

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6334

Petition of Green Mountain Power Corporation)
for approval to issue up to 500,000 shares of)
Common Stock)

Order entered: 2/10/2000

I. INTRODUCTION

Green Mountain Power Corporation (the "Company") filed a petition pursuant to 30 V.S.A. § 108 on December 22, 1999, requesting permission from the Vermont Public Service Board (the "Board") to issue and sell up to 500,000 additional shares of the Company's \$3.33 1/3 per share par value common stock. The stock would be issued in connection with two plans: (1) up to 300,000 shares in connection with the Company's Dividend Reinvestment Plan ("DRP"); and (2) up to 200,000 shares in connection with the Company's Employee Savings and Investment Plan and Trust ("401(k) Plan").

Notice of the filing was sent to the Vermont Department of Public Service ("DPS"). With the filing, the Company submitted the prefiled testimony of Nancy Rowden Brock, Vice President and Chief Financial Officer of the Company. On January 31, 2000, the DPS recommended approving the filing without hearing.

In addition, on January 26, 2000, the DPS informed the Board, pursuant to 30 V.S.A. § 202(f), that the stock issuance at stake in this proceeding would not be inconsistent with the Vermont 20-Year Electric Plan.

I have reviewed the Petition, 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 petition 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 in 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. The Company is a corporation organized and existing under the laws of Vermont. It is engaged primarily in generating, transmitting, distributing and selling electricity and is accordingly subject to the Board's general supervisory jurisdiction pursuant to 30 V.S.A. § 203. Petition at 1.

2. The Company presently maintains a dividend reinvestment and optional cash plan known as the DRP and an employee thrift plan known as the 401(k) Plan. Each of the plans involves the purchase ownership of the common stock of the Company by shareholders and/or employees of GMP. The DRP presently operates by issuing authorized but previously unissued shares in satisfaction of the plan's requirements. The 401(k) Plan also operates by issuing authorized but previously unissued shares in satisfaction of the 401(k) Plan's requirements. Petition at 2.

3. During its operation, the DRP has been a source of additional equity capital for the Company and through this medium, the Company has been able to issue shares on an efficient basis in an ongoing manner. The amounts of stock required for issuance have increased in recent years because of market price variations and other factors. The Company estimates that 300,000 shares would satisfy the DRP requirements for the next four years. Brock pf. at 3.

4. Under the 401(k) Plan, the Company matches 100 percent of the first four percent of the employee's compensation that he or she authorizes to be placed in the Plan. The employer match was bargained for by GMP's union employees under GMP's Collective Bargaining Agreement. The Company's match is invested initially in the form of the Company's common stock. It is in satisfaction of this requirement, and employee contributions that are directed by the employee to be placed into GMP shares in the 401(k) Plan fund, that the Company seeks approval for the issuance of common stock in the amount not to exceed 200,000 shares, which should satisfy the 401(k) Plan needs for the next four years as well. Brock pf. at 2.

5. Approval of sufficient shares to permit operation of the DRP and 401(k) Plan for the next four years will avoid the need for more frequent approvals and are therefore expected to result in administrative savings. Brock pf. at 4-5.

6. The capitalization of the Company at September 30, 1999, and proforma after the issuance of 500,000 shares at an assumed market price in the range of \$8 per share are as follows:

	Sept. 30, 1999 <u>(000)</u>	Proforma 500,000 Shares from DRP and 401(k) Plan <u>(000)</u>
LONG-TERM DEBT (including Current maturities)		
First Mortgage Bonds	\$88,500	\$88,500
NOTES PAYABLE-BANKS	4,300	4,300
PREFERRED STOCK	14,685	14,685
COMMON STOCK EQUITY		
Common Stock (\$3.33 1/3 par value)	17,992	19,659
Additional paid-in capital	72,501	74,834
Retained earnings	12,751	12,751
Treasury Stock	<u>(378)</u>	<u>(378)</u>
Total Common Stock Equity	<u>102,866</u>	<u>106,866</u>
TOTAL CAPITALIZATION	<u><u>\$210,351</u></u>	<u><u>\$214,351</u></u>

Brock pf. at 5-6.

7. Capital expenditures in 2000, 2001, 2002 and 2003, excluding allowance for funds used during construction, are presently estimated by the Company at approximately \$13,700,000, \$13,900,000, \$13,400,000 and \$13,100,000, respectively. On September 30, 1999, outstanding short-term borrowings amounted to \$4,300,000. During 2000, 2001, 2002 and 2003, the Company does not presently anticipate engaging in outside financing, other than utilization of its bank lines of credit. The issuance and sale of shares reasonably anticipated to be issued and sold in connection with the two plans during the coming years, as noted above, will yield the Company approximately \$4,000,000 of additional equity capital. Such amount of equity capital, when balanced against the additional securities anticipated to be sold should assist in achieving the common equity target component of the capitalization of the Company and would not result in over-capitalization of the Company through excessive equity capital. Brock pf. at 6.

8. The proceeds from the sale of the new common stock requested in this petition would be used to fund, in part, the ongoing requirements of the Company for additional long-term capital in the next four to five years. Petition at 7.

9. The Department has examined the proposed financing and recommends its approval, provided that the Board adopts the recommendations and conditions contained in the DPS 202(f)

Determination. DPS letter dated 1/26/2000.

III. CONCLUSION

On the basis of the evidence of record, I recommend that the Board grant GMP's petition for the issuance and sale of not in excess of 500,000 shares of common stock. The use of the proceeds will improve the financial position of the Company, its ability to provide service to its customers and employees, and is consistent with the general good of the State of Vermont. I also recommend that this matter be decided without hearing, and that the Board adopt the conditions contained in the DPS 202(f) Determination.

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 9th day of February, 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. The issuance and sale by the Company of up to 500,000 shares of its \$3.33 1/3 par value stock (up to 300,000 shares in connection with the DRP, and 200,000 shares in connection with the 401(k) Plan) is consistent with the general good of the State.
3. The Board consents to and approves the issuance and sales by the Company of up to 500,000 shares of its \$3.33 1/2 par value common stock pursuant to 30 V.S.A. § 108.
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 10th day of February, 2000.

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

OFFICE OF THE CLERK

FILED: February 10, 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.

