

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 23-3943-TF

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Tariff filing of Vermont Electric Cooperative Inc. for a 8.76% rate increase, effective with service rendered on and after January 1, 2024	
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Order entered: 07/31/2024

**FINAL ORDER APPROVING RATE INCREASE**

In this Order, the Vermont Public Utility Commission (“Commission”) adopts the following proposal for decision.

**PROPOSAL FOR DECISION**

**I. INTRODUCTION**

This case involves the Commission’s investigation into a tariff filing by Vermont Electric Cooperative Inc. (“VEC”) requesting an 8.76% rate increase effective on a service-rendered basis on January 1, 2024.

As discussed below, I recommend that the Commission approve an 8.33% rate increase for VEC. This recommendation follows a revised rate proposal from VEC, which reduced its proposed rate increase to 8.33% after reviewing the Vermont Department of Public Service’s (“Department”) testimony and recommendations. I also recommend that the Commission require VEC to file (1) a plan to refund its members any amounts collected above the 8.33% increase since January 1, 2024; (2) compliance tariffs reflecting the approved amount of the rate increase; and (3) a compliance filing to provide an update on work progress and costs associated with its five-year maintenance plan for its overhead lines six months after issuance of today’s Order.

**II. PROCEDURAL HISTORY**

On November 14, 2023, VEC filed revised tariff sheets reflecting a proposed 8.76% rate increase with an effective date of January 1, 2024. The prefiled testimony and exhibits accompanying the tariff filing are as follows: testimony of Caroline Mashia and Exhibit VEC-CCM-1; testimony of Dan Potter and Exhibits VEC-DP-1 through 5; testimony of Katie Orost and Exhibit VEC-KLO-1; and testimony of Peter Rossi.

On December 14, 2023, the Department filed comments recommending that the Commission open an investigation into VEC's proposed rate increase, pursuant to 30 V.S.A. § 225.

On December 26, 2023, the Commission issued an order opening an investigation and appointed me as the Hearing Officer in this proceeding. Pursuant to 30 V.S.A. § 226(b), VEC implemented the tariff by means of an identical 8.76% surcharge on each class of ratepayers, subject to the requirement that it refund any amounts collected that are in excess of the amount finally determined to be just and reasonable by the Commission.

On January 11, 2024, VEC filed a proposed schedule and a letter agreeing to waive the seven-month deadline for a decision pursuant to 30 V.S.A. § 227(a).

On January 18, 2024, I held a scheduling conference.

On January 31, 2024, I issued a scheduling order.

On February 13, 2024, I conducted a public hearing in this case via videoconference. There was one member of the public in attendance at the public hearing who requested clarification on the overall dollar impact of the rate increase, and VEC responded to the questions at the hearing. The Commission received eight written public comments, which are discussed below.

On February 27, 2024, I issued an order requesting VEC to respond to concerns raised in the public comments.

On March 22, 2024, VEC filed a response to the concerns raised in the public comments ("Response to Public Comments").

On April 11, 2024, the Department filed testimony and exhibits as follows: testimony of Scott Wheeler and Exhibits DPS-SGW-1 and DPS-SGW-2; testimony of Carol Flint and Exhibit DPS-CF-1; and testimony of Adam Jacobs and Exhibits DPS-AJ-1 through 5. The Department's testimony recommended that VEC's proposed rate increase be reduced to 8.33%. The Department also recommended that VEC be required to make a compliance filing regarding the resumption of implementation of its five-year maintenance plan for overhead lines.

On May 1, 2024, VEC filed a letter ("VEC's 5/1/24 Letter") with the Commission stating that it accepts the Department's recommendation to reduce the proposed rate increase to 8.33% and that it will provide an update on its overhead-lines maintenance program within six months

of a final Commission order in this case. VEC stated that it consents to the admission of all prefiled testimony and exhibits in this matter, and that it does not believe additional procedural steps are necessary.

On May 2, 2024, the Department filed a letter stating that it agrees that there is no need for additional process and stipulated to the admission of all prefiled testimony and exhibits.

On July 9, 2024, VEC and the Department filed briefs.

No party requested an evidentiary hearing in this proceeding. After reviewing the record in this proceeding, I determined that an evidentiary hearing is not needed to render a proposal for decision in this proceeding. VEC and the Department have stipulated to the admission of all prefiled testimony and exhibits. The testimony and exhibits identified above, VEC's 5/1/24 Letter, and Response to Public Comments are admitted as if presented at a hearing.<sup>1</sup>

### **III. PUBLIC COMMENTS**

The Commission received eight public comments from VEC's members. Most of these members expressed concern about the affordability of electricity and the magnitude of the proposed rate increase. One commenter raised concerns regarding the impact of outages on VEC's members.

In its response to the public comments, VEC states that it worked to proactively address member concerns using messaging on its website and through its quarterly Co-op Life newsletter. VEC states that much of the information in the Response to Public Comments is taken from those sources. In its Response to Public Comments, VEC explains that with the proposed rate increase, its ten-year average rate increase is approximately 2.2%, which is well below the ten-year average rate of inflation.<sup>2</sup> VEC also provided information on its reliability and resiliency initiatives, including vegetation management activities, undergrounding lines or adding more durable wire, and installing automated sensors and switches.<sup>3</sup>

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<sup>1</sup> If any party has an objection to any of these documents being entered into evidence, the party must submit its objection within 14 days of the date this Order is entered.

<sup>2</sup> Response to Public Comments at 3-4.

<sup>3</sup> *Id.* at 5-6.

#### IV. FINDINGS

Pursuant to 30 V.S.A. § 8(c), and based on the record and evidence before me, I present the following proposed findings of fact to the Commission.

##### *Summary of VEC's Initial Rate Increase Request*

1. VEC initially requested an increase to its annual revenues of 8.76% (or \$7,388,362), to take effect on a service-rendered basis as of January 1, 2024. Prefiled testimony of Caroline Mashia, VEC, (“Mashia pf.”) at 2.

2. VEC's ten-year average of its rates, including the proposed 8.76% increase, results in an average increase of 2.22% per year over the past 10 years. Mashia pf. at 2.

3. VEC has developed its proposed rate increase based on a target Times Interest Earned Ratio (“TIER”) of 2.0. Mashia pf. at 6.

4. VEC's has received an A+ with a stable outlook credit rating from Standard & Poor's since 2016. Mashia pf. at 6.

5. With a 2.0 TIER, VEC will maintain its financial health and will be able to strengthen its power supply portfolio, access favorable debt financing, and continue to invest in VT Transco stock. Mashia pf. at 6-7.

6. The primary cost drivers for the rate increase are vegetation management costs, power supply costs, salary and benefits costs, and interest expenses. Mashia pf. at 3.

7. VEC's grant funding from the Federal Paycheck Protection Program was exhausted in 2023, which contributed to the need for the rate increase. Mashia pf. at 3-4.

8. VEC's vegetation management costs are increasing by \$1,634,185 over the test year. VEC explains that it is more appropriate to compare proposed 2024 spending to the 2023 budget because some vegetation management activities were delayed due to weather and limited resources. Proposed expenditures for 2024 are only \$391,596 higher than the 2023 budgeted amount. Prefiled testimony of Peter J. Rossi, VEC, (“Rossi pf.”) at 8.

9. In 2018, VEC purchased poles that were previously jointly owned with Consolidated Communications, Inc. (“Consolidated”). As a result of the purchase agreement, Consolidated was responsible for a portion of vegetation maintenance costs through 2023. Rossi pf. at 8.

10. Approximately \$367,000 of the increase in vegetation management costs is due to the decrease in maintenance contributions by Consolidated starting in 2024. Rossi pf. at 8.

11. VEC estimates that power supply costs will increase by \$812,212 over test-year levels due to higher market rates and contract escalations. Mashia pf. at 3; exh. VEC-CCM-1.

12. The two primary factors driving increased power supply costs are changes to VEC's contracts with Hydro Quebec and implementation of the Independent System Operator-New England ("ISO NE") Inventoried Energy Program. Prefiled testimony of Dan Potter, VEC, ("Potter pf.") at 2.

13. As a result of pricing changes and a decreased amount of energy available to be purchased through VEC's Hydro Quebec contracts, the weighted average cost of energy in the rate year is \$70.12/MWh as compared to \$62.67/MWh in the test year, resulting in a \$310,514 increase over test-year levels. Potter pf. at 14.

14. ISO-NE's Inventoried Energy Program is an energy security program for the 2023/2024 and 2024/2025 winters. The program compensates generation resources for maintaining 72 hours of inventoried energy and is estimated to cost approximately \$78,462,500 each winter for New England. The cost is billed to load-serving entities based on share of load each month. VEC estimates these program costs will result in a \$209,233 increase over test-year power supply costs, based on two months of billing falling in the test year. Potter pf. at 32-33.

15. VEC will experience increased costs associated with payroll and payroll-related benefits of \$1,393,722 over test-year levels. Mashia pf. at 10.

16. Health care insurance premiums will increase by 10% in the rate year. Mashia pf. at 12.

17. A significant wage increase was needed to remain competitive with the local labor market to attract and retain employees. Mashia pf. at 3.

18. The electric industry in Vermont and the northeast has experienced increased competition for qualified technical workers, especially line workers, largely due to retirements of veteran workers and to a tighter labor market generally. Mashia pf. at 10-11.

19. Other utilities in Vermont have recently implemented double-digit increases to line-worker salaries. Mashia pf. at 11.

20. VEC agreed to a 14% increase for line workers and a 9% increase for other workers for 2023. VEC also agreed to a 5% increase for 2024, with the contract up for renegotiation at the end of 2024. Mashia pf. at 11.

21. These relatively high wage increases were necessary for VEC to hire and retain qualified workers. Mashia pf. at 11.

22. Interest on long-term debt is projected to increase by \$255,589 over test-year levels. This is primarily due to the issuance of an additional \$12 million debt in February 2023. Mashia pf. at 16.

23. In 2019, VEC launched a five-year maintenance plan of its overhead lines. The plan includes a holistic evaluation of VEC's entire system over a five-year period. VEC is conducting pole-to-pole inspection and documenting its transmission and distribution assets. These efforts support reliability initiatives by identifying and fixing potential issues prior to outages, decreasing restoration time through accurate mapping, and providing up-to-date asset data for system modeling, such as for siting renewable generation and identifying the need for capital upgrades for beneficial electrification initiatives. Rossi pf. at 3.

24. VEC has increased costs for maintenance of overhead lines by \$250,000 to reflect the resumption of its five-year maintenance plan, which VEC placed on hold during the test year due to budgetary constraints. Rossi pf. at 3.

#### *Department's Recommendation and VEC's Response*

25. The Department recommended that VEC's cost-of-service be reduced by \$361,989. This would result in an increase to VEC's annual revenues of 8.33% (or \$7,026,373). Prefiled testimony of Scott Wheeler, Department, ("Wheeler pf.") at 4; exh. DPS-SGW-1.

26. The Department recommends that power supply costs be reduced by \$761,030 and transmission costs be increased by \$393,500 due to changes in recent market pricing. This results in a cumulative decrease of \$367,530 to VEC's proposed cost-of-service. These adjustments also cause a slight decrease in Gross Receipts & Gross Revenue Tax of \$5,541. Wheeler pf. at 4.

27. VEC estimates that increased ISO-NE transmission costs will increase power supply costs in the test year by approximately \$260,500 and \$133,000 for January and February 2024, respectively. Exhibit DPS-AJ-3.

28. Using updated forward market prices, VEC's estimated net purchased power costs decrease by \$761,030 to \$40,654,188. Prefiled testimony of Adam Jacobs, Department, ("Jacobs pf.") at 5; exh. DPS-AJ-3.

29. VEC agrees to limit its rate increase to 8.33% based on reductions in power supply costs. VEC's 5/1/24 Letter.

30. The Department recommends that any Commission approval of VEC's rate increase include a requirement for a compliance filing regarding the continuation of implementation of VEC's five-year maintenance plan for overhead lines. Wheeler pf. at 5.

31. VEC agrees to provide an update on the work and costs associated with resuming its program for a five-year maintenance plan for its overhead lines. VEC proposes to make this filing within six months of issuance of a final order in this case. VEC's 5/1/24 Letter; exh. DPS-SGW-2.

## V. DISCUSSION AND CONCLUSION

Over the course of this proceeding, I have reviewed the information presented by both VEC and the Department, and I recommend that the Commission find that an 8.33% increase will result in just and reasonable rates. This rate increase will allow VEC to fund its operating costs and to provide safe and reliable service to its members.

VEC's initial tariff filing requested an 8.76% increase. After its review, the Department recommended that VEC's proposed increase be reduced to 8.33%. Although the Department and VEC did not enter into a formal memorandum of understanding or settlement agreement, the parties agree that 8.33% is an appropriate rate increase. I recommend that the Commission approve the agreed-upon rate increase.


As a condition of approval, I recommend that VEC be required to make a compliance filing that provides an update on work progress and costs associated with its five-year maintenance plan for its overhead lines. The Department recommended this condition because VEC put implementation of the maintenance plan on hold during the test year. Members will

benefit from VEC resuming this work because inspections will allow VEC to proactively address the need for repairs. VEC has proposed that it file a report within six months of the issuance of a final order in this case. I recommend that the Commission condition approval of the rate increase on VEC filing an update on implementation of the maintenance plan six months after the issuance of a final order in this case.

I further recommend that the Commission direct VEC to refund in its entirety the difference in the amount collected between the 8.76% increase initially requested and the 8.33% rate increase agreed upon by both parties and to require VEC to file a plan to return the excess amount collected to its ratepayers and to former members. I also recommend that VEC be required to file compliance tariffs that reflect the final approved rate increase.

In conclusion, I recommend that the Commission approve the additional annual revenues in the amount of \$7,026,373, which results in an 8.33% rate increase.

This Proposal for Decision has not been circulated to the parties pursuant to 3 V.S.A. § 811 because it is not adverse to any party.



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Andrea Poppiti  
Hearing Officer


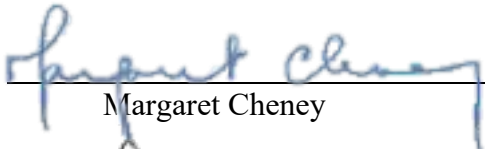
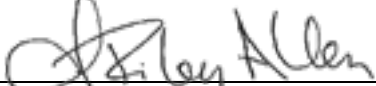


**VI. ORDER**

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Utility Commission (“Commission”) of the State of Vermont that:


1. The findings, conclusions, and recommendations of the Hearing Officer are adopted.
2. A rate increase by Vermont Electric Cooperative (“VEC”) of \$7,026,373, or 8.33%, effective with service rendered on or after January 1, 2024, is just and reasonable, and is approved.
3. VEC must refund to its customers the entire amount that it collected above the approved 8.33% rate increase since January 1, 2024. Within ten business days of the issuance of this Order, VEC must file for Commission approval its plan to return these funds. VEC must file this plan in the investigation portion of this case.
4. Within 10 business days of the issuance of this Order, VEC must file compliance tariffs consistent with the approved 8.33% rate increase in the investigation portion of this case.
5. Within six months of the issuance of this Order, VEC must file an update on work progress and costs associated with its five-year maintenance plan for its overhead lines. Any comments must be filed within 30 days after the update is filed. These filings must be made in the compliance subcase of this case.

Dated at Montpelier, Vermont, this 31st day of July, 2024.

 _____ )	) PUBLIC UTILITY
Edward McNamara )	
) )	
 _____ )	) COMMISSION
Margaret Cheney )	
) )	
 _____ )	) OF VERMONT
J. Riley Allen )	

OFFICE OF THE CLERK

Filed: July 31, 2024

Attest:   
 \_\_\_\_\_  
 Clerk of the Commission

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: [puc.clerk@vermont.gov](mailto:puc.clerk@vermont.gov))*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Commission within 30 days. Appeal will not stay the effect of this Order, absent further order by this Commission or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Commission within 28 days of the date of this decision and Order.*

PUC Case No. 23-3943-TF - SERVICE LIST

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