

**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
WALTER (TJ) POOR
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE**

January 24, 2021

Summary: Mr. Poor describes his review of the power supply components of Washington Electric Cooperative's requested rate increase and recommends a downward adjustment of \$227,104.

Walter (TJ) Poor Sponsors the following Exhibits:

Exhibit PSD-WP-1	A.PSD.WEC.1.23
Exhibit PSD-WP-2	A.PSD.WEC.1-20
Exhibit PSD -WP-3	Exhibit Q.PSD.WEC.1-18 1

1 **Q1. Please state your name and title.**

2 A1. My name is Walter (TJ) Poor. I am the Planning Director for the Vermont Department of
3 Public Service (“Department”). My business address is 112 State Street, Montpelier,
4 Vermont.

5 **Q2. Please describe your educational background and experience.**

6 A2. I received a Bachelor of Science in Sport Management from the University of
7 Massachusetts-Amherst in 2000. In 2006, I received a Master of Science in
8 Environmental Law (“MSEL”) from Vermont Law School. After receiving my MSEL, I
9 worked for the Department for nearly ten years on a range of activities including
10 comprehensive energy planning, energy efficiency policy and oversight, and economic
11 evaluation of State energy policies and 30 V.S.A. §248 petitions. From 2015-2019, I was
12 a Senior Power Supply Analyst at Vermont Public Power Supply Authority (“VPPSA”),
13 where I completed a range of wholesale and retail power supply activities on behalf of
14 VPPSA’s Membership. In 2019 I returned to the Department as the Director of
15 Efficiency & Energy Resources where I oversaw the policy for and regulation of
16 efficiency and distribution utilities, particularly as it pertains to their implementation of
17 transformational programs. In December of 2021 I transitioned to my current position
18 where I direct the Department’s Regulated Utility Planning division, conducting analyses
19 on a broad range of utility, energy, and climate policy matters, including electric utility
20 power supply.

21 **Q2. Have you previously submitted testimony in this case?**

22 A2. No.

23

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

A3. Yes. I have testified before the Commission in several proceedings on behalf of the Department, including case numbers 7213, 7314, 7466, 7970, 19-3272-PET, 19-3529-PET, 21-0898-TF, 21-1107-PET/21-1109-PET (concurrently), 21-2436-PET, 22-0480-TF, 22-1136-NMP, 22-2296-TF, and 22-4668-PET.

Q4. What is the purpose of your testimony?

A4. My testimony describes my review of the power supply, transmission, and related components of Washington Electric Cooperative, Inc.’s (“WEC”) request for a 14.19% rate increase. My review shows that these power supply related costs net to approximately \$227,104 less than what was included in WEC’s filing. I recommend that WEC’s filing be adjusted downward by this amount.

Q5. Please describe the scope of the Department’s review of this case in developing your testimony.

A5. I, along with internal staff, have reviewed WEC’s September 15, 2022 testimony and associated exhibits. The Department conducted discovery on WEC and has held several meetings with WEC to discuss known and measurable changes to their power supply portfolio. I focused my review on several areas, including but not limited to WEC’s exposure to wholesale market pricing, which has seen significant volatility due to global supply market disruption stemming in large part from Russia’s invasion of Ukraine; WEC’s assumptions related to production and costs from owned and contracted resources; net metering; Renewable Energy Standard; and transmission expenses.

1 **Q6. Please describe your understanding of WEC's exposure to wholesale market prices.**

2 **A6.** Like all other Vermont distribution utilities, WEC holds entitlements to resources that do
3 not exactly match their estimates of load forecasted to be served in each hour or each
4 month. In WEC's case during winter months, contracted or owned entitlements are lower
5 than expected demand, and in summer months, WEC's contracted or owned entitlements
6 are higher than expected demand. These imbalances are settled by ISO-NE at prevailing
7 market prices. At the time WEC submitted its rate case, market prices were particularly
8 high (especially in the winter months), averaging \$130/MWh around the clock (over the
9 course of every hour in the year).

10
11 In its testimony, WEC relied on an average of August 2022 forward market prices (see
12 Exhibit WEC-SPE-7) to develop the \$130/MWh price. As noted above, the energy
13 market has seen significant volatility over the past year, and using a single month could
14 unduly impact a utility's power supply costs. In discovery response A.PSD.WEC.1.23,
15 WEC provided a weighted average of forward market settlement prices over a six-month
16 period. See **Exhibit PSD-WP-1**. This alternative method, while not perfect, can help
17 mitigate the impacts of volatility in the market. Under this method, around-the-clock
18 prices were approximately \$118 – lower, but not significantly lower, than WEC's
19 approach.

20
21 Any estimate of market prices at this time of significant volatility will be uncertain. For
22 example, as noted by WEC, (see again A.PSD.WEC.1.23) November 2022 actual market
23 prices were lower than forecast. As of mid-January, New England has seen a relatively

1 mild winter, resulting in continued lower-than-forecast market prices. However, one
2 significant prolonged cold stretch could cause prices to dramatically increase again.

3 **Q7. Are there other significant market factors that currently impact power supply**
4 **costs?**

5 A7. Yes. Utilities in Vermont (and across New England) are experiencing significant costs
6 associated with the Mystic Generating Station (“Mystic”) in Everett, MA. This facility is
7 operating under a cost-of-service contract with ISO-NE, with above-market costs being
8 billed to all load-serving entities proportional to their seasonal loads. The contract is
9 confidential, but portions of the payment structure mechanics are known, and several
10 months of charges are now available. While the exact cost of Mystic in the Rate Year
11 cannot be known because the contract is itself confidential and known components of the
12 contract rely on market dynamics to set payment, it is clear that the charges associated
13 with the facility are a significant cost to Vermont utilities. While exact costs are unclear,
14 they will be non-zero. For all load-serving entities in New England, costs have ranged
15 from \$2.5 million to over \$53 million per month since the contract started. WEC’s load
16 ratio share of these costs can be significant to the utility.

17
18 WEC did not include any costs associated with Mystic in its proposed rate increase. I
19 have not completed an estimate of Mystic costs that would be expected to be borne by
20 WEC for reasons discussed immediately below.

21 **Q8. Do you recommend any adjustments due to market price adjustments, or due to**
22 **costs associated with the Mystic generating facility at this time?**

1 A8. No. With such volatility in the marketplace, including costs for Mystic, any update of
2 market and Mystic costs is likely to be out of date by the time a Commission decision is
3 made in this case. In addition, the general pressures I describe above are offsetting. In
4 other words, market prices are somewhat lower than WEC assumed, which would
5 provide downward pressure if updated, while Mystic costs were not included by WEC
6 and would provide upward pressure on rates if they were to be included. Because these
7 two sets of costs are trending in opposite directions, and because of the continued energy
8 market price volatility, I do not recommend any adjustments to estimated market prices.

9 **Q9. Did you review WEC's assumptions about production from owned and contracted**
10 **resources?**

11 A9. Yes. Most significantly, generation from WEC's Coventry landfill gas facility has been
12 lower than in recent history. The operator of the landfill recently undertook significant
13 construction activities that impacted gas production and quality. (See **Exhibit PSD-WP-2**
14 **(A.PSD.WEC.1.20)**). It is unknown whether landfill production will return to previous
15 levels. To estimate Rate Year generation, WEC took an average of the most recent year
16 of production – the lowest by far since 2013 – and averaged that value with the long-term
17 history of the plant in its current configuration. This approach is reasonable given the
18 uncertainty as to whether gas production will return to previous levels.

19
20 Other owned generation resources and unit contingent entitlements, including the
21 Wrightsville Hydroelectric Facility, use what I find to be reasonable generation estimates
22 for the Rate Year that are based on historical averages.

1 **Q10. Please describe how net-metering was treated by WEC and any recommended**
2 **adjustments you have to that treatment.**

3 A10. WEC made a downward adjustment to Rate Year revenue expected from net-metering
4 systems coming online of \$235,114 to account for payments to owners of net-metered
5 generation consistent with Commission Rule 5.100. (See Exhibit WEC-1 Tab S16-Net
6 Metering). No other adjustments from Rate Year to Test Year that were related to net-
7 metering were made.

8
9 Net-metering avoids the purchase of energy and capacity as well as Tier I Renewable
10 Energy Credits (“RECs”) (WEC has no Tier II obligation); however these avoided costs
11 are not accounted for in the rate filing. In **Exhibit PSD-WP-3** (Exhibit Q.PSD.WEC.1-
12 18 1), WEC estimated the avoided cost of energy and Tier I RECs related to net metering
13 (indicating that avoided capacity from these projects is *de minimus*, assuming annual
14 peak hour ending 6pm) to be \$187,104. I have reviewed this estimate and find it to be
15 reasonable. Notably, it uses the same energy market (and REC market) assumptions that
16 are used to estimate load related charges.

17
18 While net-metering is often an above-market cost, it is appropriate for both the costs and
19 any estimated revenues (i.e. avoided costs) associated with net metering generation to be
20 accounted for in the Rate Year. Accordingly, I recommend that WECs Revenue
21 Requirement be adjusted downward by \$187,104 to account for net-metering avoided
22 costs.

23

1 **Q11. Do you have any other recommended adjustments?**

2 A.11 Yes. WEC includes \$60,000 associated with completing the Integrated Resource Plan
3 (“IRP”) required by 30 V.S.A. § 218c. IRPs are required once every three years. While
4 the cost of IRPs are appropriate to include in calculating necessary rate revenues, the cost
5 should be spread over three years. Thus, I recommend that \$20,000 of the cost of the IRP
6 be included in the Rate Year costs, resulting in a \$40,000 downward adjustment to the
7 Revenue Requirement.

8 **Q12. Did you review other areas of WEC’s power supply assumptions?**

9 A.12. Yes. In particular, I reviewed WEC’s transmission costs and expected costs of
10 Renewable Energy Standard (“RES”) compliance. Regarding transmission costs, the cost
11 of transmission increased by \$3,522 in the Rate Year, with Test Year loads held constant.
12 This is a result of slightly lower Regional Network Service Charges offset by slightly
13 higher Green Mountain Power transmission charges, which rates and billing determinants
14 were set according to Green Mountain Power’s Schedule 21 forecast for WEC.
15 Regarding RES compliance costs, I reviewed the Renewable Energy Credit price
16 forecasts of WEC and WEC’s remaining obligations after qualifying resources were
17 accounted for and found no issues. Tier III compliance costs used actual historical costs
18 per MWh(e) achieved and applied that per-unit cost to the known obligation in the Rate
19 Year. This results in what is likely to be a conservative estimate of costs, because (1) it
20 did not include administrative costs, and (2) as energy transformation measures become
21 harder to secure, they are likely to become more expensive.

22
23 I do not recommend any adjustments to transmission or RES compliance costs.

1 **Q13. Please summarize your recommended adjustments.**

2 A13. I recommend that WEC's rate year costs be adjusted downward by \$227,104, to reflect
3 revenues associated with net-metered generation and to spread the cost of completing
4 IRPs over three years.

5 **Q14. Does this conclude your testimony?**

6 A1. Yes.