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January 3, 2014

To: Burlington Board of Finance

From: John Irving, BED Manager of Generation

Subject: Interruptible Gas Agreement

Burlington Electric Department purchases interruptible natural gas which is required for removing nitrogen oxides from the McNeil Station flue gas. Vermont Gas revised their tariff for this gas recently as required by Vermont regulators. To purchase gas under the new tariff, BED needs to sign an agreement (attached). Because BED expects to use more than $100,000 of gas from this tariff, City Council approval is required to sign this agreement. In calendar year 2014, BED expects to use 32,000 mcf of natural gas for this purpose, with an estimated cost of $183,680.

Attached also is a resolution from the Burlington City Attorney's office. I have requested that this item be added to the agenda for the January 6th Board of Finance for your approval and forwarding to the City Council. I will be at the January 6, 2014 meeting to answer any questions if necessary.

Cc: B. Grimes
File- Gas, natural

RATE SCHEDULE (IS)
INTERRUPTIBLE SALES SERVICE

APPLICABILITY

This rate schedule is available on a non-aggregated basis to current customers presently receiving bundled gas service from the Company under an Interruptible Sales Agreement or new customers possessing alternate-fuel capability.

CONTRACT

Any Customer requesting service hereunder shall enter into a written contract in the form of Attachment A with the Company for such period as shall be mutually agreeable to the parties. The contract shall set forth the service and rate option desired to be provided by the Company.

DEFINITIONS

The term "MMBtu" shall mean one million British Thermal Units.

The term "Mcf" shall mean one thousand cubic feet.

The term "Btu" shall mean British Thermal Unit.

The term "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 10:00 a.m. Eastern Standard Time, or such other time as may be mutually agreed upon by Buyer and Company in writing.

The term "month" shall mean the period beginning at 10:00 a.m. Eastern Standard Time, on the first day of the calendar month and ending at 10:00 a.m. Eastern Standard Time, on the first day of the next succeeding calendar month.

CHARACTER OF SERVICE

Service under this rate schedule shall be interruptible sales service.

A customer receiving service under the provisions of this Rate Schedule IS must provide six months written notice to the Company to transfer to another interruptible rate schedule. The Company, at its sole discretion, may authorize a shorter notice provision.

A customer receiving service under the provisions of this Rate Schedule IS must provide 24 months written notice to the Company to transfer to a firm service offering. The Company, at its sole discretion, may authorize a shorter notice provision.

Gas sold by the Company for a Customer contracting for service hereunder shall be for the sole and exclusive benefit of such Customer and shall not be available for resale.

BILLING, PAYMENT AND DISCONNECTION

Bills for natural gas service under this Agreement shall be rendered on or before the fifth business day of each month and shall be paid on or before the 20th day of the month. Buyer shall pay interest at an annual rate equal to one percent (1%) above the prime rate as posted in the Wall Street Journal on the 20th of the month (or nearest working day) in which the bill was due, on any sums unpaid after the 20th day of the month. Interest, which shall be compounded and payable monthly, will start to accrue on the 21st day of the month and continue until all outstanding sums are paid.

Except as modified below, the Company's non residential disconnection policy as contained in the Company's terms and conditions approved by the Vermont Public Service Board shall apply.

Within seventy (70) days, but not less than twenty-five (25) days after the after the mailing date of a bill, the Company shall issue Customer a written disconnection notice if payment of such bill has not been received by the Company.

The earliest disconnection date stated in the disconnection notices shall be at least five (5) days but not more than 14 day after the date of the disconnection notice.

BASIS OF MEASUREMENT

All natural gas delivered hereunder shall be measured by the Company's metering equipment to be installed adjacent to Customer's plant. The measurement unit shall be 1,000 cubic feet (1 Mcf) of gas at a pressure of 14.73 pounds per square inch absolute and at a temperature of 60 degrees Fahrenheit. The average absolute atmospheric (barometric) pressure shall be assumed to be 14.73 pounds per square inch absolute regardless of variations in actual barometric pressure from time to time. The measurement unit shall be one Mcf.

In the event the Company's metering equipment fails for any reason, the quantity of interruptible gas delivered to Customer during the period that the Company determines its equipment was not functioning properly shall be determined by considering any one or more of the following methods:

(a) Customer's usage over a comparable period within the past eighteen (18) months (weather-adjusted);
(b) Customer's production levels;
(c) gas burning equipment output and efficiency records maintained by Customer, if any;
(d) check metering equipment records, if any;
(e) Company’s SCADA information, if any; and
(f) other data available, if any, that would assist in determining the estimated gas usage,

the intent being to arrive at the most accurate determination of the quantity of gas delivered to Customer during the period when the metering equipment malfunctioned. Such determination shall be mutually agreed upon by Customer and the Company.

RATE

A Customer under this rate schedule shall be subject to the following charges:

Meter Charge

$86.50 per interruptible meter per month during Customer's contract period.
Turbine-type meters shall be assessed $250.00 per interruptible meter per month during Customer’s contract period.

Commodity Charge Per Mcf

((Parkway * 1.02) + (TCPL commodity * Fx)) *BTU

Where:

Parkway = The Parkway price, expressed in $US/MMBtu, for the month of delivery, as reported in the table entitled "Canadian Export Price Indices" in the first of the month issue of Canadian Gas Price Reporter published by Canadian Enerdata Ltd.

TCPL commodity = TransCanada pipeline commodity charge from Parkway to Philipsburg expressed in $/Cdn/Gj converted to $Cnd/Mmbtu using a conversion factor of 1.055056

Fx = The Canadian Exchange Rate as posted in the Wall Street Journal on the 20th of the month (or nearest working day) preceding the month of delivery.

BTU = Monthly BTU content at Philipsburg

In the event publication of the Canadian Gas Price Reporter or the Wall Street Journal, is discontinued, the Company shall, acting reasonably, determine and use a comparable source to determine pricing.

Upstream Transport Charge
Customer's effective Upstream Transport charge shall be designated on the effective Attachment A as follows:

Option 1 - For customers with less than 75% of their annual requirements in the November to March period:
$0.31/ Mcf

Option 2 - For customers with greater than 75% of their annual requirements in the November to March period:
$0.49/Mcf

The upstream transportation charge shall fluctuate on an equal basis with changes in the TCPL Parkway to Philipsburg 100% LF firm transportation toll as of the effective date approved by the National Energy Board.

Downstream Transportation Charge
Customer's effective downstream transportation charge for Interruptible Transportation service shall be based on the Customer's contractual rate option as specified in the Customer's effective Attachment A. The per-Mcf rates below apply to the Customer's total actual quantity for a given month.

Rate Option	Rate ($/Mcf)	Annual Quantity
Option 1	$1.97	< or = 10,000 Mcf
Option 2	$1.05	10,001 - 40,000 Mcf
Option 3	$0.96	40,001 - 150,000 Mcf
Option 4	$0.92	150,001 - 300,000 Mcf
Option 5	$0.87	> 300,000 Mcf

ASSISTANCE PROGRAM FEE

For customers using less than 200,000 Mcf per year, an Assistance Program Fee of $11.25 per meter per month shall apply.

For customers using 200,000 Mcf or greater per year, an Assistance Program Fee of $179 per meter per month shall apply.

SELF MANAGED ENERGY EFFICIENCY PROGRAM CREDIT

Customers participating in the Self Managed Energy Efficiency Program ("SMEEP") shall be eligible for a $.083 per Mcf credit. The amount of SMEEP credit shall be recalculated annually at the time of the Company's Annual Rate Adjustment.

CURTAILMENT

Service hereunder shall be subject to curtailment or interruption at any time that the Company determines in its sole discretion that deliveries would in any way interfere with or restrict the Company's ability to make deliveries of gas to services having a higher priority. As provided for in the Company's tariff as amended from time to time, after operational considerations, the Company will curtail or interrupt deliveries of natural gas to interruptible customers, except in the event of Force Majeure, in such a manner that interruptible customers providing the lowest economic benefit to the Company will be curtailed or interrupted first and deliveries will be restored to such interruptible customers in the inverse order. The Company will be the sole determinant of available gas volumes. The Company shall not be liable for any loss of production or for any damages caused by any such curtailment or interruption of this service.

After operational consideration, priority of curtailment will start at the lowest margin contribution up to the highest. Contribution margin is defined as either the Customer's interruptible transportation rate or a Customer's interruptible sales rate excluding the applicable commodity gas cost. If the total nominated volume at a contribution margin level is not entirely curtailed, curtailment shall be allocated on a pro rata basis among all nominations at such contribution margin level.

Customer agrees that it can and will promptly curtail or cease the take of gas hereunder within two (2) hours after either oral or written notice by the Company. Customer also agrees to resume receiving natural gas within four (4) hours after either oral or written notice by the Company that the curtailment has been removed.

The Company shall give curtailment notice to such person or persons designated by Customer by telephone or other oral notification. The unavailability of these persons to receive notification shall not bar the Company's right to discontinue, interrupt or curtail service.

The Company will maintain record of the daily and cumulative Customer curtailments based on Customer's estimated usage during periods of curtailment or interruption.

UNAUTHORIZED OVERRUN GAS USE PENALTY

Unauthorized Overrun Gas use shall constitute any volume of interruptible natural gas taken by Customer on any day or hour in excess of the allowable volumes for delivery to Customer, as specified in either Attachment A or by the Company in any curtailment order to Company interrupting deliveries in whole or in part.

In the event Customer on any day takes a volume of gas constituting Unauthorized Overrun Gas:
(a) Company may completely discontinue interruptible gas service to Customer hereunder during such day or days on which the Unauthorized Overrun Gas use occurs.

(b) Customer shall pay Company, in addition to all other charges, a penalty of $15.00 per Mcf of Unauthorized Overrun Gas taken by Customer; provided, however, that Company may at its sole option, waive any penalty for Unauthorized Overrun Gas use if, on the day when such Unauthorized Overrun Gas use occurred, Company did not incur a penalty from its supplier and deliveries to its other customers were not adversely affected or its operations impaired thereby.

(c) The payment of a penalty or the waiver of such penalty for Unauthorized Overrun Gas shall under no circumstances be considered as giving Customer the right to take Unauthorized Overrun Gas, nor shall such payment be considered as a substitute for any other remedy available to Company against Customer for failure to respect its obligation to adhere to the provisions of this tariff.

EMERGENCY USE

The preceding paragraph notwithstanding, during periods of general curtailment of interruptible gas service the Company may authorize the Customer's use of gas in excess of such curtailment ("Authorized Overrun Gas") if, in the opinion of the Company, Customer has a legitimate emergency and the Company's gas supply and facilities are sufficient to assure service to all firm gas service Customers. Emergency service can be curtailed at any time by the Company if these conditions are no longer met.

Customer must notify the Company of the emergency situation and request authorization of emergency gas use. If such emergency service is authorized by the Company, gas used in excess of such curtailment shall be billed at an increased charge of $7.50 per Mcf of Authorized Overrun Gas taken by the Customer.

When the emergency condition exists because Customer has run out of alternate fuel, contamination of alternate fuel or the failure to make reasonable attempts to make necessary repairs within 96 hours, the emergency use period will be limited to 96 hours and all gas use thereafter will be classified as Unauthorized Overrun Gas.

POINT OF DELIVERY AND TITLE TRANSFER

Possession of and title to gas delivered by the Company shall pass from the Company to Customer at the Point of Delivery. The Company shall be deemed to be in control or possession of, have title to, and be responsible for the gas prior to the Point of Delivery, and after the Point of Delivery Customer shall be deemed to be in control or possession of, have title to, and be responsible for the gas so delivered.

DELIVERY PRESSURE

The Company agrees to deliver interruptible gas to the Point of Delivery at such pressure as provided for in the Attachment A executed by Company and Customer.

QUALITY

The quality of the natural gas delivered by the Company shall meet or exceed the minimum quality specifications established under TransCanada's Gas Transportation Tariff General Terms and Conditions, as amended from time to time, as filed with and approved by the NEB.

If the gas offered for delivery by Company fails at any time to conform to any of the specifications provided by TransCanada, then the Customer shall notify Company of such deficiency and thereupon may, at the Customer's option, refuse to receive such gas pending remedy by Company.

FACILITIES

The term "Point of Delivery" shall mean the outlet flange of the Company's interruptible meters located at Customer's facility

The title to all mains, service pipes, meters, regulators, attachments and equipment placed on Customer's premises by the Company up to and including the Point of Delivery, shall remain with the Company together with the right of removal. All such facilities will be installed by the Company and shall be maintained, repaired, and operated only by the Company.

Customer shall at its own cost and expense provide a suitable site for the Company's metering and regulating equipment. All facilities required, on Customer's side of the Point of Delivery, shall be installed and maintained by Customer at its own expense. Customer shall be solely responsible for its own facilities and for the handling of gas on its own side of said Point of Delivery. All facilities installed and maintained on Customer's side of the Point of Delivery shall be located so as not to interfere with the operation of Company's metering and regulating equipment.

If required, the Customer shall be responsible for supplying a dedicated 120-volt electrical supply and a telephone line at a location acceptable to the Company at the Point of Delivery capable of transmitting information collected from a Company-supplied monitoring device to the Company=s computer system. The Customer shall be responsible for the maintenance and service of the telephone line. Should a telephone line be required, the Customer is responsible for scheduling such installation. Thereafter, the

Customer shall be responsible for all costs associated with such phone line including any monthly service charge.

No charge shall be made by Customer for use of the premises occupied by the Company's facilities and Customer agrees to be responsible for any loss or damage thereto to the extent that it results from willful or negligent acts of Customer, its agents, or employees.

FORCE MAJEURE

Neither the Company nor Customer shall be liable to the other, except for the obligation to pay for services rendered, for damages caused by the interruption, suspension, reduction or curtailment of the delivery of gas hereunder due to, occasioned by, or in consequence of, any of the following causes or contingencies: acts of God; the elements, storms, hurricanes, tornadoes, cyclones, sleet, floods, lightning, earthquakes, landslides, washouts or other revulsion of nature; epidemics, accidents, fires, collisions, explosions; strikes, lockouts, difference with workmen or other industrial disturbances; vandalism, sabotage, riots; inability to secure cars, oil, coal, fuel or other materials, supplies or equipment; breakage or failure of machinery, equipment, compressors, mains, pipes, delivery lines, storage or delivery facilities; wars, insurrections, blockades, acts of the public enemy; arrests and restrains of people, civic disturbances; federal, state or other governmental laws, orders, decrees, restraints or regulations; the Company's inability to secure natural gas, or failure of the natural gas supply, or curtailment of natural gas deliveries to the Company by its supplier and any other causes or contingencies not within reasonable control of the party whose performance is interfered with, whether of the kind herein enumerated or otherwise.

The effected party shall notify the non-impacted party of the Force Majeure condition as soon as reasonably possible. The obligations of the parties shall be suspended to the extent necessary and for the period of that Force Majeure condition and shall resume when such condition ceases to exist. Neither the Company nor Customer shall be liable in damages to the other for failure to perform the applicable obligation or covenant. However, such causes or contingencies affecting performance shall not relieve the Company or Customer of liability in the event of its concurring negligence or in the event of failure of either to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch. It is understood and agreed that the settlement of strikes or lockouts shall be within the sole discretion of the party affected. The obligations of the parties suspended by the Force Majeure condition shall resume when such condition ceases to exist.

RULES AND REGULATIONS

Service hereunder is subject to the Company's General Rules and Regulations Applicable to Gas Service as approved by the Vermont PSB from time to time, to the extent that they are not in conflict with or inconsistent with the specific provisions of this tariff.

The General Terms and Conditions, as amended from time to time, are applicable to this rate schedule and are hereby made a part hereof. If there is any conflict between the provisions of this rate schedule and the General Terms and Conditions, the provisions of this rate schedule shall prevail.

CONFIDENTIALITY

The Price, Quantity or other terms of this Agreement set forth on Attachment A or Attachment B shall remain confidential and shall not be divulged to any person or entity, except as required by any statute, court, or regulatory body having jurisdiction.

VERMONT GAS SYSTEMS, INC.
INTERRUPTIBLE SALES AGREEMENT
ATTACHMENT A

CONFIDENTIAL

This Agreement by and between VERMONT GAS SYSTEMS, INC., a Vermont corporation, located at 85 Swift Street, South Burlington, Chittenden County, Vermont, hereinafter referred to as "Company", and Burlington Electric Department, hereinafter referred to as "Customer" is entered into this ____ day of ____________, 2013, to be effective on 1st day of November, 2013 (the "Effective Date").

WHEREAS, Customer wishes to purchase on an interruptible basis such natural gas volume(s) procured by Company for use at Customer's facility located at McNeil Generation Station, Burlington, VT, ("Point of Delivery"); and

NOW THEREFORE, the Company, subject to the Company's General Terms and Conditions, and the provisions of the Interruptible Sales tariff, is willing to purchase such gas supply procured by Company on an "interruptible" basis upon the following terms and conditions:

1.0 TERM AND TERMINATION

1.1 This Agreement shall be and continue in effect from the Effective Date until October 31, 2014 and shall continue in effect thereafter unless and until terminated by either party pursuant to Paragraph 1.2 herein.

1.2 If either party wishes to terminate this Agreement on or after the first contract year, such termination may be effected by written notice given to the other party of not less than ninety (90) calendar days prior to the termination date.

2.0 QUANTITIES

The Customer's maximum daily quantity of interruptible gas, shall not exceed 480 Mcf and its maximum hourly requirement shall not exceed 20 Mcf. Customer shall advise Company of any anticipated material changes from its established usage pattern as far in advance as is possible. During the term of this Agreement, Customer agrees to use interruptible gas as the fuel for Customer's equipment to the extent that it is made available hereunder.

3.0 RATE

3.1 The applicable rate shall be pursuant to the IS tariff with the following customer-specific selections:

Number of non-turbine meters 1
Number of turbine meters None

Upstream transport rate option:	1
Downstream transport rate option:	2
Assistance Program Fee	$11.25 per Meter

However, Customer agrees to use at least the adjusted minimum quantity (minimum adjusted for any curtailments and reduction due to force majeure) provided for in Customer's designated rate options. Accordingly, failure to use at least the adjusted annual minimum quantity shall result in Customer being obligated to pay the rate option applicable to Customer's actual total volume for the entire twelve month period.

3.2 In no event shall the price (commodity charge, plus upstream transportation, plus downstream transportation) per Mcf of gas to Customer under this Agreement be reduced to a level which is less than the Company's commodity cost of gas per Mcf plus $0.23 per Mcf. The Company's calculation of its commodity cost of gas, which shall include, but not be limited to, any taxes, excises or duties which may be imposed by any governmental authority during the term of this Agreement on the importation, transmission, distribution, purchase or sale of gas applicable to or paid by Company on the gas delivered to Customer hereunder, shall be conclusive.

3.3 In no event shall the price of natural gas (commodity charge, plus upstream transportation, plus downstream transportation) provided hereunder be greater than the Company's G4 rate (natural gas charge plus distribution charge).

3.4 From time to time Customer may wish to establish a fixed price for periods not less than 1 year and not more than 2 years. At such time, Customer will notify Company of their desire to establish a fixed price. The Company will notify Customer of the availability and terms of such fixed price and the volumes for which the fixed price will apply. If the parties are able to reach agreement on the price, volumes and terms (and special conditions, if any) then a form identical to Attachment B shall be executed. During the term of any executed Attachment B, Paragraphs 3.1, 3.2 and 3.3 of this Agreement shall have no effect.

3.5 In the event that the Company’s commodity cost of gas per Mcf plus $0.23 per Mcf exceeds the rate referred to in Section 3.3, Customer has the right, but not the obligation, to waive the provisions of 3.3 and purchase gas pursuant to section 3.2.

4.0 DELIVERY PRESSURE

The Company agrees to deliver interruptible gas to the Point of Delivery at such pressure as Company has available and which is acceptable to Customer but not more than 5 psi gauge.

5.0 CONSEQUENTIAL DAMAGES LIMITATION

Notwithstanding anything contained in this Agreement, neither party shall in any event be liable to the other party, whether in contract, tort, including negligence, or otherwise, for any indirect, special or consequential damages, including without limitation, economic loss, loss of profit or loss of revenue, even if those damages were reasonably foreseeable or otherwise, or resulted from a fundamental breach of this Agreement.

6.0 MISCELLANEOUS

6.1 This Agreement shall be interpreted, performed and enforced in accordance with the laws of the State of Vermont.

6.2 No modification of any of the terms and provisions of this Agreement shall be or become effective except by the execution of a written amendment by and between the parties herein, to this Agreement or a new Agreement.

6.3 This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assignees, but shall not be assigned or be assignable by Customer without the prior written consent of the Company.

6.4 Customer will maintain in operating condition its alternate fuel equipment and an alternate fuel supply adequate for its operations when the gas transportation is interrupted. Any failure of Customer in this regard shall have no effect on the Company's rights hereunder to curtail transportation.

THE PARTIES ACKNOWLEDGE THAT EACH HAS READ THIS AGREEMENT, UNDERSTANDS IT, AND AGREES TO BE BOUND BY THE TERMS AND CONDITIONS HEREIN. FURTHER, THE PARTIES AGREE THAT THIS AGREEMENT CONSTITUTES THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN THE PARTIES AND SUPERSEDES ALL PROPOSALS AND PRIOR AGREEMENTS, ORAL OR WRITTEN AND ALL OTHER COMMUNICATIONS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF.

BURLINGTON ELECTRIC DEPARTMENT	VERMONT GAS SYSTEMS, INC.
By:___________________________	By:___________________________
Title:__________________________	Title:__________________________
Date:_________________________	Date:_________________________

VERMONT GAS SYSTEMS, INC.

INTERRUPTIBLE GAS SALES AGREEMENT

ATTACHMENT B

SPECIAL TERMS AND CONDITIONS

1.Term:

2. Price:

3. Volumes:

4. Special Conditions:

CUSTOMER	VERMONT GAS SYSTEMS, INC.
By:__________________________	By:__________________________
Title:_________________________	Title:_________________________
Date:________________________	Date:________________________

Reserved for Future Use

Resolution

Approval of Vermont Gas Systems, Inc. Interruptible Sales Agreement

WHEREAS, the Burlington Electric Department purchases natural gas for the Regenerative Selective Catalytic Reduction system at the McNeil Generating Station; and

WHEREAS, the Vermont Public Service Board recently approved a Vermont gas tariff rate schedule for interruptible sales services effective November 1, 2013; and

WHEREAS, BED anticipates using approximately 32,000 mcf of natural gas in calendar year 2014 at a cost, based on that rate schedule, of $183,680; and

WHEREAS, BED desires to enter into the attached agreement on behalf of the City of Burlington; and

WHEREAS, the Burlington Electric Commission approved this agreement at its December 11, 2013, meeting, and the Board of Finance recommended approval at its January 6, 2014, meeting;

NOW THEREFORE, the City Council authorizes the Manager of Generation of the McNeil Generating Station to execute the attached Vermont Gas Systems, Inc. Interruptible Sales Agreement for the period November 1, 2013, to October 31, 2014, subject to prior review by the City Attorney and Chief Administrative Officer.