

STATE OF VERMONT
PUBLIC SERVICE BOARD

In Re: Joint Petition of Central Vermont Public)
Service Corporation (“CVPS”), Danaus)
Vermont Corp., Northern New England Energy)
Corporation (“NNEEC”) for itself and as agent)
for Gaz Metro Limited Partnership and its)
parents, Green Mountain Power Corporation)
 (“GMP”) and Vermont Low Income Trust for)
Electricity, Inc. (“VLITE”), for approval of:)
(1) the merger of Danaus into and with CVPS;)
(2) the acquisition by NNEEC of CVPS and)
certain other Vermont companies; (3) the)
amendment to CVPS’s Articles of Association;)
(4) the merger of CVPS into and with GMP;)
and (5) the acquisition by VLITE of a controlling)
interest in Vermont Electric Power Company, Inc.)

PSB Docket No. 7770

PREFILED TESTIMONY AND EXHIBITS OF CHRISTOPHER L. DUTTON
ON BEHALF OF VERMONT ELECTRIC POWER COMPANY, INC.
AND VERMONT TRANSCO LLC
JANUARY 20, 2012

Mr. Dutton’s testimony provides background about the Vermont Electric Power Company, Inc. and its sister company, Vermont Transco LLC (together “VELCO”); discusses changes that have occurred in the industry and VELCO in recent years; describes the regulatory context in which VELCO operates; and, in particular, describes the processes for transmission project planning and permitting. Mr. Dutton describes VELCO’s current governance structure, offers his perspective on Petitioners’ governance proposal, and responds to recommendations on VELCO governance made by Professor Dworkin in this proceeding.

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In Re: Joint Petition of Central Vermont Public Service Corporation (“CVPS”), Danaus Vermont Corp., Northern New England Energy Corporation (“NNEEC”) for itself and as agent for Gaz Metro Limited Partnership and its parents, Green Mountain Power Corporation (“GMP”) and Vermont Low Income Trust for Electricity, Inc.(“VLITE”), for approval of: PSB Docket No. 7770
(1) the merger of Danaus into and with CVPS;
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and (5) the acquisition by VLITE of a controlling interest in Vermont Electric Power Company, Inc.)

PREFILED TESTIMONY OF CHRISTOPHER L. DUTTON
JANUARY 20, 2012

1 Q. Please state your name, occupation and business address.

2 A. My name is Christopher L. Dutton. I am President and CEO of the Vermont Electric
3 Power Company, Inc., located at 366 Pinnacle Ridge Road in Rutland, Vermont.

4

5 Q. Please describe your background and experience.

6 A. After earning my law degree from Vanderbilt University, I served as a captain in the
7 Judge Advocate General Corps of the United States Air Force and practiced law as a
8 partner in a Canton, Ohio law firm. In 1984, I relocated with my family to Vermont to
9 take a position as General Counsel at Green Mountain Power Corporation (“GMP”). I
10 served in that capacity for ten years before my appointment as GMP’s Chief Financial

1 Officer. In 1997, I became GMP's President and Chief Executive Officer, a position
2 from which I retired in 2008. I am currently a member of the Vermont Law School
3 Board of Trustees and have served as a member of the Fletcher Allen Health Care Board
4 of Trustees, which I chaired from 2005 to 2008. I have also served as Chair of the
5 Vermont Telecommunications Authority Board, Chair of the Chittenden South
6 Supervisory School District, a member of the Green Mountain Power Board of Directors,
7 a member of the Champlain Valley Union High School Board of Directors and the
8 Regional Technical Academy Committee, and a director of the Chittenden County United
9 Way and the Flynn Center for the Performing Arts. I have served as a member of
10 VELCO's Board of Directors since 1997.

11
12 Q. What is the purpose of your testimony on VELCO's behalf?

13 A. I will provide background about VELCO and its sister company, VT Transco; discuss
14 changes that have occurred in the industry and VELCO in recent years; describe the
15 regulatory context in which VELCO operates; and, in particular, describe the process the
16 company goes through in planning and obtaining approvals for transmission projects. I
17 will also describe VELCO's current governance structure, offer my perspective on the
18 governance proposal advanced by GMP and CVPS, and respond to recommendations on
19 VELCO governance made by the Department's expert witness.

20
21 Q. What is VELCO's goal in this proceeding?

22 A. VELCO seeks to ensure a governance structure that supports the company's continued
23 provision of reliable and cost-effective electric transmission service to its customers

1 consistent with its mission as a public service company in Vermont, and that honors its
2 owners' needs and interests.

3
4 Q. What is the history and background of the Vermont Electric Power Company, Inc.?

5 A. Vermont Electric Power Company, or VELCO, was formed as a Vermont public service
6 company in 1956 by Vermont's electric utilities to facilitate non-discriminatory access to
7 clean, low-cost power generated by the St. Lawrence River Project. The St. Lawrence
8 River Project offered the utilities an inexpensive alternative source of power as demand
9 for electricity began to grow in the 1950s. For Vermont's small utilities, the St.
10 Lawrence River power was effectively unavailable because they were not meaningfully
11 connected to a transmission system with backup power capabilities. The nation's first
12 transmission-only company – VELCO – was created so power from the St. Lawrence
13 River Project could be distributed throughout the state.

14 Vermont's three largest utilities at the time, Central Vermont Public Service,
15 Green Mountain Power and Citizens Utilities, transferred their transmission assets to
16 VELCO in exchange for equity in the new company. At the time, VELCO's
17 incorporators and the Public Service Commission recognized the future benefit to
18 Vermont from a statewide transmission company after the contract for the St. Lawrence
19 River Project power expired. The Commission granted VELCO a Certificate of Public
20 good, finding that the "general good of the State of Vermont will be promoted by
21 authorization by the Commission to the applicants to form a corporation," for the purpose
22 of transmitting "electric power and energy." See Exhibit VELCO-CLD-1. Eventually

1 shares in VELCO were offered to all of Vermont’s electric distribution utilities in rough
2 proportion to the amount of load served by each of those utilities.

3 Since 1956, VELCO, and later VT Transco, has expanded and maintained the
4 high-voltage transmission system in Vermont to support the needs of those utilities and
5 the retail customers they serve. During the oil crisis in the early 1970s, VELCO served
6 as an agent for Vermont’s retail electric utilities for out-of-state power contracts. For
7 many years, VELCO has been part of Vermont’s collective voice at New England Power
8 Pool (“NEPOOL”), and now advocates for Vermont’s interests at ISO-New England
9 (“ISO-NE”). Through its subsidiary, Vermont Electric Transmission Company, Inc.
10 (“VETCO”), VELCO has, since the early 1980s, operated and managed a DC-current
11 transmission line that carries Canadian-produced power to New England.

12 VELCO owned the transmission assets used to provide regulated electric
13 transmission service to Vermont’s private and public electric distribution companies until
14 2006, when VELCO’s shareholders reorganized the company to obtain substantial tax
15 savings offered by the limited liability company form. The tax savings were passed on to
16 the retail customers of VELCO’s shareholder utilities, which included lower transmission
17 costs in their retail rates. With the support of the Department of Public Service, the
18 Public Service Board approved the creation of VT Transco after finding that it served the
19 general good of the state. VT Transco now owns the transmission assets while VELCO
20 manages VT Transco and the transmission system pursuant to a contract between the two
21 companies.¹

¹ See Exhibit VELCO-CLD-2 AT 1-2.

1 VELCO, which remains a public service company, employs approximately 150
2 people who work out of VELCO's Rutland, Vermont, headquarters. The corporate
3 culture is mission-focused: maintain and operate an electric transmission network with
4 superior reliability at a reasonable cost and in a manner that promotes environmental
5 stewardship consistent with Vermont's values. Throughout my testimony I will use the
6 term "VELCO" to refer collectively to the VELCO companies: Vermont Electric Power
7 Company, Inc., Vermont Electric Transmission Company, Inc., and Vermont Transco
8 LLC. Where a distinction between the corporate entities is appropriate, I will make that
9 clear.

10

11 Q. Do VT Transco and VELCO share the same ownership structure?

12 A. Ownership of VT Transco is similar to that of VELCO, but not identical. When VT
13 Transco was first established, the Vermont distribution utilities were offered membership
14 units in approximate proportion to their share of the Vermont retail electric load or "load-
15 share ratio." In 2010, representatives from VELCO and the distribution utilities met to
16 discuss whether VT Transco should continue to offer membership units based on load-
17 share ratio. The consensus was that load-share ratio did not best reflect the ratio of
18 benefits to costs paid by each distribution utility in the current environment, and that
19 transmission costs were a more appropriate expression of cost/benefits. The VT Transco
20 members agreed to amend the Operating Agreement so that equity in VT Transco is now
21 offered on a transmission cost ratio basis (Distribution Utility transmission costs-
22 paid/Total transmission costs charged to all Vermont Distribution Utilities). The Public

1 Service Board reviewed and approved that change to the Operating Agreement in
2 November 2010.

3 VT Transco also issues special member units (“Specific Facility Units”) to help
4 finance projects that are ineligible for regional cost recovery under the ISO-NE tariff.
5 The Specific Facility Units offer meaningful assistance to the state’s utilities to finance
6 system upgrades, particularly utilities with limited financial resources.

7
8 Q. Please explain how VELCO and VT Transco are governed.

9 A. The Vermont Electric Power Company, Inc., VT Transco’s manager, is governed by the
10 company’s by-laws and a shareholder-elected Board of Directors. The bylaws currently
11 in effect provide for a board with no less than seven (7) and no more than twenty-one
12 (21) directors. In practice, VELCO’s board has been comprised of thirteen (13) directors,
13 whom the Company’s shareholders elect each April at VELCO’s annual meeting. By
14 informal agreement four of the directors have been nominated by CVPS, two by GMP,
15 and one each by BED, VEC and VPPSA; these directors have generally included the
16 chief executives of the largest retail distribution utilities, as well as directors from their
17 boards. This representation of owners on VELCO’s board is in rough proportion to each
18 utility’s ownership stake and share of Vermont’s retail electric load.

19 VELCO’s Board of Directors also includes VELCO’s CEO and three independent
20 directors, defined as directors with no affiliation to the state’s retail electric utilities. The
21 nomination process for independent directors is an informal and collaborative one among
22 directors. Since the role of a board of directors is to set policy for the company and

1 provide broad oversight of the company's management, the board has looked for
2 independent directors who possess particular expertise that VELCO needs at the time.

3 VT Transco is a Vermont limited liability company whose members are
4 Vermont's distribution utilities and the Vermont Electric Power Company. VT Transco
5 is managed by VELCO and is governed by a two key agreements: one among its
6 members, the Operating Agreement, and the other with VELCO as VT Transco's
7 manager, the Management Services Agreement. As a manager-managed limited liability
8 company, VT Transco does not have a Board of Directors. In practical effect, VELCO's
9 Board of Directors makes the big-picture decisions for VT Transco, such as financing,
10 company restructuring, and major capital investments.

11
12 Q. You referred to VELCO as a "public service company," what does that mean?

13 A. A "public service company" is a private company with a public purpose. VELCO was
14 formed under state law for the purpose of serving the public's need for electric
15 transmission service. The Public Service Board awarded VELCO a nonexclusive
16 franchise to operate as an electric transmission company, a status reflected in VELCO's
17 Certificate of Public Good. VELCO is a "public service company" because of its
18 business purpose and state franchise. This term is distinguishable from a "public
19 corporation" like a municipality, which can also provide electric service under a state
20 franchise. A public service company acts through a board of directors and its executive
21 officers to fulfill its public purpose and is accountable to its shareholders. As a public
22 corporation, a municipal electric utility is ultimately accountable to its voters and is
23 governed by majority rule through the election process. Whether a public service

1 company or public entity, the actions of an electric service provider in Vermont are
2 constrained by a pervasive regulatory regime that the legislature has established to protect
3 the public from abuse of monopoly power and ensure that significant actions of the
4 provider serve the general good.

5
6 Q. How is electric transmission service regulated?

7 A. Electric transmission service is the most regulated sector of the highly regulated
8 electric utility industry, which is made up of three basic components: generation,
9 transmission and distribution. State and federal agencies have extensive jurisdiction over
10 the electric transmission function. Certain fundamental principles ground both state and
11 federal regulation of electric service, both wholesale, as in the case of electric
12 transmission, and retail. First, electric service is an essential service to which all
13 members of the public should have access at just and reasonable rates and on reasonable
14 terms and conditions. Second, unchecked monopoly power is a path to abuse. To ensure
15 availability of service to all members of the public, utilities have a legal obligation to
16 serve. To prevent monopoly abuse, utilities may not unduly discriminate against
17 customers on the rates, terms and conditions of service offered, and all rates and terms
18 and conditions of service must be stated in an approved tariff from which the utility may
19 not lawfully deviate. Finally, electric service must be reasonably reliable and of
20 reasonable quality.

21 Even before the assertion of federal power over transmission, the Vermont
22 legislature ensured that these monopoly regulation principles applied to VELCO just as
23 they did to the state's retail service providers. VELCO was obliged to serve its wholesale

1 customers with reliable transmission service at just and reasonable rates and without
2 undue discrimination. Transmission construction projects as far back as the early 1950s
3 were subject to Board review and approval, and they could be built only if the Board
4 determined that they served the general good.²

5 Currently, the Public Service Board and the Department of Public Service have
6 extensive general oversight authority over VELCO. Board approval is required for
7 changes to its articles of association, material financing decisions, corporate structure
8 proposals (like the creation of VT Transco), and construction projects governed by § 248.
9 VELCO also has responsibility under the law to plan for transmission infrastructure in
10 Vermont. The Board exercises regular oversight of that long-range transmission planning
11 function through reports from the Vermont System Planning Committee (“VSPC”), a
12 body created via a Board-approved settlement of Docket No. 7081. The VSPC includes
13 representatives of the Department of Public Service as well as numerous Vermont
14 stakeholder groups. VELCO is further bound by state statute and a Public Service Board
15 order to produce a 20-year, long-range transmission plan prepared with input from the
16 Vermont System Planning Committee. The Vermont Long Range Transmission Plan
17 project list is updated annually and the entire plan is redone every three years.

18 The Federal Energy Regulatory Commission (“FERC”) is the federal regulatory
19 agency that oversees generation and transmission services. As described in more detail
20 by former FERC Commissioner Nora Brownell, FERC exercises extensive authority over

² At that time, the Board also had to find that the proposed transmission facility would not be “detrimental to the interests of the investors of the company” that would be responsible to build or rebuild the facility. *In re Lyndonville Village*, 121 Vt. 185, 186 (1957).

1 electric transmission services, establishing and enforcing open access and reliability
2 requirements, and reviewing and approving tariffs and rates for transmission services.³
3 VELCO provides transmission service on a non-discriminatory basis primarily under two
4 FERC-approved tariffs: the New England Open Access Transmission Tariff or “OATT”
5 and the 1991 Vermont Transmission Agreement. It should be noted that the Department
6 of Public Service is a party to the 1991 Vermont Transmission Agreement; power the
7 Department purchases on behalf of the State may be transmitted and paid for pursuant to
8 the terms of that Agreement.

9 FERC also reviews certain corporate transactions, like the VELCO/ VT Transco
10 restructuring, and establishes regulations to help ensure that transmission companies do
11 not provide information to their marketing affiliates that offer them an advantage in the
12 real time energy markets that FERC also oversees. VELCO is subject to FERC’s
13 “standards of conduct,” regulations which prohibit VELCO from sharing transmission
14 function information with distribution employees who are engaged in energy marketing.

15 Finally, VELCO is accountable to ISO-NE, the FERC-appointed operator of the
16 New England region’s high-voltage electric system. VELCO operates the Vermont
17 transmission network under ISO-NE’s direction. ISO-NE also has primary responsibility
18 for long-range transmission planning in New England, which is performed with input
19 from the region’s Participating Transmission Owners and others. All bulk transmission
20 system projects are vetted through a process established in ISO-NE’s FERC-approved
21 tariff. ISO-NE also reviews and approves VELCO’s regional cost recovery requests

³ See Exhibit VELCO-CLD-2 AT 3-4.

1 related to transmission system reliability projects. Through operational control, system
2 planning, and project cost allocation review, ISO-NE plays a key role in ensuring that
3 VELCO, like other transmission companies in the region, serve the general good.

4 Q. How can VELCO ensure that transmission planning and infrastructure decisions serve the
5 general good in Vermont if these decisions are made by ISO-NE and not by VELCO or
6 the State of Vermont?

7 A. Transmission planning and decisions about infrastructure improvements are not made by
8 ISO-NE alone. VELCO's role as a bulk transmission provider subject to federal
9 authority requires that it participate in the ISO-NE planning process and that it adhere to
10 federal reliability standards. VELCO is a very active participant in this regional planning
11 process and is in fact counted on by ISO-NE to provide Vermont-specific system data.
12 Our work in this arena is informed and guided by the VSPC-vetted, long-range
13 transmission plan that identifies system reliability challenges. Most significantly, the
14 State has the primary role in determining whether a project will be built here. All electric
15 transmission projects must go through the § 248 process, and the Public Service Board is
16 required to find that the project serves the general good of the state before issuing a
17 Certificate of Public Good ("CPG").⁴

18
19 Q. Please describe the transmission project approval process applicable to VELCO.

20 A. VELCO cannot begin site preparation or construction of a transmission project unless and
21 until the Public Service Board finds that the project will promote the general good of the

⁴ See Exhibit VELCO-CLD-2 at 5.

1 state and issues a CPG to that effect. No less than 45 days before filing a CPG petition
2 with the Board, VELCO must give notice to the affected municipal and regional planning
3 commissions and local select boards. The commissions and select boards may hold a
4 public hearing. This allows VELCO to get feedback on a potential project from local
5 officials and citizens so that VELCO can address local issues before filing a formal CPG
6 petition with the Board. Keep in mind that before this point in the permitting process, a
7 substantial amount of alternatives analysis and public input will have already taken place
8 through the regional and state planning processes. VELCO begins its public outreach
9 much earlier than the 45-day notice period because early engagement enhances VELCO's
10 ability to identify and address many interests and concerns of stakeholders, from abutting
11 landowners to state and federal agencies that have permitting or review authority over
12 VELCO's projects. Members of the VELCO project team will contact local officials,
13 adjoining landowners, land conservation groups, outdoor recreation advocates and others
14 to gather information and exchange ideas on how to mitigate impacts from construction
15 or operation of a proposed transmission facility. VELCO's environmental team will
16 work in advance with staff at the Agency of Natural Resources ("ANR"), Army Corps of
17 Engineers, Department of Public Service and the State Division of Historic Preservation
18 to identify and discuss issues of concern about a project or its siting challenges. Getting
19 their input on projects prior to the 45-day notice is intended to improve the project and its
20 ability to satisfy the "general good" standard that § 248 requires. It is also required for
21 the numerous other environmental permits VELCO must obtain. ISO-NE later performs
22 additional review of reliability projects through the Project Plan Application review

1 process pursuant to its tariff. Exhibit VELCO-CLD-2 at 6 depicts these key review and
2 permitting processes for VELCO's transmission projects.

3
4 Q. What criteria must VELCO satisfy to prove a transmission construction project serves the
5 general good?

6 A. There are two overall categories of criteria under § 248 that VELCO must address. The
7 first category relates to what I would consider issues routinely addressed in traditional
8 utility regulation: project need, cost, benefits, and system impact. VELCO must show
9 that the project will result in economic benefit to the State and its residents, that the
10 proposed project is needed, and that no other less costly alternative could address the
11 need (i.e., non-transmission alternatives or "NTA" analysis). The Company must also
12 show the economic benefit inuring to the state from the project, and how the project
13 complies with the Department of Public Service's energy plan. In addition, VELCO
14 must demonstrate that the project's interconnection with the grid will not adversely
15 impact system reliability and stability or other utility customers.

16 The second category of criteria centers on orderly development and
17 environmental protections. Section 248 incorporates most of the environmental criteria
18 enumerated in Vermont's statewide land-use planning statute, Act 250. VELCO must
19 demonstrate that a proposed project will not have an undue adverse impact on air and
20 water quality, historic sites, endangered species, rare and irreplaceable natural areas,
21 necessary wildlife habitat, outstanding water resources, and aesthetics. Under the various
22 water quality protection criteria, VELCO must show that there will be no undue adverse
23 impacts on streams, wetlands, shorelines, headwaters, or floodways, and that the project

1 will not unduly burden existing water supplies or affect the ability of the soil to retain
2 water. Receiving all environmental permits from other state and federal agencies is made
3 a requirement in each CPG as a matter of well-established Public Service Board policy.
4 Finally, VELCO has to demonstrate that the project is consistent with the region's orderly
5 development, and that it will not materially burden municipal and educational services or
6 adversely affect public investments.

7
8 Q. You've been in the utility business in Vermont since 1984 and have served on VELCO's
9 Board of Directors since 1997. What changes have you seen over time with respect to
10 VELCO?

11 A. The changes VELCO has undergone in the last ten or so years are reflective of the times
12 and changes in the industry overall. In the mid-1990s, the electric utility industry was
13 evolving at the state and federal level, from competition being introduced to retail electric
14 customers for the first time to the establishment of the Regional Transmission Operator
15 ("RTO") system by FERC. Vermont utilities escaped the transaction costs associated
16 with divestiture of transmission assets that other utilities had to bear as a result of federal
17 electric restructuring by having transferred most of Vermont's transmission assets and
18 operations to VELCO back in 1956. In the Board's 1996 electric industry restructuring
19 report, it recognized this advantage, noting that VELCO's "structure and operation ha[d]
20 already anticipated many changes necessary to support an efficiently competitive

1 market.”⁵ VELCO had operated Vermont’s transmission system on an open-access and
2 non-discriminatory basis since its founding.

3 The establishment of the RTO structure was a major shift for VELCO. The
4 regional grid is now operated by an independent entity, which required transmission
5 owners like VELCO to surrender ultimate operational control over their networks to ISO-
6 ISO-NE, the RTO in this region. VELCO’s open access tariff is a schedule in the ISO-
7 NE tariff, and ISO-NE now has a lead role for transmission planning, as I mentioned
8 previously. All of VELCO’s reliability projects must go through a review process at
9 ISO-NE.

10 In 2001, the terrorist attacks on New York and Washington changed the nation’s
11 sensitivities to terror threats. The blackout two years later in 2003 was viewed as a new
12 threat, and calls went out for reliability upgrades and better security protections for our
13 electric infrastructure. Since then, electric transmission system reliability and security
14 have been recognized as matters of national security and as essential to the local, regional
15 and national economies. VELCO’s accountability to federal and regional authorities has
16 increased in an unprecedented way.

17 Over the last roughly six to seven years, VELCO has experienced exponential
18 growth in assets due to reliability-driven major capital construction. The value of
19 VELCO’s assets increased from roughly \$120 million in 2005 to approximately \$800
20 million at the end of 2011. Since 2005, VELCO has built 135.9 miles of new lines and
21 commissioned 12 new substations. Over the next five years, VELCO expects to add

⁵ See “The Power to Choose: A Plan to Provide Customer Choice of Electricity Suppliers,”
Report and Order, Docket No. 5854, Order of 12/31/96 at 39.

1 \$500 million in additional reliability projects to its assets. The Company's growth,
2 capital construction projects, and new reliability and security obligations have required
3 VELCO to increase the size of its staff and recruit employees with skills different from
4 those the Company required even just ten years ago. A significant number of cultural and
5 organizational changes have been required.

6
7 Q. In what other ways has VELCO changed in recent years?

8 A. Three significant changes come to mind: reorganizing VELCO and creating Vermont
9 Transco LLC, establishing the Vermont System Planning Committee, and revamping the
10 VELCO Operating Committee (now the VT Transco Operating Committee). I have
11 described the 2006 corporate reorganization already.

12 The VSPC was formed to perform a significant part of the state planning process.
13 The VSPC is organized in a manner similar to NEPOOL insofar as it divides membership
14 with voting rights into sectors. In the VSPC's case, these sectors are (1) the public (with
15 representation in three categories: residential, commercial and industrial, and
16 environmental), (2) transmission, (3) distribution utilities that provide transmission, (4)
17 large distribution utilities that depend on transmission, and (5) other distribution utilities
18 that depend on transmission. Non-voting members of the VSPC are the Department of
19 Public Service, the Sustainably Priced Energy Enterprise Development Facilitator, and
20 the Energy Efficiency Utility. The meetings are noticed in advance and are open to the
21 public; meeting materials, reports, and minutes are posted on-line so they are easily
22 accessible to the public, policymakers, and others interested in transmission system
23 planning. Some concern has been noted by the VSPC Public Participation Subcommittee

1 that it is difficult to get members of the public engaged on transmission issues, so public
2 participation remains an ongoing challenge for the Committee.

3 Prior to 2009, VELCO's bylaws called for an "Operating Committee" comprised
4 of Citizens Utilities, Central Vermont Public Service, and Green Mountain Power, to
5 oversee VELCO's operation of the transmission system. In 2009, VELCO's shareholders
6 voted in favor of eliminating the committee from the bylaws at the Board of Directors'
7 recommendation because the committee no longer represented the interests of VELCO's
8 then-current stakeholders and had no clear mission. The 2009 long-range plan that the
9 USPC contributed to is attached as Exhibit VELCO CLD-3.

10 In 2008, before the by-laws were amended to disband the Board-level Operating
11 Committee, a new and more effective Operating Committee had been put into place.
12 This committee was formed to function like an owner's committee with a wider mandate
13 to account for the broader role of VELCO's owners as customers/ratepayers of VELCO's
14 transmission service. The committee is empowered to review and advise VELCO on
15 tariff administration issues (e.g., applicability and interpretation of the 1991 Vermont
16 Transmission Agreement), business practices, operations management, and strategic
17 issues, among other things. Since its formation, the new Operating Committee has served
18 as a problem-solving forum for issues facing one or more of the distribution utilities and
19 VELCO. The Operating Committee now includes members from Stowe Electric
20 Department, Burlington Electric Department, Vermont Public Power Supply Authority
21 ("VPPSA") and Vermont Electric Cooperative, as well as Green Mountain Power,
22 Central Vermont Public Service and VELCO. Meetings are held in different locations
23 around Vermont for convenience of the members and other utility representatives who

1 wish to attend. Information about the VELCO Operating Committee, including its
2 meeting materials and the Vermont Transmission Administration Manual adopted in
3 2008, can be found on the Operating Committee's website, with links from VELCO and
4 VT Transco.⁶

5
6 Q. How successful has VELCO been in managing through a period of change and rapid
7 expansion?

8 A. Leaving me aside, I believe the Company's management has done an outstanding job
9 successfully managing these changes for the benefit of VELCO's customers/owners and
10 the public at large. VELCO performed very well on its core functions of building,
11 maintaining and operating a quickly expanding transmission system, while also becoming
12 a leader on a range of issues relevant to its public purpose. VELCO has advocated
13 extensively on a regional level and in filings at FERC for more equitable consideration
14 and cost allocation of non-transmission alternatives – an articulated public policy of
15 Vermont, and a position that has gradually begun to influence regional policy despite
16 opposition or limited support from many interests across the region. VELCO has also
17 overhauled its project cost estimating methodology and has led an effort to have the
18 product of this work adopted by ISO-NE, also against the prevailing tide. VELCO's
19 objectives in this particular effort are to establish a peer-reviewed, cost-estimate
20 validation process that provides consistent cost information across companies in the
21 region. This will enhance regional transparency, accuracy and accountability for project

⁶ <http://opcom.velco.com>

1 cost estimates, and will enable better comparison of the cost-effectiveness of transmission
2 projects and non-transmission alternatives. We believe it will save ratepayer dollars.

3 VELCO has won numerous awards over the years that recognize its safety record,
4 environmental stewardship, positive work environment, and project management
5 expertise. VELCO was a primary driver and coordinator of the Vermont utilities'
6 eEnergy Vermont Smart Grid Investment Grant application that was awarded \$69
7 million in funding from the Department of Energy.

8 I also want to highlight the success of the Southern Loop Coolidge Connector
9 Project because it demonstrates how well and how quickly VELCO was able to
10 implement lessons learned from its experience planning, permitting and constructing the
11 Northwest Reliability Project. The Public Service Board's order approving the Project
12 highlighted VELCO's efforts that led to the Board's favorable decision:

13 The Petitioners have presented final design detail plans, have completed or
14 nearly completed all critical environmental review and permit
15 applications, and have engaged in both an extensive public outreach
16 process and collaborative efforts with other parties, including local
17 communities and the affected permitting agencies. We recognize and
18 appreciate these efforts undertaken on behalf of all of the parties, and
19 believe that they have been instrumental in producing an efficient process
20 and positive result.⁷

21
22 Finally, I want to cite an additional example of how the company manages in
23 accord with the public interest. In 2009, VELCO brought to the attention of the
24 Department of Public Service and successfully worked with regulators and legislators to
25 enact legislation that ensures prior State review of proposed sales of transmission energy
26 infrastructure that is critical to Vermont.

⁷ Docket No. 7373, Order of 2/11/2009 at 6.

1 Q. Given the changes in the utility industry that affect VELCO, why is ownership offered
2 and governance of VELCO still based on proportionality?

3 A. The proportionality principle has long been a cornerstone of VELCO's governance.
4 Since the early days, VELCO has been owned in a unique way. Its customers are its
5 owners, and new shares in the company are offered to those owners based in rough
6 proportion to each owner's share of Vermont's retail electric load, or since 2010, on their
7 share of transmission costs.

8 The decision to offer participation in ownership and governance on this basis
9 makes sense. VELCO operates a statewide network that supports the day-to-day
10 electricity needs of hundreds of thousands Vermonters served directly by distribution
11 utilities. The largest distribution utilities together have a much greater proportion of
12 customers affected by VELCO's operations and management decisions than do
13 VELCO's other transmission customers. They also pay a greater proportion of VELCO's
14 costs under the 1991 Vermont Transmission Agreement. For GMP and CVPS,
15 proportionality is important considering their backstop commitment under the Three
16 Party Transmission Agreement ("TPTA") with VELCO. If certain conditions are met,
17 CVPS and GMP are liable under the TPTA to pay their pro rata share of all of VELCO's
18 costs that are not recovered from other sources.

19 For all of these reasons, I believe the Public Service Board has repeatedly
20 endorsed the proportionality principle in VELCO's governance structure over the course
21 of many decades. In 2001, the Board noted its longstanding preference for all utilities to
22 have the same opportunity to invest in VELCO with voting rights proportional to their

1 “ownership and consumption characteristics.”⁸ It cited to a 1967 Board decision that
2 articulated the importance of giving all utilities the chance to share in an investment
3 opportunity in VELCO. In Docket No. 6081, VELCO sought approval to amend its
4 articles of organization and issue additional shares of VELCO stock, which the Board
5 permitted it to do in relation to each utility’s share of network load. As I stated
6 previously, when VELCO reorganized in 2006, ownership interests were offered using
7 the proportionality principle that the Board had approved in prior cases. In 2008, when
8 VELCO sought approval for a new class of membership units in VT Transco to help
9 finance construction projects, the Board’s Hearing Officer reiterated the policy on
10 proportional ownership:

11 The Board’s Orders in Docket 7174 and in the current docket indicate that
12 standards of fairness should apply to equity offerings by Transco to assure,
13 for example, that tax-exempt and non-tax exempt distribution utilities
14 receive a comparable return on equity in the limited liability company
15 structure, and the Board appears to have endorsed the principle that, in
16 general, Transco equity units should be offered first on a load-ratio share
17 basis to all its members.⁹
18

19 Q. What proportional “voting rights” do you mean?

20 A. I refer to the voting rights that shareholders of a Vermont corporation enjoy by law, for
21 example electing a board of directors to hire and oversee management and amending
22 corporate articles of incorporation and the bylaws. VELCO and other corporations issue
23 voting and non-voting stock. The Public Service Board’s policy has ensured that all of

⁸ Docket No. 6540, Order of 10/15/2001.

⁹ Docket No. 7310, Order of 10/15/2008, at 3.

1 VELCO's owners have the same opportunity to own voting stock in VELCO in
2 proportion to their share of the Vermont electric load.

3 Q. Considering that VELCO has a large disparity in the ownership stake of each of its
4 owners resulting from application of the proportionality principle, how does the
5 Company's Board of Directors ensure that it protects the interests of its minority
6 shareholders?

7 A. The most important protection is the fiduciary duty that directors owe to all shareholders
8 as a matter of law. Ms. Brownell discusses this in more detail in her testimony. This is a
9 critical point that has been noted only in passing by Professor Dworkin. The directors of
10 a private corporation may not favor one shareholder over another nor one group of
11 shareholders over another group. That same fiduciary duty is owed to the officers of a
12 corporation. VELCO's directors and officers owe the same fiduciary duty to Barton
13 Electric as they do to Green Mountain Power or Burlington Electric Department.
14 Consistent with that duty, the VELCO Board of Directors is structured to promote
15 decision-making aimed at furthering the best interests of the company and its owners as a
16 whole. The Board has three directors who are unaffiliated with any utility, and it has the
17 benefit of service from the chief executives of the Vermont Electric Cooperative and
18 Burlington Electric Department, as well as the General Manager of the Vermont Public
19 Power Supply Authority. The Board seeks to operate through consensus while focusing
20 on the Company's long-term interests and reviewing and approving material management
21 decisions.

22

1 Q. Are you familiar with the Petitioners' proposal in this proceeding to modify the
2 ownership and governance of VELCO?

3 A. Yes, I am.
4

5 Q. What is your opinion of that proposal in terms of its impact on VELCO ?

6 A. I do not think the proposal will meaningfully impact VELCO's management or
7 operations, and I do not expect a change in how the VELCO Board of Directors operates
8 or exercises its responsibilities as a direct result of the merger. Petitioners' proposal
9 largely leaves in place the historical proportional governance structure, but mitigates the
10 concentration of power arising from the merger. By transferring roughly a third of
11 VELCO voting stock to a public benefit corporation controlled by VELCO's minority
12 shareholders, VELCO will continue to lack a single dominating shareholder with the
13 ability to exercise control over VELCO unilaterally. Importantly, in my view, the
14 proposal preserves the role of independent directors, which has been beneficial to the
15 board, and leaves governance in the hands of the owners of the company. It should be
16 noted that since GMP and CVPS described this governance proposal to VELCO's board,
17 VELCO has been working with its owners on amendments to VELCO's bylaws and VT
18 Transco's Operating Agreement that would be needed to implement the proposal and
19 provide certain other protections sought by minority shareholders. As Commissioner
20 Brownell's testimony points out, of course, there are ways other than that proposed by
21 Petitioners to mitigate the concentration of power that comes with an acquisition like the
22 one presently before the Board. These tried-and-true measures include requirements for
23 supermajority votes on significant issues at the board and shareholder levels, inclusion of

1 more independent directors on the board and certain board committees, and board voting
2 mechanisms.

3

4 Q. Are you familiar with the recommendations about VELCO made by the Department of
5 Public Service through its expert witness, Michael Dworkin?

6 A. Yes, I have reviewed Professor Dworkin's testimony.

7

8 Q. Do you agree with his recommendations?

9 A. No, I do not.

10

11 Q. Please explain.

12 A. VELCO performs very well right now; there is almost universal agreement on that point.

13 The dramatic changes to VELCO governance Professor Dworkin recommends inevitably

14 and unnecessarily puts that state of affairs in jeopardy given the only real issue raised by

15 the proposed merger: concentration of power in one shareholder. The recommendations

16 Professor Dworkin makes assume that the state and federal regulatory framework in

17 which VELCO operates and has operated for over fifty years is ineffective at protecting

18 transmission customers and the public from abusive monopoly power. He offers no

19 empirical evidence to support this and other assumptions. If adopted, the Professor's

20 recommendations would make VELCO's governance more political, complex and

21 uncertain, and would almost certainly affect the company's ability to attract low-cost

22 capital to support required infrastructure improvements in the near and long-term,

23 resulting in increased costs for consumers. I am baffled by such a drastic response to a

1 commonplace problem in corporate acquisitions, particularly in this instance where the
2 issue concerns a company in the most regulated sector of the highly regulated electric
3 utility industry – transmission.

4
5 Q. Professor Dworkin suggests that structural measures are needed “to ensure, on an
6 ongoing basis, explicit consideration of the general good of the State in the management
7 of Transco’s assets by VELCO or its successors.” How do you respond to this particular
8 suggestion?

9 A. I have three comments. First, this suggestion completely disregards the existing
10 regulatory protections that have long ensured that the state’s transmission system is
11 operated in the interests of the general good of the State. The legislature has enacted a
12 number of structural measures in Title 30, the title devoted to the regulation of electric
13 utilities and other companies under Public Service Board and Department of Public
14 Service jurisdiction. In addition, every one of our distribution utility owners has a legal
15 requirement to conduct their business in the public good established through their
16 respective Certificates of Public Good issued by the State. For VELCO, a substantial
17 additional layer of federal requirements exist to ensure that the general good is served in
18 the management of the statewide electric transmission system.

19 Second, underlying this and other suggestions by Professor Dworkin, is the notion
20 that the “general good of the state” may be divined from some source other than the
21 legislative policies expressed in statute and implemented by regulatory bodies pursuant to
22 authority vested in them the legislature. The notion is just plain wrong. The general
23 good is ensured when the public utility laws are followed and enforced. I do not

1 understand the rationale for allowing a monopoly utility to determine through its board of
2 directors – or in this case a subset of its board of directors – what serves the “general
3 good” without any guidance whatsoever.

4 Third, in the case of a public service company like VELCO, the interests of
5 shareholders and the general good of the state overlap in one significant and material
6 respect: the company exists to earn a return for shareholders *by serving the general good*
7 *with an essential service*. If the company loses its franchise, shareholders lose value in
8 their investment.

9 Q. Why should regulators and not VELCO have primary responsibility for ensuring the
10 general good of the state is taken into account in VELCO’s operations?

11 A. I am not in any sense suggesting that public service companies like VELCO, acting
12 through their management and directors, do not have the responsibility in the first
13 instance to act in the public interest. They do. Because VELCO’s core business purpose
14 is to provide an essential public service, its management and directors must, as part of
15 their fiduciary obligation to the company and its shareholders, consider and seek to
16 promote the general good, as articulated in Vermont laws and regulations and the
17 decisions of the Public Service Board. Vermont law has long recognized the distinct
18 roles between regulators and management: “The function of the public service
19 commission is that of control not of management, and that regulation should not obtrude
20 itself into the place of management.”¹⁰ I believe regulators have a reasonable expectation
21 that VELCO will fulfill its public service obligations; it has a long history of doing so.

¹⁰ *Davison v. Morrisville Water & Light Dep’t*, 137 Vt. 120, 122 (1979).

1 The position the Department advances through Professor Dworkin wrongly
2 assumes the opposite. It also assumes that regulators have not done their duty to push
3 back on VELCO if and when it might step out of bounds.¹¹ I cannot make either
4 assumption given VELCO's track record of outstanding public service and Vermont
5 regulators' solid history of public protection over the course of many years.

6
7 Q. Wouldn't you agree that public appointees on the VELCO board can offer additional
8 protection for the company to act in the interests of the state as whole and not just in
9 interests of its shareholders?

10 A. No, I do not. I think it assures that decision making on the VELCO board will become a
11 political process, one that will no longer be structured to focus on the primary business
12 purpose of transmitting bulk electricity to customers safely and reliably and at just and
13 reasonable rates. Moreover, a director of a private corporation owes a duty of loyalty to
14 the corporation and its shareholders, and not to the State or other outside entities.
15 Although regulators have plenary authority over VELCO, I am unaware of any statute
16 that grants the Board power to modify the legal duties owed to VELCO and its

¹¹ The Board and the Department have an array of regulatory tools to ensure that all electric utilities fulfill their public service obligations. Regulators may conduct inspections of all company property at any time during business hours. They may obtain copies of books, records, and accounts, including confidential information not otherwise available to the public. The Department may seek injunctive relief to restrain unlawful or unreasonable actions by a utility. Both agencies have "bill-back" authority, which allows them to charge to utilities the cost of staff and outside expert time required for hearings at the Board. They may conduct investigations, and the Board may impose monetary penalties and violations of law. The Board has the discretion to use the ultimate sanction – revocation of the Certificate of Public Good – when circumstances warrant.

1 shareholders by directors. Professor Dworkin does not identify the source of any such
2 authority so the viability of his proposal is open to serious question.

3
4 Q. Wouldn't you agree that Professor Dworkin's proposal is necessary to ensure that the
5 concerns of minority owners are not overridden unless the general good requires it?

6 A. Again, I do not agree with Professor Dworkin or the Department on this point. The issue
7 of majority versus minority interests arises for all utilities whether they are public service
8 companies, municipal electric utilities or electric cooperatives. Ironically given Professor
9 Dworkin's recommendations, out of the three types of entities – a municipal utility, a
10 cooperative, or public service company – it is the public service company form that is
11 best suited to ensure that minority views and concerns are considered because of the
12 fiduciary duty their management and board owe to all shareholders. Moreover, unlike a
13 municipality or cooperative, public service company shareholders enjoy the freedom to
14 negotiate agreements that apportion voting power in a manner that suits their and the
15 company's needs. On the other hand, public power entities like municipal electric
16 departments and cooperatives cannot enter contracts that limit the majority's power in the
17 election process; public elections are still decided by majority rule. The fact that VELCO
18 is a private corporation gives its shareholders the benefit of negotiating flexibility.

19 I also do not agree with Professor Dworkin because, once again, the pervasive
20 regulatory environment in which VELCO operates restrains it from taking action that
21 harms its minority owners and the public at large. The change in VELCO's ownership
22 presented by the merger does not mean that the laws and regulations applicable to
23 VELCO also change.

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Q. Professor Dworkin identifies as one of his key conclusions that “actual or de facto majority control over ‘bottleneck’ facilities, even in a highly regulated environment, creates a risk of unhealthy market power or of limited recognition of options, alternatives or concerns of others.” How do you respond?

A. I think his use of “bottleneck facilities” and “market power” are out of place in the context of VELCO’s electric transmission service and this transaction. VELCO is a monopoly with service offered on an open-access and nondiscriminatory basis to customers with whom it does not compete and who do not compete with each other. To have market power, there must be a market. It is not clear from Professor Dworkin’s testimony what market he may be referring to.

Q. Professor Dworkin observes that one major concern arising from the merger is the concentration of power in VELCO that will let the combined company “exert effective control of management decisions.” Do you agree?

A. No, in part because Professor Dworkin fails to appreciate the different roles a corporation’s board of directors and management have in conducting a corporation’s business. Boards of directors do not manage companies. Rather, boards have general oversight responsibility over corporate affairs and they set broad policy for executive management to carry out using good business judgment.

1 Q. What is your response to concerns about Green Mountain Power's Canadian owners
2 using its ownership in VELCO strategically to build transmission through the State of
3 Vermont for Canadian power producers without providing Vermont with any benefit?

4 A. I do not share these concerns. First, VELCO's planning is intertwined with regional and
5 state planning requirements. VELCO cannot realistically engage in unilateral planning of
6 transmission projects in Vermont and withstand scrutiny at the VSPC and ISO-NE. But
7 even if a transmission project could avoid planning scrutiny at the state and regional
8 levels, a doubtful proposition in my view, it would still require a § 248 CPG before it
9 could be built in Vermont. As I explained earlier, the project proponent has a heavy
10 burden at the Public Service Board under § 248. The need for the project and its
11 economic benefit to the state are only two of many criteria that the project proponent
12 would have to prove to establish the general good.

13 The Board should also be mindful of the legal issues that arise when making a
14 decision that implicates foreign trade or interstate commerce. Professor Dworkin himself
15 raised this concern while on the Public Service Board in response to an argument against
16 granting an out-of-state company (Entergy) permission to acquire Vermont Yankee:

17 Finally, we consider, and are unpersuaded by, the arguments that 'out-of-
18 state' corporations cannot be allowed to own vital Vermont utility
19 infrastructure, or that Central Vermont and Green Mountain, as 'local
20 companies' will act on behalf of state interests. The first argument
21 conflicts with the equal treatment required by the Commerce Clause of the
22 United States Constitution. . . . The second argument ignores Central
23 Vermont and Green Mountain's fiduciary commitment to their
24 shareholders[.]¹²
25

¹² *In re Vermont Yankee Nuclear Power Corp.*, PSB Docket No. 6545, Order of 6/13/2002 (2002 WL 1997942).

1 Q. How do you respond to the concern that Vermont will lose control of its transmission
2 system to the detriment of VELCO's Vermont owners?

3 A. Again, I think the concern is overstated and not based on any demonstrated history of
4 discrimination or abuse by VELCO's majority shareholders. Petitioners' proposal limits
5 the ability of the largest shareholder – the combined company – to control VELCO by
6 transferring a portion of its stock to a third party and reducing the number of seats on the
7 board of directors. As Commissioner Brownell points out, there are also other, perhaps
8 simpler ways of protecting minority interests. In terms of operations, VELCO operates in
9 coordination with ISO-NE, under terms and conditions established in published tariffs
10 and in accordance with FERC's Standards of Conduct for transmission operators.
11 VELCO allows access to its transmission system to all qualified customers on a non-
12 discriminatory basis both as a matter of long-standing practice, and more recently in
13 compliance with open access laws. Since VELCO's Board of Directors provides
14 oversight, but not management, it is hard to see how VELCO's daily routine operations
15 could be unduly influenced by the upstream owner of Green Mountain Power or the
16 combined company after the merger.

17 Further, Vermont's municipal utilities and cooperatives will not lose any existing
18 influence they have over VELCO's governance. VPPSA's general manager will remain
19 an eligible member of the board of directors, as will the leaders of Vermont Electric
20 Cooperative and Burlington Electric Department. The proposal does not seek to change
21 that informal yet longstanding practice. More importantly, the Operating Committee
22 offers a forum for the state's smaller utilities to influence VELCO and its overall
23 decision-making and day-to-day operations. Nevertheless, the merger presents an ideal

1 opportunity for VELCO's Board of Directors to adopt modern best governance practices
2 and to recommend changes to the Company's organic documents for shareholder
3 approval.

4
5 Q. What, if anything, has VELCO done to address changes to its key governing documents
6 and agreements in light of this "ideal opportunity"?

7 A. Since the merger was proposed, VELCO management has been working with VELCO
8 shareholders to vet proposed changes to VELCO's bylaws, the VT Transco Operating
9 Agreement, and a new shareholders' agreement. I believe the materials shared among the
10 group have been provided by Petitioners in discovery in this docket.

11
12 Q. What do you think about political appointees on VELCO's Board of Directors as
13 Professor Dworkin recommends?

14 A. I think it is a bad idea that jeopardizes VELCO's success and ability to raise low-cost
15 capital, as described more fully in Ms. Brownell's testimony. The Public Service Board
16 ought to fully understand the implications for VELCO's operations and its ability to raise
17 capital to finance needed reliability improvements in the future before directing
18 VELCO's shareholders to adopt Professor Dworkin's recommendations. The book value
19 of VELCO's transmission assets is currently over \$800 million. VELCO has financed its
20 investment in transmission assets through a combination of debt and equity as the Board
21 is aware. The current governance structure, along with VELCO's operating and
22 transmission agreements among its customer/owners provide the stability that private
23 investors seek when providing long-term debt on terms favorable to VELCO and its

1 customer/owners. In 2009, for example, VELCO was able to place \$135 million in first
2 mortgage bonds in a private offering at a spread of 96 basis points over Treasury bonds,
3 the tightest spread seen in the private bond market in the prior two years. The Company
4 has maintained its “A-Stable” rating from DBRS due to solid management and a
5 predictable regulatory environment. I see risk in those benefits continuing if the Board
6 conditioned the merger on requiring VELCO to reserve seats on its board for political
7 appointees who are supposed to represent the “general good” of Vermont, a risk that was
8 indicated by DBRS in its most recent rating of the company. It is not clear to me what
9 ratepayers or the State of Vermont would gain by transforming VELCO in this manner
10 when it is already a public service company acting in the public interest whose owners
11 must act in the public interest under the oversight and approval of state and federal
12 regulators.

13
14 Q. Professor Dworkin testifies that he examined a range of alternatives to Petitioners’
15 proposal regarding VELCO before recommending that the Board order political
16 appointees on VELCO’s board that shareholders cannot remove during their six-year
17 term. In your opinion, did Professor Dworkin’s alternative analysis address all
18 reasonable and commonplace alternatives to the one Petitioners proposed?

19 A. Professor Dworkin’s testimony does not address common mitigation strategies that
20 private corporations across the country have regularly used to mitigate the concentration
21 of ownership after a merger or acquisition. Commissioner Brownell’s testimony
22 discusses the options that are available to VELCO’s shareholders to address this issue.

23

1 Q. What are your thoughts on the Professor Dworkin's recommendation that the Board
2 consider requiring VELCO to give the State a right of first refusal to purchase VELCO?

3 A. It is not clear to me whether Professor Dworkin means a right of first refusal to purchase
4 VT Transco's transmission assets or to purchase VELCO. Either way I am not sure what
5 it accomplishes. The State of Vermont enjoys the power of eminent domain. If it
6 believes owning VELCO or VT Transco is necessary, it can proceed with an offer to
7 VELCO's shareholders or begin eminent domain proceedings. The right of first refusal is
8 simply window dressing. But that window dressing could present an issue for VT
9 Transco if the recommendation relates to the transmission assets. VT Transco's bond
10 counsel would need to weigh in on whether the mortgage indenture would allow VT
11 Transco to issue a right of first refusal to the State without prior bondholder approval.
12

13 Q. What is the single most important message the Public Service Board should take away
14 from your testimony?

15 A. VELCO serves as Vermont's state-wide electric transmission company subject to state
16 and federal regulation and has been operating for the general good since its founding as a
17 public service company under Title 30 in the late 1950s. Its record demonstrates it works
18 well. Imposing needlessly damaging governance changes based on unsubstantiated, ill-
19 informed fears and concerns will jeopardize VELCO's ability to continue to best serve
20 the interests of our owners and the state. The merger should not be conditioned on
21 changes to VELCO's governance beyond those proposed by Petitioners unless and until a
22 party substantiates a real problem and even then the Board should consider proven
23 solutions commensurate with the problem.

1

2 Q. Does this conclude your testimony?

3 A. Yes, at this time.