

Appendix B. Item 4

BILATERAL AGREEMENT BETWEEN THE DEPARTMENT OF PUBLIC SERVICE
AND THE WASHINGTON ELECTRIC COOPERATIVE, INC.

The following document records the agreement between the Department of Public Service (the "Department" or "DPS") and the Washington Electric Cooperative, Inc. ("WEC") regarding the above-captioned proceedings.

1. Core MOU. WEC and the Department agree that this bilateral agreement incorporates the document which was filed with the Public Service Board on April 30, 1999 and is entitled Memorandum of Understanding and captioned as applying to the above-referenced proceedings ("MOU"). Said MOU sets forth the agreement of the Department and WEC, as well as other parties to the captioned proceedings, with regard to the formation and structure of and the efficiency services to be rendered by the Energy Efficiency Utility ("EEU") as well as the responsibility of distribution utilities in Vermont, including WEC, to perform least cost distribution planning (called Distributed Utility Planning or "DUP"). It is the purpose of this document to supplement the MOU and to record specific terms, provisions, and conditions with respect to WEC. Terms defined in the MOU shall have the same meaning when used herein, except that the term "Parties" in this bilateral agreement means the Department and WEC.

2. Funding. The Parties agree as follows with respect to funding:

a. Subject to the obligations cited in paragraph 6g of the MOU, WEC will directly administer and will budget the following annual amounts for the programs described:

WEC's residential new construction program \$55,000

WEC's retrofit residential program \$100,000

By "WEC's residential new construction program," the Parties mean WEC's residential construction program design (energy assessment fee), approved by the Board in April 1994 and modified in January 1998. By "WEC's retrofit residential program," the Parties mean two program designs approved by in its order of

January 30, 1992 in Docket 5270-WEC-2: the residential moderate use/direct install program and the residential high use/energy improvement services program. For reporting purposes, savings from the above-described programs shall be credited toward the EEU's performance standards, as well as toward WEC.

- b. In addition to the foregoing, the Parties agree that WEC shall fund the EEU budget in the following amounts for the first three years: for year 2000, \$15,000; for year 2001, \$50,000; and for year 2002, \$75,000.
3. Acceleration of DSM Amortization Schedules. WEC proposes to accelerate its DSM amortization schedules. Subject to review of the specific terms requested by WEC, DPS agrees not to oppose an accounting order requested by WEC to accommodate such acceleration and to modify WEC's accounting treatment of DSM investments to a five-year basis. The effect of the acceleration would be to increase expense in the years 2000-2004 by an amount totaling approximately \$205,000, or an average amount of approximately \$40,000 per year. DPS's agreement to this acceleration does not constitute agreement that WEC's revenues must be increased by any particular amount.
4. Resolution of All Issues. The Parties agree that the MOU and this bilateral agreement resolve all issues raised to date by WEC in this proceeding. Accordingly, the Parties agree that WEC shall not seek the admission into the record of this docket of its prefiled testimony and exhibits filed in this docket.
5. Bottom-Line Settlement. The Parties have made specific compromises to reach the MOU and this bilateral agreement. The Parties agree that should the Board fail to approve the MOU and this bilateral agreement in their entirety, the Parties' agreements set forth herein shall terminate, and the Parties shall have the right to file prefiled testimony on all issues to be considered in Phase II of this docket and the Parties' agreements in this MOU and this bilateral agreement shall not be construed by any party or tribunal as having precedential impact on any testimony or positions which may be advanced in these proceedings.