STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-4100-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

PREFILED DIRECT TESTIMONY OF SEAN FOLEY ON BEHALF OF THE VERMONT DEPARTMENT OF PUBLIC SERVICE

January 24, 2023

Summary: Mr. Foley presents the Vermont Department of Public Service's ("Department") recommendation on the Washington Electric Cooperative proposed 14.19% rate increase. In sum, the Department recommends that the requested rate increase be reduced to 12.83% to reflect downward adjustments in power supply costs.

Q1. Please state your name and occupation.

A1. My name is Sean Foley, and I am the Chief of Finance and Economics with the Department.

Q2. Please describe your educational background and experience.

A2. I have a B.A. in Physics from Saint Michael's College and a master's degree from New York University in Applied Science and Energy Science. I have been with the Department for over twenty-eight years, in both the Planning, Finance, and Legal Divisions. Prior to joining the Department, I was a Senior Associate at Barakat & Chamberlin, Inc. and, prior to that, I was Director of Resource Planning at Burlington Electric Department.

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

A3. Yes, I have testified in numerous Commission proceedings, including cases 5270, 5965, 5970, 6018, 6120, 6430, 6495, 6596, 6750, 7032, 7373, 7508, 7742, 7780, 7781, 7782, 7843, 8190, 18-0409-INV, 18-2850-TF, 19-0513-TF, 19-1270-TF, 19-3020-TF, 19-3167-TF, 19-3272-PET, 19-3529-PET. 19-3537-TF, 20-0276-PET, 20-0654-CC, 21-2186-TF, 22-2291-TF, and 22-4668-PET among others.

Q4. Can you please briefly describe Washington Electric Cooperative's ("WEC") rate request?

A4. Yes. WEC filed a petition for a rate increase of $2,387,879, or 14.19% and requested a TIER of 2.0 in order to meet its loan covenant requirements. The main drivers of this rate increase are power supply costs. Other factors affecting this rate increase include decreased sales and increased costs resulting from additional net-metering facilities, increased labor and health care, and administrative costs.

Q5. Can you please summarize the Department's review of WEC's rate filing?

A5. Yes, the Department conducted extensive written discovery and thoroughly scrutinized all of WEC's supporting documentation.

Bill Jordan, Director of Engineering, discusses the review of the engineering components of WEC's request for a rate increase.

Carol Flint, Director of Consumer Affairs and Public Information, discusses public comments and consumer complaints, describes the utility's service quality and disconnection reporting, and provides a brief summary of WEC's encouragement of customer participation in COVID relief programs.

Walter (TJ) Poor, Planning Director, discusses the power supply components of WEC's requested rate increase including Fuel, Purchased Power, Transmission by Other and Production

I was responsible for reviewing all other operational costs consisting of Administrative and General, Customer Accounting & Services. Distribution, System Load Control and Dispatch, Depreciation & Amortization, Taxes, Interest Income, Dividend Income, Interest Expense and Net Income. My testimony also summarizes the Department's overall conclusions and recommendations on WEC's rate filing.

Q7. **Can you please detail the results of your investigation?**

A7. Yes. I reviewed WEC's proposed cost-of-service by category as follows:

- Transmission ($1,313): The Department reviewed WEC's proposed adjustments to transmission expenses consisting of additional estimated labor costs of $224 and increased estimated property taxes of $1,089 along with comparing audited financial results for the fiscal year ending December 31, 2021 and is satisfied that they are just and reasonable.

- Distribution Operation ($57,345): The Department reviewed WEC's proposed adjustments to distribution operation expenses consisting of additional estimated labor costs of $34,271 and increased estimated property taxes of $23,073 along with comparing audited financial results for the fiscal year ending December 31, 2021 and is satisfied that they are just and reasonable.

- Distribution Maintenance (-$57,411): The Department reviewed WEC's proposed adjustments to distribution maintenance expenses consisting of additional estimated labor costs of $57,645, lower estimated right-of-way costs of -$296,195 and increased estimated storm restoration costs of $181,138 along with comparing audited financial results for the fiscal year ending December 31, 2021 and is satisfied that they are just and reasonable.

- Depreciation Expense ($1,896): The Department reviewed WEC's detailed depreciation schedules along with audited financial results for the fiscal year ending December 31, 2021 and is satisfied that and is satisfied that they meet the known and measurable standard.

- Gross Receipts Tax ($9,666): The Department reviewed WEC's proposed adjustment to the gross receipts tax and is satisfied that it has been calculated accurately based on higher anticipated revenue.

- Gross Revenue Tax ($10,494): The Department reviewed WEC's proposed adjustment to the gross receipts tax and is satisfied that it has been calculated accurately based on higher anticipated revenue.

- Interest & Dividend Income (-$27,282): The Department reviewed WEC's proposed adjustment for higher anticipated dividends from its investment in Vermont Transco LLC and is satisfied that it meets the known and measurable standard.

- TIER ($1,149,481): WEC's proposed TIER of at least 2.0 is reasonable as it helps maintain the company's cash flow and fund capital improvements while meeting WEC's loan covenants.

- I also reviewed WEC's Administrative, Customer Accounts, Labor, and Interest costs. I requested supporting documentation via formal discovery for cost increases to verify rate year cost adjustments. Labor contracts were reviewed to support the stated increases. Interest schedules were requested in order to support the interest expense reported for the rate year. Each loan schedule was reviewed, and amounts verified.

Q7. Can you please describe the Department's recommendations following the investigation?

A7. Mr. Poor's testimony recommends a $227,104 reduction to WEC's power supply portfolio and associated expenses. There is a corresponding reduction to Gross Receipts & Gross Revenue Tax of $2,328. I do not have any other specific adjustments for WEC's other operating costs as they have a *de minimis* impact on the cost-of-service.

Q8. Does the Department recommend that the Commission adjust WEC's proposed 14.19% rate increase?

A8. Yes. The Department recommends that the requested rate increase be reduced to 12.83% reflecting the changes in power supply costs as described by Department witness Mr. TJ Poor. The revenues at this rate level will allow WEC to recover costs that are reasonably incurred and to operate in a safe and efficient manner.

Q11. Does that conclude your testimony?

A11. Yes, it does.