

**STATE OF VERMONT  
PUBLIC UTILITY COMMISSION**

Case No. 25-0719-TF

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Tariff filing of Green Mountain Power Corporation for approval of a Zone 4 Energy Storage Program Service tariff to be effective with bills rendered on or after May 30, 2025	
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**PREFILED TESTIMONY OF  
SEAN FOLEY  
  
ON BEHALF OF THE  
VERMONT DEPARTMENT OF PUBLIC SERVICE**

August 11, 2025

Summary: Mr. Foley's addresses financial and ratemaking aspects of Green Mountain Power's proposed Zone 4 Energy Storage Tariff, including whether GMP has adequately justified deviating from existing rates or services.

**Mr. Foley Sponsors the Following Exhibit:**

**Exhibit DPS-SF-1** Response to Q.DPS.GMP.1-6

**PREFILED DIRECT TESTIMONY OF SEAN FOLEY**

1 **Q1. Please state your name and occupation.**

2 A1. My name is Sean Foley. I serve as Chief of Finance and Economics for the Vermont  
3 Department of Public Service (“Department”). My responsibilities include the review and  
4 evaluation of utility filings and tariffs with a focus on financial, economic, and ratemaking  
5 implications, consistent with Vermont statutes and the regulatory framework established  
6 by the Vermont Public Utility Commission (“Commission”).

7 **Q2. What is the purpose of your testimony?**

8 A2. I offer this testimony to raise several technical and policy-related observations regarding  
9 the financial and ratemaking aspects of Green Mountain Power’s (“GMP”) proposed Zone  
10 4 Energy Storage Tariff. These observations concern (1) the inclusion of capitalized  
11 Administrative & General (“A&G”) expense as a modeled program benefit, (2) certain  
12 structural and accounting assumptions within GMP’s cost-effectiveness modeling, and (3)  
13 the implications of the tariff for uniformity and fairness in utility rates and services.

14 **Q3. How does GMP treat capitalized A&G in its modeling?**

15 A3. GMP applies a capitalization rate of approximately 6.16% to its A&G costs. The  
16 capitalized amount is then treated as a benefit in its net present value (“NPV”) analysis,  
17 effectively offsetting other program costs.

1 **Q4. Is it appropriate to treat capitalized A&G as a benefit in this context?**

2 A4. No. Capitalized A&G is a cost allocation mechanism that shifts certain administrative and  
3 overhead costs—such as indirect labor, corporate services, and support functions—from  
4 current-period operating expense to capital accounts. These costs are then recovered over  
5 time through depreciation and return on rate base, rather than through annual operating  
6 expenses.

7 In discovery, GMP explained that its cost-benefit model treats capitalized A&G as  
8 a benefit because these costs are already embedded in base rates. By capitalizing them in  
9 association with the Zone 4 program, GMP asserts that they are effectively removed from  
10 current-year O&M, which reduces the immediate revenue requirement and thus produces  
11 a ratepayer benefit.<sup>1</sup>

12 While this may result in a temporary shift in cost recovery timing, it does not create  
13 new value or reduce total utility costs. From a regulatory finance perspective, the  
14 capitalization of A&G merely defers the recovery of those costs and results in higher long-  
15 term recovery through the addition of rate base. Customers ultimately pay for these costs  
16 through depreciation and authorized return. Accordingly, capitalized A&G does not qualify  
17 as a system benefit, avoided cost, or source of economic gain and should not be treated as  
18 such in cost-effectiveness analysis.

19 Moreover, GMP's position implicitly suggests that the original operating labor and  
20 overhead costs, prior to being capitalized, provided no functional or ratepayer value. If the  
21 value of these activities justifies their recovery in base rates, then simply changing how

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<sup>1</sup> See Exhibit DPS-SF-1 (response to Q.DPS.GMP.1-6).

1 they are allocated does not represent a savings or avoided cost. For these reasons, the  
2 Department does not view the inclusion of capitalized A&G as a valid or supportable  
3 benefit in the cost-benefit analysis presented for the Zone 4 program.

4 **Q5. Has the Department reviewed GMP's broader financial modeling?**

5 A5. Yes. The Department has reviewed the cost-benefit modeling provided in Exhibit GMP-  
6 JC-3, including underlying assumptions related to investment tax credits, asset  
7 performance, inflation, and revenue streams. Department Witness Mr. Poor reviews  
8 GMP's modeling with respect to power supply and transmission values.

9 **Q6. Did you identify any additional concerns beyond those already discussed?**

10 A6. No. Based on my review of Exhibit GMP-JC-3, I did not identify any additional modeling  
11 issues beyond those already noted. The model includes reasonable assumptions for battery  
12 degradation and failure rates, applies an inflation factor to future revenues, and reflects  
13 declining performance over time.

14 **Q7. What statutory standards apply to fairness and rate treatment in Vermont?**

15 A7. Vermont law includes three key provisions: 30 V.S.A. § 219 requires utilities to provide  
16 reasonably adequate service, at reasonable and non-discriminatory rates. 30 V.S.A. §  
17 225(a) prohibits charging different rates for like service to similarly situated customers  
18 unless the difference is based on cost or another rational basis. 30 V.S.A. § 229 prohibits  
19 undue preference or unreasonable disadvantage in rates, service, or utility treatment among  
20 customer classes or geographic areas.

21 These statutes reflect regulatory principles around cost-based ratemaking,  
22 uniformity, and fairness: rate and service differences must be supported by cost-of-service

1 analysis, system need, or transparent policy objectives rather than arbitrary or untargeted  
2 distinctions.

3 **Q8. How does this relate to GMP's proposed Zone 4 tariff?**

4 A8. While the application of statutes and other law should be addressed in legal briefs, my  
5 opinion is informed by the principles surrounding utility regulation and ratemaking. Mr.  
6 Poor's testimony discusses the relevant differences and similarities between the Energy  
7 Storage System ("ESS") and proposed Zone 4 tariffs, which I rely on here.<sup>2</sup> Under the  
8 proposed tariff, customers in Zone 4 would receive utility-owned residential battery  
9 systems at no direct cost, while customers elsewhere must either pay monthly lease fees  
10 through the ESS tariff or purchase their own equipment through the Bring Your Own  
11 Device ("BYOD") program. If the modeled system benefits—such as ISO market revenues  
12 or peak load reduction—are not specific to Zone 4, then providing the same functional  
13 service at no cost to one group and with ongoing cost responsibility to others may be  
14 inconsistent with principles of ratepayer equity and uniformity.

15 **Q9. What criteria might support differentiated treatment in utility rates and service?**

16 A9. Differentiated treatment may be appropriate when supported by a clear demonstration  
17 that such treatment is based on objective cost differences or system needs.

18 **Q10. Can you provide an example of when differentiated utility service has been considered**  
19 **appropriate?**

20 A10. Yes. One clear example is GMP's Commission-approved low-income rate, which offers a  
21 reduced monthly customer charge to qualifying residential customers. This differentiated

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<sup>2</sup> See TJ Poor, Vermont Department of Public Service, pf. (8/11/25) at 13–16.

1 treatment is based on clear, objective eligibility criteria, such as income thresholds and  
2 enrollment in public assistance programs, and was adopted through a formal tariff filing  
3 with the Public Utility Commission. It reflects a clear public policy objective: improving  
4 affordability and access for economically vulnerable Vermonters.

5 Similarly, utilities may seek Commission approval for special contracts, such as  
6 economic development rates, provided those contracts demonstrate either cost-of-service  
7 justification or broader system or societal benefits. In each of these cases, the deviation  
8 from standard rates or service is justified, documented, and reviewed to ensure it does not  
9 create undue preference or disadvantage.

10 By contrast, GMP's Zone 4 battery tariff provides utility-owned storage assets to a  
11 geographically defined group of customers at no cost, without clearly articulated eligibility  
12 criteria, public interest justification, or demonstrated cost-based need specific to Zone 4. If  
13 the benefits of this program are primarily system-wide rather than location-specific, then  
14 offering it without equivalent access elsewhere raises fairness concerns.

15 **Q11. Has GMP demonstrated that its proposal is consistent with the relevant regulatory**  
16 **principles as to differentiated treatment?**

17 A11. No. In the Department's view, GMP has not yet adequately demonstrated that the  
18 geographically targeted nature of this program is consistent with just, reasonable and  
19 nondiscriminatory rate treatment.

20 Considering the information provided, I am concerned that the proposed Zone 4  
21 Tariff creates rate discrimination by offering utility-owned energy storage systems at no  
22 cost to participating customers, while similarly situated customers served under GMP's

1 ESS Tariff must make monthly lease payments for comparable services. The proposal does  
2 not adequately support treating Zone 4 customers differently from other customers who  
3 provide similar grid services.

4 GMP has not demonstrated that the cost to serve Zone 4 customers is materially  
5 different in a way that warrants full cost recovery through general rates. Nor has GMP  
6 established that the value of grid services provided by Zone 4 participants differs in scale,  
7 timing, or geographic necessity when compared to ESS Tariff participants. Without a clear  
8 and cost-justified distinction, there is no showing that the differential treatment is  
9 consistent with just, reasonable, and non-discriminatory rates for like service.

10 Additionally, there is no indication that GMP requires different performance  
11 obligations or dispatch controls for Zone 4 customers compared to participants in the ESS  
12 Tariff or BYOD program. If the functional service is the same, then a distinction in rate  
13 treatment must be supported by an objective and measurable difference in program cost,  
14 benefit, or reliability contribution. Based on the information provided, I cannot conclude  
15 that the proposed tariff is nondiscriminatory.

16 **Q12. Does this conclude your testimony?**

17 A12. Yes, it does