EXHIBIT WEC-11 (PR-11)

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 18-2850-TF

Tariff filing of Green Mountain Power Corporation re:
proposed rate design changes, to take effect April 1, 2019

PREFILED DIRECT TESTIMONY OF
J. RILEY ALLEN

ON BEHALF OF THE
DEPARTMENT OF PUBLIC SERVICE

November 9, 2018

Summary: Mr. Allen presents the Department of Public Service's (the "Department") recommendation that the Public Utility Commission (the "Commission") approve the Green Mountain Power Corporation's ("GMP") proposed rate class reallocation. Mr. Allen discusses the statutory and policy considerations that underlie the Department's recommendation. Mr. Allen, however, recommends that Commission allow for a second phase of this investigation or a separate proceeding to address broader policy considerations regarding GMP's rate design. Finally, Mr. Allen supports Department witness Sean Foley's recommendation that GMP be required to conduct a marginal cost-of-service study to support future rate design rate class reallocations.

Direct Testimony of J. Riley Allen

Q1. Please state your name and occupation.

A1. My name is J. Riley Allen. I am the Deputy Commissioner for the Vermont Department of Public Service (Department). My business address is 112 State Street, Montpelier, Vermont.

Q2. Please describe your educational background and experience.

A2. I have now worked for, with, or advised economic regulators for more than 30 years. I began by working with the Department of Public Service (the "Department") in various planning positions from 1988 through 1994. Beginning in 1994 I worked with the Vermont Public Service Board ("Board," now called the Public Utility Commission) as a Hearing Officer. I concluded my first job with the then Board in 2001, when I participated in some overseas consulting work. Also, from 1997 through 1998 I took a leave of absence from the Board and I worked on a USAID initiative in South Africa helping with the establishment of a new regulatory body in Johannesburg. From 2001 through February of 2004 I was employed by various consulting firms involved with the establishment and capacity building for newly formed regulatory bodies throughout the Southern African Development Community (SADC). From 2004 through 2008 and again worked with the Department as its Director of Regulatory Utility Planning. I returned to the Board in 2008 and started with the Regulatory Assistance Project, in various roles, from January of 2010 through February of 2017 when I assumed my present position as the Deputy Commissioner of the Department. I received a B.A. in Economics from the University of Florida, and an M.A. in Economics from the University of Virginia.

Q3. Have you ever testified before the Vermont Public Utility Commission ("Commission") before?

A3. Yes. Most recently I testified before the Commission on the GMP extension of the alternative regulation plan in Docket 17-3232. Prior to that I have testified before the Commission in many proceedings covering a span of three decades, always while employed at the Department.

Q4. What is the purpose of your testimony in this case?

A4. I present the Department's conclusion that the rate design changes proposed by the Green Mountain Power Corporation ("GMP") are reasonable and should be approved by the Commission. I discuss the policy considerations that underlie the Department's recommendations and also support the recommendation from Department witness Sean Foley regarding the need for GMP to conduct a marginal cost-of-service study to support any future rate design class reallocations.

Q5. Please describe the policy considerations the Department considers when reviewing rate design proposals.

A5. When reviewing rate design filings, the Department reviews the underlying documentation and proposed rate class reallocations to ensure that the rates are adequate, efficient, and fair. Along with these basic principles, there are other considerations that the Department must weigh, such as 30 V.S.A. § 218e, which recognizes the importance of manufacturing to the State's economic vitality and establishes that implementation of the State's energy policy should encourage the recruitment and retention of employers. Another important consideration comes from 30 V.S.A. § 2(f), which directs the Department to give heightened consideration to the interests of ratepayers that are not independently represented before the Commission, including residential, low-income, and small-business customers. Finally, like all rate adjustments, the Department's review is framed by the overarching principle that rates must be just and reasonable.

Q6. Please describe why GMP has filed this rate design now.

A6. The November 5, 2015 Memorandum of Understanding filed in Docket 8525 between the Department, GMP, GlobalFoundries, and Omya, Inc. (the "Docket 8525 MOU") required that GMP file a new rate design proposal within three months of the completion of Case 17-3112-INV. Through several subsequent orders, the Commission extended that deadline to August 3, 2018. GMP's testimony represents that its proposed rate design filing is responsive to the Docket 8525 MOU.

Q7. Please describe the portions of the MOU relevant to your testimony.

A7. The MOU included, among other things, the following provisions:

2. The proposed rate design shall be guided and informed by a new rate class cost of service study and shall reflect:
    a. The cost of service underlying rates then in effect;
    b. Rate structures designed to leverage the benefits of smart meters in a manner consistent with the then-existing Comprehensive Energy Plan; and
    c. Rate structures designed to provide opportunities and incentives for customers to participate in real-time grid conditions through intelligent control and choreography of customer devices.

Q8. Has GMP satisfied the conditions of the MOU included above?

A8. As the Department noted in its September 6, 2018 recommendation letter, the Department believes that GMP's filing meets the requirement from Paragraph 2(a) of the Docket 8525 MOU. As Mr. Foley discusses in his testimony, the Department is satisfied that GMP's rate design filing was guided and informed by a new rate class cost-of-service study that reflects the cost-of-service underlying rates then in effect. The Department, however, does not believe that GMP's rate design filing is fully responsive to the requirements of Paragraphs 2(b) and (c) of the Docket 8525 MOU. GMP's rate design does include rates that include time-of-use (TOU) components that rely on smart-meters. Also, as discussed by Mr. Anderson, the proposed rate class reallocation is structured in part to provide economic incentives to encourage customer migration to TOU rates and other rate tiers that include demand response requirements that would mitigate peak consumption. However, GMP's proposed rate design relies on TOU rates and load curtailment requirements that are generally already included in GMP's current rate design. The Department understands the Docket 8525 MOU to require consideration of innovative rate design components and rate classes that are not currently offered by GMP. From the Department's perspective, GMP's filing does not reflect any new innovative approaches to rate design that further leverage the benefits of smart-meters or implement new rate structures designed to provide opportunities and incentives for customers to participate in real-time grid conditions through intelligent control and choreography of customer devices.

As GMP continues roll out new innovative services that are directed at load management, the Department expects GMP's rate design to correspondingly be modified to better accommodate the innovative services that prove to be successful. To date, with the exception of a few riders, the Department has not seen that innovation flow through to GMP's overall rate design structure. However, with respect to the present filing, the Department believes that there is a sufficient evidentiary record to approve the proposed rate class reallocation.

The Department also maintains its recommendation that the Commission allow for a second phase to this investigation (or allow for a separate proceeding) that would investigate broader policy issues associated with Paragraphs 2(b) and (c) of the Docket 8525 MOU. Deferring investigation on these broader policy considerations will allow for the Department to conclude the informal workshop process that it has been conducting with distribution utilities and other interested parties over the past year regarding innovations to rate design that better promote state energy policy and goals. Completing that informal investigation will allow for the Department and distribution utilities, including GMP, to make better informed decisions with respect to rate design approaches that can be responsive to the financial and environmental demands and realities of the rapidly evolving electricity marketplace. Additional time will also allow for GMP to complete several of the innovative pilots discussed by Mr. Anderson in his testimony, which will likely provide valuable data for reviewing GMP's overall rate design.

Q9. Can you please state why the Department supports Commission approval of GMP's proposed rate class reallocation?

A9. As noted by Mr. Foley, GMP's proposed rate design reallocations do not directly correspond with the results of the embedded cost-of-service ("ECOS") study. However, the Department finds that the proposed reallocations are reasonable. The Department agrees with GMP that maintaining rate stability is an important consideration of any rate design proposal, and GMP's proposed allocation avoids immediate, significant cost shifts for each customer class. Importantly, the rate design puts downward pressure on residential rates without overburdening business and commercial rates. From the Department's perspective, this approach strikes an appropriate balance of promoting affordability with encouraging economic development. The Department also recognizes that GMP has yet to fully complete the integration of legacy Central Vermont Public Service ("CVPS") rates with GMP rates. While the Department expects that this integration to be complete when GMP next conducts a rate class reallocation, allowing for this integration to be completed is a justifiable reason for departing from strict adherence to the ECOS study results.

Ultimately, after reviewing the proposed allocation and supporting documentation provided by GMP as part of its petition and through discovery, the Department concludes that GMP's proposed rate class reallocation will provide for rates that are just, reasonable, adequate, efficient, and fair.

Q10. GMP's rate design reallocation also includes a decrease for Rate 70 that reflects a settlement between GMP and GlobalFoundries. Does the Department support the proposed adjustment to Rate 70?

A10. Yes, the Department supports the proposed adjustment to Rate 70, which is consistent with the agreement between GMP and GlobalFoundries that is currently subject to Commission review in Case No. 18-3160-PET. The ECOS results concluded that Rate 70 should be increased by 2.9%, and GMP proposes to reduce Rate 70's allocation by 2.7%. As the Department noted in its October 10, 2018 comments in Case 18-3160-PET, the Department finds that the agreement between GMP and GlobalFoundries promotes the policy considerations set out in 30 V.S.A. § 218e. The proposed Rate 70 allocation provides an incentive for GlobalFoundries, GMP's largest customer and the largest private employer in Vermont, to maintain ongoing manufacturing operations in Vermont. Additionally, as GMP's testimony indicates, the allocation for Rate 70 exceeds GMP's marginal cost to serve GlobalFoundries. Therefore, if GlobalFoundries were to cease operations, the other GMP customer classes would necessarily be required to absorb additional costs in the form of increased overall rates. Based on these considerations, the Department concludes that the rate reallocation for Class 70 will promote Vermont energy policy as codified under 30 V.S.A. § 218e and result in rates that are adequate, efficient, and fair for GMP's entire customer base.

Q11. Please address the concerns raised by Mr. Foley in his prefiled testimony.

Q11. Mr. Foley raised several concerns regarding GMP's rate design, including the lack of a marginal cost-of-service study. Rate designs should be based on both embedded cost-of-service and marginal cost-of-service studies. I agree with Mr. Foley that the data generated by a marginal cost-of-service studies provide utilities with valuable information for crafting appropriate price signals when evaluating rate design adjustments. While the Department does not find that the lack of a marginal cost-of-service is a fatal flaw for the pending rate design petition, the Department does believe that it would be appropriate for GMP to conduct a marginal cost-of-service study the next time it seeks to make a rate class readjustment. The Department, therefore, recommends that the Commission require GMP to conduct a marginal cost-of-service study prior to filing any future rate design rate class reallocations.

Q12. Given these considerations, do you find the rate design filed by GMP to be reasonable?

A12. GMP's rate design customer class reallocation is reasonable. However, as noted above, the Department believes that there should be a second phase to this investigation (or a separate case) to provide GMP with the opportunity to more thoroughly address the broader policy issues identified in Paragraphs 2(b) and 2(c) of the Docket 8525 MOU. While GMP's petition is not deficient with respect to the rate class reallocation, the Department believes it is necessary to develop more innovative rate design structures that better respond to state energy policy and reflect the new technologies that GMP is implementing through its innovative service offerings. Finally, the Department recommends that the Commission require GMP to conduct a marginal cost-of-service study and use the results of that study prior to filing any future rate design.

Q13. Does this conclude your testimony?

A13. Yes, it does.