

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 19-3529-PET

Petition of Vermont Gas Systems, Inc. for approval of an Alternative Regulation Plan, pursuant to 30 V.S.A. § 218d	
--	--

**PREFILED DIRECT TESTIMONY OF
ASHLEY WAINER
ON BEHALF OF VERMONT GAS SYSTEMS, INC.**

November 25, 2020

SUMMARY OF TESTIMONY

Ms. Wainer's testimony describes the compliance filings contemplated by the Proposed Plan, Base Rate changes and use of the System Expansion and Reliability Fund, and capital investments contemplated during the term of the Plan.

PREFILED DIRECT TESTIMONY OF
ASHLEY WAINER
ON BEHALF OF VERMONT GAS SYSTEMS, INC.

1 **Q1. Please state your name and occupation.**

2 **A1.** My name is Ashley Wainer. I am the Vice President of Finance at Vermont Gas Systems,
3 Inc. (“VGS” or the “Company”).

4

5 **Q2. Please describe your educational background and pertinent professional experience.**

6 **A2.** My educational background includes a B.S. in Accounting and a B.S. in Business from
7 the State University of New York at Plattsburgh. I have a Graduate Certificate in Advanced
8 Management from Champlain College as well as a Master of Business Administration from
9 Champlain College.

10 I joined VGS in 2010 as the Gas Supply and Regulatory Accountant, supporting
11 regulatory work. From there I moved into a regulatory position within the Company, then
12 became the Controller in 2016 and Vice President of Finance in 2017. In my current role I am
13 the chief financial executive at VGS, where I lead financial reporting, accounting, forecasting,
14 budgeting, billing and risk management, as well as the information technology team.

15 Prior to my work at VGS, I was an auditor with KPMG, LLP. In that position, I provided
16 audit services to a variety of industries, including public utilities.

1 **Q3. Have you previously provided testimony before the Vermont Public Utility**
2 **Commission (the “Commission”)?**

3 **A3.** Yes. I testified in VGS’s last four rate cases, Case Nos. 17-1238-INV, 18-0409-TF, 19-
4 0513-TF, and 20-0431-TF.

5

6 **Q4. What is the purpose of your testimony?**

7 **A4.** My testimony, along with the testimony of Mr. Lunderville and Ms. Pfenning, describes
8 the Alternative Regulation Plan (the “Proposed Plan”) proposed by VGS, which results in a
9 regulatory framework for establishing the Company’s rates that is more efficient, transparent,
10 and effective than traditional Cost of Service (“COS”) regulation. My testimony explains: (1) the
11 compliance filings contemplated by the Proposed Plan, (2) Base Rate changes and use of the
12 System Expansion and Reliability Fund (“SERF”), and (3) capital investments contemplated
13 during the term of the Plan.

14

Compliance Filings

15 **Q5. Please describe the various rate-related filings contemplated under the Proposed**
16 **Plan and how they will impact customer rates.**

17 **A5.** First, a brief overview of the Company’s firm rate structure may be helpful. VGS’s firm
18 rates have five components, which are described in the table below.

Rate Component	How Billed	Description	Proposed Plan Impact
Natural Gas Charge	Billed per Ccf used	Recovers all gas costs which include wholesale natural gas cost, storage, hedging and transportation to the Vermont/Canada border. Also recovers weather normalization.	The Natural Gas charge currently is adjusted quarterly and will continue to be adjusted quarterly pursuant to the PGA described in Paragraph 8.
Daily Access Charge (with Distribution Charge – collectively Base Rates)	Billed per meter, per day	Recovers a portion of non-gas costs related to serving customers, such as billing, metering, etc.	The Daily Access Charge is currently adjusted any time VGS seeks a change in Base Rates, generally once a year. It will be adjusted annually by the Base Rate change described in Paragraph 3.
Distribution Charge	Billed per Ccf used	Recovers all remaining non-gas costs.	The Distribution Charge is currently adjusted any time VGS seeks a change in Base Rates, generally once a year. It will be adjusted annually by the Base Rate change described in Paragraph 3.
Low Income Assistance Fee Program	Billed per meter per month	Funds the low income assistance program that provides 20% discount to income-eligible customers.	The low income fee changes infrequently and only upon review of the low-income program. It will be unaffected by the Proposed Plan.
Energy Efficiency Charge (“EEC”)	Billed per Ccf used	Funds the Company’s energy efficiency programs consistent with its obligations as an energy efficiency utility.	The energy efficiency charge changes annually pursuant to PUC rule 5.300. The Proposed Plan will not affect the setting of the EEC.

1 Under the Proposed Plan, the rate components and the frequency of adjustments will not change,
2 with one exception related to earning sharing. The Proposed Plan has an Earning Sharing
3 Mechanism (“ESM”) that will enable the Company and its customers to share in the risks and
4 rewards of the Proposed Plan. As described in Paragraph 5 of the Proposed Plan, the ESM will
5 be collected from or returned to customers, when applicable, through a line item on customers’
6 bills assessed on a per Ccf basis. The table below itemizes the timing and implementation of the
7 rate-related filings under the Proposed Plan.

Filing Date each Plan Year	Description	Effective Date Bills Rendered*	Proposed Plan Reference
By February 25	Quarterly PGA	May 1	Paragraph 8
By May 28	Quarterly PGA	August 1	Paragraph 8
By August 28	Quarterly PGA	November 1	Paragraph 8
By June 30	Base Rate change and SERF withdrawal	November 1	Paragraph 3
By November 28	Quarterly PGA	February 1	Paragraph 8
By November 30	Earning Sharing calculation	February 1	Paragraph 5

* PGA implemented with the first billing cycle of the month, with the exception of the August PGA, which is implemented on November 1.

8 Consistent with current practice, with each filing VGS will include clean and redline versions of
9 tariffs, supporting documentation as appropriate, and the form of notice to be provided to
10 customers.

1 **Q6. What type of supporting documentation do you anticipate providing?**

2 **A6.** The information varies by filing type:

3 **Quarterly PGA:** VGS has well established protocols for the information provided to the
4 Commission with each PGA filing. Those protocols will not materially change and the
5 specific information to be included, in addition to tariffs and customer notice, can be
6 found in Paragraph 8(a)(vi) of the Proposed Plan. Furthermore, because of the RNG
7 feature, which is part of the PGA in the Proposed Plan, the PGA filings will now also
8 include information about the percentage of RNG in base supply as well as rate impacts
9 resulting from that proposal.

10 **Base Rate Change:** In addition to the compliance tariffs and customer notice, the Base
11 Rate change will include the amount of SERF the Company is seeking approval to use in
12 the upcoming fiscal years. In addition, if the Company is seeking a variation pursuant to
13 Paragraph 3(c) from the Base Rate change shown in Paragraph 3(a), it will include the
14 justification and supporting documentation for the variation.

15 **Earning Sharing:** In addition to the compliance tariffs and customer notice, the ESM
16 will include the documentation for the authorized Return on Equity (“ROE”) as
17 determined pursuant to Paragraph 6, VGS’s actual earnings, its actual rate base, and the
18 calculation showing the difference between authorized and actual return on equity.

1 **Base Rates and SERF**

2 **Q7. How will the fixed Base Rate changes and SERF withdrawals be determined under**
3 **the Proposed Plan?**

4 **A7.** Paragraph 3(a) contemplates fixed Base Rate changes for three years. These changes will
5 be determined based on a fully litigated traditional COS, which VGS will file in February 2021
6 for implementation November 1, 2021. In that filing, VGS will propose the Base Rate changes
7 that will take place in each of the three initial years of the Proposed Plan.

8 VGS will utilize SERF as the Commission intended, namely, to smooth customer rates.
9 The amount of SERF to be returned to customers in each year of the Proposed Plan will be
10 determined based on the objective of returning every dollar of SERF to customers by 2024. The
11 amount of SERF to be utilized in each year of the Proposed Plan will be provided, along with the
12 base rate increase, to the Commission by June 30 each year prior to the start of the rate year. This
13 will provide the Commission an opportunity to review the SERF utilization proposed before
14 implementation. The annual SERF withdrawals will be guided by the following considerations:

- 15 1. SERF must be fully returned to customers by FY2024;
- 16 2. Consistent with the Commission's Order approving SERF, it may only be used to
17 cover carrying costs associated with projects that have been expressly approved by
18 the Commission; and
- 19 3. VGS's anticipated financial results over the 3-year period recognizing the Base Rate
20 changes will be fixed (with limited exceptions).

21 For example, if Base Rate changes are set at a 3.5% change per year, and VGS filed to use all of
22 its SERF in year 1, it could result in significant over-earning that year but would result in

1 insufficient funds in the remaining two years of the Proposed Plan. Even with the ESM, this
2 would not be a logical outcome for the Company to pursue given the dead band and the
3 asymmetrical nature of earning sharing. This is why the SERF withdrawals must take into
4 account all three factors described above.

5

6 **Q8. Are you proposing that the Commission approve the Company's proposed SERF**
7 **withdrawals each plan year?**

8 **A8.** Not separately, because as noted above, SERF withdrawals will be proposed in
9 connection with the Base Rate change filing. VGS will follow the requirements for use of the
10 SERF and will propose SERF amounts annually within the guidelines outlined above. We
11 recognize that SERF represents ratepayer funds that we must carefully steward, and that the
12 Commission and the Department of Public Service have a keen interest in reviewing any such
13 use. Therefore, we will include proposed SERF utilization in our Base Rate change filing each
14 year, and the Commission will retain its full authority over VGS's rates, including the level of
15 SERF utilization within the plan adopted.

16

17 **Q9. Why has VGS chosen to file its Proposed Plan without a set forecast of Base Rates**
18 **for the Plan period?**

19 **A9.** We are filing the framework for the Proposed Plan now, but the specific Base Rates
20 under the Proposed Plan will be determined based on the traditional rate case we file in February
21 2021. The rates established in that case will establish rates during the first year of the Proposed
22 Plan. At the time we submit our COS in that case, we will have information and forecasts needed

1 to specify the Base Rates that should apply under the Proposed Plan’s framework during the
2 subsequent two years of the Plan as well. It is worth noting, however, that we anticipate
3 proposing very modest Base Rate changes over the three-year term, which is why I use the 3.5%
4 example above to provide context for the Commission.

5 **Projected Capital Investments & Innovation**

6 **Q10. How will forecasted capital investments impact VGS’s proposed Base Rate changes**
7 **under the Proposed Plan?**

8 **A10.** A capital investment forecast serves several purposes. First, VGS will be establishing
9 fixed Base Rate changes under the Proposed Plan, so the level of capital investments assumed
10 over that time frame will be relevant to the Commission’s consideration of the reasonableness of
11 those fixed rate levels. Next, the foundation of VGS’s operations is safe and reliable natural gas
12 service. The capital investment forecast demonstrates to the Commission what investments will
13 be needed to continue safe and reliable service. Finally, the ESM feature of the Proposed Plan
14 will be based on our actual rate base. Therefore, the forecast of capital investments will provide
15 the Commission with a basis to compare how well the Company’s actual investments track its
16 expected investments.

17

18 **Q11. When will you file the forecasted capital investment that will impact annual Base**
19 **Rate adjustments under the Proposed Plan?**

20 **A11.** A summary forecast of capital expenditures through the term of the Plan will be provided
21 with our February 2021 traditional rate case and will become Attachment 1 to the Plan.

1 **Q12. How does the Company propose to fund the innovation and Climate Action Plan**
2 **initiatives discussed in Mr. Lunderville’s testimony?**

3 **A12.** Our CEO Mr. Lunderville describes the Company’s Climate Action Plan, the specific
4 strategies we are pursuing to achieve the goals set forth in that Plan, and how it will help
5 transform VGS into a climate-forward energy utility positioned to make substantial contributions
6 to Vermont’s effort to drastically reduce Greenhouse Gas emissions. As discussed by Mr.
7 Lunderville, this effort requires flexibility, investment, and alternative regulation. To this end,
8 we will include a Climate Action and Innovation Budget that will not exceed a \$2 million
9 investment annually, enabling us to invest up to \$6 million in innovation over the term of the
10 Plan.

11 Our innovation strategy during the Plan will involve both operating and maintenance
12 (“O&M”) costs as well as capital investments. O&M costs have a direct, dollar-for-dollar impact
13 on Base Rates, while capital investments are reflected in Base Rates primarily through
14 depreciation. To mitigate short-term impacts on rates while ensuring the flexibility to invest
15 O&M dollars in innovation where they will be most effective, we intend to use \$500,000 of the
16 \$2 million on O&M costs and the remaining \$1.5 million on capital investments.

17

18 **Q13. Does this conclude your testimony?**

19 **A13.** Yes.