

APPENDIX G

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Vermont Sustainable Energy Coalition

c/o Sustainable Energy Resource Group

432 Ulman Rd., Thetford Center, VT 05075

JUN 14 11 42 AM '04

802-785-4126 • SERG@valley.net • <http://serg.uvweb.org/>

June 10, 2004

Michael Smith, Secretary
Chairman, Vermont Renewable Power Supply Acquisition Authority
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201

via email and post

Chairman Smith,

First, we want to thank you and the Vermont Renewable Power Supply Acquisition Authority for all of your hard work on considering purchase of the hydro-electric dams on the Connecticut and Deerfield Rivers. You have come a long way in several months when it seemed that the purchase of the dams was very unlikely to a point today where it looks quite feasible, if the dams go up for auction.

We do want to express one serious concern we have about what we have heard to date on the agreements with Vermont's private partners in this venture. We feel that the percentage of ownership of the dams by the State of Vermont should be much higher, especially in future years when we lose nearly 2/3 of our current power portfolio entitlements through the expiration of Vermont Yankee and Hydro Quebec contracts. We believe that Vermont should be in the driver's seat on this deal, owning more than 50% and up to 100% of the dams:

It is our understanding that if the dams are sold it will be through an auction process and not through negotiations, which would result in a very competitive bidding process. Vermont stands a better chance of prevailing in such a process, at a price that is still good for the state, if we own a larger percentage of the dams because the financial advantages of state ownership (no federal income tax, not tax on sales, State access to lower-cost financing, etc.) would allow us to offer more than private bidders. After purchase these financial advantages should also allow us to sell the power to the utilities at lower rates with the savings passed on through resale to their Vermont customers. If state-guaranteed money is going to be used to acquire the dams, the state should control the distribution of their output.

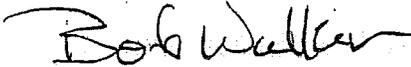
We understand that there are risks involved, and we would not want to see any adverse impact on Vermont taxpayers. But the dams represent a proven and reliable power resource. The dams have a long track record of producing revenues and are likely to pay for themselves over time. The environmental benefits of the dams may actually turn into real dollar savings or revenues, depending on the eventual requirements that potential (and likely) regional and

national emissions trading regimes will impose. We could avoid costly pollution control costs or even sell any excess emissions credits generated by the dams into a larger credits market. There are risks involved in any power acquisition, but there are even larger risks in not purchasing the dams – higher costs and shortages of alternative power supplies in the future.

At the public hearing in Montpelier on the purchase of the dams, every single speaker voiced support for purchase of the dams, and the vast majority expressed their concern that Vermont maximize the percentage of its ownership. This is a tremendous opportunity and we do not want to see it wasted. Your partners are well aware of the many financial advantages of Vermont's participation in this process. We encourage you to not undervalue Vermont's role in this venture and to renegotiate the percentage that the State has in this process. We would like to know what you can and will do to attempt to increase the percentage of Vermont's ownership in the dams.

Thanks again for your efforts and we look forward to hearing from you on this issue.

Sincerely,



The Vermont Sustainable Energy Coalition

Bob Walker, Sustainable Energy Resource Group
Paul Burns, Vermont Public Interest Research Group
Matteo Burani, Vermont Natural Resources Council
Steve Crowley, Sierra Club
Spence Putnam, Vermont Businesses for Social Responsibility
Jack McCullough, Vermont Low Income Advocacy Council
Mark Sinclair, Conservation Law Foundation
Rob Roy MacGregor, FairWind Vermont
John Berkowitz, Southern Vermonters for a Fair Economy and Environmental Protection
Susan Thompson, Vermont Alliance of Conservation Voters
Peter Alexander, New England Coalition

cc - VRPSAA, Gov. Douglas

Vermont Hydroelectric Power Authority
112 State Street, Drawer 20
Montpelier, Vermont 05620-2601

June 17, 2004

Vermont Sustainable Energy Coalition
C/O Robert Walker
Sustainable Energy Resource Group
432 Ulman Road
Thetford Center, Vermont 05075

Re: Response to June 10 letter to the VRPSAA

Dear Bob:

Thank you for writing concerning your coalition's interest in the work of the Vermont Hydroelectric Power Authority ("VHPA"). As you know, the VHPA has been created by statute, in 30 V.S.A. Chapter 90. As the newly appointed interim manager, I will respond on behalf of the VHPA. The VHPA's statutory goals are to continue the work of the Vermont Renewable Power Supply Acquisition Authority ("VRPSAA"), and take actions towards the purchase of hydroelectric facilities in the region. On May 5, 2004 the VRPSAA announced an agreement with two Canadian companies, Brascan Corp. and Emera, Inc., to work together towards acquiring certain hydroelectric facilities in the region. The VRPSAA's rights under its agreement with Brascan and Emera will be assigned to the VHPA, which has the powers necessary to conclude the transaction, should we be successful.

This letter will try to respond to your concerns by outlining the process and discussing the decisions that have brought the State to this point in time, discussing the benefits and risks of the proposed transaction, and outlining how the VHPA plans to move forward.

Background and Process

The VRPSAA was created in the summer of 2003, and given the charge to investigate the feasibility of purchasing hydroelectric assets along the Connecticut and Deerfield Rivers, to prepare a proposal to purchase the facilities, including necessary negotiations, and to submit any proposal to the General Assembly for its consideration.¹

Lexecon, Inc. was retained by competitive bid to assist in the research, analysis and study preparation. Six meetings open to the public (at least partially) were held between June 2003 and April 2004, two of which were expressly to take public input (one in Montpelier and one in Wilmington). The VRPSAA also met four times in executive session to discuss specific financial analyses which, if public, could put the State at a disadvantage *vis a vis* competitors in a public sale process, and to discuss partnership proposals.

Two public presentations were prepared, and submitted by the VRPSAA to the General Assembly on December 1, 2003. They are available at <http://www.leg.state.vt.us/reports/04power/power.htm> and were distributed publicly.

To facilitate continuation of the VRPSAA's work, the General Assembly passed a section in the Budget Adjustment Act providing additional funding and guidance.ⁱⁱ The guidance manifests support for the VRPSAA's work, and authorized the Secretary of Administration to enter into a Memorandum of Understanding ("MOU") with potential partners, requires sign-off on any final deal by the General Assembly, and requires that the VHPA pay property taxes to municipalities as if it were an entirely private entity.

A unanimous decision was made by the VRPSAA to investigate a public/private collaboration based largely on the analysis done by Lexecon, the public portion of which is cited above. The bottom line was that Vermont alone had a 7.5% chance of success acquiring the facilities. At the request of the VRPSAA, Lexecon investigated which commercial entities interested in the facilities would be interested in a collaborative venture. The result was a series of meetings between the VRPSAA and five potential private partners. In an executive session on April 30 the VRPSAA chose Brascan and Emera, again unanimously, after careful consideration of the presentations by the potential partners. Michael K. Smith, the VRPSAA chairman, and the Secretary of Administration, then began the process of negotiating a "term sheet" and then an MOU outlining the VRPSAA's collaborative relationship with Brascan and Emera. Neither the term sheet, nor the MOU are public documents, as they contain business terms and information that would be of competitive interest to others who also may be interested in the facilities. Both the term sheet and the MOU were presented to and approved by the VRPSAA prior to their signing. The MOU was signed on May 5, 2004.

The 2004 General Assembly took the next step necessary to move the process forward and created the VHPA, an entity with the powers to issue bonds, and to own, operate and manage any interest the VHPA may acquire in the facilities. The new statutory language includes a purpose and goals that guide the VHPA's activities.ⁱⁱⁱ The language details the VHPA's authority, obligations and restrictions, and can be found at <http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2004/bills/passed/H-767.HTM> in sections 101-103 of the bill.

Issues Raised in the June 10 Letter

As is acknowledged in your letter, a lot of hard work has gone into this effort, and we are much closer to a successful acquisition today than several months ago. That acknowledgement is appreciated, and the VHPA continues those efforts as we move towards the next steps in the process.

The letter expresses one serious concern about how the VRPSAA and the VHPA are proceeding, and makes some analyses of the issues such as financing, power sales, revenue potential and public input. I would like to respond with explanations of the benefits, risks and some of the intricacies that I hope will clarify why certain choices were made. This response cannot go into much detail on financing or valuation issues, as the public release of such information would be detrimental to the chances for a successful acquisition.

The one serious concern is that the VHPA will not be a majority owner of the facilities. The VRPSAA had made public statements that it would pursue acquiring at least a 25% interest in the facilities, with the opportunity to negotiate for a larger stake in the future. There are some strong reasons for this measured approach.

First, the facilities' owner is currently in bankruptcy, and any actions affecting the facilities are under the bankruptcy court's jurisdiction. There has been no public announcement by the bankruptcy court, debtor-in-possession or the creditors as to if or when the facilities will be auctioned, or, if they are, whether the fossil units will be separated from the hydro systems, or whether they will be sold as a "package." Any work done towards an acquisition is therefore somewhat speculative. Lexecon's conclusion was that the state had a 7.5% chance of success acting alone. It is unusual for a governmental entity to make significant resource commitments to speculative business ventures, with no expectation of a return, which would have been the case here had the State moved forward alone, or in the lead.

For the VHPA to seriously pursue an acquisition of the hydro facilities alone, or as a majority partner, it would be required to expend significantly more resources than have been made available by the General Assembly. Investment bankers and transactional attorneys would have to have been retained months ago, in addition to the current consultants, just to keep us up-to-date and in the running. While the VHPA is obtaining its own expert assistance, having partners allows the VHPA to utilize the partners' expertise that would otherwise had to have been contracted for much earlier, at significant cost.

Second, Lexecon's analysis of the valuation, and the purported strong interest in the facilities by major players in the power generation business (suggesting a competitive auction) led to a conclusion that the winning bid would likely be in excess of reasonable bonding capability of the VHPA. A transaction purchasing the entire hydro systems would be significant in comparison to Vermont's existing bonded debt. One unambiguous determination by the VRPSAA, codified in the VHPA authorizing statute, is that financing for any acquisition will not impact on the State's credit rating.^{iv}

Also, the tax code complexities of tax-free bonding would make it impossible for the VHPA to purchase 50% to 100% of the facilities, sell the output, and be able to maintain the tax-free status for the bonds. Tax-free financing can generally be used only for "public purposes," which likely do not include selling power wholesale to investor-owned or cooperative retail utilities, power marketers, or to all takers on the spot market. The market for municipal power sales is limited, and municipal utilities in the region have not indicated sufficient need for energy to justify the VHPA purchasing 50% or more of the facilities. (In fact, the expressed interest is less than 25% of the systems' capacities.) Backing bonds with the State's "general obligation" can also reduce financing costs, but doing so has serious implications for the State's bond rating, and would not be permissible under the language in 30 V.S.A. Chapter 90, establishing the VHPA. (See endnote iv.)

Third, an acquisition of less than 50% of the facilities still gives the VHPA more energy than is needed by Vermont electric utilities for at least the next eight years. Any energy not obligated under contracts between VHPA and Vermont utilities would have to be sold by contract to out-of-state utilities or on the wholesale market through ISO-New England. Being a seller in the current wholesale market, particularly one without significant experience that holds only one or two small (relatively) generating systems, entails risk. Many issues

arise: counterparty credit risk, operating reserves, operating capital (particularly since hydro facilities have a variable output, but financing payments are generally fixed), market price fluctuation, and others. The VHPA, acting alone, would have to purchase the expertise to manage these risks, either in house or contracted out, increasing its operating expenses.

Most of the cost the VHPA needs to recover by selling energy and other products will be financing cost. Should these facilities be auctioned, the winner will pay a market price based on the anticipated future revenue stream, which is based in large part on a forward price curve for the power market, which, in turn, is driven by the cost of natural gas. A state entity pays no income tax, and may have a lower cost of capital (although we do not know how other interested parties would finance, and therefore can not be certain a state entity has a significant advantage), but we would have to pay a price in the same range as any other purchaser.

One disadvantage to the VHPA, acting alone, is a lack of protection for our investment in times of lower than expected revenues or higher than expected costs. A substantial cash operating reserve is especially important for an entity owning only one hydroelectric system, as owning a large portfolio of geographically dispersed hydroelectric systems gives the owner the ability to spread out generation variations in one system with generation, and therefore revenues, from other systems. In an exceptionally dry year, for instance, the VHPA may see a decrease in revenue during the peak summer season (when prices are highest), but will still need to make payments to bondholders. This scenario may be unlikely, but the risk must be planned for, and mitigated.

In addition to the ownership percentage issue, it is evident that this potential acquisition is seen as a way to bring existing renewable resources to Vermont. At least two issues arise: First, Vermont utilities cannot be required to purchase power from these facilities, and will not purchase energy from the VHPA if it is not priced below other alternatives, as the utilities have an obligation to provide least-cost service to their customers. The VHPA cannot count on potential air quality, renewable energy or other benefits that may arise from the positive environmental attributes of existing hydro generation, we must have a plan that repays bonds with known sources of revenue. In short, increasing the VHPA's ownership interest to over 50% does not guarantee that energy from generation owned by the VHPA will be contracted to Vermont utilities, or that the VHPA will otherwise produce revenues that will flow to Vermont electricity customers.

The letter also makes the statement that "[i]f state guaranteed money is going to be used to acquire the dams, the state should control the distribution of their output." The VRPSAA and VHPA have as a primary goal the ability to control where its share of the output is sold, which does not necessitate functional control of the assets. The VHPA will first consider Vermonters' best interests when marketing its share, whatever the final percentage. It also is essential to understand that the State of Vermont is not providing tax revenue-based guarantees to any financing for these assets. Any bonds will be backed by the interest in the assets themselves and contracts for the sale of energy and other services.

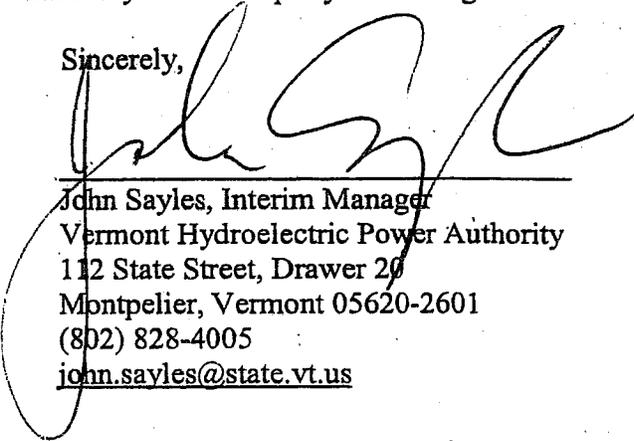
Strong citizen support was evident at the public hearings held on this initiative. Indeed, it is an exciting idea, and one that has merit, which is why so much work has gone into bringing it to fruition. It can be difficult, however, to explain in the press and at public forums the details of the benefits and risks, and the possible financial structure for the deal. This is an

area in which the VHPA needs to work harder. Also, the elected representatives appointed to the VRPSAA, representing a wide spectrum of Vermonters, both geographically and philosophically, unanimously agreed that the structure being pursued is the right one. Our collaborative venture agreement includes the right to negotiate for an increase in the VHPA's interest in the facilities at the time Vermont's utilities may have additional needs. The VHPA should, and will, continue to look for ways to increase the benefits from this project for Vermont's citizens. Opportunities are continually arising and we will be open to them.

One way to support an increase in the VHPA's interest in these facilities is to support the VHPA/Brascan/Emera collaborative venture, and to continue building support throughout the State for the idea that increasing the State's role in this project is a good investment now, and for the future.

I hope this discussion clarifies why and how the VRPSAA and VHPA are on the current path and moving forward in this manner. I would like to invite you, and all the members of the Vermont Sustainable Energy Coalition, to sit down with me, individually or as a group, and discuss these issues in more depth. While there may not always be consensus, it is useful to have a complete understanding of what every interested party is thinking.

Sincerely,



John Sayles, Interim Manager
Vermont Hydroelectric Power Authority
112 State Street, Drawer 20
Montpelier, Vermont 05620-2601
(802) 828-4005
john.sayles@state.vt.us

cc: Michael K. Smith
VRPSAA members
Harry Goldgut, Co-Chairman & CEO, Brascan Power Corp.
Wayne Crawley, VP Corporate Development, Emera, Inc.
Jim Coyne
Prescott Hartshorne

Excerpts from Section 38 of Act 63, the 2003 Capital Bill

(a) A Vermont Renewable Power Supply Acquisition Authority shall be created to prepare due diligence and feasibility studies regarding the purchase of hydroelectric dams and related assets on the Connecticut and Deerfield Rivers and, with the consent of the governor, to enter into negotiations necessary to prepare a proposal for the purchase of the dams, to be submitted to the General Assembly for its consideration.

....

(c) The Authority shall prepare two studies as follows:

(1) A study of the financial and technical issues involved in a purchase of the hydroelectric dams on the Connecticut and Deerfield Rivers; and

(2) A study of the principal policy issues implicated by such a purchase, if it were authorized, including:

(A) administrative and structural options for the ownership of the facilities and the sale and distribution of their power output, which might include ownership through the creation of a limited purpose state public power authority; by the Vermont Public Power Supply Authority; by one or more Vermont utilities; or by a public-private partnership.

(B) alternatives for disposition of the power output of the facilities, including wholesale and retail sales within and outside the state and use of the power within a portfolio to support advanced and renewable energy technologies, and the impacts of these alternatives on the credit-worthiness of the state and the ability of Vermont utilities to access investment capital on reasonable commercial terms.

(d) The Authority may consult with other state, municipal, or private entities

(e) The Authority may obtain, use, and develop commercial and financial information of a proprietary nature whose public release could jeopardize the position of the State of Vermont and its agents in negotiations or other efforts to present recommendations for the Legislature to purchase the facilities on advantageous terms. The Authority may also obtain, use, and develop information for the same purposes that is entitled to proprietary treatment to protect the commercial or trade secret interests of others. All information not exempt from public inspection under 3 V.S.A. § 317 shall be available to the public, including any reports and recommendations received by the Authority, which may be redacted as necessary to accomplish the purpose of this subsection.

....

ii **Section 5 of Act 80, the 2004 Budget Adjustment Act.**

(a) There is appropriated from the general fund the sum of \$100,000.00 in fiscal year 2004 to the secretary of administration for costs of the Vermont renewable power supply acquisition authority for work regarding the purchase of all or part of the Connecticut River hydroelectric system consistent with the intent of Sec. 38 of No. 63 of the Acts of 2003. Up to an additional \$150,000.00 in general funds is hereby appropriated, contingent on emergency board approval, for use by the authority for this purpose in fiscal year 2005. Any funds appropriated and not expended or spending authority not used in fiscal year 2004 shall carry over in fiscal year 2005. The General Assembly hereby manifests its support for the work of the authority and authorizes the secretary of administration to negotiate a memorandum of understanding with a qualified partner seeking to bid on the assets of the hydroelectric system, setting forth potential partnership terms, including the commercial intent of the parties, approach to the bankruptcy or auction proceedings, possible coordination of supporting resources, and determination of ownership interests. No binding commitment may be made by the secretary on behalf of the state to enter into any partnership or purchase such assets without the prior approval of the General Assembly or the joint fiscal committee if the legislature is not in session. An ownership interest in any assets of any part of the hydroelectric system by the state or by any state authority or other state entity shall not alter the obligation of the owner to pay the full amount of the property taxes to any Vermont municipality in which the assets are located that would be due if the assets were entirely privately owned.

iii **Sections 101 of the 2004 Capital Bill, Findings, Purpose and Goals section.**

30 V.S.A. chapter 90 has a section stating finding, purpose and goals:

§ 8051. FINDINGS, PURPOSE, AND GOALS

(a) The General Assembly of the state of Vermont finds:

(1) Potential exists to purchase an interest in hydroelectric power stations along the Connecticut and Deerfield Rivers located in Vermont, New Hampshire, and Massachusetts.

(2) The General Assembly created the Vermont Renewable Power Supply Acquisition Authority (VRPSAA) in Sec. 38 of No. 63 of the Acts of 2003 to investigate such a purchase and the VRPSAA has taken actions towards that goal.

(b) Therefore, it is the purpose of this act to create an entity with the authority to finance, purchase, own, operate, or manage any interest in the hydroelectric power facilities along the Connecticut and Deerfield Rivers located in Vermont, New Hampshire and Massachusetts, and to sell the electric energy under the control of the authority from those facilities at wholesale to authorized wholesale purchasers. The purchase and operation of an interest shall be pursued with the following goals:

(1) To promote the general good of the state;

(2) To stimulate the development of the Vermont economy;

(3) To increase the degree to which Vermont's energy needs are met through environmentally-sound sustainable and renewable in-state energy sources;

(4) To lessen electricity price risk and volatility for Vermont ratepayers and increase system reliability;

(5) Not to compete with Vermont utilities;

(6) To ensure that the credit rating of the state will not be adversely affected and Vermont taxpayers will not be liable should the project fail because of the failure to produce sufficient revenue to service the debt, the failure of a partner, or for any other reason; and

(7) To cause the project to be operated in an environmentally sound manner consistent with federal licenses and purposes.

^{iv} 30 V.S.A. §8051 (b)(6): "To ensure that the credit rating of the state will not be adversely affected and Vermont taxpayers will not be liable should the project fail because of the failure to produce sufficient revenue to service the debt, the failure of a partner, or for any other reason;"

30 V.S.A. §8051 (1); ". . . No indebtedness shall be issued by the authority without the written approval of the state treasurer, which approval shall be given if, based upon his or her investigation, the state treasurer has certified that:

(A) none of the nationally-recognized credit rating agencies that rate general obligation debt of the state of Vermont has concluded that such indebtedness will be included as part of the state of Vermont's net tax-supported debt computation, as prepared by such rating agencies; or

(B) the financing structure and flow of funds for such indebtedness will not result in such indebtedness being counted as net tax-supported debt, or its equivalent, on the state of Vermont's debt statement, as prepared by any of the nationally-recognized credit rating agencies that rate general obligation debt of the state of Vermont."

30 V.S.A. §8058: "(b) In addition to any other statute affecting the authority, no bonds shall be issued under this section without the prior approval of the governor or designee. . . ."

(d) No financing or security document, bond, or other instrument issued or entered into in the name and on behalf of the authority under this chapter shall in any way obligate the state to raise any money by taxation or use other funds for any purpose to pay any debt or meet any financial obligation to any person at any time in relation to a facility, project, or program financed in whole or in part by the issue of the authority's bonds under this chapter"

MAR 22 2004

TOWN OF
Wilmington

STATE OF VERMONT
DEPARTMENT OF TAXES
MONTPELIER, VERMONT

(802) 464-8591
FAX (802) 464-8477
www.wilmingtonvermont.us

March 17, 2004

MAR 25 9 30 AM '04

Mr. Michael Smith
Secretary of Administration
109 State Street
Montpelier, VT 05609-0101

RE: Purchase of Hydro Facilities in Southern Vermont

Dear Mr. Smith:

The Wilmington Selectboard wishes to express our appreciation for the opportunity to address the Vermont Renewable Power Supply Acquisition Authority and again restate our concerns regarding the proposed purchase of certain hydroelectric facilities in Southern Vermont.

In a meeting prior to the hearing we were pleased to learn that should the state acquire all or part of the hydroelectric facilities, the town of Wilmington and any other towns now receiving property taxes generated by these properties will continue to receive 100% of the taxes owed. There will be no PILOT program involving these facilities. It is our understanding that this matter has been passed by the General Assembly and enacted into law (Budget Adjustment Act H585).

Notwithstanding the satisfactory resolution of the property tax issue, before local support for this project can be realized the following issues must be addressed:

1. There must be an agreement made with The American Ski Company (dba Mount Snow) for water withdrawal from Somerset reservoir prior to or as part of any purchase. This is paramount to the continued viability of our town.
2. There must be a satisfactory agreement made with the current employees of USGen that are employed by any part of the Deerfield system.

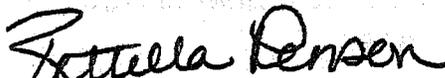
3. There must be an agreement as to continued maintenance and capital improvement program for the existing recreational facilities found at both Somerset and Harriman reservoir.

It is also our strong recommendation that at least one additional public hearing be conducted and that hearing be held in the Wilmington/Brattleboro area. It is essential that the State receive as much input as possible to insure there are no unintended consequences of this potential acquisition.

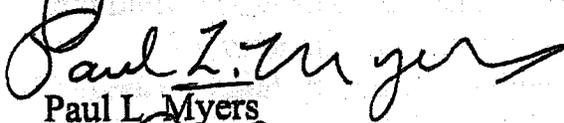
Thank you again for your time and we look forward to further dialogue.

Sincerely,

WILMINGTON SELECTBOARD



Zettella Penson, Chair



Paul L. Myers



Andrew Palumbo



William B. Adams



Robert D. Wheeler

Copy: Governor James Douglas
Representative Robert Rusten
Representative Phillip Bartlett
Senator Richard Sears
Senator Mark Shepard

TOWN OF
Wilmington

FEB 06 2004

February 4, 2004

(802) 464-8591

FAX (802) 464-8477

www.wilmingtonvermont.us

The Honorable James Douglas,
Governor of Vermont
109 State Street, Pavilion
Montpelier VT 05609-0101

RE: Purchase of Hydro Facilities in Southern Vermont

Dear Governor Douglas:

First we would like to thank you for your continued interest and support in this matter. We also appreciate the time that Michael Smith has spent with us and his continued contact via e-mail.

However, recent statements attributed to you in the press as well as statements of Mr. Smith have again heightened our concerns. It appears to us that the process is moving along at full steam and no one has addressed any of our concerns. The residents and tax payers of Wilmington, Whitingham, Searsburg, and Somerset are those most directly affected and yet our concerns still appear to be unheard. We feel that before this goes any further, and before it gets any messier, we must be given a hearing with the VRPSAA. In order to gain any chance of local support the following concerns must be met:

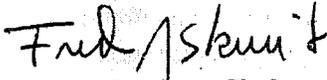
1. The towns must continue to receive 100% of the property taxes generated by these properties and all properties will be brought up to 100% of fair market value prior to or as part of any purchase. We are not willing to accept the 43% PILOT program.
2. There must be an agreement made with American Ski Company (dba Mount Snow) for water withdrawal from Somerset reservoir prior to or as part of any purchase. This is paramount to the continued viability of or resort area.
3. There must be a satisfactory agreement made with the current employees of USGen that are employed by any part of the Deerfield system.
4. There must be an agreement as to continued maintenance and capital improvement program for the existing recreational facilities found at both Somerset and Harriman Reservoir.

It is inconceivable that the state could be negotiating with potential partners prior to understanding the true local dynamics that are necessary to make the deal work. We understand the state's interest in our resource and we are willing to share that resource, but not at the expense of our residents and taxpayers. In recent years our towns have

shared a very large and disproportionate tax burden and we intend to protect any resources we have left. Our communities make very large contributions in the form of property tax, sales tax and rooms & meals tax compared to our size. This fact should be recognized by the state when they wish to purchase one of our most vital resources and largest taxpayers.

Sincerely,

WILMINGTON SELECTBOARD



Fred J. Skwirut, Chair



Paul Kasanoff

Robert Wheeler



Andrew Palumbo



Zettella Penson

Copy: Representative Robert Rusten
Representative Phillip Bartlett
Senator Richard Sears
Senator Mark Shepard
Michael Smith, Secretary of Administration ✓



Washington Electric Cooperative, Inc.

P.O. Box 8, 75 Vermont Route 14N
East Montpelier, Vermont 05651

Telephone: 802-223-5245; Fax: 802-223-6780
www.washingtonco-op.com

JAN 13 2004

January 12, 2004

Michael K. Smith, Chair
Chair, Vermont Renewable Power Supply Acquisition Authority
Agency of Administration
109 State Street
Montpelier, VT 05609-0201

Dear Secretary Smith:

Washington Electric Cooperative would like inform the Vermont Renewable Power Supply Authority that, were an acquisition such as is being considered by the Authority to occur, WEC would be very interested in obtaining between 3-5 MW at a price of four cents or under.

We recognize that there are a number of issues and obstacles to be resolved before some form of public ownership of the Connecticut River hydro facilities would be feasible or possible. Nevertheless, WEC believes that the opportunity is worth pursuing and wanted to be on record expressing our interest.

Also for your information, the members of Washington Electric Co-op's Board of Directors, who are elected to represent the interests of our over 9,000 consumer-owners, unanimously adopted the following resolution at their meeting of December 3, 2003:

Washington Electric Cooperative supports actively investigating and pursuing public ownership of the hydroelectric facilities along the Connecticut River. Although further study and analysis is needed to assure that this would be economic and feasible, we believe the potential benefit may be very significant. Should power from these facilities be available, it could play a major role in keeping energy costs stable and affordable for Vermont's industrial, commercial and residential ratepayers.

I would be happy to answer questions or provide additional information about WEC's interest in power from these facilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Avram Patt", written over a horizontal line.

Avram Patt
General Manager

Cc: WEC Board

GREEN MOUNTAIN DAIRY FARMERS
COOPERATIVE FEDERATION INC.

194 Sawyer Rd New Haven, VT 05472

Governor James Douglas
Office of the Governor
109 State St.
Montpelier, VT 05609-0101

Jan. 2, 2004

COPY

Dear Governor Douglas;

As you are well aware, one of the major expenses for all dairy farmers in Vermont is electricity. A number of conservation measures have been put in place on our member farms over the past 15 years. More are contemplated. Still, any steps that might be taken to reduce or even stabilize the cost of this essential service are welcome.

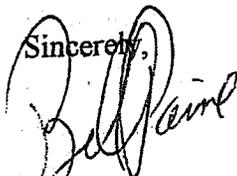
Costs of electric service to Agrimark/Cabot and St. Albans Coop as well as other agriculture enterprises throughout the state are substantial, a major expense. Electric costs have always been an issue in recruiting new businesses. Vermont is not competitive.

Green Mountain's directors have voted to aggressively support a "positive, proactive position" on the potential state purchase of a primary ownership in the power dams along the Connecticut River which may be available for purchase. We understand the special task force engaged in examining the possibility is making good progress and that eventually your administration will be called upon to decide how to proceed.

We urge you to take a close look at this possibility. Though the "devil is in the details", the initial indications seem to have a number of favorable aspects. We ask you to pursue them on behalf of the dairy farm families and their cooperatives.

Thank you!

Sincerely,



Bill Paine, Exec. Dir.

DEC 22 2003

(802) 464-8591
FAX (802) 464-8477
www.wilmingtonvermont.us

December 19, 2003

Michael Smith, Secretary
Agency of Administration
109 State Street
Montpelier, VT 05609-0201

Re: Acquisition Study of Properties of U.S. Generating

Dear Secretary Smith:

Thank you for coming to Wilmington to meet with us on Wednesday. We appreciate your willingness to include the Deerfield Valley towns in the study process.

We are very concerned about the three U.S. Generating hydro facilities on the Deerfield River that are in Vermont. The sale of the facilities at Somerset, Searsburg, and Harriman, whether to the State of Vermont and a partner or to others, could significantly impact on the Towns of Wilmington, Searsburg, and Whitingham as well as affect the viability of the Mt. Snow and Haystack Ski Areas relative to their need for water for snowmaking.

We have a strong interest in remaining informed and a part of this process and thank you for agreeing to keep us up to date and included.

Sincerely,


Fred J. Skwirut, Chair
Wilmington Selectboard

Enclosure: Minutes of 12/17/03 Meeting in Wilmington

Copy: Representative Robert Rusten
Norman Stevens, Chair, Whitingham Selectboard
Jerry Lind, Chair, Searsburg Selectboard
James Overton, Chair, Dover Selectboard

Special Meeting of the Wilmington Selectboard

Wednesday, December 17, 2003 at noon

Members Present: Fred J. Skwirut, Chair; Paul Kasanoff, Robert Wheeler, and Andrew Palumbo.
Members Absent: Zettella Penson

Others Present: Michael Smith, Vermont Secretary of Administration; Robert Rusten, State Representative; Sonia Alexander, Town Manager; Janet Wheeler, David Wheeler, and Matthew Cole.

Minutes

Secretary of Administration Michael Smith outlined the process and status of the State's Acquisition Study relative to properties of U.S. Generating, a subsidiary of Pacific Gas & Electric.

The Committee which Secretary Smith chairs reported to the legislature on December 1st that they need more time to evaluate 2 specific areas.

1. Dams may not be for sale, they may want bid on everything or may split assets.
2. A private entity would have to be part of the package if the State is to go forward.

A consultant for the State indicated that there is a 7.5% chance of success if they do move forward with the process.

In Vermont, there are 6 hydro facilities on the Connecticut River and 5 on the Deerfield River (3 of which are in Vermont – Somerset, Searsburg, and Harriman), for a total of 11. There are also 3 fossil fuel plants.

The Selectboard expressed their strong interest in remaining informed and a part of this process. The sale of the U.S. Generating assets, whether to the State of Vermont and a partner or to others could significantly impact on the Towns of Wilmington, Searsburg, and Whitingham as well as affect the viability of the Mt. Snow and Haystack Ski Areas relative to their need for water for snowmaking.

Secretary Smith offered to keep the Selectboards informed of agendas and meeting information through email. He also welcomed phone calls and offered to speak to the other members of his committee regarding the possibility of holding a public hearing to listen to towns.

Secretary Smith thanked the Selectboard for inviting him down and the Selectboard expressed their appreciation for the visit.

The meeting was adjourned at 1:00 p.m.

Respectfully submitted,

Sonia Alexander, Town Manager

APPROVED AND ACCEPTED BY WILMINGTON SELECTBOARD

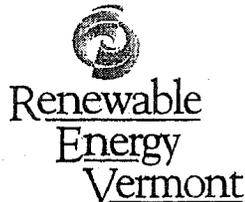
Fred J. Skwirut, Chair

Robert Wheeler

Paul Kasanoff

Andrew Palumbo

DEC 23 2003
MONTPELIER, VERMONT



LIAISON	AD
RESPONSE DUE	1/12
NRN	
CODE #	6111.1

December 23, 2003

Dear Governor Douglas
and Members of the Vermont Renewable Power Supply Acquisition Authority

Renewable Energy Vermont Inc. (REV) recommends that you exercise your authority as governor and as members of the Authority to endorse the state's purchase of the hydroelectric dams on the Connecticut and Deerfield Rivers. REV believes it is imperative for the economic health of Vermont that we increase our reliance on low cost stable renewable energy, such as these hydro resources can provide.

These dams can provide excellent storage capacity that can be used in tandem with other renewable energy sources such as the wind. Just as the dams are currently used together with fossil fuel plants to provide constant power they can be used together with wind farms to help us take full advantage of the tremendous wind resource we are blessed with in Vermont. In effect, these dams could act as big batteries for wind power.

There are many additional benefits that Vermont ownership and operation (in part or in whole) of the dams would bring:

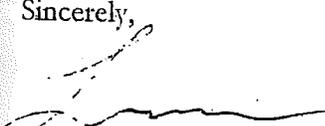
- ensure long-term rate stability;
- lower electricity rates;
- increase energy security and reliability; and
- balance other renewable energy sources.

The state has no plans for how to replace the two-thirds of our power mix that we currently receive from Vermont Yankee and Hydro-Quebec. These sources may not be available, or be available at prices we cannot afford, when their contracts expire.

These dams provide us a golden opportunity to provide up to an additional 20% of Vermont's overall power with clean, renewable and local power. Without the dams and additional renewable energy brought into the Vermont mix we are putting our economy at great risk by hitching it to volatile natural gas prices.

Renewable Energy Vermont is a trade organization of Vermont businesses, and we encourage you to serve the best interests of all Vermont businesses by moving forward to purchase these hydroelectric assets.

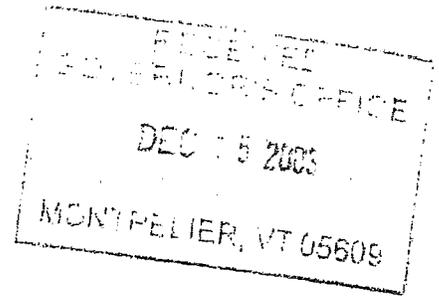
Sincerely,


Lawrence Mott,
Northern Power Systems— REV Board Chair

cc: Lt. Governor Dubie, Senator Ginny Lyons, Representative Mark Young

December 12, 2003

LIAISON	AD
RESPONSE DUE	12/30
NRN	
CODE #	6111



Dear Governor Douglas and Members of the Vermont Renewable Power Supply Acquisition Authority,

We the undersigned are writing to you with the greatest urgency to recommend that you exercise your authority as governor and as members of the Vermont Renewable Power Supply Authority to endorse the state's purchase of the hydroelectric dams on the Connecticut and Deerfield Rivers, assuring a fair price.

Since Vermont can issue tax-free revenue bonds to accomplish the purchase, and the industry experts and investment bankers can agree on value based on projected income, the State is in the best position to purchase the dams.

We believe that ownership and operation of these assets, in part or in whole, by Vermont will ensure long-term rate stability, lower electricity costs, increased energy security and reliability, and a commitment to sound energy policy that respects protection of natural resources.

Vermont Yankee is scheduled for decommissioning by 2012, and most of the long-term power contracts with Hydro-Quebec are slated to expire by 2015. As a result, Vermont will be required to replace over two-thirds of its electric mix within the next 11 years.

Power generated by the Connecticut and Deerfield River Dams could provide up to 20% of Vermont's overall power, furnishing the state with clean, renewable base-load power that is provided by a publicly owned utility.

As a public entity unencumbered by the liabilities of federal income taxes and shareholder profits, Vermont would maintain a significant advantage over other potential purchasers from the private sector. Such benefits would extend to Vermont's electric customers in the form of lower rates.

Investor owned utilities, by design, serve the financial well being of stockholders rather than the economic needs Vermont's residential, commercial, and industrial users. Financially imprudent decisions made by investor owned utilities are in large part responsible for Vermont's high electric rates. On the other hand, the 10 percent of Vermonters who buy their electricity from a publicly owned utility do so at rates that average 20% lower than those charged by the Investor Owned Utilities.

On behalf of the people of Vermont, please help ensure that Vermonters and Vermont businesses have long-term access to the inexpensive supply of electricity that the Connecticut and Deerfield River Dams can offer for another 100 years.

Cost savings realized through publicly owned power could provide opportunities for discount rates and long term contracts based on business growth and expansion. Benefits could also extend to low income Vermonters who struggle to bridge the gap between wages and expenditures.

Our members will be eagerly awaiting the your decision. We encourage you to serve the best interests of Vermonters by moving forward to purchase these hydroelectric assets, if and when they become available.

Sincerely,



Elizabeth Courtney
Vermont Natural Resources Council



Drew Hudson
Vermont Public Interest Research Group



Brigid Browning
Vermont Alliance of Conservation Voters



John Berkowitz
Southern Vermonters for a Fair Economy & Environmental Protection

20

STATE OF VERMONT
DEPT. OF PUBLIC SERVICE
MONTPELIER, VT.
05501-2001

NOV 21 2 41 PM '03

**Southern Vermonters for a Fair Economy
and Environmental Protection**

21 Engrem Avenue
Rutland, VT. 05701
Tel: 775-5968

145 Holland Hill Road
Putney, VT. 05346
Tel: 387-5127

e-mail: svfeep@sover.net

Governor James Douglas
109 State Street
Montpelier, VT 05609

November 20, '03

Dear Governor Douglas:

As you'll recall, I'm the Director of this organization which organized the Town Meeting Campaign for Renewable Energy and Energy Independence this past March, when 81 out of 90 towns that considered it voted for a resolution calling for stronger state action to promote renewable energy resources and increased energy efficiency. We also met at the VNRC/Amory Lovins event in Putney in April, and in October when you visited Brattleboro and spoke with selected organizations at the Holiday Inn.

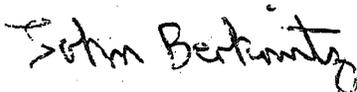
Today I am sending you the names of 667 Vermonters who have signed a petition we've been circulating that calls for Vermont to buy the dams and generating facilities on the Connecticut and Deerfield rivers. We appreciate the focus and efforts that you and the Vermont Renewable Energy Supply Acquisition Authority have given to this important issue over the summer and fall.

We also appreciate the complexities and risks involved in such a large undertaking, as stated by the Lexecon feasibility study. But we think that the potential benefits are far larger, and that a public/private partnership would be the best route to successfully purchase these facilities, which are an essential means toward ensuring Vermont's future energy needs with reliable, reasonably priced, and renewable power.

We urge you, PSD Commissioner O'Brien, and the VRESAA to do everything you can to purchase these facilities. We met with Mr. O'Brien and his deputy and discussed this issue at length in late August, and we would be glad to do so again, either in person or by phone, with you and/or him.

Thank you for your time and consideration of this important issue. We look forward to hearing from you.

Sincerely,



John Berkowitz, Director

cc: PSD Commissioner David O'Brien

Board of Directors:

Paul Cameron (Brattleboro)
Rick Foley (Brattleboro)
Mary Alice Herbert (Putney)

Bill McKim (Dummerston)
Franz Reichsman (Brattleboro)
Hervey Scudder (Brattleboro)

David Wells (Putney)
Phil Kramer (Brattleboro)