

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6363

Petition of Central Vermont Public Service)
Corporation for Approval of the Issuance of)
Securities Under its 2000 Stock Option Plan for)
Key Employees Pursuant to 30 V.S.A. § 108)

Order entered: 4/19/2000

Present: Ennis J. Gidney, Hearing Officer

Appearances:

Kenneth C. Picton, Esq.

for Central Vermont Public Service Corporation

James Volz, Esq.

for the Department of Public Service

I. INTRODUCTION

On March 14, 2000, Central Vermont Public Service Corporation ("Central Vermont" or the "Company") filed a petition with the Vermont Public Service Board ("Board") for its consent pursuant to 30 V.S.A. § 108(a) to the issuance of shares of Common Stock, \$6 Par Value (the "Common Stock"), in an aggregate amount not to exceed 350,000 shares, for the purpose of funding the 2000 Stock Option Plan for Key Employees (the "Plan").

In support of its petition, Central Vermont submitted testimony by Joan F. Gamble. Copies of the filing were served on the Vermont Department of Public Service (the "Department"), a statutory party to this proceeding. Thereafter, both the Department and Central Vermont waived their respective rights under 3 V.S.A. § 811 to review a Proposal for Decision, file exceptions, present briefs and oral arguments and the need for a hearing.

I have reviewed the petition, the supporting testimony, and accompanying documents. I conclude that approval of Central Vermont's petition, pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony and exhibits presented in the Docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS OF FACT

1. Central Vermont 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. Central Vermont seeks Board approval to issue sufficient stock to fund the Plan pursuant to 30 V.S.A. § 108(a). Petition at ¶ 1.

2. On February 7, 2000, Central Vermont's Board of Directors approved the Plan. The plan is intended to supersede similar plans approved by the Board in Dockets Nos. 5302, 5595 and 5968, in Orders dated March 23, 1989, August 11, 1992, and May 12, 1998, respectively. Petition at ¶ 2.

3. The Plan is subject to shareholder approval. It is anticipated that the Plan will be approved at the Company's annual meeting to be held on May 2, 2000. Petition at ¶ 4.

4. Once the Board approves the issuance of the stock, the Company will register the requisite number of shares with the Securities and Exchange Commission and the New York Stock Exchange for authorization for their use in funding the Plan. Petition at ¶6.

5. The Plan will replace the existing Stock Option Plan for Key Employees previously approved by the Board on May 12, 1998, August 10, 1998, and January 22, 1999, in Docket No. 5967. The purpose of the Plan is to tie compensation of key employees to the Company's long-term performance. In addition, the Plan encourages the acquisition of stock by participants, so that they take a greater personal stake in the Company. The options are intended to enhance the ability of the Company to attract and retain individuals capable of making a significant contribution to the Company and induce them to exert their best efforts toward future progress and performance of the Company. Achieving these goals will also serve to make the Company more proficient at providing energy product and services to its customers while keeping rates as low as possible. Petition at ¶ 3; Gamble at 3.

6. The Company will fund the Plan by using either authorized but unissued shares or reacquired shares, par value \$6.00, in an aggregate amount not to exceed 350,000 shares. The Company will choose the alternative that best serves the Company's needs at the time. Petition at 7; Gamble pf. at 5.

7. The Plan will be administered by the Company's Board of Directors' Compensation Committee or their designee (the "Committee"). Under the Plan, Key Employees will be identified by the Committee. The Committee shall determine the size and terms of any stock option under the Plan. Petition at ¶ 8; Gamble pf. at 4.

8. The Department was notified of the Company's desire to issue stock to fund the Plan and asked to make a determination under 30 V.S.A. § 202(f). The Department determined that the proposed plan is consistent with the Vermont Twenty-Year Electric Plan provided that (i) any

projects and uses for proceeds of these financings are consistent with Central Vermont's current approved Integrated Resource Plan, the principles of least cost planning, 30 V.S.A. § 218(c), and other specifications in the Vermont Twenty Year Electric Plan; and (ii) Central Vermont will keep a record of stock option exercises by employees of CVPS's non-regulated subsidiaries and such exercises' impact on the Vermont-utility equity base. At the time of a future rate increase request by the Company, or upon the Department's request, such data will be provided to the Department. Department's 202(f) Determination, filed with the Board on April 17, 2000.

9. The Department and the Company waived their respective rights under 3 V.S.A. § 811 to review a Proposal for Decision, file exceptions, present briefs and oral arguments and the need for a hearing.

10. Central Vermont's issuance of stock to fund the Plan will be consistent with the general good of the State of Vermont. Petition at ¶ 10.

III. CONCLUSION

On the basis of the evidence of record, I recommend that the Board grant Central Vermont's Petition for the issuance and sale of not in excess of 350,000 shares of Common Stock pursuant to the Plan as described above. I also recommend that this matter be decided without hearing, and that the Board adopt the conditions contained in the DPS 202(f) Determination. I find that Central Vermont's proposed issuance of up to 350,000 shares of Common Stock pursuant to the Plan as described above will be consistent with the general good of the State of Vermont.

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 19th day of April, 2000.

s/Ennis John Gidney
Ennis John Gidney
Hearing Officer

IV. 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 Board approves the issuance and sale of up to 350,000 shares of Central Vermont Public Service Corporation's Common Stock, \$6 Par value, through its 2000 Stock Option Plan for Key Employees and also finds that it is consistent with the general good of the state.
3. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Central Vermont Public Service, Inc. may implement with the proceeds from the issuance of the Common Stock. 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 19th day of April, 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: April 19, 2000

ATTEST: s/Judith C. Whitney
Deputy 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.