

August 13, 2018

By ePUC and First Class Mail

Ms. Judith Whitney, Clerk
Vermont Public Utility Commission
112 State Street, Drawer 20
Montpelier, VT 05620-2701

**Re: Case No. 18-1633-PET
Petition of Green Mountain Power for approval of a multi-year regulation plan
pursuant to 30 V.S.A. §§ 209, 218, and 218d**

Dear Ms. Whitney:

On August 3, 2018, the Public Utility Commission ("PUC" or "Commission") held a workshop in the above-referenced matter regarding GMP's proposed Multi-Year Regulation Plan ("MYRP" or "Plan"). During the workshop, Petitioner Green Mountain Power ("GMP") received several information requests from Commission Staff. Below, please find GMP's responses to these requests, with supporting documents. A copy of GMP's workshop presentation was also filed separately via ePUC today.

1. Request #1 - Timeline of Expected Filings under Multi-Year Regulation Plan

During the workshop, Commission Staff requested a timeline showing the anticipated annual filings and related events during the period of the proposed Plan (2019-2022). Attachment GMP.COMM1.Q1.1 provides the requested information. For context, the first page of this timeline provides an overview of GMP's pending regulatory matters and how they coordinate with each other. Pages two and three of this attachment provide a timeline of filings under the MYRP, by fiscal year, and a timeline for the FY23 traditional rate case, which would bookend the Plan. Attachment GMP.COMM1.Q1.2 also provides the proposed filing dates in table form, with additional information on the anticipated review and approval process, as appropriate, for each type of filing. In addition, Attachment GMP.COMM1.Q1.3 outlines GMP's customer and public engagement, and additional steps GMP is planning to take which may also be incorporated into the regulation plan.

2. Request #2 - Comparison of Performance of Current & Proposed Power Adjustor

Slide #7 in the GMP presentation provided an overview of the Power Supply Adjustor (“PSA”) GMP is proposing under MYRP, and how the new retail revenue decoupling mechanism and proposed cost variance calculation work within this proposed PSA design. During the discussion of this topic, Commission Staff requested information on how the proposed PSA (with its new Retail Revenue Adjustor incorporated) would have performed in prior years, compared to the PSA that was actually in place during those years. Please see Prefiled Testimony of Douglas C. Smith, Answers 15-23, pages 21-32, and specifically Answer 21 at 27.

Attachment GMP.COMM1.Q2, provides the requested comparison for the period 2013-2018, looking at how the proposed PSA would have performed (based on variances in GMP’s actual quarterly power costs and retail sales volumes relative to the benchmark levels reflected in GMP’s retail rates) if they had been in place during those years rather than the existing PSA. As indicated in the testimony and this analysis, the net result of the proposed PSA, for both customer collections/returns and GMP net income would have been very similar over that period. GMP utilized this analysis to help screen whether its proposed PSA design is appropriate, while recognizing as stated in Mr. Smith’s testimony that comparing any particular year or years may not reflect the range of potential future outcomes. Overall, we expect the proposed PSA design will more closely match GMP’s revenues and costs, while collecting or returning balances more promptly and preventing the accumulation of substantial balances that must be collected or returned in the following year.

3. Request #3 - Current Service Quality & Reliability Performance Metrics

Slide #10 in GMP’s presentation outlined the performance metrics GMP has proposed to include in the MYRP as part of a true performance-based regulation plan. As proposed, these goals provide incentive to maintain high quality, customer focused performance during the term of the Plan, so that GMP will strive to continue to out-perform its state standard for service quality and reliability, even under the resource-constrained Plan in which capital spending is capped at an established level.

During discussion of this component of the Plan at the workshop, Commission Staff requested information on how GMP’s current performance compares to the proposed metrics. Attachment GMP.COMM1.Q3 is a revised version of Exhibit GMP-BO-4, which shows the current state required Service Quality & Reliability Performance (“SQRP”) standard and the proposed stretch performance goal in the MYRP. A new column (F) has been added to this exhibit indicating GMP’s latest performance under each criterion, based on GMP’s 2017 SQRP Annual Report (latest available data). As indicated during the workshop GMP is currently exceeding both the state standards and the proposed stretch MYRP goals, which are set well above the state standard. GMP proposed these stretch goals to provide in this multi-year, performance-based regulation plan modest recognition to the company for results that go well beyond regulatory requirements, and to counterbalance the Plan’s capital spending caps while

encouraging GMP to innovate as much as possible to deliver high quality, reliable service to customers. As with other aspects of the Plan, GMP remains open to discussion about the appropriate level for these performance goals in the Plan and welcomes feedback from the parties and Commission on this issue.

4. Request #4 – Example of How Major Storm/Exogenous Change Adjustor Will Appear on Customer Bills.

GMP proposes to include a separate line item on customer bills for “Major Storm Recovery Costs” (otherwise described in the Plan as part of the “Exogenous Change Adjustor”) to collect a set amount from customers each year (proposed to be \$8 million) for this purpose. See Exhibit GMP-ER-1 at 19.

To address Commission Staff’s question regarding how separate charges appear on customer bills, we have provided Attachment GMP.COMM1.Q4, which is an image of one of GMP’s current bills (with customer information redacted). GMP at times has collected or credited items separately on the bill; while the currently-approved exogenous storm collection is wrapped into base rates on customer’s bills (and therefore does not appear separately), the power adjustor and federal tax relief credit presently appear as separate line items on page 2 of the bill. This bill therefore provides a good example of where and how separate credits/charges would appear transparently on a customer bill during the Plan term.

The monthly per customer impact of collecting \$8M a year as a separate line item will ultimately depend on the number of customers, total revenue collected from each customer class, and the PUC rate orders issued through the end of the MYRP.

This annual collection is proposed to cover not only Major Storms during the Plan term, but also to cover the “Prior Major Storm Costs” that are already incurred but not yet approved for collection at the start of the Plan. See Exhibit GMP-ER-1 at 19. There has been more than \$12M in such costs, with more than a year still to go until the regulation plan is proposed to commence. See Prefiled Testimony of Eddie Ryan, Answer 31 at p 21. Thus, the proposed steady \$8M collection may be lower overall during the Plan term than the total individual Major Storm charges otherwise would be, and the collection methodology will be less volatile/unpredictable for customers. Essentially, GMP has proposed a mechanism to collect both stacked and newly-incurred costs more slowly over time, utilizing a steady amount. GMP still proposes that all Major Storm costs will be reviewed by the Commission and approved in order to be recognized as collections by GMP. See GMP-ER-1 at 18-20.

Utilizing the 2019 Cost of Service filing as a proxy, a typical residential customer would see a monthly charge of around \$1.20-\$1.30 and a typical commercial customer would see a monthly charge of around \$5.50-\$5.80 from a steady \$8M annual customer collection. (Industrial customer usage is more idiosyncratic, but the charge would likely be in the \$1200-\$1300/month range.) The higher end of each of these ranges would apply if the Commission were to exempt

Transmission Class 70 from ongoing Major Storm collections, given its lack of reliance on the distribution system.

5. Request #5 – Summary of How GMP is Addressing Risk in Multi-Year Regulation Plan

During the workshop, Commission Staff asked GMP to provide a summary of how the elements of its MYRP proposal seek to address risks to customers and the company. Attachment GMP.COMM1.Q5 explains the shared opportunities and risks faced by GMP and its customers together over the term of the Plan. GMP has provided an Analysis column to Exhibit GMP-MGP-1, previously included in the Prefiled Testimony of Mary G. Powell and as Slides #15-17 in GMP's workshop presentation, to address this inquiry by plan element.

Please do not hesitate to contact us with any questions regarding these information requests.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoffrey H. Hand".

Geoffrey H. Hand, Esq.

A handwritten signature in blue ink, appearing to read "Elizabeth Miller".

Elizabeth Miller, Esq.

cc: Service List (via ePUC)

Encls.