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
TEIA GREENSLIT
ON BEHALF OF

WASHINGTON ELECTRIC COOPERATIVE

September 15, 2022

Summary

Teia Greenslit provides testimony to:

- Set forth the need for a rate increase across all rate classes and schedules of 14.19%.
- Explain certain changes in revenue or expenses.
- Explain how WEC distributes labor costs across FERC accounts.
- Explain how WEC distributes property taxes across FERC accounts

Exhibit

WEC-1 – WEC Rate Case Sept. 2022 Final

Testimony

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

A1. My name is Teia Greenslit. I am Acting Director of Finance and Administration for 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. I hold an associate degree in Accounting from Champlain College, and I have been an employee in the Finance Department at WEC for the past 27 years. I have assumed many responsibilities over the years and have an extensive knowledge of the daily, monthly, quarterly and year-end financial procedures.

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

A3. No.

Q4. What is the purpose of your testimony?

A4. My testimony provides details of various adjustments to revenue or expenses for WEC. I also will detail how WEC develops property tax expenses and labor costs and distributes those expenses across various Federal Energy Regulatory Commission ("FERC") accounts.

Q5. Please explain what changes impacted the increase in labor costs included on schedules S3, S4, S5 and S6 of Exhibit: WEC - 1.

A5. Labor costs are allocated according to function across various FERC accounts as detailed on schedules S6A and S6B on Exhibit: WEC - 1.

- Labor cost increases include the 2023 union wage increase of 2.95% as required under the contract. Non-union wages at WEC are typically increased by a quarter point less than the union wage increase amount, or 2.7% from the test year to rate year.
- Total labor costs were decreased by a vacancy factor of $133,323, based on a five-year average of 2.17% versus our actual vacancy factor of 6.48% in 2021.
- A five-year average was used to estimate overtime hours.
- Medical plan costs are known and were included at 5% for 2023 for the employer portion of the medical plan. The 2023 employee medical contribution rates were used, pursuant to the union contract. The 2023 retirement security plan contribution rate increase of 3% is known and was used for the 2023 costs. A five-year average of capital/expense ratio was used to allocate payroll adjustments.
- There is a significant adjustment in labor and benefit costs in the rate year due to an unusual decrease in payroll and benefit costs in the test year because of a larger than normal amount of employee turnover. New employees are not eligible to receive 401K and retirement benefits during the test year as there is a one year waiting

period. These employees either have or will begin receiving these benefits at the start of our rate year therefore adding a significant increase to our rate year labor and benefit costs.

- WEC had two key positions become vacant between the end of the test year and the filing of this rate case. After the departure of WEC's Director of Finance and Administration in late August of 2022, I moved into the Director's role, leaving the assistant job vacant. In addition, WEC's Safety and Environmental Specialist retired Sept 2, 2022. Both roles are essential to WEC's operation, and both are expected to be refilled before the rate year begins in November. Therefore, both positions are included in the labor expenses for the rate year.

Q6. Please explain how WEC estimates its distribution property tax adjustment and why they are included on schedules S3, S4, S5, & S6 of Exhibit: WEC - 1.

A6. The increases of distribution property taxes shown on schedules S3, S4, S5 & S6 of Exhibit: WEC - 1 in the amounts of $1,089, $23,073, $66, and $117 respectively is shown in schedule 6 of Exhibit: WEC-1. As WEC has been seeing an unusual decrease in property tax bills in 2022, we have factored in the average decrease of 3.56% of property tax bills received to date in our five-year average to determine a 4.36% increase in property taxes for our rate year. As above in labor costs, distribution property costs are allocated across FERC accounts based on function.

Q7. Please explain the decrease in revenues of $10,350 on schedule S1, line 25 of Exhibit: WEC - 1.

A7. On July 1, 2022, WEC completed the final stage in a three-step process of implementing a change in rate design which moved costs away from the energy charge and on to the customer charge. This was approved in Public Utility Commission ("PUC") Case. No 19-1270-TF and was designed to be revenue neutral. Because the final step of the phased in change went into effect on July 1, 2022, we applied the rate design changes to our test year revenue which ultimately shows a reduction in the "revenue at existing rates" line item in the amount of $10,350. Rate year revenue would have been $10,350 less, absent the application of the proposed rate increase. The implementation of the final phase of the rate design resulted in a decrease in revenue of $10,350, close to the goal of a revenue neutral change.

Q8. Please explain the net increase of distribution operation of $57,345 as shown on schedule S1, line 3 of Exhibit: WEC - 1.

A8. Distribution operations includes an increase in labor costs of $34,271 as detailed in S6-A and an increase of $23,073 in property taxes as detailed in schedule S6 of Exhibit: WEC - 1.

Q9. Please explain the increase of $84,435 in power production expenses on line 7 of schedule S1 of Exhibit: WEC - 1.

A9. WEC owns two generation facilities. For the Wrightsville hydroelectric facility, there is an estimated increase in property taxes of $881 shown on schedule S3 on Exhibit: WEC - 1. WEC based this increase on a five-year average in the change in property taxes for this facility which is demonstrated on schedule S14 on Exhibit: WEC - 1.

For the Coventry landfill gas facility, the picture is a bit more complicated. The increase of $81,505 to $181,653 for the rate year shown on schedule S3 in Exhibit: WEC - 1 reflects the impact of a tax assessment settlement with the town of Coventry which went into effect in July of 2021. The test year amount of $100,148 is artificially low, given that no tax expenses were recognized in WEC's income statement for the final months of 2021, as the full tax obligation had been recognized on the income statement by August of 2021, shortly after the settlement with the town went into effect. The Coventry taxes for the rate year are based on the 2022 actual tax obligation, as established by the settlement.

The remaining increases are due to some additional increases in labor totaling $2,050.

Q10. Please explain the increase of $65,798 in other operating revenues included on line 18 of schedule S1 of Exhibit: WEC - 1.

A10. WEC was able to defer $700,000 of revenue from 2021 into 2022, based on its receipt of a federal Paycheck Protection Plan forgiven loan as allowed by an accounting order in PUC Case #21-5216-ACCT. The final two months in which that deferred revenue will be recognized will fall in November and December of 2022, during the rate year, therefore we are showing an increase in deferred revenue in the rate year against the deferred revenue recognition within the test year in the amount of $45,309 in Schedule S11 of Exhibit: WEC-1.

Also included is a $28,594 increase in Renewable Energy Credit (“REC”) sales for the rate year. Mr. Enterline will provide further detail on this adjustment in his testimony.

We are also showing a decrease in our Open Access Transmission Revenue in the amount of $8,105.

Q11. Please explain the decrease of $56,817 in interest in long term debt as shown Line 13 on schedule S1 Exhibit: WEC - 1.

A11. The decrease in long term interest expense reflects a decrease of $78,504 of interest on all existing loans as of June 30, 2022, as well as an increase of $21,686 of long-term interest on anticipated draws in our rate year against our current Construction Work Plan. This detail can be seen on Tab S9 on Exhibit: WEC - 1.

Q12. Please explain the increase of $27,282 of interest and dividend income as shown on line 17 of schedule S1, Exhibit: WEC - 1.

A12. This increase of $27,282 of interest and dividend income reflects an increase of VT Transco dividends from the test year based on investments purchased in 2021.

Q13. Please explain the decrease of $39,552 on non-operating(income)/expense on line 20 of schedule S1, Exhibit: WEC - 1.

A13. This decrease in non-operating expense is the elimination of a loss recognized in the test year of some disposition of property that is not anticipated in the rate year.

Q14. Does this conclude your testimony?

A14. Yes, it does.

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WASHINGTON ELECRTIC COOPERATIVE, INC.

Teia Greenslit
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Teia Greenslit, Acting Director of Finance and Administration
Washington Electric Cooperative, Inc.

At East Montpelier, Vermont, this 15th day of September 2022, Teia Greenslit personally appeared before me and acknowledged that the facts and matters contained herein are true to the best of her knowledge, information, opinion, and belief, and that she executed the foregoing document as her free act and deed.

____
Notary Public
My Commission Expires 1/31/23