

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6015

Petition of Green Mountain Power Corporation)
for Authorization and Approval to Issue Up To)
\$40,000,000 of Long-Term Debt Under a)
Revolving Credit Agreement in re: Amended)
Order)

Order entered: 1/5/2000

I. INTRODUCTION

On December 27, 1999, Green Mountain Power Corporation ("GMP" or the "Company") filed a Motion for an Amended Order Approving Amendments to the Revolving Credit Agreement (the "Motion") pursuant to 30 V.S.A. § 108 ("§ 108"). The amendments modify the agreement between GMP and its lenders under GMP's revolving line of credit.

Also on December 27, 1999, the Company filed a Proposed Order. Assuming the Board issues an order substantially the same as the Proposed Order, the parties waived their rights to a hearing,¹ to comment on the Hearing Officer's Proposal for Decision pursuant to 3 V.S.A. § 811, and to appeal the order.

In addition, on December 27, 1999, the DPS informed the Board, pursuant to 30 V.S.A. § 202(f) that the amendments to the revolving credit agreement and the continued granting of a second priority mortgage, lien and security interest would not be inconsistent with the Vermont 20-Year Electric Plan.

The Motion seeks an amendment to the Board's May 28, 1999 Order ("May 28 Order"), which, in turn, amended the Board's June 3, 1998 Order ("June 3 Order"), which, in turn, amended the Board's December 8, 1997 Order ("December 8 Order") in this Docket. The May 28 Order approved under § 108 revisions to GMP's then existing Revolving Credit Agreement with Fleet National Bank, individually and as Agent, and the Bank of Nova Scotia and State Street Bank and Trust Company (collectively, "Lenders"), which included a continuation of a second priority mortgage, lien and security interest in connection with the amendment of the Revolving Credit Agreement.

Subsequently, the Company executed a Second Amendment to Amended and Restated Credit Agreement ("Second Amendment") and a Third Amendment to Amended and Restated Credit Agreement ("Third Amendment"). The instant motion seeks Board approval under § 108 of the Third Amendment and the operative provisions (after giving effect to the Third

1. The statute does not require a hearing, but rather the opportunity for a hearing. 30 V.S.A. § 108.

Amendment) of the Second Amendment.

I have reviewed the Motion, the supporting testimony and exhibits, and the subsequent correspondence of GMP and the DPS with the Board, as described above. I conclude that approval of GMP's Motion to amend the Order to authorize and consent to certain amendments to GMP's Revolving Credit Agreement and the granting of a second priority mortgage, lien and security interest in connection with such amendment is appropriate and may occur without a hearing. Based on the petition and the supporting testimony and exhibits presented in this Docket and on the subsequent correspondence of GMP and the DPS with the Board, as described above, I hereby report the following findings and conclusions to the Board in accordance with the provisions of 30 V.S.A. § 8.

II. FINDINGS OF FACT

1. GMP is a Vermont corporation subject to the Board's general supervisory jurisdiction pursuant to 30 V.S.A. § 203. Motion at 2.

2. In 1997, GMP entered into a Revolving Credit Agreement with Fleet National Bank, the Bank of Nova Scotia and State Street Bank and Trust Company (the "Original Agreement"). The Original Agreement, as signed, provided, among other things, that borrowings may be in the form of long-term, three-year borrowings and that all borrowings thereunder shall be unsecured. December 8 Order at 2.

3. In 1998, the Original Agreement was amended, to allow GMP to make further borrowings from the Lenders. The 1998 amendments required that GMP grant the Lenders a second priority mortgage, lien and security interest in certain collateral to provide the Lenders additional security. June 3 Order at 1-2. The 1998 amendments also eliminated the long-term three-year borrowings by combining them into one 364-day credit facility. *Id.* at 2.

4. Because the 1998 amendments provided for only a 364-day facility, in January 1999, GMP requested that the Lenders extend the Agreement, with the 1998 amendments. In April 1999, GMP learned that the Lenders would continue lending, but under modified terms. The Board approved the modified terms by Order dated May 28, 1999. May 28 Order at 3.

5. GMP's lenders subsequently became more concerned about GMP's financial condition. As a result of GMP's lenders' views of GMP's financial condition, in November 1999, the banks required as a condition of further borrowing that GMP agree to and execute a Second Amendment to Amended and Restated Credit Agreement ("Second Amendment"). Pursuant to the Second Agreement, GMP's available line of credit was reduced from \$15,000,000 to \$8,500,000. Attachment A at 1.

6. The Second Amendment also imposed other conditions. These included:

- a requirement that GMP make its requests for borrowings on specific borrowing request forms, and an acknowledgment that each request for borrowing reflected the reasonable opinion of the Company's Chief Financial Officer that a Material Adverse Change, as defined in the Agreement, was not likely to occur;
- a requirement that GMP reduce the amount of credit available under the agreement by the amount of the Company's proceeds generated from the sale of a substantial portion of GMP's Mountain Energy subsidiary and the sale of any other Company property outside of the ordinary course of business.

Attachment A at 1-3.

7. Because the Company requires more than \$8,500,000 in short-term credit to meet its working capital requirements, the Company continued to negotiate with its lenders. On December 3, 1999, the banks informed GMP that they were prepared to restore the line of credit back to \$15,000,000 subject to additional modifications in the terms of credit facility, and subject to the express condition that the Board approve a temporary 3.00 percent rate increase in Docket No. 6107, GMP's currently pending rate case. See Docket No. 6107, Order of 12/17/99, at 12-13. Such a temporary rate increase was approved pursuant to 30 V.S.A. § 226 by Order dated 12/17/99 in that Docket. Id. at 22-23.

8. In summary, the terms of the Third Amendment are the same as the most recently approved modification to the agreement, see Order of 5/28/99, with the following exceptions:

- the terms described in paragraph 6, above, continue to be in effect;
- a 50 basis point usage fee when borrowings exceed \$6,000,000 (previously a 25 basis point fee was imposed when borrowings exceeded \$7,500,000, and a 50 basis point fee was imposed when borrowings exceeded \$10,000,000);
- all requests for borrowings against the line of credit will be on a Borrowing Request Form which identifies the use of the funds to be borrowed;
- loan proceeds may only be used for purposes of paying when due in the ordinary course of business (a) operating expenses incurred in the ordinary course of business on customary terms, (b) required capital expenditures, and (c) required payments on other permitted debt;
- GMP is to provide a weekly cash flow forecast through June 30, 2000, with commentary on variances;
- in the event GMP possesses cash of more than \$1,000,000 for more than two business days, the amount of cash so possessed shall be used to pay down the

line of credit; and

- GMP's agreement to forthwith seek Board approval of the Third Amendment (including the operative provisions of the Second Amendment after giving effect to the Third Amendment).

Motion at 5; see also Docket No. 6107, Order of 12/17/99, at 12-14.

9. The Third Amendment (including the operative provisions of the Second Amendment after giving effect to the Third Amendment) "is consistent with the general good of the state." 30 V.S.A. § 108. The revisions allow the Company to meet its immediate cash requirements. Furthermore, without access to borrowed funds, the Company will not have sufficient cash to pay its obligations when due. Access to these funds is also necessary to allow the company to commit its attention to power cost mitigation efforts that are ongoing statewide, and to avoid, for now, the potential state-wide complications that would arise from GMP's failure to meet its cash requirements. Motion at 5-6.

III. CONCLUSION

On the basis of the evidence of record, I recommend that the Board grant GMP's Motion to amend the Order as outlined in the above Findings of Fact as consistent with the general good of the State of Vermont. I also recommend that this matter be decided without hearing.

All parties to this proceeding have waived the opportunity to comment on this Proposal for Decision in accordance with 3 V.S.A. § 811.

DATED at Montpelier, Vermont, this 5th day of January, 2000.

s/Ennis John Gidney
Ennis John Gidney
Hearing Officer

V. ORDER

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

- 1. The Findings of Fact and recommendations of the Hearing Officer are adopted.
- 2. Pursuant to V.R.C.P. Rule 60(b) (6), the Order dated May 28, 1999, in

Docket No. 6015, is hereby amended to consent to the Third Amendment (including the operative provisions of the Second Amendment after giving effect to the Third Amendment) of GMP's revolving credit agreement and to consent to the granting of a second priority mortgage, lien and security interest in connection with such amendment, all as described in the Findings of Fact, above.

3. The amendment of the aforesaid revolving credit agreement and the granting of the aforesaid second mortgage, lien and security agreement, all as described in the Findings of Fact, are consistent with the general good of the State of Vermont.

4. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Green Mountain Power Corporation may implement with the proceeds from the issuance of debt under its Revolving Credit Agreement with Fleet National Bank, and State Street Bank and Trust Company. Nothing in this approval shall preclude the Department or any other party, or the Board, from reviewing or challenging those expenditures and/or the Company's resulting capital structure in any future proceeding.

DATED at Montpelier, Vermont, this 5th day of January, 2000.

s/Michael H. Dworkin)	
)	PUBLIC SERVICE
)	
s/Suzanne D. Rude)	BOARD
)	
)	OF VERMONT
s/David C. Coen)	

OFFICE OF THE CLERK

FILED: JANUARY 5, 2000

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 of any technical errors, in order that any necessary corrections may be made.

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.

