

GREEN MOUNTAIN POWER CORPORATION

ALTERNATIVE REGULATION PLAN RIDER

I. AVAILABILITY:

This Alternative Regulation Plan Rider ("Rider") shall apply to rates for service under all tariffs, except for the following tariffs that are not subject to generally-applicable tariff changes: Voluntary Renewables Service Rider (energy portion only), Curtailable Rider Buy-Through Rate, Special Charges Tariff ("Exempt Charges"). In addition, the Power Adjustor contained in Section C below shall also not apply to the following tariffs that are not subject to a kWh charge: Rates 16, 18 or to the Voluntary Renewables Support Rider ("Partially-Exempt Charges").

II. RATE:

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 and 2009, if supported by cost of service information filed by November 1 of the preceding year. The cost of service filing shall be calculated in a manner consistent with 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. 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 (*i.e.*, 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 Exempt Charges. Any increase

shall not produce anticipated revenues associated with nonpower costs that exceed \$1.25 million (2008) and \$1.5 million (2009), except that the cap may be exceeded to reflect the impact of Exogenous Changes and of any increase or decrease in the Board-approved rate of return on equity. The return on equity component shall reflect the most recent Board-approved rate of return on equity, adjusted to reflect changes in the 10-year Treasury Note yield to maturity between the period underlying the Board-approved return and the latest information available at the time of the filing.

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 (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.

B. EARNINGS SHARING MECHANISM TRUE-UP ADJUSTMENTS

The Company's rates will be subject to an Earnings Sharing Adjustor effective on a bills-rendered basis commencing with Cycle 01 April, 2008 and 2009. On or before February 15, 2008, 2009 and 2010, the Company shall file with the Board and Department its Actual Earnings for the preceding calendar year, the proposed Earnings Sharing Adjustor calculation, the proposed Earnings Sharing Adjustor and supporting information. As used herein, Actual Earnings will be calculated on a regulatory basis based on the same methodology as 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 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 for 2008 or 2009) (“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 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 (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 twelve month 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 March billing cycle. 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 end of each quarter ("Measurement Quarter") beginning May 15, 2007 (unless the Board approves a different implementation date), 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 costs included in the currently-effective Power Adjustor 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 Open Position Costs for the Measurement Quarter and (b) 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.¹

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

¹ 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 October 1, 2009 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 Partially-Exempt Charges. 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.

D. RESIDUAL TRUE-UP ADJUSTMENTS

The Power Adjustor shall continue through the last billing cycle in June, 2010, and the Earnings Sharing Adjustor shall continue through the last billing cycle in March, 2011. Any uncollected balance remaining after the adjustors are terminated shall be deferred and addressed in a future rate case.

E. OTHER ADJUSTMENTS

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.

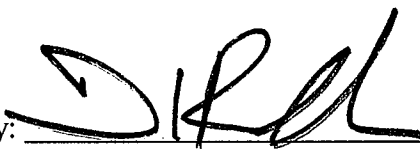
III. TERMS AND CONDITIONS:

The rate serving the customer and the Company's other terms and conditions in effect from time to time, where not inconsistent with any specific provision hereof, are a part of this tariff rider. This Rider is intended to reflect those terms contained in the Alternative Regulation Plan ("Plan") that are appropriate for inclusion in a tariff. To the extent of any conflict between this Rider and the Plan, the terms of the Plan shall control.

IV. EFFECTIVE:

Effective on a bills rendered-basis on or after February 1, 2007, except for subsequent revisions, which are effective as approved by the Public Service Board. Terminates on December 31, 2009 bills-rendered, except as otherwise specifically provided herein.

Issued: May 25, 2007.

By: 
Title: Vice President and General Counsel