

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 24-3432-TF

Tariff filing of Vermont Electric Cooperative Inc. for approval of a 4.84% rate increase to be effective on January 1, 2025	
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**PREFILED DIRECT TESTIMONY OF
SCOTT G. WHEELER

ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE**

April 3, 2025

Summary: Mr. Wheeler presents the Vermont Department of Public Service’s (“Department”) recommendations on Vermont Electric Cooperative, Inc.’s (“VEC”) proposed 4.84% rate increase. Mr. Wheeler also introduces the Department’s other witness. Mr. Wheeler recommends that (1) VEC’s proposed rate increase of 4.84% be approved as just and reasonable, and (2) VEC be required to make compliance filings regarding the proposed acceleration of Pole Inspection and Treatment.

Q1. Please state your full name, address, and occupation.

A1. My name is Scott G. Wheeler. I am the Utilities Finance and Economics Analyst for the Department. My business address is 112 State Street, Montpelier, Vermont 05620.

Q2. Please describe your educational background and experience.

A2. I am a Certified Management Accountant and have a master's degree in business administration from California Pacific University. I have worked at the Department since October 1, 2018. Prior to joining the Department, I was employed with Sentinel Investments, a regulated mutual fund subsidiary of National Life Group, for over thirty years. During my tenure there I held various positions, most recently Vice President and Assistant Treasurer, which entailed reporting audited financial results of the mutual funds to shareholders and related filings to the Securities and Exchange Commission. I also served as volunteer Chairperson of the Board of Directors of Granite Hills Credit Union for 12 years with my tenure ending on June 30, 2017.

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

A3. Yes. I have provided testimony in Case Nos. 18-2549-PET, 18-3231-PET, 18-3709-PET, 19-0441-TF, 19-0513-TF, 19-3529-PET, 19-4585-TF, 19-4845-PET, 20-0431-TF, 20-2092-PET, 20-2517-PET, 20-2570-PET, 21-0898-TF, 21-3707-PET, 21-4073-PET, 21-5208-PET, 22-0480-TF, 22-4868-TF, 22-4884-TF, 22-5372-TF, 23-0170-PET, 23-0739-PET, 23-0880-PET, 23-1447-PET, 23-3799-PET, 23-3943-TF, 23-4003-PET, 24-

1 1106-PET, 24-1848-TF, 24-2187-TF, and 24-3018-TF.

2
3 **Q4. What is the purpose of your testimony in this proceeding?**

4 A4. The purpose of my testimony is to describe the Department's review of VEC's proposed
5 cost-of-service adjustments, introduce the Department's other witness, and summarize
6 the Department's overall conclusions and recommendations on VEC's rate filing.

7
8 Besides my testimony, which focuses on VEC's proposed cost-of-service adjustments to
9 areas other than power supply and transmission costs, the Department presents testimony
10 from one other witness as follows:

- 11
- 12 • Adam Jacobs, Utilities Economic Analyst, provides testimony addressing the
13 accuracy and reasonableness of VEC's proposed adjustments to power supply and
14 transmission costs.
- 15

16 **Q5. Can you please summarize the Department's review of VEC's proposed cost-of**
17 **service adjustments?**

18 A5. Yes. Department staff met with VEC personnel on numerous occasions prior to and after
19 the rate filing to discuss the substance of the rate request. I reviewed overall operational
20 costs, both test year and rate year. I reviewed VEC's testimony and accompanying
21 exhibits in support of its petition and reviewed VEC's responses to the Department's
22 discovery requests. All parts of the cost of service were reviewed. The Department's

1 Planning Division focused on VEC's power supply and transmission costs. Essentially, a
2 thorough audit of the cost-of-service was performed including identifying any clerical
3 errors in the financial model and supporting data.

4
5 The Department also reviewed whether appropriate accounting standards and practices
6 for member-owned electric distribution utilities were being utilized. Ultimately, the
7 Department reviewed whether the operational costs meet both the known and measurable,
8 and just and reasonable standards.

9
10 In addition to the Department's normal review of VEC's testimony, discovery
11 responses, and supporting documentation, the Department also placed an emphasis on
12 better understanding the drivers behind the need to increase rates as follows:

<u>Description</u>	<u>% of Total Increase</u>	<u>Amount</u>
Transmission Costs	50.43%	\$2,276,594
Non-Recurring Grant Revenue	44.84%	2,024,045
Property Taxes	26.45%	1,193,760
Salary/Payroll + Benefits	21.87%	987,040
Interest Expense	16.71%	754,453
Asset Inspection & Pole Testing	10.59%	478,213
Vegetative Maintenance	7.20%	325,210
Depreciation	5.07%	228,850
IT & Communication Costs	3.38%	152,446
Transportation Costs	2.34%	105,520
Gross Revenue Taxes	1.66%	75,082
Risk Insurance	1.34%	60,515
Legal Fees	0.67%	30,267
Right of Way Fees	0.47%	21,077
SCADA & DERMS Software	-1.64%	(73,994)

VELCO Dividend Income	-11.58%	(522,951)
Power Supply Costs	-18.23%	(822,868)
Maintenance / Operations Storm Costs	-23.09%	(1,042,407)
Net Tariff Increases	-38.48%	(1,736,806)
Total Increase in Rates	100.00%	\$4,514,046

In general terms, this stratification of rate drivers helped highlight those areas like transmission costs, property taxes, salaries and benefits, interest expense, pole testing, and reversals of non-recurring grant revenue that deserved additional scrutiny because they make up the bulk of VEC's proposed need to increase rates.

Q6. Can you please detail the results of the Department's investigation?

A6. Yes. Following an exhaustive review, the Department has no material recommended adjustments to VEC's proposed cost-of-service or rate increase. If anything, as described in Mr. Jacobs' testimony, the Department finds that VEC is experiencing some unanticipated upward pressure in power supply costs that have occurred since the current rate case was filed. Those unanticipated costs will require careful monitoring and, if that trend continues, may necessitate VEC having to incorporate into a future rate case for recovery.

Q7. Does the Department have any additional concerns it would like to address?

A7. Yes. In its response to second round discovery Q.DPS.VEC.2-3, VEC describes how it plans to inspect and treat 7,477 poles in the 2025 rate year. See Exhibit DPS-SW-1. Given the significant proposed increase in the number of poles to be inspected over the

1 3,081 that were inspected in 2024, the Department requests that any Commission
2 approval of VEC's rate increase include two recommended compliance filings. The first
3 recommended compliance filing should (1) confirm that a contract was indeed awarded
4 as a result of the Pole Inspection and Treatment Request for Proposal provided as second
5 round discovery Attachment DPS.VEC.2-3b;¹ (2) include a copy of the executed contract;
6 and (3) state the date that the contracted work commenced. Ideally, this first
7 recommended compliance filing should be submitted within 30 days from the date the
8 Commission issues a Final Order in this proceeding. The second recommended
9 compliance filing should simply state the total costs and number of poles inspected and
10 treated in the 2025 rate year, to be submitted within six months from the date the
11 Commission issues a Final Order in this proceeding.

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13 **Q8. Please summarize the Department's recommendations.**

14 A8. The Department recommends that: (1) VEC's proposed rate increase of 4.84% be
15 approved as just and reasonable; and (2) VEC be required to make compliance filings as
16 outlined above regarding the proposed acceleration of Pole Inspection and Treatment.

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18 **Q9. Does that conclude your testimony?**

19 A9. Yes, it does.

¹ See Exhibit DPS-SW-2.