



MEMORANDUM

April 13, 2018

TO: Vermont Public Utility Commission
FROM: Mary Powell, CEO of Green Mountain Power
RE: Executive Summary – 2019 Tariff Filing and Rate Case

I have now had the privilege of leading Green Mountain Power for a decade, and I am enormously proud of what GMP has accomplished together with our customers during these years. We have turned around the finances of this company, succeeded in a transformational merger that has created significant, lasting savings for our customers, and helped support Vermont's forward-thinking policy by pursuing a more distributed, resilient, and renewable energy future.

We have also delivered on our promise to provide innovative, safe, and reliable services. While some other states have seen the effects of slow utility storm recovery, GMP's outage duration and frequency numbers are consistently among the lowest of utilities in the region, and we have consistently invested in our state's critical energy infrastructure whenever needed through VELCO. Our electric rates are third lowest overall in New England. In 2018, *Fast Company* placed GMP #1 on their list of Most Innovative Energy Companies in the world. For the last two years, J.D. Power ranked us as one of the top mid-sized utilities in the East for customer service, and our most recent customer service satisfaction survey showed that 95.6% of GMP customers are satisfied overall.

We plan to keep it going. We are committed to continuing to make the investments, keep the financial strength, and produce the innovation needed to deliver these positive results for customers, and through this rate filing we ask our state regulators to help us succeed.

There are significant challenges in front of us. Vermonters served by Green Mountain Power are buying less energy from us today than they were at the end of 2003. Unlike every economic recovery that preceded it, the recent recovery from the Great Recession of 2008 has not seen an increase in electricity purchases here in Vermont or nationwide. Instead, as our economy has transitioned from recovery to growth and expansion, sales of baseload energy in Vermont have declined to levels last seen fifteen years ago.

Sustained investment in energy efficiency at the local and federal levels has been successful at offsetting load growth. And Vermonters now have the opportunity to buy their energy from solar providers or produce their own solar energy at their home or business. Since 2008, Vermont's net-metering program within GMP has grown to include over 10,000 residential customers and almost 2,700 businesses whose primary source of electricity is now coming from either self-generation or providers

other than GMP. That's why despite lower sales, more kilowatt-hours of electricity are flowing across our distribution system today than ever before.

There is no doubt that Vermont's net-metering program has helped the state advance toward a renewable energy future and achieve environmental goals. Green Mountain Power has been a key partner in these successes and we far exceeded our own carbon reduction goals in 2017. We are set to exceed them again in 2018.

But as energy delivery becomes more distributed and more renewable, GMP's grid network which supports and enables that transformation becomes more important and more complex to operate. Combined with enhanced cyber security requirements, this transformation is putting more pressure on GMP's distribution system performance. Keeping up means we must make critical grid investments not only to ensure the bulk system is safe and reliable for basic energy delivery to customers, but also to reliably orchestrate delivery of energy from literally thousands of ever-growing distributed sources around the clock.

Despite the current challenges, there are two beautiful, bright lights I want to highlight in this filing.

One bright light is the continued hard work GMP has done to reduce controllable costs and deliver those savings to customers well in excess of the commitment made in 2012, during the merger. On our ten-year guaranteed commitment to deliver to our customers \$144 million in operational cost reductions, we are now on a path to produce about \$180 million in customer savings.

The second bright light is the innovation GMP is embracing to accelerate the new energy future in ways that mitigate otherwise dramatic costs. During a time when the grid has lower energy sales to support itself, GMP continues to partner with our customers to provide new energy tools and resources that can help balance load and drive down future grid costs.

It is likely that you've read about or seen other utilities across the country rejecting or trying to slow changes in the energy sector. We have deliberately chosen a different path, as reflected by innovative projects supported in this filing. Shortly, nearly 2,000 GMP customers will have a Tesla Powerwall in their homes or businesses. These customers will not only increase their personal energy reliability through their participation, but also provide benefits to non-participating customers through GMP's shared access capabilities to manage load and thereby lower system-wide peaks. That directly lowers costs for all customers. At 2,000 installed Powerwall systems, GMP will have access to nearly 10 MWs of stored energy to use during expensive peak times. Even this relatively small capacity of peak control has the potential to save customers over \$2 million. As we seek to do with all of our transformation programs, we are focused on innovative solutions that deliver multiple benefits, creating value for both the customers who choose Powerwall systems and all other customers we serve.

We also are supporting a community of third-party developers to deliver transformation solutions to Vermonters cost-effectively. We recently launched our "Bring Your Own Device (BYOD)" program. BYOD allows GMP customers to bring their own backup power solution, procured independently from one of Vermont's energy solution providers, to participate in GMP's grid transformation capabilities and help manage peak costs. BYOD comes at a perfect time in the energy transformation evolution. The

amount of solar PV installed on GMP's system has shifted the peak to later evening hours, requiring new resources to continue driving down costs. BYOD supports not just other Vermont energy companies, but all GMP customers who benefit from peak cost control.

Vermont's changing energy landscape, and the need to enable innovation within it, is underscored by the filing we make today. Last year, I wrote about the uncontrollable cost pressures facing customers. The costs associated with these realities are reflected again in today's filing. In fact, nearly all of GMP's requested rate increase is driven by power and transmission costs, including net-metering, and lower retail sales, rather than controllable costs.

Combined, these cost pressures along with our work to mitigate them create a 5.45% increase to rates needed to deliver services to customers. However, under our filing, GMP customers will get a bill credit that equals about 6%, more than offsetting the base rate increase. The result for customers is a net rate period decrease of 0.5%. That is because GMP will provide customers with both the benefits from the immediate yearly income tax reductions created by the recent federal changes and also will seek approval to aggressively return to customers a rate period bill credit through September 2019 of the maximum available reduction of accumulated deferred income tax.

GMP strongly believes 100% of this benefit should be returned to customers as quickly as possible. It is consistent with our stance as a B Corporation to return these funds promptly rather than leaving them on our books as others may do, and it is what our customers want. We believe the bill decrease we are seeking in the face of significant cost pressures is a great outcome for the customers we serve. The fact that GMP is giving back those savings as expeditiously as possible does mean the financial structure of the company and earnings are more important than ever in this filing to maintain liquidity and meet both known and unforeseen financial obligations for our customers.

Looking beyond 2019, GMP will continue to work to drive down costs for our customers through innovation, increased synergy savings, and tight cost control as we move in partnership with our customers toward the new energy future we all seek. As a customer-obsessed culture, that is our team's focus in everything we do. We know that leading this important transformation through innovation is critical to discovering and delivering ways to lower the cost of maintaining the bulk grid, while continuing to provide strong customer service. It is our culture of innovation, paired with a lean and effective operating approach, that gives us confidence during this time of challenging transition. Partnered with the strong team of energy leaders in Vermont, we will continue to navigate and accelerate the change to a home-, business-, and community-based energy system in a manner that can create broad socio-economic prosperity and positive climate outcomes for the customers we serve.

Thank you for your careful consideration of the efforts we make each day to improve value for our customers throughout Vermont and deliver a strong energy future for our state. We look forward to your feedback and rigorous review to ensure we continue to serve our customers in the best way possible while delivering on our promise of providing power in a clean, cost-effective, reliable, and innovative way.