefit for all customers.

3. **Updated O&M and Related Costs – Schedule C (Cost of Service) and Schedule D (Rate Base Adjustments).** While many of GMP's operational costs were locked for the term of the Plan, some components are updated annually either through a formulaic CPI-U NE inflation adjustment set forth in the Plan or through third-party or expert information. For FY25, the CPI-U NE for the twelve months ending March 31, 2024, is 3.37%, which is the inflation factor reflected in the filing for categories subject to that adjustment under the Plan. Categories updated annually based upon third-party information or forecasts include healthcare, insurance, and pension costs, all somewhat higher for FY25 than prior forecasts based upon continued inflationary pressures. Vegetation management costs have been updated as set forth in the plan to reflect increased contractor bids to keep in line with our multi-year trimming plan. We have also adjusted our Accumulated Deferred Income Taxes (ADIT) based upon calculations provided by Transco and updated GMP tax results. Because storms have required a tremendous expense for recovery that caused overall lower results for the year, expected utilization of General Business Credits are significantly less than prior year projections thus decreasing the ADIT net liability reflected in this filing when compared to last year.

4. **Capital Structure – Schedule E (Capital Structure & Working Capital Detail)**. Under Section IV(D) of the Plan, the ROE is adjusted annually by a set formula, measuring the change in the daily average yield of the 10-year Treasury Note between February 15 and May 15, compared to the same period at last review. GMP's existing authorized ROE is then adjusted by 50% of the change in the average daily yield during that measurement period.[5] Under the approved ROE formula, the ROE for FY25 will be 9.97%, reflecting continued higher yields in the inflationary environment, with expected moderation in the months ahead.

5. **Broadband Deployment Rider Projects – Schedule C (Cost of Service)**. As in prior years, this filing includes projects implemented under the third year of GMP's approved Temporary Unserved Locations Broadband Deployment Rider. This program, the renewal of which is currently under review by the Commission, supports broadband connection for the hardest to serve customers.[6] The filing includes $0.5M in incremental expense, or 0.07% addition in rates compared to FY24.

6. **Energy Storage System (ESS) Additional Funding – Schedule C (Cost of Service).** On August 17, 2023, in Case No. 23-1335-TF, the Commission approved removing the annual installation limit previously in effect for this proven and popular customer program. As reported in GMP's recently filed Petition to begin to include new investment above previously approved limits, customer demand for storage systems following the Commission's order have continued to be very strong and installations to meet that demand have increased. Consistent with that Petition, the filing reflects the amount of new investment to meet this tariff change that closed to plant through March 31, 2024, in excess of the amount already included in FY24 base rates. Specifically, the FY25 filing reflects $3.7M in additional investments closed to plant through March 2024 above the level included in FY24 rates, which is 0.08% of the base rate adjustment. Should the Petition be approved, GMP will continue to follow the detailed accounting set forth in Section IV(a)(iv) of the Plan for this additional investment in FY26.[7]

Finally, as noted above, GMP has commenced return of the regulatory assets for synergies and pension settlement accounting, to be incorporated into base rates and retired over the next ten

[5] Plan at Attachment 3 (ROE Formula).
[6] Case Nos. 24-0509-TF & 24-0511-PET.
[7] Plan at Section IV(a)(iv): New Initiative Tariffed Offerings:
". . . . During the term of the Plan, GMP will not seek to recover through rates the cost-of-service impacts of New Initiative capital projects until after the capital project is complete and recorded to plant in service. GMP will separately track and record to a regulatory asset the incremental cost-of-service impacts . . . from the time the New Initiative capital project is placed in service until the New Initiative capital project cost-of-service impacts are reflected in base rates. GMP will accrue a return on the regulatory asset based on GMP's weighted average cost of capital, excluding the deferred debt and equity components of the regulatory asset, but defer collection until the Commission specifically approves including the New Initiative capital project in base rates. The regulatory asset will be included in a future Annual Base Rate filing, or the follow-on rate case for the fiscal year following the termination of the Plan."

years as approved in the Commission's February 13, 2024, Order in Case No. 23-4085-PET. All these items together with the smoothing adjustments represent a 5.26% base rate change in FY25, just below the Projected Smoothed Annual Base Rate presented last year.

II. Summary of Supporting Schedules

This filing is supported by eight schedules, which provide details on the rate request and the authorized adjustments made under the MYRP.

- **Schedule A** provides an overview of the FY25 Annual Base Rate Filing.

- **Schedule B** provides a summary of the FY25 Base Rate, together with the forecasted Projected Smoothed Base Rate for FY26 (which is subject to updates creating adjustments in the final year of the Plan).

- **Schedule C** provides the detailed Cost of Service (COS) Base Rate results for FY25 and forecast for FY26. Each component of the COS is described on a separate sheet in Schedule C, with a narrative explanation of what the item represents and how the adjustments were developed, along with a description of whether the component is fixed for the term of the Plan, inflation index adjusted, or reforecasted, and includes a link identifying the supporting files.

- **Schedule D** provides the projected Rate Base Balances for FY25-FY26 based on GMP's agreement to lock capital that is closed to plant during the term of the Plan, unless other investments are approved by the PUC under one of the exceptions in the Plan. Each component of Rate Base is described on a separate sheet in Schedule D, with a narrative description of what the item represents and how the amount was developed, along with a link identifying the supporting files. As with Schedule C, individual tabs in Schedule D also indicate if the component is fixed for the term of the Plan, inflation index adjusted, or reforecasted.

- **Schedule E** provides the capital structure and weighted average cost of capital for FY25, applying the PUC-approved methodology for adjustments to return on equity during the term of the Plan.

- **Schedule F** provides the updated Revenue Forecast, prepared by a third party, ITRON.

- **Schedule G** provides GMP's annual benchmark report based on reported FERC Form 1 data for identified peer group utilities.

- **Schedule H** updates the Extreme Storm Restoration Fund line-item surcharge to reflect the proposed FY25 Cost of Service.

Additional supporting files referenced in each schedule have been provided electronically in original format to the Department and the Commission and are available to others upon request.

III. Public Review and Approval Process

GMP has submitted a draft customer notice of the proposed base rate change with this filing and will provide that to customers starting in June 2024, as soon as the notice is approved. This filing has been posted to GMP's website where the Plan and other associated filings are also linked. GMP recently held an open house in White River Junction and invited all GMP customers, which included information on GMP's annual performance under the Plan and GMP's upcoming Integrated Resource Plan, and an opportunity to answer any questions.

The Department received preliminary power supply and retail revenue forecasts on May 1, 2024, as required by the Plan, and met with GMP about those items. Under the Plan, the Department will provide its comments and recommendations to the PUC within 60 days of this filing, after seeking any further information required from GMP.

GMP looks forward to answering any questions the PUC may have as it reviews this filing. GMP respectfully requests approval of this filing no later than September 1, 2024, as set forth in the Plan, so there is sufficient time to implement by October 1, 2024.