

**VERMONT DEPARTMENT OF PUBLIC SERVICE
REQUEST FOR PROPOSALS**

Cost of Capital Review Services

The Vermont Department of Public Service (Department), which represents the public interest in utility cases before the Vermont Public Service Board (Board), is soliciting proposals from qualified experts in utility finance to review and make recommendations on the appropriate cost of capital and capital structure of Green Mountain Power Corporation (GMP), for use in a rate case anticipated to be filed in mid-April 2017. The work will include, but is not limited to, a determination of the appropriate cost of GMP's debt and equity, a determination of an appropriate capital structure, a review and differentiation of its cost of equity under traditional regulation as well as under any alternative regulation plan that may be in place during the rate year, and a review of GMP's rate base to determine whether a differentiated return is appropriate for different rate base components.

The work is anticipated to take place primarily from April through December 2017. The contract period will begin when a contract is executed and end one year from that date.

This is one of three RFPs being issued by the Department in connection with the anticipated rate proceeding. Respondents should review the other two RFPs (Regulatory Accounting/Ratemaking and Capital Planning). To the extent a Respondent wishes to pursue more than one RFP, it should separately respond to each request.

Proposals are due by 4:00 pm on April 12, 2017 with the goal of finalizing a contract by mid-April. The selected Respondent should be available to start immediately thereafter. Three (3) hard copies and one (1) electronic copy of the proposal must be delivered to the Department. Proposals and questions should be addressed to:

Brian Winn
Director of Finance and Economics
Vermont Department of Public Service
112 State Street
Montpelier, VT 05620-2601
Phone: (802) 828-2325
brian.winn@vermont.gov

Scope of Services

The Department anticipates that the Respondent hired in connection with this RFP will support the financial, legal, consumer affairs, and technical staff of the Department by providing expertise and technical assistance regarding appropriate return on debt and equity calculations as well as an optimum capital structure for GMP in connection with an anticipated rate proceeding.

Respondent will review and provide an assessment of GMP's cost of capital and capital structure

proposal. Respondent will also conduct an independent examination assessing and recommending an appropriate return on equity and capital structure for GMP's regulated operations under traditional regulation pursuant to traditional discounted cash flow, capital asset pricing model, and risk premium methodologies.

Respondent will be experienced in analyzing the cost of capital of regulated utility companies for the purpose of setting just and reasonable rates, and have knowledge of general and utility-specific finance principles and current developments. Respondent shall be qualified and prepared to prepare and render expert testimony, and be cross-examined, with respect to all of the issues addressed in this RFP, and which are likely to arise in a rate proceeding seeking cost recovery for the Project.

Deliverables

The final deliverables and work product of Respondent chosen through this RFP will consist of:

A written report (or pre-filed testimony), including supporting detail, covering the review and examination of GMP's cost of capital to be used in setting just and reasonable rates. This will include (1) a determination of the appropriate cost of debt to be used for setting rates for GMP; (2) a cost of equity study to estimate the cost of equity of GMP for use in setting rates; (3) a determination of the appropriate cost of capital to apply to rate base to provide GMP the opportunity to earn income sufficient to maintain its financial integrity and attract capital when efficiently managed; (4) an evaluation of GMP's bond rating/credit position; (5) a recommendation as to an appropriate fair value rate of return for application to the fair value rate base; and a review of GMP's rate base to determine whether a differentiated return is appropriate for different rate base components.

The following items will be required, as necessary, through the course of litigation:

1. Preliminary assessment of issues and preparation of a work plan within the schedule set by the Board;
2. Discovery requests and evaluation of responses, including assistance with preparation for depositions;
3. Written testimony presenting a description of the review methods, materials reviewed, conclusions, and recommendations with supporting analysis;
4. Responses to discovery relating to the written testimony;
5. Cross-examination testimony and assistance with cross-examination of opposing witnesses;
6. Proposed findings of fact and other assistance with initial and reply briefs in support of the Department's case.

Respondent should be prepared to provide multiple electronic (original source applications and pdf) and hard copies of written products intended to be filed with the Department and the Board and be available for teleconferencing discussions with the Department and GMP. Respondent

may be required to agree to maintain the confidentiality of specified information and documents.

Schedule

Respondent selected for this work must be able to begin work upon award of the contract and to prepare for meeting the timelines established by the Board in the anticipated proceedings. The Department anticipates that the rate filing will be made in mid-April 2017, and that the proceeding will run through December 2017.

Setting

Reviews and audits will take place in the context of contested administrative proceedings, through informal and formal discovery, and on-site review if needed. Respondent will be expected to write and assist Department staff in preparation of written discovery requests and deposition questions. In addition, Respondent will be expected to provide written testimony and exhibits presenting the results of their work, and to defend that work through testimony, discovery responses, depositions, and cross-examination. Respondent will be expected to testify in person in Montpelier, Vermont. Assistance with preparation of cross-examination, briefs, and proposed findings may also be required. Field visits to GMP's offices in Colchester and Rutland, Vermont may be necessary to review the supporting financial and operational records, and to interview company personnel. Should settlement talks be initiated, Respondent will be expected to assist the Department as necessary in those talks.

Oversight

The contract will be managed by the Department's Finance & Economics Director, Brian Winn. Other Department staff will also be available as needed for consultation.

Proposal Format

All responses to this RFP must include the following information:

1. A brief description of the firm, which includes its history, organizational structure, and qualifications of relevant professional staff, including names and resumes with detailed qualifications and levels of competence of all individuals proposed to perform services. Subcontractors must be listed, including the firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning the subcontractor's organization and abilities.
2. A list with the names, phone numbers, and email addresses of personnel authorized to negotiate the proposed contract with the Department. All proposals must be signed by a duly authorized representative of the party (or parties) submitting the proposal.
3. A list of recent work performed, particularly including contracts with or appearances before utility regulatory agencies (if any), with a short narrative explaining the nature and extent of each such engagement. In the case of sworn testimony and depositions, please include a comprehensive list of all such proceedings, including docket

- numbers of any contested cases, as well as the name and telephone number of a reference person familiar with the respondent's work.
4. A discussion of the respondent staff's expertise and experience relevant to the subject matter of this RFP.
 5. A description of all known or probable scheduling constraints or limitations on staff availability within the timeframe of the contract.
 6. Respondent selected will be compensated on a time and material basis. Please indicate the following:
 - a. Fees for staff time, showing the level of staff to be assigned, titles, hourly rates;
 - b. Travel expenses, including estimated transportation costs, lodging and subsistence, including all-in costs to attend meetings in Montpelier, Vermont; and
 - c. Description of all overhead and other costs that may be billed.
 7. A declaratory statement regarding Respondent's past, current and anticipated relationships, obligations and commitments with any entity engaged in developing, constructing, operating, maintaining, and/or monitoring any utility facilities in Vermont, or with companies affiliated with GMP. If the consultant is involved in any way in any litigation, arbitration, mediation, or other dispute resolution process to which the State of Vermont is a party, please identify the matter (including docket number) and describe the involvement.

Evaluation Criteria

The Department will evaluate all responses received based upon its assessment of the reasonableness of cost, completeness, and quality of the responses, qualifications of the individuals proposed to perform the work, relevance of previous experience, and any other criteria it deems relevant. Acceptance or rejection of any or all proposals will be determined by the exercise of the Department's sole discretion.

General Terms and Conditions

1. The consultants awarded this contract shall, upon notification of award, apply for registration with the Vermont Secretary of State's Office to do business in the State of Vermont, if not already so registered. Registration instructions may be found at: <https://www.sec.state.vt.us/corporationsbusiness-services/start-or-register-a-business.aspx> or by contacting the Corporations Division at 128 State Street, Montpelier, VT 05633-1104 or by telephone at (802) 828-2386. The Department will not execute the contract until the consultants are registered with the Secretary of State's Office.
2. Respondents' technical proposals become public records and may become available for public review and inspection upon execution of a contract. The contents of the successful respondent's proposal, as accepted by the Department, may become part of

- the contract awarded as a result of this process. If any bidding party wishes to submit confidential information, all such information must be clearly designated and include an explanation for the designation.
3. The Department reserves the right to reject any and all proposals received as a result of this solicitation, to negotiate with any qualified source, to waive any formality and technicalities, or to cancel this RFP in part or in its entirety if it is in the best interests of the State.
 4. The Department shall not be responsible for any costs incurred by any party in preparation of any proposal submitted in response to this RFP.
 5. News releases pertaining to this RFP, contract award, or the project shall not be made without prior written approval from the Department.
 6. All parties submitting proposals shall be Equal Opportunity Employers. During the duration of the performance of the contract, the consultants will be expected to comply with all federal, state, and local laws respecting non-discrimination in employment.
 7. All proposals and deliverables become the property of the Department upon submission. Unselected proposals may be destroyed or returned to the bidder at the Department's discretion. This solicitation for proposals in no way obligates the Department to award a contract.
 8. The Department assumes no liability in any fashion with respect to this RFP or any matters related thereto. All prospective consultants and their subcontractors or successors, by their participation in the RFP process, shall indemnify, save and hold the Department and its employees and agents free and harmless from all lawsuits, causes of action, debts, rights, judgments, claims, demands, damages, losses and expenses or whatsoever kind of law or equity known or unknown, foreseen or unforeseen, arising from or out of this RFP and/or any subsequent acts related thereto, including but not limited to the recommendation of a consultant and any action brought by an unsuccessful respondent.
 9. The selected Respondent shall furnish any available information in their possession to the Department upon request, if relevant to the project.

State of Vermont Contracting Process

For any contract with a dollar value greater than \$15,000, the contract must be approved by the Vermont Attorney General's Office. Although such review is typically completed within two weeks, the timing of the contract start date may be delayed if the Attorney General's Office identifies specific issues.

Any contract with the State of Vermont is required to have some form of performance measures. In the contract resulting from this RFP, the Department expects that such measures will consist of (1) the timing related to the consultant's submittal of meeting summaries, and (2) the timing related to the consultant's response to any Department requests for input on strategies or requests

for further information. Such performance measures would assume a reasonable amount of response time, taking into account holidays, advance notification of key personnel vacation, etc. Respondents are encouraged, but not required, to suggest reasonable performance measures in the response to this RFP, which the Department may, at its discretion, incorporate into a resulting contract.

All consultants under contract with the State of Vermont must abide by the conditions of the State Standard Contract Agreement, available at:

http://bgs.vermont.gov/sites/bgs/files/files/purchasing-contracting/contracts/ATTACHMENT_C.pdf.

Selection Criteria

The Department will evaluate all proposals received based upon reasonableness of cost, completeness and quality of the proposal, qualifications of the individuals proposed to perform the work, relevance of previous experience, and any other criteria it deems relevant. The Department will also consider the responses to this RFP in light of the two other RFP's issued in connection with the upcoming rate proceeding (Regulatory Accounting/Ratemaking and Capital Planning). Acceptance or rejection of any or all proposals will be determined by the exercise of the Department's sole discretion. All proposals are subject to an evaluation by the Department and/or non-departmental reviewers. The Department reserves the right (but in no way is obligated) to interview the top prospective candidates to aid in the selection process.