STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. _________

Tariff filing of Green Mountain Power requesting an)
increase in its base rates starting January 1, 2019, to be)
fully offset by bill credits through September 30, 2019)

PREFILED TESTIMONY OF EDMUND F. RYAN ON BEHALF OF GREEN MOUNTAIN POWER

April 13, 2018

Summary of Testimony

Mr. Ryan provides an overview of the rate change presented in this filing and identifies GMP's witnesses and the topics they cover. He presents the overall cost of service that will continue GMP's ability to provide clean, cost-effective, and reliable power for customers. He also reviews GMP's capital structure and cost of debt and identifies GMP's revenues at current and proposed rates.

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PREFILED TESTIMONY OF
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I. INTRODUCTION

Q1. What is your name and business affiliation?

A1. My name is Edmund F. Ryan, and I am employed by Green Mountain Power ("GMP") as Controller.

Q2. Please describe your educational background and business experience.

A2. I received a master's degree in Business Administration in 1992 from the University of Vermont. I also hold a Bachelor of Arts degree from Castleton State College with a concentration in Accounting and have successfully passed the Vermont Certified Public Accountant and Certified Internal Auditor exams. I have worked in the accounting field for over 30 years.

Q3. Have you previously testified before the Vermont Public Utility Commission ("Commission")?

A3. Yes, I have provided testimony before the Commission in Docket Nos. 5701/5724, 5863, 6120, 6300, 7162, 7191, 7210, 7612, 7660, 7770, 8190, and 17-3112-INV. I have also presented testimony before the New Hampshire Public Utilities Commission on behalf of Central Vermont Public Service Corporation's ("CVPS") former New Hampshire subsidiary, Connecticut Valley Electric Company ("CVEC"), in Docket DR 20 96-170, a petition for an increase in base rates by CVEC.

Q4. What is the purpose of your testimony?

A4. I provide an overview of the rate change requested in this filing and identify all GMP witnesses and the topics they cover. I present the overall cost of service and its various components. I also review GMP's capital structure and identify GMP's revenues at current and proposed rates.

II. SUMMARY OF GMP'S 2019 RATE PERIOD FILING

Q5. Please describe GMP's filing.

A5. This filing demonstrates GMP's continued focus on several key goals. First, we are strongly committed to providing reliable, cost-effective, clean power for our customers. We also strive to maintain stable and affordable rates, despite rapid changes and significant challenges in the energy landscape. Finally, we ensure that we honor the commitments we made to customers and regulators in prior proceedings, such as savings promised in the merger docket and agreements made in prior Memoranda of Understanding regarding rate case filings, including the agreement made in last year's rate case in Docket No. 17-3112-INV (the "2018 rate case"). Specifically, we have incorporated lessons learned from last year's rate proceeding and have continued to improve our supporting documentation to meet the requirements of that agreement and to demonstrate the positive results we believe the projects supported by this filing will achieve for customers.

GMP's current base rates went into effect for the rate period beginning January 3, 2018, based upon the Commission's Order in the 2018 rate case, after rigorous review of GMP's traditional rate case filed a year ago. In this filing, GMP requests rates and credits that will be in effect January 1, 2019 through September 30, 2019 (the "2019 rate period") in order to align our rate request with GMP's fiscal year. For the 2019 rate period, we are requesting a base rate increase of 5.45% and proposing to more than offset this base rate increase with a bill credit for the 2019 rate period of $27.4 million which is approximately 6% of current base rates. This significant bill credit is driven by our commitment to pass to customers as quickly as possible more savings from the federal income tax changes, as I describe below, rather than slowly distributing those tax savings over a number of years. In this context, Green Mountain Power once again will try to set an example for utility peers all across the country. The fact that GMP is giving back those savings as expeditiously as possible does mean that other aspects of our filing in the context of the financial structure of the company and earnings are more important than ever to maintain liquidity and to meet both known and unforeseen financial obligations for our customers. Overall, the base rate increase and bill credit net to a 0.5% decrease for customers during the 2019 rate period.

Our filing is based on nine-month test period 2017 (January 1, 2017–September 30, 2017), an interim period (October 1, 2017–December 31, 2018) for rate base additions, and nine-month rate period 2019 (January 1, 2019–September 30, 2019). As described below, we have utilized forecasts in our filing where appropriate.

Q6. Please identify the witnesses supporting the rate filing and the topics covered in their testimony?

A6. There are ten witnesses presenting testimony, including myself.

My testimony provides an overview of the filing; a summary of ratemaking mechanics; a description of the principal rate drivers and savings represented in this filing, including merger synergy savings; an explanation of the significant bill credit we seek to return during the rate period; and a description of the key changes between this filing and our 2018 rate case. I then describe the cost of service in this filing and adjustments and our rate base and adjustments. Finally, I review GMP's capital structure and cost of debt.

Steve Costello describes GMP's intense focus on customer service, including GMP being ranked number two among mid-sized utilities in the East in J.D. Power's most recent customer satisfaction survey, strong results delivered under GMP's Service Quality and Reliability Performance & Reporting Plan, and recent customer satisfaction rating of 95.6%.

Brian Otley provides a general overview of GMP's capital case, including the process used by GMP to develop and manage projects to benefit customers and the documentation to support these decisions as determined in the 2018 rate case. He also specifically addresses Information Technology, Facilities, Transportation, and Smart Grid projects that enhance reliability and safety.

Josh Castonguay describes capital expenditures for GMP's innovation capital projects. He explains how GMP is meeting the increased demands of grid management while transforming its business model to provide customers with products and services that help them reduce costs and lower carbon use – as well as enhancing convenience and comfort, while lowering cost over the lifetime of these programs for all customers.

Kirk Shields provides an overview of the benefits and costs of GMP's proposed Joint Venture Solar/Battery ("JV Solar/Battery") Projects that will serve to create resiliency and enhance reliability for the local communities and bring value to the grid for all customers.

Jason Lisai describes the projected output of GMP's generation resources and capital expenditures, and operations and maintenance costs associated with these generation resources.

John Fiske describes capital expenditures for customers related to Distribution Substations, Lines, and Equipment Purchases, and to Transmission Substations and Lines.

Doug Smith describes GMP's power supply portfolio and strategy to meet Vermont's Renewable Energy Standard in the most cost-effective way and describes significant uncontrollable power supply cost pressures, including small-scale generation and net-metering.

Michelle Nelson addresses Vermont Transco, LLC ("VT Transco") expenses assigned to GMP which support Mr. Smith's analysis.

James Coyne explains how a utility's return on equity ("ROE") should be calculated, reviews GMP's position relative to its peers, and finds GMP's current ROE of 9.1 percent is the lowest of any vertically integrated utility in the country. Mr. Coyne's analysis supports a ROE in the range of 9.9–10.4 percent. While his recommendation warrants thoughtful consideration, given the liquidity needs we will manage because of tax law changes and other challenges, GMP has chosen to uphold its agreement made with the Department of Public Service ("Department" or "DPS") last year to set an annual ROE of 9.3% for 2019. It is clear to GMP that as we look beyond 2019, a more appropriate adjustment likely will need to be made to ensure financial strength.

III. OVERVIEW OF RATEMAKING APPROACH, COST DRIVERS, AND CHANGES FROM 2018 RATE CASE

Q7. At a high level, can you please explain how GMP's cost of service is developed and identify the major components of the cost of service?

A7. Utility rates are set based upon the cost of service, meaning the amount of revenue needed to cover a utility's costs in order to provide service and an opportunity to earn a reasonable return. The revenue requirement for a particular rate period is measured against sales and other revenue expected for that same period; if expected sales revenue is lower than the revenue requirement, rates will increase to cover the difference. The percentage increase is based upon the difference between current rates and the rates that are shown to be required in the rate period.

The fundamental part of establishing rates is determining the appropriate cost of providing service during the rate period. This is determined by evaluating the costs incurred by GMP in the test period and then making appropriate adjustments for changes that are anticipated to occur within the rate period. Utilities include costs in the rate period's revenue requirement that are just and reasonable, prudently incurred, and known and measurable.

The cost of service has two overarching components: costs directly related to providing service to customers (sometimes referred to as "operating costs") and costs related to the company's rate base — meaning investments the company has made or will make within the rate period to provide service, along with the associated depreciation expenses, taxes, and capital cost recovery.

We developed the rate period cost of service by taking the actual level of these costs incurred in a test period, which for this filing is January 1, 2017 to September 30, 2017. We then made known and measurable changes to these costs so that the net costs reflect, as closely as possible, the projected level of net costs that will occur in the rate period.

Other than the request to return nonrecurring federal income tax savings as a bill credit as described below, the rate filing affects base rates only. Power supply and storm adjustors that are governed by our regulation plan are subject to a separate schedule for filings and approvals, and their periods of adjustment vary. They are not covered by this rate filing. GMP will propose the period to collect the Power Adjustor for the October 1, 2017 to December 31, 2017 measurement period and the Exogenous Storm Adjustor for the measurement period of April 1, 2017 to December 31, 2017 in its upcoming request for a performance-based multiyear regulation plan.

Q8. Do any aspects of GMP's rate filing seek specific accounting approval or vary from the traditional ratemaking principles you lay out above?

A8. Our filing follows carefully all of the traditional ratemaking principles, with very limited exceptions that are detailed fully in this filing. The few exceptions are designed to provide greater accuracy, and therefore greater stability, in ratemaking or to accomplish a lower overall cost to our customers. We are committed to demonstrating to the Commission that approval of these items will result in just and reasonable rates.

Here is a summary of the accounting approvals or ratemaking changes we seek:

- GMP has utilized forecasts for load and revenue, and has not excluded capital costs associated with growth, because this methodology provides greater accuracy in this time of declining load and retail sales than the traditional methodology of adjusting a test period for certain known and measurable changes. Traditional rate making methodology for setting load and revenue was developed when utilities were seeing sustained annual load growth. We have entered a much different paradigm, where loads are dropping. The net effect of this change in methodology is quite small, but the shift to forecasting is important in the context of the rapid move to distributed resources, lower year-over-year sales, and the changing landscape of energy, and forecasting will need to be a key component of a performance-based multiyear regulatory plan that GMP expects to request later this spring.
- As it has done in past rate years for joint venture solar projects, GMP seeks to provide customers with the entire benefit of its ownership in three Joint Venture Solar/Battery projects as quickly as possible, as described further below and in the testimony of Mr. Shields. The accelerated return of developer fees and day one gain from the Investment Tax Credit provides a significant benefit to customers—over a 2.5% decrease to rates in this filing—and also provides a better Net Present Value over the life of the projects than a traditional treatment that would spread out these gains over multiple years. The format of these projects provides important and rare opportunities to give to customers immediate benefits that are

not available under traditional electric utility capital projects and investments. That is one of key reasons why we are pursuing them.

In addition, the filing properly reflects the Commission's Order in Docket 7770, approving the GMP-CVPS merger. As specified in that Order, the cost-of-service in this filing is not subject to changes for a specific group of O&M accounts that comprise the "Base O&M Platform." The O&M Platform consists of an identified set of accounts for which a base cost was established under the regulation plan in effect at the time of the merger. Under the Commission's Order approving the merger, the O&M Platform accounts included in rates are adjusted based on the change in a consumer price index. The O&M Platform is then used as the benchmark to determine the level of annual savings achieved because of the merger. The difference between the O&M Platform costs and actual O&M costs within those platform accounts are measured annually for a period of 10 years to ensure customers receive the amount of savings to which they are entitled each year and that they receive the total amount of merger savings guaranteed to them over the ten-year period. As discussed further below, we are very proud to be exceeding merger savings targets, returning $13.8 million to customers over this 9-month rate period alone—$3.3 million more than had been projected.

Q9. Can you identify the Exhibits that support your testimony?

A9. Filed with my testimony are 16 exhibits, 13 of which relate to COS calculations and adjustments. These exhibits consist of the rate filing schedules **(Exhibit GMP-ER-1, Schedules 1 to 6**) and exhibits that support major components of the rate filing (**Exhibit**

GMP-ER-2 to **ER-13**). These exhibits are explained in more detail in my testimony below in Section IV.

Exhibit GMP-ER-14 is the Itron forecast report, **Exhibit GMP-ER-15** is the JV Solar/Battery NPV analysis and **Exhibit GMP-ER-16** is the summary of the one-time bill credits. These three exhibits are discussed in this section, below.

Q10. Can you please describe where the methodologies used in preparing this cost of service for the 2019 rate period are significantly different than the methodologies used to prepare the cost of service for GMP's current 2018 base rates?

A10. The following are significant methodology differences between this filing and the 2018 rate case:

1. Rate period – This filing uses a 9-month rate period instead of 12 months, discussed further below.
2. Load & Revenue Forecast – As noted, this filing uses a forecast of rate period load, power costs, and anticipated revenue, instead of test period load adjusted for the known changes in the rate period, as was done last year.
3. Growth-Related Plant Additions – This filing includes growth-related plant additions and retirements from the end of the test period through the end of the rate period. The rationale for both this change and the use of forecasts for load and revenue, compared to the traditional rate making approach, is discussed further below.
4. Return on Equity – GMP includes an annual ROE of 9.30% based on its commitment made in the Memorandum of Understanding between GMP and the

DPS dated November 9, 2017 in the 2018 rate case, rather than a higher amount as recommended by Mr. Coyne based on the results of several methodologies (discounted cash flow, capital asset pricing model, and risk premium).

5. Gains and losses from the Sale of Utility Property – As agreed during the last rate case, we are deferring charges to FERC accounts 421.1 – Gain on Disposition of Property and 421.2 – Loss on the Disposition of Property to return to customers in future rate proceedings as available.

Q11. What are the principal cost drivers of the rate filing?

A11. GMP continues to face significant external cost pressures, particularly in power costs. Nearly all of our total rate need is driven by power and transmission costs, including above-market solar prices imbedded in net-metering and other regional and state renewable energy policy costs, items GMP's rates must support but GMP does not control. Meanwhile, retail sales are expected to continue their recent downward trend in the 2019 rate period, compared to the current rate period, due in part to net-metering and efficiency, with a decline of nearly 2%. Fortunately, the significant upward rate pressure created by these factors is partially mitigated by decreases included in other cost categories, such as those driven by recurring benefits from the federal income tax reduction, by important customer benefits delivered upfront by GMP's JV Solar/Battery projects, and by VT Transco's sale of an interest in a separate entity, Utopus.

As in the past five years, increased costs are also partially offset by GMP's intense focus to produce significantly higher-than-expected merger savings for customers of more than $13.8 million for the rate period. These higher merger savings mean GMP will have returned a total of $84.5 million in merger savings to customers by September 30, 2019—already over $19.5 million more in customer savings than had been guaranteed at the time the merger was approved. GMP anticipates about $180 million in merger savings will go to customers over ten years, far exceeding the $144 million guarantee to customers GMP made when it merged with CVPS, despite the headwinds of a lower inflation environment than expected at that time.

Q12. This filing seeks a significant rate period bill credit to customers based upon recent federal income tax changes. Can you please explain that credit?

A12. Tax reform legislation lowering the corporate federal income tax rate from 35% to 21% was signed into law on December 22, 2017 and went into effect January 1, 2018. There are two types of benefit to customers from this tax change. First, there are decreases to GMP's yearly regular income tax obligations, along with ongoing customer returns of already collected, accumulated deferred taxes for certain assets as required by the IRS. Based upon the depreciable life of the covered assets, these are expected to recur year after year (for up to 33 years for certain assets) and we have therefore reflected these reductions in the cost of service. These cost of service adjustments are discussed below where I describe the various components of our cost of service.

Second, with Commission approval, GMP is permitted to return much more quickly a separate, significant portion of the accumulated deferred income taxes ("ADIT") it carries on its books. This is the source of the bill credit GMP seeks to return during the 2019 rate period. GMP has calculated the maximum amount presently available for return to be $27.4 million. Please see **Exhibit GMP-ER-16.** This $27.4

million represents taxes collected from customers in prior years, as required under federal tax rates then in effect, that fall outside the class of taxes on items federal regulations mandate must be returned on a straight-line basis over the depreciable life of the asset. Because of the reduction in the federal income tax rate, GMP will now not have to eventually pay to the IRS this $27.4 million which has been collected from customers and deferred.

We believe our customers deserve these funds back as quickly as possible, and that is why we are moving aggressively to identify and return the maximum amount of ADIT available for customers. As explained by Mr. Coyne, the federal tax changes actually represent a decrease in revenue to utilities due to our regulatory structure, and ADIT returns present liquidity challenges. But GMP, as a B Corporation with a mission to deliver customer value, has not approached the ADIT return with trepidation because we strongly feel we should send the maximum available amount back to customers now. The return of $27.4 million has the effect of a decrease from current base rates of approximately 6%, meaning an overall 0.5% decrease for the rate period. At the same time, GMP will still be affected by liquidity challenges other utilities also will face due to tax law changes, as described by Mr. Coyne, and this, again, makes the consideration of all other aspects of our filing in terms of financial structure extremely important.

Q13. In addition to the ADIT credit you discussed above, you mentioned ongoing adjustments to the base rate filing caused by recent tax reform. Please explain these.

A13. Ongoing changes from tax reform are also impacting the adjustments included in this filing. Specifically, federal tax changes:

- Reduced the annual federal income taxes collected from customers, which is reflected in cost of service adjustment No. 14 Federal and State Income Taxes;
- Reduce the annual company allocation for Accumulated Deferred Income Taxes based upon lower federal rates applied to a straight-line amortization over the depreciable life of certain protected assets, as required by tax regulations, which is also reflected in cost of service adjustment No. 14 Federal and State Income Taxes;
- Reduced the transmission costs collected from customers, because transmission companies are collecting lower federal income taxes through their transmission tariffs. These lower costs are reflected in cost of service No. 4 Transmission by Others;
- Reduced equity in earnings from VT Transco. VT Transco has lower earnings because of the reduced federal income taxes VT Transco is collecting through its transmission tariffs. These lower earnings are reflected in cost of service No. 16 Equity in Earnings of Affiliates.

Q14. Can you please explain why the rate period is only nine months?

A14. Our books and records are maintained on a fiscal year basis from October 1st to September 30th. The rate period for GMP's last base rate filing is the twelve months ending December 31, 2018, but prior to 2018 we had followed a fiscal year for rate changes. We are now using a nine-month rate period to realign the future base rate filings and corresponding base rate changes with our fiscal year. Having base rate filings and base rate changes in sync with our fiscal year aligns the rate filings with our audited financial results and our internal budget process and simplifies various cost of service adjustments related to regulatory asset and liability amortizations and platform and synergy adjustments. Experience has now shown us that the calendar year rate period creates a great deal of complexity and challenge.

Q15. How does this decision to change your rate period to your fiscal year align with your regulation plan?

A15. We believe this is the right time to shift back to the more appropriate fiscal year rate period because we will soon be filing a request for a new multi-year regulation plan. GMP is currently operating under the terms of the Temporary Limited Interim Regulation Plan approved by the Commission on November 29, 2017 ("Interim Plan"). That plan expires on December 31, 2018, with a renewal period of up to one year. GMP will seek an extension that allows the Interim Plan to remain in effect during a portion of 2019 until such time as a new multi-year rate plan is approved. GMP plans on filing a new regulation plan on or around May 25, 2018 and is designing the new regulation plan to build off of this 2019 base rate filing. GMP will ask that the new multi-year regulation plan be approved as soon as possible but no later than October 1, 2019, the start of GMP's fiscal year 2020. We will propose that the new regulation plan cover the fiscal years and rate periods 2020, 2021, and 2022.

Q16. Can you please explain in detail why GMP believes that it is appropriate to use a forecast instead of a historical test period for load and related items?

A16. As I noted above, traditionally ratemaking has utilized a test period's historical load data and revenue and has excluded capital expenditures related to growth. The use of a forecast makes sense for a number of reasons. Test period load is historical while forecasted load more accurately reflects expected rate period sales. For this filing, the test period is January 1, 2017 to September 30, 2017, which is twenty-four months before the rate period. While changes in load in the past may have been gradual and increasing, GMP is now experiencing the impact of several significant variables on an annual basis. Greater energy efficiency, deployment of solar net-metering, greater penetration of heat pumps and heat pump water heaters, and electrification of load to meet Renewable Energy Standard Tier 3 requirements are all variables impacting GMP's load that are not captured by a historic test period load. GMP uses load to determine corresponding levels of power supply and transmission costs, as well as revenue forecasts. Using a forecasted load results in power supply costs, transmission costs, and revenue more in line with the expected rate period level of costs and revenue. This is particularly appropriate in this time of declining load and revenue in order to avoid unnecessary adjustor collections.

The goal of a cost of service filing is to develop expected rate period levels of costs and revenue so that the rates set for that period are as accurate as possible. Given the many variables impacting GMP's load, we have determined that using a forecasted load will best achieve that goal. We will also propose to utilize load forecasting for annual rate refreshes during the period of a new regulation plan.

GMP uses Itron, Inc. ("Itron"), an expert independent consultant, to develop the forecasted load. Itron has developed load projections that are used in regulatory proceedings in Vermont and many other states. GMP has used Itron to forecast rate period loads for its regulation plan base rate filings since 2007. Utilizing accurate forecasting benefits customers during the 2019 rate period. Using a forecast methodology during the rate period will ensure that the load, power costs, and revenues incorporated into GMP's base rates more accurately track GMP's actual load, power costs, and revenue during that period, thereby reducing any amounts that must be collected or returned through the Power Supply Adjustor provision of the Interim Plan. This reduction in over- or under-collection results in more stable rates for customers.

Since we are using a forecast of rate period revenue, we have included capital projects related to growth that would otherwise be excluded from rate base in a traditional cost of service review, so we have a matching of rate period revenue and costs.

It is important to note that while the reasons to use a forecast are to improve overall accuracy and ensure greater stability, it does not create a significantly different result in this rate period. Many of the adjustments—for weather normalization, efficiency, net-metering impacts, and known innovation sales increases—would be known and measurable adjustments, regardless of the use of forecasting. Once these are accounted for, the net change due to forecasting load and revenue, and including growth capital expenditures, is small. Overall, we have calculated that the use of a forecast for load and revenue combined with the use of growth in capital additions yields a base rate decrease of about 0.3%.

Q17. How were the forecasted rate period revenues actually calculated?

A17. Itron uses regression analysis to develop their sales forecast. GMP provides Itron billed data from prior periods, forecasted solar net-metering installed capacity, and customer-specific data that Itron would not otherwise have. GMP reaches out to two of the largest customers to receive their expected sales for the upcoming year, and GMP passes this information along to Itron. GMP also provides Itron any known changes to customer loads due to factors such as a customer shutting operations or putting a new facility online. This level of adjustment, looking carefully at our customer profiles and expected needs, is necessary because of the shift we have seen toward decreasing load as shown in the forecast. Itron combines the feedback we provide with the regression analysis data inputs they gather, such as expected economic growth and appliance efficiency standards, to develop their forecast. Please see **Exhibit GMP-ER-14** for Itron's forecast report. The revenue forecast also reflects any non-exogenous storm base rate changes that occur from the test period to the rate period. See **Exhibit GMP-ER-3**.

Q18. For the JV Solar/Battery Projects that GMP includes in this filing and seeks to accelerate benefits, what analysis has GMP conducted since the 2018 rate case related to the optimal treatment for these projects?

A18. GMP originally included these projects in the 2018 rate filing submitted last April. The projects were eventually removed from the case due to concerns that they would not be completed within the rate period and to allow for continued discussion of optimal treatment between GMP and the Department of Public Service. These projects are underway and are expected to be completed and in service within the 2019 rate period, as further described in detail by Mr. Shields. They provide extremely important, positive opportunities for innovation and customer savings.

In the 2018 rate case, the Department noted that traditional accounting treatment of the developer fees and day one ITC gains associated with these projects would require a return over the depreciable life of these projects, or 25 years. GMP strongly felt that these benefits should be accelerated and returned to customers immediately, because the result would be more beneficial to customers than a different treatment. In response to a concern raised by the Department's witness Mr. Schultz last year, GMP has now calculated the Net Present Value (NPV) of the developer fee and day one gain benefits if returned to customers immediately in 1 year; over 25 years; or over 15 years. The NPV of returning the developer fee and day one gain benefits immediately in the first year is $410,000 better than the NPV of returning these benefits over 25 years and $286,000 better than the NPV of returning these benefits over 15 years. Therefore, GMP continues to seek accelerated treatment of these benefits and asks for Commission approval of this methodology in this filing. Please see **Exhibit GMP-ER-15.**

The Department has also pointed out that accelerated treatment requires consideration of intergenerational equities. GMP feels strongly that accelerated treatment is fair to customers now and in the future. If these benefits were returned to customers more slowly over time, not only would the NPV be lower but the impact on subsequent cost of services would also be minimal. Returning all the benefits in year one results in a year-one cost of service which is approximately 2% lower than the year-one cost of service that would result from returning the benefit over 25 years. However, in subsequent years the cost of service from returning the benefits over 25 years is only 0.2% less than the subsequent cost of services that would result from returning the benefits all in one year. Please see **Exhibit GMP-ER-15.**

Overall, GMP strongly believes that the benefits created by JV Solar/Battery projects should be utilized to customers' advantage as soon as possible. These are unusual opportunities to combine innovation that will benefit customers and grid management over time, while providing an immediate financial benefit for customers now at a time of significant cost pressures. Even though under Generally Accepted Accounting Principles ("GAAP"), the benefits associated with the day one gain would typically be amortized over the life of the project, because GMP is a regulated utility the Commission may approve and the Department may support returning the benefits to customers immediately as a part of just and reasonable ratemaking.

GMP utilized this rate treatment for the five joint-venture solar projects it completed in 2016, to the benefit of customers. Here, customers will receive over $12 million in benefits over the rate period—a more than 2% reduction in rate pressure. This significant opportunity for savings justifies the Commission's approval of GMP's proposed accounting methodology.

IV. COST OF SERVICE DETAILS AND ADJUSTMENTS

Q19. Let's turn to your Cost of Service calculations. Please summarize the different Schedules included in Exhibit GMP-ER-1.

A19. **Exhibit GMP-ER-1** contains six schedules. **Schedule 1** sets forth GMP's cost of service for the 2019 rate period and the resulting revenue increase based on a comparison of those costs with revenues from customers, which is addressed below. The cost of service is based on adjustments to the 2017 test period costs for known and measurable changes. Test period amounts are based on GMP's Financial Statements. Please refer to **Exhibit GMP-ER-10** for the per book test period amounts and **Exhibit GMP-ER-11** for an analysis of test period return on rate base. As indicated in **Exhibit GMP-ER-1, Schedule 1**, the *pro forma* rate period cost of service is $486,169,000 and the resulting revenue deficiency between this number and the forecasted rate period revenue from customers is $25,112,000, resulting in a base rate increase of 5.45%. As noted above, this increase is more than offset during the rate period by the return of the tax reform bill credits of $27,407,000, resulting in an overall decrease of $2,294,000 or 0.5% during the rate period.

Exhibit GMP-ER-1, Schedule 2 sets forth GMP's *pro forma* rate period rate base investment of $1,563,786,000. It reflects 10-month average balances for the test period, adjusted for known and measurable changes to derive *pro forma* rate period balances.

Exhibit GMP-ER-1, Schedule 3 identifies GMP's pro forma rate period cost of capital. It reflects 10-month average test period balances of long-term debt, short-term debt, and common equity, adjusted for known and measurable changes to derive *pro* *forma* rate period capital balances as of the end of the rate period. For the nine-month rate period the overall weighted rate period cost of capital is 5.28% with a cost of debt of 3.60% and a cost of common equity of 6.98%. The nine-month rate period cost of common equity was derived from an annual cost of common equity of 9.3%. I support the capital structure and cost of debt in my testimony and exhibits, and Mr. Coyne supports the annual cost of equity in his testimony and exhibits.

Exhibit GMP-ER-1, Schedule 4 identifies GMP's *pro forma* rate period state and federal income taxes of $14,671,000. As previously discussed in my testimony, the income tax expense calculation reflects the tax reform federal income tax rate of 21% and the return of the tax reform ADIT balance that GMP is required to return to customers over 33 years. This amount is included in the cost of service in **Exhibit GMP-ER-1, Schedule 1**. **Exhibit GMP-ER-1, Schedule 5** identifies the known and measurable test period to rate period adjustment to cost of service and **Exhibit GMP-ER-1, Schedule 6** identifies the known and measurable test period to rate period adjustments to rate base, which are included in **Exhibit GMP-ER-1, Schedules 1** and **2** respectively.

Please note that the dollar amounts in the above schedules are stated in thousands.

Q20. Can you please identify and summarize the major cost of service adjustments and the witness who supports each adjustment?

A20. As noted above, **Schedule 5** in **Exhibit GMP-ER-1** identifies the twenty-six known and measurable adjustments to cost of service from the test period to the rate period. The following table summarizes the adjustments (listed as COS 1–COS 26) and indicates which witness provides support for each adjustment. My testimony following this table describes each of the adjustments I support, which include COS 7, 9, and 11–26. The adjustments assigned to Mr. Smith, Mr. Lisai, and Mr. Otley are addressed in their respective testimony.

Adj. No	Description	Witness	Adj. Total ($000s)
COS 1	Purchased Power, net	Mr. Smith	$19,167
COS 2	Production Fuel	Mr. Smith	$245
COS 3	Joint Ownership Costs	Mr. Smith	($486)
COS 4	Transmission by Others	Mr. Smith	$14,297
COS 5	Other Transmission-Related Costs	Mr. Smith	$395
COS 6	Wholly-Owned Production	Mr. Lisai	$502
COS 7	Base O&M Adjustment	Mr. Ryan	$29,344
COS 8	Non Base O&M Costs / Benefits – SmartPower	Mr. Otley	($1,333)
COS 9	Non-Base O&M Costs – VMPD Tree Trimming	Mr. Ryan	($43)
COS 10	Non-Base O&M Costs – KCW	Mr. Lisai	($3)
COS 11	Vermont Unemployment Tax	Mr. Ryan	$2
COS 12	Social Security Taxes	Mr. Ryan	($101)
COS 13	Depreciation Expense	Mr. Ryan	$2,264
COS 14	Federal and State Income Taxes	Mr. Ryan	($14,468)
COS 15	CEED Amortization	Mr. Ryan	$241
COS 16	Equity in Earnings of Affiliates	Mr. Ryan	$15,888

Adj. No	Description	Witness	Adj. Total ($000s)
COS 17	Property Taxes	Mr. Ryan	$2,611
COS 18	Business Development Revenue and Expense	Mr. Ryan	$0
COS 19	Other Operating Revenues	Mr. Ryan	$3,773
COS 20	Regulatory Assets, Deferred Debits & Regulatory Liabilities	Mr. Ryan	$3,935
COS 21	Accretion Expense	Mr. Ryan	$16
COS 22	Credit Facility Fees	Mr. Ryan	($354)
COS 23	Removal of Regulatory Deferrals in Test Period	Mr. Ryan	($12,110)
COS 24	Future Benefits – JV Solar/Battery Projects	Mr. Ryan	($12,005)
COS 25	Gross Revenue and Fuel Gross Receipts Tax	Mr. Ryan	$23
COS 26	Return on Utility Rate Base	Mr. Ryan	$12,497

Q21. Please explain Cost of Service ("COS") Adjustment No. 7 – Base O&M Adjustment.

A21. The Commission Docket 7770 Order approving the merger of CVPS and GMP approved a plan for identifying merger-related savings based, in part, on what was referred to as Base O&M Costs or Platform Costs. Base O&M Costs reflect certain O&M cost categories but exclude certain incremental costs and savings charged to certain Base O&M FERC accounts, including those related to Smart Grid and Advanced Metering Infrastructure, the Kingdom Community Wind Project (KCW), and CVPS's acquisition of Vermont Marble ("VMPD") assets from OMYA. These costs and savings will be reflected in rates consistent with traditional ratemaking principles. In addition, Base O&M Costs are subject to adjustment for inflation. The inflation adjustment for the rate period Base O&M Costs is 1.7%. The inflation adjustment represents the Northeast CPI-NE for the twelve months ended December 31, 2017. A detailed calculation of the adjustments is set forth in **Exhibit GMP-ER-2**.

Q22. Please explain COS Adjustment No. 9 – VMPD

A22. The Danby transmission line was part of the VMPD assets acquired from OMYA. This adjustment removes the test period incremental Danby transmission line tree trimming costs. In 2018, the Danby transmission line was placed in GMP's cyclical maintenance program. GMP will no longer be incurring incremental tree trimming costs associated with the Danby transmission line, resulting in a downward adjustment.

Q23. Please explain COS Adjustment No. 11 – Vermont Unemployment.

A23. This increase adjustment reflects the changes in the Vermont unemployment tax resulting from changes in the taxable wage base offset by a reduction in the number of employees. We do not expect a test period to rate period change in the contribution rate. The number of employees used in this adjustment is the average number of test period employees, adjusted for the expected number of employee retirements and expected employee attrition through the end of the rate period.

Q24. Please explain COS Adjustment No. 12 – Social Security Taxes.

A24. This decrease adjustment reflects the change in Social Security Tax resulting from the reduction in the number of employees due to retirements and attrition. The average number of employees used in this adjustment is consistent with COS Adjustment No. 11.

Q25. Please explain COS Adjustment No. 13 – Depreciation Expense.

A25. The following items are incorporated into the depreciation expense adjustment:

1. The annualized impact of test period plant additions and retirements;
2. The impact of plant additions and retirements that occur after the end of the test period through the end of the rate period.

Q26. Please explain COS Adjustment No. 14 – Federal and State Income Taxes.

A26. This adjustment reflects federal and state income taxes, which were calculated based on statutory income tax rates adjusted for book and tax permanent differences and income tax credits. As previously discussed in my testimony, the income tax expense calculation reflects the tax reform corporate federal income tax rate of 21% and the return of the tax reform ADIT balance, which GMP is required to return to customers over 33 years. For the detailed calculation of rate period federal and state income taxes, please see **Schedule 4** of **Exhibit GMP-ER-1.**

Q27. Please explain COS Adjustment No. 15 – CEED Amortization.

A27. This adjustment reflects the CEED Fund amortization resulting from CEED Fund investments. We have met the investment and net societal benefit goals for customers as established in the Commission Order in Docket 7770. For additional information related to this adjustment, please refer to **Exhibit GMP-ER-13**.

Q28. Please explain COS Adjustment No. 16 – Equity in Earnings of Affiliates.

A28. This adjustment primarily reflects the changes in the VT Transco and JV Solar equity in earnings. The change in the VT Transco equity in earnings is due to the impacts of additional equity investments in VT Transco and tax reform. Ms. Nelson provides additional information on these impacts in her testimony. The change in JV Solar equity in earnings is due to the test period to rate period change in earnings GMP will be receiving from this investment.

Q29. Please explain COS Adjustment No. 17 – Property Taxes.

A29. This adjustment reflects the escalation of property taxes based on recent trends in property taxes. For additional information related to this adjustment, please refer to **Exhibit GMP-ER-6.**

Q30. Please explain COS Adjustment No. 18 – Business Development Revenue and Expense.

A30. There are no known and measurable changes being made to test period business development revenue and expenses. The rate period equals the test period for these items.

Q31. Please explain COS Adjustment No. 19 – Other Operating Revenues.

A31. This adjustment reflects other operating revenue generated from utility activities, including miscellaneous service revenues, pole attachments, and miscellaneous transmission revenue. The test period to rate period decrease in other operating revenue is predominately due to the elimination of the test period Highgate RNS revenue due to the sale of the Highgate facility to VT Transco in May 2017.

Q32. Please explain COS Adjustment No. 20 – Regulatory Assets, Deferred Debits & Regulatory Liabilities.

A32. This decrease adjustment reflects the amortization of various regulatory assets, deferred debits, and regulatory credits. The test period amortizations for the retired meters regulatory asset and the Contribution In Aid of Construction (CIAC), plant removal, and JV Solar developer fee and day one gain regulatory liabilities have been removed from the cost of service because these amortizations will be completed before the beginning of the rate period. There is a new rate period net regulatory asset amortization created by continuing the regulatory asset and liability amortizations from the end of the fiscal year 2017 rate year ending September 30, 2017 to December 31, 2017, the beginning of the 2018 calendar year rate year. There is a new rate period regulatory liability amortization for GMP's share of the gain recognized by VT Transco from the sale of its Utopus investment. This regulatory liability is being recorded pursuant to a Commission Accounting Order (Case No. 17-5013-ACCT) issued on January 4, 2018. For additional information related to this adjustment, please refer to **Exhibit GMP-ER-4.**

Q33. Please explain COS Adjustment No. 21 – Accretion Expense.

A33. This increase adjustment reflects the test period to rate period changes in the Company's Asset Retirement Obligation accretion expense.

Q34. Please explain COS Adjustment No. 22 – Credit Facility Fees.

A34. This decrease adjustment reflects the test period to rate period changes in the Company's issued letters of credit fees and fees based on the unutilized portion of the Company's credit facility.

Q35. Please explain COS Adjustment No. 23 – Removal of Regulatory Deferrals in Test Year.

A35. This adjustment removes test period regulatory deferrals associated with JV Solar, which will not recur in the rate period.

Q36. Please explain COS Adjustment No. 24 – Future benefits – JV Solar/Battery Projects.

A36. GMP will be making equity investments in JV Solar/Battery projects to directly benefit customers. This adjustment reflects GMP's request that the Commission approve its voluntary 100% return to customers within this rate period of developer fees and day one gains expected to be generated by these investments, as described above. The return of these benefits to customers is being recorded as an amortization of a regulatory asset. GMP will offset this regulatory asset as the developer fee and gains are realized. These projects are further discussed by Mr. Shields.

Q37. Please explain COS Adjustment No. 25 – Gross Revenue and Fuel Gross Receipts Tax.

A37. This adjustment reflects the gross revenue and gross receipt tax calculated by applying the two 0.5% gross receipts tax rates presently in effect to the rate period revenue. For the detailed calculation of the gross revenue and fuel gross receipts tax, please see **Exhibit GMP-ER-5**.

Q38. Please explain COS Adjustment No. 26 – Return on Utility Rate Base.

A38. This adjustment reflects the return on utility rate base resulting from applying the weighted average cost of capital from **Exhibit GMP-ER-1**, **Schedule 3** to the rate period 10-month average rate base from **Exhibit GMP-ER-1**, **Schedule 2**.

Q39. Please explain the Merger Savings credit for customers included on GMP-ER-1, Schedule 1.

A39. The Docket 7770 Order requires GMP to provide guaranteed merger savings benefits to all retail customers in the first three years after the merger, share merger benefits 50/50 the next five years, and return 100% of the merger benefits thereafter. The merger order required GMP to measure customer benefits from the merger through ten years, and to guarantee $144 million in total customer savings from the merger over this period. The customers' share of the merger savings is reflected in base rates as a credit to GMP's base-rate cost of service. The customers' share of rate period merger savings is projected to be just over $13.8 million. This will mean by September 30, 2019 GMP will have returned a total of $84.5 million in merger savings resulting from operational efficiencies to customers, directly lowering costs. We also note that, as of the date of this filing, GMP anticipates returning about $180 million in merger savings to customers over the ten-year measurement period, significantly exceeding our guarantee of $144 million in merger savings to customers. We are proud of this great outcome for customers.

V. RATE BASE DETAILS AND ADJUSTMENTS

Q40. Please describe the rate base in this filing.

A40. The rate base, which reflects the 10-month average level of investment for the period ending September 30, 2017 and adjusted for known and measurable changes through the end of the rate period (September 30, 2019), is summarized in **Exhibit GMP-ER-1**, **Schedule 2**. A detailed listing of these adjustments is contained in **Exhibit GMP-ER-1, Schedule 6** and the 10-month average rate base balances for the period ending September 30, 2017 is contained in **Exhibit GMP-ER-7**.

Q41. Please explain how the test period plant balances were adjusted.

A41. We started with the plant balances at the end of the test period and added the monthly capital additions through the end of the rate period. Please refer to **Exhibit GMP-ER-12** for more detail on the plant additions and retirements. Mr. Otley discusses capital additions further in his testimony. Based on these calculations, we calculated a 10-month average balance for plant in service for the rate period. As previously discussed in my testimony, growth-related capital projects are included in the above calculation.

Q42. Please identify the witnesses who support the rate base adjustments contained in Schedule 6 of Exhibit GMP-ER-1.

A42. The following table summarizes the twenty adjustments to the 2019 rate base contained in **Exhibit GMP-ER-1, Schedule 6** and indicates which witness provides support for each adjustment. My testimony following this table describes each of the adjustments in the table that I support (RB 5-21). Mr. Fiske, Mr. Lisai, Mr. Castonguay, and Mr. Otley address the capital plant additions associated with each rate base adjustment listed below.

Adj. No	Description	Witness	Adj. Total ($000's)
RB 1	Production	Mr. Lisai	$63,876
RB 2	Transmission	Mr. Ryan/Mr. Fiske	($7,622)
RB 3	Distribution	Mr. Fiske	$72,031
RB 4	General	Mr. Otley	$18,985
RB 5	Community Energy & Efficiency Development Fund	Mr. Ryan	($2,598)
RB 6	Unamortized Debt Discount and Expense	Mr. Ryan	($37)
RB 7	Investment in Affiliates	Mr. Ryan	$143,112
RB 8	Construction Work in Progress	Mr. Ryan	($51,864)
RB 9	TY to RY Millstone 3 Energy/Capacity	Mr. Ryan	($331)
RB 10	Reg Assets, Deferred Debits & Reg Liabilities	Mr. Ryan	($18,663)
RB 11	Vtel Contract Prepayment	Mr. Ryan	($532)
RB 12	Working Capital Allowance	Mr. Ryan	($2,451)
RB 13	Tax FAS 109	Mr. Ryan	($1,850)

RB 14	Accumulated Depreciation	Mr. Ryan	$78,508
RB 15	Accumulated Deferred Income Taxes & Reg Liability	Mr. Ryan	$30,991
RB 16	Accumulated Deferred Investment Tax Credits	Mr. Ryan	($208)
RB 17	Accrued Pension Expense	Mr. Ryan	$1,832
RB 18	Acc. Post-Ret. Medical Expense FAS 106	Mr. Ryan	($1,974)
RB 19	Acc. Other Post-Employment Ben. Exp. FAS 112	Mr. Ryan	($236)
RB 20	Supplemental Executive Retirement Benefits (SERP)	Mr. Ryan	$77

Q43. Please explain RB Adjustment No. 2 – Transmission.

A43. This adjustment consists of two parts. The first component is the interim period and rate period transmission plant additions. Mr. Fiske's testimony addresses these plant additions. The second component of this adjustment is the removal of the Highgate Transmission Facility, which was sold to VT Transco in May 2017. The Highgate Transmission Facility is included in Transmission plant for part of the test period. This adjustment completely removes the Highgate Transmission Facility from the rate period.

Q44. Please explain RB Adjustment No. 5 – Community Energy and Efficiency Development ("CEED") Fund.

A44. This adjustment represents the test period to rate period decrease in the CEED Fund Investment. Refer to **Exhibit GMP-ER-13**.

Q45. Please explain RB Adjustment No. 6 – Unamortized Debt Discount and Expense.

A45. This adjustment reflects the deferred unamortized issuance costs of debt securities and capital stock issued through the end of the rate period.

Q46. Please explain RB Adjustment No. 7 – Investment in Affiliates.

A46. This adjustment reflects the various equity investments and includes the impacts of additional equity investments in VT Transco and new JV Solar/Battery projects. GMP's investments in VT Transco were $32.4 million in September 2017, $38.1 million in December 2017, and we will be investing $13.3 million in December 2018. GMP will be investing $28.7 million in JV Solar/Battery projects as explained further in Mr. Shields' testimony. Also refer to COS Adjustment No. 24 – Solar/Battery Projects.

Q47. Please explain RB Adjustment No. 8 – Construction Work in Progress.

A47. This adjustment reflects the construction work in progress balance, excluding allowance for funds used during construction ("AFUDC") projects and those plant additions that are not expected to close to plant before the end of the rate period.

Q48. Please explain RB Adjustment No. 9 – TY to RY Millstone 3 Energy/Capacity.

A48. Historically, the Millstone 3 capacity and replacement energy costs incurred during Millstone 3 refueling outages are deferred and amortized over the period of time between refuelings. In order to simplify the accounting for the refueling outage costs going forward, GMP will be expensing refueling costs as they are incurred. This adjustment removes the test period 10-month average balance of unamortized capacity and replacement energy costs for the Millstone 3 outage.

Q49. Please explain RB Adjustment No. 10 – Regulatory Assets, Deferred Debits & Regulatory Liabilities.

A49. This adjustment reflects the balances of the unamortized regulatory assets, deferred debits, and regulatory liabilities.

Q50. Please explain RB Adjustment No. 11 – Vtel Contract Prepayment.

A50. This adjustment reflects the balance of Vtel Wireless prepayment.

Q51. Please explain RB Adjustment No. 12 – Working Capital Allowance.

A51. This adjustment reflects material and supplies, prepayments excluding prepaid income taxes, Millstone 3 nuclear fuel, and cash working capital requirement calculated using a lead-lag study approach.

The lead-lag study developed lead-lag factors for the time between when services were rendered and the receipt of revenues for such services and between when labor and other costs were incurred and when payments were made for such costs. These factors were applied to revenue and certain expenses to develop a cash working capital requirement. Please refer to **Exhibit GMP-ER-8** for additional support of the working capital calculation.

Q52. Please explain RB Adjustment No. 13 – Tax FAS 109.

A52. This adjustment reflects the test period to rate period change in the net Tax FAS 109 asset. The net Tax FAS 109 asset is tax-related balances that will be recovered from or returned to customers through cost of service income tax expense in future periods. The items that generate the net Tax FAS 109 asset are AFUDC equity, investment tax credits ("ITC"), and ITC basis reductions.

Q53. Please explain RB Adjustment No. 14 – Accumulated Depreciation.

A53. This adjustment reflects the resulting balance of including the interim period and rate period depreciation expense as discussed above and plant retirements from the end of the test period to the end of the rate period.

Q54. Please explain RB Adjustment No. 15 – Accumulated Deferred Income Taxes.

A54. This adjustment reflects the impacts of temporary book and income tax differences through the end of the rate period. This adjustment also reflects the ADIT credit being returned to customers, which was previously discussed in my testimony. Please see **Exhibit GMP-ER-9** for additional detail supporting this adjustment.

Q55. Please explain RB Adjustment No. 16 – Accumulated Deferred Investment Tax Credits.

A55. GMP is required to amortize ITC over the book depreciable life of the property, plant, and equipment that generated the ITC. This adjustment represents the test period to rate change in ITCs, which have been taken as a deduction on our federal income tax return but have not yet been returned to customers through rates.

Q56. Please explain RB Adjustment No. 17 – Accrued Pension Expense.

A56. This adjustment reflects funding made by GMP into the pension plan in excess of pension plan costs.

Q57. Please explain RB Adjustment No. 18 – Accumulated Post-Retirement Medical Expense FAS 106.

A57. This adjustment reflects the excess of post-retirement medical expense plan assets over plan obligations due to the return on plan assets exceeding plan costs.

Q58. Please explain RB Adjustment No. 19 – Accumulated Other Post-Employment Benefit Expense FAS 112.

A58. This adjustment reflects the excess of other post-employment benefits cost over amounts funded by GMP.

Q59. Please explain RB Adjustment No. 20 – Supplemental Executive Retirement Benefits (SERP).

A59. This adjustment reflects the balance of excess of SERP costs over benefits paid.

VI. GMP'S CAPITAL STRUCTURE AND COST OF DEBT

Q60. Please describe GMP's capital structure for the test period and rate period.

A60. The capital structure for the test period and the rate period are identified below:

Test Period	In $000s	
Long-term Debt	$ 663,737	45.2%
Short-term Debt	$ 55,231	3.7%
Total Equity	$ 750,065	51.1%
Total Capital	$1,469,033	
Rate period		
Long-term Debt	$ 738,170	44.4%
Short-term Debt	$ 96,556	5.8%
Total Equity	$ 829,800	49.8%
Total Capital	$1,664,526	

The cost of each component of the capital structure is set out in **Schedule 3** of **Exhibit GMP-ER-1**. As indicated, the cost of capital in the rate period consists of 44.4% for long-term debt, 5.8% for short-term debt, and 49.8% for equity. The cost of long- and short-term debt reflects per books numbers and estimates for new issuances through the end of the rate period (described below). The cost of equity is sponsored by Mr. Coyne. The weighted cost of capital identified on the exhibit is approximately 5.28%.

The rate period increase in the equity component percentage of the total capital structure, compared to the 2018 base rate filing, is needed to help fund the return during the 2019 rate period of the tax reform bill credits.

Q61. Were any adjustments made to the common stock equity component of the capital structure?

A61. Yes. We reduced our common stock equity balance by $8 million to reflect the portion of common stock equity balance that supports non-utility operations.

Q62. What is GMP's financing plan through the end of rate period?

A62. Our current plan is to issue the following first mortgage bonds:

- $25,000,000 in September 2018;
- $20,000,000 in December 2018;
- $30,000,000 in May 2019; and
- $60,000,000 in June 2019.

The projected annual borrowing rate for these issuances will range from 4.5%–5.25% with maturity dates of 15–30 years.

We will also be receiving an equity infusion of $10,000,000 in December 2018. The proceeds from the debt and equity infusion will be used to redeem existing long-term debt of $86,300,000, to finance investments in VT Transco and JV Solar/Battery projects, capital spending, and to fund the rapid return of the tax reform benefits to customers.

Our current unsecured credit facility for up to $110,000,000 with a $15,000,000 accordion feature will need to be renewed no later than December 2018. GMP is planning on maintaining the current terms and conditions but increasing the allowable credit line to at least $125,000,000 with an accordion feature. The increased credit limit has been assumed as part of the overall capital structure. The estimated average annual borrowing rate under the credit facility for the rate period is 2.45% based on expected future market conditions.

VII. REVENUE REQUIREMENT AND RATE ADJUSTMENT CALCULATION

Q63. Based upon all of the above, what is the rate adjustment for the 2019 rate period and how did you calculate it?

A63. As shown in **Exhibit GMP-ER-1, Schedule 1**, GMP's rate adjustment for the 2019 rate period is $25,112,000 based on the difference between forecasted revenue from customers of $461,056,000 and the total cost of service of $486,169,000. While this difference yields a base rate adjustment of 5.45%, the federal ADIT tax changes allow a $27,407,000 bill credit that will more than offset this increase during the 2019 rate period, causing an overall effective 0.5% decrease for the 2019 rate period. We believe this is a very positive outcome for our customers in light of the significant cost pressures we face, and we look forward to discussing this filing with the Commission in the months ahead.

Q64. Does this conclude your testimony?

A64. Yes.