

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Uniform Cover and Calendar Sheet

<p>1. <b>REPORT DATE:</b> May 26, 1998</p> <hr/> <p>3. <b>BUREAU:</b> Fixed Utility Services</p> <hr/> <p>4. <b>SECTION(S):</b> Energy</p> <hr/> <p>6. <b>APPROVED BY:</b>                   Director: D Muth 3-5242                  Supervisor: R. Bennett 7-5553 <i>RS</i>                  Legal Review: <i>J. K. [unclear], 7-3464</i></p> <hr/> <p>7. <b>PERSONS IN CHARGE:</b> Glunz/Rodrock 3-6163</p> <hr/> <p>8. <b>DOCKET NO.:</b> A-110073</p>	<p>2. <b>BUREAU AGENDA NO:</b> JUN-98-FUS-1065*</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <p><i>[Handwritten initials]</i></p> </div> <p>5. <b>PUBLIC MEETING DATE:</b> June 4, 1998</p> <div style="text-align: center; margin-top: 20px;"> <p><b>DOCKETED</b></p> <p>JUN 12 1998</p> </div>
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9. (a) **CAPTION** (abbreviate if more than 4 lines)  
 (b) Short summary of history & facts, documents & briefs  
 (c) Recommendation

(a) License Application of Green Mountain Energy Resources, L.L.C. ("GMER") to become an electric generation supplier

(b) On May 13, 1998, GMER filed an application seeking to become a licensed electric generation supplier in the Commonwealth of Pennsylvania. The application was filed pursuant to a Final Order entered on February 18, 1997, at Docket No. M-00960890 F 0004. The February 18, 1997 Order dealt with Chapter 28 Electricity Generation Customer Choice and Competition Act licensing requirements for electric generation suppliers

(c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Opinion and Order which approves an interim license.

*KJR*

10. **MOTION BY:** Commissioner Chm. Quain Commissioner Bloom - No  
 Commissioner Rolka - Yes  
**SECONDED:** Commissioner Brownell Commissioner

**CONTENTS OF MOTION:** Staff recommendation adopted.  
 Statement of Vice Chairman Robert K. Bloom attached.

LICENSE APPLICATION OF GREEN  
MOUNTAIN ENERGY RESOURCES,  
L.L.C.

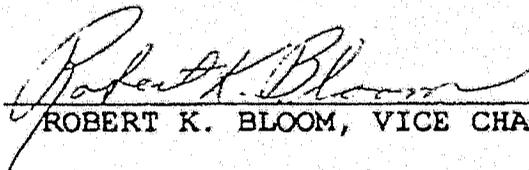
PUBLIC MEETING -  
JUNE 4, 1998  
JUN-98-FUS-1065\*  
DOCKET NO: A-110073

STATEMENT OF VICE CHAIRMAN ROBERT K. BLOOM

Before the Commission for consideration is the application filed by Green Mountain Energy Resources, L.L.C. ("Green Mountain") for approval of a license to become an electric generation supplier in Pennsylvania. The application was filed on May 13, 1998 pursuant to the Commission's directive in its order concerning licensing requirements for electric generation suppliers. The Bureau of Fixed Utility Services recommends that the Commission approve this application with the condition that Green Mountain file with the Commission a bond, letter of credit or other form of security to replace the letter of credit it submitted with its application. I disagree.

Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. §2809(c)(1)(i), requires an electric generation supplier to furnish a bond or other security approved by the Commission before the Commission can issue the supplier a license to provide electricity generation service within Pennsylvania. In its application, Green Mountain included a \$250,000 letter of credit in lieu of a security bond. Subsequently, Green Mountain sent a letter to the Commission stating that it intends to comply with the security provision of the Commission's regulations. I believe that the proper course of action in this instance, due to the uncertainty of the applicant's provision of a security bond, is to reject the license application without prejudice, or to extend the application indefinitely until the security requirement is fulfilled. Most of the applicants approved to date have supplied security bonds and it is not fair to apply different standards for other applicants. For the above reasons, I must dissent on this application.

6-4-98  
DATE

  
ROBERT K. BLOOM, VICE CHAIRMAN



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

June 4, 1998

IN REPLY PLEASE  
REFER TO OUR FILE  
A-110073

JAMES H CAWLEY ESQUIRE  
RHOADS & SINON LLP  
ONE SOUTH MARKET SQUARE  
P O BOX 1146  
HARRISBURG PA 17108-1146

DOCUMENT  
FOLDER

Application of Green Mountain Energy Resources, L.L.C. for issuance of a license to become an electric generation supplier.

LOCKETED

JUN 11 1998

To Whom It May Concern

This is to advise you that an Opinion and Order has been adopted by the Commission in Public Meeting on June 4, 1998 in the above entitled proceeding.

An Opinion and Order has been enclosed for your records.

Very truly yours,

James J. McNulty  
Secretary

Enclosure  
Certified Mail  
JEP

EEF

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION**

IN THE MATTER OF THE APPLICATION OF: A-110073

Application of Green Mountain Energy Resources, L.L.C. for issuance of a license to become an electric generation supplier.

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing, it has, by its report and order made and entered, found and determined that the granting of the application is necessary or proper for the service, accommodation, convenience and safety of the public and hereby issues to the applicant this **LICENSE FOR ELECTRIC GENERATION** evidencing the Commission's approval.

In Witness Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its Secretary at its office in the city of Harrisburg this 4th day of June 1998.

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*James F. McNeilly*

Secretary

**LOCKETED**  
JUN 11 1998

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17105-3265

Public Meeting held June 4, 1998

Commissioners Present:

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman, Dissenting-Statement attached  
David W. Rolka  
Nora Mead Brownell

Application of Green Mountain Energy  
Resources, L.L.C. for issuance of a  
license to become an electric  
generation supplier

Docket No.  
A-110073

**DOCKETED**  
JUN 11 1998

OPINION AND ORDER

BY THE COMMISSION:

On May 13, 1998, Green Mountain Energy Resources, L.L.C. ("GMER") filed an application seeking to become a licensed electric generation supplier in the Commonwealth of Pennsylvania. The application was filed pursuant to a Final Order entered on February 18, 1997, at Docket No. M-00960890 F.0004. The February 18, 1997 Order dealt with Chapter 28 Electricity Generation Customer Choice and Competition Act licensing requirements for electric generation suppliers.

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§2809 provides in pertinent part that:

License Requirement.--No person or corporation, including municipal corporations which chooses to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators and other entities, shall engage in the business of an electric generation supplier in this Commonwealth unless the person or corporation holds a license issued by the Commission. 66 Pa. C.S. §2809.

An electric generation supplier is defined as:

A person or corporation, including municipal corporations which choose to provide service outside their municipal limits except to the extent provided prior to the effective date of this chapter, brokers and marketers, aggregators or any other entities, that sells to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company, or that purchases brokers, arranges or markets electricity or related services to end-use customers utilizing the jurisdictional transmission and distribution facilities of an electric distribution company.  
66 Pa C.S. §2803.

GMER is a limited liability company owned by Green Funding I, L.L.C. ("GFI") and Green Mountain Resources, Inc. ("GMRI").

GMRI is a wholly-owned unregulated subsidiary of Green Mountain Power Corporation ("GMPC"), which is a public utility operating company engaged in supplying electrical energy in the State of Vermont. GFI is an affiliate of the Sam Wyly family of Dallas, Texas.

GMER is competing in the emerging consumer retail energy market starting in California where customers were able to choose their electricity supplier as of March 31, 1998. GMER has created retail brands of electricity and natural gas that will be sold to consumers who care about the environment in competitive markets across the nation.

GFI entered into an Operating Agreement with GMRI governing the ownership of GMER. Pursuant to the terms of the Operating Agreement, GFI initially agreed to invest up to \$30 million in GMER in exchange for an equity interest of

67 percent while GMRI contributed certain assets and business development concepts in exchange for an equity interest of 33 percent in GMER. Subsequently, GFI agreed to invest an additional \$10 million in GMER, increasing its ownership percentage to 74.3 percent. These ownership interests may be reduced further if GMER warrants and options issued to GMER management and consultants are exercised. GMRI's ownership percentage of GMER will be further diluted if GFI and/or third parties contribute additional capital to GMER and GMRI does not make pro rata additional capital contributions at such time. GMRI received a payment of \$4 million from GMER at the closing as reimbursement for certain development expenses incurred. Pursuant to the terms of the Operating Agreement, funds provided by GFI will be used to pay future GMER development expenses and operating costs. GMRI is not obligated to fund future development costs, and the Operating Agreement provides that GMRI will not be allocated operating losses from GMER, thus limiting GMPC's shareholders' future financial risk while preserving their opportunity to participate in the success of GMER. In addition, GMPC and GFI have agreed that neither GMPC nor GFI will compete against GMER in the retail energy business for a period of seven years.

It is important to note that a licensee must comply with, and be governed by, our Chapter 56 regulations. Thus, we deem it appropriate to reiterate certain items with respect to Chapter 56 of our regulations. Chapter 56 (52 Pa. Code Chapter 56) is applicable only to residential accounts. An electric generation supplier cannot physically disconnect a customer from the electricity grid, and the service termination provisions are not applicable. An

electric generation supplier may seek to terminate its generation services through an appropriate written notice to the customer and the distribution company. The customer can then attempt to repair their relationship with the supplier, seek a new supplier, or default to utility services at capped rates in accordance with the local electric distribution utility's obligations under Section 2807(e). 66 Pa. C.S. §2807(e). The customer would only be disconnected from the electricity grid pursuant to Chapter 56 if the customer failed to meet their obligations to the utility or the provider of last resort.

Additionally, we take this opportunity to once again remind the licensee that its officers, representatives and employees have agreed to lawfully abide by all Commission regulations, procedures and orders, including Emergency Orders which may be issued verbally, or in writing during any emergency situations that may unexpectedly develop from time-to-time in the course of doing business in Pennsylvania.

GMER will offer, render, furnish or supply electricity or electric generation services as a Broker/Marketer and Aggregator in the business of supplying electricity to the public. Services will be offered to residential, commercial, industrial and governmental customers throughout Pennsylvania.

GMER has provided proofs of publication from the Pennsylvania newspapers in which it was required by the Commission to publish its notice of application.

Sufficient information was included in GMER's Application to demonstrate its technical fitness in order to be licensed to operate as an Electric Generation Supplier in Pennsylvania.

GMER has furnished the following items as support for its financial fitness in order to be licensed to operate as an Electric Generation Supplier in Pennsylvania.

1. GMPC's 1997 Form 10-K. GMPC is the parent company of GMRI; GMRI owns 25.7% of GMER.
2. An affidavit was provided that stated that GFI has committed to contribute \$40 million to GMER. GFI owns 74.3% of GMER.

GMER has provided a copy of its \$250,000 letter of credit, which expires on August 31, 1998. In a letter dated May 12, 1998, GMER states that it intends to comply with the security provisions of the Commission's regulations and will replace the letter of credit with a suitable surety bond or other acceptable form of security prior to August 31, 1998.

As of June 2, 1998, no protests have been filed.

We find that the applicant:

1. Is fit, willing and able to properly perform the service proposed in conformance with applicable provisions of the Public Utility Code and the lawful Commission orders and regulations, specifically including 52 Pa. Code Chapter 56 (relating to Standards and Billing Practices for Residential Utility Service).

2. Has agreed to lawfully abide by all Commission regulations, procedures and orders, including Emergency Orders which may be issued verbally, or in writing during any emergency situations that may unexpectedly develop from time-to-time in the course of doing business in Pennsylvania.

3. That the proposed service to the extent authorized by the license, will be consistent with the public interest and the policy declared in the Electricity Generation Customer Choice and Competition Act.

Upon full consideration of all matters of record, we find that approval of this application is necessary and proper for the service, accommodation and convenience of the public, THEREFORE,

IT IS ORDERED:

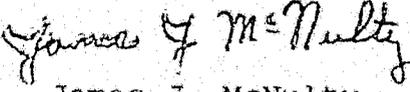
1. That the application of Green Mountain Energy Resources, L.L.C. is hereby approved, consistent with this Opinion and Order.

2. That an interim license be issued authorizing Green Mountain Energy Resources, L.L.C. the right to begin to offer, render, furnish or supply electric generation supplier services to the public in the Commonwealth of Pennsylvania.

3. That on or before August 14, 1998, Applicant file with the Commission a bond, letter of credit or other form of security, acceptable to the Commission to replace the letter of credit which will expire on August 31, 1998.

4. That the Docket be closed.

BY THE COMMISSION,

  
James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: June 4, 1998

ORDER ENTERED: JUN 4 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Harrisburg, Pennsylvania 17105-3265

LICENSE APPLICATION OF GREEN  
MOUNTAIN ENERGY RESOURCES,  
L.L.C.

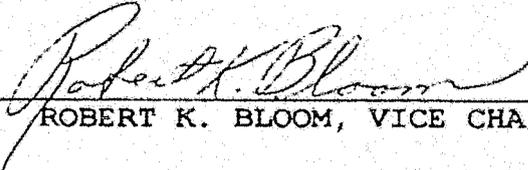
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6-4-98  
DATE

  
ROBERT K. BLOOM, VICE CHAIRMAN

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DOCKETED  
JUN 11 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
RECEIPT

SRB

*The addressee named here has paid the PA P.U.C. for the following bill:*

RHOADS & SINON LLP  
PO BOX 1146  
HARRISBURG, PA 17108-1146

DATE 6/ 2/98  
RECEIPT # 250050

DOCKETED

JUN 04 1998

In re: Electrical Generation fees for GREEN MOUNTAIN ENERGY RESOURCES  
Docket Number A-110073.....\$350.00

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FOLDER

REVENUE ACCOUNT: 001780-017601-104

CHECK NUMBER: 011590  
CHECK AMOUNT: \$350.00

C. Joseph Meisinger  
(for Department of Revenue)