

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 11-201

CENTRAL VERMONT PUBLIC SERVICE CORPORATION, ET AL.

**Petition for Approval of Stock Acquisition, Transfer of Franchise, and Commencement of
Business as a Public Utility**

Order *Nisi* Approving Petition

ORDER NO. 25,367

May 21, 2012

On September 9, 2011, Central Vermont Public Service Corporation (CVPS), of Rutland, Vermont, Gaz Metro Limited Partnership (Gaz Metro), of Montreal, Quebec, Canada, Green Mountain Power Corporation (GMPC), of Colchester, Vermont, Northern New England Energy Corporation (NNEEC), of South Burlington, Vermont, and Vermont Low-Income Trust for Electricity, Inc. (VLITE), of Colchester, Vermont (collectively, "Petitioners"), filed a petition for the Commission's approval of a multi-step corporate acquisition and reorganization transaction, pursuant to RSA 374:30, RSA 374:33, and RSA374:22. The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission's website at

<http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-201.html>

Through the proposed transaction, Gaz Metro¹ intends, through its subsidiaries, to (1) acquire CVPS and its affiliates, and (2) merge CVPS with Gaz Metro's subsidiary, GMPC.

¹ Approximately 70.99% of the partnership interests of Gaz Metro are owned by GMi, a Quebec corporation that is the general partner of Gaz Metro and that owns an additional, approximately 0.01% interest indirectly through GMi's ownership of Gaz Metro Plus Inc., also a Quebec corporation. The remaining approximately 20% of the partnership interests of Gaz Metro are owned by Valener Inc., a publicly-held Canadian corporation. Noverco Inc.

NNEEC is a wholly-owned subsidiary of Gaz Metro. In the first step of the transaction, a wholly-owned merger subsidiary of NNEEC, Danaus Vermont Corp., will merge with CVPS, with CVPS as the surviving corporation. This will make CVPS the direct wholly-owned subsidiary of NNEEC, and the indirect wholly-owned subsidiary of Gaz Metro. Following this acquisition, CVPS will merge into GMPC, with GMPC as the surviving corporate entity. The primary corporate impact of the Petitioners' proposal on New Hampshire utility assets is through the resulting change in ownership of CVPS itself, and of two affiliates of CVPS and GMPC, Vermont Electric Power Company, Inc. (VELCO), of Rutland, Vermont, and Vermont Transco LLC (VTransco), also of Rutland, Vermont. CVPS, VTransco, and VELCO currently operate and own certain limited transmission and sub-transmission assets in New Hampshire.

Specifically, VTransco owns, and VELCO manages: (1) a 2.32-mile New Hampshire segment of a 230 kV transmission line in Monroe; (2) a 0.88 mile New Hampshire segment of a 115 kV transmission line in Littleton, (3) an easement and microwave reflector structure in Hinsdale; and (4) a 1.1 mile New Hampshire segment of a 115 kV transmission line in Claremont. CVPS owns approximately 23 miles of sub-transmission lines and poles in Cheshire, Sullivan, and Grafton counties, through which CVPS transmits power sold by other generators to Commission-regulated electric utilities. By virtue of their ownership or management of these New Hampshire assets, VTransco, VELCO, and CVPS are each a "public utility" pursuant to

(Noverco), a Quebec corporation, owns GMi. The Caisse de depot et placement du Quebec (the Quebec provincial pension fund manager) owns Capital du Amerique CDPQ Inc., a Quebec corporation that is the sole general partner of Trencap L.P., a Quebec limited partnership, which owns 61.11% of the voting securities of Noverco, and Enbridge Inc., a Canadian corporation, owns the remaining 38.89% of the voting securities of Noverco through its wholly-owned subsidiary, IPL System, Inc.

RSA 362:2. *See Vermont Electric Power Company*, Order No. 24,628 (June 1, 2006); RSA 362:2.

CVPS currently owns 47.05% of VELCO's common equity and 31.45% of VELCO's preferred stock. GMPC currently owns 29.18% of VELCO's common equity and 25.10% of VELCO's preferred stock. VTransco has ownership of the transmission facilities managed by VELCO, including those in New Hampshire. CVPS owns 37.85% of the direct ownership interests in VTransco; GMPC owns 29.55% of the direct ownership interests in VTransco. VELCO holds 23.34% of the direct ownership interests in VTransco, which grants CVPS and GMPC additional, indirect ownership interests in VTransco. The net effect of the proposed transaction would be to consolidate these ownership interests in VELCO and VTransco in the hands of Gaz Metro, NNEEC, and GMPC. However, as part of this transaction, Petitioners propose that a new entity, VLITE, acquire approximately 33% of the common equity of VELCO through conveyance from CVPS and GMPC at nominal cost. This ownership interest would give VLITE the right to dividend distributions when approved by the VELCO board of directors, thereby providing VLITE with a source of reliable funding for low-income access programs in Vermont. Through discovery, the Petitioners have confirmed that VLITE will not have managerial control over VELCO, nor will VLITE have decisional control over the management of VTransco's New Hampshire assets managed by VELCO.

Pending consideration of the transaction by the Vermont Public Service Board, and Staff discovery, the Petitioners agreed to a stay in the proceedings before this Commission via a letter filed on November 1, 2011, which was acknowledged by a secretarial letter dated November 7, 2011. Staff propounded discovery to the Petitioners regarding the proposed transaction, and in a

memorandum filed on April 24, 2012, and updated on April 26, 2012, recommended that the Commission approve, by Order *Nisi*: (1) the transfer of ownership of CVPS', VTransco's, and VELCO's New Hampshire transmission assets pursuant to RSA 374:30 resulting from the proposed transaction; (2) the direct and indirect acquisition of the stock of CVPS by GMPC, NNEEC and Gaz Metro, and that of VTransco and VELCO by GMPC, NNEEC, Gaz Metro, and VLITE, pursuant to RSA 374:33; and (3) the commencement of business by GMPC, NNEEC, and Gaz Metro with respect to CVPS' New Hampshire sub-transmission assets, and VLITE with respect to VELCO's New Hampshire transmission assets, pursuant to RSA 374:22. Staff additionally recommended that the Commission require, as a condition of its approval by Order *Nisi*, that the Petitioners maintain their New Hampshire transmission and sub-transmission assets to the same standards applied to the Petitioners' Vermont operations, and to the standards required for safe and adequate service generally.

We have reviewed the petition and Staff's recommendation, and have concluded that the proposed transaction will have no adverse effect on the New Hampshire transmission and sub-transmission assets referenced above, and is consistent with the public interest generally. We note that Gaz Metro and its affiliates have a proven track record of utility management in New England through the NNEEC and GMPC subsidiaries. We therefore approve the petition pursuant to RSA 374:30, RSA 374:33, and RSA 374:22, as in the public good, for the reasons outlined in Staff's recommendation, subject to the condition that the Petitioners shall maintain their New Hampshire transmission and sub-transmission assets to the same standards applied to the Petitioners' Vermont operations, and to the standards required for safe and adequate service generally.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, (1) the transfer of ownership of CVPS', VTransco's, and VELCO's New Hampshire transmission assets pursuant to RSA 374:30 resulting from the proposed transaction; (2) the direct and indirect acquisition of the stock of CVPS by GMPC, NNEEC and Gaz Metro, and that of VTransco and VELCO by GMPC, NNEEC, Gaz Metro, and VLITE, pursuant to RSA 374:33; and (3) the commencement of business by GMPC, NNEEC, and Gaz Metro with respect to CVPS' New Hampshire sub-transmission assets, and VLITE with respect to VELCO's New Hampshire transmission assets, pursuant to RSA 374:22, are APPROVED; and it is

FURTHER ORDERED, that, as a condition of this approval, the Petitioners shall maintain their New Hampshire transmission and sub-transmission assets to the same standards applied to the Petitioners' Vermont operations, and to the standards required for safe and adequate service generally; and it is

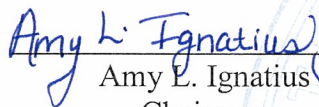
FURTHER ORDERED, that the Petitioners shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than May 31, 2012 and to be documented by affidavit filed with this office on or before June 20, 2012; and it is

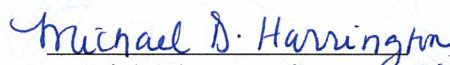
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than June 6, 2012 for the Commission's consideration; and it is


FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than June 13, 2012; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective June 20, 2012, unless the Petitioners fail to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

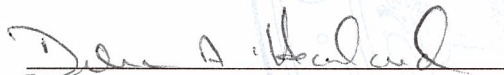
By order of the Public Utilities Commission of New Hampshire this twenty-first day of May, 2012.


Amy L. Ignatius (KNS)
Chairman


Michael D. Harrington (KNS)
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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