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**VIA HAND DELIVERY**

August 1, 2016

Mrs. Judy Whitney, Clerk  
VERMONT PUBLIC SERVICE BOARD  
Peoples United Bank Building, 4<sup>th</sup> Floor  
112 State Street  
Montpelier, VT 05620-2701

Re: GMP Alternative Regulation Plan  
2017 Plan Rate Adjustment Filing

Dear Mrs. Whitney:

Enclosed please find Green Mountain Power's ("GMP") proposed 2017 plan rate adjustments. The filing calls for an overall .93% increase, consisting of: (1) a .03% base rate decrease; (2) a .96% power adjutor increase.

**Base Rate Adjustment**

GMP is proposing a modest base rate decrease, reflecting year over year updates to its overall cost of service. Primary drivers are decreases in cost of service for rate year 2017 due to: \$16.3 million in merger savings; benefits for customers with GMP's JV solar investments; return of a regulatory liability associated with plant removal costs; and a decrease to GMP's ROE from 9.44 in 2016 to 9.02 (per the formula adjustment based on the treasury note yield in GMP's Alternative Regulation Plan).

These decreases are nearly offset by an increase in power supply (primarily solar net metering), transmission, and capital expenditure related costs. Additionally, lower projected retail sales contributed to upward rate pressures.

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### **Power Adjustor**

This reflects an under-collection of \$5.3 million for the Third and Fourth Quarters of Rate Year 2015 and the First and Second Quarters of Rate Year 2016. Lower than forecasted retail sales and resale prices, and higher than projected transmission and solar net metering costs, were the primary drivers for the under-collection.

### **Process To Date**

A draft of the proposed 2017 plan rate adjustments was submitted to the Department of Public Service (“Department”) and Larkin & Associates, PLLC (“Larkin”) (the Department’s independent third party consultant) on June 1, 2016, in accordance with the GMP Alternative Regulation Plan. Since that time, the Department and Larkin have exhaustively analyzed the filing and have proposed various further adjustments.

GMP also posted a copy of the June 1 filing on its website and held a public workshop on the proposed rate change on June 30, 2016.

### **Next Steps**

In support of the plan rate adjustments, the filing includes an original and nine copies of official and explanatory versions of tariffs. The filing also includes supporting work papers. It is our understanding that the Department will be filing the Larkin Report and its recommendation regarding the filing on or around August 15, 2016.

GMP respectfully submits that the plan rate adjustments are fully supported by changes in costs, are consistent with all applicable requirements of the Plan as revised and approved in Docket 8190/8191 and should be permitted to go into effect on a service-rendered basis October 1, 2016.<sup>1</sup> GMP stands ready to provide any additional information that may be required and suggests that a workshop may be appropriate to respond to any questions the Board may have.

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<sup>1</sup> Please note that the exogenous (i.e. major storm) adjustment has been rolled into the base rate decrease of .03%. In the past, the exogenous adjustment has been a separate line item on customers’ bills. Since the timing of the exogenous adjustment application now coincides with the base rate filing, GMP is simplifying customers’ bills by combining the two items.

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Very truly yours,

GREEN MOUNTAIN POWER

A handwritten signature in black ink, appearing to read "Robert A. Bingel", written over the printed name below.

Robert A. Bingel  
Manager, Forecasting & Analytics

Enclosures

cc: Department of Public Service  
William Griffin, Esq.  
Robert Simpson, Esq.  
James Dumont, Esq.