Schedule A – Narrative Summary of Fiscal Year 2026 Annual Base Rate Filing under Green Mountain Power's Multi-Year Regulation Plan

Green Mountain Power (GMP) submits its Annual Base Rate Filing for Fiscal Year (FY) 2026 pursuant to GMP's Multi-Year Regulation Plan (the Plan).[1] This is the last year of the Plan that was approved by the Public Utility Commission (PUC or Commission) on August 31, 2022, to cover 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 each year sets FY24-26 rates 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 base rate adjustment for FY26 of 7.35%, starting October 1, 2025. The main drivers of this increase are regional transmission and energy market costs which have risen significantly, even as we have controlled costs in other areas to keep rates affordable for customers. This adjustment is higher than the Projected Smoothed Annual Base Rate for the Plan (which was forecasted at 5.26% during last year's FY25 approval).

Absent the regional transmission and energy cost pressures, the adjustment for FY26 would be below the targeted smoothed rate path, reflecting stability in the areas subject to annual forecasted or formulaic adjustment under the Plan. All other changes from the prior forecast are on track, with savings (such as from increased sales and a lower cost of capital) offsetting any increases. This includes the smoothing adjustment that lowered rates in earlier Plan years and investment for the accelerated storm hardening and undergrounding work underway as a part of GMP's Zero Outages Initiative (ZOI), and for additional Energy Storage Systems installed to meet continued customer demand.

Further details on changes from prior forecasts reflected in the FY26 base rate filing are below.

I. Details of the FY26 Base Rate Filing

Items that are subject to annual reforecast or readjustment in the Plan include: 1) power supply costs; 2) retail revenue; 3) certain operating and maintenance (O&M) costs; 4) return on equity (ROE), along with associated income taxes changes based on these other authorized adjustments; and 5) annual investments in broadband, energy storage, and resilience, in accordance with Commission-approved accounting. Here are brief descriptions of the primary components of the FY26 base rates, as reflected in the filing:

1. **Power Costs – Schedule C (Cost of Service)**.
   Reforecasting power supply costs annually is required by the Plan. This helps keep the quarterly adjusters that return or collect variances in power supply costs less volatile for customers. 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

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

contracts, purchased volumes based upon forecasts prepared by ITRON, Inc., contract deliveries and projected generation, and continued inflation.

Regional Network Services (RNS) rates increased by more than 20% since 2024, significantly above previous forecasts. The transmission costs include increases in the RNS rate schedules (passed through from ISO-NE) and ISO-NE's own administrative cost recovery. These increases are primarily driven by lower-than-forecasted actual loads regionally in 2023, which in turn reduced RNS revenues and triggered a true-up to recover the shortfall in FY25-FY26, and higher revenue requirements from regional transmission owners due to new project additions.

The average cost to purchase energy, benchmarked for the year based upon prices available this spring, is about 10% higher than previously forecasted. Energy market prices impact the cost of GMP's open energy position, and affect certain long-term PPA prices, congestion, line loss, and short-term system purchase costs. A colder than expected winter in 2024–25 drove up actual and forecasted energy prices compared to the assumptions used in the prior benchmark.

The FY26 Base Rate filing maintains the VELCO common charges under the 1991 Vermont Transmission Agreement at the forecast currently in effect. Specifically, GMP's FY26 rates continue to reflect the May 2024 VELCO forecast of $36.8M, rather than the updated $42.0M from the more recent VELCO forecast. This approach reflects that VELCO's total 2-year projected costs for FY25 and FY26 have decreased since the May 2024 forecast. This better aligns actual costs with forecasted projects for the coming year; after consultation with VELCO, GMP has kept the prior VELCO forecast in place.[3] Several projects included in VELCO's latest forecast, originally planned for the current year, are expected to occur this coming year. Using the more recent VELCO forecast that includes those delayed projects would result in GMP customers paying for something already included in this current year's rates.

The FY26 power supply forecast also reflects updated Renewable Energy Standard requirements, and the solar and Standard Offer generation projects expected to be in service during the rate year.

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. Based on ITRON forecasts, GMP is projecting a $13.7M increase in retail revenue in FY26 over FY25. The higher sales than originally forecast reduce overall rate needs for customers.

[3] VELCO is expecting to receive more RNS revenue in the first 9 months of calendar year 2025 (which falls within GMP's FY25), and less during the last calendar year quarter (in GMP's FY26).

3. **Updated O&M and Related Costs – Schedule C (Cost of Service) and Schedule D (Rate Base Adjustments).** Many of GMP's operational costs were locked for the term of the Plan, while some components are updated annually either through a formulaic CPI-U NE inflation adjustment set forth in the Plan or through third-party independent expert information. For FY26, the CPI-U NE for the twelve months ending March 31, 2025, is 3.2%, 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 health care, insurance, and pension costs, all with very moderate or no changes from the last forecast. We have also adjusted our Accumulated Deferred Income Taxes (ADIT) based upon calculations provided by VT Transco and updated GMP tax results.

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.[4] Under the approved ROE formula, the ROE for FY26 will be 9.94%, lower than currently in effect, and GMP's cost of capital will be correspondingly lower.

5. **Broadband Deployment Rider Projects – Schedule C (Cost of Service)**. As in prior years, this filing includes projects implemented in the past year for GMP's approved Temporary Unserved Locations Broadband Deployment Rider. This program supports broadband connection for the hardest to serve customers. The filing includes $0.2M in incremental expense, or 0.03% addition in rates compared to FY25.

6. **Energy Storage System (ESS) Additional Funding – Schedule C (Cost of Service).** Consistent with the Commission's September 10, 2024, Order in Case No. 24-1715-PET, the filing reflects the regulatory accounting necessary to include in FY26 rates an amount of $11.3M in previously approved investment to meet customer demand for this storage program, closed to plant through March 31, 2025. GMP has also petitioned[5] to increase investment to serve customers interested in the ESS tariff, with that further investment included in future rate filings under the detailed accounting set forth in Section IV(a)(iv) of the Plan if approved.[6]

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[4] Plan at Attachment 3 (ROE Formula).

[5] Case No. 25-0948-PET.

[6] 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."

7. **Zero Outages Initiative Projects – Schedule I**. On October 18, 2024, the Commission issued its Order in Case No. 23-3501-PET, regarding GMP's ZOI, approving up to $150M in distribution hardening and undergrounding investment in specific areas of GMP's territory. In compliance with that Order, the FY26 Base Rate filing includes $15.5M of ZOI projects closed-to-plant by March 31, 2025, that were underway at or started after the time the Order was issued. As described in the ZOI proceeding, extreme weather is causing significant costs for customers, and these storms also cause damage to communities and put Vermonters at risk. The investment permitted by the Order significantly accelerates undergrounding and storm hardening work for customers.[7] The projects reflected in the FY26 filing help areas hit hard by multiple storms in the past few years, focusing on southern and central Vermont and the three least-reliable circuits: the EJ-G7, CH-G11, and SH-G35. The projects in this filing address the lines and feeder ties for these three circuits, increasing reliability for all customers in the area. Future projects will build off this strengthened system, and additional work is ongoing all across the circuits authorized by the Commission's Order.

All these items together with the smoothing and other adjustments already reflected in prior base rate filings represent a 7.35% base rate change for FY26. The stability provided by the Plan's base rate smoothing and adjustors is important to help manage volatility for customers. The overall structure of the Plan continues to work effectively as intended to moderate and smooth impacts for GMP customers, requiring GMP to manage operations and cost pressures, even when external cost pressures such as regional transmission and energy markets create rate increases for customers.

II. <u>Summary of Supporting Schedules</u>

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

- **Schedule A** provides an overview of the FY26 Annual Base Rate Filing.
- **Schedule B** provides a summary of the FY26 Base Rate.
- **Schedule C** provides the detailed Cost of Service (COS) Base Rate results 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

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

supporting files.

- **Schedule D** provides the projected Rate Base Balances for 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 FY26, 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 FY26 Cost of Service.

- **Schedule I** is GMP's FY26 Zero Outage Initiative Report, which summarizes the $15.5M in ZOI projects GMP completed through March 31, 2025. GMP has included the costs associated with these projects in rates under the methodology approved in the Commission's Final Order of October 18, 2024, in Case No. 23-3501-PET, as reflected on the approved form template.

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 2025, as soon as the notice is approved. This filing is also available on GMP's website. GMP recently hosted an open house in St. Johnsbury for customers, which included information on GMP's annual performance under the Plan and an opportunity to answer any questions.

The Department received preliminary power supply and retail revenue forecasts on May 1, 2025, as required by the Plan, met with GMP about those items, and received answers to follow up questions prior to this filing. 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, 2025, as set forth in the Plan, so there is sufficient time to implement the change by October 1, 2025.