



Vermont Electric Power Company, Inc. and Vermont Transco LLC

Transmission Administration Manual

Effective Date: November 1, 2008

Prepared by

Vermont Electric Power Company, Inc. and Vermont Transco LLC



**Vermont Electric Power Company, Inc. (“VELCO”)
and Vermont Transco LLC (“VT Transco”)**

Transmission Administration Manual

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Revision History

Approval

Effective Date: November 1, 2008

Revision Protocol

In the event that VELCO plans to revise or add to this Vermont Transco LLC Transmission Administration Manual (V-TAM), the following process shall be followed:

- ❖ VELCO's CEO shall appoint one of VELCO's senior officers to the position of V-TAM Administrator. The duties of the V-TAM Administrator include, but are not limited to, the amendment and approval of changes to the V-TAM, development of a tracking system by which all revisions of this Manual will be numbered or named, and kept in a book or ledger, and the posting of any changes and revisions of the V-TAM to the VELCO website. The V-TAM Administrator's contact information is provided in Appendix I to this Manual. The DUs, VDPS and VPPSA shall be notified of the V-TAM Administrator's appointment via e-mail pursuant to the notification procedures in this section.
- ❖ If a change is proposed to the V-TAM, the V-TAM Administrator shall post a redlined version of the Manual, and, if the proposed change is accepted, a final, clean version of the Manual on VELCO's website at www.velco.com, and will describe all such changes in the "Revised Practices" table within the Manual.
- ❖ Interested parties may forward comments regarding proposed changes to the V-TAM to the V-TAM Administrator and the Operating Committee (OpCom) no later than 30 days from the date that the redlined document was e-mailed and posted on VELCO's website.
- ❖ DUs, VDPS and VPPSA shall be notified of proposed and final changes to this Manual through VELCO's website and via the e-mail addresses set forth in Appendix I of this Manual. The DUs, VDPS and VPPSA have are responsible for providing e-mail addresses to VELCO, and for notifying VELCO of any changes to their stated e-mail addresses. Appendix I of this Manual may be revised by VELCO without notice.



- ❖ VELCO, OpCom members, DUs, VDPS and VPPSA may propose a change or changes to this Manual by presenting the proposed change to the V-TAM Administrator and the OpCom.
- ❖ The OpCom shall consider the proposed change(s), and decide through a motion and vote whether to recommend to VELCO that the proposed change(s) be implemented.
- ❖ The V-TAM Administrator will review all comments and determine whether to adopt or reject the proposed change(s). The V-TAM Administrator will provide notice of his or her decision via e-mail, as above.
- ❖ The Revised Practices and Procedures will become effective pursuant to the V-TAM Administrator's determination.



Revision History

Tables

Proposed Changes to Practices	
<i>Proposed Change</i>	<i>Date Posted</i>

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<i>Revised Practice</i>	<i>Effective Date</i>



Introduction

This is *Vermont Transco LLC's Transmission Administration Manual* (V-TAM). In this introduction, you will find the following information:

- ❖ **About This Manual:** What you can expect from the V-TAM.
- ❖ **Using This Manual:** How to use the V-TAM.

About This Manual

The V-TAM is intended to clarify and interpret, but not amend, the terms and provisions of the 1991 Vermont Transmission Agreement, the Substation Participation Agreement, VELCO and VT Transco's Open Access Transmission Tariffs, and any other FERC accepted or approved tariffs entered into by VELCO and VT Transco. This Manual sets forth procedures designed to facilitate the process of administering all such FERC accepted or approved tariffs. If there is a conflict between the V-TAM and any FERC accepted or approved tariffs, the provisions contained in such tariffs control. Reading the information in the V-TAM does not relieve a transmission customer or other interested party of the obligation to read and understand all such tariffs.

This Manual is intended to provide the targeted users with a more transparent understanding of VELCO and VT Transco's FERC-approved tariff administration. In particular, this Manual is intended to provide Vermont Distribution Utilities that benefit from new transmission projects or upgrades to transmission projects with information to assist them in reaching a cost allocation agreement among themselves that they deem appropriate. This Manual also is intended to address any potential conflicts associated with cost allocation agreements for transmission projects, and to ensure that a cost allocation agreement is in place before VELCO applies for a Certificate of Public Good.

The V-TAM consists of 8 sections. The sections are as follows:

- Section 1: Definitions and Abbreviations
- Section 2: VELCO Operating Committee
- Section 3: Cost Allocation Process
- Section 4: [Placeholder: Procedures Relating to the VTA]
- Section 5: [Placeholder: Procedures Relating to Other Tariffs]
- Section 6: Milestones for Project Accounting
- Section 7: [Placeholder: Responsibility for Reliability Requirements]
- Section 8: Arbitration
- Appendix I: List of Vermont DUs and E-mails for V-TAM Notification



Appendix II: Table of Projected VT Transco Ownership
Appendix III: Timeline for Cost Allocation Procedure

Target Users

The target users for the V-TAM include, but are not limited to:

- ❖ Vermont Distribution Utilities
- ❖ Other transmission customers
- ❖ External auditors, lawyers, regulators and arbitrators
- ❖ VELCO and VT Transco

References

The references to other documents that provide background or additional detail directly related to the V-TAM include, but are not limited to:

- ❖ The 1991 Vermont Transmission Agreement: VT Transco Original FERC Rate Schedule No. 1
- ❖ The VELCO and VT Transco Substation Participation Agreement: FERC Rate Schedule No. 7
- ❖ ISO-New England's Open Access Transmission Tariff: FERC Electric Tariff No. 3
- ❖ New England PTO Common Schedule 21: FERC Electric Tariff No. 3
- ❖ VELCO and VT Transco's Schedule 21 Open Access Transmission Tariffs: FERC Electric Tariff No. 3



Using This Manual

Each section of the V-TAM begins with a summary of that section, followed by details and procedures.

What You Will Find In This Manual:

- ❖ A table of contents
- ❖ A page detailing approval and revision history of the Manual
- ❖ The introduction
- ❖ A section of definitions and abbreviations of significant terms in this Manual
- ❖ A section containing information about and the bylaws of the VELCO Operating Committee
- ❖ A section containing the specific guidelines, requirements, practices and procedures for Project Cost Allocation
- ❖ [Placeholder: A section relating to administration of the VTA]
- ❖ [Placeholder: A section relating to administration of other FERC-approved VT Transco tariffs]
- ❖ A section describing milestones for project accounting
- ❖ [Placeholder: A section detailing reliability responsibility for the Vermont transmission system]
- ❖ A section describing the arbitration process
- ❖ An appendix containing the e-mail addresses to be used in the notification process
- ❖ An appendix stating the projected percentage ownership each DU has in VT Transco
- ❖ An appendix illustrating the schedule of the cost allocation process as provided herein



What You Will Find on the VELCO Web Site at www.velco.com:

- ❖ A copy of this Manual in its entirety
- ❖ Revision process documents, including proposed changes to this Manual and a revision table
- ❖ Posted OpCom decisions



Principles of the VT Transco Transmission Administration Manual

The actions of the users of this *VT Transco Transmission Administration Manual* are to be guided by the following principles:

- ❖ VELCO is responsible for administering its tariffs and managing its related business processes.
- ❖ The process of determining who benefits from a project, and the associated cost allocation, must be documented and easily understandable.
- ❖ The cost allocation results must be predictable, defensible and consistent with good utility practice.
- ❖ To ensure consistency in cost allocation across Vermont consumers, there has to be a set of practices (engineering, design, benefit determination, and cost allocation standards) and where necessary standards between VELCO and the DUs.
- ❖ Cost responsibility during the project development process should be clear and comply with proper project accounting processes (including FERC).
- ❖ Transmission and Substation project design must be consistent with good utility practice.
- ❖ VELCO's project development process must encourage the goals of federal and state law, for example the EAct 2005, Vermont's Least Cost Planning and the VSPC process.
- ❖ VELCO and the DUs each have responsibilities in implementing NERC reliability requirements and those roles should be clearly defined and articulated.
- ❖ VELCO and the DUs shall adopt, where appropriate, standard designs and operational practices including, but not limited to:
 - Substation configurations;
 - Transferring assets at net book value; and
 - A consistent methodology for the recovery of appropriate PTF costs and prevention of inappropriate PTF cost recovery throughout New England.



Section 1: Definitions and Abbreviations

This Section is a compilation of the definitions and abbreviations of terms used in this Manual, and VELCO and VT Transco's FERC approved tariffs.

1.10. 1991 Vermont Transmission Agreement, VT Transco Original FERC Rate Schedule No. 1 (VTA):

The VTA shall mean the agreement that governs transmission service provided by VT Transco to electric utilities furnishing service within the state of Vermont and to the Vermont Department of Public Service.

1.20 Common Facilities (CF):

Common Facilities are defined in Article IV of the VTA and shall mean "those VT Transco facilities that comprise the state-wide, high-voltage transmission grid, interconnecting and serving the load centers of the State, and which are used in common by all Purchasers of transmission service on a state-wide basis, and any facilities that would otherwise be defined as Specific Facilities, but that were in service on 7/1/90 or that become Common Facilities after 10 years of service." Some Common Facilities are considered Pool Transmission Facilities, the costs of which are allocated regionally to ISO-New England's transmission customers. Other Common Facilities are considered Vermont Common Facilities, the costs of which are allocated only to DUs.

1.30 Certificate of Public Good (CPG):

A CPG shall mean a document issued by the Vermont Public Service Board under 30 V.S.A. § 248, authorizing a company to construct certain electric facilities in the state of Vermont and concluding that the PSB has found that such a facility will promote the general good of the State.

1.40 Purchaser's Coincident Peak (12 Month) (CPP):

CPP is defined in Article IV of the VTA and shall mean "the Purchaser's measure share, expressed in kilowatts, of the VT Transco maximum Coincident Peak load experienced in the twelve months period ending one month prior to the beginning of the month for which billing is being rendered, less any portion of the Purchaser's share that is delivered under other transmission tariffs and that does not utilize the VT Transco system for either primary or backup service."

1.50 Shared Use Facility:

Shared Use Facilities are referred to as "Common Use Facilities" in the SPA, but are not "Common Facilities" as defined in Article IV of the VTA. Shared Use Facilities are defined in Article IV of the SPA "as each substation facility, ownership of which is to be retained by VT Transco but use of which is to be shared by VT Transco and the DU."



1.60 VELCO Operating Committee (OpCom):

The VELCO Operating Committee shall mean a group of representatives from VELCO, certain DUs, and VPPSA convened to review and advise VELCO regarding the business practices of VELCO and VT Transco. Among its duties, the OpCom will assist the DUs in the cost allocation negotiation process and decide cost allocations pursuant to the procedures set forth in this Manual.

1.70 Distribution Utility (DU):

The term "Distribution Utility" shall retain the same definition as the term "Purchaser" under Article IV of the VTA, and the term "Participant" under Article I of the SPA, and shall mean "an electric utility furnishing retail service within the state of Vermont or to the Vermont Department of Public Service" or the Vermont Public Power Supply Authority. The terms "DU," "Purchaser," and "Participant" shall be interchangeable for the purposes of this Manual. The terms "DU," "DU's," "Purchaser" "Purchaser's," "Participant" or "Participant's" shall include facilities belonging to any utility for which the DU provides transmission over the VT Transco system.

The Distribution Utilities in the state of Vermont are listed in Appendix I of this Manual. VELCO may revise the contents of Appendix I without utilizing the revision process as set forth in the Revision section of this Manual.

1.80 Exclusive Facility (EF):

Exclusive Facilities are defined in Article IV of the SPA and shall mean "any substation facilities which are allocable to a DU as necessary for the operation and control of that DU's own system and not required by VT Transco."

1.90 Federal Energy Regulatory Commission (FERC):

The Federal Energy Regulatory Commission (formerly the Federal Power Commission) shall mean the federal agency created by Congress pursuant to 16 U.S.C. § 792 that regulates and oversees the United States' energy industries in order to promote the economic, environmental, and safety interests of the American public.

1.100 Foreign Sales Billing Demand (FSBD):

FSBD is defined in Article IV of the VTA and shall mean "the greater of: (1) zero; or (2) Purchaser's kilowatt sales capacity to out-of-state purchasers that is delivered through the VT Transco system in contracts of one month or greater duration during the second previous month; plus the sum of Purchaser's maximum daily kilowatt sales to out-of-state purchasers that are delivered through the VT Transco system in contracts of less than one month duration during the second previous month, divided by 60; plus Purchaser's maximum one-hour peak load, in kilowatts, during the second previous month; minus any portion of that peak delivered under other transmission tariffs; minus Purchaser's Peak Load."



1.110 Gross Plant (GP):

Gross Plant is defined in Article IV of the VTA and shall mean “total Gross Plant, which is equal to the original cost of all Common and Specific Facilities in service at the end of the second previous month.”

1.120 Purchaser’s Internal Generation Adjustment in Kilowatts (IGAP):

IGAP is defined in Article IV of the VTA and shall mean “Purchaser’s Internal Generation Adjustment, expressed in kilowatts, to be calculated each month for the second previous month for the Purchaser, which shall equal 50% of the Purchaser’s entitlement to ISO-NE accredited generation capacity installed on or directly connected to the system of any Purchaser on July 1, 1990, plus Purchaser’s entitlement to ISO-NE accredited generation capacity installed after 7/1/1990, which is connected, with associated load, to the system of any Purchaser, to the extent that such capacity, in addition to previously installed capacity, does not exceed the historical peak load of such associated local load. If the Purchaser sells for a full month to an out-of-state purchaser an entitlement to internal generation for which an Internal Generation Adjustment would otherwise be granted, the Adjustment shall be retained by the seller.”

1.130 Independent System Operator-New England (ISO-NE):

ISO-NE shall mean the Regional Transmission Organization for New England, as of February 1, 2005. ISO-New England operates the New England Transmission System used to provide regional transmission service under its Open Access Transmission Tariff (“OATT”).

1.140 Limited Interface:

Limited Interface is defined in Appendix 2 of the VTA and shall mean “an interface at the Vermont border (or the point nearest the Vermont border to which a VT Transco line or facility extends) between the VT Transco transmission system and another external transmission system, which interface, because of thermal, reliability, stability or contractual restrictions is not capable of transmitting all of the capacity theoretically available for transmission across it.”

1.150 Purchaser’s Peak Billing Demand (PDP):

PDP is defined in Article IV of the VTA and shall mean “the Purchaser’s Peak Billing Demand for transmission services of VT Transco, expressed in kilowatts.” PDP for any calendar year is calculated by reducing the Peak Billing Demand less IGAP, plus FSDP.

1.160 Pool Transmission Facilities (PTF):

Pool Transmission Facilities shall have the same meaning as the definition in Section II.49 of the ISO-NE OATT.



1.170 Purchaser's Peak Load (PP):

PP is defined in Article IV of the VTA and shall mean "the maximum one-hour peak, in kilowatts, of the Purchaser incurred in the twelve months period ending one month prior to the beginning of the month for which billing is being rendered, less any portion of the Purchaser's peak that is delivered under other transmission tariffs and that does not utilize the VT Transco system for either primary or backup service."

1.180 Original Cost of Purchaser's Specific Facilities (SFP):

SFP is defined in Article IV of the VTA and shall mean the "original cost of Specific Facilities assigned to the Purchaser at the end of the second previous month."

1.190 Specific Facilities (SF):

Specific Facilities are defined in Article IV of the VTA and shall mean "those high-voltage transmission lines, substations and other appurtenances constituting a direct physical interconnection to the VT Transco system and not constituting part of VT Transco's looped transmission facilities that are requested, used, and installed to benefit a requesting Purchaser of transmission service." Appendix 1, Section 1 of the VTA further defines Specific Facilities as "high voltage (115 kV and above) facilities and, in the case of a substation (stepping down to a lower voltage), the transformer, secondary voltage transformer circuit breaker, appurtenances and ancillary equipment, controls and control circuitry" that are designed and specified by VT Transco, or that are in accordance with VT Transco's designs and specifications and/or consistent with VT Transco standard practice.

1.200 Substation Participation Agreement (SPA):

The SPA shall mean an agreement made individually between VT Transco and individual DUs establishing the allocation of costs associated with the construction and operation of facilities located within a VT Transco substation where those facilities are used exclusively by a DU or in common with VT Transco.

1.210 Total Billing Demand (TD):

TD is defined in Article IV of the VTA and shall mean "total Billing Demand in kilowatts of all VT Transco firm service customers, equal to the sum of all purchaser's current year Peak Billing Demand in kilowatts."

1.220 Total Cost (TC):

TC is defined in Article IV of the VTA and shall mean the total costs of VT Transco for a particular month, which shall mean the sums of all operating expenses, including: the cost of purchased power and all expenses recorded in those FERC accounts specified in the VTA; all fixed charges, including interest and amortization of debt discount and expense and premium on debt; an amount equal to all taxes including taxes on or measured by income, including all expenses recorded in those FERC accounts specified in the VTA; an amount for such month which, after provision, shall have been made for



all other costs including all taxes on or measured by income shall equal, on an annual basis, 11.5% of the par value of VT Transco's outstanding Class A membership units, and 13.3% of the par value of VT Transco's outstanding Class B membership units, as shown by VT Transco's books as of the beginning of such month; less deductions for income received by VT Transco during such month other than for income received for transmission of power pursuant to the VTA, including all income recorded in those FERC accounts specified in the VTA, if any, other than income received from ISO-NE for Regional Network Service.

1.230 Total Costs Adjusted (TCA):

TCA is defined in Article IV of the VTA and shall mean cost that is "equal to TC less (a) any revenue received under this tariff for Specific Facilities and less (b) any revenue received from ISO New England for Regional Network Service."

1.240 Transmission Operating Agreement (TOA):

A TOA shall mean an agreement made by and among the New England Transmission Owners and ISO-NE pursuant to which ISO-NE exercises operational authority, and maintains certain rights and obligations, over the transmission facilities that are owned and physically operated by the New England Transmission Owners.

1.250 Vermont Department of Public Service (DPS):

The Vermont Department of Public Service shall mean an agency within the executive branch of the government of the state of Vermont that represents Vermont citizens' public interest regarding energy, telecommunications, water, and waste water and has authority to buy power and resell it in Vermont, under certain circumstances.

1.260 Vermont Electric Power Company (VELCO):

VELCO shall mean the manager of Vermont Transco, LLC, which operates and maintains the Vermont transmission system.

1.270 Vermont System Planning Committee (VSPC):

VSPC shall mean the Committee established by the Vermont Public Service Board by its Order of June 20, 2007 in Docket No. 7081. The purpose of the VSPC is to help facilitate better cooperation and coordination among utilities in considering both transmission and non-transmission alternatives after a Long-Range Transmission Plan for the state of Vermont is in place.

1.280 Vermont Transco, LLC (VT Transco or VTransco):

Vermont Transco, LLC shall mean a limited liability company formed by VELCO and the Vermont Distribution Utilities. VT Transco owns the Vermont transmission system.

1.290 Vermont Public Power Supply Authority (VPPSA):

VPPSA was established under 30 VSA, Chapter 84.



1.300 Vermont Public Service Board (PSB):

The PSB shall mean a quasi-judicial board that supervises the rates, quality of service, and overall financial management of Vermont's public utilities pursuant to Title 30 of the Vermont statutes.



Section 2: VELCO Operating Committee

VELCO Operating Committee

The VELCO Operating Committee or “OpCom” is a committee of representatives of VELCO, certain of the Vermont DUs and VPPSA, and is designed to function in the manner of an owners’ committee. The goals of the OpCom include assisting VT Transco in becoming more responsive and accountable to its DU members, and reviewing and advising on VELCO and VT Transco business practices including, but not limited to, tariff administration, operations management, and strategic review. VELCO shall provide administrative and technical staff support to the OpCom by providing overall coordination and support of OpCom activities as required.

The principle responsibilities of the OpCom include, but are not limited to:

- ❖ Addressing the nature and regulation of the industry as it affects VELCO and VT Transco;
- ❖ Ensuring that, together with the DUs, VELCO considers the interests of Vermont electric utility customers and the broader public interest when planning changes to and/or expanding the transmission system in Vermont;
- ❖ Recommendation and review of the V-TAM; and
- ❖ Determination of cost allocations for upgrades pursuant to the V-TAM in circumstances in which benefiting DUs have not negotiated a cost allocation agreement as a step in the cost allocation process set forth in Section 3 of this Manual.

In particular, the responsibilities of the OpCom include, but are not limited to:

- ❖ Facilitation of information exchange, coordination and understanding among VELCO members and staff about short-term and long-range transmission and related distribution system operating challenges and needs;
- ❖ Provision of a forum for input into the VELCO Long-Range Transmission Plan to ensure that the plan fully incorporates and coordinates information held by all DUs and reflects the reliability and adequacy needs of VELCO’s owners;
- ❖ Review and provision of input on short-term and long-term transmission projects;



- ❖ Review of transmission and related distribution system operating reliability performance with VELCO staff and development of recommendations for improvements;
- ❖ Review of reliability standards and responsibilities within the state of Vermont pursuant to NERC and FERC requirements;
- ❖ Review, evaluation and recommendation to VELCO and the Vermont DUs of opportunities for broad based cost savings in the delivery of energy to Vermont electric utility customers.

VELCO Operating Committee Bylaws

The OpCom shall perform its duties according to the Bylaws set forth herein.

2.10. Composition

Members of the OpCom are appointed by the various DUs and VPPSA in consultation with the CEO of VELCO. The OpCom shall consist of three members from VELCO (pursuant to Section 2.110, the three VELCO representatives shall not have a vote on any OpCom business except that the VELCO members collectively shall have one vote in cost allocation determinations only), one member from VPPSA and one member from each DU with an ownership interest in VT Transco that elects to participate directly and regularly in the OpCom. A single individual may serve as the member from VPPSA and one DU. These members shall be considered the “permanent voting members.”

2.11 Composition during a Cost Allocation Negotiation

When the OpCom meets to determine a cost allocation for a transmission project, additional members will be appointed to join the permanent voting members. To the extent a benefiting DU that is involved in the cost allocation negotiation does not have a member representing its interest in the OpCom, that DU shall appoint a special member from that DU to serve on the OpCom (in consultation with the CEO of VELCO) during that cost allocation determination, provided that there shall never be an even number of members on the OpCom. If the specially convened OpCom has an even number of members, the CEO of VELCO will appoint one additional DU representative to serve on the OpCom. If a DU is represented by VPPSA in the OpCom, it may nevertheless appoint a special member to represent its interests in a cost allocation negotiation. Aside from this exception, there will be no more than one participant from any DU in the OpCom during a cost allocation negotiation.



2.20. Members and Alternates

A DU shall nominate a possible member to the OpCom for final approval and appointment in consultation with the CEO of VELCO by sending written notice to the DUs pursuant to the notice provisions set forth in Section 2.80 herein, and the CEO of VELCO naming the proposed member. In addition, the DU shall nominate for appointment, in consultation with the CEO of VELCO, an alternate member to serve in the OpCom if the original member is unable to serve. That alternate member shall have all the powers of the member, including, when a voting member is absent, the power to vote. DUs that do not have a permanent voting member on the OpCom shall nominate a representative for appointment when they are notified that their organization has been elected to serve on a particular cost allocation resolution.

2.30 Term of Members and Alternates

Each permanent OpCom member and alternate shall serve on the OpCom until the DU appoints a new member in consultation with the CEO of VELCO, until the member or alternate's relationship with his or her respective DU terminates, or unless the member or alternate is dismissed by the OpCom for cause. A member or alternate representing a DU that does not have a permanent member on the OpCom shall serve on the OpCom for the duration of the cost allocation negotiation for which those DUs were selected to serve.

2.40 Appointment of Replacement

Should an OpCom member or alternate leave the OpCom before a new member is selected, the member's alternate shall serve on the OpCom until the DU nominates a new member in consultation with the CEO of VELCO.

2.50 Chair

The Chair of the OpCom shall be appointed by and serve at the discretion of the CEO of VELCO. The Chair shall preside at meetings of the OpCom and have such powers and duties as are usually incident to such office.

2.60 Vice Chair

The Vice Chair of the OpCom shall be elected by and serve at the discretion of a majority through a motion and vote of the DU representatives of the OpCom. The Vice Chair shall assist the Chair in the performance of his or her powers and duties, including acting as Chair if the Chair is unable to attend an OpCom meeting.

2.70 Secretary



The Chair shall designate a secretary whose responsibilities shall include, but are not limited to, taking meeting minutes.

2.80 Notice and Convening of the OpCom: Generally

Notice to the OpCom members shall be deemed to have been given as follows: (1) if personally delivered, notice shall be deemed given upon delivery to the member, or alternate, or their designee; (2) if mailed, postage prepaid, to the member or alternate at his or her designated mail address, notice shall be deemed given when received; (3) if sent electronically or by facsimile to the member or alternate at his or her designated electronic mail address or facsimile number, notice shall be deemed given when transmitted electronically or by facsimile. To the extent practicable, notices, agendas and supporting materials shall be circulated to the members and alternates electronically.

Members and alternates of the OpCom may participate in a meeting in person, by telephone, or by means of conference telephone, electronic video screen communication, or other appropriate communications equipment. In-person participation by such member or alternate may be specifically requested by the Chair in the Chair's discretion.

2.90 Adjournments and Reconvening

Any OpCom meeting may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. If not so announced, a notice of a reconvened meeting shall be given, to the extent practical, at least five (5) business days in advance. In exigent circumstances, the Chair may reconvene the meeting with less notice, but in no event shall members and alternates receive less than twenty-four (24) hours' notice of the reconvening of the meeting. At the reconvened meeting, the OpCom may transact any business which might have been transacted at the original meeting.

2.100 Quorum

A quorum of the OpCom must be present for any action to be taken by the OpCom other than adjournment of the meeting. A majority of the voting members (or alternates acting in the absence of an absent voting member) convened for any particular meeting or cost allocation negotiation, including any non-permanent representatives chosen to serve for a particular agreement, must be present to constitute a quorum.

2.110 Voting



VELCO shall not have a vote in any OpCom business, except that VELCO's members shall collectively have one vote in cost allocation determinations only. Each DU and VPPSA representative in the OpCom shall have one vote in all matters, except that an individual appointed as the representative for both VPPSA and a DU will have one vote on behalf of each entity. An action must be moved, seconded, and voted upon before it may be considered adopted. A motion will pass if it receives an absolute majority of all members entitled to vote.

Members may vote in person, telephonically, or by proxy. A proxy may be executed by a member's signature electronically or otherwise transmitted to the member who will be the holder of the proxy, and to the Chair or Vice Chair, provided that any such transmission must either set forth or be submitted with information from which it can reasonably be determined that the proxy transmission was authorized by that member.

2.120 Frequency of Meetings

Meetings of the OpCom shall be held not less than bi-monthly (every other month). The Chair and Vice Chair may postpone OpCom meetings in their discretion. The OpCom's regular meetings shall be held three weeks before the VELCO Board holds its bi-monthly meeting.

2.130 Location of Meetings

Meetings of the OpCom may be held at any location within the state of Vermont. In determining the location of meetings, due consideration shall be given to providing opportunities for various regions of the State to host meetings, convenience of the various members, and the degree to which the meeting location will facilitate an opportunity for public participation.

2.140 Agenda

The Secretary shall send out an agenda as established jointly by the Chair and Vice Chair for each meeting of the OpCom no less than seven calendar days prior to each meeting. Permanent voting members of the OpCom may suggest additional agenda topics to the Secretary pursuant to the notice provisions set forth in Section 2.80 of these Bylaws. The Secretary shall include all such suggestions in the agenda.

2.150 Continuing Eligibility

It is vital to the continued operation and governance of the OpCom that its members are fully committed to the OpCom's regular operation and governance. To maintain eligibility for membership, each VELCO and DU member or alternate must attend 75 percent of OpCom meetings per year, whether in person or by telephone or other communications technology, except in unavoidable emergencies. The OpCom shall use its sole discretion to determine whether a member is eligible to continue serving on the OpCom.



2.160 Conduct of Meetings

- (a) The Chair shall confirm that a Quorum as defined in Section 2.100 is present and that notice of the meeting has been served in accordance with Section 2.80.
- (b) All matters to be acted upon by the OpCom shall be stated in the form of a motion by a voting member, which must be seconded. Only one motion and any one amendment to that motion may be pending at one time.
- (c) Except to the extent inconsistent with controlling VT Transco Tariffs and Agreements, or the practices and procedures set forth in this Manual, the Chair shall have the right and authority to prescribe other such rules, protocols and procedures and to do all such acts as, in the judgment of the Chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures shall include, without limitation, the following:
 - (i) The agenda for each meeting of the OpCom shall be established jointly by the Chair and Vice Chair with input from the OpCom members as specified in Section 2.140.
 - (ii) In the conduct of each meeting, the Chair shall have the authority normally invested in a presiding officer and shall have, in particular, the authority to limit the aggregate amount of time allowed for discussion of a particular matter and the amount of time allowed to each member or other person to speak on a matter.

2.170 Posting of OpCom Minutes and Decisions

The minutes and decisions of the OpCom will be included in the Board Book for each VELCO Board of Directors meeting, and shall be a standing agenda item on the VELCO Board of Directors meeting agenda. The decisions of the OpCom will be posted for public viewing on VELCO's website at www.velco.com.

2.180: Validity

If any part of these bylaws or any part of the V-TAM is held invalid, the remaining bylaws and portions of the V-TAM shall remain in place to the extent allowed by law.



Section 3: Cost Allocation Process

VT Transco's intent in implementing this cost allocation process is to provide benefiting DUs with a timely and meaningful opportunity to negotiate an agreement for the allocation of Specific Facility costs pursuant to Appendix I, Section 2(b) of the VTA. This section contains a set of common practices and standards for use by VT Transco, VELCO, the DUs and VPPSA to ensure consistency in determining a project's benefit to DUs and determining cost allocations. The cost allocation process described in this Manual is intended to set forth a transparent methodology that will lead to predictable, defensible and consistent results. Notwithstanding any provision in this section, or in any other part of this Manual, all signatories to the VTA retain their right under Article X of the VTA to take any dispute to arbitration as described in Section 8 of this Manual.

Cost Allocation for Transmission Facilities:

Regional Pool Transmission Facilities

Pool Transmission Facilities are defined in Section 1.100 of this manual. PTFs are allocated regionally over the ISO-NE system on a modified postage-stamp basis.

Vermont Common Facilities

Vermont Common Facilities or Common Facilities are defined in section 1.20, above. Vermont Common Facilities are allocated on a modified load ratio share to the DUs in Vermont.

Specific Facilities

Specific Facilities are defined in section 1.190 above. Article IV specifies that the cost of a Specific Facility is allocated entirely to the "requesting Purchaser of transmission service" unless that requesting purchaser provides VT Transco with a written agreement pursuant to which additional DUs agree to undertake a portion of the cost of the SF (*i.e.*, a cost allocation agreement among benefiting utilities). Additionally, Article IV provides that a Specific Facility



that has been in service for ten full years shall become a part of Common Facilities, and will then have its cost allocated to DUs and consumers across Vermont.

Appendix 1, Section 2 of the VTA contemplates situations where a “requesting purchaser” has not requested the construction of a Specific Facility, but where it appears to VT Transco that the construction of Specific Facilities may be required in the absence of a DU’s request. If VT Transco comes to such a conclusion, it will follow the process designated in Appendix 1, Section 2 of the VTA and seek the concurrence and agreement for the allocation of costs by the benefiting utility or utilities pursuant to the cost allocation process set forth in this Manual.

VT Transco will facilitate negotiation of a cost allocation agreement among various benefiting DUs, whether initiated by a requesting purchaser or by VT Transco, by providing information about the SF and the benefit it provides to the benefiting DUs.

Appendix 1, Section 4 of the VTA provides that a capital improvement to VT Transco’s Common Facilities will be deemed Specific Facilities if:

- ❖ Construction of the improvement requires a Certificate of Public Good; and
- ❖ The Common facilities to which the improvement is made would be deemed Specific Facilities if constructed under the VTA; and
- ❖ The improvement otherwise meets the definition of Specific Facilities; and
- ❖ The cost of the improvement SF is greater than \$50,000.00 in 1992, indexed upward for succeeding years pursuant to the Handy-Whitman Index; and
- ❖ The improvement will increase the normal operating capacity of the improved facility by at least twenty percent.

If a VT Transco project leads to upgrades to facilities or indirect costs to a DU system that would not have been incurred but for that VT Transco project, these associated upgrades or indirect costs shall be included in the project’s overall costs, and allocated in the same manner as the project’s other costs.



Who is a “Requesting Purchaser”?

Article IV of the VTA requires that the cost of a Specific Facility be allocated to a “requesting purchaser,” that is, the DU that requested that the Specific Facility be constructed. In order to become a “requesting purchaser,” a DU must send a formal, written request to VT Transco that includes the following:

- ❖ A description of the Specific Facility that the requesting purchaser wishes to be constructed, including proposed location, structural details, and size (to be subject to VELCO’s future study and determination of the proposed SF’s design, and a future agreement by the benefiting DUs regarding the SF’s D-Level design);
- ❖ A list of Distribution Utilities that the requesting purchaser feels would benefit from the Specific Facility, and the rationale as to why those DUs would benefit; and
- ❖ An acknowledgement that the requesting purchaser(s) is aware that it is a “requesting purchaser” under Article IV of the VTA, and as such will be required to pay the costs pursuant to the terms of Article IV of the VTA.

A communication that does not contain all three of the above provisions will not be considered a “request” by VELCO. Projects initiated without such a request are VELCO-initiated projects.

Who is a “Benefiting Utility”?

A DU that is a “benefiting utility” is to be named by the requesting DU(s) in its formal written request, or determined by VT Transco, as described above. VT Transco will then notify each named benefiting utility of the impending construction of a Specific Facility that benefits the DU, and the expectation that it participate in the negotiation of a cost allocation agreement among the other DUs that also benefit from the Specific Facility. VT Transco will also notify a DU that is not currently involved in a cost allocation negotiation if at any time one or more of the negotiating parties inform VT Transco that such DU is also a benefiting utility, and should join the cost allocation negotiation. VT Transco and the negotiating DUs will determine whether another DU “benefits” from a proposed Specific Facility by examining appropriate factors, including (without limitation):

- ❖ Whether the proposed SF would provide reliability benefits in the form of the post-contingency load of that DU that would otherwise go unserved by existing facilities. This factor will consider the possibility of various contingency events.



- ❖ The amount of DU load and percentage of total load served by the proposed SF that would ease or alleviate an existing deficiency in reliability.
- ❖ Certain costs to the DU(s) that would be avoided by the proposed facility.
- ❖ The load growth circumstances of each DU that cause a reliability deficiency that necessitates the project.
- ❖ An examination of the electrical distance of a DU's load from existing source facilities and the proposed project facility.

Cost Allocation Negotiation Process

VT Transco shall notify all utilities that it has determined (either from the requesting purchaser's letter or, if there is no requesting purchaser, in its own judgment) will benefit from the proposed SF by notifying each potentially benefiting DU in writing. All DUs that have been named as potentially benefiting from the SF should attend negotiation discussions. To the extent a DU believes that it does not benefit from a SF, it should nevertheless participate in the negotiation process to advance its belief. If the DU disputing its benefiting utility status does not participate in the cost allocation process, it risks having a portion of the cost of the SF allocated to it by the Operating Committee in its absence.

When VT Transco has notified the benefiting utilities of the impending construction of a Specific Facility that benefits them, each benefiting DU is to participate in cost allocation negotiations led by the requesting purchaser, where applicable. The goal of cost allocation negotiations is to determine a final cost allocation among benefiting DUs for the SF, and should at a minimum take into consideration the factors regarding which DU benefits from a SF as discussed in the previous section. VT Transco will facilitate the cost allocation negotiation process by providing information requested by the DUs, but will not participate in the negotiation process.

VELCO shall use its reasonable discretion to determine a deadline by which the DUs must reach a cost allocation agreement. In determining this deadline, VELCO will consider regulatory deadlines, construction schedule, and other elements involved in the scheduling of a project involving SF. VELCO shall notify the benefiting DUs as soon as possible, but no less than 60 days before the deadline, that they must reach a cost allocation agreement by that deadline. An illustration of the timeline related to this cost allocation procedure is presented in Appendix 2 of this Manual.



If a cost allocation agreement is reached, the benefiting DUs shall present to VELCO a final written agreement which shall include, at a minimum, the following:

- ❖ A list of the benefiting DUs that participated in the cost allocation agreement negotiation, and a list of the benefiting DUs that are sharing the cost of the SF pursuant to the written cost allocation agreement;
- ❖ A description of the cost allocation agreement with the defined percentage amount that each DU will pay; and
- ❖ A signature page signed by an authorized representative from each DU that is sharing the cost of the SF. The signature page must state that the DU participated in the cost allocation negotiation, understands that the cost allocation agreement is binding upon the DU even if the final SF cost of the SF changes, and that the DU agrees to pay the cost of the SF that is allocated to it according to the agreement.

If, in the opinion of one or more of the benefiting DUs, the DUs involved in a cost allocation negotiation are unable to reach agreement within the time specified, they shall inform VELCO of their inability to agree, and request that the OpCom determine a default cost allocation. VELCO retains the sole discretion to request the OpCom to determine a default cost allocation if, based upon its own determination or upon a DU or DUs' request, it determines that the DUs will not reach a timely agreement. VELCO must put the cost allocation before the OpCom if the DUs do not reach agreement by the deadline established by VELCO.

If a project including SF is withdrawn or cancelled, the cost incurred on the project shall be allocated according to the agreed upon cost allocation or OpCom determination as determined in accordance with the provisions of this Manual. If no cost allocation has been determined before the project is withdrawn or cancelled, the OpCom shall make a cost allocation determination in accordance with the provisions of the Manual and the project's cost shall be allocated according to such determination.

Other Specific Facility Cost Allocations

Appendix 1, Section 3 of the VTA provides that if an improvement or addition is made to a Specific Facility during the ten years before it becomes a part of Common Facilities, and such improvement significantly changes the proportions of the use of the Specific Facility by the Purchasers supporting it, the Purchaser or Purchasers requesting the improvement shall provide VT Transco with a written cost allocation agreement in support of the Specific Facility's support costs and improvement costs for the remainder of the ten years. If such an agreement is not presented to VT Transco, VT Transco may reallocate the support costs of the affected Specific



Facility on the basis of the DUs' projected proportionate share of the peak demand on such facilities.

Under Appendix I, Section 4(b) of the VTA, if VT Transco initiates improvements to meet capability or reliability requirements which have not been specifically requested by the DUs that benefit from such facilities, VT Transco shall allocate the support costs on the basis of the DUs' proportionate share of the peak demand on such facilities during the calendar year preceding approval by the Public Service Board, but not including periods of abnormal operating conditions.



Cost Allocation for Substation Facilities:

The costs associated with substation facilities are operation and maintenance costs, rather than construction costs, and are governed by VT Transco's Substation Participation Agreement.

Shared Use Facilities

Shared Use Facilities (referred to as "Common Use Facilities" in the SPA) are defined in Section 1.50 above. Costs for the operation and maintenance of Shared Use Facilities will be allocated to all benefiting DUs on an asset value basis. VT Transco will divide the Shared Use Costs between VELCO and the DUs by using a gross plant allocator. VT Transco will determine the cost of all Exclusive Facilities owned by any DU within that substation, and divide those costs by the total non-depreciated cost of the substation to determine what percent of total substation cost is reflected by Exclusive Facilities. The SPA provides that a DU's individual share of Shared Use Costs will be determined by dividing all Shared Use Costs by the number of parties using the substation. The DUs will then pay that percentage of the substation's operation and maintenance costs, divided evenly among the number of DUs that own exclusive facilities at the substation.

Example: Two DUs own Exclusive Facilities in a substation that cost \$1000. DU 1's Exclusive Facility costs \$20, while DU 2's Exclusive Facility costs \$80. The operation and maintenance of the substation costs \$200. To determine the percentage of Shared Use Costs these two DUs will pay, VT Transco will determine the cost of these Exclusive Facilities, a total of \$100, and divide it by the cost of the entire substation, for a total of 0.1. VT Transco then multiplies 0.1 by the cost of the operation and maintenance of the substation. The two DUs will each pay their share of \$20, \$10 each.

Exclusive Facilities

Exclusive Facilities defined in section 1.80 above. Each DU is responsible for the costs of its own Exclusive Facilities installed at any substation.

Exclusive Facilities in a substation differ from Specific Facilities in a substation in that a substation's Specific Facilities are defined in Appendix 1 of the VTA as the transformer, secondary voltage transformer circuit breaker, appurtenances and ancillary equipment, controls and control circuitry that are designed and specified by VT Transco, or constructed in accordance with VT Transco's designs and specifications or standard practice. VT Transco operates and maintains the Specific Facilities within a substation.



In a ring bus situation, the number of breakers that will be treated as specific costs will be equal to the number of sources plus one. For example, if a ring bus has four breakers and two sources, three of those breakers will be treated as specific cost and one as exclusive cost.



[Placeholder: Section 4: Procedures Regarding Administration of the VTA]



[Placeholder: Section 5: Procedures Regarding the Administration of Other VT Transco Tariffs]



Section 6: Milestones for Project Accounting

This section provides guidance for the milestones that must be reached before a proposal for a transmission project or upgrade actually becomes a VT Transco project, allowing VT Transco to capitalize the cost of the project based on the cost allocation agreement reached by the benefiting DUs.

The milestones for project accounting are as follows:

- ❖ **Phase I, Consultant Phase:** DUs hire VT Transco to undertake a facility study. The DUs compensate VT Transco for the study services.
- ❖ **Phase II, Project Agreement Phase:** The benefiting DUs and/or VT Transco reach an agreement on the preferred design of the project, and the cost allocation of the project. VT Transco issues a formal notice to the benefiting DUs that it has created the project, and has begun to capitalize its cost. If the Project Agreement Phase is reached, but the project fails to obtain a CPG, then VT Transco's costs are billed to the benefiting DUs as per the cost allocation agreement reached by those DUs.
- ❖ **Phase III, Project CPG Granted Phase:** A CPG is granted for the project by the Vermont PSB. VT Transco capitalizes its costs and invoices for the project based on the cost allocation agreement reached by the DUs.

VT Transco may only capitalize the cost of a project if that project has three elements: (1) a preferred B-level estimate agreed to by the benefiting DUs; (2) an estimate on the cost of the project; and (3) a cost allocation agreement among the benefiting DUs. The cost allocation negotiation process as set forth in Section 3 of this Manual is designed to compliment the VSPC project planning process and determine a cost allocation for a project when required by the VSPC, and before VELCO applies for a CPG for the project.



Section 7: Standards and Responsibility for Reliability Requirements



Section 8: Arbitration

The VTA and the SPA allow for disputes as to the interpretation or performance of each agreement to be submitted to arbitration. The arbitration process is intended (but does not always guarantee) to resolve disputes arising out of, for example, failed cost allocation negotiations in a prompt and cost-effective manner. The rules and procedures described in this Manual are intended to advance that goal by promoting an expedited dispute resolution process.

Agreement of the Parties to Submit to Arbitration

Article X of the VTA provides, among other things, that any dispute “as to the interpretation or performance of the [VTA] which cannot be settled by mutual agreement... shall be submitted to arbitration” and that the decision of the arbitrator “shall be final and binding upon all parties except that any party to the proceeding may petition a court of competent jurisdiction for review of errors of law.”

Article XI of the SPA also provides, among other things, that disputes “as to the interpretation or performance” of that agreement shall be resolved through arbitration and that the decision of the arbitrator “shall be final and binding upon all parties except that any party to the proceeding may petition a court of competent jurisdiction for review of errors of law.”

Commencing an Arbitration

Arbitration is commenced by the issuance by the initiating party (the “Claimant”) of a written notice of intent to arbitrate (the “Notice Requesting Arbitration”) to all parties. The Notice Requesting Arbitration must include:

- ❖ A statement that the arbitration is being brought pursuant to Article X of the VTA (or Article XI of the SPA, if applicable);
- ❖ The nature of the dispute to be arbitrated;
- ❖ The names and addresses of all parties;
- ❖ A comprehensive statement setting forth the claim including all facts and law being relied upon; and
- ❖ The specific remedy sought.



The Notice Requesting Arbitration must sufficiently describe the claim to make the dispute clear to the parties and to the arbitrator. The notice of arbitration shall be served by delivery by hand or by overnight mail to all parties.

Each party may file within 30 days of service of the Notice Requesting Arbitration an answering statement setting forth its comprehensive response, including all facts and law relied upon. To the extent that such answer may assert counterclaims or implead third parties, the arbitrator shall establish aggressive timelines for responses.

Choice of Law and Locale of Arbitration

The arbitration shall be governed by the laws of the state of Vermont and the arbitration hearing shall be conducted in the state of Vermont at a date, time and location to be mutually agreed upon by the parties within 15 days of service of the Notice Requesting Arbitration.

Appointment of an Arbitrator

The arbitration shall be conducted before a single neutral arbitrator to be mutually agreed upon by the parties within 15 days following the service of the Notice Requesting Arbitration. In the case of failure to agree upon an arbitrator within these 15 days, any party may request the American Arbitration Association to appoint the arbitrator. Unless an alternative procedure is agreed to by the parties, the parties shall follow the procedure set forth in Commercial Arbitration Rules and Procedures of the American Arbitration Association for the selection of an arbitrator.

Conduct of Proceedings

The arbitration shall be administered by the American Arbitration Association pursuant to its Expedited Commercial Arbitration Rules and Procedures, as may be amended in writing by agreement of the parties. To the extent that a conflict exists between the rules and procedures of the American Arbitration Association and the VTA, SPA or this Manual, the VTA, SPA and/or this Manual will control.



Scope of Award

The arbitrator may grant any remedy or relief that the arbitrator deems just and equitable and within the scope of any and all agreements among the parties. The arbitrator's decision, issued after each party has had an opportunity to be heard, shall be in writing and shall separately set forth the arbitrator's findings of fact and law. The arbitrator shall not, however, have the power to amend or add to the VTA or the SPA.

In addition, during the conduct of the arbitration, the arbitrator may make other decisions (*e.g.*, interim, interlocutory or partial orders) as are necessary in the conduct of the arbitration.



Appendix I: List of Vermont DUs and Contact Information for Notification

Pursuant to the Revision section of this Manual, it is each DU, VDPS and VPPSA's responsibility to provide VELCO and the OpCom with an e-mail address to be used for notifying those parties of any changes or revisions to the V-TAM. This Appendix sets forth each provided e-mail address. VELCO may revise the contents of this Appendix I without utilizing the revision process as set forth in the Revision section of this Manual.

Distribution Utility	E-mail Address
V-TAM Administrator	
Burlington Electric Dept.	
Central Vermont Public Service	
Department of Public Service	
Green Mountain Power	
Swanton Village	
Town of Hardwick	
Town of Readsboro	
Vermont Electric Cooperative	
Vermont Marble Power Division	
Village of Barton	
Village of Enosburg	
Village of Hyde Park	
Village of Jacksonville	
Village of Johnson	
Village of Ludlow	
Village of Lyndonville	
Village of Morrisville	
Village of Northfield	
Village of Orleans	
Village of Stowe	
VPPSA	
Washington Electric Cooperative	



Appendix 2 : Timeline of the Cost Allocation Process

This timeline illustrates the cost allocation process as set forth in Section 3 of this Manual.

