

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-****-TF

Petition of Washington Electric Cooperative,)
Inc. requesting an overall rate increase of)
14.19% to take effect on a service-rendered)
basis commencing November 1, 2022)

**TESTIMONY OF
LOUIS PORTER
ON BEHALF OF**

WASHINGTON ELECTRIC COOPERATIVE

September 15, 2022

Summary

Louis Porter provides testimony to:

- Set forth the need for a rate increase across all rate classes and schedules of 14.19%.
- To provide details on factors that impact the cost-of-service calculation.
- To provide details on the known and measurable adjustments to test year expenses to arrive at the proposed cost of service.

Exhibit

WEC-1 – WEC Rate Case Sept. 2022 Final

Testimony

Q1. Please state your name, position, and business address.

A1. My name is Louis Porter. I am General Manager of Washington Electric Cooperative (“WEC”), P.O. Box 8, 40 Church Street, East Montpelier, Vermont, 05651.

Q2. Please provide a summary of your background experience.

A2. The WEC Board of Directors appointed me as General Manager, effective November 2021.

Q3. Have you previously testified before the Public Utility Commission?

A3. No.

Q4. What is the purpose of your testimony?

A4. My testimony sets forth the need for a rate increase across all rate classes and schedules. It also provides details on factors that impact the cost of service (“COS”) calculation and the known and measurable adjustments made to test year expenses in arriving at the proposed COS.

Q5. Please describe generally the COS and the magnitude of the rate increase being proposed by WEC.

A5. A rate increase of 14.19% across rate classes is necessary to provide WEC with sufficient

1 revenues to operate and provide efficient and reliable service to its roughly 12,000 members
2 across 41 Vermont towns. The additional revenue needs are due to several factors, including the
3 market costs of power, a reduction in production from WEC's Coventry landfill gas project due
4 to work at the landfill, the need to meet lender loan covenants such as TIER and MDSC,
5 continued erosion of load due to net metering installation and increases in the cost of labor, and
6 other needs.

7 WEC's COS calculation is based on a test year of July 1, 2021 through June 30, 2022, taking
8 revenue and expenses from WEC's internal financial statements showing current account
9 balances as of June 30, 2022. Sixteen adjustments were then made, as shown on the Summary of
10 Variances, schedule S1, Exhibit WEC-1, for a variety of changes including purchased power,
11 power production and loss of revenue due to net metering. Adjustments to the test year resulted
12 in a change in the COS of \$2,387,879 for the rate year, which runs from November 1, 2022, to
13 October 31, 2023. The requested increase represents a proportional increase to rates across all
14 classes of 14.19%. Exhibit WEC-1 shows present and proposed rates for the full COS.

15
16 Q6. Please explain the proposed TIER of 2.0 on schedule S1, line 29 and schedule S12, Tier
17 Calculation, D. of Exhibit WEC-1.

18 A6. The proposed rate increase allows WEC to meet the financial ratio requirements of our
19 lenders ensuring continued ability to borrow. The USDA's Rural Utilities Service ("RUS")
20 requires that WEC meet a TIER calculation of 1.25 or above in the two best of every three years.

1 WEC is unlikely to meet this requirement in 2022, although it did achieve it in both 2021 and
2 2020, with a TIER of 1.84 and 2.32 respectively. The proposed TIER of 2.0 provides a high
3 likelihood WEC will meet its minimum TIER obligation of 1.25 in 2023 and provides revenue to
4 support contingencies such as large storms that cost more than a five-year average, or higher than
5 anticipated costs for purchased power.

6 WEC also borrows from the National Rural Utilities Cooperative Finance Corporation (“CFC”)
7 which no longer requires WEC to meet CFC’s Modified Debt Service Coverage Ratio
8 (“MDSC”) of 1.35 annually, or an average of the best two years from the past three years, for its
9 current borrowing, CFC may very well likely require that MDSC be met if WEC were to seek
10 additional long-term borrowing. Since WEC does not anticipate any need for long-term
11 borrowing from CFC in the rate year or immediate future, we are proposing a lower TIER of 2.0
12 recognizing it only allows us to attain a 1.30 MDSC as shown on schedule S12, DSC
13 Calculation, K of Exhibit WEC-1.

14 WEC’s cash needs also drive the size of this rate case. WEC currently has about \$1.5 million in
15 cash (including short-term securities) which represents only four weeks of operating costs. It is
16 prudent to have at least two months of cash for operating on hand to avoid short-term borrowing
17 for operating costs.

18
19 Q7. Please explain the decrease in revenue of \$235,114 from load/net meter on schedule S1,
20 line 24 of Exhibit WEC-1.

1 A7. This represents the decrease of \$235,114 in the rate year revenue expected from
2 additional net metering systems coming online and the corresponding erosion of load. This is
3 shown in more detail on schedule S16 of Exhibit WEC-1 and is normalized to take into account
4 the full year.

5 In the future, WEC plans to account for the impact of net metering as a power supply cost,
6 rather than as decreased revenue. WEC believes this will give a clearer picture of the relative
7 costs of net metering power and place it properly as a power supply expense. However, given
8 that WEC has until this point accounted for these costs as a reduction in revenue that
9 methodology was continued for the purposes of this rate case.

10
11 Q8. Please explain the decrease in distribution maintenance of \$57,411 shown on schedule
12 S1, line 4 of Exhibit WEC-1?

13 A8. The cost of distribution right of way ("ROW") is decreased by \$296,195. Because the test
14 year captured higher than average spending at the end of 2021 and the start of 2022 it showed an
15 artificially high ROW cost. Costs for distribution ROW in the rate year are estimated at the 2022
16 budget (\$1,096,097) which reflects recent years trend in ROW spending.

17 There is also shown on this line an increase in large storm restoration costs of \$181,138 from the
18 extremely low expense of \$31,180 reflected in the test year. We based this increase on a four-
19 year average of storm costs in the years 2017, 2019, 2020 & 2021. We omitted costs from the
20 year 2018 as it was an extremely high expense year for storms. (Calculation excludes payroll

1 related costs that are calculated on tabs S6A-S6C in Exhibit WEC-1).

2 The amount in this line also includes an increase of \$57,645 in labor expense which Ms.
3 Greenslit will provide further detail on the distribution of labor costs in her testimony.

4
5 Q9. Please explain the increase of \$54,313 in customer accounts, line 5 on schedule S1 of
6 Exhibit WEC-1.

7 A9. This line includes an increase of \$32,380 in TIER III obligations, labor expenses of
8 \$21,867 and \$66 in property taxes. Ms. Greenslit will provide further detail on the distribution of
9 property taxes in her testimony.

10 The increased TIER III costs reflect the increase in the volume of incentives to meet WEC's
11 obligation (without administrative costs) for the rate year.

12
13 Q10. Please explain the \$110,402 increase in administrative and general costs from line 6 of
14 schedule S1 of Exhibit WEC-1.

15 A10. This includes the cost of WEC's next Integrated Resource Plan ("IRP") due in 2023, a
16 decrease in auditing expenses, a labor cost adjustment, an increase in insurance costs and some
17 property tax expenses.

18 WEC must complete its next Integrated Resource Plan ("IRP") in 2023. The 2020 IRP
19 necessitated hiring an outside consulting firm at the cost of \$60,000. It will cost at least the same
20 amount to complete the next IRP. In addition, the 2020 IRP did not include a load forecast,

1 relying instead of a prior forecast. It is anticipated that an updated load forecast will be needed
2 for the 2023 IRP, and cost estimates received from contractors place the cost at \$10,000.

3 A decrease in the scope of auditing services is anticipated in the rate year, in the amount of
4 \$6,845.

5 A labor cost adjustment of \$45,402 is included in this line, as discussed above and detailed in
6 schedule S6-A. An increase for risk insurance in the amount of \$1,728 is included and detailed in
7 schedule S7 of Exhibit WEC-1. This is based on increases in 2022 premiums for general
8 liability, auto and directors' and officers' insurance.

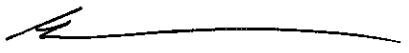
9 Also included is an increase of \$117 for property taxes as discussed above and detailed in
10 schedule 6 of Exhibit WEC-1.

11
12 Q11. Does this conclude your testimony?

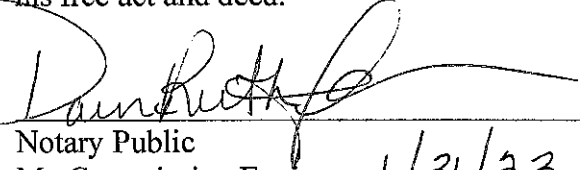
13 A11. Yes, it does.

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1 **WASHINGTON ELECTRIC COOPERATIVE, INC.**
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6 _____
7 Louis Porter, General Manager
Washington Electric Cooperative, Inc.

8 At East Montpelier, Vermont, this 15th day of September 2022, Louis Porter personally
9 appeared before me and acknowledged that the facts and matters contained herein are true to the best
10 of his knowledge, information, opinion, and belief, and that he executed the foregoing document as
11 his free act and deed.
12

13 
14 _____
15 Notary Public
My Commission Expires 1/31/23

