

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: 5/18/2000

I. INTRODUCTION

On April 25, 2000, 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.

On April 25, 2000, the Company filed a Proposed Order.

On May 8, 2000, the Vermont Department of Public Service or "Department" 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. 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.

The Motion seeks an amendment to the Board's January 5, 2000, Order (January 5 Order), which amended 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 January 5 Order, approved under § 108, a Third Amendment to Amended and Restated Credit Agreement ("Third Amendment") and the operative provisions (after giving effect to the Third Amendment) of a Second Amendment to Amended and Restated Credit Agreement ("Second Amendment"). Both the Second and Third Amendments modified and continued the Company's secured revolving credit agreement with Fleet National Bank, individually and as Agent, and Citizens Bank of Massachusetts (collectively, "Lenders"), and included a

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

continuation of a second priority mortgage, lien and security interest in connection with the amendment of the Revolving Credit Agreement.

The instant Motion seeks Board approval under § 108 of a renewal of the Credit Agreement with modified terms.

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. January 5 Order at 2. The Second Amendment also imposed other conditions. Id. at 2-3.

6. 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 the 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 December 17, 1999, in that Docket. Id. at 22-23. The Third Amendment contained additional modified terms. January 5 Order at 3.

7. Since January, the Company has continued to maintain its relationship with Fleet and the other Lenders, and has also engaged in discussions with other prospective lenders in an effort to procure either a continuation of the existing revolving credit facility or a replacement of it. Motion at 3.²

8. On April 5, 2000, the banks informed the Company that they would propose a 364-day continuation of the existing Credit Agreement, with the following modified terms:

- (1) the facility fee increases from 50 basis points to 62.5 basis points;
- (2) pricing increases to Fleet's Prime Rate or Libor plus 162.5 basis points, a 12.5 basis point increase; and
- (3) a 5 basis point increase in the modification fee from 20 to 25 basis points.

Motion at 4; Exh. A.

9. The renewal and modifications of the Credit Agreement, described above, "is

2. Also supported by the testimony of Nancy Rowden Brock, Chief Financial Officer of Green Mountain Power Corporation.

consistent with the general good of the state." 30 V.S.A. § 108. The renewal of the Agreement is necessary to allow the Company to meet its projected cash requirements. Furthermore, without access to borrowed funds, the Company may not have sufficient cash to pay its obligations when due without jeopardizing other important spending priorities, such as system maintenance. 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. Moreover, renewal of the Agreement may be necessary to avoid further downgrades in the Company's credit rating. Motion at 4; Exh. B.

10. The DPS determined that the proposed amendments to GMP's Revolving Credit Agreement as filed in Docket No. 6015 are consistent with the Vermont Twenty-Year Electric Plan provided that any projects and uses of proceeds of these financings are consistent with GMP's current approved IRP, the principles of least-cost planning, 30 V.S.A. § 218(c), and other specifications in the Vermont Twenty-Year Electric Plan. Department's 202(f) Determination. DPS Letter Dated May 8, 2000.

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.

DATED at Montpelier, Vermont, this 18th day of May, 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) and 30 V.S.A. § 108, the Order dated May 28, 1999, in Docket No. 6015, is hereby amended to consent to the Fourth 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 18th day of May, 2000.

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

OFFICE OF THE CLERK

FILED: May 18, 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 (by e-mail, telephone, or mail) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.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.