

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 20-0276-PET

Petition of Green Mountain Power Corporation for approval of its Climate Plan pursuant to the Multi-Year Regulation Plan proceeding May 24, 2019 Final Order and 30 V.S.A. § 218d	Hearing July 27, 2020
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Order entered: 09/24/2020

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

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FINAL ORDER APPROVING GREEN MOUNTAIN POWER CORPORATION'S CLIMATE PLAN

I. INTRODUCTION

In this Order, the Vermont Public Utility Commission (“Commission”) approves the Climate Plan (or the “Plan”) submitted by Green Mountain Power Corporation (“GMP”). The Climate Plan is the result of a comprehensive inter-departmental planning effort conducted by GMP to evaluate how climate change will affect service to its customers and how GMP can improve the resiliency of its system to lessen the effects of climate change on its customers. GMP plans to invest in its grid to harden infrastructure and improve the ability of its system to

withstand and recover from major storms. In the Climate Plan, GMP articulates a process, a set of criteria, and an accounting treatment for investments made under the Plan.

In this Order, the Commission articulates a legal standard that will be used in later rate cases to evaluate whether proposed spending falls under GMP's Climate Plan, which is above and beyond its capital spending cap in the current Multi-year Regulation Plan ("Regulation Plan"), or whether that spending should be considered business-as-usual spending subject to the Regulation Plan. In applying the standard, the Commission finds that the Goshen Dam project would not likely meet the standard for approval under the Climate Plan.

The Commission limits annual Climate Plan spending to \$14 million. The Commission directs GMP to include climate resiliency planning in its 2021 Integrated Resource Plan and any future multi-year regulation plans it proposes. The Commission permits GMP to book regulatory assets for Climate Plan projects once they are placed into service; this is not common practice in traditional rate regulation, but is permissible in this case because the spending will occur under a multi-year regulation plan that permits similar accounting treatment.

II. PROCEDURAL HISTORY

On January 30, 2020, GMP filed its Climate Plan petition with the Commission.

On February 18, 2020, the Commission held a scheduling conference for the Climate Plan petition.

On February 28, 2020, the Commission issued an order establishing a schedule for the proceeding. After the Commission established the initial schedule, the COVID-19 pandemic required the Commission to make amendments to the schedule.

On April 17, 2020, the Commission held a status conference.

On April 23, 2020, Renewable Energy Vermont ("REV") filed a motion to intervene. GMP and the Vermont Department of Public Service ("Department") had no objections to REV's intervention. On May 13, 2020, the Commission granted REV's motion to intervene.

On May 1, 2020, the Commission held a workshop on GMP's Climate Plan.

On May 18, 2020, GMP filed a protective agreement that GMP entered with the Department regarding certain protected Critical Energy Infrastructure Information that GMP produced in response to the Department's discovery requests. GMP also filed a motion for

approval of that agreement. On May 27, 2020, the Commission granted GMP's motion for a protective agreement.

On July 22, 2020, the Commission held a second status conference in preparation for the evidentiary hearing.

On July 27, 2020, the Commission conducted an evidentiary hearing via video conference.

On August 11, 2020, the Department and GMP filed post-hearing briefs.

On August 28, 2020, the Department and GMP filed replies to the post-hearing briefs.

III. POSITIONS OF THE PARTIES

GMP

GMP requests that the Commission approve the Climate Plan and issue an order authorizing it to take effect no later than October 1, 2020. GMP maintains that the Climate Plan, consistent with the requirements of GMP's Regulation Plan, provides a framework for reviewing and approving climate change resiliency projects that are necessary, appropriate, and in the interest of its customers, and that further State energy and climate policy.

The Department

The Department is generally supportive of GMP's Climate Plan. The Department believes the Plan will benefit GMP's ratepayers by providing a stronger, more resilient, and more reliable energy grid, and by ultimately providing long-term cost savings. Therefore, the Department recommends that the Commission approve the Plan.

While the Department is supportive of the Plan and recommends that the Commission approve it, the Department raised concerns about a potential project to be completed under the Plan. The Department objects to including repairs to the penstock at Goshen Dam as a project under the Climate Plan. The Department argues that the purpose of the Goshen Dam project is to address safety issues that are due to a design flaw with the dam, not increased severity of weather events caused by climate change. The Department maintains that secondary resiliency benefits, which in this case would stem from a project to address safety rather than climate change, should not qualify a project to fall under the Climate Plan since a broad range of projects could have

secondary resiliency benefits. Therefore, the Department argues that the Goshen Dam project should be included under GMP's Regulation Plan, rather than under the Climate Plan.

REV

REV participated in this proceeding but did not take any position on the Climate Plan.

IV. PUBLIC COMMENTS

The Commission received 19 written comments regarding GMP's Climate Plan. The Commission considered the comments that it received before the evidentiary hearing in developing questions to ask witnesses testifying at the hearing. Additionally, the Commission considered all the comments while reviewing the record to make its final decision in this case.

Of the 19 comments, 12 were in opposition to the Plan and seven included suggestions for various things to be included under the Plan. The comments opposing the Plan either expressed concerns about the cost of the Plan to customers or expressed skepticism about climate change. The comments suggesting various projects to be included under the Plan included recommendations for GMP to: underground all its utility lines; have a more aggressive tree cutting program; consider using micro-nuclear power plants; provide incentives for customers with geothermal heating and cooling systems; mail bills in envelopes without plastic windows for recycling purposes; cut trees removed from rights of way so they could be used by people needing wood for wood stoves; and eliminate old rights of way.

Cost

The Commission appreciates customers' concerns about the rate impacts of the Climate Plan. The Commission's analysis of the Plan indicates that the Plan should produce long-term cost-savings for GMP's customers. Also, the Commission's approval of the Climate Plan in this proceeding is separate from its future review of potential projects to be completed under the Plan and its approval of the costs of such projects being included in GMP's rate base. Both the Commission and the Department will have the opportunity to review all potential Climate Plan projects before GMP completes them and before GMP can include the projects' costs in rates.

Climate Change

The need to address climate change is urgent, and the impacts of more frequent and damaging events on GMP's customers is abundantly evident in both climatological and outage data. GMP's Climate Plan is consistent with the requirements of its Regulation Plan and state law and policy and will ensure that GMP's system is more resilient and capable of providing reliable power in the face of increased precipitation, high wind events, increased vegetative growth, and storm intensity due to climate change.

Suggestions for Projects

The Commission appreciates the suggestions for various projects to potentially be included under the Plan. The Commission is not approving any particular projects as a part of this proceeding. Rather, the Climate Plan will serve as a framework to aid GMP in selecting and implementing projects to prepare for and respond to the impacts of climate change.

V. FINDINGS

A. The Impacts of Climate Change on Electric Service

1. An increase in global temperatures is leading to unusually severe weather activity in Vermont. This includes increases in precipitation, flooding, high wind events, increased vegetative growth, ice and snow build-up on utility lines, and more frequent and damaging storms. Roger Hill, GMP ("Hill") pf. at 8–9.

2. Warmer temperatures also result in increased precipitation falling more often as rain, wetter snow, or ice, rather than drier snow that occurs in colder conditions and was more common in previous decades. Hill pf. at 14.

3. Downed trees and limbs, ice and snow loading on power lines, flooding, and high winds due to climate change are all causing increased damage to utility systems and more customer outages that are costly to customers. Hill pf. at 15, 21, 22.

4. The Department and GMP agree that climate change is causing extreme weather trends, more hazardous snow and ice conditions, and larger and more frequent storms, and that these events have precipitated major outages across the state and the region. Riley Allen, Department ("Allen") pf. at 4–5; tr. 7/27/20 at 50 (Mara).

B. Regulatory Framework and Process

5. GMP's Regulation Plan, approved by the Commission in Case No. 18-1633-PET, allows GMP to file a Climate Plan, which is at issue in this case. *Petition of GMP for approval of multi-year regulation plan*, Case No. 18-1633-PET, Final Order of 5/24/2019 at 14.

6. In the Commission's Final Order in Case No. 18-1633-PET, the Commission stated that GMP could develop a Climate Plan to address threats to GMP's system from more frequent and intense storm events related to climate change, and to accelerate the pace of GMP's current storm-hardening measures to maintain service quality. Case No. 18-1633-PET, Order of 5/24/19 at 14.

7. Spending proposed under the Climate Plan is over and above GMP's cap on capital spending authorized in Case No. 18-1633-PET. Brian Otley, GMP ("Otley") pf. at 33.

8. There are four distinct categories of projects represented in the Plan: Transmission and Distribution, Generation, Information Technology, and Innovation. GMP will identify climate projects by department using the criteria for each category outlined in the plan. Otley pf. at 34; exh. GMP-BO-1 (Rev.)

9. GMP will file a preliminary climate project list, narrative, and budget with its Annual Base Rate filing under the Regulation Plan, on June 1 of each year. Projects will not be included in base rates at that time. The Department and the Commission will have an opportunity to review and comment upon the proposed budget request. GMP will then pursue the identified Climate Plan projects in the following fiscal year. Ryan pf. at 6; Otley pf. at 34.

10. In its next Annual Base Rate filing, GMP will identify completed Climate Plan projects and seek Commission approval to include them in rates in the following fiscal year. No Climate Plan project costs will be included in rates until a project is completed and approved by the Commission. Otley pf. at 34.

11. As part of its Annual Base Rate filing in 2021 and 2022, GMP will file a Climate Plan report that clearly identifies Climate Plan projects it has completed and projects it plans to complete in the coming year. Otley pf. at 35.

12. The completed projects will include projects identified in the preliminary Climate Plan Project Report from the previous year, or in the event a particular project could not move

forward, it may be substituted with Climate Plan projects of a similar type that otherwise meet the Climate Plan criteria. Ryan pf. at 7.

C. Spending Levels and Rate Impacts

13. GMP plans to target approximately \$8–\$15 million of annual investment in Climate Plan projects, largely capital investments with some operating expenses. Otley pf. at 14.

14. GMP’s anticipated FY21 Climate Plan investment for customers is presently \$15 million. Otley pf. reb. at 12; exh. GMP-BO-3 (Updated FY21 Climate Plan Project List).

15. The Department is generally supportive of the level of investment GMP proposes under the Climate Plan but recommends that the Climate Plan capital recovery be capped at \$14 million for FY21 and FY22. Otley pf. reb. at 13.

16. GMP is not opposed to this target for Climate Plan investments per year over the next two years, so long as the target incorporates flexibility to account for timing and small cost differences between the two years. Otley pf. reb. at 13.

17. GMP expects that this level of spending will result in an annual rate increase between 0.3% and 0.7%. Otley pf. at 14.

D. Accounting Treatment and Merger Platform Calculations

18. GMP will apply Allowance for Funds Used During Construction for Climate Plan projects during construction. When projects are placed in service, Allowance for Funds Used During Construction will stop, and GMP will record and defer collection of project costs in a regulatory asset from the date the project is recorded to plant in service until the date the project is reflected in a base rate filing. Otley pf. at 34; Ryan pf. at 7.

19. The regulatory asset for future recovery from customers will include the depreciation, property taxes, and other project costs between the time a Climate Plan capital project is completed and placed in service and when it is included in rate base. Ryan pf. at 7.

20. Although GMP would not typically record a regulatory asset under traditional cost-of-service regulation, GMP capital investments made under the Regulation Plan are booked as a regulatory asset once placed in service. This treatment provides parity between Climate Plan and Regulation Plan capital projects. Tr. 7/27/20 at 15–17 (Ryan), 45–46 (Foley).

21. GMP will also record a regulatory asset for incurred Climate Plan Operations and Maintenance (“O&M”) costs that have not been included in a base rate filing. Ryan pf. at 10.

22. GMP will propose an amortization period for the Climate Plan regulatory assets when the Commission authorizes adding Climate Plan spending to base rates. Ryan pf. at 10.

23. GMP will track both capital costs and increased O&M expenses in a manner that allows the impacts of those activities to be segregated from non-Climate Plan capital spending or O&M costs so they can be clearly identified in future Annual Base Rate filings. Ryan pf. at 8.

24. GMP’s Annual Base Rate filing will clearly distinguish the incremental depreciation, income tax, property tax, and return on rate base, and any other costs associated with Climate Plan capital projects, so that any variable change to base rates resulting from these projects is identified. Ryan pf. at 8–9.

25. Incremental non-power O&M benefits associated with approved capital projects will flow through to benefit customers. GMP will track any Climate Plan-specific O&M expenses separately from Base O&M so that they do not affect synergy calculations during the period of the Regulation Plan, which coincides with the ten-year synergy savings commitment. Otley pf. at 35; Ryan pf. at 9.

26. Climate Plan O&M costs would be handled in a manner similar to the categories of “non-base O&M” costs that are already excluded from the platform for purposes of the merger synergy savings calculations and will not affect otherwise estimated merger savings. Ryan pf. at 9.

E. Future Planning Efforts

27. GMP and the Department agree that the proposed Climate Plan is an interim planning framework and should not continue as a standalone document beyond the term of the Regulation Plan, but rather that this resiliency work should be incorporated into GMP’s existing regulatory planning documents, including GMP’s Integrated Resource Plan (“IRP”). Otley pf. reb. at 13; Ann Margolis, Department (“Margolis”) pf. at 3, 5-6.

28. The IRP process lends itself to the necessary transparent identification of resilience issues that must be addressed and holistic consideration of those issues and their interrelationships. Margolis pf. at 3.

29. GMP revised the Climate Plan to make clear that the Climate Plan itself will not continue past the term of the current Regulation Plan as GMP transitions climate planning into its regular planning processes. Otley pf. reb. at 6, 13; exh. GMP-BO-1 (Rev.) at 3.

30. GMP's next IRP is due to be filed in 2021, and GMP anticipates that it will start working with the Department on this document later this year, with ample opportunity to consider how best to incorporate future resilience efforts. Otley pf. at 16; Otley pf. reb. at 13.

F. Resiliency Criterion

31. Reliability addresses routine, expected, normally localized, and shorter duration interruptions of electric service. Traditional outage metrics are geared more toward measuring reliability. Otley pf. at 7; Kevin Mara, Department ("Mara") pf. at 6.

32. Resiliency, on the other hand, is "the ability to withstand and reduce the magnitude and/or duration of disruptive events, which includes the capability to anticipate, absorb, adapt to, and/or rapidly recover from such an event." Margolis pf. at 2-3.

33. A resilient power system can rapidly recover from "infrequent, often unexpected, widespread/long duration power interruptions." Mara pf. at 6.

34. Measures that proactively prevent or mitigate the impacts of widespread and long duration power interruptions also improve system resiliency and could be appropriately considered Climate Plan spending. Otley pf. at 10; tr. 7/27/20 at 50 (Mara).

35. GMP and the Department broadly agree that the work under the Climate Plan should be focused specifically on resiliency efforts. Otley pf. reb. at 4-5.

36. A project's contribution to resiliency (as opposed to reliability) is a key concept in evaluating whether the project rightfully falls into the Climate Plan's capital spending or the Regulation Plan's capital spending. Otley pf. reb. at 8; Margolis pf. at 6; Mara pf. at 5-7; Allen pf. at 4, 6-7.

37. GMP will evaluate all Climate Plan projects to ensure that resiliency is the primary focus of the project, instead of simply improved reliability (as might be achieved in a business-as-usual project). Otley pf. reb. at 8; exh. GMP-BO-1 (Rev.) at 5.

38. In addition to resiliency as an overarching criterion, GMP will screen projects in each of the four categories by criteria listed in its Climate Plan. GMP made modifications to the

criteria in each category at the suggestion of the Department in GMP's revision of the Climate Plan. Otley pf. reb. at 9-12; exh. GMP-BO-1 (Rev.).

VI. DISCUSSION

In Case No. 18-1633-PET, the Commission approved the Regulation Plan as a form of alternative regulation pursuant to 30 V.S.A. § 218d.¹ The Regulation Plan creates a process for establishing GMP's rates and includes a cap of \$265.5 million on GMP's capital spending over the three-year term of the Regulation Plan. This capital spending cap reflects a determination of how much capital spending GMP should undertake in a business-as-usual scenario.² However, the Commission also recognized that GMP needed to act more comprehensively to address increasingly significant major-storm damage caused by climate change. Accordingly, the Regulation Plan allows GMP to make additional capital investments by seeking approval of a Climate Plan that "would be intended to address threats to GMP's system from more frequent and intense storm events related to climate change, and to accelerate the pace of GMP's current storm-hardening measures to maintain service quality."³

Considering GMP's July 2, 2020, revisions to the Climate Plan and the Department's recommendation that the Commission approve the Plan, the Commission finds that the revised Climate Plan and the proposed regulatory approval and accounting process is appropriate and will ensure that projects are necessary, appropriate, and in the best interest of customers, subject to individual project review that will occur during the review of GMP's Annual Base Rate filings.

The Climate Plan is intended to accelerate the pace of GMP's current storm-hardening measures to maintain service quality. Under the Climate Plan, GMP initially proposes projects for the upcoming year that further this goal, but will not move costs into rates until a project is completed, in service, and approved by the Commission under traditional regulatory standards and as meeting the above stated goals of the Climate Plan. There are four distinct categories of projects represented in the Plan: Transmission and Distribution, Generation, Information Technology, and Innovation.

¹ *Petition of Green Mountain Power Corp.*, 18-1633-PET, Order of 5/24/19.

² Otley pf. at 32.

³ *Petition of Green Mountain Power Corp.*, 18-1633-PET, Order of 5/24/19 at 14.

Within each category, individual projects are selected and prioritized by criteria set forth in the Climate Plan. Common to all projects is an overarching resiliency criterion that requires GMP to explain how the project advances the Climate Plan's goal of increasing system and community resiliency to climate-change-driven storms. This criterion ensures projects are appropriate for the Climate Plan and distinguishes this work from GMP's routine resource planning. Below the overarching criterion, each category of spending has a specific set of criteria that uniquely apply to that category and guide selection and prioritization of projects within the category.

A. Goshen Dam

The Department and GMP generally agree that the proposed Climate Plan “will benefit GMP’s ratepayers and therefore should be approved by the Commission” because “GMP customers will experience a ‘stronger, more resilient, and reliable clean energy grid.’”⁴ However, the Department contends that the Goshen Dam project should not be pursued as part of the Climate Plan because capital spending under the Regulation Plan and the Climate Plan must remain separate and distinct to accomplish the regulatory purpose of each document. The Department contends that the Goshen Dam repairs are a matter of safety and not resiliency. Therefore, the Department recommends that GMP should seek cost recovery under the Regulation Plan, not the Climate Plan. The Department argues that a resiliency *benefit* is distinct from a resiliency *purpose*, and that a resiliency purpose is required for projects contemplated under the Climate Plan.

GMP responds that this proceeding entails a review and approval of the general terms of the Climate Plan and not individual projects. However, GMP seeks “a ruling that would support the [Goshen Dam] project’s fit with the Climate Plan criteria, thus leaving open later approval of this important project.”⁵ GMP argues that the Goshen Dam project “is an important resiliency project for GMP that meets the proposed Climate Plan criteria and prepares a high-hazard dam for a new regime of climate driven storms.”⁶

⁴ Department Brief at 3 (quoting Otley pf. at 7).

⁵ GMP Brief at 6.

⁶ GMP Brief at 8.

The disagreement between the Department and GMP highlights the need for the Commission to provide guidance about how to distinguish between projects that are appropriately considered under the Climate Plan and those that should be included in the Regulation Plan's capital spending cap.⁷ The Commission agrees with the Department that these categories of projects need to be distinct for the Regulation Plan's capital spending cap to serve one of its primary regulatory purposes: to balance predictable and reasonable rate trajectories with the need to invest in GMP's system. Otherwise, any capital project that has a resilience benefit would potentially be outside GMP's capital spending cap.

The Commission allowed GMP to propose a Climate Plan because it recognized that climate-change-driven storms are affecting GMP's ability to provide reliable service given investment levels under a business-as-usual scenario.⁸ Therefore, the Commission determines that projects that would have occurred under a business-as-usual scenario are appropriately included within GMP's capital spending cap in the Regulation Plan.

On the other hand, projects that are necessary because of climate-change-driven events that would not have been undertaken under a business-as-usual scenario are appropriately included in the Climate Plan. The Commission will apply a "but for" test to determine whether a proposed project may be recovered under the Climate Plan. Accordingly, recovery will be allowed if GMP can demonstrate that it would not have pursued a project but for the need to respond to more frequent and damaging events driven by climate change.

GMP has argued that this case concerns the Commission's review and approval of the general terms of the Climate Plan and not a determination about the rate recovery of any particular project. However, the proposed Climate Plan specifically states that the Goshen Dam and Middlesex Rock Anchor projects will be pursued under the Climate Plan.⁹ Therefore, it is necessary for the Commission to address the appropriateness of identifying those two projects in the Climate Plan document. Based on the record of this case, the Commission finds that GMP has not demonstrated that the Goshen Dam project is necessary because of climate-change-driven storms. FERC's recent determination that the dam's penstock should be replaced was due

⁷ As discussed further below, the Regulation Plan also provides that GMP may exceed its capital spending cap due to unexpected circumstances, with approval from the Commission.

⁸ 18-1633-PET, Order of 5/24/19 at 14; Otley pf. at 32.

⁹ Exh. GMP-BO-01 (Rev.) at 6.

to aging and damaged infrastructure.¹⁰ Climate-change-driven storms may increase the need to conduct this project, but GMP would still need to replace the penstock in a business-as-usual scenario.¹¹

The Commission also directs GMP to make changes to paragraph on page 6 of the Climate Plan that identifies the Middlesex Rock Anchor project because this case involves the review and approval of the Climate Plan and not the approval of specific projects. It would not be appropriate to identify any specific project in the Climate Plan because the Commission will make a determination about that project after GMP proposes to recover the costs of the project in a future Annual Base Rate filing or rate case. Accordingly, the Commission directs GMP to revise the paragraph as follows:

~~In FY21, Generation projects pursued under the Climate Plan will be limited to the Goshen Penstock and Middlesex Rock Anchor project projects that GMP would not have pursued but for the need to respond to more frequent and damaging storms, changing weather patterns, and changing environmental conditions driven by climate change. GMP will not pursue additional generation projects under the Climate Plan in FY22 unless the projects have been reviewed by the Department and are mutually agreed by the Parties to fall within the Climate Plan as approved, as All generation projects must be necessary, appropriate, and in the best interests of customers.~~

This decision should not be interpreted to mean that GMP should not pursue the Goshen Dam project or that GMP will not be permitted to recover those costs in rates. The Regulation Plan addresses situations for which GMP may exceed its capital spending cap due to unexpected circumstances.¹² This case is not the appropriate proceeding to determine if the Goshen Dam project meets the standard established in the Regulation Plan for spending beyond the cap. If GMP does petition the Commission to exceed its capital spending cap, GMP would need to show, in addition to meeting the requirements of the Regulation Plan, that the project is the result of unexpected circumstances, that it was unable to complete the project within its approved capital spending cap, and that the project would displace other critical investments. If GMP

¹⁰ GMP Response to Commission Information Request, filed 8/13/20, Attachment GMP.DPS2.Q5.3 (noting “several deficiencies including significant leakage through a construction joint”).

¹¹ Tr. 7/27/20 at 61 (Mara) (“FERC explained why this project was necessary and in my opinion that . . . isn’t tied to climate change at all.”).

¹² Regulation Plan at 16.

makes such a request, the Commission would also consider the necessity of any project, the costs and benefits to ratepayers, and any other relevant information.

The Commission will apply the but-for standard to all capital spending proposed under the Climate Plan, in addition to the other criteria and standards stated in the Plan. The Commission directs GMP to add the following language to the following paragraph on page 5 of the Plan:

Investments pursued under this Climate Plan will be selected and prioritized based on specific criteria. As the first overarching criteria, each project proposed under the Climate Plan by any department will be required to increase the overall resiliency of GMP's systems, with a focus on improving outcomes for customers during outages, enhancing public and employee safety, improving GMP's communications and outreach efforts during emergency events, and helping ensure continuity of operations under catastrophic conditions for both GMP and the communities we serve. Investments under this plan will be limited to projects that GMP would not have pursued but for the need to respond to more frequent and damaging storms, changing weather patterns, and changing environmental conditions driven by climate change.

B. Accounting Treatment

Under traditional cost-of-service regulation, a utility would be permitted to book a regulatory asset for future collection once a project is in service only by special permission from the Commission. The most common practice in traditional regulation is to begin depreciation when the plant enters service and move the project into rates only after a later rate case with no regulatory asset.¹³ This lag time between when a plant is placed into service and when it is included in rates benefits ratepayers because they only begin to pay for an asset (which has depreciated) after a full review during a rate case. In its Climate Plan, GMP proposes to record a regulatory asset that it would amortize and begin collecting after the Annual Base Rate review under the Regulation Plan. This treatment is less beneficial to customers because they will pay the full, undepreciated value of the project along with the associated carrying costs, including the weighted average cost of capital on the project starting from the date the project is placed into service.

¹³ A regulatory asset books depreciation, cost of capital, or taxes on the underlying investment during the time between when the project entered service and when it was moved into rates. This amount is then collected from ratepayers at a later time. Without the regulatory asset, the utility would not be allowed to recover those costs from ratepayers.

Although this treatment is generally not permitted in traditional cost-of-service regulation, the Commission allows it here because GMP is regulated under alternative regulation authorized by 30 V.S.A. § 218d. Under GMP's current Regulation Plan, GMP books a regulatory asset for future collection beginning on the date a project is placed into service. The accounting treatment proposed by GMP in the Climate Plan will create parity between the investments made under the Regulation Plan and investments made under the Climate Plan. In the case of the Climate Plan investments, GMP will only place the projects into rates *after* they have been placed into service and reviewed in the Annual Base Rate filings; however, the regulatory asset will allow GMP to collect depreciation, capital costs, and taxes on the entire value of the plant in service.

Although the Commission permits this treatment for Climate Plan investments in this case, it should not be viewed as a common utility accounting practice, and any requests for similar treatment of other investments will be considered on a case-by-case basis.

C. Annual Capital Recovery Cap for the Climate Plan

The Department has recommended that Climate Plan capital recovery be capped at \$14 million for FY21 and FY22. GMP does not object to this requirement, provided that the cap reasonably allow for some flexibility to account for timing and small cost differences. The Commission finds that the Department's annual cap is appropriate. Accordingly, the Commission adopts the Department's recommended \$14 million annual cap for Climate Plan capital recovery.

D. Integrated Resource Planning and Future Rate Plans

In testimony, the Department notes that resilience planning, climate-related or otherwise, is most effective when conducted in the context of broader utility planning efforts, including Integrated Resource Planning, future multi-year rate plans, and future rate cases. The Commission agrees with this view. As the Department notes, "the IRP process lends itself to the necessary transparent identification of the issues that must be addressed, and holistic consideration of those issues and their interrelationships."¹⁴

¹⁴ Margolis pf. at 3.

In its proposed Plan, GMP notes that “[t]he focused approach to climate planning and resiliency outlined in the Plan will be incorporated into GMP’s regular project planning process going forward, and ultimately incorporated into GMP’s Integrated Resource Planning process, and future rate cases.”¹⁵

The Department also recommended that a specific timeline be established for the incorporation of climate planning into the IRP process. The Commission agrees and directs GMP to include and identify its climate resilience planning in its next IRP, currently scheduled to be filed no later than December 10, 2021.¹⁶ The Commission also recognizes that the planning process and criteria for the evaluation of climate resiliency projects is likely to evolve as GMP gains experience in implementing the Plan approved in this case. If GMP files a future multi-year regulation plan, capital spending outlined in that plan should incorporate climate and other resilience spending so that overall investment may be evaluated holistically in the context of rate impacts and tradeoffs between different goals and outcomes.

VII. CONCLUSION

For the reasons described above, GMP’s Climate Plan is approved, subject to the modifications described in this Order.

VIII. ORDER

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


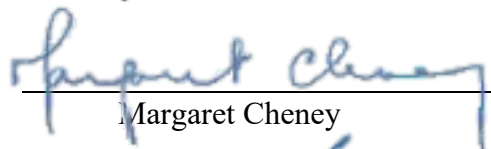
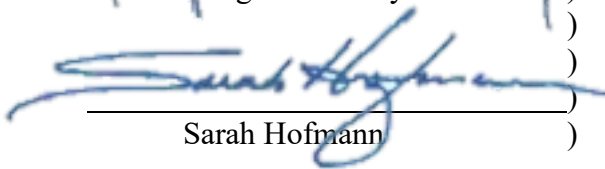
1. Green Mountain Power’s (“GMP”) Climate Plan is approved as revised on July 2, 2020, subject to the modifications described above.
2. GMP shall revise the Climate Plan consistent with the discussion above.
3. GMP shall file the final revised Climate Plan as approved in clean and red-lined copies within ten days of this Order.
4. Spending under GMP’s Climate Plan shall be limited to \$14 million annually.

¹⁵ Exh. GMP-BO-1 (Rev.) at 2.

¹⁶ *Petition of Green Mountain Power Corporation for approval of its 2018 Integrated Resource Plan*, Case No. 18-4166-PET, Final Order of 9/26/2019 at 16.

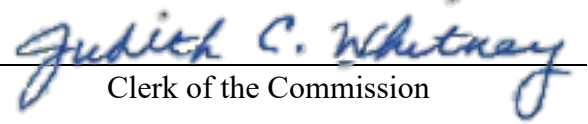
5. GMP shall include climate resilience planning in its next Integrated Resource Plan, currently scheduled to be filed no later than December 10, 2021.

Dated at Montpelier, Vermont this 24th day of September, 2020.

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<u>Anthony Z. Roisman</u>)	PUBLIC UTILITY
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<u>Margaret Cheney</u>)	COMMISSION
)	
)	
<u>Sarah Hofmann</u>)	OF VERMONT

OFFICE OF THE CLERK

Filed: September 24, 2020

Attest: 
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) of 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 30 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 28 days of the date of this decision and Order.

PUC Case No. 20-0276-PET - SERVICE LIST

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