STATE OF VERMONT

PUBLIC UTILITY COMMISSION

Case No. 26-1130-TF

Petition of Town of Stowe Electric Department pursuant to 30 V.S.A. §§ 225 and 227(a) for a 14.6% rate increase to take effect on a service-rendered basis August 1, 2026	

PREFILED DIRECT TESTIMONY OF MAYHEW SEAVEY ON BEHALF OF THE TOWN OF STOWE ELECTRIC DEPARTMENT

June 23, 2026

Summary of Testimony

The testimony of Mr. Seavey in support of the Town of Stowe Electric Department's Rate Increase filing explains SED's calculation of cost of service model and various adjustments made from the Test Year to the Rate Year. The testimony demonstrates that the proposed rate changes are just and reasonable.

Q1. Please state your name, position, and business address.

A1. My name is Mayhew Seavey. I work for PLM, Inc. as Principal Engineer, and my business address is 46 Lizotte Drive, Marlborough, Massachusetts, 01752

Q2. Please describe your background and experience.

A2. During my more than 35 years with PLM, Inc. I have designed retail rates for more than 40 public power entities in Massachusetts, Connecticut, New Hampshire, and New York. My rate design work has always focused on developing rates that reflect, as closely as possible, the actual cost of Supplying electricity to customers. I have developed numerous time-of-use rates, interruptible and controllable load rates, and marginal cost rates. My cost allocation modeling has been refined in recent years to take advantage of the large amounts of granular customer load data to permit more precise allocation of demand and energy costs. I have also worked to incorporate financial forecasting into rate design to permit clients to plan capital funding and anticipate future rate increases. My resume is included as Exhibit SED-Seavey-01.

Q3. Have you testified before the Vermont Public Utility Commission?

A3: No.

Q4. What is the purpose of your testimony?

A4. My testimony sets forth the Town of Stowe Electric Department's ("SED") cost of service ("COS") calculation and explains the known and measurable adjustments made to test year expenses in the COS calculations. My analysis shows the justification for the rate increase request, which is attributed to costs increasing beyond SED's revenue growth under current rates. SED's power supply and transmission costs, which comprise over two-thirds of projected 2026/2027 cost of service, have increased due to higher energy charges for both owned units and market-based purchases.

I will also discuss specific adjustments to test year costs and revenues, and present workpapers to justify my changes. I explain how the rate increase is consistent with Vermont Public Utility Commission ("Commission") ratemaking precedent, serve the public interest and are, overall, just and reasonable. I provide a complete list of my exhibits at the end of my pre-filed testimony. The primary COS summary and supporting schedules included with my testimony are:

- Cost of Service Summary Exhibit SED-Seavey-02
- Summary of Adjustments Exhibit SED-Seavey-03
- Summary of Labor Adjustments Exhibit SED-Seavey-05
- Cost of Service Model Excel format Exhibit SED-Seavey-07

Q5. Please describe the COS study and the rate increase SED has requested.

A5. The COS model is provided in live formula, native excel format as Exhibit SED–Seavey-07. I analyzed SED's test year (March 1, 2025 – February 28, 2026) COS and developed an updated revenue requirement for the rate year (March 1, 2026 – February 28, 2027). If the rates were left unadjusted, then it would result in SED under collecting from rates in the amount of $2,250,603.

I started with SED's historical test year and then made pro-forma adjustments for known and measurable changes in income and expenditures. I conferred with SED staff to finalize my calculations based on the test year, SED's revenue and expenses from their most recent financial statements, and developed the adjustments to the test year, which are described in more detail in my testimony. The adjustments are summarized in Exhibit-SED-Seavey-03.

The Adjustments to the test year's costs equaled $2,250,603, resulting in a requested rate year revenue requirement of $17,659,033. The additional revenue requirement equates to a 14.6% increase to the current rates. SED requests to implement the increase as a proportional increase to rates within all customer rate classes.

Q6. Please describe your COS Model in more detail.

A6. The COS model that I developed to support this filing is based on SED's final four months of the FY2025 audited financial statements and the first eight months of FY2026 to complete the test year, which is then adjusted for known and measurable changes. The audited financials are presented in the prefiled testimony of Sarah Juzek, SED SJ-03. I also utilized the methodology used in SED prior cases approved by the Commission in Docket 8463, Case No. 22-2291-TF, and Case No. 22-5372-TF.

Utilities within ISO-NE, including SED, continue to experience cost increases in purchase power. This filing shows that purchased power costs are expected to continue to rise and are driven primarily by ISO interchange costs and bilateral market transactions. Total power costs, net of REC sales and the pass-through of snowmaking costs, are projected to increase $1.8 million. My model also includes non-operating expenses and income from unregulated operations. SED applied a TIER of 2.0, which has been applied in previous SED rate increase requests approved by the Commission, to calculate its rate year interest expense.

Q7. What additional information do you present in your testimony.

A7. I also present the result from an allocated cost of service study (ACOSS) that I completed for SED and through consultation with SED staff. This study provides

an analysis based on the revenue requirement for the test year that gives SED staff and its Electric Department Commission an understanding of the costs each customer class is responsible for. The study provides an opportunity to evaluate the fairness of the current allocation of SED's cost of service between the customer classes.

To develop the ACOSS, I first completed a load study based on data provided by SED's Advanced Metering Infrastructure, which allowed me to develop load profiles for SED's existing customer classes. The load study allowed me to determine general usage characteristics with each SED rate class and SED's cost to serve customers based on usage characteristics. The load study helped to inform the ACOSS and verify whether SED has allocated costs between the customer classes based on SED's cost of service.

How SED staff applied the ACOSS results is further described in the pre-filed direct testimony of Sarah Juzek, SED's Director of Finance. Briefly explained here, the ACOSS identified that SED could implement a modest reallocation of costs between the small commercial customer class and the residential class. However, I do not recommend that SED make changes to the cost allocation between rate classes, because my ACOSS study does not show a significant change from SED's ACOSS filed in Case No 18-2372-TF. Further, unlike SED's

previous ACOSS study filed in Docket 8463 and Case No 18-2372-TF, where the rate design principles of simplicity, efficiency, and fairness led SED to eliminate rates classes, develop a new time of use with critical peak pricing option residential rate, and reallocate costs between rate classes, these same principles suggest that SED should maintain its current rate design.

When a rate increase is required to maintain revenue stability, the rate design principle of stability encourages utilities to consider the cost allocation between rate classes. Therefore, I reviewed the allocation of the costs based on each customer class's cost causation to determine whether SED's rate design meets the rate design principles as first proposed by Professor Bonbright and consistently applied by the Vermont Public Utility Commission. As with previously rate design studies, I focused on the principles of simplicity and understandability, adequacy, efficiency, and fairness.

To complete the ACOSS, I applied the three-step process known as functionalization, classification, and allocation. I worked with SED's staff and their power supply consultant, Energy New England, to functionalize SED's costs based on generation, transmission, distribution, and customer service. I then classified SED's cost of service based on demand-related, energy-related, and customer-related costs.

SED's rate design does not propose any change to the existing rate classes and the tariffs remain simple and understandable for its customer classes. Except for the Interruptible Load Tariff that serves one customer, SED's rate schedules are identical to the schedules filed in its 2023 rate increase, approved in Case No 22-5372-TF and the recently approved time of use rates, Case No 25-1792-TF. This suggests that customers will not experience confusion determining the rate class most advantageous to their electric consumption patterns and therefore the rate design meets the principles of simplicity and understandability.

SED's rate design is designed to be revenue neutral and satisfy SED's revenue requirements, which meets the rate design principle of adequacy. The principle of efficiency means the rates are based on the cost to serve the customer and provide a clear price signal to customers to over or under consume electricity. As my testimony and cost of service model support, and as reflected in the pre-filed testimony of Sarah Juzek and Michelle Coscia, SED's rate design clearly meets the rate design principles of adequacy and efficiency.

Finally, SED's rate design satisfies the principle of fairness, because it balances SED's revenue requirement through a revenue neutral design that does not discriminate against a customer class or cause unfair rate dislocation. SED's rate

design has allocated SED's costs to its customers based on the customer's class and usage, which means SED does not discriminate against any one customer or customer class based on other factors. SED also proposes an across the board rate increase for all its customer classes, so rates will not increase abruptly or disproportionately between rate classes.

The application of Bonbright's rate design principles does not support the conclusion that SED should change the allocation of its cost of service between rate classes. The rate design is also based on the embedded cost of service, which ensures the allocation minimizes any cross-subsidization between rate classes. Therefore, I do not propose a cost reallocation between SED rate classes. Furthermore, maintaining the current allocation will reinforce customer confidence in SED's decision-making and will not create customer uncertainty by changing the allocation for immaterial reasons.

Q8. Please describe the adjustments to the Test Year costs.

A8. SED proposes to make several adjustments to the test year, which are explained in my testimony and the exhibits filed with my testimony. Each adjustment is broken out in greater detail below.

Q9. Please explain the treatment of Stowe Mountain Resort's Load-Following Contract in the filed COS schedule

A9. Winter service to Vail (Stowe Mountain Resort) is served under the Interruptible Load tariff with a pass-through contract to bill the customer directly for the cost to supply energy for snowmaking. Under the Interruptible Load tariff, the customer is responsible for the direct cost of its energy, transmission, and capacity to serve its snowmaking load, which is calculated monthly during the winter season (October to April) by SED staff and reflects the difference between SED's actual load and the load without Vail's snowmaking load.

As a result of the tariff design, the snowmaking load does not impact the rest of SED's customers and therefore the pass-through contract is not subject to a rate change under this filing. Therefore, the revenues and costs associated with the Vail pass-through contract were removed from the model.

SED has proposed a change to the Interruptible Load tariff. Exhibit SED-Seavey-08 provides the redlined version of the proposed changes to this tariff, which was filed with the rest of the redlined tariffs in this rate increase filing. I worked with SED to make edits to the tariff to allow SED to clearly capture the transmission costs attributable to loads served under this tariff. If the tariff is not amended before the Winter 2026/2027 snowmaking season, then SED will not be able to capture additional costs related to ISO-NE 's day-ahead ancillary services (DA

A/S), capacity auction reforms, and other regulated market costs. This would force SED and its customers taking service under different tariffs to subsidize those customers that take service under the Interruptible Load tariff.

Q10. Please explain the $1,819,599 adjustment to purchased power shown in adjustment 1 and on line 45 of the COS.

A10. This adjustment is the net difference between the rate year and test year for the purchased power costs as summarized by Michelle Coscia in her pre-filed testimony and model. The rate year costs were calculated by adjusting the test year power costs for the known and measurable contract changes at the time I prepared this COS and pre-filed testimony.

Q11. Please explain the Labor Adjustment and how it is applied in the COS.

A11. The adjustment shows a total adjustment to the test year of $398,112, which reflects a pro-rated wage increases for all employees effective April 1, 2026. This adjustment reflects the current union contract provided in Exhibit SED-Seavey-04 – Union Contract 2024-2027. The adjustment reflects the labor adjustment for this functional category which reflects the changes in staffing that impacts the total labor adjustment in the customer accounting functional expense category. This functional breakdown is shown in my COS Model and in Exhibit SED-Seavey-05, which provides for the number of FTEs included in the

proposed Rate Year expense at both the beginning of the period and end of the period.

Q12. Please explain the adjustment of $87,393 shown in Adjustment 3.

A12. Adjustment 3 reflects professional fees. SED has chosen to take a 5-year average of our known and measurable professional fees, which results in an increase of $66,893 in the rate year. SED also included the additional cost of rate case professional fees, $15,000, and the addition of a Cyber Security Insurance Rider, $5,500 for a total of $20,500 in known costs in 2026. These costs are shown in rows 120-125 in my COS Model.

Q13. Please explain the adjustment of $256,655 shown in adjustment 4.

A13. This adjustment shows the VELCO interest payment included in the test year Financials and is summarized in Exhibit SED-Seavey-06 – VELCO.

Q14. Please explain the adjustment of $124,404 shown in adjustment 5.

A14. This adjustment shows the adjustment for depreciation expense for completed capital projects, including the Wilkins substation upgrade and the new equipment purchased.

Q15. Please explain the adjustment of $207,563 shown in adjustment 7.

A.15. This adjustment reflects the increase in Capital project financing in the rate

year. There are 13 existing notes and 3 notes that will take effect between May and September 2026 of the rate year.

- PACE financing of $2,089,000. Rate year principal and interest payments are $96,102.
- Equipment Loan through Union Bank of $240,204.12 at 4.50% payable over five years. Rate year principal and interest payments are $9,913.
- Vermont Bond Bank Renewable Energy Loan. $2.4 million at 2.125% payable over 10 years. Rate year principal and interest payments are $48,888.

In addition, there are two existing notes that only had partial-year interest payments in the Test Year that will have full-year payments in the Rate Year. The Rate Year impact is an increase of $52,661 in interest expense

Q16. Please explain the adjustment of $59,766 shown in adjustment 6.

A16. This adjustment is the one-time adjustment for retirement of our previous billing, outage management, and GIS systems.

Q17. Please explain the adjustment of $70,047 to Adjustment 8.

A17. This adjustment reflects the increase in costs to implement a TIER of 2.0. The TIER requirement ensures that SED generates sufficient net income to meet its debt obligations and maintain financial stability. As part of this rate filing, SED

has included the revenue necessary to achieve the required TIER of 2.0, which supports SED's ability to continue providing safe and reliable electric service.

Q18. Please explain the adjustment being proposed to account for the ISO-NE Day-Ahead Ancillary Services (DA A/S) market?

A18. ISO-NE's Day-Ahead Ancillary Services Initiative (DASI) caused significant unanticipated costs to utilities in New England since it was implemented. As described further by Michelle Coscia, Costs for SED and all market participants have significantly exceeded expectations provided by the Independent System Operator for New England (ISO-NE). DA A/S has been in effect within the New England region since March 2025 and the winter of 2025-2026 was a significant cost driver within the region's power supply markets.

With less than a year of operation, there are inherent limitations in the data set to support a full-year FY27 forecast for this item. Several stakeholders and market participants have already raised the need for redesign, and ISO-NE is expected to review the program after a year of data. In light of all of this, SED annualized 6 months of actual DASI costs and reduced that amount in the FY27 forecast by 30%. This 30% reduction in DASI costs is based on projections provided by ISO-NE.

Q19. What is TIER?

A19. Public power utilities are allowed to build into rates a calculated net profit or "return" based on a function of their rate year interest expense. The calculation is known as the times interest earned ratio (TIER). The surplus built into rates is set to equal some multiple of rate year interest expense minus that amount of interest expense. The Commission first approved SED's TIER level in Docket 8074. A TIER of 2.0 on a rate year interest expense of $618,863, would represent a TIER return of $618,863.

Q20. What is the rate increase that SED requests the Commission to approve?

A20. Considering the audited financials from 2025 and the cost of service model that I have developed, I project SED will need an additional $2,250,603 in retail rate revenue in the rate year, or 14.6% increase over current retail rates.

Q21. Please summarize your testimony.

A21. As discussed herein, SED faces a generally increasing cost to serve over the coming years, over and above that embedded in its 2025/2026 test year. Of note is an almost unprecedented increase in energy costs seen throughout New England through the New England energy market. Other factors include a generally higher transmission cost outlook, somewhat higher capacity cost outlook, and additional salaries and wages. Including all factors in a rate request

would generate a 14.6% increase. SED recognizes that our ratepayers still face challenges and uncertainty, and SED will continue to carefully monitor and contain costs over the coming years to ensure it breaks even in 2026 and beyond.

Q22. Is the rate increase proposed by SED just and reasonable?

A22. In my opinion, yes. The costs and income adjustments contained in this filing are based on known and measurable changes from the 2025/2026 test year. Costs and investments made in prior years received regulatory approval in most cases and met other key tests including that they were *prudent* and have been *used and useful* in serving SED ratepayers. To that extent, I believe the rate increase request is consistent with Commission ratemaking precedent for public power utilities in Vermont. The rate increase was established using the COS model filed in live formula, native excel format in Exhibit SED–Seavey–07 – Cost of Service Model.

Q23. Does this conclude your testimony?

A23. Yes.

EXHIBIT LIST

Exhibit SED-Seavey-01 – Resume of Mayhew Seavey

Exhibit SED-Seavey-02 – Cost of Service Model

Exhibit SED-Seavey-03 – Summary of Adjustments

Exhibit SED-Seavey-04 – Union Contract 2024-2027

Exhibit SED-Seavey-05 – Full Staff Adjustment

Exhibit SED-Seavey-06 – VELCO

Exhibit SED-Seavey-07 – Cost of Service Model in Excel format

Exhibit SED-Seavey-08 – Redlined Interruptible Load Tariff

DECLARATION OF MAYHEW SEAVEY

I declare that the testimony and exhibits that I have sponsored are true and accurate to the best of my knowledge and belief and were prepared by me or under my direct supervision. I understand that if the above statement is false, I may be subject to sanctions by the Commission pursuant to 30 V.S.A. § 30.

June 23, 2026 — Mayhew Seavey

Date. — Mayhew Seavey

Rate Design Specialist

PLM