

STATE OF VERMONT
PUBLIC SERVICE BOARD

Amended Joint Petition of Central Vermont)	
Public Service Corporation, Danaus Vermont)	
Corp., Gaz Métro Limited Partnership, Gaz)	
Métro inc., Northern New England Energy)	
Corporation for itself and as agent for Gaz Métro)	
Limited Partnership's 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)	Docket No. 7770
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.)	

PROPOSED FINDINGS AND BRIEF OF THE DEPARTMENT OF PUBLIC SERVICE

The Vermont Department of Public Service (“Department”) joins in the Proposal for Decision submitted by Petitioners this day, and supports the Joint Brief submitted by Petitioners this day, with the exception of three issues: (1) The Department offers additional explanation of and support for the Memorandum of Understanding between the Department and Petitioners dated March 26, 2012 (“MOU”) as it relates to VELCO governance; (2) the Department offers further explanation and support for the MOU as it relates to the satisfaction of the “windfall mechanism” requirements, and (3) the Department offers further explanation and support for the MOU as it relates to the “savings sharing mechanism.” The Department also provides further support that the proposed transaction will promote the general good of the State of Vermont, if approved subject to the conditions set forth in the MOU and other executed MOUs in this matter. The Department respectfully submits the following proposed findings of fact and argument on

these issues, and requests that the Public Service Board consider and adopt these findings in its Order in this matter. On matters and specific criteria not addressed herein the Department supports adoption of the findings and conclusions filed by Petitioners.

I. The Board Should Adopt the VLITE Proposal Set Forth in the MOU

Findings

1. Vermont's high voltage electric transmission network is owned by Transco, LLC ("Transco") and managed and operated by Vermont Electric Power Company, Inc. ("VELCO"). VELCO is Vermont's statewide electric transmission-only company that is jointly owned by all Vermont electric utilities, including Central Vermont Public Service, Corporation ("CVPS"), Green Mountain Power Corporation ("GMP"), municipal distribution systems and cooperatives. CVPS owns 48.5% of VELCO and GMP owns 29.5%, with slightly smaller percentages of Transco ownership (41.2% and 31.1% respectively, including indirect ownership through VELCO). Dworkin pf. at 9.
2. In the absence of any other outcome through this Docket, the Combined Company would own more than 70% of Transco and 78% of VELCO and exert effective control of management decisions by the VELCO Board. This would be a radical change from the existing balance of power over Vermont's electricity grid. In today's framework, each retail customer in the State of Vermont receives electricity from one of 18 utilities. Each of those utilities relies upon VELCO-operated transmission lines to carry most of the power that it ultimately delivers to its customers, both wholesale and retail. The cost, design, and timing of transmission line approval and construction vitally affects those that buy and sell electricity throughout Vermont. Dworkin pf. at 9-10.

3. When the merger of GMP and CVPS was announced, those companies and Gaz Metro issued press releases which stated in part that the proposed merger “giv[es] Vermonters an important ownership stake in the operation of the state’s most important transmission asset” Exh. DPS-MHD1, DPS-MHD-2, DPS-MHD-3.
4. In the Petition, however, the Petitioners relied upon the creation of the “Vermont Low Income Trust for Electricity” (“VLITE”), a public benefit, nonprofit corporation established for the purpose of holding an ownership interest in VELCO and for supporting a low income rate plan, to effectuate this purpose. Under the VLITE proposal set forth in the Petition, VLITE’s directors would be selected by Burlington Electric Department (“BED”), the Vermont Public Power Supply Authority (“VPPSA”) and Vermont Electric Cooperative (“VEC”). Powell/Reilly pf. at 24.
5. VPPSA, BED and VEC already have seats on the VELCO board of directors. They do not represent all Vermonters or offer a wider perspective on VELCO issues than already represented on the VELCO Board. Increasing the representation of these entities on the VELCO board would not give greater representation to Vermont interests on the VELCO board. Tr. 3/21/12 at 82:11-23 (Powell).
6. Under the original VLITE proposal, VLITE would hold approximately 33% of Class B Common voting shares in VELCO, approximately 31.7% of Class C Common non-voting shares in VELCO, and, through its ownership interest, participate in the governance of VELCO. VLITE would disburse the income resulting from the VELCO dividend to fund a low-income assistance program that is under consideration in Docket No. 7535. In addition to the annual dividend derived from VELCO stock, the Combined

Company would make any supplemental contribution to VLITE to assure that the total amount would be at least \$1 million annually. Powell/Reilly pf. at 24-25.

7. The original VLITE proposal would have reduced the Petitioners' combined voting block to slightly less than a 50% simple majority, but would leave the Petitioners as the largest voting block and with a clear dominance, particularly if the VLITE members did not take an active role in Board decisions. Dworkin pf. at 16.
8. The Department's primary goals in this proceeding with regard to VLITE were to (1) create a meaningful "swing-vote" between the influence of the various owners of the transmission assets in Vermont, through input of those vested with a public-interest purpose; (2) create a path to ensure consideration of the general good of the state and in particular the concerns of those affected by transmission-related decisions, even though they may not be parties to specific transactions for the delivery or purchase of power over that system, and (3) to open the governance of Vermont's transmission system to a broader range of experience and insights than would otherwise be ensured under the terms of Petitioners' proposal. Dworkin surreb. at 13.
9. The MOU meets these goals with several key provisions. Exh. Petitioners-DPS-1 at ¶¶ 7-14. The MOU ensures that the Combined Company will not control the governance of Vermont's electric transmission system post-merger. The Combined Company's influence over the governance of Vermont's electric transmission system is reduced by its agreement to maintain only four seats out of thirteen on the VELCO Board of Directors (rather than the six seats the companies presently hold). The companies cede majority control of VELCO by transferring 38% of the Class B voting shares and 31.7% of the Class C non-voting shares to the reconfigured VLITE. VLITE will oversee investment

of dividends, expected to be \$1 million or more per year, for purposes of furthering state energy goals. VLITE will be governed by a board of directors drawn from public service and representatives of the energy, utility, and consumer advocate sectors, and will be entitled to select three qualified individuals with a broad range of relevant experience for nomination to the VELCO Board of Directors. In addition, VELCO will maintain two independent Board members, nominated by the cooperatives and municipal utilities, to provide further balance to the VELCO Board. The MOU thereby creates a greater public direction and voice on the VELCO Board of Directors while ensuring that VELCO continues to have the expertise it needs on its Board and continues to act as manager of Transco and Vermont's transmission system. *Id.*; Tr. 3/29/12 at 61:16-22 (Dworkin); Tr. 4/4/12 at 136:14-17, 135:22-24 and 140:10-12 (Miller).

Discussion: The VLITE Proposal Contained in the MOU Should Be Approved

Absent restructuring of VELCO ownership post-merger, the Combined Company would own more than 78% of VELCO and exert control over decisions of the VELCO Board. The Petitioners proposed to mitigate this concentration of control by transferring VELCO shares to an entity – VLITE - that would be controlled by three public-power utilities that are already represented on the VELCO board. This proposal would not broaden the interests represented on the VELCO board, and in the Department's view would not fulfill the public promise of giving Vermonters an "ownership stake" in VELCO. Exh. DPS-MHD-1 at 1.

In testimony on this issue DPS witness Michael Dworkin described the rationale for a broader public interest presence on the VELCO board, reviewed a range of options for addressing concerns about the merger and about Petitioners' specific proposal, articulated

relevant principles, and presented a modified VLITE proposal that would address the issue consistent with the identified goals and principles. Dworkin *pf. passim*. Ultimately the Petitioners and DPS were able to craft a resolution of this issue that is consistent with the principles and goals articulated by Mr. Dworkin. Exh. Petitioners-DPS-1 at 3-6 (¶¶ 7-14); tr. 3/29/12 at 53:24-54:14; *id.* at 61:7-22 (Dworkin); tr. 4/4/12 at 134:6-138:2 (Miller).

While the Department's initial proposal was subject to criticism for its alleged complexity and political risk, it is notable that none of the parties have opposed the VLITE proposal contained in the MOU, but have asked for more specificity as to some of its parameters. The Department is in active discussions with the VELCO shareholders and has reached agreement in principle with most as to the issues which have raised concerns, notably the financial independence criteria to be applied to VLITE directors, the competence/qualification criteria for all directors, and preventing the dilution of VLITE's share of ownership below 38%. (The parties to these discussions anticipate filing an agreed-upon Shareholder Agreement no later than the submission of reply briefs in this docket.) The Board should approve the MOU's VLITE provisions, as the proposed changes to VELCO's structure promote the general good of the State of Vermont by avoiding control of VELCO by the Combined Company, creating a balanced structure for the VELCO board of directors, formalizing beneficial practices that are today merely customary, and broadening and diversifying the VELCO board.

II. The CEED Fund Meets the Requirements of the Order in Dockets 6460/6120

Findings

10. The Board's Order in Dockets 6460/6120 requires that "the benefit provided to ratepayers is in addition to (rather than a replacement for) other benefits appropriately assigned to ratepayers." That language suggests that the Board intended that consumer benefits from the windfall sharing mechanism would be in addition to merger-induced cost savings, as utility ratepayers are presumptively entitled to the benefit of cost of service rates. The Petitioners argued that mandated windfall sharing relates to the acquisition of CVPS, whereas merger savings relate to the later (and separate) merger of CVPS and GMP. The acquisition is simply a change in asset ownership that produces no cost savings. Likewise, the Petitioners argued that the acquisition imposes no obligation to integrate CVPS and GMP following the acquisition, and it thus creates no integration savings to be shared with customers as a result of the acquisition. Therefore, according to the Petitioners' logic, there are no "other benefits" related to the acquisition windfall that are appropriately assigned to ratepayers. Wilson pf. at 36.
11. Even if one sees the acquisition windfall and merger related cost savings as separate matters, it does not follow that ratepayers are not entitled to both the benefits of mandated windfall sharing and merger-related cost reductions. Moreover, while the acquisition of CVPS and the merger with GMP may be separate legal steps in the Petitioners' overall plan, the Petitioners packaged these together in seeking the Board's approval of both, and it is not clear that acquisition approval would be as likely attainable if it were to be evaluated on a stand-alone basis without any merger benefits. Wilson pf. at 36-37.
12. After their initial proposal, the Petitioners offered to satisfy the Board's Order in Dockets

6460/6120 via implementation of the CEED Fund, which is described both in the Petitioners' Brief and Proposal for Decision. Griffin Reb. at 10; Plunkett Reb. at 4-11.

13. While the Department viewed the proposal as an improvement to the initial proposal contained in the Petition, it recommended that the following changes be made to make the CEED Fund an acceptable proposal:

- a. The Board should establish a framework for the windfall, in general, that assures little to no downside risk for CVPS ratepayers (and minimizes costs or risks for ratepayers of the Combined Company as well).
- b. A clear timeline, as well as milestones to verify the delivery of value, to ensure that the fund is performing adequately with a provision for refund of any undelivered value after a time certain;
- c. The Combined Company should be responsible for delivering value, taking into account the early and continuing input of others in a participatory process;
- d. Changes to the program should be subject to Board oversight and open for comment by the Department and other interested parties.
- e. A target of 4 years or less, with an outside of 7 years, for investment would be appropriate;
- f. The Company would begin investments in residential thermal efficiency before this next heating season, given the great need, and
- g. A Board-directed review after 3 years should be conducted and the Fund should be required to change direction if it is not on pace to deliver the required net value quickly.

Hopkins surreb. at 9-11.

14. The Revised CEED Fund and the MOU meet each of the criteria articulated by the

Department by:

- a. Requiring all investments to provide 1.2 times the investment in benefits – net of all costs including investment recovery and return - to CVPS customers and providing that to the extent that the Company fails to make the Required Investment by the Completion Date, any shortfall will be provided to CVPS Customers on a uniform percentage basis in the form of a bill refund;

- b. Requiring the submission of an annual plan describing for each requested project, the projected investment, the requested benefit and cost calculation methodology, the net benefit amounts expected from adoption of such benefit and cost calculation methodology, and the delivery mechanism, to be submitted each year by November 15 and subject to Board approval;
- c. Including stakeholders in the review of the annual plan;
- d. Requiring the Company to support an independent review of the CEED Fund performance, to be undertaken after the third year of the Plan's operation, if the Board orders such a review;
- e. Requiring the Company to partner with community action agencies to invest \$6 million in Vermont's Weatherization Program before December 1, 2012, and at least an additional \$4 million in Vermont's Weatherization Program before December 1, 2013, and to invest at least \$2 million in thermal efficiency improvements before December 1, 2013 for customers who do not qualify for Vermont's Weatherization Program, because thermal efficiency has shown to provide greater benefits to individual customers.

MOU, Exh. DPS-Petitioners Joint-1 at ¶ 19; Attachment II to DPS-Petitioners Joint-1.

Discussion: The Windfall Sharing Mechanism Proposal Contained in the MOU Should Be Approved

In addition to the arguments set forth in the Petitioners' Brief, the Department makes the following observations regarding the windfall sharing mechanism.

First, in the original decision setting forth the requirements for the windfall mechanism, the Board noted several important distinctions between the imprudence findings applicable to GMP and those applicable to CVPS. The Board found that “in several ways, CVPS performed better than did GMP,” such as its investments in unregulated subsidiaries and its dividend policy. *Re Central Vermont Public Service Corporation*, Docket Nos. 6460 and 6120, 211 P.U.R.4th 53, 75 (2001). In approving the windfall sharing mechanism in Docket 7213, the Board was cognizant of GMP's performance *vis a vis* CVPS. See Docket 7213, Order of 11/17/2006 at 3, n. 5. The rationale which justified the approval of the windfall sharing mechanism in Docket 7213

therefore has greater force with regard to CVPS. The Department took this into account when reviewing the prior precedent and determining how it should be applied here.

The Department also took into account the final outcome of the prior windfall order review in Docket 7213, including the position taken by AARP allowing a portion of the efficiency fund, recovered in rate base, to be used for a low income pilot program. The MOU signed by AARP in that Docket reads:

GMP shall be entitled to recovery of and its allowed return on the full cost of the pilot program. Amounts expended on the pilot program will be recorded as a regulatory asset and amortized beginning in the rate year following the company's next base rate adjustment

Petitioner's Exh. Cross-10 at 3. AARP has never offered any explanation why such treatment was acceptable for the low-income program established in Docket 7213, but not for the proposed CEED Fund, which will promptly provide \$10 Million in funding to the very same low-income Vermonters AARP purports to represent.

The Board should approve the windfall sharing mechanism as consistent with its orders in Dockets 6460/6120 and 7123.

III. The Board Should Adopt the Savings Sharing Proposal Set Forth in the MOU

Findings

15. According to the Company's filing it is expected that the proposed merger will result in cumulative cost savings of \$226.4 million over ten years from 2013 through 2022. Bugbee pf. at 3. Annually, these expected savings start at \$6.5 million in year 1 (2013) and increase to \$24.0 million in year 5 (2017), and then increase more gradually (primarily due to assumed inflation) to \$31.0 million in year 10 (2022). Wilson pf. at 6;

Exh. Pet.-DDB-2.

16. The Petitioners' initial savings sharing proposal provided that the Company would retain 90% of consolidation savings in the first two years, 80% of savings in years three and four, and 67% of the savings in years five and six. Customers would receive the balance of the savings in the first six years, and 100% of savings thereafter. Powell/Reilly pf. at 10-11; Wilson pf. at 6.
17. The sharing of merger savings with customers does not assure that rates will decrease, but it does mean that rates should be expected to be lower by the amount of savings than they otherwise would have been. Wilson pf. at 7.¹
18. Petitioners assert that retention of merger savings as it proposed was a necessary inducement to pursue beneficial mergers, since it could not expect to recover the acquisition premium and transaction costs in rates. Wilson pf. at 8. According to the Company's calculations, the end result over ten years is estimated to be \$82.4 million of projected cost savings for the Company and \$144.0 million for ratepayers. Id. at 9.
19. Under the Petitioners' initial proposal, the Company's extra profits would occur much sooner than most of the consumer cost savings benefits. On a present value basis (using the Company's 8% discount rate) the Company's benefits over the first six years would be \$63.7 million as compared to \$19.1 million for consumers. Over the full ten years, the present value of benefits for consumers is \$82.8 million. Wilson pf. at 9; Exh. DPS-JWW-1.
20. Estimates of merger savings can be expected to be more reliable over the short term than for more distant future years. However, the Company has explicitly guaranteed nominal

¹ Note that under the Petitioners-DPS MOU savings are guaranteed as a reduction to the cost of service, both over the ten-year initial term and in early years as well.

savings of \$144 million for ratepayers over ten years. Wilson pf. at 10.

21. In addition to a share of merger savings, the parent company (Gaz Metro) also receives a benefit from the manner in which it is financing the acquisition of CVPS. At least half of the capital required to purchase CVPS (\$262 million) would come from debt issued at the parent level. While this debt has a substantially lower cost than equity, it would be treated as equity capital for ratemaking purposes. Wilson pf. at 14-15. When a subsidiary company's equity capital is funded by debt issued at the parent company level, the consolidated financial structure is often referred to as "double leverage." *Id.* at 15.
22. The Department's expert Dr. Wilson estimated that the Company's additional annual profit from double leverage financing would exceed \$16 million. Wilson pf. at 18-19. Over a ten year period this would amount to a present value gain (with an 8% discount rate) of \$111.7 million. If this is to occur, it certainly represents a very substantial financial gain and a major inducement for the Company to pursue and complete the merger. *Id.* at 19.
23. While double leverage financing can increase financial risk, that risk can be managed by appropriate ring-fencing. However, the additional profit from this type of financing should be considered in conjunction with evaluating merger benefits and the allocation of these benefits to ratepayers. Wilson pf. at 18. With shared savings and the benefit of double leverage financing the Company will in effect be substantially compensated for its acquisition premium and other merger-related costs, if it achieves the savings it has projected. Wilson pf. at 20.
24. Recovery of acquisition premiums is not the norm in public utility acquisitions and mergers. The Petitioners' filing in this case recognizes that the acquisition premium and

acquisition costs may not be included in rate base and recovered in that way, though the Petitioners instead seek to recover dollars through the alternative mechanisms of shared savings (providing benefit only if savings are achieved) and double leverage financing. These alternative mechanisms also require careful evaluation because the cost consequences to ratepayers are much the same. Wilson pf. at 25.

25. In response to the savings sharing proposal set forth in the Petition, the Department proposed that the following steps be taken to increase the value to ratepayers:
- a. shifting ratepayer benefits to earlier years and increasing the benefits;
 - b. guaranteeing on an annual basis ratepayer benefits, or
 - c. some combination of all of these.

Wilson surreb. at 6.

26. Under the MOU, the amount of savings in the early years is substantially shifted to ratepayers, essentially doubling the amount of savings realized by ratepayers during the first six years, with four times the amount of savings going to ratepayers in the first year as was originally proposed. The first three years contain annually guaranteed savings, thereby further reducing the risk to ratepayers. Tr. 3/27/12 at 71:14-72:22 (Wilson); Tr. 4/4/12 at 143:4 – 144:19 (Miller).
27. In the “middle years,” years 4 – 8, savings are shared equally between the Combined Company and its ratepayers. This results in alignment of shareholders’ and ratepayers’ interests in maximizing savings as soon as feasible, and avoids any potential undesirable incentives to the Company. Tr. 4/4/12 at 141-144 (Miller). While the savings sharing period is lengthened, the Company’s incentive to maximize retained savings while it can

still retain a portion of them benefits ratepayers as well. Tr. 3/27/12 at 73:15-24 (Wilson).

28. Any advantage gained by extending the period that the Combined Company has to extract savings from the original six years to eight years is offset by decreasing the net present value of the amount the Combined Company will recover and by making specific the amount due to ratepayers during the first three years, thereby shifting the risk to the Combined Company that the nominal amounts due in years 1-3 exceed the original percentage amounts. Tr. 4/3/12 at 80:14-21 (Griffin); 82:17-83:3 (Griffin).
29. In a number of recent cases of public utility mergers or acquisitions in which it is shown that the merger or acquisition will produce economies in the provision of public utility service that would not have been possible but for the transaction, public utility regulators have allowed the recovery through rates of some portion of the acquisition premium. This is known as the “benefits exception” to the general rule against the recovery of acquisition premiums. Wilson pf. at 30.
30. The unusually large benefits resulting from the proposed merger, as enhanced by the provisions of the MOU, justify application of the benefits exception to allow sharing of savings between the utility and its ratepayers. Tr. 3/27/12 at 71:9-72:22, 75:22-77:10 (Wilson); tr. 4/4/12 at 141-144 (Miller).

Discussion: The Savings Sharing Proposal Contained in the MOU Should Be Approved

The merger of CVPS and GMP provide an historic opportunity for Vermont ratepayers to achieve significant savings through operational efficiencies and cost reductions. By increasing and guaranteeing the savings in years one through three and aligning Company and ratepayer interests in years four through eight the savings sharing plan contained in the

MOU significantly improves the value of the merger to Vermont ratepayers over the Petitioners' initial proposal. While the number of years in which the Company will share in savings is increased under the MOU, the 50/50 split in those years assures that the Company's efforts to increase its retained savings will also benefit ratepayers. After the eighth year all savings will go to ratepayers, and the Company's guarantee of at least \$144 million in ratepayer savings over ten years remains intact. Based on these factors, the Board should find that the proposed merger, as enhanced by the MOU, promotes the general good of the State of Vermont and should be approved.

IV. The Proposed Transaction will Promote the General Good if the Conditions in the MOU are Approved

Findings

31. Ring-fencing in the utility context refers to protections put in place to financially separate a regulated public utility from its unregulated parent company. This is done by public utility regulators mainly to protect consumers of essential public utility services from potential financial instability within the parent company and other affiliates as a result of their financial and business dealings. Bond rating agencies usually prefer to see public utilities ring-fenced because it enhances the safety of bonds. Ring-fencing is most frequently implemented by utility regulators at the time of utility acquisitions or mergers. Wilson pf. at 42-43.

32. Ring-fencing provisions can protect Vermont's ratepayers if they are thorough, comprehensive and effectively enforced. Such provisions are also viewed positively by major credit rating agencies. Wilson pf. at 45-47. The ring fencing provisions of the MOU are sufficient to protect Vermont ratepayers. Tr. 3/27/12 at 80:14-81:1 (Wilson).

33. By addressing the Department's concerns with regard to VELCO governance, the windfall sharing mechanism, savings sharing and ring-fencing concerns, as well as the practical considerations regarding rate integration, the MOU satisfied the Department that the proposed transaction, if approved under the terms of the MOU, will promote the general good. Tr. 3/29/12 at 61:16-22 (Dworkin); Tr. 4/4/12 at 110:10-111:16 (Miller); Tr. 4/4/12 at 120:17-22 (Miller); Tr. 4/4/12 at 141:14-25 (Miller); Tr. 4/4/12 at 179:25-180:25 (Miller).

Discussion: The Transaction, if Approved Under the Terms of the MOU, Will Promote the General Good of the State

The Petition is subject to several regulatory approvals which require a finding that the transaction "will promote the general good." *See* 30 V.S.A. § 104 (amendment of articles of incorporation must promote the general good); 30 V.S.A. § 107(b)(acquisition of controlling interest must promote the general good), and 30 V.S.A. § 109(a)(merger must promote the general good). Given the significant savings to ratepayers, the opportunity to leverage the \$21M windfall payment into much-needed weatherization programs and to promote efficiency and other projects, and the ability for the public to have a direct voice in the governance of the State's transmission system, the proposed transaction, if approved under the terms of the MOU, will promote the general good of the State of Vermont and should be approved.

Discussion: Other Agreements and Criteria

In addition to the MOU with the Department of Public Service, Petitioners have entered into settlement agreements with Associated Industries of Vermont ("AIV"), International

Business Machines, Inc. (“IBM”), the City of Rutland and the Vermont Electric Cooperative (“VEC”). The Petitioners have also indicated their intent to negotiate changes to the Highgate Joint Ownership Agreement as sought by BED and VPPSA, as well their agreement to negotiate with Hyde Park regarding termination of a 3-Phase Service Agreement between that utility and CVPS. *See* Rebuttal Testimony of Brian Otley at 1-2 and the testimony of Jeffrey Wright of VEC and David Mullett of VPPSA.

The Department agrees that these settlements and agreements to negotiate are beneficial and, where they have been memorialized and filed, should be approved by the PSB. Tr. 4/4/12 at 123:17-25; 159-161 (Miller).

CONCLUSION

The proposed merger of Central Vermont Public Service Corporation and Green Mountain Power is a watershed event for Vermont. This merger has been discussed in concept for decades, because of the potential this combination holds for improving and rationalizing the provision of utility service in this state. The Petitioners’ filing in this case demonstrates the potential for savings and efficiencies; the benefits to Vermont ratepayers and the general good of the state have been significantly enhanced from the original proposal by the concessions set forth in the MOU. The MOU entered into by the DPS and Petitioners increases the certainty and value of savings flowing to ratepayers; provides significant energy-efficiency benefits to people most in need and to CVPS ratepayers generally, in a manner consistent with the Board’s Orders in Docket 7213; and ensures a continuing voice and role for the public in the governance of one of the state’s most vital privately-owned resources, its electric transmission system.

The Department recommends therefore approval of the proposed transaction subject to the terms of the MOU entered between the Department and the Petitioners dated March 26, 2012.

Dated at Montpelier, Vermont, this 23rd day of April, 2012.

VERMONT DEPARTMENT OF PUBLIC SERVICE

By: _____
John Beling, Director for Public Advocacy

By: _____
Geoffrey Commons, Special Counsel

cc: Service list