

**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
ADAM JACOBS

ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE**

April 3, 2025

Summary: Mr. Jacobs addresses the proposed rate increase request, with a focus on the Vermont Electric Cooperative's ("VEC") power supply, transmission and Renewable Energy Standard ("RES") compliance costs. Mr. Jacobs finds these projected costs to be reasonable and supported by VEC's testimony and exhibits. Mr. Jacobs recommends no adjustments to VEC's power supply, transmission or RES costs.

Mr. Jacobs Sponsors the Following Exhibits:

Exhibit DPS-AJ-1

Discovery Attachment DPS.VEC.1-14 (Amerex REC Pricing
11.01.24 sheet)

Prefiled Direct Testimony
of
Adam Jacobs

1 **Q1. Please state your name, title, and business address.**

2 A1. My name is Adam Jacobs. I am a Utilities Economic Analyst for the Vermont
3 Department of Public Service (“Department”). My business address is 112 State Street,
4 Montpelier, Vermont.

6 **Q2. Please describe your professional background and experience.**

7 A2. I have worked for the Department since February of 2022, supporting the Department’s
8 review of power supply costs in utility rate cases, tariff filings, integrated resource plans
9 and other matters before the Vermont Public Utilities Commission. From 2019 to 2022, I
10 was an Energy Consultant for Optimal Energy, Inc., where I supported the development,
11 measurement and verification of utility-administered commercial and industrial energy
12 efficiency and demand reduction programs. From 2015 to 2019, I served as Energy
13 Manager for the City of Boston, Massachusetts, where I implemented energy efficiency
14 improvements in municipal buildings, tracked and audited the city’s utility expenditures of
15 over \$40 million per year, and reported energy usage data for the city’s greenhouse gas
16 inventory. From 2012 to 2015, I was an Energy Analyst for Johnson Controls, Inc., where
17 I conducted energy audits for commercial data centers, performed measurement and
18 verification of energy savings projects, and developed greenhouse gas emissions
19 inventories for corporate clients. I have a Master of Science from Northeastern University
20 in Energy Systems with a Certificate in Engineering Leadership and a Bachelor of Arts

1 degree from Boston University in Environmental Analysis and Policy with a Minor in
2 Economics.

3
4 **Q3. Have you ever testified before the Vermont Public Utility Commission?**

5 A3. Yes, most recently in Case Nos. 23-0542-TF, 23-0864-TF, 23-1240-TF 23-2044-TF, 23-
6 3943-TF, 23-3799-PET, 24-2150-TF, and 24-3018-TF.

7
8 **Q4. What is the purpose of your testimony in this case?**

9 A4. The purpose of my testimony is to describe the Department's review of the Vermont
10 Electric Cooperative's ("VEC") power supply, transmission and Renewable Energy
11 Standard ("RES") compliance costs, which I find to be reasonable and recommend no
12 adjustments.

13
14 **Q5. Please describe the materials you reviewed.**

15 A5. I reviewed VEC's petition, the prefiled testimony of Dan Potter, Katie Audette, and
16 exhibits related thereto. I also reviewed VEC's first set of discovery responses dated
17 February 12, 2025. I also engaged in pre-filing discussions with VEC staff and
18 subsequent discussions related to power supply issues.

19
20 **Q6. Please describe the primary factors driving VEC's power supply costs.**

1 A6. As noted in the pre-filed testimony of Dan Potter, power supply costs are decreasing in
2 2025 relative to their prior case.¹ The two largest drivers of VEC's power cost decreases
3 are the decrease in the contract price from a Hydro Quebec U.S. ("HQUS") power
4 purchase agreement ("PPA") and the expiration of ISO New England's Mystic Cost-of-
5 Service agreement charges.

6
7 **Q7. Please summarize the impact on VEC's rate year power costs due to the change in**
8 **the HQUS PPA price and Washington Electric Cooperative's ("WEC") decision to**
9 **exercise a provision of an agreement with VEC to take back 2MW of HQUS**
10 **entitlements.**

11 A7. Most Vermont electric distribution utilities, including VEC, have a long-term contract for
12 energy with HQUS. The price of power under the HQUS contract is derived by a formula
13 based on regional electricity prices and the movement in general of price levels observed
14 across the U.S. economy with a year-to-year price change cap.² While higher wholesale
15 energy market prices in New England and high inflation have led the contract price to hit
16 its annual cap in recent years, the price for most recent contract year (November 1, 2024
17 – October 31, 2025) has been set at \$67.20/MWh, or 3.6% lower than the prior contract
18 year.³ Because VEC's rate year includes the months of November and December 2025,
19 outside the current HQ US PPA contract year, VEC has assumed a price of \$69.22/MWh

¹ See 23-3943-TF Tariff filing of Vermont Electric Cooperative, Inc. for approval of a 8.76% rate increase effective on a service-rendered basis beginning January 1, 2024

² See Pre-filed testimony of Dan Potter, page 7, filed 11/15/24.

³ See Exhibit VEC-DP-1 Power Cost Projections, "Detailed Assumps" tab row 180

1 using an escalator of 3%, consistent with the approach used in VEC's last approved rate
2 case.⁴ In addition to this change in price for the HQUS agreement, through an agreement
3 with Washington Electric Cooperative ("WEC"), VEC purchases *up to* 4 megawatts
4 ("MW") of WEC's allotment under the same contract. Starting in June of 2023, WEC
5 elected to take back 2MW of their 4MW entitlement, which reduces VEC's total MWH
6 entitlements in the rate year. The reduced HQUS price and decreased entitlements due to
7 WEC's take back of 2 MW decrease rate year power costs by \$119,875.⁵

8
9 **Q8. Please summarize VEC's Hydro Quebec Assured Secondary Energy ("ASE")**
10 **contract and changes that impact VEC' rate year power costs.**

11 A8. VEC has a separate contract with Hydro Quebec under what is referred to as their
12 Assured Secondary Energy ("HQ - ASE") contract. This contract covers energy delivered
13 by HQ to serve VEC's Block Load that is tied directly to Quebec. The terms of the
14 contract are set through a long-term agreement, with prices negotiated each year. VEC
15 provided information in discovery demonstrating that prices for this agreement have
16 changed for 2025, increasing projected rate year power costs.⁶

⁴ *Id.*; See Case No. 23-3943-TF, VEC's tariff filing requests an overall rate increase in the amount of 8.76%, to take effect January 1, 2024.

⁵ See Exhibit VEC-CM-1 Schedule 2, line 12 where HQUS Rate Year costs decline by \$108,092 and line 13 where Rate Year costs decline by \$11,784.

⁶ The Department compared the HQ ASE floor prices in Exhibit VEC-DP-1 "Detailed Assumps" tab, rows 195 and 196 with the updated information provided by VEC in its response to discovery Q.DPS.1-12. The Department is treating that discovery response as allegedly confidential pursuant to the protective agreement filed in this case on February 12, 2025.

1 **Q9. Please briefly describe the Mystic Cost-of-Service agreement charges from ISO New**
2 **England and the impact of its expiration on VEC's rate year power supply costs.**

3 A9. ISO New England entered into a Cost-of-Service Agreement with Constellation Mystic
4 Power, LLC and Exelon Generation Company, LLC for the Mystic generating units 8 and
5 9 for winter fuel security purposes. The agreement was in effect starting June 1, 2022, and
6 ended May 31, 2024. ISO NE passed on these costs to all regional load-serving entities in
7 proportion to their share of the region's total loads. VEC incurred \$860,200 of charges
8 from Mystic in the test year, all of which have been removed from their power supply for
9 the rate year due to that agreement's expiration.⁷

10
11 **Q10. Please briefly describe the Inventoried Energy Program ("IEP") charges from ISO**
12 **New England Inc. (ISO-NE), VEC's estimation of these costs in the rate year, and**
13 **their overall impact on rate year costs.**

14 A10. For the 2023–2024 and 2024–2025 winters (December to February), ISO New England
15 has implemented a program to provide incremental compensation for generators that
16 maintain inventoried energy for their assets during extremely cold periods when the
17 system is most stressed. Under the FERC-approved program, oil, natural gas, refuse, and
18 electric storage (including pumped storage) resources with up to 72 hours of fuel
19 inventory are eligible to participate in the IEP for compensation.⁸ The program was active
20 for December, January and February of VEC's test year, but will only be active for

⁷ See Exhibit VEC-CM-1 Schedule 2, line 42, where Rate Year "Mystic Cost of Service" charges are shown as \$0 in the rate year

⁸ See: <https://askiso.iso-ne.com/s/article/About-the-Inventoried-Energy-Program>

1 January and February of VEC's rate year, reducing VEC's rate year IEP costs by

2 \$92,094.⁹

3
4 **Q11. Please note any changes to VEC's Renewable Energy Standard ("RES") costs**
5 **including REC purchases and sales.**

6 A11. VEC has contracts to sell 75,000 high value Class I RECs, which essentially locks in these
7 revenues - subject to minor variations in plant outputs.¹⁰ This leaves their remaining high
8 value RECs available to be sold at the end of the annual trading period, which VEC's
9 assumes will be sold for a price of \$39.00 per REC. VEC also assumes that they will need
10 to purchase an additional 191,157 Tier 1 RECs to meet VEC's Tier 1 RES requirements
11 and VEC's carbon free goals at a total price of \$716,837, for an average price of \$3.75 per
12 REC. The North American REC Market broker sheets provided in response to
13 Q.DPS.VEC.1-14 validate the price assumptions and generally align with REC price
14 modeling inputs the Department uses in its Annual Consolidated RES model.¹¹

15
16 **Q12. Please describe the primary factors contributing to increases in VEC's rate year**
17 **transmission costs.**

18 A12. VEC's rate year transmission costs are increasing by \$2,276,594, in large part, due to the
19 increase in Schedule 9 rates (Regional Network Service or "RNS") under the NEPOOL

⁹ See Exhibit VEC-CM-1 Schedule 2, line 55, where Rate Year "ISO NE IEP" charges are shown as \$201,700 in the rate year compared to \$293,794 in the test year

¹⁰ See Pre-filed testimony of Dan Potter, page 23 at line 3, filed 11/15/24.

¹¹ See Exhibit DPS-AJ-1 (Discovery Attachment DPS.VEC.1-14) where MA Class 1 2025 REC trade for \$39.63 and ME Existing 2025 RECs trade for \$3.75. See also the Department of Public Service 2025 Renewable Energy Standard Model, available at: <https://publicservice.vermont.gov/about-us/plans-and-reports/renewable-energy-standard-reports>

1 Open Access Transmission Tariff (“OATT”).¹² VEC’s test year of July 1, 2023 to June
2 30, 2024, includes RNS rates for 2023 of \$141.64/kW and for 2024 of \$154.35/kW-year.
3 As noted in the pre-filed testimony of Katie Audette, VEC’s rate year RNS rates for
4 Calendar 2025 will be \$185.28/kW-year, or 20.5% higher than in 2024.¹³ Overall, VEC’s
5 Schedule 1 & 9 RNS ISO OATT charges are increasing by \$1,362,962, which represents
6 60% of VEC’s rate year transmission cost increases. The next largest contributor to
7 VEC’s rising transmission costs is their share of VELCO Transmission charges –
8 increasing rate year costs by \$556,128, which VEC bases on VELCO’s own forecasts.¹⁴
9

10 **Q13. Based on your review, do you recommend any downward adjustments to VEC’s**
11 **power supply, transmission or RES costs?**

12 A13. No, VEC’s power supply, transmission and RES costs are reasonable projections,
13 supported by their testimony and exhibits. Any changes since filing, such as the finalized
14 HQ ASE contract prices, would not reduce VEC’s costs.
15

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

17 A14. Yes.

¹² See Exhibit VEC-CM-1, Schedule 1B Major Items of Change sheet, at C20.

¹³ See Pre-filed testimony of Katie Audette, page 2, line 10, filed 11/15/24. See also ISO New England 2025 RNS Rate Overview and Forecast, available at: https://www.iso-ne.com/static-assets/documents/100014/a05_pac_rns_rate_forecast_presentation.pdf.

¹⁴ See Exhibit VEC-CM-1, Schedule 3 Transmission, at line 37; Pre-filed testimony of Katie Audette, page 6.