Testimony of Scott Johnstone

House Committee on Energy and Digital Infrastructure

Municipal Electric Utility Health

January 15, 2026

Chair James and members of the Committee, I am pleased to join you today to discuss the current health of certain municipal electric utilities with which I am familiar and more specifically the financial and operational issues affecting the Village of Hyde Park.

My name is Scott Johnstone. I am the Village Manager of Morrisville and the General Manager of Morrisville Water & Light. Currently, I am also serving as the General Manager of the Town of Hardwick Electric Department and the Interim Manager of the Village of Hyde Park.

Let me begin at the end. My perspective is that there is nothing foundationally or fundamentally wrong or broken with municipal electric utilities in Vermont. Our customers enjoy electric costs below at least eighty percent of all Vermont customers and our reliability scores are very strong. In short, the model delivers affordable, reliable service to our customers.

This is not to say there are not challenges. Central among these are those with management, governance, financial model, and lagging other utilities on certain technology and customer programming topics. I'll discuss those in a bit.

Let's pivot here to discuss the Hyde Park challenge. The Village of Hyde Park has four parts. They provide Village governance and services, and run three utilities, water, sewer and electric. Here we'll focus on the latter of the utilities. The electric department serves approximately 1,400 customers. Hyde Park has a very small service territory, a small mileage of distribution and is predominantly residentially developed. Utilities of this scale and resource mix are simply going to have struggles operationally and financially in the best of times. To provide a serviceable line crew and office team to manage an electric utility simply requires a certain base of revenues.

More specifically, the operational and financial challenges they face today have clearly grown over a period of a decade. Prior to that there was a time in Vermont where all utilities enjoyed positive financial performance due to a long downturn in the cost of natural gas, which provides the majority of all generation in New England. Around a decade ago this changed and most municipal utilities, including Hyde Park, either waited too long to file rate cases, had rate cases reduced in the regulatory process, didn't file consistent rate cases as costs continued to escalate, or all of the above. In Hyde Parks case it was d) all of the above.

During this decade, Hyde Park had two village managers. Each, in their own way, clearly contributed to the condition the electric department finds itself in today. In the early years the audits show losses in most years, and the manager and Trustees filed for a couple rate cases, gaining partial approval. These cases did not remedy the financial issues and the leadership did not continue to pursue rate cases. Perhaps there is some Covid impact here at play, though I've not found a record of that. I only offer this as we all are aware that so many processes and even decision making was very difficult during that period.

Then, post Covid, the new manager appears, inheriting an operating debt that should have caused concern – perhaps it did. Still, there was no public proclamation of the state of finances, which most good managers would make early in their tenure to assure folks it was not of their making. Further, the financial condition at that point dramatically worsens each year, with the auditors clearly pointing this out in annual audits, until the unraveling begins in late 2025.

Today the operating debt stands as follows:

Debt	*Amount*
Current & Accrued Liabilities	$1,489,074
Accounts Payable	$638,660
Payables to Municipality (water / sewer utilities)	$537,894
Payable due Software	$159,756
Total	**$2,825,384**

Additionally, the electric department has $1,980,160 owed to a bond which is project debt for a solar project. I've not included this in the table above to distinguish operating debt from project debt.

While the Village did not adopt a budget in 2025 that I am aware of, they recently adopted an electric budget around $3.2 million for 2026. I offer this for context of the scale of operating debts that have been accumulated. Today, the office team juggles payables week to week to keep our vendors willing to continue to work with Hyde Park.

To address this, a two-part rate case strategy was developed: a) rate increase to equalize inflows and outflows, b) rate increase and/or other actions to address operating debt. The former of these actions became effective on January 1st at 20.1%. This increase is designed to stem the accounts payable and operating debt volume from increasing once these increased funds begin to hit the books – approximately March 15th. With this first increase Hardwick Electric customers will be paying electric bills that are still lower than 80% of all Vermonter's. That likely will not be the case after the second phase rate increase, however it turns out, it is implemented.

Unfortunately, that is not the end of the story. During this time, operationally, the department was not meeting best practice for certain maintenance activities nor investing in the system for the future. Very little vegetative management work has been done in a decade, resulting in dense vegetation around the main three phase line that feeds all customers. This has not yet turned into outage issues, but it is a matter of time at this point.

Further, Hyde Park has one substation on its system. This facility has been known to be deteriorating for some number of years and is very old. Within a couple of weeks of Morrisville taking on interim management late in 2025, the substations transformer entered failure mode. MWL took the substation offline, where it remains today, and has since fed Hyde Park from a Morrisville substation. During the coldest days of December, this created some unexplainable outages (Morrisville has picked up Hyde Park many times before without incident).

What we learned was that in addition to the substation issues, their distribution “phases” were very out of balance, meaning one phase was carrying more than half of the town, but was designed and set up to carry one third of the town (3 phases). Short term solutions are in place currently and the Hyde Park and MWL electric teams are collaborating on how to best balance the phases both for today and for when their substation comes back online.

I raise these operational issues to highlight that, in its current form, even the rate cases to address the current shortfall and the resolution of the operating debts will not provide a sound foundation to perform the functions a utility is expected to deliver to customers.

Lastly, Hyde Park has been slow to adopt technology and customer programs. They are not alone historically, but this is changing fast as other utilities embrace each of these paths.

For example, most municipal electric utilities decided to wait for evolving advanced meter infrastructure in 2008 when others adopted it. This has been a matter of much discussion over the years. However, all VPPSA members are currently adopting AMI and should be operational by years end. Additionally, VPPSA members are investigating in SCADA, control technology, demand energy resource management systems (DERMS) and other technologies currently. In Morrisville, our technology road map has us with modern technology systems and offerings by the end of this decade. Others are on a similar path. Hyde Park is not yet on that path.

Historically, most municipal electric utilities in Vermont have felt that customers would rather have lower rates and bills than additional customer programming. While that thread is alive in certain ways today (we’re still frugal), we understand the job of providing high quality customer care and service is indeed and expectation. I believe today, Hyde Park would be willing to join that journey, however, again, these technology and customer care initiatives require funding not yet included in the road forward.

None of this is to suggest there is not a path forward. Hyde Park has a lot going for it. The staff they have simply care so incredibly much, as do their Trustees. The community, while asking appropriately challenging and difficult questions, have been inquisitive, caring, forward looking and (largely) desiring a path forward. The frustration is surely building as we find and transparently share all that we uncover, with the full support the Village Trustees.

I expect this frustration will continue to build until there is clarity on the back end of the DPS / PUC investigation and the solutions to the operating debt phase of rate making are complete. At that point, I expect the Trustees and community will be in a position to consider if the electric department remains independent or looks at options to join with others at that time.

I understand the Committee and others in the Legislature are wondering if there are changes to law necessary currently to address crises like that which the Village of Hyde Park is currently experiencing. At this time, I don't believe this to be necessary or even helpful. There are issues related to the regulatory and policy construct of Vermont that create financial challenges for all utilities. Some of these have negatively contributed to the fiscal challenges at Hyde Park today. Importantly, they are not the cause of the challenges.

On the regulatory front there are at least two practices that I believe no longer serve the fiscal health of utilities and thus our customers. These include the rate making methodology and the limitation against including net revenue generation in rate cases. Each is a matter for the Department of Public Service and the Public Utilities Commission to address and the DPS is aware of these matters and, at least, my view on them.

Rate making in Vermont largely looks back in time to determine what level rates should be set at. For decades this served our customers well as cost basis was quite stable. In this decade, this is no longer true. Looking backward at rolling averages of cost and then adding "known and measurable" costs looking forward entirely misses the need to make investments to electrify new energy uses, to invest in technology to better manage the grid, to provide new customer programs and initiatives, and to adapt to operational costs to meet all the new policy outcomes desired and or required by state policy.

In recent years, the rate making process has also limited the ability to create any net revenue. This means that, while suggested best practice is that we have 30 – 45 days cash on hand to pay bills with, there is no mechanism for a municipal utility to create this available cash. Instead, we pull the biggest line of credit we are eligible for and then manage accounts payable with our vendors.

If these issues were addressed, I believe utilities fiscal health would be quite good. There is a healthy concern, with both of these issues, in assuring utilities are not overcharging customers. As a municipal utility, we share this concern. Our Commissioners and Trustees are locally elected precisely to protect the community and customers. That said, creating assurances that there is a check and balance in rate making and net revenue so both our locally elected officials and the DPS, in their role as consumer advocate, is simply vital.

At the policy level it is my view that we have very specific competing interests that you all as legislators must be constantly balancing. They are the desire for affordability of electricity and the goals of attaining clean energy, energy burden, customer empowerment, and many other policy goals that all cost money.

Municipal utilities have, over time, been accused of dragging our feet on the latter in favor of the former. There is a good deal of historic truth here. One need only look at current rates and average bills across the utilities to see the results of this frugality over policy bent.

Today the municipal utilities understand that these policies are duly adopted, more are coming, and we must get moving forward and “catch up”. Looking at recent integrated resource plans will demonstrate this movement as will the investments being made at most municipal utilities. This is contributing to recent rate increases which see the municipal utilities beginning to close in on the rates of utilities that began to move on policy requirements sooner.

I do expect you’ll continue to see the old “frugal” aspect of municipal utilities continue. After all, our Trustees and Commissioners are locally elected. What I see happening in Morrisville and Hardwick for example, is a new role for frugality. Instead of the old “keep rates low at all costs”, today it is more “let’s get moving on these initiatives but let’s find the most cost-effective way to accomplish the goal”.

Today you’ll find pretty detailed IRP’s laying out future investments, you’ll see technology roadmaps covering the next five years of investment, and you’ll see the beginnings of a new wave of customers initiatives (EV’s and DERMs just starting).

Rather than suggest legislation I’d suggest two things here. First, monitor utilities progress so you can see this new direction playing out across the majority of utilities. Second, as you consider new policy directions continue to struggle with this cost vs outcome conundrum. This plays out both at a macro rate making level and also in a “who pays” in the future manner. For example, if we subsidize largely more affluent customers with net metering and we adopt energy burden plans for lower income populations – each worthy in accomplishing a policy goal – who is left to pay?

One last thing I'd offer by way of an item to keep track of. Commissioner Johnson has indicated publicly his interest in performing health reviews of utilities. As this rolls out and sees results, tracking this would be useful in terms of then understanding if any legislative action may become necessary. I am quite interested in participating in this process. So long as the process is designed to improve an operation, these "outside eyes" processes are something that should always be embraced. I expect every utility will get better in some manner from a thoughtfully delivered process of this type.

In closing, I'll say what I did at the top. Municipal utilities are generally healthy, perform admirably in terms of cost and reliability and have a bright future. That future requires change and likely discussion about what scale is necessary to have the resources to continue to deliver great results. These considerations need to be embraced by the utilities, communities, and the regulatory and policy makers. Importantly, in certain cases, like Hyde Park, mistakes have been made in the area of management, governance and financial controls.

Thankfully, with a thoughtful team and leadership at the DPS and PUC, a strong VPPSA team, and a group of utilities who are always prepared to help each other, we'll constructively find our way through this current crisis. We need some time, some understanding, and some patience. Then, we'll be able to move forward in whatever ways this community of the Village of Hyde Park (in consultation for sure with the state) deems most appropriate.

I'm happy to answer your questions.

Respectfully submitted,

Scott Johnstone