

STATE OF VERMONT  
PUBLIC UTILITY COMMISSION

Case No. 25-1261-TF

Tariff filing of Vermont Gas Systems, Inc. re: annual base rate filing consisting of a 6.67% increase to be effective with bills rendered on and after November 1, 2025	
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Order entered: 08/26/2025

**ORDER APPROVING ANNUAL BASE RATE FILING**

**I. INTRODUCTION**

This case involves the annual base rate filing that Vermont Gas Systems, Inc. (“VGS”) is required to file with the Vermont Public Utility Commission (“Commission”) pursuant to Paragraph 3 of VGS’s current alternative regulation plan (the “Plan”).<sup>1</sup> As discussed below, the Commission concludes that the base rate filing is consistent with the requirements of the Plan. The Commission also authorizes an adjustment to the 3-Year Rate Base Plan to avoid an overcollection of depreciation expense resulting from implementation of the changes in the updated depreciation study. Based on these determinations, the Commission approves VGS’s requested 6.67% base rate increase.

**II. PROCEDURAL HISTORY**

On August 18, 2023, the Commission approved the Plan in Case No. 22-5085-PET.

On June 30, 2025, VGS filed its annual base rate adjustment in this case. VGS’s filing was supported by a cover letter, revised tariff sheets, and several attachments detailing the data and cost-of-service information that was used by VGS to calculate its proposed base rate adjustment.

On July 14, 2025, the Vermont Department of Public Service (“Department”) filed a recommendation on the proposed base rate increase (“Department Recommendation”). The Department states that it “has identified no financial or procedural grounds necessitating an

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<sup>1</sup> VGS’s alternative regulation plan was approved by the Commission on August 18, 2023, in Case No. 22-5085-PET. On May 30, 2025, VGS filed a request in Case No. 25-1106-PET to extend the Plan by one year through September 30, 2027.

investigation under 30 V.S.A. §225” and that the “structure of the FY2026 filing strictly adheres to the formulaic approach established in the [Plan].”<sup>2</sup> The Department recommends that the proposed rate change take effect as filed without further investigation or hearing.

### **III. BASE RATE ADJUSTMENT PROVISIONS UNDER THE PLAN**

Paragraph 3 of the Plan sets out a formulaic and mechanical process that VGS must follow to make its annual base rate adjustments over the term of the Plan. For VGS’s 2026 annual base rate adjustment, Paragraph 3(c)(iii) of the Plan provides that the annual base rate adjustment must:

be set based on (1) the Rate Smoothing Adjuster, (2) 2025 Operating Costs as adjusted by the Indexed Market Adjustment and any Additional Innovation Expense, if applicable, and (3) Non-Operating Costs, as adjusted by Additional Innovation Capital, if applicable.

The Rate Smoothing Adjuster is a mechanism embedded in the Plan “to smooth the 2024 Base Rate Change by reducing FY2024 rates and creating a regulatory asset that amortize over the term of the Plan and will be zero at the end of the Plan.”<sup>3</sup>

Operating Costs are defined under the Plan to include “all costs categorized as operating costs under VGS’s non-gas Cost of Service for FY2024, which includes Production, Transmission, Distribution, Customer Accounts, Sales, Admin & General, and Other Income.”<sup>4</sup> The “Indexed Market Adjustment” is pegged to changes in inflation as determined by fluctuations in the Consumer Price Index and the U.S. Bureau of Labor Statistics Employment Cost Index. The Plan also establishes that changes in Operating Costs “shall be no higher than 4% and no lower than 2%.”<sup>5</sup>

Non-Operating Costs include taxes, cost to finance rate base, and depreciation.<sup>6</sup> VGS’s Non-Operating Costs can be adjusted based on changes to its property tax rates. VGS is also required to adjust the cost to finance its rate base annually. The Plan fixes VGS’s debt-to-equity ratio at 50%/50%,<sup>7</sup> but VGS’s authorized rate of return on equity must be adjusted annually

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<sup>2</sup> Department Recommendation at 1.

<sup>3</sup> Plan at Paragraph 3(b)(ii). The Commission also examined the Rate Smoothing Adjuster in Case No. 23-0561-TF, which involved VGS’s most recent traditional cost-of-service rate case.

<sup>4</sup> Plan at Paragraph 3(b)(iii).

<sup>5</sup> Plan at Paragraph 3(b)(iv).

<sup>6</sup> Plan at Paragraph 3(b)(v).

<sup>7</sup> Plan at Paragraph 3(b)(v).

based on fluctuations in the yield on the 10-Year Treasury Note Rate.<sup>8</sup> Any changes to VGS's short- or long-term debt rates also flow through the annual base rate adjustments.

In accordance with the Plan, VGS has included an updated depreciation study in its 2026 filing and updated its depreciation expense accordingly.<sup>9</sup> VGS explains that the recent depreciation study includes a material change in the depreciation rate for rental equipment and is driven by VGS's removal of \$20 million in fully depreciated rental equipment from its books. Under the Plan, VGS was required to fix its total plant in service for a three-year term ("3-Year Rate Base Plan"). However, to avoid an overcollection in depreciation expense, VGS proposes to adjust the 3-Year Rate Base Plan downward by \$20 million.

#### IV. DISCUSSION

VGS is requesting that the Commission approve a 6.67% base rate increase as calculated by following the base rate adjustment mechanisms included in Paragraph 3 of the Plan. With respect to the overall 6.67% increase, VGS clarifies that the total adjustment can be broken down into the following components:

- The largest component of the rate change, 4.46%, is attributable to the Rate Smoothing Adjustor, which represents a portion of the deferred fiscal year 2024 rate increase;
- 0.93% of the change is based on the FY2026 capital investment additions that are fixed in VGS's 3-Year Rate Base Plan. This includes the reduction in depreciation expense related to the updated depreciation study as described above;
- 1.40% of the change is based on the formulaic change in operating expenses based on the Consumer Price Index and Bureau of Labor Statistics index. The Indexed Market Adjustment is 3.35% over FY2025 operating expense costs; and
- -0.12% of the change is based on formulaic adjustments to VGS's authorized return on equity (cost to finance rate base). The return on equity decreases from 9.66% to 9.62%.

The Department represents that it reviewed VGS's supporting documentation and found that the annual base rate filing conforms with the Plan's framework. The Department states that it has "has identified no financial or procedural grounds necessitating an investigation under 30

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<sup>8</sup> Plan at Paragraph 6.

<sup>9</sup> Paragraph 3(b)(v) of the Plan provides that VGS will adjust its FY2026 depreciation expense based on updates that result from an updated depreciation study.

V.S.A. §225.” The Department recommends that the Commission allow the base rate adjustment to take effect as filed.

After a detailed review of VGS’s proposed base rate adjustment and supporting documentation within the context of the Plan, we also conclude that the proposed increase should take effect as filed. We note that in Case No. 22-5085-PET, VGS filed documents showing that it anticipated a 6.27% increase for its 2026 base rate adjustment.<sup>10</sup> The 6.67% base rate adjustment proposed in this case closely aligns with the 6.27% increase that we anticipated when we initially approved the Plan.

VGS calculated the formulaic adjustments as required by the Plan. Because we conclude that VGS appropriately calculated its base rate adjustment consistent with the requirements of Paragraph 3 of the Plan, we approve VGS’s proposed 2026 annual base rate calculations for: (1) the Rate Smoothing Adjustor; (2) 2025 Operating Costs as adjusted by the Indexed Market Adjustment; and (3) Non-Operating Costs. We also authorize an adjustment to the 3-Year Rate Base Plan to avoid an overcollection of depreciation expense due to changes resulting from the updated depreciation study.

## **V. CONCLUSION**


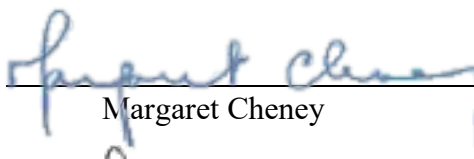
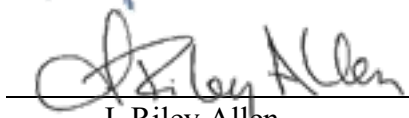
Based on our review of VGS’s filing and supporting materials as well as the Department’s recommendation, we conclude that the annual base rate filing conforms with the requirements of the Plan. We also approve an adjustment to the 3-Year Rate Base Plan to account for the results of the depreciation study. Therefore, we approve VGS’s tariff filing for a 6.67% increase in base rates, effective with bills rendered on or after November 1, 2025.

**SO ORDERED.**

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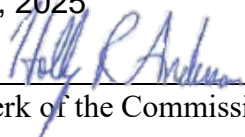
<sup>10</sup> Attachment 4 to Alternative Regulation Plan filed on October 26, 2023, in Case No. 22-5085-PET.

Dated at Montpelier, Vermont this 26th day of August, 2025.

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

OFFICE OF THE CLERK

Filed: August 26, 2025

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. 25-1261-TF - SERVICE LIST

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\*Notice of appearance to be filed.