

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7770

Amended Joint Petition of Central Vermont )  
Public Service Corporation ("CVPS"), Danaus )  
Vermont Corp., Gaz Métro Limited Partnership )  
("Gaz Métro"), Gaz Métro inc., Northern New )  
England Energy Corporation ("NNEEC") for )  
itself and as agent for Gaz Métro's 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 the common stock of )  
CVPS; (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. )

Order entered: 6/12/2014

**AMENDMENT TO ORDER OF JUNE 15, 2012**

In this Order, the Public Service Board ("Board") amends Condition 29 of its Final Order entered on June 15, 2012 (the "Merger Order"), in this docket. Condition 29 currently requires Green Mountain Power Corporation ("GMP") to make a rate design filing no later than October 15, 2014.<sup>1</sup> Under today's Order, GMP will be required to file a rate design tariff with the Board within 45 days after the entry by the Board of a final order related to the review of

---

1. Condition 29 of the Merger Order reads as follows:

29. This traditional cost-of-service review shall be the basis for GMP's revised rate design filing that shall be filed no later than October 15, 2014.

The phrase "this traditional cost-of-service review" is a reference to a proceeding (provided for in Condition 28 of the Merger Order) in which GMP rates effective October 1, 2014, will be determined. Such a rate proceeding is now being conducted in Docket 8190.

Actual O&M Costs (as defined in the Merger Order). Today's Order also requires GMP to make a filing regarding Actual O&M Costs on November 15, 2014.

In its Procedural Order of April 24, 2014, issued in this Docket and in Docket 8190 ("Procedural Order"), the Board requested proposals and recommendations from the parties about how a review of Actual O&M Costs may now be best accomplished to allow for the use of Actual O&M Costs in determining the appropriate allocation of costs among customer classes as part of the required rate design proceeding.<sup>2</sup> On May 8, 2014, GMP filed a response to the Procedural Order containing its recommendations<sup>3</sup> ("GMP's Proposals"). GMP proposed a filing on November 15, 2014, of Actual O&M Costs following the format that would generally be used for such costs in a rate filing. In this filing, the then-completed 2014 fiscal year would serve as the test year, which would be adjusted for changes occurring in the 2015 fiscal year.<sup>4</sup> GMP anticipates that three months after the filing of Actual O&M Costs, the parties to the proceeding related to such filing would "file a statement that there are no issues in dispute as to the Actual O&M Costs to be used in the rate design proceeding or a litigation schedule."<sup>5</sup> GMP also stated that the Department "has reviewed GMP's proposal and finds it to be a reasonable approach to reviewing Actual O&M Costs in advance of the rate design proceeding."<sup>6</sup>

This amendment to the Merger Order results from the Board's general acceptance of GMP's Proposals. While this Order imposes some additional requirements with respect to GMP's filing on November 15, 2014, the Board finds that GMP's proposals for a November 15 filing of Actual O&M Costs, the general format of such filing, and the timing of the rate design filing provide a satisfactory and sensible approach to the rate design proceeding. Although GMP

---

2. On March 17 and April 4, 2014, the Department of Public Service ("Department") and GMP responded to a March 5 memorandum in which the Board raised questions related to the review in Docket 8190 of Actual O&M Costs and the future use of them in the rate design proceeding. Although the Department and GMP disagreed about the value of using Actual O&M Costs for cost allocation purposes in the rate design, they agreed that the Docket 8190 proceeding is not now the appropriate proceeding to review Actual O&M Costs. The Procedural Order was based largely on those responses. *See* Procedural Order at 2.

3. Letter from Charlotte B. Ancel, on behalf of GMP, to the Clerk of the Board, dated and filed May 8, 2014.

4. Adjustments for changes occurring in 2015 fiscal year would presumably include only changes that are known and measurable at the time of the filing.

5. GMP's Proposals at 2.

6. GMP's Proposals at 2.

might be able to make a filing of Actual O&M Costs in August, a delay in the filing until November will enable a presentation of Actual O&M Costs that will reflect the completion of GMP's 2014 fiscal year (which ends September 30, 2014).<sup>7</sup> Overall, the postponement of the rate design filing and proceeding until after the resolution of any issues related to the review of Actual O&M Costs is worth the benefits of having more accurate information on which to base a potentially fairer allocation of costs among customer classes in the rate design.

In addition to adopting the recommendations set forth in GMP's Proposals, the Board is adding some additional content requirements with respect to GMP's November 15 filing. From the Board's perspective, the benefits of a review of Actual O&M Costs is not limited to their use in the rate design. At the time of the Docket 7770 Order, the Board contemplated that the traditional cost-of-service review required by that Order would include a review of the merged utility's new cost structure, including Actual O&M Costs, even though such costs would not be used to determine the revenue requirement.<sup>8</sup>

The Board emphasized in the Merger Order that the opportunity for substantial and permanent reductions in operations and maintenance costs resulting from the merger of GMP and Central Vermont Public Service Corporation ("CVPS") was one of the most important benefits of the merger. However, to date, the Board has received only limited information about GMP's progress in achieving anticipated cost reductions.

Accordingly, the Board is requiring in this Order that GMP also provide information about Actual O&M Costs for the 2013 fiscal year in its November 15 filing. GMP should also provide a narrative description (similar to a management's discussion and analysis of income statements) describing material changes in Actual O&M Costs accounts from the closing of the merger to the end of the 2014 fiscal year. Such a narrative should include explanations of the causes for these changes and of any material difference in the amount and timing of cost reductions from those that were anticipated by GMP in the testimony and exhibits admitted into the record in this Docket.

---

7. GMP's Proposals at 2.

8. See Docket 7770 Order at 102 & 157.

**ORDER**

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. On November 15, 2014, GMP shall make a filing of Actual O&M Costs that shall be in a format that is substantially similar to a presentation that would be made in a rate case to support rate year Actual O&M Costs for purposes of determining the revenue requirement. GMP's filing shall present Actual O&M Costs for a 12-month test year ending September 30, 2014, which would then be adjusted for known and measurable changes occurring in Actual O&M Costs during a 12-month rate year ending September 30, 2015.

2. GMP's filing of November 15, 2014, shall also include information about Actual O&M Costs for GMP's fiscal year ended September 30, 2013. Such filing shall also include a narrative description, for the period from the closing of the merger of Central Vermont Public Service Corporation through September 30, 2014, of changes in Actual O&M Costs in each applicable account category and an explanation of the causes for such changes and of any material divergence from projections or estimates previously provided to the Board by GMP for the record in this Docket

3. On or before February 15, 2015, the parties in the proceeding related to the review of GMP's Actual O&M Costs filing shall file with the Board either a stipulation among all parties or a litigation schedule.

4. Within 45 days after the entry of a Final Order by the Board with respect to the review of GMP's Actual O&M Costs filing, GMP shall file a rate design petition which shall use Actual O&M Costs consistent with that Final Order for purposes of determining the allocation of costs among classes of customers. The cost-of-service proceeding in Docket 8190 shall otherwise provide the basis for GMP's rate design filing.

5. The Board's Order of June 15, 2012, in this Docket is amended such that Condition 29 of that Order is replaced in its entirety by ordering clauses 1 through 4 above.

Dated at Montpelier, Vermont, this 12<sup>th</sup> day of June, 2014.

s/James Volz )

) PUBLIC SERVICE

s/John D. Burke )

) BOARD

s/Margaret Cheney )

) OF VERMONT

OFFICE OF THE CLERK

FILED: June 12, 2014

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*