

**AGREEMENT RE: ALTERNATIVE DELIVERY POINTS
FOR VERMONT ELECTRIC COOPERATIVE BLOCK LOAD**

This Agreement is entered into this ____ day of January, 2006, and effective as of December 1, 2005, between Burlington Electric Department (BED), Central Vermont Public Service Company (CVPS), Green Mountain Power Company(GMP), Rochester Electric Company (Rochester), Vermont Electric Cooperative (for itself and as successor to the Vermont Electric Division of Citizens Utilities (VEC), Vermont Electric Power Company, Inc. (VELCO), Vermont Marble Power Division (VMPD), Vermont Public Power Supply Authority (VPPSA) and Washington Electric Cooperative (WEC).

WHEREAS, in July 2003, the Vermont Public Service Board (VPSB) issued VELCO a Certificate of Public Good in Docket No. 6792 for construction of the so-called Northern Loop Project (NLP);

WHEREAS, the NLP provides a number of benefits to the electric infrastructure in northern Vermont;

WHEREAS, in order to complete the NLP, VELCO must make changes to the 120 kV system connected to Hydro-Quebec that serves as the block load delivery point (Block Load) for the Hydro-Quebec Vermont Joint Owners Contract (VJO Contract) hourly energy deliveries from Quebec to Vermont (VJO Schedules);

WHEREAS, such changes to the 120 kV system reduce the transfer capability of the Block Load delivery point by up to approximately 35 MW of peak load, which is used VEC and its transmission customers under the Block Load Transmission Facilities Transmission Agreement (BLFTA) for VJO Schedules, and thus requires VEC and its transmission customers to procure additional transfer capability (Replacement Capability) to replace the reduction in the Block Load transfer capability due to the NLP;

WHEREAS, VELCO originally proposed to construct at the integrated Highgate substation Synchronous Condensers (SC) to provide the Replacement Capability from the Highgate interconnection (Highgate), the cost of which would be charged to all Vermont utilities;

WHEREAS, there are alternative transmission paths that serve as delivery points for VJO Schedules (Alternative Delivery Points) and that can provide the Replacement Capability; and

WHEREAS, a working group consisting of VELCO and various Vermont utilities has concluded that it would be less expensive to provide the Replacement Capability from the Alternative Delivery Points than to install the SC;

WHEREAS, the cost impact for VJO Schedules on the Block Load delivery point is different than that of the Alternative Delivery Points;

WHEREAS, because providing the Replacement Capability from the Alternative Delivery Points results in costs that will be incurred by VEC and possibly one or more of its transmission customers, VELCO agreed to reimburse VEC and its transmission customers for the cost of up to 35 MW of Replacement Capability required due to the NLP through the year 2015, as stated in §4.3 of the Operating And Maintenance Agreement of March 18, 2003 between VELCO and VEC (O&M Agreement); and

WHEREAS, the parties desire to establish an implementation plan for the use of Alternative Delivery Points for VJO Schedules of VEC and its transmission customers in the most cost effective manner, and to establish the principles for how the incremental costs incurred by VEC and its transmission customers will be paid for by VELCO.

NOW THEREFORE the parties agree as follows:

1. Effective Date and Term; Termination and Amendment

This agreement shall become effective as of December 1, 2005 and will remain in effect through December 31, 2006. It shall automatically renew for successive one year periods unless terminated or amended by the parties, and shall terminate without further renewals on December 31, 2015 (other than for administrative and billing matters following that date). In the event that a majority of the parties hereto decide to terminate or amend the Agreement, they shall give notice to the other parties at least ninety days before the proposed effective date of termination or amendment. If any party opposes termination or amendment, then all parties shall negotiate in good faith to resolve the dispute. No amendment or termination shall deprive VEC of its rights under the O&M Agreement or relieve VELCO of its obligations hereunder.

2. VEC Reimbursement Costs

The intent of Section 4.3 in the O&M Agreement is to hold VEC (previously Citizens) harmless for the reduction in the transfer capability of the Block Load delivery point that will occur upon commissioning of the NLP. Section 4.3 of the O&M Agreement describes the various components that make up the incremental costs due to VEC and its transmission customers. The intent of Section 4.3 is to cover those transmission and market costs known and in place at the time the NLP is commissioned and thereafter. The impact of the NLP is to reduce VJO Schedules on Block Load to VEC, and at times when such reductions are greater than the available VEC VJO Schedules, the impact of the NLP may reduce VJO Schedules to VEC's BLFTA customers as well. Thus, the VEC Reimbursement Costs shall be equal to the cost impacts to VEC and its BLFTA customers for changes in transmission and market costs known and in place at the time the NLP is commissioned and thereafter. Those transmission and market costs are the 1) positive or negative differential impacts on Irasburg Real Time to Highgate Day Ahead Markets, 2) positive or negative differential impacts on Irasburg Real Time to Phase I/II Day Ahead Markets, 3) positive or negative differential impacts on Irasburg Real Time to New York Zone M Day Ahead Markets, 4) positive or negative differential impacts on unrescheduleable deficiencies, 5) positive or negative differential impacts of the Real Time Operating Reserve Market, and 6) positive or negative differential impact associated with the current ICAP market when deliveries are scheduled at the alternative delivery points. If there are market or transmission rules changes that occur during the

term of this agreement that impact the cost to either VELCO or VEC and its transmission customers, the parties will discuss the impact at the periodic meetings and amend the agreement when a new cost is determined to be recoverable.

3. Highgate Scheduling Protocol

The Procedure for Scheduling VJO Contracts over the Highgate Interconnection Facility Upon RTO Commencement (Highgate Protocol), attached as Exhibit A, has been amended such that Highgate capability will be available to provide a portion of the Replacement Capability to VEC. The terms of Exhibit A as amended are incorporated herein by reference.

4. Highgate converter forced outages

Highgate consists of the 120 kV transmission interconnection with Quebec and the AC/DC/AC converter, which allows for the Vermont and Quebec transmission systems to operate while interconnected. After the NLP, VELCO will have the ability during converter outages to perform switching that allows serving Replacement Capability from the 120 kV interconnection with Quebec. Such switching allows the Replacement Capability to be connected radially to Quebec, as Block Load currently operates.

Since the Replacement Capability is a fraction of the Highgate capability used for VJO Schedules, the above switching will generally result in a curtailment of most of the VJO Schedules on Highgate. Under the Highgate Protocol VELCO submits a single aggregate transaction to ISO-New England for VJO Schedules of various VJO Contract participants using Highgate. The change to the Highgate Protocol specified in section 3 above allows VEC additional use of Highgate to provide for part or all of the Replacement Capability. During forced outages of the Highgate converter, when the above switching occurs, the parties agree that VELCO will make its best effort to not curtail the VEC VJO Schedules using Highgate. If the Replacement Capability exceeds the VEC VJO Schedules using Highgate, there may be additional adjustments as part of the calculation of VEC Reimbursement Costs.

5. VEC use of Highgate interconnection when the converter is scheduled out of service

During those times when Highgate is available for service and the converter is scheduled out of service for maintenance activities or because the scheduled contracts do not meet the 20 MW minimum run limit on the converter, VELCO will switch the load that makes up the Replacement Capability onto Highgate.

6. Alternative transmission scheduling implementation plan

VEC will be responsible for and use its best judgment to cost effectively use Alternative Delivery Points for the Replacement Capability, subject to the following constraints: VEC will maximize use of Highgate, if cost effective, before scheduling contracts over more expensive Alternative Delivery Points. When transmission capacity is needed in excess of the available capacity at Highgate, VEC will evaluate its alternatives and make its best effort to select the most cost-effective Alternative Delivery Points to supply the remainder of the Replacement Capability taking into account transmission costs, possible LMPs, the likelihood of deficiencies and other market costs associated with the various

alternatives. VELCO will reimburse VEC for the costs of acquiring transmission service from those entities which provide the transmission service.

7. Credit for Stanstead Block Load deficiency

If there occurs an outage or other curtailment that affects the Block Load facilities that would have been used to serve VEC and its transmission customers if the NLP were not constructed, and that would have resulted in a curtailment of the transfer capability of the Block Load delivery point, VELCO will not be billed for the incremental costs to serve the equivalent amount of the curtailed load via the Alternative Delivery Point. It could include such events as a HQ system outage that affects the Derby line interconnection, outages of the 120 kV line from the Derby line to the Highgate substation or the 120/46 kV transformer acquired from Citizens Utilities. This includes both forced and scheduled outages of those facilities. VEC shall calculate the cost savings from serving the Replacement Capability from Alternative Delivery Points during the Block Load outage and include such savings in the VEC Reimbursement Costs.

8. Billing methodology and example

VEC will provide VELCO a bill, no later than the first Thursday after the 10th of the month, for the VEC Reimbursement Cost to procure the Replacement Capability for the previous month. Any VEC Reimbursement Cost not capable of inclusion by the billing date shall be included in the billing for the following month. Any BLFTA customers that are due reimbursement costs due to the purchase of Replacement Capability will submit such costs to VEC prior to that date, as provided in Exhibit C hereto. VEC will include such costs of BLFTA customers in its monthly bills to VELCO. The VEC to VELCO billing format will be consistent with the billing format in Exhibit B attached hereto. The incremental cost to VEC will be net of any cost advantages realized by VEC for use of Alternative Delivery Points. The VEC Reimbursement Costs billed by VEC hereunder will be billed to the VELCO participants under the VELCO 1991 Transmission Agreement. Use of the VELCO 1991 Transmission Agreement to bill the VEC Reimbursement Costs to the VELCO participants shall not be construed as creating any precedent for billing non-transmission related costs pursuant thereto. ~~Each VELCO Participant will receive a billing separate from the VTA bill.~~

The VEC Reimbursement Costs shall be based on the Replacement Capability. The Replacement Capability shall be equal to the reduction in monthly On-Peak, Shoulder and Off-Peak Transmission Transfer Capability (TTC) of Block Load, in MW, that is the result of the NLP. The calculation of Replacement Capability shall be done by VEC based upon analysis of hourly load used to calculate Block Load TTC in the most recent 12 month period, taking into account the reduction in hourly Block Load deliveries expected to occur due to the NLP.

9. Rights to Audit

At any time within 120 days from receipt of the incremental cost bill from VEC, VELCO and the Vermont utilities shall have the right to audit and question VEC (or the BLFTA customers, as the case may be) about the charges and methodology employed. The intent of this function is to evaluate VEC's charges and determine if

there are opportunities to improve the cost effectiveness for future alternative transmission scheduling.

10. Agreement re-opener

The parties hereto shall hold periodic meetings to discuss strategy, the effectiveness of this agreement and any billing related issues. The parties may agree to re-open and seek to amend this agreement consistent with section 1 above whenever conditions change or new information becomes available that could impact the cost effectiveness or administration of this Agreement.

11. Regulatory Filing

VELCO shall file this Agreement with the Federal Energy Regulatory Commission as a supplement to the O & M Agreement. To the extent this Agreement is or becomes VPSB-jurisdictional, VELCO shall make all appropriate filings to ensure compliance with VPSB requirements.

Burlington Electric Department

By: _____
Title

Central Vermont Public Service Company

By: _____
Title

Green Mountain Power Corporation

By: _____
Title

Rochester Electric Company

By: _____
Title

Vermont Electric Cooperative

By: _____
Title

Vermont Electric Power Company, Inc.

By: _____
Title

Vermont Marble Power Division

By: _____
Title

Vermont Public Power Supply Authority

By: _____
Title

Washington Electric Cooperative

By: _____
Title