

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 18-0974-TF

Tariff filing of Green Mountain Power Corporation requesting a 5.45% increase in its base rates effective with bills rendered January 1, 2019, to be fully offset by bill credits through September 30, 2019

PREFILED SURREBUTTAL TESTIMONY OF

JACOB M. THOMAS

ON BEHALF OF THE

VERMONT DEPARTMENT OF PUBLIC SERVICE

October 8, 2018

Summary: Mr. Thomas presents the Department's revised adjusted cost of service model developed to reflect all adjustments recommended by Department witnesses as applied to GMP's revised cost of service model. Mr. Thomas also makes revisions to the Department's COS model in response to issues raised about our model by Mr. Edmund F. Ryan in GMP's Rebuttal Testimony.

Mr. Thomas Sponsors the Following Exhibits:

Exhibit PSD-JMT-3

Department's Revised Adjusted Cost of Service Model

Surrebuttal Testimony
of
Jacob M. Thomas

1 **Q1. Please state your full name, address, and occupation.**

2 A1. My name is Jacob M. Thomas. My business address is 1850 Parkway Place, Suite
3 800, Marietta, Georgia 30067. I am a Senior Project Manager of the firm GDS
4 Associates, Inc. ("GDS"). I am a registered engineer in Georgia.

5

6 **Q2. Did you previously provide testimony in this matter?**

7 A2. Yes, I provided prefiled direct testimony in this matter on August 10, 2018.

8

9 **Q3. Please summarize your surrebuttal testimony.**

10 A3. My testimony presents the Department of Public Service's (the "Department") revised
11 adjusted cost-of-service ("COS") model. On September 12, 2018, GMP submitted a
12 revised COS model, which was filed as Exhibit GMP-ER-1 (Rev.). I created a model
13 that reflects the recommended adjustments being made by the Department to GMP's
14 revised COS model. The model reflects PSD Adjustments 1 through 9 as described in
15 my prefiled direct testimony. Further, in response to GMP's rebuttal testimony, the
16 Department now has seven additional adjustments to the COS model as I will describe
17 in my surrebuttal testimony. The Department's revised adjusted COS model is
18 presented as Exhibit PSD-JMT-3.

19

1 **Q4. What adjustments to the Department’s modeling did GMP Witness Edmund F.**
2 **Ryan recommend?**

3 A4. Mr. Ryan made two recommended corrections to the Department’s COS model. On
4 Page 7 of his rebuttal testimony, Mr. Ryan indicates that Plant in Service adjustments
5 should be made on the 10-month average amounts and that plant retirements would
6 need to be adjusted to reflect the impact of the removal of certain plant additions.

7
8 **Q5. Do you agree with Mr. Ryan’s suggested corrections?**

9 A5. I agree with Mr. Ryan’s two corrections to the Department’s COS modeling and have
10 made adjustments to the revised COS model presented as Exhibit PSD-JMT-3. I will
11 describe in which Department adjustments those corrections appear as I describe each
12 new modeling adjustment below.

13
14 **Q6. Can you describe Adjustment PSD 10?**

15 A6. Adjustment PSD 10 is broken into two adjustments, as shown on Exhibit PSD-JMT-3,
16 Schedule 5. Adjustment PSD 10a is a series of adjustments to offset the Department’s
17 original adjustments to reflect removal of the Tesla PowerWall program. Adjustment
18 PSD 10b, then, is an adjustment to reflect removal of the Tesla PowerWall program,
19 which the Department still recommends, but doing so based on GMP’s revisions
20 associated with their delay in service dates for the program. To determine the amount
21 of the various adjustments, I used revised exhibit GMP-JC-3 and isolated the
22 PowerWall program impacts presented therein. The adjustments include removal of

1 sales and lease revenues, and adjustments to the 10-month average plant in service,
2 accumulated depreciation, and ADIT balances specific to the Tesla PowerWall
3 program. Per the direction of Department witness Mr. Brian Winn, I did not include
4 the impacts associated with O&M and A&G as shown in revised exhibit GMP-JC-3.
5

6 **Q7. Please describe Adjustment PSD 11.**

7 A7. Adjustment PSD 11 represents adjustments made to the Department's original
8 recommendation on Distribution Lines Blankets. The Department continues to
9 recommend all adjustments consistent with Exhibit PSD-KJM-10, which was part of
10 Department witness Kevin Mara's prefiled direct testimony. However, Adjustment
11 PSD 11 is made to correct for using a 10-month average balance on plant and making
12 adjustments to plant retirements, a correction recommended by GMP witness Mr.
13 Ryan in his rebuttal testimony as I described above. The details of the adjustment
14 amounts are provided in Exhibit PSD-JMT-3 Schedule 7.
15

16 **Q8. Please describe adjustment PSD 12.**

17 A8. In the rebuttal testimony of John Fiske, Mr. Fiske agrees with \$1,160,418 of
18 adjustments to Distribution Lines Large projects that were recommended by
19 Department witness Kevin Mara and acknowledges that one distribution line project
20 totaling \$273,019 is no longer expected to be completed during the rate period.¹

¹ Fiske pf reb. at page 4, lines 11–20.

1 Furthermore, as described by Mr. Ryan, GMP reflects this adjustment in its revised
2 COS model.² The Department agrees with GMP's rebuttal in regard to the
3 Ottauquechee Hydro Distribution Line Project,³ and therefore agrees the project
4 should be allowed in this rate period. Other than that one Distribution Lines Large
5 project, the Department still recommends all other disallowances as originally
6 supported by Department witness Kevin Mara in his prefiled direct testimony. To
7 assist in tracking through all these adjustments, I prepared Exhibit PSD-JMT-3
8 Schedule 8. That schedule indicates that the Department's adjustment for Distribution
9 Line Large projects has been revised from \$4,595,461 to \$3,293,889. To effect the
10 change in the COS, I also adjusted retirement projects and used the 10-month average
11 plant balance associated with these adjustments. Exhibit PSD-JMT-3 Schedule 9
12 shows the various adjustments made to the COS to reflect the revisions for
13 Distribution Lines Large projects.

14

15 **Q9. Can you describe Adjustment PSD 13?**

16 A9. Adjustment PSD 13 represents adjustments made to the Department's original
17 recommendation on Transmission Lines. The Department continues to recommend all
18 adjustments consistent with Exhibit PSD-KJM-4, which was part of Department
19 witness Kevin Mara's prefiled direct testimony. However, Adjustment PSD 13 is made

² Ryan pf reb. at page 4, lines 13-18.

³ Fiske pf reb. at page 18, lines 8-20.

1 to correct for using a 10-month average balance on plant and making adjustments to
2 plant retirements, correction recommended by GMP witness Mr. Ryan in his rebuttal
3 testimony as I described above. The details of the adjustment amounts are provided in
4 Exhibit PSD-JMT-3 Schedule 10.

5

6 **Q10. Can you describe adjustment PSD 14?**

7 A10. Yes. Mr. Ryan testifies that GMP accepts the adjustment to the long-term debt interest
8 rate as recommended by Department witness Baudino.⁴ Therefore, adjustment PSD 14
9 is an offsetting adjustment to PSD 6, as shown in Exhibit PSD-JMT-3, Schedule 5.

10 Therefore, there is now no difference in capital structure between GMP's revised COS
11 model and the Department's revised adjusted COS model.

12

13 **Q11. Please describe adjustment PSD 15.**

14 A11. Department Witness Edward McNamara recommended an adjustment to the Regional
15 Network Service ("RNS") transmission costs in his prefiled direct testimony in the
16 amount of \$397,682, which is reflected as Adjustment PSD 7 in Exhibit PSD-JMT-3,
17 Schedule 5. GMP has accepted that adjustment and reflected it in their revised COS
18 model, as described by Mr. Ryan⁵. Therefore, Adjustment PSD 15 is an offsetting
19 adjustment to PSD 3 to reflect the fact that is now included in GMP's revised COS
20 model.

⁴ Ryan pf reb. at page 4, line 20 through page 5, line 8.

⁵ Ryan pf reb. at page 5, lines 9-15.

1 **Q12. Can you describe Adjustment PSD 16?**

2 A12. Yes. On page 3, lines 10–12, of Mr. Ryan’s Rebuttal Testimony, he states that GMP’s
3 revised COS includes the following revision: “Record a return on the REC inventory
4 based on our short-term debt bank loan interest rate as recommended by the
5 Department and accepted as modified by GMP”. Therefore, Adjustment PSD 16 is an
6 offsetting adjustment to Adjustment PSD 8, since GMP’s revised COS now reflects
7 the Department’s original PSD 8 adjustment. Adjustment PSD 10 is shown on Exhibit
8 PSD-JMT-3, Schedule 5, in which there is now no adjustment for RECs.

9

10 **Q13. What are the resultant COS impacts of all of the PSD adjustments, including**
11 **those you have described in your Prefiled Direct Testimony and those described**
12 **above?**

13 A13. The total impact of all the adjustments recommended by Department witnesses to
14 GMP’s revised COS is a reduction in adjusted total cost to serve of \$2.045 million, as
15 shown on Schedule 1 of Exhibit PSD-JMT-3, resulting in a required base rate revenue
16 adjustment of 4.96%, compared to the 5.43% increase recommended by GMP. When
17 the one-time bill credit for corporate tax reform is taken into account, the
18 Department’s COS shows a 1.37% reduction in bottom-line net revenues, compared to
19 a 0.90% reduction as reported by GMP.

20

21 **Q14. Does this conclude your surrebuttal testimony?**

22 A14. Yes.