

MEMORANDUM

To: Parties in PSB Docket No. 7770

From: Susan M. Hudson, Clerk of the Board

Re: Joint Petition re acquisition of Central Vermont Public Service Corporation ("CVPS"), merger of CVPS with Green Mountain Power Corporation ("GMP"), and related transactions

Date: September 22, 2011

The petitioners' proposed schedule in this docket contemplates an informal workshop. As was discussed at yesterday's prehearing conference, the Public Service Board ("Board") would like this workshop to be held prior to the deadline for intervention motions.

The Board believes it may be helpful to the process to identify on a very preliminary basis some specific areas of interest that might be addressed by the parties at the informal workshop as well as in subsequent prefiled testimony. Matters the petitioners should be prepared to address, either at the informal workshop or subsequently, include the following:

1. It appears that the petitioners contemplate that rate integration for the combined company will be achieved through amendments to the existing alternative rate plans. The parties should address whether a traditional rate case for the combined company should be filed for the combined company in 2013 to establish a baseline for the combined company prior to rate integration.

2. With respect to the savings projections from the merger and the proposed plan for sharing such savings between ratepayers and shareholders:

- (A) The biggest component of the projected savings comes from the large number of expected retirements. However, it is not clear how much of the projected savings (if any) would be realized from these retirements (either

from the lower cost of replacements or the non-replacement of retiring employees) even without combining the companies.

- (B) It would also be helpful to have more detail about the expected retirements, age of employees and areas of work.
- (C) In assessing the amount of projected savings to be realized, it would be helpful to present the savings in the context of total costs; for example, showing IT savings in terms of the current annual IT costs of each company (see exhibit 2 to Ms. Bugbee's prefiled testimony).
- (D) Petitioners should provide calculations of current windfall sharing amounts that would be triggered by acquisition (see Order of 6/21/01 in Dockets 6120/6460).
- (E) The savings sharing plan contemplates the use of an O&M component in determining rates that will not reflect actual O&M costs. Are the parties aware of other jurisdictions that have departed from traditional rate-making principles in a similar manner to provide a mechanism for sharing savings?
- (F) How were the six-year term and the applicable percentages for the sharing of savings determined?

3. The Petitioners should be prepared to provide additional information as to the net number of job losses anticipated in future years as a result of the combination of CVPS and GMP (as well as a result of smart grid initiatives). It would be helpful to identify the geographic areas of the state in which net job losses are likely to occur as well as identifying the categories of jobs that will be affected with as much detail and specificity as is reasonably possible.

4. With respect to exhibit 2 to Mr. Griffin's testimony, it would be helpful to update this chart for CVPS's two recent acquisitions and to provide more of a breakdown, especially with respect to different classes of commercial and industrial customers.

5. How was Board of Director representation and the control of Vermont Low Income Trust for Electricity, Inc. determined? Were any other alternatives considered?

6. It appears that Gaz Métro ultimately will be responsible for paying \$19.5 million to Fortis Inc. to meet CVPS's obligations under its merger agreement with Fortis. While the Board understands that ratepayers won't bear any of these break-up charges, it would seem to affect the economics of the acquisition and change the cost point at which the acquisition (as well as any conditions imposed on the acquisition and merger) are seen as uneconomic by Gaz Métro. The Board may have questions concerning the circumstances

under which CVPS entered into the merger agreement with Fortis and incurred the break-up fee obligation.

7. The Board will likely require more information than is provided in the prefiled testimony as to the "Solar City" initiative in Rutland and the plans for a "Headquarters for Operations and Energy Innovation" in Rutland.

cc: {Interested Persons}