

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 24-3432-TF

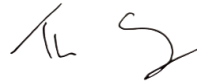
Tariff filing of Vermont Electric Cooperative Inc. for approval of a 4.84% rate increase to be effective on January 1, 2025	
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VERMONT ELECTRIC COOPERATIVE'S PROPOSAL FOR DECISION

DATED at Johnson, Vermont, this 24th day of June, 2025.

VERMONT ELECTRIC COOPERATIVE, INC.

By:



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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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Order entered:

FINAL ORDER APPROVING RATE INCREASE

In this Order, the Vermont Public Utility Commission (“Commission”) adopts the following proposal for decision.

PROPOSAL FOR DECISION

I. INTRODUCTION

This case involves the Commission’s investigation into the tariff filing of Vermont Electric Cooperative (“VEC”) requesting an increase of 4.84% effective on a service-rendered basis on January 1, 2025. Based on the below findings, I recommend that the Commission approve the rate increase with the compliance reporting requirement described in Section III below.

II. PROCEDURAL HISTORY

1. On November 15, 2024, VEC filed the petition and proposed tariffs with the Commission. The prefiled testimony and exhibits accompanying the petition are as follows: testimony of Caroline Mashia and Exhibit VEC-CCM-1; testimony of Dan Potter and Exhibit VEC-DP-1; testimony of Katie Audette and Exhibit VEC-KLA-1.

2. On December 16, 2024, the Vermont Department of Public Service (“Department”), pursuant to 30 V.S.A. § 225, informed the Commission that it had reviewed the filing and recommended that the Commission investigate the proposed rate increase.

3. On December 30, 2024, the Commission issued an order opening an investigation and appointing me as the Hearing Officer in this proceeding. Pursuant to 30 V.S.A § 226(b), VEC implemented the tariff by means of an identical 4.84% surcharge to each class of ratepayers,

subject to the requirement that it refund any amounts collected that are in excess of the amount finally determined to be just and reasonable by the Commission.

4. On February 13, 2025, I conducted a public hearing in this matter via videoconference. There were two members of the public in attendance at the public hearing. There were no motions to intervene filed.

5. On April 11, 2025, the Department filed testimony and exhibits as follows: testimony of Scott Wheeler and Exhibit DPS-SW-1 through SW-2, and testimony of Adam Jacobs and Exhibit DPS-AJ-1. In its testimony, the Department recommended that 1) VEC's proposed rate increase be approved as just and reasonable, and 2) VEC be required to make compliance filings regarding Pole Inspection.

6. On May 15, 2025, VEC filed a letter accepting the recommendations included in the Department's testimony and stating that it consents to the admission of all prefiled testimony and exhibits and that there was no need for further process.

7. On May 22, 2025, the Department filed a response to VEC's May 15 letter. The Department states in its response that it agrees "to stipulate to the admission of all prefiled testimony and exhibits, and if an evidentiary hearing is held during the week of June 9, 2025, the Department does not intend to cross-examine VEC's witnesses." The Department also recommends that "given that VEC proposes a significant acceleration of its pole inspection and treatment efforts" VEC be required to make "two compliance filings as described more fully in testimony," referencing the filings described on page 5 of the pre-filed testimony dated April 3, 2025 of the Department's Scott G. Wheeler. The testimony states that the first recommended compliance filing should "(1) confirm that a contract was indeed awarded as a result of the Pole Inspection and Treatment Request for Proposal provided as second round discovery Attachment DPS.VEC.2-3b;¹ (2) include a copy of the executed contract; and (3) state the date that the contracted work commenced." Footnote 1 states "See Exhibit DPS-SW-2." The testimony also states that "Ideally, this first recommended compliance filing should be submitted within 30 days from the date the Commission issues a Final Order in this proceeding." The testimony then states that the second recommended compliance filing should "simply state the total costs and number of poles inspected and treated in the 2025 rate year, to be submitted within six months from the date the Commission issues a Final Order in this proceeding."

III. FINDINGS

After reviewing the record in this proceeding, I have determined that an evidentiary hearing is not needed to render a proposal for decision in this proceeding. The testimony and exhibits identified above are admitted as if presented at a hearing.¹ Pursuant to 30 V.S.A. § 8(c), and based on the record and evidence before me, I present the following findings of fact to the Commission.

1. An increase in VEC's annual revenues of \$4,514,046 or 4.84% to take effect on a service-rendered basis commencing on January 1, 2025, is just and reasonable based on the testimony and exhibits submitted by the parties. The increase will be equally applied to all members through a flat increase across all rates classes.

2. For the past ten years, VEC has been able to minimize the rate increases required from its members. Despite the need for fairly significant rate increases for 2023 and 2024, VEC's ten-year average increase, including the 2024 increase, remains low at 2.22% per year. Prefiled testimony of Caroline Mashia for VEC ("Mashia pf.") at 2.

3. The key drivers of this 4.84% increase are (1) transmission costs, which are rising significantly due to new investments in infrastructure; (2) property tax bills in 2024 which were nearly 29% higher than in 2023; (3) salary and benefits costs caused by wage and benefit increases necessary to attract and retain employees; (4) higher interest expense based on market changes and higher utilization of debt facilities; (5) necessary line maintenance, which includes continuation of VEC's Asset Inspection Program and pole testing and treatment; (6) increases in the cost of vegetation management due to the contractual end of contributions for poles acquired from Consolidated Communications; (7) depreciation expense from assets placed in service; (8) information technology costs driven by new sales taxes and contract renewals; and (9) depreciation on new bucket trucks driving increased transportation costs. Mashia pf. at 4.

4. Two other key changes from the test year are (1) the elimination of the last of VEC's one-time grant funding from the Paycheck Protection Program, which was fully exhausted in late 2023 (within the test year), and (2) the elimination of estimated FEMA reimbursements that are not anticipated in rate year. Mashia pf. at 4-5.

¹ If any party has an objection to any of these documents being entered into evidence, the party shall submit its objection within 14 days of the date this Order is entered.

5. Offsetting the drivers and key changes noted in Paragraphs 3 and 4 are increased revenue or cost savings for VEC in the following areas: (1) increase of 2% in retail kWh sales compared to last year's rate case; (2) lower power supply costs due to a decline in market prices; (3) an increase in dividends from VEC's investments in VT Transco stock; and (4) lower DERMS software costs due to proceeds from the Energy Storage Access Program grant. Another downward adjustment from the test year is a reduction in storm costs as a result of removing excessive storm costs in the test year which VEC cannot predict will happen in the rate year. Mashia pf. at 5.

6. VEC's proposal includes a times interest earned ratio ("TIER") level of 2.0. This is the same level it has included in recent rate cases. The 2.0 target TIER is adequate to allow VEC to maintain its financial health, as indicated by its credit rating which it has maintained at an A+ rating with a stable outlook since 2016. This level allows VEC to have sufficient cash flow to cover its interest owed on debt obligations. It has proved to be beneficial to VEC and its members in (1) supporting a sustainable capital plan, (2) strengthening its power supply portfolio through a stronger credit rating, (3) enabling the company to repay patronage capital to members, (4) allowing for investment in VT Transco stock, and (5) providing access to favorable debt financing. Mashia pf. at 6.

7. VEC's power supply costs are decreased primarily because of (1) a decrease in the HQ US contract price, which results in \$119,875 in decreased costs, and (2) the expiration of the Mystic winter reliability contract administered by ISO NE, which results in \$860,200 in decreased costs. The remaining change is made up of all the combined puts and takes contained in all of VEC's power supply resources. Prefiled testimony of Dan Potter for VEC at 2.

8. VEC has forecasted that transmission costs will increase by roughly \$2,276,594 from test year levels, with ISO-NE and VELCO transmission cost increases being the biggest contributors. The ISO-NE Regional Network Service ("RNS") rate has increased by 20.5% from 2024 to 2025. VELCO transmission costs have also increased due to several factors, but primarily due to increased depreciation/amortization expense for new plant placed in service and property taxes. Prefiled testimony of Katie Audette for VEC at 2.

9. Overall, VELCO transmission charges to VEC will increase from a test year total of \$3,665,145 to \$4,221,273 in 2025. These numbers reflect VELCO's forecasted 2025 expenses and cover VELCO's operating expenses and revenue requirements. The largest contributors to

the VELCO budget increases are depreciation and amortization, as VELCO placed \$114 million in additional assets in service in 2024. VELCO's property tax expenses are increasing by \$3.115 million. Additionally, VELCO's A&G expenses are increasing by \$1.988 million. VEC's non-coincident and coincident peaks is driving some of its increase; as its loads go up, VEC's share of the VT Transco costs increases. VEC is currently at 9.43%, whereas in 2023 VEC's share was 8.4%. Audette pf. at 6.

10. VEC has also proposed to increase vegetation maintenance costs by \$325,210 above costs recognized in the test year. \$171,170 of the increase is due to the cessation in 2023 of reimbursements from Consolidated Communications that were agreed to as part of VEC's acquisition of Consolidated's ownership interests in previously jointly-owned poles. VEC's approved cost of service for 2024 included vegetation management costs of \$4,716,163. For the 2025 rate year, VEC is requesting an increase of \$90,630 above the amount approved in 2024 rates. This amount is consistent with bids received from Vegetation Management contractors for work to be completed in 2025.

Mashia pf. at 13.

11. The Department has no material recommended adjustments to VEC's proposed cost-of-service or rate increase. Prefiled testimony of Scott Wheeler for the Department of Public Service at 4. If anything, VEC is experiencing some unanticipated upward pressure in power supply costs that have occurred since the current rate case was filed. Wheeler pf. at 4, referencing Prefiled testimony of Adam Jacobs for the Department of Public Service. 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.

12. The Department recommends that VEC make two compliance filings. Wheeler pf. at 4. The first filing is to "(1) confirm that a contract was indeed awarded as a result of the Pole Inspection and Treatment Request for Proposal provided as second round discovery Attachment DPS.VEC.2-3b; (2) include a copy of the executed contract; and (3) state the date that the contracted work commenced," and should be submitted "within 30 days from the date the Commission issues a Final Order in this proceeding." Wheeler pf. at 5. The second filing should "simply state the total costs and number of poles inspected and treated in the 2025 rate year" and should be submitted "within six months from the date the Commission issues a Final Order in this proceeding." Wheeler pf. at 5.

IV. DISCUSSION AND CONCLUSION

Based on the evidence presented in this proceeding, I conclude that an 4.84% increase to VEC's cost-of-service will result in just and reasonable rates.

I have reviewed the documentation in support of the rate increase proposal and find that the rate increase of 4.84% is appropriate. The rate increase will allow VEC to fund increased transmission costs, property tax bills, salary and benefits, and other costs. Accordingly, I recommend that the Commission approve the rate increase of 4.84% resulting in additional annual revenues in the amount of \$4,514,046 to take effect on a service-rendered basis as of January 1, 2025. I also recommend that the Commission require VEC to file compliance tariffs that include the January 1, 2025, effective date. Finally, I recommend that VEC submit two compliance filings: (1) within 30 days from the date the Commission issues a Final Order in this proceeding, a filing confirming that a contract was awarded as a result of the Pole Inspection and Treatment Request for Proposal provided as second round discovery Attachment DPS.VEC.2-3b, that includes a copy of the executed contract and that states the date that the contracted work commenced and (2) within six months from the date the Commission issues a Final Order in this proceeding, a filing stating the total costs and number of poles inspected and treated in the 2025 rate year.

This Proposal for Decision has not been circulated to the parties pursuant to 3 V.S.A. § 811 because it is not adverse to any party.

Hearing Officer

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Utility Commission (“Commission”) of the State of Vermont that:

1. The findings, conclusions, and recommendations of the Hearing Officer are adopted.
2. A rate increase by the Vermont Electric Cooperative (“VEC”) is appropriate of, or 4.84%, effective with service rendered on or after January 1, 2025, is just and reasonable.
3. VEC shall file compliance tariffs in ePUC within 20 business days of the issuance of this Order in the investigation portion of this case.
4. Within 10 days from the date the Commission issues a Final Order in this proceeding, VEC shall file a compliance filing confirming that a contract was awarded as a result of the Pole Inspection and Treatment Request for Proposal provided as second round discovery Attachment DPS.VEC.2-3b, that includes a copy of the executed contract and that states the date that the contracted work commenced.
5. Within six months from the date the Commission issues a Final Order in this proceeding, a filing stating the total costs and number of poles inspected and treated in the 2025 rate year.

DATED at Montpelier, Vermont, this _____ day of _____, 2025.

_____) PUBLIC UTILITY
_____) COMMISSION
_____) OF VERMONT
_____)

OFFICE OF THE CLERK

FILED: _____

ATTEST: _____
Clerk of the Commission

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within thirty days. Appeal will not stay the effect of this order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within ten days of the date of this decision and order.