

August 21, 2009

Eileen Simollardes
Vice President - Supply and Regulatory Affairs
Vermont Gas Systems, Inc.
PO Box 467
Burlington, VT 05402-0467

RE: Special Contract No. 871

Dear Ms. Simollardes:

Please find enclosed a copy of the Special Contract approval issued by the Public Service Board on August 21, 2009, for the contract between Vermont Gas Systems, Inc. ("VGS"), and the City of Burlington Electric Department.

Please note that VGS is required to provide a copy of the Board's approval to the contracting customer within ten days.

Very truly yours,

Susan M. Hudson
Clerk of the Board

Enclosure
cc: w/enc. - Department of Public Service

STATE OF VERMONT
PUBLIC SERVICE BOARD

SPECIAL CONTRACT APPROVAL

Re: S.C. #871

The contract for G A S service between **Vermont Gas Systems, Inc.** ("VGS" or "Company") and **the City of Burlington Electric Department** ("Customer") for the period of October 1, 2009, through September 30, 2012, and providing for interruptible gas service for use at the McNeil Generating Facility ("McNeil") located in Burlington, Vermont, under the conditions set forth in the contract and as set forth herein is hereby approved as provided by 30 V.S.A. § 229. This contract replaces Special Contract No. 845.

On July 6, 2009, VGS filed a request for approval from the Vermont Public Service Board ("Board") of this Contract with the Customer. VGS indicated that the price charged under the Contract will be market-based with a minimum and maximum price range. The price may be adjusted based on market condition, however the ceiling and floor will be maintained.

In a letter filed on August 5, 2009, the Vermont Department of Public Service ("Department") recommended that the Public Service Board ("Board") approve the Contract. The Department requested that the Board include a provision that this Contract will not be renewed and shall be converted to a tariff.

Our approval of special contracts between VGS and its customers has generally been conditioned upon the Board's expectation of the Customer's full participation in VGS' demand-side management ("DSM") and energy efficiency programs.

VGS notes that, in accordance with the conditions for the approval of Special Contract No. 845, the Customer filed a report with the Board on June 25, 2008, explaining its activities with regard to DSM measures for natural gas at McNeil during the term of the Contract. The Customer installed an efficient gas water heater and is evaluating other potential projects, including high-efficiency gas-unit boilers and small-gas-fired room heaters.

Our approval of Special Contract No. 845 was conditioned, among other things, upon our expectation that VGS and the Customer would continue to pursue DSM and efficiency measures to the fullest extent prudently possible. To ensure that VGS and the Customer continue to

undertake this effort in the future, VGS shall file a report prepared by the Customer detailing these activities at McNeil. The report should include a description of: (i) potential DSM projects at McNeil studied by the Company and the Customer; (ii) individual DSM projects undertaken at McNeil during the contract period; and (iii) amounts invested in DSM. The report shall be filed by June 30, 2010, and annually thereafter.

We accept the Department's recommendation to approve this Contract; however, we are not adopting the Department's suggestion to include language foreclosing renewal of this Contract upon its expiration. By law, Vermont utilities are authorized to petition for approval of a special contract pursuant to 30 V.S.A. § 229. It would be inappropriate for the Board to prejudge the review of any such future petition. If McNeil can be effectively served by VGS pursuant to a tariff instead of a special contract, we encourage VGS to work with the Customer and the Department to take the steps necessary to move McNeil's service to a tariff before expiration of the term of this Contract.

Our approval reflects our overall judgment that it meets the strictures of 30 V.S.A. § 229. Our approval should not be construed as approval or disapproval of any of the specific negotiated terms, or as a determination that those terms are, or are not, cost-effective for the contracting customer or otherwise in the contracting customer's best interest.

VGS shall provide a copy of this Board approval to the Customer within ten (10) days of this Order.

DATED at Montpelier, Vermont, this 21st day of August, 2009.

s/ James Volz)

PUBLIC SERVICE

s/ David C. Coen)

BOARD

s/ John D. Burke)

OF VERMONT

OFFICE OF THE CLERK

Filed: August 21, 2009

Attest s/ Susan M. Hudson
Clerk of the Board