

**GREEN MOUNTAIN POWER CORPORATION  
ALTERNATIVE REGULATION PLAN  
Filed April 14, 2006**

This Alternative Regulation Plan (“Plan”) constitutes an alternative form of regulation under 30 V.S.A. § 218d. Upon approval by the Public Service Board (“Board”), the Plan and the attached tariff will govern the manner in which the electric rates of Green Mountain Power Corporation (“Company”) will be regulated by the Board during the term of the Plan.

I. TERM

The Plan shall take effect on February 1, 2007, pursuant to 30 V.S.A. §218d (f), (g). The Plan shall terminate on September 30, 2010; provided, however, that rates incorporating adjustments relating to the Power Adjustor and the Earnings Sharing Adjustor shall continue beyond the termination date, as provided in Section II D, below.

The Plan may be terminated, modified or extended upon request of the Company and the Department of Public Service (“Department”) and approval by the Board. No later than December 31, 2009, the Company shall file with the Board and Department its intentions regarding a successor plan or plan extension, if any.

II. RATE ADJUSTMENTS

No rate adjustment other than described herein will be effective before October 1, 2010.

A. BASE RATE ADJUSTMENTS

The Company’s base rates will be subject to revision effective on a bills-rendered basis commencing with Cycle 01 January, 2008, January, 2009 and October, 2009, if supported by cost of service information filed by November 1 of the preceding year (August 1 with respect to the October, 2009 rates). The cost of service filing shall be calculated in a manner consistent with the traditional Vermont rate making principles (*i.e.*, exclude the Company’s disallowed costs and results of unregulated operations (but business services included in cost of service)) and consistent with the provisions of this Plan; provided that the base rates to be effective

January, 2009 shall be designed to recover the Company's projected costs for the period January 1, 2009 – September 30, 2009.

The methodology to be used to forecast loads and revenues ("Forecast Methodology") is attached in Attachment 1. Any change in base rates shall be implemented by a uniform percentage change in each rate element for each rate class; provided that (1) the rate impacts of the reserves funded by other than C&I Transmission Rate class customers established in connection with Docket 7175 and the 2005/2006 excess earnings ("VY Outage Reserves"), including any credit to rate base and any replacement power costs relating to unscheduled (*ie.*, no rate allowance) Vermont Yankee ("VY") outages or output-reductions ("Unscheduled VY Outages") resulting in increased costs exceeding \$300,000 per quarter ("VY Outage Costs"), shall not apply to the C&I Transmission rate class, and (2) any change in base rates shall not apply to rates that are not subject to generally-applicable tariff changes (for instance energy portion of Voluntary Renewables Service Rider, Curtailable Rider Buy-Through Rate, Special Charges Tariff) ("Exempt Charges"). Any rate change shall not produce anticipated revenue increases associated with nonpower costs that exceed \$1.25 million for 2008 rates, \$1.125 million for January, 2009 rates, or \$1.6 million for October, 2009 rates; except that these limits may be exceeded to reflect the impact of Exogenous Changes and of any change in the Board-approved rate of return on equity. The return on equity component shall be adjusted by a percentage amount equal to 50% of the difference between the average ten-year Treasury note yield to maturity (a) as of the last twenty trading days ending two weeks prior to the filing, and (b) as of the twenty trading day period used for the last adjustment to the return on equity component.

Exogenous Changes shall consist of cost or revenue changes relating to the following, to the extent the aggregate amount in any year exceeds \$600,000 (\$450,000 as to the January, 2009 base rate filing) (the floor does not apply to subsequent year impacts of recurring cost or revenue changes):

1. Changes in tax laws that impact the Company.
2. Changes in Generally Accepted Accounting Principles.
3. Any Federal Energy Regulatory Commission or New England Independent System Operator rule changes affecting the Company.
4. Other regulatory, judicial or legislative changes affecting the Company.
5. Loss of load not pertaining to weather.

6. Major unplanned maintenance costs or investments, such as those incurred due to storm-related maintenance and major repairs to Company-owned power plants.

The Company shall provide individual customer notice through normal bill mailings of each base rate filing. In addition, the Company shall provide copies of each base rate filing to all entities that were parties in Docket 7176. The filing also is subject to Board suspension and review, pursuant to 30 V.S.A. §§ 225, 226, 227. Any Board decision in the proceeding resulting from Board's suspension shall be based on contested case procedures and shall be issued within four months after the applicable base rate filing was scheduled to take effect. This deadline shall not apply to any investigation relating to the Company's existing rates described in Section IV (3).

#### B. EARNINGS SHARING ADJUSTOR

The Company's rates will be subject to an Earnings Sharing Adjustor effective on a bills-rendered basis commencing with Cycle 01 April, 2008 (for the ensuing 12 months), April, 2009 (for the ensuing 12 months), April, 2010 (for the ensuing 9 months), and January 2011 (for ensuing 12 months). No later than 45 days prior to implementation of each Earnings Sharing Adjustor, the Company shall file with the Board and Department its Actual Earnings for the preceding base rate period, the proposed Earnings Sharing Adjustor calculation, the proposed Earnings Sharing Adjustor and supporting information. Actual Earnings will be calculated on a regulatory basis based on the same methodology as the earnings cap calculation reflected in the Board's Order in Docket Nos. 6946/6988 (*i.e.*, exclude the Company's disallowed costs and results of unregulated operations (but business services included in cost of service)). Actual Earnings shall include the earnings impact of any variance within the Power Adjustor Efficiency Band. The Variance Amount (as defined below) shall be deferred and amortized during the Earnings Sharing Adjustor period in an amount equal to the then-current year Earnings Sharing Adjustor amounts actually collected or refunded.

The Earnings Sharing Adjustor shall be calculated as follows:

1. Calculation of Variance Amount

- i. If Actual Earnings reflect a rate of return on equity that is within a range equal to 75 basis points below and 75 basis points above the Board-approved rate of return on equity (including any changes in the rate of return on equity contained in base rates) (“Earnings Sharing Band”), there will be no Earnings Sharing Adjustor;
- ii. If Actual Earnings reflect a rate of return on equity that is below the Earnings Sharing Band, a positive Earnings Sharing Adjustor will reflect (i) the revenue impact of a 50/50 sharing of the lower earnings, down to a level equal to 50 basis points below the Earnings Sharing Adjustor Band (“Lower Bound”), and also (ii) the entire revenue impact of the extent to which Actual Earnings reflect a rate of return on equity that is below the Lower Bound; and
- iii. If Actual Earnings reflect a rate of return on equity that is above the Earnings Sharing Band, a negative Earnings Sharing Adjustor reflecting the entire revenue impact of the extent to which Actual Earnings reflect a rate of return on equity that is above the Earnings Sharing Band.

## 2. Calculation of Earnings Sharing Adjustor

The Earnings Sharing Adjustor shall be a positive or negative fraction equal to (1) the dollar variance derived in Section II.B.1 above, divided by (2) projected revenues (including Power Adjustor revenues) from Company charges during the period in which the Earnings Sharing Adjustor is to be collected, based on the Forecast Methodology. The Earnings Sharing Adjustor fraction shall be applied to each rate element for each rate class other than Exempt Charges. Over/undercollections of the Earnings Sharing Adjustor, due to a variance between projected and actual revenues, shall be deferred and included in the next base rate adjustment.

A sample calculation is attached as Attachment 2.

The Company shall provide individual customer notice through normal bill mailings of the Earnings Sharing Adjustor in the billing cycle preceding implementation. The Earnings Sharing Adjustor is not subject to Board suspension, but the Board may open an investigation and to the extent it finds, after notice and hearing, that the calculation was inaccurate or reflected

costs inappropriate for inclusion in rates, it may require a modification of the associated Earnings Sharing Adjustor to the extent necessary to correct the deficiencies.

### C. POWER ADJUSTOR

The Company's rates will be subject to a Power Adjustor effective on a bills-rendered basis commencing with Cycle 01 in the first month of each calendar quarter (e.g. January, April, July, October). Within 45 days after the end of each quarter ("Measurement Quarter") beginning May 15, 2007, the Company shall file with the Board and Department, (1) the Company's actual power costs (calculated in a manner consistent with the principles underlying the annual cost of service filings described in the Docket 6545 GMP-DPS Memorandum of Understanding dated July 11, 2003 ("MOU") ¶ 11, and reflecting the provisions set forth below), (2) the variance between the actual power costs and the power costs included in the Company's rates for the quarter immediately preceding the Collection Quarter, (3) the proposed Power Adjustor to take effect during the second quarter succeeding the Measurement Quarter ("Collection Quarter") and (4) supporting information.

The Power Adjustor shall reflect a positive or negative rate adjustment equal to the following:

- a. Calculation of Quarterly Variance Amount:
  - i. Component A, which includes the dollar amount of any variation between (1) actual Committed Costs for the Measurement Quarter and (2) the Committed Costs included in the cost of service underlying the Company's base rates for the corresponding quarter;  
plus  
Ninety percent (90%) of Component B, which includes the amount, if any, by which (1) the dollar amount of any variation between (a) actual total Open Position Costs for the Measurement Quarter and (b) total Open Position Costs included in the cost of service underlying the Company's base rates for the corresponding quarter, and adjusted for any change in retail mWh sales by multiplying such change times the amount/kWh of power costs included in base rates, exceeds (2) \$300,000 ("Power Efficiency Band");

provided that

if the Company incurs VY Outage Costs during the quarter, if there exists a balance in the VY Outage Reserve and if the Quarterly Variance amount is positive, then the Quarterly Variance Amount shall be reduced (but not to below zero) by the amount of the VY Outage Costs (“VY Outage QVA Adjustment”), up to an amount equal to the sum of (1) the VY Outage Reserve and (2) the VY Outage Reserve Increment.<sup>1</sup>

- ii. Committed Costs consist of demand charges, transmission costs and ancillary charges (net of interchange (resales)). Open Position Costs consist of all other power costs (net of interchange (resales)). A list of the Company’s current Committed Costs and Open Position Costs is attached as Attachment 3.

b. Adjustment to VY Outage Reserve and C&I Transmission Class Surcharge

The amount equal to the VY Outage QVA Adjustment shall (1) be divided between the C&I Transmission Class and all other rate classes based on the manner in which the VY Outage Reserve was originally funded and (2) the amount assigned to the C&I Transmission Class shall be recovered by means of a separate line item charge on the bill and the remaining amount will reduce the VY Outage Reserve.

c. Calculation of Power Adjustor:

- i. The Power Adjustor shall be a uniform positive or negative adjustment per kWh equal to (1) the Quarterly Variance Amount divided by (2) projected MWh sales during the Collection Quarter based on the Forecast Methodology; provided that if the calculated Power Adjustor charge or credit is greater than \$10/mWh, the charge or credit shall be set at the cap

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<sup>1</sup> The VY Outage Reserve Increment equals the product of (a) the VY Outage Reserve times (b) the ratio of the C&I Transmission rate class funding of the original VY Outage Reserve to the funding of such reserve by all other rate classes

and the difference deferred and reflected in next succeeding Power Adjustor.

- ii. Over/undercollections of the Power Adjustor, due to a variance between projected and actual mWh sales, shall be deferred and included in the next base rate adjustment, except that deferrals relating to periods beginning after July 1, 2010 will be included in the following Earnings Sharing Adjustor.

A sample calculation is attached as Attachment 4.

- d. The Quarterly Variance Amount shall be calculated based on the same methodology used for the Earnings Sharing Adjustor and shall be applied to each rate element for each rate class other than Exempt Charges and rate elements not subject to a kWh charge. For accounting purposes, the Quarterly Variance Amount for the Measurement Quarter shall be deferred and amortized in the Collection Quarter in an amount equal to the revenue increases or decreases that recover or repay the amortized amount.
- e. The Company shall provide individual customer notice through normal bill mailings of the Power Adjustor in the billing cycle for the month immediately preceding implementation. The Power Adjustor is not subject to Board suspension, but the Board may open an investigation and to the extent it finds, after notice and hearing, that the calculation was inaccurate or reflected costs inappropriate for inclusion in rates, it may require a modification of the associated Power Adjustor to the extent necessary to correct the deficiencies. The Company shall maintain separate accounts for Component A and Component B costs.

#### D. RESIDUAL ADJUSTMENTS

The Power Adjustor shall continue through the last billing cycle in March, 2011, and the Earnings Sharing Adjustor shall continue through the last billing cycle in December, 2011. Any

uncollected balance remaining after the adjustors are terminated shall be deferred and addressed in a future rate case.

### III. OTHER PLAN COMPONENTS

#### 1. SERVICE QUALITY

The Company's existing Service Quality & Reliability Plan, attached as Attachment 5, is hereby incorporated into and made a part of this Plan.

#### 2. LOW INCOME

The Company shall contribute 10% of Earnings Sharing Band earnings in excess of the Board-approved rate of return on equity to the Company's Power Partners program. In addition, the Company shall match contributions by its customers to the Company's Warmth Program, and the amount of the Company's match shall not be included in rates.

Beginning within 90 days after the closing of the merger approved in Docket 7213, and ending three years thereafter or expenditure by the Company of \$1 million in connection with the Plan, whichever first occurs, the Company will offer a 10% discount on monthly energy charges to low-income customers meeting the Power Partners eligibility criteria and participating in the Pilot Program approved in Docket 7213.

#### 3. RENEWABLES

The Company shall continue its existing efforts to promote Vermont-based renewable energy, including its Voluntary Renewable Support Rider, and 2004 and 2005 Renewables Support Plans. The Company may file proposed changes to its Voluntary Renewable Support Rider from time to time, to be effective only upon Board approval.

#### 4. SERVICE CHOICES

The Company shall continue its existing efforts to expand service choices, including the load management tariffs approved by the Board in Docket No. 6958. The Company shall also complete the actions required by the Board in that docket, including the filing of a report relating to potential control of small loads (due October 21, 2006) and an evaluation of alternative rate designs, including real-time pricing, as part of its next Integrated Resource Plan.

The Company will introduce, within 180 days of approval, a plan to provide large commercial and industrial customers an option to participate in the procurement of power supply to meet individual customer leads (“virtual choice”).

5. **PLAN EVALUATION**

Not later than June 30, 2008, 2009 and 2010, the Company shall file a report with the Board and Department evaluating the effectiveness of the Plan’s performance in achieving the goals of 30 V.S.A. § 218d. In advance of filing the reports, the Company shall confer with the Department with respect to the measurement criteria to be used in the reports.

IV. **MISCELLANEOUS**

1. During the term of the Plan, the application of 30 V.S.A. §§ 218(a), 225, 226, 227 and 229 to GMP shall be modified by the provisions of the Plan and the Board order approving the Plan.
2. Tariffs incorporating the substantive provisions of the Plan are attached hereto as Attachment 6.
3. The Company shall describe the Plan in a separate mailing at least one month prior the first rate adjustment under the Plan and shall work with the Department in the development of customer communications and materials to be provided to customers.
4. Nothing in the Plan will be interpreted as preventing the Department from requesting a Board investigation into the Company’s rates or the Board from undertaking such an investigation. The retroactive effect of any such investigation, and of any investigation pursuant to Sections II(B)(2), (C)(d), shall be consistent with 30 V.S.A. § 227(b).