

This document is being submitted electronically via ePUC.

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. _____

Petition of Vermont Electric Cooperative, Inc.)
Requesting an Increase in Revenues of \$4,514,046)
Or 4.84% to Take Effect January 1, 2025)

PREFILED TESTIMONY
OF
KATIE L. AUDETTE

ON BEHALF OF
VERMONT ELECTRIC COOPERATIVE, INC.

November 15, 2024

Summary of Testimony:

Mrs. Audette's testimony will support the transmission costs included in the cost of service. Mrs. Audette will also discuss revenue changes associated with transmission for others, the 2024 rate increase and miscellaneous service revenues. Finally, Mrs. Audette discusses VEC's proposal to implement the rate increase. She sponsors Schedule 3 and parts of Schedule 11 of Exhibit VEC-CCM-1.

She also sponsors the following exhibit:

Exhibit VEC-KLA-1: Proposed Rates and Revenue Calculations.

Table of Contents

I.	Introduction.....	1
II.	Costs Associated with Transmission by Others.....	2
A.	Summary	2
B.	Pro Forma Adjustments to Costs for Transmission By Others	5
1.	VELCO Charges	6
2.	ISO-NE OATT Charges.....	7
3.	ISO-NE Self-Funded Tariff Charges	9
4.	Subtransmission Charges	10
5.	HQ Interconnection Charges	11
III.	Transmission for Others (Wheeling) Revenues.....	11
IV.	Revenue Adjustments.....	12
V.	Rate Increase implementation.....	13

1 **I. Introduction**

2 **Q1. Please state your name and your position.**

3 **A1.** My name is Katie L. Audette, and I am a Transmission and Rate Specialist for
4 Vermont Electric Cooperative, Inc. (VEC). I assumed this position effective October 2016. I
5 was a Transmission and Rate Tariff Planner from January 2015 to September 2016, and
6 prior to that I was a Power Resource Planner at VEC, a position I held beginning in
7 December 2008.

8 **Q2. What is your educational and professional background?**

9 **A2.** I have a Bachelor's Degree in Business Administration with a concentration in
10 Accounting from Northern Vermont University. I began my career in the electric utility
11 business in 2008 with VEC. My duties include transmission by and for others, rate
12 requirements, and revisions to the rates and fees charged by VEC.

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

14 **A3.** Yes. In 2023 and 2021, I submitted testimony supporting changes to VEC's line
15 extension and retail tariff miscellaneous service charges. Also, in 2022 and 2023, I
16 submitted testimony related to VEC's rate cases.

17 **Q4. What is the purpose of your testimony?**

18 **A4.** The first part of my testimony will support the level of transmission costs included
19 in the cost of service which is set forth on Schedule 3 of Exhibit VEC-CCM-1 (included with
20 the testimony of Ms. Mashia). I will explain all known and measurable changes in
21 transmission costs from the test year (July 1, 2023 to June 30, 2024) to the adjusted test

1 year or rate year (calendar year 2024). To use the latest data available, I have used actual
2 billings and loads through October 31, 2024 in finalizing the 2025 expenses.

3 The second part of my testimony will address changes in transmission-for-others
4 (wheeling) revenues and certain other revenues as set forth on Schedule 11 of Ms.
5 Mashia's Exhibit VEC-CCM-1. These revenue changes primarily result from changes in
6 VEC's transmission rates, as well as implementing the new disconnect rules. I will also
7 discuss VEC's proposed implementation of the rate increase.

8 Overall, you will notice that transmission costs are forecasted to increase by roughly
9 \$2,276,594 from test year levels, with ISO-NE and VELCO transmission cost increases being
10 the biggest contributors. The ISO-NE Regional Network Service ("RNS") rate has increased
11 by 20.5% from 2024 to 2025. VELCO transmission costs have also increased due to several
12 factors, but primarily due to increased depreciation/amortization expense for new plant
13 placed in service and property taxes, as explained more fully in Question 7 below.

14 **II. Costs Associated with Transmission by Others**

15 **A. Summary**

16 **Q5. Please summarize VEC's transmission costs as included in the cost of service.**

17 **A5.** Exhibit CCM-1, Schedule 3, provides a summary of transmission costs and
18 adjustments by category and (excluding allocations for labor, information technology (IT)
19 and tax costs) shows an increase of \$2,276,594 over VEC's test year, as indicated on line 56.

20 For ease of explaining the various transmission costs, I have grouped the costs into
21 five primary categories, by provider, summarized on Table 1 below. The format of this

1 table differs somewhat from VEC-CCM-1, Schedule 3, which follows VEC's Chart of
2 Accounts numbering. For example, some of the VELCO costs use different general ledger
3 Account 565 sub-accounts; by contrast, in my testimony I have grouped the VELCO costs
4 together in Table 1, and I will explain all the various VELCO costs in response to Question 7
5 below. The Table 1 totals agree with the bottom line amounts shown on Exhibit CCM-1,
6 Schedule 3, line 21.

Table 1- Summary of VEC's Transmission by Others Costs			
Category	Test Year July 2023 - June 2024	Pro Forma Adjustments	2025 Adj Test Year
VELCO Transmission	4,201,884	579,760	4,781,644
ISO-NE OATT	8,872,248	1,353,890	10,226,138
ISO Tariff	649,171	68,842	718,013
Subtransmission	903,329	127,676	1,031,005
HQ Interconnections	222,800	146,426	369,226
Totals	\$ 14,849,432	\$ 2,276,593	\$ 17,126,025

7
8 VEC continues to be proactive in taking steps to minimize its costs of transmission
9 by others. VEC has been very active in ensuring that the investments in new transmission
10 are prudent and that VEC's share of these costs is accurate and appropriate. Through VEC's
11 participation on the VELCO Board of Directors, the Vermont Utilities CFO Forum, and the
12 VELCO Operating Committee, VEC has aided in the development of robust and timely
13 transmission cost forecasting, project cost containment processes, and dispute resolution
14 processes. VEC is active in the Vermont Metering Forum, a group made up of members
15 from the Vermont electric utilities and created by VELCO to review generation and loads,
16 including those used to calculate the transmission billing demands. VEC is also actively
17 involved at ISO-New England and sits on the Participants Committee, the Markets

1 Committee, the Pool Transmission Owners Administrative Committee, and the RNS Rates
2 Working Group.

3 In addition, VEC continues to work on reducing our monthly and annual peak loads
4 which will reduce our share of these costs. These peak reduction efforts include shifting
5 deliveries that would have been included in the Vermont load from the New England
6 transmission system to the asynchronous Hydro Quebec system when it is financially
7 beneficial for VEC members. We have been successful in using our 1 MW Hinesburg
8 battery to reduce peak usage and thereby drive down VEC's share of transmission costs.
9 We are also actively managing distributed energy resources, such as electric vehicles and
10 home batteries, tapping into them several times per month to serve as peak reduction
11 devices. In late 2024 VEC and GMP began dispatching a 3MW battery located in North
12 Troy. One of the main purposes of that project is to learn how to use battery storage to
13 capture energy produced by Kingdom Community Wind that otherwise would be curtailed
14 due to SHEI constraints. In 2025 we anticipate using it to reduce loads during the monthly
15 peaks and the annual peak. Another initiative that is coming online in late 2024 involved
16 installing batteries at two VELCO communication tower sites in VEC's territory in Richford
17 and Montgomery. These towers are connected directly to the VEC system. Prior to this
18 project, the towers were energized by electricity supplied by VEC and in the event of a VEC
19 outage, powered by generators owned and operated by VELCO. VELCO replaced the
20 generators at the two substations with Lithium-ion batteries as part of a pilot program,
21 where VEC pays VELCO a monthly fee for the right to use the batteries for peak shaving

1 purposes. The peak load savings from all these projects and programs has been factored
2 into our load forecast for 2025, for a \$360,000 savings over 2024. In addition, in 2024 we
3 had the Block Load on Vermont during the January and February monthly peaks. Given the
4 high market conditions this past winter, this was done to save money on power supply
5 costs, knowing it would also increase costs on the transmission side by increasing our
6 monthly peak loads. For 2025 we are planning to keep the Block Load on HQ for 11 out of
7 the 12 months, with one month factored in for having the load on Vermont due to HQ
8 maintenance. This will reduce approximately \$564,000 in ISO-NE RNS costs.

9 **B. Pro Forma Adjustments to Costs for Transmission By Others**

10 **Q6. Can you now discuss the pro forma adjustments that you are proposing to VEC's**
11 **test year costs associated with transmission by others?**

12 **A6.** Yes. Because many of our transmission agreements have established rates, I have
13 adjusted the test year costs to reflect the rates that will be in place during the rate year
14 (calendar year 2025). Consistent with Vermont rate making requirements, I used test year
15 billing determinants multiplied by the projected unit rates to make pro forma adjustments.
16 For the ease of the reader, I have broken my explanations of the pro forma adjustments
17 into the five main categories identified in Table 1.

18 Table 2 summarizes the components that make up each category of transmission
19 costs, as well as the sources and general assumptions that I used to forecast the adjusted
20 test year costs. I will discuss each category below.

Table 2 Summary of Costs Sources and General Assumptions

Category		Components	Forecast Cost Sources and General Assumptions
1.	VELCO Transmission	VTA Common	VELCO forecast as of 10/31/24.
2.	ISO-NE OATT	Schedule 1 Schedule 9 (RNS)	ISO-NE FERC Filed and Forecast rates & PTF transmission owner forecasts: Sch 1 Rates: \$2.18/kW-yr. RNS Sch 9 Rates: \$185.28/kW-yr.
		Schedule 2 Schedule 16	Based on test year charges
3.	ISO Administration Charges	Schedules 1, 2, 3, 5	Based on test year charges multiplied by the rate increase %'s ISO-NE published 9/25/24
4.	Subtransmission	Green Mountain Power	Transmission Tariffs and Agreements: GMP – Schedule 21-GMP LNS rate based on their 10/15/24 forecast
		Swanton	\$4.68/kw-mo- based on test year charges
5.	HQ Interconnections	Phase I, Phase II Highgate	Based on test year charges
		DMNRC	Based on test year charges

1 **1. VELCO Charges**

2 **Q7. Please explain the VELCO transmission charges and the proposed adjustments.**

3 **A7.** Overall, VELCO transmission charges to VEC will increase from a test year total of
 4 \$3,665,145 to \$4,221,273 in 2025. These numbers reflect VELCO's forecasted 2025
 5 expenses and cover VELCO's operating expenses and revenue requirements. The largest
 6 contributors to the VELCO budget increases are depreciation and amortization, as VELCO
 7 placed \$114 million in additional assets in service in 2024. VELCO's property tax expenses
 8 are increasing by \$3.115 million. Additionally, VELCO's A&G expenses are increasing by
 9 \$1.988 million. VEC's non-coincident and coincident peaks is driving some of our increase;
 10 as our loads go up, it increases our share of the VT Transco costs. We are currently at
 11 9.43%, whereas in 2023 our share was 8.4%.

1 As noted above, we continue to work with VELCO and other Vermont utilities to
2 reduce peak loads which will reduce the state's share of these costs. VELCO's transmission
3 costs are allocated among the Vermont utilities based on the monthly and yearly peak
4 hours, and therefore peak reduction continues to be a priority for us.

5 **2. ISO-NE OATT Charges**

6 **Q8. Please explain the ISO-NE OATT charges and the proposed adjustments.**

7 **A8.** VEC is required to pay for a portion of the costs associated with certain New
8 England transmission facilities based on its load share of Vermont's load at the time of the
9 Vermont monthly peaks. These charges are billed under various schedules of the ISO-NE
10 Open Access Transmission Tariff (OATT). For billing purposes, the primary billing
11 determinant is VEC's peak load or "Network Load" which is its monthly hourly load
12 coincident with VELCO's peak load hour each month. The RNS rates are increasing by
13 20.5% from 2024 to 2025. A decrease in the regional load due to milder weather
14 conditions accounts for 50% of the increase. There is a true-up provision in the rate that
15 allows for the under collection of the previous year's revenues. Investment in the regional
16 transmission system represents the other 50%, as projected investments are being
17 completed faster than projected.

18 Table 1, line 2, above shows that VEC's total ISO-NE OATT charges will be
19 \$10,226,138 for Regional Network Service (RNS). This number is derived from forecasted
20 rates in two applicable rate schedules: Schedule 1 – Scheduling, System Control, and
21 Dispatch -- and Schedule 9 – Regional Network Service. The Schedule 1 and 9 monthly

1 rates, expressed in \$ per kW-month, are listed in Table 2. These rates are then multiplied
2 by VEC's forecasted monthly loads for 2025. The Schedule 1 rate in 2024 was \$2.18/\$kW-
3 yr and will be increasing by 13.7% to \$2.48/\$kW-yr for 2025. The Schedule 9 rate in 2024
4 was \$154.35/\$kW-yr and will be \$185.28/\$kW-yr for 2025. The 12 monthly coincident
5 peak loads serve as the billing determinant denominator for both Schedule 1 and Schedule
6 9 rates, so lower monthly peak loads increase the rate required to recover the approved
7 RNS costs. The Schedule 9 rate increase is attributed mainly to the forecasted increase in
8 transmission owner's annual transmission revenue requirements.

9 To forecast VEC's monthly loads for 2025, I started with test year loads. I then
10 reduced the test year loads by forecasted peak shaving load reductions due to the North
11 Troy Battery (3 MWs total, but shared 50% with GMP= VEC's share of 1.5 MW) and the 500
12 kW VELCO batteries that are coming online in November. This gave us 2 MWs of total load
13 reduction multiplied by an 80% success rate in correctly predicting and dispatching the
14 units, gave us a 1,600 kWh reduction each month. We also reduced January by 18,148
15 kWh to account for the Block Load that was on VT during 2024 and in February by 18,409
16 kWh for that Block Load. November and December are not reduced as they were already
17 accounted for in the 2024 forecasted load. The monthly load forecasts and the resulting
18 rates are shown in Table 3 below.

19 Table 3 summarizes projected costs for Schedule 9 and Schedule 1 by month for the
20 rate year 2025. The sum of these two schedules is reflected on Exhibit CCM-1, Schedule 3
21 at line 37 and line 42.

Table 3- Summary of Load and ISO-NE Schedule 1 and 9 Costs													
Load	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2024	80,079	73,464	49,196	47,979	44,053	80,304	55,790	58,367	48,192	43,798	53,774	71,655	
2025	60,331	53,455	47,596	46,379	42,453	78,704	54,190	56,767	46,592	42,198	53,774	71,655	
	(19,748)	(20,009)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	-	-	
												Total	
RNS Sch 9	\$ 931,511	\$ 825,345	\$ 734,882	\$ 716,092	\$ 655,474	\$ 1,215,190	\$ 836,694	\$ 876,482	\$ 719,380	\$ 651,537	\$ 830,271	\$ 1,106,359	\$ 10,099,218
RNS Sch 1	\$ 10,960	\$ 9,711	\$ 8,647	\$ 8,426	\$ 7,712	\$ 14,298	\$ 11,193	\$ 11,726	\$ 9,624	\$ 8,716	\$ 11,107	\$ 14,801	\$ 126,920

In addition to RNS Schedule 1 and 9 charges, VEC will pay two other ISO-NE OATT charges. The total of these charges and credits is \$133,905 and the total sum (with Schedules 1 and 9) is \$10,233,123, as shown on Exhibit CCM-1, Schedule 3 at line 37. Specifically, for 2024, VEC forecasts \$56,952 in charges associated with Schedule 2 – Reactive Supply and Voltage Control (VAR) charges and \$76,953 in charges associated with Schedule 16 – Blackstart Service. Blackstart Service relates to charges for funds paid to specific generators that are available to avoid New England system black outs. VEC receives credits for the availability of the Swanton Peaker diesel generator unit when the unit is dispatched, but we are also charged for a portion of all the other Blackstart units in the ISO-NE system.

3. ISO-NE Self-Funded Tariff Charges

Q9. Please explain the ISO-NE Self-Funded Tariff charges and the proposed adjustments.

A9. The ISO-NE Self-Funded Tariff is the means that ISO-NE uses to recover its own internal costs. Consistent with the methodologies used in VEC's other pro forma adjustments, VEC used the test year billing determinants (MWh) to calculate the ISO-NE Self-Funded Tariff charges. ISO-NE cost drivers include additional investments in information technology, increased headcount and inflationary costs. They are adding 46 new employees, 22 of which are in IT & system planning. ISO-NE also is increasing their

1 capital budget by \$7.5 million meet the rapid growth of their staff. For 2025, VEC forecasts
2 \$718,013 (Table 1, line 3) in ISO-NE Self-Funded Tariff transmission related charges; the
3 breakdown of these Tariff charges follows:

▪ Schedule 1 – Operation of the Bulk Power System	\$ 133,096
▪ Schedule 2 – Energy administration services	\$ 301,047
▪ Schedule 3 – Long term planning and Schedule 5 – New England States Committee on Electricity (NESCOE)	\$ 283,060

4

5 **4. Subtransmission Charges**

6 **Q10. Please explain the subtransmission services shown on Table 1 and the proposed**
7 **adjustments from the test year.**

8 **A10.** During the test year, VEC took service from two subtransmission providers, Green
9 Mountain Power (GMP) and Swanton Electric, under their respective FERC-filed
10 transmission tariffs or transmission agreements.

11 **GMP**

12 GMP bills VEC for transmission under its local transmission service schedules of the
13 ISO-NE OATT: Schedules 21-GMP. GMP's monthly billing determinant methodology uses a
14 rolling twelve-month average peak load ratio share of GMP's transmission system's
15 monthly peaks. In addition to the monthly transmission charges, VEC pays for certain
16 distribution facilities, metering/delivery charges, regulatory, and load dispatch expenses.
17 To project costs for 2025, VEC used the forecast Schedule 21-GMP provided by GMP on
18 October 15, 2024, resulting in a pro forma adjustment increase of \$127,538. The increase
19 is due to GMP's Local Network Service (LNS) charge increasing due to the increased Annual

Transmission Revenue Requirement (ATRR). The increase in investment return and taxes of \$444k, as well as the increase in their annual net true-up of \$250k, and transmission plant additions (depreciation increase of \$137k) are the main drivers.

Swanton

VEC uses Swanton's system for deliveries to VEC's customers in Highgate Springs. For the adjusted test year, I used the 2024 summer ratcheted billing determinants which were slightly higher than the 2023 ratchet, resulting in a pro forma adjustment increase of \$138.

5. HQ Interconnection Charges

Q11. Please explain the HQ Interconnections charges.

A11. VEC owns rights in the HQ-NEPOOL Phase I/II projects, and the Vermont portion of the HVDC (HQ-NEPOOL Phase I) Dedicated Metallic Neutral Return Conductor Project (DMNRC). VEC's projected share of the operational and maintenance costs in these facilities for the adjusted test year is shown in Table 4 based on the most recent 12 months charges. These charges show on lines 29, 30 and 54 on Schedule 3. The Phase II increase is due to an increase in expenditures for maintenance on this line.

Table 4- Summary of HQ Interconnection Facilities Costs			
Category	Test Year July 2023 - June 2024	Pro Forma Adjustments	2025 Adj Test Year
Phase I Support	9,856	3,220	13,076
Phase II Support	153,029	115,152	268,181
Dedicated Metallic Neutral Return	59,915	28,054	87,969
Totals	\$ 222,800	\$ 146,426	\$ 369,226

III. Transmission for Others (Wheeling) Revenues

1 **Q12. Turning to revenues shown on CCM-1, Schedule 11, what are the transmission for**
2 **others revenue (wheeling) adjustments that VEC is proposing for the rate year?**

3 **A12.** I updated the wheeling rates that VEC charges to our transmission customers in
4 May, 2024, effective July 1, 2024. The rates are calculated based on transmission expenses
5 from the previous calendar year reduced by the transmission revenues we collected. The
6 rates have decreased slightly from the July 1, 2023 rates due primarily to 2023 revenues
7 being higher than 2022 revenues. Sheldon Hydro production declined in 2024, causing
8 transmission revenues from that facility to decrease from \$957k in the test year to \$879k
9 projected for 2025. The Schedule 21 rate per MW effective 7/1/24 is \$3,553.54 per MW,
10 compared to \$3,756.55 per MW which was the 7/1/23 rate. I calculated revenues for the
11 adjusted test year by using the previous 12 months loads (through 10/31/24) multiplied by
12 the July 1, 2024 rates.

13 The projected impact to revenues for 2024 is a decrease of \$96,335. Exhibit CCM-1,
14 Schedule 11 (line 34), shows that the projected 2025 wheeling revenues will be \$1,810,029.
15 (Please note that on the spreadsheet, CCM-1, revenues are shown as negative numbers.)

16 **IV. Revenue Adjustments**

17 **Q13. What are the pro forma adjustments to retail rate revenues?**

18 **A13.** Because we had a rate increase effective on January 1, 2024, VEC had to adjust the
19 test year revenues from July to December 2023 to account for the increased annual
20 revenues. Additionally, VEC had to adjust the test year revenues from January, 2024 to
21 June, 2024 to reflect the decrease from 8.76% to 8.33%. 2024 was also a leap year, so a

1 pro forma adjustment was done to reduce this additional day's worth of electricity sales.

2 **Q14. What are the pro forma adjustments to miscellaneous services revenues?**

3 **A14.** Due to the new statewide disconnect rules becoming effective January 1, 2025, we
4 needed to reduce the revenues we collect from fees for visiting properties to disconnect
5 and/or reconnect their electric service. The new rules allow remote disconnects and when
6 done remotely, no fee will be collected. These fees include the disconnect for non-
7 payment (\$62,250), collection trip fee (\$32,925), and winter warning trip required
8 (\$25,425). The total of those three fees is a reduction of \$120,600; however, VEC also
9 updated the fees for all the miscellaneous service charges on January 1, 2024, the net
10 effect of the increased fees, less the fees we no longer charge is the pro forma adjustment
11 of \$89,455.

12 **V. Rate Increase implementation**

13 **Q15. How does VEC propose to implement the requested increase?**

14 **A15.** VEC proposes to apply the requested 4.84% uniformly to all service classification
15 rates. My Exhibit VEC-KLA-1 shows the existing and proposed rates and the calculated
16 revenues.

17 **Q16. Does this conclude your testimony?**

18 **A16.** Yes, it does.