

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7681

Petition of Central Vermont Public Service )  
Corporation for Approval of \$15 Million Revolving )  
Credit Facility with TD Bank, N.A., with a Three- )  
Year Term )

Order entered: 11/30/2010

**I. INTRODUCTION**

On October 1, 2010, Central Vermont Public Service Corporation ("CVPS" or "the Company") filed a petition (the "Petition") pursuant to 30 V.S.A. § 108(a) with the Vermont Public Service Board ("Board") seeking approval to enter into an unsecured \$15 million revolving credit facility (the "Facility") with TD Bank, N.A. ("TD Bank" or "Bank") for a term of three years. The Facility will replace an existing \$15 million, 364-day revolving facility with TD Bank that became effective on December 30, 2009. The purpose for the Facility is to provide liquidity for general corporate purposes, including working capital and power-contract collateral requirements in the form of borrowings and/or letters of credit. The Petition was supported by the testimony of Pamela J. Keefe, Senior Vice President and Chief Financial Officer for CVPS, and by accompanying exhibits.

On November 2, 2010, the Vermont Department of Public Service (the "DPS") informed the Board that it had reviewed the petition and supporting documentation. Based on its review, the Department recommended that the Board find the Company's petition to be consistent with the general good of the state without hearing or further investigation. The DPS also submitted a separate letter on November 2, recommending that the Board approve the Petition without hearing and finding that the requested \$15 million revolving credit facility as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

I have reviewed the Petition, the supporting testimony, and accompanying documents. I conclude that approval of CVPS's Petition pursuant to 30 V.S.A. § 108 is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony

and exhibits presented in this docket, and the DPS letters of November 2, 2010, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

## II. FINDINGS

1. Central Vermont Public Service Corporation is a company as defined by 30 V.S.A. § 201, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Petition at 1.

2. CVPS requests Board approval to enter into an unsecured \$15 million revolving credit facility with TD Bank for a term of three years to replace an existing \$15 million revolving credit facility that became effective on December 30, 2009.<sup>1</sup> The purpose of the Facility is to support the Company's short-term working capital needs over the next three years, including those requirements created by internal capital projects under the Company's Asset Management Plan, SmartPower project, and investments in Vermont Transco LLC ("Transco"), plus power-contract collateral requirements in the form of borrowings and/or letters of credit. CVPS may also be subject to increased collateral requirements related to the proposed new power contract with Hydro-Quebec during this three-year period. The general terms and costs of the Facility are provided in the "Term Sheet" from TD Bank, dated September 28, 2010, provided as CVPS Exhibit PJK-2 (the "Term Sheet"). Petition at 2; Keefe pf. at 2-3; exh. PJK-2.

3. Under the terms of the Term Sheet, CVPS has chosen a three-year term, expiring three years from the date of closing.<sup>2</sup> The Facility is unsecured and provides the Company with borrowing flexibility through its two interest-rate and term options: (a) an overnight option priced off the Prime Rate less 0.5%; and (b) a one-month option priced off the London Interbank Offered Rate ("LIBOR") plus a margin of 2.0%. There is no prepayment penalty or fee; however, standard breakage fees will apply if the repayment occurs prior to the end of the 30-day LIBOR pricing period then in effect. Each interest-rate option also carries an interest-rate floor of 2.50%

---

1. The outstanding balance on CVPS's existing \$15 million credit line was \$0 as of September 30, 2010. *See* Form 10-Q, Central Vermont Public Service Corporation, dated November 8, 2010, at 22.

2. CVPS believes that the three-year term is supportive of its credit rating with Moody's Investors Service ("Moody's") since Moody's views liquidity as an important ratings factor and values long-term committed credit facilities more than short-term facilities. A credit facility maturing within one year does not meet Moody's definition of "committed" liquidity. Keefe pf. at 3-4.

for Prime and 2.40% for LIBOR. Financing terms and costs include a per annum fee of 50 basis points payable quarterly when more than 50% of the Facility remains unused and 25 basis points payable quarterly if less than 50% of the Facility is unused. In addition, TD Bank will require the guaranty of CVPS's subsidiaries, Catamount Resources Corporation and C.V. Realty, Inc. Based on the current state of the credit markets, the Company believes that the terms of the Facility are similar to those currently offered by other lenders. Keefe pf. at 4-5; exh PJK-2.

4. CVPS will be required to maintain a deposit relationship with TD Bank of no less than \$250,000, representing an increase from the current requirement of \$100,000. CVPS believes this requirement is consistent with the interests of the Company and its customers because the deposit will cover the fees for the depository account as opposed to charging those fees against the Facility. The Bank will also add a 10-basis-point adjusting fee per annum if CVPS does not maintain or renew the Letters of Credit supporting the Company's revenue bonds while the proposed Facility is in effect. The Bank has removed its prior covenant requirement for CVPS to maintain an interest-coverage ratio due to the fact that the requirement already exists under the Letters of Credit. All other terms and conditions will in all material respects mirror the existing credit facility. Keefe pf. at 5.

5. As CVPS has done in its prior financing dockets before the Board, it has agreed to promptly inform the Board and Department of any adverse changes in any material terms of the transaction, and will file a set of the principal documents after the closing. Keefe pf. at 5.

6. Entering into the Facility will allow CVPS to maintain financial stability and cash liquidity for general corporate purposes, including working capital and power-contract collateral requirements, with availability for a term of three years as opposed to the one-year term for the existing facility. Keefe pf. at 6.

7. As of the date of the Petition, CVPS expects its Board of Directors to approve the Facility in November 2010. Keefe pf. at 6; exh PJK-3.

### **III. DISCUSSION**

Based on the evidence, I conclude that CVPS's petition to enter into an unsecured \$15 million revolving credit facility with TD Bank will be consistent with the general good of the

state. The Facility will allow CVPS to continue to meet its short-term working capital needs over a three-year period, as required by its planned capital projects and its investments in Vermont Transco. In addition, the Facility will enable the Company to comply with its power-contract collateral requirements and access the power markets thus maintaining the Company's financial stability. Therefore, I recommend that the Board find that approval of CVPS's petition is consistent with the general good of the state and issue an order to that effect.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 30<sup>th</sup> day of November, 2010.

s/ Jay E. Dudley  
Jay E. Dudley  
Hearing Officer

#### **IV. ORDER**

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

1. The Findings, Conclusion and recommendations of the Hearing Officer are adopted.
2. The terms and conditions proposed by Central Vermont Public Service Corporation ("CVPS") to replace its existing 364-day credit facility of \$15 million with an unsecured \$15 million revolving credit facility with TD Bank, N.A., for a term of three years, are consistent with the general good of the state.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to CVPS to enter into an unsecured \$15 million revolving credit facility with TD Bank, N.A., for a term of three years, according to terms consistent with the Findings above.
4. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that CVPS may implement. Nothing in this approval shall preclude the Department of Public Service ("Department") or any other party, or the Board, from reviewing and/or challenging those expenditures and/or CVPS's resulting capital structure in any future proceeding.
5. CVPS shall inform the Board and the Department of any material change in the terms and conditions of the financing, if any, prior to closing.
6. Upon request, CVPS shall provide the Board and the Department with a complete set of final executed documents when they are available.

Dated at Montpelier, Vermont, this 30th day of November, 2010.

s/ James Volz )  
) )  
) )  
s/ David C. Coen )  
) )  
) )  
s/ John D. Burke )

PUBLIC SERVICE  
BOARD  
OF VERMONT

OFFICE OF THE CLERK

FILED: November 30, 2010

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)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*