

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Vermont Public Power Supply Authority,

Complainant,

v.

Docket No. EL03-____-000

PG&E Energy Trading – Power. L.P.,
and PG&E National Energy Group,
Inc.,

Respondents.

**COMPLAINT REQUESTING FAST TRACK PROCESSING
OF VERMONT PUBLIC POWER SUPPLY AUTHORITY**

Pursuant to Sections 205, 306, and 309 of the Federal Power Act (“FPA”), 16 U.S.C. §§ 824d, 825e, 825h (2000), and to Commission Rule 206, 18 C.F.R. § 385.206 (2003), the Vermont Public Power Supply Authority (“VPPSA”) files this complaint against PG&E Energy Trading – Power. L.P. (“PGET”). PGET has suspended its provision of jurisdictional service to VPPSA without benefit of an order from this Commission authorizing the suspension or termination of service. VPPSA requests that the Commission determine that PGET’s suspension of service contravenes the parties’ contracts, and that the Commission direct PGET to resume the provision of service unless or until VPPSA and PGET agree to amend their contracts or this Commission authorizes the non-consensual termination of service by PGET.

Summary

In January of 2002, VPPSA contracted with PGET to purchase 20-25 MW of installed capacity and associated firm energy for a five year period commencing on

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January 1, 2003. This purchase represents approximately 20-25% of VPPSA's energy portfolio over this five-year period.

After providing service under these agreements for six months, PGET now appears to have decided to pull the plug, and it is doing so without advance notice to VPPSA, the customer, and with no notice whatsoever to the Commission. VPPSA learned of the suspension of service this morning, when it attempted to schedule energy deliveries for Friday, July 4. Replacing the energy that PGET is obligated to provide over the term of this contract, under current market conditions, may cost an additional ten million dollars. This may be compared to a total annual revenue requirement for VPPSA's members of \$45 million. Retail rates of some of VPPSA's members could increase by as much as 15% if this contract is terminated without remedy. If conduct of this sort by participants in the bulk power markets is allowed, then Part II of the Federal Power Act might as well be taken off the books. VPPSA therefore asks that the Commission direct PGET to resume service under the terms and conditions of the parties' contract unless and until the Commission authorizes modification or termination of the rate schedule under FPA § 206.

I. PARTIES

The parties to this proceeding are:

VPPSA is an instrumentality established under the laws of the State of Vermont. It provides electricity to its fourteen (14) municipal members and has ownership in bulk power facilities in Vermont. VPPSA also assists its members in planning their power supply and sales, and serves as an aggregator for a number of non-member municipal and cooperative customers in Vermont, New Hampshire, and Massachusetts. The aggregate

load served by VPPSA is on the order of 120 MW on the winter peak and 100 MW on the summer peak.

PG&E Energy Trading – Power, L.P. (“PGEN”) is a Delaware limited partnership and a FERC-jurisdictional public utility, previously known as USGen Power Services, L.P., that has enjoyed market-based rate authority since 1995.¹

PG&E National Energy Group, Inc., guarantees the performance of PGEN under the First Amendment to the Enabling Agreement.

II. COMMUNICATIONS

All communications concerning this filing should be addressed to:

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Washington, DC 20036
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William J. Gallagher, General Manager <gallaghe@vppsa.com>
VERMONT PUBLIC POWER SUPPLY AUTHORITY
5195 Stowe-Waterbury Road
P.O. Box 298
Waterbury Ctr., VT 05677-0298
Tel. (802) 244-7678
Fax (802) 244-6889

VPPSA hereby agrees pursuant to Commission Rule 2010(f)(3), to accept service via e-mail of any pleading that is filed with the Commission electronically.

III. BACKGROUND

VPPSA entered into an “Enabling Agreement” with PGET as of December 1, 1997. This is an umbrella agreement that establishes general terms and conditions under

¹ *USGen Power Services, L.P.*, 73 F.E.R.C. ¶ 61,302 (1995).

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which the parties may enter into individual transactions. Each transaction is evidenced by a Transaction Letter, and each Transaction Letter, together with the Enabling Agreement, constitutes a contract governing that transaction. VPPSA and PGET executed an amendment to the Enabling Agreement effective as of January 25, 2002. VPPSA does not know whether the Enabling Agreement and the First Amendment were filed by PGET pursuant to FPA § 205, or whether they have simply been referenced in PGET's quarterly reports. Copies of these agreements are included as Exhibits A and B hereto.

On January 28, 2002, VPPSA and PGET executed two Transaction Letters, one for the purchase and sale of 20-25 MW of installed capacity (25 MW during December-March and 20 MW during April-November), and another for the purchase and sale of energy associated with the aforesaid installed capacity, for a five-year period commencing on January 1, 2003. Copies of these agreements are included as Exhibits C and D hereto. The energy is identified in Exhibit C as "firm." Under section 8.2 of the Enabling Agreement, firm energy delivery may be interrupted only on account of Force Majeure or for other reasons specifically agreed to. The Transaction Letter does not establish any additional bases for interruption of delivery.

Force Majeure is defined in section 10 of the Enabling Agreement:

Neither party shall be considered to be in default in the performance of any obligations under this Agreement when a failure of performance shall be due to an event of force majeure. The term "force majeure" shall mean events that are beyond the control of the party affected, including, without limitation: flood, earthquake, tornado, storm, fire, civil disobedience, labor disputes, labor or material shortage, sabotage, restraint by court order or public authority (whether valid or invalid), and action or non-action by or inability to obtain or keep the necessary Regulatory Approvals which by the exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. An event of force

majeure shall also include government action (other than the imposition of Taxes) that results in the price at which Power or Other Services may be available under a Transaction being fixed or established by any governmental authority following execution of the Transaction Letter at a level resulting in a price that in the case of Seller is lower than the Contract Price and in the case of Buyer is higher than the Contract Price. Nothing contained herein shall be construed to require any party claiming Force Majeure to settle any strike or labor dispute. No party shall be relieved of its obligation to perform if such failure is due to causes arising out of its own negligence or due to removable or remediable causes which it fails to remove or remedy within a reasonable time period. Either party rendered unable to fulfill any of its obligations under this agreement by reason of an event of force majeure shall give prompt written notice of such fact to the other party and shall exercise due diligence to remove such inability with all reasonable dispatch. In a Power Transaction, interruption by a Transmitting Utility shall not be deemed to be a force majeure event unless (i) the party contracting with such Transmitting Utility shall have made arrangements with such Transmitting Utility for the firm transmission, as defined under that Transmitting Utility's tariff, of the Power to be Scheduled hereunder and (ii) such interruption is due to an event of force majeure or implementation of curtailment procedures as defined and set forth in the Transmitting Utility's tariff.

VPPSA is not aware of any circumstance involving its purchase of power and energy from PGET that would qualify as Force Majeure.

IV. VPPSA IS ENTITLED TO RELIEF

The most fundamental obligation of a public utility is to provide utility service. A public utility simply does not have the right to refuse to provide service under the terms of FERC-jurisdictional agreements. As the Commission's regulations provide:

No public utility shall, directly or indirectly, demand, charge, collect or receive any rate, charge or compensation for or in connection with electric service subject to the jurisdiction of the Commission, *or impose any classification, practice, rule, regulation or contract with respect thereto*, which is different from that provided in a rate schedule required to be on file with this Commission

unless otherwise specifically provided by order of the Commission for good cause shown.

18 C.F.R. § 35.1(e) (2003) (emphasis added). If a FERC-jurisdictional rate schedule specifies the circumstances under which service may be interrupted, then service may not be interrupted on any other ground.

These principles were recently affirmed by the Commission in *Richard Blumenthal, Attorney General of the State of Connecticut v. NRG Power Marketing, Inc.*, 103 F.E.R.C. ¶ 61,344 (June 25, 2003), where the Commission was faced with a power marketer seeking to discontinue wholesale power sales to Connecticut Light & Power Company. NRG had declared the power sales contract terminated shortly before filing for bankruptcy, but the Commission ordered NRG to continue service. NRG then rescinded its termination of the contracts and rejected it as an executory contract under the auspices of its bankruptcy filing. The Commission ruled that irrespective of whether NRG's conduct was labeled a breach of contract or a termination of service, NRG was subject to this Commission's regulatory Authority. *Id.* at PP 30, 46, 61.

The contracts governing PGET's sales of capacity and energy to VPPSA are FERC-jurisdictional. They represent a purchase and sale for a five-year period of capacity and associated firm energy. PGET has no right to unilaterally terminate its obligations under this agreement, and no right to suspend performance other than in circumstances of Force Majeure not present here. Accordingly, the Commission should direct PGET to resume providing service to VPPSA.

VPPSA recognizes that, in light of the recent upturn in natural gas prices, the contracts at issue are favorable to VPPSA, at least in the short term. VPPSA further acknowledges that, because the contracts for capacity and energy sales are FERC-

jurisdictional, they are subject to prospective modification under a “public interest” standard via FPA § 206. But precisely because PGET *does* have recourse to a regulatory remedy, there is no legal or equitable basis for allowing PGET recourse to the “self-help” remedy of suspending utility service.

V. EFFORTS TO RESOLVE THE DISPUTE INFORMALLY HAVE FAILED, AND ALTERNATIVE DISPUTE RESOLUTION IS NOT APPROPRIATE

PGET has informed VPPSA that it is suspending performance under the energy transaction “indefinitely,” and is not willing to negotiate on the matter. We have been informed that a dispute of this nature is not amenable to resolution by means of the Commission’s Enforcement Hot-Line.

In these circumstances, the matter is plainly ripe for Commission decision, and is not amenable to alternative dispute resolution.

VI. FAST TRACK PROCESSING OF THE COMPLAINT IS WARRANTED

Time is of the essence in resolving this dispute. VPPSA must make arrangements to replace the capacity and energy that PGET is refusing to supply. VPPSA does not know at this point whether it should merely be making short term stop-gap arrangements or whether it must now look to fill a 54-month hole in its power supply plans. Moreover, incidents such as PGET’s suspension of service have a tendency to increase uncertainty and thereby destabilize markets. The Commission can best protect the public interest by laying down clear, easily-understood rules and assuring market participants of swift relief when FERC-jurisdictional utilities attempt to evade their obligations.

Fast track processing of the instant complaint is therefore warranted in order to resolve this dispute promptly and either cause PGET to resume service or else excuse

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PGET from further performance so that VPPSA can proceed to secure power and energy for its members without a clouded legal landscape.

VII. RELIEF REQUESTED

For the reasons set forth above, the Commission should (1) process this complaint under its fast-track procedures; (2) order PGET to resume service to VPPSA under the terms and conditions of the contracts included in this Complaint; and (3) provide any other relief it deems necessary or appropriate.

Respectfully submitted,

/s/ Ben Finkelstein

Ben Finkelstein
Frances E. Francis

Attorneys for
Vermont Public Power Supply
Authority

Law Offices of:
Spiegel & McDiarmid
1333 New Hampshire Avenue, NW
Washington, DC 20036
(202) 879-4000

July 3, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have on this 3rd day of July, 2003, caused the foregoing document to be sent to the Respondents by fax and to interested regulatory bodies by overnight delivery to the following parties:

/s/ Ben Finkelstein

Ben Finkelstein

Law Offices of:
Spiegel & McDiarmid
1333 New Hampshire Avenue, NW
Washington, DC 20036
(202) 879-4000

ATTACHMENT A

**VERMONT PUBLIC POWER
SUPPLY AUTHORITY**

P.O. Box 298 • Rt. 100, Stowe Rd. • Waterbury Ctr., VT 05677-0298
(802) 244-7678 Fax (802) 244-6889

December 16, 1997

USGen Power Services, L.P.
Att: Vice President, Trading Operations
7500 Old Georgetown Road
Bethesda, MD 20814

Dear Sir or Madam:

Please find enclosed an executed copy of the enabling agreement between
VPPSA and USGenPS as authorized by the VPPSA Board of Directors.
We have kept one executed copy for our records.

Sincerely,



Denis P. Gravelin
Controller

Enclosure
cc: W.J. Gallagher

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"Contract Quantity" means the quantity of Power or Other Services that Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller as set forth in a Transaction Letter.

"Delivery Point" means the location to which Seller shall deliver Power that Buyer has agreed to purchase, such location to be set forth in a Transaction Letter.

"Interest Rate" means the lesser of Prime Rate plus two percent and the maximum lawful rate permitted by applicable law.

"Other Services" means any generation-related ancillary service, including but not limited to load following, var support, fuel supply arrangements and emissions credits.

"Period of Delivery" means the duration of time during which Seller is obligated to deliver Power or Other Services to Buyer and Buyer is obligated to purchase such Power or Other Services from Seller, such duration to be set forth in a Transaction Letter.

"Power" means electric capacity and/or energy.

"Prime Rate" means for any date, the per annum rate of interest announced from time to time by Citibank, N.A., as its "prime" rate for commercial loans, effective for such date as established from time to time by such bank.

"Regulatory Approvals" means, for any Transaction, all state and federal regulatory authorizations, consents, or approvals required as a condition precedent for the Transaction to occur, whether or not specifically set forth in any Transaction Letter.

"Schedule" or **"Scheduling"** means communicating with and confirming that a particular amount of Power or Other Services is to be delivered or received and providing all information as may be necessary to cause such delivery or receipt to occur.

"Seller" means the party to a Transaction hereunder who has committed to sell Power or Other Services during the Period of Delivery specified for that Transaction.

"Taxes" means all ad valorem, property, occupation, utility, gross receipts, sales, use, excise and other taxes, governmental charges, licenses, permits and assessments, other than taxes based on net income or net worth.

"Transaction" means a particular, specifically agreed-upon purchase and sale of Power or Other Services to be performed under this Agreement, as documented pursuant to Article 3.

"Transaction Letter" means the documentation of a particular Transaction in substantially the form of Exhibit A hereto which, along with this Agreement, comprises the contract for the purchase and sale of Power or Other Services identified in such Transaction Letter.

ARTICLE 2
TERM

This Agreement shall become effective upon the execution by both parties. It shall remain in effect until terminated by either party upon sixty days prior written notice. In the event either party wishes to terminate this agreement and sends such sixty days notice, such termination shall not become effective with respect to particular Transactions then in place unless and until such Transactions are either terminated by mutual agreement of the parties or such Transactions expire in accordance with their terms.

ARTICLE 3
TRANSACTION PROCEDURES

Section 3.1. Transaction Letters. In the event that USGenPS and VPPSA desire to enter into a Transaction, they shall establish the specific terms and conditions for such Transaction by executing a Transaction Letter substantially in the form of that set forth in Exhibit A hereto. Such Transaction Letter shall include, at a minimum: (i) the Period of Delivery; (ii) the Contract Price; (iii) the Delivery Points; and (iv) the Contract Quantity. Each Transaction Letter executed by the parties shall be deemed to be incorporated herein and shall be read and construed as one with this Agreement. Each Transaction Letter and this Agreement shall be considered to be a single agreement between the parties. Terms and conditions set forth in any Transaction Letter that are inconsistent with terms and conditions set forth herein shall supersede terms and conditions set forth herein and any conflict not reasonably capable of reconciliation between a Transaction Letter and this Agreement shall be resolved in favor of the Transaction Letter. Oral arrangements are permissible for transactions less than thirty days in duration provided that such transaction must commence no later than two business days following the date on which oral agreement is reached and such agreement is documented in writing during such two business days. Only Authorized Representatives (as defined below) may enter into any Transaction, whether oral or written.

Section 3.2. Authorized Representatives. Each party shall, in accordance with Section 12.3, designate in writing to the other party the persons authorized to agree to Transactions on behalf of such party ("Authorized Representatives"). Provided that written notice is provided in accordance with Section 12.3, each party may change its designation of Authorized Representatives.

Section 3.3. Operation Representatives. Each Party shall designate and make known to the other Party, in writing, one or more persons to represent it in connection with developing and implementing reasonable Scheduling and operational procedures required for the proper functioning of this Agreement, including procedures for communication between the Parties' respective operators.

Section 3.4. Notice of Interruption for Transactions. In the event that either Buyer or Seller desires to interrupt a Transaction, they shall provide notice in accordance with the procedures set forth in the applicable Transaction Letter.

Section 3.5. Hourly Obligations; Scheduling. Seller shall deliver and Buyer shall receive Power at the Delivery Point at a rate of delivery equal to the hourly Contract Quantity specified for a Transaction. Unless otherwise agreed, Seller is obligated to Schedule with the appropriate transmission providers or arrange for Scheduling service and to deliver to the primary transmission system which is delivering Power to the Delivery Point, and Buyer is obligated to Schedule with the appropriate transmission providers or arrange for a Scheduling service and to receive from the primary transmission system which is receiving Power at the Delivery Point, the hourly Contract Quantity during each day in accordance with the transmission providers or primary transmission system operators' notice requirements. If the Parties have agreed to allow variations in the daily quantities to be delivered, Buyer, or if so agreed, Seller, shall notify the other Party in accordance with the applicable primary transmission system operator's Scheduling deadlines of the hourly Contract Quantities of Power to be delivered and received during a Period of Delivery.

Section 3.6. Recording. Each party consents to the recording of all telephone conversations between its employees and the employees of the other Party. Any such recordings and any other evidence may be introduced to prove any oral agreement between the Parties, provided that all objections to admissibility on grounds of relevancy and materiality are preserved.

ARTICLE 4
DELIVERY POINTS, LINE LOSSES, AND RELIABILITY GUIDELINES

Section 4.1. Delivery Points. Seller shall deliver Power or Other Services to Buyer at the Delivery Point(s) set forth in the appropriate Transaction Letter.

Section 4.2. Line Losses. Seller and Buyer shall each be responsible for any transmission losses and loss charges relating to the transmission of Power, in the case of Seller, to the Delivery Point(s), and in the case of Buyer, from the Delivery Point(s), or otherwise as mutually agreeable.

Section 4.3. Reliability Guidelines. Each party agrees to adhere to accepted electric industry practice and, without limiting the foregoing, to the applicable operating policies, criteria and/or guidelines of the North American Electric Reliability Council ("NERC") and any regional or subregional requirements.

Section 4.4. Transmission Arrangements. The Seller shall arrange and pay for transmission service to the Delivery Point, and shall be responsible for all taxes and environmental costs, including, without limitation, emission allowances, generation, excise, ad valorem and similar or different taxes and charges imposed on or in respect of the Power prior to the delivery of the Power to the Buyer at the Delivery Point. Buyer shall arrange and pay for transmission service from the Delivery Point and shall be responsible for all such taxes and charges upon and after delivery of the Power at the Delivery Point, including, without limitation, sales, value added and gross receipts', taxes payable by the Buyer.

ARTICLE 5
PRICE

Buyer agrees to pay Seller the Contract Price for Power and/or Other Services Scheduled and delivered, which, subject to Article 11, shall be the total consideration paid by Buyer to Seller for Power and/or Other Services.

ARTICLE 6
BILLING AND PAYMENT

Section 6.1. Billing. All Power Transactions hereunder shall be accounted for on the basis of hourly quantities Scheduled and delivered. The accounting period for transactions hereunder shall be one calendar month. For each Transaction, Seller shall render to Buyer for each calendar month during which purchases and sales are made, a statement setting forth as appropriate the total quantity of Power Scheduled and the total quantity of Power delivered, the Other Services rendered and the amounts due to Seller from Buyer as a result thereof. Such statement shall be rendered no later than the 10th day of each calendar month following the calendar month in which purchases and sales are made.

Section 6.2. Payment. Buyer shall, by the earlier of (i) the 20th day of each calendar month or (ii) ten days after receipt of Seller's statement, or if such day is not a Business Day, the immediately preceding Business Day, render to Seller by wire transfer payment, or other acceptable method set forth in the Transaction Letter, the amount due Seller for all Power delivered or Other Services rendered during the preceding month. Payment shall be made to the payment address provided for in Section 12.3. If Buyer fails to make such payment when due, Buyer shall pay Seller a late charge on the unpaid balance that shall accrue on each calendar day from the due date at the Interest Rate. If Buyer in good faith disputes any part of any statement, Buyer shall nevertheless make payment but such payment shall be accompanied by a written explanation of the basis for the dispute. If full payment (including any late charges) is not received within thirty days from the due date in the first sentence of this Section 6.2, Seller shall have the right to terminate the Transaction for which payment was not made upon ten (10) days written notice to Buyer.

Section 6.3. Audit. Each party has the right, at its sole expense, to examine the records of the other party during normal business hours to the extent reasonably necessary to verify the accuracy of any bill rendered to Buyer pursuant to this Agreement. If any such examination reveals any inaccuracy in any bill, the necessary adjustments in such bill and the payments made pursuant to such inaccurate bill shall be adjusted; provided, however, that such adjustments shall be made prior to the lapse of one calendar year following the date on which the inaccurate bill was delivered. This Section 6.3 shall survive any termination of this Agreement for a period of two years from the date on which the last bill is rendered to Buyer pursuant to this Agreement.

ARTICLE 7
TITLE

Title to Power Scheduled and delivered hereunder shall transfer from Seller to Buyer at the Delivery Point. Title to Other Services shall transfer as set forth in the applicable Transaction Letter.

ARTICLE 8
LIABILITY AND INDEMNIFICATION

Section 8.1. Nonfirm Transactions. For purposes of this Agreement, a Transaction shall be deemed nonfirm to the extent either Party may be excused from Scheduling Power for any reason specified in the documentation of the Transaction (other than a force majeure in accordance with Article 10). In the event and to the extent the Transaction is a Nonfirm Transaction, neither Party shall be liable in damages or otherwise to the other for an interruption of the delivery of Power due to one or more event(s) or cause(s) specified in the documentation of the Transaction, except and to the extent a Party fails to give to the other Party timely notice of interruption. Either Party may, at its sole discretion and without liability (except for failure to provide notice of interruption within the time specified for such notice in the documentation of the Transaction), interrupt in whole or in part, the Scheduling of Power at any time for any reason, provided that notice of interruption shall be given to the other Party, and that no such interruption shall be retroactive to any time prior to giving notice of interruption. In the event the interrupting Party fails to give timely notice of interruption, the interrupting Party shall be liable only for direct actual damages resulting from the failure to timely notify and shall only be liable in the event the noninterrupting Party has exercised all reasonable efforts to minimize and avoid such damages. The Parties hereby agree that such actual direct damages shall be computed in the same manner as damages for the interruption of Firm Transactions as set forth in Section 8.2 hereof with respect to volumes of Power not Scheduled for delivery or receipt prior to notice of interruption and that such damages shall be the sole and exclusive remedy of such event. Both Parties hereby stipulate that such liquidated damages are reasonable in light of the anticipated harm and the difficulty of estimation of calculation of actual damages and each Party hereby waives the right to contest such damages as an unreasonable penalty.

Section 8.2. Firm Transactions. For purposes of this Agreement, a Transaction shall be deemed firm to the extent, as specified in times in the documentation of the Transaction, a Party may be excused from Scheduling and delivering the Contract Quantity Power only for (i) reasons of force majeure, as defined in Article 10 of this Agreement, or (ii) for reasons agreed to with respect to a specific Transaction for which a Party may interrupt without liability.

(a) Duty to Mitigate. Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's non-performance under this agreement.

(b) Seller's Liability in Connection with Failure to Perform in Accordance with the Terms of a Firm Transaction: Unless otherwise agreed by the parties, in the event Seller fails to deliver the Contract Quantity for a Firm Power Transaction, Seller shall pay, subject to Section 8.4, to Buyer on the date payment would otherwise be due under this Agreement liquidated damages determined in accordance with the following formula:

$$SLD = (BCRE - CP) \times MWh$$

where

SLD = Seller's liquidated damages;

BCRE = price at which Buyer purchased, or is reasonably able to purchase, replacement energy at a commercially reasonable price (adjusted to include differences in transmission costs necessary to deliver Power to the Point of Delivery);

CP = Contract Price; and

MWh = total number of megawatt hours which Seller failed to deliver.

In the event SLD is a negative number, then the amount of liquidated damages shall be zero.

(c) Buyer's Liability in Connection with Failure to Perform in Accordance with a Firm Transaction. Unless otherwise agreed by the parties, in the event Buyer fails to Schedule and accept the Contract Quantity for a Firm Power Transaction, Buyer shall pay, subject to Section 8.4, to Seller on the date payment would otherwise be due under this Agreement liquidated damages determined in accordance with the following formula:

$$BLD = (CP - SCSE) \times MWh$$

where

BLD = Buyer's liquidated damages;

SCSE = price at which Seller is able to sell, or should have been able to sell to the Delivery Point comparable supplies of energy at a commercially reasonable price (adjusted to include differences in transmission costs necessary to deliver Power to the Point of Delivery);

CP = Contract Price; and

MWh = total number of megawatt hours which Buyer failed to accept.

In the event BLD is a negative number, then the amount of liquidated damages shall be zero.

Section 8.3. Liability in Connection with Other Transactions. The foregoing liquidated damages provisions in Section 8.2 shall not apply to any Transactions other than Firm Transactions.

Section 8.4. Demand for Liquidated Damages; Payment Obligation. As a condition precedent for the payment by either party of liquidated damages as set forth in this Article, the party demanding liquidated damages shall send written notice to the non-performing party setting forth the basis and calculation as set forth above of the amount of such liquidated damages. Such written notice for the payment of liquidated damages shall be made in accordance with the Schedule set forth in Section 6.1 and payment shall be made in accordance with the Schedule set forth in Section 6.2. In the event that either Buyer or Seller fails to pay to the other party when due liquidated damages as set forth in this Article, the aggrieved party shall have (i) the right to suspend performance under the Transaction for which such amounts are due until such liquidated damages plus interest computed in accordance with Section 6.2 are paid and/or (ii) exercise any remedy available at law or in equity to enforce payment of such amounts.

Section 8.5. No Penalty; Exclusive Remedy. Both parties hereby stipulate that the payments set forth in this Article are not penalties and that such payments are reasonable in light of the anticipated harm and the difficulty of estimating or calculating actual damages and each party hereby waives the right to contest such damages as an unreasonable penalty. The remedies set forth in this Article 8 shall be the sole and exclusive remedy of any aggrieved party for the failure of the other party to sell or purchase the Contract Quantity and all other damages and remedies are waived.

Section 8.6. Limitation of Liability. Notwithstanding any provision in this Agreement to the contrary, neither party nor any of their respective affiliates, partners, officers, directors, agents, subcontractors, vendors or employees shall be liable hereunder for consequential or indirect loss or damage, including loss of profit, cost of capital, loss of goodwill, increased operating costs or any other special or incidental damages. The parties further agree that the waivers and disclaimers of liability, indemnities, releases from liability, and limitations on liability expressed in this Agreement shall survive termination or expiration of this Agreement, and shall apply at all times, whether in contract, equity or tort or otherwise, regardless of the fault, negligence (in whole or in part), strict liability, breach of contract or breach of warranty of the party indemnified, released or whose liabilities are limited, and shall extend to the partners, principals, directors, officers and employees, agents and related or affiliated entities of such party, and their partners, principals, directors, officers and employees.

Section 8.7. Indemnification. Each party agrees to defend, indemnify and save the other party, as well as its affiliates, partners, officers, directors, agents, subcontractors, vendors or employees, from and against any and all claims, suits, actions or causes of action for damage by reason of bodily injury, death or damage to property caused by the other party, its affiliates, partners, officers, directors, agents, subcontractors, vendors or employees or caused by or sustained on its facilities, except to the extent caused by any act of negligence or willful misconduct by the indemnified party or its affiliates, partners, officers, directors, agents, subcontractors, vendors or employees.

ARTICLE 9
ASSIGNMENT AND SUCCESSION

Neither party shall assign this Agreement or its rights hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Upon any assignment made in compliance with this Article 9, this Agreement shall inure to and be binding upon the successors and assigns of the assigning party. Notwithstanding the foregoing, either party may, without the need for consent from the other party (and without relieving itself from liability hereunder), (a) transfer, pledge or assign this Agreement as security for any financing with financial institutions; (b) transfer or assign this Agreement to an affiliate of such party provided that such assignee has substantially equivalent financial capability to the assignor; or (c) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of such assignor; provided, however, that any such assignee shall agree to be bound by the terms and conditions hereof.

ARTICLE 10
FORCE MAJEURE

Neither party shall be considered to be in default in the performance of any obligations under this Agreement when a failure of performance shall be due to an event of force majeure. The term "force majeure" shall mean events that are beyond the control of the party affected, including, without limitation: flood, earthquake, tornado, storm, fire, civil disobedience, labor disputes, labor or material shortage, sabotage, restraint by court order or public authority (whether valid or invalid), and action or non-action by or inability to obtain or keep the necessary Regulatory Approvals which by the exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. An event of force majeure shall also include government action (other than the imposition of Taxes) that results in the price at which Power or Other Services may be available under a Transaction being fixed or established by any governmental authority following execution of the Transaction Letter at a level resulting in a price that in the case of Seller is lower than the Contract Price and in the case of Buyer is higher than the Contract Price. Nothing contained herein shall be construed to require any party claiming Force Majeure to settle any strike or labor dispute. No party shall be relieved of its obligation to perform if such failure is due to causes arising out of its own negligence or due to removable or remediable causes which it fails to remove or remedy within a reasonable time period. Either party rendered unable to fulfill any of its obligations under this agreement by reason of an event of force majeure shall give prompt written notice of such fact to the other party and shall exercise due diligence to remove such inability with all reasonable dispatch. In a Power Transaction, interruption by a Transmitting Utility shall not be deemed to be a force majeure event unless (i) the party contracting with such Transmitting Utility shall have made arrangements with such Transmitting Utility for the firm transmission, as defined under that Transmitting Utility's tariff, of the Power to be Scheduled hereunder and (ii) such interruption is due to an event of force majeure or implementation of curtailment procedures as defined and set forth in the Transmitting Utility's tariff.

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ARTICLE 11
TAXES

Seller shall pay or cause to be paid, all taxes, fees, levies, penalties, licenses or charges imposed by any government authority ("Taxes") prior to its delivery to Buyer at the Point of Delivery. Buyer shall pay or cause to be paid, all Taxes imposed upon and after delivery at the Point of Delivery. In the event Seller is required to remit or pay Taxes which are Buyer's responsibility, Buyer shall promptly reimburse Seller for such Taxes. If Buyer is required to remit or pay Taxes which are Seller's responsibility hereunder, Buyer may deduct the amount of any such Taxes from the sums due to Seller hereunder. Each Party shall indemnify, defend and hold harmless the other Party from any liability against the indemnifying Party's taxes. Buyer will provide Seller with applicable exemption certificates.

ARTICLE 12
MISCELLANEOUS

Section 12.1 Regulatory. This Agreement and performance hereunder is subject to all present and future valid and applicable laws, orders, statutes and regulations. The rights of the parties to Schedule the purchase and sale of Power or Other Services shall not be effective until all Regulatory Approvals have been obtained. If all Regulatory Approvals are not obtained prior to the commencement of a Transaction, either party may terminate such Transaction without further obligation or liability to the other party.

Section 12.2. Authorizations. Each party represents to the other that it has (or will have at the time of documentation of any Transaction and at the time of delivery receipt of Power or Other Services thereunder) all requisite corporate and governmental authorizations necessary or proper to consummate such Transaction.

Section 12.3. Notices. Any notice, request, demand, statement or payment provided for in this Agreement shall be confirmed in writing and shall be made as specified below; provided, however, that notices of interruption and communications to Transmitting Entities may be provided verbally, effective immediately and confirmed in writing. A notice sent by facsimile transmission shall be deemed received by the close of the Business Day on which such notice was transmitted or such earlier time as confirmed by the receiving party and notice by overnight mail or courier shall be deemed to have been received two (2) Business Days after it was sent or such earlier time as is confirmed by the receiving party unless it confirms a prior verbal communication, in which case any such notice shall be deemed received on the day sent.

Notices & Correspondence:

USGen Power Services, L.P.
7500 Old Georgetown Road
Bethesda, Maryland 20814
Attn: Vice President, Trading Operations
Telephone: (301) 718-6600
Fax: (301) 718-6601

Payments & Invoices:

USGen Power Services, L.P.
7500 Old Georgetown Road
Bethesda, Maryland 20814
Attn: Operations Manager

with a copy to:
Senior Vice President
and General Counsel
U.S. Generating Company
7500 Old Georgetown Road
Bethesda, Maryland 20814
Telephone: (301) 718-6800
Fax: (301) 718-6913

Payments by Wire Transfer:
Citibank, N.A.
Account Title: USGen Power Services, L.P.
Account Number: 4067-4894
ABA Number: 021 000 089

Notices & Correspondence:
Vermont Public Power Supply Authority
Rt. 100, Stowe Road
Waterbury Center, Vermont 05677
Attention: General Manager
Telephone: (802) 244-7678
Fax: (802) 244-6889

Invoices:
Vermont Public Power Supply Authority
Rt. 100, Stowe Road
Waterbury Center, Vermont 05677
Attention: Controller
Telephone: (802) 244-7678
Fax: (802) 244-6869

Payments by Wire Transfer:
The Chittenden Bank
Burlington, Vermont
ABA#: 011600062
Account #: 1-99-0396-6

From time to time either party may change the foregoing addresses by sending notice of such change in accordance with this Agreement.

Section 12.4. Entirety. This Agreement, the Exhibits hereto, and the documentation of each Transaction hereunder pursuant to Article 3 constitute the entire agreement between the parties hereto with respect to such Transaction. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed. This Agreement may only be amended in writing and such amendment shall become effective only if executed by the Authorized Representative.

Section 12.5. Governing Law. INCLUDING ANY COUNTERCLAIMS AND CROSS CLAIMS ASSERTED IN SUCH ACTION, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF VERMONT, WITHOUT REGARD TO THE LAWS OF SUCH STATE REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE.

Section 12.6. Non-Waiver. No waiver by either party hereto of any one or more defaults by the other in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults whether of a like kind of different nature.

Section 12.7. Severability. Except as otherwise stated herein, any provision, article or section declared or rendered unlawful by a court of law or regulatory agency with jurisdiction over the parties, or deemed unlawful because of a statutory change, will not otherwise affect the remaining lawful obligations that arise under this Agreement.

Section 12.8. Headings. The headings herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement.

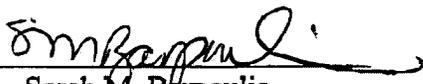
Section 12.9. Security. Should either party's credit worthiness or financial responsibility become unsatisfactory to the other in its sole discretion at any time during the term of this Agreement, the dissatisfied party may require at its option either (i) the posting of a letter of credit or (ii) cash prepayment or (iii) such other security in a form acceptable to it..

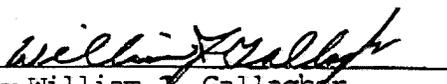
Section 12.10. Confidentiality. Neither party shall disclose the terms of any Transaction to a third party (other than such party's and its affiliates' employees, lenders, counsel, accountants or consultants) except in order to comply with any applicable law, order, regulation or exchange rule; provided, however, that each party shall notify the other party of any proceeding of which it is aware that may result in such disclosure and the party subject to such proceeding shall use reasonable efforts to prevent or limit the disclosure. The provisions of this Agreement other than the terms of any Transaction are not subject to this confidentiality obligation. The parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation; provided, however, that all monetary damages shall be limited to actual direct damages and a breach of this section shall not give rise to the right to suspend or terminate any ongoing Transaction.

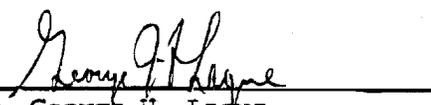
IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate originals to be effective as of the date and year first written above.

USGen Power Services, L.P.

VERMONT PUBLIC POWER SUPPLY AUTHORITY

By: 
Name: Sarah M. Barpoulis
Title: Vice President

By: 
Name: William J. Gallagher
Title: General Manager

By: 
Name: George H. Laque
Title: Chairman of the Board

**EXHIBIT A
FORM OF TRANSACTION LETTER**

<<DATE>>

<<COMPANY>>
<<STREET ADDRESS>>
<<CITY>>, <<STATE>> <<ZIP>>

Attn: <<ATTENTION>>

RE: <<DESCRIPTOR>>Transaction

Dear <<ATTENTION>>:

Pursuant to our conversation, this letter shall confirm the agreement reached between USGen Power Services, L.P. ("USGenPS") and <<COMPANY>> ("<<INITIALS>>") regarding the Transaction set forth below. This Transaction shall be governed by the <<GOVERNING DOC>> between USGenPS and <<INITIALS>> dated

_____.

Seller:

Buyer:

Term:

Quantity:

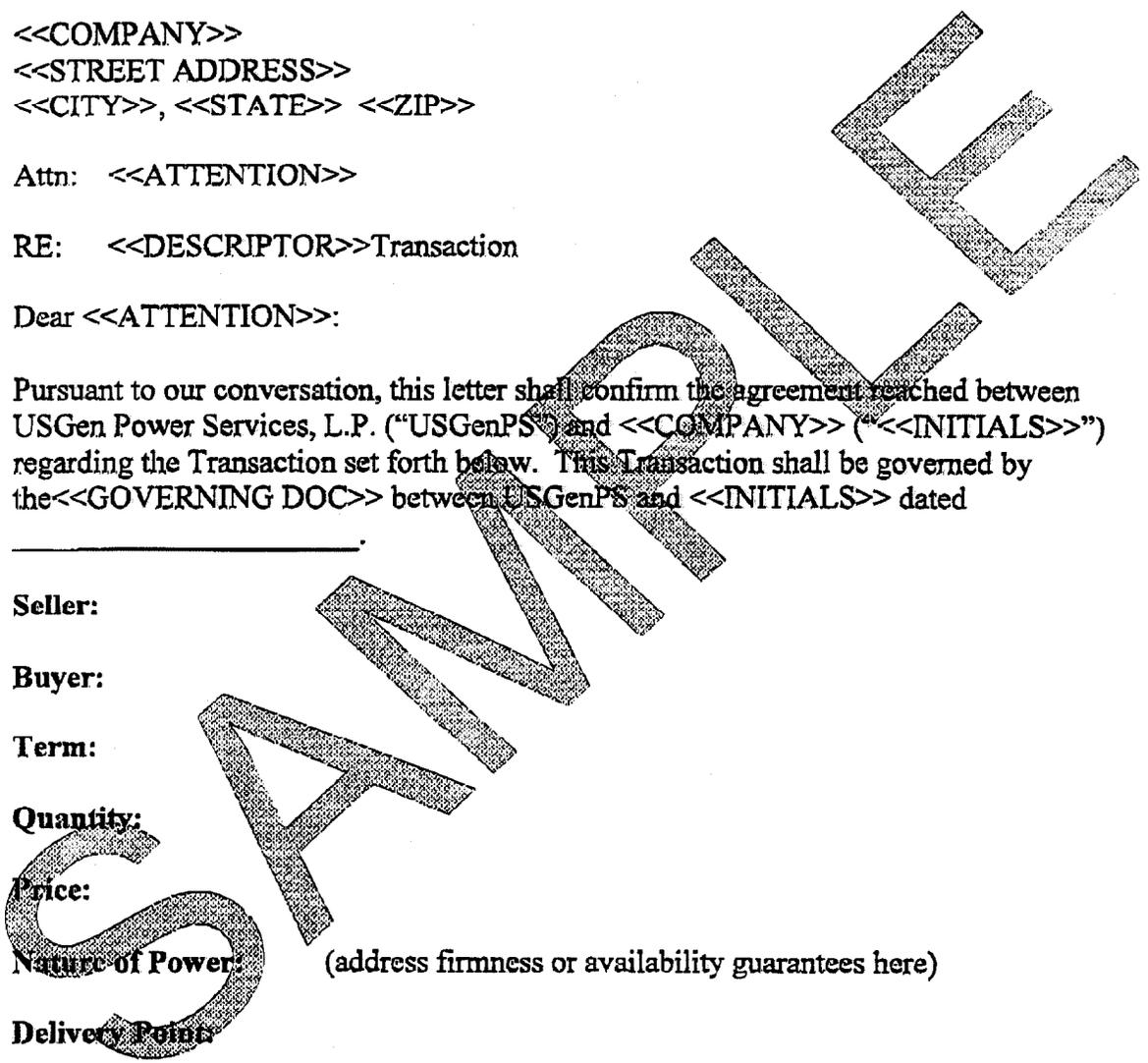
Price:

Nature of Power: (address firmness or availability guarantees here)

Delivery Points:

Scheduling:

**Additional Terms
Specific to
Individual
Transactions:**



Other Conditions:

The Price is inclusive of any and all costs incurred by Seller related to energy sold pursuant to this Transaction, including but not limited to, Seller's transmission costs to the Delivery Point, Seller's fuel costs, Seller's out-of-pocket costs, Seller's emission allowance costs, and new and existing taxes of any nature that are imposed on Seller prior to the Delivery Point.

THE TERMS OF THIS TRANSACTION ARE CONFIDENTIAL and are not to be disclosed to any third party without the prior written consent of the non-disclosing Party; provided that the terms of this Transaction may be disclosed to governmental agencies with jurisdiction over this matter without prior consent. In the event that such disclosure is required, the disclosing Party will endeavor to obtain a protective order to avoid or minimize any public disclosure of the terms of this Transaction.

Please confirm that the terms stated herein accurately reflect the agreement reached between USGenPS and <<INITIALS>> by returning an executed copy of this Transaction Letter via facsimile to USGenPS at (301) 718-6601. Your response should reflect the appropriate party in your organization who has the authority to enter into the Transaction.

SAMPLE

ACCEPTED AND AGREED TO as of
this _____ day of _____, 1996.

USGen POWER SERVICES, L.P.

By: _____
Name: Sarah M. Barpoulis
Vice President

<<COMPANY>>

By: _____
Name: <<ATTENTION>>

RECEIVED

USGen Power Services, L.P.

December 12, 1997

DEC 15 1997

VERMONT PUBLIC POWER
SUPPLY AUTHORITY

Mr. Denis Gravelin
Controller
Vermont Public Power Supply Authority
P.O. Box 298
Route 100 Stowe Road
Waterbury Center, Vermont 05677

VIA FEDERAL EXPRESS

Via Fed EX

NAME	LETTER	ENC
BILL G.	<input checked="" type="checkbox"/>	
DENIS	<input checked="" type="checkbox"/>	<i>orig.</i>
BRIAN		<i>orig.</i>
BILL R		
KEN S		
CHUCK		
KEN N		
JAMES		
SHELLI		
SEC		

Re: **Enabling Agreement**

ATTACHED: _____ Fully executed Agreement(s)
 _____ Partially executed Agreement(s)
 _____ Agreement(s) for execution
 _____ Other _____

ACTION: Return one fully executed original to my attention
 _____ Initial the change, retain one original for your records, and return one original to my attention.
 _____ Retain for your files
 _____ Fully execute all originals and return to me. Upon USGenPS' execution, one fully executed original will be returned to you for your files.
 _____ Other _____

If you have any questions concerning this matter, please call me at (301) 718-6944

Sincerely,

Patricia Grandi

Patricia J. Grandi
Contract Administrator



ATTACHMENT B

PG&E Energy Trading - Power, L.P. is not the same company as Pacific Gas and Electric Company, the utility. PG&E Energy Trading - Power, L.P. is not regulated by the California Public Utilities Commission; and you do not have to buy PG&E Energy Trading - Power, L.P.'s products in order to continue to receive quality regulated services from the utility.

FIRST AMENDMENT TO ENABLING AGREEMENT

This First Amendment to Enabling Agreement (the "Amendment") is entered into effective as of this 22nd day of January, 2002 (the "Effective Date") between Vermont Public Power Supply Authority, a joint action agency organized pursuant to the laws of the state of Vermont ("VPPSA"), and PG&E Energy Trading-Power, L.P., a Delaware limited partnership formerly know as USGen Power Services, L.P. ("PGET") (hereinafter sometimes referred to individually as "Party" and collectively as "Parties").

WHEREAS, VPPSA and PGET have previously entered into that certain Enabling Agreement, dated as of December 1, 1997, (the "Agreement"), which Agreement includes all Confirmations exchanged between the parties confirming the Transactions thereunder;

WHEREAS, the Parties desire to amend the Agreement as provided herein.

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

- 1. The following shall be added as definitions to Article I of the Agreement:

"Performance Assurance" means (i) a letter of credit in a form and from an issuer reasonably acceptable to the Requesting Party; (ii) a guaranty in a form and from an issuer reasonably acceptable to the Requesting Party; or (iii) a cash prepayment."

- 2. The following paragraph shall be added as Section 6.4 of the Agreement:

"Section 6.4 Netting. If Buyer and Seller are each required to pay an amount to the other on the same day, then such amounts with respect to each party may be aggregated and the parties may discharge their obligations to pay through netting, in which case the party, if any, owing the greater aggregate amount shall pay to the other party the difference between the amounts owed."

- 3. The following paragraphs shall be added as Section 6.5 of the Agreement:

"Section 6.5. Security. If on any Business Day during the term of any Transaction either Party, after reasonable inquiry and based upon commercially reasonable evidence, deems itself insecure with respect to the other Party's ability or willingness to perform pursuant to the terms hereof, may require the other Party to provide Performance Assurance, within five business days of a request, in an amount equal to a total of two month's of the Contract Price times the Contract Quantity as set forth in a Transaction Letter.

In addition, on or before February 8, 2002, PGET shall cause PG&E National Energy Group, Inc. to issue a \$5 million guarantee in the form attached as Exhibit A covering the Transactions then outstanding under this Agreement.

- 4. The following paragraph shall be added as Section 6.6 of the Agreement:

"Section 6.6. Financial Information. Upon request, PGET shall deliver to VPPSA a copy of the annual report of PG&E National Energy Group, Inc. containing audited consolidated financial statements certified by independent certified public accountants or other interim reports that may be available. Upon request, VPPSA shall deliver to PGET a copy of its annual report, or the annual report of its affiliates, containing audited consolidated financial statements certified by independent certified public accountants or other interim reports that may be available. In all cases the statements shall be for the most recent accounting period and prepared in accordance with GAAP or such other principles then in effect; provided, should any such statements not be available due to a delay in preparation or certification, such delay shall not be considered a default so long as the Party providing the statement diligently pursues their preparation, certification and delivery."

5. The following paragraph shall be added as Section 8.8 of the Agreement:

"Section 8.8 Events of Default. An "Event of Default" shall mean with respect to a party ("Defaulting Party"): (i) the failure by the Defaulting Party to make, when due, any payment required pursuant to this agreement if such failure is not remedied within three (3) business days after written notice of such failure is given to the Defaulting Party by the other party ("Non-Defaulting Party"); (ii) any representation or warranty made by the Defaulting Party herein shall at any time prove to be false or misleading in any material respect; (iii) the failure by the Defaulting Party to perform any covenant set forth in this agreement (other than the events that are otherwise specifically covered in this section as a separate Event of Default or its obligations to deliver or receive Power a remedy for which is provided in Section 8.2), and such failure is not excused by Force Majeure or cured within five (5) business days after written notice thereof to the Defaulting Party; (iv) the Defaulting Party shall be subject to a bankruptcy proceeding; (v) the failure by the Defaulting Party to establish, maintain, extend or increase Performance Assurance when required pursuant to this agreement; (vi) in the event a party to any transaction has posted a guarantee, the failure by the guarantor of the Defaulting Party to perform any covenant set forth in the guarantee it delivered in respect of any such transaction, any representation or warranty made by such guarantor shall prove to have been false or misleading in any material respect when made or when deemed to be repeated; or (vii) the guarantor of the Defaulting Party shall be subject to a bankruptcy proceeding."

6. The following paragraph shall be added as Section 8.9 of the Agreement:

"Section 8.9 Remedies upon an Event of Default. (a) If an Event of Default occurs at any time during the term of any transaction, the Non-Defaulting Party may, for so long as the Event of Default is continuing, (i) establish a date (which date shall be between five (5) and ten (10) business days after the Non-Defaulting Party delivers notice) ("Early Termination Date") on which any or all transactions selected by it shall terminate (individually a "Terminated Transaction" and collectively the "Terminated Transactions") and (ii) withhold any payments due in respect of the Terminated Transactions; provided, however, upon the occurrence of any Event of Default listed in item (iv) of Events of Default as it may apply to any Party, all transactions and this agreement in respect thereof shall automatically terminate, without notice, and without any other action by either Party as if an Early Termination Date had been established immediately prior to such event. If an Early Termination Date has been established, the Non-Defaulting Party shall in good faith calculate its Gains, Losses and Costs resulting from the termination of the Terminated Transactions. The Gains, Losses and Costs shall be determined by comparing the value of the remaining term, contract quantities and prices under each Terminated Transaction had it not been terminated to the equivalent quantities and relevant market prices for the remaining terms either quoted by a bona fide third-party offer or which are reasonably expected

to be available in the market under a replacement contract for each Terminated Transaction. To ascertain the market prices of a replacement contract, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX electricity futures contracts, quotations from leading dealers in energy swap contracts and other bona fide third party offers, all adjusted for the length of the remaining terms and differences in transmission. Neither Party shall be required to enter into replacement transactions in order to determine the Termination Payment. The Non-Defaulting Party shall aggregate such Gains, Losses and Costs with respect to all Transactions into a single net amount ("Termination Payment") and notify the Defaulting Party. If the Non-Defaulting Party's aggregate Losses and Costs exceed its aggregate Gains, the Defaulting Party shall, within five (5) business days of receipt of such notice, pay the net amount to the Non-Defaulting Party, which amount shall bear interest from the Early Termination Date until paid. If the Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of the Terminated Transactions, the Non-Defaulting Party shall retain such excess. (b) As used herein with respect to each party: (i) "Costs" shall mean, brokerage fees, commissions and other similar transaction costs and expenses reasonably incurred by such Party in entering into new agreements which replace a Terminated Transaction, and attorneys' fees, if any, incurred in connection with enforcing its rights under any Transaction; (ii) "Gains" shall mean, an amount equal to the economic benefit determined on a mark to market basis (exclusive of Costs), if any, to it resulting from the termination of its obligations with respect to a Terminated Transaction; and (iii) "Losses" shall mean, an amount equal to the economic loss determined on a mark to market basis (exclusive of Costs), if any, to it resulting from the termination of its obligations with respect to a Terminated Transaction. In no event, however, shall a party's Gains, Losses or Costs include any penalties, ratcheted demand or similar charges or any Stranded Costs. At the time for payment of any amount due under this section, each party shall pay to the other party all additional amounts payable by it pursuant to this agreement, but all such amounts shall be netted and aggregated along with any Termination Payment payable hereunder.

(b) Notwithstanding any other provision of this agreement, if Buyer or Seller fails to pay to the other party any amounts when due, the aggrieved party shall have the right to (i) suspend performance under any or all transactions until such amounts plus interest have been paid and/or (ii) exercise any remedy available at law or in equity to enforce payment of such amount plus interest."

7. The following paragraph shall be added as Section 8.11 of the Agreement:

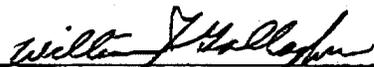
"8.11 Uniform Commercial Code. Except as otherwise provided for herein, the provisions of the Uniform Commercial Code ("UCC") of the state whose laws govern this Transaction, and Power shall be deemed to be a "good" for purposes of the UCC. EXCEPT AS EXPRESSLY SET FORTH HEREIN, SELLER EXPRESSLY NEGATES ANY OTHER REPRESENTATION OR WARRANTY, WRITTEN OR ORAL, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO CONFORMITY TO MODELS OR SAMPLES, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE."

8. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings specified for such terms in the Agreement.

9. This Amendment constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto. All of the existing terms of the Agreement, except as amended by this Amendment are ratified and confirmed in all respects.
10. This Amendment may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
11. The headings used in this Amendment are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Amendment.
12. This Amendment will be governed by and construed in accordance with the laws of the State of Vermont (without reference to choice of law doctrine).

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the date first above written.

VERMONT PUBLIC POWER SUPPLY AUTHORITY

By: 
Name: William J. Gallagher
Title: General Manager

PG&E ENERGY TRADING-POWER, L.P.
By: **PG&E Energy Trading Holdings Corporation,**
its sole general partner

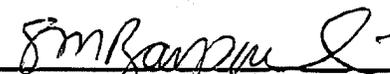
By: 
Name: Sarah M. Barpoulis
Title: Senior Vice President

EXHIBIT A

ATTACHMENT C



AOC246 AOC531
AOC533 AOC528
AOC529 AOC530
AOC224 AOC245

January 25, 2002

VERMONT PUBLIC POWER SUPPLY AUTHORITY
Rt. 100, Stowe Road
P.O. Box 298
Waterbury Center, VT 05667-0298

FAX: 802.244.6889

This letter ("Transaction Letter") shall confirm the agreement reached between PG&E Energy Trading - Power, L.P. ("PGET") and Vermont Public Power Supply Authority ("VPPSA") regarding the Transactions set forth below. These Transactions shall be governed by the Master Agreement between VPPSA and PGET dated 12/01/1997, as amended.

TRANSACTION 1 (Energy Only):

Seller: PGET
Buyer: VPPSA
Trade Date: 1/23/2002
Term: January 1, 2003 through December 31, 2007
Delivery Hours: HE 1:00 through HE 24:00 EPT, Monday through Sunday, including NERC holidays
Quantity: Seller will deliver, or arrange for delivery to Buyer at the Delivery Point, the following quantities of firm energy only during the Delivery Hours of the Term:

25MWh/h: each January 1 through March 31 and December 1 through December 31 during the Term; and

20 MWh/h: each April 1 through November 30 during the Term.

Price: \$31.25 /MWh for all MWh delivered to the Delivery Point.

Delivery Point: NEPOOL Pool Transmission Facilities (NEPOOL PTF), provided that (i) at and after the date a system of locational marginal pricing goes into effect within the NEPOOL control area, the Delivery Point shall be any point on the state of Vermont border or within the state of Vermont as selected by Seller on a daily prescheduled basis, and (ii) at and after the date that a multi-settlement system of pricing (including the day ahead and hour ahead market) goes into effect within the NEPOOL control area, the Seller will schedule in the day ahead market.

Scheduling: 12:00 pm EPT on the Business Day prior to delivery. Bookouts are undertaken as a scheduling convenience and do not modify the terms of this Transaction. PGET Prescheduling: (301) 280-6600.

PG&E Energy Trading - Power, L.P. and any other company referenced herein which uses the PG&E name or logo are not the same company as Pacific Gas and Electric Company, the California utility. These companies are not regulated by the California Public Utilities Commission, and customers do not have to buy products from these companies in order to continue to receive quality regulated services from the utility.

ATTACHMENT D



AOC246 AOC531
AOC533 AOC528
AOC529 AOC530
AOC224 AOC245

TRANSACTION 2 (Installed Capability):

Seller: PGET
Buyer: VPPSA
Trade Date: 1/23/2002
Term: Monthly beginning January 1, 2003 and ending December 31, 2007
Delivery Hours: HE 1:00 through HE 24:00 EPT, Monday through Sunday, including NERC holidays
Quantity: 25MW of Installed Capability each January 1 through March 31 and December 1 through December 31 during the Term; and 20 MW of Installed Capability each April 1 through November 30 during the Term.
Price: \$0.90 per KW-Month
Delivery Point: NEPOOL Pool Transmission Facilities
Scheduling: 12:00 pm EPT on the Business Day prior to delivery. Bookouts are undertaken as a scheduling convenience and do not modify the terms of this Transaction. PGET Prescheduling:(301) 280-6600.

In the event that NEPOOL Installed Capability Product is replaced by a monthly unforced capacity market (UCAP) or another similar monthly capacity credit market or if a deliverability requirement is put on supply resources that would cause PGET's current portfolio of resources to receive a reduced Installed Capability Credit for its resources, the Parties acknowledge and agree that the monthly Quantity of Installed Capability to be sold hereunder will be converted to a monthly quantity of equal dollar value of the new product, and that PGET has the obligation to deliver this product to Buyer.

"Regulatory Change" shall mean a law, rule, regulation, order, writ, judgment or other legal or regulatory determination by a court, regulatory agency, governmental authority or ISO New England, Inc. (or its successor), the effect of which is a change in the Installed Capability structure, framework or operating rules related to NEPOOL Installed Capability Credits.

Please confirm that the terms stated herein accurately reflect the agreement reached between PGET and VPPSA by returning an executed copy of this Transaction Letter via facsimile to PGET at (301) 280-6060. Your response should reflect the appropriate party in your organization who has the authority to enter into the Transactions. VPPSA will be deemed to have accepted the terms and conditions as stated herein if it fails to confirm or otherwise respond within two (2) business days.

{Signature on following page}

Jan-25-02

09:10pm

From-PG&E National Energy Group

301-290-7909

T-356

P.012/014

F-561



PG&E Energy Trading

Power

AOC246	AOC531
AOC533	AOC528
AOC529	AOC530
AOC224	AOC245

Executed effective as of the date written above:
 PG&E ENERGY TRADING - POWER, L.P.
 By: its sole general partner, PG&E Energy Trading Holdings Corporation

By: *Sarah M. Barpulis*
 Name: Sarah M. Barpulis
 Title: Senior Vice President

VERMONT PUBLIC POWER SUPPLY AUTHORITY

By: *William J. Gallagher*
 Name: William J. Gallagher
 Title: General Manager

PG&E Energy Trading - Power, L.P. and any other company referenced herein which uses the PG&E name or logo are not the same company as Pacific Gas and Electric Company, the California utility. These companies are not regulated by the California Public Utilities Commission, and customers do not have to buy products from these companies in order to continue to receive quality regulated services from the utility.

Submission Contents

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