

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

CASE NO. 17-3142-PET

IN RE: VERMONT DEPARTMENT OF PUBLIC
SERVICE REQUEST FOR WORKSHOP ON
UTILITY RATE REGULATION

August 8, 2017
9:30 a.m.

100 State Street
Montpelier, Vermont

Workshop held before the Vermont Public
Utility Commission, at the Capitol Plaza Hotel and
Conference Center, 100 State Street, Montpelier, Vermont,
on August 8, 2017, beginning at 9:30 a.m.

P R E S E N T

BOARD MEMBERS: Anthony Z. Roisman, Chairman
Sarah Hofmann, Commissioner
Margaret Cheney, Commissioner

STAFF: George E. Young, General Counsel
Ann Bishop, Chief Economist
Andrea McHugh, Utilities Analyst
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7 David Hill, VEIC
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10 Josh Leckey, DRM
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11 Greg Pierce, Public
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13 Don Einhorn, ANR
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19 Morgan Casella, Dynamic Organics
Annette Smith, VCE
20 Doug Smith, GMP
Melissa Bailey, VPPSA
21 David Westman, VEIC
Sandra Levine, CLF
22 Ken Nolan, VPPSA
James Gibbons, BED and VPPSA
23 Patty Richards, WEC
Cheryl Willette, WEC
24 Ellen Burt, Stowe Electric
Matthew Rutherford, Stowe Electric
25 Jeremy Hoff, Stackpole & French

1 Participants continued:

- 2 Eileen Simollardes, VGS
- 3 Lauren Hammer, VGS
- 4 John Woodward, DPS
- 5 Christopher Bray, Vt. Senate
- 6 Molly Connors, ISO-NE
- 7 Olivia Campbell-Andersen, REV
- 8 Tucker Williams, VEC
- 9 Michael Dupree, Acadian Consulting
- 10 David Dismukes, Acadian Consulting

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1 CHAIRMAN ROISMAN: Good morning.
2 Welcome. My name is Tony Roisman, I'm the Chairman
3 of the Public Utilities Commission. With me are the
4 other two commissioners, Margaret Cheney and Sarah
5 Hofmann.

6 The first thing we would like to do is
7 to have everyone introduce themselves. And I'll just
8 start with some of our staff. And everyone in the
9 back, you're sitting in the back, but you're no less
10 important. So if you feel that you need to come
11 forward to speak, or you want to get a seat at the
12 table, we think you're all seated at the table, if
13 not physically, then otherwise, please let us know.
14 So we will start with Andrea.

15 MS. HOFMANN: I would add if people
16 could speak up at this point in time. We are going
17 to have a microphone for the speakers later.

18 MS. MCHUGH: Andrea McHugh, commission
19 staff.

20 MR. FINK: Kevin Fink with the
21 commission.

22 MR. YOUNG: George Young with the
23 commission.

24 MS. BISHOP: Ann Bishop with the
25 commission.

1 MR. HOFF: Jeremy Hoff, Stackpole &
2 French. Outside counsel for Stowe Electric.

3 MR. RUTHERFORD: Matt Rutherford, Stowe
4 Electric.

5 MS. BURT: Ellen Burt, Stowe Electric.

6 MS. WILLETTE: Cheryl Willette,
7 Washington Electric Co-op.

8 MS. RICHARDS: Patty Richards,
9 Washington Electric Co-op.

10 MR. GIBBONS: James Gibbons, Burlington
11 Electric Department and VPPSA.

12 MR. NOLAN: Ken Nolan, VPPSA.

13 MS. LEVINE: Sandra Levine,
14 Conservation Law Foundation.

15 MR. WESTMAN: David Westman, VEIC.

16 MS. BAILEY: Melissa Bailey with VPPSA.

17 MR. SMITH: Doug Smith, Green Mountain
18 Power.

19 MS. SMITH: Annette Smith, Vermonters
20 for a Clean Environment.

21 MR. CASELLA: Morgan Casella, Dynamic
22 Organics.

23 MS OLEKS: Beth Oleks, consulting for
24 AARP.

25 MS. TAORMINA: Philene Taormina for

1 AARP.

2 MS. WHITE: Joan White with the
3 Department.

4 MR. DUGGAN: Tim Duggan with the
5 Department.

6 MR. ALLEN: Riley Allen, Public Service
7 Department.

8 MR. PORTER: Jim Porter, Department of
9 Public Service.

10 MS. HAMMER: Lauren Hammer, Vermont
11 Gas.

12 MS. SIMOLLARDES: Eileen Simollardes,
13 Vermont Gas.

14 MR. WOODWARD: John Woodward, Public
15 Service Department.

16 MR. BRAY: Christopher Bray, B-R-A-Y,
17 Senate Natural Resources and Energy Committee.

18 MS. CONNORS: Molly Connors, ISO New
19 England.

20 MS. CAMPBELL-ANDERSEN: Good morning.
21 Olivia Campbell-Andersen. Renewable Energy Vermont.

22 MR. WILLIAMS: Tucker Williams, Vermont
23 Electric Co-op.

24 MS. BROWN: Vickie Brown, Vermont
25 Electric Co-op.

1 MS. OROST: Katie Orost, Vermont
2 Electric.

3 MS. ANCEL: Charlotte Ancel, Green
4 Mountain Power.

5 MS. SAGUI: Pat Sagui, S-A-G-U-I,
6 ratepayer.

7 MR. LYLE: Tom Lyle, Burlington
8 Electric.

9 MR. CAMPBELL: Don Campbell,
10 infrastructure investor.

11 MR. SILVER: Morris Silver for VEIC.

12 MR. JANSON: Kurt Janson, VEIC.

13 MR. BRABANT: John Brabant, Vermonters
14 for a Clean Environment.

15 MR. PIERCE: Greg Pierce, private
16 citizen.

17 MS. KANE: Paula Kane, private citizen.
18 K-A-N-E.

19 MR. ZIMMERMAN: John Zimmerman. My
20 company is VERA. V-E-R-A.

21 MS. WESTGATE: Victoria Westgate,
22 Dunkiel Saunders.

23 MR. EINHORN: Don Einhorn, Natural
24 Resources Agency.

25 MS. ANDERSON: Carolyn Anderson, Green

1 Mountain Power.

2 MS. CARLSON: Kristin Carlson, Green
3 Mountain Power.

4 MR. WESTON: Rick Weston, the
5 Regulatory Assistance Project.

6 MS. WOLFE: Sarah Wolfe with VPIRG.

7 MS. FLINT: Carol Flint, Public Service
8 Department.

9 MR. BURKE: Daniel Burke, Public
10 Service Department.

11 MS. O'GRADY: Elaine O'Grady, Nescalum
12 or Northeast States for Coordinated Air Use
13 Management.

14 MR. HILL: David Hill with VEIC.

15 MS. PETERSON: Christine Peterson,
16 Public Service Department.

17 MR. KOPIN: Dan Kopin, VEIC.

18 MR. HOPKINS: Asa Hopkins, Synapse
19 Energy Economics.

20 MS. MALMQUIST: Nancy Malmquist, Downs
21 Rachlin Martin.

22 MR. LECKEY: Josh Leckey, Downs Rachlin
23 Martin as well.

24 MR. SCIARROTTA: Mark Sciarrotta,
25 VELCO.

1 CHAIRMAN ROISMAN: Okay. George, do
2 you want to kick us off please?

3 MR. YOUNG: Sure. Sure. Good morning.
4 So we want to do a couple things. I think everybody
5 should have a copy of the agenda that we sent out for
6 the first workshop. I think right now we are going
7 to run through briefly just to remind people --

8 MS. TAORMINA: I'm sorry. There are
9 people on the phone that I forgot to introduce. Dr.
10 David Dismukes from Acadian is on the phone and
11 Michael Dupree also from Acadian. Go ahead. Sorry.

12 MS. McHUGH: Does anyone not have the
13 agenda? Because I have a few extra copies. Okay.

14 MR. YOUNG: So what we want to do first
15 is run over the agenda that was attached to the memo
16 that went out to the -- went out from the Board, I
17 was going to say to all the participants in the case,
18 but since participation is fairly open, it's posted
19 on our website. It's in our system of ePUC. But we
20 will run over that.

21 I wanted to make a couple of
22 preliminary points. First, we have a few handouts.
23 There is going to be a presentation at the first
24 session here and -- sort of an overview. And I've
25 got 60 copies, and I think we may have underestimated

1 how many we needed here, but we will pass those
2 around for copies of that. We can get more copies.

3 We have -- second thing, Andrea, you
4 had the statute. The second thing we wanted to hand
5 out, I'm sure everybody's memorized the statutes
6 because that's what you're supposed to do if you're
7 participating here. But for everybody's -- if we are
8 talking about alternative regulation, it's always
9 useful to at least know what the statutory criteria
10 are and be reminded of them.

11 So we just have a one-page handout that
12 is a cut and paste of the criteria themselves, not
13 all the process, just the criteria for alternative
14 regulation plans. I doubt that we are going to spend
15 a lot of time dwelling on any of these, but it's a
16 useful framework for discussion, and since I'm a
17 lawyer, we have to talk about the law.

18 MS. MCHUGH: There are only about 50
19 copies, so if you want to share with your neighbor,
20 that would be great. Thanks. They are going around
21 the room here in front.

22 MR. YOUNG: And the third handout I
23 have which we'll probably get into when we start
24 talking about the experience with alternative
25 regulation, is a document that the Board distributed

1 three years ago and used as a framework for a
2 workshop on alternative regulation where we were
3 exploring how well it had worked. We haven't gone
4 back over this to see whether we agree with what's in
5 here, whether these are all the right questions, but
6 these were certainly questions that were explored.

7 We got a lot of input from outside
8 parties when we did this three years ago. And for
9 people to be thinking about what has been done --
10 been looked at before, we thought this might be
11 useful just for people to have. Again, I don't
12 expect this to be a major topic of discussion today,
13 but when we are talking about the range of issues, as
14 we start thinking about alternative regulation, this
15 may help. So let me pass those around too.

16 So agenda for today. Opening comments
17 and introductions. I'll have a few sort of general
18 observations, and then we will jump into -- excuse
19 me, I have one more handout. This was actually
20 attached to the memo that went around. This is a
21 matrix of the various comments that we received.

22 So this was our summary of what the
23 topic areas that people had raised in the written
24 comments. Now I will say I'm looking at a room full
25 of 60 people here. We have received comments from,

1 you know, I can count the numbers, but it's somewhere
2 less than 10. So I suspect that there are many
3 people here who have ideas for whom we didn't
4 necessarily get recommendations. So we are going to
5 hear things today that aren't in this matrix, but
6 that's fine. That will be -- again that's our
7 summary of what we got when we solicited comments on
8 what we should be doing in this process.

9 MS. McHUGH: All those comments are on
10 ePUC because this case is being processed through
11 ePUC. So if folks are interested in looking at those
12 in more detail, they can.

13 MR. YOUNG: So and this whole case will
14 be through ePUC. If you haven't signed onto it and
15 signed up for it, for -- to get distribution, please
16 do so. If you want to participate, obviously if you
17 decide this isn't what you want to do then you can
18 ignore that statement.

19 Okay. In terms of what we are doing
20 today, we thought after we received all the comments
21 the Board -- excuse me, please excuse me. I will
22 constantly be saying Board. After a couple years of
23 having been on the Board, I figure it may take me a
24 couple years to undo that. So I'm -- what I would
25 like to actually do at the end of the transcript is

1 revise and extend my remarks like Congressmen and
2 have Kim just basically edit all my misstatements.
3 But I'm going to keep doing it, but I'll try to avoid
4 that.

5 The commission took all the comments
6 and thought what would be useful sort of to have a
7 presentation on what we are doing, what we have done,
8 sort of an overview of the different forms of
9 traditional regulation, alternative regulation, not
10 to say what's good, bad, but just this is what's been
11 done. This is where we have been on both of these,
12 and then we can move forward. And then we will move
13 forward into two sessions, and it may well be that in
14 the 10:15 and 10:45 sessions here, there is a lot of
15 overlap, because we are going to talk about the
16 experience with traditional regulation, which at
17 least for the two for Vermont Gas and for GMP we
18 haven't been under for awhile. But for the other
19 companies, or the other munis and co-ops we have
20 been. And then we will talk about the experience
21 with alternative regulation.

22 As I said, we have tried to break them
23 out here. I'm going to try to solicit comments in a
24 way that we can keep them separate. But you know,
25 it's hard to talk about one without the other. We

1 will take a break. And then we are going to go
2 through sort of a review of the various topics that
3 people have raised and talk about, you know, the
4 parties' initial comments, and identify the
5 objectives, what are we trying to accomplish here,
6 and I'm going to come back to that in a couple
7 minutes.

8 We will take lunch, and then we will
9 try to figure out where we are going from here, and
10 we have two sessions laid out here that are really
11 how are we going to structure this process. What are
12 we trying to achieve. And I will say as part of my
13 introductory remarks, one of the main questions I
14 have coming into this, and I'm hoping for guidance,
15 what are -- is everybody trying to achieve out of
16 this workshop process. What are the deliverables.

17 I know we have a recommendation from
18 the Department that, you know, we probably want to
19 flesh out more as to where the Department would like
20 to be. But what does everybody else want out of
21 this. Because when we start talking about looking at
22 regulation differently in Vermont, you're talking
23 about a wide-ranging set of issues.

24 I'm using my hands like you. This is
25 wrong. Sorry. Inside comments.

1 We are looking at a wide range of
2 issues. And there is no sort of one right approach,
3 and at this point the commission is agnostic, you
4 know. We are listening and trying to figure out
5 where we want to go. And there are lots of different
6 paths. Just look at the comments, you know, you have
7 more global comments like Sun Run wants sort of a
8 massive let's reinvent the world of regulation. You
9 know, WEC's comments were a little more focused on
10 some very practical issues that probably merit
11 attention. The Department had a different focus of
12 trying to move towards, you know, what should the
13 plan look like. We are going to try to see how we
14 can synthesize all those, but as we get to what are
15 the deliverables, what do people want out of this.
16 That's going to be a recurring theme that I think we
17 are going to be asking here.

18 I will say we did get one set of
19 comments that I haven't discussed, and they are not
20 on the matrix, one that we should also be talking
21 about; telecommunications, alternative regulation. I
22 think in our memo we said that would not be included.
23 I'll just reiterate that. The telecommunications
24 industry has -- is so different from either the gas
25 or electric industry, that there is just no merit

1 talking about them together. They may both be
2 incentive regulation or alternative regulation plans,
3 and to the extent we need to review what
4 telecommunications' alt reg plans look like, this is
5 not the forum we are going to do it in. I think --

6 MS. HOFMANN: George, we are going to
7 do a little switch so you're closer to the
8 microphone. Okay. You three are coming down here.
9 Cord too short?

10 MR. YOUNG: Actually since Ann is
11 talking next --

12 MS. HOFMANN: You're going to move.

13 MR. YOUNG: I have been displaced. So
14 I think right now unless anybody has any comments or
15 reaction to sort of the overview, we will move on to
16 the initial presentation which we have handed out.

17 Does anybody have anything that they
18 want to jump in with that I've missed or that we
19 should be thinking about? There is a sign-up sheet
20 going around right now. Please sign up for E-mail
21 address and for other things.

22 MS. HOFMANN: We do have -- you
23 probably noticed -- we do have a court reporter, and
24 she is taking down what everybody says. That's why
25 sometimes she has to ask you so there is a complete

1 record of what happens today.

2 MS. McHUGH: So we do -- there's a
3 wireless guest account that we set up, and the
4 password is capitolvent and then the number 23.

5 MS. CHENEY: And that's capitol with an
6 O.

7 MS. McHUGH: With an O. All lower
8 case. One word.

9 MS. BISHOP: Okay. Well I'm going to
10 go ahead and start, and maybe at some point the mics
11 will start working, so I apologize in advance if I'm
12 suddenly yelling.

13 Good morning. George and I are going
14 to share this presentation. We are basically going
15 to give you an overview, very high-level overview of
16 traditional regulation and alternative regulation
17 here in Vermont. We recognize that some of you have
18 experience with one or both, while others -- for
19 others this may be a newer area for you. Our
20 intention is to give everybody sort of a basic high-
21 level understanding, but we are not getting into the
22 details of any specific plans. For today's
23 discussion we didn't feel that was necessary. Can
24 people hear me with the microphone? Do I need to get
25 closer? Is this better?

1 MR. DUPREE: This is Michael Dupree on
2 the phone. It would be nice if you could get a
3 little closer to the microphone.

4 MS. BISHOP: Okay. So a little
5 history. Traditional cost of service regulation has
6 a decades-long history throughout the United States.
7 There is extensive experience in jurisdictions in the
8 states and at the federal level regarding the
9 principles and the concepts associated with this cost
10 of service regulation. Alternative regulation is
11 much newer, and it has many variance in names in
12 different states. Some people call it incentive
13 regulation. Some people call it performance-based
14 regulation. Even those that call it alternative
15 regulation mean different things in different states.

16 So for the purpose of today's
17 discussion we are going to talk about alternative
18 regulation here in Vermont. We are not trying to
19 give you an overview of all the various forms of
20 alternative regulation that have been proposed or
21 tried in other jurisdictions. So here in Vermont the
22 first alternative regulation plans were approved for
23 electric and gas utilities in 2006. And currently,
24 both Green Mountain Power and Vermont Gas Systems are
25 operating under alternative regulation plans.

1 Previously when Central Vermont Public Service
2 Corporation was still in existence they also operated
3 for a number of years under alternative regulation.
4 So whether you are under traditional regulation or
5 alternative regulation, the same overarching legal
6 standards apply.

7 The commission is setting just and
8 reasonable rates. And the commission is balancing
9 shareholder and ratepayer interests, and it is the
10 end result that matters. That is the just and
11 reasonable rates, not the specific methodology that
12 you use to arrive at those rates. Traditional
13 regulation is often described as cost-plus rate
14 making. Essentially you start with the utilities'
15 actual costs from a historical test year and 12-month
16 period, any 12-month period, often a calendar year, a
17 fiscal year, but it can be any 12 months, and you
18 adjust those costs for known and measurable changes.
19 There is a lot of case law and commission decisions
20 about what a known and measurable decision is. I'm
21 sorry -- known and measurable change is.

22 Traditional regulation includes
23 adjustments for historical costs that are imprudent,
24 not used and useful or otherwise not recoverable.
25 Prudence and used and usefulness are two regulatory

1 concepts that again have a long history. Many
2 commission decisions here as well as in other states
3 -- I'm not going to go into the details for today's
4 -- for the purpose of today's discussion. Other
5 kinds of costs that are not recoverable, kind of the
6 classic examples tend to be things like lobbying
7 costs or charitable contributions. But there are
8 just other things that a utility might spend that are
9 not allowed in rates.

10 So back when -- in 2005 and 2006 when
11 people were starting to talk about alternative
12 regulation and -- here in Vermont, they were looking
13 at several challenges that were posed by traditional
14 regulation. One is that it was viewed as providing
15 few incentives for a utility to operate efficiently.
16 And this is because the starting point is your
17 existing cost structure absent any disallowances.
18 And the concept was if that's your starting point,
19 how are you providing a utility an incentive to
20 change its behavior to become more efficient. Rate
21 cases can be resource intensive.

22 Having said that, most tariff filings
23 that are made with the commission are not
24 investigated. There is an initial review process
25 that is set out in statute, and if the Department of

1 Public Service recommends that the commission
2 investigate the tariff, and that's do a full
3 investigation, or if the commission itself decides it
4 wants to -- believes that it should be investigated,
5 then the commission will do so. So when I talk about
6 a rate case I'm talking about this formal
7 investigation not the initial 45-day review process
8 that occurs.

9 Rate cases can be very resource
10 intensive for the utilities; the Department of Public
11 Service, the commission, as well as all the
12 interveners who participate. I have sitting in my
13 office still the last fully litigated rate case from
14 Central Vermont Public Service Corporation. And the
15 materials from that are an entire shelf in my book
16 case, and that doesn't include any discovery. So
17 that represents a tremendous amount of work on behalf
18 of all of the parties to the case in terms of
19 preparing those documents, analyzing the documents,
20 and then the resulting commission decision.

21 Regulatory lag; risk for utilities.
22 Regulatory lag essentially refers to the fact that
23 you are using past costs, and you are setting rates
24 for a future time period. And then those rates are
25 in effect for some period of time which may be of

1 differing lengths depending on how quickly or how
2 soon the utility asks for new rates and those new
3 rates go into effect.

4 So the concept is that with inflation
5 and other things, costs go up. But the prices that
6 the utility can charge for its service don't change
7 at the same pace or at the same time frames.
8 Historically, many would say that that regulatory lag
9 risk was offset by increased sales to customers.
10 This was during time periods when utility load growth
11 was occurring. As load growth -- as load started to
12 increase less or become more flat, that offsetting
13 effect was reduced. And then there was a --
14 traditional regulation provides a disincentive for
15 utilities to invest in energy efficiency. I included
16 this on this slide even though here in Vermont we
17 already had Efficiency Vermont and the Energy
18 Efficiency Utility model at the time that we were
19 starting to discuss alternative regulation. So I
20 think that was less of a concern here in Vermont at
21 that time because the investments in energy
22 efficiency were being made primarily through the
23 Energy Efficiency Utility program rather than
24 directly by the electric utilities.

25 However, I will say that for Vermont

1 Gas during this time period they were not an Energy
2 Efficiency Utility at that point. They were
3 providing energy efficiency through their basic
4 rates. And therefore, this disincentive to invest in
5 energy efficiency is more relevant for -- in the gas
6 sector.

7 So why did alternative regulation start
8 here in Vermont? I want to emphasize this slide is
9 about what was thought in 2005 and 2006 would happen
10 with alternative regulation. This is not an attempt
11 to say whether it did happen or whether there were
12 other unintended consequences or effects of
13 alternative regulation be they positive or negative.
14 I think some of what we are going to be hearing from
15 all of you in a few minutes in our participant round
16 table is what your experiences have been with
17 alternative regulation, and those may be positive or
18 negative.

19 So with that caveat, at the time that
20 the -- that we moved to alternative regulation here
21 in Vermont, the concept was that this would provide
22 utility incentive to operate more efficiently or to
23 achieve designated public policy objectives. And
24 primarily, as you'll hear from George in a little
25 bit, that was the thought was that this alternative

1 method of setting rates was what was going to
2 accomplish that. It would allow utilities to more
3 easily flow through power costs, gas costs, fuel
4 costs, whatever you would like to call that concept,
5 in a timely manner.

6 Back in that era when we started
7 looking at alternative regulation, Vermont was one of
8 the few states in the country that did not have or
9 did not allow purchase power adjustment clauses or
10 gas adjustment clauses that essentially allow
11 utilities to pass through their actual fuel costs,
12 power costs, gas costs to customers. And the Board
13 at the time, and I deliberately use the word Board
14 here, the Board at the time as well as the
15 environment here in Vermont was aware of the fact
16 that this was an area in which Vermont was very
17 different than the vast majority of the rest of the
18 country. And there were -- we had heard about the
19 fact that there were effects on utility credit
20 ratings as a result of the fact that we did not allow
21 these costs to be passed through. So under
22 alternative regulation the concept was to allow these
23 costs to be passed through in a more timely manner.
24 It would improve utility credit ratings which in turn
25 would reduce costs included in rates through lower

1 debt costs or also through better collateral terms on
2 their power costs, et cetera, power cost agreements.

3 It was thought that this would -- that
4 this new way of doing things would reduce costs
5 associated with litigation related to rate cases and
6 it would decouple sales from revenues. Again, this
7 is more an issue in -- for the gas sector than it was
8 for the electric sector at the time.

9 MR. GIBBONS: A quick question on that
10 one point. Do you mean decouple sales from revenues
11 or sales from profits?

12 MS. BISHOP: Thank you. That is an
13 excellent correction, and that is an error on my
14 slide. It should say decouple sales from profit.
15 You're absolutely right. Sales are directly related
16 to revenues. You can't decouple those two things.

17 MR. GIBBONS: I was scratching my head
18 and thought I missed something a long time ago.

19 MS. BISHOP: I apologize for the error.

20 MR. YOUNG: Just to follow up quickly
21 on Ann's running through the various points, I don't
22 want -- we will have the discussion of the merits of
23 -- or some of the pros and cons of alternative
24 regulation, but one of the points that she did make
25 was the expectation that it would change credit

1 ratings. And at least for Green Mountain Power there
2 was a credit rating change soon after the alternative
3 regulation plans. When CV's took effect there was
4 much more of a lag because of other issues in the
5 company.

6 So let's jump to governing statutes.
7 So for traditional regulation, you know, your
8 procedural statutes are the ones listed here;
9 sections 225, 226, 227. They set out the process for
10 filing rate cases, for filing -- they are not called
11 rate cases in the statute. They are called changes
12 in schedules or changes in rates. And those are the
13 processes that section 218d in an Alternative
14 Regulation Plan, and that's D with no parentheses,
15 allows the Board -- allows the commission to alter in
16 the form of an Alternative Regulation Plan.

17 One other statute that always applies
18 here is section 218 generally and the requirement, as
19 Ann mentioned, the rates be just and reasonable. And
20 non -- no unjust discrimination. And those -- that
21 overview applies to everything.

22 So let's look at alternative regulation
23 as it has been practiced. Again, I think we want to
24 be clear. We are not saying that this is the right
25 way to go forward or that this is the only model.

1 And that's what we are here for is to think about
2 what needs to be done. But just so everybody's on
3 the same footing is -- what have we done here or what
4 has been done here that the commission has approved.
5 And I will say the commission ultimately was
6 reviewing a plan under the statutory criteria, not
7 prescribing what a plan should look like, although at
8 times we did interject into the process.

9 So on the key differences. Part one.
10 Basic change is usually for rate increases, rate
11 changes, they are utility initiated. The utility
12 decides when it needs a rate increase and files with
13 the commission. And then that triggers the statutory
14 process under section 225, 6 and 7. That ultimately
15 results in rates decided eight and-a-half months
16 after -- approximately eight and-a-half months after
17 the filing. By statute it's actually seven months
18 after the rates would otherwise have been effective,
19 and I don't need to get into the interpretation
20 issues surrounding that.

21 Under the alternative regulation plans
22 that have been adopted instead of the utility decides
23 mechanism, you have prescribed set of rate changes,
24 and both the GMP and VGS plans, although they do it
25 differently, have mechanisms for changing power

1 costs/gas costs on a more regular basis, although in
2 the latest iteration Green Mountain Power's plan
3 actually lumps all of the power cost changes into one
4 annual adjustment as opposed to the quarterly
5 adjustments that had applied from 2007 through 2014
6 or '15. I think it's probably '15. You also had a
7 mechanism for changing base rates where basically the
8 company under the Alternative Regulation Plan would
9 change its overall rates on an annual basis. There
10 was a process prescribed for how that will be
11 prepared and discussions with the Department in
12 preparing that. Typically, at least for Green
13 Mountain Power, it's filed in August for proposed
14 effect October 1. And I think Vermont Gas's has
15 lagged by a month on those dates. I may be -- you
16 know, I think it's lagged by a month, but I may be
17 off on that one.

18 You also had a mechanism for earnings
19 sharing where basically at the end of the year you
20 take a look at the performance of the company under
21 the Alternative Regulation Plan, and you could have
22 adjustments to rates to reflect the over earnings or
23 under earnings. The plans generally had what's known
24 as a dead band, an area in which if, for example,
25 Green Mountain Power could earn up to 75 basis points

1 above its allowed rate of return and not have to
2 return anything to customers. Over 75 basis points
3 all the excess profit went back to customers. And
4 you have a similar mechanism on -- if there were
5 under earnings with some variations, but what -- you
6 basically had in these three prescribed types of rate
7 changes that could occur during the year. And the
8 earnings sharing adjustment would also build in the
9 ability to, say for Green Mountain Power, allow
10 recovery of storm costs -- excess storm costs or
11 exogenous costs in general, which were typically
12 excess storm costs through the earnings sharing
13 mechanism.

14 As we go to the next page, traditional
15 regulation, there is no set schedule as we just
16 talked about. We had the seven-month review period,
17 review process, you know, prescribed by section --
18 once you've initiated a rate case it's really
19 prescribed by section 227. And as Ann mentioned
20 earlier, if a large utility filed, and since the
21 alternative regulations apply to -- have applied to
22 VGS and Green Mountain Power, that's what we are
23 talking about here, those cases typically are --
24 almost always were investigated by the Board. They
25 might -- by the commission. They might subsequently

1 have been settled, but there was an investigation
2 opened.

3 And you also couldn't do single issue
4 rate making. By comparison under the alt reg plans,
5 single issue rate making in the form of power costs
6 or gas costs was specifically allowed. Investigative
7 rate cases have been rare. There is a mechanism for
8 investigating the base rate filing with shortened
9 review periods, rather than seven months, it's
10 reduced to either four or five months. But that
11 hasn't been -- that's been triggered I believe in
12 one, maybe two instances. And we actually didn't
13 proceed to a formal investigation that lasted very
14 long in either of those cases. They were closed in
15 each instance.

16 And I will -- so we have heard that
17 that's part of the frustration for people saying some
18 of these rate changes shouldn't occur. The review
19 process is set up in the plan, not in the statute.
20 The plans actually have fairly detailed explanation
21 of that. And as I mentioned, there are shorter
22 review periods. So for example, the power costs for
23 Green Mountain Power you actually can only challenge
24 them for mathematical calculation, not for anything
25 else in terms of the quarterly adjustments there.

1 Other key differences. Let's move to
2 part three. Traditional regulation you use the
3 historic test year adjusted for known and measurable
4 changes. That's what the Board has typically done.
5 Instead, under the Alternative Regulation Plan,
6 you've actually built in forecasted loads in rate
7 base additions. So you might have things that may
8 not have strictly met a known and measurable test
9 that could be allowed into the rate structure, but
10 the change to forecasting -- forecasted loads make
11 some difference. And it means, you know, you really
12 are trying to reflect what's going to be happening in
13 the time period that the rates are going to be in
14 effect.

15 As Ann mentioned, under the non-
16 forecasted load approach, in an environment where
17 load growth was occurring, the load growth typically
18 was a benefit to the utilities because it wasn't
19 assumed in the rate case. You were basing power
20 costs on test year loads as opposed to future loads.
21 Traditional regulation you have return on equity
22 based on analyses of comparable companies. Anybody
23 who's done a rate case knows how much fun it is to go
24 through the discounted cash flow and CAPM models on
25 that. Instead, in the Alternative Regulation Plan

1 you set a return on equity at the outset of the plan,
2 and then it's adjusted by a mechanism that
3 essentially passes through half of the change in
4 treasury rates on each year. Traditional regulation
5 rates set once. You have no true-ups.

6 As I mentioned, you have an earnings
7 sharing adjustor in the Alternative Regulation Plan
8 that is not a perfect true-up. It's not intended --
9 was not intended to be, but essentially it allowed
10 for some true-up. You also had a true-up on gas
11 costs and on power costs.

12 The last slide here is really talking
13 about the fact that these plans haven't been static.
14 There is, you know, the parties, to their credit, to
15 the plans and the commission and the Department have
16 tried to adapt to various criticisms over time. So
17 what -- we have increased the amount of notice, the
18 plans have increased the amount of notice to
19 customers over time. We have tried to switch to
20 service rendered dates as opposed to bills rendered
21 dates so that customers actually receive notice in
22 advance of the time they are using the energy
23 resource. The timing of some of the rate changes
24 have changed. Primarily in the case of Green
25 Mountain Power's collapsing the fuel adjustment into

1 an annual adjustment. Better accounting of weather
2 normalization in case of Vermont Gas for earnings.

3 We had a period where there was some
4 performing -- performance benchmarking allowed under
5 the plans, although I don't believe we actually had a
6 performance benchmark trigger that changed the ROE
7 during that time period. The Department has pushed
8 the companies for better documentation of proposed
9 plant additions, and there have been innovative
10 pilots and services allowed specifically under Green
11 Mountain Power's plans.

12 One thing that is implicit in all of
13 this is the plans to date have been for the larger
14 companies. We have not seen any proposals from the
15 municipalities or the cooperatives for an Alternative
16 Regulation Plan, even a scaled down one. The plans
17 we have had are -- have been fairly comprehensive.
18 The statute doesn't necessarily require that a plan
19 be as comprehensive as these.

20 Let me just see. But there hasn't been
21 a strong effort to push into more plans for other
22 utilities, and I will also say that is not
23 necessarily something that is a goal -- that is not
24 something that's a goal per se for the commission.
25 And I think we are cognizant that, you know, various

1 people have different views as to how well these
2 things have worked.

3 And I'm looking here at AARP's comments
4 that prior AARP mechanisms approved for the state's
5 major utilities have produced less than spectacular
6 results. So with that, if there are questions, I
7 think Ann and I are happy to answer them. Otherwise,
8 we will jump into what are the pluses and minuses.

9 MS. CHENEY: Are we going to split it
10 into first reflecting on traditional regulation and
11 then on alternative regulation?

12 MR. YOUNG: The proposal is to split it
13 and do it that way. To the extent you can, that
14 would be useful. And I'm going to try to guide, you
15 know, try to ask questions to the extent I have them
16 of people to head in that direction.

17 On the other hand, I think part of this
18 is a comparative analysis and it may, you know, if
19 you need to bleed in, these are not rigid lines. I
20 think it would be useful for the discussion if we
21 start off trying to separate the two. But again,
22 inherently there is a certain comparative aspect to
23 this. Mr. Allen.

24 MR. ALLEN: So I'm talking at you. And
25 I'm aware that people may not be able to hear me. I

1 don't know if that mic extends over here, but --

2 MR. KNAUER: There is a mic right
3 there.

4 MR. ALLEN: I'm sorry. I didn't notice
5 that.

6 MS. HOFMANN: While Riley is doing
7 that, has anyone not signed the sign-in sheet?

8 (No response.)

9 MR. ALLEN: Okay. I'll start by
10 thanking the commission for opening this series of
11 workshops. We think it's an important and timely
12 topic. And I appreciate all the commenters and the
13 kind of range of issues and views that were kind of
14 introduced into the mix.

15 Our initial comments were very much
16 focused on the form of regulation, that is the way we
17 kind of establish the rate recovery, or the recovery
18 of revenues, or the cost of service over time for the
19 utility and the overarching framework. That is
20 something that we believe should continue to be kind
21 of a focal point of this proceeding and will continue
22 to kind of emphasize that throughout.

23 But we are also very interested in the
24 other topics that have been raised. And we will have
25 opportunity later to discuss how to kind of manage

1 the range of issues going forward. But I wanted to
2 start by speaking to traditional regulation, kind of
3 the merits, and why it is that we think it's
4 important to start looking beyond traditional
5 regulation. We have been -- we have 10 years of
6 experience with some form of alternative regulation
7 as it relates to our three and now two larger
8 utilities. I think we can use that as a point of
9 some reflection. I don't know that we are going to
10 have adequate time to kind of fully engage on those
11 issues, but our attorney, Tim Duggan, will speak to
12 that when we come to that segment.

13 In our comments, we highlighted seven
14 or eight issues that we think are concerns that at
15 least the Department has, I have and the Department
16 has with traditional regulation. I wanted to just
17 kind of run through those very briefly and then
18 highlight kind of an overarching issue from our
19 perspective. But the topics that we highlighted was
20 -- included some of those that George and Ann had
21 spoken to.

22 One is decoupling. Decoupling as Ann
23 had pointed out, and James had further amplified on,
24 is the issue that relates -- the sales to the
25 profitability of the company. It has bearing on how

1 we address and motivate and our utilities participate
2 in the act of encouraging or engaging around energy
3 efficiency and customer side of the meter generation.
4 We think traditional regulation at least as applied
5 in Vermont, is essentially a disincentive for
6 encouraging those types of activities. Transparency
7 is an issue. I know it's an issue with the form of
8 alternative regulation that we have applied in
9 Vermont as well. I think that's a good issue to
10 engage around.

11 One of the broader points that I wanted
12 to start with was from our standpoint we have --
13 traditional regulation means a very specific thing.
14 But alternative regulation there is a wide range of
15 opportunity for moving in new directions. I think we
16 tend to kind of focus on what has been in place these
17 last 10 years. Our interest going forward is to take
18 a deep look and look for new pathways for achieving
19 whatever the principles or objectives are that we
20 should be advancing going forward. I think we will
21 keep coming back to this. But I just don't want to
22 get stuck and have the same conversations we have
23 been having around the form of alternative regulation
24 that has existed.

25 We agree that there are reasons to look

1 beyond. I think it's important to take note of the
2 valid criticisms that are associated with the form of
3 regulation that has existed. But we very much just
4 want to be looking ahead. We hope that that is the
5 focal point of this proceeding.

6 Capitalization is an issue. I think
7 this is, you know, theoretical concern anyways with
8 traditional regulation. It goes back to the Averch-
9 Johnson effect that was highlighted in the mid '60s.
10 It's always been a concern that's been associated
11 with traditional regulation. And I think it's also
12 potentially a concern with any kind of vigorous cost
13 of service regulation as exists also with the form of
14 alternative regulation that we have in the state.

15 MR. YOUNG: Mr. Allen?

16 MR. ALLEN: Yes.

17 MR. YOUNG: I don't want to cut you off
18 too quickly here, but we want to get to lots of other
19 things. Are you going through basically the things
20 on page --

21 MR. ALLEN: Yeah. I'll abbreviate
22 this.

23 MR. YOUNG: Thanks.

24 MR. ALLEN: The broader concern that I
25 wanted or the broader point that I wanted to make is

1 around incentives. We think that there are statutory
2 objectives that we have for the sector. There are
3 traditional objectives for cost management. We think
4 we can do a better job under alternative forms of
5 regulation. We think we can motivate energy
6 efficiency and distributed generation in positive
7 ways through forms of regulation that are different
8 than what we associate with traditional regulation.

9 Thank you very much.

10 MR. YOUNG: And Mr. Allen, if we have
11 more time, I'll certainly let you expand more on some
12 of the other points. I want to make sure we have a
13 chance. We have lots of people who might want to
14 talk.

15 So while we are talking traditional
16 regulation, what are the pros and cons that others
17 have that they want to raise? By the way, if I'm
18 talking, this isn't working right.

19 So Mr. Nolan, if you can just project
20 rather than have everybody walk over there.

21 MR. NOLAN: Sure. Ken Nolan, Vermont
22 Public Power. For those who don't know, Vermont
23 Public Power is a joint action agency that represents
24 12 municipal electric utilities in the state. I
25 think Mr. Young had commented that municipals have

1 not traditionally asked for alternative regulation.
2 I think there are pretty apparent reasons why that's
3 not occurring. Start with the fact that we are -- a
4 rate making process is already transparent. We go
5 through a public process to file rates. Most of the
6 trustees, boards of commissioners that are approving
7 it are either elected or appointed officials, so
8 there is a robust process that goes in setting our
9 rates to begin with.

10 We have no profit incentive. So the
11 cost sharing-profit sharing mechanisms don't really
12 apply to municipal utilities. Under traditional
13 regulations the municipal rates go into effect 45
14 days after filing, and then we figure out what the
15 appropriate rate is. And there is a rebate -- there
16 is a surcharge that goes in place, and then a rebate
17 if that's necessary.

18 So a lot of regulatory lag that the
19 larger utilities, IOUs would see, we don't
20 experience. Contrary to the credit rating comment,
21 we have actually -- in our discussions with Moody's
22 they have commented to us that that 45-day mechanism
23 in Vermont statute and the knowing that that rate's
24 going to go into effect in 45 days is a positive.
25 That actually improves our credit rating with the

1 agencies rather than being negative.

2 I've polled our members of what they
3 wanted out of alternative regulation for this
4 workshop, and frankly the response I've gotten is
5 they like the traditional rate making the way it is.
6 There are some mechanisms and filings and
7 requirements we have particularly under section 108
8 when we are trying to raise capital that are
9 problematic. But overall, municipal view at least
10 among my members is that the traditional process
11 works well as far as how we manage resources. We
12 don't see a lot of litigation risk. We don't see a
13 lot of people intervening. Typically issues are
14 worked out before we intervene at the Public Service
15 Board.

16 If we have large customers or customers
17 who are very vocal, they become part of the process
18 right up front. So we are reluctant to expand too
19 far into the alt reg conversation. We understand the
20 Department's desire to have incentives. But we feel
21 like in the municipal world a lot of those incentives
22 already exist. And they are getting stronger in
23 particular with the renewable energy standard
24 legislation that was passed. I think that's hoping
25 to align the utilities more with renewable energy and

1 efficiency even though it has brought some additional
2 tensions between the utilities and Efficiency
3 Vermont. We can talk about that later if that's
4 useful. Thank you.

5 MR. YOUNG: Thank you very much for
6 that. I actually have a number of questions I would
7 love to follow up, but they -- I think we will save
8 those for later. They are not so much about
9 alternative regulation -- or about traditional
10 regulation as it is about some of the incentives.
11 Why don't we move on to other commenters.

12 MR. GIBBONS: James Gibbons.

13 MR. YOUNG: Mr. Gibbons.

14 MR. GIBBONS: Burlington Electric
15 Department. Not surprisingly we have a somewhat
16 similar view to Mr. Nolan's view for more than a few
17 reasons. We have certainly had no real problems
18 investing in energy efficiency. We actually predate
19 VEIC as an energy utility, if you will. We don't
20 have any problem encouraging customer generation
21 within the current regulation structure. You know,
22 we would just like maybe a few more tools in our
23 arsenal of rates, if you will, in light of the
24 renewable energy standard. Perhaps a little
25 flexibility in trying some new things of that nature,

1 but not really motivated for a wholesale slaughter of
2 Vermont's current regulations as it relates to
3 municipal utilities.

4 Frankly, from a staffing point of view
5 we have limited staff to devote to a very long series
6 of workshops unless there is specific stuff that's
7 relevant to municipal utilities.

8 MR. YOUNG: Yes. Ms. Brown.

9 MS. BROWN: Hi. Vickie Brown. Vermont
10 Electric Co-op. I would echo the sentiments of BED
11 and VPPSA. We have made traditional regulation work
12 for us by tying our rate cases to our annual
13 budgeting process. And we have had good success in
14 working with the Department in advance, getting
15 agreements so that we don't have to have an
16 investigated case.

17 Where we really struggle is when there
18 is a full-blown investigation. We have a small
19 staff, and that is just really resource intensive.
20 But so far we have been able to make it work. So I'm
21 not looking to go down an alt reg path. We have
22 looked into various kinds of alternative regulation.
23 Just found it did not work for a not for profit very
24 well, or couldn't find a way to make it work anyway.

25 We are interested in more flexible rate

1 structures going forward moving into tier three
2 programs. Looking at peak shaving opportunities. So
3 on. So that's really what we are more interested in
4 in terms of an alternative regulation format.

5 MR. YOUNG: Thank you. I do want to
6 make -- I'll get to Ms. Simollardes in a second. I
7 do want to make one observation which is related to
8 what I was holding back on with Mr. Nolan which is
9 the statute has criteria that have to be met, but it
10 doesn't say a plan has to be anything like what, you
11 know, the plans that have been adopted are. So to
12 the extent we are looking at innovative rate
13 structures or other more flexibility, possibly, you
14 know, scaled down or different form of alternative
15 regulation could work. Not advocating that at this
16 point. Just throwing that out there, you know, so as
17 not to lose that in the discussion.

18 Ms. Simollardes.

19 MS. SIMOLLARDES: Eileen Simollardes,
20 Vermont Gas. Actually echoing that. I think that
21 Vermont got it right when they didn't prescribe in
22 statute or at the commission one form of rate
23 regulation for all of its utilities. And whatever we
24 do here I would encourage us to continue that, that
25 the munis' needs and the cooperatives' needs may be

1 different from the investor-owned, and gas utility
2 may be different from an electric. As an aside.

3 On the traditional regulation, one
4 point I would like to make is in many ways
5 alternative regulation and traditional regulation are
6 different around the edges, but they both start from
7 a cost of service. So I don't think we should, as we
8 talk about alternative regulation, we shouldn't
9 assume that that's an abandonment of cost of service,
10 because that's still there.

11 As it pertains to pros and cons, I
12 think the commission got it right in the comparison
13 here. The biggest challenge with traditional
14 regulation is the length of time, the cost of the
15 proceeding, I almost don't care what size your
16 utility is. It's resource intensive. It's resource
17 intensive for the Department, it's resource intensive
18 for the commission and for the utility. And it's
19 really difficult for customers to participate in
20 because of the length of time.

21 And I'll save my comments on
22 alternative regulation until that part of the agenda.

23 MS. TAORMINA: I'll go. I'm always the
24 skunk at the party.

25 MR. YOUNG: Ms. Taormina.

1 MS. HOFMANN: Your back is to people.
2 Could you stand, or at least could you go up there?

3 MS. TAORMINA: I am Philene Taormina.
4 AARP's been one of the major critics if not the
5 critic of alternative regulation. But I want to
6 start with traditional regulation. AARP's policy
7 supports traditional regulation. We think it's more
8 transparent. It provides a higher level of scrutiny.
9 I get it's a lot of work. I'm sure it is. We have
10 intervened in many cases, and it is work. I have
11 never seen a cost estimate produced that shows that
12 it's more costly or less costly than the system that
13 you've used for the last 10 years to regulate the
14 for-profit investor-owned utilities. If there is
15 one, that really should be made available, because
16 otherwise that's just anecdotal at this point that it
17 costs more.

18 You know, we do not support moving
19 towards alternative regulation unless there is an
20 extreme circumstance, and our experiences with it
21 have not been great for either customers, or at least
22 in the process of traditional regulation we could
23 intervene. The alternative regulation process didn't
24 provide a lot of intervention opportunity and much
25 was decided behind closed doors and then presented as

1 a final product. So it's a very different process.

2 And I guess one of the things that AARP
3 has struggled with is why some of the innovative
4 things you want to pursue, whether it's decoupling or
5 other trackers, and other things that states are
6 doing, can't be done within the context of
7 traditional rate regulation. They are in other
8 states.

9 So you know, this wholesale abandonment
10 for these two companies to move to this new system
11 has been an issue for AARP. It's been very hard for
12 us to crack open, and it took until 2014 for us to
13 really have an opportunity to even look at the
14 performance of the plans and try to understand them.

15 MR. YOUNG: Mr. Smith?

16 MR. SMITH: Doug Smith, power supply
17 director at Green Mountain Power. Probably my
18 highest value comments will be related to experience
19 so far in alt reg as GMP has experienced, and drawing
20 brief comparisons to traditional regulation. But I
21 had a couple of observations just foundationally
22 about traditional regulation that may be helpful.

23 One is the lumpy nature of it all. A
24 couple of examples might be a utility to act
25 opportunistically in recent years, for example GMP

1 has pursued several types of new renewable
2 generation, some by purchased power agreement, some
3 utility owned. Those events which are done for the
4 sake of managing power cost uncertainty as well as
5 pursuing state goals under traditional regulation via
6 challenge, in that they change the essentially
7 relationship between the utilities' underlying costs
8 and revenues. So traditional regulation in the way
9 it worked in Vermont in which there was not some form
10 of a power adjustor is a challenge when it comes to
11 enabling utilities to act opportunistically. In --
12 particularly in the power market, that's my area of
13 expertise, basically due to the scale of those
14 investments, and how they can cause temporary changes
15 to the relationship of the company's cost of service,
16 and what's presently in rates.

17 Bottom line, you risk triggering an
18 entire rate case to do a new power deal as an
19 example.

20 The other notable thing is Vermont
21 policy, I think Green Mountain Power and really all
22 the distribution utilities, pursued strategies that
23 to a large degree promote stability in electricity
24 rates. They try not to ride the spot market or even
25 the short-term market, but have a smoother ride over

1 time. That can also be challenged in traditional
2 rate making at least as it was done in Vermont,
3 because even a power supply that is designed and
4 produces good stability over a period of years, can
5 have a significant bit of wobble in the short run,
6 within a year, within a quarter. That can come from
7 everything from peak-based charges for capacity and
8 transmission which in Green Mountain's case those can
9 fluctuate by 20 or 30 megawatts and a number of
10 million dollars in a year based on weather
11 fluctuations.

12 And another example in those same areas
13 can be these days transmission charges and capacity
14 ones which have grown a lot in the last decade are
15 often subject to disputes at the FERC and in court.
16 And we have experienced noticeable flows, both money
17 coming back to Green Mountain or step changes. Its
18 significant windfalls or shortfalls can accrue to the
19 utility if you don't have some meaningful mechanism
20 for tracking those power and transmission costs which
21 make up, in our case, the 60 percent plus of the
22 total revenue requirement.

23 And the final thing is frequency of
24 rate changes. This is -- it's a tradeoff. It's not
25 a right or a wrong to it. And I think one of your

1 slides had it right, under traditional regulation
2 it's been awhile now, but our experience was that a
3 meaningful period of time, in years generally, would
4 occur between retail rate cases and changes in the
5 structure of the utility's costs would tend to
6 accumulate. So you end up with, for example, a
7 seven, eight percent rate change perhaps which really
8 builds up over several years. In our experience in
9 alt reg those tend to be each year on a regular basis
10 more like a number of plus or minus a percent or two,
11 occasionally a bit more than that. So more frequent
12 but smaller adjustments.

13 In my experience working with customers
14 they seem to prefer and are comfortable with the
15 balance that's been struck now in GMP's alt reg with
16 frequent but smaller bites, and essentially the cost
17 -- the rates get less stale.

18 MR. YOUNG: I believe that's Ms.
19 Richards down there.

20 MS. RICHARDS: Yeah. Patty Richards
21 from Washington Electric Co-op. I'll echo what the
22 not-for-profit and what Vickie said from Vermont
23 Electric Co-op. The traditional rate making has
24 worked fairly well for WEC. What we are looking at
25 in the future -- I'm going to echo what Doug just

1 described at GMP -- is we have a period where we are
2 looking at rising transmission capacity and other
3 market costs, that we are not looking for several
4 years for back to back rate increases, let's say five
5 to six years out now.

6 We are a small shop as some of the
7 other not for profits. And you know, what that
8 manifests into is going into -- every year
9 essentially for a rate increase. In conjunction with
10 that, we are looking at declining sales, we are
11 looking at statutory requirements for the renewable
12 energy standard to send out market signals to
13 increase electrification across the state.

14 So with all this work and rate pressure
15 we are looking at a rate redesign to figure out. So
16 this structure, this workshop so far has talked about
17 alt reg and traditional rate making. I would also
18 like to talk about rate design and how we move
19 forward in pricing to the consumers, so that we -- in
20 the world of declining sales, rising power costs, and
21 requirements to new standards through statutory
22 requirements like the renewable energy standard, how
23 are we going to price electricity to get to these new
24 hurdles and balance price points with consumers'
25 needs for affordability and the overall rate

1 structure in keeping this simple and communicating to
2 our membership.

3 I know that was a lot, a big mouthful,
4 but that's kind of our push points and thoughts in
5 terms of what we would like to accomplish out of the
6 workshops.

7 MR. YOUNG: Can I ask just one follow-
8 up question? You said you're looking at a period of
9 rising transmission costs and other power costs. Are
10 the transmission costs basically pass throughs from
11 ISO that you really don't have a lot to say about?

12 MS. RICHARDS: So we have three
13 transmission bills we pay. One is the ISO New
14 England, one is VELCO, and one is GMP as a sub
15 customer to GMP for transmission. So they all
16 revolve around peak in some way, shape or form and
17 the rates that those entities charge to us.

18 The rates obviously we have no control
19 over. To the extent we can control peak, in theory
20 we could reduce those costs that way, but that's a
21 very difficult thing to get a membership, a customer
22 base to reduce its load to control peak. So there
23 may be some control, but ostensibly I would call it
24 very little or minimal.

25 MR. YOUNG: Thank you. I just wanted

1 to make sure I understood. Other comments? Mr.
2 Smith?

3 MR. SMITH: Just for a sense of scale,
4 the types of changes that we really -- all the
5 distribution utilities have seen and experienced to
6 varying degrees in the ISO New England capacity
7 market, these have been on the order of 10 or tens of
8 percent of fluctuation in a year. So if you are a
9 company that is meaningfully exposed in the capacity
10 market, you could see changes of that type of
11 magnitude year to year.

12 I think we are all collaborating, the
13 distribution utilities, to a significant degree, on
14 how to forecast peaks better whether it be through
15 the weather analytics program with VELCO or
16 individually, and I think Vermont utilities including
17 GMP are doing pretty well at exploring measures to
18 mitigate those peaks.

19 But in one year or even a few years the
20 magnitude of reliable peak management you can whip up
21 is not as large as a 10 or 20 percent fluctuation
22 like we have been observing. It's a different scale.

23 MR. YOUNG: Anybody else want to jump
24 in on traditional regulation? Actually according to
25 the schedule we are just about on time. Yes, sir.

1 MR. MOORE: James Moore with SunCommon.

2 I think a number of folks in kind of prefiled
3 comments, particularly Green Mountain Power, noted
4 the changing world that we are in with thousands of
5 generators now. And the fact that that's continuing,
6 and that state policy says we generally want that to
7 continue. One of the challenges that is posed there
8 with both alternative and traditional rate making is
9 that while the state has actively promoted and asked
10 thousands of Vermonters to invest in a generation
11 asset and increasingly probably storage assets, they
12 don't -- those folks don't have a seat at the table
13 when it comes to the rate making. Which is just --
14 it's not to say it's a fault of tradition or alt reg.
15 It's the new world that we are moving into that
16 neither really allows those folks a seat at the
17 table.

18 I think every utility who stood up at
19 the beginning noted how resource intensive rate cases
20 are. You know, that's for a utility that has
21 resources. You know there is no way for a homeowner
22 or a business owner to meaningfully participate. And
23 yet the rate structure could be used to actually
24 undercut the value of those assets. Completely. And
25 effectively change, you know, the states encourage

1 people to make an investment, and then rate structure
2 changes could completely undercut that value when
3 these folks have responded to the state policy and
4 effectively shift that value to the monopoly-serving
5 utilities.

6 So it's just -- I don't have the
7 solution, but I think wise talk about traditional
8 rate making and alternative ratemaking, that's an
9 additional dynamic that I hadn't heard discussed yet.

10 MR. YOUNG: Let me just follow up on
11 that a little bit. Because I think it's fair to say,
12 you know, we would be concerned about your stated
13 inability to participate. Are you talking basically
14 not procedurally but you just don't have the
15 resources to effectively participate?

16 MR. MOORE: Yes. I think practically
17 from SunCommon's perspective, okay, I was able to get
18 here today. But actually hiring legal staff and
19 participating meaningfully in any rate case would be
20 beyond our means, as, you know, an integrator. And
21 then as -- for a homeowner, like there is no way that
22 they are, you know, hiring legal counsel or coming up
23 the learning curve with how to participate
24 meaningfully in rate cases.

25 MR. YOUNG: Well then let me give you a

1 homework assignment for -- either for future
2 proceedings or future discussions or written
3 comments. If you have suggestions for how to hear --
4 how we could hear that voice in a rate case and hear
5 it effectively, obviously you can submit public
6 comments. But you know, whether it's working through
7 the Department, or whatever mechanism, we would --
8 that would be something we would be interested in
9 hearing about.

10 MR. MOORE: Okay. Thank you.

11 MR. YOUNG: Ms. Levine. And feel free
12 to bleed over into the others since our time is now
13 --

14 MS. LEVINE: I'll be very quick. Just
15 a couple of comments on traditional regulation.
16 Sandra Levine with Conservation Law Foundation.
17 Issues with traditional regulation -- Conservation
18 Law Foundation is an environmental organization. Our
19 focus is mostly going to look at the environmental
20 impacts of our energy infrastructure, energy use,
21 energy regulation. And it's important to better
22 align incentives or -- for public policy, so that the
23 incentives the utility has to make investments in a
24 way that maximizes efficiency, reduces greenhouse gas
25 emissions.

1 Under traditional regulation with a
2 long time between rate cases, utilities could take
3 advantage or sometimes be disadvantaged by the
4 regulatory lag involved there, and always had an
5 incentive to just sell more kilowatthours. That was
6 often at odds with environmental policies and
7 statutory policies supporting reduced greenhouse gas
8 emissions and supporting energy efficiency.

9 So those are sort of broad issues as to
10 where traditional regulation falls short in advancing
11 our broader economic and environmental policies in
12 the state.

13 MR. YOUNG: Thank you. Let's move the
14 discussion to alternative regulation. And I do want
15 to make, you know, one observation. We have had
16 these plans working since 2006, I believe the first
17 plan was adopted for Vermont Gas, and 2007 for Green
18 Mountain Power. One thing that we haven't seen in
19 that time is sort of a systematic evaluation of the
20 pros and cons where there are annual reports filed
21 each year from GMP and VGS on their performance. But
22 we haven't seen a systematic evaluation.

23 But I think what we want to discuss,
24 you know, at this time which is -- so where are the
25 pros and cons and, you know, in both sides that

1 people perceive. And actually let me just make it
2 very open ended, and then I'll do more directed as we
3 move along, if needed. Ms. Simollardes.

4 MS. SIMOLLARDES: I'll go first.

5 Again, Eileen Simollardes, Vermont Gas. The pros and
6 cons. I think you did a good job capturing them, but
7 this was mentioned earlier that the ability to timely
8 adjust for changes in gas costs. So we have stable
9 smoother rates with that ability for quarterly
10 natural gas cost adjustment that but for alternative
11 regulation the Vermont statutes don't appear to allow
12 for that provision of it. That's -- I think that's a
13 benefit.

14 The timeliness -- the predictability
15 for our customers of knowing when rate changes are
16 going to come. We have customers that will call us
17 and say, you know, I know your quarterly is coming
18 up. What do you think it will be. That ability to
19 know when rate changes will come I think is a benefit
20 to customers. Whether or not this is utilized, the
21 alternative regulation plans as they exist today also
22 have other reporting mechanisms in them that require
23 regular reporting about changes in gas costs outside
24 of the rate filings. So it forces an ongoing
25 dialogue with the regulators that may not otherwise

1 exist.

2 The down side is the time line for
3 review of a cost of service may not on -- now I'm
4 switching to base rates. The time line for the
5 review of base rates may not be as long as parties
6 might like. The flip side of that is I think people
7 say, well they haven't been investigated, that must
8 not be a good thing. I look it in the opposite. We
9 were excruciating in describing exactly what you were
10 going to do when you changed rates. It's very, very
11 prescriptive which is not like traditional
12 regulation. So because alternative regulation is so
13 prescriptive, there is not a lot of room for judgment
14 or interpretation, which narrows the area of
15 disagreement. So that's my comments for now.

16 MR. YOUNG: I have one question to ask
17 you which is when you were doing your comments on
18 traditional regulation, you made the statement that
19 it's hard for the public to participate. Is
20 alternative regulation any better on that?

21 MS. SIMOLLARDES: Honestly, I don't
22 know. Our customers are noticed about what's
23 happening with rates all the time. So we notice the
24 month we file that says, you know, two months from
25 now unless something happens in the regulatory world

1 your rates will change. So they get that heads up.
2 They could file.

3 To my knowledge there has been very
4 little customer filing, and they get another notice
5 that your rates have changed and the same -- or will
6 change with the next bill. So there is a perpetual
7 cycle of notice. I don't know if there is not
8 customer participation because the rates are -- the
9 rate changes have gone down almost more often than up
10 as it pertains to PGA. People don't comment on the
11 base rate change. They have been moderate. I don't
12 know. I just don't know.

13 MR. YOUNG: Okay. Thank you. Other
14 comments. We will go to AARP and then come back to
15 the Department.

16 MS. TAORMINA: Sure. Sorry to talk
17 with my back. Philene Taormina, AARP. I did talk to
18 the Board staff before the hearing, and they asked us
19 to put together -- just to help out -- a matrix of
20 sort of what's been submitted by AARP on alt reg over
21 the last since 2014. So I only have 30 copies. I
22 had no idea there would be so many people. Trust me
23 there has never been this many people at an alt reg
24 anything. And I brought a whole copy of just the
25 testimony and reports that we have done for the

1 Board. I can file it electronically tomorrow morning
2 so the people -- everybody can go online and read all
3 -- they want to kill every tree in Vermont.

4 That said, just talking about Vermont
5 Gas and what Ms. Simollardes pointed out that as gas
6 costs have gone down since 2011, those costs haven't
7 been passed on to ratepayers. They have been stuffed
8 into a SERF fund to use for the gas expansion. So
9 it's not like all of those costs have been passed on
10 to ratepayers.

11 The alternative regulation process for
12 us, for AARP, has not been great for ratepayers in
13 the sense that it is difficult to participate.
14 Process wise it is way too short. And by the time
15 the consultants at the Department have come up with
16 their review of the plan, the annual plan, or the
17 changes to the plan, or analysis of base rates, it's
18 already completely been negotiated, and there is
19 really not a lot of room to change it or even a real
20 process to change it.

21 When we have tried to get the Board to
22 open a full rate case, that's never happened. So 10
23 years went by and there hadn't been a full blown,
24 open, traditional cost of service case which is a
25 long time. There are many things that the

1 Department's consultants said should not be passed on
2 to ratepayers that were and were clear in the
3 reports. And that is not done in the public. So by
4 the time you see that something has been passed on,
5 that in traditional regulation might not have been,
6 or probably wouldn't have been, you have no means of
7 doing anything about it other than to say we disagree
8 with that. And but there is no process to change it
9 really.

10 So again, AARP would start with if
11 there are things like fuel adjustment costs and power
12 purchase costs that the companies want to pass on,
13 that can be written into statute, that doesn't
14 necessarily call for an entirely different regulatory
15 system. Other states are doing it because, you know,
16 they didn't have this Supreme Court case that said
17 they couldn't. That doesn't mean we needed to have a
18 broad law that could allow anything to happen
19 including passing on a lot of risk from shareholders
20 to ratepayers, not reducing ROE to a level that would
21 be commensurate with shifting that risk. And those
22 are things that happened over the 10-year period that
23 were viewed by the Department and approved by the
24 Board.

25 There was not an evaluation of

1 performance extensively across that 10 years. We
2 think there should have been, and I think AARP's
3 provided one of the only analyses of those plans over
4 the 10 years. So again, we would like to see come
5 out of this process an understanding of why not use
6 traditional regulation, and if you're not going to
7 use it, what are the specific parameters that should
8 be laid out in law of what can be and what cannot be
9 in an alt reg plan. And we have plenty of
10 recommendations and policy that we can submit of what
11 we say can't or shouldn't be or could be in those
12 plans.

13 But to leave it where it is now, could
14 mean in our view, that the companies over a period of
15 time will go back to what they were already doing,
16 whether it was good for ratepayers or not. And we
17 see that as a problem. So changing the statute to
18 make it clear would be one of the goals we see coming
19 out of this.

20 MR. YOUNG: And when you're saying
21 change the statute to make it clear changing the --

22 MS. TAORMINA: Offering changes, I
23 guess, or because you can't really change a statute.
24 But offering changes to the legislature as to what
25 can or cannot be or should not be in alt reg.

1 MR. YOUNG: Right. I guess are you
2 thinking just in terms of fuel adjustment gas cost
3 adjustment, in terms of narrow -- I'm a little
4 curious, because it's not clear the statute
5 prescribes what can and cannot be in an Alternative
6 Regulation Plan.

7 MS. TAORMINA: It seems -- I was there
8 for the testimony for alt reg when it was in the
9 legislature. And it was almost entirely around fuel
10 adjustment and power cost and a little bit around
11 decoupling. All of the rest of the stuff that's
12 been embedded in these alt reg plans was never
13 discussed or perceived in any of the hearings I ever
14 attended on this subject, so if we are going to go
15 past that, those things that seem, you know, it seems
16 reasonable to pass on fluctuating fuel costs and
17 power adjustment costs. That seems like a reasonable
18 thing. The company doesn't have complete control
19 over that. But there are many things the company has
20 control over, or risks that they should bear as
21 shareholders that were passed on to ratepayers that
22 we do not believe should happen under alt reg.,
23 including capital -- flow of capital expenditures
24 with no cap, and so there is -- and the document I
25 just handed out it goes through a summary of every --

1 like the summary of criticisms we have had of the
2 plans as they exist. So --

3 MR. YOUNG: Great. Thank you. Mr.
4 Duggan.

5 MR. DUGGAN: Thank you. Tim Duggan for
6 the Department of Public Service. I have just a
7 couple comments from a view from the past couple
8 years of working with the alternative regulation
9 plans, and they focus mostly on process.

10 One thing I will say is over the past
11 couple years we have had a couple of traditional rate
12 cases with the company, so I think there have been
13 those opportunities over the past 10-year period, but
14 understand, and the point's well taken, that the bulk
15 of the rate changes at least for Vermont Gas and GMP
16 have been under alternative regulation.

17 One thing I note is that the process --
18 I think it can be challenging for everybody. And
19 when I say everybody, I mean everybody. I think from
20 the Department's perspective particularly the base
21 rates we are struggling to get as much information as
22 we can in a relatively short period of time. I think
23 the companies are struggling with being responsive to
24 what can be a significant discovery task. And
25 parties on the outside are struggling to get a view

1 in. So I appreciate that there are challenges, and I
2 think they are felt all around.

3 But what I often come back to thinking
4 about is that what we are doing in that preliminary
5 period where the Department is taking a lead role in
6 evaluating a proposed rate adjustment is very similar
7 to what Ms. Brown described with VEC when they
8 provide a rate change, and there is a 45-day notice
9 period, and the Department is investigating the
10 proposed rate change at that time to determine
11 whether or not to request the commission to launch a
12 full blown investigation. It's -- there are similar
13 processes that take place. The difference is under
14 the version of alt reg that have been in effect, I
15 think they emphasize that preliminary period where
16 the Department is reviewing the rate change to
17 determine whether or not an investigation is
18 warranted.

19 So I understand those challenges, and I
20 think we have tried to make them more accessible
21 through the workshops that the Department has
22 advocated for. But understand that that is not the
23 same as an intervention in a traditional case, so the
24 point's well taken.

25 Another aspect that I think is similar

1 between traditional and alternative regulation with
2 respect to that preliminary investigation done by the
3 Department is that where there's no request for a
4 formal investigation, there's -- there may be some
5 changes asked for by the Department either under a
6 traditional regulation filing, and there almost
7 always are under an alternative regulation filing,
8 and issues are resolved, but they are resolved in a
9 sort of global black box settlement. And that is --
10 I think can have challenges over the years as issues
11 may not have the benefit of formal presentation and
12 resolution by the commission. So you have issues
13 that can go on year after year where there may be a
14 disagreement between the Department and utilities,
15 and there isn't a formal resolution to it. So they
16 perpetuate.

17 I think there was an effort made with
18 GMP's plan to say, well, we can take a single issue
19 to the commission, if need be, for resolution. In
20 practice that hasn't happened. So I think definitive
21 resolution of issues has been a challenge under the
22 existing alt reg plans.

23 A pro I think is the Department from my
24 perspective has gotten better visibility into what
25 the company's doing because they are almost always in

1 front of the Department with a rate adjustment for
2 one reason or another. So while I don't have as much
3 direct experience under traditional regulation, and
4 I'll rely on colleagues for that, I think the
5 visibility for the Department has been very good, and
6 I think has led to good results though not in the
7 formal commission-investigation context. And I guess
8 the only other things I note on a sort of pro side
9 are I'm not a finance expert, but my understanding is
10 that the forms of alt reg have been good for the
11 company's credit ratings and that does benefit
12 customers through reduced collateral requirements and
13 debt costs. And from a more -- I don't know that
14 this is a fundamental feature of the plans that have
15 been in effect, but just because we have seen over
16 the past number of years a slide in the 10-year
17 treasuries, ROEs have come down pretty consistently
18 with those treasuries. So that has been a benefit
19 that has been achieved without a formal fight before
20 the commission.

21 So I guess I often think of both -- you
22 can say of traditional and alternative regulation --
23 that both of them are the worst form of regulation
24 except for all the others. I mean there is going to
25 be pros and cons, and they are all imperfect systems.

1 So thank you. Appreciate the
2 opportunity to comment.

3 MR. YOUNG: Thank you. I'm going to --
4 I know I said I was going to go to Mr. Smith, but I'm
5 going to cheat, and I'm going to start back there.
6 Yes, ma'am.

7 MS. SAGUI: My name is Pat Sagui, and
8 I'm speaking as a ratepayer. And I just wanted to
9 pick up a little bit from -- on the risk issue. And
10 I think if there is any difference between 10 years
11 ago and today, it's that I don't feel my utility has
12 my back. I feel much more vulnerable as a ratepayer.
13 And the two top reasons for that, and I think these
14 need to be included when we think about setting
15 rates, are moving more to weather-dependent
16 technologies. So we are counting on technologies to
17 provide something we all, I think, agree, we want
18 reliably, when it's based on the one thing that we
19 probably all can agree in this room is not something
20 we can count on which is the weather.

21 And the other is our dependence in the
22 international arena. And I would formally ask the
23 Board and the Department to be doing some risk
24 assessment around greater dependence on rare elements
25 and minerals such as graphite which are used in, for

1 example, Tesla batteries that we are hearing a lot
2 about, and both the mining conditions for those
3 materials, and also the risk that the ratepayer is
4 being asked to take.

5 Vermont is a small state. And there is
6 no way we're going up against China. There is no way
7 we are going up against entire countries. And so I
8 think we need to be realistic about -- as we think
9 about rates for whatever the energy mix we have, the
10 impact of what, you know, is going on globally around
11 some of the materials that we intend to form the
12 foundation or the construction of those technologies.
13 Thank you.

14 MR. YOUNG: Thank you. I'm going to go
15 to Ms. Smith then Mr. Smith.

16 MS. SMITH: Thank you. Annette Smith,
17 Vermonters for a Clean Environment. And I'm bringing
18 a perspective of sort of the front lines of where
19 things are, how this shift in our energy
20 transformation is coming into play with the people of
21 Vermont. On the issues that I've seen with
22 alternative ratemaking, and reviewing the comments
23 that were filed, there was one word that I didn't
24 see, and that's accountability. So for instance, as
25 an example, I've read all the Larkin reports going

1 back to about 2010 that have been filed, commissioned
2 by the Department through the alternative regulation
3 for Green Mountain Power. And I was looking
4 specifically for the costs and investments related to
5 the Kingdom Community Wind Project. For instance,
6 how much fossil fuel was used on that site. I think
7 it was a lot. But when I look at this list of
8 alternative regulation workshop-listed issues for
9 discussion, I see there is state energy policy and
10 environmental impact. And there is absolutely no way
11 of understanding how the environmental impact and our
12 goal of reducing greenhouse gas emissions have been
13 met based on what I saw in those Larkin reports.
14 There are all kinds of costs associated with that
15 particular project that is selling the renewable
16 energy credits, and so there is no -- it's not
17 meeting our state's energy goals too.

18 And so while we are perpetuating this
19 idea that this is a good thing to do, when you
20 actually try and look into the only information
21 that's available which is in these Larkin reports,
22 it's absolutely impossible to figure out. There were
23 a lot of costs that Green Mountain Power tried to put
24 into the base rates, that Mr. Schultz said shouldn't
25 be in there, and then they were allowed anyway. It

1 was, and I will similarly say I've read the Vermont
2 Gas system recent Larkin report. And it was
3 astounding how little accountability there actually
4 was, and it even said so in the report that this had
5 about the least amount of accountability.

6 So that's something that I've seen in
7 alternative regulation, and I've also seen the time
8 frames. We attended the GMP alt reg workshop last
9 summer, and to see this very short time frames from
10 which this comes to the commission, and then you have
11 such a short time frame to evaluate it and pretty
12 much say yes or no, and I certainly agree that there
13 is -- it's almost impossible for the public to
14 participate in advance. So I think that those are
15 sort of process issues about alt reg, and the lack of
16 real accountability through alt reg is something that
17 I've observed. And I just use that wind project as
18 an example. I'm sure there are many others.

19 And while I'm speaking, I want to bring
20 in kind of what James Moore was talking about, that
21 may be a tangent, but I think it's a fundamental part
22 of where our energy transformation is going, and that
23 has to do with the merchant generation side of things
24 which is fundamentally unregulated. And so while
25 this is not really the topic of this, it's still what

1 is sort of where the rates are coming from, from the
2 bottom up. So I see merchant generators in our
3 communities putting out lease agreements that if I
4 look at them I would say nobody in their right mind
5 would sign them. These are wind and solar.

6 I think there is a certain amount of
7 exploitation and predatory nature of what's going on
8 with our homeowners and property owners. And you
9 know, should we set up a certification process or
10 some standards. Can somebody review these leases
11 before they go out to the public, some of these power
12 purchase agreements. It's really quite astonishing
13 when you see what's happening on the ground. And
14 there is really, you know, we have this developer-
15 driven system right now. And these developers are
16 not behaving well, and this is not all of them, but
17 the ones that are out saying we are going to give you
18 green energy while they are selling the RECs, or we
19 are going to give you solar power. The ones that are
20 putting in leases that are all entirely for the
21 benefit of the company and have no consumer
22 protections at all, and then there is all, you know,
23 we go around and we video these public hearings and
24 workshops in towns. And over and over we hear we
25 want renewable energy. We want it, but why here, not

1 here? We want to be a part of it.

2 And the impression is that these
3 developers who are often using the investment tax
4 credit, which only benefits the very wealthy people,
5 they are having to go out and find wealthy people who
6 then are getting an offset of their income taxes in
7 order to put these projects out there. The
8 impression is they are making gobs of money. And
9 they are doing it to benefit themselves. But could
10 they make less gobs of money?

11 So there is a complete lack of
12 transparency. Nobody has a clue what the financials
13 are for these companies who are actually doing the
14 project. And I just want to flag that as part of --
15 an important part of this discussion is how this
16 whole system is playing out is not working well for
17 the people who are actually living in the
18 communities, who want to see the system change, but
19 are not seeing any voice or representation or even
20 consideration of how it's actually working.

21 MR. YOUNG: Thank you. We are bumping
22 up against time, so I'm going to go to Mr. Smith and
23 then Mr. Hopkins, and then we will take our morning
24 break.

25 MR. SMITH: Hi. Doug Smith again.

1 Green Mountain Power. I think I'll start in the
2 discussion of alt reg with a -- sort of to close on
3 the topic that's been touched on by a few folks, a
4 power adjustor and the implications of that, and then
5 broaden out a little bit into some of the other
6 policy criteria or considerations.

7 So first, with respect to a power
8 adjustor, the management of variance in costs and
9 revenues that our utilities have in Vermont is what
10 really that's about. How frequently it gets
11 measured, how do those differences get returned to
12 customers. So just to give you a sense of how big
13 they have been, GMP has had basically a quarterly
14 measurement for each of the last 10 years. That
15 measures the difference between actual net power
16 costs that the company incurs from all sorts of
17 energy capacity and other ancillary service
18 components to the amounts that are in the retail
19 rates at the time.

20 Okay. So just to give you a sense of
21 magnitude. Typically on a quarterly basis, we have
22 seen variances, sometimes they are near zero, but a
23 typical range is between a half a million dollars and
24 \$2 million. That captures a lot of the -- a lot of
25 the quarterly history. And that is an extreme

1 example. An extreme quarter might be more like five
2 or six million dollars.

3 So to give you a sense of context,
4 Green Mountain's quarterly net power costs which
5 include transmission are on the order of 80 million
6 plus or minus. So this could be a few percent off,
7 and it's negligible, but just to give you a sense of
8 magnitude. They cut both ways, in addition. The
9 pluses are generally of equal magnitude and similar
10 frequency as the minuses. When you look back actual
11 costs versus what was in rates, over a decade the net
12 result of our power adjustor was to return about 11
13 million dollars to our customers. That is a few
14 tenths of a percent of the roughly three billion
15 dollars which over a decade was in total at play
16 through power and transmission costs. So just to
17 give you a sense of how that has functioned.

18 So in the alt reg one of the questions
19 is how has that benefited customers. I think several
20 speakers have addressed the notion that a more
21 favorable credit rating for a utility tends to
22 benefit customers. It has in our case. I won't run
23 through the play by play, but the other speakers hit
24 that correctly. Just for a sense of why. One's
25 pretty intuitive. Lower borrowing costs. Tens of

1 millions of dollars a year typically GMP is
2 borrowing, and if you're a higher rated, more
3 creditworthy entity, you can get a tenth of a percent
4 or percent lower interest rate. Those costs
5 fundamentally flow to our customers through rates.

6 The others deal with power transacting.
7 A higher rated buyer of power is able to have more
8 flexibility in the length and amount of power that
9 they can buy on a forward basis. In our case locking
10 in two, three, five years in advance. We are more
11 able to do that with a higher credit rating because
12 we will not have onerous collateral requirements put
13 on us that we would if we were lower rated. That's
14 basically the how of it.

15 And we can also, in general, maintain a
16 lower line of credit and potentially a lower cost of
17 a short-term line of credit. So that's the how of
18 how does it benefit customers.

19 The alt reg plan, we have undergone a
20 huge transition in our power supply. Think Vermont
21 Yankee, a large Hydro-Quebec contract, and a few
22 small sources, that was about it a decade ago. We
23 are now a much more diverse pie chart, and those
24 supplies have tended to go smaller, somewhat more
25 local, and more renewable. The alt reg has been

1 basically an enabler, a supporter of that trend. The
2 leading renewables available to us as some other
3 speakers have said, they are intermittent. They are
4 very stable in cost on a long-term basis, but on an
5 hourly or daily or weekly basis, a lot of
6 fluctuation.

7 The power adjustor component of our
8 plan shares the variances in those net costs with
9 customers, and that does a couple of things. One, it
10 allows us to buy in a low cost way in general through
11 bundled power purchase agreements. And that tends to
12 be a low cost way of buying power versus, for
13 example, RECs only or renewable energy certificates,
14 excuse me, or energy only. It also avoids us having
15 to buy insurance products of one type or another to
16 basically mitigate those fluctuations within a year.
17 So our investor is exposed, but there is a sharing
18 with customers of those fluctuations. So in those
19 senses it really has been an enabler to allow us to
20 go aggressively into mostly power purchase agreements
21 and in some cases owned renewable generation.

22 A couple broader themes. Decoupling of
23 retail sales volumes and utility profitability. The
24 Green Mountain Power plan, I won't walk you through
25 all the mechanics, but it substantially decouples.

1 It's not a perfect decoupling so that the amount of
2 -- think of an ideal might be X million dollars a
3 year fixed amount, or no more, no less are collected
4 by a utility's rates. It doesn't quite do that, but
5 it eliminates the biggest mechanisms by which a
6 utility can benefit from windfall. Higher sales. Or
7 it can be harmed financially by lower sales.

8 And that, the single biggest mechanism
9 is frequent retail rate changes. If efficiency,
10 economic trends, net metering, whatever it may be,
11 adjusts the retail sales volumes in GMP's territory,
12 there is not a lag of two, three, five years before
13 those get reflected in retail rates. That's the
14 single biggest mitigation to the disincentives that a
15 number of speakers talked about.

16 I guess finally, I would say if we
17 stepped back from these details to the big picture,
18 what's happened? Under the last decade GMP has been
19 able to, as I mentioned, get a much more diverse
20 power supply or much more renewable in current
21 consumption, and as Ms. Smith noted in renewable
22 plants, which in some cases sell part or all of their
23 renewable energy certificates. But the transition
24 toward renewable supply, both physically and consumed
25 by our customers, is occurring.

1 Look at energy efficiency. We have a
2 leading framework here in Vermont, and we have in
3 terms of net metering personal generation, you could
4 say. At last count GMP would have ranked, I believe,
5 number two in the country behind only Hawaii in terms
6 of small-scale, you know, distributed solar. It's
7 happening.

8 MR. YOUNG: Mr. Hopkins, we are going
9 to take a break after you, so everybody else's break
10 time is dependent upon you.

11 MR. HOPKINS: Thanks. I appreciate the
12 chance to be here and share a couple thoughts. First
13 I want to emphasize how unusual the capital cost
14 tracker system that is embedded in the annual base
15 rate adjustment filing is in here. The breadth of
16 that capital cost tracker is unusual in alt reg type
17 plans across the country. There are commonly capital
18 cost trackers, but they are commonly for specific
19 purposes rather than rate base as a whole.

20 A more typical multi-year rate plan
21 structure might not have this annual base rate
22 resetting structure at all but simply be tracking
23 power costs, including decoupling, et cetera. That
24 structure, not having those adjustments for awhile,
25 is actually part of how alt reg is supposed to get

1 the incentive to increase efficiency. That is one of
2 the reasons why alt reg exists in the first place,
3 and so there is some risk that the annual base rate
4 filing structure that exists here is actually
5 countering that argument for doing alt reg. That's
6 one set of points.

7 The other is to mention there is an
8 entirely differently regulated utility. They haven't
9 spoken up here yet today, but VEIC has a performance-
10 based regulation structure that is very much
11 explicitly performance based. I'm not aware that any
12 of the alternative regulation plans here have pins
13 for performance where you would measure a metric for
14 the performance utility and reward the shareholders
15 proportionate to achieving some goal. That's exactly
16 how VEIC is regulated. And that kind of structure,
17 whether it's layered on top of a multi-year rate plan
18 structure or on top of a traditional regulatory
19 structure, is another tool that Vermont has not
20 adopted to date except in a case of the Energy
21 Efficiency Utilities, and I'll say as a former
22 regulator of those efficiency utilities, they seem to
23 respond very strongly to the structure of those
24 incentives. All regulation is incentive regulation.
25 And that structure definitely seems to govern that

1 utility's behavior and might be something to consider
2 for the supply utilities as well. Now you can have
3 the break.

4 MR. YOUNG: Thank you very much. We
5 will take 15 minutes. It's 11:25. We will do 11:40,
6 and we will pick up with Andrea talking about the
7 comment matrix. Thank you.

8 (Recess was taken.)

9 MR. YOUNG: Can everybody take your
10 seats please. Let's get started.

11 MS. McHUGH: We are going to get
12 started. Could everyone take your seats? Okay
13 folks. Please take a seats. Okay. Let's get
14 started.

15 Mr. Westman from VEIC would like to add
16 some comments from the previous discussion. So we
17 will start with letting him go ahead.

18 MR. WESTMAN: Great. Thank you, and
19 thank you for the opportunity to make these comments
20 a little bit late. It's kind of fierce competition
21 to get our hands up. I never played ping pong, so
22 I'll move my hands a little faster this time. So
23 thank you.

24 VEIC's comments from the perspective of
25 operating Efficiency Vermont are really that. All of

1 these sort of end results, things that we are talking
2 about here today, do send market signals, and those
3 market signals are important for customers to follow.
4 And we heard from renewable generation and that the
5 things like net metering, service market signal for
6 encouraging renewables, and much in the same way
7 that we use bill savings as a primary component for
8 talking to customers about achieving energy savings
9 and achieving cost savings. So energy efficiencies
10 also achieve essentially through that sort of joint,
11 if you will, marketing of both policy approach which
12 is that it's good for the long-term costs and
13 benefits of the state, but also you should
14 participate, and you should make these investments in
15 your own efficiency because you'll save money over
16 time. And so it's been an observation that if rates
17 -- essentially if the fixed costs that are associated
18 with utility delivery are so quickly put into rates,
19 that essentially as soon as the customer has finished
20 an energy efficiency project, that their rates change
21 and they go up as a result, so that's great -- those
22 fixed costs create an upward pressure on rates and
23 can actually erode the customer's ability to have
24 bill savings. And that has created problematic
25 situations for the efficiency utility with large

1 customers coming to us and saying that the bill
2 savings aren't materializing as a result of the
3 efficiency projects. So that's a long-term issue
4 that we are cognizant of and that could be impacted
5 by this proceeding, and ultimately is really sort of
6 challenging that paradigm of using efficiency as a
7 least-cost resource for achieving results.

8 And then the other thing that I wanted
9 to talk about is something that I think Riley
10 mentioned earlier, and Tim, about alternative
11 regulation being used as a performance vehicle. And
12 Asa is absolutely correct; Efficiency Vermont is the
13 performance-based utility for Vermont right now. We
14 have a number of performance-based objectives, and we
15 do manage that utility to achieve those performance
16 goals because that's fundamentally what we are trying
17 to achieve which are largely in the form of energy
18 savings that are equitable throughout the state. And
19 if alternative regulation, or what comes out of this
20 proceeding, manifests itself as some form of
21 performance-based regulation for the utilities, then
22 certainly all of these performance objectives need to
23 be aligned, because it would be very difficult for
24 all of the utilities to be in the same space but with
25 different or misaligned performance objectives. They

1 should really be cooperative and collaborative and
2 not competitive. Thank you.

3 MS. McHUGH: Okay. Thank you. So the
4 next session on the agenda is the review of the
5 grouping of topics raised in the participants'
6 initial comments and identified objectives. So this
7 is referring to the matrix that was attached to the
8 memorandum that was shared in advance of this
9 workshop. And just -- I just want to walk folks
10 through the intent of the matrix.

11 So the topic areas, we divided that up
12 into four topic areas on your left-hand column
13 starting on page one and then going over to page two.
14 And this was intending to group like and similar sub
15 topics that were identified by the participants which
16 is in column two. And then, you know, we have
17 comments raised by, and this was an attempt to just
18 make sure that we wanted to acknowledge that all the
19 initial commenters provided these comments in making
20 sure that it was recognized. And then the objectives
21 column is meant to be the objectives out of the
22 workshop process.

23 So you'll see that out of the topic
24 area one, the principles of rate regulation, the
25 Department recommended guidance or requirements by

1 rule or order pursuant to 218d(e) and/or 218d(h)
2 governing the filing of a petition to approve an
3 Alternative Regulation Plan. So that's a pretty
4 specific objective out of this workshop that the
5 Department is recommending.

6 And the objectives in the other topic
7 areas are left blank for now because we want to hear
8 from folks about what they see. And then I just want
9 to acknowledge that we didn't receive comments from
10 everyone in the room. So we want to take sometime to
11 hear from the folks that we didn't receive comments
12 from. And there will be opportunities for comments
13 in the future as well, but to see if there is any sub
14 topics that were missing. Is there a feeling that
15 the grouping of topic areas is not an effective way
16 to look at these different areas. And then also to
17 discuss how to tackle these topic areas; should we do
18 it sequentially, so topic area one and, you know,
19 over the next few months so that the participants
20 that are interested in that area would be
21 participating. And then sequentially topic area two,
22 three, you know, or is there a way to do it
23 concurrently effectively. So if I look around and
24 see if any folks would like to take a crack at giving
25 us some feedback, that would be great.

1 MR. ALLEN: Well I mean I'll start. I
2 would like to actually listen to a comment, but I
3 thought I would just get the conversation going.

4 MS. McHUGH: Thank you.

5 MR. ALLEN: From my standpoint, you
6 know, the grouping around topic area one is good. I
7 feel like it helps to define the what, and we have
8 identified the objective fairly clearly.

9 The one that kind of stands out from
10 the others seems, of a character dissimilar, is the
11 do the benefits of potential non-traditional
12 regulation outweigh the disadvantages. I think
13 that's a good conversation. And you know, I think we
14 should recognize that as part of the deliberations.
15 I think those are, as our comments suggested earlier,
16 we think that there are -- there are advantages,
17 doesn't necessarily fit with the form of non-
18 traditional regulation that we have been relying on.
19 We want to have a good conversation about how to
20 pursue something different.

21 The other point that relates to that is
22 --

23 MS. HOFMANN: Mr. Allen, before you go
24 on, are you saying it doesn't belong in this block
25 one, or it does belong in block one or topic one?

1 Sorry.

2 MR. ALLEN: I'm not sure that it
3 belongs in topic one. It seems to be a character
4 that is different than the other. As I see the
5 others, I see them as the things that we would try to
6 aspire to achieve through the form of regulation that
7 we are pursuing. This is asking a more fundamental
8 question of is it A or B. And I think that's
9 something that we should also confront. But it's not
10 -- it's asking a question. It's not on a principle
11 that serves as the guidepost for what we are trying
12 to pursue.

13 MS. HOFMANN: Thank you.

14 MR. ALLEN: The others I see as a
15 guidepost.

16 MS. TAORMINA: I can rewrite it so it's
17 not a question.

18 MR. ALLEN: Okay. The topic three
19 issues, in my mind those are things that we might try
20 to achieve through whatever form of regulation that
21 we fashion. I think those are all, you know,
22 laudable ambitions. And they define in my mind the
23 why. The rate design issue, topic two, that in my
24 mind is somewhat distinct from the other two. I see
25 rate design issues as something that is actually very

1 important. I think it's very timely. I'm not sure
2 if it's a parallel track. I don't think it fits with
3 the topic one issues very neatly except that I think
4 whatever path we choose under the topic one issues
5 should somehow align with ambitions or a sound rate
6 design. So I'm sorry. That was a mouthful, but best
7 I could offer.

8 And then the fourth set of topics I see
9 as fairly distinct from the others and placing on a
10 separate track or somehow dealing with it at an
11 appropriate stage in the process separate from the
12 others. I'll pause there.

13 MS. MCHUGH: Thank you.

14 MS. ANCEL: Charlotte Ancel, Green
15 Mountain Power. I'm going to actually just stand up
16 to make sure everybody can hear me okay. With
17 respect to the topic areas, the thing that we think
18 is the most important is thinking about what are the
19 outcomes that we want to continue to hit for our
20 customers. We think about -- we talked this morning
21 over a system that was very innovative in terms of
22 rate regulation when it was designed 10 years ago,
23 lot has happened in those 10 years. In that time we
24 have delivered under that system multiple rate
25 decreases to customers that if we had been under

1 traditional regulation, customers would not have
2 gotten those outcomes. They would not have gotten
3 those rate decreases. So we obviously want to
4 continue that.

5 We have gone from having about 10 power
6 sources serving us to at last count over 8,300.
7 Distributed -- smaller distributed sources
8 throughout, and that's just Green Mountain Power's
9 service territory. That's something that we hear
10 from our customers, from our policy makers, from our
11 state legislature that we have got to continue with.
12 So we obviously want to think about that outcome in
13 making sure that we can continue to make that happen.
14 With respect to -- and deliver those outcomes for our
15 customers.

16 We also look at our rate trajectory.
17 Compared regionally our rates have continued to be
18 among the lowest, are currently the second lowest in
19 New England. So we think that's a really important
20 outcome to continue for customers.

21 And our credit rating is actually among
22 the highest of utilities. And that is important to
23 us only because it reduces costs for our customers,
24 our debt costs for our customers and also our power
25 supply collateral obligations. Those are the reasons

1 that we look at that metrics, so want to continue
2 looking at that.

3 We would suggest as a lead-off matter
4 in the topic area that we start off by looking at
5 best practices for rate regulation in other states.
6 Because there are a wealth of other states, and
7 actually I understand the Canadian provinces too, and
8 in Europe, the Rio, that they have looked at this a
9 lot, and there is a wealth of experience out there,
10 and we would like -- we would suggest that the
11 commission consider starting off with that as looking
12 at best practices in other states.

13 On behalf of Green Mountain Power we
14 are not looking to continue the current base rate
15 system that we have now. We are actually in a
16 traditional case right now which some of the people
17 in this room are actively involved in. And we think
18 a rate case, a traditional rate case every three to
19 four years makes sense, and a power adjustor in
20 between, and some performance mechanisms that are all
21 customer obsessed and customer focused first, last
22 and always make a lot of sense.

23 Philene and I we get to talk a lot off
24 line, and Philene, actually you turned me on to the
25 white paper that AARP has on regulation. And

1 actually that system is very consistent, that best
2 practice what you see in other states is actually
3 very consistent with the principles announced in the
4 white paper. So we are interested in continuing
5 that, and we think starting by looking at the wealth
6 of expertise from other jurisdictions and what's
7 working for customers in other jurisdictions and what
8 isn't working might be a great place to start.

9 MS. HOFMANN: I had one clarifying
10 question, Ms. Ancel, which is you said the rate
11 decreases wouldn't have happened without alternative
12 regulation. Would they not have happened, or would
13 they have been delayed, or would you have not come in
14 for a rate case? I don't understand the difference.

15 MS. ANCEL: Yeah. They would not have
16 happened. So traditional regulation -- appreciated
17 the summary that Mr. Young and Ms. Bishop gave this
18 morning. Traditional regulation you go in when your
19 costs have significantly increased over what you're
20 collecting in your rates. Those rate decreases were
21 in the range between two percent and one percent
22 every year. And so they would not have -- a utility
23 would not be justified from -- just from a cost
24 perspective alone in terms of like fees for customers
25 to go in for those -- for a traditional case to

1 realize those rate decreases.

2 So we think that that's important, and
3 that further future systems of regulation should put
4 our customers first to make sure that there is timely
5 opportunity to capture those savings.

6 MS. MCHUGH: Thank you. Mr. Gibbons.

7 MR. GIBBONS: James Gibbons, Burlington
8 Electric Department. First, I would like to with all
9 due respect criticize the second lowest rates. That,
10 I believe, is among large investor-owned utilities.
11 It's not necessarily all utilities, so just to be
12 clear.

13 We look, you know, I looked at the list
14 of things, and I think that, you know, I would
15 actually propose a different breakdown personally. I
16 would propose, as I look in tasks for section one, I
17 see a lot of issues that may be fairly unique to
18 investor-owned or non-public-power-type of utilities.
19 And then we have a small subset under the tier
20 section four as well.

21 I personally would like to see track
22 one bifurcated to at least public and privately
23 owned. And maybe roll them, the tier four in with
24 it. So rate structures and rate design and rate
25 regulation as they relate to publicly-owned entities

1 versus privately-owned entities being a split track.
2 Tracks two and tracks three could be together. I
3 think those are common issues for all utilities in
4 terms of siting generation and rate designs and types
5 of rates. And then I think you could do away with
6 the fourth track as not being necessary. That's just
7 a proposal from BED for a slightly different split on
8 these.

9 MS. MCHUGH: Okay. Does VPPSA or the
10 co-ops have thoughts on that as well?

11 MR. NOLAN: I would agree. I think
12 there are a number of items in topic area one that
13 are really related to tracking or managing the
14 profits of an investor-owned utility that wouldn't
15 necessarily apply to public power. Some of the rate
16 design and incentive discussions I think we have
17 similar interests. Kind of looping -- moving those
18 down to more of a public power track I think would be
19 helpful.

20 MS. RICHARDS: Patty Richards,
21 Washington Electric Co-op. My only concern would be
22 just to make sure if we are doing these workshops in
23 tandem there might be small systems like myself, I
24 would try to attend as many as I can. If you have
25 something in the investor-owned utility that's of

1 interest section, don't run it concurrently with the
2 municipal WEC section or the co-op section in case we
3 want to sit in and just cross reference. There is
4 only two of us at WEC that will be attending. We are
5 going to try to split these up, but we may want to
6 attend as many as possible.

7 MR. GIBBONS: That's also my first
8 point which is limited staff. To the extent that we
9 are not burning staff time listening to things that
10 really aren't related to a muni side, it would be
11 helpful to us to choose not to be there rather than
12 have it bundled in with a bunch of stuff and have no
13 choice but to attend everything.

14 MS. MCHUGH: That makes sense.

15 MS. HOFMANN: Ellen Burt, I think.

16 MS. BURT: I'm Ellen Burt, Stowe
17 Electric. I agree with what Burlington and VPPSA
18 came up with to move forward. With all due respect
19 to Green Mountain Power, I would also like to point
20 out that we file traditional rate cases, and we filed
21 a rate redesign and to refund our customers, so just
22 to put that on the record.

23 MS. MCHUGH: Thank you. Any other
24 thoughts? Yes.

25 MS. O'GRADY: Elaine O'Grady from

1 NESCAUM. I would like to suggest that transportation
2 electrification be more explicitly called out as a
3 sub topic for topics one, two and three. With
4 Vermont and the other northeast states adoption of
5 electric vehicle mandates, they will require
6 increasing amounts of electric vehicles in the
7 northeast states starting with year 2018. It's not
8 really a matter of if and when, but how we are going
9 to manage that. I think it's an important topic to
10 look at both in terms of rate structure, good impacts
11 and general preference, how to promote the uptake of
12 electric vehicles and smart use of that.

13 MS. MCHUGH: Yes. Senator.

14 MR. BRAY: My name's Chris Bray. So in
15 terms of things to talk about. Before jumping into
16 that I just wanted to pause and thank the Department,
17 the commission, utilities and integrators, everyone
18 in the room. I just was off at a conference two
19 weeks ago where people were wringing their hands
20 about getting 15 percent renewable energy in their
21 electric portfolio by 2020. And I said let me just
22 put a data point on the table that Vermont was at 55
23 percent as of January 1 of this year. So sometimes
24 when you're working in the Vermont, I don't want to
25 call it bubble, it's easy to forget how much good

1 work has been done.

2 From my point of view as a legislator I
3 look around the room, and I see this is the group of
4 people that's led on a lot of that. So I'm going to
5 start with thank you. On the regulatory side -- so
6 I'm really -- I haven't heard much today although we
7 just got a hint along those lines of having this
8 conversation include accessibility for other energy
9 goals. So transportation and thermal. So that and
10 some other energy sectors being part of the rate. I
11 don't know in what way you create a regulatory
12 structure that invites in those conversations on
13 thermal or to enhance those conversations, and then
14 the same thing on transportation. Because as you all
15 know, 47 percent of Vermont's greenhouse gas is
16 transportation oriented, and it's a major goal of the
17 state to reduce those gases. So there is an -- as I
18 talk to my utility colleagues, there is a big
19 opportunity for sales into that marketplace through
20 electrification of fleet. But so it's a really
21 accessibility of the rate making process to other
22 non-silo, non-utility areas of the state that I don't
23 know how you bring them into a conversation that's
24 more focused on something like a revenue requirement.
25 Thank you.

1 MS. McHUGH: Okay. Thank you. Yes.

2 MS. TAORMINA: Yeah. Philene Taormina
3 with AARP. I would just say in the topic one if the
4 -- if there is not going to be a discussion about
5 what the values are, or pros and cons, bigger
6 discussion about traditional regulation and what
7 specifically should be achieved in alt reg, then we
8 would have a problem with that in that we would need
9 guidance, I guess from you, as to what, you know,
10 what parameters or what principles you hold that you
11 feel traditional regulation is not meeting that
12 alternative regulation can meet. Because if we are
13 going to have -- if we are going to replace
14 traditional regulation for a decade at a time or
15 however, then I guess that's a promise that we would
16 need to understand going into the discussion, because
17 I would prepare my expert differently than if the
18 discussion is going to be we are definitely doing
19 alternative regulation, no doubt about it. And what
20 we are just going to work on in this discussion is
21 what it should look like. I see that it's very hard
22 -- I think it's very difficult to have the
23 conversation about alternative regulation without
24 looking at the way we have regulated utilities for
25 time in memorial.

1 So I think it would be helpful to have
2 a guidance from you going forward as to what the
3 parameters of that are going to be.

4 MS. MCHUGH: Okay. Thanks.

5 MR. YOUNG: Let me just say one thing.
6 At this stage the commission has said nothing
7 qualitatively on that subject. So we will take your
8 comments into account as we figure out how we are
9 structuring and as we discuss where we are going from
10 here. But there is no presumption one way or the
11 other I think is the only -- we are listening.

12 MS. TAORMINA: Thank you.

13 MS. MCHUGH: Mr. Westman.

14 MR. WESTMAN: Thank you. David
15 Westman, VEIC. I do want to echo what Mr. Bray just
16 said, and I think when we look at the topic areas
17 that have been defined here, they seem to be very --
18 albeit there is a lot of topics here -- but dare I
19 say it's still narrow in its scope in that it's kind
20 of -- it's looking at cost recovery, rate design,
21 grid impacts, but not addressing front and center the
22 core policy challenges that we continue to face in
23 Vermont today.

24 I think that involves meeting our
25 greenhouse gas challenges, our social obligation to

1 provide equitable services to all rate classes and
2 customers, and residents in Vermont, and I think that
3 if we only limit this to what's on the table here,
4 then we are not really doing a full service for the
5 opportunity, which is that Vermont and the
6 legislature and -- have really set, I think, a
7 visionary objective of, you know, 90 by '50. And I
8 think that that is a topic that we could begin
9 exploring in this discussion. I don't necessarily
10 see that outlined here as to how --

11 MS. McHUGH: Do you think that falls
12 under the fourth row under topic area one?
13 Compliance with statutory mandates, renewable power,
14 net metering? Or is there a piece that we are
15 missing that you would like to --

16 MR. WESTMAN: Specifically I think
17 about that idea of electrification that Mr. Bray just
18 mentioned and the way the transportation and thermal
19 fuels can help play a deeper role in that. And that
20 impact between obviously tier three requirements for
21 the utilities as well as the sort of deeper meeting
22 all of those objectives.

23 MS. McHUGH: Thanks. Mr. Nolan, do you
24 want to add something?

25 MR. NOLAN: I think VEIC's comments get

1 to the crux of the issue is the commission going to
2 talk about rate recovery, cost recovery, or are we
3 reregulating the utilities as part as this process.

4 From VPPSA's perspective, we have clear
5 direction from the legislature in the statute. We
6 have an integrated resource planning requirement for
7 laying out the plan for how we are going to meet
8 those goals. And the issue before us as we see it is
9 how do we align the utility plans with the ability to
10 recover costs.

11 And I would be very reluctant to see
12 this conversation turn into a multi-year discussion
13 about how do we reregulate the utilities. I think we
14 have a big enough issue in front of us trying to work
15 through how to do cost recovery. We should try to
16 keep the scope limited if we can.

17 MS. MCHUGH: Okay, thanks. Mr. Allen.

18 MR. ALLEN: Yes. I'll second that. I
19 mean from our standpoint, we are very concerned about
20 the efficiency of the process. We want to keep -- if
21 we do have -- I'm sorry. Our concern is about the
22 efficiency of the process. I think from our
23 standpoint we would like the issues that we think are
24 focused on kind of the rate recovery regime to be
25 kind of front and center and foremost in the

1 conversation that we have and the proceedings that we
2 form.

3 And to the extent that the other topics
4 kind of merit kind of a full-bore investigation, I
5 would ask that they be treated as a separate
6 proceeding or follow-on proceedings, or they help --
7 they're a reference point for what we try to achieve
8 through the rate recovery regime or the regulatory
9 regime that we pursue. But there are a lot of issues
10 here, and there are a lot of aspirations, and there
11 is a lot of conversations that we can have at a very
12 important time. And I'm worried that it can become
13 something that does turn into a kind of a multi-year
14 conversation that -- without clear wins along the
15 way.

16 So I'm just very concerned about
17 keeping focused at least in the early going and
18 pursuing specific objectives, clear objectives. If
19 we have to have a conversation about whether it's
20 traditional regulation or alternative regulation, I
21 would like to have that conversation efficiently and
22 very directly. And then I would like to see
23 principles or the flags that we have to plant for
24 what we are trying to achieve as we kind of move
25 forward with the conversation.

1 At the end of the day I'm hoping that
2 the commission will produce something that will then
3 provide a sound guidepost for the form of, I'll call
4 it non-traditional regulation, the term alt reg I
5 have trouble with because it's been associated with
6 what we have, but the form of -- the foundation for
7 non-traditional regulation is clearly laid out by the
8 commission. I think that will serve the state well,
9 and I think it will also perhaps be -- provide
10 guidance to the legislature if there are legislative
11 fixes that might be needed.

12 MS. McHUGH: Any other thoughts?

13 CHAIRMAN ROISMAN: Yeah. I was
14 surprised that after this morning's discussion that
15 one of the number one topics that's not really
16 mentioned in topic area one, and keep in mind this is
17 a compilation of what we were told, not what we
18 created, and that was the topic of public
19 participation. It would be very helpful for us, for
20 those of you who are concerned whether it's under the
21 alternative regulation approach or the traditional
22 regulation approach, with the public's participation
23 in the process, and whether or not there is a
24 meaningful opportunity to participate, what you would
25 propose that we could do that would make that better.

1 If the public doesn't participate in the process, it
2 doesn't matter which of the processes we choose,
3 there are likely to be people who are unhappy with
4 the outcome. And if they fully participate in the
5 process, it is much more likely that the outcome will
6 be acceptable regardless of the process that we go
7 through.

8 So those of you who are concerned about
9 that, we want to hear from you. What can we do under
10 our existing statutes, and if necessary, under
11 improved statutes, to assure that the public is fully
12 engaged in the process, and when we are done, that
13 everybody, whether they won everything they wanted or
14 lost everything they wanted, at least knows that they
15 had a fair shot. So please share that with us.

16 MS. McHUGH: Ms. Smith.

17 MS. SMITH: Last year when the alt reg
18 workshop was coming up at the PUC for Green Mountain
19 Power, there was a fair amount of press on Vermont
20 Public Radio about it. I actually expected that
21 there would be members of the public who attended,
22 and it was me and John. And otherwise, it was just
23 the same, you know, the utilities and the Department.

24 There is a lot of skepticism, mistrust
25 that's built up over the years, a feeling that there

1 is no point because nobody listens. And it may be
2 appropriate to consider creating a new role in
3 Vermont, a consumer advocate, so that someone, maybe
4 an elected position or out of some other office that
5 that person can interact with the public and build
6 trust. Because we have gotten to a point where I see
7 it all the time, it's the attitude is why bother.
8 And that's something that's built up over the years.

9 But I think ratepayers especially feel
10 like this is very wonky stuff, and there is nothing
11 that they could even understand about what's going on
12 in this discussion today let alone participate. So
13 there may need to be a new vehicle to get that
14 interaction with the public. That's one idea.

15 MS. MCHUGH: Thank you. I see Mr.
16 Gibbons' hand up.

17 MR. GIBBONS: It's a reminder too there
18 is the process and the chances for engagement at the
19 state level. But there is also the process and
20 chance for engagement that happen before that. For
21 example, Burlington Electric Department we can't
22 raise our rates without the electric commission
23 approval, or a finance approval, City Council
24 approval. Those are all publicized. Those are all
25 televised meetings. Again, you can only do so much.

1 But there is, you know, in a Burlington Electric rate
2 process there is four opportunities for engagement.

3 I mean so again there is one process at
4 the state level, but there is other processes before
5 that. I'm not sure, for example, what GMP's internal
6 processes are, but most of the munis would have to
7 follow that kind of structure.

8 MS. McHUGH: Ms. -- go ahead, Ms.
9 Taormina.

10 MS. TAORMINA: So I do think there are
11 two kinds of process. There is a formal process.
12 And states have created intervener funding, some
13 states, to allow groups that can't afford to enter
14 the, you know, hiring the experts, the lawyers.
15 That's a more formal type of process which AARP
16 supports intervener funding.

17 There is also the public comment
18 process. And we have made recommendations to the
19 Department specifically about the timing of hearings
20 around rate cases. You know, having a utility file a
21 rate case and then having a public hearing without
22 any explanation of what was filed by the public
23 advocate's office or the Department or anyone, is
24 going to turn out no one. Because there is nothing
25 for them to react to.

1 Having -- so having a public hearing
2 that at least presents what the filing is, and then
3 also another public hearing after the Department has
4 reviewed that filing, so that there is something to
5 respond to.

6 MS. CHENEY: So I would just note that
7 we have changed our practice in terms of the public
8 hearings. And we are scheduling an hour beforehand,
9 specifically 6 p.m., the utility, if it's a utility
10 rate case, along with the Department, is making a
11 presentation. And in the rate case in front of us,
12 coming before us, for 4.98 percent from Green
13 Mountain Power, we have scheduled four public
14 hearings. And each one is preceded by exactly what
15 you're describing.

16 MS. TAORMINA: Great.

17 MS. CHENEY: We had one last night in
18 Rutland. Unfortunately no member -- I think there
19 was one member of the public for the presentation
20 beforehand. When the commission got there, there was
21 no one. But we are doing that. And I hope if people
22 will start to recognize it, they cannot only make
23 comments, they can also learn about what's being
24 suggested.

25 MS. TAORMINA: I think another --

1 that's great. I think the more people feel like they
2 can be engaged, as Annette said, and meaningfully
3 heard they will start to turn out. Obviously, if
4 it's alternative regulation process that rates are
5 being set, they are not going to know what's
6 happening because it's going up and down without any
7 big announcement to the public.

8 One of the benefits of having a
9 traditional cost of service rate case is usually it's
10 a higher percent that they are coming in for at that
11 time. So it generates more public, you know,
12 interest. I mean people care if they see that their
13 bill is going up. That's when they care, and if they
14 can't see it, can't find it, and don't know, then
15 they are not going to show up.

16 There's been a long period of time
17 where people really haven't been able to pick apart
18 their bills and see, oh, you know, my distribution
19 costs went up, but really what was that. It's very
20 hard to tell what that was or why. Or -- so I think
21 some education around that is important as well. But
22 that's really different than a formal intervention.

23 I also think, you know, as an
24 organization that represents 130,000 Vermonters many
25 of whom are either GMP or Vermont Gas customers, we

1 have submitted petitions and probably upwards of
2 15,000 sometimes, you know, postcards, letters,
3 because we have generated public input. And we have
4 been roundly told that that's not part of the record.
5 And I think that makes it hard for people to care.
6 If they are not going to be considered part of the
7 record, public comments are going to be dismissed as
8 not part of the record being created of evidence, and
9 a lot of people aren't going to speak up because
10 what's the point.

11 MS. McHUGH: Ms. Levine. Thanks.

12 MS. LEVINE: I'll just make a couple of
13 comments on the public participation, because it's
14 been an issue that Conservation Law Foundation has
15 been interested in and focused on for many years.
16 And for many years we have supported the notion of
17 intervener funding on any issue that comes before the
18 commission. I think anybody should be able to submit
19 a proposal to have intervener funding to support
20 either experts or legal counsel to present that issue
21 to the commission and essentially advise the
22 commission.

23 As everybody in this room knows, it's
24 very expensive to participate in complex Public
25 Utility Commission proceedings.

1 As to public comment, my understanding
2 is that rate making is a quasi-legislative function
3 that the Public Utility Commission engages in. The
4 proceedings do not have to be as closed as they have
5 by practice come to be. So that only the evidence
6 that is presented by experts who come in a contested
7 case proceeding is considered part of the record. I
8 understand that's the practice. I do not believe
9 that it has to be that way. And certainly other
10 states have more of a legislative-type process for
11 rate proceedings or other utility matters or siting
12 proceedings even.

13 And I think the commission could
14 consider looking at how those sorts of procedures
15 could be adopted and made part of the commission's
16 proceedings.

17 MS. MCHUGH: Do I see another hand on
18 -- no. Okay.

19 MR. YOUNG: Ms. Levine, if you have
20 specific examples of other states that you can point
21 us to, that would be really helpful.

22 MS. LEVINE: I don't off the top of my
23 head.

24 MR. YOUNG: That was not a quiz. You
25 know, that was a --

1 CHAIRMAN ROISMAN: And let me just say
2 about intervener funding, I'm not new to the topic.
3 I've fought it for years at the national level
4 totally unsuccessfully I might add.

5 MS. LEVINE: We share that.

6 CHAIRMAN ROISMAN: Okay. But it would
7 be helpful on that question to give us some ideas of
8 how you think that might -- that might be done. Not
9 just the mechanics. How you make the choices about
10 which -- if you do make choices -- which interveners
11 get funding, but probably more importantly, where
12 does the funding come from.

13 We have a Senator here who has
14 legislative authority if he can bring the votes
15 together to get the legislature to take it, and that
16 comes out of the tax money. We have utilities here
17 who have rates. They could build into rates a
18 provision for a certain amount that every ratepayer
19 pays, and that money is available to fund
20 interveners.

21 So there are a lot of mechanisms, and
22 we would love to hear ideas from people, not just
23 those of you who want to public participate, but
24 maybe those of you who might find yourself paying for
25 that public participation, what your ideas are.

1 MS. HOFMANN: I would add to that just
2 who does get the funding. How do you choose which
3 interveners get the funding?

4 MS. MCHUGH: Ms. Richards.

5 MS. RICHARDS: Patty Richards,
6 Washington Electric Co-op. I'm going to try to say
7 this as delicately as I can. I just want to remind
8 the group that the Department of Public Service is
9 supposed to be the consumer advocacy role, and to the
10 extent that we can utilize a tool that's already in
11 our toolbox, rather than create a function and pay
12 for another function or another pot of dollars, we
13 have a component that we all pay for now by rate base
14 and tax base, and utilizing it possibly and promoting
15 it, and getting consumers to utilize that tool seems
16 like a more appropriate way or synergistic way to
17 play in the space which is complicated, which is
18 during the day when people have jobs.

19 We have a very effective tool, and to
20 figure out a way to better maximize and utilize that
21 tool I think really would be helpful.

22 MS. MCHUGH: Mr. Allen.

23 MR. ALLEN: Yeah. I just thank you,
24 Patty, for reminding everyone. I wasn't sure when to
25 kind of step forward and remind people of the role

1 that we are -- we believe that we support and
2 advocate anew every day. Finding new pathways to do
3 it better is certainly something that we would like
4 to hear from the commission or from anyone.

5 We put the topic of customer outreach
6 and communications front and center in our comments
7 right next to transparency of the process. We hold
8 these values very close. And we believe that that
9 should be a significant part of whatever unfolds
10 going forward.

11 MS. McHUGH: I think someone in the
12 back. Behind Senator Bray or sorry --

13 MR. HILL: David Hill with Vermont
14 Energy Investment Corporation. Just for a little bit
15 of context, a lot of the work that I've done over the
16 years is outside of Vermont. And I think the
17 question perhaps of traditional regulation versus alt
18 reg versus reregulation, I think as Senator Bray was
19 mentioning before, we have had in place, and we are
20 evolving our regulatory framework as the market and
21 as the technologies significantly transform, really
22 transform, you know, in a fundamental fashion.

23 Charlotte mentioned going from 10
24 generator suppliers to 8,300. We have distributed
25 resources that are now part of the mix. And so how

1 to capture economic value out of the investment, rate
2 recovery for investments is important, but the nature
3 of those investments has potentially significantly
4 changed. What are the investments that will unlock
5 economic value on the time, on the geographic
6 dimension of these investments. And then who are the
7 investors. What are the strategies that can come
8 forward that can provide both physical system impacts
9 as well as economic value based on the market
10 conditions. And so how the utilities, how the
11 utilities or consumers, how the utilities, consumers
12 or third party providers, how consumers, utilities
13 and the efficiency utilities all determine which
14 elements to invest in, is a part of the context of
15 the overall discussion. And the regulatory framework
16 will need to continue to evolve as these markets, you
17 know, evolve and transform.

18 So it reaches to the not just electric
19 perspective, but then how do we unlock economic
20 value, and what are the nature of the investments
21 that will be different related to those. So thank
22 you.

23 MS. McHUGH: Senator Bray.

24 MR. BRAY: Sure. So on intervener
25 funding, I mean there are numerous conversations

1 across the street in the legislature about how that
2 might happen, why that might happen, need for it.
3 And I think one of the things I've come to
4 distinguish is the public's interest with a capital P
5 versus lower case P. And I don't -- really what I
6 mean is so when the Department is speaking broadly
7 about a public good, that's often not very satisfying
8 to an abutter who wishes that they had the sort of
9 legal resources of the utility that's proposing or
10 the developer that's proposing the project.

11 So who, as Sarah was saying, who gets
12 those services on what kind of cases I think is an
13 interesting one to sort out. And the traditional,
14 non-traditional side somehow I imagine that the
15 Vermont way is going to be calling that a false
16 choice, and we will have some sort of hybrid of our
17 own that may be traditional at heart, but that will
18 be performance oriented and innovative in some way.
19 So I hope we don't sort of get stuck trying to push
20 ourselves into a box, because I've never observed
21 people in the state staying in any box very well
22 anyway.

23 MS. McHUGH: Okay. It's 12:30 now so
24 we thought we would break for lunch for one hour.
25 And we can come back and continue the conversation.

1 So we will be back here at 1:30. Thanks.

2 (Recess was taken.)

3 MR. FINK: I think we are going to go
4 ahead and get started if folks can head back to --
5 that worked. Welcome back everyone from lunch.

6 So not only we are supposed to spend
7 this time talking a little bit about sort of specific
8 sub topics as well as procedures for the upcoming
9 workshops. However, I know we had to cut things off
10 for lunch a little bit earlier. So if there was --
11 if there were people who wanted to speak about the
12 sort of matrix and format for that, I don't want to
13 cut folks off if there was anyone who was dying to
14 get another word in on that. It doesn't look like
15 it.

16 All right. So for this segment we have
17 talked a little bit about some of the directions for
18 going -- and I think that the commission will have to
19 think about sort of some of those challenges. I
20 thought what might be a good starting point for us
21 now is to talk about some specific topics for further
22 workshops.

23 I know one starting point, possibly a
24 couple folks I believe have mentioned the idea, you
25 know, we have been pretty focused on sort of what has

1 happened in Vermont today. And obviously we are not
2 the only state grappling with some of these
3 challenges. And so one, I think, obvious potential
4 starting point is having a session dedicated to
5 learning about what other jurisdictions are doing and
6 how, you know, other states are grappling with some
7 of these challenges.

8 A lot of folks have made references to
9 that. And so I guess, you know, that being one area,
10 I guess I would open the floor, if anyone has other
11 specific thoughts. And then we can kind of dive into
12 who might be involved in those. Mr. Allen?

13 MR. ALLEN: So I absolutely think that
14 learning about other states and what they are doing
15 is a good thing. I do think that that should be a
16 part of probably the next workshop and engagement. I
17 think it kind of begs the question of what's the
18 scope of this proceeding. I think that's kind of a
19 threshold issue that we have to address.

20 So I think from my standpoint it would
21 be most helpful to have kind of a Board guidance or
22 determination on what it is that we are defining as
23 the boundaries of this investigation or this stage of
24 investigation. The Department has provided our
25 recommendations around a, you know, a defined scope.

1 And to the extent that that scope is used, we would
2 suggest that having a good review of the alternative
3 regulation plans or performance-based regulatory
4 plans that have existed in other states, in Canada
5 and overseas, would be useful to the process.

6 I'll have further comments, but I just
7 wanted to start the conversation.

8 MR. FINK: Okay. Yes. Go ahead.

9 MS. RICHARDS: Patty Richards,
10 Washington Electric Co-op. To the extent we bring in
11 other states' impacts and best practices or lessons
12 learned, it would be helpful to learn from states
13 that have vertically-integrated utilities versus
14 retail choice states, because it's a fundamentally
15 different application. So taking a lesson learned
16 from a retail choice state may not apply in our
17 jurisdiction.

18 MR. FINK: Why don't we go ahead and
19 dive in a little bit on the -- since we are sort of
20 talking about it already, the specific, you know,
21 what we might want to do on the other jurisdictions
22 question, since I suspect that's one to some extent
23 regardless of what the commission decides, you know,
24 the scope is going to be informative for almost any
25 aspect of this discussion.

1 So I know that GMP had proposed to
2 bring Mark Lowery in to talk about some of that. I
3 don't know -- AARP I think had had an interest in
4 having Mr. Dismukes speak to that issue as well.

5 MS. TAORMINA: I can talk to him about
6 that.

7 MR. FINK: Are there -- do other folks
8 have, you know, specific either people they would
9 like to bring in or people they would like to hear
10 about or -- go ahead, Ms. Ancel.

11 MS. ANCEL: We would also suggest that
12 the Regulatory Assistance Project who their office is
13 right down the street, and they are global leaders in
14 regulatory policy, I understand that they only
15 consult for commissions and consumer advocates so --
16 for state entities, not for others, but they might
17 also be an interesting entity to present or provide
18 some best practices in terms of what they are seeing.
19 Just a suggestion.

20 MR. FINK: Did other folks have --
21 that's helpful. Thank you. Did other folks have
22 thoughts on that?

23 MS. RICHARDS: Could we have time to
24 respond to that? Go back to our shops and think
25 about that versus on the fly?

1 MR. FINK: Absolutely. I think one of
2 the things we want to talk about is sort of next
3 steps. I'll say generally one of the things, as
4 folks who deal with us regularly know, in many
5 proceedings there are limitations on the types of
6 communications, you know, folks can have with the
7 commission and commission staff. And one thing I
8 think we wanted to clarify for this is that because
9 of the way we are doing this, we are set up to go
10 ahead and have some conversations on procedural
11 matters that normally would be prohibited
12 individually, part in an effort to expedite some of
13 this and make it easier to have those sorts of
14 conversations and get feedback.

15 That said, I think there is a desire to
16 try to have substantive conversations in a public
17 setting or a recorded setting so that people have
18 opportunity to weigh in and consider those so that
19 it's -- so folks know. So that's I think one thing
20 that would make sense is we can follow up on some of
21 these, and maybe we can set a date for additional
22 proposals, and we can sort of put a pin on that. And
23 folks can come back to it with anything else.

24 Ms. Smith, go ahead.

25 MS. SMITH: I'm sort of struggling with

1 how to make relevant the merchant aspect of it that
2 is sort of, you know, the 8,300 generators that are
3 now fueling Green Mountain Power, many of whom go
4 through a process that on the ground if there is a
5 bad site chosen, that's how the public gets involved
6 is when their self interest is affected. And so on
7 the aspect of how to get more public engagement on
8 this, as well as address what I see as the complete
9 disconnect between our state's policies and goals,
10 and how it's being implemented, and how to make that
11 relevant to this discussion, and whether there could
12 be a carve out of a topic that specifically focuses
13 on intervener funding and, you know, ways to create
14 some -- I don't know -- a certification for those
15 developers who are the ones on the -- who are the
16 ones that are actually doing -- building the
17 generation now. And how to make that relevant to
18 this Docket or this case. I would be interested in
19 your ideas about how we can start to merge all this
20 so that it does affect -- I was thinking if you want
21 to get Vermonters to show up and participate in
22 public, make sure there is a big wind turbine
23 proposed, and then you'll get public participation.
24 I mean, you know, how do you make the public self
25 interest affected by this pretty wonky utility

1 ratepayer issue. And how do we address the issues
2 that nobody is talking about. Like the lack of any
3 standards for leases that are -- people are being
4 asked to enter into whether it's for a rooftop solar
5 project or a big wind facility.

6 So I would like you to think about how
7 to help bring that into this conversation.

8 MR. FINK: Thanks. Are there -- go
9 ahead.

10 MS. SAGUI: It seems like there is a
11 fundamental disconnect, and maybe -- I'm new to all
12 this. I don't work for a utility -- between wanting
13 to promote the efficiency and conservation and less
14 use and the utilities needing to plan. And somewhere
15 in this it would be nice to see incentivizing for
16 ratepayers to actually be using less because
17 fundamentally that's where we need to be going as
18 global citizens. We need to be going. And that then
19 how does that play out in terms of setting rate
20 policy. And that -- I think that could be a really
21 interesting conversation, and it's sort of a little
22 bit the elephant in the room because utilities'
23 consumption is down, but they have to plan. And you
24 -- how does all this happen. Whereas people that are
25 actually doing it, people that aren't using so much

1 anymore, why aren't, you know, why aren't we
2 supporting them. Why aren't they the ones that we
3 give the very best rate to. Anyhow. I hope that
4 makes sense.

5 MR. FINK: So why don't we -- I think
6 some of what's -- we have had a lot of conversations
7 about sort of where we are headed. I think it sounds
8 to me a little bit like one of the things people are
9 still struggling with is sort of how to organize
10 this. Why don't I ask. We have sort of talked about
11 some of the broad topic areas and how to arrange
12 those. I don't think we have really discussed, you
13 know, I think sounds like folks had some reservations
14 about some of the organizations, but that especially
15 in terms of topic areas two and three that there was
16 perhaps some distinction there. We haven't really
17 talked as much in that.

18 And I guess the first question I would
19 pose to folks is, is there a sense, you know, it's
20 been suggested that one approach might be to kind of
21 focus on topic area one and then move on, you know,
22 sort of either -- depending what the objective is
23 there, move on to topic area two and three, or do
24 people feel like there are either specific sub topics
25 or items within that universe that we should be

1 moving ahead faster while we are still sort of having
2 the discussion of items that are more focused in
3 topic area one? Mr. Allen.

4 MR. ALLEN: So I'll just relate one
5 thought which is as I see topic area two and topic
6 area three, I think everything ties together. And I
7 think the topic area one is kind of implicated by
8 that. I mean I think the form of regulation or rate
9 regulation will very much bear on what we can expect
10 utilities to do around our rate design. And you
11 know, in addressing some of the concerns, there is
12 certain opportunities that have been outlined in
13 topic area three. So those topics -- those topic
14 areas may deserve a separate proceeding or stage of
15 engagement. But I also feel that they are, you know,
16 they are also a part of the conversation that we
17 would have about rate regulation.

18 MS. WHITE: So as I'm looking at topic
19 area three, I agree with Riley that a lot of the
20 areas addressed in topic area three are implicated in
21 rate design and -- not in rate design, but in cost of
22 service rate making and that those issues are going
23 to really impact how we do cost of service in
24 Vermont.

25 However, I see a lot of potential for

1 topic area three in particular to become an
2 exhaustive list of current issues in utility planning
3 and power delivery today. And I think it's very
4 important to narrow the scope and the focus
5 particularly in those areas on how does this impact
6 how we do rate regulation in Vermont. And to the
7 degree that we need to have additional conversations
8 about planning at ISO, or EV promotion and
9 integration, or a host or storage -- there are a host
10 of issues that we could be talking about. However,
11 including them in this Docket could unduly delay
12 decisions that need to be made around rate
13 regulation.

14 So I think an appropriate course of
15 action might be for the commission to do some scoping
16 work and decide what's in the scope and what's
17 outside the scope. And once that scoping work has
18 been done, kind of come up with a process to -- for
19 that to happen. So if we were to propose a series of
20 workshops now would the topics of those workshops
21 include those areas in topic area three or not. I
22 think it would be helpful for participants to hear
23 from the commission on what the scope really is.

24 MS. HOFMANN: So what is the Department
25 recommending? Are you saying topic one first, or I'm

1 trying to simplify this a little bit. It might be a
2 simplistic question.

3 MR. ALLEN: No. I appreciate the
4 question. What we are recommending is very clearly
5 focus on topic area one. And just to amplify on that
6 a little bit, I think it will speak to some of my
7 kind of comments earlier and Philene's comments as
8 well around traditional regulation. It strikes me,
9 you know, that I mean Philene is correct, that is
10 traditional regulation in other states can do and can
11 accomplish some objectives, some of the features or
12 aspirations that we have for the form of regulation.
13 And it may be that framing this in a way that kind of
14 allows for either a variation on traditional
15 regulation or an alternative or non-traditional form
16 of regulation, to essentially fill the bill, as
17 within the scope of this proceeding, I think would be
18 helpful.

19 But I think it's very much focused on
20 topic area one is where we would at least like to see
21 this proceeding start out initially and focus. And
22 I'm not saying that the other topics -- topic areas
23 don't deserve full-on engagement. I just worry about
24 trying to bite off too much at this early stage.

25 MR. FINK: Can I unpack a little bit

1 what you said? You were referencing sort of AARP's
2 perspective. And I think I heard you suggesting that
3 we should focus on sort of what we or what people
4 collectively think the sort of regulatory program
5 should look like as opposed to sort of dichotomy
6 between traditional alternative regulation.

7 MR. ALLEN: Right.

8 MR. FINK: You're saying yes. Is that
9 what I understand correctly?

10 MR. ALLEN: That's an affirmative.

11 Yes.

12 MR. FINK: Okay. That's, I think, a
13 potentially helpful construct for us to look at how
14 to, you know, talk about what we want things to look
15 like.

16 MR. ALLEN: Right.

17 MR. FINK: Does anyone feel like sort
18 of starting running in the topic area one universe is
19 not the place to start?

20 (No response.)

21 MR. FINK: Okay. So given that I'm
22 going to turn back to sort of specific -- and
23 recognizing that there are a lot of other things that
24 we may want to weave into this down the road, if
25 there are specific concepts that we should spend a

1 workshop exploring, I think another one that I heard
2 mentioned earlier today was the concept of incentive
3 regulation which is not something we have seen
4 outside of the EEU's a lot of in Vermont.

5 Do people have thoughts on whether
6 spending a part or some of the workshop, at least,
7 talking about forms of incentive regulation and what
8 might make sense is useful? Mr. Allen.

9 MR. ALLEN: Well I very much think that
10 that falls within at least the space that I think of
11 as principles of rate regulation. So it's the
12 incentives for achieving the cross containment or
13 policy objectives that you're trying to achieve. So
14 I think that frankly, it was in my view, it was
15 already kind of implicated by that.

16 MR. FINK: Right. And what I'm
17 attempting to do is to drill us down a little bit
18 more specific so we can sort of lay out some specific
19 conversations that we want to tee up at future
20 workshops.

21 MR. ALLEN: Okay.

22 MR. FINK: And maybe I wasn't terribly
23 clear, but -- in terms of sort of the concept of
24 having performance incentives as part of a regulatory
25 structure.

1 MS. McHUGH: Is that something that
2 only the IOUs would be interested in, or is
3 incentive-based regulation something that
4 municipalities and co-ops would be interested on some
5 level? I think that's --

6 MR. GIBBONS: Without knowing what the
7 incentive would be, it's hard to answer that. My
8 first thought is probably not. I mean again I'm not
9 sure how you incentivize municipal utilities and that
10 cost provider. I can't say someone would have a more
11 creative idea than I do, but it does come back to
12 that segregation that I would strongly request.

13 Again, I would very much like to not
14 have the municipal utilities to have the staff, I
15 agree with, sitting through things that just aren't
16 that critical to them. So I think when you make up
17 your list, think about which ones would be relevant
18 to everybody. And I appreciate the question.

19 MR. KNAUER: Just thinking, brain
20 storming here. Incentives don't have to be
21 financial. They could be James Gibbons doesn't have
22 to come to the next workshop.

23 MR. GIBBONS: At the risk of -- I
24 actually thought of exactly that. No joke. But I
25 thought I wouldn't say it, so thank you. So yes,

1 there are other incentives. And that's what I'm
2 saying, creative incentives, I can't say that they
3 wouldn't be relevant. Straight economic incentives
4 seem unlikely.

5 MS. MCHUGH: It sounds like GMP has
6 done some -- or will be doing some research on to
7 what's done in other states, and AARP has this
8 breadth of knowledge. Have any of the munis or
9 co-ops done something similar or --

10 MR. GIBBONS: That was on my short list
11 was to take a look and see to what extent has any
12 form of alternative regulation been applied against a
13 municipal. I do not have that information at this
14 time.

15 MS. MCHUGH: I think that would be
16 really helpful.

17 MR. GIBBONS: Agreed.

18 MS. RICHARDS: Washington Electric
19 Co-op does not have any information on that. I just
20 -- I haven't heard of any incentive program that
21 applies to not for profits in general. That said, it
22 could exist, and it could be that workshop for James
23 Gibbons.

24 MS. BROWN: I think in the co-op world
25 often there is no rate regulation at all in many

1 states. So Vermont's --

2 MR. GIBBONS: The munis, if we were to
3 use round numbers, I would say that 44 of the states
4 don't rate regulate munis at all. So you're already
5 probably going to have a pretty small pool to draw
6 information from. But I'm happy to take a look.

7 MR. FINK: Ms. Ancel.

8 MS. ANCEL: We look at, you know,
9 incentives as really the outcomes for customers and
10 for our state that we want to hit. So just to
11 suggest that thinking about like a shaping -- one way
12 to shape the discussion of workshops would be looking
13 at best practices in other states, learning from
14 that, and thinking about what are the outcomes that
15 we want to hit for Vermont customers. And then
16 thinking about incentives whether there are -- all
17 types of incentives -- and thinking about it that
18 way. But really it should always go back to what are
19 the outcomes that we want to deliver for our
20 customers.

21 MR. FINK: Ms. Levine?

22 MS. LEVINE: I wouldn't necessarily
23 take the munis and co-ops off of the incentives. And
24 Efficiency Vermont is the only example that does
25 performance-based or incentives in Vermont. And they

1 are a non-profit. So there is not necessarily the
2 for-profit motive, but there can be others -- as has
3 been mentioned -- other types of incentives. And I
4 would be concerned that the munis and co-ops just
5 kind of get left behind with a traditional form of
6 regulation that might work now in today's world but
7 doesn't necessarily work in a world where we are
8 relying on more renewable and distributed generation.

9 MR. GIBBONS: Just to be clear, are you
10 saying EVT is a non-profit, or VEIC is a non-profit,
11 or both?

12 MS. LEVINE: VEIC is a non-profit. And
13 they are the parents of --

14 MR. GIBBONS: But you have stockholders
15 and things like that; do you not?

16 MR. WESTMAN: No.

17 MR. GIBBONS: VEIC does not.

18 MR. WESTMAN: No.

19 MS. LEVINE: So I've heard Efficiency
20 Vermont and VEIC make the same argument. We don't --
21 we are a not-for-profit. We don't have a profit
22 motive, but yet they are the utility in the state
23 that actually does have the performance-based
24 regulation with incentives.

25 MR. WESTMAN: Since we're being talked

1 about, I will -- I mean the way that VEIC takes those
2 performance incentives is that we either give them
3 back to the employees in the form of, you know,
4 performance incentives of our own, or it gets also
5 redeployed into the state as far as part of our
6 mission-oriented work that we do. So just because we
7 are a non-profit doesn't mean that performance
8 incentives don't have value. It actually does shape
9 our performance, because the organization takes those
10 incentives that are earned and puts them to good use
11 according to the executive, you know, and board level
12 decisions. And so they do drive performance, and
13 they are very effective.

14 And the one thing that I think I would
15 say on this topic in general, I could certainly save
16 it for when the topic is discussed in a more robust
17 fashion is that performance incentives have to be
18 real and they have to be meaningful. Otherwise they
19 will not actually drive any behavior at all, and that
20 in the classic case of an investor-owned utility, if
21 they are going to make 98 percent of their money on
22 capital investments, then any two percent performance
23 award is not going to drive behavior in any
24 meaningful fashion.

25 And so that's really the balance that

1 has to be struck. For VEIC our performance incentive
2 is a huge part of what we are able to earn as a
3 result of running Efficiency Vermont. So it becomes
4 a very important part of the organization to achieve
5 those goals.

6 MR. FINK: Mr. Gibbons, you had your
7 hand up.

8 MR. GIBBONS: So I reiterate that those
9 performance incentives don't seem to make a lot of
10 sense for municipal utilities and leave it at that.
11 The odds of us being excited about redeploying
12 Burlington funds into the state coffers or being
13 allowed to incentivize individual employee's salaries
14 seems very unlikely. But so again, I wouldn't
15 necessarily say that's a parallel for the munis.

16 MR. FINK: I think, you know, in this
17 conversation especially with respect to the munis and
18 co-ops, we have heard a number of comments sort of to
19 the effect that there are -- while there is
20 alternative regulation as it existed is not all that
21 appealing per se, but that there is an interest in
22 some level of flexibility or other elements like
23 that. And I think one thing that would be helpful
24 for us would be to get a better understanding of what
25 it is the public power sector feels like would be

1 helpful in a sort of concrete way. And maybe that's
2 something we could follow up on in filings afterwards
3 if that makes sense.

4 MR. GIBBONS: We alluded to some of
5 them in our original comments. Rate flexibility,
6 potentially pilot rate structures, end-use rates,
7 things like that actually would be useful tools in
8 our quiver. We would be happy to offer that
9 commentary.

10 MS. CHENEY: Along those lines you had
11 mentioned I think, Ken, that there --

12 MS. HOFMANN: James.

13 MS. CHENEY: No, it was earlier Ken
14 Nolan I think mentioned that incentives already exist
15 especially with -- in regard to the renewable energy
16 standard. And then --

17 MR. GIBBONS: I would say --

18 MS. CHENEY: And James, then you
19 earlier said that you would -- although you have no
20 problem, you know, reaching efficiencies, you would
21 like some more tools in the context of res. So res
22 has come up a couple of times along these lines. And
23 I would be interested in hearing a little bit more
24 about how there could be opportunity created to
25 achieve the res goals.

1 MR. GIBBONS: And I would just say like
2 at a super high level one example that springs to our
3 mind, and we threw in the comments, was end-use
4 rates. For example, if you had load that had not
5 previously existed like electric vehicles in any
6 quantity, and you offered a rate for the charging of
7 those vehicles that was below the embedded rates,
8 right, or the current rates right now, you would make
9 those vehicles more attractive to customers. You
10 would still improve the utility economics. You would
11 be, you know, the classic sort of economic
12 development type of structure. It's above variable
13 cost. It contributes to fixed cost, and it advances
14 a social goal type of thing.

15 But right now we don't really have any
16 way to charge end-use rates. We have to switch a
17 customer from a rate class or not. So the option for
18 end-use rates would be a useful tool to us to advance
19 some of the goals of the res hypothetically.

20 MS. McHUGH: So there would have to be
21 some proposal that would fall under the alternative
22 regulation construct I guess that would advance that
23 end use rates opportunity. So you know, we are just
24 kind of trying to sense, you know, what would that
25 look like. Because you presented one option that was

1 different tariffs. But that obviously was not
2 necessarily ideal from what you just said. So --

3 MR. GIBBONS: So like I say, I was
4 talking about specifically an end-use metered charge,
5 an end-use metered rate that would then modify the
6 base charge. In other words, you would not be
7 charged for electric vehicle charging even though it
8 was underneath your residential meter, you would be
9 charged for electric vehicle charging under an
10 end-use rate, and the residual use would be charged.
11 It's just an idea, but if you did that with things
12 like I want to be respectful to Vermont Gas, cold
13 climate heat pumps which have a challenge in
14 competing with some fuels right now, and electric
15 vehicles where you're competing with very low fossil
16 fuels making it difficult to advance emission
17 reduction goals. Being able to do things like that
18 rather than having to charge everything out at the
19 average rate would be a powerful tool.

20 MS. TAORMINA: Kevin, I think we lost
21 telephone contact.

22 MR. FINK: Shoot. So I think one thing
23 that would be helpful, and I'm maybe going to
24 volunteer the Department here, I think one thing that
25 might be helpful to us is sort of to inventory some

1 of these various elements. And sort of get a list
2 of, you know, different -- sort of the universe of
3 not necessarily exhaustive, but the universe of
4 possibilities of what, you know, might come in under
5 an Alternative Regulation Plan that we should spend
6 sometime talking about. And then maybe people could
7 react to that, if that's helpful.

8 I'm trying to create a path forward so
9 we can sort of drill into some of these specific
10 discussions in a meaningful way.

11 MS. CHENEY: Would it be helpful to
12 have as sort of an information mining opportunity to
13 have the research on what is working in other
14 jurisdictions?

15 MR. FINK: Yeah. I think that would
16 accompany, yeah.

17 MS. CHENEY: That would I think feed
18 the inventory that you're talking about.

19 MR. FINK: Right.

20 MR. ALLEN: In my mind, I think it
21 would be fruitful to kind of engage around some set
22 of kind of foundational principles, and I think
23 having some engagement even if it's just on paper
24 about what it is we are trying to achieve is --

25 MS. CHENEY: Right.

1 MR. ALLEN: -- is an area that I would
2 like to see us engage in. The way I think about it
3 is I would like to engage on the issues that are most
4 likely to kind of flare up as areas of disagreement.
5 So to the extent that, you know, we have two dozen
6 issues and all of our kind of angst is around how do
7 we engage the consumer effectively, or how do we
8 manage or contain capital investment, or how do we
9 assure service quality, whatever those issues are.
10 Those are the issues that I want to engage in and
11 focus on going forward. So --

12 MR. FINK: Is what you're suggesting
13 sort of a list of objectives of what a regulatory
14 structure would achieve? And is that what you're
15 getting at sort of a here are the values that we are
16 attempting to accomplish?

17 MR. ALLEN: I think that's a
18 foundational element of it. I think that's kind of a
19 -- I think nailing that is the first stage in the
20 process. What is it that we are trying to -- I think
21 that I would expect broad agreement on that.

22 The controversy isn't around that first
23 step, but it's rather what are the elements that are
24 a part of that first step. And I suspect that
25 there's wide agreement on 80 percent of those. And

1 probably only two or three on the list would be, you
2 know, where you might want to have a little bit of
3 fruitful engagement back and forth among the
4 participants. But identifying those, that 80 percent
5 overlap, identifying the areas where there is broad
6 agreement that, yes, you know, as we proceed with the
7 form of regulation that we want to embark on, these
8 are the objectives that we are trying to satisfy.

9 MR. YOUNG: Are these the items that
10 you're talking about on page seven and eight of your
11 written filing?

12 MR. ALLEN: Probably.

13 MR. YOUNG: Preliminary principles as I
14 think you've described them.

15 MR. ALLEN: Yeah. I mean I think your
16 list -- we have put out a list. You captured this
17 list in your list of issues on the kind of tier one.
18 I think you've expanded that list somewhat. And that
19 may be the universe of what comes to mind
20 immediately.

21 Not all of these clearly kind of stand
22 in the category of principles, but things we want to
23 achieve through the form of regulation is, I think,
24 you know, that's what I'm trying to advance.

25 MR. YOUNG: So is it your idea that the

1 next workshop would focus first on these principles,
2 or more sort of background survey; where are we, what
3 are the other options. And then get into the
4 principles?

5 MR. ALLEN: Well I don't have this
6 fixed clearly in mind. I think you could potentially
7 address these through paper filings in between now
8 and the first workshop. And we don't necessarily
9 need to kind of have, you know, kind of bona fide
10 face time. If there is -- if there are issues where
11 there are clear differences, it might be worth just
12 isolating those issues and having kind of a focused
13 engagement on those issues.

14 My expectation is, as I said before,
15 that 80 percent of what that list might include it
16 probably is broad agreement. And to the extent that
17 there is disagreement, I would like to kind of
18 explore that further maybe in, you know, a workshop
19 proceeding, that might be useful. But that in my
20 mind would be just part of that first workshop.

21 As Green Mountain Power had indicated,
22 I would like to hear the survey, I would like to --
23 it may be that that survey by the states informs the
24 list itself. I'll stop there.

25 MR. FINK: Ms. Simollardes, you had

1 your hand up earlier.

2 MS. SIMOLLARDES: I don't think it was
3 going to advance the conversation, so I'll pass.

4 MR. FINK: Okay. So I'm not sure if I
5 intimated that I wasn't listening well. The sort of
6 list of values, I'll call them for shorthand, you
7 essentially think that that's somewhat captured in
8 the sub areas of topic area one. Is that what I
9 understood you to say? In terms of giving people a
10 homework assignment I'm wondering whether we can tell
11 people to take a look at that and react to it, or
12 whether there is a further step that we need to do.

13 MR. ALLEN: Are they effectively
14 captured? I don't know. I suspect we would probably
15 want to amplify on a couple just to make sure that it
16 was recognized as distinct from the items that are on
17 the list. But I haven't carefully done the
18 side-by-side.

19 MR. FINK: Fair enough. So may be that
20 we would want the Department then to put something
21 together to -- kind of proposal for people to react
22 to.

23 MR. ALLEN: Be happy to do that.

24 MR. YOUNG: Let me throw something out.
25 This is my thoughts. Nobody else's here. But we are

1 spending a lot of time meandering about what we might
2 do. We have headed in a lot of different directions.
3 Based upon what I've heard let me throw out this as
4 an idea, and people can react to it.

5 First workshop focuses on, number one,
6 alternative regulation options. What's out there on
7 the table. What are other states doing. What are
8 the options that could be used, something as narrow
9 as a fuel adjustment clause, comprehensive plan such
10 as we have had, specific performance goals that are
11 used in a number of other states, you know, this
12 power plant you have to meet this target for
13 operations. Multi-year rate plans. Future test
14 years. These are all things that have been discussed
15 that are feasible, and I'm sure I'm missing things
16 off of this list.

17 And the idea is we could have
18 presenters from the Department on the subject. GMP
19 has offered Mark Lowery who might be able to address
20 this, and I think you also suggested maybe RAP
21 although we or the Department would probably need to
22 do the solicitation since you're not a commission.

23 MS. ANCEL: That's right.

24 MR. YOUNG: Sorry. The second part of
25 that would be addressing the same topics. And if we

1 can do it, if we can get Mr. Dismukes, for example,
2 for AARP's views. By the way, I don't want to
3 foreclose any other presenters. This is a strawman
4 proposal based upon what people have said as opposed
5 to, gee, I'm trying to redesign the world here. What
6 alternatives make sense. What are the detriments of
7 any of these. Because I think Mr. Dismukes and AARP
8 definitely have views on this subject. And if you
9 want to do it yourself, Ms. Taormina, that's fine
10 too.

11 MS. TAORMINA: No. I definitely want
12 him to do it.

13 MR. YOUNG: It's always easy to throw
14 somebody under the bus who is not here to defend
15 himself. The other area that might be useful that
16 ties into this and probably could be integrated that
17 I saw was what worked well and didn't work well in
18 the existing plans. Are there specific areas that
19 don't do that again. You know, that base rate filing
20 was just a pain in the, you know, whatever. So sort
21 of a lessons learned.

22 As I said, please react to this. The
23 fourth area that could be included, although since we
24 are talking about rounds of comments on the idea of
25 principles, I don't think if we are trying to move

1 the process along there is necessarily time for
2 comments, reactions; would be to talk more about the
3 principles. But I'm trying to move the dialogue from
4 where should we go to here's an idea; what do you
5 think.

6 MS. CHENEY: I would add --

7 MR. YOUNG: What a surprise.

8 MS. CHENEY: Can I just quickly add to
9 that strawman proposal. And in number three, not
10 just what didn't work, but also what was missing,
11 what you wish had been in it as well.

12 CHAIRMAN ROISMAN: And it seems to me
13 if I'm understanding what Riley is saying, George,
14 you're using the word principle, and I think Riley is
15 talking about issues. I think that if I understood
16 what he's saying, he thinks there is a set of
17 principles, most of which we would all agree about.
18 These are like goals, these are the things we would
19 like to have the system do. But under those
20 principles there are issues, what's the best way to
21 get to that goal.

22 And I would think the most useful thing
23 that we could do, and I don't know that we need to
24 have a workshop in order to do it, but for us to send
25 out based upon what we have heard here and what

1 people have written to us, a set of what we identify
2 as the actual issues. Not sort of these broad
3 general categories, but what is the issue about
4 incentives that we want to have people then tell us,
5 yes, that's an issue on which we think we need to
6 have a discussion; we have got a lot of disagreement,
7 or no, we all agree about that issue, and get that
8 narrowing done in paper, if possible.

9 MR. YOUNG: I think we can probably try
10 to do that, although I think if you look at -- Riley,
11 you jump in, but I think if you look at Riley's
12 principles, they are sort of less specific issues
13 about how you do it than principles -- for example,
14 one of the principles is incentives for cost
15 management in operations. There are lots of
16 different ways to achieve that one. And so if you
17 accept the idea that you should have cost management
18 in operations, that doesn't answer the question of
19 where you go in terms of implementation. Am I
20 capturing --

21 MR. ALLEN: That's good. I'm agreeing
22 with both of you though.

23 MR. YOUNG: That's helpful.

24 CHAIRMAN ROISMAN: Always on the safe
25 path here. I see. Here's the general counsel. I'm

1 the Chairman; right?

2 MR. YOUNG: I feel strongly both ways.
3 Thank you. Eileen.

4 MS. SIMOLLARDES: I think you binned
5 everything correctly, but I think I would have
6 flipped it on its head. We have statutory criteria
7 right now about what alternative regulation plans
8 need to do. We have the list of what we call them,
9 issues or principles or whatever, as articulated by
10 the Department. It feels like it would be a more
11 effective exercise to look at what the art of the
12 possible is from the different data sources if we had
13 an agreement on, or at least a filter, of how we were
14 going to assess those. Because we could hear this
15 great idea for something, whether it's a rider or a
16 different way to do incentive regulation or whatever.
17 But without a common understanding of what it is we
18 want those tools to accomplish, it feels like that
19 exercise is not as efficient.

20 So I liked your list. I think I just
21 would have put number four first and get the filters
22 and the guidelines. We could start with what's -- we
23 know what the statutory criteria are. Are there
24 aspects of that that are sufficiently ill defined
25 that we don't have agreement on what that means, or

1 are there gaps that should have been -- that we need
2 to include beyond what's in the statutory criteria.
3 That feels like a better first step to me.

4 MR. YOUNG: The one thing I'll say in
5 my defense, and you will once again point out the
6 error of my ways. After a 30-year history, we are
7 used to this.

8 At this stage I don't know that you
9 want to presume that incentive regulation is the goal
10 in the end game.

11 MS. SIMOLLARDES: I agree with that.

12 MR. YOUNG: And starting, you know --

13 MS. SIMOLLARDES: No, I agree with
14 that.

15 MR. YOUNG: And starting with that idea
16 almost presumes that that's the end game, and we are
17 still in the exploratory stage, at least as I
18 understand it. And I have three people here who can
19 tell me I'm wrong, but otherwise --

20 MS. SIMOLLARDES: No, I agree with
21 that. I didn't mean to presume that that would be
22 the end game, but I do feel like if we wanted to do
23 something, how would we determine what some of these
24 mechanisms that we might be evaluating are. Are they
25 good, bad or indifferent without a common

1 understanding of what we might be trying to
2 accomplish.

3 MR. FINK: Do other folks have
4 reactions to what Mr. Young presented? Other than
5 Mr. Young who apparently does.

6 MR. YOUNG: Sorry.

7 MS. WHITE: Anyone can kick the
8 strawman.

9 MR. YOUNG: We have had a long history
10 of interacting over various cases, and sometimes it
11 prompts thoughts. And the question is if you were to
12 do the principles first, how would you do it? What
13 should that first session -- first part of this
14 session look like?

15 MS. SIMOLLARDES: I think we might
16 start with the Department's pages, so whatever the
17 pages are in the statutory criteria. And do a gap
18 analysis or --

19 MR. ALLEN: So we can file something
20 that represents I think kind of a long list of
21 potential -- of principles. You can get paper
22 filings from others saying this list is too long,
23 scrap three, five and seven, they overlap anyways
24 with other things. And then the commission can say
25 here's what we decide, except for this one. We are

1 not sure about it. We want to hear more engagement
2 on this one at the next workshop.

3 MR. YOUNG: Do that first. Survey the
4 statutory criteria which -- and then jump into the
5 other things? I mean does that make sense as a first
6 start? Charlotte?

7 MS. ANCEL: Yeah. Building on that,
8 again we think starting with there may be
9 distinctions between electric and gas customers just
10 because we have -- they are different, would be
11 looking at the outcomes that we want to achieve for
12 our customers. Thinking about the different
13 overlays, the res, the different tiers of res, what
14 we hear from our customers in terms of the energy
15 future that they want to see, and how can we help
16 deliver that. The changing nature of the business in
17 terms of the decline of retail sales and the increase
18 in regional transmission and capacity costs.

19 So in other words, thinking more
20 specifically about the outcomes that we want to
21 enable utilities to thrive. I know Sandy Levine had
22 talked about making sure that the distribution
23 utilities, you had urged us to think about the
24 utilities should be thinking about how can we make --
25 bring value for our customers going forward in a

1 distributed world, not how can we fight the
2 distributed world and try to hold on to our turf and
3 slow that transformation, but how can we help find
4 value and make it happen. We share that view. So
5 thinking about it that way.

6 And the other thing I would like to add
7 is hearing the discussion about looking back at the
8 base rates and the -- to the extent that there is
9 discussion of the alternative regulation plan before,
10 and what worked and what didn't, hear that, but also
11 want to emphasize that we want to go forward and want
12 the discussion to be forward looking in terms of
13 where do we want to go, what do we want to get done
14 for customers.

15 Green Mountain Power -- we are not
16 looking to file another base rate. In fact, our
17 regulation plan that enabled that has ended. So
18 that's not -- we are not filing any more base rates
19 on June 1. So just keeping that discussion going
20 forward. You know, we think that one principle that
21 the parties can agree on is that maybe -- that all of
22 us can agree on -- maybe there is a traditional rate
23 case that happens every three or four years, and what
24 does the world look like in between that. And how
25 do we get to the best outcomes for customers.

1 Just wanted to make sure that we are
2 looking forward and not spending too much time
3 looking backwards.

4 MR. ALLEN: On the -- I'm going to
5 second that point. I think it's helpful to not --
6 well I think it's responsible to look back and
7 understand what didn't work well. But as much as
8 possible, I don't want to continually anguish over
9 what hasn't worked and why that framework. That was
10 such a specific thing. And there is so many other
11 ways to kind of fashion this.

12 I think we can waste a lot of kind of
13 air time in meetings kind of anguishing over what
14 didn't work when we can probably come together and
15 just present you with a few things that we kind of
16 collectively agree are things that need to work
17 better in the future.

18 MS. TAORMINA: I think it would be
19 helpful to hear from both Vermont Gas and GMP what
20 they intend to use alternative regulation for. Are
21 they going to continue -- do they want an earnings
22 sharing mechanism? Because the formula and the
23 methodology does matter. Who benefits and who
24 doesn't. Depends on certain aspects of the formula
25 used for earnings sharing. Same with they are going

1 to have capital expenditures. Are there going to be
2 caps. Annual caps. There weren't. Are there going
3 to be requirements for reviews of capital projects
4 before capital flows. Are they going to -- if they
5 are not going to use those mechanisms, then it
6 doesn't seem to me like we have to talk about them.
7 It seems to me they have already indicated today that
8 they want to continue to pass on power purchase and
9 fuel adjustment costs. What does that look like?
10 What kind of review is needed to make sure those
11 decisions are being made in the best interest not
12 only of the shareholder but of the ratepayers. If
13 they are going to use decoupling through alternative
14 regulation what does that look like. It can look
15 like a lot of things. It can be at the benefit of
16 ratepayers or not, again. So if there were a list of
17 things where we knew where they were wanting to go,
18 the problem with the statute is they can go anywhere,
19 and they went everywhere. It would be nice to know
20 -- it would be easier to have a discussion about what
21 those formulas look like and negotiate over that if
22 we are going to -- we have a list of things that the
23 utilities have agreed upon that they want to use
24 through alternative regulation going forward.

25 MR. FINK: Go ahead.

1 MR. ALLEN: So Philene has just raised
2 a number of kind of hot spots, hot issues that I
3 think it would be helpful ultimately for the Board to
4 provide guidance to us as, you know, as we kind of
5 look forward. In my mind, it's not so much an issue
6 of what does Vermont Gas or Green Mountain Power want
7 to do, which I think is also important to know, but
8 what we as a state want to do and how we want to
9 achieve it. And it may or may not include an
10 earnings sharing adjustment mechanism or -- but
11 having a good engagement, having an opportunity,
12 having criterias that are set, having those issues
13 identified as potential pathways, and then having a
14 good kind of healthy engagement around those. And
15 then allowing the utilities to form their plans based
16 upon the kind of the determination or the guidance
17 that has been provided by the Board, I think would be
18 most helpful.

19 MR. FINK: I think one -- sorry. I
20 didn't mean to cut you off. I think you've sort of
21 hit on one of the things that we have been thinking
22 about a little bit, is in the context we have here,
23 we don't have specific plans in front of us, and
24 trying to be useful here, while we are not
25 necessarily reviewing the, you know, specific

1 proposed earnings sharing mechanism, but be
2 productive in a way that enables everyone to do that
3 better, propose something that is more reflective, I
4 think is a challenge that, I think, we all face here
5 in this. So I think you've effectively raised an
6 important point. Ms. Ancel, did you want to --

7 (Ms. Ancel shaking head)

8 MR. FINK: So I think we are probably
9 at a point where to get a whole lot further folks
10 probably need to hear from the commission in terms of
11 the scope and sort of what we feel we are trying to
12 do here. So I think some of this we'll have to take
13 under advisement, and the commission will have to
14 sort of deliberate and chart a path forward.

15 However, with that said, does anyone
16 have anything they are burning to get in before we
17 close this up?

18 MR. ALLEN: Well I just want to make
19 sure I don't have any obligations that I've already
20 volunteered for.

21 MR. FINK: We will let you know if you
22 do.

23 MR. ALLEN: Okay. Thank you. We are
24 willing to help in any way we can.

25 MR. FINK: And then the other thing I

1 would just again note, you know, I mentioned earlier
2 if folks want to reach out about sort of process and
3 procedural stuff, we are happy to have those
4 conversations.

5 MS. TAORMINA: It would be helpful to
6 have for the next meeting if we do want -- if I have
7 to bring Dr. Dismukes here I'm going to need some
8 flexibility. His time is not mine entirely.

9 MR. FINK: Yes. And he doesn't live
10 here.

11 MS. TAORMINA: No, no. He doesn't live
12 here.

13 MR. FINK: Yeah. I think if that's
14 where we are headed, we will probably end up getting
15 in touch. You know, I think it may be -- it's
16 helpful to plan to have folks, if you're interested
17 in participating or sort of sponsoring -- either
18 presenting something in that sort of what's happening
19 outside of Vermont universe, to go ahead and let us
20 know because then, you know, if we do move in that
21 direction, we can coordinate among those people who
22 may be potentially flying in for that to figure out
23 days that work. So if that's something you're
24 interested in participating in, if you could let us
25 know that, that would be great.

1 MR. YOUNG: The specific presenters we
2 have been talking about are based upon people who had
3 indicated an interest, or parties who said they had
4 an interest in having that person do something. That
5 does not foreclose anybody else, so you know, but we
6 need people to volunteer if they have ideas because
7 we can't guess what you guys want to say.

8 MR. FINK: All right. I think we are
9 done here. Thank you all.

10 (Whereupon, the proceeding was
11 adjourned at 2:35 p.m.)

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C E R T I F I C A T E

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I, Kim U. Sears, do hereby certify that I recorded by stenographic means the Workshop re: CASE NO. 17-3142-PET, at the Capitol Plaza Hotel, 100 State Street, Montpelier, Vermont, on August 8, 2017, beginning at 9:30 a.m.

I further certify that the foregoing testimony was taken by me stenographically and thereafter reduced to typewriting and the foregoing 157 pages are a transcript of the stenograph notes taken by me of the evidence and the proceedings to the best of my ability.

I further certify that I am not related to any of the parties thereto or their counsel, and I am in no way interested in the outcome of said cause.

Dated at Williston, Vermont, this 11th day of August, 2017.



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