

## Memorandum

To: The Senate Finance Committee  
From: Melissa Bailey, Manager of Government and Member Relations  
Date: February 26, 2021  
Subject: Supplemental VPPSA Testimony on S. 60

Vermont Public Power Supply Authority offers the following supplemental testimony to provide additional context to the Department of Public Service's memo dated February 18<sup>th</sup> regarding customer benefits of rate regulation.

It is important to note that municipal and cooperative electric utilities operate as non-profit entities. As such, they are "at-cost" providers of electric service with no motive to seek higher than needed rates. To the extent municipal utility rates do produce excess funds, those funds remain in the municipal department fund balance for future ratepayer benefit. The same is true for municipal water and wastewater rates where the municipality sets rates without state oversight.

Turning to the table of contested rate cases provided by the Department, the rate cases attributed to the Village of Swanton are examples of how different parties to the proceedings have differing viewpoints on their outcome. Swanton's multiple rate case filings between 2013 and 2016 were one of the drivers for VPPSA's request for the rate flexibility provisions of S.60.

From Swanton's perspective, the utility had to prepare three separate rate filing packages and pay three separate times for a fully litigated process that together cost ratepayers close to \$200,000 to eventually receive approval for rates similar to the 10.69% increase that was initially requested. After the Public Utility Commission approved 1% in 2013, 6.07% in 2014, and 2.05% in 2016, Swanton entered 2017 with rates 9.81% higher than they were prior to the 2013 initial filing. This amount is similar to Swanton's original request of 10.69%.

Viewed from the municipal perspective, the result of these rate proceedings was that the local government was not allowed to raise the funding it believed was necessary for nearly four years. This perspective is reflected in Moody's description of Vermont as a negative regulatory environment for municipal bondholders.

Finally, it is worth noting that all of the cases cited in the Department's memo were for rate increases greater than 2%. These rate adjustments would not be affected by the provisions of S. 60. Each of these rate requests would still undergo the current, full rate case proceeding. Under S. 60, even a rate adjustment of less than 2% may be subjected to a full rate case proceeding if the Department or Commission deems it appropriate. Thus S. 60 maintains full state oversight of electric rates and ensures that existing ratepayer protections continue.