




State of Vermont
Public Service Board

MEMORANDUM

To: Parties in PSB Docket No. 7770 (GMP/CVPS Merger)

From: Susan M. Hudson, Clerk of the Board 

Re: Board Questions and Requests in Advance of Technical Hearings

Date: March 19, 2012

Technical Hearings in this proceeding are scheduled to begin on March 21 and are expected to continue at least through April 4, 2012 (with additional dates reserved for hearings, if necessary). In addition to the examination of witnesses by the other parties, the Board also will have questions for many of the witnesses about their testimony. So as to make more efficient use of time at the hearings, the Board has set out below a list of some of the questions, requests and other items of interest to the Board that will likely need to be addressed by the parties at some point during the technical hearings or otherwise in this proceeding.¹

The Petitioners submitted a proposed schedule of witnesses and cross-examination times to the Board on March 15. In their submission, the Petitioners stated that it would be helpful to the parties if the Board could indicate whether it would have any questions for witnesses for whom no cross-examination is anticipated, namely Messrs. Despars (for Petitioners), Driscoll (for AIV), Wimette (for IBEW), Allard (for Omya) and Louras (for Rutland). The Board expects that it will have questions for Mr. Despars, does not expect to have any questions for Mr. Wimette, but is not certain at this time about the other witnesses.

The Board also anticipates that the schedule of witnesses may be affected by the need for the parties to provide responses to some of the questions and requests posed below. In particular, it may be necessary for Ms. Powell and Mr. Reilly to separately

1. The Board notes that several of these questions, requests and items of interest were identified in the Clerk's memorandum of September 22, 2011, at the workshop held on October 14, 2011, or in the Board's Order of 6/10/11 in Docket 7734 involving most of the same Petitioners.

testify on an additional date in addition to their proposed joint testimony on March 21 in order to allow them enough preparation time to respond adequately to the Board's questions and requests as set forth below.

QUESTIONS AND REQUESTS FOR PETITIONERS (OTHER THAN CVPS)

Acquiring Companies

1. Please provide a description of each of the parent companies "upstream" of Gaz Métro Limited Partnership ("Gaz Metro") that will acquire an indirect 10% ownership interest in CVPS if the proposed acquisition is completed.

(a) To the extent any such "upstream" parent company functions as an intermediate holding company with no business or assets other than its ownership interest in a "downstream" subsidiary that will indirectly acquire an interest in CVPS, Petitioners should so indicate and need only provide information about such company's organizational form, its jurisdiction of formation, its "upstream" ownership, its "downstream" ownership interests, and its purpose in the chain of ownership between Gaz Metro and the ultimate controlling persons.

(b) With respect to other companies in the chain of ownership, any such description should include, at minimum, in addition to the above: such company's relationships to Gaz Metro; its principal lines of business as well as any significant lines of business it may have (or any company in which it holds a controlling interest may have) that overlap with or are otherwise related to the principal lines of business of CVPS, GMP, Vermont Gas, VELCO and Vermont Transco; basic financial information about such company; a description of the extent to which it was involved in the decision-making process regarding the proposed acquisition of CVPS; as well any other information that the Petitioners believe may be relevant to the Board.

2. Please provide the most recent audited financial statements and annual reports for Gaz Metro, Caisse de dépôt et placement du Québec ("Caisse"), Enbridge, Inc., Valener Inc., Gaz Métro inc., and any other proposed indirect "upstream" owner of CVPS for which separate audited financial statements are prepared and available. To the extent more recent audited financial statements or annual reports become available during these proceedings, such statements and reports should be provided to the Board as soon as they become available.

3. The Board asks the Petitioners to consider providing testimony in this proceeding from a knowledgeable representative of the Caisse who is able to address the topics of interest set out under paragraphs (c) and (d) below. Some of the factors relevant to this request are as follows:

(a) It appears, as a consequence of the transactions proposed by the Petitioners, the Caisse (which owns 61.11% of Noverco Inc., which in turn has an indirect 71% ownership interest in Gaz Metro) will be the ultimate controlling person of an electric distribution company serving approximately 70% of Vermont's retail electric load and of Vermont's only retail natural gas distribution company as well as holding a similar indirect majority ownership interest in Vermont's transmission infrastructure.

(b) Although Gaz Metro is a substantially larger company than CVPS, its acquisition of CVPS would appear to be a very significant acquisition for Gaz Metro, which it is unlikely to have undertaken without the express approval of the Caisse and, possibly, Enbridge (which indirectly owns 38.89% of Noverco) and Valener (which owns a 29% interest in Gaz Metro) as well. In addition, the Board observes from Mr. Despars' prefiled testimony that Robert Tessier, the Chairman of the Board of the Caisse serves on the Board of Directors of NNEEC, the Vermont corporation and Gaz Metro subsidiary that proposes to acquire CVPS directly. Accordingly, to the extent the Caisse was involved in the decision process related to the CVPS acquisition, it would be helpful for the Board to hear from the Caisse, as well as Gaz Metro, about the purposes and benefits of the proposed acquisition from the Caisse's perspective as well as about the Caisse's future intentions with respect to Gaz Metro and the combined company (GMP/CVPS).

(c) While the state does have experience with companies that Gaz Metro and the Caisse indirectly own and control, namely GMP and Vermont Gas Systems, Inc., it would be helpful to have more information in the record about Gaz Metro and the Caisse. The Board notes that, during the course of this proceeding, it has received many public comments expressing concern and speculating about the effect and implications of the proposed future ownership of the merged company, and the Board believes additional information from the Petitioners would be helpful in regard to these concerns. Among the areas of interest are the following:

(i) The Board understands that the Caisse was established to manage the pension plans for Quebec provincial employees (similar, perhaps, to CALPERS in California) and that it now manages other funds as well. It would be helpful to have a better understanding of the organization, ownership, business, operations and management of the Caisse and how it might differ from managers of public employee pension funds in the United States.

(ii) Who are the beneficial owners of the Caisse's indirect interest in Gaz Metro (that is, is it held by a public employees pension fund or other funds for which the Caisse acts as a fiduciary) or is Caisse itself the beneficial owner?

(iii) When did the Caisse first acquire an indirect 10% or greater equity position in Gaz Metro? When did it first acquire an indirect majority equity position?

(iv) How common is it for the Caisse to hold indirect majority equity investments in Quebec businesses such as Gaz Metro? What are the other substantial Quebec businesses (other than real estate companies), if any, in which the Caisse owns a 10% or greater equity position of \$400 million or more?

(v) Does the Caisse sometimes approach its private equity investments in Quebec with the dual objective of maximizing the return for the benefit of the funds it manages and also fostering economic development in Quebec through investments in Quebec companies?

(vi) To what extent do the board of directors and investment committees of the Caisse include Quebec business and political leaders?

(vii) Please identify any other major companies with which the Caisse has significant investment or business relationships, Board of Director interrelationships or other significant ties, that might benefit from Gaz Metro's indirect acquisition of CVPS (and CVPS's merger with GMP) or from Gaz Metro's indirect investment in VELCO ,

Vermont Transco or Vermont Gas? Is Hydro Quebec one of these? Enbridge? If so, how might they benefit?

(d) CVPS, as a small public company with a debt rating hovering just above or below investment grade for many years, may have been hampered somewhat in its ability to adopt a long-term focus in its planning because of the shorter-term focus of the public equity markets and the need for CVPS to be responsive to the immediate concerns of the ratings agencies. While having a financially strong parent company may be helpful, the financial strength of an acquirer does not ensure a long-term focus. Are the Petitioners of the view that pension fund managers and investors are generally more likely than other acquirers and investors to have a long-term focus that looks less to immediate returns than to the total return for the beneficiaries of the funds it manages at retirement? Does the Caisse, itself, generally adopt this kind of long-term investment return focus? Without implying any commitment, what are the Caisse's intentions with respect to its continued indirect majority investment in Gaz Metro and with respect to Gaz Metro's investments in its Vermont subsidiaries over the next five to fifteen years? A similar question is directed to Mr. Despars with respect Gaz Metro's investments in its Vermont subsidiaries.

"Windfall" Savings Proposal

4. It appears from the Petitioners' Rebuttal testimony that (i) GMP will be assuming CVPS's obligations under the Board's Order in Docket 6120/6460 to reimburse CVPS ratepayers in some form for "windfall" benefits previously received by CVPS shareholders, and (ii) these obligations will be independent of, and not offset by, any savings to ratepayers resulting from the Gaz Metro acquisition and the CVPS/GMP merger. Is this correct?

5. What is the legal basis for these obligations essentially being assumed by GMP rather than being deducted from the proceeds of the acquisition going to CVPS shareholders (who benefitted from the "windfall")? Did Section 6.3(c) of the CVPS acquisition agreement (relating to any reduction in merger consideration) require the assumption of this obligation by Gaz Metro or is there another basis in agreement or law for this?

6. The Board expects to have a number of questions about the proposed CEED Fund, particularly relating to efficient and effective oversight, leveraging investment returns to CVPS ratepayers, the proposed use of the fund for residential thermal efficiency benefits, and the relative merits of returning the "windfall" to CVPS residential ratepayers in a more direct manner.

Projected Savings related to Merger, Shared Savings Plan and Related Matters

7. In their filings with the Board, the Petitioners project \$226 million of savings over ten years as a consequence of the merger of CVPS and GMP. The Petitioners propose that \$82 million of those estimated savings (that would otherwise flow through to ratepayers) should be provided to Gaz Metro in the first six years after the merger under a proposed shared savings plan to provide "incentives to induce investors to pursue large mergers that produce significant customer benefits" (Powell pf. at 10). To the extent ten-year savings exceed \$226 million and actual savings during the first six years after the merger exceed

the estimates set forth in the Petitioners' filings, is the Board correct that the savings benefits to Gaz Metro would exceed \$82 million? Is the Board also correct that there is no cap on the potential recovery of Gaz Metro under the shared savings plan?

8. The shared savings plan includes a commitment by the Petitioners to deliver at least \$144 million in rate benefits to customers. The Board notes that this amount is identical to their estimate of the customers' share of the ten-year savings in the Petitioners' filings, which the Petitioners state they are "highly confident" of meeting or even potentially exceeding. (Powell pf. at 13). Given the uncertainties of estimating future savings from the merger over six-year and ten-year periods, there might have been a wide variation in the Petitioners' projections of estimated savings over such periods. To the extent such projections exist, it would be helpful if the Petitioners could provide the Board with the range of reasonable estimates of the savings expected to be realized from the merger over those time periods, including a best case and worst case scenario.

9. (a) Although the Board understands the general principle behind declines in Gaz Metro's sharing percentages over time, how were the applicable percentages for the sharing of savings in each year during the initial six-year term determined? (b) Does the drop in Gaz Metro's proposed sharing percentage from 67% in year 6 to 0% in year 7 potentially create some undesirable incentives towards the end of the shared savings period?

10. (a) It is not clear in the testimony or exhibits filed to date how much of the projected savings (if any) would be realized from the large number of expected retirements (either from the lower cost of replacement workers or the non-replacement of retiring employees) without merging the two companies. Please clarify for the record.

(b) Please provide more detail for the record about the expected elimination of job positions upon expected retirements or after normal job turnover and attrition, including the average and median age of current employees overall and in relevant job categories (to the extent readily available), the timing of expected retirements and the number of job positions in each job category to be eliminated.

11. (a) Based on current forecasts, how many total employees does the combined company anticipate it will have in five years? (b) In ten years? (c) What is the net loss of job positions that the Petitioners expect to result directly from the merger over a ten-year period? (d) Please identify (with as much detail and specificity as is reasonably possible) the number of job position losses that are likely to occur in various geographic areas of the state as well as identifying the categories of jobs that will be affected in various areas of the state. (e) If easily calculable, what is the approximate average annual total compensation associated with the job positions that are expected to be eliminated as a result of the merger with and without the proposed loss of executive positions?

12. What is the Petitioners' current estimate of the number of job positions likely to be eliminated as a result of "smart meter" initiatives over the next ten years?

13. Exhibit 2 to Ms. Bugbee's prefiled testimony set forth the projected savings in various cost categories over a ten-year period. (a) Please update this exhibit to the extent there have been any changes in the Petitioners' assessment of these projected savings or the identification of new projected savings since September 2, 2011. (b) In addition, please also present the cost savings in terms of a percentage of each company's current costs for each of the identified cost categories.

14. In their prefiled testimony, the Petitioners note that the merger is likely to have some favorable effect on the costs of power supply contracts, which savings would presumably not be part of the shared savings plan and would flow through to ratepayers. Have the Petitioners been able to quantify any of the savings (for example, the costs associated with collateral posting requirements)? If so, please advise.

15. Please provide a breakdown showing specifically, to the extent possible, the impact of the \$144 million in estimated ratepayer savings on various residential, commercial and industrial rate classes of CVPS and GMP as compared with the current rates for such customer classes.

16. Assuming the \$144 million in customer savings are realized in accordance with the estimates provided by the Petitioners in their prefiled testimony and exhibits, what would be the approximate net present value of the total merger savings over a ten-year period that would be realized by a CVPS and a GMP residential customer with an average monthly electric usage of 600 kwh per month?

17. In their rebuttal testimony, both Ms. Powell (at 7) and Mr. Griffin (at 7) state that if, at the end of the ten-year period, ratepayers have not received \$144 million of rate benefits from the merger, GMP will make up any difference "by means of a plan approved by the Board." Please provide more details about the proposed parameters for this plan, such as a proposed date certain by which the entire \$144 million commitment would be satisfied.

18. Wouldn't the effect of the shared savings plan, as Mr. Wilson suggests in his testimony for the Department (Wilson pf. at 8 & 25), be to allow Gaz Metro to recover in rates (through an entitlement to some of the savings that would otherwise flow through to customers in rates) a portion of the large acquisition premium Gaz Metro will have to pay in ultimately winning its bid for CVPS?

19. What is the total amount of outlays that Gaz Metro and NNEEC will have to make in order to complete the acquisition of CVPS common stock, including the total purchase price for the shares, the \$19.5 million Gaz Metro paid last September to reimburse CVPS for the termination fee paid to Fortis, the \$20.9 million related to the Docket 6120/6460 obligation of CVPS, transaction costs, and any other outlays related to the acquisition? Please provide a breakdown of such outlays by category.

20. The apparent assumption by GMP of CVPS's obligations to ratepayers under Docket 6120/6460, without any offset against merger savings, may be seen as increasing the total consideration being paid by Gaz Metro for CVPS as well as Gaz Metro's acquisition premium and/or as decreasing the amount of such acquisition premium that would be indirectly recoverable in rates. Assuming that Docket 6120/6460 obligations should not be offset by merger savings, do the Petitioners believe there is any basis for Gaz Metro to recover any portion of the acquisition premium related to Docket 6120/6460 obligations as part of the shared savings plan? If so included, wouldn't the CVPS ratepayers who funded the "windfall" to CVPS shareholders essentially be repaying part of the obligations themselves?

21. Is the shared savings plan or some similar arrangement an essential condition of the acquisition and merger for Gaz Metro such that it would abandon the acquisition if the Board rejects the shared savings plan in its entirety as part of an Order otherwise approving the acquisitions and mergers?

22. If the answer to the last question is yes, is there a break-point of shared savings for Gaz Metro, that is a minimum amount of shared savings that Gaz Metro believes it must recover in order to go through with this acquisition? Without needing to be specific about what that break-point might be, is that break-point arguably higher as a result of Gaz Metro's reimbursement of the termination fee paid to Fortis and the apparent assumption by Gaz Metro of the obligation of CVPS set out in the Board's Order in Docket 6120/6460 to reimburse ratepayers for the "windfall" benefits CVPS shareholders earlier received?

23. Would Gaz Metro regard the Board's approval of the acquisitions and mergers without the approval of any shared savings plan or similar arrangement as the imposition of a term or condition that would reasonably be expected to have a material adverse effect on NNEEC for purposes of Section 6.1(c) of its acquisition agreement with CVPS?

24. On May 16, 2011, at the time Gaz Metro made an offer of \$34 per share for CVPS (prior to CVPS entering into the Fortis agreement on May 27), did Gaz Metro have an expectation that, if its bid was accepted by CVPS, it would subsequently be granted an incentive by Vermont regulators for pursuing such a bid and would likely be able to recover a portion of the significant acquisition premium it would pay through some form of shared savings with ratepayers? If so, what was the basis for this expectation at the time?

25. See CVPS Proxy Statement at 27-28 with respect to this question and some of the following questions.² In the period between May 16 and May 27, 2011 or earlier, did Gaz Metro, GMP or their representatives have significant substantive discussions with CVPS about the apparent perception of CVPS's management and board of directors that "Gaz Metro's offer was likely to involve significantly more challenges to receive regulatory approval" and that "the transaction with Gaz Metro would potentially be subject to and could require new or different standards for regulatory review" and about how these perceived obstacles might be overcome.

26. From the perspective of Gaz Metro and GMP, what were the specific concerns of CVPS with respect to regulatory challenges and Gaz Metro's position on regulatory approvals (in the mark-up of the acquisition agreement presented to CVPS) that caused CVPS not to accept Gaz Metro's \$34 per share offer of May 16 even though, at the time, it was about 12% higher than any other bidder's "firm and final" offer.

27. In his testimony for the Department, Mr. Wilson (pf. at 29 et seq.) references the "benefits exception" as a rare deviation (adopted by regulatory authorities in some other jurisdictions) from the normal regulatory practice of not allowing a company that acquires a utility from recovering in rates any portion of an acquisition premium it paid to acquire the utility. Mr. Wilson also suggests that given the competition with Fortis to acquire CVPS, the possibly unique benefits to ratepayers of this particular acquisition and consolidation of utilities to ratepayers (who would not otherwise have obtained such benefits), and the express \$144 million monetary commitment made to ratepayers, the Petitioners might be able to meet the heavy burden of proof required to justify recovery by Gaz Metro of a portion of its acquisition premium under the "benefits exception," assuming the Board is willing to adopt that exception as applicable in Vermont.

2. <http://www.sec.gov/Archives/edgar/data/18808/000121465911002911/s817110defm14a.htm>

Even if the Board were to consider Mr. Wilson's suggestion, the Petitioners will need to provide additional testimony and argument on this issue to meet the burden of proof as to (i) why the benefits exception should apply given all the circumstances of this acquisition, (ii) why, specifically, a return to Gaz Metro of \$82 million or more (from savings that would otherwise flow to ratepayers after the merger) would be an appropriate return to Gaz Metro in this instance if anticipated merger savings are realized, and (iii) why the Board, which has not previously approved any similar arrangement, should deviate from its precedent and approve such an arrangement in this proceeding, considering, among other things, the effect such precedent might have on future rate-making proceedings involving any utility and on future proposed utility acquisitions and consolidations.

In particular, Petitioners should explain, with reference to the \$226 million of estimated merger savings, specifically why \$82 million is the appropriate amount to be returned to Gaz Metro either as "an incentive to induce investors to pursue large mergers that produce significant customer benefits" or as an appropriate recovery under the "benefits exception" of an acquisition premium for a transaction that is expected to produce significant benefits for ratepayers.

Other matters

28. Mr. Otley should provide a substantial update as to the progress of the second phase of the organizational integration process he described in his original prefiled testimony in September (pf. at 8).

29. In his testimony for the Department, Mr. Wilson states that the acquisition of CVPS by Gaz Metro "will reduce or eliminate the potential for independent 'intermodal' gas/electric competition for major business and residential energy needs in a significant portion of the state." Please be prepared to address this at the technical hearings.

30. The Board is also likely to have questions at the technical hearings about VELCO governance and VLITE issues, the effects of the proposed transactions on other Vermont utilities, the rate and service integration process, the alternative regulation plans, the timing of a full cost-of-service review for the combined company, the effect on competition in the state, "ring fencing" proposals as well as additional questions about merger savings and the measurement metrics and mechanics of the shared savings proposal.

QUESTIONS AND REQUESTS FOR CVPS (Mr. Reilly)

31. What was the market capitalization of CVPS immediately prior to public announcement of the agreement with Fortis? How does that market capitalization compare to the adjusted rate base and net book value of CVPS?

32. Either prior or subsequent to the execution of the acquisition agreement with Fortis on May 27, 2011, did CVPS or its advisors do any analysis of the potential savings to CVPS ratepayers from the Fortis transaction? If so, please share the conclusions of that analysis with the Board?

33. If no such analysis was performed, please provide a rough estimate of what you believe the savings from the Fortis acquisition (for example, savings related to the financial strength of Fortis, lower financing and power purchase agreement costs, the absence of

public company obligations and expenses, and other factors that would lead to specific expense reductions) would have been over a ten-year period?

34. Do you believe there were any significant potential savings that would have resulted from the Fortis transaction that are not likely to be realized in the CVPS/GMP merger? Do you believe that the CVPS/GMP merger on the terms proposed by the Petitioners presents much more significant opportunities for savings and other benefits to ratepayers than the Fortis transaction would have?

35. The testimony of Mr. Wilson for the Department references the "benefits exception" as a rare deviation from the normal regulatory practice of not allowing acquirers of regulated utilities to obtain recovery of an acquisition premium through rates. Does the difference in potential ratepayer savings to be realized under the CVPS/GMP merger proposal as compared with the potential ratepayer savings if the Fortis transaction had been closed provide a justification for the Board to invoke the "benefits exception" in this particular instance? If so, please explain.

36. In CVPS's negotiations and discussions with Fortis, did Fortis make any proposals with respect to the possibility of it recovering indirectly in rates a portion of the 44% acquisition premium (relative to prior market capitalization) that Fortis agreed to pay to CVPS shareholders by means of any form of savings sharing plan, rate base adjustment or other arrangement? Did Fortis maintain that some form of savings sharing was necessary to provide an appropriate incentive for it to pursue a merger of this magnitude given the potentially significant benefits to ratepayers from an acquisition by Fortis?

37. In your opinion, would the ratepayer savings that would have been realized from the Fortis transaction exceed \$20.9 million over a ten-year period? In your negotiations and discussions with Fortis, did Fortis take the position that any ratepayer savings resulting from the acquisition should be offset against the \$20.9 million obligation to ratepayers under the Board's Order in Docket 6120/6460?

38. CVPS's filings with the SEC indicate that Fortis agreed (in the Fortis acquisition agreement) to provide \$21 million for the benefit of CVPS customers. Was this agreement related to satisfying the obligation of CVPS to reimburse ratepayers for the "windfall" benefits previously received by CVPS shareholders as provided for in the Board's Order in Docket 6120/6460?

39. When did Gaz Metro first discuss with CVPS the possibility of some form of savings sharing with ratepayers? Did any such discussions occur prior to May 27, 2011?

40. In the discussion of the background for the merger in the CVPS proxy statement filed with the SEC,³ CVPS mentions its concern with respect to Gaz Metro's \$34 per share offer of May 16, 2011, about "a provision that significantly weakened Gaz Metro's obligations in connection with regulatory approvals." (Proxy Statement at 27) What was nature of that provision? Did such provision differ significantly from the "material adverse effect" provision related to regulatory approval conditions contained in Section 6.1(c) of the current Gaz Metro acquisition agreement? In the view of CVPS's management, would the failure of the Board to approve the proposed savings sharing plan constitute the

3. <http://www.sec.gov/Archives/edgar/data/18808/000121465911002911/s817110defm14a.htm>

imposition of a term or condition that would reasonably be expected to have a material adverse effect on NNEEC for purposes of Section 6.1(c)?

41. As detailed in the CVPS Proxy Statement, Gaz Metro, in response to a request by CVPS for "firm and final offers," made an offer of \$34 a share and Fortis made an offer of \$30.27 per share on May 16, 2011. Did CVPS's management have any significant substantive discussions with Gaz Metro, GMP or their representatives about potential regulatory challenges involved in the Gaz Metro offer and how these might be overcome before the board of directors concluded on May 21 that it could not declare a winner of the bidding process, even though the Gaz Metro offer was about 12% higher than any other bid?

42. Reference is made to the CVPS Proxy Statement at 27 regarding the determination of the CVPS Board of Directors at meeting on May 21, 2011:

Although Gaz Métro's offer price meaningfully exceeded the offers of Fortis and Company B, the board was concerned that **Gaz Métro's offer was likely to involve significantly more challenges to receive regulatory approval** and, related thereto, Gaz Métro's mark-up of the merger agreement significantly weakened the steps required by Gaz Métro to obtain regulatory approval and allowed Gaz Métro to terminate the agreement without penalty if conditions imposed in regulatory approvals had a material adverse effect on Gaz Métro's (unspecified) expected benefits from the transaction. [emphasis added].

Please explain why CVPS's management and board of directors believed at that time that Gaz Metro's offer "was likely to involve significantly more challenges to receive regulatory approval."

43. Please also explain why CVPS's management and board of directors believed the relevant regulatory challenges and Gaz Metro's position on regulatory approvals (in the mark-up of merger agreement presented to CVPS) were of such significance that it caused CVPS not to accept Gaz Metro's \$34 per share offer of May 16, even though it was about 12% higher than any other bidder's "firm and final" offer at the time.

44. Reference is made to the CVPS Proxy Statement at 28 regarding the consideration of competing bids at a telephonic meeting of the CVPS Board of Directors on May 25, 2011:

[W]hile Vermont regulatory approval of a transaction with Fortis would require a determination by the Vermont regulators that certain previously announced standards would be satisfied by a transaction with Fortis, the board noted that **a transaction with Gaz Métro would potentially be subject to and could require new or different standards for regulatory review.** [emphasis added]

Please explain why CVPS's management and board of directors believed at that time that a transaction with Gaz Metro "would potentially be subject to and could require new or different standards for regulatory review."

45. At the time of the May 21 and May 25 board meetings, did CVPS's management or board of directors take into account the potential ratepayer savings that would result from an acquisition by Gaz Metro and a merger between CVPS with GMP, and the effect that might have on the receptivity of regulators to the proposed Gaz Metro transaction?

46. At any time during the period from May 16 to May 27, 2011 or earlier, did executive officers or directors of CVPS have any significant substantive discussions with Gaz Metro and GMP about CVPS's concerns that the "Gaz Metro's offer was likely to involve significantly more challenges to receive regulatory approval" and that "the transaction with Gaz Metro would potentially be subject to and could require new or different standards for regulatory review" and how these concerns might be overcome. See CVPS Proxy Statement at 27-28.

QUESTIONS AND REQUESTS FOR THE DEPARTMENT OF PUBLIC SERVICE

47. At several places in his prefiled direct and surrebuttal testimony, Mr. Wilson references discovery responses that are not included in his testimony. To the extent such discovery responses inform or are relevant to Mr. Wilson's testimony, the Department should seek to admit them into evidence.

48. Please respond to Item 27, above, as and when appropriate.

49. With respect to the Board's consideration of whether the "benefits exception" should apply in this case to allow partial recovery of the acquisition premium from merger savings, does Mr. Wilson believe that expectation of the acquirer at the time it makes an offer for a regulated utility as to the possible partial recovery of the acquisition premium could be a relevant factor in determining whether the "benefits exception" should apply. Namely, should the absence of any such expectation, or if there is such a expectation, the reasonableness of such expectation, at the time of the bid have any relevancy in determining whether the "benefits exception" should apply?

50. Does the Department intend to make specific recommendations to the Board concerning the proposed shared savings plan and the terms thereof?

51. Please provide any information the Department may have that may be relevant to Items 24 to 26 and Items 40 to 46, above.

52. Please note with respect to Items 3(d), 6, 9(b) and 30, above, and Item 55, below, that the Board is likely to have questions for the Department at the technical hearings about the matters discussed in those items.

QUESTIONS AND REQUESTS FOR OTHER NON-PETITIONERS

53. To the extent applicable to the subject matter of your prefiled testimony, please note that the Board may have questions for you at the technical hearings related to Items 6 and 30 above.

54. Any of the other non-petitioning parties may respond to Item 27, above, as and when appropriate

55. In his testimony for the Department, Mr. Wilson stated that the acquisition of CVPS by Gaz Metro "will reduce or eliminate the potential for independent 'intermodal' gas/electric competition for major business and residential energy needs in a significant portion of the state." The Board may have questions at the technical hearings for some of the non-petitioners, especially other electric utility parties and those parties who are customers or represent customers of electric utilities in Vermont, about the possible effect

of a reduction or elimination of "independent intermodal gas/electric competition for major business and residential energy needs." Even if it is not an issue at this time, might a reduction of such competition have greater effects in the future if Vermont Gas expands its service territory or as a result of market price changes, technological developments or other factors? The Board may also have specific questions for (i) Burlington Electric Department, which is currently within the service territory of Vermont Gas, about any perceived competition with Vermont Gas over the years, especially with respect to industrial and commercial customers, and (ii) IBM, which is in the service territory of both GMP and Vermont Gas as to the extent the absence of "intermodal" gas/electric competition might already be or might become an issue for it.