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COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

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 :
Application of Green Mountain Energy : Docket No.
Resources, LLC For approval to offer, : A-110073
 render, furnish or supply electricity :
 or electric generation services as a :
 broker/marketer engaged in the business :
 of supplying electricity to the public :
 in the Commonwealth of Pennsylvania. :
 :
 ----- X
Petition of Green Mountain Energy : Docket No.
Resources, LLC For partial waiver of : P-00011925
 52 PA Code 54.40. :
 :
 Initial Telephonic Hearing :
 :
 ----- X

Pages 13 through 23 Hearing Room No. 2
 Commonwealth Keystone Building
 Harrisburg, Pennsylvania
DOCUMENT FOLDER Thursday, October 16, 2003

Met, pursuant to adjournment, at 10:10 a.m.

BEFORE:

ROBERT P. MEEHAN, Administrative Law Judge

APPEARANCES:

JAMES H. CAWLEY, Esquire
 Rhoads & Sinon, LLP
 One South Market Square
 P.O. Box 1146
 Harrisburg, Pennsylvania 17108-1146
 (For Green Mountain Energy Resources, LLC)

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Commonwealth Reporting Company, Inc.
 700 Lisburn Road
 Camp Hill, Pennsylvania 17011

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APPEARANCES (Continued):

TANYA J. McCLOSKEY, Esquire
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Forum Place, Fifth Floor
Harrisburg, Pennsylvania 17101-1923
(For Office of Consumer Advocate)

DANIEL P. DELANEY, Esquire
Kirkpatrick & Lockhart, LLP
Payne Shoemaker Building
240 North Third Street
Harrisburg, Pennsylvania 17101-1507
(For Duquesne Light Company)

DELIA STROUD, Esquire
2301 Market Street
Philadelphia, Pennsylvania 19101
(For PECO Energy Company)

DAN REGAN, Esquire
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Harrisburg, Pennsylvania 17102
(For Energy Association of Pennsylvania)

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WITNESS INDEX

WITNESSES

DIRECT CROSS REDIRECT RECROSS

(None.)

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FORM 2

P R O C E E D I N G S

1
2 ADMINISTRATIVE LAW JUDGE ROBERT P. MEEHAN: We're on
3 the record.

4 I have a minor housekeeping matter on my part. For
5 the benefit of the court reporter, the transcript of the
6 July prehearing conference ended at page number 12.

7 Now, let me go through and find out who all is
8 present.

9 Mr. Cawley?

10 MR. CAWLEY: Yes, Your Honor.

11 JUDGE MEEHAN: Ms. Stroud?

12 MS. STROUD: Yes, Your Honor.

13 JUDGE MEEHAN: Mr. Regan?

14 MR. REGAN: Yes, Your Honor.

15 JUDGE MEEHAN: Mr. Delaney?

16 MR. DELANEY: I'm here, Your Honor.

17 JUDGE MEEHAN: Am I missing somebody?

18 MS. McCLOSKEY: Ms. McCloskey from OCA, Your Honor.

19 JUDGE MEEHAN: Thank you. I believe that is all of
20 the parties that are involved in this; correct?

21 MR. CAWLEY: That is correct.

22 JUDGE MEEHAN: All right. Mr. Cawley and the rest,
23 if you could all kind of move a little closer to the phone
24 so that I can hear a little bit better.

25 We'll begin with Mr. Cawley since your client has

1 initiated the proceeding.

2 MR. CAWLEY: Thank you, Your Honor. As we have
3 previously indicated to you, since the last hearing, the
4 parties have arrived at a settlement of this matter and have
5 reduced their agreement to a Joint Petition for Settlement,
6 which we would like to submit into the record and to you
7 this morning.

8 As a part of that settlement, there is a separate
9 verification signed by the Chief Financial Officer of Green
10 Mountain Energy Company verifying that it has paid all of
11 its state taxes, and there is also a separate affidavit of
12 the same Chief Financial Officer, which constitutes Green
13 Mountain's case in chief, if you will, or testimony in
14 support of the Joint Petition for Settlement, and also it
15 answers some of the questions that the Commission posited in
16 its last Order in this matter, which was a denial of Green
17 Mountain's Petition for Reconsideration.

18 That same Order gave Green Mountain the option of
19 proceeding with its petition which started this proceeding
20 or posting security according to the applicable regulation.

21 So, to summarize again, Your Honor, we have three
22 documents which we would like to submit into the record.
23 The first is a Joint Petition for Settlement. The second is
24 a verification by the Chief Financial Officer of Green
25 Mountain, and the third is an affidavit of the Chief

1 Financial Officer of Green Mountain.

2 JUDGE MEEHAN: What I would propose doing for the
3 record is identifying the verification as Green Mountain
4 Statement 1 and the affidavit as Green Mountain Statement
5 1A, as they both provide factual information.

6 (Whereupon, the documents were marked
7 as Green Mountain Statements Nos. 1
8 and 1A for identification.)

9 JUDGE MEEHAN: With that, let me ask if there are any
10 objections to Green Mountain Statement 1 or Statement 1A
11 being admitted into the record?

12 MS. McCLOSKEY: No objection from the OCA, Your
13 Honor.

14 MR. DELANEY: Duquesne has no objection, Your Honor.

15 MS. STROUD: PECO has no objections, Your Honor.

16 MR. REGAN: And the Energy Association has no
17 objections, Your honor.

18 JUDGE MEEHAN: All right. Then Green Mountain
19 Statement 1 and Statement 1A are admitted.

20 (Whereupon, the documents marked as
21 Green Mountain Statements Nos. 1 and
22 1A were received in evidence.)

23 JUDGE MEEHAN: It's not necessary to identify the
24 joint petition as a statement or an exhibit. I take it all
25 parties are in agreement with the terms as stated therein;

1 right?

2 MS. McCLOSKEY: Yes, Your Honor.

3 MR. DELANEY: Yes, Your Honor.

4 MS. STROUD: That's correct, Your Honor.

5 JUDGE MEEHAN: Let me ask then is there any other
6 business that needs to be conducted this morning?

7 MR. CAWLEY: Yes, Your Honor. To facilitate the
8 negotiations leading up to the Joint Petition for
9 Settlement, the parties entered into a stipulated protective
10 agreement, and the parties ask you to convert that into a
11 Protective Order of the Commission.

12 JUDGE MEEHAN: Just for my own benefit, I looked
13 through the verification and the affidavit, Mr. Cawley,
14 which you sent me electronically yesterday and did not
15 notice therein any information that has been made part of
16 the record in this case that is designated as proprietary.
17 Am I correct?

18 MR. CAWLEY: Your Honor, may I have a moment to
19 confer with counsel?

20 JUDGE MEEHAN: Sure.

21 MS. McCLOSKEY: Your Honor, this is Ms. McCloskey. I
22 think what the Protective Order will go to is the future
23 reporting requirements that are contained in the Joint
24 Petition for Settlement. It does require the company to
25 report to the parties in this proceeding business

1 information on a quarterly basis, which the company felt was
2 proprietary.

3 During the discovery phase, they did provide similar
4 information under the stipulated protective agreement. I
5 believe we were looking for the Protective Order as part of
6 this proceeding since the reporting will continue under
7 these dockets as part of the finality of this proceeding.

8 MR. CAWLEY: Your Honor, I would agree with that
9 assessment.

10 JUDGE MEEHAN: All right. In light of the fact that
11 the parties have stipulated to it, I will issue a Protective
12 Order, although this is not the kind of Protective Order or
13 if this was in a motion, I probably would not grant it. But
14 in light of the stipulation, I'll accept it.

15 Is there any other business that the parties want to
16 conduct this morning?

17 MR. CAWLEY: Your Honor, just a housekeeping matter.
18 The documents that we are giving the court reporter this
19 morning are copies. We have the original signatures of all
20 counsel except Ms. Stroud's, and what I propose to do is
21 receive her original signature for the joint petition and
22 gather the original copies of the affidavit and the
23 verification and submit them either to you or to the
24 Secretary of the Commission or to the court reporter, as you
25 wish.

1 JUDGE MEEHAN: They should be sent to the Secretary
2 to the attention of the docketing section so they are
3 included in the appropriate folders for this proceeding; and
4 in view of the fact that the Commission wants to issue its
5 decision in this proceeding at Public Meeting of October 30,
6 I would suggest that by the 24th of October those documents
7 should be transmitted to the Secretary.

8 MR. CAWLEY: Very well. That's all that Green
9 Mountain has, Your Honor. Thank you.

10 JUDGE MEEHAN: All right. Does any other party have
11 anything they wish to bring up this morning?

12 MS. McCLOSKEY: No, Your Honor.

13 MR. DELANEY: No, Your Honor.

14 MS. STROUD: Nothing from PECO, Your Honor.

15 MR. REGAN: Nothing further, Your Honor.

16 MR. CAWLEY: Your Honor, may I just say I would like
17 to say on behalf of Green Mountain that we are very grateful
18 for the efforts of the parties to come to an agreement in
19 this case, and we are hopeful that you will recommend that
20 the Joint Petition for Settlement be approved and that the
21 Commission follow your advice.

22 JUDGE MEEHAN: All right. Well, there being nothing
23 further then, we'll conclude the hearing, and as quickly as
24 possible, I'll have my Recommended Decision issued so the
25 Commission will have it for consideration at the Public

1 Meeting of October 30.

2 I thank all of you for being available this morning.

3 (Whereupon, at 10:20 a.m., the hearing was
4 adjourned.)

5 ***

6
7
8 C E R T I F I C A T E

9 I hereby certify, as the stenographic reporter, that
10 the foregoing proceedings were taken stenographically by me,
11 and thereafter reduced to typewriting by me or under my
12 direction; and that this transcript is a true and accurate
13 record to the best of my ability.

14 COMMONWEALTH REPORTING COMPANY, INC.

15
16 By:

Sandra Milus Brown

17 Sandra Milus Brown

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SECRETARY'S BUREAU

Green Mountain
Statement 1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SM
10-16-03
HJH

Petition of Green Mountain Energy :
Company For Partial Waiver Of The : Docket Nos. P-00011925
Provisions Of 52 Pa. Code §54.40 : A-110073
(Relating to Bonds or Other Security) :

VERIFICATION

I, Bryan M. DeCordova, Chief Financial Officer of Green Mountain Energy Company, hereby state on behalf of Green Mountain Energy Company that the facts set forth below are true and correct to the best of my knowledge, information, and belief. Green Mountain Energy Company expects to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

1 As a licensed Energy Generation Supplier under 66 Pa. C.S. Chapter 28, Green Mountain Energy Company is subject to the following taxes and assessments in Pennsylvania: Gross Receipts Tax, sales and use tax, corporate net income tax, and Pennsylvania Public Utility Commission general assessments.

2 Green Mountain Energy Company has (a) timely filed all required returns with respect to the taxes identified in paragraph 1 and has paid the amounts reflected in such returns; and (b) paid all Pennsylvania Public Utility Commission general assessments. There are no audits pending with respect to the taxes identified in paragraph 1, with the exception of an ongoing routine sales and use tax audit (at this time, no claims resulting from this audit have been made by the Pennsylvania Department of Revenue).

Bryan M. DeCordova
Bryan M. DeCordova

Dated: October 15, 2003

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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*Green Mountain
Statement 1A*

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

SA
10-16-03

Petition of Green Mountain Energy :
Company For Partial Waiver Of The : Docket Nos P-00011925
Provisions Of 52 Pa. Code §54.40 : A-110073
(Relating to Bonds or Other Security) :

SECRETARY'S BUREAU

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AFFIDAVIT OF BRYAN M. DeCORDOVA

Bryan M. DeCordova, having taken the oath according to law, makes the following statement under penalty of perjury:

DOCUMENT
FOLDED

1. I am presently the Chief Financial Officer of Green Mountain Energy Company ("Green Mountain"). In this position, I am responsible for overseeing all financial matters involving the company, including accounting, financial reporting, and tax payments of Green Mountain.

2. The Commission's regulation at 52 Pa. Code § 54.40(b) states that "the purpose of the security requirement is to ensure the licensee's financial responsibility, the payment of gross receipts tax as required by section 2810 of the code (relating to revenue-neutral reconciliation), and the supply of electricity at retail in accordance with contracts, agreements, and arrangement. See section 2809(c) of the code."

3. Thus, the Commonwealth seeks security that taxes will be collected to maintain its revenue neutrality and that no event, including supplier default, will prevent

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consumers from realizing the full savings guaranteed to them when they entered into contracts with their Energy Generation Supplier ("EGS").

Pennsylvania Taxes Have Been Paid

4. On March 7, 2003, Green Mountain estimated and prepaid its required 2003 Gross Receipts Tax. In mid-March 2004, Green Mountain intends to again estimate and prepay its Gross Receipts Tax. In addition, I am not aware of any instance, since beginning to do business in Pennsylvania in 1998, that Green Mountain has failed to timely pay all taxes due and owing the Commonwealth of Pennsylvania.

End of PECO Competitive Default Service Program

5. Currently, Green Mountain Energy Company serves approximately 30,000 customers under provisions of the PECO Energy Company ("PECO") Competitive Default Service ("CDS") Program which provides customers with a percentage discount from the PECO "price to compare". Green Mountain provides PECO with \$3,040,000 in security to secure its obligations under the CDS Agreement with that company.

6. Under the terms of Green Mountain's PECO CDS Agreement, customers will be returned to PECO service effective with their January 2004 meter readings. Approximately 38% of Green Mountain's revenue for 2002 was directly attributed to customers served under the PECO CDS Program. The end of that Program will result in an approximate 35% reduction of Green Mountain's 2004 gross revenues.

Other Security Provided by Green Mountain

7. Green Mountain procures its Pennsylvania supply through a long-term relationship with one of its principal stockholders. This stockholder, a leading, global energy company, also serves as Green Mountain's scheduling coordinator and has met PJM's security requirements.

No Potential for "Lost Customer Savings"

8. With the exception of its service to PECO's CDS customers, Green Mountain's renewable and cleaner energy products are priced at a premium to the consumer's "price to compare." Therefore, the potential for "lost savings" does not exist for non-CDS customers. In the unlikely event of default, none of Green Mountain's non-CDS customers would experience financial harm related to lost savings.

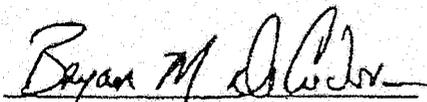
The Cost and Effect of Increasing Green Mountain's Security Requirement

9. The current Letter of Credit of \$1,803,608 is issued in connection with an existing master Letter of Credit facility. Green Mountain's reimbursement obligations under this facility are secured by Letters of Credit provided by several of Green Mountain's principal stockholders. Green Mountain pays a fee to its stockholders for providing these Letters of Credit. In the proposed Joint Settlement Agreement, Green Mountain is able to increase its current level of security to \$2,175,000 because it has some amount of availability under this master facility. Green Mountain's real concern is the cost of providing a Letter of Credit in an amount equal to 10% of gross revenues (including PECO CDS customer revenues), which would increase the Letter of Credit amount to more than \$5,000,000. Since Green Mountain has limited availability remaining under the master Letter of Credit facility, it would have to pledge several million dollars in cash to provide a

\$5,000,000 Letter of Credit. Green Mountain is not willing use that much cash to over secure the risks intended to be addressed by the security required under 52 Pa. Code § 54.40(d). It very likely would leave the Pennsylvania market instead.

10. Thus, a security equivalent of 10% of Green Mountain's 2002 gross receipts, reflecting the height of its PECO CDS customer level, would cause an unnecessary financial burden in 2004 when these customers have been returned to PECO. Such a security requirement, divorced from the reality of Green Mountain's customer level and revenues, would needlessly tie up funds that could otherwise be allocated to building Green Mountain's business.

11. For the foregoing reasons, Green Mountain believes that the Commission should approve the Joint Petition for Settlement submitted by the parties to this proceeding which grants Green Mountain a partial waiver of the requirements of 52 Pa. Code § 54.40(d) and requires Green Mountain to provide by November 4, 2003, security to the Commission in the amount of 10 percent of Green Mountain's projected non-PECO CDS gross revenues for 2004 (\$2.175 million security for 2004), with like security to remain in effect until the Commission's regulations are issued and effective.



Bryan M. DeCordova, Chief Financial Officer
Green Mountain Energy Company

STATE OF TEXAS :
 : SS:
COUNTY OF TRAVIS :

On this the 15th day of October, 2003, before me, a Notary Public, personally appeared Bryan M. DeCordova who acknowledged himself to be the Chief Financial Officer of Green Mountain Energy Company and that as such officer he was authorized to acknowledge the foregoing Affidavit by signing his name on behalf of that company.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal.

Glenda Roselle
Notary Public

My Commission Expires: 9-13-04

