

Green Mountain Power Corporation  
Cost Separation and Allocation Policy

**Introduction.** Green Mountain Power Corporation (“GMP”) is a wholly-owned subsidiary of Northern New England Energy Corporation (“NNEEC”), a subsidiary of Gaz Metro L.P (“Gaz Metro”). NNEEC is also the parent company of Vermont Gas Systems, Inc. (“VGS”) (collectively the “Affiliates”). The Vermont Public Service Board (“PSB”), in its approval of NNEEC’s acquisition of GMP in Docket No. 7213 (Order dated March 26, 2007), has required GMP to file with the PSB a cost and cash-flow separation policy to ensure cost and cash-flow separation between GMP and its affiliates. The purpose of this policy is (a) to avoid actual or perceived cross-subsidization among and between NNEEC and its affiliates, (b) ensure that transactions between Gaz Metro affiliates are carried out through the negotiation of at-arms-length contracts, and (c) ensure that costs for such contracts are equitably and fairly separated and recorded at cost or market, as appropriate. It has been updated to reflect the merger of GMP and Central Vermont Public Service Corporation.

**Policy Statement.**

- 1. Separate Corporate Entities.** GMP shall remain structurally separate and be operated as a stand-alone company. If GMP seeks to change from operating in this manner, GMP and/or NNEEC shall see prior approval from the PSB.
- 2. Separate books and records.** GMP shall continue to exist as a separate corporation and shall maintain a complete set of financial books, records and reports separate from NNEEC, VGS or Gaz Metro.
- 3. No commingling of funds.** GMP shall maintain separate bank accounts from its Affiliates and shall not commingle GMP funds with funds of Affiliates.
- 4. Transactions with Affiliates.**
  - a. Notice.** GMP shall provide notice of, and shall file copies upon request, all contracts with Affiliates of \$100,000 or more.
  - b. Arms-Length Transactions.** GMP transactions of \$100,000 or more with affiliates should be effected through arms-length contracts that can be competitively compared and evaluated (see also Cost-based accounting below).
  - c. Cost-based accounting.** GMP shall record transactions with Affiliates based on the actual cost of the product or service underlying such transaction, except that transactions for which there is a readily-available market price shall be recorded at fair market value.

- d. Documentation.** GMP transactions with Affiliates shall be documented by invoice or other documentation describing the service or produce underlying the transaction and the amount of payment.

**5. Distributions Among Affiliates.**

- a. Board of Director Approval.** Distributions and transfers of assets and liabilities in excess of \$100,000, from GMP to NNEEC or other Affiliates must be approved by GMP's board of directors.
  - b. Statutory and Corporate Authority.** Distributions and transfers of assets and liabilities from GMP to NNEEC or other Affiliates shall comply with Vermont law and with GMP's Articles of Incorporation and Bylaws.
  - c. Notice to PSB and DPS.** GMP shall provide 30 days' advance notice to the PSB and the DPS if (1) the equity proportion of the capital structure of GMP varies by more than three percent from the structure approved in GMP's latest rate proceeding; or (2) GMP's unused, short-term borrowing capacity falls below \$15 million; or (3) GMP makes distributions to NNEEC after GMP has been placed on CreditWatch with negative implications by a ratings agency.
- 6. No Cross-Subsidization.** GMP shall conduct its business affairs in a manner that prevents unjust cross-subsidization among or between Affiliates.