

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 8190

Investigation into Green Mountain Power)
Corporation's tariff filing requesting an overall)
rate decrease in the amount of 0.03%, to take)
effect October 1, 2014)

and

Docket No. 7770

Amended Joint Petition of Central Vermont)
Public Service Corporation ("CVPS"), Danaus)
Vermont Corp., Gaz Métro Limited Partnership)
("Gaz Métro"), Gaz Métro inc., Northern New)
England Energy Corporation ("NNEEC") for)
itself and as agent for Gaz Métro's parents,)
Green Mountain Power Corporation ("GMP"))
and Vermont Low Income Trust for Electricity,)
Inc. ("VLITE"), for approval of: (1) the merger)
of Danaus into and with CVPS; (2) the)
acquisition by NNEEC of the common stock of)
CVPS; (3) the amendment to CVPS's Articles of)
Association; (4) the merger of CVPS into and)
with GMP; and (5) the acquisition by VLITE of)
a controlling interest in Vermont Electric Power)
Company, Inc.)

Order entered: 4/24/2014

PROCEDURAL ORDER

By memorandum dated March 5, 2014, the Public Service Board ("Board") requested responses from the parties in Docket 8190 to questions related to the review and future use of Actual O& M Costs (as defined in the Board's Order of June 15, 2012, in Docket 7770, the

"Docket 7770 Order"). The Board received substantive responses to its questions from the Vermont Department of Public Service ("Department") and Green Mountain Power Corporation ("GMP") on March 17 and April 4, 2014.

At the time of the Docket 7770 Order, the Board contemplated that the traditional cost-of-service review required by that Order would include a review of the merged utility's new cost structure, including Actual O&M Costs, even though the revenue requirement would be determined solely by reference to Base O&M Costs (as defined in the Docket 7770 Order).¹ The Board also contemplated that the reviewed Actual O&M Costs would be used for purposes of determining the appropriate allocation of costs among rate classes in the subsequent rate design petition to be filed on October 15, 2014 (with proportionate adjustment of the rates of each class to reflect the revenue requirement established in the prior rate case).

In their responses of March 17, the Department and GMP were in agreement that the Docket 8190 proceeding is not now the appropriate vehicle to review Actual O&M Costs. The Department notes that the Docket 8190 proceeding is time-sensitive and well underway and "believes that the complications that would be injected into the [Docket 8190] proceeding by an actual O&M cost filing would outweigh the benefit of the review within the confines of [the Docket 8190] rate case."²

In their responses of April 4, the Department and GMP disagree about the potential utility and benefit of using Actual O&M Costs in determining the appropriate allocation of costs among rate classes in the rate design proceeding. GMP maintains that no review of Actual O&M Costs is appropriate prior to GMP's 2016 fiscal year.³ While acknowledging that a review of Actual O&M Costs "would add a layer of complexity and likely a delay in the rate design proceeding," the Department "is concerned that a rate design that does not take account of Actual O&M Costs could result in rates that do not fairly allocate costs among all classes."⁴

Based on the advanced stage of the proceedings in Docket 8190 and the length of time GMP indicates it would take for it to develop a filing that included Actual O&M Costs, the

1. *See* Docket 7770 Order at 102 & 157.

2. Department's Response of 3/17/14 at 1.

3. GMP's Response of 4/4/14 at 4.

4. Department's Response of 4/4/14 at 2.

Board appreciates that the Docket 8190 proceeding may not now be the best forum to conduct a review of Actual O&M Costs. Nevertheless, the Board has decided that the use of Actual O&M Costs for cost allocation purposes in the rate design proceeding is appropriate.⁵

The use of Actual O&M Costs in the rate design proceeding will require the review of Actual O&M Costs either prior to the filing of the rate design petition or as part of the rate design proceeding. The Board recognizes and accepts that, at this point, a review of Actual O&M Costs may possibly delay either the commencement or duration of the rate design proceeding. It wishes to accomplish such a review in as efficient and expeditious a process as possible, and looks to the parties in these dockets for proposals and recommendations about how this may now be best accomplished. Any such proposals and recommendations shall be filed with the Board by May 8, 2014.

SO ORDERED.

Dated at Montpelier, Vermont, this 24th day of April, 2014.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/John D. Burke</u>)	BOARD
)	
)	OF VERMONT
<u>s/Margaret Cheney</u>)	

OFFICE OF THE CLERK

FILED: April 24, 2014

ATTEST: s/Judith C. Whitney
Deputy Clerk of the Board

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

5. In addition to the reasons for such use mentioned in the Board's memorandum of 3/5/14 and the Department's response of 4/4/14, *see* Docket 7770, tr. 3/22/12 at 193-200 (Griffin).