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MEMORANDUM

To: June E. Tierney, Commissioner, Department of Public Service

From: Office of the Attorney General

Re: Attorney General's Report pursuant to Act No. 130 (2016), Sec. 5f(c)

Date: January 6, 2020

Attached please find the Attorney General's findings and recommendations on the effectiveness and independence of the Department of Public Service's advocacy in two rate cases: the Green Mountain Power Corporation rate case - # 18-0974-TF and the Washington Electric Cooperative rate case - # 18-3959-TF.

In 2016 the Legislature directed the Department to submit an annual performance report to the Legislature "to help address concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in rate proceedings." 2016 Acts and Resolves No. 130, Sec. 5f. The Legislature also directed this office to "monitor and detail at least one rate proceeding annually and make findings and recommendations related to the effectiveness and independence of the Department's ratepayer advocacy." Act No. 130 (2016), Sec. 5f(c). The Attorney General's findings and recommendations will be included in the Department's annual report to the Legislature.

The Attorney General's findings and recommendations were developed based on reports from two independent contractors hired to review the work of the Department in the two rate cases. Jeffrey M. Bernstein, Esq. and Rebecca F. Zachas, Esq. of the law firm BCK Law, P.C. performed the review of the GMP rate case and Bill Steele, President of Bill Steele and Associates, LLC performed the review of the WEC rate case.

In summary, the Attorney General's findings are that:

1. The Department of Public Service served as an effective advocate on behalf of ratepayers in both of the rate cases reviewed.

2. The work of the Department's attorneys, staff, and experts in these rate cases was independent from the regulated entities or other influences.

Neither BCK Law nor Mr. Steele provided any specific recommendations for improving the effectiveness or independence of the Department in its ratepayer advocacy. Included in the reports are some recommendations regarding administrative and policy matters. The two reports are attached.

Green Mountain Power Rate Case - # 18-0974-TF

Attorneys Bernstein and Zachas have substantial experience in public utility law representing municipalities, non-profit environmental and renewable energy organizations, and corporations on a wide range of matters. They have appeared as counsel in rate cases and other public utility proceedings addressing revenue requirements, and cost of service allocations.

In the review of the GMP rate case, Attorneys Bernstein and Zachas conducted a thorough review of the hundreds documents filed in the proceeding, including: GMP's petition; discovery by and to the Department; pre-filed testimony from GMP, the Department, and others; hearing transcripts; briefs and Commission orders; and additional documents released to the public. The BCK attorneys also reviewed other Commission proceedings and settlement agreements as necessary. The BCK attorneys interviewed Department staff, attorneys, and experts who worked substantially on the rate case.

As described more fully in the attached report, "The Department advocated in an effective manner given its thorough participation in the [GMP] Rate Case, its use of expert consultants to review the case and sponsor testimony to raise their recommendations to GMP and the Commission, and its success in obtaining ratepayer benefits through recommendations adopted by GMP and approved by the Commission." BCK Report at 2. Noted ratepayer benefits include a reduction in the cost of service through revisions recommended by the Department, improved tracking and reporting of GMP's procurement and other processes, financial and performance assurance mechanisms for the Battery Storage Projects, and additional scrutiny of GMP's innovative programs and transmission and distribution blankets. BCK Report at 17–19.

BCK did note areas where the Department's advocacy and recommendations were not accepted by the Commission, but concluded that Commission's decision was not "due to inadequate analysis or omissions on the Department's part, and it was clearly worthwhile for the Department to put forward the recommendations." BCK Report at 20.

Regarding the Department's independence, BCK concluded: "The Department's advocacy was independent as the Department and its witnesses conducted their own review of GMP's Petition, undertook their own original analyses, and developed numerous recommendations." BCK Report at 2, 22–24. BCK concluded that based on its review of the Department's participation in the rate case "there was no evidence that the Department did not have adequate resources to investigate GMP's Petition and to conduct any analysis necessary to arrive at its recommendations." BCK Report at 24.

BCK included a number of recommendations at page 29 of its report. These recommendations include issues related to administering future review of the Department's work as well as more general policy issues in the field of utility regulation.

In sum, the Attorney General concludes that, based on BCK's thorough review and detailed report, the Department was an effective and independent ratepayer advocate in the GMP rate case.

Washington Electric Cooperative rate case - # 18-3959-TF

Mr. Steele has over 40 years of public utility regulatory experience including 34 years spent at the Colorado Public Utilities Commission as a supervisor on the financial trial staff and later as an advisor to the Commissioners and Administrative Law Judges. Mr. Steele has also taught at the Basics of Regulation training conference at the Center for Public Utilities at New Mexico State University for over 20 years.

In the WEC rate case, Mr. Steele reviewed all documents filed in rate case # 18-3959-TF as well as a recent WEC rate case, #18-1425-TF, in which the Department had addressed similar issues. Mr. Steele reviewed internal and external correspondence from the Department to assess the Department's review and strategy in the two cases. Mr. Steele followed up as necessary with the Department's attorneys to ensure a complete review of the information and to answer any questions raised during his review of the records in the two cases.

Based on his thorough review of the two rate cases, Mr. Steel concluded there were no "concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in the two WEC rate proceedings." Steele Report at 4. "In fact, Mr. Steele observed a dedicated staff at the Department which had the desire and the ability in reviewing WEC's rate case filings to ensure the requested rate relief was appropriate based on the facts presented in WEC's filing and responses to questions from the Department staff." Steele Report at 4. Mr. Steele noted that the Department did not simply accept the information provided by WEC but independently verified the justifications for the rate increases and conducted its own extensive analysis of the information. Steele Report at 8–9. Mr. Steele noted that WEC's proposed increase was "well supported and reasonable in Mr. Steele's independent judgment" but still "the Department did pursue and did an excellent job in verifying the reasonableness of the filing without having the ratepayers of WEC need to pay for the cost of going to hearing." Steele Report at 9.

Mr. Steele's only recommendation was that the Department consider creating a memorandum at the outset of a case to clearly articulate the issues and any deliverables it seeks to obtain for ratepayers. This recommendation is meant to make future review easier and to make the effective work of the Department more apparent. The recommendation does not reflect on any deficiencies in the Department's work in the WEC cases reviewed.

Conclusion

In sum, the review of these rate cases concludes that in a fully litigated, complex rate case as well as in a rate case decided without hearing, the Department's work was thorough, professional, effective, and independent from outside influence. In addition to their work in these rate cases, Department attorneys and staff have been very professional and helpful in this Act 130 review process and are to be commended. Hopefully, the results of the Attorney General's review of these cases will be useful to the Department and to the Legislature.

2018 REPORT
ON RATEPAYER ADVOCACY
BY THE DEPARTMENT OF PUBLIC SERVICE
IN A GREEN MOUNTAIN POWER BASE RATE CASE,
CASE NO. 18-0974-TF

Dated: **December 24, 2019**

Submitted by: **Jeffrey M. Bernstein, Esq.**
Rebecca F. Zachas, Esq.
BCK Law, P.C.

2018 REPORT ON RATEPAYER ADVOCACY BY THE DEPARTMENT OF PUBLIC SERVICE IN A GREEN MOUNTAIN POWER BASE RATE CASE

I. INTRODUCTION

In 2016, the Vermont General Assembly enacted Act 130, which directed the Vermont Office of the Attorney General (the "AGO") to "monitor and detail at least one rate proceeding annually and make findings and recommendations related to the effectiveness and independence of the [ratepayer advocacy of the Vermont Department of Public Service ("DPS" or the "Department")]." Act No. 130 (2016) at § 5f(c). Act 130 provided that the "primary purpose of the reporting requirement of this section is to help address concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in rate proceedings, including base rate filings under an alternative regulation plan." *Id.* at § 5f(b).

For 2018, the AGO chose to review the Department's efforts on behalf of ratepayers in a traditional cost of service rate case of Green Mountain Power ("GMP"), Case No. 18-0974-TF, which established GMP's rates for the period January 1 - September 30, 2019 (the "Rate Case"). Pursuant to 30 V.S.A. § 2, in "cases requiring hearings by the Commission," the Department (through the Director for Public Advocacy) is required to "represent the interests of the people of the State, unless otherwise specified by law." 30 V.S.A. § 2(b). The Department participated throughout the adjudication of the Rate Case, which ended with the Vermont Public Utility Commission (the "Commission" or "PUC") issuing an order on December 21, 2018 (the "Order").

BCK Law, P.C. ("BCK"), was hired effective July 1, 2019, by the AGO after responding to a Request for Proposals for Legal Services ("RFP") to evaluate the Department's advocacy in the Rate Case. This Report summarizes the participation of the Department throughout the Rate Case, the process used by BCK to evaluate the Department's efforts, and provides findings and recommendations related to the Department's independence and effectiveness on behalf of ratepayers.

II. EXECUTIVE SUMMARY

On April 13, 2018, pursuant to 30 V.S.A. § 225, GMP filed a petition for an increase in its base rates (the "Petition"). The Department was responsible for advocating on behalf of ratepayers throughout the course of the Rate Case. Our charge in this review was to determine whether the Department advocated on behalf of ratepayers in GMP's Rate Case in a manner that was effective and independent. We reviewed the Rate Case as described in Section III (at 3-4) below and made the Findings and Recommendations as set forth in Section V (Findings) (at 17-29) and Section VI (Recommendations) (at 29-30), respectively. A thorough summary of the Rate Case appears in Section IV (beginning at 5).

We conclude that the Department advocated effectively and independently on behalf of ratepayers in this Rate Case. See Section V (Findings) (at 17-29). We note in Section IV.A (at

5-8) the context in which this Rate Case was set, including that the number of issues and, importantly, potential rate increase reductions at play here, was quite limited by settlements or conclusions in other GMP regulatory proceedings. Indeed, the Department succeeded in obtaining concessions from GMP and favorable rulings by the Commission in order to reduce GMP's proposed rate increase, but the reduction was ultimately a relatively small one (5.45% to approximately 5.43%).

Also front and center in this Rate Case was the conundrum facing regulators and ratepayer advocates across the country: how to balance the primary ratepayer concern of setting reasonable electric rates with the rising utility costs related to grid modernization (e.g., upgrading infrastructure to handle climate change and incorporating renewable energy on utility systems). The Department raised recommendations on various capital spending projects in this Rate Case where grid modernization and climate change efforts were implicated, and had to balance the policy objectives of accomplishing those programs against GMP's rate hike. The Department recommended removal from rate base of some or all expenses related to GMP's Telsa Powerwall 2.0 pilot program ("Powerwall Program"), heat pump water heater program ("HPWH Program"), and Transmission & Distribution ("T&D") investments (blanket and individual projects). The Commission ruled in favor of the Department's recommendations with respect to the HPWH Program, but approved the rest of GMP's capital spending proposals. The Commission in its Order noted the need to encourage innovation to confront climate change, and at times seemed to base its decisions, if not entirely then certainly in part, on the need to storm harden and modernize GMP's grid.

The Department advocated in an effective manner given its thorough participation in the Rate Case, its use of expert consultants to review the case and sponsor testimony to raise their recommendations to GMP and the Commission, and its success in obtaining ratepayer benefits through recommendations adopted by GMP and approved by the Commission. See Section V (at 18-23). Our review also found that the Department advocated reasonably and thoroughly even where the its recommendations were ultimately not successful.

We note one aspect of the Department's advocacy where the Department may have chosen to conduct its own modeling to counter claims by GMP in order to try to bolster the Department's case. See Section V (at 21-22). This instance related to GMP's proposal to include in rates the costs of its Powerwall Program. With the Powerwall Program being a pilot, the Department chose not to offer its own modeling, choosing instead to wait until GMP might seek to make the Powerwall Program a tariffed service. However, instead, the Commission found that, among other things, GMP had relied on reasonable assumptions for its modeling and approved the inclusion of the Powerwall Program in rates, noting that no party had contested GMP's modeling. In the future, the Department may consider trying to bolster its case by performing the modeling necessary to challenge GMP's assertions. Nevertheless, under the circumstances of the Powerwall Program, a pilot program, we find that the Department acted reasonably in choosing not to conduct the modeling in this case.

The Department's advocacy was independent as the Department and its witnesses conducted their own review of GMP's Petition, undertook their own original analyses, and developed numerous recommendations. See Section V (at 23-24). The Department also had

adequate resources to investigate GMP's proposals and to conduct any analysis necessary to produce its recommendations.

Public comments included an anonymous letter submitted to the Commission in the docket on November 19, 2018, asserting that the Department serves the interests of GMP, rather than the public, and did not act effectively or independently ("Anonymous Letter"). The Anonymous Letter, among other things, questioned whether the Department's advocacy in this case was effective and independent. Accordingly, we conducted a full review of the issues raised by it in Section IV.C. Our review found no evidence to corroborate the claims made in the Anonymous Letter or other emails submitted in the docket. Section V (at 25-29).

We also submit Recommendations for the AGO's and the Department's consideration in Section VI (at 29-30).

III. COMPLIANCE WITH THE LEGISLATURE'S DIRECTIVE

The AGO selected GMP's Rate Case as the proceeding to evaluate the effectiveness and independence of DPS advocacy on behalf of ratepayers. On April 4, 2019, the AGO issued a Request for Proposals for Legal Services that resulted in BCK being chosen to conduct this review, effective July 1, 2019.

We conducted a thorough review of the hundreds of files in the voluminous case docket, which included GMP's petition, discovery, testimony, hearing transcript, briefs and Commission orders, as well as the documents released to the public following a letter from the Department to the Commission on December 3, 2018, in response to the public comments in the case.[1] We also reviewed other Commission proceedings and settlement agreements as necessary.

We also conferred with the AGO and Department during our review. On July 8, 2019, we participated in a conference call with Ryan Kane, Assistant Attorney General, and Attorney James Porter, Director of Public Advocacy at the Department, and Dan Burke, Special Counsel at the Department, to discuss the process of the review and the Department's strategy for its advocacy in the Rate Case, after which we were provided with the case documents for review. On October 25, 2019, we conducted interviews at the Department's office of Attorney Burke, Attorney Porter, and Carol Flint, Director of Consumer Affairs and Public Information. Subsequently, we conducted interviews by telephone with Ed McNamara of the Department and expert consultant Richard Baudino of J. Kennedy & Associates.

We also asked to interview the four expert consultants who sponsored testimony on behalf of the Department – Jacob Thomas, Christopher Dawson, Kevin Mara, and Terry Myers –

[1] BCK's hiring and review occurred after the rate case was long completed and the Commission Order had issued. Thus, there was no opportunity to directly monitor, observe or attend rate case proceedings or talk to any participants while the case was ongoing.

of GDS Associates, Inc. ("GDS"), but they did not submit to interviews.[2] And we contacted Kimberly Hayden, Esq., counsel for Renewable Energy Vermont ("REV"), and Shapleigh Smith, Esq., counsel for Globalfoundries U.S. 2 LLC ("GlobalFoundries"), but neither responded to our interview request prior to submittal of this Report. Some Department employees, including Brian Winn, former director of finance and economics, who worked on the Rate Case are no longer employed by the Department at the time of BCK's review and thus were not interviewed.

BCK presents its Findings from its review in Section V and Recommendations in Section VI below.

IV. RATE CASE BACKGROUND

A. Introduction.

GMP is a Vermont corporation operating as an integrated electric utility and certified B-Corporation. GMP serves 265,000 customers with a service territory that comprises three-quarters of the state. GMP is regulated by the Commission and requires its approval to set its rates. 30 V.S.A. §§ 203, 209, 225.

It is important to understand the context of this Rate Case among the multitude of regulatory proceedings governing GMP in recent years. GMP is an intensely regulated utility subject to alternative regulation in Vermont.[3] Beginning in 2006, rate cases for GMP shifted away from traditional fully litigated rate cases to proceedings to develop multi-year regulation plans with annual base rate cases for adjustment of its rates. The rates required to cover GMP's cost of service to provide electric service to its ratepayers for the rate period, which here is nine months, are set in the annual base rate cases. The Rate Case under examination here is an annual base rate case.

A number of separate proceedings affected this Rate Case, greatly reducing the number of issues on the table as well as the areas of GMP's rate base where the Department could look to cut expenses in order to reduce the 5.45% rate increase proposed by GMP. As noted by the Department in its Brief, "the majority of GMP's expenses are not subject to Commission review in this proceeding." Department Brief at 3. As mentioned above, GMP was subject to a separate alternative regulation proceeding that developed its multi-year regulation plan for the rate period

[2] We understand that the GDS witnesses were reluctant to submit to a full interview with BCK regarding the Rate Case. BCK offered maximum flexibility by submitting only the most important questions by email to Attorney Burke, who passed the questions on to the witnesses, with responses requested either by email or telephone call. BCK submitted these questions to Attorney Burke on November 20, 2019, but received no response from GDS.

[3] Alternative regulation was recently explained in the Commission's order in GMP's most recent multi-year regulation plan: "Traditionally, electricity rates are set using a cost-based approach, providing regulated utilities an opportunity to earn a fair return on investments used to serve the public as well as to recover prudently incurred operating costs. Utilities cannot change their rates without following numerous procedural requirements… So-called "alternative regulation plans," like the one under consideration in this case, can allow changes in certain costs to flow through to ratepayers without following these traditional rate case procedures. This can benefit ratepayers and the Company by avoiding the expense of litigated rate proceedings. Alternative regulation can also align utility incentives with customer interests and specified policy goals by creating a balanced set of risks and rewards that drive utility performance." Case No. 18-1633-PET, Order at 2-3 (May 24, 2015).

in question.[4] See Docket 17-3232. In GMP's previous annual base rate adjustment in Case No. 17-3112-INV, GMP and the Department entered into a memorandum of understanding dated November 9, 2017 ("2017 MOU"). And GMP had merged in 2012 with Central Vermont Public Service Company ("GMP Merger") which required Commission approval and resulted in a settlement agreement. Rate design is also considered in a separate docket from the annual base rate adjustment proceedings.

All of those separate proceedings limited the issues at play in this Rate Case and meant that the Department was significantly restricted in its ability to seek reductions in GMP's rate increase to a measurable degree. The areas of this Rate Case that were constrained by those separate proceedings included:

- GMP's power supply and exogenous cost adjustors were not included in this Rate Case because they were governed by GMP's multi-year regulation plan approved by the Commission in Docket 17-3232. Petition at 3.

- The "vast majority" of GMP's operations and management ("O&M") expenses were fixed for a ten-year period for ratemaking purposes by the Base O&M Cost Formula that the Commission approved in Docket 7770, as a result of the settlement in GMP's Merger. Ryan Direct at 9.[5] Accordingly, those O&M expenses are not included in this Rate Case.

- The return on equity ("ROE") was set at 9.3% for this Rate Case which was consistent with the provisions in the 2017 MOU (from GMP's previous annual base rate case). 2017 MOU at 6.

- The rates for GlobalFoundries, GMP's largest customer, were frozen for the rate period under consideration in this Rate Case pursuant to a settlement agreement entered into between GlobalFoundries and GMP in Case No. 18-3160-PET, which the Commission approved on December 31, 2018. The settlement agreement also froze GlobalFoundries' rates for the three years following this rate period and also provided a downward rate adjustment of 2.7% while requiring GlobalFoundries to forego its tax credits related to federal reform, most major storm recovery, and the power supply adjustor.

Accordingly, it is important to keep in mind all of the above impacts on the Department's advocacy in this Rate Case when considering the narrowed scope of the case remaining and the

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[4] GMP's multi-year regulation plan was approved by the Commission on November 29, 2017, in Case No. 17-3232-PET ("17-3232 Order") and was extended in that same docket by Commission order issued on May 24, 2018. The plan as extended was effective for the period from January 2018 through the end of 2019. The plan approved mechanisms for purchased power and exogenous events cost recovery. Under both the power adjustor and the exogenous change adjustment, GMP "absorbs a portion of expenditures prior to passing any costs on to customers." 17-3232 Order at 9. 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." *Id.* GMP's exogenous change adjustment requires it to absorb the initial $1.235 million of exogenous costs, adjusted upward annually for inflation and contains an annual cost recovery mechanism "so that exogenous costs do not build or collect interest." *Id.* at 9. The plan also set forth a process for GMP to offer non-tariffed innovative pilot programs. *Id.* at 17.

[5] Throughout this Report, citations to testimony are cited to by the witness' last name and whether the testimony was direct, rebuttal or supplemental, along with the relevant page number.

more limited opportunities available to the Department to try to advocate for ratepayers (e.g., reducing GMP's proposed rate increase).

Given the above-described limitations on the Rate Case, the Department sought to focus its attention on the capital spending proposals, which it found to be the main driver for GMP's increased rates.[6] Winn Direct at 1. Noting that the Department's focus on capital spending in this Rate Case was well-founded, Mr. Winn testified that:

> Over the period, Purchased Power Costs, over which GMP has some limited control, have declined by $33.4 million. GMP has made progress in reducing O&M costs which have declined by almost $13 million. Net Transmission costs have remained relatively stable with a $2.8 million decline. However, these cost reductions, which total $49.2 million, *have been more than offset by a $60.2 million increase in rate base (capital and investment) related costs, over which GMP has significant control*.

Id. (emphasis added).[7] Accordingly, the Department focused heavily in this Rate Case on GMP's proposed capital spending and made various recommendations that sought to exclude $25.67 million worth of GMP capital project proposals, which would have reduced the proposed rate base by approximately $13.72 million.

In focusing its attention on GMP's capital spending proposals, the Department necessarily faced the same conundrum that confronts utility regulators and advocates across the country, with Vermont being no exception, namely how to balance the primary ratepayer concern of setting reasonable electric rates with the rising utility costs related to grid modernization (e.g., upgrading infrastructure to handle climate change and incorporating renewable energy on utility systems). This is a crucial question for utilities, public utility commissions and ratepayer advocates such as the Department alike. In this Rate Case, the Department and the Commission grappled with GMP's proposal to include significant and expensive innovative projects in its rate base.

The Department noted the interplay between rate regulation and grid modernization when it stated that:

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[6] Our interviews with Department Attorney Burke confirmed that the Department sought to use the opportunity of a narrower scope of issues in this Rate Case to very thoroughly investigate GMP's capital spending. Mr. Winn also noted in his Direct Testimony that "a large portion of Purchased Power costs are long-term contracts that have been reviewed several times, and because O&M costs are largely pre-determined under the O&M Platform, the Department's review of the current case largely focuses on the impacts of capital spending and investments in subsidiaries." Winn Direct at 7.

[7] GMP disagreed, stating that "nearly all of its total rate need is driven by power and transmission costs including above-market solar prices imbedded in net-metering and other regional and state renewable energy policy costs, items GMP's rates must support but GMP does not control." GMP's Proposed Findings of Fact and Order at 11 (November 16, 2018). GMP claimed that the rate increase request is driven largely by "uncontrollable external cost pressures," namely increased power and transmission costs, including the cost impacts of net metering, coupled with an expected continued reduction in retail sales. Petition at 2.

> While change in Vermont's electric industry is a necessary inevitability, and GMP should continue to seek the implementation of technologies that reduce peak-consumption and promote environmental sustainability, regulatory policy should not depart from ensuring that regulatory investments reflect appropriate least-cost planning principles and provide actual value to rate payers. Regulatory policy and standards must also evolve to ensure that GMP, and other utilities, are not able to utilize their natural monopoly market position to develop an unfair competitive advantage in providing non-traditional unregulated services."

Department Brief at 2-3. Ultimately, the Department sought to exclude some projects from GMP's rate base, but the Commission ended up approving their inclusion in rate base in its Order, based at least in part on the need for the projects in the grid modernization/climate change context.

B. Procedural Background.

After the filing of GMP's Petition, the Department recommended that the Commission investigate the rate request, and the Commission issued an order opening an investigation and suspending the effectiveness of the filing until a final determination and held a prehearing conference.

Two parties filed to intervene: GlobalFoundries[8] and REV.[9] REV participated by issuing a round of discovery and attending the evidentiary hearing. GlobalFoundries filed a brief regarding its settlement agreement with GMP (as discussed above).

Three public hearings were held on June 19, 21, and 25, 2018, in Rutland, St. Albans and Brattleboro, with two oral public comments were made. The Commission held a workshop on July 13, 2018.

The parties engaged in discovery, with GMP responding to three sets issued by the Department and one set issued by REV, and the Department responding to two sets issued by GMP and one set issued by REV. GMP also responded to information requests by the Commission.

The Department filed its direct testimony on August 10, 2018, with GMP filing its rebuttal testimony on September 9, 2018. Department witnesses filed surrebuttal testimony on October 8, 2018, and one DPS witness filed supplemental surrebuttal testimony on October 23, 2018. Evidentiary hearings were held at the Commission on November 2, 2018. Briefs were

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[8] GlobalFoundries is a semiconductor foundry headquartered in Santa Clara, California, with a manufacturing plant in Vermont. GlobalFoundries is a business customer of GMP.

[9] REV is a non-profit trade organization whose membership includes "businesses, non-profits, and utility customers committed to reducing reliance on fossil fuels by increasing clean renewable energy and energy efficiency in Vermont." REV Motion to Intervene at 1 (June 26, 2018).

filed by the DPS on November 9, 2018, and by GMP and GlobalFoundries on November 16, 2018.

The Commission issued its order on December 21, 2018.

C. Public Comments.

The Commission received eleven written public comments and two oral comments during public hearings in this proceeding. In its Order, as is its usual practice, the Commission addressed the public comments. Commenters expressed concern about GMP's proposed rate increase being too high and GMP's proposal to return federal tax savings to ratepayers as a bill credit in the nine-month rate period causing rate shock, while others objected to the inclusion of the Joint-Venture Battery Storage Projects in GMP's rates. For each issue, the Commission found that the public comments did not offer new information that would cause the Commission to change its decisions on those issues. Order at 32-35. Another public commenter asked that the Commission reduce the energy efficiency charge to offset the proposed rate increase, but the Commission found this issue was outside the scope of this proceeding as it is considered with the annual Efficiency Vermont budget. Order at 35.

The remainder of the public comments were related to the Anonymous Letter filed in the Rate Case docket asserting that the Department served the interests of GMP, rather than the public, and did not act effectively or independently. In particular, the Anonymous Letter argued that Commissioner June Tierney "is biased in favor of" GMP and thus "there is no one representing the interest of ratepayers." Anonymous Letter filed November 19, 2018 at 1.

Subsequently, Brian Winn, former Department Director of Finance & Economics, filed three emails in the proceeding responding to allegations raised in the Anonymous Letter. Mr. Winn was an expert witness offering testimony for the Department in this Rate Case.

On December 3, 2018, the Department notified the Commission by letter that it would waive its privileges with respect to confidential case documents and release them to the public in the interest of "maintaining public trust in the integrity of the Department's advocacy and the Commission's litigation process." The Department released well over 1,000 pages of emails and other confidential case documents, which were part of our review of this Rate Case.

The Commission responded to the public comments in its Order, but did not alter its conclusions in the Order based on any of them. Regarding the Department's advocacy in the case, the Commission provided that:

> The comments reflect significant disagreements about regulatory policy and the best strategy for protecting the interests of Vermonters in this proceeding. The comments did not provide a basis for the Commission to conclude that the record in this case was inadequate to determine just and reasonable rates, and none of the comments recommended that the Commission reopen the record in this proceeding.

Order at 34.

We thoroughly explore the claims made in the Anonymous Letter and Mr. Winn's emails in Section V.C below.

D. Summary of Rate Case.

Below, we summarize GMP's Petition, the Department's recommendations, and the Commission's decisions on each aspect of the Rate Case: (1) cost of service and rate base; (2) capital structure and ROE; (3) capital spending projects; and (4) power supply.

The Department was charged with acting on behalf of the public interest in GMP's Rate Case.[10] On August 10, 2018, the Department sponsored testimony by eight witnesses who recommended various revisions to GMP's Petition. GMP agreed with some of the Department's recommendations and filed a revised cost of service as part of its rebuttal testimony to reflect those and other changes. Ryan Rebuttal at 2-3.

On December 21, 2018, in Case No. 18-0974-TF, the Commission issued its Order finding that GMP's proposed cost of service resulted in just and reasonable rates, subject to certain modifications, including removal of GMP's investment in its HPWH Project from rate base, and filing within six months of the Order documentation related to GMP's energy and capacity procurement process.

1. Cost of service and rate base

GMP requested a 5.45% rate increase to cover a $25.112 million revenue deficiency that would in turn be offset by a bill credit of $27.4 million (which is approximately 6% of base rates) for the 2019 rate period. GMP Petition at 1; Pre-Filed Testimony of Edmund Ryan, GMP at 2 ("Ryan Direct"). The bill credit reflected a return of federal tax savings from the lowering of the corporate federal income tax rate from 35% to 21%. Ryan Direct at 12. The net effect of the rate increase request and bill credit is a 0.5% decrease for customers in the first nine months of 2019. GMP requested a nine-month rate period (January 1, 2019 to September 30, 2019) to align the rate request with GMP's fiscal year and its impending multi-year regulation plan and to synchronize base rate changes with audited financial results and internal budget process. Petition at 1; Ryan Direct at 15. GMP used the nine-month test period of January 1, 2017 to September 30, 2017 to develop its rate period cost of service. Ryan Direct at 7.

The Department initially found a revenue deficiency of $21.687 million and recommended a 4.70% rate increase, with cost of service adjustments of approximately $3.426 million. Winn Direct at 2-3. Department recommendations included removal of certain capital

[10] Generally, the Department must "represent the interests of the people of the State, unless otherwise specified by law" in proceedings requiring hearings. 30 V.S.A. § 2(b). More specifically, the Department must "supervise and direct the execution of all laws" relating to public service entities," and represent "the interests of the consuming public in proceedings to change rate[s]." 30 V.S.A. § 2(a); 30 V.S.A. § 2(a)(6).

projects, removal of 95% of the renewable energy credits ("REC") inventory from rate base, and some revisions to the capital structure.

GMP's proposal included an inventory of RECs in this Rate Case. McNamara Direct at 7. The Department argued that 95% of that REC inventory should be excluded from rate base because GMP was planning to sell the RECs rather than use them for compliance with Vermont's Renewable Energy Standard ("RES").[11] GMP agreed to revise its cost of service to remove these costs. Ryan Rebuttal at 9.

GMP also sought to include costs related to three Joint Venture Battery Storage Projects in its rate base ("JV Battery Storage Projects"). Significantly, inclusion of these projects in rate base resulted in a 2.5% decrease in GMP's rate increase because GMP proposed to accelerate benefits from its ownership of the projects (i.e., accelerated return of developer fees and day one gain from the Investment Tax Credit).[12] Ryan Direct at 8. The projects were originally included in GMP's 2018 rate filing but were removed because they were not in service during that rate period.

The Department recommended that the projects be included in rate base, as long as a mechanism is in place to balance and share the risk from the projects' performances between shareholders and ratepayers. Winn Direct at 26. In his Surrebuttal Testimony, Mr. Winn filed an MOU between GMP and the Department dated September 25, 2018, in Case No. 17-5003-PET which established financial and performance assurance mechanisms to apply to all three JV projects in this Rate Case. Winn Surrebuttal at 18. The Commission acknowledged that the MOU was "an important factor" in approval of GMP's recovery of the costs of these projects. Order at 33.

In the course of this proceeding, the Department adjusted its final proposal for GMP's cost of service from 4.70% to 5.30% based on information from GMP and a settlement agreement in its 2017 rate case that led the Department to remove some of its recommendations and to make some corrections to the Department's cost of service model. Thomas Supplemental Surrebuttal at 3-7. Nevertheless, the Department maintained its other recommendations that were decided by the Commission.

In its rebuttal testimony during the Rate Case, GMP agreed to revise its proposed rate increase downward approximately 2% to 5.43%, which with the bill credit offset would result in a rate reduction of 0.90%. GMP's Proposed Findings of Fact & Order at 2 (November 16, 2018). This revision took into account some of the Department's recommendations, GMP's settlement with GlobalFoundries, and other adjustments. GMP's Proposed Findings of Fact and

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[11] GMP is required to procure a defined percentage of its total retail electric sales from renewable energy pursuant to 30 V.S.A. § 8002-8005.

[12] Given the proposed acceleration, the Department raised concerns of intergenerational equities given that future ratepayers would be deprived of the fee returns had they not been accelerated here. In this case, GMP calculated the Net Present Value ("NPV") of the developer fee and day one gain benefits if returned to customers in one year, over 25 years, or over 15 years. Ryan Direct at 19. The NPV in the first year was $410,000 better than the NPV of returning those benefits over 25 years, and $286,000 better than over 15 years. *Id.*; see Exh. GMP-ER-15. GMP responded to Department concerns of intergenerational equities by noting that the impact on later cost of services would be minimal. Ryan Direct at 19.

Order at 12. Adjustments from the Department's recommendations included removal of 95% of GMP's REC inventory, an update of long-term debt issuances resulting in a 0.10% reduction based on Mr. Baudino's recommendation, and revised RNS rates (from estimated to actual) based on Mr. McNamara's testimony resulting in a 0.09% reduction. Ryan Rebuttal at 4-6.

GMP noted that the proposed rate increases were offset by the federal tax credit, value from GMP's proposed JV Solar Battery Projects, equity earnings from investments in Vermont's transmission provider (VT Transco), and higher than expected merger savings being returned to customers (i.e., return of $13.8 million over the nine-month period, $3.3 million higher than projected). Petition at 2; Ryan Direct at 9.

GMP's Petition highlighted a change in this filing from its last rate case, which was its use of a forecast of rate period load, power costs and anticipated revenue, rather than test period load adjusted for the known changes in the rate period. That change meant that growth-related plant additions and retirements from the end of the test year period through the end of the rate period were included. Ryan Direct at 10. The Department's witness, Mr. Baudino, accepted this change, as did the Commission.

2. Capital structure and return on equity

GMP proposed a ROE of 9.3% based on the 2017 MOU, which provided that the "MOU Parties agree that GMP shall be permitted to lock in its allowed [ROE]… and the allowed ROE for the 2019 rate year shall be 9.3%." 2017 MOU at 6. The Department's witness, Mr. Baudino, ran an independent analysis of GMP's ROE and determined the range of 8.7%-9.35% would be reasonable. Given that 9.3% was within the range of his analysis, he accepted 9.3% as reasonable in light of the 2017 MOU. Mr. Baudino further accepted GMP's requests of short-term debt of 1.83%, and final proposed capital structure of 50.15% debt and 49.85% equity.

Mr. Baudino did not agree with GMP on the interest rates for its long-term debt issuance. Mr. Baudino recommended that the interest rate on the September 2018 long-term debt issuance be updated to reflect the actual interest rate of the 2018 issuances, and that the interest rate on the remaining two other projected long-term debt issuances be reduced to 4.50%. Baudino Direct at 35-36. GMP accepted this revision and updated its cost of service to reflect the actual rates; the adjustment reduced GMP's rate request by 0.10%. Ryan Rebuttal at 4-5; Exh. GMP-ER-17 (Rev.).

The Commission accepted the capital structure and ROE as agreed upon by GMP and the Department.

3. Capital projects

GMP's cost of service included various capital spending projects. The Department recommended removal from rate base of some or all expenses related to GMP's Powerwall Program, HPWH Program, and T&D investments (blanket and individual projects), as discussed in turn below. The Commission ruled in favor of the Department's recommendations with respect to the HPWH Program, but approved the rest of GMP's capital spending proposals.

a. Powerwall Program

GMP proposed to include $15.2 million in costs from its Powerwall Program in its base rates. The program allows GMP customers to install a lithium-ion Tesla battery with a 13.5 kWh capacity in their home for backup power during outages for a one-time or monthly charge. GMP controls the batteries and discharges them during peak load events, thereby reducing regional capacity and transmission costs for all GMP customers. The program was up and running for about a year at the time of the Rate Case and GMP projected that the program's benefits would exceed the program's cost.

GMP stated that the Powerwall Program was part of its innovative energy transformation efforts seeking to "find innovative solutions to combat rising costs and declining sales" by creating new value streams while providing GMP tools for grid management for the benefit of all customers. GMP's Proposed Findings of Fact and Order at 22-23. Further, GMP noted that its alternative regulation plan was designed to encourage innovative programs such as the Powerwall Program, and while the plan does not guarantee recovery in rates, it allows for the Commission to consider approval of such recovery. GMP's Proposed Findings of Fact and Order at 41.

The Department argued that the Powerwall Program expenses should not be included in rate base because, among other things, its costs were significant for a pilot program and its ratepayer benefits are "speculative and unknown." Winn Direct at 19. The Department did not seek to permanently disallow the program but asserted instead that it should continue as a pilot with subsequent inclusion of the costs in rate base if the program is approved by the Commission as a permanent tariffed service offering. Department Brief at 4. The Department had "concerns that the overall scale of the project coupled with uncertainty in GMP's financial modeling does not allow for regulators to make an informed decision as to whether this project places a disproportionate share of risk on ratepayers at this time." Department Brief at 4.

The Department contended that "numerous uncertainties and unknown variables" have the "potential to affect the Powerwall Program's overall financial performance." Department Brief at 11. Department witnesses questioned whether the program would achieve the benefits claimed by GMP because GMP's models did not adequately account for: (1) battery degradation over the life of the program (e.g., they did not account for potential wider peaks in the event of widespread deployment of storage); or (2) the uncertainty of Regional Network System ("RNS") or Forward Capacity Market ("FCM") savings anticipated by GMP over the life of the program. In addition, the Department stated that GMP should have conducted a sensitivity analysis to determine whether changes in the long-term value of avoided RNS and capacity costs would undermine the anticipated benefits of the program.

The Department did not conduct its own modeling of battery degradation or future expected market prices for capacity or RNS in the New England market, a point which GMP pointed out.

The Commission approved GMP's inclusion of the Powerwall Program costs in its rate base. In doing so, it made three primary findings on this issue in its Order:

(1) Known and measurable. The Powerwall Program met the "known and measurable" standard because its costs were known (the program was well underway) and the program was subscribed. Order at 17.

(2) Ratepayer benefits. It was less certain that the program would result in ratepayer benefits, but ultimately the Commissioner found that GMP had reasonably modeled and accounted for battery degradation over the life of the program and RNS/FCM avoided cost uncertainty. The Commission noted that no party had submitted evidence to challenge either of these modeling assumptions. Order at 17-18. The Commission also noted the performance agreement executed between GMP and Tesla that guarantees peak load reduction performance for the batteries over ten years.

(3) Encouraging innovation. The Commission noted that an "important consideration" in its decision to allow the Powerwall Program to be included in rates "is our belief that utilities should be encouraged to be innovative when it comes to seeking solutions to climate change. … [I]t is appropriate for GMP to add to its rate base the cost of innovate measures that are sufficiently mature and are shown to be sufficiently effective at addressing climate change." Order at 18.

Despite the Commission ruling in GMP's favor on this issue, the Commission found that the Department had raised important issues on innovative pilot projects that were worthy of additional consideration in the context of GMP's Case No. 18-1633-PET, the review of GMP's multi-year regulation plan. Specifically, the Commission would address: (1) monetary limits on the size of an innovative pilot; (2) how to appropriately balance the risks of the pilot among GMP shareholders and ratepayers; and (3) whether innovative pilots should include a sensitivity analysis along with the financial modeling. Order at 18-19.

b. HPWH Program

GMP sought to include in rates the expenses ($534,000) of its HPWH Program. Castonguay Direct at 4. The Department requested that the Commission exclude the costs of the program from rates, noting its possible impact on competitive markets given that GMP, a monopoly public utility, was offering commercially available competitive products and services. Department Brief at 12-14.

The Commission agreed with the Department and directed GMP to revise its cost of service to exclude the HPWH Program from its rates, finding "no basis to differentiate GMP's offering of non-controllable HPWHs from other third-party entities providing the same service…" Order at 21.

c. T&D individual investments

GMP proposed approximately $33.6 million in T&D projects (both individual and blanket) during the 2019 rate period. Consistent with the 2017 MOU (Case No. 17-3112-TF), all T&D projects above $250,000 were considered individual projects and were not included in the blanket work orders. Fiske Direct at 10. The Department, through Mr. Mara, proposed around $6 million worth of adjustments to individual T&D projects. In response, GMP adopted some of the Department's recommendations and dropped one individual T&D project, resulting in GMP reducing its individual T&D capital investments by $1.4 million. Fiske Rebuttal at 5.

In its rebuttal testimony, the Department then dropped its concerns related to one T&D project, but maintained its other recommendations. Mara Surrebuttal at 1-2 and 4. Subsequently, though, the Department filed supplemental surrebuttal testimony in order to make corrections to its cost of service model based on information from GMP and to drop additional projects from its recommendations after recognizing that some projects were covered by a previous settlement agreement and thus were rightfully included in GMP's proposal. Thomas Supplemental Surrebuttal at 3-7. The remaining T&D individual projects that were the subject of disagreement between the Department and GMP were: (1) motor-operated air break ("MOAB") switches; and (2) Distribution Line #153588.

Regarding the MOAB switches, GMP proposed to invest $767,055 in capital spending on installation of MOAB switches at Newbury (Project #159729) and Castleton (Project #159730). Fiske Direct at 11. The Department offered testimony by Mr. Mara recommending disallowance of that amount because GMP failed to sufficiently demonstrate a need for the MOAB switches. Mara Direct at 16-17. The Commission disagreed, finding that GMP had adequately justified these costs, the Department's rationale was not strong enough to deny the costs, and the MOAB switches should be allowed in rates because they are a "logical step in GMP's efforts to modernize its grid." Order at 22.

Regarding Distribution Line Project #153588, GMP proposed to use 336 tree-wire (covered wire) on the single-phase section of Line 74, Section I project (GMP Project No. 153588) rather than 1/0 tree-wire. GMP Brief at 20. GMP noted this project was expected to significantly reduce outage hours on the line, which has seen nine outages in four years, causing a "very high average" of 68,131 customer hours out. GMP Brief at 21. The Department disagreed with the use of 336 tree-wire and instead recommended that GMP use 1/0 tree wire for this project which would reduce the cost by $13,871. Department testimony found that "[a] single-phase line should carry no more than 50 to 70 amps, and a 1/0 single-phase line is rated for over 200 amps. Using 336 tree wire adds to the cost with no benefit to the rate payers." Mara Direct at 26. The Department acknowledged that this was a relatively small reduction, but that it should be adopted by the Commission because GMP had not demonstrated how the full cost of this project was justified by ratepayer benefit. The Commission ruled for GMP finding the use of 336 tree-wire would storm harden the distribution line against additional outages and the Department did not provide evidence to the contrary. Order at 23.

d. T&D blankets

GMP proposed spending covered under four functional blanket work-order categories for T&D projects:[13] (1) $11,092,246 for Distribution Equipment Purchases; (2) $12,762,451 for Distribution Line; (3) $1,752,964 for Distribution Substations; and (4) $2,770,787 for Transmission Lines and Substations. Order at 24. The Department recommended total reductions of $9,118,835: (1) Regulators and Capacitors blanket by $253,954; (2) Transformers blanket by $665,495; and (3) Distribution Lines blanket by $8,199,387. Department Brief at 14.

The Department expressed concerns regarding the growth of spending under the T&D blankets, which were a significant portion of GMP's overall spending. Department Brief at 17. The Department proposed criteria for determining whether blanket spending should be allowed into rates:

- Forecasted blanket spending attributable to new customers should be allowed because GMP based its rate period off of forecasted loads, which includes revenues associated with new customers.
- Replacement of failed equipment, including poles in need of replacement, should be allowed.
- Costs associated with work required to "do upgrades and relocate joint facilities in order to accommodate joint-use parties on GMP's pole" as part of its pole attachment tariff (i.e make-ready work) should be allowed.
- Reliability upgrades, relocation of lines to road, preparing structures for distribution automation should be disallowed.

Department Brief at 15-16 (citing Mara Direct at 45-46). The criteria were intended to reduce recovery of portions of the T&D blanket spending over which GMP had discretionary control. Department Brief at 17.

GMP objected to the Department's criteria, arguing that it would "reverse more than 25 years of precedent on how blanket projects are documented in traditional rate cases in Vermont." GMP Brief at 18. Further, GMP argued that it had complied with the requirement in the 2017 MOU to remove distribution line projects above $250,000 from blankets and instead include them as individual projects with the appropriate level of supporting detail and documentation. Order at 26. Fiske Direct at 22.

The Commission agreed with the Department that the Commission needs to take a "more detailed review of cost-drivers of each blanket…" Order at 26-27. The Commission further stated that the "modernization of the distribution grid may require many smaller upgrades that in aggregate could be significant." Order at 27. Nevertheless, the Commission rejected the Department's specific arguments in this proceeding because the Department did not prove that the projects are the "product of improper planning principles, or will not be used and useful, or

[13] A blanket was described in this Rate Case as "work order categories that have variable in-service dates and are typically closed monthly or quarterly." Mara Direct at 31 (citing Fiske Direct at 8).

are not known and measurable." Order at 27. The Commission disagreed with the Department that discretionary expenditures should be disallowed.

However, the Commission further concluded that:

> Our decision does not mean that GMP is entitled to use blankets to recover any investment that is less than $250,000. The Commission may adopt additional restrictions on the use of blankets in the future if necessary. The Commission will investigate approaches for overseeing GMP's T&D-related capital expenditures and for understanding the cost-drivers in the context of its review of both GMP's proposed multi-year rate plan and its Integrated Resource Plan.

Order at 27.

4. Power supply

The Department raised issues related to GMP's power supply. First, the Department recommended that GMP adjust its power costs downward by $397,682 based on the actual (rather than estimated) RNS rate for January - May 2019. GMP had estimated RNS costs in its initial filing, after which the actual costs were released. GMP agreed to this adjustment. This resulted in a downward adjustment of 0.09% in GMP's revised cost of service.

Second, the Department called for an improved process and documentation to be used by GMP for procuring energy, capacity and RECs with greater transparency on GMP's hedging activities and power supply purchasing decisions as well as consideration of demand resource alternatives. McNamara Direct at 7-9. GMP and the Department agreed on a resolution of this issue:

> GMP and Department staff met to discuss the Department's concerns and agreed to the following general approach: GMP will provide a summary/overview of its procurement strategies in the Integrated Resource Plan to be filed at the end of 2018, followed by development of more detailed internal documents that discuss procurement strategies associated with the particular products the GMP typically purchases and which describes the timing, sequencing, price-points, and process of these purchases.

GMP's Proposed Findings of Fact and Order at 70-71 (citing McNamara Surrebuttal at 2).

V. FINDINGS ABOUT THE DEPARTMENT'S ADVOCACY IN THIS RATE CASE

We conclude that there is no evidence that the Department's advocacy on behalf of ratepayers was ineffective or lacked independence. We also did not find any basis for the critical claims made in certain public comments filed in the Rate Case.

We address in turn below the questions of (1) the Department's effectiveness; (2) the Department's independence; and (3) whether we found evidence to corroborate claims concerning the Department's advocacy made in the public comments.

A. Effectiveness of the Department's Advocacy on Behalf of Ratepayers.

In determining whether the Department's advocacy was "effective," we considered the definition of the term "effect", which according to the Black's Law Dictionary is "[t]hat which is produced by an agent or cause; result; outcome; consequence." Based on this definition and applying our own judgment collectively as energy and utility lawyers for decades, our review of the Rate Case considered: (1) the thoroughness of the Department's evaluation of the issues raised by the case; (2) whether the Department accepted the recommendations of its independent expert consultants in the case; (3) the success of the recommendations raised by the Department in terms of obtaining concessions during the case by GMP or the Commission accepting the Department's recommendations in its Order; and (4) the reasons behind the Commission's decisions not to accept the Department's recommendations (e.g., why was the Commission not persuaded by the Department's arguments).

1. The Department thoroughly participated in the case

We found no evidence that the Department did not thoroughly participate in the Rate Case. See Section IV.D. The Department conducted three rounds of discovery (more than 230 written interrogatories and document production requests), responded to two rounds of discovery from GMP, sponsored the testimony of eight witnesses, participated in the evidentiary hearing, and submitted a post-hearing brief. The Department also "engaged in a series of meetings and conference calls with key GMP staff to exchange information." Winn Direct at 5.

2. The Department thoroughly evaluated the case

We found no evidence that the Department did not thoroughly evaluate either by its own analysis or that of its consultants each of the issues presented by GMP's Petition. See Section IV.D. The Department hired independent, competent consultants through an RFP process who reviewed GMP's Petition and its supporting documentation, requested discovery questions, and made numerous recommendations regarding GMP's Petition. Of the witnesses interviewed, they stated that their recommendations were their own and that Department staff did not interfere with or reject their recommendations.[14] The Department and its consultants focused on a wide range of appropriate issues in this Rate Case, including covering capital spending, power supply, cost of capital, and regulatory accounting.

[14] See Section III, n. 2 above. GDS consultants did not agree to an interview with BCK and also did not respond to a few key questions emailed to them. Consequently, our conclusions as to GDS are more limited.

3. Ratepayers benefitted from the Department's participation in the case

The Department presented recommendations, some of which were accepted by GMP in its rebuttal testimony, others were ruled on by the Commission in its Order, and some developed after the conclusion of the case in compliance or separate proceedings. The benefits resulting from Department recommendations included a reduction, albeit a small one, to the cost of service through these revisions:

- removal of 95% of REC inventory;
- updated long-term debt issuances which resulted in 0.10% reduction;
- revised RNS rates (from estimated to actual), which resulted in 0.09% reduction; and
- exclusion of the HPWH Program from Rate Case.

In addition, the Department's recommendations led to benefits that are difficult to quantify but will qualitatively improve the Department's oversight of GMP, GMP's future capital spending projects, and hopefully GMP's use of T&D blankets as well. Below we discuss the four particular ratepayer benefits that came out of this Rate Case, namely improved tracking and reporting of GMP's procurement and other processes, financial and performance assurance mechanisms for the JV Battery Storage Projects, and additional scrutiny of GMP's innovative programs and T&D blankets. These items have the potential to benefit ratepayers on a going forward basis as well. For example, the improvements made to document GMP's procurement processes will allow the Department better oversight of those transactions on a regular basis. Alternatively, the Department may look to apply similar financial and performance assurance mechanisms for the JV Battery Storage Projects to other GMP projects. The Department also successfully gained limitations on GMP's innovative pilot offerings in GMP's subsequent alternative regulation proceeding (e.g., during the term of the multi-year plan, GMP may not spend more than $5 million on new innovative projects without seeking approval from the Commission). See Case No. 18-1633 Order at 30-31 (May 24, 2019).

Ratepayer Benefits Resulting From Department Participation

(1) DPS called for an improved process and documentation to allow for, among other things, greater transparency on GMP's hedging activities and power supply purchasing decisions and consideration of demand resource alternatives. The Commission required GMP to make a compliance filing, which it did by letter on June 21, 2019, in the docket ("Procurement Letter"). The Procurement Letter provided that GMP and the Department had:

> met a number of times to discuss the topic of procurement and how to address the Commission's Order. GMP and the Department agree on several considerations to improve the process of communicating and documenting power supply transactions outside of scheduled regulatory proceedings. The set of transactions covered by these discussions have been layered to include energy, capacity, and renewable energy certificate transactions implemented for a term of 5 years or less as a hedging strategy.

The Procurement Letter also stated that GMP's Integrated Resource Plan "IRP" contained (at 5-45) a substantive overview of its procurement strategies. GMP plans to develop a more detailed internal document, consistent with Department witness McNamara's prefiled surrebuttal testimony, discussing strategies and implementation considerations with respect to the procurement of these products.

GMP also agreed in the Procurement Letter to provide to the Department:

> new reports (typically in the form of a letter or memorandum) that explain the following additional information: the method (e.g. request for proposals, broker services, direct solicitation) that GMP anticipates using to procure each major type of product; any budget or cost/benefit analysis used by GMP to determine the need or appropriateness of a transaction; and the expected method GMP will use to evaluate responses to the solicitation to ensure least cost outcome. These reports will be delivered at least semi-annually starting in March, 2020, prior to the annual refresh of GMP's projected net power costs under our Multi-year Rate Plan.

Procurement Letter at 2.

(2) The Department and GMP entered into agreement in a separate proceeding to balance the risks of the three JV Battery Storage Projects. The mechanism tracks the performance of the battery projects and allocates shortfalls or exceedances in the savings generated between ratepayers and shareholders. Winn Surrebuttal at 18 (referencing the MOU between GMP and the Department dated September 25, 2018, in Case 17-5003-PET, which established financial and performance assurance mechanisms to apply to all three JV projects in this case).

(3) In its Order, the Commission found that the Department had raised important issues on innovative pilot projects (in relation to the Powerwall Program) that were worthy of additional consideration in the context of GMP's Case No. 18-1633-PET, the review of GMP's multi-year regulation plan. Specifically, the Commission would address: (1) monetary limits on the size of an innovative pilot; (2) how to appropriately balance the risks of the pilot among GMP shareholders and ratepayers; and (3) whether innovative pilots should include a sensitivity analysis along with the financial modeling. Order at 18-19.

The Commission did address innovative pilots in GMP's multi-year regulation plan in Case No. 18-1633-PET. The plan allowed for GMP to offer new initiatives that are "transformative, customer-facing energy projects that require an initial upfront capital investment by GMP and are forecast to contribute a net positive benefit to non-participating customers through new sources of revenue or cost savings over the life of the program." 18-1633-PET Order at 30 (May 24, 2019). The Commission added that those projects may include investments in programs authorized as innovative pilots, but GMP may not spend more than $5 million on new initiatives during the term of the plan without seeking Commission approval. *Id.* at 30. The plan also includes 26 new "innovation and performance metrics" that are designed to

measure GMP's performance in such areas as capital expenses, distributed generation, and customer relationship automation. *Id.* at 32-33.

(4) Finally, the Commission in its Order stated that, based on the Department's recommendations in this Rate Case, it would investigate "approaches for better oversight of blankets" in future proceedings and consider adopting additional restrictions on their use.

4. Reasons behind the Department's lack of success on certain issues

The Commission decided the remaining issues that the Department and GMP were unable to resolve during the Rate Case. GMP and the Department put forward their best arguments, but it is the Commission that ultimately weighed those arguments and made its decisions. In this Rate Case, we found that the Department presented a professional and persuasive case through its testimony and brief. While the Commission did not rule in the Department's favor on every issue, it was not due to a lack of or inadequate analysis or failure to present an adequate case. (We discuss in this section related to the Powerwall Program the reasons the Department acted reasonably in foregoing certain modeling regarding that program.) The Department properly relied on testimony drafted by its expert consultants as well. The Commission's rulings certainly limited the gains that the Department sought to achieve (e.g., inclusion of Powerwall Program and T&D blankets in rate base), but did not change the reasonableness and adequacy of the Department's arguments on those issues.

The Commission ruled against the Department's recommendations on both the MOAB switches and Distribution Line #153588. These projects represented small potential revisions to GMP's overall cost of service, but the Department presented them anyway since they were raised by its expert consultants.[15] The Department offered testimony by its expert consultants on both issues. Its lack of success on these two issues appeared related to the Commission's cited concerns related to grid modernization for the MOAB switches and continued power outages for the Line 74 project. See Section IV.D.3.c.

Similarly, the Commission ruled against the Department's recommendations on the T&D blankets. The Department expressed its concerns with the continued growth in spending under GMP's blankets, and its expert consultants recommended new criteria for determining whether blanket spending should be allowed in rates. Nevertheless, the Commission approved GMP's proposed T&D blanket spending in its Order. The Commission did, however, agree with the Department that a "more detailed review of cost-drivers of each blanket" was necessary. Order at 26-27. Accordingly, although the Department's recommendations to reject certain blanket spending were not successful, its advocacy may lead to beneficial blanket restrictions in the future. In addition, the Department's witness offered a new perspective by developing the criteria proposed to the Commission. Again, we don't believe the Commission's ruling was due

[15] This point demonstrates effective Department advocacy in that small potential rate reductions were considered worthwhile to pursue, and that the Department did not interfere with concerns raised by its expert consultants. Certainly, some could argue that such small reductions are not the best use of efforts, but here we believe it demonstrates the effectiveness and thoroughness or the Department's review and analysis of the case. There are likely ratepayers who would be grateful for even a small reduction in the rate increase.

to inadequate analysis or omissions on the Department's part, and it was clearly worthwhile for the Department to put forward the recommendations.

The Powerwall Program presents a slightly different situation in that the Department perhaps could have advocated more aggressively by conducting additional modeling of the project. However, we conclude that, in light of the circumstances of the Rate Case, it was reasonable for the Department to have foregone the additional modeling in the belief that it would be conducted during a tariff offering proceeding. In addition, the Department was successful in drawing the Commission's attention to needed changes to innovative pilots which it considered in GMP's subsequent multi-year regulation plan. See Case No. 18-1633 Order (May 24, 2019).

More specifically, in its Order, the Commission noted several times where no party had challenged GMP's modeling assumptions on the Powerwall Program: (1) "[n]o party has submitted evidence to challenge" the assumption that there would be 3% annual degradation over 15 years; and (2) "[n]o party submitted its own estimate of what [FCM] or [RNS] rates would be during the time period." Order at 17-18.

The Department explained to BCK that it did not undertake the modeling during the Rate Case because those studies are typically run in the proceedings considering tariff service offerings, rather than in a rate case for a pilot program. The Department's recommendation was that the Commission should defer the Powerwall Program's inclusion in rates until it became a permanently tariffed service. Thus, the Department believed the modeling was premature since its argument in and of itself did not require the modeling. The Department appears to have reasonably believed the Commission might rule in its favor on this issue and thus stuck to the path of deferring the modeling until the tariff proceeding. See Email from Attorney Burke to James Porter dated November 19, 2018 (noting a "decent chance that the PUC will require that GMP defer recovery of Powerwall costs until it offers the program on a permanently tariffed basis").

It should be pointed out that, even if the Department had conducted the modeling, there is no assurance that it would have affected the Commission's decision. The Commission noted in its Order that an important consideration for including the Powerwall Program in GMP's rates was that "utilities should be encouraged to be innovative." Order at 18. The Commission cited to grid modernization or climate change in relation to several decisions in its Order, including the Powerwall Program.[16] No modeling undertaken by the Department could have changed that important consideration.

Accordingly, we find that, although the Department should consider taking a more aggressive stance in any similar, future situations, it acted reasonably under the circumstances in the Rate Case.

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[16] GMP's Powerwall Program has had high visibility in the media, including throughout 2018 when this Rate Case was pending. Coverage has continued in 2019 with GMP's proposals to expand the pilot and to add a new program with Tesla. The program is subject to a new investigation by the Commission in a proceeding requested by the Department.

5. Issues not taken up by the Department

Finally, we consider whether the Department's advocacy was effective in instances where Department witnesses in their testimony agreed with GMP's Petition or accepted certain aspects of it as reasonable. These instances include GMP's 9.3% ROE, inclusion of the JV Battery Storage Projects, the nine-month rate period, the rate credit based on federal tax reform, and GMP's use of forecasted sales in this Rate Case. We also discuss the reasonableness of the Department's decision not to take an appeal of the Rate Case.

Department witness, Mr. Baudino, noted that GMP's proposed ROE of 9.3% was subject to a settlement agreement, and thus he accepted it, noting that his analysis showed it was within the range of his own independent ROE range. It was reasonable for the Department to rely on the 2017 MOU rather than attempting to impose a different ROE.[17] The Department enters into a number of MOUs or settlements with GMP and other parties, and refusing to honor one might adversely affect future agreements. The same is true for other settlements in this Rate Case, including the frozen O&M rates. See Section IV.A. In addition, there may be a high burden to set aside a negotiated settlement.

The Department also decided not to object to GMP's proposal to include the JV Battery Storage Projects in rate base. GMP and the Department had entered into an MOU in the course of this Rate Case that provided financial and performance assurance mechanisms for all three projects. In addition, removal of the projects from rate base would have increased GMP's rates by 2.5% because the projects resulted in value streams back to ratepayers. Winn Direct at 26.

GMP's Petition proposed an unusual nine-month rate period. GMP explained that it was to align with GMP's fiscal year and its impending multi-year regulation plan and to sync base rate changes with audited financial results and internal budget process. Petition at 1; Ryan Direct at 15. The Department did not contest this issue as the reasoning was logical.

The Department did not contest GMP's proposed rate credit based on federal tax changes. The Department met with GMP and intensely discussed this issue. It was acknowledged that GMP could have held the funds for 18 months pursuant to a prior alternative regulation plan, which would have been an unfavorable outcome from the Department's perspective. Instead, this rate credit would return ratepayers' funds back to them much more quickly. Based on findings by the Department's consultant, Mr. Myers, the Department did not contest this issue. It was reasonable for the Department to rely on its expert consultant and conclude that a rapid return of ratepayer funds justified this credit treatment.

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[17] In the Commission's order corresponding to the 2017 MOU, the Commission found that there was no evidentiary support provided in that case for a 9.3% ROE in this Rate Case. Case No. 17-3112-INV Order at 16 (December 21, 2017). The Commission fully expected the Department to follow the 2017 MOU in this Rate Case, but the parties would have to provide evidentiary support for it in this proceeding. The Commission found that it had "no objection to [the 2017 MOU] ROE provision to the extent it represents an agreement between GMP and the Department that a 9.3% ROE for the 2019 rate year is appropriate and will be mutually supported by them in next year's rate case." *Id.* Given that Mr. Baudino found 9.3% to be within the range of his independent analysis, it was reasonable for the Department to approve 9.3% as the ROE.

Mr. Baudino agreed with GMP on the use of forecasted sales (rather than test period sales). He found the use of forecasted sales was more appropriate given that energy efficiency and net metering were leading to yearly load reductions for GMP, resulting in test-year sales that were likely to be higher than forecasted sales.

Finally, the Department stated that it did not appeal the Rate Case because of the substantial deference applied to Commission orders on appeal and the small likelihood of success. Moreover, in the cases of the Powerwall Program and T&D blankets, the Department believed it would have the opportunity in future proceedings to revisit these issues in a meaningful way.

B. Independence of the Department in its Advocacy on Behalf of Ratepayers.

In determining whether the Department's advocacy was "independent," we considered the definition of that term, which according to Black's Law Dictionary is "[t]he state or condition of being free of dependence, subjection or control." Based on this definition and applying our own judgment collectively as energy and utility lawyers for decades, BCK's review considered: (1) whether there was evidence that the Department's work on the Rate Case was compromised by its long-standing position reviewing GMP's rate cases, including whether the Department was controlled or manipulated in any way by GMP or any other party; (2) whether the basis for each of the Department's recommendations was produced from its own analysis and review (e.g., rather than accepting analysis done by GMP or another party); and (3) whether the Department had adequate resources to investigate GMP's proposals and to conduct any analysis necessary to produce its recommendations. By "independent," we do not mean that we (or any outside observer) would agree with every strategy decision but whether it was subject to undue control or influence by others.

First, we found no evidence that the Department's work on the Rate Case was compromised by its long-standing position reviewing GMP's rate cases. GMP and the Department seem to approach the Rate Case review in a cooperative manner, holding a number of meetings and conference calls to discuss different aspects of the case. However, there are no signs that the Department's independence was compromised. Indeed, as noted above, the Department did not settle all issues in the Rate Case, choosing instead to have some decided by the Commission. Email from Commissioner Tierney to Attorney Burke dated November 19, 2018 (directing the Department not to settle the rate case and noting that she "explained [to the Governor] that ratepayers have little to gain from settling out now that we have nailed down advantageous terms [for the JV Battery Storage Projects], and that there is a need for the PUC to either accept our position on GMP's Powerwall investment or for the PUC to explain why an investment of this magnitude on the terms proposed by the Company is in the public interest and appropriately considers the ratepayer interest."). And we conclude from our review of the many emails in the Rate Case that staff worked hard to identify even small areas of possible savings. See Email from Breandan Mac Mathuna to Joanna White dated July 26, 2018 ("While this [sic] items may be a [sic] relatively small dollar amounts, they are perhaps worth considering further.")

Second, the Department put on its own case rather than relying on another party's discovery questions, briefs or testimony, and the Department's witnesses challenged a wide range of issues raised in GMP's case. For example, Mr. Baudino conducted his own thorough ROE analysis to consider whether the settlement ROE of 9.3% was in fact reasonable. The Department analyzed GMP's REC inventory and developed its novel argument that RECs not used for RES should not be included in rate base. The Department developed a new and transparent documentation plan for GMP's power supply procurement. McNamara Rebuttal at 1-3. In these and other ways, the Department not only reviewed GMP's proposal but developed new arguments or proposed practices to reduce cost of service or benefit ratepayers in other ways.

The one area where perhaps the Department could have conducted more of its own modeling was related to the Powerwall Program as discussed in Section IV.D.3.a above. However, the lack of Department modeling there did not impact the Department's independence in the Rate Case as the Department still contested GMP's analysis on those issues.

Third, there was no evidence that the Department did not have adequate resources to investigate GMP's Petition and to conduct any analysis necessary to arrive at its recommendations. The Department noted that it has bill back authority under Vermont statute to fund expert witnesses. 30 V.S.A. § 21.

C. Public Comments.

Next, we considered whether the public comments filed in the case, particularly the Anonymous Letter and Mr. Winn's emails, bear on our conclusion that the Department acted effectively and independently in the Rate Case. Given that the arguments made in the Anonymous Letter and Mr. Winn's emails went to the heart of the issues presented here (i.e., whether the Department's advocacy on behalf of ratepayers was effective and independent), we believe it was important to review the public comments and the confidential emails publicly released by the Department to investigate the claims, which we respond to below.

Ultimately, we found no evidence to corroborate the claims made in the Anonymous Letter and Mr. Winn's emails. In fact, we found evidence of the opposite of some of the claims, as noted below. In the interviews conducted by BCK during its review, we directly asked questions regarding these public comments.

In addition to the Anonymous Letter and Mr. Winn's emails, there were public comments supporting Commissioner Tierney as well as comments filed by Vermonters for a Clean Environment ("VCE") on November 27, 2019 ("VCE's Comments") and by Greg Pierce on November 28, 2019 (where he endorsed VCE's Comments). GMP also submitted comments dated November 20, 2019, disagreeing with the "unsubstantiated statements" in the Anonymous Letter.

We agree with the Commission where it provided in its Order that the public comments "reflect significant disagreements about regulatory policy and the best strategy for protecting the interests of Vermonters in this proceeding." Order at 34. The public comments do not provide

us a sound basis to question the effectiveness or independence of the Department's advocacy on behalf of ratepayers in this Rate Case.

1. Claims presented in the Anonymous Letter

The Anonymous Letter made various assertions that the Department had not presented an effective or independent rate case review. These claims raised the same question that we are tasked with investigating, namely whether the Department advocated effectively and independently on behalf of ratepayers in this Rate Case. Therefore, we undertook the following analysis to consider each claim in turn below. We were unable to corroborate any of the claims made in the Anonymous Letter or by Mr. Winn.

(1) **Anonymous Letter**: At the start of the Rate Case review period, Commissioner Tierney told her staff that she would settle the case upon the conclusion of hearings, which would be after the election.

> **Analysis**: In hindsight, we know that the Department did not in fact settle all of the issues in the Rate Case and the Commission ruled on a number of issues.

(2) **Anonymous Letter**: The attorney on the case was assigned to too many other cases such that he could not give enough of his time to the Rate Case.

> **Analysis**: BCK asked Attorney Burke whether his work load impacted his performance on the Rate Case. Mr. Burke did not agree with this contention, and responded that, while he was certainly busy and did work weekends and nights at times to complete his work, it was not out of the ordinary for a rate case (which has deadlines mandated by statute) and that it did not affect his performance on the case.

(3) **Anonymous Letter**: Staff was prohibited from pursuing certain arguments (e.g., prudence claims).

> **Analysis**: No one interviewed by BCK corroborated this claim of interference with staff recommendations. Indeed, in reviewing the emails made public in response to the Anonymous Letter, BCK found that Commissioner Tierney appeared to be involved at a higher level, and did not appear to be involved in day-to-day decision-making on the case. Attorney Burke provided that he edited witness testimony for consistency and typographical errors, but that the Department did not direct expert consultants towards any particular recommendations.

(4) **Anonymous Letter**: Commissioner Tierney did not allow Department staff to use the usual outside expert in the Rate Case who has a "solid track record" of producing reductions in rate requests.

> **Analysis**: This claim was not corroborated by Department staff interviewed by BCK. In fact, Department staff interviewed by BCK agreed with the decision to use different witnesses in this Rate Case, in part because it was focused on capital spending in this

case which requires more technical/engineering knowledge. The Department also sought to expand its pool of consultants, a reasonable objective.

(5) **Anonymous Letter**: The new consultants were limited in their case review from a timing and location standpoint (i.e., the consultants were located in Georgia).

Analysis: BCK is unable to comment from the perspective of GDS experts as they did not respond to interview questions. No one interviewed by BCK corroborated this claim. We do note, however, that the use of expert consultants from a different geographic location than the state of the proceedings is not unusual.

(6) **Anonymous Letter**: Commissioner Tierney altered witness testimony where it may have been embarrassing to GMP, including regarding "uneconomic and risky investments and a proposed executive bonus plan disallowance."

Analysis: No one interviewed by BCK corroborated this claim. Witness testimony questioned and made recommendations concerning GMP investments. The executive bonus plan was fixed as a component of O&M that was not part of this plan so it was removed from Department testimony.

(7) **Anonymous Letter**: Commissioner Tierney "orchestrated a settlement" related to the "uneconomic" JV Battery Storage Projects.

Analysis: No Department staff interviewed by BCK corroborated this claim and we found no basis for it. The Department and GMP entered into an MOU dated September 25, 2018, in Case 17-5003-PET which established financial and performance assurance mechanisms to apply to all three JV projects in this Rate Case. Winn Surrebuttal at 18. There were reasonable rationales for not seeking these projects' exclusion from rate base, including that it would have raised rates by 2.5%. See Section IV.D.1 of this Report for additional discussion. Mr. Winn offered his personal recommendations on the projects in his November 27, 2019, email (at 3, Item 12), which disagreed with Department recommendations, but he did not produce evidence that Commissioner Tierney took improper actions regarding the JV Battery Storage Projects.

(8) **Anonymous Letter**: The Department, at the direction of Commissioner Tierney, "quietly took various reductions recommended by the Department witnesses off the table."

Analysis: The reductions in question are not identified so it is difficult to respond. Mr. Winn did not corroborate this claim in his November 27, 2019, email. In the event that this claim may refer to the T&D projects (see Section IV.D.3.c and IV.D.3.d), those projects were removed from Department recommendations after additional information provided by GMP and because the projects were subject to the 2017 MOU and thus should not have been included.

(9) **Anonymous Letter**: Generally, the Rate Case was a "sham" orchestrated by Commissioner Tierney and GMP CEO Mary Powell that would result in a rate increase of at least 8% after the tax credit expires.

Analysis: BCK found no evidence of any collusion between Commissioner Tierney and GMP in this Rate Case. As stated above, Commissioner Tierney appeared to participate in the Rate Case at a high level and allowed the Department staff to make day-to-day decisions on the case. Mr. Winn noted that "I do not have any information that would confirm that GMP executives somehow colluded with Commissioner Tierney in this case." Email from Brian Winn to Commission Clerk Judith Whitney at 1 (November 27, 2018).

2. Additional claims presented by Mr. Winn

Mr. Winn made a few additional claims in his emails, discussed below.[18] Where repetitive of the Anonymous Letter, Mr. Winn's claims are included in the discussion above.

(1) **Mr. Winn**: Department staff did not have adequate staffing or funding for the Rate Case. Mr. Winn complained about Commissioner Tierney's requirement that she have seven days to review all testimony in the case. He noted that "there were times in this case where I only had a few days to review a mountain of documents before completing my testimony. In fact, I had to get permission from the Commissioner for a few additional days to review the data and write my testimony to ensure that she would not give the attorney a hard time for missing her deadline."

Analysis: No Department staff interviewed by BCK corroborated this claim. There is a series of emails from September 13, 2018, that show Mr. Winn's request to Commissioner Tierney for additional time to draft testimony. Commissioner Tierney's response was "I see the issue and don't want you to be rushed..." This email indicates that Commissioner Tierney was flexible with the seven-day rule when justified for scheduling constraints.

Regarding adequate staffing, no Department staff interviewed by BCK stated that staffing constraints adversely affected their work on the rate case. Some Department staff observed that the schedule on any rate case is demanding because of the statutorily-imposed timelines for a Commission order. Staff noted working weekends and nights at times during the case. BCK found from its interview with Mr. Porter that the Department appears to generally assign two attorneys to a rate case, while in this case Attorney Burke was the sole lawyer. However, this was explained by this rate case having a limited number of issues to explore (see Section IV.A of this Report).

Regarding funding, Department staff noted that there are no funding issues as there is a statute authorizing bill back to GMP of witness costs. 30 V.S.A. § 21.

[18] We do not include any discussion of a claim related to Mr. Winn's employment with the Department, which appears outside the scope of BCK's review of the rate case. See Anonymous Letter at 2; Mr. Winn's November 27, 2019 Email at 3.

(2) **Mr. Winn**: Commissioner Tierney did not allow Department witnesses to disagree with her in their testimony.

> **Analysis**: No one interviewed by BCK corroborated this claim. Attorney Burke stated that he reviewed all witness testimony for consistency and typographical errors, but rarely, if at all, made substantive revisions. See emails dated August 2-3, 2018 from Attorney Burke to Jacob Thomas, et al. (noting minor edits to testimony drafts for consistency).

(3) **Mr. Winn**: There is a need to separate the policy and advocacy divisions of the Department. Vermonters for a Clean Environment also filed comments agreeing with this, noting that an "independent Office of Public Advocacy is long overdue" and that it had observed state attorneys, including from the Department, not engaged or asking substantive questions at Commission proceedings and instead playing on their phones. VCE Comments at 2.

> **Analysis**: BCK has not found – based on this Rate Case alone – the need to separate the policy and advocacy functions of the Department. Nevertheless, we include this comment for consideration in the Recommendations below for State to consider for themselves. In addition, BCK was not made aware of any evidence in this Rate Case of Department staff playing on their phones rather than participating substantively in the proceedings. For example, the transcript appears to show that Attorney Burke actively participated in the evidentiary hearing in this case held on October 25, 2018.

3. Summary of findings on public comments

As discussed above, BCK did not find corroboration of claims arguing that the Department's advocacy on behalf of ratepayers in this Rate Case was not effective or independent. Nevertheless, the State may want to consider a review of staffing needs to ensure the Department is adequately staffed. While there are bound to be times of greater workload demand, the Department should ensure that it is staffing a rate case such as this one such that Department staff can effectively do their work.

In addition, there were systemic issues raised in some comments in this Rate Case that the State may wish to consider at some point. While public commenters may have bias affecting the substance of their comments, some comments referenced possible high attorney turnover, political pressure on the Department's advocacy, and structurally separating the policy and advocacy functions at the Department to create an independent Office of Ratepayer Advocacy. Despite noting these issues here for possible consideration, BCK believes these broader concerns raised in public comments fall outside the scope of its review of GMP's Rate Case.

VI. RECOMMENDATIONS

Based on our findings set forth in Section V above and overall review of the Rate Case, we offer the following Recommendations:

1. To the extent possible, the Department should require independent consultants as part of its hiring process to submit for an interview for any cases analyzed under the Act 130 review process. Not having the input of key witnesses makes it difficult to draw certain conclusions on the Department's advocacy.

2. Based on Mr. Winn's emails, the Department may want to consider the adequacy of its staffing generally and for rate cases specifically.

3. Based on Mr. Winn's emails, the State may want to consider whether to separate the policy and advocacy divisions of the Department. It appears that public perception to some extent does not see the Department as sufficiently independent from GMP. Separating the functions may resolve that issue.

4. The Department may consider in future proceedings involving pilots whether it should conduct its own financial modeling where circumstances may call for it.

5. In these rate cases, the Department (and the Commission) are faced with the conundrum of needing to advocate for lower rates for ratepayers while also encouraging innovation for grid modernization and climate change that typically involves expensive projects. We recognize that a number of GMP proceedings touch upon its activities and investments related to grid modernization and climate change. The State may want to evaluate whether grid modernization and climate change efforts may be considered in a more holistic manner that may benefit ratepayers and utilities.

6. The release of the Department's confidential emails should only be done when absolutely necessary. Clearly here, the release of documents to the public helped resolve this situation, which was being covered by the media and was in the public eye.[19] Nevertheless, it is unfortunate that Department strategy and other aspects of the emails were released for public consumption. Department staff needs to feel the ability to communicate openly during the course of an investigation.

[19] See, e.g., https://www.vpr.org/post/former-state-official-outlines-what-he-says-inadequate-protection-ratepayers#stream/0.

Report to the State of Vermont Attorney General

Review and Analysis of the Department's Performance Under Act 130 Standards

For the Washington Electric Cooperative

Rate Case No. 3959 -TF

December 30, 2019

By

Bill Steele

President of Bill Steele and Associates, LLC

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EXECUTIVE SUMMARY

In 2016 the Vermont General Assembly enacted Act 130, a law relating to public utilities and other matters. The law provides in relevant part that:

> The Attorney General shall monitor and detail at least one rate proceeding annually and make findings and recommendations related to the effectiveness and independence of the [Public Service] Department's ratepayer advocacy. In performing his or her duties under this section, the Attorney General shall have full access to the work and work product in the Department as it relates to each proceeding, he or she monitors. The Attorney General's findings and recommendations shall be included in the Department's annual report.

Act No. 130 (2016) at Sec. 5f.(c).

As part of the Act 130 review, the Vermont Attorney General retained Mr. Bill Steele, President of Bill Steele and Associates, LLC under Contract #38389, to perform a review of the Washington Electric Cooperative ("WEC") rate case - Case Number 18-3959- TF. Mr. Steele has over 40 years of public utility regulatory experience of which 34 years were spent at the Colorado Public Utilities Commission as a supervisor on the financial trial staff and later as an advisor to the Commissioners and Administrative Law Judges. Mr. Steele has also taught at the Basics of Regulation training conference at the Center for Public Utilities at New Mexico State University for over 20 years. Mr. Steele's detailed resumé has been previously submitted to the Attorney General's office.

Mr. Steele performed his Act 130 analysis of the Department in Case Number 18-3959 - TF. At the suggestion of the Vermont state attorneys from the Attorney

General's Office and Department of Public Service ("Department"), Mr. Steele also reviewed the Department's performance under Act 130 in Case No. 1485 – TF. In this case the Department conducted an extensive review of WEC's rate filing and based on their in-depth analysis they were comfortable after further questions in not requesting Case No. 3859-TF be set for hearing.

As will be discussed in greater detail in this report, Mr. Steele concluded based on his review of the files that are contained in both of these cases, there was no indications of any concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in these two WEC rate proceedings. In fact, Mr. Steele observed a dedicated staff at the Department which had the desire and the ability in reviewing WEC's rate case filings to ensure the requested rate relief was appropriate based on the facts presented in WEC's filing and responses to questions from the Department staff. In support of his findings, Mr. Steele assembled from the files in both of these cases two attachments, Attachment A and Attachment B which document his review and are included as part of this report.

KICK - OFF TELEPHONE CALL

On July 15, 2019 a kick-off telephone call was held between Mr. Steele, Mr. James Porter, Mr. Dan Burke and Mr. Sean Foley from the Department and Assistant Attorney General Ryan Kane. Discussed during the telephone call was the scope of services in the review of the WEC rate case - Case Number 18-3959 - TF. Mr. Steele was informed that the Department did not request a hearing in Case Number 19-3859 - TF, not only based on its review in this case but also the fact that another recent WEC Case Number 18-1425 - TF had extensive review by the Department and Case Number 18-3959 - TF contained similar issues. It was suggested to Mr. Steele that his Act 130 review should not be limited to the

documents filed in Case Number 18-3959 - TF but he should also review the documents filed in Case Number 18-1425 - TF in order to get a full picture of the breadth of the Department's review and analysis of the financial condition and rate case issues regarding WEC. Mr. Dan Burke sent all documents in both cases to Mr. Steele via Dropbox.

STRUCTURE OF THE REPORT

The structure of the report is organized by Mr. Steele's analysis and discussion of Cases No. 18-3959- TF and Case No. 18-1425 - TF. The discussion of each of these cases will focus on the merits of the rate increase request by WEC, the Departments position, and the due diligence analysis performed by the Department in each one of these cases with the intent of answering the primary purpose of the reporting requirement under Act 130 in addressing any concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in rate proceedings. As part of Mr. Steele's analysis of each document in these two cases, he has prepared an Attachment for each case which lists the document, as well as a synopsis of each document. Mr. Steele in his discussion of each case will refer to Attachment A for Case No. 18-3959- TF and Attachment B for Case No. 18-1425 – TF, in addressing the question of the effectiveness or independence of the Department's representation of ratepayers in these two proceedings.

CASE NO. 18-3959 – TF WASHINGTON ELECTRIC COOPERATIVE 2018 RATE INCREASE

On November 15, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a request, pursuant to §30 V.S.A. 225, for approval from the Commission for a

5.49% rate increase, effective with service rendered January 1, 2019. WEC has requested a 5.49% rate increase based almost exclusively on declining revenues from renewable energy credits. WEC also made a supplemental filing on December 12, 2018, in response to discussions with the Department.

POSTION OF THE DEPARTMENT

As noted in the Commission's Order approving the tariff the Department took the following position:

"On December 17, 2018, the Department of Public Service ("Department") filed a letter stating that it has investigated WEC's tariff filing and finds the proposed rate increase to be just and reasonable. The Department states that the rate increase is almost exclusively due to declining revenues from renewable energy credits ("RECs") and notes that WEC has little control over the lower REC prices. The Department asserts that WEC's expenses have been "fairly well managed" and that increases in purchase power costs are more than offset by lower operating and maintenance costs.

The Commission received two public comments expressing concern regarding the volatility of the REC market and its impact on rates. We note that WEC's REC revenue for the rate year has decreased by approximately $846,000 due to a $446,000 decrease in revenue associated with REC sales as well as a $400,000 deferral of REC revenues that was recognized in the test year but will not reoccur in the rate year. In its next tariff filing, we expect WEC to provide a comprehensive explanation of how it intends to manage its participation in the REC market to minimize the effect of unexpected changes on ratepayers."

Based on the Departments review of the tariff filing, its recommendation was for the Commission to approve WEC's tariff filing, effective with service rendered on January 1, 2019.

THE DEPARTMENT'S DUE DILIGENCE REVIEW OF THE FILING

As stated above the Department recommended approval of WEC's rate increase without a hearing. From Mr. Steele's discussion with the Department, Case No. 3959- TF contained many similar issues which the Department reviewed as part of their due diligence in an earlier case, Case No. 1425-TF. In this case the Department conducted extensive analysis and requests of information from WEC. The case analysis in 1425 - TF, will be discussed later in this report.

In spite of similar issues between Case No. 3959-TF and Case No. 1425-TF, the Department did conduct extensive analysis of the information filed by WEC in Case No. 3959-TF, as well as requested additional information from WEC supporting their request for a rate increase.

Mr. Steele in reviewing the files supplied to him by Mr. Dan Burke in connection with Case No. 3959 - TF compiled "Attachment A" which lists each document file. In constructing "Attachment A," Mr. Steele also included a brief description of each file he reviewed as part of his Act 130 analysis. Mr. Steele's Attachment A contains the 52 document files that were sent to him by the Department. Attachment A is a key part of Mr. Steele's analysis as it describes each document the Department provided to Mr. Steele. In Mr. Steele's opinion, the Department undertook a clear, concise and in-depth approach in its review of WEC's request for rate increase. Although WEC's request for rate relief was based on declining

revenues for RECs, Mr. Steele found from the files that the staff of the Department performed a thorough analysis of all financial aspects of WEC's filing.

Mr. Steele started his Act 130 analysis of the Department based on his 40 years of regulatory experience by first examining the files that contained the petition, as well as the attached exhibits filed by WEC in support of their request for rate relief. The file containing the WEC petition is found on line 39 " Petition.pdf". As discussed in the narrative in the Attachment, the petition contains the standard exhibits one would expect a utility should file in supporting their request for a rate increase. Mr. Steele continued with his independent analysis of the Department's performance, by next reviewing the files described on line 28 of Attachment A, which contain Exhibit 1's schedules supporting the revenue requirement worksheets. Line 29 contains the file for Exhibit 1A which is an explanation for the Pro Forma Adjustments to the Cost of Service. Based on Mr. Steele's independent analysis of the WEC petition and its supporting exhibits the Company has made the expected standard adjustments to its cost of service study. His conclusion is that WEC's cost of service study appears to be reasonable based on standard regulatory ratemaking principles.

The next part of Mr. Steele's Act 130 analysis of the Department was to examine the files that contained the Department's correspondence with WEC, as well as internal Department correspondence on the reasonableness of WEC's rate increase request. Contained in Attachment A are several files that contain correspondence in which the Department asked WEC for additional information regarding their rate filing and WEC's responses. Although WEC stated in their petition that the driver factor for this increase was declining revenues from RECs, it is clear from the questions asked by the Department that the Department performed its due diligence in this area by asking WEC for more supporting

information so as to independently verify WEC's claim of declining REC revenues. In fact, as found on line 15 (RE Mass CEC Auction (November 15).pdf), line 16 (RE WEC Rate Case Questions.pdf) and line 23 (RE Mass CEC Auction (November 15).msg), the staff of the Department verified with a third and independent party that the REC revenue market in which WEC trades had actually declined.

Mr. Steele concludes that although the rate increase by the company is barely covering their financial ratios and appears well supported and reasonable in Mr. Steele's independent judgment, the Department did pursue and did an excellent job in verifying the reasonableness of the filing without having the ratepayers of WEC need to pay for the cost of going to hearing.

One of the documents Mr. Steele relied on in forming his conclusions, is "18-3959-TF - 2018.12.31 Order Approving Tariff Filing," which is referenced in Attachment A, line 5 of this report. In this document the Commission entered an order approving WEC's tariff filing citing a letter filed by the Department on December 17, 2018. In its letter, the DPS stated that it had investigated WEC's tariff filing and found the proposed rate increase to be just and reasonable. The Department stated that the rate increase is almost exclusively due to declining revenues from renewable energy credits ("RECs") and notes that WEC has little control over the lower REC prices. The Department asserted that WEC's expenses have been "fairly well managed" and that increases in purchase power costs are more than offset by lower operating and maintenance costs.

The Commission also noted in its order that WEC's REC revenue for the rate year had decreased by approximately $846,000 due to a $446,000 decrease in revenue associated with REC sales as well as a $400,000 deferral of REC revenues that was recognized in the test year but will not reoccur in the rate year. The Commission further stated in its order that based on its review of the tariff filing

and the Department's recommendation, the Commission approved WEC's tariff filing, effective on January 1, 2019.

The reason Mr. Steele discussed the Commission order in detail is that it is a further documentation that the Department is acting in an independent manner and there is no evidence of any potential compromise in their effectiveness in discharging their duties. The basis for this conclusion is the statement by the Commission that they conducted their own review of the WEC filing and along with the Department's recommend approved the tariff filing. Based on Mr. Steele's experience, if there was an issue with the Department's performance, the Commission would have not included this language in their order approving the tariff and may have ordered a further investigation into the merits of the tariff filing.

CASE NO. 18-1425 – TF WASHINGTON ELECTRIC COOPERATIVE 2018 RATE INCREASE

On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a request pursuant to 30 V.S.A. §§ 225 and 226 for approval from the Commission for a 3.72% rate increase for all WEC rate classes, effective with service rendered after July 1, 2018. WEC requested the 3.72% rate increase based on increasing transmission and power cost related expenses. As a part of the tariff filing, WEC also sought to eliminate its seasonal rates.

POSTION OF THE DEPARTMENT

On June 18, 2018, the Department of Public Service ("Department") filed a letter stating that it had investigated WEC's tariff filing and found the proposed rate

increase to be just and reasonable. Therefore, subject to the narrow accounting issue discussed below, the Department recommended that the Commission approve WEC's requested rate increase without further investigation or modification.

During its investigation of WEC's tariff filing, the Department engaged in multiple discussions and rounds of information exchange directly with WEC. WEC also met with Department staff to discuss its rate request and seek feedback and clarification from the Department prior to filing its petition. The Department has evaluated all of the exhibits and materials that WEC filed in support of its rate request as well as additional clarifying information and data that WEC provided directly to the Department during its investigation. Based on this investigation, the Department concluded that WEC had demonstrated that its proposed revenue requirement is both necessary and sufficient to cover its costs and expenses during the rate year.

The Department, however, identified an issue regarding WEC's accounting treatment for right-of-way ("ROW") clearing, which WEC included within its proposed revenue requirement based on a budget instead of using a direct average of historic costs. The Department raised concerns that WEC's use of a budget for ROW clearing creates risk for over-collection. The Department also concluded, however, that a full investigation into this discrete issue was not warranted because any rate adjustment resulting from a review of WEC's ROW budget would be modest and WEC's proposed revenue requirement will not create an excessive margin for its debt coverage obligations. The Department, however, worked with WEC to identify an appropriate accounting treatment to mitigate against the over-collection risk without triggering a reduction to WEC's revenue requirement. The Department worked with WEC to reach an agreement to resolve this issue. This agreement was filed by the Department on June 28, 2018.

Based on its review of the costs and expenses that make up WEC's proposed revenue requirement, the Department found that WEC's proposed rate request is just and reasonable and will provide financial stability for WEC and its member-customers. The Department also supported WEC's proposal to eliminate seasonal rates as a component of its overall rate request. While reserving the issue discussed above, the Department recommended that the Commission approve WEC's rate request without further hearings or investigation.

On June 29, 2018 the Commission entered an order approving the Tariff filing of Washington Electric Cooperative, Inc. and granting it requesting a 3.72% increase in its rates. The Commission stated in its order that based on a review of the tariff filing and the Department's recommendation, subject to the Right of Way, accounting condition that the Commission would approve WEC's tariff filing, effective July 1, 2018.

THE DEPARTMENT'S DUE DILIGENCE REVIEW OF THE FILING

As stated above the Department recommended approval of WEC's rate increase without a hearing. From Mr. Steele's discussion with the Department staff, a lot of the ground work that led to approval of Case No. 3959 - TF was done in Case No. 1425-TF. From Mr. Steele's initial review of the files in Case No. 1425 - TF it became readily apparent that the Department conducted its investigation in Case No. 1425-TF in a well-organized and professional manner. The Department did not take at face value WEC's claims for the need for a rate increase, but probed for the root causes for WEC's need to increase rates. Attachment B contains Mr. Steele's review and analysis of the Department's actions in this case. The Department provided Mr. Steele 104 documents related to this case for his review.

He found that the documents were well organized and demonstrated a thoroughness in the Department's review of this tariff filing by WEC. The documents were organized by the following file folders: Commission Documents; Email Copies (With Attachments in Separate Folders); Petition; PSD Filings; PSD Work Product (Finance; Legal; PERD); Public Comments; and WEC Filings.

The files containing the WEC petition is found on line 18 "18-1425-TF Washington Electric Petition 5.17.pdf". As discussed in the narrative in Attachment B, the petition contains the standard exhibits one would expect a utility to file in supporting their request for a rate increase. Mr. Steele continued with his independent analysis of the Department under Act 130 standards, by next reviewing the files on line 51 which contain Exhibit 1's schedules supporting the revenue requirement worksheets.

Line 52 contains the file for Exhibit 1A which is an explanation for the Pro Forma Adjustments to the Cost of Service. SUMMARY OF WEC's RATE CASE: WEC is proposing a revenue increase of $535,331 to be effective on July 1, 2018. This represents a 3.72% increase and will be applied to all existing rate classes and schedules. The rate increase is necessary to provide WEC with sufficient revenues to provide efficient and reliable service to its members and to insure a level of financial performance required by its lenders. A breakdown of the $535,331 increase can be seen on schedule S1-A in Exhibit WEC 1. A summary of the primary cost drivers is as follows: The main driver of WEC's rate increase is due to increases in Purchase Power and Transmission Costs. Purchase Power cost increased $474,202 between the test year and the rate year. This increase is offset by a Power Production decrease of $87,323 which is attributed to estimated lower property taxes associated with WEC's Coventry generation facility. WEC is incurring higher transmission charges from several sources including the Vermont Electric Power Co. ("VELCO"), Green Mountain Power Co., and ISO-NE. The increased VELCO charges are detailed in Exhibit 2D. In addition, WEC is incurring higher charges from ISO-NE in the forward capacity market. WEC is also incurring increased cost due to a reduction in revenue for generation in the

Sheffield Highgate Export Interface (SHEI) area. SHEI revenue erosion totaled $177,110. WEC is also experiencing increased expense due to the cost of net metering. WEC estimates it is losing $305,198 in revenue net of offsets to purchase power from net metered systems.

The second largest driver is the increase in Operations and Maintenance costs over the rate year for a total of $107,473. This increase is a combination of costs associated with the Renewable Energy Standard (RES) TIER 3 requirement which is $51,721 of this increase, as well as property taxes associated with the distribution system of an additional $50,179.

WEC is raising its net TIER benchmark to 1.97. The higher net TIER reflects the need to meet both Rural Utilities Service (RUS) and National Rural Utilities Cooperative Finance Corporations (CFC) loan covenant requirements which can be seen on schedule S12-Ratio Calcs. in Exhibit WEC 1. The proposed rate increase results in a Debt Service Coverage ("DSC") level of 1.35, which is CFC's minimum DSC requirements. Per the PUC's order in Case No. 17-3552-TF the rates in WEC's OATT will be updated commensurate with cost-of-service adjustments to retail rates or on an as-needed basis. As a result, WEC is filing a 0.879% decrease to its OATT rate. WEC is also seeking to eliminate its seasonal rates, with little impact to residential rates and no impact to commercial rates.

Based on Mr. Steele's independent analysis of the WEC petition and its supporting exhibits, the Company has made the expected standard adjustments to its cost of service study and he concluded that the company's cost of service study appeared to be reasonable based on standard regulatory principles. In the professional judgement of Mr. Steele, the company did a good job of documenting its adjustments and explaining the basis of these adjustments. However, as a sign of the thoroughness of the Department's staff they continued

to probe the basis for the need of the rate increase by asking more follow-up questions of WEC on the drivers for the need of WEC to request rate relief.

The next part of Mr. Steele's Act 130 analysis of the Department was to examine the files which contained the Department's correspondence with WEC, as well as internal Department correspondence on the reasonableness of WEC's rate increase request. Contained in Attachment B are several files which contain the correspondence in which the Department asked WEC for additional information regarding their rate filing and WEC's responses. Although WEC stated in their petition that the driver factor for this increase was increasing transmission and power cost related expenses it is clear from the questions asked by the Department that they were performing their due diligence in this area by asking WEC for more supporting information to verify WEC's claims for the causes of the need to increase rates.

The Department asked questions in the following areas as can be found on line 15 in Attachment B: deferred REC revenue, Tier III expenses, Coventry's generation, and hedging. Additional questions and WEC responses can be found in Attachment B at lines 17-29.

There was also internal communication between Department personnel which demonstrate a thorough review process of the WECs filing. Some of these discussions can be found in Attachment B on lines 86 and 98.

CONCLUSION

Mr. Steele concluded based on his review of the files that are contained in both of these cases there was no evidence of any concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in these two WEC rate proceedings.

In fact, Mr. Steele observed a dedicated staff at the Department which had the desire and the ability in reviewing WEC's rate case filings to ensure their request for rate relief was appropriate based on the facts presented in WEC's filing and their responses.

Mr. Steele would recommend the Department consider for future cases to draft a case strategy memorandum at the commence of reviewing a company's filing. The case strategy memorandum should include the principal staff members who will be involved in the case review, the areas for review and a list of deliverables. This would be helpful in cases where testimony is not filed for a future Act 130 evaluator to have an overview of the analytical process the Department utilized in their review of cases that do go to hearing.

Attachment A

Case Number 18-3959-TF

Act 130 Document Review Summary

Line No.	Document File	Key Text From Document File	Comments
1	18-3959-TF - 2018.12.12 - WEC Response to DPS Questions.pdf	On Monday, December 10, 2018 the Department of Public Service asked the Washington Electric Cooperative, Inc. (WEC) two questions. The Department's questions are bulleted, and WEC's answer follow the questions. * The proposed customer notice fails to specify for Large Power that the second row is a demand charge. While the units of measure in the notice sheet are written as a demand charge, we have now changed the notice page to match the Large Power Rate tariff language. The notice page now reads: "Per kW of demand/month.? The revised Notice of Proposed Tariff Changes is attached. • Under Large Power, Class 8, does the following paragraph mean that the consumer must wait 12 months for a rate change to current Rate 3 ? If at any time a member receiving service under this Large Power tariff has measured energy usage billed monthly which does not meet the 7200 kWh/month threshold and the measured maximum peak demand is 30 kW or less during the same 12 consecutive month period, the member may request, or the Co-op at its option with notice to the member may initiate, a change from this tariff to the current Rate 3, Commercial, energy only tariff. No. The customer does not have to wait 12 months to change to the Commercial Rate (Rate 3). WEC's Large Power (LP) tariff states: This rate is available for single or three phase service at secondary voltage for all business establishments, including farms, whose consumption is greater than 7200 kWh for four (4) consecutive months within any calendar year, and whose measured peak demand is 30 kW or more during any 12-month period. Available to consumers requiring three-phase 60 cycle primary or secondary service. (Emphases added.) WEC business customers move onto the Large Power (LP) tariff based on a two-pronged usage test (energy and peak demand). The only way to get off the tariff is when one or more of the two parameters are not met. The first prong is using greater than 7200 kWh in four consecutive months in one calendar year. The second prong of the test is using more than 30 kW in any 1 2-month period. The word "any? means we look backward for 12 months outside the calendar year. For example, the first prong is triggered if all months from January 2018 through April 2018 were greater than 7200 kWh. At that point, WEC would then look at peak use in the prior 12 months. If in the preceding 12 months (May 2017 through April 2018), the member used 30 kW or more, then the member would come under the LP tariff in May 2018. A member could be on LP for one month (May 2018) and then switch back to Commercial in June (2018) if the member's peak dropped below 30 kW from June 2017 to May 2018. In addition, if during the calendar year in which the member had four months above 7200 kWh, and also in one of those months hit above 30 kW, then they would go back on LP rate at that time. Hence the member (and WEC) do not have to wait for 12 months. Please let me know if you have any questions.	

2	18-3959-TF - Department Recommendation 12.17.18.pdf	On November 15, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a request, pursuant to $30 V.S.A. 225, for approval from the Commission for a 5.49% rate increase, effective with service rendered January T, 2019. WEC made a supplemental filing on December 12, 2018, in response to discussions with the Department. WEC has requested a 5.49o% rate increase based almost exclusively on declining revenues from renewable energy credits. The Department's research supports the pricing assumptions used by WEC to justify the increase. It should be noted that other than the impact of lower prices for renewable energy credits, over which WEC has little control, expenses have been fairly well managed. Increases in purchased power costs of 5132,205 are more than offset by lower O&M costs of 5225,060. The Department has reviewed the filing, discussed it with WEC and is satisfied with the reasonableness and accuracy of the information provided by WEC. Based upon our examination and review, we recommend that the requested rate increase be approved without a hearing or and review, we recommend that the requested rate increase be approved without a hearing or further investigation. 12/31/2018	I agree with DPS Staffs analysis. One of the key drivers for the need to increase rates is the cost of purchase power. The DPS staff also noticed that the O&M costs did decrease. From my analysis without the increase WEC would probably be in violation of its loan agreement financial requirements. What WEC is asking for is the lower end of the rate for meeting its loan requirements.
3	**Commission issued documents**		
4	18-3959-TF - 2018.11.26 - PUC Memorandum re Due Date.pdf	On November 15, 2018, Washington Electric Cooperative Inc. filed a proposed tariff with the Vermont Public Utility Commission("Commission"). Consistent with 30 V.S.A. § 225, the following due date has been established for this proceeding:12/17/18 DPS Recommendation Due	
5	18-3959-TF - 2018.12.31 - Order Approving Tariff Filing.pdf	Order entered: 12/31/2018 ORDER APPROVING TARIFF FILING On November 15, 2018, Washington Electric Cooperative, Inc. ("WEC") made a tariff filing with the Vermont Public Utility Commission ("Commission") pursuant to 30 V.S.A. §§ 225 and 226 for a 5.49% rate increase for all WEC rate classes to be effective with service rendered January 1, 2019. WEC provided notice of the proposed increase to its members through a variety of means, including in the December edition of "Coop Currents," which is sent to all members; through notice on its website; through notice published in the Times Argus on November 16, 2018; and through notice provided in customer bills mailed in November. On December 17, 2018, the Department of Public Service ("Department") filed a letter stating that it has investigated WEC's tariff filing and finds the proposed rate increase to be just and reasonable. The Department states that the rate increase is almost exclusively due to declining revenues from renewable energy credits ("RECs") and notes that WEC has little control over the lower REC prices. The Department asserts that WEC's expenses have been "fairly well managed" and that increases in purchase power costs are more than offset by lower operating and maintenance costs. The Commission received two public comments expressing concern regarding the volatility of the REC market and its impact on rates. We note that WEC's REC revenue for the rate year has decreased by approximately $846,000 due to a $446,000 decrease in revenue associated with REC sales as well as a $400,000 deferral of REC revenues that was recognized in the test year but will not reoccur in the rate year.1 In its next tariff filing, we expect WEC to provide a comprehensive explanation of how it intends to manage its participation in the REC market to minimize the effect of unexpected changes on ratepayers. Based on our review of the tariff filing and the Department's recommendation, we approve WEC's tariff filing, effective with service rendered on January 1, 2019.	Commission based its recommendation to approve rate increase on the DPS's analysis. The Commission picked up on the key areas that DPS examined which were increases in purchased power and decreases in O&M showed that WEC's expenses were fairly welled managed.
6	**DPS Recommendation Filed 12.17.18.doc**	Same Document but in pdf format that was discussed on line 2 of Attachment A	
7	**Email Copies (With Attachments in Separate Folders)**		
8	**FW Washington Electric Cooperative Rate Case No. 18-3959-TF - Attachments**		

9	Evolution Markets NEPOOL REC Report November 2018.pdf	November 9,2018 NEPOOL REC Market Report November2018 Report3. 0 November2018 Featured Topics Monthly price changes Market developments Important legislative updates Visit our website Current Price Conditions NEPOOL Class 1 REC prices continue to slide but the 2018 and 2019 vintage only moved slightly with 2018 vintage closing last month around $4.25 and 2019 vintage closing $7.25	Document shows the decline in REC as well as the uncertain in future market prices. Department Staff show excellent follow-up by verifying outside sources.
10	FW Washington Electric Cooperative Rate Case No. 18-3959-TF .pdf	**From:** Fischer, Maria **Sent:** Monday, November 19, 2018 9:16 AM **To:** Potter, Dan **Cc:** McNamara, Ed; Foley, Sean; Wheeler, Scott **Subject:** FW: Washington Electric Cooperative Rate Case No. 18-3959-TF **Attachments:** Evolution Markets NEPOOL REC Report November 2018.pdf Scott- Dan will be working on the WEC rate case, so I've forwarded your email to him. A quick look at the report seems consistent with my understanding of the current REC markets. Thanks, Maria **From:** Wheeler, Scott **Sent:** Monday, November 19, 2018 9:08 AM **To:** Fischer, Maria <Maria.Fischer@vermont.gov> **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; McNamara, Ed Ed.McNamara@vermont.gov **Subject:** Washington Electric Cooperative Rate Case No. 18-3959-TF Good morning, Maria! WEC has filed for a rate increase which hinges largely on declining REC demand and associated pricing. Sean asked me to pass along a current pricing report, which I believe supports WEC's assumptions, if you don't already have it. Please see attached. Thanks! Scott G. Wheeler Utilities Finance and Economics Analyst Vermont Department of Public Service (802) 828-1780	E-mail demonstrates coordination among DPS Staff in order to verify the claims WEC has made for their decline revenues due to the REC market are accurate.
11	**RE Draft Rate Increase – Attachments**		
12	2019 WEC Power Supply Rate Year 11-5-2018.xlsx	Document contains 2019 WEC Power Supply Rate Year 11-5-2018.xlsx Summary sheet contains data on Total Contract Charges, Total ISO-NE Credits and Other Revenues, Net Resource Dollars (Costs plus Credits) Resources (in), as well as, other detailed spreadsheets that contain the support data that follows into the summary sheet. These detailed spreadsheets contain such information as hours, price assumptions, load forecast, load ratio on-off, Capacity KW, Energy Rates, Ryegate Rate, VT Wind Rates, Capacity Rates, Cap Factors, Energy Entitlement kw, ONOFF Peak Adj Factors, OnOffpk Energy kw, OnOffpk Contract Rates.	
13	WEC Rate Case Test Year.xlsx	WEC Rate Increase Schedule 2	
14	RE Draft Rate Increase.pdf	**From:** Richards, Patty <Patty.Richards@wec.coop> **Sent:** Friday, November 16, 2018 10:42 AM **To:** Potter, Dan; Fischer, Maria **Cc:** Willette, Cheryl **Subject:** RE: Draft Rate Increase **Attachments:** WEC Rate Case Test Year.xlsx; 2019 WEC Power Supply Rate Year 11-5-2018.xlsx Hi Dan and Maria – Here are the files that were filed in WEC's rate case. Dan these are the same format as the filing we did last year. Hopefully everything looks familiar and I'm happy to meet to go over it with you. The big driver of the rate case is the decline in REC revenue and that is in a separate part of the rate case filing documents. The files attached are just power supply. Hope that helps. Fire away with questions. Many Thanks – Patty	Appears to be good communication. Big ticket items identify for efficiency in reviewing the filing.
15	RE Mass CEC Auction (November 15).pdf	**From:** Wheeler, Scott [mailto:Scott.Wheeler@vermont.gov] **Sent:** Friday, November 16, 2018 11:13 AM **To:** Peter Zaborowsky <PZabo@evomarkets.com> **Cc:** Evan Ard <EArd@evomarkets.com> **Subject:** RE: Mass CEC Auction (November 15) Pete, Understood and I very much appreciate the quick response.	Thorough job of verifying the price of REC through a third party to verify WEC's claim of declining price

		I was able to locate the NEPOOL REC Market Report November 2018 from your website shortly after emailing you, so I believe we're all set for now. The first page of that reports provides a very nice summary of the current market rates I can use for comparison purposes. Thanks again! Scott G. Wheeler Utilities Finance and Economics Analyst Vermont Department of Public Service (802) 828-1780	
16	RE WEC Rate Case Questions.pdf	**From:** Richards, Patty <Patty.Richards@wec.coop> **Sent:** Friday, November 30, 2018 4:05 PM **To:** Potter, Dan **Cc:** McNamara, Ed; Foley, Sean; Willette, Cheryl **Subject:** RE: WEC Rate Case Questions Hi Dan – I'll answer as many of these as I can quickly in between outage calls and restoration work. Perhaps we can talk next week? In the meantime I hope below gets things started. **From:** Potter, Dan <Dan.Potter@vermont.gov> **Sent:** Thursday, November 29, 2018 11:15 AM **To:** Richards, Patty <Patty.Richards@wec.coop> **Cc:** McNamara, Ed <Ed.McNamara@vermont.gov>; Foley, Sean <Sean.Foley@vermont.gov> **Subject:** WEC Rate Case Questions Hello Patty, A few questions as I review WEC's rate case filings. I am sure you are busy with the storm work so I don't expect a rapid turnaround. Please let me know if we should set up a time to discuss or if it is easier to answer via e-mail. 1) The power supply summary notes states that many of the kWh amounts for various resources are based on the past several years' average. However, when I look into the power supply model, it looks to me like the kWhs are flowing up from nameplate capacity multiplied by capacity factors by hours. Are they capacity factors based on averages? Is this what you are referring to in the notes? The capacity factor for NYPA, Wrightsville and Sheffield wind all use a multi year average production level to calculate the capacity factor. I simply take annual monthly kWh averages then convert the average kWh by month to a capacity factor and plug that into the spreadsheet. 2) I think the spreadsheet is overestimating the VEPPI plant roll-off amounts. However, I am not sure. Perhaps we can walk through how those adjustments are made? According to this sheet: http://static1.1.sqspcdn.com/static/f/424754/28023704/1541791444363/Schedule+B-2018-2019.pdf?token=3eQSg3DX3N39zqdWUii3I0mjQ6k%3D two VEPPI units are coming offline in 12/18 and 1/19. The reduction on VEPPI was based on contract dates. I did the "aging" some years ago and have used this file for the past several years. I'm happy to review this if you think I should not be reducing VEPPI production as much as I have. Please note that if we add more VEPPI power back in that will increase power costs but I'm happy to look at that. 3) Will you please let me know what the kW numbers for the FCM resources are based on (lines 20-29 in Capacity KW tab)? These are based on actual kW the units receive in ISO-NE settlement. I've used test year FCM kW numbers and applied the same kW to the rate year. 4) The power supply summary notes state that you have reduced the ISO-NE credits for Coventry and VT Wind to reflect SHEI impacts based on a 2-year average. I believe the Essex-Statcom project would be included in the 2-year average which would inflate the 2-year average a fair amount. Have you addressed the Essex Statcom outage in some way? Also, will you please let me know where in the power supply model I can find the adjustments? I'm using actual SHEI impacts from the past 2 years as a known and measurable. We continue to see loss of revenue from SHEI impacts which is a result of LMP price suppression rather than curtailments. The Essex Statcom maintenance work performed by VELCO had an impact in the SHEI area but that was limited to curtailments at KCW rather than LMP price suppression at Sheffield Wind and Coventry. WEC's SHEI impacts are directly related to energy price suppression which is a function of bidding. The Essex Statcom outage will not impact LMP price suppression. 5) Note #4 under the Transmission Charges of the power supply summary notes states that you used the updated files from VELCO, August 2018 version. These charges appear to be increasing significantly. Did you file that document as an exhibit? I looked briefly, but did not see it. I think we talked about this a bit last year, but I would like to understand why the '91 charges are increasing.	Cited in the report.

		I did not include the VELCO transmission file but I'm happy to send you the files we receive from VELCO. I simply use VELCO's numbers for the rate filing. Last rate case the VTA charges doubled so I had VELCO write up a detailed explanation. Since the Test Year is different than the last rate case I'm just using the VELCO files. Let me know if you'd like that file and then I'll send it along. 6) Winter Reliability Charges – my understanding is that ISO-NE is no longer running the winter reliability program. Do you still have reliability charges? If so, what are they? ISO-NE is no longer running the former winter reliability program but the ISO has new rules in place that will increase costs that mirror the former winter program. I'm using the test year winter costs as a reasonable proxy for the new process to recover cost for winter reliability. Details of the ISO changes are summarized here and are in effect this winter: Under the Energy Market Opportunity Cost (EMOC) project, oil-fired and dual-fuel generators with short-term fuel supply limitations now have updated opportunity cost estimates available in the Customer and Asset Management System (CAMS) Internal Market Monitor Asset Characteristics (IMMAC) module. The daily estimated opportunity cost value is visible to participants prior to the close of the day-ahead offer submission window, and it is included in a generator's reference price as determined by the ISO Internal Market Monitor. Participants have the option to use the new estimated opportunity cost when formulating their hourly offers in e Market. Participant personnel responsible for developing offers may access the IMMAC module and view the opportunity cost estimate if they have a valid digital certificate and either the external IMMAC viewer or external IMMAC maintainer user role assigned to their person record in CAMS. If you do not have one of these roles assigned to your CAMS person record or if you do not have a valid certificate, please contact your CAMS security administrator to request that they assign the appropriate IMMAC role or reissue your certificate as needed. To learn more about the EMOC project please access the following resources: Energy Market Opportunity Cost project page Energy Market Opportunity Costs presentation November 13, 2018 7) Deferred REC Revenues – Exhibit 1 – Cost of Service – S11 – Other Revenues. Will you please explain deferred REC revenues (I assume it is revenue that you earned prior to the test year, but booked in the test year) and why you no longer have any in the rate year? As part of an agreement in Docket No 8877, WEC agreed to revise its rate increase from 6.52% to 5.95% if it were allowed to defer up to $400,000 from 2016 to be used for an anticipated revenue shortfall in 2017. If there were any remaining funds, they would be used to offset expected increased in capacity and transmission costs in 2018. WEC used the total $400,000 that was deferred in calendar year 2018. There are no remaining deferred revenues to use in the 2019 rate year. 8) Have you made any efforts to lock in the $10 & $7 prices for the RECs that are listed as open (approx. 24K) in your REC spreadsheet? The market seems oversupplied and not likely to rebound. We did a trade for NH RECs in 2018 and 2019 at $10 last week for a portion of the open position. The remainder of our RECS are MA/CT/RI Class 1. The market in these REC classes have fallen to $4 for 2108 and 2019 shows a movement up but I haven't been able to transact with anyone yet. The open position is worth less now than when we filed the rate case so this would increase the rate number if we update the files. Thank you, Dan Dan Potter Energy Policy and Program Analyst Department of Public	
17	**WEC Case No. 18-3959-TF PSD Recommendation Letter - Attachments**		
18	WEC Case No. 18-3959-TF PSD Recommendation Letter.pdf	**From:** Wheeler, Scott **Sent:** Monday, November 19, 2018 10:50 AM **To:** Foley, Sean **Subject:** WEC Case No. 18-3959-TF PSD Recommendation Letter **Attachments:** WEC 18-3959-TF PSD Recommendation Letter.docx; Evolution Markets NEPOOL REC Report November 2018.pdf Sean, Please let me know if there is anything else required on this case and any useful feedback for future cases. Thanks!	

		Scott G. Wheeler Utilities Finance and Economics Analyst Vermont Department of Public Service (802) 828-1780	
19	FW Washington Electric Cooperative Rate Case No. 18-3959-TF .msg	**From:** Fischer, Maria **Sent:** Monday, November 19, 2018 9:16 AM **To:** Potter, Dan **Cc:** McNamara, Ed; Foley, Sean; Wheeler, Scott **Subject:** FW: Washington Electric Cooperative Rate Case No. 18-3959-TF **Attachments:** Evolution Markets NEPOOL REC Report November 2018.pdf Scott- Dan will working on the WEC rate case, so I've forwarded your email to him. A quick look at the report seems consistent with my understanding of the current REC markets. Thanks, Maria **From:** Wheeler, Scott **Sent:** Monday, November 19, 2018 9:08 AM **To:** Fischer, Maria <Maria.Fischer@vermont.gov> **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; McNamara, Ed <Ed.McNamara@vermont.gov> **Subject:** Washington Electric Cooperative Rate Case No. 18-3959-TF Good morning, Maria! WEC has filed for a rate increase which hinges largely on declining REC demand and associated pricing. Sean asked me to pass along a current pricing report, which I believe supports WEC's assumptions, if you don't already have it. Please see attached. Thanks! Scott G. Wheeler Utilities Finance and Economics Analyst Vermont Department of Public Service (802) 828-1780	
20	**Public Comments**		
21	2018-12.13 - Stephen Bushman.pdf	From: S Bushman To: PUC - Clerk Subject: WEC petition to rate rates on 1/1/19 Date: Thursday, December 13, 2018 11:38:23 AM December 13, 2018 Dear PUC: I have a few comments on the petition recently filed by Washington Electric Coop for a rate increase of 5.49% effective January 1, 2019. According to the petition, "The primary cost driver underlying this request is a steep decline in renewable energy credit (REC) prices. In July 2018, WEC ratepayers had an increase of 1.04%. The current proposal means that WEC ratepayers will see an increase in electric rates of over 6.5 % in six months, while the consumer price index for the Northeast Region shows an electricity increase of only 2.3% from November 2017 to November 2018 . WEC claims the declining price of RECs with subsequent lost in revenue is primarily to blame. It is a well known fact that REC prices are volatile and vary widely across the country. It is no big surprise that REC prices decline as more renewable energy sources come on line. Forecasting the revenue to be generated from RECs seems to be a crap shoot at best. The only certainty is that renewable energy sources will increase. A better model would be to require WEC to set electric rates independent of any forecasted REC revenue thereby keeping electric rate increases in line with the actual increases imposed by suppliers. Any revenue generated by RECs should be collected and kept in a separate account. The revenue from RECs could then be refunded to all WEC members similar to the distribution of Capital Credits. Distributing REC revenue as a credit to members could accomplish several things. As long as there is a REC revenue stream, it will help lower the overall electric utility cost for members. In addition, and more importantly, it will show the value of net metering projects owned by WEC members. Since WEC currently has a 100% renewable energy portfolio the RECs that WEC purchases from net metering projects allows them to sell RECs from power produced at their other facilities. More net metering frees up more RECs for WEC to sell which means more benefit to members. Renewable energy is here to stay	

		and will increase over time. The revenue stream generated from RECs should be a benefit to WEC members and not a reason to raise rates. Thank you. Stephen Bushman WEC member	
22	2018.12.26 - Alison Friedkin.pdf	From: Alison and Jed To: PUC - Clerk Subject: WEC increase Date: Wednesday, December 26, 2018 1:02:16 PM Hello, I realize I missed the deadline for comment but I'm sending it anyway. I have 2 comments. 1) The period for comment & the timing of the notice of rate increase in the WEC newspaper was poorly timed. There was inadequate time. 2) This increase is excessive as a inflationary increase and insignificant if it's trying to fix the REC decrease (75% decrease). Therefore if the justification for the increase is the lack of income from RECs the increase won't make a dent in the shortfall. Thank you, Alison Friedkin Duxbur	
23	RE MassCEC Auction (November 15).msg	**From:** Wheeler, Scott [mailto:Scott.Wheeler@vermont.gov] **Sent:** Friday, November 16, 2018 11:13 AM **To:** Peter Zaborowsky <PZabo@evomarkets.com> **Cc:** Evan Ard <EArd@evomarkets.com> **Subject:** RE: MassCEC Auction (November 15) Pete, Understood and I very much appreciate the quick response. I was able to locate the NEPOOL REC Market Report November 2018 from your website shortly after emailing you, so I believe we're all set for now. The first page of that reports provides a very nice summary of the current market rates I can use for comparison purposes. Thanks again! Scott G. Wheeler Utilities Finance and Economics Analyst Vermont Department of Public Service (802) 828-1780	Cited in the report.
24	RE_ Draft Rate Increase.msg	**From:** Richards, Patty <Patty.Richards@wec.coop> Sent: Friday, November 16, 2018 10:42 AM To: Potter, Dan; Fischer, Maria Subject: RE: Draft Rate Increase Attachments: WEC Rate Case Test Year.xlsx; 2019 WEC Power Supply Rate Year 11-5-2018.xlsx Hi Dan and Maria – Here are the files that were filed in WEC's rate case. Dan these are the same format as the filing we did last year. Hopefully everything looks familiar and I'm happy to meet to go over it with you. The big driver of the rate case is the decline in REC revenue and that is in a separate part of the rate case filing documents. The files attached are just power supply. Hope that helps. Fire away with questions. Many Thanks - Patty	
25	RE_ WEC Rate Case Questions.msg	**From:** Richards, Patty <Patty.Richards@wec.coop> **Sent:** Friday, November 30, 2018 4:05 PM **To:** Potter, Dan **Cc:** McNamara, Ed; Foley, Sean; Willette, Cheryl **Subject:** RE: WEC Rate Case Questions Hi Dan – I'll answer as many of these as I can quickly in between outage calls and restoration work. Perhaps we can talk next week? In the meantime I hope below gets things started. **From:** Potter, Dan <Dan.Potter@vermont.gov> **Sent:** Thursday, November 29, 2018 11:15 AM **To:** Richards, Patty <Patty.Richards@wec.coop> **Cc:** McNamara, Ed <Ed.McNamara@vermont.gov>; Foley, Sean <Sean.Foley@vermont.gov>**Subject:** WEC Rate Case Questions Hello Patty, A few questions as I review WEC's rate case filings. I am sure you are busy with the storm work so I don't expect a rapid turnaround. Please let me know if we should set up a time to discuss or if it is easier to answer via e-mail. 1) The power supply summary notes states that many of the kWh amounts for various resources are based on the past several years' average. However, when I look into the power supply model, it looks to me like the kWhs are flowing up	Cited in main report.

from nameplate capacity multiplied by capacity factors by hours. Are they capacity factors based on averages? Is this what you are referring to in the notes?

The capacity factor for NYPA, Wrightsville and Sheffield wind all use a multi year average production level to calculate the capacity factor. I simply take annual monthly kWh averages then convert the average kWh by month to a capacity factor and plug that into the spreadsheet.
2) I think the spreadsheet is overestimating the VEPPI plant roll-off amounts. However, I am not sure. Perhaps we can walk through how those adjustments are made? According to this sheet:
http://static1.1.sqspcdn.com/static/f/424754/28023704/1541791444363/Schedule+B-2018-2019.pdf?token=3eQSg3DX3N39zqdWUii3I0mjQ6k%3D two VEPPI units are coming offline in 12/18 and 1/19.

The reduction on VEPPI was based on contract dates. I did the "aging" some years ago and have used this file for the past several years. I'm happy to review this if you think I should not be reducing VEPPI production as much as I have. Please note that if we add more VEPPI power back in that will increase power costs but I'm happy to look at that.
3) Will you please let me know what the kW numbers for the FCM resources are based on (lines 20-29 in Capacity KW tab)?

These are based on actual kW the units receive in ISO-NE settlement. I've used test year FCM kW numbers and applied the same kW to the rate year.

4) The power supply summary notes state that you have reduced the ISO-NE credits for Coventry and VT Wind to reflect SHEI impacts based on a 2-year average. I believe the Essex-Statcom project would be included in the 2-year average which would inflate the 2-year average a fair amount. Have you addressed the Essex Statcom outage in some way? Also, will you please let me know where in the power supply model I can find the adjustments?

I'm using actual SHEI impacts from the past 2 years as a known and measurable. We continue to see loss of revenue from SHEI impacts which is a result of LMP price suppression rather than curtailments. The Essex Statcom maintenance work performed by VELCO had an impact in the SHEI area but that was limited to curtailments at KCW rather than LMP price suppression at Sheffield Wind and Coventry. WEC's SHEI impacts are directly related to energy price suppression which is a function of bidding. The Essex Statcom outage will not impact LMP price suppression.
5) Note #4 under the Transmission Charges of the power supply summary notes states that you used the updated files from VELCO, August 2018 version. These charges appear to be increasing significantly. Did you file that document as an exhibit? I looked briefly, but did not see it. I think we talked about this a bit last year, but I would like to understand why the '91 charges are increasing.

I did not include the VELCO transmission file but I'm happy to send you the files we receive from VELCO. I simply use VELCO's numbers for the rate filing. Last rate case the VTA charges doubled so I had VELCO write up a detailed explanation. Since the Test Year is different than the last rate case I'm just using the VELCO files. Let me know if you'd like that file and then I'll send it along.
6) Winter Reliability Charges – my understanding is that ISO-NE is no longer running the winter reliability program. Do you still have reliability charges? If so, what are they?

ISO-NE is no longer running the former winter reliability program but the ISO has new rules in place that will increase costs that mirror the former winter program. I'm using the test year winter costs as a reasonable proxy for the new process to recover cost for winter reliability. Details of the ISO changes are summarized here and are in effect this winter:
Under the Energy Market Opportunity Cost (EMOC) project, oil-fired and dual-fuel generators with short-term fuel supply limitations now have updated opportunity cost estimates available in the Customer and Asset Management System (CAMS) Internal Market Monitor Asset Characteristics (IMMAC) module. The daily estimated opportunity cost value is visible to participants prior to the close of the day-ahead offer submission window, and it is included in a generator's reference price as determined by the ISO Internal Market Monitor. Participants have the option to use the new estimated opportunity cost when formulating their hourly offers in eMarket.
Participant personnel responsible for developing offers may access the IMMAC module and view the opportunity cost estimate if they have a valid digital certificate and either the external IMMAC viewer or external IMMAC maintainer user role assigned to their person record in CAMS. If you do not have one of these roles assigned to your CAMS person record or if you do not have a valid certificate, please contact your CAMS security administrator to request that they assign the appropriate IMMAC role or reissue your certificate as needed.
To learn more about the EMOC project please access the following resources:
Energy Market Opportunity Cost project page

		Energy Market Opportunity Costs presentation November 13, 2018 7) Deferred REC Revenues – Exhibit 1 – Cost of Service – S11 – Other Revenues. Will you please explain deferred REC revenues (I assume it is revenue that you earned prior to the test year, but booked in the test year) and why you no longer have any in the rate year? As part of an agreement in Docket No 8877, WEC agreed to revise its rate increase from 6.52% to 5.95% if it were allowed to defer up to $400,000 from 2016 to be used for an anticipated revenue shortfall in 2017. If there were any remaining funds, they would be used to offset expected increased in capacity and transmission costs in 2018. WEC used the total $400,000 that was deferred in calendar year 2018. There are no remaining deferred revenues to use in the 2019 rate year. 8) Have you made any efforts to lock in the $10 & $7 prices for the RECs that are listed as open (approx. 24K) in your REC spreadsheet? The market seems oversupplied and not likely to rebound. We did a trade for NH RECs in 2018 and 2019 at $10 last week for a portion of the open position. The remainder of our RECS are MA/CT/RI Class 1. The market in these REC classes have fallen to $4 for 2108 and 2019 shows a movement up but I haven't been able to transact with anyone yet. The open position is worth less now than when we filed the rate case so this would increase the rate number if we update the files. Thank you, Dan Dan Potter Energy Policy and Program Analyst Department of Public Service 802-585-0562	
26	**Tariff Filing**		
27	18-3959 - WEC Tariff Petition and Attachments.zip		
28	Exhibit 1 - Cost of Service.xlsx	Revenue Requirement Summary Sheet for WEC with cross reference to supporting schedules. Ref 2, 3, 4, 5, 6, 9, 10, 11, 12, 15, 17	Cited in the report.
29	Exhibit 1A - Cost of Service Explanation.pdf	**Washington Electric Cooperative** **Cost of Service – Explanations for Pro Forma Adjustments** **Test Year – September 1, 2017 – August 31, 2018** **Rate Year – January 1, 2019 – December 31, 2019** **Requirement, Times Interest Earned Ratio (TIER) level of 2.05 (S12):** • The net TIER target of 2.05 ensures that WEC meets the financial ratio requirements of our lenders. Please note the Debt Service Coverage Ratio (DSC) for National Rural Utilities Cooperative Finance Corporation (CFC) is 1.35. The net TIER target of 2.05 allows for a 1.38 DSC, only slightly above the requirement. • _Failure to meet these default requirements may disqualify WEC from future loan funding and it may trigger posting of financial assurance in some of WEC's power contracts. • _An increase adjustment in revenues of $456,184 is included on line 25 on the Revenue Requirement tab. This amount reflects 10 months of the previously approved rate increase in Case No 18-1425-TF. This amount was calculated by multiplying the billing units from the period of September 1, 2017 to June 30, 2018 by the approved rate increase to estimate revenue had the rates been in effect for the whole test period. The difference between this estimated amount and what the actual revenues were for the same period is the $456,184. The detail is included on schedule S17-Effect on Revenue. **Purchase Power (S2):** • Increased $132,205. See separate Power Supply Rate Case Assumptions. **Transmission Costs (S3):** • Decreased transmission Right of Way (ROW) clearing costs by $13,929 to bring to five-year average level. WEC owns and maintains 25.86 miles of 34.5 and 46.0 kV transmission lines. Dollars to trim transmission lines are accounted for separately from distribution ROW clearing. **Distribution Maintenance (S4):** • Increased Distribution Operation System & Maintenance of $43,628 for annual pole inspections. Pole inspections were performed during the months of June 2017 – August 2017 and began again in September 2018. Therefore, the	Cited in the report.

test year does not adequately reflect annual pole inspection costs. Used five-year average to estimate pole inspection costs.

- Increased distribution Right of Way (ROW) clearing costs by $35,796. Used a five-year average for normal right of way trimming which reduced right of way by $14,204. However, this is offset by an increase of $50,000 which is needed to remove the ash trees from along and adjacent the utility corridor. The ash trees have been infected by the Emerald Ash Borer (EAB) which causes the tree to die within a 3-5-year period. The EAB has been detected throughout central Vermont which is the heart of WEC territory. Based on an actual inventory of the feeder out of the North Tunbridge Substation, there are, at a minimum, 17 ash trees per mile of line that represent a threat to the WEC distribution line. The substation is in Orange County, which is the location where the presence of the Emerald Ash Borer was first confirmed in VT. WEC owns and maintains 1,152 miles of high voltage overhead distribution and transmission line. The sum of $50,000 will help target the removal of 500-667 ash trees annually as part of a 10-year EAB mitigation plan.
- Decrease in major storm of $95,645. Used five year average to estimate major storm damage expense. Costs have been reduced by Federal Emergency Management Agency payments received. (Calculation excludes payroll related costs that are calculated on tabs S6A-S6C)

Customer Accounts (S5):

- Increased $61,438 for Renewable Energy Standard (RES) TIER III to comply with increased MWH savings requirements for 2019 which are part of the Vermont Public Service Board (n/k/a PUC) Order in Docket 8550. WEC's 2019 Tier III Annual Plan filed with the PUC on November 1, 2018 outlines MWH targets and plans for 2019. Applied 2018 Tier III $/MWH cost to rate year and increased MWH as required by the RES and PUC order.

Admin & General (S6):

- Decreased Admin & Gen Union Negotiations non-payroll related costs $4,381. WEC's union contract runs through December 31, 2020.
- Increased financial audit fees $1,525 for contracted audit.
- Decreased Outside Services Other $4,503 for consulting costs. Used five-year average of outside consulting costs.
- Reg Exp – Cost of Service – increased $15,793 for legal fees associated with upcoming Cost of Service Rate Design filing in 2019. This is based on the three-year average of legal fees associated with WECs prior cost of service rate design filing.
- Reg Exp – IRP – increased $43,888 for consultant to begin work on 2020 Integrated Resource Plan (IRP). This is based on the three-year average for the outside consultant to prepare the IRP. WEC's next IRP is due July 1, 2020.

Payroll (S6-A – S6C):

- Appears on several schedules as Proforma Labor Costs
- Increased Union 2019 wages 3.0% pursuant to Union contract. Increased Non-Union wages 2.75%.
- Estimated a decrease of $47,734 for Vacancy Factor based on five-year average.
- Used a five-year average for overtime hours.
- Used 2019 rate for employer portion of medical plan.
- Used 2019 employee medical contribution rates pursuant to Union contract.
- Used 2019 retirement security plan contribution rates.
- Left Workers Comp at test year level.
- Used a five-year average of capital/expense ratio to allocate payroll adjustments. The test year includes two large storms (Oct 2017 and May 2018) and the expense ratio was higher than normal.

Risk Insurance (S7):

- Appears on several schedules as Risk Insurance
- Increased General Liability, Auto & Directors & Officers Insurance $1,523, based on calendar year 2018 premium rates.

Property Taxes (S6 – lower section & S14):

- Appears on several schedules as property taxes allocated among various accounts.
- Increase of $71,157 in distribution property taxes is based on a five-year average.

- Decrease in Coventry Clean Energy property taxes in the amount of $53,696 is based on 10-year average generation, average O&M expenses, average ISO-NE wholesale energy prices, 2018 Cap Rate, multiplied by an estimated 2019 tax rate. The tax rate was estimated using the average increase in tax rates over five years.

Depreciation (S8):

- Depreciation increased $20,098. The increase is based on annualizing the current monthly depreciation expense as of August 31, 2018 which reflects current depreciation on assets placed in service through July 31, 2018.

Amortization (S8A):

- Adjustments as follows:
- $617 increase in Construction Work Plan amortization.
- $400,000 of Deferred REC Revenue was recognized in calendar year 2018. This will not reoccur in the rate year. (deferred revenue was from WEC 2017 rate case docket 8877).
- $53,753 Open Access Transmission Tariff (OATT) revenues were recognized as of July 2018. The breakdown of the deferral was as follows:
- 2017 Deferred OATT Revenue $ 22,231
- 2018 OATT Revenue Deferred through June 30, 2018 $ 31,522

Total Deferred $ 53,753

Interest Expense (S9):

- Decreased interest expense $2,609 breakdown as follows:
- Interest on all existing loans as of January 31, 2018, net decrease of ($19,760)
- Interest on anticipated draws based on Construction Work Plan, increase of $17,151.

Other Income (S10):

- Increased VT Transco LLC dividends $30,762 from the test year, for additional investment purchased in 2017.
- Increased VT Transco LLC dividends $17,896 for estimated investment in December 2018.
- Decreased VT Transco LLC dividends $48,844. Test year includes initial payment for Utopus sale. The final payment for the Utopus sale is much less in the rate year.

Other Revenues & Other Income & Expenses (S11):

- Decrease in Open Access Transmission Tariff (OATT) revenues of $1,679. The updated rate as of July 1, 2018 was a reduction of 0.879%. Per WEC's OATT, revenues could not be recognized until the July 2018 rate filing. The test period includes revenues that had been deferred for both 2017 and 2018. (Detail explained under S8A Amortization above).
- WEC OATT rate adjustments are done in conjunction with cost of service adjustment to its retail rates, or on an as needed basis when there is a material change to the cost of service relative to the transmission line.
- WEC is not proposing to change its 2019 OATT rates as they were updated as part of Case No 18-1425-TF WEC Petition for Rate Increase (rates decreased from $2.388 kW-mo to $2.367 kW-mo).
- The rate adjustment from the 2018 proceeding established rates for 2019 and therefore no adjustment is needed to the OATT rates in this proceeding.
- Decrease in Renewable Energy Credit Revenues of $846,103 due to the following:
- Recognized $400,000 of Deferred Renewable Energy Credit Revenues during the test year. Will not reoccur in the rate year.
- Decrease in revenue associated with the sale of Renewable Energy Credits (RECs) in the amount of $446,103 based on the following:
- WEC is projecting REC revenues in the rate year of $1,600,524. The calculation is based on firm sales and available RECs for sale (Open RECs) that will be booked in the rate year.
- WEC has firm sales for vintage 2019 RECs for a total volume of 40,000 that will account for $1,332,500.
- We are also projecting Open REC sales from RECs produced in 2018 and 2019. WEC is projecting vintage 2018 RECs of 15,089 which are unsold at this time as well as 2019 vintage unsold of 25,089. For both vintage 2018 and 2019 Open RECs, WEC is using market prices as of 11/6/2018 to project revenues. The breakdown is as follows:
    - 2018 Vintage (MA/CT/RI Class 1) = 6,675 @ $2.50 = $16,686
    - 2018 Vintage (NH3 & MA/CT/RI Class 1) = 8,414 @ $6.00 = $50,481
    - 2019 Vintage (MA/CT/RI Class 1) = 16,675 @ $7.00 = $116,722

		○ 2019 Vintage (NH3 & MA/CT/RI Class 1) = 8,414 @ $10.00 = $84,135 Total estimated sales: $268,024 Total firm sales: $1,332,500 Total revenue: $1,600,524 ○ WEC is using brokerage information from November 2018 for REC prices for any open positions in 2018 and 2019. • Reduced gain/loss on disposition of property in the amount of $198. There are no known sales anticipated for the rate year. • Removed $1,001 of donation costs. Removed $13,267 of costs associated with lobbying.	
30	Exhibit 2A - WEC Rate Case Test Year.xlsx	WEC Rate Increase Schedule 2: Test Year: 9/1/2017 thru 8/30/2018 Rate Year:1/1/2019 thru 12/30/2019: WEC Power Cost	
31	Exhibit 2B - WEC Power Supply Rate Year.xlsx	Exhibit contains supporting spreadsheets for: Capacity Contract Charges; FCM Credits; Renewable Credits; Ancillary Load Charges; Transmission; GMP Trans Build; and Admin Load Charges	
32	Exhibit 2C - REC Revenue Projections.xlsx	2018 & 2019 REC Vintage Revenue Summary: Rate Year RECs $1,600,524	
33	Exhibit 2D - Purchase Power and Production Cost Assumptions.pdf	Washington Electric Cooperative: Power Supply Summary Notes for Rate Case*Test Year: 9/1/2017 – 8/31/2018 *Rate Year: 1/1/2019 – 12/31/2019	
34	Exhibit 3 - Comparison of Current and Proposed Rates.pdf	**COMPARISON OF CURRENT AND PROPOSED ELECTRIC RATES WITH NEW RATE INCREASE** **CLASS OF SERVICE** / **MONTHLY CUSTOMER CHARGE** / **EXISTING RATES AS OF 7/1/2018** / **PROPOSED RATES** **Residential** / $13.45 Current $14.19 Proposed / 1st 200 kWh/month $0.10759 Over 200 kWh/month $0.24022 / 1st 200 kWh/month $0.11350 Over 200 kWh/month $0.25341 **Small Commercial** / $13.40 Current $14.14 Proposed / Per kWh/month $0.19667 / Per kWh/month $0.20747 **Large Power** / $22.87 Current $24.13 Proposed / Demand Charge per kW/month $14.79 Per kWh/month $0.10441 / Demand Charge per kW/month $15.60 Per kWh/month $0.11014 **Time of Day** / $13.45 Current $14.19 Proposed / Peak Hours First 60 kWh/month $0.10759 All kWh over 60 kWh/month $0.26591 Off Peak Hours First 140 kWh/month $0.10759 All kWh over 140 kWh/month $0.22613 / Peak Hours First 60 kWh/month $0.11350 All kWh over 60 kWh/month $0.28051 Off Peak Hours First 140 kWh/month $0.11350 All kWh over 140 kWh/month $0.23854 **Security Light Rate** / Per 100 Watt Light/month $20.93 Per 250/400 Watt Light/month $41.85 Per 101 Watt – LED $20.91 Per 91 Watt – LED $20.08 Per 87 Watt – LED $19.72 / Per 100 Watt HPS/month $22.08 Per 400 Watt HPS/month $44.15 Per 50-60 Watt LED $22.06 Per 40-50 Watt LED $21.18 Per 30-40 Watt LED $20.80	
35	Exhibit 3.pdf	Proposed 2012-2022 Long Range Plan Spreadsheet	
36	Exhibit 6 - Comparison of Current and Proposed Rates.pdf	Same information as Exhibit 3 - Comparison of Current and Proposed Rates.pdf on line 34 of Attachment A	
37	Exhibit 7 - Distribution of Notice.pdf	**DISTRIBUTION OF NOTICE** The attached notice was published in the November 16th edition of the Times Argus and the December 7th issue of Coop Currents that is sent to all WEC members. The notice is posted on WEC's website as of the afternoon of November 15, 2018. Also, WEC sends its monthly bills in three batches of approximately 1/3 of its members. Bills sent on November 14, 21, and 28 will state:	

		On November 15th, 2018, Washington Electric Cooperative, Inc., filed a request with the Vermont Public Utility Commission (PUC) for an increase in retail rates of 5.49%. The main driver of this increase is declining revenue from Renewable Energy Credits. You have the right to further information about, and to comment on, this rate increase. Please see www.wec.coop for the complete notice.	
38	Petition.pdf	**PETITION** Washington Electric Cooperative, Inc. ("WEC"), by and through its attorneys, Diamond & Robinson, P.C., and pursuant to 30 V.S.A. §§ 225 and 226, petitions the Vermont Public Utility Commission ("Commission") to approve a 5.49% increase in its rates applied to all existing rate classes and schedules effective on January 1, 2019. In support of this petition, WEC states and provides the following: 1. WEC is a duly organized public service and not-for-profit cooperative with its principle place of business located in East Montpelier, Vermont. WEC is a "company" as defined by 30 V.S.A. § 201 and as such is subject to the Commission's jurisdiction pursuant to 30 V.S.A. § 203. 2. The requested rate increase is necessary to provide WEC with those revenues required to provide efficient and reliable service to its members and to insure a level of financial performance required by its lenders. Petition of WEC for Approval of 5.49% Rate Increase Docket No._____ November 15, 2018 Page 2 of 3 3. The primary cost driver underlying this requested increase is a steep decline in renewable energy credit (REC) prices. This decline is detailed in the attached summary, explanation, and supporting materials. 4. WEC seeks approval of the proposed rate increase and corresponding tariffs effective January 1, 2019. 30 V.S.A. §§ 225 and 226, 5. As documented in the supporting materials, the new rates are just and reasonable. 6. WEC submits the following exhibits in support of this Petition: Summary of WEC Rate Case. Exhibit WEC 1, Cost of Service and supporting schedules. Exhibit WEC 1A, Cost of Service Explanations for Pro Forma Adjustments. Exhibit WEC 2A, Power Supply Costs: Test Year. Exhibit WEC 2B, WEC Power Supply Costs Rate Year and supporting schedules. Exhibit WEC 2C, REC Revenue Projection. Exhibit WEC 2D, Purchase Power and Production Cost Notes. Exhibit WEC 3, Long Range Plan. Exhibit WEC 4, Tariff Sheets effective January 1, 2019. Exhibit WEC 5, Redline Versions of Tariffs. Exhibit WEC 6, Comparison of Current and Proposed Rates. Exhibit WEC 7A, Notice to WEC Members of Rate Increase. Exhibit WEC 7B, Distribution of Notice to Members includes an explanation of how and when this Notice was provided to WEC members. Petition of WEC for Approval of 5.49% Rate Increase Docket No._____ November 15, 2018 Page 3 of 3 **WHEREFORE**, based upon the foregoing, WEC respectfully requests that the Commission approve the requested rate increase. Dated at Montpelier, Vermont, this 15th day of November, 2018.	Cited in report.
39	Proposed Customer Notice - Revised.pdf	**NOTICE TO WASHINGTON ELECTRIC CO-OP MEMBERS** **Notice of Proposed Tariff Changes** On November 15, 2018, Washington Electric Cooperative, Inc. filed a request with the Vermont Public Utility Commission (PUC) for an increase in retail rates of 5.49%. The main driver of this increase in rates are declining revenues from renewable energy credits. **This change will take effect with power sold on and after January 1, 2019, and will be reflected on bills received in January. If the PUC opens a formal investigation of this matter, this increase will be shown as a separate surcharge on bills until the PUC finishes its investigation.** To determine the impact on your individual bill, use the present and proposed rates column and your average monthly consumption. For example, a residential member using an average of 500 kWh a month would calculate his or her bill as follows: July 1, 2018 Present Rates Proposed Rates Customer Charge $13.45 $14.19 First 200 kWh 200 x $.10759 $21.52 200 x $.11350 $22.70 Usage over 200 kWh 300 x $.24022 $72.07 300 x $.25341 $76.02 $107.04 $112.91	
40	Proposed customer notice.pdf	**NOTICE TO WASHINGTON ELECTRIC CO-OP MEMBERS** **Notice of Proposed Tariff Changes**	

		On November 15, 2018, Washington Electric Cooperative, Inc. filed a request with the Vermont Public Utility Commission (PUC) for an increase in retail rates of 5.49%. The main driver of this increase in rates are declining revenues from renewable energy credits. **This change will take effect with power sold on and after January 1, 2019, and will be reflected on bills received in January. If the PUC opens a formal investigation of this matter, this increase will be shown as a separate surcharge on bills until the PUC finishes its investigation.** To determine the impact on your individual bill, use the present and proposed rates column and your average monthly consumption. For example, a residential member using an average of 500 kWh a month would calculate his or her bill as follows: July 1, 2018 Present Rates Proposed Rates Customer Charge $13.45 $14.19 First 200 kWh 200 x $.10759 $21.52 200 x $.11350 $22.70 Usage over 200 kWh 300 x $.24022 $72.07 300 x $.25341 $76.02 $107.04 $112.91	
41	Tariff - changes in ratemaking methodology.pdf	Same information as Exhibit 1A -Cost of Service Explanation.,pdf on line 29 of Attachment A	
42	Tariff - clean version - 38 C & CS Commercial.pdf	**POLICY BULLETIN NO. 38 C & CS** SUBJECT: COMMERCIAL Class #3 POLICY: This rate is available for single or three-phase service at secondary voltage for commercial establishments using less than 7,200 kWh per month. MONTHLY RATE: The sum of the following: COMMERCIAL Customer charge/month .....$14.14 All kWh/month $0.20747	
43	Tariff - clean version - 38 L Street and Area Lighting.pdf	**POLICY BULLETIN NO. 38 L** SUBJECT: STREET & AREA LIGHTING RATE POLICY: This rate is available for security or area lighting consisting of an LED fixture set to four wattage ranges between 30 and 70 watts, or a 100W or a 400W high-pressure sodium (HPS) fixture, installed on an existing WEC pole. MONTHLY RATE: 60-70 Watt LED…. $21.05 50-60 Watt LED .....$22.06 40-50 Watt LED .....$21.18 30-40 Watt LED .....$20.80 100 Watt HPS .....$22.08 400 Watt HPS $44.15	
44	Tariff - clean version - 38 LP Large Power.pdf	**POLICY BULLETIN NO. 38 LP** SUBJECT: LARGE POWER RATE, Class #8 POLICY: This rate is available for single or three phase service at secondary voltage for all business establishments, including farms, whose consumption is greater than 7200 kWh for four (4) consecutive months within any calendar year, and whose measured peak demand is 30 kW or more during any 12 month period. Available to consumers requiring three-phase 60 cycle primary or secondary service. MONTHLY RATE: The sum of the following: Customer charge/month ..... $24.13 KW of demand/month ..... $15.60 All KWH/month ..... $ 0.11014	
45	Tariff - clean version - 38 R Residential.pdf	**POLICY BULLETIN NO. 38 R** SUBJECT: RESIDENTIAL RATE Classes #2 and #1 POLICY: This rate is available for single-phase electric service at secondary voltage for residential customers. This rate includes those consumers whose residential and business consumption are on the same meter. Each unit in a multi-unit residential property will be metered and billed separately. MONTHLY RATE: The sum of the following: Customer charge/month $14.19 First 200 kWh/month $0.11350 All kWh Over 200 kWh/month $0.25341	

46	Tariff - clean version - 38 TOD Time of Day.pdf	**POLICY BULLETIN NO. 38 TOD** SUBJECT: TIME-OF-DAY RATE, Class 5 POLICY: This rate is limited to those residential accounts that are being served under this rate classification as of the effective date of this tariff. MONTHLY RATE: The sum of the following: Customer Charge .....$14.19 Peak Hours First 60 kWh/month .....$0.11350 All kWh over 60 kWh/month .....$0.28051 Off-Peak Hours First 140 kWh/month .....$0.11350 All kWh over 140 kWh/month $0.23854	
47	Tariff - cost of service, rate base.xlsx	Same information as Exhibit 1 -Cost of Service.xlsx on line 28 of Attachment A	
48	Tariff - redline version - 38 C & CS Commercial.pdf	**POLICY BULLETIN NO. 38 C & CS** SUBJECT: COMMERCIAL Class #3 POLICY: This rate is available for single or three-phase service at secondary voltage for commercial establishments using less than 7,200 kWh per month. MONTHLY RATE: The sum of the following: COMMERCIAL Customer charge/month ..... $13.40 $14.14 All kWh/month $0.19667 $0.20747	
49	Tariff - redline version - 38 L Street and Area Lighting.pdf	**POLICY BULLETIN NO. 38 L** SUBJECT: STREET & AREA LIGHTING RATE POLICY: This rate is available for security or area lighting consisting of an LED fixture set to four wattage ranges between 30 and 70 87, 91 or 101 watts, or a 100W or a 400W high-pressure sodium (HPS) fixture, installed on an existing WEC pole. MONTHLY RATE: 60-70 Watt LED.... $21.05 50-60101 Watt LED $20.91 $22.06....9,612 initial lumens 40-50 91 Watt LED $20.08 $21.18....8,747 initial lumens 30-40 87 Watt LED $19.72 $20.80....8,266 initial lumens 100 Watt HPS .....$20.93 $22.08....9,500 initial lumens 400 Watt HPS .....$41.85 $44.15.....38,000 initial lumens	
50	Tariff - redline version - 38 R Residential.pdf	**POLICY BULLETIN NO. 38 R** SUBJECT: RESIDENTIAL RATE Classes #2 and #1 POLICY: This rate is available for single-phase electric service at secondary voltage for residential customers. This rate includes those consumers whose residential and business consumption are on the same meter. Each unit in a multi-unit residential property will be metered and billed separately. MONTHLY RATE: The sum of the following: Customer charge/month $13.45 $14.19 First 200 kWh/month $0.10759 .11350 All kWh Over 200 kWh/month $0.24022 .25341	
51	Tariff - redline version -38 LP Large Power.pdf	**POLICY BULLETIN NO. 38 LP** SUBJECT: LARGE POWER RATE, Class #8 POLICY: This rate is available for single or three phase service at secondary voltage for all business establishments, including farms, whose consumption is greater than 7200 kWh for four (4) consecutive months within any calendar year, and whose measured peak demand is 30 kW or more during any 12 month period. Available to consumers requiring three-phase 60 cycle primary or secondary service. MONTHLY RATE: The sum of the following: Customer charge/month ..... $22.87 24.13 KW of demand/month ..... $14.79 15.60 All KWH/month ..... $ 0.1044 111014	
52	WEC Case No. 18-3959-TF PSD Recommendation Letter.msg	Same information as E WEC Case No. 18-3959-TF PSD Recommendation Letter.pdf on line 18 of Attachment A	

Attachment B

Case No. 1425-TF

Act 130 Document Review Summary

Line No.	Document File	Key Text From Document File	Comments
1	**18-1425-TF - Closed**		
2	18-1425-TF - Log.doc	DEPARTMENT OF PUBLIC SERVICE Docket Log Docket No. 18-1425-TF Tariff filing of Washington Electric Cooperative, Inc. requesting a 3.72% increase in its rates effective with bills rendered 7/1/18 DATED DESCRIPTION SUBMITTED BY TIME STAMPED 6/4/18 DPS's Response to WEC's Motion for Confidential Treatment DPS/Burke ePUC 6/12/18 **Order Denying Motion for Confidential Treatment of Evidence** PUC ePUC	
3	**Commission Documents**		
4	18-1425-TF - 2018.05.18 - Additional Revisions to Public Notice.pdf	**MEMORANDUM** To: Washington Electric Cooperative Inc., Case Number 18-1425-TF From: Elizabeth Schilling, Staff Attorney Re: Additional Revision to Public Notice Date: May 29, 2018	
5	18-1425-TF - 2018.05.23 - Due Dates.pdf	**MEMORANDUM** To: Parties in PUC Case Number 18-1425-TF From: Holly R. Anderson, Deputy Clerk of the Commission Re: Due Dates Date: May 23, 2018 On May 17, 2018, Washington Electric Cooperative Inc. filed a proposed tariff with the Vermont Public Utility Commission ("Commission"). Consistent with 30 V.S.A. § 225, the following due dates have been established for this proceeding: 6/4/18 Response to Motion for Confidential Treatment of Evidence Due Date 6/18/18 DPS Recommendation Due	
6	18-1425-TF - 2018.05.23 - Notice of Proposed Tariff Changes.pdf	Changes to notice for clarity and to make the language more consumer friendly.	

Line No.	Document File	Key Text From Document File	Comments
7	18-1425-TF - 2018.05.23 - Request for Information - Corrected Public Notice.pdf	MEMORANDUM To: Washington Electric Cooperative Inc., Case Number 18-1425-TF From: Elizabeth Shilling, Staff Attorney Re: Request for Information; Corrected Public Notice Date: l|l4ay 23,2018 On May 17,2018, Washington Electric Cooperative ("WEC") filed a request with the Vermont Public Utility Commission (“Commission") for a rate increase of 3.72% to be effective July 1, 2018. As a part of the filing, WEC stated that it would provide its members with notice of the proposed increase via a mailing to be sent on June 29,2018. The Commission has the responsibility to direct companies applying for rate changes to provide notice to parties affected by such changes. If notice is not sent until June29,2018, as described, members would likely not receive notice until after the proposed changes are scheduled to go into effect. Since the Commission must decide prior to July 1, 2018, whether to open an investigation into the proposed rate increase, the Commission would expect to receive public comments by no later than June 18, 2018. While WEC has posted the notice on its website and issued a press release, many customers will not learn of the proposed increase until receiving the notice in the mail, and therefore, receiving notice on or about June29,2018 will not provide members an opportunity to provide comment to the Commission. Accordingly, please provide a response by no later than May 29,2018 to explain how WEC plans to address this apparent discrepancy in the proposed timeline for providing notice to its customers. Additionally, please see the attached clarifying edits to the "Notice of Proposed Tariff Changes."	
8	18-1425-TF - 2018.06.13 - Order Denying Motion for Confidential Treatment.pdf	**ORDER DENYING MOTION FOR CONFIDENTIAL TREATMENT OF EVIDENCE** I. INTRODUCTION On May 17, 2018, Washington Electric Cooperative Inc. (“WEC”) filed a motion with the Vermont Public Utility Commission (“Commission”) related to the confidential treatment of power supply pricing information in Exhibit 2B of its rate case filing. Specifically, the exhibit contains the pricing information from an Energy Sale and Purchase Agreement with Vermont Wind, LLC (“Vermont Wind”), which WEC is contractually obligated to keep confidential. WEC represents that the information warrants confidential treatment because public disclosure could adversely impact Vermont Wind’s competitive position to negotiate power purchase agreements and could inhibit WEC’s ability to negotiate unique and favorable pricing for power purchase agreements in the future. WEC did not submit any averments in support of its request for confidential treatment. On June 4, 2018, the Vermont Department of Public Service (“Department”) filed a response in which it indicated that it does not oppose WEC’s request. In this Order, I deny WEC’s motion for confidential treatment. WEC has failed to make a prima facie case that the competitive harm resulting from the public availability of the information sought to be protected is sufficient to overcome the significant policy interest in allowing public access to the information.	
9	18-1425-TF - 2018.06.29 - Order Approving Rates.pdf	**Order entered: 06/29/2018** **ORDER APPROVING TARIFF** On May 17, 2018, Washington Electric Cooperative, Inc. (“WEC”) made a tariff filing with the Vermont Public Utility Commission (“Commission”) for a 3.72% rate increase for all WEC rate classes, pursuant to 30 V.S.A. §§ 225 and 226. As a part of the tariff filing, WEC also seeks to eliminate its seasonal rates. WEC provided notice of the proposed increase to its members through a variety of means, including in the April edition of “Coop Currents,” which is sent to all members; at WEC’s May 2, 2018, Annual Meeting; through notice on its website; through a press release published in VT Digger on May 21, 2018; through notice published in the Times Argus on May 26, 2018; and through notice provided in customer bills mailed in June. No public comments were filed. On June 18, 2018, the Department of Public Service (“Department”) filed a letter stating that it has investigated WEC’s tariff filing and finds the proposed rate increase to be just and easonable and supports the elimination of seasonal rates. Accordingly, the Department recommends that the Commission approve the tariff filing without hearing or further investigation. The Department represented that it engaged in multiple rounds of discussion and information exchange directly with WEC prior to and	

Line No.	Document File	Key Text From Document File	Comments
		following WEC's tariff filing. Additionally, the Department stated that WEC has demonstrated that its proposed revenue requirement is both necessary and sufficient to cover its costs and expenses during the rate year.	
10	18-1425-TF - 2018.06.29 - Order Approving Tariff.pdf	Duplicate file from over on Order Approving Tariff	
11	**Email Copies (With Attachments in Separate Folders)**		
12	**FW WEC Rate Case Follow Up Questions - Attachments**		
13	Board Action Memo Energy and Capacity Position.docx	**Request of WEC Board:** Authorize the General Manager to enter energy hedge contracts for January and February of 2017 for up to 3 MW's of on peak power per month **Background:** At this month's Board meeting we will go over data relative to WEC's energy and capacity gaps for 2017. As you may recall from previous information and discussions last year, this gap began as a result of the expiration of the 2.6 MW Hydro Quebec Vermont Joint Owners contract. As a reminder, the HQ contract made up roughly 15% to 20% of WEC's energy supply mix and it expired November 1, 2015. **Recommendation:** Recommend hedging energy needs with an on-peak purchase for ~ 3 MW on peak months of January and February. Recommend further work on capacity position to plan for increased prices that will occur beginning June 2017.**Expected Financial Impact** Hedging energy will allow WEC to manage uncertainty from winter wholesale energy prices. Without the 3 MW purchase or hedge, power costs run the risk of being open to market prices for 10-20% of the load needs to wholesale market volatility. The risk of being unhedged could create upward pressure on budgets. Upward risk is much higher than the downward risk of locking in.	
14	PUC 8877 - 2017.07.28 - Order.pdf	Docket No. 8877 Investigation into Washington Electric Cooperative, Inc.' s tariff fi ling requesting an overall rate increase in the amount of 6.520/o, to take effect Jan 1 20t7 - Order entered:7/28/2017I. **I Introduction:** In this Proposal for Decision, I recommend that the Vermont Public Utility Commission ("Commission") I approve a revised rate increase from Washington Electric Cooperative, Inc. ("WEC" or the "Company"), effective with service rendered on or after January 1,2017. The revised increase requested by WEC constitutes an increase in WEC's annual electric revenues of $801,169, or 5.95o/o more than its existing revenues. The difference between the 6.520/o tate increase originally requested by WEC and the 595% increase recommended in this Proposal for Decision would be refunded to customers. **II. Procedural History:** On November 15, 2016, WEC filed a cost-of-service document, revised tariffs, and a petition for approval of a rate increase (the ':Petition") with the Commission. This filing reflected a 6.52% overall increase in rates, to take effect on a service-rendered basis commencing January l, 2017. On December 5, 20l6 ,Alice Duncan submitted a public comment expressing concern about WEC's proposed rate increase and requesting that the Commission investigate it. On December 20, 2\l6,the Vermont Department of Public Service (the "Department") frled a letter in which it recommended that the Commission open an investigation into WEC's tariff filing . On January 12,2017, the Commission opened this investigation and assigned me to serveas hearing officer for the proceeding. On January 26,2017,1 held a prehearing conference in this matter. On February 6,2017, V/EC filed a memorandum in support of its tariff filing ("WEC Memo"), in which it revised its requested rate increase from 6:520/o to 5.95%. On March 13,2017,I held a status conference in this proceeding. On March 29,2017,I issued a scheduling order outlining a schedule for the remainder of the proceeding. In the scheduling order, I requested that WEC respond to certain questions I had posed at the status conference related to its revised request. On April 5,2017, WEC submitted a memorandum in support of its revised rate request "WEC Memo") and the prefiled testimony of Cheryl Willette, in which the Company addressed the questions posed in the March 29 scheduling order. On April 6,2017, the Department filed comments in response to WEC's April 5 filing. In its comments, the Department recommends that the Board approve WEC's revised rate request and its request for deferral.	
15	FW WEC Rate Case Follow Up Questions.pdf	**From:** Potter, Dan [mailto:Dan.Potter@vermont.gov] **Sent:** Monday, June 04, 2018 4:25 PM **To:** Richards, Patty **Cc:** Foley, Sean; McNamara, Ed; White, Joanna; Willette,Cheryl **Subject:** RE: WEC Rate Case Follow Up Questions Patty ,Thanks again. After chasing down the relevant portions of your answers in WECs filing, I have a few additional questions. 1. Schedule 8-A	Cited in the report.

Line No.	Document File	Key Text From Document File	Comments
		shows $400K in deferred REC revenue. Schedule 11 then shows ½ of that taken in the rate year for a $200K adjustment. Will you please provide the basis for this adjustment? Are these RECs that you have forward sold? WEC included in the 2018 rate filing deferred REC revenue from its January 1, 2017 rate increase (see supporting notes for explanation). In the 2017 filing, the PUC agreed with WEC and issued as part of its order that WEC could do a revenue deferral (see PUC order in Docket 8877 for details, copy attached, page 3 paragraph 6). WEC is including that revenue deferral in its 2018 financials. In the 2017 rate case filing WEC was allowed to defer $400K of REC revenue from 2016. WEC has recorded the $400K in calendar year 2018 to meet its financial metrics during the year. This deferral is being recognized for calendar year 2018. Since the rate year is half of 2018 (July through December 2018) WEC took half of the deferral for the rate year. 2. Schedule 2 (Acct. 559.01) shows $45,563 in REC Expenses (Purchases and SEA) for the test year with a $62,912 upward adjustment for a total of $108,475 in the rate year. Will you please provide the basis for this adjustment? The vast majority of dollars is due to increased cost for Class 2 RECs. WEC sells its high value Class 1 RECs and then buys back Class 2 RECs to green back up its power supply mix. For the year 2017, WEC purchased 58,000 Class 2 RECs at $0.75 per REC for a total expense of $43,500. For the years 2018 and 2019, the market price increased for Class 2 RECs. For 2018 WEC purchased 59,000 RECs at $1.65 per REC for $97,350. For 2019 WEC purchased 59,000 RECs at $1.90 per REC for a total price of $112,100. For the rate year, WEC used an average of the purchases from 2018 and 2019 giving a blended cost of REC's of $104,725. This creates an increased cost from Class 2 RECS of $61,225. The remainder of the cost difference is for REC market updates that WEC pays for consultant time through Sustainable Energy Advantage (SEA). 3. Schedule 5 (Acct. 908.07) shows the Tier III expenses for the test year and rate year. You have increased that expense between the years by $51,721. Will you please provide the basis for this adjustment? 3. Schedule 5 (Acct. 908.07) shows the Tier III expenses for the test year and rate year. You have increased that expense between the years by $51,721. Will you please provide the basis for this adjustment? Please see the email sent to Gina Stair on 5/30. We will send this to you as well. 4. Coventry's generation during the test year was 53,075,555 kWh. The generation estimate for Coventry appears to be identical for the rate year. Will you please explain why a historical average was not used? WEC used the 2017 test year as an indicative metric of the upcoming generation at Coventry in the rate year. Using a multiyear historical average at Coventry does not make sense due to changes at the plant and due to the composition and make up of waste at the landfill. In 2017 WEC installed a SRS system (new gas scrubbing system) and the new equipment is helping to clean the gas while also creating new parasitic load for the regeneration device that cleans the gas. The year 2017 is a standalone year with the SRS on line and therefore going back before 2017In addition to the newly installed SRS system, gas volumes produced at the landfill are a direct function of the composition of the intake of the waste stream going into the landfill. Therefore, gas volume is driven by current waste stream composition and actual tonnage brought in. Also, Act 146 (food scrap diversion plan) is having an effect on gas production. As a result, production years before 2017 may not be indicative of current methane production at the landfill. Therefore, we used the test year production in the rate year. 5.WEC appears to be very hedged between October-May. Specifically, with blocks of energy in January and February.I assume an economic analysis was performed when convincing the Board that such hedging purchases were the right decision. Will you please provide any such analysis that was relied upon when considering these purchases? WEC has an open power supply position (ie unhedged) during on peak periods during the winter months.A copy of the recommendation to hedge in 2017 is attached. As no one can predict the future price of electricity with certainty, the decision to hedge it is a tradeoff between cost at the time of the transaction and the risk/uncertainty of future market prices. WEC has generally taken action to avoid the risk of spot market prices during volatile periods (ie wintermonths)	
16	**FW WEC Rate Increase - Attachments**		
17	Q 4. RES Tier III Requirements.pdf	Q 4. RES Tier III Requirements See attached excel file for calculation of Tier 3 savings(Tier 3 Dollar Projections DPS Questions.xlsx). Used $34.17 $/MWH value to calculate cost to WEC. This is based on WEC's filed 2018 Annual Plan minus labor costs(labor costs will be incurred regardless of work captured in the RES Tier III program herefore removed internal WEC labor rom the dollar per MWH number). Multiplied $34.17 times increased MWH savings for the plan year 2019 and then split the costs 50/50 for the rate year. Spending in 2017 was low due to timing issues and vetting of savings WEC seeks to claim for work from Capstone. DPS staff in the planning division (Ed McNamara and others) are reviewing this issue and we are waiting for a decision. We didn't count expenses from Capstone in 2017 as we didn't have a signed contract. We will have a signed contract for 2018. As soon as we hear back from DPS staff the contract will be signed. The expense for Capstone raises our program costs in the year 2018 and allows us to capture MWH savings from Capstone's work.	Cited in the report.
18	Q 4. Tier 3 Dollar Projections DPS Questions.xlsx	Q 4. RES Tier III Requirements See attached excel file for calculation of Tier 3 savings (Tier 3 Dollar Projections DPS Questions.xlsx). Used $34.17 $/MWH value to calculate cost to WEC. This is based on WEC's filed 2018 Annual Plan minus	It appears from this document that WEC

Line No.	Document File	Key Text From Document File	Comments
		labor costs(labor costs will be incurred regardless of work captured in the RES Tier III program, therefore removed internal WEC laborfrom the dollar per MWH number). Multiplied $34.17 times increased MWH savings for the plan year 2019 and then split the costs 50/50 for the rate year. Spending in 2017 was low due to timing issues and vetting of savings WEC seeks to claim for work from Capstone. DPS staff in the planning division (Ed McNamara and others) are reviewing this issue and we are waiting for a decision. We didn't count expenses from Capstone in 2017 as we didn't have a signed contract. We will have a signed contract for 2018. As soon as we hear back from DPS staff the contract will be signed. The expense for Capstone raises our program costs in the year 2018 and allows us to capture MWH savings from Capstone's work.	and Department's staff are in contact to address ratemaking issues Cited in the report This information is cited in the report.
19	Q 4. Tier 3 Dollar Projections DPS Questions.xlsx	https://www.dropbox.com/preview/WEC%20Rate%20Dockets/18-1425-TF%20-%20Closed/Email%20Copies%20(With%20Attachments%20in%20Separate%20Folders)/FW%20WEC%20Rate%20Increase%20-%20Attachments/Q%204.%20Tier%203%20Dollar%20Projections%20DPS%20Questions.xlsx?role=personal	Link to chart for Tier 3 Dollar Projections
20	Q 6. WEC Contract 2018 - 2020 Booklet Final Version 2 Headers.pdf	**AGREEMENT** made and entered into between the Washington Electric Cooperative, Inc. of East Montpelier, Vermont, hereinafter referred to as the "Cooperative" and Local Union #300 of the International Brotherhood of Electrical Workers, hereinafter referred to as the "Brotherhood." The term of this agreement shall commence on January 1, 2018 and shall continue through December 31, 2020 . Commencing on J**anuary 1, 2018**, the Brotherhood will receive a 3**.75% increase**	Cited in the report
21	Q 10. WEC 2017 Financial State22ments.pdf	**Washington Electric Cooperative, Inc. FINANCIAL STATEMENTS December 31, 2017** Rate Increase & Revenue Deferral Request **T**he Cooperative filed with the Vermont Public Utility Commission (PUC) in November 2016 for an across the board increase in its retail rates in the amount of 6.52%. Docket No. 8877 was opened by the PUC and a decision was reached on July 28, 2017 to approve the rate increase but at a lower rate of 5.95%. The Cooperative is allowed to increase its rates 45 days after the filing, and therefore new rates went into effect as a temporary surcharge on January 1, 2017 reflecting the increase. The revenue attributable to the rate increase is billed separately until the PUC issues its final order. On February 6, 2017, the Cooperative **f**iled for a modification to the existing rate increase filing, seeking an approval of the ability to defer approximately $400,000 in REC Revenues from 2016 into future rate years. These revenues are in excess of what was needed to meet lender ratio requirements in 2016. Coupled with this request, WEC agreed to reduce the current rate increase to 5.95%. The PUC approved the 5.95% increase and the $400,000 deferral on July 28, 2017. The Cooperative refunded to members the excess amounts collected in bills. WEC reached an agreement with the Vermont Department of Public Service (DPS) in November 2017 and entered a memorandum of understanding (MOU). This MOU identifies items the DPS requests WEC address in its 2020 IRP. The DPS filed support of WEC's 2017 IRP filing with the PUC. WEC is waiting for the PUC to issue its findings in the 2017 IRP.	Cited in the report.
22	Responses Q1-Q3, Q5, Q7-Q9.pdf	Q 1. Account 593.03 - Distribution Right of Way (ROW) years 2013-2017-Spreadsheet (Dollars & Quantities) Danger Trees - Miles Trimmed; Cost Per Mile;; Cost ;Removed; Cost; Total Cost; Trim cycle Q 2. Account 593.02 - Large Storm Damage Expense--years 2013-2017-Spreadsheet (Dollars & Quanities- Labor, Benefits & Taxes-Transportation Overhead Costs-Estimated FEMA Receivable (Orange & Washington) - Total Estimated Cost less FEMA Allocation Q 3. - Account 583.04 - Dist Oper Recloser Maint Prog -Years 2013-2017-Spreadsheet (Dollars & Quantities) Q.5 - Compensation terms of WEC's CPA firm Q 7. - Overtime Hour Averages - (Employees with less than 5 years, used average for comparable position) -Years 2013-2017-Spreadsheet (Dollars & Quantities) Q. 8 Medical Plan Estimated Increase Years 2013-2017-Spreadsheet (Dollars & Quantities) Q 9. Interest Expense Anticipated Draws for Construction Work Plan.	Cited in the report.
23	FW WEC Rate Increase.pdf	From: Richards, Patty <Patty.Richards@wec.coop> Sent: Tuesday, June 05, 2018 11:18 AM Sent: Tuesday, June 05, 2018 11:18 AM To: Potter, Dan Cc: Foley, Sean; McNamara, Ed; White, Joanna; Willette,Cheryl; Richards, Patty Subject: FW: WEC Rate Increase Attachments: Responses Q1-Q3, Q5, Q7-Q9.pdf; Q 4. RES Tier III Requirements.pdf; Q 4. Tier 3 Dollar Projections DPS Questions.xlsx; Q 6. WEC Contract 2018 - 2020 Booklet Final Version 2 Headers.pdf; Q 10. WEC 2017 Financial Statements.pdf	Cited in the repor.t
24	RE just checking.pdf	**From:** Willette,Cheryl [mailto:cheryl.willette@wec.coop] **Sent:** Wednesday, May 30, 2018 11:27 AM **To:** Stair, Gina <Gina.Stair@vermont.gov> **Subject:** just checking Hi Gina,	Cited in the report.

Line No.	Document File	Key Text From Document File	Comments
		I sent you a 3 mb file earlier today, just want to make sure you received it ok. I know sometimes folks have issues with larger files (didn't realize it was that big until I hit send). Thanks Cheryl	
25	RE WEC COS - ROW adjustment .pdf	**From:** Stair, Gina **Sent:** Thursday, June 07, 2018 3:33 PM **To:** Foley, Sean Sean.Foley@vermont.gov **Cc:** Winn, Brian <Brian.Winn@vermont.gov> **Subject:** WEC COS - ROW adjustment Sean/Brian: As requested, below is a narrative pertaining to WEC's Right-of-Way expense and a proposed adjustment: ROW issue explanation For background, WEC is using the 2017 calendar year as its test year, which is the same period used as the rate year in its last rate case (D8877). WEC is increasing its Right-of-Way spending over the test year by $53,038, from $776,962 to $830,000, to 'achieve appropriate trim cycle.' This budget amount was allowed in the last rate case (D8877). WEC states that 2017 spending fell short due to the need to redirect work to clean up the major storm damage from an October 2017 storm. WEC is increasing its Right-of-Way spending over the test year by $53,038, from $776,962 to $830,000, to 'achieve appropriate trim cycle.' This budget amount was allowed in the last rate case (D8877). WEC states that 2017 spending fell short due to the need to redirect work to clean up the major storm damage from an October 2017 storm. While $830,000 was allowed in the last case, WEC did not meet its budgeted spending. WEC's 5-year average ROW spending is $795,173, or $34,827 less than the budget amount. It is common and appropriate practice to use a 5-year average in determining a reasonable cost to allocate in a rate year. In addition, WEC is using a 5-year average in determining its major storm damage cost allocation for the rate year. Although the average is less than 2017 actual spending, costs from the 2017 storm raises the 5-year average over that allocated in the last case by about $20,000. In addition, WEC is using a 5-year average in determining its major storm damage cost allocation for the rate year. Although the average is less than 2017 actual spending, costs from the 2017 storm raises the 5-year average over that allocated in the last case by about $20,000. For the above reasons, it is recommended that the 5-year average ROW spending is used for the rate year rather than the budget amount. The above decrease also allows for a slight reduction to the TIER, by $13,292, to 1.96. These adjustments would reduce the proposed cost of service increase from 3.72% to 3.39%, or by $48,600, from a total COS of $14,908,022 to $14,859,422. Gina	Cited in the report.
26	RE WEC Rate Increase.1.pdf	**From:** Willette,Cheryl <cheryl.willette@wec.coop> **Sent:** Wednesday, May 30, 2018 10:23 AM **To**: Stair, Gina **Cc:** Foley, Sean; Richards, Patty **Subject:** RE: WEC Rate Increase **Attachments**: Responses Q1-Q3, Q5, Q7-Q9.pdf; Q 4. RES Tier III Requirements.pdf; Q 4. Tier 3 Dollar Projections DPS Questions.xlsx; Q 6. WEC Contract 2018 - 2020 Booklet Final Version 2 Headers.pdf; Q 10. WEC 2017 Financial Statements.pdf Hi Gina, Attached are the responses to your questions. Please note that on question 7, I have included the 5 years of Overtime Hours that was used and noted in the filing as I assumed that was what you were looking for, but if you want something different, please let me know. I have scanned most of these in as pdf, but if you would like the excel version, just let me know Thank you. Cheryl	Cited in the report.
27	RE WEC Rate Increase.pdf	**From:** Stair, Gina Gina.Stair@vermont.gov **Sent:** Tuesday, May 29, 2018 10:27 AM **To:** Willette,Cheryl <cheryl.willette@wec.coop> **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> **Subject:** RE: WEC Rate Increase Hi Cheryl, I was just looking for Account 583.04. Thanks, Gina **From**: Willette,Cheryl [mailto:cheryl.willette@wec.coop] **Sent**: Tuesday, May 29, 2018 10:14 AM **To:** Stair, Gina Gina.Stair@vermont.gov **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> Subject: **RE**: WEC Rate Increase	

Line No.	Document File	Key Text From Document File	Comments
		Hi Gina, I am reviewing your questions now. On question 3, were you looking for the recloser maintenance for the 5 years? All Distribution Operations Maintenance is very broad. I had noted that I used a fiver year average for recloser maintenance because it was high in 2017 so want to clarify before I go further on this question. Thank you. Cheryl	
28	**WEC Rate Increase - Attachments**		
29	WEC 3.72% Rate Increase - Q's.docx	WEC 3.72% Rate Increase 5.17.18 **Distribution** 1. ROW: Please provide the last five years' actual ROW expenditure 2. Storm Damage expense: please provide supporting documentation for 2017 storm costs. 3. Please provide the last five years' actual Distribution Operation-Miscellaneous expenditures. **Customer Accounts** 4. RES Tier III Requirements; $70,549: please show how this amount was calculated. Based on WEC's 2017 Annual Plan for Tier III Compliance, it appears that in 2017, spending was expected to be $48,000 but only 18,828 was charged; please explain the variance. **Admin & General** 5. Please provide support for the increase in contracted audit expense. **Payroll** 6. Please provide a copy of the union contract indicating 3.75% & 3% wage increases for 2018 & 2019. 7. lease provide the last 5 years' Overtime figures. 8. Provide support for the medical plan increase of 5% in 2019. Interest 9. Please provide further explanation and detail for the interest expense on 'anticipated draws based on Construction Work Plan' of $18,281 10. Please provide a copy of WEC's 2017 Audited financial	Cited in the report.
30	WEC Rate Increase.pd33f	**From:** Stair, Gina **Sent:** Friday, May 25, 2018 2:43 PM **To:** cheryl.willette@wec.coop **Cc:** Foley, Sean; 'Richards, Patty' **Subject:** WEC Rate Increase **Attachments:** WEC 3.72% Rate Increase -Q's.docx Hello Cheryl and Patty, I have started reviewing WEC's rate increase petition. I have a few discovery questions; see attached. Thanks; Gina Stair Utilities Financial Analyst Public Service Department 112 State Street Montpelier, VT 0560	
31	**Petition**		
32	18-1425-TF - 2018.05.25 - Notice to Members re Proposed Tariff Changes.pdf	This change will take effect with power sold on or after July 1, 2018 and will be reflected on the next bill you receive, in August. If the Public Utility Commission opens a formal investigation of this matter, this increase will be shown as a separate surcharge on your bill until the Commission finishes its investigation. To determine the impact on your individual bill, use the present and proposed rates column and your average monthly consumption. For example, a residential member using an average of 500 kWh a month would calculate his or her bill as follows: July 1, 2018 - Present Rates Customer Charge $12.97. Proposed Rates Customer Charge $13.45. Present Rates - First 200 kWh 200 x $.10373 $20.7 Proposed Rates 200 x $.10759 $21.52.Present Rates Usage over 200 kWh 300 x $.23160 $69.48. Proposed Rates 300 x $.24022 $72.07.	
33	18-1425-TF - 2018.05.25 - Summary of WEC's Rate Case.pdf	**SUMMARY OF WASHINGTON ELECTRIC COOPERATIVE, INC.'S (WEC) RATE CASE -** WEC is proposing a revenue increase of $535,331 to be effective on July 1, 2018. This represents a 3.72% increase and will be applied to all existing rate classes and schedules. The rate increase is necessary for to provide WEC with sufficient revenues to provide efficient and reliable service to its members and to insure a level of financial performance required by its lenders. A breakdown of the $535,331 increase can be seen on schedule S1-A in Exhibit WEC 1. A summary of the primary cost drivers is as follows: *· The main driver of WEC's rate increase is due to increases in Purchase Power and Transmission Costs. Purchase Power cost increased $474,202 between the test year and the rate year. This increase is offset by a Power Production decrease of $87,323 which is attributed	

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		to estimated lower property taxes associated with our Coventry generation facility. WEC is incurring higher transmission charges from several sources including the Vermont Electric Power Co. ("VELCO"), Green Mountain Power Co., and ISO-NE. The increased VELCO charges are detailed in Exhibit 2D. In addition, WEC is incurring higher charges from ISO-NE in the forward capacity market. WEC is also incurring increased cost due to a reduction in revenue for generation in the Sheffield Highgate Export Interface (SHEI) area. SHEI revenue erosion totaled $177,110. WEC is also experiencing increased expense due to the cost of net metering. WEC estimates it is losing $305,198 in revenue net of offsets to purchase power from net metered systems. · The second largest driver is the increase in Operations and Maintenance costs over the rate year for a total of $107,473. This increase is a combination of costs associated with the Renewable Energy Standard (RES) TIER 3 requirement which is $51,721 of this increase, as well as property taxes associated with the distribution system of an additional $50,179. · WEC is raising its net TIER benchmark to 1.97. The higher net TIER reflects the need to meet both Rural Utilities Service (RUS) and National Rural Utilities Cooperative Finance Corporations (CFC) loan covenant requirements which can be seen on schedule S12-Ratio Calcs. in Exhibit WECin Exhibit WEC 1. The proposed rate increase results in a Debt Service Coverage ("DSC") level of 1.35, which is CFC's minimum DSC requirements. · Per the PUC's order in Case No. 17-3552-TF the rates in WEC's OATT will be updated commensurate with cost-of-service adjustments to retail rates or on an as-needed basis. As a result, WEC is filing a 0.879% decrease to its OATT rate.WEC is also seeking to eliminate its seasonal rates, with little impact to residential rates and no impact to commercial rates. The WEC Board and WEC employees continue to look for ways to reduce costs going forward to minimize the need for future rate increases. WEC recognizes that these continue to be tough economic times and is committed to seeking smaller increases more frequently as needed.	
34	18-1425-TF - WEC Tariff Filing and Attachments.zip	May17,2018 Re: Petition of Washington Electric Cooperative, Inc. ("WEC") For Approval Of Rate Increase Enclosed please find a hard copy of the following documents for filing with the Commission: 1.Petition of Washington Electric Cooperative for Approval of Rate Increase; 2. Summary and Exhibits to Petition; 3. Motion for Confidential Treatment of Evidence; 4. Envelope with Exhibit 2B filed under seal; 5. Notice of Appearance; 6. Certificate of Service. WEC will publish the Notice (Exhibit 8) in the Coop Currents, which will be mailed to all of its members on June 29, 2018. The Notice will be posted on WEC's website today. WEC will also promptly issue a Press Release regarding its Petition for a rate increase.	
35	18-1425-TF Washington Electric Motion for Confidential Treatment of Evidence 5.17.18.pdf	**WASHINGTON ELECTRIC COOPERATIVE, INC.'S MOTION FOR CONFIDENTIAL TREATMENT OF EVIDENCE** Washington Electric Cooperative, Inc. ("WEC"), by and through its attorneys Diamond & Robinson, P.C., and hereby moves the Public Utility Commission ("PUC" or "Commission") to issue an order that provides for the confidential treatment of power supply pricing information in Exhibit 2B of its rate case filing. In support of its Motion, WEC states as follows: 1. On May 17, 2018, WEC filed a Petition with the Commission to approve a rate increase of 3.72%. 2. In its rate case filing, WEC filed several exhibits related to its power supply costs. Amongst the exhibits is WEC 2B, WEC Power Supply Costs Rate Year. WEC has filed a public, redacted version of this exhibit via e-PUC and in hard copy by hand delivery to the Commission. The unredacted version of this exhibit has been filed under seal with the Commission. The unredacted portions of this exhibit contain commercially sensitive financial information. Specifically, the exhibit contains the pricing information nf rom an Energy Sale and Purchase Agreement with Vermont Wind, LLC ("Vermont Wind"). WEC is contractually obligated to keep such information confidential.	
36	18-1425-TF Washington Electric Petition 5.17.18.pdf	**May 17, 2018 PETITION** Washington Electric Cooperative, Inc. ("WEC"), by and through its attorneys, Diamond & Robinson, P.C., and pursuant to 30 V.S.A. §§ 225 and 226 hereby petitions the Vermont Public Utility Commission ("Commission") to approve a 3.72% increase in its rates applied to all existing rate classes and schedules. The rate increase is scheduled to become effective on July 1, 2018. In support of this petition, WEC states the following: 1. WEC is a duly organized public service and not-for-profit cooperative with its principle place of business located in East Montpelier, Vermont. WEC is a "company" as defined by 30 V.S.A. § 201 and as such is subject to the Commission's jurisdiction pursuant to 30 V.S.A. § 203. 2. The requested rate increase is necessary to provide WEC with those revenues required to provide efficient and reliable service to its members and to insure a level of financial performance required by its lenders. 3 The primary cost drivers underlying WEC's requested increase at this time are outlined in the attached summary.	

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		4. Pursuant to 30 V.S.A. §§ 225 and 226, WEC seeks approval of the proposed rate increase and corresponding tariffs filed herewith effective July 1, 2018. The new rates are just and reasonable. 5. In support of this Petition, and in conformity with PUC Rules, WEC submits the following exhibits: Summary of WEC Rate Case. Exhibit WEC 1, Cost of Service and supporting schedules, which include, but are not limited to the following: Schedules 9A, Costs of Capital. Schedule 12, TIER and DSC Calculations. Schedule 17, Effect on Operating Revenue. Schedule 18, Rate Base Calculation. Exhibit WEC 1A, Cost of Service Explanations for Pro Forma Adjustments. Exhibit WEC 2A, Power Supply Costs: Test Year. Exhibit WEC 2B, WEC Power Supply Costs Rate Year. Exhibit WEC 2C, MA Class 1 REC Price History. Exhibit WEC 2D, VT Transco Transmission Costs. Exhibit WEC 2E, Purchase Power and Production Cost Notes Exhibit WEC 3, Projected Construction Expenditures. Exhibit WEC 4, Tariff Sheets effective July 1, 2018. Exhibit WEC 5, Redline Versions of Tariffs. Exhibit WEC 6, Transmission Service Rates (OATT) Exhibit WEC 7, Comparison of Current and Proposed Rates. Exhibit WEC 8, Notice to WEC Members of Rate Increase. WEC intends this exhibit to be replicated in the Coop Currents, which will be mailed to all WEC members on or about June 29, 2018 and will also be posted on WEC's website at the time of this filing.	
37	18-1425-TF Washington Electric Policy Bulletin No. 38R.Clean.5.17.18.pdf	**WASHINGTON ELECTRIC COOPERATIVE, INC. POLICY BULLETIN NO. 38 -** RRESIDENTIAL RATE - Classes #2 and #1- POLICY:This rate is available for single-phase electric service at secondary voltage for residential customers. This rate includes those consumers whose residential and business consumption are on the same meter. Each unit in a multi-unit residential property will be metered and billed separately. MONTHLY RATE:$13.45. - First 200 kWh/month+$0.10759.All kWh Over 200 kWh/month $0.242022	
38	18-1425-TF Washington Electric Policy Bulletin No. 38R.Redlined.5.17.18.pdf	**WASHINGTON ELECTRIC COOPERATIVE, INC. POLICY BULLETIN NO. 38 -** RRESIDENTIAL RATE - Classes #2 and #1- POLICY: This rate is available for single-phase electric service at secondary voltage for residential customers. This rate includes those consumers whose residential and business consumption are on the same meter. Each unit in a multi-unit residential property will be metered and billed separately. Current Monthly Rate:$12.97. Proposed MONTHLY RATE:$13.45. - First 200 kWh/month+ Current Rate $.0.103730, Proposed $0.10759.All kWh Over 200 kWh/month Current rate $0.231600 Proposed $0.242022	
39	18-1425-TF Washington Electric Policy Bulletin NO. 38 TOD.Clean.5.17.18.pdf	TIME-OF-DAY RATE, Class 5 This rate is limited to those residential accounts that are being served under this rate classification as of the effective date of this tariff. The sum of the following: Customer Charge $13.45 <u>Peak Hours</u> First 60 kWh/month $0.11 All kWh over 60 kWh/month $0.27 <u>Off-Peak Hours</u> First 140 kWh/month $0.11 All kWh over 140 kWh/month $0.23 Peak hours are from 6:00 a.m. to 11:00 a.m. and from 5:00 p.m. to 10:00 p.m., inclusive. Peak hours shall apply to weekdays, weekends and holidays. All other hours are Off-Peak hours.	
40	18-1425-TF Washington Electric Policy Bulletin NO. 38 TOD.Redlined.5.17.18.pdf	TIME-OF-DAY RATE, Class 5 This rate is limited to those residential accounts that are being served under this rate classification as of the effective date of this tariff.	
41	18-1425-TF Washington Electric Policy Bulletin No. 38C and CS.Clean.5.17.18.pdf	**POLICY BULLETIN NO. 38 C & CS -POLICY BULLETIN NO. 38 C & CS - SUBJECT:COMMERCIAL - Class #3** This rate is available for single or three-phase service at secondary voltage for commercial establishments using less than 7,200 kWh per month. Customer charge/month $13.40 All kWh/month. $0.19667	
42	18-1425-TF Washington Electric Policy Bulletin No. 38C and CS.Redlined.5.17.18.pdf	**POLICY BULLETIN NO. 38 C & CS - COMMERCIAL and COMMERCIAL SEASONAL RATE -Classes #3 and #9.** This rate is available for single or three-phase service at secondary voltage for commercial establishments using less than 7,200 kWh per month. Seasonal Commercial customers are served under this rate according to the provisions applicable to Seasonal Commercial customers. The term Seasonal Commercial as used herein means those establishments that operate less than six (6) months per year, or establishments that are located in remote areas and the meters are not readily accessible to meter readers.	

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		Seasonal commercial meters are read in April and October, and billed semi annually in fl.foy and November. **Customer charge/month Current $12.92 Proposed $13.40**	
43	18-1425-TF Washington Electric Policy Bulletin NO. 38L.Redlined.5.17.18.pdf	**POLICY BULLETIN NO. 38 L - STREET & AREA LIGHTING RATE:** This rate is available for security or area lighting consisting of an LED fixture set to 87, 91 or 101 watts, or a 100W or a 400W high-pressure sodium (HPS) fixture, installed on an existing WEC pole. MONTHLY RATE: 101 Watt LED .....$ 20.91 9,612 initial lumens 91 Watt LED .....$ 20.08 8,747 initial lumens 87 Watt LED .....$19.72 8,266 initial lumens 100 Watt HPS .....$ 20.93 9,500 initial lumens	
44	18-1425-TF Washington Electric Policy Bulletin NO. 38LP.Clean.5.17.18.pdf	**POLICY BULLETIN NO. 38 LP - LARGE POWER RATE, Class #8** This rate is available for single or three phase service at secondary voltage for all business establishments, including farms, whose consumption is greater than 7200 kWh for four (4) consecutive months within any calendar year, and whose measured peak demand is 30 kW or more during any 12 month period. Available to consumers requiring three-phase 60 cycle primary or secondary service. MONTHLY RATE: Customer charge/month $22.87 KW of demand/month $14.79 All KWH/month $ 0.10441	
45	18-1425-TF Washington Electric Policy Bulletin NO. 38LP.Redlined.5.17.18.pdf	**POLICY BULLETIN NO. 38 LP - LARGE POWER RATE, Class #8** This rate is available for single or three phase service at secondary voltage for all business establishments, including farms, whose consumption is greater than 7200 kWh for four (4) consecutive months within any calendar year, and whose measured peak demand is 30 kW or more during any 12-month period. Available to consumers requiring three-phase 60 cycle primary or secondary service. MONTHLY RATE: Customer charge: Current Rate $22.05 Proposed $22.87 KW of demand/month Current Rate $14.26 Proposed Rate $14.79 All KWH/month: Current Rate$.010067 Proposed Rate $ 0.10441	
46	18-1425-TF Washington Electric Policy Bulletin NO. 38RS Clean.5.17.18.pdf	**POLICY BULLETIN NO. 38 RS: SEASONAL RESIDENTIAL RATE, Class #4 POLICY**: This rate is available for single-phase electric service at secondary voltage for seasonal residences, defined as properties where the occupant resides less than six (6) months per year or where it is determined that the occupant is residing in a residence that is not their primary residence. Seasonal Residential meters are read in April and October, and billed semi-annually in May and November. **MONTHLY RATE: The sum of the following: 6 Months Prepayment of Monthly Customer Charge $/month x 6 months $80.70 First 50 kWh/month .0.10759 Per kWh Over 50 kWh/month.$.0.24022**	
47	18-1425-TF Washington Electric Proposed Customer Notice 5.17.18.pdf	**NOTICE TO WASHINGTON ELECTRIC CO-OP MEMBERS - Notice of Proposed Tariff Changes** On May 17, 2018, Washington Electric Cooperative Inc filed a request with the Vermont Public Utility Commission (PUC) for an increase in retail rates of 3.72%. The main driver of this increase in rates are increasing transmission and power cost related expenses. This change will take effect with power sold on or after July 1, 2018 and will be reflected on the next bill you receive, in August. If the Board opens a formal investigation of this matter, this increase will be shown as a separate surcharge on your bill until the Board finishes its investigation. To determine the impact on your individual bill, use the present and proposed rates column and your average monthly consumption. For example, a residential member using an average of 500 kWh a month would calculate his or her bill as follows: Customer Charge: Present Rates $12.97 Proposed Rates (July 1, 2018) $13.45 Current Rates: .First 200 kWh 200 x $.10373 =$20.75. Proposed Rates (July 1, 2018) 200 x $.10759= $21.52 Current Rates 300 x $.23160 =$69.48. Proposed Rates (July 1, 2018) 300 x $.24022= $72.07	
48	18-1425-TF Washington Electric Street and Area Lighting Rate.Clean.5.17.18.pdf	**POLICY BULLETIN NO. 38 L STREET & AREA LIGHTING RATE-** POLICY:This rate is available for security or area lighting consisting of an LED fixture set to 87, 91 or 101 watts, or a 100W or a 400W high-pressure sodium (HPS) fixture, installed on an existing WEC pole MONTHLY RATE: 101 Watt LED .....$20.91. 9,612 initial lumens 91 Watt LED .....$20.08. 9,612 initial lumens 87 Watt LED .....$20.08 8,747 initial lumens 100 Watt HPS .....$20.93 9,500 initial lumens 400 Watt HPS .....$41.85 38,000 initial lumens	
49	18-1425-TF Washington Electric Tariff Changes in	**SUMMARY OF WASHINGTON ELECTRIC COOPERATIVE, INC.'S (WEC) RATE CASE -** WEC is proposing a revenue increase of $535,331 to be effective on July 1, 2018. This represents a 3.72% increase and will be applied to all existing rate classes and	

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	Ratemaking Methodology.5.17.18.pdf	schedules. The rate increase is necessary for to provide WEC with sufficient revenues to provide efficient and reliable service to its members and to insure a level of financial performance required by its lenders. A breakdown of the $535,331 increase can be seen on schedule S1-A in Exhibit WEC 1. A summary of the primary cost drivers is as follows: *· The main driver of WEC's rate increase is due to increases in Purchase Power and Transmission Costs. Purchase Power cost increased $474,202 between the test year and the rate year. This increase is offset by a Power Production decrease of $87,323 which is attributed to estimated lower property taxes associated with our Coventry generation facility. WEC is incurring higher transmission charges from several sources including the Vermont Electric Power Co. ("VELCO"), Green Mountain Power Co., and ISO-NE. The increased VELCO charges are detailed in Exhibit 2D. In addition, WEC is incurring higher charges from ISO-NE in the forward capacity market. WEC is also incurring increased cost due to a reduction in revenue for generation in the Sheffield Highgate Export Interface (SHEI) area. SHEI revenue erosion totaled $177,110. WEC is also experiencing increased expense due to the cost of net metering. WEC estimates it is losing $305,198 in revenue net of offsets to purchase power from net metered systems. · The second largest driver is the increase in Operations and Maintenance costs over the rate year for a total of $107,473. This increase is a combination of costs associated with the Renewable Energy Standard (RES) TIER 3 requirement which is $51,721 of this increase, as well as property taxes associated with the distribution system of an additional $50,179. · WEC is raising its net TIER benchmark to 1.97. The higher net TIER reflects the need to meet both Rural Utilities Service (RUS) and National Rural Utilities Cooperative Finance Corporations (CFC) loan covenant requirements which can be seen on schedule S12-Ratio Calcs. in Exhibit WECin Exhibit WEC 1. The proposed rate increase results in a Debt Service Coverage ("DSC") level of 1.35, which is CFC's minimum DSC requirements. · Per the PUC's order in Case No. 17-3552-TF the rates in WEC's OATT will be updated commensurate with cost-of-service adjustments to retail rates or on an as-needed basis. As a result, WEC is filing a 0.879% decrease to its OATT rate. WEC is also seeking to eliminate its seasonal rates, with little impact to residential rates and no impact to commercial rates. The WEC Board and WEC employees continue to look for ways to reduce costs going forward to minimize the need for future rate increases. WEC recognizes that these continue to be tough economic times and is committed to seeking smaller increases more frequently as needed.	
50	**Exhibits**		
51	Exhibit WEC-1.pdf	**SCHEDULE 1 REVENUE REQUIREMENTS SUMMARY: S**CHEDULE S1-A BREAKDOWN OF PROPOSED RATE INCREASE (Changes in expense and revenue items); EXHIBIT: WEC - 1 SCHEDULE 2 POWER SUPPLY; EXHIBIT: WEC - 1 SCHEDULE 3 TRANSMISSION & POWER PROD EXHIBIT: WEC - 1 SCHEDULE 4 DISTRIBUTION OPERATION & MAINTENANCE EXPENSE; EXHIBIT: WEC -1 SCHEDULE 5 CUSTOMER ACCOUNTS EXPENSE DETAIL; EXHIBIT: WEC - 1 SCHEDULE 6 A&G EXPENSE DETAIL**;** EXHIBIT: WEC - 1 SCHEDULE 7 RISK INSURANCE SUPPORT**;** **E**XHIBIT: WEC - 1 SCHEDULE 8 DEPRECIATION EXHIBIT: WEC - 1 SCHEDULE 9 INTEREST EXPENSE ON DEBT KNOWN & MEASURABLE CHANGES EXHIBIT: WEC - 1 SCHEDULE 10 INTEREST & DIVIDEND INCOME; OTHER INCOME EXHIBIT: WEC - 1 SCHEDULE 11 OTHER REVENUES & EXTRAORDINARY ITEMS EXHIBIT: WEC - 1 SCHEDULE 12 RATIO CALCULATION; EXHIBIT: WEC - 1 SCHEDULE 13 EQUITY MANAGEMENT EXHIBIT: WEC - 1 SCHEDULE14 PROPERTY TAX EXHIBIT: WEC - 1 SCHEDULE 15 GROSS REVENUE & GROSS RECEIPTS TAX EXHIBIT: WEC - 1 Schedule 17 Effect on Revenue· Test Yr vs. Rate Year 1 EXHIBIT: WEC-1 SCHEDULE 18 Rate Base Case	Cited in the report.
52	Exhibit WEC-1A.pdf	**Washington Electric Cooperative- Cost of Service - Explanations for Pro Forma Adjustments Test Year -January 1, 2017 - December 31, 2017- Rate Year - July 1, 2018 - June 30, 2019** Requirement, TIER level of 1.97 (S12): • **T**he net TIER target of 1.97 ensures that WEC meets the financial ratio requirements of our lenders. Please note the Debt Service Coverage Ratio (DSC) for National Rural Cooperative (CFC) is a 1.35. The net TIER target of 1.97 allows for a 1.35 DSC. • Failure to meet these default requirements may disqualify WEC from future loan funding and it may trigger posting of financial assurance in some of WEC's power contracts .Purchase Power (S2): • Increased Purchase Power $474,202. See separate Power Supply Rate Case Assumptions. Transmission Costs (S3}: • Increased Right of Way (ROW) costs by $3,201 to 2018 budget level. WEC owns and maintains 25.86 miles of 34.5 and 46.0	Cited in the report.

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		kV transmission lines. WEC is increasing its transmission right of way clearing to adequately meet maintenance requirements. Distribution Maintenance (S4): •*Increased Right of Way (ROW) costs by $53,038, pursuant to 2017 approved rate filing level. As part of the 2017 rate case, WEC provided information supporting the $830,000. Studies performed by RUS aimed at determining the most cost-effective trim-cycle indicated WEC should target a ROW clearing cycle of 7 to 8 years • Decrease in major storm costs of $69,441 Distribution Operation (S4): • Decreased Distribution - Miscellaneous by $12,568. In 2017 WEC experienced failure of its solid state recloser controls located in our South Walden and Jackson Corners substations. Customer Accounts (S5): • Increased $51,721 for Renewable Energy Standard (RES) TIER 3 requirements Admin & General (S6): • Increased audit fees $2,980 for contracted audit. • Decreased Outside Services Other $4,503 for consulting costs. Used five-year average of outside consulting costs. Payroll (S6-A-SGC): • Increased Union 2018 wages 3.75% for 2018 and 3% for 2019 pursuant to Union contract. Increased Non-Union wages 3.5% and 2.75% for 2018 and 2019 respectively. • Estimated a decrease of $47,350 for Vacancy Factor based on five-year average. • Used a five-year average for overtime hours. • Used 2018 rate for employer portion of medical plan for July- Dec 2018 and an 5% increase for January- June 2019. • Used 2018 & 2019 employee medical contribution rates pursuant to Union contract. • Used 2018 retirement security plan contribution rates for the entire rate year. • Decreased Workers Compensation $20,574 using 2018 annual premium rate. Risk Insurance (S7): • Increased General Liability, Auto & Directors & Officers Insurance $1,523, based on 2018 premium rates. Property Taxes (S6 - lower section & S14): • Appears on several schedules as property taxes are allocated among various accounts. • Increase in of $50,179 in distribution property taxes is based on a four-year average. • Decrease in Coventry Clean Energy property taxes in the amount of $88,053 is based on average generation, average O&M expenses, 2017 average ISO-NE wholesale energy prices, 2017 Cap Rate, multiplied by and estimated 2018 tax rate. The tax rate was estimated using the average increase in tax rates over four years Depreciation (S8): • Depreciation increased $20,923. The increase is based on annualizing the current monthly depreciation expense as of March 31, 2018 which reflects current depreciation. Amortization (SSA): • Adjustments as follows: o $70 decrease in debt amortization cost. o $106 decrease amortization of 2018-201 construction work plan. o $200,000 of Deferred REC Revenue recognized (deferred revenue was from WEC 2017 rate case docket 8877). o $116,796 Open Access Transmission Tariff (OATT) revenuesInterest Expense (S9): • Decreased interest expense $1,990 breakdown as follows: o Interest on all existing loans as of January 31, 2018, net decrease of ($20,271) o Interest on anticipated draws based on Construction Work Plan, increase of $18,281. Other Income (S10): • Increased VT Transco LLC dividends $128,877 for additional investment purchased in 2017. • Increased VT Transco LLC dividends $5,441 for estimated investment in 2018. • Increased VT Transco LLC dividends $19,705 for final Utopus transaction in May 2019. Other Revenues & Other Income & Expenses (S11): • Increase in Other Misc Revenues of $116,796 is attributed to Open Access Transmission Tariff (OATT) revenues. (Please refer to section S8A for detailed breakdown.) • WEC is filing an updated OATT rate with this filing per our order in Case No. 17-3552-TF. The rate is $2.367 kw-mo or a reduction of 0.879%). • Recognized one half of the total Deferred Renewable Energy Credit Revenues $200,000 for the July 1, 2018 -June 2019 rate year. WEC will recognize the total deferred REC revenue of $400,000 in calendar year 2018 while the rate year spans 6 months	

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		of 2018 and 6 months of 2019. Hence WEC is counting half of the $400,000 deferral in the rate case. • Increase in revenue associated with the sale of Renewable Energy Credits (RECs) in the amount of $214,743 based on the following: **o** WEC is projecting REC revenues in the rate year of $2,268,858. The calculation is based on firm and non-firm sales that will be booked in the rate year as well as recognition of previously deferred REC revenues. o WEC has 11,791 vintage 2017 RECs that were carried into 2018 which have now been sold which will account for $233,160 in calendar year 2018. WEC has firm sales for vintage 2018 RECs for a total volume of 40,000 that will account for $1,502,500 and firm sales for vintage 2019 RECs for a total volume of 30,000 that will account for $1,032,500 in the respective calendar year. One half of each calendar year is used in the rate year. o We are also projecting non-firm sales from RECs produced in 2018 and 2019. WEC is projecting vintage 2018 RECs of 23,575 which are unsold at this time as well as 2019 vintage unsold of 33,575. For both vintage 2018 and 2019 non-firm sales, WEC will use estimated market prices to project revenues. • **R**educed gain/loss on disposition of property in the amount of $198. There are no known sales anticipated for the rate year. • Removed $500 of donation costs. • Removed $12,567 of costs associated with lobbying.	
53	Exhibit WEC-2A.pdf	WEC Rate Increase Schedule 2 - Total Resources	
54	Exhibit WEC-2B.pdf	Total Contract Charge - Total ISO-NE Credits and Other Revenues - ,Net Resource Dollars (Costs plus Credits - ;Load Charges & Credits	
55	Exhibit WEC-2C.pdf	**REC Vintage Revenue Summary -** Coventry NH **-** Coventry MA/CT/RI **-** VT Wind	
56	Exhibit WEC-2D.pdf	**SUMMARY of REVENUES and COSTS -** VT Transco Revenue **-** VT Transco Operating Expense - Income from Nonutility Operations - VT Transco Earnings Before Taxes - Total	
57	Exhibit WEC-2E.pdf	**Washington Electric Cooperative Power Supply Summary Notes for Rate Case -** Prepared by Patty Richards, Washington Electric Cooperative May 9, 2018	
58	Exhibit WEC-3.pdf	**Proposed 2012-2022 Long Range Plan Spreadsheet**	
59	Exhibit WEC-4.pdf	**POLICY BULLETIN NO. 38 L STREET & AREA LIGHTING**	
60	Exhibit WEC-5.pdf	**POLICY BULLETIN NO. 38 L STREET & AREA LIGHTING**	
61	Exhibit WEC-6.pdf	**Washington Electric Cooperative Transmission Service Rates Effective 7/1/2018**	
62	Exhibit WEC-7.pdf	COMPARISON OF CURRENT AND PROPOSED ELECTRIC RATES WITH NEW RATE INCREASE	
63	Exhibit WEC-8.pdf	**NOTICE TO WASHINGTON ELECTRIC CO-OP MEMBERS** - Notice of Proposed Tariff Changes	
64	**Power Supply Model DO NOT EDIT**		
65	Copy of 2018 WEC Rate Case - Rate Year Power Supply Budget v 5-3-2018.xls	Total Contract Charge - Total ISO-NE Credits and Other Revenues - Net Resource Dollars (Costs plus Credits - Load Charges & Credits.	
66	**PSD Filings**		
67	Copy of Rate Case Test Year 5-3-2018.xlsx	**SUMMARY of REVENUES and COSTS -** VT Transco Revenue **-** VT Transco Operating Expense - Income from Nonutility Operations - VT Transco Earnings Before Taxes - Total	
68	18-1425-TF - 2018.04.25 - NOA - JP.pdf	**Case No. 18-1425-TF - NOTICE OF APPEARANCE:** Pursuant to Vermont Public Utility Commission Rule 2.201(A), James Porter, Director for Public Advocacy, hereby enters his appearance on behalf of the Vermont Department of Public Service in the above-captioned matter. Dated at Montpelier, Vermont this 25th day of May, 2018.VERMONT DEPARTMENT OF PUBLIC SERVICE	
69	**PSD Work Product**		
70	18-1425-TF - 2018.04.25 - Pro Hac Vice - JC.pdf	Now comes the Vermont Department of Public Service (Department), by and through undersigned counsel, and requests the admission *pro hac vice* of Jake Clark, Esq. to practice before the Commission in this case, and in support thereof states as follows:	
71	18-1425-TF - 2018.04.25 NOA - DB.pdf	**Case No. 18-1425-TF - NOTICE OF APPEARANCE** Pursuant to Vermont Public Utility Commission Rule 2.201(A), Daniel Burke, hereby enters his appearance on behalf of the Vermont Department of Public Service in the above-captioned matter. Dated at Montpelier, Vermont this 25th day of May, 2018. VERMONT DEPARTMENT OF PUBLIC SERVICE	
72	18-1425-TF - 2018.06.04 - PSD Response to Motion for Confidential Treatment.pdf	**DEPARTMENT OF PUBLIC SERVICE'S RESPONSE TO WASHINGTON ELECTRIC COOPERATIVE, INC.'S MOTION FOR CONFIDENTIAL TREATMENT** On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a motion for confidential treatment (the "WEC Motion") of a portion of Exhibit WEC 2B, WEC Power Supply Costs Rate Year, which was filed in this case	

Line No.	Document File	Key Text From Document File	Comments
		together with WEC's petition for a rate increase. WEC seeks an order from the Public Utility Commission (the "Commission") to protect a portion of Exhibit WEC 2B that details pricing information from an energy sale and purchase agreement between WEC and Vermont Wind. The Department of Public Service (the "Department") does not oppose WEC's request.	
73	18-1425-TF - 2018.06.18 - PSD Recommendation Letter.pdf	**Department Recommendation Letter:** Dear Ms. Whitney: On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a petition with the Public Utility Commission (the "Commission"), pursuant to 30 V.S.A. §§ 225 and 226, requesting approval of a 3.72% rate increase for all WEC rate classes to become effective as of July 1, 2018. The Department of Public Service (the "Department") investigated WEC's petition and finds the proposed rate increase to be just and reasonable. Therefore, subject to the narrow accounting issue discussed below, the Department recommends that the Commission approve WEC's requested rate increase without further investigation or modification. During its investigation of WEC's tariff filing, the Department engaged in multiple discussions and rounds of information exchange directly with WEC. WEC also met with Department staff to discuss its rate request and seek feedback and clarification from the Department prior to filing its petition. The Department has evaluated all of the exhibits and materials that WEC filed in support of its rate request as well as additional clarifying information and data that WEC provided directly to the Department during its investigation. Based on this investigation, the Department concludes that WEC has demonstrated that its proposed revenue requirement is both necessary and sufficient to cover its costs and expenses during the rate year. The Department, however, has identified an issue regarding WEC's accounting treatment for right-of-way ("ROW") clearing, which WEC included within its proposed revenue requirement based on a budget instead of using a direct average of historic costs. The Department is concerned that WEC's use of a budget for ROW clearing creates risk for over-collection. The Department also believes that a full investigation into this discrete issue is not warranted because any rate adjustment resulting from a review of WEC's ROW budget would be modest and WEC's proposed revenue requirement will not create an excessive margin for its debt coverage obligations. The Department, however, is working with WEC to identify an appropriate accounting treatment to mitigate against the over-collection risk without triggering a reduction to WEC's revenue requirement. The Department expects that it will be able to reach an agreement with WEC on how to resolve this issue with sufficient time to allow for WEC and the Department to file a memorandum of understanding or other resolution by Monday, June 25. Based on its review of the costs and expenses that make up WEC's proposed revenue requirement, the Department finds that WEC's proposed rate request is just and reasonable and will provide financial stability for WEC and its member-customers. The Department also supports WEC's proposal to eliminate seasonal rates as a component of its overall rate request. Accordingly, so long as the Department and WEC agree to a proposed resolution for the accounting issue that the Department has identified, the Department recommends that the Commission approve WEC's rate request without further hearings or investigation. Daniel C. Burke	
74	18-1425-TF - 2018.06.28 - PSD Letter re ROW.pdf	Re: Case No. 18-1425-TF – WEC Petition for Rate Increase Department and WEC Agreement on ROW Accounting Requirement Dear Ms. Whitney: On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a petition with the Public Utility Commission (the "Commission"), pursuant to 30 V.S.A. §§ 225 and 226, requesting approval of a 3.72% rate increase for all WEC rate classes to become effective as of July 1, 2018. On June 18, 2018, the Department of Public Service (the "Department") reported to the Commission that the Department found WEC's proposed rates to be just and reasonable, but identified a potential concern with WEC's accounting for its right-of-way ("ROW") clearing costs. The Department recommended that the Commission approve WEC's proposed rate increase so long as the Department and WEC provided the Commission with a resolution to the ROW accounting question. I write to inform the Commission that the Department and WEC have reached agreement regarding WEC's accounting for ROW clearing costs. The Department's concern with WEC's accounting for ROW clearing expenses within its proposed cost-of-service is that WEC proposes to use a single-year projection instead of a historical average. To resolve this issue, and mitigate over-collection risk, the Department and WEC have agreed that approval of WEC's proposed rates be subject to the following requirement: WEC may use right-of-way ("ROW") funds, as specified in its May 17, 2018 Petition, for ROW clearing and tree removal. In the event WEC does not spend the full amount on ROW clearing and tree removal, WEC may use unspent funds for storm repair and clean up. Any excess funds remaining at the end of the fiscal year shall be allocated to members in the form of capital credits. This agreement is limited to the July 2018 - June 2019 rate year and does not limit WEC from managing budget items in the normal course of the Cooperative's business. This requirement will address the potential accounting concern identified by the Department and allow for WEC to have sufficient funds to cover its expected ROW clearing expenses for the rate year. In recent years, there has been an increase to the frequency and duration of storm events within WEC's service territory. WEC also plans to reduce the time between trim cycles in its ROWs consistent with its 2017 IRP and 2018 CWP filings. Accordingly, WEC believes it needs additional spending flexibility beyond its historical average to reduce outage events. This agreement provides such flexibility while providing certainty for ratepayers that monies collected for ROW expenses will be used to improve service to WEC members.	

Line No.	Document File	Key Text From Document File	Comments
		Importantly, this agreement will also allow for WEC to maintain all of its debt coverage ratio obligations. I am authorized to state that WEC has reviewed this filing and that WEC stipulates to the inclusion of this ROW agreement in a final order in this case, so long as the Commission approves WEC's proposed rate increase. Accordingly, the Department recommends that the Commission approve WEC's rate request subject to the stipulated ROW accounting agreement without further hearings or investigation. Sincerely, /s/ Daniel C. Burke Daniel C. Burke Special Counsel cc: Parties	
75	**Finance**		
76	RE_ just checking.msg	**From:** Willette, Cheryl [mailto:cheryl.willette@wec.coop] **Sent:** Wednesday, May 30, 2018 11:27 AM **To:** Stair, Gina <Gina.Stair@vermont.gov> S**ubject:** just checking Hi Gina, I sent you a 3 mb file earlier today, just want to make sure you received it ok. I know sometimes folks have issues with larger files (didn't realize it was that big until I hit send). Thanks Cheryl	
77	RE_ WEC COS - ROW adjustment .msg	**From:** Stair, Gina **Sent:** Thursday, June 07, 2018 3:33 PM **To:** Foley, Sean Sean.Foley@vermont.gov **Cc:** Winn, Brian Brian.Winn@vermont.gov **Subject:** WEC COS – ROW adjustment Sean/Brian: As requested, below is a narrative pertaining to WEC's Right-of-Way expense and a proposed adjustment: ROW issue explanation For background, WEC is using the 2017 calendar year as its test year, which is the same period used as the rate year in its last rate case (D8877). WEC is increasing its Right-of-Way spending over the test year by $53,038, from $776,962 to $830,000, to 'achieve appropriate trim cycle.' This budget amount was allowed in the last rate case (D8877). WEC states that 2017 spending fell short due to the need to redirect work to clean up the major storm damage from an October 2017 storm. WEC is increasing its Right-of-Way spending over the test year by $53,038, from $776,962 to $830,000, to 'achieve appropriate trim cycle.' This budget amount was allowed in the last rate case (D8877). WEC states that 2017 spending fell short due to the need to redirect work to clean up the major storm damage from an October 2017 storm. While $830,000 was allowed in the last case, WEC did not meet its budgeted spending. WEC's 5-year average ROW spending is $795,173, or $34,827 less than the budget amount. It is common and appropriate practice to use a 5-year average in determining a reasonable cost to allocate in a rate year. In addition, WEC is using a 5-year average in determining its major storm damage cost allocation for the rate year. Although the average is less than 2017 actual spending, costs from the 2017 storm raises the 5-year average over that allocated in the last case by about $20,000. In addition, WEC is using a 5-year average in determining its major storm damage cost allocation for the rate year. Although the average is less than 2017 actual spending, costs from the 2017 storm raises the 5-year average over that allocated in the last case by about $20,000. For the above reasons, it is recommended that the 5-year average ROW spending is used for the rate year rather than the budget amount. The above decrease also allows for a slight reduction to the TIER, by $13,292, to 1.96. These adjustments would reduce the proposed cost of service increase from 3.72% to 3.39%, or by $48,600, from a total COS of $14,908,022 to $14,859,422. Gina	Cited in the report.
78	RE_ WEC Rate Increase Responses.msg	**From:** Willette,Cheryl <cheryl.willette@wec.coop> **Sent:** Wednesday, May 30, 2018 10:23 AM **To**: Stair, Gina **Cc:** Foley, Sean; Richards, Patty **Subject:** RE: WEC Rate Increase **Attachments**: Responses Q1-Q3, Q5, Q7-Q9.pdf; Q 4. RES Tier III Requirements.pdf; Q 4. Tier 3 Dollar Projections DPS Questions.xlsx; Q 6. WEC Contract 2018 - 2020 Booklet Final Version 2 Headers.pdf; Q 10. WEC 2017 Financial Statements.pdf Hi Gina, Attached are the responses to your questions. Please note that on question 7, I have included the 5 years of Overtime Hours that was used and noted in the filing as I assumed that was what you were looking for, but if you want something different, please let me know. I have scanned most of these in as pdf, but if you would like the excel version, just let me know . Thank you. Cheryl	

Line No.	Document File	Key Text From Document File	Comments
79	RE_ WEC Rate Increase.msg	**From:** Stair, Gina Gina.Stair@vermont.gov **Sent:** Tuesday, May 29, 2018 10:27 AM **To:** Willette,Cheryl <cheryl.willette@wec.coop> **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> **Subject:** RE: WEC Rate Increase Hi Cheryl, I was just looking for Account 583.04. Thanks, Gina **From**: Willette,Cheryl [mailto:cheryl.willette@wec.coop] **Sent**: Tuesday, May 29, 2018 10:14 AM **To:** Stair, Gina Gina.Stair@vermont.gov **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> Subject: **RE**: WEC Rate Increase Hi Gina, I am reviewing your questions now. On question 3, were you looking for the recloser maintenance for the 5 years? All Distribution Operations Maintenance is very broad. I had noted that I used a fiver year average for recloser maintenance because it was high in 2017 so want to clarify before I go further on this question. Thank you. Cheryl	
80	WEC Rate Increase.msg	**From:** Stair, Gina Gina.Stair@vermont.gov **Sent:** Tuesday, May 29, 2018 10:27 AM **To:** Willette,Cheryl cheryl.willette@wec.coop **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> **Subject:** RE: WEC Rate Increase Hi Cheryl, I was just looking for Account 583.04. Thanks, Gina **From**: Willette,Cheryl [mailto:cheryl.willette@wec.coop] **Sent**: Tuesday, May 29, 2018 10:14 AM **To:** Stair, Gina Gina.Stair@vermont.gov **Cc:** Foley, Sean <Sean.Foley@vermont.gov>; Richards, Patty <Patty.Richards@wec.coop> Subject: **RE**: WEC Rate Increase Hi Gina, I am reviewing your questions now. On question 3, were you looking for the recloser maintenance for the 5 years? All Distribution Operations Maintenance is very broad. I had noted that I used a fiver year average for recloser maintenance because it was high in 2017 so want to clarify before I go further on this question Thank you. Cheryl	
81	**Legal**		
82	18-1425-TF - 2018.04.25 - NOA - JP.docx	**Case No. 18-1425-TF - NOTICE OF APPEARANCE:** Pursuant to Vermont Public Utility Commission Rule 2.201(A), James Porter, Director for Public Advocacy, hereby enters his appearance on behalf of the Vermont Department of Public Service in the above-captioned matter. Dated at Montpelier, Vermont this 25th day of May, 2018.VERMONT DEPARTMENT OF PUBLIC SERVICE	
83	18-1425-TF - 2018.04.25 - Pro Hac Vice - JC.docx	Now comes the Vermont Department of Public Service (Department), by and through undersigned counsel, and requests the admission *pro hac vice* of Jake Clark, Esq. to practice before the Commission in this case, and in support thereof states as follows:	
84	18-1425-TF - 2018.04.25 NOA - DB.docx	**Case No. 18-1425-TF - NOTICE OF APPEARANCE** Pursuant to Vermont Public Utility Commission Rule 2.201(A), Daniel Burke, hereby enters his appearance on behalf of the Vermont Department of Public Service in the above-captioned matter. Dated at Montpelier, Vermont this 25th day of May, 2018. VERMONT DEPARTMENT OF PUBLIC SERVICE	
85	18-1425-TF - 2018.06.04 - PSD Response to Motion for Confidential Treatment.docx	**DEPARTMENT OF PUBLIC SERVICE'S RESPONSE TO WASHINGTON ELECTRIC COOPERATIVE, INC.'S MOTION FOR CONFIDENTIAL TREATMENT** On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a motion for confidential treatment (the "WEC Motion") of a portion of Exhibit WEC 2B, WEC Power Supply Costs Rate Year, which was filed in this case together with WEC's petition for a rate increase. WEC seeks an order from the Public Utility Commission (the "Commission")	

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		to protect a portion of Exhibit WEC 2B that details pricing information from an energy sale and purchase agreement between WEC and Vermont Wind. The Department of Public Service (the "Department") does not oppose WEC's request.	
86	18-1425-TF - 2018.06.13 - Memo to Comm. Tierney re Recommendations.docx	**To:** Commissioner Tierney **From**: Dan Burke **Date:** June 13, 2018 **Re:** PUC Case 18-1425-TF – WEC Rate Filing This memorandum provides a brief summary of the Department's internal review of and recommendations regarding Washington Electric Coop's ("WEC") pending rate filing. WEC filed for a 3.72% rate increase based on a total proposed cost-of-service of $14,908,023. WEC represents that the rate request is driven largely by increases to purchased power and transmission, which increased by approximately $480,000 between the test year and rate year. WEC's filing also includes a $177,110 revenue reduction due to Sheffield Highgate Export Interface ("SHEI") related issues. WEC's O&M expenses will increase by $107,473, but this increase is due mostly to RES Tier III compliance obligations ($51,721) and property taxes ($50,179). WEC's cost-of-service was partially offset by decreases to power production expense, gross receipts and revenue taxes, and distribution maintenance. Department staff from the PERD and Finance Divisions reviewed WEC's filing and identified only minimal concerns and minor adjustments to WEC's proposed cost-of-service .PERD reviewed power purchase and transmission expenses and does not recommend any adjustments to WEC's rate filing. However, PERD did have some concern with costs related to Tier III RES compliance (approximately $51,000 increase in the rate year). WEC intends to meet its Tier III objectives by contracting with Capstone to complete efficiency renovations for WEC customers, but WEC had not entered into a final contract with Capstone prior to filing for its rate increase. However, the proposed contract cost included in WEC's filing is significantly lower than the alternative compliance payment for not meeting Tier III targets. PERD also believes that the contract price is reasonable. Accordingly, PERD does not believe an adjustment to rates is warranted for the Tier III compliance costs included in WEC's rates, but plans to track this issue for future rate adjustments from WEC and other similarly situated utilities. PERD reviewed power purchase and transmission expenses and does not recommend any adjustments to WEC's rate filing. However, PERD did have some concern with costs related to Tier III RES compliance (approximately $51,000 increase in the rate year). WEC intends to meet its Tier III objectives by contracting with Capstone to complete efficiency renovations for WEC customers, but WEC had not entered into a final contract with Capstone prior to filing for its rate increase. However, the proposed contract cost included in WEC's filing is significantly lower than the alternative compliance payment for not meeting Tier III targets. PERD also believes that the contract price is reasonable. Accordingly, PERD does not believe an adjustment to rates is warranted for the Tier III compliance costs included in WEC's rates, but plans to track this issue for future rate adjustments from WEC and other similarly situated utilities. Finance recommends an adjustment to WEC's proposed right-of-way ("ROW") clearing costs. WEC's rate filing includes a budgeted cost for ROW expenses, but Finance believes it would be appropriate for WEC to use a five year average for this expense. Finance also recommends a slight adjustment to WEC's five-year average calculations for storm recovery. Together, these adjustments would reduce WEC's cost-of-service by $48,600 and result in a total rate increase of 3.39%.Since WEC's costs for a full tariff investigation would likely exceed the Department's recommended adjustment, Department staff do not believe an investigation into this tariff filing is warranted based on the narrow issues identified by the Department's review. Instead, Department staff recommend contacting WEC directly to determine whether WEC will agree to reduce its proposed cost-of-service by $48,600 to avoid a recommendation from the Department for an investigation into two limited issues. Please let me know if you have any questions or concerns regarding this memorandum.	Cited in the report
87	18-1425-TF - 2018.06.13 - Memo to Comm. Tierney re Recommendations.pdf	Same file as on line 86 but in PDF format.	
88	18-1425-TF - 2018.06.18 - PSD Recommendation Letter.docx	Re: Case No. 18-1425-TF – WEC Petition for Rate Increase Department and WEC Agreement on ROW Accounting Requirement Dear Ms. Whitney: On May 17, 2018, Washington Electric Cooperative, Inc. ("WEC") filed a petition with the Public Utility Commission (the "Commission"), pursuant to 30 V.S.A. §§ 225 and 226, requesting approval of a 3.72% rate increase for all WEC rate classes to become effective as of July 1, 2018. On June 18, 2018, the Department of Public Service (the "Department") reported to the Commission that the Department found WEC's proposed rates to be just and reasonable, but identified a potential concern with WEC's accounting for its right-of-way ("ROW") clearing costs. The Department recommended that the Commission approve WEC's proposed rate increase so long as the Department and WEC provided the Commission with a resolution to the ROW accounting question. I write to inform the Commission that the Department and WEC have reached agreement regarding WEC's accounting for ROW clearing costs.The Department's concern with WEC's accounting for ROW clearing expenses within its proposed cost-of-service is that WEC proposes to use a single-year projection instead of a historical average. To resolve this issue, and mitigate over-collection risk, the Department and WEC have agreed that approval of WEC's proposed rates be subject to the following requirement: WEC may use right-of-way ("ROW") funds, as specified in its May 17, 2018 Petition, for ROW clearing and tree removal. In the	

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		event WEC does not spend the full amount on ROW clearing and tree removal, WEC may use unspent funds for storm repair and clean up. Any excess funds remaining at the end of the fiscal year shall be allocated to members in the form of capital credits. This agreement is limited to the July 2018 - June 2019 rate year and does not limit WEC from managing budget items in the normal course of the Cooperative's business. This requirement will address the potential accounting concern identified by the Department and allow for WEC to have sufficient funds to cover its expected ROW clearing expenses for the rate year. In recent years, there has been an increase to the frequency and duration of storm events within WEC's service territory. WEC also plans to reduce the time between trim cycles in its ROWs consistent with its 2017 IRP and 2018 CWP filings. Accordingly, WEC believes it needs additional spending flexibility beyond its historical average to reduce outage events. This agreement provides such flexibility while providing certainty for ratepayers that monies collected for ROW expenses will be used to improve service to WEC members. Importantly, this agreement will also allow for WEC to maintain all of its debt coverage ratio obligations. I am authorized to state that WEC has reviewed this filing and that WEC stipulates to the inclusion of this ROW agreement in a final order in this case, so long as the Commission approves WEC's proposed rate increase. Accordingly, the Department recommends that the Commission approve WEC's rate request subject to the stipulated ROW accounting agreement without further hearings or investigation. Sincerely, /s/ Daniel C. Burke Daniel C. Burke Special Counsel cc: Parties	
89	18-1425-TF - 2018.06.18 - PSD Recommendation Letter.final.docx	Same file as on line 88.	
90	18-1425-TF - 2018.06.25 - PSD Letter re ROW Accounting.docx	Same file as on line 88.	
91	18-1425-TF - 2018.06.28 - PSD Letter re ROW (clean with WEC Edits).docx	Same file as on line 88, with WEC's edits	
92	18-1425-TF - 2018.06.28 - PSD Letter re ROW.final.docx	Same file as on line 88, but in final form.	
93	PSD Letter re ROW Accounting.2018.6.27(2) (WEC Edits).docx	Same file as on line 88, with WEC's edits	
94	zz - 18-1425-TF - Caption Template.docx	Caption Template for Documents	
95	**PERD**		
96	FW WEC Rate Case Follow Up Questions.msg	Same file as on line 15.	
97	FW WEC Rate Increase.msg	**From:** Richards, Patty <Patty.Richards@wec.coop> Sent: Tuesday, June 05, 2018 11:18 AM Sent: Tuesday, June 05, 2018 11:18 AM To: Potter, Dan Cc: Foley, Sean; McNamara, Ed; White, Joanna; Willette,Cheryl; Richards, Patty Subject: FW: WEC Rate Increase Attachments: Responses Q1-Q3, Q5, Q7-Q9.pdf; Q 4. RES Tier III Requirements.pdf; Q 4. Tier 3 Dollar Projections DPS Questions.xlsx; Q 6. WEC Contract 2018 - 2020 Booklet Final Version 2 Headers.pdf; Q 10. WEC 2017 Financial Statements.pdf	
98	WEC Rate Case Memo DRAFT 060518.docx	**Memo** **To: Dan Burke, Special Counsel** **From: Dan Potter, Energy Policy and Program Analyst** **Subject: WEC Rate Case – Power Supply Review** **Date: June 11, 2018** WEC's General Manager, Patty Richards, sent PSD staff draft rate case files on 5/3/2018. PERD staff reviewed the power supply model and set up a time to meet with Patty Richards. Staff met with Patty Richards in order to review and ask questions about WEC's power supply model. Staff also asked questions through two rounds of informal discovery via e-mail	Cited in the report.

Line No.	Document File	Key Text From Document File	Comments
		communication with Patty Richards. Topics discussed during both the review of the power supply model as well as via informal discovery included the following ● RECs (increased expenses & deferred revenue) ● WEC's Winter Hedging strategy ● Specific estimates for resource generation ● Increased expenses for Tier III ● O&M re: Wrightsville ● Sale of the Highgate facility- WEC states that the main driver of their rate increase is due to increases in their purchase power and transmission costs. WEC has requested an increase in this category of $474, The factors providing significant upward rate pressure include the following: * 1991 VTA - $313,843 increase between TY and RY * RNS Rates - $102,328 increase between TY and RY * Highgate PTF Credits - $180,893 credit removal between TY and RY o WEC is also experiencing some downward rate pressure as they receive more compensation for their resources than they are charged for their load, which nets to approximately $200,000. WEC has included an adjustment between the TY and the RY for Tier III expenses. TY expenses were $18,828. These expenses have been adjusted upwards for the RY by $51,721 for total Tier III expenses in the RY of $70,549. It is known that WEC will have expenses related to Tier III compliance; however, WEC has stated that this increase will be used to fund a contract with Capstone Community Action for weatherization services. The viability of such a program is still an open question (see Docket 8550) and WEC has neither provided a letter of intent nor a signed contract with Capstone regarding the weatherization services contemplated. Having said that, if WEC fails to meet its Tier III requirements, it would be required to pay the Alternative Compliance Payment of $60/MWH, which is significantly more expensive than the Capstone project discussed above. The Department has supported utilities in their efforts to meet Tier III requirements in the most cost-effective manner possible. As such, I believe it is appropriate to allow WEC to make an adjustment for Tier III expenses that reflects a program cost below the ACP. ased on the factors discussed above and WEC's willingness to engage in informal discovery, I do not recommend an investigation	
Sam 99	**Public Comments**		
100	18-1425-TF - 2018.07.02 - Comments by Arthur Hendicks.pdf	From: linda hendrickson To: PUC – Clerk Subject: Washington Electric Co-op Rate Increase Date: Monday, July 02, 2018 4:02:50 PM This message is from Arthur Hendrickson, 495 Old Route 100, Moretown, VT 05660 Telephone # 802 223 7761. I would like to make a comment about the proposed rate increase of 3.72% Washington Electric Co-op (WEC) is seeking. A year ago WEC received a rate increase because of transmission cost and funding a "button up program" that is managed by Efficiency Vermont.(EV). I propose that the Public Utility Commission should consider spending the $50,000,000 a year that you approve for EV instead be used for infrastructure to reduce the cost of transmission. Please do not grant the 3.72% increase the WEC is asking for. Every time a rate increase such as this is granted there are Vermonters that have to figure out what to do without next. I Arthur Hendrickson and my wife Linda are WEC members. Thank you for considering my comment.	
101	**WEC Filings**		
102	Comments filed 6.25.18.pdf	**6/25/2018** **Judith Whitney, Clerk Public Utility Commission** **112 State Street, Drawer 20** **Montpelier, VT 05620-270 I** **Re: Case No. 18-1425-TF WEC Petition for a 3.72% Rate Increase; PUC Order Denying Motion for Confidential Treatment of Evidence (6/12/2018)** Dear Judy, The PUC's June 12, 2018 Order provides that: Because the purpose of the motions is to prevent the harm WEC alleges would occur if the information is not kept confidential, the redacted portions of Exhibit 2B shall be treated as allegedly confidential information and protected accordingly for ten days from the date of this Order. This delay will allow WEC time to file a motion for reconsideration of this Order and a request for a stay of its effect during the period of reconsideration, if it wishes to do so. WEC has consulted with Vermont Wind and has determined that it will not file a motion for reconsideration. Thank you and please let me know if you have any questions.	

Line No.	Document File	Key Text From Document File	Comments
103	Exhibit - Power Supply Costs Rate Year .pdf	Same files as on line 56.	
104	Proposed customer notice.pdf	Same file as on line 46.	
105	Response to PUC's 5.23.18 Information Request.pdf	**RESPONSE TO PUC's MAY 23, 2018 INFORMATION REQUESTThe Washington Electric Cooperative, Inc. (WEC) provides the following information in response to the PUC's May 23, 2018 Request for Information.The Commission correctly notes that WEC is providing notice of its request for a 3.72% rate increase to its members via its website, a press release, and its June, 2018 edition of Coop Currents to be published on June 29, 2018. A copy of the press release is attached as Exhibit A. VT Digger published the full press release: https://vtdigger.org/2018/05/21/washington-electric-co-op-files-3-72-rate- increase/?utm_source=VTDigger+Subscribers+and+Donors&utm_campaign=5dfc9be542- Weekly+Update&utm_medium=email&utm_term=0_dc3c5486db-5dfc9be542-405535125 The TimesIn addition: 1. WEC has published the notice attached as Exhibit C in the Saturday Times Argus published on May 26, 2018. 2. WEC is providing the following notice in its bills. On May 17, 2018, Washington Electric Cooperative Inc. filed a request with the Vermont Public Utility Commission (PUC) for an increase in Argus ran an article on May 24, 2018 attached as Exhibit B. retail rates of 3.72%. The main drivers of this increase in rates are increasing transmission and power cost related expenses. This change will take effect with power sold on or after July 1, 2018 and will be reflected on the next bill you receive, in August. If the Public Utility Commission opens a formal investigation of this matter, this increase will be shown as a separate surcharge on your bill until the Commission finishes its investigation. Any Interested person may examine the rate increase filing at the office of the Public Utility Commission or at the Washington Electric Cooperative office during normal business hours. Comments regarding the rate filing are encouraged to be submitted to the Public Utility Commission by June 18, 2018 via mail at 112 State Street, Montpelier, VT 05620-2701, or through the e-PUC at https://epuc.vermont.gov/ by searching case number 18-1425-TF and selecting action "Add Public Comment".Bills will be sent to approximately: 3,455 accounts on June 15, 2018, 3,200 accounts on June 22, 2018, and 3,150 accounts on June 29, 2018. 3. The April edition of Coop Currents sent to all members. It generally informed members that a rate increase would be sought this summer. See pp. 2 and 3 at: http://www.washingtonelectric.coop/wp-content/uploads/2018/03/April2018.pdf The need for a rate increase was also mentioned to members at WEC's May 2, 2018 Annual Meeting. DATED at Montpelier, Vermont this 29th day of May, 2018.**	
106	Revised Proposed customer notice.pdf	Changes to the notice are the following: Comments filed after June 18, 2018 will be accepted and considered by the Commission.	