

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Docket No. 7770

**Joint Petition of Central Vermont Public Service Corporation, Danaus Vermont Corp., Northern New England Energy Corporation for itself and as agent for Gaz Métro Limited Partnership and its parents, Green Mountain Power Corporation and Vermont Low Income Trust for Electricity, Inc. for approval of: (1) the merger of Danaus into and with Central Vermont, (2) the acquisition of Northern New England of the common stock of Central Vermont, (3) the amendment to Central Vermont's Articles of Association, (4) the merger of Central Vermont into and with Green Mountain, and (5) the acquisition by VLITE of a controlling interest in Vermont Electric Power Company, Inc.**

**PROPOSED FINDINGS**

Pursuant to the procedural schedule set in this matter, Vermont Electric Cooperative, Inc. ("VEC") submits the following findings and conclusions.

VEC's interest in this case has focused on two main issues raised by the proposed merger: (1) reliability issues that VEC has experienced involving a Central Vermont Public Service Corporation ("CVPS") transmission line that serves thousands of VEC members and is located, almost in its entirety, within the service territories of VEC, the Village of Hyde Park Electric Department ("Hyde Park") and the Village of Johnson Water and Light Department ("Johnson"); and (2) changes in the structure of the VELCO board of directors. As shown in the proposed findings below, VEC believes that both issues have been resolved by agreements of the affected parties. As a result, VEC supports the proposed merger.

**Transmission Reliability Issues**

1. CVPS owns certain transmission facilities (the "Transmission Facilities") that run from Irasburg to East Fairfax, through VEC's service territory. The Transmission Facilities feed

VEC substations and interconnections in the towns of Lowell, Eden, Johnson, and Cambridge. The Facilities serve, directly or indirectly, eight VEC substations and/or metering points, none of which has an alternative means to be served in the event of a CVPS transmission line outage. Wright pf. at 2.

2. There are 5,211 VEC member/customer accounts served from these lines, including the Smugglers' Notch ski resort, VEC's fifth largest consumer. These accounts represent approximately 13.83% of VEC's total retail accounts. The Transmission Facilities also provide service to Hyde Park and Johnson, as well as to several CVPS substations (Eden Mines, North Hyde Park and Jeffersonville). VEC's estimate of each company's percentage share of the load served by the Transmission Facilities is roughly 70% VEC, 10% CVPS, 10% Hyde Park, and 10% Johnson. Wright pf. at 2-3.

3. VEC contends that these Transmission Facilities have had a poor reliability record mainly due to the lack of automated switching capabilities and the remoteness of the nearest service center. These deficiencies have resulted in too many and unnecessarily lengthy outages for VEC member/customers. Wright pf. at 3.

4. Although VEC has raised its concerns with CVPS on many occasions, including when the merger was announced, the discussions did not bear fruit. Wright pf. at 4-5.

5. VEC has been able to work collaboratively with GMP to resolve other operational issues and currently has three joint ownership arrangements – for the Tafts Corners and Richmond substations and for the transmission facilities from Lowell to Jay that were reconstructed as part of GMP's Kingdom Community Wind project. Given this successful

collaboration in the past, VEC approached GMP to discuss joint ownership of the Irasburg-to-Fairfax Transmission Facilities. Wright pf. at 5.

6. GMP and VEC entered into a Memorandum of Understanding, which was acknowledged and agreed to by Hyde Park and Johnson. Exhibit VEC-JMW-1. In it the parties agreed to commence negotiations, with the goal of agreeing to a mutually acceptable model for the ownership and operation of the Transmission Facilities by July 15, 2012. The parties agreed to consider all viable models for ownership and operation, prioritizing those models that best serve the interests of the retail customers served by the Transmission Facilities – including customers of Hyde Park and Johnson -- from the perspective of reliability, serviceability, and cost. Wright pf. at 5-6.

7. This process gives VEC the opportunity to assess the condition of the Transmission Facilities, and GMP has agreed to make sure that VEC has access to information it needs to conduct such due diligence. Wright pf. at 6.

8. The parties have also agreed that either party can request the participation of the Department of Public Service in drafting and/or reviewing the negotiated agreement, to ensure that the focus remains on the interests of the customers served by the Facilities. By agreement of the parties, disputes can be brought to the Public Service Board, as allowed by Title 30. Wright pf. at 6.

9. The MOU promotes the public good by providing an avenue for resolving reliability concerns that have persisted for many years, while allowing for recourse to Vermont regulators if a satisfactory agreement cannot be reached. With this MOU, the customers served

by the Transmission Facilities stand a good chance of seeing fewer and less lengthy outages.  
Wright pf. at 7.

### **VELCO Governance Issues**

10. VEC's testimony supported the position that any reconfiguration of the VELCO Board of Directors as a result of the merger should accomplish two objectives: (1) that the merged company should not have majority ownership of VELCO stock or majority representation on the VELCO Board of Directors and (2) that the merged company should not have the ability to remove VELCO as the manager of VT TRANSCO. VEC believes that these objectives could be accomplished by any number of mechanisms. Hallquist pf. at 3.

11. In VEC's view, the VELCO board has historically operated very well in providing direction focused on meeting the transmission needs of its utility owners. It cautioned against any radical changes in the VELCO governance structure. Wright pf. at 7; Hallquist at 1-2.

12. VEC supports the Shareholders Agreement that was submitted by the VELCO shareholders on \_\_\_\_\_ as Exhibit \_\_\_\_\_. That Agreement achieves the objectives of removing majority control by GMP and eliminating GMP's ability to remove VELCO as the manager of VT TRANSCO. In addition, it also memorializes what had been long-standing but unwritten agreements that governed representation on the VELCO Board.

13. With the Shareholders Agreement in place, VEC believes that the concerns raised by the merger's impact on VELCO have been fully resolved.

Dated at Johnson, Vermont, this 23<sup>rd</sup> day of April, 2012.

Respectfully submitted,

VERMONT ELECTRIC COOPERATIVE, INC.

By:



Victoria J. Brown

General Counsel

Vermont Electric Cooperative, Inc.

42 Wescom Road

Johnson, Vermont 05656

802-730-1129 (phone)

[vbrown@vermontelectric.coop](mailto:vbrown@vermontelectric.coop)