



S. 60 Municipal and Cooperative Utility Rate Flexibility Bill

This bill provides flexibility to municipal and cooperative utilities in two areas:

- 1) The ability to offer innovative rates and services on a pilot basis with the option for these rates or services to become permanent following a pilot period.
- 2) The ability to implement minor rate adjustments (typically below inflation) to absorb cost drivers without the added expense of full rate case.

Summary:

The proposal would provide greater local control to municipal and cooperative utilities in a way that allows them to be more responsive to business needs and customer expectations. It creates similar flexibility afforded to investor-owned utilities under existing "Alternative Regulation" while maintaining state regulatory guardrails and oversight.

Purpose:

- Allows municipal and cooperative utilities to quickly respond to energy industry transformation
- Facilitates innovation necessary to meet Vermont's increasing reliance on renewable resources and demands for improved environmental performance
- Reduces costs and administrative burden of litigation and legacy regulatory ratemaking processes that limit the utility's ability to be flexible and serve modern needs and expectations
- Improves municipal credit ratings and reduces ratepayer costs
- Provides rate stability by minimizing large, sporadic rate increases that must be absorbed all at once.

Background:

Vermont's municipal and cooperative electric utilities are presently experiencing several specific challenges with ratemaking within the existing regulatory framework:

- 1) Traditional rate proceedings are slow, costly, and hampered by a rigid structure.
- 2) The changing energy landscape is requiring utilities to adapt to industry changes and customer desires.
 - a. Increasing deployment of renewables and customer-sited generation
 - b. Growing reliance on the electric sector to power transportation and heating
 - c. Growing need to control the timing of electric load coincident with generation
 - d. Aggressive renewable goals create cost pressures in the electric sector.
 - e. Ratings agencies are increasingly concerned about the ability of utilities to adjust rates in response to more dynamic business requirements
 - i. Moody's Investment Services noted in recent years the inability of Vermont public power entities to adjust their own rates has a negative impact on VPPSA's rating. Moody's listed VPPSA's scorecard rating based on its financial status a A3



but then reduced VPPSA's rating to Baa1 due to the inability of the utilities backing VPPSA bonds to adjust rates without state approval.

Regulatory Safeguards:

- Utilities would need to first complete a traditional rate case and receive Public Utility Commission approval of its rates after January 1, 2021.
- Requires approval of the utility governing body
- Maintains Department of Public Service and PUC oversight through required notices and check points
- Requires full PUC rate proceeding for larger individual rate increases and after cumulative smaller increases reach a threshold
- Retains full PUC authority to investigate a pilot rate or minor rate adjustment any time

Existing Utility Reporting Ensures Transparency:

- *Integrated Resource Plan* - 20-year comprehensive plan developed every 3 years pursuant to 30 V.S.A. § 218c
- *Service Quality and Reliability Plan (SQRP)* - Reliability reports filed quarterly and annually.
- *Annual Outage Reports* - completed under PUC Rule 4.900
- *Audited Financials* - available on most utility websites and upon request
- *Energy Information Administration Reports* - utility financials that DPS has access to
- *Annual Report* - previously required financial data similar to FERC's Annual Report
 - DPS stopped requesting due to tax data privacy issue.
 - VPPSA standing up internal report structure pending DPS replacement.
 - Some data still filed pending DPS redesign (1-page gross revenue tax)
- *Quarterly and Annual Reports* detailing past and proposed power supply transactions of Vermont's electric utilities - under PUC Rule 5.200
- *Renewable Energy Standard Compliance* under 30 V.S.A. § 8005 and PUC Rule 4.400
 - Tier 3 Annual Plan (November 1)
 - Tier 3 Savings Claim (March 15)
 - Compliance Filing (August 15)
- *Net Metering Data for Biennial Update* - submitted under PUC Rule 5.100
- *Annual Resource Survey* - documenting power supply resources and kWh sales. Requested by DPS and provided voluntarily
- *Ad Hoc reports based on regulatory or legislative requests* (e.g. retail sales and arrearage impacts of the COVID pandemic)

Under **30 V.S.A. § 18**, the PUC and DPS have broad statutory authority to "examine the books, accounts, and papers of any company, receiver, trustee, or lessee owning or operating any line, plant, or property, subject to the Commission's or the Department's jurisdiction that in any way relate to or contain entries, data, or memoranda concerning any transaction substantially affecting the interests of the State of Vermont or consumers of utility services within the State..."