Q.GMP.1-78. On page 4 lines 19–20, the Department recommends that the Powerwall program be removed from rate base in this case.

a. **Does the Department acknowledge that GMP customers are currently receiving benefits generated by the Tesla Powerwall Program despite the fact that costs associated with the program are not presently in rate base? If not, please explain why not.**

PSD Response: The Department acknowledges that, prior to capital costs being included in rate base, non-participating customers may be benefiting to the extent that monthly payments from participating customers exceed the incremental O&M cost of the program, assuming this margin is being passed on to ratepayers.

a. **Does the Department recommend that the revenues that GMP receives from customers through their Powerwall leases also be removed from GMP's revenue requirements for the rate period, and instead flow to GMP? Please explain fully the basis for the Department's recommendation.**

PSD Response: Yes. Until the program meets the Department's conditions for including commercially available consumer products in rate base, these activities should be "below the line" – at the expense of investors and not rate payers.

b. **Does the Department recommend that operational savings associated with the operation of Powerwalls during the rate period (e.g., reductions in peak-driven costs for RNS transmission and FCM obligations) also be removed from GMP's revenue requirements for the rate period, and instead flow to GMP? Please explain fully the basis for the Department's recommendation.**

PSD Response: Assuming that these activities are being done entirely at investor expense, any measurable and documented (not estimated or inferred) benefit, net of any ratepayer cost associated with that benefit, should be removed from rates. It should be noted that the reason the Department recommends that these assets be excluded from rate base is because GMP has not clearly demonstrated these benefits or that these benefits exceed the cost to non-participating rate payers.

Persons Responsible for Response: Brian Winn
Title: Director of Finance, Department of Public Service
Date: August 31, 2018

Q.GMP.1-79. Refer to page 5 lines 1–4 of your testimony, which discusses deferring placement of the Powerwall program costs into rate base until the program's full 18-month pilot period has been completed and GMP can present meaningful data to demonstrate whether the program achieved its intended ratepayer benefits and warrants treatment as a tariffed permanent service offering.

a. **Assuming that GMP meets these conditions, does the Department recommend that the rate base amount for this capital investment include carrying costs until the date at which it is put into rates? Please explain the basis for the Department's recommendation.**

PSD Response: No. Until the program meets the Department's conditions for including commercially available consumer products in rate base, these activities should be "below the line" – at the expense of investors and not rate payers.

b. **If GMP cannot meet these conditions, does the Department recommend that both the costs associated with the Powerwall program and its operational benefits (e.g., reductions in peak-driven costs for RNS transmission and FCM obligations) flow to GMP? Please explain the basis for the Department's recommendation.**

PSD Response: If GMP cannot meet these conditions, any known and measurable (not estimated or inferred) benefit, net of any ratepayer cost associated with that benefit, should be removed from rates.

Persons Responsible for Response: Brian Winn
Title: Director of Finance and Economics, Department of Public Service
Date: August 31, 2018

Q.GMP.1-82. Refer to pages 8–9 of your testimony, which states that GMP's ultimate use of RECs should determine whether or not GMP is entitled to receive a return on its investment in those RECs. If RECs are not needed for REC compliance, and are purchased with the intent to resell, then GMP should not be able to earn a return on these RECs.

a. **Please explain the basis for your recommendation that GMP should not be entitled to receive a return on its investment in RECs that are resold.**

PSD Response: The REC inventory account includes the imputed cost of RECs purchased through PPAs, where the cost is incurred but the RECs are not yet delivered. Upon further review, the Department believes, on a going forward basis, the entire PPA costs should be included in Power Costs, with those costs recovered at the time of payment. Revenues from resales should flow through the Power Supply Adjustor. The current inventory balance for RECs based on and imputed price should earn a rate of return equal to the short-term debt rate.

As the Department understands it, total PPA costs are paid at the time of energy delivery. The price paid is for several products—energy, capacity and RECs. As described in the Direct testimony of Edward McNamara, "power supply costs are reduced by the imputed REC cost and those costs are moved into an inventory account until the RECs are delivered, at which time revenue from the sale credits the inventory account." The imputed REC price is a GMP developed price schedule used for inventory accounting. Given the apparent high price assigned to RECs in the inventory account relative to current market conditions, the REC inventory balance reflects a much higher balance than the potential resale revenue and has the effect of artificially increasing GMP's rate base.

b. **To the extent not addressed in (a) above, considering that the proceeds from the associated REC sales flow fully to the benefit of GMP customers (through retail rates and the Power Supply Adjustor), and (as you note starting on line 1) there is approximately a two-quarter lag between when GMP pays for the RECs and when the associated RECs are received by GMP and can be delivered to buyers, why is it not appropriate for GMP to earn a return on its REC inventory balance?**

PSD Response: To the extent that a PPA has a single price for all products delivered (e.g. the PPA does not specifically name a REC price), on a going forward basis all costs should flow through Power Costs, and revenues from resales should flow through the Power Adjustor. To the extent that a PPA has separate pricing for RECs, the value of that temporary inventory of RECs should earn return equal to the short term debt rate rather than be included in Rate Base.

c. **Please identify and produce all documents and other materials reviewed and relied upon to support your opinion that REC sale inventory should not be included in rate base.**

PSD Response: Conversations with our consultants, GDS Associates, Inc, informed our recommendation on the exclusion of RECs in Rate Base. Additionally, current REC prices, as shown in the REC broker sheet attached as Attachment A.PSD.1-82, demonstrate a disconnect between the inventory account balance and revenues from future sales.

d. Are you aware of any regulatory decisions in Vermont or outside of Vermont which support your opinion that REC sale inventory should not be included in rate base? If so, please identify and produce such decisions and explain how they support your opinion.

PSD Response: The Department is not currently aware of any other regulatory decisions, in or outside of Vermont, that specifically exclude REC inventory from Rate Base.

e. With respect to excluding the proposed amounts of REC inventory from rate base, please explain what makes this inventory of RECs different from any other type of inventory that is included in utility rate base.

PSD Response: The Department does not suggest that PPA costs associated with RECs not be recovered by the utility. Instead, REC inventory should not be included in Rate Base but rather the balance or inventory of RECs held for sale should earn return equal to the a short term debt rate of return.

Person Responsible for Response: Edward McNamara
Title: Director of the Planning and Energy Resources Division, Department of Public Service
Date: August 31, 2018