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SENATE COMMITTEE ON FINANCE

Re: Written Testimony in Support of Senate 60

Dear Senators:

Stowe Electric Department ('Stowe') respectfully submits the following comments on Senate Bill 60. Stowe is supportive of the policy intent behind S.60 and applauds the work done by this Committee, the Department of Public Service ('DPS'), Vermont Public Power Supply Authority ('VPPSA'), and Vermont Electric Cooperative ('VEC') in developing the current draft. The intent of Stowe's written testimony is to encourage this Committee to focus on whether, as drafted, S.60 maximizes a policy benefit to Vermont's municipal utilities and electric cooperatives necessary to offset additional layers of regulatory complexity and administrative costs.

As laid out in the testimony before this Committee on February 9, 2021, S.60 proceeds in two-parts. Part 1, starting on page 1, line 14 of the draft version 4, develops a procedure to encourage municipal and cooperative utilities to initiate rate increases more frequently. Part 2, starting page 3, line 1, develops a procedure to encourage municipal and cooperative utilities to experiment in short-term pilot programs to test innovative rate design or service offerings.

Stowe is supportive of both policy goals. However, the legislation as proposed limits the applicability of the legislation to the utilities that have received Commission approval of their current rates on or after January 1, 2021. This date minimizes the intended incentive in S.60 to encourage small utilities to bring small rate increases before the Commission,

because most otherwise eligible Vermont utilities will be required to bring a fully contested rate case before the Commission after this date.

As you may be aware a contested rate proceeding is expensive, and typically requires significant ratepayer funds and utility staff time to complete. Expert witness costs and attorney fees for Stowe's 2018 Rate case exceeded \$180,000.00, which does not include staff time, and the administrative costs borne by DPS and PUC during the proceeding. Stowe can provide the Committee upon request a cost-summary of the staff time, expert witness fees, and legal fees associated with Stowe's 2018 rate case, 2017 Integrated Resource Plan, and 2020 Integrated Resource Plan.

Stowe's current rates were approved by the Commission on August 15, 2018, which means Stowe will be required to bring a fully contested rate case before the Commission within only 3-years of our most recent rate case. Due to the administrative burden and costs associated with preparing and presenting a fully contested rate case Stowe is unlikely to bring a rate case soon and thus will be unable to utilize the opportunity within S.60 for small rate increases in the foreseeable future.

Stowe encourages the Committee to replace the January 1, 2021 sunrise provision with January 1, 2018. This date will allow a greater number of otherwise eligible utilities would be able to take advantage of the policy intent of S.60 much sooner. Stowe remains amenable to the embedded 10% rate increase threshold within S.60 as a requirement for bringing a full contested rate case to the Commission.

A further concern exists within Section (n)(1)(2) starting on page 2, line 3 of S.60 version 4. This provision allows for an objection made by any interested party within 45 days from the time notice of the rate change is received. Presumably, any objection under this provision will initiate a fully contested rate case proceeding. The potential of precipitating a fully contested rate case upon presentation of a minor rate change within

the threshold of 2% contemplated in S.60 is also likely to have chilling effect on use of this legislation as proposed.

Smaller Vermont utilities are lean organizations, risk adverse, and focused on serving their customers with the least cost and safest electrical service possible. If the intent of S.60 is to encourage smaller Vermont utilities to engage in more frequent and smaller rate increases, then the Committee should limit the parties able to bring an objection under this provision. Stowe proposes that such rate increases should be designated as de minimis, and thus obviate due process concerns regarding the small rate increases proposed within S.60.

Stowe suggests that the language in starting on page 2, line 2 of S.60 version 4, should be amended in one of two ways, and either are amenable to Stowe. The first proposal is to amend section (n)(1)(2) to strikeout the redline language and add the underline italicized language as set forth below:

(2) The municipal company or electric cooperative shall provide written notice of a rate change pursuant to this subsection to the Department of Public Service and the Commission at least 45 days prior to implementing the rate change. Included with the submission shall be a rate analysis describing the rationale for the rate change. ~~Unless an objection to the rate change is filed with the Commission within 45 days of this notice or the Commission orders an investigation on its own motion, the municipal company or electric cooperative may shall implement the rate change.~~ *The rate change shall take effect after the 45 day notice runs without further action by the Commission.*

The second proposal would be to give the sole authority to object to the rate increase to the Commission and the Department's Consumer Affairs & Public Information Division ('CAPI'). In the limited context of small rate increases, the Commission and CAPI are well situated to act in the best interest of Vermont ratepayers. Adoption of either of these proposed amendments will better incentivize the smaller utilities to appear more frequently and with smaller rate adjustments by limiting the exposure to a fully contested rate increase.

Regarding Part 2 of S.60, Stowe is supportive of allowing smaller utilities to voluntarily engage in pilot programs that test out innovative rate designs or services. However, sections (o)(2) & (3) starting on page 3 line 15 of S.60 version 4, are similarly challenged in offering an incentive to the municipal and cooperative utilities to submit proposed rate changes contemplated within S.60. Under current regulatory conditions, innovative pilot programs are costly and time consuming for smaller utilities to design and implement. If any interested party can object to an innovative pilot program and initiate an administratively burdensome investigation, then smaller utilities will have even less of an incentive to take advantage of the policy intent of this section. Stowe also suggests the Committee either eliminate the opportunity to object to time-limited pilot rate designs or services, or limit objections under sections (o)(2), (3) to only the Commission and CAPI.

Stowe appreciates the opportunity to provide written testimony to the Committee on S.60. The policy intent of this proposed legislation will incentivize Vermont municipal and cooperative utilities to take advantage of small rate increases and innovative short-term pilot programs. However, statutory changes contemplated in S.60 should confer a benefit to the municipal and cooperative utilities that clearly offsets additional regulatory complexity and administrative costs.

Respectfully,



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