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MEMORANDUM

TO: Operating Committee

FROM: Karen K. O'Neill

DATE: May 8, 2013

SUBJECT: Proposal Re. Operating Committee Membership

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As many of you know, several of our smaller utility owners in the context of the GMP/CVPS merger proceeding urged that all Vermont distribution utilities with an ownership interest in VT Transco be allowed to participate fully as members of the VELCO Operating Committee, and GMP agreed to support that position. A draft amendment to the VTAM that would effectuate that membership proposal is attached and offered for your consideration. Note that we are not looking for action on the proposal at this meeting, just making you aware of it and soliciting initial reactions.

By way of background/reminder, the Operating Committee Bylaws, which are part of the VTAM, specify that the "permanent voting members" will comprise representatives from each DU that has a percentage share greater than 4% of VT Transco (including each DU's percentage share of VELCO's percentage share in VT Transco). Each of the "permanent voting members" has a single vote (except for VELCO, which has three members, but no vote except in cost allocation discussions where it has one vote). When the OpCom considers cost allocation issues, additional members are appointed to represent the interests of benefiting DUs that do not have a permanent voting member (even if they are normally represented by VPPSA collectively). The amendment as drafted would allow each DU with a membership interest in Transco that elects to participate directly and regularly in the OpCom to do so and to vote on a one-vote-per-company basis, with VPPSA having one vote for the DUs it represents on the OpCom collectively. VPPSA members would not need to leave VPPSA to get their own seat at the table, but they would need to recognize the commitment of members to active participation (already stated in the VTAM) for the sake of maintaining an effective committee.

Note that this change, like all amendments to the VTAM, would be accomplished utilizing the Revision Protocol that is also part of the VTAM. It includes the following steps:

- In response to a request for a change to the VTAM, the VTAM Administrator notifies the DUs, VDPS and VPPSA via e-mail of the proposed change and posts a redline of the VTAM showing the proposed change and describing it. Those parties have 30 days to provide comments to the VTAM administrator and OpCom.



- The OpCom considers the proposed change and decides through a motion and vote whether to recommend to VELCO that the change be implemented.
- VELCO reviews all comments and the recommendation and determines whether the proposed change should be implemented (VELCO may, and in this case would, take the matter to its BOD).
- The VTAM administrator provides notice of the decision via e-mail and posts a final, clean version (revised as applicable) of the VTAM.

That is the process we will initiate following next week's OpCom meeting, taking into consideration any initial feedback regarding the proposal. Let us know your thoughts. As previously mentioned, a copy of the VTAM showing proposed changes is attached. The provisions of the VTAM dealing with membership and voting are Sections 2.10 and 2.11. The suggested amendment to Section 2.10 Composition is shown in redline format.

See you next week.