

**MEMORANDUM OF AGREEMENT
BETWEEN VERMONT TRANSCO LLC/VERMONT ELECTRIC POWER COMPANY,
INC. (“VELCO”) and VERMONT GAS SYSTEMS, INC.
REGARDING THE SHARED USE OF VELCO’S RIGHTS OF WAY, VELCO’S
ACCESS ROUTES, and VELCO’S OTHER PROPERTY INTERESTS**

This Agreement (“Agreement”) is made as of and shall be deemed effective the ___ day of June, 2013, regardless of the signature dates, between Vermont Transco LLC and Vermont Electric Power Company, Inc., the managing partner of Vermont Transco LLC, (collectively referred to as “VELCO”) and Vermont Gas Systems, Inc. (“VGS”, and with VELCO, the “Parties,” and each, a “Party”).

PRELIMINARY STATEMENT

WHEREAS, on December 20, 2012, VGS filed with the Vermont Public Service Board (“Board”) in Docket No. 7970 a petition for a Certificate of Public Good (“CPG”) for expansion of VGS’s existing natural gas pipeline system into Addison County, Vermont (the “Project”);

WHEREAS, parts of the Project may, subject to Board approval, temporarily and/or permanently be co-located within portions of VELCO’s fee property, VELCO’s K21/K22/K24/K27/K43/K63/K64 and 370 bulk electric transmission line rights-of-way and associated VELCO access routes (the “VELCO ROW”) in Chittenden and Addison County;

WHEREAS, the Parties have negotiated and will continue to negotiate in good faith the terms of an easement or license agreement regarding VGS’ right to construct, operate, and maintain the Project within VELCO’s ROW;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Co-Location Easement. The Parties agree and approve of VGS’ plans to co-locate approximately 10.2 miles of longitudinal occupancy of the Project pipeline within the VELCO ROW, together with 0.81 miles of occupancy where the Project pipeline crosses the VELCO ROW, as set forth in the updated plans to be submitted by VGS with the Board on June 28, 2013, which are in substance identical to the plans concerning VELCO’s ROW provided to VELCO on June 5, 2013 (the “Project Plans”). Other than where the Project Plans reflect the Project crossing the VELCO ROW, VELCO agrees to provide to VGS, subject to terms and conditions (including price) to be negotiated between the parties in good faith, an easement and/or other instrument from VELCO for (a) a 20’ wide permanent easement beginning at the edge of the VELCO ROW and extending inward 20’, and (b) an additional adjacent 20’ wide area for ongoing access and maintenance (the “Co-Location Easement”)¹. VGS will install the Project pipeline 10’ inside of the edge of the VELCO ROW (i.e., centered in 1(a)). Where the Project

¹ The parties are still evaluating the merits of using an easement or license. For ease of reference only, the term Co-Location Easement is used herein. VGS acknowledges and understands that VGS may need to obtain additional rights from the owners of the land underlying VELCO’s easements.

crosses the VELCO ROW, the Parties agree to a 40' wide Co-Location Easement (20 feet permanent easement/license with 10 feet of access on either side) subject to terms and conditions (including price) to be negotiated between the parties in good faith. The Parties acknowledge and agree that VGS' Project Plans place the Project pipeline on the west side of the VELCO ROW where possible and, that in those locations where the Project plans propose placement of the pipeline on the east side of the VELCO ROW, such placement is acceptable to VELCO subject to an acceptable cathodic protection, AC mitigation, and grounding (collectively referred to herein as "CP") design. The Parties understand and agree that VELCO's installation of a future 345 kV or other electric transmission line within or adjacent to the existing VELCO ROW may limit access areas to ensure a 20 foot horizontal clearance between VELCO's facilities and VGS equipment and access vehicles.

The Parties agree to work in good faith to develop a mutually acceptable Co-Location Easement document. The Parties have targeted August 1, 2013 as the target date to finalize the Co-Location Easement language, and anticipate resolving price, and finalizing and executing the Co-Location Easement shortly after CPG issuance in Docket No. 7970.

Nothing in this MOU shall be deemed as VELCO's approval or consent to any modification of the Project Plans concerning the VELCO ROW made after the date this Agreement is executed.

2. Operating Agreement. The Parties agree to work in good faith to develop a mutually acceptable Operating Agreement to govern terms and conditions for each of the Party's ongoing maintenance and operating activities within the Co-Location Easement area. The Parties have targeted December 31, 2013 as the target date to finalize the Operating Agreement.

3. VGS Design to Account for Potential VELCO 345 kV Build- Out. The VGS Project Plans account for a potential 345 kV future build-out of the VELCO electric transmission system. The Parties are engaging in an iterative process of informational exchanges and design review to develop a mutually acceptable design for CP. The Parties have targeted June 30, 2013 as a completion date for the CP design, but acknowledge that the CP design may require more time and agree to continue to work in good faith towards finalizing the CP design. Further, the Parties mutually agree that while VGS will design the Project Plans to incorporate CP for a potential future 345 kV build-out, the initial Project build may not, in VGS' sole discretion, include this additional CP at the time the Project is constructed, provided however that: VGS will install CP associated with a future 345 kV build-out if/when such VELCO build-out occurs; said CP will be permitted by and paid for by VGS; and further provided that VGS will install said CP in a timeframe and manner that does not materially delay, hinder, or interrupt construction of the 345 kV build out and which does not increase VELCO's 345 kV build-out costs.

4. Project Plans. Excepting issues of easement compensation, finalization of an Operating Agreement, VELCO acknowledges and agrees that, in the Project Plans provided to VELCO prior to the execution of this Agreement and through the commitments made in this MOU, VGS has adequately addressed VELCO's concerns regarding the Project raised in the 30 V.S.A. § 248 proceeding and further agrees that the Project does not unduly adversely impact VELCO's system reliability and stability, provided that VGS designs, installs (subject to the

limitations in this Agreement), and maintains acceptable CP. VELCO reserves all its rights with respect to any proposed changes to the Project Plans concerning the VELCO ROW.

5. Loading. VGS will design the Project in VELCO's ROW and access roads into VELCO's ROW to meet an HS-20+15% standard which VGS plans to meet by using Class 3 pipe interred at a depth of 4 feet.

6. Line Clearances During Construction. VGS will follow and comply with the applicable provisions of VELCO'S manual for Accident Prevention Rules for Contractors, the National Electric Safety Code ("NESC") and Occupational Safety and Health Administration ("OSHA") clearances during all Project pre-construction, construction and maintenance activities within the VELCO ROW. VELCO is in the process of conducting a hot conductor sag clearance study of the locations where the VGS pipeline crosses the VELCO electric transmission system. If energized conductor clearances are not adequate to meet OSHA, VELCO-required, and NESC clearances, VGS will pay VELCO (or hire at its own cost a VELCO-approved contractor) to temporarily raise the height of its conductors, if practicable and feasible, or take other reasonable measures to resolve clearance issues, during construction at crossings with the VELCO line, all at no cost to VELCO and without, in VELCO's sole opinion, jeopardizing electric system reliability. VELCO will make reasonable efforts to provide advance notice to VGS of any planned system transmission line outages so that VGS can take advantage of such outages in planning the schedule for Project construction at locations where the Project crosses the VELCO ROW. VGS will not alter the topography of nor stockpile materials in the VELCO ROW in a manner that violate NESC clearances.

7. Temporary Work Areas in Proximity to the VELCO Lines. VELCO acknowledges and agrees that the Project Plans have satisfactorily moved temporary work spaces away from VELCO structures. Nothing in this section shall be deemed as approval of any new Temporary Work Areas near VELCO lines, if any, proposed to the Project Plans.

8. Clearing. VGS plans to brush hog their Project's ROW, including the area within the Co-Location Easement, approximately every three years. The Parties plan to address their respective vegetation maintenance activities in the Operating Agreement.

9. Project Construction Review and Oversight Work. VGS will coordinate with VELCO personnel regarding any work conducted within the VELCO ROW, including providing sufficient advanced notice to VELCO Senior Project Manager (Peter W. Lind) as to the timing and location of any field work, pre-construction, survey work, clearing, or construction work to be performed by VGS or its consultants within the VELCO ROW. VELCO may accompany VGS and its contractors performing such work within the VELCO ROW.

VGS' Project construction, installation, operation and maintenance activities taking place within the VELCO ROW or VELCO access routes shall not interfere with or interrupt VELCO's operation and maintenance of or access to its transmission lines, facilities, and ROW corridor, or compliance with any condition or obligation contained in any Certificate of Public Good or other permit issued to VELCO to date, or in violation of any future condition or standard imposed by

any state, regional, or federal regulatory agency, including FERC and NERC. The conditions of this MOU, the Operating Agreement and the Co-Location Easement shall be considered and incorporated into any future VELCO projects, permits and Certificates of Public Good that may impact the Project.

In the case of an emergency related to VELCO's electric transmission line(s), VELCO shall immediately notify VGS at 802-863-4511 and VGS shall suspend all work until VELCO notifies VGS that the emergency has been resolved.

VGS shall reimburse all reasonable costs that VELCO would not have incurred but for its obligations to perform under this MOU ("Costs") which Costs shall include VELCO personnel time and consultant costs incurred in performing its obligations under the MOU including but not limited to performing engineering design reviews, NESC conductor sag analyses, and construction coordination/field oversight. VELCO shall use reasonable best efforts to minimize time and expense charged to VGS. VELCO shall not charge VGS for legal or other expenses directly associated with VELCO's participation in Docket No. 7970 (e.g., witness time/expense, legal expense). VELCO shall invoice VGS monthly for any Costs. VGS shall pay such invoices on a net 30 basis.

10. VGS Personnel and Agents. All VGS personnel or agents entering the VELCO ROW (including access routes) shall have received VELCO-certified safety and environmental training appropriate for working in electric transmission corridors (provided by VELCO or by a VELCO qualified contractor), and shall notify VELCO System Operators each time they enter and leave the VELCO ROW by calling VELCO's Control Center at (802) 770-6261.

11. Limitation of Liability. Each Party's liability to the other Party for any loss, cost, claim, injury, liability, or expense, including reasonable attorney's fees, relating to or arising from any act or omission in its performance of this Agreement, shall be limited to the amount of direct damage actually incurred. In no event shall either Party be liable to the other Party for any indirect, special, consequential, or punitive damages. This provision shall not apply to causes of action for gross negligence or intentional misconduct.

12. Indemnification. Each Party shall at all times indemnify, defend, and hold the other Party harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties (collectively "Claims"), arising out of or resulting from the indemnifying Party's action or failure to meet its obligations under this Agreement on behalf of the indemnified Party, except in cases of gross negligence or intentional wrongdoing by the indemnified Party. For purposes of clarity, VGS agrees to indemnify, defend, and hold harmless VELCO and VT Transco LLC (and their directors, managers, employees, and agents) for any Claims caused by the by the Project, and its pre-construction, construction, operation, and maintenance, except to the extent that the Claims are caused by the negligence of VELCO.

13. Insurance. During the duration of this Agreement, VGS shall maintain in force liability coverage in the following amounts: \$3,000,000 for general liability, combined single limit for bodily injury, property damage, personal injury, to include blanket contractual

coverage; \$3,000,000 combined single limit – excess of primary limits umbrella liability coverage per occurrence and in the aggregate. Such coverage shall be sufficient to cover all VGS contractors and subcontractors. Such amount of liability coverage will be reviewed annually by VELCO and if the coverage amount is not adequate to cover the risks, VELCO shall provide notice to VGS of the amount of the increased liability coverage. VGS shall have sixty (60) days from the notice to adjust liability coverage. VGS shall provide a certificate(s) of insurance, which names Vermont Transco LLC and Vermont Electric Power Company, Inc. as additional insureds on a *primary and non-contributory basis*, and which shall specify the description of operations being covered or other appropriate language. The insurance coverage described above shall be primary to any other coverage available to VELCO or to affiliates and shall not be deemed to limit VGS's liability under this Agreement. Should VGS fail to provide the insurance required pursuant hereto, nothing herein shall release VGS of the obligation to pay any claims that arise hereunder.

14. Notices. All notices, requests, and statements shall be in writing and shall be sent to the recipients and addresses set out below, as the same may be modified by the parties from time to time:

VELCO: Peter W. Lind, Senior Project Manager
Vermont Electric Power Company, Inc.
366 Pinnacle Ridge Road
Rutland, Vermont 05701
Tel: (802) 770-6292
Cell: (802) 353-0418
plind@velco.com

VGS: Marc Teixeira, Vice President
Vermont Gas Systems, Inc
PO Box 467
Burlington, VT 05402
Phone: 802-951-0387
mteixeira@vermontgas.com

15. Confidentiality.

(a) Confidential Information. The Parties agree to treat all Confidential Information (“Confidential Information” or “CI”), as defined below, according to the terms of this Paragraph 13. “Confidential Information” includes: (i) Critical Energy Infrastructure Information or CEII (which is defined as: (1) all information designated as such by VELCO, whether furnished before or after the date hereof, whether oral, written or recorded/electronic, and regardless of the manner in which it is furnished; and (2) all reports, summaries, compilations, analyses, notes or other information which contain such information); and (2) all information marked “Confidential” or otherwise clearly marked in a manner to reasonable suggest that it is confidential.

The receiving Party shall receive all CI in strict confidence, shall exercise reasonable care to maintain the confidentiality and secrecy of the information, and shall not divulge CI to any third party without the prior written consent of the disclosing Party. The foregoing notwithstanding, the receiving Party may disclose CI to its duly authorized agents to the extent each such agents have a need to know such CI for the purpose contemplated by this Agreement and agrees to observe and comply with the obligations of the receiving Party under this Agreement with regard to such CI. The receiving Party shall be responsible hereunder for any breach of the terms of this Agreement to the extent caused by its duly authorized agents. All CI shall be maintained by the receiving Party in a secure place. The receiving Party may make notes of CI, which shall be treated as CI if they contain CI. The receiving Party and each of its duly authorized agents shall use CI disclosed by the disclosing Party solely in connection with the purpose of the Agreement and the furtherance of their respective business purposes and shall not use, directly or indirectly, any CI for any other purpose without the disclosing Party's prior written consent. The receiving Party shall not knowingly use and CI directly or indirectly for any illegal or non-legitimate purpose. In the event that the receiving Party is required to disclose CI by subpoena, law or other directive of a court, administrative agency or arbitration panel, the receiving Party hereby agrees to provide the disclosing Party with prompt notice of such request or requirement in order to enable the receiving Party to (i) seek an appropriate protective order or other remedy, (ii) consult with the receiving Party with respect to taking steps to resist or narrow the scope of such request or legal process, or (iii) waive compliance, in whole or in part, with the terms of this Agreement. The CI is provided "as is" with all faults. In no event shall the disclosing Party be liable for the accuracy or completeness of the CI. The disclosing Party shall not have liability to the receiving Party, or any other person or entity, for the receiving Party's use of any CI disclosed pursuant to this Agreement. In the event that such protective order or other remedy is not obtained, or the disclosing Party waives compliance with the provisions hereof, the receiving Party hereby agrees to furnish only that portion of the CI which the receiving Party's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded such CI. The receiving Party agrees that any breach of this Agreement may cause the disclosing Party substantial and irreparable damages and, therefore, in the event of any such breach or threatened breach, in addition to other remedies which may be available, the disclosing Party shall have the right to specific performance and other injunctive and equitable relief, it being acknowledged that legal remedies are inadequate. The disclosing Party may audit the receiving Party's compliance with this Agreement. Notwithstanding Paragraph 3, this paragraph shall survive the termination of this Agreement.

This Agreement shall not be deemed confidential.

(b) Critical Energy Infrastructure Information. In the event that VELCO, in its sole discretion as informed by standard definitions of CEII, so requests, VGS shall promptly deliver to VELCO all CEII, including all copies, reproductions, summaries, compilations, analyses or extracts thereof. If there is a change in status of any duly authorized agent of the receiving Party or to the receiving Party, the agent or receiving Party must inform VELCO immediately in writing at the address given above (Attention: Kimberly Pritchard), and promptly return the CEII to VELCO or destroy the CEII. VELCO may require the return or destruction of the CEII. CEII provided pursuant to this Agreement is deemed to be on loan and must be returned to

VELCO upon request. VGS shall remain bound by this Section 13 unless VELCO rescinds the CEII designation.

16. No Duty to Third Parties. This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest, and, where permitted, their assigns.

17. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective Parties hereto. No assignment of this Agreement, in whole or in part, will be made without the prior written consent of the non-assigning Party (and shall not relieve the assigning Party from liability hereunder), which consent will not be unreasonably withheld, conditioned, or delayed and any assignment without such consent shall be void. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

18. No Partnership. This Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19. Public Announcements. Neither Party shall create, publish, or distribute any written material related to this Agreement or the Project that references the other Party without first submitting to the other Party such material and receiving the prior written consent of such Party, which will not be unreasonably withheld, conditioned, or delayed. Neither Party will make announcements or statements to the public or any third-party concerning the relationship between them or the transactions described in this Agreement without the prior written consent of the other, which will not be unreasonably withheld, conditioned, or delayed. The preceding two sentences shall not apply to materials, announcements, or statements that are not inconsistent with the basic talking points agreed to by the parties. Within a reasonable timeframe following the execution of this Agreement, and prior to any public announcement, the Parties shall agree on basic talking points to use when discussing this Agreement with third-parties. If the parties fail to agree on talking points within three weeks of the execution of this Agreement, this section may be nullified upon notice by either party. If, in discussing this Agreement or the Project with third-parties, either Party becomes aware of any issues of concern regarding the other Party raised by those third-parties, that Party shall inform the other Party about those issues as soon as is reasonably practical. Notwithstanding the foregoing, either Party may acknowledge the existence of this MOU and disclose its terms without first notifying and obtaining the approval of the other Party.

20. Dispute Resolution. For all disputes arising under or in connection with this Agreement, the Parties shall first attempt to resolve the dispute in a meeting of the contacts listed in Paragraph 14 (Notices) and any other mid-level management that the Parties assign to the

meeting. If such a meeting does not resolve the dispute, the Parties shall attempt to resolve the dispute through a meeting of senior management.

21. Regulatory Conditions. The terms of this MOU shall be subject to any conditions or limitations imposed by the Board or any other regulatory body or tribunal having jurisdiction over the Project.

IN WITNESS WHEREOF the Parties hereto have caused their representatives to execute and deliver this Agreement as of the date hereinabove set forth.

Dated at Burlington, Vermont this ___ day of June, 2013.

Vermont Gas Systems, Inc.

By: _____
Eileen Simollardes, Vice President for Supply and
Regulatory Affairs

Dated at Rutland, Vermont this ___ day of June, 2013.

Vermont Electric Power Company, Inc.

By: _____
Karen K. O'Neill, Vice President and General
Counsel

meeting. If such a meeting does not resolve the dispute, the Parties shall attempt to resolve the dispute through a meeting of senior management.

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IN WITNESS WHEREOF the Parties hereto have caused their representatives to execute and deliver this Agreement as of the date hereinabove set forth.

Dated at Burlington, Vermont this ___ day of June, 2013.

Vermont Gas Systems, Inc.

By: _____
Eileen Simollardes, Vice President for Supply and
Regulatory Affairs

Dated at Rutland, Vermont this 13th day of June, 2013.

Vermont Electric Power Company, Inc. *

By: 
Karen K. O'Neill, Vice President and General
Counsel

meeting. If such a meeting does not resolve the dispute, the Parties shall attempt to resolve the dispute through a meeting of senior management.

21. Regulatory Conditions. The terms of this MOU shall be subject to any conditions or limitations imposed by the Board or any other regulatory body or tribunal having jurisdiction over the Project.

IN WITNESS WHEREOF the Parties hereto have caused their representatives to execute and deliver this Agreement as of the date hereinabove set forth.

Dated at Burlington, Vermont this 10 day of June, 2013.

Vermont Gas Systems, Inc.

By: Eileen Simollardes
Eileen Simollardes, Vice President for Supply and
Regulatory Affairs

~~Dated at Rutland, Vermont this ___ day of June ___, 2013.~~

~~Vermont Electric Power Company, Inc.~~

By: _____
~~Thomas Dunn, Chief Operating Officer~~