

VEPP Inc.

December 16, 2004

Lane Lanford
Executive Director
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, TX 78711-3326

Letter of Reference for Saber Partners, LLC Team and Project 29049

Ladies and Gentlemen:

I am pleased to recommend Saber Partners and Mr. Joseph Fichera to the Public Utility Commission of Texas based on their effective and innovative work as financial advisor to VEPP Inc. for the past 4 years (from 2000 to present) and to serve as one of their references. I also am pleased to recommend Orrick, Herrington & Sutcliffe and Mr. Dean Criddle as part of the Saber Partners team.

VEPP Inc. is the Purchasing Agent under contract with the Vermont Public Service Board, pursuant to a unique PURPA era implementation rule. Under this rule, Vermont electric utilities are essentially treated as a single entity, and numerous renewable energy contracts are run through the Purchasing Agent, which allocates the power to those utilities. One of our duties is to attempt to mitigate the cost of those expensive PURPA contracts, which were entered into during the 1980s and early 1990s. We believe that the best opportunity to do this is to buy down the rates of the expensive PURPA contracts using inexpensive electric utility securitization bonds

In choosing a financial advisor it was important for us to choose a firm that had specific experience in electric utility securitizations. Additionally as an Agent of the Vermont Public Service Board we believed we might also have the ability to issue tax-exempt financing. There are only a few firms that have experience in securitization bonding such as needed by VEPP. We discussed our ideas with several major firms that had experience in tax-exempt municipal financing and public power bonds. It became clear to us that the typical tax-exempt financing experience is not applicable to electric utility securitization bonding. When we discussed our ideas with Mr. Fichera and Mr. Criddle it was obvious that they not only understood and had experience in electric utility securitization, but they also had creative ideas on how to accomplish the securitization in a tax-exempt manner.

We first got to know Mr. Fichera as one of the authors of a publication entitled "The State of Utility Securitization" published in March 1998. After reading this publication and meeting with Mr. Fichera and Mr. Criddle, I asked them to make a presentation to our Board of Directors. My Board was sufficiently impressed with that presentation to authorize me to retain Mr. Fichera as financial advisor and Mr.

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Criddle as VEPP Inc.'s securitization counsel and to formally pursue utility securitization with the Vermont Public Service Board.

Mr. Fichera and Mr. Criddle presented a workshop at the Vermont Public Service Board. The Public Service Board was supportive of the idea and directed us to the state legislature to obtain legislative authority. As a result of Saber Partners' assistance with the legislative effort, in May of 2002, Act 145 was passed by the Vermont Legislature, giving the Public Service Board the required legislative authority for a securitization financing.

Mr. Fichera and Mr. Criddle have also worked closely with VEPP Inc. to develop a legally and economically workable method of melding "AAA" rated electric utility securitization with tax-exempt financing. VEPP Inc. has been successful in achieving several of the initial steps necessary for a tax exempt issuance.

Most recently, Mr. Fichera has assisted us by procuring preliminary underwriting bids from investment banking firms experienced in the electric utility securitization market for our anticipated securitization financing. Additionally, based on his knowledge of similar electric utility securitization financings, he has provided us with estimates of administrative and transactional costs of our proposed financing. We are using this information to guide us in negotiating contract buy downs with various Vermont Independent Power Producers.

Our association with Mr. Fichera and Saber Partners and with Mr. Criddle and Orrick, Herrington have been extremely constructive and productive. We look forward to giving them the go ahead to organize and assist with the structure, marketing and pricing of our securitization financing.

Based on my personal experience with them over many years, I am enthusiastic in recommending Mr. Fichera and the Saber Partners team to your Commission in the capacity of financial advisor concerning electric utility securitization.

If you have any specific questions, please do not hesitate to contact me.

Very truly yours,

VEPP Inc.



John R. Spencer, P.E.

Executive Director

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