

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 23-____-PET

Petition of Green Mountain Power for approval)
of its Zero Outages Initiative as a Strategic)
Opportunity pursuant to 30 V.S.A. § 218d and)
GMP’s Multi-Year Regulation Plan)

**PREFILED DIRECT TESTIMONY OF
LAURA DOANE
ON BEHALF OF GREEN MOUNTAIN POWER**

October 9, 2023

Summary of Testimony

Ms. Doane provides an overview of GMP’s current Multi-Year Regulation Plan (“Regulation Plan”), and how GMP’s proposed Zero Outages Initiative works with the Regulation Plan to improve resiliency and benefit customers in the face of climate change. She sets forth the regulatory accounting methodologies that would apply to both capital and O&M expenses for the Zero Outages Initiative, and how these projects will be incorporated into rates during the Regulation Plan period and beyond.

Exhibit List

Exhibit GMP-LD-1	Zero Outages Regulatory Accounting Proposal
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PREFILED DIRECT TESTIMONY OF
LAURA DOANE
ON BEHALF OF GREEN MOUNTAIN POWER

Introduction

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

2 A1. My name is Laura Doane, and I am employed by Green Mountain Power as the Manager
3 of Operational Finance.

4 **Q2. Please describe your educational and business background.**

5 A2. I received a bachelor's degree in Business Administration from the University of
6 Vermont in 2007 and have worked in accounting and utility finance positions since that
7 time. I started my employment with Central Vermont Public Service Corporation in 2010
8 as a financial accounting and reporting analyst. I continued in that role with Green
9 Mountain Power, most recently moving into the position of Manager of Operational
10 Finance. In these positions I've worked on numerous aspects of GMP's regulatory
11 finance and accounting structure, including fixed asset accounting, financial statements
12 and audits, budgeting, forecasting and cash management.

13 **Q3. Have you previously testified before the Public Utility Commission ("Commission"
14 or "PUC")?**

15 A3. This is my first time testifying before the Commission, although I have supported the
16 testimony of other finance witnesses in several rate filings, including assisting with the
17 preparation and review of data production and discovery requests.

1 **Q4. What is the purpose of your testimony in this case?**

2 A4. The purpose of my testimony is to describe how the proposed Zero Outages Initiative
3 relates to GMP's approved Regulation Plan; outline the process for how GMP will seek
4 regulatory approval for projects proposed for the Zero Outages Initiative; and explain the
5 regulatory accounting approach GMP proposes for investments associated with the Zero
6 Outages Initiative projects that benefit customers, including both capital and operation
7 and maintenance ("O&M") expenses, during the Regulation Plan period and thereafter.

8 **Q5. To start, can you briefly explain GMP's current Regulation Plan.**

9 A5. Yes. As the Commission is aware, GMP is currently operating under a Regulation Plan
10 approved by the Commission in Case No. 21-3707-PET on August 31, 2022, and as
11 amended March 30, 2023. The Regulation Plan was authorized under 30 V.S.A § 218d in
12 conjunction with a traditional rate case and a year-long review. It established the process
13 by which GMP will set rates for four years, from Fiscal Year ("FY") 2023 through FY
14 2026. The Regulation Plan combines a clear and transparent approach to lock a large
15 percentage of costs for customers over its life, subject to certain exceptions, with
16 reasonable mechanisms to track and adjust other variable costs. The Regulation Plan
17 therefore balances the desire for certainty in anticipated costs with the need for flexibility
18 to confront the rapidly changing energy landscape.

19 As described further by Mr. Burke in his testimony, the significant storms in the
20 winter of 2023 and major flooding events in the summer of 2023 make it clear that we
21 have to move even faster to deploy solutions we know work to harden GMP's system for
22 customers, delivering resiliency in the face of dramatic climate change driven weather

1 events increasing in severity and frequency—cyber or other attacks, and planned regional
2 outages. The Zero Outages Initiative outlines the framework for this additional critical
3 work for customers and will supplement our on-going grid hardening work conducted
4 under the previously approved Climate Plan and our Regulation Plan.

5 **Q6. Does the Regulation Plan establish any principles for approval of the investments**
6 **proposed under the Zero Outages plan?**

7 A6. Yes. The Regulation Plan provides that GMP may seek authorizations for additional
8 investments for customers for unexpected or strategic opportunities. Specifically, Section
9 IV(A)(6) of the MYRP provides that:

10 Notwithstanding the other provisions of this Plan, GMP may petition the
11 PUC for approval at any time during the Plan for incremental plant in
12 service additions, expenses, and revenue to be included in rates when
13 either unexpected circumstances or new strategic opportunities arise that
14 provide material benefit to customers.

15
16 Strategic opportunities here may include, but are not limited to, categories
17 of investments that provide new opportunities to increase the resiliency of
18 the distribution system.

19
20 Regulation Plan Section IV(A)(6).

21 This provision also requires that such expenditures are “in customers’ best
22 interests and will result in just and reasonable rates in the long run.” *Id.* It is in the
23 customers’ best interest to increase these investments as the unexpected and increasing
24 scale and frequency of storms requires that we do more for customers now. As Mr. Burke
25 discusses, we are seeking a strategic exception to our Regulation Plan now to allow us to
26 invest up to \$250M in additional T&D storm hardening work and \$30M in additional
27 storage solutions to our base capital plan over the course of the years remaining in the

1 Plan, to be reflected in rates only as we actually complete these projects for customers.

2 The framework I discuss below provides a process for reporting and including these
3 investments while providing an appropriate review mechanism.

4 **Q7. Can you summarize the Zero Outages Initiative approval process GMP proposes to**
5 **satisfy these criteria?**

6 A7. During the term of the existing Regulation Plan GMP is proposing a regulatory
7 accounting process for Zero Outages work that is consistent with the methodology
8 approved by the Commission in GMP's Climate Plan. Specifically, GMP will not include
9 any Zero Outages capital projects in rate base until the capital projects have been
10 completed and placed in service and are reviewed and approved by the Commission.
11 Similarly, Zero Outages related O&M expenses will not be included in cost of service in
12 a rate filing until the costs have been incurred, reviewed, and approved by the
13 Commission.

14 For each project developed under the Plan, GMP will continue to follow the
15 required capital documentation standards outlined in GMP's Memorandum of
16 Understanding with the Department of Public Service and approved by the Commission
17 in Case No. 17-3112-INV (Exhibit #2 to DPS/GMP MOU). Consistent with GMP's
18 Climate Plan, GMP will record to a regulatory asset for future recovery from customers
19 the depreciation, property taxes, and other project expenses between the time a Zero
20 Outages capital project is completed and placed in service and when it is included in rate
21 base in a rate filing, as discussed in more detail below. GMP will also record to a

1 regulatory asset incurred Zero Outages O&M expenses that have not been included in the
2 cost of service of a base rate filing.

3 Once projects are completed, GMP will submit them for Commission review and
4 approval in its subsequent Annual Base Rate filing during the Regulation Plan to confirm
5 benefits for customers. GMP will identify the Zero Outages capital and O&M projects
6 completed and which have not yet undergone final Commission review and approval
7 following the documentation requirements of the Regulation Plan. Commission-approved
8 Zero Outages capital and O&M projects will be included in rates in the following fiscal
9 year (i.e., Commission-approved capital and O&M Zero Outages projects that were
10 included with GMP's June 1, 2025 Regulation Plan filing will be included in FY26 base
11 rates, commencing October 1, 2025). The specific regulatory accounting process for our
12 Zero Outages work is outlined in **Exhibit GMP-LD-1**.

13 **Q8. Can you explain how investments and expenses associated with the Zero Outages**
14 **Initiative will be tracked and incorporated into rates during the Regulation Plan**
15 **period?**

16 **A8.** Yes. As described in more detail in **Exhibit GMP- LD-1**, expenditures associated with
17 Zero Outages projects will be separately tracked in a manner that allows these activities
18 to be separated from other capital spending or O&M expenses so they can be clearly
19 identified in future Annual Base Rate filings (as described above). Each Annual Base
20 Rate filing will provide a summary of the projects for which GMP is seeking approval,
21 and the lead schedules in each Base Rate filing will separately identify the expenditures
22 associated with Zero Outages projects. Examples of the Zero Outages report and lead

1 Base Rate schedules are included in **Exhibit GMP-LD-1** as **Appendix 1** and **Appendix**
2 **2**, respectively. The first anticipated Zero Outages filing would be filed with the FY26
3 Annual Base Rate filing, to be filed June 1, 2025. Consistent with the methodology used
4 in the Climate Plan, this Annual Base Rate filing would include Zero Outages projects
5 completed between the date the Commission approves the Zero Outages Initiative, and
6 March 31, 2025. Subsequent Zero Outages filings would be completed consistent with
7 the schedule outlined in **Exhibit GMP-LD-1**.

8 **Q9. Will GMP apply Allowance for Funds Used During Construction (“AFUDC”) to**
9 **Zero Outages capital projects during construction?**

10 A9. Yes. As noted above, GMP will not include a Zero Outages capital project in rate base
11 until after it is placed in service and reviewed by the Commission. Since the Zero
12 Outages capital project’s construction work in process (“CWIP”) is not included in rate
13 base, GMP will follow its AFUDC policy and accrue AFUDC on the Zero Outages
14 capital project while it is under construction. Once the Zero Outages capital project is
15 placed in service, AFUDC would cease.

16 **Q10. Can you explain in more detail GMP’s proposed regulatory accounting treatment**
17 **for the incremental investments and expenses incurred related to Zero Outages**
18 **projects from the time these projects are completed to the date the projects are**
19 **included in a base rate filing.**

20 A10. As previously discussed in my testimony, GMP is seeking approval to record to a
21 regulatory asset Zero Outages capital project depreciation, property tax, incremental
22 O&M expenses, and cost of capital, as applicable, from the date the Zero Outages project

1 is placed in service until the date the Zero Outages project is reflected in a base rate
2 filing. GMP will accrue the cost of capital on the regulatory assets, excluding the deferred
3 debt and equity components of the regulatory asset, but defer collection of the regulatory
4 assets until the Commission specifically approves including the underlying Zero Outages
5 projects giving rise to the regulatory assets in a base rate filing. For capital projects, GMP
6 will propose a depreciation schedule based on the asset's useful life when it seeks PUC
7 authorization to add the assets to a future base rate filing. O&M expenses associated with
8 Zero Outages work will be added to base rates in the year approved by the Commission,
9 or GMP will propose a specific longer amortization period when it seeks approval of
10 these expenditures. This approach is consistent with the methodology approved under
11 GMP's prior Climate Plan and serves customers' best interests by ensuring that projects
12 are completed and providing benefits to customers before they are included in rates.
13 Investments will also clearly be known and measurable because construction will be
14 completed.

15 **Q11. Does GMP anticipate that Zero Outages Initiative investments will require any**
16 **change in its capital structure under the Regulation Plan?**

17 A11. No. GMP expects to fund the Zero Outages Initiative consistent with its existing capital
18 structure of 50% debt, 50% equity. This approach reflects GMP's long-term and ongoing
19 commitment to its customers to deliver the level of capital projects necessary to ensure
20 they have access to clean, safe, cost-effective, and reliable power even in the face of a
21 rapidly changing climate. Continuing to fund these projects with a 50% equity and 50%

1 debt structure is consistent with this commitment and represents a needed additional
2 investment to create a resilient future for Vermont.

3 **Q12. Does GMP's Zero Outages Initiative require any change to how debt costs are**
4 **handled under the Regulation Plan?**

5 A12. No. The Regulation Plan already allows for modification of the fixed debt component to
6 align with capital needs associated with projects that are approved by the Commission.
7 *See Regulation Plan Section IV(A)(3).* Consistent with this provision, GMP would
8 propose any modifications in associated debt costs at the time of the annual base rate that
9 seeks approval to add any Zero Outages projects to rate base.

10 **Q13. Will GMP's proposed Zero Outages Initiative regulatory accounting treatment**
11 **require GMP to make any adjustments to any other Regulation Plan components?**

12 A13. No, GMP's proposed Zero Outages Initiative regulatory accounting treatment will not
13 require GMP to make an adjustment to any other Regulation Plan components. The
14 recording of AFUDC on Zero Outages CWIP and the deferral of Zero Outages capital
15 depreciation, property taxes, incremental O&M expenses, and cost of capital from the
16 date the Zero Outages capital project was placed in service to the date the project is
17 included in a base rate filing eliminates the need to make any adjustments to other
18 components of the Regulation Plan.

19 **Q14. Does this conclude your testimony?**

20 A14. Yes.

I, Laura Doane, declare that the above statements provided in my testimony are true and accurate to the best of my knowledge and belief. 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.

Dated at Colchester, Vermont this 9th day of October 2023.



Laura Doane