

STATE OF VERMONT
PUBLIC SERVICE BOARD

SPECIAL CONTRACT APPROVAL

Re: S.C. #874

The contract for ELECTRIC service between Vermont Electric Cooperative, Inc. ("VEC") and Smugglers' Notch Management Company, Ltd. ("Smugglers' Notch" or "Customer") for the period beginning October 15, 2009, and continuing through October 14, 2011, under the conditions set forth in the Contract and set forth herein, is hereby approved, as provided by Title 30, Section 229 of the Vermont Statutes Annotated. This proposed special contract replaces Special Contract No. 852.

On August 26, 2009, the Vermont Department of Public Service ("DPS" or "Department") filed a letter with the Public Service Board ("Board") stating that it had reviewed the terms of the Special Contract and recommended Board approval without investigation or hearing. The Department noted that this Contract increases the Customer's installed capacity from five megawatts to six megawatts and the energy allotment from four megawatts per hour to five megawatts per hour. The Department requested that the Board include a provision that this Contract will not be renewed and shall be converted to a tariff.

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 Smugglers' Notch can be effectively served by VEC pursuant to a tariff instead of a special contract, we encourage VEC to work with Smugglers' Notch and the Department to take the steps necessary to move the customer's service to a tariff before expiration of the term of this Contract.

In our approvals of other special contracts, the Board has required that the utility demonstrate that the special contract customer is participating to the fullest extent possible in cost-effective energy efficiency programs. Such programs provide benefits both to the customer and to the utility system as a whole. Our approval of this Special Contract is conditioned on a requirement that Smugglers Notch participate in the relevant energy efficiency programs offered

by Efficiency Vermont to the fullest extent possible. Approval of this contract is also conditioned upon the requirement that VEC, on behalf of Smugglers' Notch, shall file a progress report on demand-side management ("DSM") activities at the time of any request for contract renewal which shall include (1) a description of individual DSM projects completed during the year, (2) an estimate of energy and demand savings for each project, (3) the dollar amount invested in each project, and (4) a description of DSM activities planned for the proposed contract period. In addition, all electric service purchased by Smugglers' Notch shall be subject to the energy efficiency charge as approved by the Board, and as may be modified during the period of the contract.

Our approval of this Special Contract reflects our overall judgment that, as conditioned, it meets the strictures of 30 V.S.A. § 229. Except as specifically conditioned, 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.

VEC shall provide a copy of this Board approval to the contracting customer within ten days of this Order.

DATED at Montpelier, Vermont, this 17th day of September, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

Filed: September 17, 2009

Attest: s/Susan M. Hudson
Clerk of the Board