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Appendix A

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December 8, 2016

Christopher Recchia
Commissioner of the Department of Public Service
112 State Street, Third Floor,
Montpelier, VT 05620-2601

Dear Chris,

Enclosed please find the Attorney General's findings and recommendations on the advocacy of the Department of Public Service in the recently concluded Green Mountain Power (GMP) rate case.

As you know, the Legislature directed the Department to prepare and submit a performance report on its work in utility rate cases. *See* 2016 Acts and Resolves No. 130, Sec. 5f(a). The "primary purpose" of the Department's report is "to help address concerns regarding any potential compromise of the effectiveness or independence of the Department's representation of ratepayers in rate proceedings, including base rate filings under an alternative regulation plan." Act No. 130, Sec. 5f(b).

Also, "to assist with meeting the purpose stated in subsection (b)," the Legislature directed the Attorney General to "monitor and detail" a rate proceeding and to "make findings and recommendations related to the effectiveness and independence of the Departments' ratepayer advocacy." Act No. 130, Sec. 5f(c). The Attorney General's findings and recommendations will be included in the Department's annual report.

In summary, the Attorney General's findings and recommendations are that:

1. The Department of Public Service served as an effective advocate on behalf of ratepayers in the GMP rate case.
2. The Department's attorneys and experts demonstrated their "independence" in this case.
3. The Department should require GMP to file a rate case not later than January 2018, with the expectation that that case will be litigated and will not be reviewed under an "alternative regulation plan."

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The Attorney General's findings and recommendations were developed by Robert Simpson, a Burlington attorney. Mr. Simpson's legal experience includes years of public service as an Assistant Attorney General, as Chittenden County State's Attorney and as an advocate for ratepayers at the Department of Public Service. The AGO retained him to help us assess the Department's work in the GMP case.

The AGO also retained the George E. Sansoucy firm. Mr. Sansoucy and his firm have engineering, appraisal and regulatory expertise with a focus on electric utilities. They helped Mr. Simpson and the AGO develop the recommendations required by Act No. 130.

Mr. Simpson's work is reflected in the enclosed documents. They include his report, the attached recommendations of Mr. Sansoucy and Exhibits 1 through 20. As you can see, Mr. Simpson did a thorough job. He reviewed GMP and Department filings and reports, met several times with Department representatives, spoke with the attorney who represented the AARP in the proceeding, attended a GMP presentation, attended a PSB workshop, spoke with the Department's expert, consulted with Mr. Sansoucy and kept the AGO informed about his progress. His findings and recommendations are footnoted and documented.

As noted at several places in Mr. Simpson's report, the Department has been an effective advocate. For example:

- "The Department's lawyers and experts were able, through negotiation, to convince GMP to reduced its proposed base rate increase to a slight rate decrease for the Base Rate Adjustment." Simpson report at p. 10.
- "The Department's lawyers and experts were successful in getting GMP to agree to exclude \$37.325 million from GMP's proposed additions to rate base in the 2016 filing for failure to meet the 'known and measurable' standard." Simpson report at p. 15.

Mr. Simpson also reported, and AGO staff observed, that the Department advocated for ratepayers in a very professional and independent manner. "There is no evidence that the 'independence' of the Department lawyers and experts" who worked on the GMP rate case was compromised in any way by a too close relationship with GMP. Simpson report at p. 3.

Both Mr. Simpson and Mr. Sansoucy conceded that "alternative regulation" has some advantages, but expressed concern that GMP's rates have been set through an alternative process and without a fully litigated rate case for more than ten years. Mr. Simpson found that the time constraints imposed by the alternative process meant that some financial matters are not reviewed "in the same level of detail" as they would be reviewed in a fully litigated case. Simpson report at pp. 17 and 18 (citing the Department's expert). Mr. Sansoucy advised that the alternative process "does not allow for the robust review essential" in these cases. Sansoucy

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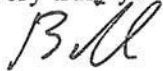
recommendations at p. 1. They recommended – and the AGO concurs – that the next GMP filing should be litigated and should not be reviewed under an “alternative regulation plan.”

This will come as no surprise to you, but your deputy and your lawyers have been very professional, helpful and cordial throughout this process. The Legislature directed the Department to give the AGO full access to its work and work product, but your staff went well beyond this requirement. They responded fully to all of our requests for information, provided information that went beyond our requests and were more than generous with their time from start to finish. Hopefully the AGO findings and recommendations will be useful to the Department and to the Legislature.

Please let me know if you have any related questions.

Thank you.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

William Griffin
Chief Assistant Attorney General