

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 25-1106-PET

Petition of Vermont Gas Systems, Inc., pursuant to 30 V.S.A. § 218d, for extension to implement Alternative Regulation Plan	
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Order entered: 08/18/2025

ORDER APPROVING EXTENSION OF ALTERNATIVE REGULATION PLAN

I. INTRODUCTION

This case involves a petition filed by Vermont Gas Systems, Inc. (“VGS”) for the approval of a one-year extension of its existing alternative regulation plan (the “Plan”) approved by the Commission in Case No. 22-5085-PET on August 18, 2023.¹ In this order, the Commission approves VGS’s petition and authorizes an extension of the Plan to September 30, 2026.

II. PROCEDURAL HISTORY

On May 30, 2025, VGS filed its petition and request for a one-year extension of the Plan.

On June 30, 2025, the Vermont Department of Public Service filed comments recommending that the Commission approve VGS’s petition.

No party has requested an evidentiary hearing or objected to the prefiled testimony and exhibits. Accordingly, the following documents are admitted as if presented at a hearing: VGS’s Petition filed on May 30, 2025 (the “Petition”) and Attachments A, B, and C and the Department’s comments filed on June 30, 2025 (“Department Comments”).²

III. FINDINGS

1. The current term of the Plan expires on September 30, 2026. Petition at 1.

¹ VGS filed a copy of the Plan as approved by the Commission in Case No. 22-5085-PET on August 25, 2023. The Plan can be found under the “Required Compliance Filings” section of the “All Other Documents” tab in the ePUC case file for Case No. 22-5085-PET.

² 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.

2. VGS's rates for the first year of the Plan (VGS's 2024 fiscal year) were based on a cost-of-service review that was completed within a traditional rate case. Petition at 2.

3. Rate adjustments for the remaining two years of the Plan (VGS's 2025 and 2026 fiscal years) have been governed by adjustor mechanisms included in the Plan, including a quarterly purchase gas adjustor ("PGA") and annual base rate adjustments. Petition at 1-2.

4. The annual base rate adjustments are based on mechanical calculations of VGS's operating and non-operating costs, authorized rate of return on equity ("ROE"), and overall cost to finance VGS's rate base. These calculations are determined by various formulae included in the Plan. Operating cost adjustments are tied to an inflationary index. Non-operating costs (including depreciation, taxes, and costs to finance rate base) are determined by a fixed capital spending limit and annual adjustments to the ROE based on fluctuations in the yield on 10-Year Treasury Notes. The Plan also includes a Climate Action and Innovation Budget that is intended to direct investments to new fuel sources and projects that achieve state energy and emission goals. Petition at 1-2; Department's Comments at 3-4.

5. The PGA operates as a decoupling mechanism and factors changes in natural gas costs, seasonal weather, and overall customer usage. The PGA is calculated quarterly. Petition at 2-3.

6. Rate changes in the Plan are subject to exogenous events and earnings sharing adjustment mechanisms. The Plan also includes a "Rate Smoothing Adjustor," which was designed to mitigate the impacts of a 10.7% rate increase in 2024 by creating a regulatory asset that amortized over the term of the three-year the plan. This mechanism deferred a portion of the 2024 rate-year impact to 2025 and 2026. The Rate Smoothing Adjustor was designed to temper the impact of the wind-down of the System Expansion and Reliability Fund ("SERF"). Petition at 2, 5.

7. Section 1(b) of the Plan authorizes VGS to seek a one-year extension of the Plan to September 30, 2027. Petition at 3; Department Comments at 2.

8. The one-year extension would be used to set rates for VGS's 2027 fiscal year. It would retain the same mechanisms for the quarterly PGA adjustor and the annual base-rate adjustment. The only substantive change to the Plan would be the elimination of the Rate

Smoothing Adjustor. All other components of the Plan, including the Climate Action and Innovation Budget, will remain in place. Petition at 1-3; Department Comments at 2-6.

9. If the Plan is extended, VGS projects that the rate change for 2027 will be between 0.64% and -0.22%, depending on the rates of change for the inflation index and the yield on 10-Year Treasury Notes (which affect the calculations for non-operating costs and the ROE). Petition at 6; Attachment A; and Department Comments at 2-3.

10. VGS's proposal and projected 2027 rate adjustment are based on an updated capital budget forecast for 2027, which includes capital expenditures that are consistent with operating conditions under the current term of the Plan and do not reflect any major capital additions. Petition at 11-12; Attachment A.

IV. DISCUSSION

As noted in the introduction, the Commission approved VGS's Plan on August 18, 2023, in Case No. 22-5085-PET. The Plan runs for three years from October 1, 2023, through September 30, 2026 (VGS's 2024, 2025, and 2026 fiscal years). However, the Plan, as approved, includes the following provision:

VGS shall have the option, after consultation with the [Department], to request that the Plan be extended for a one-year term beginning on October 1, 2026 and expiring on September 30, 2027.

If VGS seeks to extend the Plan, it shall make such request no later than June 1, 2025, and the request will be accompanied by a one-year rate base plan and an assessment of the Plan's effectiveness, specifically addressing the criteria contained in 30 V.S.A. § 218d as well as any other criteria required by the [Commission]. Such request will also include any proposed amendments to the Plan and the overall effect on Base Rates during the extended Rate Year. The [Commission] will approve or reject the amendment by October 31, 2025.³

The Commission considers VGS's petition within the context of 30 V.S.A. § 218d, which governs alternative regulation plans for regulated electric and gas utilities. Under Section 218d, the Commission is required to consider whether the proposed form of alternative regulation will:

- (1) establish a system of regulation in which . . . companies have clear incentives to provide least-cost energy service to their customers;
- (2) provide just and reasonable rates for service to all classes of customers;
- (3) deliver safe and reliable service;

³ Plan at 1-2.

- (4) offer incentives for innovations and improved performance that advance state energy policy such as increasing reliance on Vermont-based renewable energy and decreasing the extent to which the financial success of distribution utilities between rate cases is linked to increased sales to end use customers and may be threatened by decreases in those sales;
- (5) promote improved quality of service, reliability, and service choices;
- (6) encourage innovation in the provision of service;
- (7) establish a reasonably balanced system of risks and rewards that encourages the company to operate as efficiently as possible using sound management practices; and
- (8) provide a reasonable opportunity, under sound and economical management, to earn a fair rate of return, provided such opportunity must be consistent with flexible design of alternative regulation and with the inclusion of effective financial incentives in such alternatives.⁴

The Commission has previously found that the Current Plan is in the public interest and meets the statutory criteria of 30 V.S.A. § 218d. Accordingly, in evaluating VGS's petition in this case, our analysis has focused on whether a one-year extension of the Plan would undermine our findings in Case No. 22-5085-PET or otherwise conflict with the Section 218d criteria.

As outlined in the findings of fact above, VGS's petition does not include any proposed substantive changes to the Plan. VGS's proposal maintains the existing base-rate adjustors and recovery mechanisms for operating and non-operating costs, the formulaic ROE adjustor, and the quarterly purchased-gas adjustment. It also keeps intact the capital spending budgets, limits, and other procedural requirements for VGS's climate action and innovation programs. The only proposed changes are the term of the Plan and the elimination of the "rate smoothing adjustor," which was used to spread the rate impact of the expiration of the SERF over the initial three-year term of the Plan. VGS's one-year extension request is supported by an updated capital spending projection, which is consistent with capital spending levels from the previous three years. VGS's supporting documents project that the rate change for the one-year extension period will range from -0.22% to 0.64% depending on the rate of inflation.

Based on these considerations and the rate stability that will follow from a one-year extension of the Plan, we determine that the Plan will remain consistent with the Section 218d criteria. We therefore conclude that the Plan will continue to promote the public good and grant VGS's petition to allow for a one-year extension of the Plan.

⁴ 30 V.S.A. § 218d(a)(1-8).

V. CONCLUSION

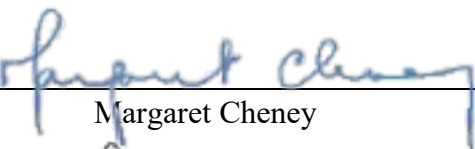
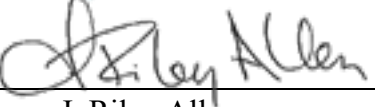
VGS's petition for a one-year extension of the Plan is granted. VGS is authorized to extend the term of the Plan to September 30, 2027.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission ("Commission") that:

1. Vermont Gas Systems, Inc.'s ("VGS") petition for a one-year extension of the alternative regulation plan approved on August 18, 2023, in Case No. 22-5085-PET (the "Plan") is approved. VGS is authorized to extend the term of the Plan to September 30, 2027.
2. VGS is directed to file an amended version of the Plan that reflects the one-year extension as a compliance filing in both this case and Case No. 22-5085-PET no later than August 31, 2025. VGS must continue to file all other compliance filings and reports required by the Plan in Case No. 22-5085-PET.

Dated at Montpelier, Vermont this 18th day of August, 2025.

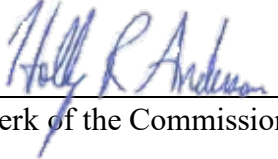
	)	
Edward McNamara	)	PUBLIC UTILITY
	)	
	)	
Margaret Cheney	)	COMMISSION
	)	
	)	
J. Riley Allen	)	OF VERMONT

OFFICE OF THE CLERK

August 18, 2025

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)

PUC Case No. 25-1106-PET - SERVICE LIST

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