STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Central Vermont Public Service Corporation, Danaus Vermont Corp., Northern New England Energy Corporation for itself and as agent for Gaz Métro Limited Partnership and its parents, Green Mountain Power Corporation and Vermont Low Income Trust for Electricity, Inc. for approval of: (1) the merger of Danaus into and with Central Vermont, (2) the acquisition by Northern New England of the common stock of Central Vermont, (3) the amendment to Central Vermont's Articles of Association, (4) the merger of Central Vermont into and with Green Mountain, and (5) the acquisition by VLITE of a controlling interest in Vermont Electric Power Company, Inc.	)	Docket No. _____

PREFILED TESTIMONY OF

BRIAN OTLEY

ON BEHALF OF THE PETITIONERS

September 2, 2011

Summary of Testimony

Mr. Otley describes the compatibility of the two companies' service territories. He then describes the manner in which the operations of Green Mountain Power Corporation and Central Vermont Public Service Corporation will be integrated. He discusses the planned time frame for the integration and the impact on customers of the integration process. Finally, Mr. Otley describes the service quality resulting from the integration, and explains why the combined company will be technically competent.

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1. Q. What is your name and business affiliation?

A. My name is Brian Otley and I am the Chief Operating Officer for Green Mountain Power Corporation, ("Green Mountain Power" or "GMP"), 163 Acorn Lane, Colchester, Vermont.

2. Q. Please describe your educational background and business experience.

A. I graduated from Dartmouth College in 1989 with a Bachelor of Arts degree. For the first 20 years of my career, I worked in the healthcare Information Technology sector. I held various functional and executive leadership roles with a number of software and services companies. My experience included leadership of software engineering, product marketing, systems implementation, customer support, mergers/acquisitions and general management. The companies I worked for were generally focused on the application of software systems and technologies to the operational processes of healthcare organizations in order to create cost efficiencies and quality improvements. During this stage of my career, I was involved in approximately seven post-merger integrations, both from the acquirer and acquiree sides. In 2005, I was the integration manager for IDX Systems Corporation's ("IDX") acquisition of Real Time Imaging ("RTI"), an Israeli developer of software systems targeted to the tele-radiology market. From 2006 to 2007, I was the "acquiree" integration leader for GE Healthcare's ("GEHC") acquisition of IDX. IDX was a developer of software systems used in many aspects

of the U.S. and international healthcare delivery markets. IDX had annual revenues of approximately $650 million and 2,500 employees at the time of the acquisition by GEHC. In my role as integration leader, I served as primary executive on the GEHC integration team representing the IDX interests and capabilities. Just prior to joining Green Mountain Power in 2008, I was general manager of GEHC's software business unit focused on the ambulatory physician segment of the U.S. and Canadian markets. This GEHC unit had $180 million in revenues, with over 400 employees nationwide.

In 2008, I joined GMP as Leader of Information and Innovation. In this role, I was responsible for the information technology infrastructure and capabilities of Green Mountain Power, while also driving positive change into Green Mountain Power's use of technology across all aspects of its operation and customer service. Beginning in April 2009, I led GMP's Smart Grid ("SG") activities, including participating in the successful eEnergy Vermont application to the U.S. Department of Energy for Vermont's Smart Grid Incentive Grant ("SGIG") award. I have done extensive research into SG technologies, strategies and policy as they relate to utility operations over the past three years and have presented at industry conferences on several topics. Throughout the period beginning with the decision to develop a Vermont SGIG application in April 2009 through today, I have worked collaboratively with the Central Vermont Public Service Corporation ("Central Vermont" or "CVPS") SmartPower® team in planning, research, technology evaluation/selection, regulatory policy and other activities. I have positive relationships with many of CVPS's leaders and value the collaborative work we have done together. I was directly involved in GMP and CVPS working collaboratively together on a joint Advanced Metering Infrastructure ("AMI") procurement, a unique partnership

with Vermont Telephone Company ("VTel") for backhaul communications, web presentment planning, cyber security planning, dynamic rates planning and assessing a customer opt-out policy for advanced metering. I will continue to work with CVPS SmartPower® leadership on other emerging issues, such as consumer privacy, cyber security and other operational and policy issues, as well deployment of our projects in collaboration.

In February 2011, I became Chief Operating Officer of GMP. In this role I am responsible for all field and customer-related operating activities of the company.

3. Q. Have you previously testified before the Vermont Public Service Board ("Board")?

A. No.

4. Q. What is the purpose of your testimony?

A. I describe the compatibility of the two companies' service territories. I then describe the manner in which the operations of Green Mountain Power and Central Vermont will be integrated. I also discuss the planned time frame for the integration and the impact on customers of the integration process. In addition, I describe the service quality resulting from the integration. Finally, I explain why the merged Central Vermont/Green Mountain Power ("Combined Company") will be technically competent.

5. Q. Please describe the Green Mountain Power and Central Vermont service territories, and why they are compatible.

A. The two companies are highly compatible, both geographically and demographically. GMP and CVPS both serve a mix of urban, suburban and rural areas within their service territories. Both utilities manage sub-transmission and distribution. Both utilities own generation assets within their service territories.

CVPS has a more contiguous service territory with more square miles and line miles than GMP. Geographically, the GMP and CVPS service territories are adjacent throughout Vermont, with the exception of the Montpelier area. The adjacent service territories mean that on most working days, there are operating activities of each company that can occur literally across the street from one another. A map of the GMP and CVPS service territories is attached as **Exh. Pet.-BO-1**.

The adjacent nature of the service territories creates an opportunity for cost savings as the two companies fully integrate their field operations and operate a more efficient territory coverage model. For instance, over the years it has been common for the two companies to share resources during major outage events, typically caused by weather. Due to the adjacent service territories and similar operating characteristics of the two companies, the fastest way to restore service to all customers during widespread outages is often to share resources until full restoration is achieved. The two companies' work forces are familiar with each other's territories, safety procedures and operating methods, due to their similarities and their history of cross coverage. The legacy of cooperation between GMP and CVPS field and field support

resources will make the integration of the field organizations faster and more complete than if they had no prior experience together.

The compatibility of the two companies' territories will also help with the SG deployments. With a combined service territory, the merged organization will be able to operate with a more consistent footprint of technology, which will result in lower costs and more efficiency in our systems. Absent the merger, GMP and CVPS will continue to deploy redundant technology in their adjacent service territories in support of field operations. With a combined territory, we will be able to eliminate redundant equipment and deploy a more efficient and robust infrastructure.

6. Q. Please describe the manner in which the operations of Green Mountain Power and Central Vermont will be integrated.

A. The purpose of the integration is to combine the two, separate companies into a single, higher-performing company on behalf of customers. After integration is complete, the new, Combined Company will continue to deliver on all of GMP and CVPS commitments to customers and stakeholders. The process of achieving the integrated end state will be developed by the leadership of the Combined Company, with input from customers, employees, and other key stakeholders, and will involve consolidation of the operational and organizational aspects of the two companies.

After integration is complete, there will be a single executive leadership team, a single management infrastructure, a single workforce, a single operating infrastructure and supporting systems, a single set of values and a single organizational culture. We expect that every

significant aspect of the two companies will be affected by the integration and that the best attributes of GMP and CVPS will carry forward into the new, Combined Company. GMP and CVPS intend to capture the best cultural and operating elements of each organization into the combined operation, while also developing new elements unique to the new company.

The GMP and CVPS functions that will be consolidated include (but are not limited to):

1. Finance;
2. Legal/Regulatory;
3. Power Planning & Supply;
4. Communications & External Affairs;
5. Human Resources & Training;
6. Field Operations, including transmission, distribution, substation operations, power production, control center, safety, and environmental; and
7. Support Operations, including engineering, information technology, facilities, security, fleet, metering, customer accounting, customer contact center, customer management, and purchasing.

GMP and CVPS have been planning for the transition since shortly after the announcement of the acquisition and merger, and they will launch a formal integration program shortly after the CVPS shareholder vote. A steering committee for the integration will be formed, comprised of the two companies' CEOs, COOs, CFOs and General Counsels. The steering committee will establish the initial high-level boundaries, objectives, priorities, timelines and budgets for the integration program, and will review issues presented to it by the integration project teams. A GMP integration lead and a CVPS integration lead will jointly oversee the various integration teams and will facilitate the overall integration planning process. The integration leads will have accountability/authority for the overall day-to-day integration activities across all the project teams, while serving as their respective organizations' leaders of

integration work and coordination. The integration leads will be supported by a small project management office lead by an integration project manager and will oversee a number of distinct project teams covering the spectrum of utility operational functions that will be assessed, analyzed and implemented during the integration. Individual project teams will cover areas such as engineering, transmission, distribution, generation, information technology, human resources, finance and legal, among others. An illustrative outline of the proposed integration project team structure, which will be refined when the integration planning begins, is contained in **Exh. Pet.-BO-2**.

7. Q. When will the integration process begin and be completed?

A. As explained in the joint testimony of Ms. Powell and Mr. Reilly, the consolidation of CVPS and GMP will occur in phases. The integration process will begin in earnest shortly after the CVPS shareholder vote approving the acquisition. The integration process will have multiple work streams, each with its own pace and timeframes. It is likely that elements of the integration process will span several years after the merger of the two companies.

There will be three significant phases of the organizational integration process. The first phase will occur in the period prior to the CVPS shareholder vote. During this phase, integration activities will be focused primarily on communications to an array of employee, customer, public, political, regulatory and local government stakeholders. These two-way communications will focus on the consolidation and the benefits it will deliver. The communications are intended to establish a shared vision for the consolidation of the two companies, so that expectations are

appropriately set across all stakeholder groups, which is an important part of getting off to a good start. The first phase is expected to last approximately 60 days.

The second phase will occur in the period between the CVPS shareholder vote and the closing of the acquisition. During the second phase, a formal integration program structure will be launched with full- and part-time resources from both companies. The integration program will include developing plans to integrate GMP and CVPS across all operational aspects of the companies within the timeframe that will produce the most benefits for customers. A significant part of the integration program will include identifying operational savings opportunities that result from the combination of the two companies' operations, consistent with the commitments that we have made as part of the merger agreement. Prior to the acquisition closing, integration teams will establish a baseline of operating cost and performance across the two companies, generate lists of decisions, procedures and policies that must be made and rationalized to create the new, merged company and develop measurement and tracking systems for executing the integration plans. The objective of the second phase is to line up all of the activity that will begin in earnest in the third phase, once the acquisition closes, so that on day one after close, the integration teams can commence their respective activities in a coordinated manner.

The third phase of the integration will begin the day after the acquisition closes and continue for a number of years until the consolidation is complete. Based on the integration model to be utilized, integration activities may last up to seven years after transaction close. During this phase, all operational activities of the respective companies will be consolidated.

8. Q. How will the integration process be focused on delivery of the projected cost savings of the merger?

A. GMP organized the integration activities into several, broad categories, as part of its due diligence into the cost-savings opportunities associated with the merger:

Executive Compensation: The merged company will be led by a single team of executive leaders. Currently, there are twelve GMP and CVPS officers. Our plan for the Combined Company will be to have seven officers at the end of the first year and six officers at the end of the third year (due to an expected retirement) and thereafter. The creation of a single executive management team will create cost savings related to compensation and benefits.

SEC/Regulatory/Board of Directors/Audit: After the merger, CVPS will no longer be an NYSE publicly traded company. Securities and Exchange Commission ("SEC") fees and the cost of preparing SEC filings will therefore be eliminated. A single set of audits will occur annually for the Combined Company, eliminating the need for payment of separate GMP and CVPS audit fees. A single Board of Directors will oversee the activities of the Combined Company, resulting in savings associated with board fees and expenses. As a Combined Company, there will be a single set of interactions with Vermont regulators regarding rates, infrastructure expansion and other regulated activities.

Natural Turnover & Retirements: We forecast approximately 40% of the collective GMP and CVPS workforce will be eligible for retirement in the next five years. Streamlining of operations and better use of technology across the entire, merged company can allow us to sustain high-quality services to our customers while managing the combined workforce through this period. There will be no layoffs as a result of the merger, with the exception of some executive officers.

The bubble of retirements over the next five years creates the opportunity to manage the Combined Company to its next, technology-enabled phase while retaining high-quality operations. In our due diligence, we used conservative assumptions about employee age and years of service to forecast retirements over the next ten years at GMP and CVPS. We expect these retirements and natural attrition to achieve our integration goals. Our integration efforts include refilling voluntary or retirement created vacancies in the customer-facing functions such as line workers, substation operators, generation operators, customer service representatives and similar functions. Because the merged company will have the same number of customers and the same number of line miles to serve, we do not see significant change in the number of front-line employees in the merged company. The savings in that area will be achieved by consolidating service territories and service districts within the service territory and the management and supervisory layers that oversee the front-line work.

Operations: We will review all redundancies that exist between legacy GMP and CVPS operations. Where redundancy exists and can be eliminated without impact to service quality, we will eliminate it. This category of savings is focused on non-labor cost. One of the first areas we will focus on is our service centers. GMP operates three service districts with six service centers. CVPS operates ten service districts with eleven service centers. Some GMP and CVPS service centers are located close to one another. For example, GMP's Wells River service center and CVPS's Bradford service center are located within a few miles of one another. It is likely that the integration process will result in combining Wells River and Bradford into a single service center. Combining these centers will save on real estate and facility costs and will also

create a more critical mass of employees in those locations, which should increase service quality and lower costs associated with overtime, stock levels and travel.

Information Technology: GMP and CVPS have both made good progress in their adoption and deployment of information technology as an enabler of quality operations. With two, robust sets of IT infrastructures, we will take a methodical approach to rationalizing the consolidation of those IT infrastructures into a single enterprise platform. For example, over time the two customer information systems ("CIS") systems, financial accounting systems and GIS systems will be consolidated into single systems. The consolidation will create savings due to the elimination of certain maintenance contracts and costs, lower hardware costs, lower data center costs and better licensing pricing, among others. It is important to note that we have forecast a slower pace of savings in IT than in some other areas of the integration planning. This slower pace is due to the current SG projects in process at both GMP and CVPS. With a Department of Energy deadline of April 2013 for GMP and CVPS to complete the scope of their SG grants, it will be difficult to significantly adjust current projects in light of the merger, without putting deadlines and federal funding at risk. Therefore, we will modify the current SG plans of the companies to the extent possible without causing higher risk, but as a result our savings targets for IT in the first five years post-merger are relatively low.

Outside Services: Presently, both GMP and CVPS use outside firms to supplement their operations for a variety of functions. Temporary staff, consultants and contractors perform contract work each year for the two companies. This contract work includes finance, legal, engineering, IT, metering, and other areas of operations. The Combined Company, with a

combined workforce undergoing reorganization and role redefinition, should have opportunities to bring in-house some work that is typically performed by outside entities.

Our integration plan will create a baseline of assets and costs for the operations of the Combined Company. From that baseline, specific opportunities will be identified, researched and estimated for cost and time to deliver. From these specific opportunities, the integration project teams will implement the work to deliver the operational cost savings to the Combined Company and its customers. The integration program will track, measure and validate the identified savings opportunities as they are delivered by year. This measurement system will be the method to confirm that benefits of the proposed merger are delivered on behalf of our customers.

9. Q. Will there be any impact on customers during the integration process?

A. Yes, but the integration program managers will take every precaution to minimize the possibility of service issues for our customers. Our goal is for the quality of service being provided to GMP and CVPS customers to remain unchanged during the most intense periods of the integration. Merging operations of the two companies will entail modifying processes, procedures and underlying support systems across most functional areas of the new company. At certain times, we will be doing critical cutover of key operational systems. During these cutover times, there will be an increased possibility of disruptions and inaccuracies that may be evident to customers. Customers may experience some temporary service issues related to call center requests, billing or other transactions related to their service. We will undertake testing and parallel processing prior to significant cutovers to minimize the possibility of impacts to

customers. However, these types of systems conversions are rarely completed without some level of issues that become evident to a subset of customers. The integration process will emphasize diligent communications with customers and stakeholders in advance of key system cutover events to create awareness of the activities and how service might be affected.

One of our strategies to mitigate any impacts to customer services will be to run parallel systems for as long as required to ensure a high-quality transition to any given single system. For example, GMP and CVPS currently have separate CIS to manage customer billing and collections functions. We will run those systems in parallel for a period of time after the close of the transaction, while the planning and testing is being done prior to convergence to a single system. The convergence will be done in stages. First, we will develop a common customer bill format for the new company. The two existing CIS systems will be modified to generate this new bill format. This small change will allow customers to become accustomed to a new bill format in advance of any system convergence. We will use this strategy of staging small changes in advance of larger changes as a way to pace impacts on customers and break risks into smaller pieces. Second, we will map the rate structures between the two companies over to the target CIS platform and generate test rate calculations and bills in parallel with the actual bills, in order to test that the rate logic has been migrated properly. Extensive testing will occur during this period. Third, we will map the data conversion from one system to the target CIS platform and run extensive testing scripts to validate that the data has migrated completely and accurately. Test bill runs will be performed while the existing systems generate the actual bills in parallel. Only after multiple billing periods have tested out properly will we move ahead with the full

cutover to a unified rate and billing platform. The timeframe for full CIS convergence will be one of many decisions made during the integration process.

We envision that throughout the integration, we will be reporting service quality metrics to the Department of Public Service ("DPS") on a quarterly basis and meeting in person more frequently than normal to keep the DPS staff up to date with the integration activities and the operating performance of both GMP and CVPS throughout this time of transition.

10. Q. Will service quality change once the integration process has been completed?

A. During the most intense periods of the integration, our objective will be to maintain the service quality levels historically delivered by both GMP and CVPS. Once the significant aspects of the integration are complete, and the Combined Company is truly operating on a single set of infrastructures and procedures, we expect that service quality will improve over time. By converging operations to a single, best set of infrastructures and capturing the best practices of both GMP and CVPS, we expect that the net effect will deliver higher-quality service than was being delivered by the prior GMP and CVPS organizations separately.

Part of the integration program's work will be to rationalize any differences between current GMP and CVPS service quality programs and work with the DPS to make adjustments to create an appropriate program for the Combined Company. Our intention for the integration is a service organization that delivers a higher quality of service at a lower cost to customers.

11. Q. Will the Combined Company be technically competent?

A. Yes. The above review demonstrates that the Combined Company will be technically competent to continue providing high quality service to its customers.

12. Q. Does this conclude your testimony?

A. Yes.