

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 22-0175-TF

Tariff filing of Green Mountain Power
requesting a 2.34% increase in base rates
effective on bills rendered on or after
October 1, 2022

Case No. 21-3707-PET

Petition of Green Mountain Power
Corporation for approval of a Multi-Year
Rate Plan (MYRP) pursuant to 30 V.S.A.
Sections 209, 218, and 218d

**REBUTTAL TESTIMONY OF
SCOTT G. WHEELER
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE**

April 20, 2022

Summary: Mr. Wheeler addresses Green Mountain Power Corporation's ("GMP") supplemental testimony along with relevant discovery responses and how they impact the Vermont Department of Public Service's ("Department") overall position on GMP's proposed new Multi-year Regulation Plan ("MYRP"). As discussed by Mr. Wheeler, the Department reiterates its support for approval of the new MYRP so long as the Vermont Public Utility Commission ("Commission") requires a series of modifications to GMP's latest proposal.

Mr. Wheeler Sponsors the Following Exhibits:

Exhibit PSD-SGW-1 - Recommended Revisions to GMP's MYRP

Exhibit PSD-SGW-2 - GMP's 2020 Benchmarked Performance

Exhibit PSD-SGW-3 – DPS1.A65 & Attachment

1 **Q1. Please state your full name, address, and occupation.**

2 A1. My name is Scott G. Wheeler. I am the Utilities Finance and Economics Analyst of the
3 Department. My business address is 112 State Street, Montpelier, Vermont 05620.

4 **Q2. Are you the same Scott G. Wheeler that provided pre-filed testimony previously in**
5 **this investigation?**

6 A2. Yes.

7 **Q3. Were your testimony and exhibits prepared by you or under your direct supervision**
8 **and control?**

9 A3. Yes.

10 **Q4. What is the purpose of your rebuttal testimony?**

11 A4. I summarize the Department's original position in this proceeding (Case No. 21-3707-
12 PET) and how GMP's supplemental testimony, dated January 18, 2022, and discovery
13 responses, dated February 28, 2022, impacted that position.

14 **Q5. Could you please begin by summarizing the Department's original position in this**
15 **case from your pre-filed testimony dated January 7, 2022?**

16 A5. Yes. It is important to note that, in response to my pre-filed testimony, GMP, through its
17 January 18, 2022 supplemental testimony, proposed to make several modifications to the
18 new MYRP. I will discuss those modifications in more detail below. But, getting back to
19 the Department's original position in this case, the Department supported approval of the
20 new MYRP predicated on three specific recommendations:

21 1) Limiting the term of the new MYRP to three years;

- 1 2) Adding an additional required compliance filing with respect to benchmarking
2 operations and maintenance (“O&M”) expenses against peers; and
3 3) Adding an overall cap of \$12.0 million on the Major Storm Restoration Fund.

4 **Q6. Can you please reiterate the reasons behind the Department’s original**
5 **recommendations?**

6 A6. Yes. First, based upon concerns about inflationary pressures and continuing uncertainties
7 caused by the pandemic, the Department indicated that it would be in the best interest of
8 ratepayers to limit the proposed term of the new MYRP to three years. Essentially, a shorter
9 forecasting period leads to a lower risk of unreasonable rates. The shorter the period for
10 forecast reliance, the less risk involved in setting rates above what may be achieved by
11 applying traditional rate-making principles.

12
13 Second, the Department is concerned about GMP potentially overstating O&M expenses
14 after the merger platform ends. Thus, the Department concludes that adding a targeted
15 compliance reporting requirement would be prudent. As it stands now, GMP is filing
16 annual compliance reports with respect to the O&M merger platform. When that
17 requirement ends after September 30, 2022, the newly proposed reporting regimen will
18 help ensure regulators retain an appropriate level of transparency into GMP’s cost
19 containment efforts beginning in fiscal year 2023.

20
21 Finally, the proposed cap of \$12.0 million on GMP’s Major Storm Restoration Fund is
22 intended to protect ratepayers from facing unnecessary surcharges. This is more consistent

1 with the surcharge in place under the current MYRP, which features a quantifiable
2 stoppage point.

3 **Q7. Has GMP’s supplemental testimony and/or discovery responses altered the**
4 **Department’s position?**

5 A7. Not substantively. That said, the Department has provided **Exhibit PSD-SGW-1** to serve
6 as a counterproposal to Edmund Ryan’s and Rob Bingel’s Exhibit GMP-ER-RB-7 that
7 accompanied their Supplemental Testimony dated January 18, 2022. The intent of my
8 exhibit is to better visualize exactly how maintaining the Department’s original testimony
9 —which recommended the Commission approve a three-year term and \$12.0 million cap
10 on the major Storm Restoration Plan—impacts the new MYRP.

11
12 Despite general satisfaction with GMP’s existing MYRP, the Department maintains that
13 the use of alternative regulation for electric utilities in Vermont is still in its infancy,
14 remaining a relatively new and untested concept. It is in the best interest of ratepayers to
15 limit the term of GMP’s new MYRP to three years through at least one more full cycle
16 prior to elongating the term in the future. The Department’s three-year proposal will ensure
17 (1) the MYRP continues to operate in the best interest of ratepayers; and (2) greater
18 transparency into the ratemaking process while GMP, regulators, and ratepayers continue
19 to familiarize themselves with the nuances of alternative regulation. The adage that you
20 must “walk before you can run” best exemplifies the Department’s view that it will take
21 some time to properly balance the inherent risks associated with relying on forecasting
22 while remaining grounded in traditional rate-making principles.

1 With respect to the Department’s recommendations other than limiting the MYRP term to
2 three years, GMP did not address them in supplemental testimony. In light of first round
3 discovery response DPS1.A65—provided as **Exhibit PSD-SGW-3**—the Department
4 holds the position that GMP should be required to make a compliance filing consistent with
5 Attachment GMP.DPS1.Q65. Filed annually, the Department and Commission will have
6 greater insight into how effectively GMP is managing O&M expenses against a
7 representative benchmark of peers. The Department provides an example in **Exhibit PSD-**
8 **SGW-2**. Isolating GMP’s administrative expenses, for example, against GMP’s peer
9 companies indicates that GMP ranks 8th out of the 20 in the group at \$158 per customer
10 for 2020. This information, when viewed alone, may not be particularly useful. But say,
11 for example, in 2022, GMP makes their required compliance filing, and administrative
12 expenses show as \$305 per customer, ranking GMP 16th out of the 20 peer utilities. Then,
13 regulators will have a basis to inquire about why this price increase occurred and
14 investigate accordingly. Thus, compliance filings provide a level of transparency that
15 regulators and customers can rely upon to ensure the effectiveness of GMP’s O&M
16 management.

17
18 Further, placing a \$12.0 million cap on the Major Storm Restoration Fund helps provide
19 some protection for ratepayers. Instead of potentially letting the fund grow without any
20 limitation, the installation of an overall cap would protect GMP’s customers from facing
21 unnecessary surcharges. That approach would also be more consistent with the surcharge
22 in place under the current MYRP, which features a quantifiable stoppage point.

1 **Q8. Please summarize the Department's position again on GMP's proposed new MYRP.**

2 A8. Based upon GMP's latest proposal, the Department maintains its recommendation that the
3 Commission approve the new MYRP subject to (1) limiting the term to three years; (2)
4 adding a required compliance filing with respect to benchmarking O&M expenses against
5 peers; and (3) providing an overall cap of \$12.0 million on the Major Storm Restoration
6 Fund to better satisfy the statutory requirements of 30 V.S.A. § 218d.

7 **Q9. Does this conclude your testimony?**

8 A9. Yes.