



**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**GAZ MÉTRO LIMITED PARTNERSHIP  
NORTHERN NEW ENGLAND  
ENERGY CORPORATION  
GREEN MOUNTAIN POWER CORPORATION  
CENTRAL VERMONT PUBLIC  
SERVICE CORPORATION**

**DOCKET No. EC11-\_\_\_-000**

**APPLICATION OF GAZ MÉTRO LIMITED PARTNERSHIP,  
NORTHERN NEW ENGLAND ENERGY CORPORATION,  
GREEN MOUNTAIN POWER CORPORATION, AND  
CENTRAL VERMONT PUBLIC SERVICE CORPORATION  
FOR AUTHORIZATION FOR PURCHASE, DISPOSITION  
AND MERGER OF JURISDICTIONAL FACILITIES UNDER  
SECTIONS 203(a)(1) AND 203(a)(2) OF THE FEDERAL POWER ACT**

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Line Corporation Limited, which serves a small area in Northern Québec and Ontario. As discussed in the vertical market power analysis set forth above, the participation of Gaz Métro LP in these businesses, which operate wholly outside of the United States, also does not raise any market power concerns (*id.* ¶ 33).

The only electric generation facility in Canada in which Gaz Métro LP has an interest is the 272 MW Seigneurie de Beaurpie wind project that is currently under construction northeast of Quebec City. This project is expected to begin commercial operation by the end of 2013. Because all of the electricity supplied by this generator is intended to be sold to consumers in Canada, it will not have any impact on wholesale electricity markets in the United States (Exh. GM-1, ¶¶ 34-35).

#### D. NO ADVERSE IMPACT ON RATES

In considering the impacts of a merger on rates, the Commission looks primarily at impacts on transmission rates and on rates for wholesale requirements customers.<sup>29</sup> The Transaction will not have an adverse impact on such rates.

Central Vermont does not have any cost-based wholesale requirements customers and sells power at wholesale at market-based rates as previously authorized by the Commission. Green Mountain has only one cost-based wholesale customer, Washington Electric Cooperative, and otherwise sells wholesale power at market-based rates. The Applicants cannot pass Transaction-related costs through these market-based rates, and thus, with the exception of

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<sup>29</sup> *Merger Policy Statement*, at 30,123; *see also NiSource Inc. and Columbia Energy Group*, 92 FERC ¶ 61,068 at 61,240 (2000) (stating that the primary concern is “the protection of wholesale ratepayers and transmission customers”); *NorthWestern Corp. et al.*, 117 FERC ¶ 61,100 at P 39 (2006). *See also*, *Merger Policy Statement*, FERC Stats. & Regs. ¶ 31,044 at 30,124; *see also Ameren Corp.*, 108 FERC ¶ 61,094 at PP 62-68 (2004); *Great Plains Energy Inc.*, 121 FERC ¶ 61,069 at P 48 (2007), *reh’g denied*, 122 FERC § 61,177 (2008) (merger applicants may recover transaction-related costs to the extent those costs are exceeded by merger).

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Washington Electric Cooperative, lack even the opportunity to charge such costs through wholesale power rates. As set forth below, Washington Electric Cooperative will be held harmless from costs related to the Transaction except to the extent of merger-related savings.

Central Vermont provides cost-based transmission service through Schedule 21-CV to the ISO-NE Tariff for the use of its 34.5 kV/46 kV subtransmission system and through Schedule 20A-CV to the ISO-NE Tariff for use of the Phase I/II Hydro Québec transmission line. Green Mountain similarly provides transmission service under cost-based rates through Schedule 21-GMP for the use of its subtransmission system and through Schedule 20A-GMP of the ISO-NE Tariff for use of its share of capacity in the Phase I/II Hydro Québec transmission line. Also, Central Vermont provides brokering services for Green Mountain in which the unused Green Mountain share of capacity in the Phase I/II Hydro-Québec transmission line is sold under Schedule 20A-CV. As set forth in detail below, Central Vermont's and Green Mountain's transmission customers will be held harmless from costs related to the Transaction.

Central Vermont and Green Mountain's aforesaid partially jointly owned affiliates, VYNPC, VELCO, VTransco, and VETCO, each charge for services through formula rates which do not and could not include any Transaction-related costs. Nevertheless, the Applicants will apply their hold-harmless commitments to any of their costs that could be included in the affiliates' rates.

The Applicants commit to hold wholesale requirements and transmission customers harmless from all costs related to the Transaction for a period of five years after the Transaction closes. Specifically, for that five-year period, the Applicants will not seek to include merger-related costs in their transmission revenue requirements or in their wholesale requirements rates, except to the extent they can demonstrate merger-related savings that are equal to or in excess of

all of the transaction-related costs so included. The Commission has approved this type of commitment in its Merger Policy Statement and in a number of subsequent cases.<sup>20</sup>

As the Commission has directed, the proposed hold-harmless provision includes all transaction-related costs, not only costs related to consummating the Transaction. *See, e.g., ITC Midwest LLC*, 133 FERC ¶ 61,169 at P 24 (2010). The Commission has full authority to monitor the Applicants' hold-harmless provision. *Id.* The Applicants will identify their Transaction-related costs clearly. If the Applicants seek to recover Transaction-related costs through their wholesale power or transmission rates within five years after the Transaction is consummated, they will submit a compliance filing and a Section 205 filing detailing how they are satisfying the hold-harmless commitment. Moreover, the Applicants will comply with the Commission's directive in other proceedings involving a similar hold-harmless provision:

If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as the instant section 203 docket.\* We also note that, if Applicants seek to recover transaction-related costs in a filing whereby they are proposing a *new* rate (either a new formula rate or a new stated rate), then that filing must be made in a *new* section 205 docket as well as in the instant section 203 docket.\*\* The Commission will [ ] notice such filings for public comment. In such a filing, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover, and (2) demonstrate that those costs are exceeded by the savings produced by the transaction, in addition to any requirements associated with filings made under section 205. Such a hold harmless commitment will protect customers' wholesale power and transmission rates from being adversely affected by the proposed transaction.

\* In this case the filing would be a compliance filing in both the section 203 and 205 dockets.

\*\* In this case the filing would be a compliance filing in the section 203 docket, but a rate application in the section 205 docket.

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<sup>20</sup> *Merger Policy Statement*, FERC Stats. & Regs. ¶ 31,044 at 30,124; *see also Ameren Corp.*, 108 FERC ¶ 61,094 at P 6-8 (2004); *Great Plains Energy Inc.*, 121 FERC ¶ 61,069 at P 48 (2007).

*Id.* at P 25; *see also FirstEnergy Corp.*, 133 FERC ¶ 61,222 at P 63 (2010); *PPL Corp.*, 133 FERC 61,083 at PP 26-27 (2010).

Also, as discussed above, Central Vermont and Green Mountain each provide transmission service over their respective transmission facilities pursuant to separate rate schedules that are appended to the ISO-NE Tariff. The Step 2 Transaction will consolidate ownership and operation of the transmission facilities of Central Vermont and Green Mountain into a single corporate entity. For that reason, Central Vermont and Green Mountain intend to propose a single rate schedule under which transmission service is offered over their combined transmission systems at non-pancaked rates, to become effective concurrently with the closing of the Step 2 Transaction. This single rate schedule will be submitted to the Commission as a compliance filing to the order approving the Transaction and also pursuant to the provisions of FPA Section 205.

**E. NO ADVERSE IMPACT ON REGULATION**

The Commission indicated in Order No. 642 that it ordinarily will not investigate the potential effects of a merger on the regulation of public utility companies involved in the merger unless: (a) the proposed transaction results in the creation of a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA 1935") and the relevant applicants do not commit to abide by the Commission's policies on pricing of non-power goods and services between affiliates, or (b) the affected state commissions lack authority over the proposed transaction and raise concerns about the effect of the transaction on state regulation.<sup>31</sup> Neither of these concerns is presented by this Application.

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<sup>31</sup> Order No. 642, FERC Stats. & Regs. ¶ 31,111 at 31,914-15.