

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 25-0729-TF

Tariff filing of Town of Hardwick Electric Department for an overall rate increase of 13.24% effective with service rendered on or after June 1, 2025	
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Order entered:

PROPOSAL FOR DECISION

I. INTRODUCTION

This case concerns the Commission’s investigation into the justness and reasonableness of the Town of Hardwick Electric Department’s (“Hardwick Electric”) proposed revised tariffs and rate schedules that reflect a 13.24% rate increase.¹

As discussed below, I recommend that the Commission approve a 6.84% rate increase for Hardwick Electric. My recommendation follows Hardwick Electric’s agreement to reduce its proposed rate increase to 6.84%, or an increase in annual revenues of \$484,604, based on a revised total cost of service of \$7,565,559.

II. PROCEDURAL HISTORY

On April 16, 2025, Hardwick Electric filed proposed revised tariffs and rate schedules reflecting a 13.24% increase effective with service rendered on or after June 1, 2025.² Hardwick Electric’s filing was accompanied by the prefiled testimony and exhibits of Heather D’Arcy and Steven R Farman.

On May 16, 2025, the Vermont Department of Public Service (“Department”) filed comments recommending that the Commission open an investigation into the justness and reasonableness of Hardwick Electric’s proposed rate increase under 30 V.S.A § 225.

¹ With the originally proposed 13.24% rate increase, a residential customer using 600 kWh would see a monthly bill increase of \$15.33, from \$115.76 to \$131.09. Proposed Customer Notice filed by Hardwick Electric on April 16, 2025.

² Hardwick Electric’s last rate increase took effect on March 7, 2024. On February 26, 2024, the Commission documented a 1.97% rate increase for Hardwick Electric under 30 V.S.A. §218d(n). *Tariff filing of the Town of Hardwick Electric Department for a 1.97% rate increase to be effective with service rendered on or after March 7, 2024*, Case No. 24-0152-TF, Order of 2/26/24.

On May 29, 2025, the Commission issued an order opening an investigation and appointed me as the hearing officer in this proceeding. Pursuant to 30 V.S.A. § 226(b), Hardwick Electric was authorized to implement the tariff change by means of an identical 13.24% surcharge on each class of ratepayers subject to the requirement that it refund any amounts collected that were in excess of the amount finally determined to be just and reasonable by the Commission.

On July 23, 2025, I conducted a public hearing in this proceeding via videoconference. Five members of the public attended, and their comments are discussed below. The Commission received 11 written public comments regarding the proposed rate increase.

On October 30, 2025, the Department filed the prefiled testimony and exhibits of Gina McHugh, Adam Jacobs, and Scott Wheeler. The Department recommended that Hardwick Electric's proposed rate increase be reduced to 4.84%.

On December 24, 2025, Hardwick Electric filed the prefiled rebuttal testimony and exhibits of Steven Farman. Hardwick Electric recommended that its rate increase be 6.84% instead of its initial recommendation or the Department's recommendation.

On February 10, 2026, Hardwick Electric filed a motion to amend the schedule to add procedural steps allowing Hardwick Electric to file supplemental testimony and the Department to file discovery on that testimony before the Department files its surrebuttal testimony. Hardwick Electric represented that the Department did not object to the request.

On February 17, 2026, I adopted Hardwick Electric's proposed schedule.

On March 13, 2026, Hardwick Electric filed the supplemental testimony and exhibits of Steven Farman regarding Hardwick Electric's net-metering calculations. Hardwick Electric also filed a cover letter with its testimony.

On April 30, 2026, the Department filed the prefiled surrebuttal testimony of Gina McHugh and Scott Wheeler. The Department changed its recommendation that Hardwick Electric's proposed rate increase be reduced to 4.84% and instead recommended a 6.84% rate increase.

On May 7, 2026, Hardwick Electric filed a letter ("Hardwick Electric's 5/6/26 Letter") with the Commission stating that it accepts the Department's revised recommendation that the Commission approve a 6.84% rate increase. Hardwick Electric agreed to refund the amount it

collected above the 6.84% rate increase since June 1, 2025. Hardwick Electric also recommended the Commission take action on errors in its net-metering billing calculations.

On July 1, 2026, Hardwick Electric filed a letter with the Commission regarding progress on correcting the error in its net-metering billing calculations.

On September 2, 2026, Hardwick Electric filed a letter with the Commission providing an update regarding its net-metering billing calculations.

No party requested an evidentiary hearing in this proceeding. After reviewing the record, I have determined that an evidentiary hearing is not needed to render a proposal for decision in this proceeding. Accordingly, the following prefiled testimony and exhibits are admitted as if presented at a hearing: the prefiled testimony of Steven Farman and exhibits HED-Farman-1 through 6, 10A, 10B, 11A, 11B, 12, 13, 14, 15, and 16; the prefiled testimony of Heather D'Arcy and exhibits HED-HD-1 through 12; the prefiled testimony of Gina McHugh and exhibits DPS-GM-1 through 3; the prefiled testimony of Adam Jacobs and exhibits DPS-AJ-1 through 3; the prefiled testimony of Scott Wheeler and exhibit DPS-SGW-1; the rebuttal testimony of Steven Farman and exhibits HED-Farman-Reb-1 and 2; the supplemental prefiled testimony of Steven Farman and exhibits HED-Farman-Supp-2, 2B, 2C, and 3; the surrebuttal testimony of Gina McHugh; the surrebuttal testimony of Scott Wheeler; Hardwick Electric's 5/6/26 Letter.³

III. PUBLIC COMMENTS

The Commission received 11 written public comments. Multiple commenters mentioned poor service quality with frequent outages. All commenters opposed the initially proposed rate increase. Multiple pointed out difficulties with affordability. No members of the public commented at the public hearing.

The Commission understands and shares the concerns of Vermonters who are facing financial pressures and recognizes that any increase in rates has an adverse effect on ratepayers, particularly customers with low income. As discussed below, Hardwick Electric has demonstrated that the proposed rate increase is reasonable and will allow it to recover costs associated with providing safe, reliable electric service for its customers.

³ If any party has an objection to any of these documents being entered into evidence, the party must submit its objection with its comments on this proposal for decision.

IV. STANDARD OF REVIEW

The Commission has the responsibility under Vermont law to ensure that monopoly utility rates are “just and reasonable.”⁴ This standard reflects that rates are not merely formulaic but instead are an estimate of the costs incurred by the utility to provide safe and reliable service while meeting all statutory requirements imposed on the utility. Given the essential service they provide, electric utilities operate within a heavily regulated context, including: regulatory expectations for safe and reliable electric service;⁵ federally regulated wholesale electricity markets and transmission reliability standards; and environmental policy requirements established in Vermont statute, such as the Renewable Energy Standard (“RES”).⁶

In evaluating a utility’s proposed rates, the Commission considers whether those rates provide the utility with a reasonable opportunity to recover its cost to serve customers. In setting rates, the Commission’s role is not to manage the utility but instead to review the reasonableness of the utility’s decisions.⁷

The Vermont Supreme Court explained the process for determining just and reasonable rates as follows:

[T]he [Commission] determines the operating expenses and the “rate base”—the utility’s net plant investment—for the “test year,” usually the most recent full calendar year. . . . The [Commission] then adjusts the rate base by modifying the test year rate base to reflect “known and measurable” changes in plant investment. These are changes that are measurable with a reasonable degree of accuracy and have a high probability of being in effect in the adjusted test year. . . .⁸

Adjustments for operating expenses and capital investments are generally subject to the “known and measurable” standard, which allows changes that are “measurable with a reasonable degree of accuracy and have a high probability of being in effect in the adjusted test year.”⁹ In rate

⁴ *Petition of Village of Hardwick Elec. Dept.*, 143 Vt. 437, 466 A.2d 1180 (1983) (“By statute, the [Commission] is required to set rates that are just and reasonable.”).

⁵ A utility’s Service Quality and Reliability Plan establishes performance metrics and a framework for measuring adequate, safe, and reliable electric service.

⁶ 30 V.S.A. § 8002-8005 establish a renewable energy standard (“RES”) that Vermont electric distribution utilities are required to meet. Under the RES, Vermont’s distribution utilities must procure a defined percentage of their annual load from renewable energy.

⁷ See *Latourneau v. Citizens Utilities Co.*, 125 Vt. 38, 41, 209 A.2d 307, 311 (1965) (“The function of a public [utility] commission is that of control and not of management, and regulation should not obtrude itself into the place of management.”).

⁸ *In re Green Mountain Power Co.*, 162 Vt. 378, 380–81, 648 A.2d 374, 376 (1994).

⁹ *Central Vermont Public Service Co.*, Dockets 6946 & 6988, Order of 3/29/05 at 67.

proceedings, it is the utility's responsibility to satisfy this standard: "the burden of supporting [a] change in rates or rate structure [rests] squarely on the proponent utility."¹⁰

In *Bluefield Waterworks v. Public Service Commission*, the United States Supreme Court set certain constitutional limitations that guide Commission review of proposed rates.¹¹

The Vermont Supreme Court, in interpreting *Bluefield*, opined that "[r]ates cannot be set so low as to be confiscatory for the utility nor so high as to be excessive for the consumer. . . . Between these extremes lies a 'zone of reasonableness' within which a regulatory commission is free to set rates without judicial intervention."¹² In previous decisions, the Commission has recognized that "it is the 'substance and effect' of the [Commission's] actions which must bear judicial scrutiny. The United States Supreme Court has taken the same view of utility regulation by establishing that it is the 'end result' which must meet the constitutional test."¹³ Additionally, longstanding Vermont law authorizes "the Commission to consider management efficiency and customer service in arriving at a determination of just and reasonable rates."¹⁴ Accordingly, I follow the above legal standards set by the United States Supreme Court, the Vermont Supreme Court, and the Commission in making my recommendation in this case.

V. FINDINGS

Pursuant to 30 V.S.A. § 8(c), and based on the record and evidence before me, I present the following proposed findings of fact to the Commission.

1. Hardwick Electric initially requested an increase in annual revenues of 13.24%, or \$937,233, to take effect on a service-rendered basis beginning on June 1, 2025. Steven Farman, Hardwick Electric ("Farman") pf. at 5.

2. Hardwick Electric's cost of service is based on a test year of January 1, 2024, through December 31, 2024. The test-year cost of service is \$7,052,929. Farman pf. at 4-5.

3. The rate year is June 1, 2025, through May 31, 2026. Farman pf. at 4-5.

¹⁰ *In re Consolidated Rate Appeals of Green Mountain Power Co.*, 142 Vt. 373, 381, 455 A.2d 823, 826 (1983); see also *In re Green Mountain Power Co.*, 162 Vt. at 386, 648 A.2d at 379.

¹¹ *Bluefield Water Works & Improvement Co. v. Public Service Comm'n*, 262 U.S. 679, 692–93 (1923).

¹² *Petition of Village of Hardwick Elec. Dept.*, 143 Vt. at 44, 466 A.2d at 1183 (citing *In re New England Telephone & Telegraph Co.*, 139 Vt. 578, 586, 433 A.2d 263, 267–68 (1981); *Permian Basin Area Rate Cases*, 390 U.S. 747, 767, (1968).

¹³ *Petition of New England Telephone Co. re filing of increased rates and charges*, Docket No. 3638, Order of 4/12/73 at 2 (quoting *Federal Power Commission v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944)).

¹⁴ *In re Citizens Utilities Co.*, 171 Vt. 447, 452, 769 A.2d 19, 25 (2000).

4. In Hardwick Electric's initial filing, known and measurable adjustments to the test-year expenses totaling \$937,233 result in a cost of service of \$8,018,188 for the rate year.

Farman pf. at 5.

5. The rate adjustment is primarily due to increased power supply costs and labor and benefits expenses. Farman pf. at 5.

6. Rate-year power supply costs were derived by adjusting the test-year costs for known contract changes, updated market prices, and certain other known and measurable changes.

Farman pf. at 5; Heather D'Arcy, Hardwick Electric ("D'Arcy") pf. at 3-12.

7. Hardwick Electric's power supply costs are increasing in the rate year primarily due to rising energy market costs, capacity market costs, increased open access transmission tariff costs, and increased Vermont Transmission Agreement Common Facilities charges. These increases are partially offset by increased renewable energy credits, resource energy credits, the expiration of the Mystic Cost of Service agreement and the Inventoried Energy Program, and that Hardwick Electric is no longer being charged transmission costs by Green Mountain Power Corporation. D'Arcy pf. at 3.

8. Labor expenses reflect a 5% wage increase for all employees effective June 2024, and an additional 5% increase effective June 2025, as described in the union contract. Farman pf. 6; exhs. HED-Farman-10A, HED-Farman-10B.

9. The Department's recommended adjustments total \$594,672. These adjustments are to operating expenses, based on five-year rather than three-year averages; power supply costs; and Fuel (Weatherization) and Gross Revenue taxes, which are based on revenues. The adjustments include that: Account 593 Distribution Maintenance ("Distribution Maintenance") be based on a five-year average, representing a \$457,203 reduction; some components of Account 923 Admin & General Outside Services ("Outside Services") be left at test year levels and others based on five-year averages, representing a \$99,286 reduction; and power supply costs be reduced as a result of lower wholesale energy market prices after Hardwick Electric filed, representing a \$32,088 reduction. Tax adjustments resulting from the Department's recommended revenue adjustments total \$6,095. Gina McHugh, Department ("McHugh") pf. at 3-6.

10. The use of three-year averages is more appropriate for the Distribution Maintenance

and Outside Services accounts because a five-year average would include outliers, like pandemic-impacted years, and fail to account for recent level-changes in Hardwick Electric's operations, like increased staffing required to deal with repeated severe storms. Using three-year averages results in \$142,043 in upward adjustments to the Department's recommendation. Farman pf. reb. at 3-5.

11. Combining the appropriate adjustments, an increase in Hardwick Electric's annual revenues of 6.84%, or \$484,604, to take effect on a service-rendered basis beginning on June 1, 2025, will result in just and reasonable rates. McHugh pf. sur. at 3.

VI. DISCUSSION

The Rate Case

Hardwick Electric initially requested an increase to its annual revenues of 13.24%, or \$937,233, resulting in a proposed rate-year cost of service of \$8,018,188.¹⁵ Hardwick Electric states that the proposed increase is needed due primarily to a \$447,669 increase in labor expenses, a related \$43,848 increase in payroll taxes, a \$135,459 increase in benefits costs, and a \$259,187 increase in power supply costs. Additionally, Hardwick Electric identifies several smaller adjustments to other operating expenses.

In its testimony, the Department explains that a "thorough audit of [Hardwick Electric's] cost of service was performed."¹⁶ The Department conducted a review of both the rate-year and test-year cost-of-service documents to identify any clerical or computational errors within the financial model and supporting data. As part of this review, the Department examined the documentation provided in support of costs that are proposed for rate recovery. The Department issued discovery requests and evaluated Hardwick Electric's responses. Ultimately, the Department examined whether the proposed operational costs satisfy the applicable regulatory standards, including whether such costs are known and measurable and result in rates that are just and reasonable.

As a result of its review, the Department recommends certain adjustments to Hardwick Electric's cost of service. The Department initially recommended downward adjustments to Distribution Maintenance, Outside Services, and power supply costs. The Department

¹⁵ Farman pf. at 5.

¹⁶ McHugh pf. at 3.

recommended that: Distribution Maintenance be based on a five-year average, representing a \$457,203 reduction; some components of Outside Services be left at test year levels and others based on a five-year average, representing a \$99,286 reduction; and power supply costs be reduced as a result of lower wholesale energy market prices after Hardwick Electric filed, representing a \$32,088 reduction. After accounting for tax adjustments resulting from its recommended revenue adjustments, the Department's initial recommendation was that Hardwick Electric's rate increase be reduced to 4.84%, or \$342,561.

In response to the Department's recommendation, Hardwick Electric accepted most of the Department's adjustments and revised its requested rate increase to 6.84%, or \$484,604. The change that Hardwick Electric recommends is that three-year rather than five-year averages be used for the adjustments to the two accounts the Department identified. Hardwick Electric recommends its Distribution Maintenance adjustment be based on a three-year average to better reflect recent repeated severe storms and the requisite staffing. This recommendation results in a \$120,971 upward adjustment compared to the Department's figure. Hardwick Electric also recommends that its Outside Services adjustment be based on a three-year average to better reflect recent updates to the union contract and ongoing changes to staffing levels as well as the anticipated increased activity related to resilience. This recommendation results in a \$19,616 upward adjustment to the Department's figure.

The Department found no issues with Hardwick Electric's proposal and revised its recommendation. The Department recommends that a rate increase of 6.84%, or \$484,604, be found just and reasonable.¹⁷ Hardwick Electric agreed to reduce its overall rate increase to 6.84%.¹⁸

Pursuant to the legal standard described above, Hardwick Electric's rates must be just and reasonable while allowing it an opportunity to recover its reasonable costs associated with providing electric service to its customers. The agreed-upon 6.84% rate increase will allow Hardwick Electric to fund rising power supply costs and labor and benefits costs and to continue to provide safe and reliable electric service to its customers.¹⁹ Hardwick Electric has

¹⁷ McHugh pf. sur. at 3.

¹⁸ Harwick Electric's 5/6/26 Letter.

¹⁹ With the 6.84% rate increase, a residential customer using 600 kWh would see a monthly bill increase of \$7.92, from \$115.76 to \$123.68.

demonstrated that its costs are reasonable and is therefore entitled to rates that allow it the opportunity to earn sufficient revenue to cover these costs.

Net-metering Billing Practices

In its testimony, the Department also raised potential issues with Hardwick Electric's net-metering billing practices.²⁰ The Department alleged that Harwick Electric's practices are inconsistent with Rule 5.126(A).

Hardwick Electric filed a motion under Rules 1.200 and 2.107 for a time-limited waiver of Rule 5.126(A)(2)(a). Harwick Electric also filed multiple requests for direction related to its net-metering billing practices, which included requests for approval of changes in bill-calculation formulas and approval of associated refunds or clawbacks.

Hardwick Electric's net-metering billing practices are outside the scope of this rate case. Ratepayers may not have adequate notice that the issue of net-metering billing practices is being considered in this case. It is also possible that both Hardwick Electric's original method and the Department's recommended method are inconsistent with Rule 5.126(A).

The Department states that "[Rule 5.126](A)(3) further requires that any excess generation be carried forward as a kilowatt-hour credit, not converted into dollars."²¹ However, Rule 5.126(A)(3)(a) subsections (ii) and (v) requires that first, excess generation is allocated to group members and monetized, becoming a monetized credit, then, if credits remain, such credits must be tracked, applied, or carried forward on group member bills as described in Section 5.129. Section 5.129 states that the bill of a net-metering customer must include, among other items, "the dollar amount of any credits carried forward from the previous months." This indicates that while the netting of generation and usage must occur on a kilowatt-hour basis, the carry-forward process occurs after monetization of such credits. Therefore, it is possible that Hardwick Electric was incorrectly failing to net generation and usage on a kilowatt-hour basis and that the Department incorrectly advised Hardwick Electric to carry forward kilowatt-hour credits instead of monetized credits.

For those reasons, I recommend that instead of resolving net-metering related issues in this case, the Commission open a separate investigation into Hardwick Electric's net-metering

²⁰ Wheeler pf. at 2.

²¹ Wheeler pf. at 3.

billing practices. I also recommend that the Commission deny Hardwick Electric's motion for a time-limited waiver of Rule 5.126(A)(2)(a).

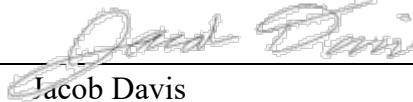
VII. CONCLUSION

Over the course of this proceeding, I have reviewed the information presented by both Hardwick Electric and the Department in testimony and through discovery, and I find that a rate increase of 6.84%, based on an additional annual revenue requirement of \$484,604, will result in just and reasonable rates. Therefore, I recommend that the Commission approve the agreed-upon 6.84% rate increase for Hardwick Electric customers and require Hardwick Electric to file compliance tariffs and a refund plan with the Commission within ten business days of the issuance of this order in the investigation portion of this case in ePUC.

I also recommend that the Commission deny Hardwick Electric's motion for a time-limited waiver of Rule 5.126(A)(2)(a) and open an investigation into Hardwick Electric's net-metering billing practices.

This proposal for decision has been served on all parties to this proceeding in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 17th day of September, 2026.

A handwritten signature in cursive script, appearing to read "Jacob Davis", is written over a horizontal line.

Jacob Davis
Hearing Officer

VIII. PROPOSED ORDER

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

1. The findings, conclusions, and recommendations of the hearing officer are adopted. All findings proposed by parties, to the extent that they are inconsistent with this order, were considered and not adopted.

2. A rate increase by the Town of Hardwick Electric Department (“Hardwick Electric”) of 6.84% is just and reasonable and is approved.

3. Hardwick Electric must file within ten business days of the issuance of this order, in the investigation portion of this case in ePUC: (1) a plan to refund customers the overcollection resulting from the difference between the 13.24% surcharge on customer bills and the 6.84% rate increase approved and (2) compliance tariffs reflecting the approved rate increase. The Vermont Department of Public Service is requested to file its comments no later than 14 days after the refund plan and compliance tariffs are filed.

4. Hardwick Electric’s motion for a time-limited waiver of Rule 5.126(A)(2)(a) is denied.

PUC Case No. 25-0729-TF - SERVICE LIST

Parties:

Elijah D Emerson, Esq.
Primmer Piper Eggleston & Cramer PC
P.O. Box 349
Littleton, NH 03561
eemerson@primmer.com

(for Town of Hardwick
Electric Department)

Alexander Wing
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620
alexander.wing@vermont.gov

(for Vermont
Department of Public
Service)