STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 17-3232-PET

| Petition of Green Mountain Power Corporation for approval of a temporary limited regulation plan pursuant to 30 V.S.A. §§ 209, 218 and 218d | Hearings at Montpelier, Vermont |
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Order entered: 11/29/2017

PRESENT: Anthony Z. Roisman, Chair
Margaret Cheney, Commissioner
Sarah Hofmann, Commissioner

APPEARANCES: Daniel C. Burke, Esq. and Stephanie Hoffman, Esq.
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## I. INTRODUCTION

This case concerns a petition filed by Green Mountain Power Corporation ("GMP") for approval of a temporary limited regulation plan pursuant to 30 V.S.A. §§ 209, 218, and 218d (the proposed "Plan").[1] GMP's current alternative regulation plan expires on December 31, 2017 (the "current plan").[2] GMP proposes to continue several aspects of the current plan, including the power adjustor, the exogenous change adjustor, the merger savings adjustment, and the innovative pilot program.

For the reasons stated below, the Vermont Public Utility Commission (the "Commission") (1) approves the Plan as attached to this Order; (2) denies the request of GlobalFoundries U.S. 2 LLC ("GF") to be exempt from the power adjustor provisions of the Plan; and (3) denies the request of Renewable Energy Vermont ("REV") for amendments to portions of Attachment 1 to the Plan, which deals with the innovative pilot program. Finally, the Commission defers ruling on GF's request to be exempt from exogenous storm costs until GMP's next rate design case.

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[1] As reflected in the procedural history of this case, GMP filed a revised version of the Plan on October 20, 2017. Throughout this order, the term "Plan" generally refers to this final, revised version of the Plan, unless the context indicates otherwise.

[2] The current plan was approved in *Petition of Green Mountain Power Corporation*, Docket 8871, Order of 5/15/17.

## II. PROCEDURAL HISTORY

On June 2, 2017, GMP filed its petition.

On June 21, 2017, a prehearing conference was held.

On June 23, 2017, GF filed a notice of appearance and motion to intervene.

On June 30, 2017, GF's motion was granted.

On July 13, 2017, the Commission held a workshop. The workshop was attended by GMP, the Vermont Department of Public Service (the "Department"), REV, and GF.

On July 14, 2017, REV and Vermont Energy Investment Corporation ("VEIC" or "Efficiency Vermont") filed motions to intervene.

On July 19, 2017, the Commission granted the intervention requests of REV and VEIC.

On August 21, 28, and 29, respectively, public hearings were held in Montpelier, Rutland, and Brattleboro, Vermont.

On August 24, 2017, GMP filed a letter with the Commission responding to questions posed at the July 1 workshop.

On August 25, 2017, the Department and intervenors filed their direct testimony.

On September 13, 2017, GMP filed its rebuttal case.

On September 25, 2017, the Department and intervenors filed their surrebuttal cases.

On October 5, 2017, an evidentiary hearing was held in the Susan M. Hudson Hearing Room at the Commission's offices in Montpelier, Vermont.

On October 12, 2017, the parties filed briefs. GMP filed a revised version of the Plan that reflected changes agreed to by the Company and the Department ("Exh. GMP-CBA-1(Revised)").[3]

On October 20, 2017, the parties filed reply briefs.

On November 22, 2017, the Commission requested additional information from GMP.

On November 27, 2017, GMP filed a response to the Commission's information request.

No other filings were received.

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[3] This document is hereby admitted into the evidentiary record. Any party who objects to the admission of this document may file an objection within the 10-day reconsideration period pursuant to V.R.C.P. 59(e).

## III. PUBLIC COMMENTS

The Commission received no written comments from the public concerning the Plan. The Commission held three public hearings in this proceeding. No members of the public attended the first two hearings, which were held in Montpelier and Rutland. The third hearing was held in Brattleboro and 7 members of the public spoke at the hearing. One speaker questioned the role of GF in this proceeding and asked whether GF would receive special treatment that would result in higher rates for other ratepayers. As discussed further below, the Commission rules that it is not appropriate to provide GF with a special exemption from the power adjustor provisions of the Plan because such an exemption could shift costs to other ratepayers. Those speaking at the hearing did not have any other specific comment on the Plan but expressed a general desire for more access to information about GMP and its rates.[4]

## IV. STATUTORY STANDARD

The Commission is authorized by 30 V.S.A. § 218d to approve alternative regulation plans for electric and natural gas companies. Furthermore, the Commission, on its own motion or the motion of the Department or a company operating under an alternative regulation plan, may investigate any alternative regulation plan that is in effect and, following notice and an opportunity for hearing, may terminate or modify the alternative regulation plan upon a finding of good cause.[5]

In order to rule favorably on requests to establish or amend an alternative regulation plan, we must find that the proposed form of alternative regulation will:

> (1) establish a system of regulation in which . . . companies have clear incentives to provide least-cost energy service to their customers;
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> (2) provide just and reasonable rates for service to all classes of customers;
>
> (3) deliver safe and reliable service;

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[4] The Brattleboro public hearing was also noticed as an opportunity to comment on GMP's pending request to change its rates, which is under consideration in Case No. 17-3112-INV. The comments given at the hearing focused primarily on GMP's rate request. These comments will be addressed in more detail when the Commission issues a final ruling in Case No. 17-3112-INV. A summary of the comments is available online at: http://puc.vermont.gov/news/public-hearing-ratepayers-identify-issues-puc-address-regarding-gmp-rate-requests. A transcript of the hearing is available online at: https://epuc.vermont.gov/.

[5] 30 V.S.A. § 218d(i).

> (4) offer incentives for innovations and improved performance that advance state energy policy such as increasing reliance on Vermont-based renewable energy and decreasing the extent to which the financial success of distribution utilities between rate cases is linked to increased sales to end use customers and may be threatened by decreases in those sales;
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> (5) promote improved quality of service, reliability, and service choices;
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> (6) encourage innovation in the provision of service;
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> (7) establish a reasonably balanced system of risks and rewards that encourages the company to operate as efficiently as possible using sound management practices; and
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> (8) provide a reasonable opportunity, under sound and economical management, to earn a fair rate of return, provided such opportunity must be consistent with flexible design of alternative regulation and with the inclusion of effective financial incentives in such alternatives.[6]

In the case of an investor-owned company, such as GMP, the Commission will approve an alternative regulation plan only if we find that the plan "will not have an adverse impact on the electric company's eligibility for rate-regulated accounting in accordance with generally accepted accounting standards if applicable; and reasonably preserve the availability of equity and debt capital resources to the company on favorable terms and conditions."[7]

Finally, alternative regulation may include changes or additions to, waivers of, or alternatives to, traditional rate making procedures, standards, and mechanisms, as long as the Commission finds that such alternative regulation will promote the public good and will support the required findings in 30 V.S.A. § 218d(a).[8]

## V. Findings

For the reasons discussed below, we find that GMP's proposed Plan, as amended in its October 12, 2017, filing, meets the specific standards of Section 218d and will promote the public good. We, therefore, approve the Plan.

### Summary of the Plan

1. GMP's current alternative regulation plan expires December 31, 2017. Charlotte Ancel, GMP ("Ancel") pf. at 2.

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[6] 30 V.S.A. § 218d(a)(1-8).
[7] 30 V.S.A. § 218d(m).
[8] 30 V.S.A. § 218d(d).

2. The Plan will take effect on January 1, 2018, and terminate on December 31, 2018, with an option for GMP to petition for an extension of up to one year, beginning on January 1, 2019. Exh. GMP-CBA-1(Revised) at 1.

3. The Plan continues four aspects of the current regulation plan: the power adjustor, the exogenous change adjustment, the merger savings adjustment, and the innovative pilot program. Other elements of the current plan, including the annual base-rate adjustment and earning sharing mechanism will not be continued. Exh. GMP-CBA-1(Revised) at 1-2.

Power Adjustor

4. GMP's net power costs are subject to meaningful volatility on a quarterly and annual basis. Douglas Smith, GMP ("Smith") pf. at 22.

5. The power adjustor will compare actual and forecasted power costs. Specifically, the 2018 power adjustor will compare actual power costs for January 1, 2018, through December 31, 2018, against those same costs included in 2018 rates for the same period. Exh. GMP-CBA-1(Revised) at 3-4.

6. The power adjustor has five structural elements: (1) components A and B; (2) volume variance adjustment; (3) efficiency band; (4) benchmark and (5) duration and timing. Smith pf. at 4.

7. Components A and B include all of the power costs that are recovered through the power adjustor, and can be seen in Attachment 2 to the Plan. Component A is made up of costs that are largely outside GMP's control such as charges for capacity. To the extent that actual costs for these categories in each quarter turn out differently from the level of costs that was included in GMP's retail rates for that quarter, the difference is passed through the adjustor on a dollar for dollar basis. Component B is made up of costs that GMP does have some influence over, such as energy costs, and these costs are recovered subject to the efficiency band adjustments that are discussed below. Smith pf. at 4; exh. GMP-CBA-1(Revised) at 3-4 and Attachment 2.

8. The volume variance adjustment is based on the difference between the forecasted and actual retail sales volumes. The MWh difference between the forecasted and actual retail sales volumes is multiplied by a $/MWh rate that reflects GMP's average power costs, to arrive at a dollar adjustment to GMP's benchmark costs for the purpose of calculating the quarterly power

adjustor results. The adjustment is positive if sales increase, and negative if they decrease. This element of the power adjustor has the effect of returning money to customers when sales volumes increase and collecting money from customers when sales volumes decrease, thus reducing the link between changes in retail sales and changes in GMP's earnings. Smith pf. at 4-5.

9. The efficiency band, also known as the "deadband," encourages GMP to manage and minimize power costs on a short-term basis. GMP absorbs all variances in Component B power costs up to plus or minus $307,000 each quarter, and also absorbs 10 percent of all Component B cost variances outside of this range. Smith pf. at 5; exh. GMP-CBA-1(Revised) at 4.

10. The benchmark for any given quarter represents the power adjustor costs and volumes that are projected for the quarter and are being recovered in GMP's base rates. A benchmark cost is calculated for Component A and Component B; these benchmarks are the basis of comparison for all variance calculations. Smith pf. at 5.

11. While the power adjustor is calculated quarterly, the adjustment itself (i.e., a return of funds to customers if actual power costs turn out lower than the benchmarks, or collection of funds from customers if actual power costs turn out higher) is made annually, based on the net sum of the four quarterly amounts. This gives GMP customers more rate stability and certainty in their short-term electricity costs than would be the case if the power adjustment were made every quarter. Smith pf. at 5.

12. Charges or credits resulting from the power adjustor will appear on retail customer bills beginning on January 1, 2020. Tr. 10/5/17 at 44 (Ancel).

<u>Exogenous Change Adjustment</u>

13. The exogenous change adjustment provides for yearly adjustment of rates to reflect any qualifying adjustments, whereas under traditional regulation such expenses are deferred with accumulated interest between rate cases, increasing in magnitude. Ancel pf. at 16.

14. The exogenous change adjustment includes both exogenous non-storm changes and exogenous storm changes, as these terms are defined in the Plan. Exh. GMP-CBA-1(Revised) at 6.

15. GMP will absorb the first $1,235,000 (adjusted annually for inflation) of any qualifying exogenous costs during the 2018 calendar year. Ancel pf. at 16; exh. GMP-CBA-1(Revised) at 6.

16. The measurement period for the exogenous change adjustment is January 1, 2018 to December 31, 2018. Exh. GMP-CBA-1(Revised) at 2.

Merger Savings Adjustment

17. Under the Plan, GMP will make a yearly adjustment to continue returning savings to customers from the merger of GMP and Central Vermont Public Service Corporation ("CVPS"), under the methodology set forth by the Commission in Docket No. 7770. Ancel pf. at 16.

18. The merger savings adjustment will be passed on to customers on a yearly basis, effective January 1, 2018. Exh. GMP-CBA-1(Revised) at 2.

Innovative Pilots Program

19. GMP states that innovative offerings are necessary to satisfy Tier 3 of the recently-enacted Renewable Energy Standard ("RES"), which requires Vermont electric distribution utilities to deliver customer-facing transformative energy projects that decrease fossil-fuel consumption and greenhouse-gas emissions. These offerings also advance the renewable energy and greenhouse-gas reduction goals contemplated in Vermont's Comprehensive Energy Plan. Ancel at 17.

20. Under the Plan, all innovative pilots will be implemented consistently with terms set forth in GMP's Memorandum Detailing Changes to Innovative Pilot, dated December 7, 2016, and filed in Docket No. 8794. Exh. GMP-CBA-1(Revised) at Attachment 1; exh. DPS-CF-1.

21. The Department recommended that, for each innovative pilot, the Commission require GMP to make semiannual reports (due at 6 and 12 months, 30 days post) and a final report (due 60 days after the pilot's 18-month duration). The Department further requested that the Commission require GMP to submit a Data Collection and Reporting Plan (including a draft reporting form) to the Commission within 60 days of the date of this Order, followed by a 20-day comment period for the Department unless the Department and GMP reach agreement on the

Data Collection and Reporting Plan prior to filing. Carol Flint, Department ("Flint") reb. pf. at 2-3.

22. The term of an innovative pilot is limited to 18 months. Exh. GMP-CBA-1(Revised) at Attachment 1.

## **Incentives to Provide Least-Cost Service**

[30 V.S.A. § 218d(a)(1)]

23. The Plan creates clear incentives for GMP to provide least-cost energy service to its customers. This finding is supported by findings 24 through 27, below.

24. Under both the power adjustor and the exogenous change adjustment, GMP absorbs a portion of expenditures prior to passing any costs on to customers. Ancel pf. at 21.

25. The power adjustor provides a direct incentive for GMP to manage its actual power costs because GMP directly benefits when its power costs are less than the benchmark figures. Conversely, GMP has meaningful funds at risk when its actual quarterly power costs exceed benchmark figures. Smith pf. at 24.

26. GMP absorbs all variances in Component B power costs within a prescribed range, and 10 percent of variances outside of that range. In all circumstances, GMP stands to benefit by finding ways to lower Component B costs. The design of the power adjustor also removes potential disincentives to providing least cost service using either resources that would reduce retail electricity sales or intermittent resources. Ancel pf. at 21-22.

27. Under the exogenous change adjustment provision, GMP absorbs the first $1.235 million in exogenous costs (adjusted upward for inflation year over year) and there is a yearly process for cost recovery so that exogenous costs do not build or collect interest. Ancel pf. at 22; exh. GMP-CBA-1(Revised) at 6.

## **Just and Reasonable Rates**

[30 V.S.A. § 218d(a)(2)]

28. The Plan will result in just and reasonable rates. This finding is supported by findings 29 and 30, below.

29. The power adjustor and exogenous change adjustment pass through to customers the actual cost of electricity consumed. Ancel pf. at 22.

30. In the event that GMP's exogenous costs exceed the costs contained in GMP's rates, GMP will absorb a portion of the costs from the exogenous change adjustment that might otherwise be passed on to customers under traditional regulation. Ancel pf. at 22.

Discussion

In Dockets 8190 and 8191, the Commission ruled on a previous GMP rate request and alternative regulation plan (the so-called "Successor Plan").[9] In the course of those proceedings, several parties, including the Department, GMP, and GF, entered into a memorandum of understanding (the "2014 MOU") in which those parties resolved all of their disputes related to the rate request and alternative regulation plan. The 2014 MOU specified that for the term of the Successor Plan, the commercial and industrial transmission service rate class[10] (the "Transmission Rate") would be exempt from any future changes in rates (a "rate freeze"). This meant that the Transmission Rate would not change due to either a future rate request from GMP or any rate adjustments that would have otherwise occurred under the Successor Plan until after October 1, 2017.[11] The 2014 MOU separately provided that "no Exogenous Changes related to storm events shall be included in the Transmission Rate, effective October 1, 2014."[12] Finally, the 2014 MOU states that "the Parties have made compromises on specific issues to reach agreement on the MOU. . . The MOU and any order approving the MOU shall not be construed by any party or tribunal as having precedential impact on any future proceedings involving the Parties, except as necessary to ensure performance of this MOU or to enforce an Order of the [Commission] resulting from this MOU."[13]

The Plan under consideration in this proceeding does not exempt the Transmission Rate from the power adjustor or exogenous storm charge. GF requests that if the Commission

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[9] *Petition of Green Mountain Power Corporation*, Dockets 8190 and 8191, Order of 8/25/14. The Successor Plan was in effect until September 30, 2017. In Case No. 8871, the Successor Plan was amended (now the "current plan") and extended until December 31, 2017.

[10] GF is the only member of this class of service.

[11] Dockets 8190 8191, Order of 8/25/14 at 17.

[12] 2014 MOU at 5.

[13] 2014 MOU at 6-7.

approves the Plan, we continue to exempt the Transmission Rate from these two provisions, as had been agreed to in the MOU. GF asserts that GMP is using this alternative regulation proceeding to make changes that would affect the Transmission Rate without providing specific evidence supporting the reasonableness of those changes. GF contends that the Commission previously reviewed GF's exemptions from the power adjustor and exogenous storm charge in Dockets 8190 and 8191 and concluded that those exemptions resulted in just and reasonable rates for service to all classes of customers. GF argues that "GMP has failed to provide adequate evidence to support the requested changes to the current regulatory environment . . .[and] has failed to demonstrate that those changes will lead to just and reasonable rates for all customers."

GF asserts that it is GMP's largest customer and a significant contributor to the Vermont economy. GF states that it consumes significant amounts of power and relies on stable power costs. GF asserts that "[i]t is a fundamental precept of ratemaking that the beneficiaries of a utility activity should bear the cost." GF contends that it does not use GMP's distribution system and, therefore, does not benefit from repairs GMP makes to its distribution system in response to major storms. For these reasons, GF requests to be exempt from the power adjustor and the exogenous storm charge until a formal rate design proceeding takes place.

GMP responds that because the grid is an interconnected system, maintaining safe and reliable electric service for all customers across the system, including repairs necessary after significant storm events, is a core obligation of any utility and it is a service that benefits all customers taking power off the grid, including GF. GMP further states that "there is no basis for the Commission to continue an exemption for GF from these charges, which would otherwise be picked up by GMP's other customers." However, GMP states that the costs arising from the power adjustor and the exogenous storm charges will not be charged to customers until January 1, 2020. Therefore, GMP maintains that the Commission does not have to decide these issues in this proceeding. Rather, GMP will book and defer the charges to GF under the Interim Plan until the Commission has further opportunity to investigate these issues in the next GMP rate design proceeding, which GMP posits is a more appropriate forum to decide this issue.

The Department maintains that the evidentiary record in this case does not contain sufficient factual data to meaningfully analyze GMP's and GF's respective positions on whether an exemption from the exogenous storm charge is necessary or warranted. The Department believes a detailed factual analysis of the technical and engineering issues that underlie GF's position is necessary to properly evaluate GF's request. The Department maintains that the complexity of this issue warrants investigation and resolution through a subsequent rate design proceeding.

With respect to the power adjustor, the Department states that the Commission should resolve this issue on a forward-going basis in advance of the implementation of the Plan. The Department also states that if the Commission allows GF to be exempt from the power adjustor to accommodate GF's desire for rate stability, then that exemption should not impose an unfair cost shift onto GMP's other customer classes. The Department maintains that neither GF's nor GMP's prefiled testimony describes how to achieve such a balance. However, the Department asserts that the parties could negotiate a fair resolution to this issue and submit a settlement to the Commission in advance of the January 1, 2018, effective date of the Plan.

The Department states that the issue of whether GF should be subject to the power adjustor could be resolved through a future rate design case because any rate change triggered by the power adjustor will not come into effect until January 1, 2020. For these reasons, the Department requests that the Commission withhold issuing an order on GF's request to be exempt from the power adjustor until either: (1) the parties present a proposed settlement on this issue, or (2) GMP files a rate design petition, whichever occurs first.

First we take up the issue of the power adjustor. GF asserts that GMP "attempts to change the *status quo* in this informal proceeding, based on a minimal factual record." The Commission does not accept the premise of this argument. Under alternative regulation plans approved prior to Dockets 8190 and 8191, power cost adjustments flowed through to all customers, including the Transmission Rate. In Dockets 8190 and 8191, GF's predecessor in interest, International Business Machines Corporation ("IBM"), negotiated a 3-year exemption from the power adjustor for a specific period of time. That period ended on October 1, 2017. Therefore, the MOU did not specify a permanent exemption from the power adjustor for the Transmission rate. For these reasons, GF misunderstands the *status quo*. The Commission accepted an exemption from the power adjustor for a limited period. That period has ended, so under the current plan, GF would be subject to the power adjustor.

Furthermore, we do not agree with GF's contention that this is an "informal proceeding." This proceeding is a review of a proposed alternative regulation plan pursuant to Section 218d, which is the same type of proceeding as Docket 8191 where the temporary power adjustor exemption was adopted. GF was afforded an opportunity in this case to present testimony, cross examine GMP's witnesses, and present written argument. Therefore, the Commission does not agree with GF's contention that this is not the proceeding in which to consider this issue.

We have reviewed the evidence presented in this contested proceeding and we find that there is a sufficient basis to determine that the power adjustor would result in just and reasonable rates. GF asserts that "[g]iven the consistency and stability of GF's demand, GMP *should* be able to lock in a consistent stable price for [GF's] load and there should not be a need for GMP to adjust [GF's] rate."[14] While GMP might be able to obtain some portion of its power requirements using stable contracts, the record persuasively demonstrates that GMP's overall power costs fluctuate over time and are not, in fact, stable.[15] GF has not persuasively demonstrated why it would be fair to allocate the stably-priced sources in GMP's power supply portfolio to one class of customers while allocating the more volatile sources to other classes.

Second, GF has not persuasively articulated how adjusting the Transmission Rate to reflect GMP's actual power costs would be unjust or unreasonable. To the contrary, the Commission finds that the Plan and the power adjustor will create incentives for GMP to efficiently manage its power costs, and require GMP to share any savings with its customers, including GF.[16] Therefore, the Commission does not accept GF's assertion that the power adjustor will result in unjust or unreasonable rates for customers served under the Transmission Rate.

The Commission recognizes that in Docket 8191, it found that a temporary rate freeze for the Transmission Rate would result in just and reasonable costs for all classes of customers.[17]

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[14] Thomas Jagielski, GF, ("Jagielski") pf. at 4 (emphasis added).

[15] Smith pf. at 8; exh. GMP-DCS-1(revised).

[16] See findings 25 through 31, above.

[17] *Petition of Green Mountain Power*, Dockets 8190 and 8191, Order of 8/25/17 at 24 ("Although the [Commission] currently expects that the three-year freeze in the Transmission Rate will result in just and reasonable rates over the next few years, the Transmission Rate freeze will be subject to the [Commission's] statutory obligation to examine in any future rate case during that period whether the resulting rates will be just and reasonable.").

However, that finding was limited to "the next few years." The 2014 MOU involved a give and take among the parties and concessions on certain issues. Our approval of it was based upon the agreement of the parties and the specific context in which we considered it. Here, based on the record in this case, the Commission finds that exempting the Transmission Rate from the power adjustor has the potential to shift significant costs from the Transmission Rate to other classes of customers. For this reason, the Commission declines to approve an exemption in this proceeding.

Next, the Commission turns to the issue of exogenous storm costs. GF has argued that it does not benefit from storm repair work done on GMP's distribution system because it is a transmission customer.[18] The Commission has previously stated that as a general proposition, the costs of providing a service should be fairly distributed among the beneficiaries of the service.[19]

GMP counters that the grid is an interconnected system and that GF does benefit from storm repairs. GMP states that it does not assign costs for storm activities only to those users who are directly impacted by any individual storm, but rather those costs are carried by all customers collectively. GMP's witness also testified that GF experienced "power quality disturbances" during storm events.[20] However, aside from the parties' general assertions about whether GF benefits from GMP's storm repair costs, the record in this case contains sparse facts to support either GMP's or GF's arguments as to whether or to what extent GF benefits from GMP's storm repair efforts.

GMP and the Department represent that no rate adjustments resulting from exogenous storm charges will be billed to GF prior to January 1, 2020, and that there will be a further opportunity to develop a more detailed factual record on this issue in a rate design case conducted prior to that date.[21] Based on these representations, the Commission finds that it is not necessary to rule on this issue in this proceeding in order to determine that the Plan will

[18] Jagielski pf. at 3-4.

[19] *See e.g.*, *In Re Vill. of Morrisville Water & Light Dep't*, Docket 7332, Order of 12/13/2000 (describing three general principles of ratemaking, including the principle that the costs of providing a service should be fairly distributed among the beneficiaries of the service.)

[20] Tr. 10/5/2017 at 30 (Ancel).

[21] Department Brief at 3; Tr. 10/5/17 at 43-44 (Ancel).

result in just and reasonable rates. The Commission will have an opportunity to determine the proper allocation of any exogenous storm costs that accrue under the Plan prior to when those costs will be collected from customers in 2020. We expect that this determination will be addressed in GMP's next rate design case and by further testimony related to the linkage, if any, between major storm repairs and service to Transmission Rate customers. [22]

In conclusion, based on the discussion above, the Commission finds that the Plan will result in just and reasonable rates, as required by Section 218d(a)(2).

## **Safe and Reliable Service**

[30 V.S.A. § 218d(a)(3)]

31. The Plan will allow GMP to provide safe and reliable service. This finding is supported by findings, 32 and 33, below.

32. The exogenous change adjustment enables GMP to deliver safe and reliable service when unexpected costs arise that threaten safety or reliability. Ancel pf. at 23.

33. The power adjustor supports GMP's provision of safe and reliable service by supporting GMP's financial integrity and flexibility, and by helping to limit borrowing costs for capital projects that contribute to system stability and reliability. Ancel at 23.

## **State Energy Policy**

[30 V.S.A. § 218d(a)(4)]

34. The Plan will offer incentives for innovations and improved performance that advance the State's energy policies. This finding is supported by findings 35 through 37, below.

35. The innovative pilot provision provides incentives for innovation and improved performance that advance the State policy of increasing reliance on Vermont-based renewable energy resources. Ancel pf. at 23.

36. The power adjustor decreases the link between sales and financial success. Ancel pf. at 23; Smith pf. at 25.

[22] GMP is required to file a rate design in early 2018. The company has indicated that it may request an extension of time until January 1, 2019, to file such a case. However, even if such an extension were granted, the Commission expects that GMP's next rate design case would be resolved prior to January 1, 2020.

37. The power adjustor facilitates reliance on renewable energy because it reduces key potential barriers (e.g., by managing fluctuations in power costs and revenues that are naturally associated with reliance on intermittent power sources). Ancel pf. at 23; Smith pf. at 22.

## **Service Quality, Reliability, and Service Choices**

[30 V.S.A. § 218d(a)(5)]

38. The Plan will promote improved quality of service, reliability, and service choices because the innovation pilot provision expands service choices and promotes technologies that will lead to improved reliability. Ancel pf. at 24.

## **Innovation**

[30 V.S.A. § 218d(a)(6)]

39. The Plan will encourage innovation in GMP's provision of service because the innovative pilot provision is designed to encourage and promote use of innovative technologies in a way that ensures only those that have lasting value for all customers will be advanced into mature programs. Ancel pf. at 24.

### Discussion

Attachment 1 to the Plan establishes the process by which GMP may offer non-tariffed alternatives, also known as innovative pilots, to its customers. GMP must provide a 15-day advance notice to the Department and the Commission, with a copy to Efficiency Vermont, before commencing any innovative pilot. Attachment 1 further provides that GMP must certify that it has collaborated with Efficiency Vermont regarding the proposed innovative pilot prior to filing the advance notice.

REV contends that the innovative pilot program should act as a market platform that will enable third parties and customers to be active partners in the deployment of competitive innovative energy services. REV argues that vertically integrated utilities like GMP should be subject to a transparent and inclusive process that does not prevent customers from obtaining energy services and products from non-utility providers. For these reasons, REV requests that the 15-day advance notice be extended to 30 days and further requests that GMP be required to certify that it has collaborated with REV prior to making the filing. REV asserts that GMP has not explained why a 15-day advance notice period is appropriate.

GMP states that it welcomes the opportunity to collaborate with REV about GMP's innovative pilots, but does not agree with REV's request for a formal certification or the extension of the advance notice period to 30 days. GMP states that it must collaborate with Efficiency Vermont to ensure that GMP is not offering services that conflict with those being provided by Efficiency Vermont, thus ensuring that customers do not pay twice for the same service or program or become confused by similar programs with different terms. GMP asserts that the same regulatory concerns are not present for REV. With respect to the length of the advance notice, GMP asserts that its innovative pilot proposals have previously been subject to a 15-day review period and there is no reason to extend the advance notice to 30 days.

The Commission has considered REV's filings and does not find good cause to make the requested changes to Attachment 1. As the energy efficiency utility for GMP's service territory, Efficiency Vermont has a unique interest in ensuring that GMP's innovative pilots do not conflict with Efficiency Vermont's offerings. It is necessary for these two entities to coordinate their efforts to ensure that Efficiency Vermont's activities, which are funded by GMP's ratepayers, do not conflict with GMP's pilots. In contrast, REV and its members are not funded by ratepayers. Therefore, there is no regulatory need to ensure that GMP's efforts are similarly coordinated with respect to REV's members or other providers of non-tariffed alternatives.

Turning to the length of the advance-notice period, the purpose of the 15-day advance notice requirement is to provide the Department, the Commission, and Efficiency Vermont an opportunity to review GMP's proposals prior to their implementation. None of these entities has raised an issue with the adequacy of the 15-day advance-notice requirement. Therefore, REV's contention that it requires additional time to review GMP's proposals is not an adequate basis for the Commission to amend Attachment 1 in the manner requested by REV.

## **Balanced Risks and Rewards**

[30 V.S.A. § 218d(a)(7)]

40. The Plan will establish a reasonably balanced system of risks and rewards that encourages GMP to operate as efficiently as possible using sound management practices. This finding is supported by findings 41 and 42, below.

41. If there are exogenous changes that increase GMP's costs, GMP will absorb costs under the Plan. GMP will absorb costs under the power adjustor if GMP's power costs exceed the amount of power costs included in GMP's retail rates in the measurement period. If exogenous changes and power costs exceed the amount included in GMP's retail rates by more than the deadband, then ratepayers will also pay for a portion of these costs. Ancel pf. at 24.

42. The innovative pilot program does not guarantee rate recovery for any innovative services. Ancel pf. at 24.

**Rate of Return**

[30 V.S.A. § 218d(a)(8)]

43. The Plan will provide GMP, under sound and economical management, a reasonable opportunity to earn a fair rate of return. The balanced risks and rewards offered by the power adjustor and exogenous change adjustment should promote efficient operation while still allowing GMP to earn a fair rate of return. Ancel pf. at 25.

**Reasonable Sharing of Savings with Customers**

[30 V.S.A § 218d(b)]

44. Ratepayers will share in the savings resulting from the Plan. If power costs are less than the amount included in GMP's retail rates for the measurement period, or if exogenous changes occur that reduce GMP's costs, the power adjustor and exogenous change provisions allow ratepayers to share in reduced costs. If power costs exceed the amount of power costs included in GMP's rates for the measurement period, or if exogenous changes occur that increase GMP's costs, the power adjustor and exogenous change adjustor provide for GMP to absorb a portion of those added costs. Ancel pf. at 25.

45. The design of the power adjustor ensures that any resulting savings are shared with customers. Specifically, GMP customers receive all savings achieved for certain expenses (Component A), and receive 90% of any net Component B cost savings – those savings that exist

after GMP achieves and retains up to $307,000 in "post- Volume Variance Adjustment" savings in the quarterly measurement period. These savings are returned to customers after four quarters (Q3 of one fiscal year to Q2 of the following fiscal year) of results are aggregated. Smith pf. at 25-26.

46. The merger savings adjustment also ensures that savings resulting from the GMP/CVPS merger continue to benefit customers, as required pursuant to the Commission's order in Docket No. 7770. Ancel pf. at 25.

**Rate-regulated Accounting**

[30 V.S.A. § 218d(m)]

47. The plan will not have an adverse impact on the electric company's eligibility for rate-regulated accounting in accordance with generally accepted accounting standards and reasonably preserves the availability of equity and debt capital resources to the company on favorable terms and conditions. This finding is supported by findings 48 and 49, below.

48. Nothing proposed in the Interim Plan adversely affects GMP's ability to use rate-regulated accounting in accordance with generally accepted accounting standards because: (1) the company's rates will be established by a third-party regulator; (2) rates are designed to recover the costs of providing regulated products and services to customers; (3) and in view of the demand for those regulated services and products and the level of competition, there will be customers to charge and from whom to collect those costs. Ancel pf. at 25.

49. The power adjustor and exogenous change adjustment provisions will help GMP maintain a good credit rating to be able to borrow on favorable terms and at lower costs for customers. The continuation of these provisions will, therefore, reasonably preserve the availability of capital on favorable terms. Ancel pf. at 26.

## VI. CONCLUSION

In conclusion, after considering the evidence in this proceeding, the Commission finds that the Plan satisfies the statutory criteria contained in 30 V.S.A. § 218d, will provide GMP with flexibility to innovate while simultaneously providing consumer protections, and will promote the public good. The power adjustor and exogenous change adjustment will help maintain GMP's credit rating. Therefore, the Plan will assist the company in accessing capital at a lower cost, which is a benefit to all ratepayers. For all of these reasons, we approve the Plan.

## VII. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission ("Commission") that:

1. The alternative regulation plan (the "Plan") proposed by Green Mountain Power Corporation and attached to this order as Attachment A is approved, effective January 1, 2018.

2. GMP shall submit a data collection and reporting plan (including a draft form) to the Commission within 60 days of the date of this Order, followed by a 20-day comment period for the Department unless the Department and GMP reach agreement on the plan prior to filing.

3. The request of GlobalFoundries U.S.2 ("GF") to be exempt from the power adjustor is denied.

4. The Commission defers ruling on GF's request to be exempt from exogenous storm costs until GMP's next rate design case.

5. The request of Renewable Energy Vermont for certain amendments to Attachment 1 of the Plan is denied.

Dated at Montpelier, Vermont this 29th day of November, 2017.

| | | |
|---|---|---|
| Anthony Z. Roisman | ) | PUBLIC UTILITY |
| Margaret Cheney | ) | COMMISSION |
| Sarah Hofmann | ) | OF VERMONT |

OFFICE OF THE CLERK

Filed: November 29, 2017

Attest: Judith C. Whitney
Clerk of the Commission

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) or any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within thirty days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within ten days of the date of this decision and Order.*

## GREEN MOUNTAIN POWER
## TEMPORARY LIMITED INTERIM REGULATION PLAN

**Amended October 12, 2017**

This Plan constitutes a form of regulation for Green Mountain Power ("GMP" or the "Company") under 30 V.S.A. § 218d. The Plan governs the manner in which the electric rates of GMP will be regulated by the Public Utility Commission (the "Commission") during the term of the Plan, and a record of filings of all adjustments occurring out of this Plan shall be filed as a compliance tariff.

### I. TERM

The Plan shall take effect on January 1, 2018. The Plan shall terminate on December 31, 2018. Rates incorporating adjustments relating to the Power Adjustor, Exogenous Change Adjustment, and Merger Savings Adjustment shall continue beyond the termination date, as provided in Section III(E), below. The Plan may be terminated or modified upon request of the Company and the Department and approval by the Commission.

The Company shall have the option to petition for an extension of up to one-year beginning January 1, 2019, subject to prior review by the Department and approval of the Commission. No later than April 1, 2018, the Company shall file with the Commission and Department its intentions regarding a successor plan or plan extension, if any.

### II. SUMMMARY OF TEMPORARY LIMITED INTERIM REGULATION PLAN

1. The following four aspects of the Plan are being proposed for the limited term described above. These components are intended to function as implemented in the prior plan, subject to any modifications described in Section III:

A. The Power Adjustor shall continue on a yearly basis until the Plan is terminated. The Power Adjustor shall compare actual and forecasted power costs as follows: Actual costs during this period shall be compared against the same costs in the same calendar period included in rates. Specifically, the 2018 Power Adjustor ("2018 PA") will compare actual power costs for January 1, 2018 through December 31, 2018 against those same costs included in 2018 rates for the same period. The details of this adjustment are addressed further in in Section III(A) below.

B. The Exogenous Change Adjustment shall continue on a yearly basis until the Plan is terminated. This adjustment shall include exogenous changes as they are defined below with a measurement period extending from January 1, 2018 to December 31, 2018 with all provisions of Section III(B) of the Plan being retained, including the threshold and deductible amounts. The details of this adjustment are addressed further in Section III(B) below.

C. The Merger Savings Adjustment shall reflect the treatment of Base O&M Costs and merger savings approved by the Commission in Docket 7770 and shall be flowed through to customers on a yearly basis, effective January 1. The details of this adjustment are addressed further in Section III(C) below.

D. The Innovative Pilot provision as described in **Attachment 1** shall continue. This shall not result in any rate adjustments under this Plan, except insofar as any changes to power supply will be included in adjustments made pursuant to subsection II(1)(A) above.

2. Details Regarding Collection Or Credits Of Extension Adjustments

A. The Company shall make informational filings reflecting the three proposed adjustments by June 1 on a yearly basis.

B. These adjustments will then be subject to review and approval by the Department and the Commission pursuant to the rate adjustment terms of Sections III(A), III(B), and III(C) of this Plan and shall be subject to recovery or credit under a rate adjustment to take effect bills-rendered January 1 of each year.

C. Alternatively, if the Company files for a traditional cost of service rate case pursuant to 30 V.S.A. § 225 on or before June 1 in any calendar year during the Term of this Plan, the Company may file any of the three proposed adjustments concurrently with or as part of the traditional rate case filing. Any such proposed adjustments filed concurrently with or as part of a traditional rate case filing shall be subject to review provisions of Section II(2)(B) above and all other applicable requirements of this Plan.

## III. RATE ADJUSTMENTS

No general rate adjustment other than described herein will be implemented between January 2 and December 31, 2018, except that the Company may seek temporary rate increases pursuant to 30 V.S.A. § 226(a) and the Company may file modified or new tariffs for new services or adjustments on a revenue-neutral basis subject to Commission approval pursuant to 30 V.S.A. §§ 225, 226, 227. The Company may also file non-tariffed alternative proposals for products or services beyond the basic sale of electricity that are consistent with Vermont state energy policy, subject to Commission approval pursuant to the process laid out in **Attachment 1** hereto. Nothing herein shall preclude the Department from requesting a Commission Order requiring that a new or existing Innovative Pilot be offered through a tariff.

### A. POWER ADJUSTOR

The Company's rates will be subject to a Power Adjustor effective on a bills-rendered basis collected at the time of the next rate adjustment under this plan. Thereafter and within 30 days after the end of each quarter ("PA Measurement Quarter"), the Company shall file for informational purposes with the Commission and Department, (1) the

Company's actual power costs (calculated in a manner consistent with the principles underlying the annual cost of service filings, and reflecting the provisions set forth below), and (2) the variance between the actual (*i.e.* recorded in the Company's accounts) power costs and the forecasted power costs included in the Company's rates for the PA Measurement Quarter. The Company will file a Power Adjustor aggregating the results of the quarterly calculations (Annual Variance Amount) for the appropriate period as follows:

- 2018 PA – June 1, 2019 (for measurement period January 1 – December 31, 2018)

In this filing, the Company will propose a Power Adjustor to be collected during the 2020 rate year ("PA Adjustment Period").

The Power Adjustor shall reflect a positive or negative rate adjustment equal to the following:

1. Calculation of Quarterly Variance Amount:
    i. Component A, which includes the dollar amount of any variation between (1) actual Committed Costs for the PA Measurement Quarter and (2) the Committed Costs included in the Company's base rates for the corresponding quarter; plus

    ii. Ninety percent (90%) of Component B, which includes the amount, if any, by which (1) the dollar amount of any variation between (a) actual total Open Position Costs for the PA Measurement Quarter and (b) total Open Position Costs included in the cost of service underlying the Company's base rates for the corresponding quarter, and adjusted for any change in retail sales by multiplying such change times the amount/kWh of power costs included in base rates, exceeds (2) $307,000 ("Power Efficiency Band");

Committed Costs consist of demand charges, transmission costs and ancillary charges (net of interchange (resales)). Open Position Costs consist of all other power costs (net of interchange (resales)). A list of the Company's current Committed Costs and Open Position Costs is attached as **Attachment 2**.

2. <u>Calculation of Annual Power Adjustor:</u>

   The Power Adjustor shall be a uniform positive or negative adjustment per kWh equal to (1) the Annual Variance Amount divided by (2) projected MWh sales during the Collection Year based on the Forecast Methodology as discussed in Section III(A). Any previous PA Adjustment Period over or under collections of the Power Adjustor due to variance between projected and actual sales shall be deferred and included in the next rate adjustment under this plan.

   A sample calculation is attached as **Attachment 3**.

3. The Power Adjustor shall be applied to all kWh billed by the Company for every customer of every rate class except street lighting rate classes.

4. For accounting purposes, the Annual Variance Amount shall be deferred and amortized in the PA Adjustment Period in an amount equal to the revenue increases or decreases that recover or repay the amortized amount.

5. The Company shall maintain separate accounts for Component A and Component B costs.

B. EXOGENOUS CHANGE ADJUSTMENT

The Exogenous Change Adjustment shall equal the sum of any (a) Exogenous Non-Storm Changes, plus any (b) Exogenous Storm Changes (collectively, "Exogenous Changes") as provided below. Any Exogenous Changes, positive or negative, will be deferred and recovered in full as part of the rate adjustment as discussed in Section II(2), unless the Department and the Company agree to a longer recovery period based on deferral amount, customer rate impact, or for other reasons.

1. Exogenous Non-Storm Changes shall consist of material cost or revenue changes relating to the following, to the extent the aggregate amount in any measurement period exceeds $1.235 million adjusted annually for inflation ($ deductible limit x (1 + CPI-U Northeast)).

   i. Changes in tax laws that impact the Company.
   ii. Changes in Generally Accepted Accounting Principles.
   iii. Any Federal Energy Regulatory Commission or New England Independent System Operator rule changes affecting the Company.
   iv. Other regulatory, judicial or legislative changes affecting the Company.
   v. Net loss of major customer(s) load not related to weather.
   vi. Major unplanned maintenance costs or investments, such as those incurred due to unexpected major maintenance (unrelated to storms) and major repairs to Company-owned power plants.

2. Exogenous Storm Changes shall consist of increased costs experienced by the Company relating to the incremental maintenance expenses incurred for Major Storms (as defined in the Company's Service Quality & Reliability Performance, Monitoring & Reporting Plan(the "SQRP")), and further defined as a storm that causes the Company to incur maintenance expenses in excess of $1,235,000, adjusted annually for inflation ($1.235M x (1+ CPI-U Northeast)), to the extent the aggregate amount in any year exceeds $1.235 million adjusted annually for inflation ($1.235M x (1 + CPI-U Northeast). In the event that the Company has

not exceeded the amount related to storm costs included in Base O&M Costs, Exogenous Storm Changes shall be reduced by such difference. The definition of Major Storms shall apply throughout the period covered by the Plan.

3. The calculation of any Exogenous Change Adjustment shall be provided to the Department as soon as available, but no later than June 1.

4. Over/under collections of the Exogenous Change Adjustment, due to a variance between projected and actual revenues, shall be deferred and included as part of the Company’s next general rate change.

C. MERGER SAVINGS ADJUSTMENT

The Merger Savings Adjustment shall reflect the rate treatment of the merger savings O&M platform approved by the Commission in Docket 7770 and shall occur on a yearly basis effective January 1. The Company shall file this adjustment, with supporting cost documentation, on or before each November 15 following the end of the fiscal year.

D. NOTICE AND REVIEW OF FILINGS; EFFECTIVE DATE

Each Exogenous Change Adjustment, Power Adjustor, and Merger Savings Adjustment (collectively, “Plan Rate Adjustments”) shall be effective with bills-rendered on January 1. The Company shall provide individual customer notice through normal bill or other mailings of each Plan Rate Adjustment not less than 30 days before bills reflecting these changes are rendered.

A draft of each Plan Rate Adjustment shall be filed with the Commission and Department as follows: draft Power Adjustor, Merger Savings, and Exogenous Change Adjustment no later than June 1. The June 1 filing shall be posted on the Company’s web site, and the Company shall hold a public workshop after the June 1 draft filing but before the effective date at the adjustments.

All Plan Rate Adjustments shall be accompanied by a narrative explanation of information reasonably needed to assist in understanding the filing.

For all Plan Rate Adjustments, the Department shall be able to retain, at the Company's expense and subject to the Company's reasonable consent, an independent third party with accounting and ratemaking expertise ("Third Party") to review each filing under the Plan for, (1) accuracy, (2) completeness, (3) compliance with traditional rate making and existing Commission Orders regarding Cost of Service filings including the calculation of regulated earnings and (4) consistency with the Company's actual costs and with the Plan. Unless the Commission grants an extension at the request of the Department, the Third Party shall file a report with the Commission and Department no later than October 1.

The Exogenous Change Adjustment, Power Adjustor, and Merger Savings Adjustment are not subject to Commission suspension, but the Commission may open an investigation and to the extent it finds, after notice and hearing, that the calculation was inaccurate or reflected costs inappropriate for inclusion in rates, it may require a modification to the extent necessary to correct the deficiencies.

There will be no issue preclusion or claim preclusion if any person or entity unsuccessfully seeks to initiate an investigation.

## E. RESIDUAL ADJUSTMENTS

The Collection Year for the Power Adjustor and Exogenous Adjustment shall continue through the last billing cycle in December 2020. Any uncollected balance remaining after the adjustors are terminated shall be deferred and addressed in a future rate case.

## IV. OTHER PLAN COMPONENTS

### A. SERVICE QUALITY

The Company's SQRP, as it may be amended from time to time, is hereby incorporated into and made a part of this Plan.

### B. LOW INCOME

The Company shall match contributions by its customers to the Company's Warmth Program, and the amount of the Company's match shall not be included in rates.

### C. INTEGRATED RESOURCE PLAN UPDATES

The Company shall provide the Commission and the Department an update to the Action Plan included in the most recently filed Integrated Resource Plan ("IRP") no later than March 31st of each year of this Plan.

### D. VERMONT ENERGY PLAN INVESTMENT

The Company shall continue to support Vermont's statewide energy goals by advancing promising technologies (e.g. electric vehicles, heat pumps, energy storage, solar power, etc.) and by exploring new services to facilitate efficient, low carbon energy choices by electric customers and consistent with least cost principles.

### E. SERVICE CHOICES

The Company will continue to work with the Department to explore and implement additional innovative service choices, including as the result of the implementation of advanced automated meter reading technologies and infrastructure.

F. PLAN EVALUATION

Beginning March 31, 2018 and continuing each year thereafter under the Plan, the Company shall file a report with the Commission and Department evaluating the effectiveness of the Plan's performance in achieving the goals of 30 V.S.A. § 218d. In advance of filing the reports, the Company shall confer with the Department with respect to the measurement criteria to be used in the reports. The Company will continue to use the criteria jointly agreed-upon with the Department in the annual reports assessing the Plan's effectiveness.

V. MISCELLANEOUS

A. During the term of the Plan, the application of 30 V.S.A. §§ 218(a), 225, 226, 227 and 229 to GMP shall be modified by the provisions of the Plan and the Commission order approving the Plan.

B. The Company shall continue to file concurrently with each Power Adjustor, Exogenous Change Adjustment and Merger Savings Adjustor filing, the documentation currently filed with respect to each type of filing.

C. The Company shall describe the Plan in a separate mailing at least one month prior the first rate adjustment under the Plan and shall work with the Department in the development of customer communications and materials to be provided to customers.

D. Nothing in the Plan will be interpreted as preventing the Department from requesting a Commission investigation into the Company's rates or the Commission from undertaking such an investigation. The retroactive effect of any such investigation, and of any investigation pursuant to Section III(E), shall be consistent with 30 V.S.A. § 227(b).

DEFINITIONS

The following terms used in the Plan are defined as follows:

1. "Annual Variance Amount" – The summation of Quarterly Variance Amounts related to the Power Adjustor.
2. "Collection Year" – The year in which the Annual Power Adjustor rate ($/kWh) will be recovered from or reimbursed to retail customers.
3. "Committed Costs" – Committed Costs consist of demand charges, transmission costs and ancillary charges (net of interchange (resales)). A list of the Company's current Committed Costs is included in **Attachment 2.**
4. "Component A" – The portion of the Quarterly Variance Amount calculation that compares actual and forecasted Committed Costs. The calculation is explained further in Section III(A)(1)(i).
5. "Component B" – The portion of the Quarterly Variance Amount calculation that compares actual and forecasted Open Position Costs. The calculation is explained further in Section III(A)(1)(ii).
6. "Exogenous Change Adjustment" – The sum of any (a) Exogenous Non-Storm Changes, plus any (b) Exogenous Storm Changes.
7. "Exogenous Non-Storm Changes" – Material non-storm costs or revenue changes in excess of an aggregate amount related to changes generally beyond the direct control of the Company. Exogenous Non-Storm Changes are enumerated in Section III(B)(1).
8. "Exogenous Storm Changes" – Increased costs experienced by the Company related to the incremental expenses incurred for Major Storms. Exogenous Storm Changes are further defined in Section III(B)(2).
9. "Innovative Pilot" – Products and services, beyond the sale of basic electricity, provided by the Company for a defined period of time via a non-tariffed alternative filing mechanism outlined in **Attachment 1.**
10. "Merger Savings Adjustment" – The adjustment that reflects the treatment of base (platform) O&M costs and merger savings approved by the Commission in Docket 7770. The details of this adjustment are addressed further in Section III(C).

11. “Open Position Costs” – All other power costs (net of interchange (resales)) not otherwise defined as Committed Costs. A list of Open Position Costs is included in **Attachment 2.**
12. “PA Measurement Quarter” – Each calendar quarter in which the Power Adjustor Quarterly Variance Amount is calculated.
13. “Plan Rate Adjustment” – Any change in base rates levels or collection/reimbursement related to the Exogenous Change Adjustment, Power Adjustor and Merger Savings Adjustment.
14. “Power Adjustor” – A deferral account associated with the accumulated variances between actual power costs and forecasted power costs included in the Company’s rates, which, following the measurement period for the adjustor, will be converted into a positive or negative rate adjustment (stated on a $/kwh basis), which will collect or return a portion of such variances in accordance with this Plan. Power Adjustor is further defined in Section III(A).
15. “Quarterly Variance Amount” – The variance between the actual (i.e., recorded in the Company’s accounts) power costs and the forecasted power costs included in the Company’s rates. The specific calculation of the Quarterly Variance Amount is provided in Section III(A)(1).
16. “SQRP” – The Company’s Service Quality & Reliability Performance, Monitoring & Reporting Plan.

# GMP – Non-Tariffed Alternative Proposal for Innovative Pilots

Eligibility:

The Non-Tariffed Alternative shall be available for pilot programs involving products or services, beyond the sale of basic electric service, that provide shared access to GMP, comply with the Renewable Energy Standard required resource category as outlined in 30 V.S.A. 8005(a)(3) ("Tier III") and advance achieving the goals of Vermont's Comprehensive Energy Plan of meeting 90% of energy supply with renewable resources by 2050 and reducing fossil fuel consumption and reducing greenhouse gas emissions 75% below 1990 levels by 2050 ("Innovative Pilots").

Proposal:

*New Innovative Pilots*

GMP shall file 15 days advance notice with the Department and the Commission, with a copy to Efficiency Vermont, before commencing pilot programs to provide the products or services referenced above.[1] The notice shall include a narrative explanation of the Innovative Pilot and how it is consistent with the eligibility requirements, the number of customers it will be made available to and how those eligible customers were selected, expected costs and revenues, why the proposal does not conflict with work performed by Efficiency Vermont, a certification that GMP has collaborated with Efficiency Vermont regarding the proposal in advance of the filing, and the frequency by which GMP shall provide status reports to the Commission and Department on the Innovative Pilot's progress which shall not be less than six months.

All Innovative Pilots shall be implemented consistently with terms set forth in GMP's Memorandum Detailing Changes to Innovative Pilot, dated December 7, 2016 and filed in Docket No. 8794.

*Amendments to Terms and Conditions of Innovative Pilots*

GMP shall file 7 days advance notice of changes to Innovative Pilots' pricing, terms, or conditions with the Department, Efficiency Vermont, and the Commission. GMP shall also provide written notice of all such changes to affected participating customers.

*On-Going Review of Innovative Pilots*

Any rate filing in which GMP seeks to reflect the costs and revenues of Innovative Pilots shall include a schedule setting forth the costs and revenues of all Innovative Pilots offered and shall be subject to Department review and Commission approval.

[1] The term of any New Innovative Pilot is limited to eighteen months.

Attachment 2

## Summary of GMP Power Supply Expenses

| | Additional description | Proposed PSA Component | FERC Account Number | Rationale |
|---|---|---|---|---|
| **Jointly Owned Units - Non-fuel O&M** | | | | |
| Operation – Supervision & Eng | Steam | A | 500 | Little/no GMP control |
| Steam Expense | Steam | A | 502 | " " |
| Steam From Other Sources | Steam | A | 503 | " " |
| Steam Transfer Credit | Steam | A | 504 | " " |
| Electric Expenses | Steam | A | 505 | " " |
| Misc Steam Expenses | Steam | A | 506 | " " |
| Rents | Steam | A | 507 | " " |
| Allowances | Steam | A | 509 | " " |
| Maintenance Supervision & Eng | Steam | A | 510 | " " |
| Maintenance of Structures | Steam | A | 511 | " " |
| Maintenance of Boiler Plant | Steam | A | 512 | " " |
| Maintenance of Electric Plant | Steam | A | 513 | " " |
| Maintenance of Misc Steam Plant | Steam | A | 514 | " " |
| Maintenance of Steam Production Plant Non-Major | Steam | A | 515 | " " |
| Operation – Supervision & Eng | Nuclear | A | 517 | " " |
| Fuel | Nuclear | B | 518 | " " |
| Coolants and Water | Nuclear | A | 519 | " " |
| Misc Nuclear Power Expense | Nuclear | A | 520 | " " |
| Steam from Other Sources | Nuclear | A | 521 | " " |
| Steam Transferred-Cr | Nuclear | A | 522 | " " |
| Electric Expenses | Nuclear | A | 523 | " " |
| Misc Nuclear Power Expenses | Nuclear | A | 524 | " " |
| Rents | Nuclear | A | 525 | " " |
| Maintenance Supervision & Eng | Nuclear | A | 528 | " " |
| Maintenance of Reactor Plant Eq | Nuclear | A | 529 | " " |
| Maintenance of Electric Plant | Nuclear | A | 530 | " " |
| Maintenance of Misc Steam Plant | Nuclear | A | 531 | " " |
| Maintenance of Misc Nuclear Plant | Nuclear | A | 532 | " " |
| Operation – Supervision & Eng | Other | A | 546 | " " |
| Generation Expense | Other | A | 548 | " " |
| Misc | Other | A | 549 | " " |
| Rents | Other | A | 550 | " " |
| Maintenance of Supervision & Eng | Other | A | 551 | " " |
| Maintenance of Structures | Other | A | 552 | " " |
| Maintenance of Misc | Other | A | 553-554 | " " |
| | | | | |
| **GMP Owned Units - Non-fuel O&M** | | | | |
| Operation – Supervision & Eng | Hydro | B | 535 | Under GMP control |
| Water of Power | Hydro | B | 536 | " " |
| Hydraulic Expenses | Hydro | B | 537 | " " |
| Electric Expenses | Hydro | B | 538 | " " |
| Misc Hydraulic power gen expense | Hydro | B | 539 | " " |
| Rents | Hydro | B | 540 | " " |
| Maintenance Supervision & Eng | Hydro | B | 541 | " " |
| Maintenance of Structures | Hydro | B | 542 | " " |
| Maintenance of Reservoirs, Dams, etc | Hydro | B | 543 | " " |
| Maintenance of Electric Plant | Hydro | B | 544 | " " |
| Maintenance of Misc Hydraulic plant | Hydro | B | 545 | " " |
| Operation – Supervision & Eng | Other | B | 546 | " " |
| Fuel | Other | B | 547 | " " |
| Generation Expense | Other | B | 548 | " " |
| Misc | Other | B | 549 | " " |
| Rents | Other | B | 550 | " " |
| Maintenance of Supervision & Eng | Other | B | 551 | " " |
| Maintenance of Structures | Other | B | 552 | " " |

Certain subaccounts include costs subject to the Savings Sharing mechanism and therefore will be excluded from the Power Adjustor.

| | | | | |
|---|---|---|---|---|
| Maintenance of Misc | **Other** | **B** | **553-554** | " " |
| | | | | |
| **Purchased Transmission and related** | **FERC Account 565. Primarily ISO-NE and VELCO costs. Smaller fractions of Phase 1/2 support costs, NEPCO, NYPA.** | **A** | **565** | Little/no GMP control, likely volatility. |
| **ISO-NE OATT, Market Services** | | | | |
| Transmission by Others | VELCO VTA, Regional Network Service (NOATT 1 and 9), Phase I/II support costs, National Grid (OATT, G-33, Ashuelot), SPEED, VEC, etc | **A** | **565** | Little/no GMP control |
| | | | | |
| Schedule 2 VAR Charges/Credits | Reactive power and voltage support | **A** | **561.4** | Little/no GMP control |
| Schedule 16 Black Start Credits/Charges | System restoration payments to GMP for its units with black start capability | **A** | **561.8** | " " |
| ISO Sched 1 RNS | Scheduling, system control & dispatch for RNS load | **A** | **561.4** | " " |
| ISO Sched 1 Through & Out | Scheduling, system control & dispatch for Through or Out load | **A** | **561.4** | " " |
| ISO Sched 2 | Administrative charges for energy market administration | **A** | **575.7** | " " |
| ISO Sched 3 | Reliability market administration | **A** | **561.8/575.7** | " " |
| ISO Sched 4 | Allocated FERC charges | **A** | **575.7** | " " |
| ISO Sched 5 | NESCOE Charge | **A** | **575.7** | " " |
| Interest and Late Fees | | **A** | **565** | Booked as Energy charge |
| NEPOOL Expenses | attorney fees for NEPOOL activities | **A** | **565** | |
| Rents Trans | | A | **567** | Little/no GMP control |
| | | | | |
| **Highgate O&M** | | | | |
| Supervision Eng High Oper | | A | **560** | " " |
| Load Dispatching High Oper | | A | **561** | " " |
| Station Expenses High Oper | | A | **562** | " " |
| Overhead Line Exp High Oper | | A | **563** | " " |
| Rents other Highgate | | A | **567** | " " |
| Supervision Eng High Maintenance | | A | **568** | " " |
| Maintenance of Structures (Major Only) | | A | **569** | " " |
| Station Equip High Maintenance | | A | **570** | " " |
| Overhead Lines High Maintenance | | A | **571** | " " |
| | | | | |
| **GMP Owned Units - Fuel** | Includes hydro units, peaking units and Searsburg | **B** | **547** | All energy costs in B |
| **Jointly Owned Units - Fuel** | Includes Wyman 4, Stony Brook , McNeil, Millstone | **B** | **501/518/547** | " " |
| | | | | |
| **Power Transaction related accounts** | | | | |
| Existing Long-term Contracts - Energy Charges | Energy in A, Capacity in B | **B** | **555** | All energy costs in B |
| Existing Long-term Contracts - Capacity Charges | Energy in A, Capacity in B | **A** | **555** | Changes fundamentally not under GMP control. |
| Existing Long-term Sales for Resale - Energy Revenues | Energy in A, Capacity in B | **B** | **447** | All energy costs in B. |
| Existing Long-term Sales for Resale - Capacity Revenues | Energy in A, Capacity in B | **A** | **447** | Changes fundamentally not under GMP control. |
| Future bilateral purchases & sales of Energy - Energy Charges | Energy in A, Capacity in B | **B** | **555, 447** | All energy costs in B. |
| Future bilateral purchases & sales of Energy - Capacity Charges | Energy in A, Capacity in B | **A** | **555, 447** | |
| Future bilateral purchases & sales of capacity | Energy in A, Capacity in B | **A** | **555, 447** | |
| Financial Hedging Instruments (for energy costs) | | **B** | **555** | Used to hedge energy costs |
| REC sale revenues (or purchase costs) | Renewable energy credits | **B** | **447** | All energy costs in B |
| **ISO Market Settlement Accounts** | | | | |
| Day Ahead Energy | Includes cost of GMP load obligation & revenue from all GMP resources | **B** | **555** | Energy Component Only -All Energy in B |
| Real Time Energy | Includes cost of GMP load obligation & revenue from all GMP resources | **B** | **555** | Energy Component Only -All Energy in B |
| Energy losses | The loss component of LMP costs to serve GMP load & LMP revenues from GMP resources. | **A** | **555** | Marginal Loss Component - Little/no GMP control |
| Congestion | The congestion component of LMP costs to serve GMP load & LMP revenues from GMP resources | **B** | **555** | Can be partially hedged |
| Emergency Purchases | Made by ISO-NE | **A** | **555** | |
| Emergency Sales | Made by ISO-NE | **A** | **447** | |
| ICAP/FCM Capacity (charges and credits) | | **A** | **555** | |
| Reliability Must Run ("RMR") charges | | **A** | **555** | |
| Load response | ISO-NE load response program | **A** | **555** | |
| Regulation | | **A** | **555** | |

Certain subaccounts include costs subject to the Savings Sharing mechanism and therefore will be excluded from the Power Adjustor.

| | | | | |
|---|---|---|---|---|
| DA NCPC Charges | Operating reserves | **A** | **555, 447** | Matches costs when GMP units or joint-owned units are run for reliability and fuel expense appears as Component B. Non-GMP unit or joint-owned unit NCPC charges/credits will remain in Component A. |
| DA NCPC Credits | Operating reserves | **B** | **555** | Little/no GMP control |
| RT NCPC Charges | Operating reserves | **B** | **555, 447** | Matches costs when GMP units or joint-owned units are run for reliability and fuel expense appears as Component B. Non-GMP unit or joint-owned unit NCPC charges/credits will remain in Component A. |
| RT NCPC Credits | Operating reserves | **B** | **555** | Little/no GMP control |
| Forward Reserve Credits/Charges | Operating reserves | **A** | **555** | |
| Synchronous Condenser credits/charges | Operating reserves | **A** | **555** | |
| Cancelled Starts | Operating reserves | **A** | **555** | |
| OR Resources available in DA not dispatched in RT | Operating reserves | **A** | **555** | |
| DA NCPC credits for dispatchable load pumps | Operating reserves | **A** | **555** | |
| RT NCPC credits for dispatchable load pumps | Operating reserves | **A** | **555** | |
| NCPC credits for resources postured for relaibility | Operating reserves | **B** | **555, 447** | Matches costs when GMP units or joint-owned units are run for reliability and fuel expense appears as Component B. Non-GMP unit or joint-owned unit NCPC charges/credits will remain in Component A. |
| Special Constraint Resource charges/credits | Operating reserves | **B** | **555, 447** | Matches costs when GMP units or joint-owned units are run for reliability and fuel expense appears as Component B. Non-GMP unit or joint-owned unit NCPC charges/credits will remain in Component A. |
| FTR/ARR | | **B** | | |
| LT On Peak ARR Credit | Revenues From FTR Auctions | **A** | **555** | Little/no GMP control |
| Monthly On Peak ARR Credit | Revenues From FTR Auctions | **A** | **555** | " " |
| LT Off Peak ARR Credit | Revenues From FTR Auctions | **A** | **555** | " " |
| Monthly Off Peak ARR Credit | Revenues From FTR Auctions | **A** | **555** | " " |
| FTR Auction Credits/Charges | Cost of FTR's in auction | **B** | **555** | Used to hedge congestion costs |
| Monthly FTR Congestion Credits/Charges | monthly congestion revenue paid to FTR holders | **B** | **555** | " " |
| Negative Congestion Adjustment | Charge if FTR congestion revenue is negative | **A** | **555** | Little/no GMP control |
| Annual FTR Adjustments | Disbursement of Excess FTR congestion revenue | **B** | **555** | only paid to FTR holders |
| NEPOOL GIS Fees | GIS transaction fees, and GMP share of NEPOOL GIS overhead costs. | **A** | **555** | |

**Excluded from the Power Adjustor:**
Transmission for Others (this is mostly subtransmission service for VT utilities)

Certain subaccounts include costs subject to the Savings Sharing mechanism and therefore will be excluded from the Power Adjustor.

## Benchmark Power Cost Calculation

| | Benchmark Quarter 1 | Benchmark Quarter 2 | Benchmark Quarter 3 | Benchmark Quarter 4 | Total |
|---|---|---|---|---|---|
| Retail Sales - kWh | 1,050,000,000 | 1,250,000,000 | 950,000,000 | 1,100,000,000 | 4,350,000,000 |
| Component A Costs | $25,000,000 | $23,000,000 | $26,000,000 | $18,000,000 | $92,000,000 |
| Component B Costs | $70,000,000 | $75,000,000 | $60,000,000 | $65,000,000 | $270,000,000 |
| | ======== | ======== | ======== | ======== | |
| Total | $95,000,000 | $98,000,000 | $86,000,000 | $83,000,000 | $362,000,000 |
| | **Retail Power Cost per kwh** | | | | **$0.0832** |

**Operation of Power Adjustor for Quarter 1**
**Example - Effect of Incremental Revenues on Power Adjustor Calculation**

Power Cost in Retail Rate $0.08322 $/kwh (derived in benchmark calculation)

| | Benchmark Quarter 1 | Actual Quarter 1 | Variance from Benchmark | Bandwidth | Add. 10% bandwidth | Variance to be Collected/Refunded |
|---|---|---|---|---|---|---|
| Retail Sales - kWh | 1,050,000,000 | 1,075,000,000 | 25,000,000 | | | |
| Component A Costs | $25,000,000 | $25,000,000 | $0 | $0 | | $0 |
| Component B Costs | $70,000,000 | $75,000,000 | $5,000,000 | | | |
| **Incremental Revenues as Offset to Component B** | | | **$2,080,460** | | | |
| Net Component B variance | | | $2,919,540 | $307,000 | $261,254 | $2,351,286 |
| | ======== | ======== | | | | ======== |
| **Total** | **$95,000,000** | **$100,000,000** | | | | **$2,351,286** |

**Attachment 4**

**GREEN MOUNTAIN POWER CORPORATION**
**INTERIM REGULATION PLAN**
**LOAD FORECAST METHODOLOGY**

The Interim Regulation Plan Load Forecast incorporates the Company's Annual Customer, Sales and Revenue Forecast ("Annual Forecast") provided each year in connection with the annual budget prepared for the Board of Directors. The Company issues the services of Itron, Inc., an outside consultant with expertise in the field of energy forecasting, to assist in developing each year's Annual Forecast. Itron also implements an hourly load forecasting application, which the Company uses daily to forecast short-term system loads.

The Annual Forecast incorporates projections of (1) number of customers, (2) sales, and (3) revenues. Each of these is addressed in turn.

1. <u>Number of Customers.</u> Customers Forecasts are generated within a linear regression framework that relates class-level customer data to economic drivers. For the Residential class, the major economic drive in the model is a forecast of the number of households in the region. For the non-Residential non-Time of Use ("TOU") class, the primary economic driver is regional non-manufacturing employment. The forecast for the TOU customers is driven primarily by the total employment in the region.

2. <u>Sales.</u> The sale forecast is based on statistical models that relate specific end-use categories (e.g., residential electric heating, residential water-heating, residential non-heating, etc.) to weather, economics, saturation/efficiencies of various end-uses, and trends in electric prices. Monthly forecasts values are calculated on a billing-month basis. Cycle-weighted heating and cooling degrees day values are developed based on the meter-reading schedule, in order to align the weather data with the billing cycle. The models incorporate various forecasted economic data, including household income, people-per-household, and non-manufacturing output, based in large part on various third-party sources. Inputs concerning energy usage

patterns is based on Energy Information Administration ("EIA") data, macroeconomic data is obtained from Economy.com, and Weatherbank.com provides climate information for the Company's service area.

3. Revenues. The revenue projection is based on a reconciliation of the sales to the Company's billing protocol. In particular, the forecast aggregates billed-month sales and prior-month unbilled sales to convert the Company's billing cycles, which drive revenues, to the calendar month, on which the sales information is based. After conciliation, revenues are calculated by multiplying the consumption units (mWh, number of customers, kW, etc) by the appropriate tariff to determine the monthly amount of revenue that the Company will recognize for the upcoming year.

The Company reviews the sales, customer, and revenue forecast, and makes adjustments where warranted. The final results are used for the budget, for financial forecasts and for developing expected power supply requirements.

PSB Case No. 17-3232-PET - SERVICE LIST

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