

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 23-3501-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 REBUTTAL TESTIMONY OF
LAURA DOANE
ON BEHALF OF GREEN MOUNTAIN POWER**

April 15, 2024

Summary of Testimony

Ms. Doane responds to the Department of Public Service's regulatory accounting and related recommendations for GMP's Zero Outages Initiative.

Exhibit List

Exhibit GMP-LD-1 (rev.)

Description of regulatory accounting treatment updated with schedule for ZOI and related regulatory filings

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

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

2 A1. My name is Laura Doane. I am the Manager of Operational Finance for Green Mountain
3 Power (“GMP”).

4 **Q2. Have you previously submitted testimony in this proceeding?**

5 A2. Yes, I previously provided prefiled direct testimony on October 9, 2023, in support of
6 GMP’s Zero Outages Initiative (“ZOI”).

7 **Q3. What is the purpose of your testimony today?**

8 A3. I respond to the Department of Public Service’s (“DPS” or “Department”) direct
9 testimony with respect to several regulatory accounting items raised in Mr. Steven Hunt’s
10 testimony. Specifically, I address how GMP will handle incremental ZOI O&M costs,
11 respond to the Department’s proposed performance penalties, and explain how cost
12 savings associated with ZOI work will be passed through to customers. Each of these
13 points is addressed below.

14 **Q4. How does GMP respond to Mr. Hunt’s recommendations for how incremental ZOI
15 related O&M costs are handled?**

16 A4. As outlined in my initial testimony, GMP proposes recording to a regulatory asset any
17 incurred Zero Outages O&M expenses that have not already been included in a cost of
18 service of a base rate filing, and then, once specific ZOI projects are completed, GMP

1 will propose inclusion of capital and incremental O&M costs for recovery in a future base
2 rate filing for Commission review and approval.¹ This approach provides an opportunity
3 for the type of review of O&M costs Mr. Hunt recommends. Under our proposal, GMP
4 will have the responsibility of demonstrating that any O&M costs included in an annual
5 base rate filing are incremental and not otherwise included in base rates under the MYRP,
6 which appears consistent with Mr. Hunt's comments. No incremental ZOI related O&M
7 costs will be included in future rates unless GMP makes this demonstration, and they are
8 approved by the Commission after annual review.

9 **Q5. In your opinion, is it possible for GMP to track and document incremental O&M**
10 **costs associated with ZOI projects? Can you explain how this will be handled and**
11 **give examples of the methods GMP will likely use.**

12 A5. Yes, we will document ZOI specific incremental O&M costs using well-established
13 methods. The approach used will vary depending on the type of expense. For example, as
14 Mr. Hunt notes, and as explained in GMP's discovery responses, GMP anticipates
15 additional internal hires to help design, develop and implement ZOI projects to
16 accomplish this important work for customers. Those will be documented, and the time
17 dedicated by each new hire to ZOI specific work can be recorded, and if necessary be
18 separated from any non-ZOI work they may perform. We will follow generally
19 acceptable accounting principles as we do now, assigning this work as a capital expense
20 when in support of a capital project (as much of it will be) and assigning it as identifiable,

¹ See Prefiled Direct Testimony of Laura Doane at 6.

1 incremental O&M where appropriate. An O&M expense such as labor to install a
2 transformer, will be easily reviewed and segregated by project. Charges can be
3 differentiated between time spent by an already existing employee and that spent by a
4 new hire or contractor costs. Only costs from a contractor or newly hired ZOI employee
5 would be deferred. These methods will provide information the Commission can review
6 during annual base rate filings to confirm that any ZOI costs are in fact incremental and
7 are not otherwise already included in rates.

8 **Q6. How do you respond to Mr. Hunt's recommendations regarding the regulatory**
9 **accounting proposal for the Department's proposed performance-based penalties?**

10 A6. As noted in Mr. Burke's testimony, GMP agrees that tracking ZOI-related performance is
11 important, and we have proactively proposed a suite of metrics which will help evaluate
12 initial ZOI projects and inform the design and implementation of the next phase of ZOI
13 work.² Department witnesses outline several possible categories of data that could be
14 tracked as part of this evaluation, and we have incorporated aspects of these into our
15 proposal. However, as described further by Mr. Burke, GMP does not agree that it is
16 appropriate to impose performance penalties during ZOI implementation as DPS
17 suggests. Mr. Burke's testimony outlines an alternate approach to tracking and reporting
18 metrics that will give the Commission a chance to review outcomes during GMP's next
19 Multi-Year Regulation Plan proceeding. This will provide sufficient time to complete
20 initial ZOI projects, track and report on their performance, and then use that information

² See Exhibit-GMP-MB-17.

1 to inform the second phase of this important work, along with any modifications to
2 metrics or the addition of possible performance mechanisms at that time.

3 To the extent the Commission considers performance-based penalties in this
4 proceeding, I have concerns with the regulatory accounting approach proposed by Mr.
5 Hunt. His approach appears to contemplate both penalties and incentives and is therefore
6 inconsistent with the actual mechanisms proposed by other Department witnesses which
7 is penalty only.³ His regulatory liability/asset approach is both overly complicated and
8 illustrates one of the shortcomings of the Department's recommendation which is not
9 definitive on the timeframe in which penalties would be measured, which as Mr. Burke
10 explains is particularly problematic given the need to take a comprehensive approach
11 with the ZOI work for customers that may not be capable of measuring improvement
12 based upon the Department's proposed metrics over the approximately two years planned
13 for Phase 1.

14 Instead, tracking and reporting on performance of ZOI projects should be required
15 as GMP proposes, but additional information is needed to ensure that any performance-
16 based mechanisms that may be used in the future are properly designed and are clearly
17 tied to the positive customer outcomes we all seek to achieve.

³ See Prefiled Testimony of Steven Hunt at 8-9.

1 **Q7. Mr. Hunt also comments on how GMP will include cost savings associated with ZOI**
2 **work in future rate filings. He recommends including known and measurable**
3 **savings in a regulatory account for future return to customers. How do you**
4 **respond?**

5 A7. We absolutely agree that cost savings associated with ZOI should benefit customers –
6 indeed that is one of the primary goals of this customer-focused initiative – and we have a
7 rate and regulatory plan structure that already ensures that will happen. The purpose of
8 ZOI is to storm harden our system to reduce future outages for customers to avoid both
9 the severe impact these outages have on customers’ daily lives, and also limit the
10 significant and escalating costs associated with storm restoration activities due to climate
11 change. Future major storm costs that are avoided or reduced by ZOI work will
12 automatically and immediately accrue to customers through reduced storm adjustments
13 under the MYRP Major Storm Adjustor. Mr. Hunt mentions the potential for ZOI to
14 result in major storm restoration cost savings but suggests that we have not provided a
15 proposal to factor in these (and other) savings for customers. I strongly disagree with that
16 assertion, particularly regarding major storm costs. The mechanisms in place in our
17 current MYRP ensure that these major storm cost savings will be passed through directly
18 to customers.

19 Other cost savings that materialize over time will also be passed through to
20 customers in future rate proceedings when savings are known and measurable because
21 our rate filings are based upon methodologies that capture actual costs over varying
22 timeframes. For example, we expect O&M costs associated with pole inspections will

1 decrease as the number of poles in our system are reduced through undergrounding.
2 Similarly, total vegetation management costs should be reduced in the future compared to
3 not implementing the ZOI. Both these types of O&M costs are based on multi-year cycles
4 across our entire system and those averages will decrease as the work proceeds, just as
5 would be expected and appropriate in traditional rate making, and just as would happen
6 if, without the ZOI, costs were to continue to rise. That is why a separate regulatory
7 account to track savings is neither necessary nor appropriate; we will be able to highlight
8 savings as they occur and incorporate them into our rate filings for Commission review
9 under our current rate and regulatory framework.

10 These savings will absolutely benefit customers in the future through reduced
11 costs. O&M costs in each MYRP proceeding are set based on historic actual costs –
12 typically a three-to-five-year average of actual costs depending on the category of
13 expense. As these costs come down, so will amounts in rates. Assuming Phase 1 of our
14 proposed ZOI work commences in summer of 2024, and initial ZOI projects are
15 completed in FY25, there will be an opportunity to analyze areas of specific savings in
16 FY26 associated with this work. This analysis can then inform actual O&M levels used in
17 the MYRP as appropriate in GMP’s next MYRP (including potential adjustments to the
18 method used to set O&M levels in the MYRP). I have included a timeline table in
19 **Exhibit GMP-LD-1 (rev.)** that updates the regulatory accounting summary I provided to
20 the Commission in my initial direct testimony. If the ZOI Petition is approved, this
21 document can be added as an attachment to GMP’s MYRP.

1 **Q8. Can you further explain how GMP will handle capital retirements associated with**
2 **ZOI work?**

3 A8. Yes. GMP does plan to incorporate the retirement of capital assets that are removed as
4 part of a ZOI project when calculating plant-in-service balances. To accomplish this, we
5 will continue the process established in our Broadband Tariff program, where we
6 calculate the depreciation on the assets retired in each project, and then net that against
7 the new depreciation. Only the net amount will be recorded to the regulatory asset. This
8 ensures that plant-in-service balances will be net of retirements, consistent with Mr.
9 Hunt's recommendation. Under GMP's proposed regulatory accounting methodology, the
10 Commission will be able to confirm these values in its annual review process before ZOI
11 projects are approved and incorporated into rates.

12 **Q9. Does that conclude your testimony today?**

13 A9. Yes, it does.

I, Laura Doane, 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.

Dated at Rutland, Vermont this 15th day of April 2024.

Laura Doane

Laura Doane