

# APPENDIX F

# Selected Press Clippings

# Judge weighs shooting suit

By DANIEL BARLOW  
Reformer Staff

WINDSORBORO — A civil case filed in the town following a 2001 police shooting in a church had its first day in federal court Thursday and a decision on whether the suit goes to trial or gets thrown out is expected within the next few months. U.S. District Court Judge J. Michael Murphy heard arguments in support of the suit, and against one, which would dismiss the case against the town and two officers involved in the shooting. Judge Murphy has up to 90 days to issue his decision. The suit seeks punitive damages. The case, brought by the family of Robert Woodward, 37, charges that the offi-

'Everything [in the church] happened in such a short time span and there is so much disagreement. We just want to know what really happened there.'

*Joanne Woodward, mother of Robert Woodward*

cers used excessive force when they shot and killed Woodward in the All Souls Unitarian Church on the morning of Dec. 2, 2001. Woodward burst into the church service in mid-morning, wielding a knife with a 3½ inch blade and threatening suicide.

Vermont Attorney General William Sorrell ruled the shooting was tragic, but legally justified. A group of Woodward's friends formed a group called "Justice for Woody" soon after the shooting and have issued two reports challenging Sorrell's findings.

The question hanging over the suit appears to hinge upon Woodward's final movements before he was shot seven times by officers Terry Parker and Marshall Holbrook.

The two officers felt threatened with death or severe bodily harm from the knife-wielding Woodward, claimed William Ellis, an attorney with McNeil, Leddy and Sheahan of Burlington, who is representing the town and the officers.

See WOODWARD, Page 6

## State dam deal won't affect BF

By HOWARD WEISS-TISMAN  
Reformer Staff

BELLOWS FALLS — The state's announcement that it will partner with two Canadian companies to acquire hydroelectric stations on the Deerfield and Connecticut rivers shouldn't affect Rockingham's bid to purchase the Bellows Falls Dam, experts familiar with the sales said on Thursday.

In a news release issued Wednesday, Michael Smith, chairman of the Vermont Renewable Power Supply Acquisition Authority, said Vermont would partner with Brascan Corp. and Emern Inc. as it attempts to "acquire hydroelec-

tric facilities in the region."

But whether Vermont's deal comes together or not, Rockingham's agreement with the owner of the dams should hold, said John Sayles, deputy commissioner of the Department of Public Service.

"It is my understanding that Rockingham signed a deal for an option to purchase the Bellows Falls Dam, and Rockingham maintains the ability to purchase it at \$72 million — whoever buys [the dams]," Sayles said. "The state's announcement should have no impact on their attempt to move forward."

Sayles was quick to point out

See DAM, Page 6

## Experts: Housing cuts may cause crisis

By ANNE WALLACE ALLEN  
Associated Press  
MONTPELIER — Low-income

try, those low-income, elderly, and disabled families will have nowhere to go, said Rita Moshler, the executive director



ward had not lowered his knife at the officers or proceeded to move toward them, it would have been wrong to fire at him.

"The officer has said it would have been improper, unreasonable to shoot if the knife was not lowered," said Faxon. "If that version of the events did occur, it would be a violation of his rights."

More than 20 attended the court hearing Thursday, many of them friends or relatives of Woodward or members of Justice for Woody.

Speaking to television news crews and print journalists outside the courtroom, Ellis reiterated that most of the facts in the case are undisputed and his clients — the town, Parker and Holbrook — have a right to summary judgment.

Thursday's hearing came about after the three defendants filed a motion for summary judgment last December. A summary judgment hearing decides if a case goes to trial or should be thrown out of court.

Thomas Costello, a Brattleboro-based attorney representing the Woodwards, told reporters that the question over if the man's civil rights were violated needs to go before a jury. He noted that all the witnesses to the shooting initially stated that Woodward made no threatening movements toward the officers, although some of the people changed their stories in subsequent interviews.

Only through a jury trial can the truth of the events of Dec. 2, 2001 come out, said Joanne Woodward, Robert Woodward's mother and one of the family members who filed the civil suit. She said she is hoping to find some sense of closure.

"Everything [in the church]

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## Dam

Continued from Page 1

that the dams are not yet for sale. USGen, owner of the dams on the Connecticut and Deerfield rivers, filed for bankruptcy in July 2003 and the company's assets are controlled by a bankruptcy court in Maryland.

"Our partners are pros in this and we are monitoring the situation. If the assets become available, we will pursue them," Sayle said.

In January, Rockingham reached an agreement with USGen to buy the Bellows Falls plant for \$72 million. Hearings in Maryland have been postponed until the two sides can hammer out an operating agreement for when the station changes hands.

Last month, Rockingham announced that it would partner with the Vermont Public Power Supply Authority in its bid to purchase the property.

Sayles said that if Rockingham and its partner pull off the deal, the state would reassess the remaining assets.

He refused to speculate on how much the dams might cost. He also could not say what percentage of the deal the state would take on. The Legislature gave the acquisition authority the power to negotiate a deal for not less than 25 percent of the total ownership.

Rockingham Municipal Manager Shane O'Keefe said on Wednesday that the town's deal is proceeding. He said the town's consultants have known about the state's interests.

"We have a term sheet and we

published by the Washington Post.

have reached an agreement," O'Keefe said.

"That deal is on the table," he continued. "As far as I know, the state has only announced that it has found partners, and they have a long way to go before reaching an agreement with USGen. We are not fazed by it."

Richard Silkman of Competitive Energy Services of Portland, Maine, has been working with the town on the deal. Silkman said Rockingham's agreement with USGen transfers to whomever owns the dam, and if the state goes ahead with the purchase, the new owners would have to accept the town's \$72 million purchase price.

"They (Vermont) have not talked with us," Silkman said. "It is a little frustrating for Rockingham because they do not know what the state wants."

The deal between Rockingham and USGen, however, expires on Dec. 1.

Consultants for the Vermont Public Power Supply Authority are looking into the deal to determine if they should proceed. If VPPSA pulls out, Rockingham will need to find another partner and complete the purchase by Dec. 1.

"There have been other companies, as well as the state of Vermont, that have shown interest in the dams," said Silkman. "Ultimately, all of this is up to the bankruptcy courts. They have the final say on any sale."

Howard Weiss-Tisman can be reached at [hwtisman@reformer.com](mailto:hwtisman@reformer.com).

pened again."

"Struggling for words, he said, 'But I am — I am — I am sickened by what I saw and sickened that somebody gets the wrong

## Housing

Continued from Page 1

The Section 8 program, started in 1976, mainly helps the low-income, elderly, and disabled.

People apply for vouchers through their local public housing agency, and can use the money to rent private housing. They usually pay no more than 30 percent of their monthly income in rent, with vouchers covering the rest.

The potential funding cut stems from changes in the program imposed by the Bush administration, which says it is merely following the intentions of Congress.

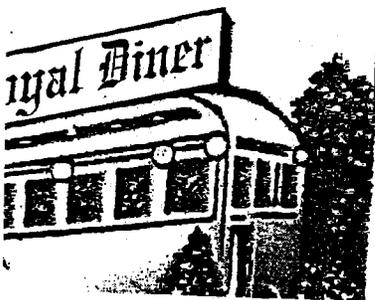
It's not yet clear if Vermont voucher-holders could be cut from the program — as has happened in other states — or if Vermont housing agencies will deal with the funding change by such measures as denying new applicants, lowering subsidies, or putting a time limit on vouchers.

"We're not here today to scare people currently in our program," said Richard Williams of the Vermont State Housing Authority. "Housing authorities in Vermont will attempt not to cut folks from the program."

Vermont has almost 6,100 voucher holders, representing almost 13,000 household members, said Williams. The average voucher payment nationwide is about \$500. In Vermont the average voucher payment to landlords is \$348; the average tenant contribution is \$270, Williams said. He said 70 percent of Vermont voucher holders have an average income of \$11,000 a year.

"You can see that the folks that we're serving are very, very low

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# Governor warms to dam buy

By DAVID GRAM

Associated Press

MONTPELIER — After months urging caution about the idea, Gov. James Douglas is signaling his interest in the state buying a share of a series of power dams on the Connecticut and Deerfield Rivers:

"I think it's a good chance that we will" join with a partner to make a bid on the dams, Douglas said at his weekly news conference Thursday. He added that he expected to provide "more information on that very soon."

A top Douglas aide, Administration Secretary Michael Smith, said a short while later that

there are still numerous hurdles to clear before the state could buy the eight hydropower stations.

Smith said he continued to concur with a consultant's conclusion late last year that the state had a 7 percent chance of completing a purchase and becoming an owner or part owner of hydropower stations.

When lawmakers first began talking last spring about buying the dams, now owned by the bankrupt USGen-New England, Douglas said he was cool to the idea.

See DAMS, Page 6

# Dems preen for N.H. votes

By DAVID ESPO

Associated Press

Dean delivers



Jason R. Henske/Reformer

... on Old Ferry Road in Brattleboro on Thursday.

## SWMD barn



tain patients are at increased risk of other side effects from different painkillers — such as aspirin, ibuprofen, naproxen or ketoprofen — called NSAIDs, or nonsteroidal anti-inflammatory drugs. Those side effects include stomach bleeding and kidney problems.

"We want them to take these medications seriously and understand the consequences if they

error, said Dale Trunk of Fort Myers, Fla., who has urged the FDA for three years to increase acetaminophen warnings after her son died from an unintentional overdose after a wrist injury.

"The responsibility should be, at least in some part, put on manufacturers to inform consumers also," Trunk said.

The FDA says work on warning labels is still under way, with a

ods of time. Risk increases, however, for people who are over 60; take prescription blood thinners or steroids; have a history of stomach bleeding or other bleeding disorders; or have three or more alcoholic drinks a day.

them properly," said company vice president Dr. Anthony Temple, who wants the FDA to make other manufacturers follow suit. "If they dose properly and use it properly, these are safe and effective medicines."

## Dams

Continued from Page 1

But he said Thursday that he began to take a more positive view after the consultant advised that the dams might be a good investment for Vermont. "I said at the outset that the numbers would rule this decision," the governor said.

Douglas' comments came the same day that a leading proponent of buying the dams, Sen. Vincent Illuzzi, R-Essex-Orleans, warned that the state and a proposed partner in the project need to move quickly.

"The critical time by which we have to have a partnership and a game plan with that partner is about to pass," Illuzzi said.

That comment was echoed by another senator who, like Illuzzi, is a member of a special panel established by the Legislature last spring to study the possible purchase of the power station.

"We need to have our ducks all in a row a.s.a.p. and have our game plan, so if and when these do become available we'll be prepared to act," said Sen. Ann Cummings, D-Washington.

Illuzzi said a potential partner, which he declined to identify other than to say it was a national power marketing firm, had expressed strong interest in terms offered by the state.

Under them, he said, Vermont would take 25 percent ownership in the dams at first, with an option to buy an additional 25 percent in 2015.

That date could dovetail well

with Vermont's energy needs. It is three years after the Vermont Yankee nuclear plant's license is set to expire; it's also in the middle of the period during which the state's current power purchase agreement with Hydro-Quebec will be phasing out.

Estimates of the dams' value have ranged from \$500 million to \$900 million. Illuzzi said the consultant provided an estimate of how much the state and its partner would be expected to pay, but he would not reveal that amount.

Among the biggest hurdles that would have to be cleared for such a purchase to occur would be for the dams to be put up for sale, which they haven't been yet, and for Vermont and its partner to offer the winning bid.

Another is that the dams are among USGen-New England holdings that include three fossil-fuel burning generating stations in southern New England, which Vermont has expressed no interest in buying. Any potential deal most likely would be dead if the bankruptcy court were to order that the plants had to be sold as a package.

"We're continuing to work with USGen-New England creditors to determine whether or not they'll sell the USGen assets," company spokeswoman Natalie Wymar said Thursday. "If a decision is made to sell ... all potential buyers would follow an orderly and fair procedure and it would be determined as part of the (bankruptcy) procedure."

## Democrats

Continued from Page 1

accident," said Sen. John Edwards, a North Carolinian who defeated a Republican incumbent to win his seat in 1998 and cited his support for gun rights.

Dean, who faded to a weak third-place finish in Iowa, sought to minimize any damage from a memorably long and loud post-caucus speech he made to supporters, while retired Gen. Wesley Clark strongly defended his Democratic credentials.

"I'm pro-choice, pro-affirmative action, pro-environment and pro-labor," he said. "I was either going to be the loneliest Republican in America or I was going to be a happy Democrat."

The two-hour debate was held five days before Democrats and willing independents cast ballots in the first primary of the nominating campaign.

The Iowa caucuses shook up the race dramatically, and the debate's opening moments suggested it had caused a reappraisal in debate strategy, as well.

Dean and Gephardt finished third and fourth in the caucuses, after engaging in a late-campaign exchange of attack and counterattack. Kerry and

Edwards stayed largely above the fray, and surged to surprise first- and second-place finishes.

Several of the contenders passed up opportunities to criticize one another — chances they might have leapt at in earlier encounters. The cordial tone was a reflection of the outcome in Iowa, where negative ads and sharp criticism sent Dean and Dick Gephardt to poor finishes — strategies the campaigns have tried to avoid in New Hampshire.

"This is a time to be affirmative. I'd say nice try," Lieberman told one questioner who had invited a critical comparison with other Democrats on stage.

Dean, trying to regain his footing in the race, made an exception at one point in the two-hour debate.

"Someone earlier made a remark about losing 500 soldiers and 2,200 wounded" in Iraq, he said. "Those soldiers were sent there by the vote of Sen. Lieberman, Sen. Edwards and Sen. Kerry. I think that is a serious matter," he said.

The three senators voted in favor of the congressional resolution authorizing President Bush to use military force in Iraq. Dean opposed the war.

## Top 10

Continued from Page 1

"Ways, I, Howard Dean, can turn things around."

10. Switch to decaf.

9. Unveil new slogan, "Vote for Dean and get one dollar off your next purchase at Blimpie."

8. Marry Rachel on the final episode of "Friends."

7. Don't change a thing, it's going great.

6. Show a little more skin.

5. Go on "American Idol" and give them a taste of those pipes.

4. Start working out and speaking with an Austrian accent.

3. I can't give specifics yet, but it involves Ted Danson.

2. Fire the staffer who suggested I do this lousy Top 10 List instead of actually campaigning.

1. Oh, I don't know — maybe fewer, crazy, red-faced rants.



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# OPINION

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## Brattleboro Reformer

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### Power play

Montpelier could take a lesson from Rockingham. This economically struggling southern Vermont community has been single-minded in its determination to acquire a hydro dam on the Connecticut River that could provide electricity to local residents and, significantly, to potential businesses and industry, at rates significantly lower than those available in the rest of the state.

Although enabling state legislation for this project stumbled just out of the starting gate two sessions ago — thanks in no small part to opposition from investor-owned utilities — the town pushed forward. When a judge ruled the town could not acquire the utilities' lines and powers through eminent domain, Rockingham again would not be dissuaded.

That persistence has paid off. In the midst of bankruptcy proceedings, dam owner USGen — which is selling the Bellows Falls dam and seven others along the Connecticut and Deerfield rivers — has agreed to a \$72 million sale price for the Bellows Falls plant, with a purchase option that expires on Oct. 1.

Rockingham still has work ahead of it to raise that kind of money. But given the town's focus and determination, that goal is probably not unrealistic.

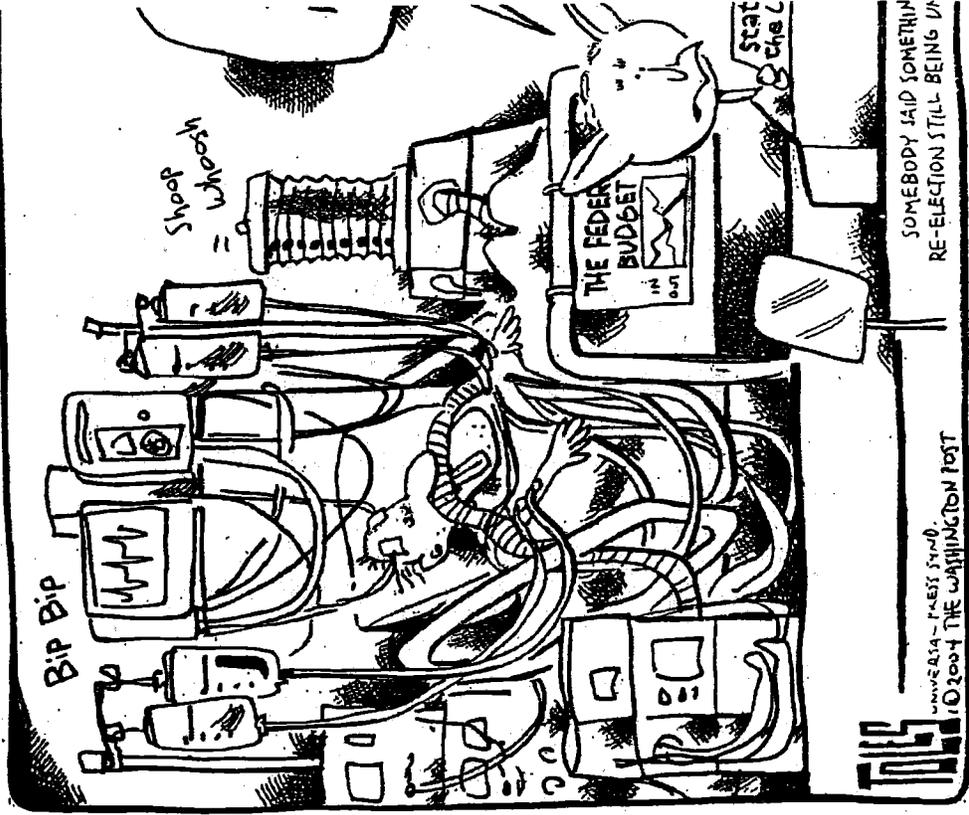
There is a lesson for Montpelier in all of this. At

full water level, the eight USGen dams have the capacity to meet Vermont's entire energy need; year-round they can reliably fulfill 20 percent of our requirements. This is power that has been exported since the dams were built, keeping the lights on in places like Boston, but doing nothing for Vermont.

There is a significant groundswell of support, primarily in southern Vermont, for the state to pursue the purchase of these dams. The Douglas administration, which initially dragged its feet on the idea, finally agreed to spend \$200,000 on an outside consultant to study the possibility. But the state's response remains sluggish, and the dams play only a bit part in the energy plan that the administration trotted out last month.

With a huge Canadian power company poised to buy these properties, Vermont's inexplicable reticence is tantamount to surrender. Like Rockingham, Montpelier should press forward either with a state initiative, or a public-private partnership that could capture this power for Vermont. Aggressive action would be a signal to USGen that the state remains a credible potential buyer. Do little or nothing and we can watch the exodus of more jobs and industry.

Will the last one to leave please turn out the lights?



## LETTER BOX

### Not the White House or the O.R.

Editor of the Reformer:  
After watching Howard Dean's wild-eyed rant after placing a dismal third in Iowa, I came to the conclusion that I wouldn't

lives, such as having an alcoholic father or watching their peers lose their lives in Vietnam or from suicide afterwards. I believe that the same lies that Vietnam vets who committed suicide faced are the very lies that underlie this dance — to wake up and realize that the

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(WHITE RIVER JUNCTION AREA)

SUNAPEE CRAFTS FESTIVAL OPENS — B1

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# VALLEY NEWS

## Powerful Questions

### Dam Purchase Poses Risks and Benefits For Vermont

By OMAR SACRIBEY  
Valley News Staff Writer

A source of clean and renewable energy that is a money-maker to boot? Or a risk to Vermont's credit rating that will cost the state's taxpayers millions of dollars?

Those are the questions that the Vermont Renewable Power Supply Acquisition Authority must answer about the eight hydroelectric dams on the Connecticut and Deerfield rivers that USGen New England, a wholesale power provider that filed for bankruptcy July 8, is trying to sell.

The eight-member authority was set up in June to study a proposal to buy the dams, including the Wilder Dam between Hartford and Lebanon. It will meet with USGen officials on Aug. 20, according to Michael Smith, Vermont's secretary of administration and the head of the authority.

Smith said the authority will likely hire a consultant this month, and expects most of the studies to be conducted in September. The authority has also received intervenor status in USGen's bankruptcy proceedings, which will enable it to learn more about the company's financial strengths and weaknesses. So far, there have been only informal con-

See DAM—A6

Five stations on the Deerfield River are remotely controlled from the control center: the five-megawatt Searsburg Dam and Station (north of Harriman Dam), the six-megawatt Sherman Dam and Station, the 14-megawatt Deerfield Number 5 Dam and Station, and the Bear Swamp Pumped Storage Facility, including the 10-megawatt Fife Brook Station.

One of the biggest construction projects of its time, the 161-megawatt Comerford Station was completed in 1930. On its opening day, President Hoover, 700 miles away at the White House, pressed the button that started one of its four generators.

Wilder Station, with its 2,900-foot-long dam, was built in 1950 to replace a smaller facility built upstream in 1880. Today's station contains three generators that produce 42 megawatts of electric power.

Harriman Dam and Station was named in 1929 for Henry Harriman, a pioneer of hydroelectric power. The Harriman Reservoir is the largest body of water entirely in the state of Vermont.

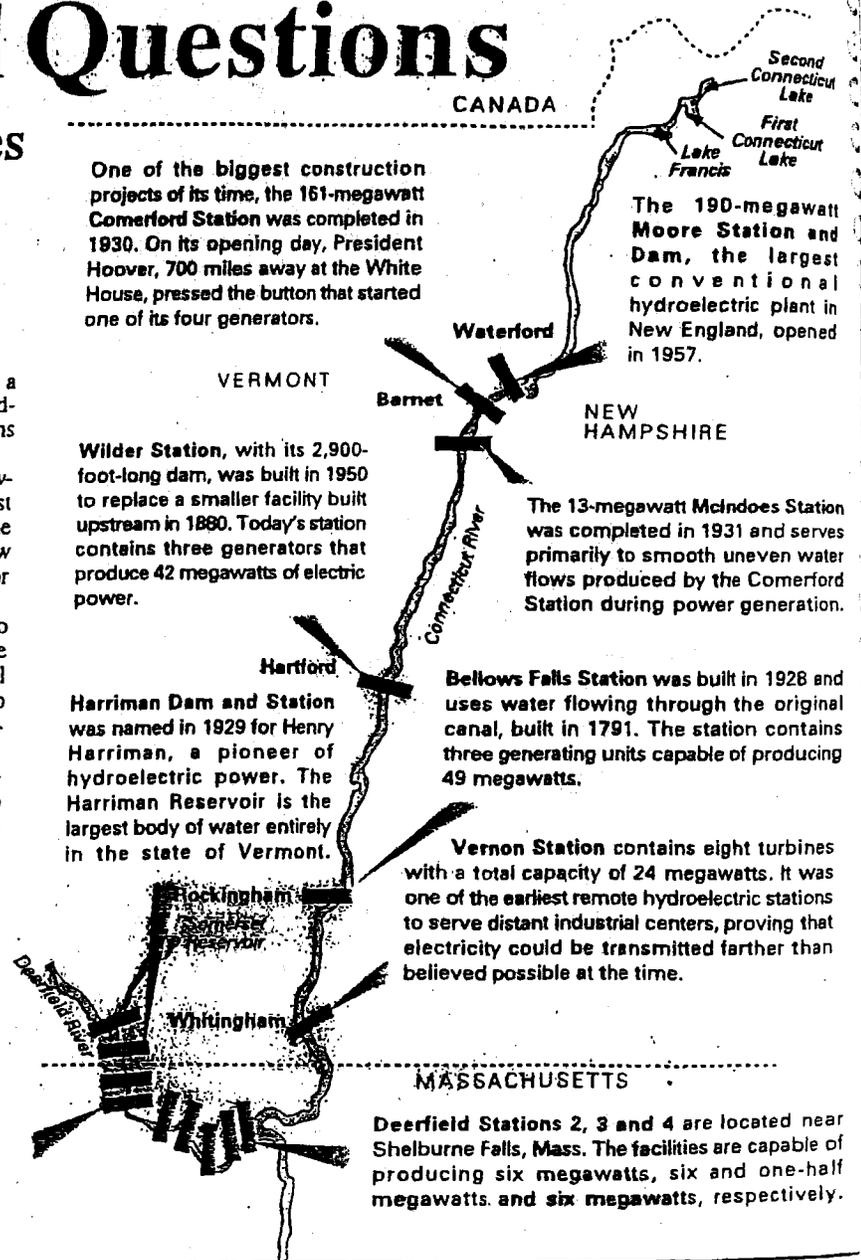
CANADA

VERMONT

NEW HAMPSHIRE

MASSACHUSETTS

Deerfield Stations 2, 3 and 4 are located near Shelburne Falls, Mass. The facilities are capable of producing six megawatts, six and one-half megawatts and six megawatts, respectively.



The 190-megawatt Moore Station and Dam, the largest conventional hydroelectric plant in New England, opened in 1957.

The 13-megawatt McIndoes Station was completed in 1931 and serves primarily to smooth uneven water flows produced by the Comerford Station during power generation.

Bellows Falls Station was built in 1928 and uses water flowing through the original canal, built in 1791. The station contains three generating units capable of producing 49 megawatts.

Vernon Station contains eight turbines with a total capacity of 24 megawatts. It was one of the earliest remote hydroelectric stations to serve distant industrial centers, proving that electricity could be transmitted farther than believed possible at the time.

# VALLEY NEWS

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## Powerful Questions

### Dam Purchase Poses Risks and Benefits For Vermont

By Omar Sacirbey

Valley News Staff Writer

A source of clean and renewable energy that is a money-maker to boot? Or a risk to Vermont's credit rating that will cost the state's taxpayers millions of dollars?

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The eight-member authority was set up in June to study a proposal to buy the dams, including the Wilder Dam between Hartford and Lebanon. It will meet with USGen officials on Aug. 20, according to Michael Smith, Vermont's secretary of administration and the head of the authority.

Smith said the authority will likely hire a consultant this month, and expects most of the studies to be conducted in September. The authority has also received intervener status in USGen's bankruptcy proceedings, which will enable it to learn more about the company's financial strengths and weaknesses. So far, there have been only informal contacts between legislators, government officials and USGen.

"Those informal discussions become more formal when the state has a genuine interest," said another authority member, Vermont Public Service Commissioner David O'Brien.

Other members include Vermont state Treasurer Jeb Spaulding; Richard Mallary, a former utility executive and U.S. representative from Brookfield; state Sen. Vincent Illuzzi, R-Essex-Orleans; state Sen. Ann Cummings, D-Washington County; state Rep. Robert Wood, R-Brandon; and state Rep. William Johnson, R-Canaan.

Given \$250,000 for its work, the authority is supposed to present its findings by Dec. 1 to the Senate Finance Committee, the House Committee on Commerce, and the House and Senate Committees on Natural Resources and Energy. If the authority wanted to negotiate an offer with USGen, it could only do so with the blessing of Gov. Jim Douglas, who some officials say initially opposed the idea but agreed to a study after deciding there was public support for one.

"He read the tea leaves," said Illuzzi, perhaps the authority's most vocal supporter of the dam purchase, in a recent interview.

"The governor has supported the idea of a study. But he has also expressed some reservations as to the cost of the purchase and the value that purchase may or may not bring to the state," said Jason Briggs, a Douglas spokesman.

Any deal would ultimately have to be approved by the General Assembly. There is broad backing in the Senate for such a deal, but support is less certain in the House of Representatives, Illuzzi said.

While a state-run authority seems to run counter to Republican notions of private enterprise, Illuzzi said he supports the deal because the dams can be had at what he called a "bargain-basement" price, and in turn can be used to provide Vermonters with low-cost electricity. "I see no reason why any sound-minded Republican would not support a purchase of this nature," he said.

But the authority faces several critical issues, including who would best be suited to own and operate the dams. Potential options include a state-created public power authority, the already-existing Vermont Public Power Supply Authority, one or more Vermont utilities or a public-private partnership.

Other issues for study are how much of the revenue generated by the dams would go to supporting renewable energy technologies, and how private sector utilities in the state, such as Rutland-based Central Vermont Public Service Corp. and Colchester-based Green Mountain Power Corp., would be affected.

But the biggest questions facing the authority are: What price would the state pay for the dams, what rates would the electricity they generate sell for, and could the state recoup its investment with money made from the dams?

After all, Smith said, USGen is in bankruptcy "because they didn't evaluate their purchase price. They paid too much for these."

## Everything Flows From the

## Purchase Price

In 1998, USGen paid about \$1.8 billion to New England Electric System for the dams and several other assets, according to documents filed with the Securities Exchange Commission by its parent company, Bethesda, Md.-based PG&E National Energy Group, which also filed for bankruptcy on July 8, and is a subsidiary of San Francisco-based PG&E Corp.

Those assets include coal and oil burning plants in Massachusetts capable of generating 2,344 megawatts of electricity; gas fired plants in Rhode Island that can generate 495 megawatts, and several hydroelectric plants in Massachusetts, New Hampshire and Vermont -- including the Connecticut and Deerfield river dams -- that can produce 1,166 megawatts.

Together, the Connecticut River dams produce on average 484.3 megawatts of power per year, while the two Deerfield dams in Vermont produce 43.4.

(One megawatt equals 1 million watts of electricity. The average U.S. household uses between 7,500 and 10,000 kilowatt hours of electricity per year. One kilowatt hour equals using 1,000 watts of electricity for one hour, or using a 100-watt light bulb for 10 hours.)

Going north to south, the six Connecticut River dams are the Moore Station and Dam in Waterford, the biggest power producer of the group, the McIndoes and Comerford stations in Barnet, the Wilder station, the Bellows Falls Station in Rockingham, and the Vernon Station in Whitingham. A deal could also include the Searsburg and Harriman stations on the Deerfield River, which are just north of the Vermont border with Massachusetts.

"We're talking about 500 megawatts of power of clean energy," O'Brien said. "And it's here in our back yard."

It's not clear, however, if USGen, which was created by National Energy as a holding company, is determined to sell the dams as a single unit, or if it would be willing to sell different facilities to different buyers. The individual dams on each river work as a unit to control water flow and get the maximum amount of electricity.

In the past, USGen has maintained it would sell its assets as a whole. But given the volatility of the current energy market, finding a single buyer for those assets could be more difficult, according to Richard Saudek, a utilities lawyer with the Montpelier law firm of **Cheney, Brock & Saudek** who served as chairman of Vermont's Public Service Board from 1977-81 and was public service commissioner from 1981-1985.

But, Saudek said, "If they perceive they have to break out the hydro assets, they will do that."

Not unexpectedly, USGen is not disclosing what price it hopes to get -- either for all its assets or for the dams that Vermont is studying.

"We have and continue to receive inquiries from prospective purchasers and we're systematically considering them in relation to USGen's assets, which includes the hydro," said Natalie Wymer, a National Energy spokeswoman. As company policy, National Energy doesn't disclose with whom it has been negotiating until a transaction has been completed, she said.

Putting a price tag on the dams is not easy, as Saudek well knows. He is now representing Rockingham in litigation with USGen over the value of the company's assets in the town. There are "huge disparities" between the values town listers assign the assets and how much USGen contends the assets are worth. (USGen also has assets on the New Hampshire side of the river, where it also pays property taxes to towns.)

Rockingham, for example, has listed USGen's 2003 assets, which include the dam and property, at more than \$88.94 million. USGen, Saudek said, has estimated the value of the assets to be about \$40 million. In 2002, Hartford assigned USGen assets a value of \$10.6 million, down from \$15.8 million in 2000.

"While it is impossible to fix a value at this time, it is likely the value would be several hundred million," Saudek said.

Illuzzi said the dams could be had for between \$500 million and \$900 million, and said they "are in tip-top condition and have brand-new equipment."

## Is the State Good for It?

Whatever the price, Vermont would most likely pay for the dams by setting up what O'Brien called a "quasi-public authority." That authority would issue revenue bonds, which are issued to finance public works projects and supported directly by revenue from the projects. In the case of the dams, for example, the money they make from generating electricity would be used to repay the bonds.

The process is not without risk, and the state needs to ask if "we'll regret having obligated ourselves for this," said Sanford Berg, director of the Public Utility Research Center at the University of Florida's Warrington College of Business.

For Vermont, the risk is that the dams could fail to generate enough revenue to pay off the bonds. In that case, the state could bail out the authority and repay bondholders -- with taxpayer dollars. Or, the authority could default on the bonds, thereby hurting the state's credit rating.

That could hurt taxpayers, too, because the lower the credit rating, the more it costs the state to borrow money. (The nation's three biggest credit rating agencies all give Vermont an AA+ rating -- the highest is AAA -- the best of any of the New England states.)

"To what degree is the state of Vermont backing those bonds and their viability in the market," is the most important question, said O'Brien. "It's a new risk that the state would have to incur."

Determining exactly how much revenue is needed to repay the bonds depends on how much the authority pays for the dams. That is why Douglas has been cool to the idea of buying the dams. "We have to be absolutely certain that money could be recouped," said Briggs.

But that is not an issue, Illuzzi said, because the dams have already proven they can generate revenue. "We've got a 100-year history of power generation on this river," Illuzzi said.

Another factor weighing on the authority's decision is the expiration, in 2018, of the licenses issued by the Federal Energy Regulatory Commission for the dams to generate electricity. While the FERC would "probably" reissue the licenses, O'Brien said, it's less certain that they would do so under the same conditions, and they could demand lower water-flow rates, which would mean less power generated, or expensive equipment upgrades.

Reissued or not, the 2018 expiration date means the revenue bonds would at best have a 14- or 15-year lifespan, compared with the usual 30-year bond. That makes for a much shorter-than-usual payback period, O'Brien said, and raises the risk of default.

## Wholesale Versus Retail

What is clear, should Vermont buy the dams, is that the power they generate will for several years be sold on the volatile wholesale market.

That is because Vermont's energy needs are now largely met by the 31-year-old Vermont Yankee nuclear plant, which in 2001 generated more than 36 percent of the 5.99 million megawatts of electricity Vermont used in 2001, and Hydro Quebec, which accounted for almost 35 percent.

That means that until 2012, when Vermont Yankee's license expires, the nearly 528 megawatts generated by the dams Vermont is studying will be considered excess power and will have to be sold into a wholesale electricity marketplace managed by a Holyoke, Mass. nonprofit called ISO (Independent System Operator) New England Inc.

There, electricity prices change literally every 10 minutes, and are based on demand. Utilities such as Green Mountain and CVPS, as well as

out-of-state utilities, can buy electricity from this marketplace.

Only when Vermont Yankee goes offline would the authority be able to sell electricity on the retail market and compete with other power generators.

Backers of the dam purchase say it's a smart move because it would give the state a source of clean and reliable energy while putting it in a position to provide consumers with energy at a lower cost than what is provided by CVPS and Green Mountain.

But one utility expert said Vermont must be careful to avoid charging too little for the power. State-owned entities "tend to price at an inefficiently low level," said Dan Alger, an economics professor at Lawrence University in Wisconsin. Rather, they should sell the power at the market price and use the revenue to lower taxes, pay for other services or, in this case, cover the revenue bonds.

"You've got to have something set aside for a rainy-day fund," Alger said.

## Healthy Competition?

Utilities, Illuzzi said, expect any public authority will sell power at lower rates, and therefore oppose the purchase. They're afraid consumers will determine the dam-owning authority is "providing the same product at a substantially lower cost," he said. "Our biggest hurdle is the government and the investor-owned utilities."

But officials from CVPS and Green Mountain Power disagree.

"Our position is one of semi-ambivalence," said Steve Costello, a CVPS spokesman. "We don't know enough and don't think the state knows enough to make such a decision. Clearly, there are a lot of unknowns at this point." He called the proposed dam purchase "one of the biggest decisions" Vermont will make in its utility-related history.

Costello also disputed the assertion that utilities oppose the creation of a public authority because it could cut into their revenues, arguing that CVPS does not make money on generating electricity, but on delivering electricity that it buys from wholesalers. "We fully support the study," he said.

"It's important that the state looks at all the risks. The wholesale power market is very volatile," said Dorothy Schnure, a Green Mountain spokeswoman. "If the state can come up with a creative way to minimize the risk, then we need to evaluate if the purchase should be made," she said.

"If the state can provide power at lower rates ... we would be happy to purchase it," Schnure said. But those rates can be had even if the dams are owned by another entity besides the state, she said.

"If the state doesn't purchase the plant, somebody else will. The question is whether the state wants to own it ... or not have that potential risk and instead have the opportunity of purchasing the power at market rates," she said.

"I don't know that ownership of the plant makes a difference to us."

Schnure said Green Mountain opposed the creation of the authority because, "we don't believe this is the most efficient way to manage the dams." Schnure said it would create an unnecessary and costly level of bureaucracy. Better alternatives existed, she said, pointing to something like public-private partnership.

Illuzzi countered that neither Green Mountain nor CVPS should be giving lessons in management, pointing out that both companies were spared from bankruptcy two years ago only after Vermont's Public Service Board allowed the utilities to increase their rates.

There are other state-owned public utilities in the nation, the best known being the Tennessee Valley Authority. Vermont also buys power from the New York Power Authority and sells it to several municipal utilities, O'Brien said.

"All over the country, wherever you have public power, the cost of electricity is half of what is charged by the private sector," Illuzzi contended.

## Stalling Tactics?

Illuzzi agrees the questions facing the authority need thorough review, and says the dams are not a good deal at any price. But he argues the authority and the governor's office are stalling.

"So far, there seems to be a lot of foot-dragging," said Illuzzi, claiming some members of the authority and the governor hope another entity will buy the dams and put the issue to rest. "Our opponents are running the clock."

Both the governor's office and Smith, the administration secretary, disagreed.

"There's a lot going on and it's going on fairly rapidly," Smith said. "The fact is, this is a purchase of hundreds of millions of dollars. You don't just go in and buy this without thorough research."

Anyone who would suggest spending hundreds of millions of dollars without studying the product would be "doing a great disservice to the people of Vermont," said Briggs, the Douglas spokesman.

The authority has met once, on June 28, and sent out a request on July 28 for bids for a consultant to study the purchase, according to Smith.

Illuzzi said he believes the bid requests could have been sent out after the authority's first meeting,

"We want to make sure such a project is thoroughly examined," said O'Brien. "We are simply trying to get all the facts out in front of us."

[Back to the story index](#)

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# Group: State buy of dam would be good

DAN BUSTARD

Staff Writer

Vermont has the chance to take a blow for energy independence and environmental protection.

Springfield as well as other towns home a natural resource that has been missed out on for decades.

That is the message from Berkowitz, director of Vermonters for a Strong Economy and Environmental Protection.

He is holding a public meeting held in Springfield Thursday.

While using the meeting to hold a pro-environmental agenda, Berkowitz says Vermont would be making a serious mistake if it did not buy the hydroelectric dam set up for sale by USGen in England.

USGen is part of a recent bankruptcy filing. Its six dams on the Connecticut River, including the dam in Rockingham, two on the Deerfield River and five others in Massachusetts should

be purchased, SVFEPP is saying.

"It really is a window of opportunity," Berkowitz said. The state has set up a committee, the Vermont Renewable Power Supply Acquisition Authority, to look into purchasing the dams on the Connecticut and Deerfield Rivers. "We hope some other foreign corporation will not come in and buy the dams. They don't care about Vermont. It's a major natural resource of Vermont that has never benefited Vermont."

The power generated by the dams goes out of state and those contracts must be honored. But Berkowitz sees Vermont gaining a measure of energy independence in the future. Hydroelectric power could help offset the closure of Vermont Yankee when its license runs out in nine years.

The dam issue has moved beyond the Rockingham dam, despite attempts to gain legislative approval for the town to buy the dam.

Buoyed by its success in getting 81 towns to support a resolution at their town meetings urging the state to take a more active role in encouraging renewable energy, SVFEPP has started another petition drive. It asks Gov. Jim Douglas to buy the dams.

"We're protecting our energy future. It's going to be a good piece" along with additional resources in wind, solar, bio-mass and other alternative energy forms, Berkowitz said.

The 2003 Legislature appropriated \$250,000 and established the study authority, which must make a recommendation by Dec. 1.

"The petition is to galvanize the public's understanding of the importance of these dams," he said.

Buying the dams is not enough, according to Berkowitz. He said Vermont is falling behind other states in the incentives they provide for alternative energy use.

Furthermore, by adopting the ideas of former Texas Agriculture Secretary Jim Hightower, energy independence can be gained nationwide through various methods like emphasizing energy efficiency, raising fuel efficiency standards and building high speed trains that can reduce dependency on foreign oil. Jobs could be created by retrofitting all buildings and focusing more on renewable energy, Berkowitz added.

Dave Bonta, owner of the CET Solar Store in North Springfield, said it is up to individuals to make a difference.

"We all have to make our own decisions," said Bonta, who uses solar panels for power at his home. But he also said there can be a helping hand from the government, even if it means supporting someone Bonta is not particularly fond of.

Democratic presidential candidate Howard Dean is saying the right things about renewable energy, he said.

"I'll even vote for Dean if that is what it takes" to remove President George Bush, he added.

Dan Bustard can be reached at 802-885-1707, ext. 104, or by e-mail at dbustard@eagletimes.com.

SPRINGFIELD  
EAGLE-TIMES  
7/25/03  
FRONT-PAGE

...are expensable in the interest of partisan politics. The 10 Commandments are touted as a guide to public morality, but some commandments are uniquely interpreted. "Thou shalt not bear false witness against thy neighbor," unless, the right-wing adds, he's a Democratic president. More important, "Thou shalt not kill" — except when a president or attorney general approves of the

are insisting, correctly, that diplomatic pressure and weapons inspections are working. And the worst is yet to come: when the bombing begins, the administration will be abusing the Iraqi people on a level far more lethal than ever undertaken by their tyrannical dictator.

Marty Jezer writes from Brattleboro and welcomes comments at [mjez@sover.net](mailto:mjez@sover.net).

# Buy the dams

## MONTPELIER

The eight hydroelectric dams on the Connecticut and Deerfield Rivers are up for sale. These dams produce enough power to provide about 20 percent of Vermont's annual electric requirement, but the power has always been exported. It is all renewable energy.

Almost two-thirds of the water in the Connecticut River drains from Vermont. New Hampshire owns the Connecticut River to the west bank of the original, undammed river. That is why you enter New Hampshire part way across any bridge. The actual state line is irrelevant since the dams have always been owned by, and the water controlled by, out-of-state electric companies.

The dams were built in the early 1900s — when most Vermonters wanted, but did not have, electricity — by a group of Massachusetts electric companies who faced growing demand, but had run out of rivers to dam. They came up to Vermont and New Hampshire and bought up the small dams and mills on the tributaries of the Connecticut River. After removing the small dams and mills, they built the large storage and generation dams still in place today. They also built transmission lines south to Massachusetts and exported all the electricity.

There were numerous unforeseen consequences. The small dams and mills had powered local industry and provided jobs. The big new dams flooded the best valley bottom farmland. Vermonters were left with a damaged economy and without the electricity they wanted.

Vermont tried to force the dam owners to sell power in Vermont by regulating export of the power. The dam owners immediately went to federal court where it was ruled a matter of "inter-state commerce" over which Vermont had no jurisdiction.

The loss of what was called Vermont's "white coal" was an enormous scandal and hot political issue. The rapid development of hydroelectric generation and electric transmission had allowed locally used hydro power to be moved far away from the communities which had historically used and benefited from it. It was also one of the biggest economic disasters in Vermont's history. Instead of having access to this cheap, renewable energy, we have had to import expensive fossil fuels and electricity, and rely on nuclear power.

A few years ago, electric restructuring in Massachusetts forced electric companies there to sell all of their generation facilities, the dams included. All of this generation was purchased by a subsidiary of Pacific, Gas and Electric National Ener-

gy Group. During the collapse of the restructured electric market in California, a corporate relative, PG&E Co., went bankrupt to the tune of \$9 billion.

Recently, the owner of the dams, the PG&E National Energy Group, defaulted on some bonds. Their creditors agreed to wait while they sell the dam system on the Connecticut and Deerfield rivers to raise money. Currently they are negotiat-

## STEVE DARROW & WILLIAM JOHNSON

and Emera, both multinational corporations that have holdings in real estate, finance, energy and services. They have combined assets of \$26 billion.

If this sale goes through, the hydro power that was owned by Vermonters, which built Vermont and ran the Vermont economy, could end up being owned by these multinationals and continue to be sold out of state. The profits would not only leave Vermont, but also the United States.

Because the dams are independent "merchant generators," only the owners know the exact cost of production. However, from documents filed with federal regulators for the sale of the dams to PG&E, it is clear the dams produce very cheap power — power which commands a premium price because it can be turned on during peak demand times when the price is higher. It can also be marketed as "green."

Vermont has a historic opportunity to buy and use this cheap renewable energy. In buying the dams, Vermont can reclaim this historical natural resource and at the same time take a giant step toward energy independence and the use of renewables. This cheap power could lower our electric rates and power economic development and job creation.

In the next 15 years, Vermont will lose 80 percent of its current electric contracts. We have a historic opportunity to replace one-quarter of that with cheap power generated from a local renewable resource. It may be decades before the dams are put up for sale again.

We have introduced Bill H.161 to create The Connecticut River Public Power Authority and authorize it to issue bonds to buy and operate the dams and sell the power to Vermont utilities. The time to act is now. Residents should call their state legislators and urge them to pass legislation to buy the dams this year.

State Rep. Steve Darrow is Democrat from Dummerston ([sdarrow@leg.state.vt.us](mailto:sdarrow@leg.state.vt.us)), and state Rep. William Johnson ([wjohnson@leg.state.vt.us](mailto:wjohnson@leg.state.vt.us)), is a Republican from Canaan.

sign books out, but that doesn't mean that they read them, 4. People read materials they don't agree with just to be informed, 5. Students explore ideas and all sides of issues for debates and papers they write. They don't have to believe all they read.

The Patriot Act allows librarians to be arrested and jailed if they tell the person being investigated what is going on. One university librarian was asked for a list of students with foreign names and what they were reading. What about due process and freedom of speech as guaranteed by the Bill of Rights of the U.S. Constitution? Why is our government beginning to act like the dictatorships that we abhor?

President Dwight D. Eisenhower proclaimed the Freedom to Read, which has been printed as posters for decades and used to fight censorship in court cases.

In 1798 the infamous Alien & Sedition Acts caused Vermonter Matthew Lyons to be jailed for criticizing the president. Vermonters then elected him to Congress. Is our government again espousing such tactics? Does Joe McCarthy still live?

Recently, in order to register to vote in Vermont, I had the right and high privilege to take the Freeman's Oath to uphold the Constitution.

I believe that Christians (and all citizens) have an obligation to speak out to protect our unique Bill of Rights. Think of the lives sacrificed in many wars to protect our freedoms. For the first time I am joining the American Civil Liberties Union.

National Library Week is coming in a few weeks. Cherish your freedom while you can.

Robert Hunt Rhodes  
Westminster,

## Use the words we have left

Editor of the Reformer:

When President Bush promised a strengthening of Medicare, some of his listeners and readers no doubt had hopes he was going to help them survive. But those already in the know listened and shook their heads. They knew differently.

When scientists announced that the polluting of our environment has made the recent drought longer and stronger, we recalled

WEDNESDAY, AUGUST 17, 2004

## CORPORATE FOCUS

## Canada's Brascan Aims to Change Focus

In a Bid to Escape Boom-and-Bust Cycles, Rocks and Trees Will Be Left for Buildings, Dams

By ELENA CHERNEY

Toronto

**NOR CANADA'S BRASCAN CORP.**, its goodbye, rocks and trees, and hello, buildings and dams. The company, tiring of boom and bust cycles of the metals and electric-power industry, is preparing to divest itself of such assets in favor of real estate and electric-power generation. In a bid to move into a business where it hopes to generate predictable cash flow and appreciate its assets, Brascan wants to increase its focus on a business where it hopes to generate predictable cash flow and appreciate its assets. In electric power, Brascan has similar attributes as North American companies where demand for power continues to rise. The move would increase the Canadian company's presence in the U.S. and Ontario, with more than half of its holdings on the U.S. side of the border. Alcan, which owns 50% of Brookfield Properties, owner of New York's World Financial Center and other prominent real estate, and recently increased its stake in the Canary Wharf Group to 17%. It recently lost out to a group that included Morgan Stanley in the bidding for all of Canary Wharf's shares. In May, the company bought 72 New York State electric generating plants for \$900 million, and its chief operating officer, Myhal, says Brascan will scour the northeast and Canada for more

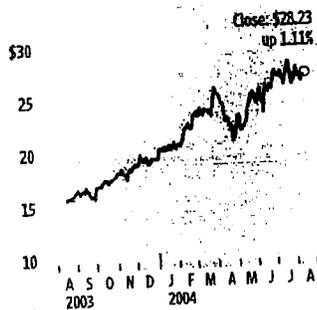
strategy carries risks. Analysts say higher interest rates could pose a long-term challenge for Brookfield, as could a prolonged slump in the financial-services field, on which Brookfield's office-power tenant base rests heavily. Brascan's ambition to build its power-generation business carries regulatory as well as operational risks. Ontario's government has already flip-flopped on its plan to allow greater privatization of the sec-

And the much-anticipated sale of one of its biggest assets has been slow to unfold, which could throw a wrench into the works. The company owns 42% of Noranda Inc., one of Canada's biggest mining concerns, which in June effectively put itself up for sale. So far, however, there doesn't appear to be a stampede of Noranda buyers. Since announcing it received "several expressions of interest"

## No More Sticks and Stones

A closer look at Brascan

Daily closing stock price



## Company's assets

- 42% of Noranda Inc., Toronto.
- 50% of Brookfield Properties Corp., New York.
- 112 hydroelectric plants in North America and five in Brazil.
- \$5 billion in private-equity and direct investment funds.
- 43% of Norbord Inc., Toronto.
- 43% of Fraser Papers Inc., Toronto.

Sources: Thomson Datastream; the company

from potential acquirers in mid-June, Noranda has disclosed no further details and declined to discuss the situation, although Brascan executives said during a recent conference call that Noranda's special committee is continuing to review alternatives.

Still, some investors who once shunned Brascan are warming to its new strategy. In the past, the company had a reputation for risk-taking and complex financials that, combined with the holding-company structure that included stakes in real-estate, financial-services, natural resources and brewing companies, turned many investors off. "Once our exposure to resources is reduced, I think investors will come to value us as an operating company," says Mr. Myhal.

The company's shares have soared by 50% in the past year, due in part to increased metal prices and the company's plan to sell off Noranda. In 4 p.m. composite trading yesterday on the New York Stock Exchange, Brascan was at \$28.23, up 31 cents.

Mr. Myhal says the company is also betting that institutional investors will increasingly be lured by "infrastructure type" companies with "hard physical assets" as growing numbers of baby boomers retire and fund managers seek steady returns. "We believe this is where the battleground will be for pension-fund

assets," Mr. Myhal says. To offer pension funds the chance to own real estate, power generation and other assets more directly, Brascan also runs an asset-management business, with \$5 billion under management.

The Noranda sale could yield \$2.5 billion in proceeds to Brascan, which has its roots as a principal investment vehicle for Edward and the late Peter Bronfman, cousins of the Seagram Bronfmans in Montreal. (Their families no longer control the company.) Analysts expect Brascan is likely also to seek buyers for its stakes in wood-products company Norbord Inc. and paper-maker Fraser Papers Inc., effectively cutting the company's ties with the rocks-and-trees businesses traditionally associated with Canada.

Amit Wadhwaney, a portfolio manager with Third Avenue Funds in New York, Brascan's fourth-biggest shareholder, says that if the company goes ahead with plans to sell off its Noranda, Norbord and Fraser Papers stakes, it "would be swimming in cash, with a very well capitalized balance sheet" and would be in an excellent position to make strategic acquisitions.

Brascan learned some tough lessons when the real-estate market crashed in the early 1990s, narrowly avoiding collapse by selling off some of those extrane-

ous assets.

"Previous experience has really colored their vision and made them more cautious, more deliberate," Mr. Wadhwaney said.

In the first half of the year, helped by stronger power sales and a \$60 million one-time gain on a lease-termination fee, Brascan's net income rose to \$336 million, or \$1.17 a share, from \$119 million, or 33 cents a share, a year ago.

Revenue for first six months of this year was \$1.67 billion, up about 19%. Cash flow from operations, which the company considers an important measure of its performance, increased 23% to \$324 million, or \$1.13 per share, in the first half of the year, from \$262 million, or 88 cents a share, a year earlier.

"They've done a great job surfacing value and trying to winnow down their assets," says John Kellett, senior vice-president of Royal Bank of Canada's RBC Asset Management Inc., which has \$43 billion in assets under management and owns Brascan shares.

Mr. Wadhwaney and Mr. Kellett say they are assured by the company's long-term contracts with both real-estate and hydro customers. Brascan has also tried to insulate itself from weather risks by looking to acquire hydro facilities with big reservoirs.

## Celesio AG

European drug distributor Celesio AG said net profit rose 26% in the first half amid strength in its pharmacy chains, and predicted brisk growth in retail sales. Net profit rose to €142.8 million (\$176.7 million), or €1.68 a share, from €113.3 million, or €1.33 a share, a year earlier. Sales rose 3.3% to €9.4 billion. At Celesio's wholesale business, pretax profit climbed nearly 15% on cost cutting and better sales. The company streamlined its branch network in France, Germany, Belgium, Norway and Portugal, which it said would help full-year profit. Celesio also aims to boost sales at its pharmacy chains by offering services such as free diabetes tests. Pretax profit at Celesio's retail business, which runs 1,862 pharmacies across Europe, surged by nearly half to €53.2 million.

-Reuters

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