

**STATE OF VERMONT
PUBLIC UTILITY COMMISSION**

Case No. 19-1081-PET

Petition of Noverco Inc. for approval of an indirect acquisition of a controlling interest in Vermont Gas Systems, Green Mountain Power Corporation, and subsidiaries of Green Mountain Power Corporation	
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**SUPPLEMENTAL TESTIMONY OF
RENAUD FAUCHER
ON BEHALF OF NOVERCO INC.**

May 2, 2019

Summary of Testimony

Mr. Faucher addresses the requests for supplemental information, which were contained in the Vermont Public Utility Commission's April 25, 2019 Procedural Order.

SUPPLEMENTAL TESTIMONY OF RENAUD FAUCHER

1 **1. Q. Did you previously testify in Case No. 19-1081-PET, Petition of Noverco Inc.**
2 **for approval of an indirect acquisition of a controlling interest in Vermont Gas Systems,**
3 **Inc. (“VGS”), Green Mountain Power Corporation (“GMP”), and subsidiaries of Green**
4 **Mountain Power?**

5 **A. Yes.**
6

7 **2. Q. What is the purpose of this supplemental testimony?**

8 **A. I address the requests for supplemental information, which were contained in the**
9 **Vermont Public Utility Commission’s April 25, 2019 Procedural Order.**
10

11 **3. Q. Please provide information as to the effect of the proposed acquisition (the**
12 **“Transaction”) on the indirect ownership interests of Caisse de dépôt et placement du**
13 **Québec (the “Caisse”) and Enbridge, Inc. (“Enbridge”) in Energir, L.P., GMP, and VGS.**

14 **A. The ownership of the Caisse and Enbridge in Noverco will remain unchanged**
15 **following the closing of the Transaction. Noverco is owned by Trencap L.P. (61.11%) and by**
16 **Enbridge, through Enbridge’s wholly-owned subsidiary, IPL System Inc. (38.89%). Trencap L.P.**
17 **is majority-owned (64.74%) by the Caisse. Trencap L.P. is indirectly controlled by the Caisse,**
18 **since the general partner of Trencap L.P. is Capital D’Amérique CDPQ Inc., a wholly-owned**
19 **subsidiary of the Caisse. Investors in Trencap L.P. other than the Caisse are limited partners**
20 **whose interests in Trencap L.P. are wholly passive.**

21 **Upon closing, Noverco will hold an indirect 100% ownership interest in Energir, L.P.**

(thereby increasing its current 71% indirect ownership interest) and will thereby also increase its current indirect interest in GMP and VGS from 71% to 100%. This will in turn increase the overall indirect interests of the Caisse (from 28.09% to 39.56%) and Enbridge (from 27.61% to 38.89%) in Énergir, L.P., GMP and VGS.

4. Q. How, if at all, will this change in indirect ownership interests affect the management and operations or governance of Energir, L.P., GMP and VGS?

A. The Transaction will have no impact on the management and operations of Energir, L.P., GMP or VGS. Noverco already owns 100% of Énergir Inc., the general partner of Énergir, L.P. (the “General Partner”); the General Partner has the exclusive power and authority to administer, manage, control and operate the business of Énergir, L.P., both now and after closing. Furthermore, as I noted in my prior testimony, GMP and VGS have always been managed independently from all of their upstream owners, including Noverco, Enbridge, Trencap L.P. and the Caisse, and that too will continue following the closing of the Transaction.

Regarding governance, after closing Noverco will nominate for appointment all Board members for the General Partner Énergir Inc. Presently, as described in more detail below, Noverco nominates nine Board members out of twelve. Board member nominations and appointments for GMP and VGS will be unaffected by the Transaction. As now, Board members of GMP and VGS are elected by the sole shareholder, Northern New England Energy Corporation. GMP and VGS board nominations and selections are made in close consultation with GMP and VGS management and existing board members. GMP and VGS each have, and will continue to have after closing of this Transaction, a majority of independent board members,

1 without direct affiliation with Énergir, L.P. or any of the upstream entities. GMP and VGS
2 strategy and operations are under the direct responsibility of their respective chief executive
3 officer and leadership teams at the Vermont entity level.
4

5 **5. Q. Please provide additional relevant information regarding the selection and**
6 **composition of the governing board and management of Noverco, Inc., Energir, L.P., and**
7 **the general partner of Energir, L.P., as well as any relevant voting or super-majority voting**
8 **requirements applicable to the governing boards or the equity of such entities and how (if**
9 **at all) Noverco's proposed purchase of Valener could potentially affect the influence of**
10 **either the Caisse or Enbridge over the affairs of GMP or VGS.**

11 **A.** I do not expect this Transaction to increase or cause other actual or potential
12 change in the ability of either the Caisse or Enbridge to influence the management or operations
13 of Énergir, L.P. That is because, as mentioned above, ownership in Noverco will not change in
14 this Transaction and Noverco already exercises control over the General Partner. The structure
15 and appointment of Noverco's own Board also will be unchanged by this Transaction.¹

16 In addition, while post-closing Noverco will nominate and appoint all Board seats for the
17 General Partner Énergir Inc., the current nomination structure for that Board already places
18 control in Board members nominated by Noverco's upstream owners, the Caisse and Enbridge.
19 All Board decisions require a simple majority of votes to pass. Specifically, the Transaction will

¹ Under the shareholders agreement of Noverco, the number of directors that Noverco's shareholders are entitled to nominate on the board of directors of Noverco is determined on the basis of the proportionate interest of such shareholders in Noverco, rounded to the next highest whole number. The Caisse currently controls the board of directors of Noverco through its 100% ownership of the general partner of Trencap L.P. which owns 61.11% of Noverco.

1 extinguish rights under the Énergir L.P. agreement under which Valener currently nominates
2 three of twelve Board members to the General Partner, based upon Valener's proportion of unit
3 holdings in the limited partnership; it is expected that these three Board members will step down
4 at closing.² Once Noverco acquires Valener's interest in Énergir L.P., Noverco will nominate
5 and appoint all Board members for the General Partner under the terms of Noverco's own
6 governing documents, which require it to elect to the General Partner's Board representatives
7 proposed by each of Noverco's voting shareholders in proportion to their interests in Noverco.

8 While the percentage of Board seat appointments from the Caisse and Enbridge will
9 increase, their relative effective influence will not. Noverco's upstream owners presently hold
10 nine seats of the Énergir Inc. Board thereby controlling the Board. No additional voting
11 requirements exist at the Board level than a majority vote to pass a resolution. And, as stated
12 above, nothing about this Transaction will affect the existing method and manner of election to
13 the GMP and VGS Board of Directors; those Boards will continue to operate independently with
14 oversight of GMP and VGS management, as now.

15 In sum, I do not expect the Transaction to change the present level of influence
16 Noverco's upstream owners, the Caisse and Enbridge, exercise over management, operations or
17 governance with respect to Énergir L.P., GMP or VGS.

18 The equity percentage changes caused by the Transaction do not otherwise trigger new or
19 additional rights in Noverco's upstream owners beyond the Board nominations described above.

² In addition, all ancillary governance rights granted to Valener under the limited partnership agreement of Energir, L.P., as limited partner of Energir, L.P., will also terminate. These include the usual limited partner rights in such matters as sale of assets by Energir, L.P., rights upon a sale of units of Energir, L.P., rights upon a sale of the shares of the General Partner, pre-emptive rights, take-over bid protection and minority protection measures, all as publicly disclosed by Valener. It should be noted however that none of these ancillary governance rights influenced the management or operations of Energir, L.P.

1 **6. Q. Does this conclude your testimony?**

2 **A. Yes.**