

STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Central Vermont Public Service)
Corporation, Danaus Vermont Corp., Northern)
New England Energy Corporation for itself and)
as agent for Gaz Métro Limited Partnership and)
its parents, Green Mountain Power Corporation)
and Vermont Low Income Trust for Electricity,)
Inc. for approval of: (1) the merger of Danaus)
into and with Central Vermont, (2) the)
acquisition by Northern New England of the)
common stock of Central Vermont, (3) the)
amendment to Central Vermont's Articles of)
Association, (4) the merger of Central Vermont)
into and with Green Mountain, and (5) the)
acquisition by VLITE of a controlling interest in)
Vermont Electric Power Company, Inc.)

Docket No. _____

JOINT PETITION

Central Vermont Public Service Corporation ("CVPS" or "Central Vermont"), Danaus Vermont Corp. ("Danaus"), Northern New England Energy Corporation ("NNEEC"), for itself and as agent for Gaz Métro Limited Partnership ("Gaz Métro") and the direct and indirect upstream parents of Gaz Métro, Green Mountain Power Corporation ("GMP" or "Green Mountain Power"), and Vermont Low Income Trust for Electricity, Inc. ("VLITE") (collectively, "Petitioners") hereby petition the Vermont Public Service Board ("Board") pursuant to 30 V.S.A. §§ 104, 107, 109 and 311 for an Order approving (1) the acquisition by NNEEC of a controlling interest in Central Vermont and the merger of Danaus into and with Central Vermont, with Central Vermont as the surviving company; (2) the amendment to Central Vermont's Articles of Association; (3) the indirect acquisition by NNEEC of a controlling interest in Vermont Yankee Nuclear Power Corporation ("VYNPC"), Vermont Electric Power Company,

Inc. (“VELCO”), Vermont Transco, LLC (“Transco”) and Vermont Electric Transmission Company, Inc. (“VETCO,” and together with VELCO and Transco, the “VELCO Companies”); (4) the transfer to VLITE of an ownership interest of approximately 33% of the VELCO Class B voting common stock and approximately 31.7% of the VELCO Class C non-voting common stock by CVPS to VLITE; and (5) the merger of Central Vermont into and with Green Mountain Power, with Green Mountain Power as the surviving company.¹

In support of this Petition, the Joint Petitioners represent as follows:

1. Central Vermont is a Vermont corporation engaged in the business of generation, transmission, distribution and sale of electricity within Vermont and therefore subject to the Board’s jurisdiction under 30 V.S.A. §§ 201 and 203.

2. Green Mountain Power is a Vermont corporation engaged in the business of generation, transmission, distribution and sale of electricity within Vermont and therefore subject to the Board’s jurisdiction under 30 V.S.A. §§ 201 and 203.

¹ In *Petition of Northern New England Energy Corporation, etc.*, Docket No. 7734, (Vt. Pub. Serv. Bd. June 10, 2011), the Board approved the acquisition of ownership interests by certain entities in Gaz Métro and, consequently, those entities’ acquisition of indirect controlling interests in Green Mountain Power and Vermont Gas Systems, Inc. Because the only petitioner was NNEEC (for itself and on behalf of the upstream owners), even though the ownership change did not involve NNEEC, the Board required that in future cases, the filing must be made by the companies “actually acquiring the relevant controlling interests” (or where there are many such parties, by a single party as agent for the acquiring parties, which must certify that the petitioner acts as their agent and that the Board has jurisdiction over the transaction). *Id.* at 10 & n.13. The Petitioners understand the Board’s reference to “actually acquiring” applies to (1) each entity that actively (rather than only derivatively) acquires a direct or indirect interest in a Vermont utility (such as the Docket No. 7734 owners), but not to an entity that only derivatively acquires an indirect ownership interest in a Vermont utility (*i.e.*, an entity upstream of the entity actively acquiring an ownership interest). Otherwise, the requirement would apply to every active or derivative acquisition by a direct or indirect owner of a Vermont utility, thereby applying to all owners of a Vermont utility no matter how remote the ownership interest, and there would thus be no need for the Board’s limitation of the requirement to companies “actually acquiring” an interest. Because in this case, unlike Docket No. 7734, NNEEC and VLITE are the only entities that are actually acquiring an interest and the change in all upstream owner interests is derivative, none of the upstream owners are subject to the requirement to join the petition or provide the required certification as the Petitioners understand the Board’s order in Docket No. 7734.

3. Danaus is a Vermont corporation formed for the purpose of effectuating the acquisition of Central Vermont by NNEEC.

4. NNEEC is a Vermont corporation that owns all of the voting securities of Green Mountain Power, Vermont Gas Systems, Inc. ("VGS") and Danaus. NNEEC is a wholly-owned subsidiary of Gaz Métro, a Quebec limited partnership.²

5. CVPS and GMP each own ten percent or more of the voting securities of VELCO and have direct and/or indirect ownership interests in Transco and VETCO.

6. CVPS and GMP each own ten percent or more of the voting securities of VYNPC.

7. CVPS, GMP, NNEEC, and the VELCO Companies are all public-utility companies engaged in business subject to regulation by the Board.

8. VLITE is a public benefit, nonprofit corporation established for the purpose of holding an ownership interest in VELCO and for supporting a low income rate plan.

9. Pursuant to an Agreement and Plan of Merger dated as of July 11, 2011, among CVPS, Danaus and Gaz Métro ("Merger Agreement"),³ (1) Danaus will merge into and with Central Vermont, with Central Vermont being the surviving corporation and (2) NNEEC will

² Approximately 70.99% of the partnership interests of Gaz Métro are owned by Gaz Métro inc. ("GMI"), a Québec corporation that is the general partner of Gaz Métro and that owns an additional, approximately 0.01% interest indirectly through GMI's ownership of Gaz Métro Plus inc. The remaining approximately 29% of the partnership interests of Gaz Métro are owned by Valener Inc., a publically-held Canadian corporation. Noverco Inc ("Noverco"), a Québec corporation, owns all of the issued and outstanding stock of GMI. The Caisse de dépôt et placement du Québec, through its subsidiary, Trencap L.P., a Québec limited partnership, owns 61.11% of the voting securities of Noverco, and Enbridge Inc., a Canadian corporation, owns the remaining 38.89% of the voting securities of Noverco through its subsidiary, IPL System Inc.

³ Although Gaz Métro is a signatory to the Merger Agreement, it will assign its interest in the agreement to NNEEC immediately prior to closing.

acquire all of the shares of Central Vermont stock, thereby acquiring a direct controlling interest in Central Vermont and indirect, controlling interests in the VELCO Companies and VYNPC.

10. In addition, Central Vermont's Articles of Association will be amended in the manner provided in the Merger Agreement, effective as of the date of the above transactions, to eliminate preferred-stock provisions and take-over protections that will no longer be necessary.

11. Petitioners propose to transfer to VLITE approximately 33% of the Class B voting common stock in VELCO and approximately 31.7% of the Class C non-voting common stock in VELCO, comprising all of Central Vermont's Class C non-voting common stock in VELCO.

12. Pursuant to a form of Agreement and Plan of Merger between CVPS and Green Mountain Power, CVPS will merge into and with Green Mountain Power, with Green Mountain Power being the surviving corporation ("Combined Company").

13. Assuming all necessary regulatory approvals are obtained, the Petitioners intend to close the acquisition of Central Vermont by NNEEC on June 30, 2012, and intend to complete the Green Mountain Power-Central Vermont merger by September 30, 2012. The operations and rate schedules of Central Vermont and Green Mountain Power will be integrated over several years following the merger. In addition, the Petitioners propose that the rates of the Combined Company provide for a sharing of the cost savings resulting from the acquisition and merger between the Combined Company's customers and its owners. In particular, the Combined Company would implement a shared savings plan, whereby savings related to operations and maintenance costs for the first six years after the merger would be shared and all other savings would flow through to customers.

14. In order to integrate the rates of Green Mountain Power and Central Vermont in an efficient manner and implement the shared savings plan, each company's Alternative Regulation Plan must be amended. Green Mountain Power and Central Vermont intend to work with the Department of Public Service in connection with compliance filings that would seek Board approval of the required Alternative Regulation Plan amendments.

15. Granting of the above requests will promote the public good because it will result in:

- As much as \$500 million in customer savings over twenty years, thereby stimulating the Vermont economy and enabling job growth;
- A return to Combined Company customers of \$144 million in cost savings over the first ten years – reducing customer costs and producing rates lower than they would otherwise be – achieved through operational efficiencies, cutting regulatory and public company costs, and by using retirements and natural turnover at Central Vermont and Green Mountain Power, without engaging in employee layoffs (other than with respect to some executive officers);
- Improved customer service through enhanced ability to respond to storms and to restore power quickly, due to the combination of contiguous service territories, closer coordination of responses through one storm center, and more flexibility with the combined field staff;
- Establishment of a new *Headquarters for Operations and Energy Innovation* that will be located in Rutland, as well as the establishment of a new facility in downtown Rutland, adding a new opportunity for city redevelopment;
- Initiation of a new “Solar City” program in Rutland to deploy solar technology in the Rutland area;
- Creation of a \$100,000 “Open for Business” fund and a \$100,000 “Green Growth” fund, to be administered by Rutland-area entities;
- Contribution by VLITE of \$1 million annually to a low income rate program that is being developed in Docket No. 7535; and
- Reduction of the combined ownership interest of Central Vermont and Green Mountain Power in VELCO to less than 50%, through a transfer of ownership interests in VELCO by Central Vermont as described above.

16. The proposals described herein comply with the windfall sharing obligation set forth in the Board's June 26, 2001 Order in Docket Nos. 6120/6460 as a result of the substantial

and unique benefits of the combination of GMP and CVPS, including, among other things, the commitment to return to customers, \$144 million in cost savings.

For the above reasons, the Petitioners request that the Board:

(a) Pursuant to 30 V.S.A. § 107, 109 and 311, (i) approve the acquisition of CVPS by NNEEC and the subsequent merger of CVPS and GMP, (ii) approve the acquisition, indirectly, of a controlling interest in VYNPC and the VELCO Companies by NNEEC, and (iii) approve the acquisition of a controlling interest in the VELCO Companies by VLITE, in each case finding that the merger or acquisition will promote the general good of the state and will not result in obstructing or preventing competition in the purchase or sale of any product, service or commodity, in the sale, purchase or manufacture of which Green Mountain Power and Central Vermont are engaged; and

(b) Approve the amendment of Central Vermont's Articles of Association, finding that the amendment will promote the general good of the state pursuant to 30 V.S.A. § 104.

In further support of this Petition, the Petitioners submit the attached testimony and exhibits of the following witnesses:

1. Mary G. Powell and Lawrence J. Reilly, who provide an overview of the proposed transaction, describe the proposed transfer of VELCO ownership interests by Central Vermont to VLITE and the proposed funding stream for low income assistance, and explain why the proposed transaction promotes the general good of the state;
2. Pierre Despars, who describes Gaz Métro's management philosophy and how Gaz Métro intends to oversee the Combined Company;
3. Brian Otley, who describes the proposed integration of Green Mountain Power and Central Vermont and describes how the integration will improve efficiency;

4. Dawn D. Bugbee, who will explain the cost reductions associated with the integration efficiencies, and describe proposed conditions addressing affiliate transactions; and
5. Robert J. Griffin, who will describe the mechanics of the rate integration plan, including the proposed process for integrating each company's Alternative Regulation Plans and tariffs, and will describe the \$144 million cost saving commitment and the shared savings plan.

The Joint Petitioners request that the Board:

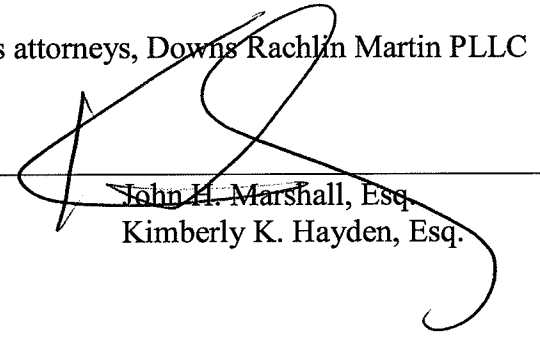
1. Provide notice of this Petition to the Department of Public Service and such interested persons as it may determine;
2. Hold a prehearing conference as expeditiously as possible;
3. Establish a schedule that provides for hearings and an order as expeditiously as possible;
4. Find that the transactions described herein and in the supporting testimony and exhibits satisfy the applicable criteria of 30 V.S.A. §§ 104, 107, 109 and 311 and will promote the general good of the State of Vermont and therefore issue a certificate to that effect and approve such transactions; and
5. Grant such other relief as is just.

Dated this 2nd day of September, 2011.

CENTRAL VERMONT PUBLIC SERVICE
CORPORATION

By its attorneys, Downs Rachlin Martin PLLC

By: _____



~~John H. Marshall, Esq.~~
Kimberly K. Hayden, Esq.

NORTHERN NEW ENGLAND ENERGY
CORPORATION, for itself and as agent for Gaz Métro
Limited Partnership and the direct and indirect upstream
parents of Gas Métro, DANAUS VERMONT CORP.,
GREEN MOUNTAIN POWER CORPORATION and
VERMONT LOW INCOME TRUST FOR
ELECTRICITY, INC.

By their attorneys, Sheehey Furlong & Behm, P.C.

By: _____

Peter H. Zamore, Esq.
Benjamin Marks, Esq.
Charlotte B. Ancel, Esq.

Dated this 2nd day of September, 2011.

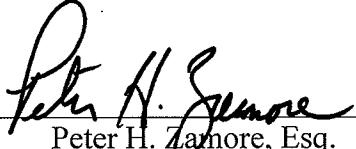
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