Q. GMP.DPS.1-23: Do Mr. Foley and Mr. Thomas agree that the regulatory accounting methodology proposed in this case imposes greater risk on GMP compared to the standard regulatory accounting approach that would otherwise apply to distribution system projects in a traditional cost of service proceeding? Please explain why or why not.

A. GMP.DPS.1-23: Whether risk sharing tied to performance metrics is considered more or less risky compared to traditional COS cost recovery depends on the specifics of the regulatory framework, the design of the performance metrics, and the utility's ability to influence outcomes. Well-designed, performance-based regulation can incentivize utilities to improve performance while providing mechanisms to manage and mitigate risks. However, if performance targets are unrealistic or too heavily penalized, or if too much revenue is put at risk, it could introduce significant uncertainty and financial risk for utilities. The Department has made an effort to provide well designed performance metrics which share the risk equally between rate payer and GMP.

Person(s) Responsible for Response: Jacob Thomas
Title of Person(s): Principal of GDS Associates, Inc.
Date: April 2, 2024

Person(s) Responsible for Response: Sean Foley
Title of Person(s): Chief of Finance and Economics for the Vermont Department of Public Service
Date: April 2, 2024