

Municipal Utilities: Fiscal Health and Oversight

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Before House Energy & Digital Infrastructure Committee

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Vermont's 14 Municipal Electric Utilities

- Significant differences in scale
 - City of Burlington Electric Department: Approx. 19,600 customers
 - Jacksonville Electric: Approx. 700 customers
- Significant differences in rates
 - Burlington: Customer charge = \$10.21; Initial block (first 100 kWh) = \$0.134411/kWh; tail block = \$0.183747/kWh
 - Northfield: Customer charge = \$8.01; initial block (first 100 kWh) = \$0.06351/kWh; tail block = \$0.13705
- Service territory of every municipal electric utility extends beyond the political boundary of the municipality
- Majority of states do not regulate rates of municipal electric utilities

Relevant regulatory Requirements

- All electric utilities must file an Integrated Resource Plan every three years
 - “plan for meeting the public’s need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs” 30 VSA 218c
 - Historically focused on load growth and power supply strategies but also touches on capital planning
- All electric utilities must file any requests for rate increases
 - Full rate case – 30 V.S.A. 225
 - Simplified rate case 30 V.S.A. 218d(n)
- Note that there are several other regulatory requirements not listed above.

Section 225 Rate Cases

- Utilities are not required to file on a specific schedule
- Rate requests have resource costs and are filed when utility determines it needs increased revenues to cover reasonable expenses
 - Load and power supply costs can vary significantly year over year; rates are very rarely a perfect match to exactly cover expenses
 - Munis and Coops generally maintain certain TIER (Times Interest Earned Ratio) requirements that provides ability to cover interest on debt plus small financial cushion
- Major cost drivers recently: regional transmission, health care, power supply

Section 255 Rate Cases - Process

- Utility files rate request; PSD has 30 days to provide recommendation to PUC; PUC has 45 days to decide whether to investigate the request
 - By statute, PUC must open investigation if PSD recommends
 - 30 rate case investigations since 2021
- Rate case = contested case with no ex parte communications
 - PUC communication is through filings/noticed hearings
 - PSD able to sit down with the utility and discuss
- To support request, utility files cost of service
 - Test year based on audited financial statements
 - Rate year basically takes the test year and makes known and measurable changes

Section 218d(n) Simplified Rate Case

- Allows munis and coops to implement up to a 3% rate increase without Commission approval provided certain criteria are met.
- Utilities must have had a full rate case in the last 10 years and cumulative increases under 218d(n) cannot total more than 10% since last full rate case
- There have been 10 filings using 218d(n) by municipals and coops since 2021.
- Cost of service still required, but narratives are more streamlined