



**NRC LICENSE
TRANSFER APPLICATION**

submitted by

AmerGen Vermont, LLC

&

Vermont Yankee Nuclear Power Corporation

January 6, 2000

**Vermont Yankee Nuclear Power Station
NRC Facility Operating License No. DPR-28 (Docket No. 50-271)**

UNITED STATES OF AMERICA
BEFORE THE
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
Vermont Yankee Nuclear Power Corporation)	
)	
and)	
)	Docket No. 50-271
AmerGen Vermont, LLC)	
)	
(Vermont Yankee Nuclear Power Station))	

**APPLICATION FOR ORDER AND CONFORMING
ADMINISTRATIVE LICENSE AMENDMENTS FOR LICENSE TRANSFER
(NRC FACILITY OPERATING LICENSE NO. DPR-28)**

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REFERENCES

The following documents are incorporated by reference into this Application:

- Reference 1 AmerGen Energy Company, LLC's Certificate of Formation and the AmerGen Energy Company, LLC Agreement (previously provided as Exhibit 1 to Appendix A of AmerGen and GPUN's application for approval of the TMI-1 license transfer, dated December 3, 1998, in Docket No. 50-289 (TMI-1 Application))

- Reference 2 1995, 1996 & 1997 Annual Reports for PECO Energy; 1996 Prospectus for British Energy plc; 1996/97 & 1997/98 Annual Reports of British Energy plc (previously provided as Exhibit 2 to Appendix A of the TMI-1 Application)

- Reference 3 1998 Annual Report of PECO Energy and 1998/1999 Annual Report of British Energy plc (previously provided as Enclosure 4 to AmerGen and Illinois Power's application for approval of the CPS license transfer, dated July 23, 1999, in Docket No. 50-461 (CPS Application)).

- Reference 4 Letter Agreements for PECO Energy and British Energy plc to Provide Funding to AmerGen, dated December 3, 1998 and November 5, 1998, respectively (previously provided as Exhibit 8 to Appendix A of the TMI-1 Application)

- Reference 5 Supplemental Agreements of PECO Energy and British Energy to Provide Funding to AmerGen, dated July 22, 1999 (previously provided as Enclosures 8 and 9 to the CPS Application)

ADDENDUM

The following proprietary enclosures are bound separately in an Addendum to the application:

Enclosure 7A Asset Purchase Agreement By and Between Vermont Yankee Nuclear Power Corporation, as Seller, and AmerGen Energy Company, LLC, as Buyer, Dated as of November 17, 1999 (Proprietary Version)

Enclosure 9A Projected Income Statement and Opening Balance Sheet of AmerGen Vermont's Anticipated Assets, Liabilities and Capital Structure (Proprietary Version)

I. INTRODUCTION

AmerGen Vermont, LLC (AmerGen Vermont) and Vermont Yankee Nuclear Power Corporation (VYNPC), hereby request that the Nuclear Regulatory Commission (NRC) issue an order consenting to the transfer of Facility Operating License No. DPR-28 for the Vermont Yankee Nuclear Power Station (Vermont Yankee) to AmerGen Vermont. AmerGen Vermont and VYNPC request that the NRC consent to this transfer and authorize AmerGen Vermont to possess, use, and operate Vermont Yankee under essentially the same conditions and authorizations included in the existing license. No physical changes will be made to Vermont Yankee as a result of this transfer, and there will be no significant change in the day-to-day operations of the facility. AmerGen Vermont and VYNPC also request NRC approval of certain conforming administrative amendments to the Vermont Yankee license to reflect the proposed transfer. A mark-up of the Vermont Yankee license showing the conforming amendments is provided in Enclosure 1. Consistent with the generic finding of no significant hazards consideration in 10 CFR § 2.1315(a), a Safety Assessment of the conforming amendments to assure that they do no more than reflect the proposed transfer is provided in Enclosure 2.

Vermont Yankee is an approximately 540 MWe^{1/} nuclear power plant consisting of a General Electric (GE) Boiling Water Reactor (BWR), GE steam turbines, and other associated equipment located in Vernon, Vermont. NRC Facility Operating License No. DPR-28 for

^{1/} Vermont Yankee is licensed to a maximum power level of 1,593 megawatts thermal (MWt).

Vermont Yankee was issued on March 21, 1972, and will expire on March 21, 2012. VYNPC is the sole owner and operator of Vermont Yankee.

VYNPC is an electric utility company owned by other electric utilities in New England. VYNPC was originally formed to own and operate Vermont Yankee by nine electric utility owners (Sponsors). Subsequently, four Vermont municipal utilities acquired 5.8% of the stock of VYNPC. The output of Vermont Yankee is sold directly to the Sponsors pursuant to the terms of wholesale power sales contracts approved by the Federal Energy Regulatory Commission (FERC). The nine Sponsors and four Vermont municipal utilities, and their respective percentage ownership interests in VYNPC, and corresponding entitlement to the output of Vermont Yankee, are as follows:

<u>Sponsor/Municipal Utility</u>	<u>Percentage</u>
Central Vermont Public Service Corporation	31.3
New England Power Company	20.0
Green Mountain Power Corporation	17.9
Connecticut Light & Power Company	9.5
Central Maine Power Company	4.0
Public Service Company of New Hampshire	4.0
Burlington Electric Department	3.6
Montaup Electric Company	2.5
Cambridge Electric Light Company	2.5
Western Massachusetts Electric Company	2.5
Vermont Electric G&T Cooperative, Inc.	1.0
Village of Lyndonville Electric Department	0.6
Washington Electric Cooperative	0.6

AmerGen Vermont is a Vermont limited liability company formed by AmerGen Energy Company, LLC (AmerGen) to own and operate Vermont Yankee. AmerGen Vermont is a wholly owned subsidiary of AmerGen. AmerGen is a limited liability company formed by PECO Energy Company (PECO Energy), British Energy plc (British Energy), and British

Energy, Inc. (BE Inc.) to acquire and operate nuclear power plants in the United States.

AmerGen is owned 50% each by PECO Energy and BE Inc.

II. STATEMENT OF PURPOSE OF THE TRANSFER AND NATURE OF THE TRANSACTION MAKING THE TRANSFER NECESSARY OR DESIRABLE

In connection with the ongoing restructuring of the electric utility industry throughout the United States, and in New England in particular, VYNPC decided that it would be in the best interests of VYNPC, VYNPC's employees, and its shareholders to sell Vermont Yankee to AmerGen. Under the Vermont Yankee Asset Purchase Agreement (Vermont Yankee Agreement), executed by AmerGen and VYNPC as of November 17, 1999, VYNPC agreed to transfer its interests in Vermont Yankee to AmerGen. In addition, under a Power Purchase Agreement, also executed as of November 17, 1999, VYNPC agreed to buy 61.5% of the capacity and energy of Vermont Yankee for resale to certain Sponsors. As permitted by the terms of these agreements, AmerGen will assign its rights to the acquisition of Vermont Yankee and in the Power Purchase Agreement to AmerGen Vermont. The Assignment Agreement between AmerGen and AmerGen Vermont will be provided to the NRC as Enclosure 3 to this Application, as soon as this agreement is executed. In accordance with the Vermont Yankee Agreement, the closing of the transaction will take place on the Closing Date, as defined therein, once all conditions precedent are satisfied and all required regulatory approvals are obtained. On and after the Closing Date, the following events will occur:

- (a) AmerGen Vermont will assume all rights, title, and interest in and to Vermont Yankee, including all buildings, equipment, spare parts, fixtures, inventory, documents, records, assignable contracts, fresh and spent nuclear fuel, other licensed materials at the site, and other property necessary for the operation and maintenance of Vermont Yankee, and assume all responsibility for the operation, maintenance, and eventual decommissioning of Vermont Yankee;

- (b) Substantially all of VYNPC's employees located at the Vermont Yankee site involved in the operation and maintenance of the plant will assume similar roles and responsibilities for AmerGen Vermont and continue to perform these functions at Vermont Yankee;

- (c) AmerGen Vermont will be interconnected with the Vermont transmission system owned and operated by Vermont Electric Power Company, Inc. (VELCO), and will contract for any necessary transmission service and back-up power to the site consistent with NRC requirements;

- (d) VYNPC will purchase 61.5% of the capacity and energy from Vermont Yankee under the Power Purchase Agreement from the Closing Date through March 21, 2012, when the current NRC operating license is due to expire; and

- (e) VYNPC will have made or will make additional cash deposits to the Vermont Yankee decommissioning funds, and AmerGen Vermont anticipates that the fair market value of these funds after the transfer will not be less than \$280 million.

III. GENERAL CORPORATE INFORMATION REGARDING AMERGEN VERMONT

A. Name of Proposed New Licensee

The proposed new licensee is AmerGen Vermont, LLC.

B. Address

AmerGen Vermont's headquarters will be located at 185 Old Ferry Road, Brattleboro, Vermont 05301.

C. Description of Business or Occupation

1. AmerGen Vermont

AmerGen Vermont is a wholly owned subsidiary of AmerGen organized under the laws of Vermont to own and operate Vermont Yankee. Copies of the Limited Liability Company Agreement of AmerGen Vermont (AmerGen Vermont, LLC Agreement) and the Articles of Organization of AmerGen Vermont are provided as Enclosures 4 and 5 to this Application.

2. AmerGen

AmerGen is a limited liability company formed to acquire and operate nuclear power plants in the United States. The NRC recently consented to the transfer of ownership and operating responsibility for Three Mile Island, Unit 1 (TMI-1), and the Clinton Power Station

(CPS) to AmerGen, and AmerGen is now the owner and licensed operator of both TMI-1 and CPS. See *GPU Nuclear, Inc.*, (Three Mile Island, Unit No. 1), Order Approving Transfer of License and Conforming Amendment, 64 *Fed. Reg.* 19202 (April 19, 1999) (hereinafter TMI-1 Order); *Illinois Power Co.*, (Clinton Power Station), Ordering Approving Transfer of license and Conforming Amendments, 64 *Fed. Reg.* 67598 (December 2, 1999) (hereinafter CPS Order). AmerGen's principal offices are located in Wayne, Pennsylvania.

AmerGen is organized under the laws of the State of Delaware pursuant to the Limited Liability Company Agreement of AmerGen dated as of August 18, 1997, as amended (AmerGen, LLC Agreement), among PECO Energy Company (PECO Energy), a Pennsylvania corporation, British Energy plc (British Energy), a Scottish corporation, and British Energy Inc. (BE Inc.), a Delaware corporation which is a wholly owned subsidiary of British Energy. British Energy is a party to the AmerGen, LLC Agreement, but only PECO Energy and BE Inc. are members of AmerGen; each holds a 50% ownership interest in AmerGen. Copies of the Certificate of Formation of AmerGen and the AmerGen LLC Agreement, as amended, have previously been provided to NRC and are incorporated herein as Reference 1.

Both PECO Energy and British Energy have more than twenty years of nuclear operating experience. PECO Energy is the licensed operator of four nuclear reactors at the Limerick and Peach Bottom nuclear generating stations and is a member of the Institute of Nuclear Power Operations (INPO). PECO Energy also owns 100% of the Limerick units, 42.49% of the Peach Bottom units,^{2/} and 42.59% of the two Salem nuclear units. British

^{2/} On December 21, 1999, PECO Energy requested NRC consent to the transfer to PECO
(continued...)

Energy is the owner and operator of fifteen nuclear reactors at eight nuclear operating sites in the United Kingdom and participates in the World Association of Nuclear Operators (WANO). Copies of the 1995, 1996, 1997, and 1998 Annual Reports of PECO Energy; 1996 Prospectus for British Energy; and 1996/97, 1997/98, and 1998/99 Annual Reports of British Energy have previously been provided to NRC and are incorporated herein as References 2 and 3. PECO Energy is a publicly owned company trading under the ticker symbol "PE." British Energy has recently announced that its American Depository Receipts will be traded in the United States under the ticker symbol "BGY."

D. Organization and Management

1. State of Establishment and Place of Business

a. AmerGen Vermont

AmerGen Vermont is a limited liability company organized in the State of Vermont and a wholly owned subsidiary of AmerGen. AmerGen Vermont's principal place of business will be in the State of Vermont.

b. AmerGen

AmerGen is a limited liability company established in the State of Delaware. AmerGen's principal place of business is in the Commonwealth of Pennsylvania.

2/(...continued)

Energy of additional ownership interests in the Peach Bottom Units which would increase its share to 50% of each. See Application for NRC Approval of License Transfers and Conforming Administrative License Amendments (NRC Facility Operating License Nos. DPR-44 & DPR-56).

2. Management

a. AmerGen Vermont

The business and affairs of AmerGen Vermont are managed by or under the direction of a Management Committee, consisting of four Representatives, of whom two will be U.S. citizens appointed by the PECO Group (*i.e.*, PECO Energy), and two will be appointed by the BE Group (*i.e.*, BE Inc.). The AmerGen Vermont Management Committee will serve at the discretion of AmerGen. The names, addresses and citizenship of the Representatives on the AmerGen Vermont Management Committee are as follows:

Name	Address	Citizenship
Gerald R. Rainey	965 Chesterbrook Blvd, Wayne, PA 19087	U.S.
Drew B. Fetters	185 Old Ferry Road, Brattleboro, VT 05301	U.S.
Dr. Robin Jeffrey, Feng	Suite 1000 69 Yonge Street Toronto, Ontario M5E 1K3 Canada	U.K.
Duncan Hawthorne	965 Chesterbrook Blvd, Wayne, PA 19087	U.K.

b. AmerGen

The business and affairs of AmerGen also are similarly managed by or under the direction of a Management Committee. The AmerGen Management Committee currently consists of six Representatives, half of whom are appointed and serve at the discretion of the PECO Energy Member Group of AmerGen, and half of whom are appointed and serve at the

discretion of the BE Inc. Member Group of AmerGen. The names, addresses and citizenship of the Representatives of the AmerGen Management Committee are as follows:

	Name	Address	Citizenship
PECO Energy Member Group of AmerGen	Michael J. Egan	2301 Market Street Philadelphia, PA 19101	U.S.
	Gerald R. Rainey	965 Chesterbrook Blvd, Wayne, PA 19087	U.S.
	Charles P. Lewis	965 Chesterbrook Blvd, Wayne, PA 19087	U.S.
BE Inc. Member Group of AmerGen	Dr. Robin Jeffrey, FEng	Suite 1000 69 Yonge Street Toronto, Ontario M5E 1K3 Canada	U.K.
	Duncan Hawthorne	965 Chesterbrook Blvd, Wayne, PA 19087	U.K.
	David Gilchrist	Suite 1000 69 Yonge Street Toronto, Ontario M5E 1K3 Canada	U.K.

In addition to the six voting Representatives, Dickinson M. Smith, serves as Vice Chairman and is a non-voting Representative on the AmerGen Management Committee.

3. Principal Executives and Officers

a. AmerGen Vermont

The Chairman of the AmerGen Vermont Management Committee, Gerald R. Rainey, is a U.S. citizen appointed by, and may only be removed by, the PECO Energy Member Group of AmerGen. Mr. Rainey chairs the meetings of the AmerGen Vermont Management Committee

and has the “casting” or deciding vote on “all Safety issues,” which are defined in the Definitions Section of the AmerGen Vermont, LLC Agreement and which include all issues within the jurisdiction of the NRC, *i.e.*, all matters involving nuclear safety and common defense and security.

The AmerGen Vermont Chief Executive Officer (CEO), Gerald R. Rainey, is the senior executive responsible for AmerGen Vermont’s day-to-day operations. The CEO is authorized to employ and retain other officers, subject to the approval of the AmerGen Vermont Management Committee. Mr. Rainey also serves as AmerGen Vermont’s Chief Nuclear Officer (CNO). The CEO and CNO, if someone other than the CEO, will always be U.S. citizens. The names, titles, addresses, and citizenship of the principal executives and officers of AmerGen Vermont are as follows:

: -
:

Name	Title	Address	Citizenship
Gerald R. Rainey	Chairman, AmerGen Vermont Management Committee, CEO, CNO	2301 Market Street Philadelphia, PA 19101	U.S.
Dr. Robin Jeffrey, FEng	President	Suite 1000 69 Yonge Street Toronto, Ontario M5E 1K3 Canada	U.K.
Drew B. Fetters	Vice President	185 Old Ferry Road, Brattleboro, VT 05301	U.S.
Duncan Hawthorne	Vice President	965 Chesterbrook Blvd, Wayne, PA 19087	U.K.
Charles P. Lewis	Vice President	965 Chesterbrook Blvd, Wayne, PA 19087	U.S.
Edward J. Cullen, Jr.	Secretary	2301 Market Street Philadelphia, PA 19101	U.S.
Todd D. Cutler	Assistant Secretary	2301 Market Street Philadelphia, PA 19101	U.S.
J. Barry Mitchell	Treasurer	2301 Market Street Philadelphia, PA 19101	U.S.

The AmerGen Vermont Vice President, Vermont Yankee, will be in charge of nuclear operations at the Vermont Yankee site and report to the AmerGen Vermont CNO. AmerGen's Vice Chairman, Dickinson M. Smith will also advise the AmerGen Vermont CNO regarding safety matters.

b. AmerGen

The Chairman of the AmerGen Management Committee is Michael J. Egan, a U.S. citizen who is appointed by, and may only be removed by, the PECO Energy Member Group

of AmerGen. Mr. Egan also chairs the meetings of the AmerGen Management Committee and has the “casting” or deciding vote on “all Safety issues,” which are broadly defined in Section 1.7 of the AmerGen, LLC Agreement and which include all issues within the jurisdiction of the NRC.

The AmerGen CEO, Gerald R. Rainey, is a U.S. citizen who is elected by the AmerGen Management Committee, and is the senior executive responsible for AmerGen’s day-to-day operations. The CEO is authorized to employ and retain other officers, subject to the approval of the AmerGen Management Committee. Mr. Rainey also serves as AmerGen’s CNO. The CEO and CNO, if someone other than the CEO, will always be U.S. citizens. The names, titles, addresses, and citizenship of the principal executives and officers of the AmerGen are as follows:

Name	Title	Address	Citizenship
Michael J. Egan	Chairman, AmerGen Management Committee	2301 Market Street Philadelphia, PA 19101	U.S.
Dickinson M. Smith	Vice Chairman, AmerGen Management Committee	965 Chesterbrook Blvd. Wayne, PA 19087	U.S.
Gerald R. Rainey	CEO, CNO	965 Chesterbrook Blvd. Wayne, PA 19087	U.S.
Dr. Robin Jeffrey, FEng	President	Suite 1000 69 Yonge Street Toronto, Ontario M5E 1K3 Canada	U.K.
John B. Cotton	Vice President	Three Mile Island Unit 1 Route 441 South P. O. Box 480 Middletown, PA 17057	U.S.
Michael Coyle	Vice President	P.O. Box 678 Clinton, IL 61727	U.S.
Drew B. Fetters	Vice President	185 Old Ferry Road, Brattleboro, VT 05301	U.S.
Paul E. Haviland	Vice President	2301 Market Street Philadelphia, PA 19101	U.S.
Duncan Hawthorne	Vice President	965 Chesterbrook Blvd, Wayne, PA 19087	U.K.
Charles P. Lewis	Vice President	965 Chesterbrook Blvd, Wayne, PA 19087	U.S.
Edward J. Cullen, Jr.	Secretary	2301 Market Street Philadelphia, PA 19101	U.S.
Todd D. Cutler	Assistant Secretary	2301 Market Street Philadelphia, PA 19101	U.S.
J. Barry Mitchell	Treasurer	2301 Market Street Philadelphia, PA 19101	U.S.

IV. FOREIGN PARTICIPATION IN AMERGEN VERMONT

AmerGen Vermont is a wholly owned subsidiary of AmerGen. The NRC recently concluded that the transfer of a nuclear power plant license to AmerGen is consistent with the restrictions on foreign ownership and control in the Atomic Energy Act of 1954, as amended (the Act). See TMI-1 Order; *Safety Evaluation by the Office of Nuclear Reactor Regulation, Transfer of Facility Operating License from GPUN, Inc., et al., to AmerGen, (Three Mile Island, Unit No. 1), Docket No. 50-289 (April 12, 1999) (hereinafter TMI-1 Safety Evaluation)*; CPS Order; *Safety Evaluation by the Office of Nuclear Reactor Regulation, Proposed Transfer of Clinton Power Station Operating License from Illinois Power Co. To AmerGen Energy Co., LLC, Docket No. 50-461 (November 24, 1999) (hereinafter CPS Safety Evaluation)*. The TMI-1 and CPS Safety Evaluations took into account the nature and extent of foreign participation in AmerGen and concluded that AmerGen is not subject to foreign ownership, control, or domination within the meaning of the Act or NRC's regulations, and that the transfer of the TMI-1 and CPS licenses to AmerGen would not be inimical to the common defense and security. There has been no material change in the nature and extent of the level of foreign participation in AmerGen. In addition, in all respects material to the issue of foreign participation, the AmerGen Vermont, LLC Agreement is identical to the AmerGen, LLC Agreement.

In approving the transfer of the TMI-1 and CPS operating licenses to AmerGen, the NRC Staff imposed four license conditions to ensure that AmerGen is not subject to foreign ownership, control, or domination. AmerGen Vermont and AmerGen agree to accept similar license conditions in connection with the proposed transfer of the Vermont Yankee license to

Amer Gen Vermont. The four license conditions for the TMI-1 transfer, as modified to apply to the proposed transfer of the Vermont Yankee license, would be as follows:

1. The AmerGen Vermont, LLC Agreement may not be modified in any material respect concerning decision-making authority over “safety issues” as defined therein without the prior written consent of the Director, Office of Nuclear Reactor Regulation (NRR). (See Section 11.2 of the AmerGen Vermont, LLC Agreement.)
2. At least half of the members of the AmerGen Vermont Management Committee shall be U.S. citizens appointed by the PECO Group. (See Section 6.1(a) of the AmerGen Vermont, LLC Agreement.)
3. The CEO, CNO (if someone other than the CEO), and Chairman of the Management Committee of AmerGen Vermont shall be U.S. Citizens. These individuals shall have the responsibility and exclusive authority to ensure, and shall ensure, that the business and activities of AmerGen Vermont with respect to the Vermont Yankee license are at all times conducted in a manner consistent with the protection of the public health and safety and common defense and security of the United States. (See Section 6.1(e) and (f) of the AmerGen Vermont, LLC Agreement.)
4. AmerGen Vermont shall cause to be transmitted to the Director, Office of Nuclear Reactor Regulation, within 30 days of filing with the U.S. Securities and Exchange Commission, any Schedules 13D or 13G filed pursuant to the

Securities and Exchange Act of 1934 that disclose beneficial ownership of any registered class of stock of PECO Energy or any affiliate, successor, or assignee of PECO Energy to which PECO Energy's ownership interest in AmerGen may be subsequently assigned with the prior written consent of the NRC.

V. TECHNICAL QUALIFICATIONS OF AMERGEN VERMONT

The technical qualifications of AmerGen Vermont to carry out its responsibilities under Facility Operating License DPR-28, as transferred and amended, will meet or exceed the existing technical qualifications of the current licensee. Most of the Management Committee members and principal executives and officers of AmerGen Vermont currently serve as Management Committee members and officers of AmerGen. The NRC Staff has already determined that "AmerGen has an acceptable corporate-level management" for the operation of one or more commercial nuclear power plants. TMI-1 Safety Evaluation, at 21; CPS Safety Evaluation, at 19.

When the proposed transfer of the Vermont Yankee license and amendments becomes effective, AmerGen Vermont will acquire ownership of Vermont Yankee and assume responsibility for, and control over, the operation and maintenance of the facility. The existing VYNPC nuclear organization at the Vermont Yankee site will be transferred to AmerGen Vermont, and substantially all of VYNPC's nuclear employees at the Vermont Yankee site involved in the operation and maintenance of the plant will assume similar roles and responsibilities for AmerGen Vermont as of that date. The unions which currently represent employees at the Vermont Yankee site will continue to be recognized. Personnel assigned to

Vermont Yankee will be employees of AmerGen Vermont or AmerGen but, in either case, will report to, and be responsible to the management of AmerGen Vermont and the AmerGen Vermont Management Committee. The overriding philosophy that will govern AmerGen Vermont's management of the plant will be to assure that AmerGen Vermont continues to manage, operate, and maintain Vermont Yankee in accordance with the conditions and requirements established by the NRC.

The plant staff, including senior managers, will be substantially unchanged. However, as is common for the management and staff at operating nuclear power plants, individuals routinely transfer to other positions within the same company, retire, resign, or transfer to positions at other sites. Thus, it is to be expected that additional experienced personnel may join the site organization during the period leading up to and after the license transfer. Any such personnel will meet all existing qualification requirements in accordance with the Vermont Yankee license and technical specifications. If AmerGen Vermont identifies any senior management position that is to be filled with a new individual from outside the existing Vermont Yankee organization contemporaneously with the license transfer, AmerGen Vermont will inform the NRC promptly of any such change and provide the NRC with a resume for any such individual in advance of the effective date of any such change.

Enclosure 6 consists of an organizational chart for Vermont Yankee illustrating the post-transfer management structure and reporting relationships. As indicated, the reporting relationships among the principal AmerGen Vermont executive officers and managers, who will be involved in the management of Vermont Yankee, are as follows:

- AmerGen Vermont's CEO and CNO will report to the AmerGen Vermont Management Committee, and will have executive responsibility for the safe, reliable, and economic operation and maintenance of Vermont Yankee;
- The AmerGen Vermont Vice President, Vermont Yankee, will report to the AmerGen Vermont CNO and have direct, on-site responsibility for the safe, reliable, and economic operation and maintenance of Vermont Yankee; and
- The Chairman, Nuclear Safety Audit and Review Committee (NSARC) will report to the AmerGen Vermont CNO and will be responsible for providing an independent review and audit function for Vermont Yankee.

The existing VYNPC technical support organizations for the plant, which are not currently assigned to the Vermont Yankee site, will either continue to perform these functions on behalf of AmerGen Vermont or transfer their functions to AmerGen or contractors who will meet existing FSAR technical support requirements for these functions. This will ensure that the functions, responsibilities and reporting relationships of these organizations, especially as they relate to activities important to the safe operation of Vermont Yankee, will continue to be clear and unambiguous and that the performance of these organizations will be essentially unaffected by the transfer. Most engineering support for Vermont Yankee is currently provided by a dedicated engineering organization that will continue as an integral part of the Vermont Yankee site organization.

As detailed in Section 2.1 of the Vermont Yankee Agreement, and pursuant to AmerGen's assignment of its rights to the acquisition of Vermont Yankee under that Agreement to AmerGen Vermont, VYNPC will transfer to AmerGen Vermont all of the assets

related to Vermont Yankee that AmerGen Vermont will need to maintain and operate the unit consistent with NRC requirements. (A copy of the Vermont Yankee Agreement, excluding its voluminous Exhibits and Schedules, is provided as Enclosure 7A. Copies of the Exhibits and Schedules will be made available upon request. AmerGen Vermont requests that Enclosure 7A be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790, since it contains confidential commercial or financial information, as described in the 10 CFR § 2.790 Affidavit of Gerald R. Rainey (2.790 Affidavit) provided as Enclosure 14. A redacted version of the Vermont Yankee Agreement, suitable for public disclosure, is provided as Enclosure 7.) Section 2.1 provides an extensive listing of assets, in addition to plant and equipment that will be transferred, such as books; operating records; operating, safety and maintenance manuals; engineering design plans; documents; blueprints and as-built plans; specifications; procedures and similar items. With respect to the many operating records and other documents described in Section 2.1(g) of the Vermont Yankee Agreement, the Agreement specifically notes that all such materials will be transferred “wherever located.” (Certain assets related to Vermont Yankee are specifically excluded from being transferred pursuant to Section 2.2 of the agreement, *e.g.*, certain switchyard and substation facilities, etc.).

As a practical matter, the official copies of records which the NRC requires a licensee to maintain are already located and maintained at the Vermont Yankee site. Nevertheless, AmerGen Vermont will also ensure that it acquires custody or control of any important documents that may currently be located at VYNPC’s Brattleboro, Vermont, offices or other off-site locations. Further, any necessary contracts with the Architect Engineer, Nuclear Steam

Supply System (NSSS) supplier, and other major vendors, will be assigned to AmerGen Vermont, as allowed by the contracts, or appropriate other contracts will be obtained by AmerGen Vermont on a timely basis. Other contracts and contractor relationships relating to Vermont Yankee will also be assigned or transferred to AmerGen Vermont. See Sections 2.1 and 4.15 of the Vermont Yankee Agreement.

VI. FINANCIAL QUALIFICATIONS OF AMERGEN VERMONT

AmerGen Vermont is a wholly owned subsidiary of AmerGen. AmerGen has guaranteed the performance of all of AmerGen Vermont's financial obligations. A copy of this Performance Guarantee is provided as Enclosure 8. AmerGen's performance under this guarantee is assured by the financial backing of British Energy and PECO Energy, and further supported by letter agreements providing AmerGen with up to \$110 million, if called upon. See Reference 4 & 5.

Notwithstanding AmerGen Vermont's qualification as an "electric utility" within the meaning of 10 CFR § 50.2, AmerGen Vermont meets the financial qualification requirements for a non-electric utility pursuant to 10 CFR § 50.33. AmerGen Vermont is financially qualified to own and operate Vermont Yankee for the reasons set forth below.

A. Projected Operating Revenues and Operating Costs

AmerGen Vermont possesses, or has reasonable assurance of obtaining, the funds necessary to cover estimated operating costs for the period of the license in accordance with 10 CFR § 50.33(f)(2) and the Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance (NUREG-1577, Rev. 1) (hereinafter,

SRP). AmerGen Vermont has prepared a five-year Projected Income Statement for the operation of Vermont Yankee. In accordance with the SRP, this Projected Income Statement provides the estimated total annual operating costs for Vermont Yankee and indicates that the source of funds to cover these operating costs will be operating revenues. A copy of the Projected Income Statement is included as Enclosure 9A. (AmerGen Vermont requests that Enclosure 9A be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790, since it contains confidential commercial or financial information, as described in the 2.790 Affidavit. A redacted version of this statement suitable for public disclosure is provided as Enclosure 9.)

The Projected Income Statement shows that the anticipated revenues from sales of capacity and energy from Vermont Yankee provide reasonable assurance of an adequate source of funds to meet Vermont Yankee's ongoing operating expenses. From the anticipated Closing Date through the end of the current operating license, a substantial portion of AmerGen Vermont's income will come from sales of capacity, energy and other ancillary services to VYNPC under the Power Purchase Agreement. The Power Purchase Agreement is provided as Enclosure 10. Additional revenues will be generated from other sales of the remaining power and energy.

Moreover, as discussed below, AmerGen Vermont's obligations will be guaranteed by AmerGen which anticipates that PECO Energy and British Energy will make funds available to it as necessary to fulfill its obligations under this guarantee. In addition, PECO Energy and British Energy have made financial commitments to AmerGen to provide funds to cover operating expenses as necessary to safely operate and maintain Vermont Yankee during any

periods in which revenues from Vermont Yankee (and other nuclear power plants which AmerGen owns and operates) might not cover operating expenses. These PECO Energy and British Energy commitments provide funds to cover operating expenses, as necessary, to maintain safe operations at any of AmerGen's operating plants.

B. Additional Sources of Funds

AmerGen Vermont is providing a projected opening balance sheet showing its anticipated assets, liabilities and capital structure as of the Closing Date. This projection is contained in Enclosure 9A. (As noted previously, AmerGen Vermont requests that Enclosure 9A be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790, since it contains confidential commercial or financial information, as described in the 2.790 Affidavit. A redacted version of this projection suitable for public disclosure is provided as Enclosure 9.) AmerGen Vermont expects that on the Closing Date, it will have capital sufficient to make the payments required at closing. AmerGen Vermont's revenues from the sale of electricity from Vermont Yankee and its access to funds from AmerGen, which has revenues from other plants and access to funds from PECO Energy and British Energy, will provide AmerGen Vermont with working capital on an ongoing basis.

Significantly, AmerGen has guaranteed the performance of AmerGen Vermont and PECO Energy and British Energy have entered into certain additional financial arrangements which provide further assurance that AmerGen will have sufficient funds available to meet its operating expenses. PECO Energy and British Energy have each entered into letter agreements dated December 3, 1998 and July 22, 1999 (PECO Energy), and November 5, 1998 and

July 22, 1999 (British Energy) with AmerGen in which they committed, subject to the terms of their respective agreements, to provide their share of funds to AmerGen to assure that AmerGen will have sufficient funds available to meet operating expenses for its nuclear power plants. Copies of these letter agreements (Funding Agreements) were previously provided to the NRC and are incorporated herein by reference. *See* References 4 and 5.

Under the terms of the Funding Agreements, AmerGen has the right to obtain funding of up to \$110 million in the unlikely event that PECO Energy and British Energy do not otherwise provide adequate funding to AmerGen. In connection with its applications for NRC consent to the transfers of CPS and Nine Mile Point Units 1 and 2, AmerGen has previously described these financial commitments and its anticipation that funding will be provided without resort to the terms of the Funding Agreements. AmerGen's prior representations regarding these matters are incorporated herein by reference and may be relied upon as applicable to Vermont Yankee in connection with NRC's review of this application.

In this regard, AmerGen has agreed that it will take no action to cause PECO Energy or British Energy—or any affiliates, successors, or assigns of PECO Energy or British Energy approved by the NRC—to void, cancel, or diminish the financial commitments to AmerGen. Neither will AmerGen cause PECO Energy or British Energy—or any affiliates, successors, or assigns of PECO Energy or British Energy approved by the NRC—to fail to perform or impair their performance under the commitments, or remove or interfere with AmerGen's ability to draw upon the commitments. Further, AmerGen shall inform the Director, Office of Nuclear Reactor Regulation, in writing, at such time that it draws upon the commitments for any of its nuclear power plants.

The commitments of PECO Energy and British Energy to AmerGen, and AmerGen's related commitments to AmerGen Vermont provide reasonable assurance that AmerGen Vermont will have funds sufficient to pay the fixed costs of an outage at Vermont Yankee lasting six months, as suggested in the guidance provided in the Standard Review Plan.^{3/} Moreover, AmerGen Vermont's Projected Income Statement and Opening Balance Sheet showing its anticipated assets, liabilities, and capital structure as of the Closing Date, provide further assurance that AmerGen Vermont is financially qualified to own and operate Vermont Yankee.

C. Decommissioning Funding

AmerGen Vermont's financial qualifications to own and operate Vermont Yankee are further demonstrated by the fact that the AmerGen has made arrangements to satisfy 10 CFR § 50.75(e)(1) to ensure that the Vermont Yankee decommissioning trust funds will be adequate to pay for the radiological decontamination and decommissioning of the plant, when earnings on the funds are credited at a two percent annual real rate of return from the time of the collection of the funds through the projected decommissioning period. Specifically, under the Vermont Yankee Agreement, VYNPC will make cash deposits to the Vermont Yankee decommissioning funds, and AmerGen Vermont will assure that the Fair Market Value of the funds is not less than \$280 million after the trust funds are transferred.

^{3/} Based upon the conservative operating cost projections for the years 2000-2004, the average fixed operating cost for a six-month period for Vermont Yankee is approximately \$56 million.

Following the Closing Date, AmerGen Vermont will hold the funds in an external fund segregated from AmerGen Vermont's assets and outside its administrative control. Mellon Bank, N.A. will be the trustee and will manage investment of the funds in accordance with applicable requirements. As such, the funds will be held in accordance with the requirements of 10 CFR § 50.75(e)(1)(i).

AmerGen Vermont's Nuclear Decommissioning Master Trust Fund Agreement will be in a form which is acceptable to the NRC and will provide, in addition to any other clauses, that: (a) investments in the securities of AmerGen Vermont, AmerGen, PECO Energy, British Energy, their affiliates, subsidiaries or associates, or their successors and assigns will be prohibited; (b) investments in any entity owning one or more nuclear power plants shall be prohibited except for investments tied to market indices or other non-nuclear sector material funds; and (c) the Director, Office of Nuclear Reactor Regulation, shall be given 30 days prior written notice of any material amendment to the trust Agreement. A copy of the form of AmerGen Vermont's Nuclear Decommissioning Master Trust Fund Agreement is provided as Enclosure 11.

As demonstrated in Enclosure 12, the projected value of the funds for NRC decommissioning funding purposes, based on a \$280 million fund at closing, would exceed \$358 million after taking credit for a two percent annual real rate of return until the end of the projected decommissioning period. This exceeds the current NRC formula amount for the basic radiological decommissioning of Vermont Yankee, which is approximately \$328 million, as calculated by AmerGen Vermont pursuant to 10 CFR § 50.75(c), NRC Regulatory Guide 1.159, and NUREG-1307, Rev. 8. A work sheet showing the calculation is provided in

Enclosure 13. Thus, the projected value of funds for NRC decommissioning funding purposes of \$358 million, when earnings are credited, exceeds the NRC minimum amount required for decommissioning funding assurance.

AmerGen Vermont believes that the provision of a minimum of \$280 million satisfies the requirements set forth in 10 CFR § 50.75(e)(1). As the NRC recently confirmed in several recent license transfer proceedings, a transferee is only required to demonstrate that it has sufficient funds to cover the radiological decommissioning cost estimate calculated using the NRC formula in 10 CFR § 50.75(c). See TMI-1 Safety Evaluation, at 8. See also *In re North Atlantic Energy Service Corp.* (Seabrook Station, Unit 1), CLI-99-06, 49 NRC 201 (March 5, 1999) (the NRC formula amount, utilizing NUREG-1307, Rev. 8, is sufficient to provide decommissioning funding assurance in license transfer cases); *Boston Edison Co.* (Pilgrim Nuclear Power Station, Unit No. 1), Order Approving Transfer of Licenses and Conforming Amendments, 64 *Fed. Reg.* 24426 (May 6, 1999).

If at any time, the NRC minimum decommissioning funding requirements are not met by the Fair Market Value of the pre-paid funds in the Master Nuclear Decommissioning Trust with earnings credited at an annual 2% real rate of return, AmerGen Vermont will make additional contributions to the trust funds or will provide an alternative form of decommissioning funding assurance sufficient to meet NRC's requirements under the regulations. In light of AmerGen Vermont's projected revenues, AmerGen Vermont's contractual arrangements in both the Vermont Yankee Agreement and Power Purchase Agreement, the commitments provided by PECO Energy and British Energy to provide funding to AmerGen, AmerGen's own projected revenues, and AmerGen's financial

commitment to AmerGen Vermont, there is reasonable assurance that AmerGen Vermont will be able to meet such requirements.

VII. ANTITRUST CONSIDERATIONS

In accordance with the Commission's recent decision in *Kansas Gas and Electric Company* (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (June 18, 1999), antitrust reviews of post-operating license transfer applications are not required under the Act. For this reason, the NRC need not consider any antitrust issues in connection with this application.

VIII. RESTRICTED DATA AND CLASSIFIED NATIONAL SECURITY INFORMATION

This application does not contain any Restricted Data or classified National Security Information, and it is not expected that any such information will become involved in the licensed activities. However, in the event that such information does become involved, AmerGen Vermont will: (1) appropriately safeguard such information, and (2) not permit any individual to have access to such information unless and until (a) the Office of Personnel Management has investigated the character associations and loyalty of any such individual, (b) the Office of Personnel Management has reported to the NRC on the result of such an investigation, and (c) the NRC has determined that permitting such person to have access to such information will not endanger the common defense and security of the United States.

IX. ENVIRONMENTAL CONSIDERATIONS

The Vermont Yankee license transfer application and accompanying administrative amendments are exempt from environmental review, because they fall within the categorical exclusion appearing at 10 CFR § 51.22(c)(21) for which neither an Environmental Assessment nor an Environmental Impact Statement is required. Moreover, the proposed license transfer does not involve any amendment to the license or other change that would directly affect the actual operation of Vermont Yankee in any substantive way. The proposed transfer and amendments to the license do not involve an increase in the amounts, or a change in the types, of any radiological or non-radiological effluents that may be allowed to be released off-site. Further, there is no increase in the individual or cumulative occupational radiation exposure, and the proposed transfer and license changes have no environmental impact.

X. ADDITIONAL INFORMATION REGARDING SPECIFIC REGULATORY REQUIREMENTS, PLANS, PROGRAMS & PROCEDURES

A. Off-Site Power

Vermont Yankee obtains off-site power from Green Mountain Power Corporation (“Green Mountain”), the franchised public utility that provides retail service in the area of the Vermont Yankee site. Off-site power is transmitted to Vermont Yankee over transmission facilities owned by the Vermont Electric Power Company, Inc. (“VELCO”), the company that owns and operates the high-voltage transmission system in the state of Vermont. Vermont Yankee is interconnected with the VELCO transmission system and uses that system both to

export power generated at Vermont Yankee and to receive off-site power from Green Mountain.

Vermont Yankee also is interconnected via a 13.2 kV line with New England Power Company (“NEPCo”). The Vermont Yankee 13.2 kV line is designed to provide emergency backup power to Vermont Yankee in the event its main interconnection with VELCO is inoperable. Vermont Yankee is interconnected with NEPCo at an electric substation owned by NEPCo located at the Vernon Hydro Station (the “Vernon Substation”), a hydroelectric generating station located on the Connecticut River owned by USGen New England. Vermont Yankee’s interconnection with NEPCo at the Vernon Substation gives Vermont Yankee access to off-site power generated by the Vernon Hydro Station and also system power available from the NEPCo electric system.

Functionally, the interconnection with the Vermont Yankee site will not change as a result of the proposed license transfer. AmerGen has entered into an Interconnection Agreement with VELCO pursuant to which VELCO will continue to provide the Vermont Yankee site with interconnection services. AmerGen will assign its rights and obligations under the Interconnection Agreement to AmerGen Vermont, and AmerGen Vermont will assume those rights and obligations. AmerGen Vermont will also enter into an Interconnection Agreement with NEPCo pursuant to which NEPCo will continue to provide the Vermont Yankee site with limited interconnection services at its substation. The interconnection agreements will enable AmerGen Vermont to continue to have access to the New England regional transmission system subject to the control of Independent System Operator (ISO) New England, the independent transmission system operator for the New England transmission

system. Green Mountain will continue to provide off-site power to the Vermont Yankee site, and USGen will continue to make backup off-site power available to the Vermont Yankee site.

B. Emergency Planning

Upon transfer of the license to AmerGen Vermont, AmerGen Vermont will assume authority and responsibility for functions necessary to fulfill the emergency planning requirements specified in 10 CFR § 50.47(b) and Part 50, Appendix E. Any changes made to the existing Vermont Yankee emergency plan developed and implemented by the current licensee will be made in accordance with 10 CFR § 50.54(q). AmerGen Vermont anticipates that no changes will be made that will result in a decrease in the effectiveness of the plans, and that the plans will continue to meet the standards of 10 CFR § 50.47(b) and the requirements of Appendix E of Part 50. Any specific emergency plan changes will be submitted to the NRC within 30 days after the changes are made, pursuant to 10 CFR § 50.54(q) and Appendix E, Section V. If AmerGen Vermont identifies any proposed changes that would decrease the effectiveness of the approved emergency plans, application to the Commission will be made and such proposed changes will not be implemented until approved by the Commission. Determinations as to whether any proposed change(s) would result in a decrease in effectiveness will be made in accordance with VYNPC's currently approved plans, programs and procedures. AmerGen Vermont anticipates that no material changes will be made to the existing on-site emergency organization.

The current off-site emergency facilities and equipment, including the Emergency Operations Facility (EOF) and radiation monitoring equipment, will be transferred to AmerGen Vermont. Ownership of off-site emergency sirens will also be transferred to

AmerGen Vermont, and any existing easements for the siren locations will be assigned to AmerGen Vermont.

Existing agreements for support from organizations and agencies not affiliated with the current licensee will be assigned to AmerGen Vermont. VYNPC and AmerGen Vermont plan to notify the parties to such agreements in advance of the transfer of the Vermont Yankee license to AmerGen Vermont and advise those parties of AmerGen Vermont's responsibility for management and operation of the plant. In sum, the proposed license transfer will not impact compliance with the emergency planning requirements.

C. Exclusion Area

Upon the transfer of the license to AmerGen Vermont, AmerGen Vermont will have authority to determine and control all activities within the Vermont Yankee Exclusion Area, as defined in Section 5.1 of the Technical Specifications to the Vermont Yankee license, to the extent required by 10 CFR Part 100. The current licensee has the authority to determine and control all activities in the Exclusion Area, including exclusion of personnel and property from the area, and it will transfer such authority to AmerGen Vermont.

Under the Vermont Yankee Agreement, VYNPC will transfer most of the property within the Exclusion Area to AmerGen Vermont, but AmerGen Vermont will not acquire certain switchyard and transmission facilities, which are located within the Exclusion Area. However, prior to the transfer of the Vermont Yankee license, those assets will be transferred to VELCO under easements that will assure AmerGen Vermont's authority to determine and control all activities in the Exclusion Area, including exclusion of personnel and property from the area, to the extent necessary to comply with applicable NRC requirements. To the extent

permitted by NRC requirements, AmerGen Vermont will, of course, exercise this control in such a fashion whereby access to the switching station and transmission facilities for proper operation and maintenance of the electric systems on the Vermont Yankee site will not be unduly restricted.

With respect to the activities unrelated to plant operation that occur in the Exclusion Area identified in Section 5.1 of the Technical Specifications, there will be no change. AmerGen Vermont will assume responsibility for the Emergency Plan as discussed above.

D. Security

Upon transfer of the license to AmerGen Vermont, AmerGen Vermont will assume authority and responsibility for the functions necessary to fulfill the security planning requirements specified in 10 CFR Part 73. Any changes made to the existing NRC-approved physical security, guard training and qualification, and safeguards contingency plans developed and implemented by the current licensee will be made in accordance with 10 CFR § 50.54(p). AmerGen Vermont anticipates that no changes will be made that will result in a decrease in the effectiveness of the plans, and that the plans will continue to meet the standards of 10 CFR Part 73, Appendix C. Any specific security plan changes will be submitted to the NRC within two months after the changes are made, pursuant to 10 CFR § 50.54(p)(2). If AmerGen Vermont identifies any proposed changes that would decrease the effectiveness of the approved security plans, application to the Commission will be made, and such proposed changes will not be implemented until approved by the Commission. Determinations as to whether any proposed change(s) would result in a decrease in effectiveness will be made in accordance with VYNPC's currently approved plans, programs and procedures.

AmerGen Vermont anticipates that no material changes will be made to the existing on-site security organization. Existing agreements for support from organizations and agencies not affiliated with VYNPC will be assigned to AmerGen Vermont. VYNPC and AmerGen Vermont plan to notify the parties to such agreements in advance of the transfer of the Vermont Yankee license to AmerGen Vermont, and advise those parties of AmerGen Vermont's responsibility for management and operation of Vermont Yankee. In sum, the proposed license transfer will not impact compliance with physical security requirements.

E. Quality Assurance (QA) Program

Upon transfer of the license to AmerGen Vermont, AmerGen Vermont will assume authority and responsibility for the functions necessary to fulfill the QA requirements of 10 CFR Part 50, Appendix B. Any changes made to the existing Vermont Yankee QA Plan, developed and implemented by the current licensee, will be made in accordance with 10 CFR § 50.54(a). AmerGen Vermont anticipates that no changes will be made that will result in a reduction in the commitments in the QA Plan description previously accepted by the NRC. If AmerGen Vermont identifies any changes to the QA Plan that would result in a reduction in commitments, application will be made to the Commission, and such proposed changes will not be implemented until approved by the Commission. Determinations as to whether any proposed change(s) would result in a reduction in commitment will be made in accordance with VYNPC's currently approved plans, programs, and procedures. AmerGen Vermont anticipates that no material changes will be made to the existing site QA organization.

F. Final Safety Analysis Report

With the exception of areas discussed in this application, the proposed license transfer and conforming administrative amendments will not change or invalidate information presently appearing in the Vermont Yankee FSAR, and any licensing basis commitments will remain in effect. Changes necessary to accommodate the proposed transfer and conforming administrative license amendments will be incorporated into the FSAR, in accordance with 10 CFR § 50.71(e), following NRC approval of this request for consent to license transfer.

G. Training

Training facilities and staff currently working at these facilities will be transferred to AmerGen Vermont. The proposed license transfer and conforming administrative amendments will not impact compliance with the operator re-qualification program requirements of 10 CFR § 50.54 and related sections, nor maintenance of the INPO accreditation for licensed and non-licensed training. Upon transfer of the license, AmerGen Vermont will assume ultimate responsibility for implementation of present training programs. Changes to the programs to reflect the transfer will not decrease the scope of the approved operator re-qualification program without the specific authorization of the NRC in accordance with 10 CFR § 50.54(i).

H. Price-Anderson Indemnity and Nuclear Insurance

In accordance with 10 CFR § 140.92, Art. IV.2, AmerGen Vermont and VYNPC request NRC approval of the assignment and transfer of the Price-Anderson indemnity Agreement for Vermont Yankee to AmerGen Vermont upon consent to the proposed license transfer and removal of VYNPC and its Sponsors from the related bond. AmerGen Vermont's Projected Income Statement, and the financial arrangements with AmerGen, PECO Energy and

British Energy provide adequate assurance that AmerGen Vermont will be able to pay a retrospective premium of \$10 million pursuant to 10 CFR § 140.21(e)-(f). Prior to the license transfer, AmerGen Vermont will obtain all required nuclear property damage insurance pursuant to 10 CFR § 50.54(w) and nuclear energy liability insurance pursuant to Section 170 of the Act and 10 CFR Part 140.

I. Standard Contract for Disposal of Spent Nuclear Fuel

On and after the Closing Date, AmerGen Vermont will assume title to and responsibility for storage and disposal of spent nuclear fuel at Vermont Yankee. VYNPC will assign, and AmerGen Vermont will assume, VYNPC's rights and obligations under the Standard Contract with the Department of Energy, except that VYNPC will be liable for any fees that may be imposed for electricity generated and sold prior to the Closing Date.

XI. OTHER REQUIRED REGULATORY APPROVALS

The proposed sale of Vermont Yankee to AmerGen Vermont is subject to the approval of the Securities and Exchange Commission (SEC), FERC, the Vermont Public Service Board, and various other State PUCs/PSCs and regulatory agencies. The parties will request FERC approval for the sale of jurisdictional assets pursuant to Section 203 of the Federal Power Act (FPA), acceptance of the Performance Guarantee under Section 204 of the FPA, and acceptance of the Power Purchase Agreement under Section 205 of the FPA. VELCO and NEPCo will file the interconnection agreements with FERC under Section 205 of the FPA. AmerGen Vermont will file an application for FERC authorization under Section 205 of the FPA to sell wholesale electric generating capacity and energy at market-based rates. AmerGen

Vermont will also file an application with FERC for a determination that AmerGen Vermont will be an Exempt Wholesale Generator (EWG) under Section 32 of the Public Utility Holding Company Act of 1935, as amended, in connection with its ownership and operation of Vermont Yankee. The necessary certifications relating to this EWG status will need to be obtained from various State PSCs/PUCs and other regulatory agencies that must approve the conversion of Vermont Yankee to an "eligible facility."

The parties will also file any notifications with the Federal Trade Commission and the Department of Justice that are required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (HSR Act), and applicable rules and regulations. Any additional information required will be supplied with a goal towards the termination or expiration of the HSR Act waiting period at the earliest possible date after the date of filing.

XII. EFFECTIVE DATE

The parties intend to close on the sale of Vermont Yankee promptly, and as soon as practicable following receipt of all required regulatory approvals. Accordingly, AmerGen Vermont and VYNPC request that the NRC's consent to the transfer of Vermont Yankee to AmerGen Vermont be given as quickly as possible and, in any event, before June 1, 2000. Such consent should be immediately effective upon issuance, and should consent to the transfer occurring at any time up to one year following issuance of NRC approval, or such later date as may be permitted by the NRC.

XIII. CONCLUSION

Based upon the forgoing information, VYNPC and AmerGen Vermont respectfully request that NRC issue an Order approving both the transfer of Facility Operating License No. DPR-28 to AmerGen Vermont and the associated Conforming Administrative License Amendments.

AFFIRMATION

I, Gerald R. Rainey, being duly sworn, state that I am Chief Executive Officer of AmerGen Vermont, LLC (AmerGen Vermont), that I am authorized to sign and file this Application with the Nuclear Regulatory Commission on behalf of AmerGen Vermont, and that the statements made and the matters set forth herein pertaining to AmerGen Vermont are true and correct to the best of my knowledge and belief.

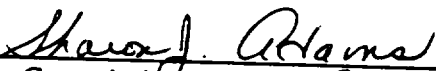
AmerGen Vermont, LLC


Gerald R. Rainey
Chief Executive Officer

STATE OF Pennsylvania

COUNTY OF Montgomery

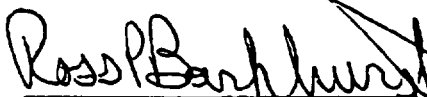
Subscribed and sworn to me, a Notary Public, in and for the County and State above named, this 5th day of January, 2000.


My Commission Expires: Aug 31, 2002

AFFIRMATION

I, Ross P. Barkhurst, being duly sworn, state that I am President and Chief Executive Officer of the Vermont Yankee Nuclear Power Corporation (VYNPC), that I am authorized to sign and file this Application with the Nuclear Regulatory Commission on behalf of VYNPC, and that the statements made and the matters set forth herein pertaining to VYNPC are true and correct to the best of my knowledge and belief.

Vermont Yankee Nuclear Power Corporation

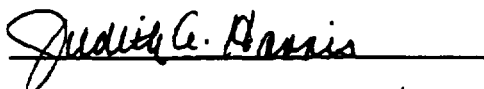


Ross P. Barkhurst
President and Chief Executive Officer

STATE OF VERMONT

COUNTY OF WINNHAM

Subscribed and sworn to me, a Notary Public, in and for the County and State above named, this 6th day of January, 2000.

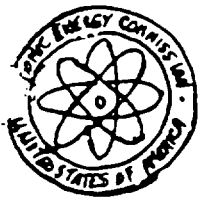


My Commission Expires: 2/10/03

US OFFICE PRODUCTS

ENCLOSURE 1

**MARKED-UP PAGES OF VERMONT YANKEE NUCLEAR POWER STATION
LICENSE AND TECHNICAL SPECIFICATIONS REFLECTING CONFORMING
ADMINISTRATIVE LICENSE AMENDMENTS ASSOCIATED WITH PROPOSED
TRANSFER OF FACILITY TO AMERGEN VERMONT**



UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON, D.C. 20545

Amer Gen Vermont, LLC
~~Vermont Yankee Nuclear Power Corporation~~

(Vermont Yankee Nuclear Power Station)

Docket No. 50-271

Facility Operating License

License No. DPR-28
Amendment No. 5

The Atomic Energy Commission (the Commission) having found that:

- a. Construction of the Vermont Yankee Nuclear Power Station (the facility) has been substantially completed in conformity with the application, as amended, the Provisional Construction Permit No. CPPR-36, the provisions of the Atomic Energy Act of 1954, as amended (the Act), and the rules and regulations of the Commission as set forth in Title 10, Chapter 1, CFR; and
- b. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the commission; and
- c. There is reasonable assurance (1) that the activities authorized by this amended operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the rules and regulations of the Commission; and
- d. *Amer Gen Vermont, LLC*
~~The Vermont Yankee Nuclear Power Corporation (Vermont Yankee)~~ is technically and financially qualified to engage in the activities authorized by this amended operating license, in accordance with the rules and regulations of the Commission; and
- e. *Amer Gen Vermont, LLC*
~~Vermont Yankee~~ has satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements" of the Commission's regulations; and
- f. The issuance of this amended operating license will not be inimical to the common defense and security or to the health and safety of the public; and

- g. After weighing the environmental, economic, technical and other benefits of the facility against environmental costs and considering available alternatives, the issuance of this amended operating license (subject to the conditions for protection of the environment set forth herein) is in accordance with 10 CFR Part 50, Appendix D, of the Commission's regulations and all applicable requirements of said Appendix D have been satisfied.

Amer Gen Vermont, LLC

Accordingly, Facility Operating License No. DPR-28, as amended, issued to ~~Vermont Yankee Nuclear Power Corporation (Vermont Yankee)~~, is hereby amended in its entirety to read:

1. This license applies to the Vermont Yankee Nuclear Power Station (the facility), a single cycle, boiling water, light water moderated and cooled reactor, and associated electric generating equipment. The facility is located on ~~Vermont Yankee's~~ site, in the Town of Vernon, Windham County, Vermont, and is described in the application as amended. *the licensee's*
2. Subject to the Conditions and requirements incorporated herein, the Commission hereby licenses the applicant:
 - A. Pursuant to Sections 104b of the Atomic Energy Act of 1954, as amended (the Act), and 10 CFR Part 50, "Licensing of Production and Utilization Facilities," to possess, use, and operate the facility as a utilization facility at the designated location on the ~~Vermont Yankee~~ site. *licensee's*
 - B. Pursuant to the Act and 10 CFR Part 70, to receive, possess, and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation as described in the Final Safety Analysis Report, as supplemented and amended.
 - C. Pursuant to the Act and 10 CFR Parts 30, 40 and 70 to receive, possess, and use at any time any byproduct, source, and special nuclear material as sealed neutron sources for reactor startup, sealed sources for calibration of reactor instrumentation and radiation monitoring equipment, and as fission detectors in amounts as required.
 - D. Pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source, or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components.

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- E. Pursuant to the Act and 10 CFR Parts 30 and 70, to possess, but not to separate, such byproduct and special nuclear material as may be produced by operation of the facility.
3. This license shall be deemed to contain and is subject to the conditions specified in the following Commission regulations: 10 CFR Parts 30, Section 30.34 of 10 CFR Part 30, Section 40.41 of 10 CFR Part 40, Section 50.54 and 50.59 of 10 CFR Part 50, and Section 70.32 of 10 CFR Part 70; and is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified below:

A. Maximum Power Level

The licensee
~~Vermont Yankee~~ is authorized to operate the facility at reactor core power levels not to exceed 1593 megawatts thermal in accordance with the Technical Specifications (Appendices A and B) appended hereto.

B. Technical Specifications

The Technical Specifications contained in Appendices A and B, as revised through Amendment (*), are hereby incorporated in the license. The licensee shall operate the facility in accordance with the Technical Specifications.

C. Reports

The licensee
~~Vermont Yankee~~ shall make reports in accordance with the requirements of the Technical Specifications.

D. Records

The licensee
~~Vermont Yankee~~ shall keep facility operating records in accordance with the requirements of the Technical Specifications.

E. Environmental Conditions

Pursuant to the Initial Decision of the presiding Atomic Safety and Licensing Board issued February 27, 1973, the following conditions for the protection of the environment are incorporated herein:

(*) The most recent NRC approved and docketed License Amendment.

- 3.E.1. If, during power operation, an unexpected failure results in a complete loss of coolant tower system, the above closed cycle restriction may be modified to permit an orderly shutdown using the main condenser as a heat sink in the open cycle mode. In this event, the plant shall be reduced below 25 percent power operation as rapidly as possible and shutdown within twenty-four hours.

Deleted -
Amendment
No. 131

- ~~2. The total residual chlorine concentration will be limited to 0.1 ppm in the immediate vicinity of the plant discharge, and such limit on chlorine discharge shall continue until evaluation of test results, which may permit a change if approved by the Commission.~~

The licensee

3. ~~Vermont Yankee~~ will define a comprehensive environmental (chemical, biological, and thermal) monitoring program for inclusion in the Technical Specifications, which is acceptable to the Commission for determining changes which may occur in land and water ecosystems as a result of plant operation.

4. If harmful effects or evidence of irreversible damage in land or water ecosystems as a result of facility operation are detected by the monitoring program, ~~Vermont Yankee~~ *the licensee* shall provide an analysis of the problem to the Commission and to the advisory group for the Technical Specifications, and ~~Vermont Yankee~~ thereafter will provide, subject to the review by the aforesaid advisory group, a course of action to be taken immediately to alleviate the problem.

the licensee

The licensee

5. ~~Vermont Yankee~~ will grant authorized representatives of the Massachusetts Department of Public Health (MDPH) and Metropolitan District Commission (MDC) access to records and charts related to discharge of radioactive materials to the Connecticut River.

6. Prior to discharge of each tank (batch) of liquid radioactive effluents, a representative sample thereof shall be collected and held for independent analysis by the Commonwealth of Massachusetts. Authorized representatives of the Commonwealth shall pick up such samples at the plant site.

7. ^{The licensee} ~~Vermont Yankee~~ will furnish advance notification of each scheduled calibration of liquid effluent monitors to MDPH and MDC and, upon request, will permit authorized representatives of the Commonwealth of Massachusetts to be present during such calibrations.
8. ^{The licensee} ~~Vermont Yankee~~ will permit authorized representatives of the MDPH and MDC to examine the chemical and radioactivity analyses performed by ~~Vermont Yankee~~.
the licensee
9. ^{The licensee} ~~Vermont Yankee~~ shall immediately notify MDPH, or an agency designated by MDPH, in the event concentrations of radioactive materials in liquid effluents, measured at the point of release from ~~Vermont Yankee~~, exceed the limit set forth in the ^{the facility} facility Technical Specifications, Appendix A, paragraph 3.8.A.1. ~~Vermont Yankee~~ will also notify MDPH in writing within 30 days following the release of radioactive materials in liquid effluents in excess of 10 percent of the limit set forth in the facility Technical Specifications, Appendix A, paragraph 3.8.A.1.
the licensee
10. A report shall be submitted to MDPH and MDC within sixty days of January 1st and July 1st of each year of plant operation, specifying the total quantities of radioactive materials released to the Connecticut River during the previous six months. The report shall contain the following information:
 - (a) Total curie activity discharged other than tritium and dissolved gases.
 - (b) Total curie alpha activity discharged.
 - (c) Total curies of tritium discharged.
 - (d) Total curies of dissolved radio-gases discharged.
 - (e) Total volume (in gallons) of liquid waste discharged.

- (f) Total volume (in gallons) of dilution water.
 - (g) Average concentration at discharge outfall.
 - (h) Time, date and duration of maximum concentration released (average over the period of release).
 - (i) Total radioactivity (in curies) released by nuclide including dissolved radio-gases.
 - (j) Percent of technical specification limit for total activity released.
11. Upon notification by MDPH or MDC that all plans and construction for the diversion of water from the Connecticut River to recharge Quabbin Reservoir have been completed, *the licensee* ~~Vermont Yankee~~ shall establish a system of communication and notification, satisfactory to MDPH and MDC, to give adequate warning to the appropriate agency or agencies of the Commonwealth of Massachusetts of any accidental discharge of radioactive materials into the Connecticut River from the facility.
12. Upon notification *the licensee* in writing by MDPH or MDC that water from the Connecticut River is being diverted to recharge Quabbin Reservoir, ~~Vermont Yankee~~ shall submit to both MDPH and MDC, until receipt of notification that such diversion has been terminated, monthly reports of liquid radioactive releases.
13. *The licensee* ~~Vermont Yankee~~ shall establish and maintain a system of emergency notification to the states of Vermont and New Hampshire, and the Commonwealth of Massachusetts, satisfactory to the appropriate public health and public safety officials of those states and the Commonwealth, which provides for:
- a. Notice of site emergencies as well as general emergencies.
 - b. Direct microwave communication with the state police headquarters of the respective states and the Commonwealth when the transmission facilities of the respective states and the Commonwealth so permit, at the expense of ~~Vermont Yankee~~,
the licensee

c. A verification of ^{the licensee} coding system for emergency messages between ~~Vermont Yankee~~ and the state police headquarters of the respective states and the Commonwealth.

14. ^{The licensee} ~~Vermont Yankee~~ shall furnish advance notification to MDPH, or to another Commonwealth agency designated by MDPH, of the time, method and proposed route through the Commonwealth of any shipments of nuclear fuel and wastes to and from the ~~Vermont Yankee~~ facility which will utilize railways or roadways in the Commonwealth.

F. ^{The licensee} ~~Vermont Yankee~~ shall implement and maintain in effect all provisions of the approved Fire Protection Program as described in the Final Safety Analysis Report for the facility and as approved in the SER dated January 13, 1978, and supplemental SERs, dated 2/20/80, 10/24/80, 1/13/83, 3/25/86, 12/8/89, 6/9/97, 8/12/97, 9/2/98, and 2/24/99, subject to the following provisions:

A-168
2.24.99

^{The licensee} ~~Vermont Yankee~~ may make changes to the approved Fire Protection Program without prior approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

3.G Security Plan

The licensee shall fully implement and maintain in effect all provisions of the Commission-approved physical security, guard training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10CFR73.55 (51FR27817 and 27822) and to the authority of 10CFR50.90 and 10CFR50.54(p). The plans, which contain Safeguards Information protected under 10CFR73.21, are entitled: "Vermont Yankee Nuclear Power Station Physical Security Plan," with revisions submitted through March 16, 1988; "Vermont Yankee Nuclear Power Station Training and Qualification Plan," with revisions submitted through November 10, 1982; and "Vermont Yankee Nuclear Power Station Safeguards Contingency Plan," with revisions submitted through December 30, 1985. Changes made in accordance with 10CFR73.55 shall be implemented in accordance with the schedule set forth therein.

A-107
8.25.88
10.20.88

3.H This paragraph deleted

Added per Amdt. # 107
6-9-88

3.H Guard Training and Qualification Plan

The licensee shall fully implement and maintain in effect all provisions of the Commission-approved Guard Training and Qualification Plan, including amendments and changes made pursuant to the authority of 10 CFR 50.54(p). The approved plan consists of documents withheld from public disclosure pursuant to 10 CFR 73.21 identified as Vermont Yankee Nuclear Power Corporation Training and Qualification Plan for Security, dated March 19, 1982. This plan shall be implemented, in accordance with 10 CFR 73.55(b) (4), within 60 days after approval by the Commission. The licensee may make changes to this plan without prior Commission approval if the changes do not decrease the safeguards effectiveness of the plan. The licensee shall maintain records of and submit reports concerning such changes in the same manner as required for changes made to the Safeguards Contingency Plan pursuant to 10 CFR 50.54(p).

DELETED
PER
AMDT #
107
8-25-88

Renumbered per
Amdt. # 71, 6-9-82

3.I H. Inservice Inspection

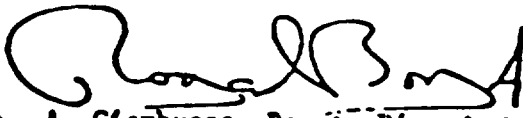
In accordance with the provisions of 10 CFR 50.12(a) an exemption from the provisions of 10 CFR 50.55a(g) is granted, and the effective date for the start of the next 40-month period as it relates to inservice inspection is extended from July 30, 1979 to January 30, 1980.

Deleted
Amendment
NO. 131

4. This license is effective as of the date of issuance and shall expire at midnight on March 21, 2012.

Amdt. # 127,
12-17-90

FOR THE ATOMIC ENERGY COMMISSION


for A. Giambusso, Deputy Director
for Reactor Projects
Directorate of Licensing

Enclosures:
Appendix A Technical Specifications

Date of Issuance:

Feb. 28, 1973

5.0 DESIGN FEATURES5.1 Site*Amer Gen Vermont, LLC*

The station is located on the property on the west bank of the Connecticut River in the Town of Vernon, Vermont, which ~~the Vermont Yankee Nuclear Power Corporation~~ either owns or to which it has perpetual rights and easements. The site plan showing the exclusion area boundary, boundary for gaseous effluents, boundary for liquid effluents, as well as areas defined per 10CFR20 as "controlled areas" and "unrestricted areas" are on Figure 2.2-5 in the FSAR. The minimum distance to the boundary of the exclusion area as defined in 10CFR100.3 is 910 feet.

Amer Gen Vermont, LLC

No part of the site shall be sold or leased (and no structure shall be located on the site except structures owned by ~~the Vermont Yankee Nuclear Power Corporation~~ or related utility companies and used in conjunction with normal utility operations.

5.2 Reactor

- A. The core shall consist of not more than 368 fuel assemblies.
- B. The reactor core shall contain 89 cruciform-shaped control rods. The control material shall be boron carbide powder (B_4C) or hafnium, or a combination of the two.

5.3 Reactor Vessel

The reactor vessel shall be as described in Table 4.2-3 of the FSAR. The applicable design codes shall be as described in subsection 4.2 of the FSAR.

5.4 Containment

- A. The principal design parameters and applicable design codes for the primary containment shall be as given in Table 5.2.1 of the FSAR.
- B. The secondary containment shall be as described in subsection 5.3 of the FSAR and the applicable codes shall be as described in Section 12.0 of the FSAR.
- C. Penetrations to the primary containment and piping passing through such penetrations shall be designed in accordance with standards set forth in subsection 5.2 of the FSAR.

5.5 Spent and New Fuel Storage

- A. The new fuel storage facility shall be such that the effective multiplication factor (K_{eff}) of the fuel when dry is less than 0.90 and when flooded is less than 0.95.
- B. The K_{eff} of the fuel in the spent fuel storage pool shall be less than or equal to 0.95.
- C. Spent fuel storage racks may be moved (only) in accordance with written procedures which ensure that no rack modules are moved over fuel assemblies.

AmerGen Vermont, LLC

(Vermont Yankee Nuclear Power Station)

Docket No. 50-271

Facility Operating License

License No. DPR-28

Amendment No. 5

The Atomic Energy Commission (the Commission) having found that:

- a. Construction of the Vermont Yankee Nuclear Power Station (the facility) has been substantially completed in conformity with the application, as amended, the Provisional Construction Permit No. CPPR-36, the provisions of the atomic Energy Act of 1954, as amended (the Act), and the rules and regulations of the Commission as set forth in Title 10, Chapter 1, CFR; and
- b. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the commission; and
- c. There is reasonable assurance (i) that the activities authorized by this amended operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the rules and regulations of the Commission; and
- d. AmerGen Vermont, LLC is technically and financially qualified to engage in the activities authorized by this amended operating license, in accordance with the rules and regulations of the Commission; and
- e. AmerGen Vermont, LLC has satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements" of the Commission's regulations; and
- f. The issuance of this amended operating license will not be inimical to the common defense and security or to the health and safety of the public; and
- g. After weighing the environmental, economic, technical and other benefits of the facility against environmental costs and considering available alternatives, the issuance of this amended operating license (subject to the conditions for protection of the environment set forth herein) is in accordance with 10 CFR Part 50, Appendix D, of the Commission's regulations and all applicable requirements of said Appendix D have been satisfied.

Accordingly, Facility Operating License No. DPR-28, as amended, issued to AmerGen Vermont, LLC (the licensee), is hereby amended in its entirety to read:

1. This license applies to the Vermont Yankee Nuclear Power Station (the facility), a single cycle, boiling water, light water moderated and cooled reactor, and associated electric generating equipment. The facility is located on the licensee's site, in the Town of Vernon, Windham County, Vermont, and is described in the application as amended.
2. Subject to the Conditions and requirements incorporated herein, the Commission hereby licenses the applicant:
 - A. Pursuant to Sections 104b of the Atomic Energy Act of 1954, as amended (the Act), and 10 CFR Part 50, "Licensing of Production and Utilization Facilities," to possess, use, and operate the facility as a utilization facility at the designated location on the licensee's site.
 - B. Pursuant to the Act and 10 CFR Part 70, to receive, possess, and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation as described in the Final Safety Analysis Report, as supplemented and amended.
 - C. Pursuant to the Act and 10 CFR Parts 30, 40 and 70 to receive, possess, and use at any time any byproduct, source, and special nuclear material as sealed neutron sources for reactor startup, sealed sources for calibration of reactor instrumentation and radiation monitoring equipment, and as fission detectors in amounts as required.
 - D. Pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source, or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components.
 - E. Pursuant to the Act and 10 CFR Parts 30 and 70, to possess, but not to separate, such byproduct and special nuclear material as may be produced by operation of the facility.
3. This license shall be deemed to contain and is subject to the conditions specified in the following Commission regulations: 10 CFR Parts 30, Section 30.34 of 10 CFR Part 30, Section 40.41 of 10 CFR Part 40, Section 50.54 and 50.59 of 10 CFR Part 50, and Section 70.32 of 10 CFR Part 70; and is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified below:

A. Maximum Power Level

The licensee is authorized to operate the facility at reactor core power levels not to exceed 1593 megawatts thermal in accordance with the Technical Specifications (Appendices A and B) appended hereto.

B, C, and D.
A-31
2/14/77

B. Technical Specifications

The Technical Specifications contained in Appendices A and B, as revised through Amendment ^(*), are hereby incorporated in the license. The licensee shall operate the facility in accordance with the Technical Specifications.

C. Reports

The licensee shall make reports in accordance with the requirements of the Technical Specifications.

D. Records

The licensee shall keep facility operating records in accordance with the requirements of the Technical Specifications.

E. Environmental Conditions

Pursuant to the Initial Decision of the presiding atomic Safety and Licensing Board issued February 27, 1973, the following conditions for the protection of the environment are incorporated herein:

- 1) If, during power operation, an unexpected failure results in a complete loss of coolant tower system, the above closed cycle restriction may be modified to permit an orderly shutdown using the main condenser as a heat sink in the open cycle mode. In this event, the plant shall be reduced below 25 percent power operation as rapidly as possible and shutdown within twenty-four hours.
- 2) This paragraph deleted - Amendment 131, 10/17/91.
- 3) The licensee will define a comprehensive environmental (chemical, biological, and thermal) monitoring program for inclusion in the Technical Specifications, which is acceptable to the Commission for determining changes which may occur in land and water ecosystems as a result of plant operation.
- 4) If harmful effects or evidence of irreversible damage in land or water ecosystems as a result of facility operation are detected by the monitoring program, the licensee shall provide an analysis of the problem to the Commission and to the advisory group for the Technical Specifications, and the licensee thereafter will provide, subject to the review by the aforesaid advisory group, a course of action to be taken immediately to alleviate the problem.
- 5) The licensee will grant authorized representatives of the Massachusetts Department of Public Health (MDPH) and Metropolitan District Commission (MDC) access to records and charts related to discharge of radioactive materials to the Connecticut River.

(*) The most recent NRC approved and docketed License Amendment.

- 6) Prior to discharge of each tank (batch) of liquid radioactive effluents, a representative sample thereof shall be collected and held for independent analysis by the Commonwealth of Massachusetts. Authorized representatives of the Commonwealth shall pick up such samples at the plant site.
- 7) The licensee will furnish advance notification of each scheduled calibration of liquid effluent monitors to MDPH and MDC and, upon request, will permit authorized representatives of the Commonwealth of Massachusetts to be present during such calibrations.
- 8) The licensee will permit authorized representatives of the MDPH and MDC to examine the chemical and radioactivity analyses performed by the licensee.
- 9) The licensee shall immediately notify MDPH, or an agency designated by MDPH, in the event concentrations of radioactive materials in liquid effluents, measured at the point of release from the facility, exceed the limit set forth in the facility Technical Specifications, Appendix A, paragraph 3.8.A.1. The licensee will also notify MDPH in writing within 30 days following the release of radioactive materials in liquid effluents in excess of 10 percent of the limit set forth in the facility Technical Specifications, Appendix A, paragraph 3.8.A.1.
- 10) A report shall be submitted to MDPH and MDC within sixty days of January 1st and July 1st of each year of plant operation, specifying the total quantities of radioactive materials released to the Connecticut River during the previous six months. The report shall contain the following information:
 - (a) Total curie activity discharged other than tritium and dissolved gases.
 - (b) Total curie alpha activity discharged.
 - (c) Total curies of tritium discharged.
 - (d) Total curies of dissolved radio-gases discharged.
 - (e) Total volume (in gallons) of liquid waste discharged.
 - (f) Total volume (in gallons) of dilution water.
 - (g) Average concentration at discharge outfall.
 - (h) Time, date and duration of maximum concentration released (average over the period of release).
 - (i) Total radioactivity (in curies) released by nuclide including dissolved radio-gases.
 - (j) Percent of technical specification limit for total activity released.

- 11) Upon notification by MDPH or MDC that all plans and construction for the diversion of water from the Connecticut River to recharge Quabbin Reservoir have been completed, the licensee shall establish a system of communication and notification, satisfactory to MDPH and MDC, to give adequate warning to the appropriate agency or agencies of the Commonwealth of Massachusetts of any accidental discharge of radioactive materials into the Connecticut River from the facility.
- 12) Upon notification in writing by MDPH or MDC that water from the Connecticut River is being diverted to recharge Quabbin Reservoir, the licensee shall submit to both MDPH and MDC, until receipt of notification that such diversion has been terminated, monthly reports of liquid radioactive releases.
- 13) The licensee shall establish and maintain a system of emergency notification to the states of Vermont and New Hampshire, and the Commonwealth of Massachusetts, satisfactory to the appropriate public health and public safety officials of those states and the Commonwealth, which provides for:
 - a. Notice of site emergencies as well as general emergencies.
 - b. Direct microwave communication with the state police headquarters as of the respective states and the Commonwealth when the transmission facilities of the respective states and the Commonwealth so permit, at the expense of the licensee.
 - c. A verification or coding system for emergency messages between the licensee and the state police headquarters of the respective states and the Commonwealth.
- 14) The licensee shall furnish advance notification to MDPH, or to another Commonwealth agency designated by MDPH, of the time, method and proposed route through the Commonwealth of any shipments of nuclear fuel and wastes to and from the facility which will utilize railways or roadways in the Commonwealth.
- F. The licensee shall implement and maintain in effect all provisions of the approved Fire Protection Program as described in the Final Safety Analysis Report for the facility and as approved in the SER dated January 13, 1978, and supplemental SERs, dated 2/20/80, 10/24/80, 1/13/83, 3/25/86, 12/8/89, 6/9/97, 8/12/97, 9/2/98, and 2/24/99, subject to the following provisions:

The licensee may make changes to the approved Fire Protection Program without prior approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

G. Security Plan

A-107
8/25/88
10/20/88

The licensee shall fully implement and maintain in effect all provisions of the Commission-approved physical security, guard training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10CFR73.55 (51FR27817 and 27822) and to the authority of 10CFR50.90 and 10CFR50.54(p). The plans, which contain Safeguards Information protected under 10CFR73.21, are entitled: "Vermont Yankee Nuclear Power Station Physical Security Plan," with revisions submitted through March 16, 1988; "Vermont Yankee Nuclear Power Station Training and Qualification Plan," with revisions submitted through November 10, 1982; and "Vermont Yankee Nuclear Power Station Safeguards Contingency Plan," with revisions submitted through December 30, 1985. Changes made in accordance with 10CFR73.55 shall be implemented in accordance with the schedule set forth therein.

H. This paragraph deleted, Amendment 107, 8/25/88.

I. This paragraph deleted, Amendment 131, 10/7/91.

4. This license is effective as of the date of issuance and shall expire at midnight on March 21, 2012.

A-127
12/17/90

FOR THE ATOMIC ENERGY COMMISSION

A. Giambusso, Deputy Director
for Reactor Projects
Directorate of Licensing

Enclosures:
Appendix A Technical Specifications

Date of Issuance:
Feb. 28, 1973

VYNPS

5.0 DESIGN FEATURES

5.1 Site

The station is located on the property on the west bank of the Connecticut River in the Town of Vernon, Vermont, which AmerGen Vermont, LLC either owns or to which it has perpetual rights and easements. The site plan showing the exclusion area boundary, boundary for gaseous effluents, boundary for liquid effluents, as well as areas defined per 10CFR20 as "controlled areas" and "unrestricted areas" are on Figure 2.2-5 in the FSAR. The minimum distance to the boundary of the exclusion area as defined in 10CFR100.3 is 910 feet.

No part of the site shall be sold or leased and no structure shall be located on the site except structures owned by AmerGen Vermont, LLC or related utility companies and used in conjunction with normal utility operations.

5.2 Reactor

- A. The core shall consist of not more than 368 fuel assemblies.
- B. The reactor core shall contain 89 cruciform-shaped control rods. The control material shall be boron carbide powder (B_4C) or hafnium, or a combination of the two.

5.3 Reactor Vessel

The reactor vessel shall be as described in Table 4.2-3 of the FSAR. The applicable design codes shall be as described in subsection 4.2 of the FSAR.

5.4 Containment

- A. The principal design parameters and applicable design codes for the primary containment shall be as given in Table 5.2.1 of the FSAR.
- B. The secondary containment shall be as described in subsection 5.3 of the FSAR and the applicable codes shall be as described in Section 12.0 of the FSAR.
- C. Penetrations to the primary containment and piping passing through such penetrations shall be designed in accordance with standards set forth in subsection 5.2 of the FSAR.

5.5 Spent and New Fuel Storage

- A. The new fuel storage facility shall be such that the effective multiplication factor (K_{eff}) of the fuel when dry is less than 0.90 and when flooded is less than 0.95.
- B. The K_{eff} of the fuel in the spent fuel storage pool shall be less than or equal to 0.95.
- C. Spent fuel storage racks may be moved (only) in accordance with written procedures which ensure that no rack modules are moved over fuel assemblies.

US OFFICE PRODUCTS

ENCLOSURE 2

**SAFETY ASSESSMENT AND DETERMINATION OF NO SIGNIFICANT HAZARDS
CONSIDERATION ASSOCIATED WITH PROPOSED TRANSFER OF VERMONT
YANKEE NUCLEAR POWER STATION TO AMERGEN VERMONT**

DESCRIPTION OF CHANGE

The proposed changes to the Vermont Yankee license involve: (1) the deletion of references to the Vermont Yankee Nuclear Power Corporation (VYNPC) as owner and operator of the Vermont Yankee Nuclear Power Station (VYNPS), and (2) the authorization of AmerGen Vermont, LLC to possess, use and operate VYNPS, under essentially the same conditions and authorization included in the existing license. The actual wording changes associated with the conforming administrative amendments to the Vermont Yankee Facility Operating License and Technical Specifications are shown in Attachments 3 and 4 and are listed below.

The following Facility Operating License (FOL) changes are proposed:

FOL Page 1, Title - delete "Vermont Yankee Nuclear Power Corporation", replace with "AmerGen Vermont, LLC" to reflect change in owner.

FOL Page 1, Item d - delete "Vermont Yankee Nuclear Power Corporation (Vermont Yankee)", replace with "AmerGen Vermont, LLC" to reflect change in owner.

FOL Page 1, Item e - delete "Vermont Yankee", replace with "AmerGen Vermont, LLC" to reflect change in owner.

FOL Page 2, First paragraph - delete "Vermont Yankee Nuclear Power Corporation (Vermont Yankee)", replace with "AmerGen Vermont, LLC (the licensee)" to reflect change in owner.

FOL Page 2, Item 1 - delete "Vermont Yankee's", replace with "the licensee's" to reflect change in owner.

FOL Page 2, Item 2.A - delete "Vermont Yankee", replace with "licensee's" to reflect change in owner.

FOL Page 2, Item 3.A - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 3, Item 3.C - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 3, Item 3.D - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 3, Item 3.E.3 - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 3, Item 3.E.4 - delete "Vermont Yankee", replace with "The licensee" (two times) to reflect change in owner.

FOL Page 3, Item 3.E.5 - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 4, Item 3.E.7 - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 4, Item 3.E.8 - delete "Vermont Yankee", replace with "The licensee" (two times) to reflect change in owner.

FOL Page 4, Item 3.E.9 - delete "Vermont Yankee", replace with "The licensee" (two times) to reflect change in owner. Delete "Vermont Yankee", replace with "the facility" to correctly reference the Vermont Yankee Nuclear Power Station.

FOL Page 5, Item 3.E.11 - delete "Vermont Yankee", replace with "the licensee" to reflect change in owner.

FOL Page 5, Item 3.E.12 - delete "Vermont Yankee", replace with "the licensee" to reflect change in owner.

FOL Page 5, Item 3.E.13 - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner.

FOL Page 5, Item 3.E.13.b - delete "Vermont Yankee", replace with "the licensee" to reflect change in owner.

FOL Page 5, Item 3.E.13.c - delete "Vermont Yankee", replace with "the licensee" to reflect change in owner.

FOL Page 5, Item 3.E.14 - delete "Vermont Yankee", replace with "The licensee" to reflect change in owner. Delete "... the Vermont Yankee facility ...", replace with "... the facility ..." to reflect change in owner.

FOL Page 5, Item 3.F.11 - delete "Vermont Yankee", replace with "The licensee" (two times) to reflect change in owner.

The following Technical Specification changes are made:

Page 253, Section 5.1, First paragraph - delete "Vermont Yankee Nuclear Power Corporation", replace with "AmerGen Vermont, LLC" to reflect change in owner.

Page 253, Section 5.1, Second paragraph - delete "the Vermont Yankee Nuclear Power Corporation", replace with "AmerGen Vermont, LLC" to reflect change in owner.

REASON FOR CHANGE

The Vermont Yankee Nuclear Power Station in Vernon, Vermont is being sold to AmerGen Vermont, LLC, necessitating submittal of a conforming change to the Facility Operating License and Technical Specifications to remove references to the Vermont Yankee Nuclear Power Corporation and the Vermont Yankee Nuclear Power Station, and insert references to "AmerGen Vermont, LLC," "the licensee," or "the facility" as appropriate.

BASIS FOR CHANGE

Because the Vermont Yankee Nuclear Power Corporation retains no responsibility for the regulatory obligations contained in License No. DPR-28, the entity to which that responsibility has been transferred must be identified in the License and Technical Specifications.

SAFETY ASSESSMENT

The proposed License and Technical Specification changes only identify the new owner and operator of Vermont Yankee, and are considered administrative in nature. No physical changes to the plant are being made and there will be no significant change in the day-to-day operation of Vermont Yankee. Therefore, this change does not adversely affect nuclear safety or safe plant operation.

Pursuant to 10CFR50.92 and 10CFR2.1315, VY has evaluated the proposed changes and concludes that they do not involve a significant hazards consideration since they satisfy the criteria in 10 CFR 50.92(c) and 10 CFR 2.1315.

1. The operation of the facility in accordance with the proposed changes will not involve a significant increase in the probability or consequences of an accident previously evaluated.

The proposed changes reflect the assumption of responsibility by AmerGen Vermont, LLC for all provisions of Facility Operating License No. DPR-28; they are administrative and have no direct effect on any plant systems. The Safety Limits, Limiting Safety System Settings, and Limiting Conditions for Operation contained in the Technical Specifications remain unchanged. No accident initiators or assumptions are affected, and none of the accident analyses for the facility are altered. Furthermore, the proposed change does not alter the source term, containment isolation, or allowable radiological consequences. Thus, there is no significant increase in the probability or consequences of accidents previously evaluated.

2. The operation of the facility in accordance with the proposed changes will not create the possibility of a new or different kind of accident from any accident previously evaluated.

The proposed changes are administrative and have no direct effect on any plant systems. The changes do not affect the reactor coolant pressure boundary and do not affect any system functional requirements, plant maintenance, or operability requirements. No new accident initiators or assumptions are introduced by the proposed changes.

3. The operation of the facility in accordance with the proposed changes will not involve a significant reduction in a margin of safety.

The proposed changes are administrative and have no direct effect on any plant systems. They do not involve new or significant changes to the initial conditions contributing to accident severity or consequences, and do not result in a reduction in any margin of safety.

Furthermore, as stated in 10 CFR 2.1315, the NRC has determined that "any amendment to the license of a utilization facility . . . which does no more than conform the license to reflect the transfer action, involves . . . 'no significant hazards consideration' . . .".

Based upon the analysis provided herein, the proposed changes will not increase the probability or consequences of any accident previously evaluated, create the possibility of a new or different kind of accident from any accident previously evaluated, or involve a reduction in a margin of safety. The proposed changes will do no more than conform the license to reflect the transfer of responsibility for operation of the facility from Vermont Yankee Nuclear Power Corporation to AmerGen Vermont. Therefore, the proposed changes meet the requirements of 10 CFR50.92(c) and the conditions of 10 CFR 2.1315, and involve no significant hazards consideration. The proposed changes and this safety assessment and its conclusions have been reviewed and approved on behalf of VYNPC in accordance with Appendix D, Section 6.2 of the Vermont Yankee Operational Quality Assurance Manual.

US OFFICE PRODUCTS

ENCLOSURE 3

ASSIGNMENT AGREEMENT

(To Be Provided)

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US OFFICE PRODUCTS

ENCLOSURE 4

AMERGEN VERMONT LLC AGREEMENT

LIMITED LIABILITY COMPANY AGREEMENT

of

AMERGEN VERMONT, LLC

Dated as of January 1, 2000

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LIMITED LIABILITY COMPANY AGREEMENT OF
AMERGEN VERMONT, LLC

LIMITED LIABILITY COMPANY AGREEMENT, dated as of January 1, 2000, by AmerGen Energy Company, L.L.C., a Delaware limited liability company ("AmerGen Parent").

RECITALS

WHEREAS, PECO Energy Company, a Pennsylvania corporation ("PECO"), British Energy plc, a Scottish corporation ("British Energy"), and British Energy Inc., a Delaware corporation ("BE Inc.") and a wholly owned subsidiary of British Energy, formed AmerGen Parent in 1997 to acquire and operate nuclear-powered generating facilities and other associated assets in the United States; and

WHEREAS, it is desirable to have a Vermont-based entity to acquire, own and operate Vermont Yankee Nuclear Power Station in Vernon, Vermont; and

WHEREAS, AmerGen Parent wishes to document the terms and conditions governing the Vermont-based entity.

NOW, THEREFORE, intending to be legally bound, AmerGen Parent hereby agrees as follows as of the Effective Date:

**ARTICLE 1
GENERAL**

1.1 Name. The name of the Company shall be AmerGen Vermont, LLC.

1.2 Principal Place of Business. The Company's principal office and place of business shall be located in Brattleboro, Vermont. The principal office and place of business may be changed from time to time, and other offices and places of business may be established from time to time, by the Management Committee.

1.3 Term. The Company shall not be a "term" limited liability company but shall be an at-will company.

1.4 Purpose and Powers.

(a) The purposes of the Company ("Purpose") are:

- (i) primarily the ownership, operation and maintenance, including decommissioning, of Vermont Yankee Nuclear Power Station ("VYNPS"); and

- (ii) subject to subsection 1.4(c) below, such other endeavors as are approved by the Management Committee from time to time and as are not inconsistent with the primary purpose stated in clause (i) above; and
- (iii) to do all things reasonably necessary or advisable in connection, directly or indirectly, with the above.

(b) The Company shall have the power and authority to take any and all actions necessary or advisable to or for the furtherance of the Purpose.

(c) The foregoing provisions of this Section 1.4 shall not be construed to authorize the Company to, and the Company shall not, and the Member agrees that the Company shall not, engage in any activities other than the foregoing without the approvals required hereunder; provided, the Company shall only engage in activities and lawful business permitted by the Atomic Energy Act and the regulations thereunder, the Act, or the laws of Vermont and any jurisdiction in which the Company may do business.

1.5 Filings. The Management Committee shall cause to be executed, filed and published all such certificates, notices, statements or other instruments, and amendments thereto under the laws of the State of Vermont, and other applicable jurisdictions as the Management Committee may deem necessary or advisable for the operation of the Company. Notwithstanding the foregoing or any other provision of this Agreement, the Member authorizes, ratifies and directs the Management Committee to execute, deliver and file the original certificate of formation of the Company with the office of the Secretary of State of the State of Vermont.

1.6 Definitions. Capitalized terms used in this Agreement without other definition shall, unless expressly stated otherwise, have the meanings specified in this Section. References to Sections shall refer to Sections of this Agreement unless otherwise specified. The singular shall include the plural and the masculine shall include the feminine and neuter, and vice versa. "Includes" or "including" shall mean "including, without limitation" and "including but not limited to."

"Act" means the Vermont Limited Liability Company Act, as amended from time to time, as set forth at 11 V.S.A. sec. 3001, *et seq.*

"Affiliate" means, when used with reference to a specified Person, (i) any Person that directly or indirectly controls or is controlled by or is under common control with the specified Person, or (ii) any Person that is an officer or director of, a general partner in or a trustee of, or serves in a similar capacity with respect to, the specified Person or any Person described in clause (i) or of which the specified Person or any Person described in clause (i) is a responsible employee, director, officer, general partner or trustee, or with respect to which the specified Person or any Person described in clause (i) serves in a similar capacity; provided, that the Company shall be deemed not to be an Affiliate of the Member or any of its Affiliates for purposes of this Agreement. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to (i) vote more than 50% of the voting securities of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agreement" means this Limited Liability Company Agreement, as amended, modified, supplemented or restated from time to time.

"Agents" is defined in Section 6.6.

"BE Inc." is defined in the recitals hereto.

"BE Group" means BE Inc. and its Affiliates to which BE Inc.'s interest in AmerGen Parent may be transferred.

"Claim" is defined in Section 9.3(a).

"Company" means AmerGen Vermont, LLC.

"Expert" is defined in Section 6.5(a).

"Effective Date" means the date on which the Articles of Organization of the Company are filed with the Secretary of State of the State of Vermont or the delayed effective date stated therein.

"Fair Market Value" means, with respect to any asset, as of the date of determination, the cash price at which a willing seller would sell and a willing buyer would buy, each being apprised of all relevant facts and neither acting under compulsion, such asset in an arm's-length negotiated transaction with an unaffiliated third party without time constraints. Fair Market Value shall be established by the Management Committee and failing agreement, by independent third-party appraisal.

"Governmental Authority" means a national, state, provincial, county, city, local or other governmental or regulatory body or authority, whether domestic or foreign.

"Indemnified Person" is defined in Section 9.1(b).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest, right of first refusal or right of others therein, or encumbrance of any nature whatsoever in respect of such asset.

"Management Committee" is defined in Section 6.1.

"Member" means AmerGen Parent and its successors or assigns, in such Person's capacity as the member (within the meaning of the Act) of the Company.

"Group" means the BE Group or the PECO Group, as the context permits.

"NRC" is the United States Nuclear Regulatory Commission.

"PECO" is defined in the recitals hereto.

"PECO Group" means PECO and its Affiliates to which PECO's interest in AmerGen Parent may be transferred.

"Person" means any individual, corporation, partnership, business trust, firm, joint venture, association, limited liability company, joint stock company, trust, estate, unincorporated organization, Governmental Authority, or other entity.

"Representative" is defined in Section 6.1(a).

"Safety Issue" means any matter which concerns any of the following:

- (i) implementation or compliance with any Generic Letter, Bulletin, Order, Confirmatory Order or similar requirement issued by the NRC;
- (ii) prevention or mitigation of a nuclear event or incident or the unauthorized release of radioactive material;
- (iii) placement of the plant in a safe condition following any nuclear event or incident;
- (iv) compliance with the Atomic Energy Act, the Energy Reorganization Act, or any NRC rule;
- (v) compliance with a specific operating license and its technical specifications;
- (vi) compliance with a specific Updated Final Safety Analysis Report, or other licensing basis document.

Any matter on which the Management Committee shall vote in accordance with Section 6.3 that is not substantially or primarily one of nuclear safety shall not constitute a Safety Issue, so that, for purposes of illustration only, any plant expenditure of a material nature intended to extend the economic operational life or improve the economic performance of the power station in question shall not be considered a Safety Issue.

"VYNPS" is defined in Section 1.4(a)(i).

1.7 Registered Office; Registered Agent. The address of the registered office of the Company in the State of Vermont shall be 185 Old Ferry Road, Brattleboro, Windham County, Vermont 05301 or such other address as the Management Committee may determine.

ARTICLE 2

CAPITALIZATION

2.1 Capital Contributions.

(a) The Member shall make an initial capital contribution in the amount of U.S. \$10,000.

(b) The Management Committee shall have the right to call for capital contributions (which call shall be a condition to the Member's obligation to make any such capital contribution). The Member agrees that it shall promptly make any such capital contribution if such capital contribution is for a specific transaction, project or commitment previously approved by the Management Committee or for a Safety Issue.

2.2 No Withdrawals. Except as expressly set forth herein, the Member shall not be entitled to withdraw any portion of its capital contribution or capital account balance.

ARTICLE 3

PROFITS AND LOSSES

3.1 Profits and Losses. The Company's profits and losses, as determined in accordance with generally accepted accounting principles consistently applied, shall be allocated to the Member.

ARTICLE 4

DISTRIBUTIONS

4.1 Distributions Cash. Distributions shall be made to the Member at the times and in the amounts as determined by the Management Committee, but no distribution shall be made if it would violate section 3056 of the Act, 11 V.S.A. 3056. Such distributions shall be allocated to the Member.

ARTICLE 5

ACCOUNTING AND RECORDS

5.1 Fiscal Year. The fiscal year of the Company shall be the year ending December 31.

5.2 Method of Accounting. The method of accounting shall be determined by the Management Committee.

5.3 Financial Statements. Within 90 days after the end of each fiscal year, and thirty days after the end of each calendar quarter, the Management Committee shall cause to be furnished to the Member financial statements with respect to such fiscal year or quarter of the Company, consisting of (i) a balance sheet showing the Company's financial position as of the end of such fiscal year or quarter, (ii) supporting profit and loss statements, (iii) a statement of cash flows for such year or quarter and (iv) the Member's capital account, provided that prior to such dates the Company shall provide to the Member on a timely basis such financial information as may be required to permit each Group to prepare its annual and quarterly financial reports.

5.4 Taxation. Tax elections and allocations may be made by the Management Committee to take advantage of provisions of the Internal Revenue Code of 1986 or Vermont law, both as amended from time to time, to comply therewith and otherwise in its discretion.

ARTICLE 6

MANAGEMENT

6.1 Management Committee; Officers. The Company shall be member-managed with management delegated to the Management Committee (the "Management Committee") as

provided in this Agreement. The property, business and affairs of the Company shall be managed by or under the direction of a Management Committee. In addition to the powers and authority by this Agreement expressly conferred upon it, the Management Committee may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by this Agreement directed or required to be exercised or done by the Member. Except as determined by the Management Committee pursuant to this Article 6 or otherwise pursuant to this Agreement, neither the Member nor its Representative shall have any right or authority to take any action on behalf of the Company with respect to third parties or to bind the Company.

(a) Number of Representatives. The Management Committee shall consist of four individuals (each, a "Representative"), with the BE Group having the right to appoint two Representatives and the PECO Group having the right to appoint two Representatives, all of which PECO Group appointees shall be U.S. citizens. The Representatives shall not be "managers" of the Company as such term is used in the Act.

(b) Initial Representatives. The initial Representatives of the Management Committee shall be appointed by the respective Groups prior to the first meeting of the Management Committee. Each Group shall notify the other of its appointed Representatives.

(c) Vacancies. Each Representative shall hold office until death, resignation or removal at the pleasure of the Group that appointed such Representative. If a vacancy occurs on the Management Committee, the Group that appointed the vacating Representative shall appoint such Representative's successor.

(d) Chairman. The Chairman of the Management Committee shall be a U.S. citizen appointed by the PECO Group and may be removed only by the PECO Group.

(e) Chief Executive Officer. The Chairman shall be the Chief Executive Officer of the Company (in such capacity, the "CEO"). The CEO shall be responsible for the day-to-day operations of the Company, and shall sign, execute and acknowledge contracts and agreements relating thereto on behalf of the Company and shall perform such duties as are from time to time assigned by the Management Committee, and may delegate such responsibilities to one or more vice presidents of the Company.

(f) Other Officers, Employees and Agents.

(i) The President of the Company shall be appointed by the BE Group. The President shall not have "line" authority with respect to the operation of any NRC-licensed facility.

(ii) The Company shall also have a Chief Nuclear Officer ("CNO") responsible for the operation of NRC-licensed facilities. The CNO shall be a U.S. citizen and shall report directly to the Chairman of the Management Committee.

(iii) The CEO shall employ or retain on behalf of the Company, subject to approval by the Management Committee, such other Persons as may be necessary or appropriate for the conduct of the Company's business (subject to the supervision and control of

the Management Committee), including employees and agents who may be designated as officers with titles including but not limited to "vice president," "treasurer," "secretary," "general manager," "director" and "chief financial officer," as and to the extent authorized by the Management Committee. The designation of any Person as an officer or other agent of the Company shall not by itself create any contract rights as between the Company and said Person or with third parties.

(g) Paramount Responsibility of Certain Officers. The Chairman and CEO and CNO shall have the responsibility and exclusive authority to ensure, and shall ensure, that the business and activities of the Company with respect to its NRC-licensed facilities, e.g., VYNPS, are at all times conducted in a manner consistent with the protection of the public health and safety and common defense and security of the United States.

6.2 Meeting Requirements.

(a) Regular Meetings. The Management Committee shall meet no less frequently than four times each calendar year in such convenient place as agreed to by the Groups on dates and at a time established by the Groups. If a location is not agreed to, the meetings shall be held at the principal office of the Company.

(b) Special Meetings. A special meeting of the Management Committee shall be held at the request of either Group. The location of such meeting shall be such convenient place as agreed to by the Groups. If a location is not agreed to, the meeting shall be held at the principal office of the Company.

(c) Telephonic Meetings. Any meeting of the Management Committee may be held by conference telephone call or through similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a telephonic meeting held pursuant to this Section 6.2(c) shall constitute presence in person at such meeting.

(d) Notices. Notices of regular meetings and special meetings of the Management Committee may be given by any Representative and shall state the date, hour and purpose of the meeting. All such notices shall be accompanied by an agenda for the meetings, as well as the texts of all resolutions proposed to be adopted at such meetings. No item may be discussed if not on the agenda unless a quorum is present and the Representatives present waive notice of the additional item(s). Notice of a regular or special meeting shall be given by facsimile, confirmed by registered mail not less than 14 days (in the case of a regular meeting) or 72 hours (in the case of a special meeting) before the date of the meeting to each Representative at the facsimile number and address provided by the Representative to the Company from time to time. Any Representative may waive as to such Representative only in writing the requirements for notice before, at or after a meeting.

(e) Quorum. At each meeting of the Management Committee, the presence in person or by telephone of at least one Representative of each Group shall be necessary to constitute a quorum for the transaction of business.

(f) Written Consents. Any action required or permitted to be taken at a meeting of the Management Committee may be taken without a meeting if a majority of Representatives, and at least one from each Group, consent thereto in writing.

6.3 Actions by Management Committee.

(a) Scope of Authority. The Management Committee shall have full power and authority, as delegated to it by the Member to direct and control the business affairs of the Company except with respect to those matters reserved specifically to the Member, and subject to the right of the Management Committee to delegate such power and authority to Persons responsible for day-to-day operation of the Company; provided, however, notwithstanding anything to the contrary in this Agreement, the CEO and the other Persons who are responsible for the day-to-day operation of the Company shall have the authority to make the daily operating decisions, within the approved expenditure limits, necessary or appropriate for the safe and efficient operation of the Company's facilities and assets, including entering into agreements with third parties for such day-to-day operations, without the prior approval of the Management Committee.

(b) Approval Requirements.

(i) Consent or approval of the Management Committee shall mean the affirmative vote of a majority of the Representatives authorized to vote and voting at a duly held meeting of the Management Committee. Notwithstanding anything to the contrary in this Agreement, the Chairman shall have a casting vote to break a tie on all Safety Issues and such casting vote by the Chairman shall, subject to Section 6.5, constitute the final and definitive determination by the Management Committee and shall not otherwise be subject to review.

(ii) Except as otherwise provided in this Agreement, each Representative shall be entitled to one vote on all matters submitted to a vote of the Management Committee; provided that if one or more Representatives are absent or not appointed because of a vacancy on the Management Committee or otherwise, then a majority of the other Representatives of such absent Representative's Group present at the meeting shall have the right to cast the votes of such absent Representatives.

(iii) The Company shall provide each Representative of a Group with (A) adequate notice (in light of the time frame in which approval is sought) of the substance of any matter requiring the approval of the Management Committee in order to afford such Representative sufficient time to review such matter and the analysis thereof and (B) an opportunity to consult with the management of the Company regarding such matter and possible alternatives prior to the meeting at which approval is sought; provided that any alleged noncompliance with the provisions of this paragraph (iii) shall not affect the validity of any consent or approval pursuant to paragraphs (i) and (ii) above.

(c) Budgets. The Management Committee shall adopt an annual budget for the operations of the Company. The proposed budget shall be presented to the Management Committee no later than 60 days prior to the commencement of each fiscal year of the Company.

6.4 Actions by Member.

(a) Notwithstanding any other provision in this Agreement to the contrary, the following actions require the prior written approval of the Member: (i) dissolution of the Company, (ii) amendment of this Agreement; (iii) approval of funding of all plant acquisition or construction approved by the Management Committee; and (iv) any other action required by the Act to be made by the Member.

(b) The Member shall establish the roles and responsibilities of the Member, Management Committee and CEO to the extent necessary and not otherwise provided for in this Agreement and shall cause the Management Committee to adopt resolutions implementing such roles and responsibilities, including establishing authorized expenditure limits for the CEO, the approval of unbudgeted capital expenditures, and the approval of the disposal of Company assets.

6.5 Disagreements Relating to Safety Issues.

(a) If the BE Group is of the opinion that the Chairman has exercised his casting vote to break a tie in circumstances that could not reasonably be deemed to constitute a Safety Issue, then the BE Group shall notify the PECO Group, AmerGen Parent, and the Company of such opinion in writing within seven days of the date of the Management Committee vote. Within ten business days of such notice (or such longer period as they may agree), the Chairmen of British Energy and PECO shall make a good faith effort to resolve the matter amicably. If the Chairmen are unable to resolve the matter amicably, the BE Group may refer the issue to a mutually agreed upon expert (the "Expert"). Within five business days of termination of discussions on the matter between the Chairmen, the BE Group shall notify the PECO Group of such referral and for agreement on the appointment of the Expert. At the same time, the BE Group shall also notify the Company of such referral. The Expert shall deliver a decision as to whether or not, at the time of the vote, the exercise of the casting vote by the Chairman could reasonably be deemed to constitute a Safety Issue. If the Expert decides that the exercise of the casting vote at the time could not reasonably be deemed to constitute a Safety Issue, an amount of Company expenses for the year shall be specially allocated directly and proportionally to the PECO Group of the expenditure commitment made by the Management Committee as can be reasonably allocated to the agenda item relating to the issue on which the Management Committee voted. The Expert shall also, subject to (b) below, if the matter is included in the referral to the Expert, determine what the amount of the contribution should be. Such payment by the PECO Group shall be made not later than 30 days from the date of the Expert's decision. If the Expert decides that the exercise of the casting vote at the time could reasonably be deemed to constitute a Safety Issue, then the BE Group shall be specially allocated its proportional share of an amount of Company expenses for the year equal to the costs of the Expert. If the Expert decides that the exercise of the casting vote at the time could not reasonably be deemed to constitute a Safety Issue, then the PECO Group shall be specially allocated its proportional share of an amount of Company expenses for the year equal to the costs of the Expert. The allocations shall be made at the AmerGen Parent level if they cannot be properly accounted for at the Company level.

(b) With regard to technical matters concerning determination of a Safety Issue, the Expert shall be a qualified engineer, with not less than ten years' experience, from a recognized nuclear engineering consulting firm with particular expertise in NRC regulation. With regard to financial issues concerning the expenditure commitment allocated to the

aforesaid agenda item, the Expert shall be a financial accountant from a recognized accounting firm with expertise in NRC regulation. Should the parties fail to agree on the appointment of the Expert within seven days of the notice of referral by the BE Group, the Expert shall be appointed by the President of the American Institute of Nuclear Engineers. The Expert shall consider the evidence he or she deems necessary to rendering a decision, including speaking to persons representing each Group, requesting affidavits and questioning in person those making affidavits. The Expert shall render a written decision with reasons therefor within fifteen days of the Expert's appointment.

(c) The Expert's decision shall be final and binding on the Member and the Groups hereby acknowledge that the Expert is acting as such and not as an arbitrator on matters of legal dispute.

(d) Within one year from completion of a modification for which the PECO Group has been allocated expenses pursuant to Section 6.5(a), to the extent that the PECO Group demonstrates that such modification has enhanced the value of the plant that was the subject of the expenditure, the BE Group shall be specially allocated an amount of Company expenses for the year equal to such Group's proportional share of the amount by which the Fair Market Value of such plant exceeds the Fair Market Value of the plant if such expenditure had not been made. As a result of the lack of a representative market for transactions involving nuclear-powered generating facilities, the Groups agree that it would be difficult to measure the effect on Fair Market Value of the expenditure using the definition of Fair Market Value provided in this Agreement. The Groups, therefore, agree that, for purposes of this Section 6.5(d), Fair Market Value shall be determined using a discounted cash flow analysis.

(e) Within one year from completion of a modification for which the PECO Group has been allocated expenses pursuant to Section 6.5(a), to the extent that the BE Group demonstrates that such modification has reduced the value of the plant that was the subject of the expenditure, the PECO Group shall be specially allocated an amount of Company expenses for the year equal to an amount equal to such Group's proportional share of the amount by which the Fair Market Value of such plant is less than the Fair Market Value of the plant if such expenditure had not been made. For the reasons provided in Section 6.5(d), the Groups agree that, for purposes of this Section 6.5(e), Fair Market Value shall be determined using a discounted cash flow analysis.

(f) Notwithstanding any reference above to an expert, nothing herein shall prevent the Company from proceeding to implement the decision of the Management Committee on any purported Safety Issue in accordance with the terms of such decision.

(g) To the extent that any allocation provided for in this Section 6.5 cannot be fully made within a particular fiscal year, such amounts that cannot be allocated shall be allocated in the next succeeding fiscal year.

6.6 Confidentiality. The Member shall, and shall cause each of its Affiliates, and each of its and their respective partners, members, managers, shareholders, directors, officers, employees and agents (collectively, "Agents") to, keep secret and retain in strictest confidence, and not use for any purpose except as contemplated by this Agreement, any and all confidential information relating to the Company which is (i) not otherwise in the public domain, (ii) not otherwise in the rightful possession of such Member (or Affiliate) from third parties having no obligation of confidentiality to a Member or the Company and (iii) not required to be disclosed

by such Member, its Affiliates or Agents pursuant to Federal, state or local law, and shall not disclose such information, and shall cause its Agents not to disclose such information, to anyone except (x) such Member's Affiliates or Agents who have a need to know such information in connection with the matters contemplated by this Agreement, and (y) other Persons (such as lenders to a Member) who have a bona fide business reason for obtaining such information in connection with their dealings with such Member and who agree in writing to keep in confidence all confidential information in accordance with the terms of this Section and such other terms as shall be acceptable to the Management Committee. The confidentiality obligations under this Section shall survive the termination of this Agreement for a period of three years. Nothing in this Section shall be construed to limit the right of the Member to report the financial condition and results of operations of the Company to regulatory authorities to the extent required by law or regulation.

ARTICLE 7

TRANSFER OR ENCUMBRANCE OF INTEREST

The Member's interest may be transferred only as a whole and only in compliance with applicable NRC regulations and the conditions stated in operating license DPR-28 for VYNPS.

ARTICLE 8

DISSOLUTION AND TERMINATION

8.1 No Voluntary Termination. Except as expressly provided in this Agreement or as otherwise provided by law, the Member hereby agrees not to dissolve, terminate or liquidate the Company, nor to resign or withdraw as the Member, for so long as the Company is the licensee of an NRC-licensed facility or holder of a certificate of public good issued by the State of Vermont.

8.2 Procedures Upon Dissolution.

(a) General. In the event the Company dissolves, it shall commence winding up pursuant to the appropriate provisions of the Act and the procedures set forth in this Section 8.2. Notwithstanding the dissolution of the Company, prior to the filing of the articles of termination of the Company, the business of the Company and the affairs of the Member, as such, shall continue to be governed by this Agreement.

(b) Control of Winding Up. The winding up of the Company shall be conducted under the direction of the Management Committee or such other Person as may be designated by a court of competent jurisdiction (herein sometimes referred to as the "Liquidator"); provided that if the dissolution is caused by entry of a decree of judicial dissolution, the winding up shall be carried out in accordance with such decree.

(c) Manner of Winding Up. The Company shall engage in no further business following dissolution other than that necessary for the orderly winding up of business and distribution of assets. The Company's maintenance of offices shall not be deemed a continuation of business for purposes of this Section 8.2. Upon dissolution of the Company, the Liquidator shall, subject to Section 8.2(a), sell the Company or all the Company assets in such manner and on such terms as it deems fit, consistent with its fiduciary responsibility and having

due regard to the activity and condition of the relevant market and general financial and economic conditions.

(d) Application of Assets. Upon dissolution of the Company, the Company's assets (which shall, after the sale or sales referenced in Section 8.2(c), consist of the proceeds thereof) shall be applied as follows:

(i) Creditors. First, to creditors, including the Member and Representatives who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the reasonable provision for the payment thereof). Any reserves set up by the Liquidator may be paid over by the Liquidator to an escrow agent or trustee, to be held in escrow or trust for the purpose of paying any such liabilities or obligations, and, at the expiration of such period as the Liquidator may deem advisable, such reserves shall be distributed to the Member or its assigns.

(ii) Member. Second, to the Member.

8.3 Termination Documents. Upon completion of the winding up of the Company and the distribution of all Company assets, the Company's affairs shall terminate and the Member shall cause to be executed and filed any and all documents required by the Act to effect the termination of the Company.

ARTICLE 9

LIABILITY AND INDEMNIFICATION

9.1 No Personal Liability.

(a) Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Indemnified Person (as defined in paragraph (b) below) shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being an Indemnified Person.

(b) Except as otherwise provided in this Agreement, no Representative or Member or its Affiliates, or any of their respective shareholders, directors, officers, employees, agents, members, managers or partners, or any officer of the Company or other Persons designated by the Management Committee to act on behalf of the Company (each, an "Indemnified Person"), shall be liable, responsible or accountable in damages or otherwise to the Company or to any other Indemnified Person for any act or omission performed or omitted by an Indemnified Person (in its capacity as such), whether for mistake of judgment or negligence or other action or inaction, unless such action or omission constitutes willful misconduct, gross negligence or bad faith. Each Indemnified Person may consult with counsel, accountants and other experts in respect of the affairs of the Company and such Indemnified Person shall be fully protected and justified in any action or inaction which is taken in good faith in accordance with the advice or opinion of such counsel, accountants or other experts, provided that they shall have been selected with reasonable care. The inclusion of the Member as an Indemnified Person shall not operate to limit the Member's obligation as described in the last sentence of Section 9.5 below.

9.2 Indemnification by Company. Except as otherwise provided in this Agreement, to the maximum extent permitted by applicable law, the Company shall protect, indemnify, defend and hold harmless each Indemnified Person for any acts or omissions performed or omitted by an Indemnified Person (in its capacity as such) unless such action or omission constituted willful misconduct, gross negligence or bad faith. The indemnification authorized under this Section shall include payment on demand of reasonable attorneys' fees and other expenses incurred in connection with, or in settlement of, any legal proceedings (whether between the Indemnified Person and a third party or between the Indemnified Person and another Indemnified Person or the Company), and the removal of any Liens affecting any property of the Indemnified Person. Such indemnification rights shall be in addition to any and all rights, remedies and recourse to which any Indemnified Person shall be entitled, whether or not pursuant to the provisions of this Agreement, at law or in equity. The indemnities provided for in this Section shall be recoverable only from the assets of the Company, and there shall be no recourse to any Member or other Person for the payment of such indemnities.

9.3 Notice and Defense of Claims.

(a) Notice of Claim. If any action, claim or proceeding ("Claim") shall be brought or asserted against any Indemnified Person in respect of which indemnity may be sought under Section 9.2 from the Company, the Indemnified Person shall give prompt written notice of such Claim to the Company which may assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Person and the payment of all of such counsel's fees and expenses; provided that any delay or failure to so notify the Company shall relieve the Company of its obligations hereunder only to the extent, if at all, that it is prejudiced by reason of such delay or failure. Any such notice shall (i) describe in reasonable detail the facts and circumstances with respect to the Claim being asserted and (ii) refer to Section 9.2.

(b) Defense by the Company. In the event that the Company undertakes the defense of the Claim, the Company will keep the Indemnified Person advised as to all material developments in connection with any Claim, including, but not limited to, promptly furnishing to the Indemnified Person copies of all material documents filed or served in connection therewith. The Indemnified Person shall have the right to employ one separate counsel per jurisdiction in any of the foregoing Claims and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Person unless both the Indemnified Person and the Company are named as parties and representation by the same counsel is inappropriate due to actual differing interests between them; provided that under no circumstances shall the Company be liable for the fees and expenses of more than one counsel per jurisdiction in any of the foregoing Claims for the Indemnified Person together with its Affiliates, and their respective officers, directors, employees, agents, successors and assigns, taken collectively and not separately. The Company may, without the Indemnified Person's consent, settle or compromise any Claim or consent to the entry of any judgment if such settlement, compromise or judgment involves only the payment of money damages by such Company or provides for unconditional release by the claimant or the plaintiff of the Indemnified Person from all liability in respect of such Claim.

(c) Defense by the Indemnified Person. If the Company, within twenty business days after receiving written notice of any such Claim, fails to assume the defense thereof, the Indemnified Person shall have the right to undertake the defense, compromise or settlement of such Claim for the account of the Company.

9.4 Directors' and Officers' Insurance. The Company shall provide appropriate directors and officers' insurance to the extent such insurance is available to the Company on commercially reasonable terms.

9.5 Limitation of Liability. Notwithstanding anything in this Agreement to the contrary, the Member shall not be directly liable to the Company for special, consequential or indirect damages, including loss of profits or revenue, loss of use of power system, interest charges or cost of capital, cost of purchased or replacement power, fuel cost differential, whether based on contract, warranty, tort liability (including negligence), indemnity, strict liability or otherwise. Nothing in this Agreement is intended to alter or waive the Member's limited liability under the Act. The limitations on the Member's liability hereunder or under the Act shall not operate to limit the Member's obligation under any written guarantee to provide such funds to the Company as are necessary to meet the on-going operating expenses at VYNPS or as are necessary to maintain VYNPS safely as determined at any time by the Management Committee in order to protect the public health and safety or to comply with NRC requirements, or both.

ARTICLE 10 REGULATORY APPROVALS

10.1 General. The Company and the Member shall promptly make the necessary filings and obtain the appropriate approvals from applicable Governmental Authorities and cooperate fully with each other in order for the Company to conduct its business.

10.2 Re-examination upon Changes to the Atomic Energy Act. This Agreement is prepared to assure compliance with the Atomic Energy Act of 1954, as amended (42 U.S.C. §2133), including section 103 thereof. To the extent that such provision, such Act, or the application thereof materially changes, the Member will in good faith re-examine and re-negotiate the applicable provisions of this Agreement to take advantage of such changes.

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 Disclaimer of Agency. This Agreement does not create any relationship beyond the scope set forth herein, and except as otherwise expressly provided herein, the Member shall not have the right or authority to assume, create or incur any liability or obligation, express or implied, against, in the name of or on behalf of the Company. The Member intends that no further liability to any third party be inferred from the relationship described in this Agreement.

11.2 Amendment. Any amendment to this Agreement by the Member must be in writing. Without the prior written consent of the Director, Office of Nuclear Reactor Regulation (NRR), the Member can not modify in any material respect the provisions of Section 6.3(b)(i) of this Agreement concerning decision-making authority over Safety Issues, Section 6.1(a) concerning equal BE Inc. and PECO representation on the Management Committee and the U.S. citizenship of the PECO Group Representatives, Sections 6.1(d) and (f) concerning the U.S. citizenship of the Chairman and CNO, or Section 6.1(g) relating to the paramount responsibility of the Chairman and CEO and CNO.

11.3 Notices. All notices and other communications hereunder shall be validly given or made if in writing, when delivered personally (by courier service or otherwise), when delivered by telecopy (with proof of transmission), or when actually received when mailed by first-class certified United States mail, postage-prepaid and return receipt requested, in each case to the address or facsimile number of the party to receive such notice or other communication set forth below, or at such other address or facsimile number as any party hereto may from time to time advise the other parties pursuant to this Section:

If to a Representative of the PECO Group, to such Representative:

c/o PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
Attn: Gerald R. Rainey
President, PECO Nuclear
Facsimile: (610) 640-6611

with a copy to:

c/o PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101
Attn: General Counsel
Facsimile: (215) 568-3389

If to a Representative of the BE Group, to such Representative:

c/o British Energy Inc.
c/o The Corporation Trust Company
1209 Orange Street
Wilmington, DE 19801
Facsimile: (302) 655-5049

with a copy to:

c/o British Energy plc
10 Lochside Place
Edinburgh EH12 9DF
Attn: Dr. Jean MacDonald
Head of Legal Services
Facsimile: 0131 527 2277

with a copy to:

c/o PECO Energy Company
2301 Market Street S23-1
P.O. Box 8699
Philadelphia, PA 19101
Attn: Edward J. Cullen, Jr., Assistant Secretary
Facsimile: (215) 568-3389

Notice to AmerGen Parent as Member shall be given by sending notice to the BE Group Representatives and to the PECO Group Representatives in accordance with the provisions hereof. All legal process with regard hereto shall be validly served when served in accordance with applicable law.

11.4 Governing Law. This Agreement and all disputes hereunder shall be governed by and construed in accordance with the internal laws of the State of Vermont without regard to principles of conflicts of laws.

11.5 Successors and Assigns; No Third Party Beneficiaries. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Member's successors and assigns. No Person other than the Member and (to the extent provided in Article 9) the Indemnified Persons shall be entitled to exercise any right or enforce any obligation hereunder.

11.6 Severability. If any term of this Agreement or the application thereof to the Member or any circumstance shall be held invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

IN WITNESS WHEREOF, the Member has executed this Agreement as of the date first above written.

AMERGEN ENERGY COMPANY, L.L.C.

By: Charles P. Lewis
Name: Charles P. Lewis
Title: Vice President

ENCLOSURE 5

AMERGEN VERMONT, LLC ARTICLES OF ORGANIZATION

VERMONT SECRETARY OF STATE

Location: 81 River Street Mail: 109 State Street

Montpelier, VT 05609-1104 (802) 828-2386

LIMITED LIABILITY COMPANY ARTICLES OF ORGANIZATION

Name of LLC: AmerGen Vermont, LLC

(Name must contain the words Limited Liability Company, Limited Company, LLC, LC, limited may be abbrev as Lul and Company as Co.)

Organized under the laws of the state (or country) of: Vermont

A Foreign LLC (non VT) must attach a good standing certificate, dated no earlier than 30 days prior to filing, from its state of origin.

Address of principal office: 185 Old Ferry Road City Brattleboro - State VT Zip 05301

Name of process agent: C T CORPORATION SYSTEM

Agents address: c/o C T CORPORATION SYSTEM, 148 College Street City Burlington VT Zip 05401

An agent is the person or "corporation", residing IN VT, who is authorized to receive service of process. An LLC cannot be an agent.

The fiscal year ends the month of _____ . (DEC will be designated as the month your year ends unless you state differently.)

Is the company a TERM Limited Liability Company? No If YES, state the duration of its term: _____
(An LLC is an At-Will Company unless it is designated in its articles of organization as a Term Company)

This is a MANAGER-MANAGED company. [] YES [x] NO

If the LLC is Manager-Managed list the name and address of each initial MANAGER:

N/A

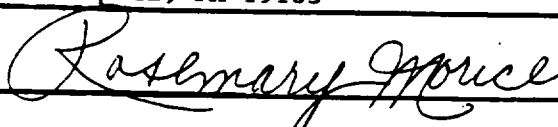
Indicate below whether the members of the company are to be personally liable for its debts and obligations under

11 VSA.3043(b): The members are not personally liable for the debts and obligations of this entity.

List name and address of each organizer: Rosemary Morice

2301 Market Street, S23-1, Philadelphia, PA 19103

SIGNATURE OF ORGANIZER(S):



The articles must be typewritten or printed and filed in duplicate. Unless a delayed effective date is specified, the document is effective on the date it is approved. A delayed effective date cannot be later than the 90th day after filing. ANNUAL REPORT: Each LLC under this title is required to file an annual report within 2-1/2 months of the close of its fiscal year end. Failure to file this report will result in termination of the LLC. The annual report form will be mailed to your process agent when the report is due.

FEES: VERMONT DOMESTIC LLC = \$75.00

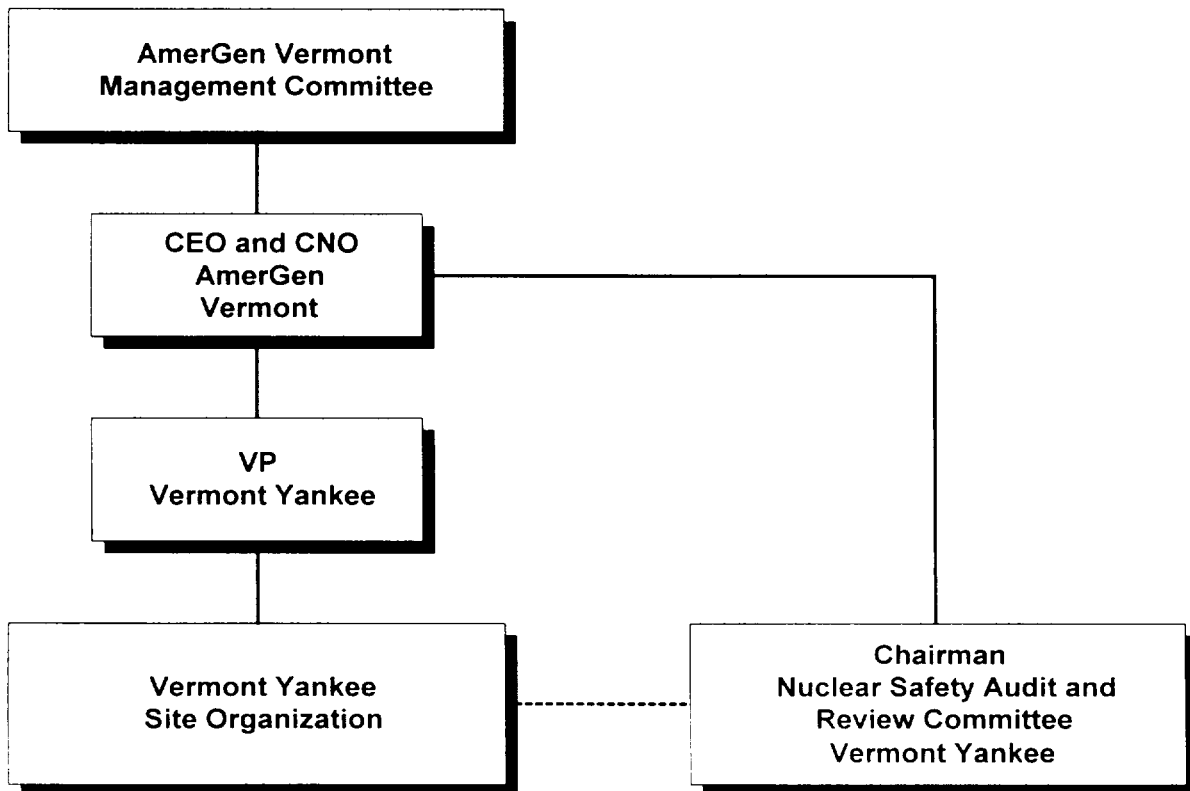
FOREIGN LLC = \$100.00

US OFFICE PRODUCTS

ENCLOSURE 6

**ORGANIZATION CHART SHOWING POST-ACQUISITION MANAGEMENT
AND SUPPORT STRUCTURE FOR VERMONT YANKEE**

**ORGANIZATION CHART
POST-ACQUISITION MANAGEMENT
VERMONT YANKEE**



(
(
(
US OFFICE PRODUCTS

ENCLOSURE 7

**ASSET PURCHASE AGREEMENT BY AND BETWEEN VERMONT YANKEE
NUCLEAR POWER CORPORATION, AS SELLER, AND
AMERGEN ENERGY COMPANY, LLC, AS BUYER,
DATED AS OF NOVEMBER 17, 1999 (NON-PROPRIETARY VERSION)**

VERMONT YANKEE NUCLEAR POWER STATION

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

VERMONT YANKEE NUCLEAR POWER CORPORATION, as SELLER,

AND

AMERGEN ENERGY COMPANY, L.L.C., as BUYER

Dated as of November 17, 1999

**PORTIONS OF THE TEXT IN THIS
DOCUMENT HAVE BEEN REDACTED
BECAUSE THEY CONTAIN CONFIDENTIAL
INFORMATION WITHHELD FROM PUBLIC
DISCLOSURE PURSUANT TO 10 CFR §§
2.790 AND 9.17(a)(4)**

**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

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LIST OF EXHIBITS AND SCHEDULES

EXHIBITS

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Exhibit B	Form of Bill of Sale
Exhibit C	[Intentionally Omitted]
Exhibit D	Form of FIRPTA Affidavit
Exhibit E	Form of Interconnection Agreement
Exhibit F	Form of Post-Closing Decommissioning Trust Agreement
Exhibit G	Form of Power Purchase Agreement
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**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of November 17, 1999 (the "Agreement Date"), by and between Vermont Yankee Nuclear Power Corporation, a Vermont corporation ("VYNPC" or "Seller"), and AmerGen Energy Company, L.L.C., a Delaware limited liability company ("Buyer"). Seller and Buyer are referred to individually as a "Party," and collectively as the "Parties."

WITNESSETH

WHEREAS, Seller owns the Vermont Yankee Nuclear Power Station ("VYNPS"), NRC Operating License No. DPR-28, located in Vernon, Vermont, and certain facilities and other assets associated therewith and ancillary thereto; and

WHEREAS, Buyer desires to purchase and assume, and Seller desires to sell and assign, the Purchased Assets (as defined in Section 2.1 below) and certain associated liabilities, upon the terms and conditions hereinafter set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms have the meanings specified in this Section 1.1.

(1) "Affiliate" has the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(2) "Agreement" means this Asset Purchase Agreement together with the Schedules and Exhibits hereto, as the same may be amended from time to time.

(3) "Agreement Date" has the meaning set forth in the Preamble.

(4) "Amendatory Power Agreement" means the Amendatory Power Agreement between Seller and each Sponsor in form and substance reasonably acceptable to Buyer and Seller.

**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

- (5) “Ancillary Agreements” means the Assignment and Assumption Agreement, the Easement Agreement, the Interconnection Agreement, the Post-Closing Decommissioning Trust Agreement, each Amendatory Power Agreement, the Transmission Asset Purchase Agreement, the Power Purchase Agreement, the Power Purchase Agreement Cash-Out Elections and the releases referred to in Section 3.8(b), as the same may be amended from time to time.
- (6) “ANI” means American Nuclear Insurers.
- (7) “APBO” has the meaning set forth in Section 6.10(k).
- (8) “Assignment and Assumption Agreement” means the Assignment and Assumption Agreement between Seller and Buyer, substantially in the form of Exhibit A hereto.
- (9) “Assumed Liabilities and Obligations” has the meaning set forth in Section 2.3.
- (10) “Assumed Thrift Plans” has the meaning set forth in Section 6.10(i).
- (11) “Atomic Energy Act” means the Atomic Energy Act of 1954, as amended.
- (12) “Benefit Plans” has the meaning set forth in Section 4.12(a).
- (13) “Benefits Assumptions” has the meaning set forth in Section 6.10(j).
- (14) “Bill of Sale” means the Bill of Sale, substantially in the form of Exhibit B hereto, to be delivered at the Closing.
- (15) “Business Day” means any day other than Saturday, Sunday and any day on which banking institutions in the State of New York are authorized by law or other governmental action to close.
- (16) “Buyer” has the meaning set forth in the preamble.
- (17) “Buyer Indemnitee” has the meaning set forth in Section 8.1(b).
- (18) “Buyer Material Adverse Effect” means any material adverse change in, or effect on, the business, financial condition, operations, results of operations or future prospects of Buyer, including any change or effect that is materially adverse to Buyer's ability to own, operate or use the Purchased Assets as so owned, operated and used by the Seller prior to the Agreement Date, taken as a whole.

**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

- (19) "Buyer NOF" has the meaning set forth in Section 6.12(a).
- (20) "Buyer QF" has the meaning set forth in Section 6.12(a).
- (21) "Buyer's Required Regulatory Approvals" has the meaning set forth in Section 5.3(b).
- (22) "Buyer's Total Basis" has the meaning set forth in Section 6.12(b).
- (23) "Byproduct Material" means any radioactive material (except Special Nuclear Material) yielded in, or made radioactive by, exposure to the radiation incident to the process of producing or utilizing Special Nuclear Material.
- (24) "Capital Expenditures" has the meaning set forth in Section 3.3(a)(iii).
- (25) "Cash Purchase Price" has the meaning set forth in Section 3.2.
- (26) "Cause" shall mean only (i) an employee's failure to perform, or negligence in the performance of, any of his/her duties for the Buyer or an Affiliate of the Buyer or (ii) conduct by an employee that violates any published rule, policy or procedure of the Buyer or an Affiliate of Buyer or that otherwise could reasonably be anticipated to be harmful to the business, interests or reputation of Buyer or an Affiliate of Buyer.
- (27) [Intentionally Omitted.]
- (28) "Closing" has the meaning set forth in Section 3.1.
- (29) "Closing Adjustment" has the meaning set forth in Section 3.3(b).
- (30) "Closing Date" has the meaning set forth in Section 3.1.
- (31) "CVPSC" means the Central Vermont Public Service Corporation.
- (32) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.
- (33) "Code" means the Internal Revenue Code of 1986, as amended.
- (34) "Commercially Reasonable Efforts" means efforts which are designed to enable a Party, directly or indirectly, to satisfy a condition to, or otherwise assist in the consummation of, the transactions contemplated by this Agreement and which do not require the performing Party to expend any funds or assume liabilities other than expenditures and liabilities which are customary

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and reasonable in nature and amount in the context of the transactions contemplated by this Agreement.

(35) “Confidentiality Agreement” means the Non-Disclosure Agreement, dated September 1997, as amended as of February 25, 1999, between Seller and Buyer.

(36) “Decommissioning” means the complete retirement and removal of the Facilities from service and the restoration of the Site, as well as any planning and administrative activities incidental thereto, including, without limitation, (a) the dismantlement, decontamination, storage and/or entombment of the Facilities, in whole or in part, and any reduction or removal, whether before or after termination of the NRC license for the Facilities, of radioactivity at the Site and (b) all activities necessary for the retirement, dismantlement and decontamination of the Facilities to comply with all applicable Nuclear Laws and Environmental Laws, including the applicable requirements of the Atomic Energy Act and the NRC’s rules, regulations and orders thereunder, the NRC Operating License for the Facilities and any related decommissioning plan.

(37) “Decommissioning Expense” means a “specified liability or loss which is attributable to amounts incurred in the decommissioning of a nuclear power plant” (as that phrase is used in Section 172(f)(3) of the Code) or other expense incurred in Decommissioning.

(38) “Decommissioning Funds” means the Qualified Decommissioning Fund and the Nonqualified Decommissioning Fund.

(39) “Department of Energy” or “DOE” means the United States Department of Energy and any successor agency thereto.

(40) “Department of Energy Decontamination and Decommissioning Fees” means all fees related to the Department of Energy’s Special Assessment of utilities for the Uranium Enrichment Decontamination and Decommissioning Fund pursuant to Sections 1801, 1802 and 1803 of the Atomic Energy Act and the Department of Energy’s implementing regulations at 10 C.F.R. Part 766, or any similar fees assessed under amended or superseding statutes or regulations applicable to separative work units purchased from the Department of Energy in order to decontaminate and decommission the Department of Energy’s gaseous diffusion enrichment facilities.

(41) “Department of Justice” means the United States Department of Justice and any successor agency thereto.

(42) “Direct Claim” has the meaning set forth in Section 8.2(c).

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(43) “DOE Standard Contract” means the contract for Disposal of Spent Nuclear Fuel and/or High Level Radioactive Waste, No. DE-CR01-83NE4431, dated as of June 10, 1985 between the Department of Energy and Seller.

(44) “Easement Agreement” means, collectively, the Easement Agreements between Velco and Seller in form and substance reasonably satisfactory to Buyer and Seller.

(45) “Easements” means, with respect to the Purchased Assets, the easements, licenses and access rights that have been or are to be granted by Seller or Buyer to Velco pursuant to the Interconnection Agreement or the Easement Agreement or in instruments conveying Real Property from Seller to Buyer, including, without limitation, easements authorizing access, use, maintenance, construction, repair, replacement, transmission line use and other activities by Velco or Buyer, as the case may be, all in form and substance reasonably satisfactory to Buyer and Seller.

(46) “Emission Reduction Credits” has the meaning given to such term in the Power Purchase Agreement.

(47) “Encumbrances” means any mortgages, pledges, liens, security interests, conditional and installment sale agreements, zoning limitations, conservation easements, deed restrictions, easements, encumbrances and charges of any kind which as to Real Property are of record or of which Seller has knowledge.

(48) “Energy Reorganization Act” means the Energy Reorganization Act of 1974, as amended.

(49) “Environment” means all air, surface water, groundwater or land, including land surface or subsurface, including all fish, wildlife, biota and all other natural resources.

(50) “Environmental Claim” means any and all pending and/or threatened administrative or judicial actions, suits, orders, claims, liens, notices, notices of violation, investigations, complaints, requests for information, proceedings or other written communication, whether criminal or civil, pursuant to or relating to any applicable Environmental Law by any Person (including, without limitation, any Governmental Authority, private person and citizens’ group) based upon, alleging, asserting or claiming any actual or potential (a) violation of, or liability under, any Environmental Law, (b) violation of any Environmental Permit, or (c) liability for investigatory costs, cleanup costs, removal costs, remedial costs, response costs, natural resource damages, property damage, personal injury, fines or penalties arising out of, based on, resulting from or related to, the presence, Release or threatened Release into the Environment of any Hazardous Substances at any location related to the Purchased Assets, including, without limitation, any off-Site location to which Hazardous Substances, or materials containing Hazardous Substances, were sent for handling, storage, treatment or disposal.

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(51) “Environmental Clean-up Site” means any location which is listed on the National Priorities List or on any similar state list of sites requiring investigation or cleanup, or which is the subject of any pending or threatened action, suit, proceeding or investigation related to or arising from any alleged violation of any Environmental Law, or at which there has been a Release or threatened or suspected Release of a Hazardous Substance.

(52) “Environmental Condition” means the presence or Release into the Environment, whether at the Site or at an off-Site location, of Hazardous Substances, including any migration of those Hazardous Substances through air, soil or groundwater to or from the Site or any off-Site location regardless of when such presence or Release occurred or is discovered.

(53) “Environmental Laws” means all federal, state and local, civil and criminal laws, regulations or legal requirements relating to pollution or protection of the Environment, natural resources or human health and safety, including, without limitation, laws relating to Releases of Hazardous Substances or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Substances. “Environmental Laws” include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Oil Pollution Act (33 U.S.C. §§ 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. §§ 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.), Chapters 23, 47, 48, 49, 56, 59, 61, 123, 157 and 201 of Title 10 of the Vermont Statutes and all other state laws analogous to any of the above. Notwithstanding the foregoing, Environmental Laws do not include Nuclear Laws.

(54) “Environmental Permit” means any federal, state or local permits, licenses, approvals, consents or authorizations required by any Governmental Authority under or in connection with any Environmental Law and includes any and all orders, consent orders or binding agreements issued or entered into by a Governmental Authority under any applicable Environmental Law.

(55) “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

(56) “ERISA Affiliate” has the meaning set forth in Section 2.4(j).

(57) “ERISA Affiliate Plans” has the meaning set forth in Section 2.4(j).

(58) “Estimated Adjustment” has the meaning set forth in Section 3.3(b).

(59) “Estimated Closing Statement” has the meaning set forth in Section 3.3(b).

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- (60) “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- (61) “Excluded Assets” has the meaning set forth in Section 2.2.
- (62) “Excluded Liabilities” has the meaning set forth in Section 2.4.
- (63) “Exempt Wholesale Generator” means an exempt wholesale generator as defined in Section 32 of the Holding Company Act and the regulations issued thereunder.
- (64) “Facility” means the nuclear generating station, facilities, equipment, supplies and improvements owned by Seller and included in the Purchased Assets.
- (65) “Federal Power Act” means the Federal Power Act, as amended.
- (66) “Federal Trade Commission” means the United States Federal Trade Commission and any successor agency thereto.
- (67) “FERC” means the United States Federal Energy Regulatory Commission and any successor agency thereto.
- (68) “Final Safety Analysis Report” or “FSAR” means the report, as updated, that is required to be maintained for VYNPS in accordance with the requirements of 10 C.F.R. § 50.71(e).
- (69) “FIRPTA Affidavit” means the Foreign Investment in Real Property Tax Act Certification and Affidavit, substantially in the form of Exhibit D hereto.
- (70) “Good Utility Practices” means any of the practices, methods and activities approved by a significant portion of the electric utility industry as good practices applicable to nuclear generating facilities of similar design, size and capacity or any of the practices, methods or activities which, in the exercise of reasonable judgment by a prudent nuclear operator in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, expedition and applicable law. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others, but rather to be practices, methods or acts generally accepted in the electric utility industry.
- (71) “Governmental Authority” means any federal, state, local, provincial, foreign or other governmental, regulatory or administrative agency, commission, body, department, board, or other governmental subdivision, court, tribunal, arbitrating body or other governmental authority.
- (72) “GMPC” means the Green Mountain Power Corporation.

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(73) “Hazardous Substances” means (a) any petrochemical or petroleum products, oil or coal ash, radioactive materials, radon gas, friable asbestos, urea formaldehyde foam insulation and transformers or other equipment that contain polychlorinated biphenyls, (b) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “contaminants,” “pollutants,” “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, and (c) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law; excluding, however, any Nuclear Material to the extent regulated under any Nuclear Laws.

(74) “High Level Waste” means (a) irradiated nuclear reactor fuel, (b) liquid wastes resulting from the operation of the first cycle solvent extraction system, or its equivalent, and the concentrated wastes from subsequent extraction cycles, or their equivalent, in a facility for reprocessing irradiated reactor fuel, and (c) solids into which such liquid wastes have been converted.

(75) “High Level Waste Repository” means a facility which is designed, constructed and operated by or on behalf of the Department of Energy for the storage and disposal of Spent Nuclear Fuel and other High Level Waste in accordance with the requirements set forth in the Nuclear Waste Policy Act.

(76) “Holding Company Act” means the Public Utility Holding Company Act of 1935, as amended.

(77) “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(78) “IBEW” means Local 300 of the International Brotherhood of Electrical Workers.

(79) “IBEW Collective Bargaining Agreement” means the Agreement as to Wages, Working Conditions and Seniority between Vermont Yankee Nuclear Power Corporation and Local Union 300 International Brotherhood of Electrical Workers for term beginning June 27, 1997 and ending June 19, 2000, as supplemented by the Letter of Understanding titled “12 hour Shift” dated September 23, 1998 and the Letter of Understanding titled “New Working Hours” dated January 26, 1999.

(80) “Income Tax” means any federal, state, local or foreign Tax (a) based upon, measured by or calculated with respect to net income, profits or receipts (including, without limitation, capital gains Taxes and minimum Taxes) or (b) based upon, measured by or calculated with respect to multiple bases (including, without limitation, corporate franchise taxes) if one or more of the bases

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on which such Tax may be based, measured by or calculated with respect to, is described in clause (a), in each case together with any interest, penalties or additions to such Tax.

(81) “Indemnifiable Loss” has the meaning set forth in Section 8.1(a).

(82) “Indemnifying Party” has the meaning set forth in Section 8.1(c).

(83) “Indemnitee” means a Buyer Indemnitee or a Seller Indemnitee, as the case may be.

(84) “Independent Accounting Firm” means such independent accounting firm of national reputation as is mutually appointed by Seller and Buyer.

(85) “Inspection” means all tests, reviews, examinations, inspections, investigations, verifications, samplings and similar activities conducted by Buyer or its agents or Representatives with respect to the Purchased Assets prior to the Closing.

(86) “Intellectual Property” means all patents and patent rights, trademarks and trademark rights, inventions, copyrights and copyright rights owned by Seller and necessary for the operation and maintenance of the Purchased Assets, and all pending applications for registrations of patents, trademarks and copyrights, as set forth in Schedule 2.1(l).

(87) “Interconnection Agreement” means the Interconnection Agreement between Velco and Buyer, substantially in the form of Exhibit E hereto.

(88) “Interim Period” has the meaning set forth in Section 6.1.

(89) “Inventories” means nuclear fuel (including fuel in the reactor) or alternative fuel inventories, materials, spare parts, consumable supplies and chemical inventories relating to the operation of the Facility located at, or in transit to, the Facility.

(90) “IRS” means the United States Internal Revenue Service and any successor agency thereto.

(91) “Knowledge” means the actual knowledge of the corporate officers of the specified Person charged with responsibility for the particular function, after reasonable inquiry by them of selected employees of such Person whom they believe, in good faith, to be the persons responsible for the subject matter of the inquiry.

(92) “Liability” or “Liabilities” means any liability, responsibility or obligation (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued

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or unaccrued, whether liquidated or unliquidated, whether incurred or consequential and whether due or to become due), including any liability for Taxes.

(93) “Loss” means any and all damages, fines, fees, penalties, deficiencies, losses and expenses (including, without limitation, all Remediation costs, fees of attorneys, accountants and other experts, or other expenses of litigation or proceedings or of any claim, default or assessment).

(94) “Low Level Waste” means waste material which contains radioactive nuclides emitting primarily beta or gamma radiation, or both, in concentrations or quantities which exceed applicable federal or state standards for unrestricted release. Low Level Waste does not include waste containing more than ten (10) nanocuries of transuranic contaminants per gram of material, Spent Nuclear Fuel, or material classified as either High Level Waste or waste which is unsuited for disposal by near-surface burial under any applicable federal regulations.

(95) “Material Adverse Effect” means any change (or changes taken together) in, or effect on, the Purchased Assets that is materially adverse to the operations or condition (financial or otherwise) of the Purchased Assets, taken as a whole, other than any change (or changes taken together) generally affecting the international, national, regional or local electric industry as a whole and not affecting the Purchased Assets or the Parties in any manner or degree significantly different from the industry as a whole, including, without limitation, changes in local wholesale or retail markets for electric power, national, regional or local electric transmission systems or operations thereof, and any change or effect resulting from action or inaction by a Governmental Authority with respect to an independent system operator or retail access in Vermont.

(96) “Mortgage Indentures” means the First Mortgage Indenture, dated as of October 1, 1970, as amended, between Seller and The Chase Manhattan Bank, as successor trustee, and the Second Mortgage, Fixture Filing and Security Agreement, dated as of February 22, 1990, as amended, between Seller and Societe Generale, New York Branch, as Agent Bank.

(97) “National Labor Relations Board” means the United States National Labor Relations Board and any successor agency thereto.

(98) “NEIL” means Nuclear Electric Insurance Limited.

(99) “NEPCO” means the New England Power Company.

(100) “NEPOOL” means the New England Power Pool, established by the NEPOOL Agreement, or its successor.

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(101) “NEPOOL Agreement” means the agreement establishing NEPOOL, dated September 1, 1971, as amended by the Restated NEPOOL Agreement filed with FERC on December 31, 1996, as finally approved by FERC and as further amended from time to time.

(102) 

(103) “1998 Financial Statements” has the meaning set forth in Section 4.4(a).

(104) “Nonqualified Decommissioning Fund” means the external trust fund, that does not meet the requirements of Code Section 468A and Treas. Reg. § 1.468A-5, maintained by Seller with respect to the Facility prior to the Closing pursuant to the Seller’s Decommissioning Trust Agreement and maintained by Buyer after the Closing pursuant to the Post-Closing Decommissioning Trust Agreement to the extent assets are transferred to such fund pursuant to Section 6.12.

(105) “Non-Transferred Employees” has the meaning set forth in Section 6.10(d).

(106) “Non-Union Employee” means any employee of Seller actively employed as of the Closing Date who provides services with respect to the Purchased Assets and is not covered by the IBEW Collective Bargaining Agreement.

(107) “NRC” means the United States Nuclear Regulatory Commission and any successor agency thereto.

(108) “NRC Operating License” means the Operating License No. DPR-28, granted to Seller by the Atomic Energy Commission, the predecessor of the NRC, which expires on March 21, 2012.

(109) “Nuclear Insurance Policies” means the insurance policies set forth on Schedule 1.1(109).

(110) “Nuclear Laws” means all federal, state and local, civil and criminal laws, regulations, rules, and other legal requirements relating to the regulation of nuclear power plants, Source Material, Byproduct Material and Special Nuclear Material; the regulation of Low Level Waste and High Level Waste; the transportation and storage of Nuclear Material; the regulation of Safeguards Information; the regulation of nuclear fuel; the enrichment of uranium; the disposal and storage of High Level Waste and Spent Nuclear Fuel; contracts for and payments into the Nuclear Waste Fund; and, as applicable, the antitrust laws and the Federal Trade Commission Act to specified activities

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or proposed activities of certain licensees of commercial nuclear reactors, but shall not include Environmental Laws. "Nuclear Laws" include the Atomic Energy Act, the Price-Anderson Act, the Energy Reorganization Act, Convention on the Physical Protection of Nuclear Material Implementation Act of 1982 (Public Law 97 - 351; 96 Stat. 1663), the Foreign Assistance Act of 1961 (22 U.S.C. § 2429 et seq.), the Nuclear Non-Proliferation Act of 1978 (22 U.S.C. §3201), the Low-Level Radioactive Waste Policy Act (42 U.S.C. § 2021b et seq.), the Nuclear Waste Policy Act, the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. § 2021d, 471), and the Energy Policy Act of 1992 (4 U.S.C. § 13201 et seq.), any Vermont laws analogous to the foregoing and the NRC rules and all rules, regulations and orders promulgated or issued under any of the foregoing.

(111) "Nuclear Material" means Source Material, Special Nuclear Material, Low Level Waste, High Level Waste, Byproduct Material and Spent Nuclear Fuel.

(112) "Nuclear Waste Fund" means the fund established by the Department of Energy under the Nuclear Waste Policy Act in which the Spent Nuclear Fuel Fees to be used for the design, construction and operation of a High Level Waste Repository and other activities related to the storage and disposal of Spent Nuclear Fuel and/or High Level Waste are deposited.

(113) "Nuclear Waste Policy Act" means the Nuclear Waste Policy Act of 1982, as amended.

(114) "Observers" has the meaning set forth in Section 6.1(c).

(115) "Party" (and the corresponding term "Parties") has the meaning set forth in the preamble.

(116) "PBGC" means the Pension Benefit Guaranty Corporation established by ERISA.

(117) "PBO" has the meaning set forth in Section 6.10(j).

(118) "Permits" has the meaning set forth in Section 4.17(a).

(119) "Permitted Encumbrances" means (a) the Easements, (b) those exceptions to title to the Purchased Assets listed in Schedule 4.7A subject to a survey confirming that the location of the easements which are Permitted Encumbrances do not result in a Material Adverse Effect, with respect to the Real Property and 4.7B with respect to Tangible Personal Property, (c) with respect to any date before the Closing Date, Encumbrances created by the Mortgage Indentures, (d) statutory liens for Taxes or other governmental charges or assessments not yet due or delinquent or the validity of which is being contested in good faith by appropriate proceedings provided that the aggregate amount being so contested does not exceed \$250,000, (e) mechanics', carriers', workers',

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repairers' and other similar liens arising or incurred in the ordinary course of business relating to obligations as to which there is no default on the part of the Seller or the validity of which is being contested in good faith, and which do not, individually or in the aggregate, exceed \$250,000, (f) zoning, entitlement, conservation restriction and other land use and environmental regulations imposed by Governmental Authorities which do not, individually or in the aggregate, materially detract from the value of the Purchased Assets as currently used or materially interfere with the present use or operation of the Purchased Assets and neither secure indebtedness nor, individually or in the aggregate, result in a Material Adverse Effect, and (g) such minor liens, imperfections in or failure of title, charges, Easements, leases, licenses, restrictions, Encumbrances, encroachments and defects in title which do not materially detract from the value of the Purchased Assets as currently used or materially interfere with the present use or operation of the Purchased Assets and neither secure indebtedness nor, individually or in the aggregate, result in a Material Adverse Effect.

(120) "Person" means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization or Governmental Authority.

(121) "Post-Closing Adjustment" has the meaning set forth in Section 3.3(c).

(122) "Post-Closing Decommissioning Trust Agreement" means the Post-Closing Decommissioning Trust Agreement between Buyer and the Trustee, substantially in the form of Exhibit F hereto, pursuant to which any assets of any of the Decommissioning Funds to be transferred by Seller at Closing pursuant to Section 6.12 hereof will be held in trust.

(123) "Post-Closing Statement" has the meaning set forth in Section 3.3(c).

(124) "Power Purchase Agreement" means the Power Purchase Agreement between VYNPC and Buyer, in the form of Exhibit G hereto.

(125) "Power Purchase Agreement Cash-Out Election" means the Power Purchase Agreement Cash-Out Election among Seller, Buyer and certain Sponsors individually, substantially in the form of Exhibit H hereto.

(126) "Power Purchase Agreement Cash-Out Payments" means the cash payments made by any Sponsor pursuant to the Power Purchase Agreement Cash-Out Election in accordance with Schedule 1.1(126).

(127) "Price-Anderson Act" means Section 170 of the Atomic Energy Act and related provisions of Section 11 of the Atomic Energy Act.

(128) "Proposed Post-Closing Adjustment" has the meaning set forth in Section 3.3(c).

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(129) “Proprietary Information” of a Party means all information about the Party or its Affiliates, including their respective properties or operations, furnished to the other Party or its Representatives by the Party or its Representatives, after the date hereof, regardless of the manner or medium in which it is furnished, including information provided to a Party pursuant to the Confidentiality Agreement. In addition, after the Closing Date, “Proprietary Information” includes any non-public information regarding the Purchased Assets or the transactions contemplated by this Agreement. Proprietary Information does not include information that (a) is or becomes generally available to the public (other than as a result of a disclosure by the other Party or its Representatives in violation of a confidentiality agreement), (b) was available to the other Party on a nonconfidential basis prior to its disclosure by the Party or its Representatives, (c) becomes available to the other Party on a nonconfidential basis from a Person, other than the Party or its Representatives, who is not otherwise bound by a confidentiality agreement with the Party or its Representatives, or is not otherwise under any obligation to the Party or any of its Representatives not to transmit the information to the other Party or its Representatives, or (d) is independently developed by the other Party.

(130) “Purchased Assets” has the meaning set forth in Section 2.1.

(131) “Purchase Price” has the meaning set forth in Section 3.2.

(132) “Qualified Decommissioning Fund” means the external trust fund created pursuant to the Seller’s Decommissioning Trust Agreement and maintained by the Seller with respect to the Facility prior to the Closing and as represented by the Seller in Section 4.21 and the external trust fund maintained by Buyer after the Closing pursuant to the Post-Closing Decommissioning Trust Agreement to the extent assets are transferred to such fund by Seller pursuant to Section 6.12.

(133) “Real Property” has the meaning set forth in Section 4.13(a).

(134) “Real Property Agreements” has the meaning set forth in Section 4.8.

(135) “Receiving Party” has the meaning set forth in Section 6.6(k).

(136) “Refueling Outage” means the refueling outage RFO 21 for VYNPS currently scheduled to commence on October 29, 1999 including the refueling of VYNPS and the performance of certain maintenance, inspection and other work, as specifically described in Schedule 1.1(136).

(137) “Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance into the Environment.

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(138) “Remediation” means action of any kind to address a Release, the threat of a Release or the presence of Hazardous Substances at the Site or an off-Site location, including, without limitation, any or all of the following activities to the extent they relate to or arise from the presence of a Hazardous Substance at the Site or an off-Site location: (a) monitoring, investigation, assessment, treatment, cleanup, containment, removal, mitigation, response or restoration work; (b) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such activity; (c) preparing and implementing any plans or studies for any such activity; (d) obtaining a written notice from a Governmental Authority with jurisdiction over the Site or an off-Site location under Environmental Laws that no material additional work is required by such Governmental Authority; (e) the use, implementation, application, installation, operation or maintenance of remedial or removal actions on the Site or an off-Site location, remedial technologies applied to the surface or subsurface soils, excavation and off-Site treatment or disposal of soils, systems for long term treatment of surface water or groundwater, engineering controls or institutional controls; and (f) any other activities reasonably determined by a Party to be necessary or appropriate or required under Environmental Laws to address the presence or Release of Hazardous Substances at the Site or an off-Site location.

(139) “Replacement Welfare Plans” has the meaning set forth in Section 6.10(h).

(140) “Representatives” of a Party means the Party and its Affiliates and their directors, officers, employees, agents, partners, advisors (including, without limitation, accountants, counsel, environmental consultants, financial advisors and other authorized representatives) and parents and other controlling persons.

(141) “Safeguards Information” means information not otherwise classified as national security information or restricted data under NRC’s regulations which specifically identifies an NRC licensee’s detailed (a) security measures for the physical protection of Special Nuclear Material or (b) security measures for the physical protection and location of certain plant equipment vital to the safety of production or utilization facilities.

(142) “SEC” means the United States Securities and Exchange Commission and any successor agency thereto.

(143) “Seller” has the meaning set forth in the preamble.

(144) “Seller Indemnitee” has the meaning set forth in Section 8.1(a).

(145) “Seller’s Agreements” means those contracts, agreements, licenses and leases relating to the ownership, operation and maintenance of the Purchased Assets as more particularly described in Section 4.15(a).

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(146) “Seller’s Decommissioning Trust Agreement” means the Indenture of Trust, dated as of March 11, 1988, as amended, between Seller and The Bank of New York, as successor trustee.

(147) “Seller’s Defined Benefit Plans” has the meaning set forth in Section 6.10(j).

(148) “Seller’s Required Regulatory Approvals” has the meaning set forth in Section 4.3(b).

(149) “Seller’s Retiree Welfare Plans” has the meaning set forth in Section 6.10(k).

(150) “Site” means the parcels of land included in the Real Property (described in Schedule 4.13(a)). Any reference to the Site shall include, by definition, the surface and subsurface elements, including the soils and groundwater present at the Site, and any reference to items “at the Site” shall include all items “at, on, in, upon, over, across, under and within” the Site.

(151) “Source Material” means (a) uranium or thorium, or any combination thereof, in any physical or chemical form or (b) ores which contain by weight one-twentieth of one percent (0.05%) or more of (i) uranium, (ii) thorium, or (iii) any combination thereof. Source Material does not include Special Nuclear Material.

(152) “Special Nuclear Material” means plutonium, uranium-233, uranium enriched in the isotope-233 or in the isotope-235, and any other material that the NRC determines to be “Special Nuclear Material.” Special Nuclear Material also refers to any material artificially enriched by any of the above-listed materials or isotopes.

(153) “Spent Nuclear Fuel” means fuel that has been permanently withdrawn from a nuclear reactor following irradiation. Spent Nuclear Fuel includes Special Nuclear Material, Byproduct Material, Source Material, greater than C Class waste and other radioactive materials associated with nuclear fuel assemblies.

(154) “Spent Nuclear Fuel Fees” means those fees assessed on electricity generated by VYNPS pursuant to the Standard Contract for Disposal of Spent Nuclear Fuel and/or High Level Waste, as provided in Section 302 of the Nuclear Waste Policy Act and 10 C.F.R. Part 961, as the same may be amended from time to time.

(155) “Sponsors” means, collectively, the sponsoring shareholders of Seller listed in Schedule 1.1(155), and “Sponsor” means an individual sponsoring shareholder of Seller listed in Schedule 1.1(155).

(156) “Tangible Personal Property” has the meaning set forth in Section 2.1(c).

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(157) “Tax Basis” means the adjusted tax basis determined for federal income tax purposes under Code Section 1011(a).

(158) “Taxes” means all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including, without limitation, income, excise, real or personal property, sales, transfer, franchise, payroll, withholding, social security, gross receipts, license, stamp, occupation, employment or other taxes, including any interest, penalties or additions attributable thereto.

(159) “Tax Return” means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) required to be supplied to any taxing authority with respect to Taxes, including amendments thereto.

(160) “Technical Specifications” means the technical specifications included in the NRC Operating License for VYNPS in accordance with the requirements of 10 C.F.R. § 50.36.

(161) “Termination Date” has the meaning set forth in Section 9.1(b).

(162) “Texas Disposal Fund” has the meaning set forth in Section 6.12(a)(i).

(163) “Third Party Claim” has the meaning set forth in Section 8.2(a).

(164) “Title Commitment” means the title insurance commitment attached as Exhibit L hereto.

(165) “Total NCV” has the meaning set forth in Section 6.12(a)(i).

(166) “Transferable Permits” means those Permits and Environmental Permits identified in Schedule 1.1(166), which may be transferred to Buyer without a filing with, notice to, consent or approval of any Governmental Authority.

(167) “Transferred Employee Records” means all records related to Transferred Employees, including, without limitation, the following information: (a) skill and development training, (b) biographies, (c) seniority histories, (d) salary and benefit information, (e) Occupational, Safety and Health Administration reports, (f) active medical restriction forms, (g) fitness for duty, and (h) disciplinary actions.

(168) “Transferred Employees” has the meaning set forth in Section 6.10(d).

(169) “Transferred Non-Union Employees” has the meaning set forth in Section 6.10(d).

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(170) “Transferred Union Employees” has the meaning set forth in Section 6.10(d).

(171) “Transition Committee” has the meaning set forth in Section 6.1(b).

(172) “Transmission Assets” has the meaning set forth in Section 2.2(a).

(173) “Transmission Asset Purchase Agreement” means the Transmission Asset Purchase Agreement substantially in the form of Exhibit M.

(174) “Trustee” means, as the case may be, prior to the Closing the trustee of the Decommissioning Funds appointed by Seller pursuant to the Seller’s Decommissioning Trust Agreement or after the Closing, to the extent any assets of the Decommissioning Funds are transferred by Seller pursuant to Section 6.12 pursuant to the Post-Closing Decommissioning Trust Agreement, the trustee appointed pursuant to the Post-Closing Decommissioning Trust Agreement.

(175) “Union Employee” means any employee of Seller actively employed as of the Closing Date who provides services with respect to the Purchased Assets and is covered by the IBEW Collective Bargaining Agreement.

(176) “VEBA” means a trust which constitutes a “Voluntary Employees’ Beneficiary Association” as defined in (and qualified as tax-exempt under) Section 501(c)(9) of the Code.

(177) “Velco” means Vermont Electric Power Company, Inc.

(178) “Vermont Yankee Spent Fuel Disposal Trust” means the trust (including the assets thereof) formed by the Indenture of Trust, dated as of August 31, 1989, between Seller and Chittenden Bank.

(179) “Vermont Yankee Spent Fuel Trust Supplemental Indenture” means the Vermont Yankee Spent Fuel Trust Supplemental Indenture between Seller and Chittenden Bank in a form and substance reasonably acceptable to Buyer and Seller.

(180) “VTDPS” means the Vermont Department of Public Service and any successor agency thereto.

(181) “VTPSB” means the Vermont Public Service Board and any successor agency thereto.

(182) “VYNPC” has the meaning set forth in the preamble.

(183) “VYNPS” has the meaning set forth in the preamble.

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(184) “WARN Act” means the federal Worker Adjustment Retraining and Notification Act of 1988, as amended.

(185) “Year 2000 Assets” means all of the computer hardware, software and firmware products (including embedded microcontrollers in non-computer equipment), interfaces with internal and external systems, and computer systems (including all constituent programs, processors, controllers, applications, routines, modules, processes, tools and other components) which are included in the Purchased Assets

(186) “Year 2000 Compliant” means, as used herein, Year 2000 Assets that accurately process date/time data (including, without limitation, calculating, comparing, and sequencing) from, into and between the twentieth and twenty-first centuries, the years 1999 and 2000, and leap years (including accurate leap-year calculations).

1.2 Certain Interpretive Matters. In this Agreement, unless the context otherwise requires, the singular shall include the plural, the masculine shall include the feminine and neuter, and vice versa. The term “includes” or “including” shall mean “including without limitation.” References to a Section, Article, Exhibit or Schedule shall mean a Section, Article, Exhibit or Schedule of this Agreement, and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented and restated through the date as of which such reference is made.

ARTICLE II

PURCHASE AND SALE

2.1 Transfer of Assets. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing Seller will sell, assign, convey, transfer and deliver to Buyer, and Buyer will purchase, assume and acquire from Seller, free and clear of all Encumbrances (except for Permitted Encumbrances), all of Seller’s right, title and interest in and to the following properties and assets constituting or used in and necessary for the operation of the Facility (collectively, “Purchased Assets”):

- (a) The Real Property (including all buildings, facilities and other improvements thereon, all appurtenances thereto and rights of ingress and egress) described in Schedule 4.13(a);
- (b) All Inventories and Spent Nuclear Fuel at the Site on the Closing Date;
- (c) All machinery, mobile or otherwise, equipment (including computer hardware and software and communications equipment used for internal corporate purposes or emergency plan

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purposes), vehicles, tools, spare parts, fixtures, furniture and furnishings and other personal property owned by the Seller on the Closing Date relating to or used in the operation of the Facility, including, without limitation, substation equipment and the items of personal property included in Schedule 4.13(b), other than property used or primarily usable as part of the Transmission Assets or otherwise constituting part of the Excluded Assets (collectively, "Tangible Personal Property");

(d) Subject to the provisions of Sections 2.4(c) and 6.4(c), all Seller's Agreements;

(e) All Real Property Agreements;

(f) All Transferable Permits;

(g) All books, operating records, operating, safety and maintenance manuals, inspection reports, engineering design plans, documents, blueprints and as built plans, specifications, procedures and similar items of Seller, wherever located, relating to the Facility and the other Purchased Assets (subject to the right of Seller to retain copies of same for its use) other than general ledger accounting records;

(h) Any Emission Reduction Credits;

(i) All unexpired, transferable warranties and guarantees from third parties with respect to any item of Real Property or personal property constituting part of the Purchased Assets;

(j) The name "Vermont Yankee Nuclear Power Station";

(k) All material memoranda, reports, technology and specifications relating to Seller's plans for Year 2000 compliance with respect to the Facility;

(l) All Intellectual Property rights of Seller developed or owned exclusively in connection with the operation of the Facility and a non-assignable (except to Affiliates), royalty-free, non-exclusive license to the Intellectual Property described in Schedule 2.1(1); provided that Seller shall have no obligation following the Closing to provide Buyer with any updates, maintenance or technical support with respect to the Intellectual Property; and provided further that Seller shall retain an irrevocable, perpetual and fully paid-up license to use the Intellectual Property; provided that Buyer shall have no obligation following the Closing to provide Seller with any updates, maintenance or technical support with respect to the Intellectual Property;

(m) The assets comprising the Decommissioning Funds and the Texas Disposal Fund together with all related accounting and other records, including, without limitation, records necessary to determine the Tax Basis of each asset in the Decommissioning Funds;

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(n) All Nuclear Insurance Policies as provided in Schedule 1.1(109) and the rights to proceeds from insurance policies for coverage of Purchased Assets and Assumed Liabilities and Obligations, excluding however, (i) any rights to receive premium refunds, distributions and continuity credits with respect to periods prior to the Closing Date pursuant to the ANI nuclear industry credit rating plan and (ii) Seller's account balance with respect to its membership in NEIL accrued up to the Closing Date;

(o) Subject to Section 6.13(d), all rights in and to any causes of action against third parties (including indemnification and contribution) relating to any Real Property or personal property, Permits, Environmental Permits, Taxes, Real Property Agreements or Seller's Agreements, if any, including any claims for refunds, prepayments, offsets, recoupment, insurance proceeds, condemnation awards, judgments and the like, whether received as payment or credit against future liabilities, relating specifically to the Facility or the Site, other than any such rights relating solely to Excluded Assets or Excluded Liabilities;

(p) Subject to Section 6.13(b), any claims of Seller related to the Department of Energy's defaults under the DOE Standard Contract accrued as of the Closing Date, whether relating to periods prior to or following the Closing Date, excluding such claims as may relate to the one-time fee with respect to fuel burned prior to April 7, 1983; and

(q) The assets funding the benefits plans referred to in Section 6.10(t).

2.2 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be construed as conferring on Buyer, and Buyer is not acquiring, any right, title or interest in or to the following specific assets which are associated with the Purchased Assets, but which are hereby specifically excluded from the sale and the definition of Purchased Assets herein (the "Excluded Assets"):

(a) The electrical transmission, communication, substation and other assets necessary for current or future transmission and distribution operations (as opposed to generation facilities) of Seller located at the Site or forming part of the Facility (whether or not regarded as a "transmission" or "generation" asset for regulatory or accounting purposes), including all switchyard facilities, substation facilities and support equipment within the 115kV and the 345kV substation, as well as all permits, contracts and warranties, to the extent they relate to such assets (collectively, the "Transmission Assets"), to be transferred to Velco pursuant to the Transmission Asset Purchase Agreement identified in Schedule 2.2(a);

(b) Certificates of deposit, shares of stock, securities, bonds, debentures, debt instruments and interests in joint ventures, partnerships, limited liability companies and other entities (including, without limitation, Seller's member account balances with NEIL), except the assets comprising the Decommissioning Funds;

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(c) All cash, cash equivalents, bank deposits, accounts and notes receivable (trade or otherwise), and any income, sales, property, payroll or other Tax receivables, except the assets comprising the Decommissioning Funds;

(d) All rights to premium refunds made after the Closing Date under any insurance policies of Seller, including (i) any rights to receive premium refunds, distributions and continuity credits with respect to periods prior to the Closing Date pursuant to the ANI nuclear industry credit rating plan and (ii) Seller's account balance with respect to its membership in NEIL accrued up to the Closing Date;

(e) All claims for refunds of Department of Energy Decontamination and Decommissioning Fees paid by Seller;

(f) All tariffs, agreements and arrangements to which Seller is a party for the purchase or sale of electric capacity and/or energy or for the purchase of transmission or ancillary services;

(g) Any asserted or unasserted rights or claims that relate to the Excluded Assets or the Excluded Liabilities;

(h) Any rights that accrue or will accrue to Seller under this Agreement;

(i) Any and all of Seller's rights in any contract representing an intercompany transaction between Seller and an Affiliate of Seller, whether or not such transaction relates to the provision of goods and services, payment arrangements, intercompany charges or balances, or the like;

(j) The Vermont Yankee Spent Fuel Disposal Trust and claims of Seller related or pertaining to the Department of Energy's defaults under the Department of Energy Standard Contract to the extent applicable to the one-time fee with respect to fuel burned prior to April 7, 1983;

(k) The name "Vermont Yankee Nuclear Power Corporation" and any related or similar trade names, trademarks, service marks, corporate names or logos, and any part, derivative or combination thereof, except "Vermont Yankee Nuclear Power Station"; and

(l) Any attorney-client privilege between Seller and any counsel representing Seller in connection with the negotiation, preparation, execution and delivery of and closing under this Agreement and all matters arising from or relating to this Agreement and the transactions contemplated hereby, and all attorney work product associated therewith.

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2.3 Assumed Liabilities and Obligations. On the Closing Date, Buyer shall deliver to Seller the Assignment and Assumption Agreement pursuant to which Buyer shall assume and agree to discharge when due, all of the following Liabilities of Seller (collectively, “Assumed Liabilities and Obligations”):

(a) All Liabilities of Seller arising on or after the Closing Date under (i) Seller’s Agreements (except as set forth in Schedule 2.3(a)), the Real Property Agreements and the Transferable Permits in accordance with the terms thereof, (ii) the contracts, agreements, personal property leases, commitments, understandings or instruments entered into by Seller with respect to the Purchased Assets and disclosed on other schedules to this Agreement (other than any schedule specifically excluding any such agreements), (iii) the contracts, agreements, personal property leases, commitments, understandings or instruments entered into by Seller with respect to the Purchased Assets after the date hereof consistent with the terms of Section 6.1 hereof, and (iv) the Purchased Assets (except to the extent any Liabilities related to such Purchased Assets are Excluded Liabilities), except in each case to the extent such Liabilities, but for a breach or default by Seller or a related waiver or extension, would have been paid, performed or otherwise discharged on or prior to the Closing Date or to the extent the same arise out of any such breach or default or related waiver or extension or out of any event which after the giving of notice would constitute a default by Seller;

(b) Except as provided in Sections 2.4(d) and 2.4(g) and except for the Remediation work specifically identified and required by Section 6.17 to be performed by or on behalf of Seller, all Liabilities (except for Excluded Liabilities) under or related to Environmental Laws or the common law with respect to the Purchased Assets;

(c) All Liabilities associated with the Purchased Assets in respect of Taxes for which Buyer is liable pursuant to Section 3.5 or 6.8(a) hereof;

(d) All Liabilities with respect to the Transferred Employees on and after the Closing Date for which Buyer is responsible pursuant to Section 6.10;

(e) With respect to the Purchased Assets, any Tax that may be imposed by any federal, state or local government on the ownership, sale, operation or use of the Purchased Assets on or after the Closing Date, except for any Income Taxes attributable to income received by Seller;

(f) All Liabilities of the Seller in respect of (i) the Decommissioning of the Facility following permanent cessation of operations, (ii) the management, storage, transportation and disposal of Spent Nuclear Fuel (other than that excluded pursuant to Section 2.4(o)), (iii) the Texas Disposal Fund and (iv) any other post-shut-down disposition of the Facility or any other of the Purchased Assets;

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(g) Except as provided in Sections 2.4(d), 2.4(g) and 2.4(o) and except for Seller's obligations set forth in Section 6.13, all Liabilities arising under or relating to Nuclear Laws or relating to any claim in respect of Nuclear Material arising out of the ownership or operation of the Purchased Assets whether occurring prior to, on or after the Closing Date, including liabilities or obligations arising out of or resulting from an "extraordinary nuclear occurrence," "nuclear incident" or "precautionary evacuation" (as such terms are defined in the Atomic Energy Act) at the Site, or any other licensed nuclear reactor site in the United States, including, without limitation, liability for any deferred premiums assessed in connection with such a nuclear incident or precautionary evacuation under any applicable NRC or industry retrospective rating plan or insurance policy, including any mutual insurance pools established in compliance with the requirements imposed under Section 170 of the Atomic Energy Act and 10 C.F.R. Part 140, 10 C.F.R. § 50.54(w); and

(h) All Liabilities under the NRC Operating License relating to the period after the Closing Date imposed by the NRC.

2.4 Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall be construed to impose on Buyer, and Buyer shall not assume or be obligated to pay, perform or otherwise discharge any Liabilities of Seller that are not expressly identified as Assumed Liabilities and Obligations, including, without limitation, the following Liabilities (the "Excluded Liabilities"):

(a) Any Liabilities of Seller in respect of any Excluded Assets or other assets of Seller which are not Purchased Assets;

(b) Any Liabilities in respect of Taxes attributable to the ownership, operation or use of Purchased Assets for taxable periods, or portions thereof, ending before the Closing Date, except for Taxes for which Buyer is liable pursuant to Sections 3.5 or 6.8(a) hereof;

(c) Any Liabilities of Seller accruing under any of Seller's Agreements prior to the Closing Date and any Liabilities of Seller under the Seller's Agreements listed on Schedule 2.3(a);

(d) Any Liabilities of Seller arising under or relating to Nuclear Laws or the common law, whether such Liability is known or unknown, contingent or accrued (whether or not arising or made manifest before the Closing Date or on or after the Closing Date), arising as a result of, or in connection with, or allegedly caused by, the disposal, treatment, storage, transportation, discharge, Release or recycling of Low Level Waste or other Nuclear Material, where such activities occurred off-Site prior to the Closing Date;

(e) Any fines, penalties or costs imposed by a Governmental Authority with respect to the Purchased Assets resulting from (i) an investigation, proceeding, request for

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information or inspection before or by a Governmental Authority relating to actions or omissions of Seller prior to the Closing Date or (ii) illegal acts, willful misconduct or gross negligence of Seller;

(f) Any payment obligations of Seller for goods delivered or services rendered prior to the Closing Date, including, without limitation, rental or lease payments pursuant to the Real Property Agreements and any leases relating to Tangible Personal Property;

(g) Any Liability arising under or related to Environmental Laws or the common law, whether such Liability is known or unknown, contingent or accrued (whether or not arising or made manifest before the Closing Date or on or after the Closing Date), arising as a result of, in connection with or allegedly caused by, the disposal, treatment, storage, transportation, discharge, Release or recycling of Hazardous Substances, where such activities occurred off-Site prior to the Closing Date;

(h) Any Liabilities to third parties (including employees) for personal injury or tort (including, without limitation, toxic torts) arising out of the ownership or operation of the Purchased Assets prior to the Closing Date, whether or not such Liability arose or was made manifest on or after the Closing Date);

(i) [Intentionally Omitted];

(j) Subject to Section 6.10, any Liabilities relating to any Benefit Plan maintained by Seller, or any employee benefit plan as defined in Section 3(3) of ERISA and maintained by any trade or business (whether or not incorporated) which is or ever has been under common control, or which is or ever has been treated as a single employer, with Seller under Section 414 (b) , (c) , (m) or (o) of the Code ("ERISA Affiliate") or to which Seller or any ERISA Affiliate contributed (the "ERISA Affiliate Plans"). including any multi-employer plan contributed to at any time by Seller or any ERISA Affiliate, or any multi-employer plan to which Seller or any ERISA Affiliate is or was obligated at any time to contribute, including, without limitation, any such Liability (i) relating to benefits payable under any Benefit Plans, (ii) relating to the PBGC under Title IV of ERISA, (iii) relating to a multi-employer plan, (iv) with respect to noncompliance with the notice and benefit continuation requirements of COBRA, (v) with respect to any noncompliance with ERISA or any other applicable laws, or (vi) with respect to any suit, proceeding or claim which is brought against Buyer, any Benefit Plan, ERISA Affiliate Plan, or any fiduciary or former fiduciary of any such Benefit Plan or ERISA Affiliate Plan;

(k) Subject to Section 6.10, any Liabilities relating to the employment or termination of employment, including discrimination, wrongful discharge, unfair labor practices, the constructive termination by Seller of any individual or any similar or related claim or cause of action, arising or related to the period prior to the Closing Date with respect to the Purchased Assets or

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Transferred Employees, except to the extent such Liabilities result from the affirmative conduct of the Buyer;

(l) Except as provided in Section 6.10, any obligations for wages, overtime, employment Taxes, severance pay, transition payments in respect of compensation or similar benefits or similar claims or causes of action accruing or arising prior to the Closing Date under any term or provision of any contract, plan, instrument or agreement relating to any of the Purchased Assets;

(m) Any Liability of Seller arising out of a breach by Seller of any of its obligations under this Agreement or the Ancillary Agreements;

(n) Any obligation of Seller to indemnify a Buyer Indemnitee under this Agreement; and

(o) Any Liability of Seller under the DOE Standard Contract with respect to the one-time fee for fuel burned prior to April 7, 1983.

ARTICLE III

THE CLOSING

3.1 Closing. Upon the terms and subject to the satisfaction of the conditions contained in Article VII of this Agreement, the sale, assignment, conveyance, transfer and delivery of the Purchased Assets to Buyer, the payment of the Cash Purchase Price to Seller, and the consummation of the other respective obligations of the Parties contemplated by this Agreement shall take place at a closing (the "Closing") (except for obligations specifically contemplated hereby to be completed after the Closing), to be held at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, Pennsylvania, at 10:00 a.m. local time, or another mutually acceptable time and location, on the date that is fifteen (15) Business Days following the date on which the last of the conditions precedent to Closing set forth in Article VII of this Agreement have been either satisfied or waived by the Party for whose benefit such conditions precedent exist but in any event not after the Termination Date, unless the Parties mutually agree on another date. The date of Closing is hereinafter called the "Closing Date." The Closing shall be effective for all purposes as of 12:01 a.m. on the Closing Date.

3.2 Purchase Price; Payment. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, in consideration of Seller's sale, assignment, conveyance, transfer and delivery of the Purchased Assets to Buyer, at the Closing Buyer will (a) pay or cause to be paid to Seller an aggregate amount of Ten Million Dollars (\$10,000,000), plus or minus any adjustments pursuant to the provisions of this Agreement (as so adjusted, the "Cash Purchase

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Price”), by wire transfer of immediately available funds denominated in U.S. dollars or by such other means as are agreed upon by Seller and Buyer, and (b) assume the Assumed Liabilities and Obligations specified in Section 2.3 (the sum of the Cash Purchase Price and the Assumed Liabilities and Obligations is referred to herein collectively as the “Purchase Price”).

3.3 Adjustment to Cash Purchase Price.

(a) Subject to Section 3.3(b), at the Closing, the Cash Purchase Price shall be adjusted, without duplication, to account for the items set forth in this Section 3.3(a):

(i) The Cash Purchase Price shall be adjusted to account for the items prorated as of the Closing Date pursuant to Section 3.5.

(ii) The Cash Purchase Price shall be increased by an amount equal to \$90,000 multiplied by the number of days prior to December 1, 2000 on which Closing occurs.

(iii) The Cash Purchase Price shall be increased by the amount expended by Seller between the date hereof and the Closing Date for capital additions to or replacements of property, plant and equipment included in the Purchased Assets and other expenditures or repairs on property, plant and equipment included in the Purchased Assets that are capitalized by Seller in accordance with its normal accounting policies; provided, that such expenditures (A) are not described in the capital budgets listed in Schedule 6.1, (B) are not required (1) for the customary operation and maintenance of VYNPS, (2) to replace equipment which has failed for any other reason, or (3) to comply with applicable laws, rules and regulations, and (C) Buyer has specifically requested or approved such expenditures in writing (“Capital Expenditures”). Nothing in this paragraph shall be construed to limit Seller’s rights and obligations to make all capital expenditures necessary to comply with NRC licenses and other Permits.

(iv) The Cash Purchase Price shall be decreased by an amount necessary to complete the Seller's plan of Remediation at the time of Closing pursuant to Section 6.17, as mutually agreed upon by the Parties.

(v) The Cash Purchase Price shall be adjusted to the extent that the technical work set forth on Schedule 3.3(a)(v) is not completed by the Closing Date in such amounts as set forth on Schedule 3.3(a)(v).

(vi) The Cash Purchase Price shall be adjusted to account for the items to be adjusted pursuant to Section 6.10.

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(vii) The Cash Purchase Price shall be decreased to the extent that the Low Level Waste that has been generated in the operations of the Facility prior to Closing and is on-Site at the Closing has an associated disposal cost in excess of \$250,000.

(b) At least thirty (30) calendar days prior to the Closing Date, Seller shall prepare and deliver to Buyer an estimated closing statement (the "Estimated Closing Statement") that shall set forth Seller's best estimate of all estimated adjustments to the Cash Purchase Price required by Section 3.3(a) (the "Estimated Adjustment"). Within twenty (20) calendar days after the delivery of the Estimated Closing Statement by Seller to Buyer, Buyer may object in good faith to the Estimated Adjustment in writing. The Seller agrees to cooperate with the Buyer and give the Buyer and its representatives information used to prepare the Estimated Adjustment. If Buyer objects to the Estimated Adjustment, the Parties shall attempt to resolve their differences by negotiation. If the Parties are unable to do so prior to the Closing Date (or if Buyer does not object to the Estimated Adjustment), the Cash Purchase Price shall be adjusted (the "Closing Adjustment") for the Closing by the amount of the Estimated Adjustment not in dispute. The disputed portion shall be resolved in accordance with the provisions of Section 3.3(c) and paid as part of any Post-Closing Adjustment to the extent required by Section 3.3(c).

(c) Within sixty (60) days after the Closing Date, Seller shall prepare and deliver to Buyer a final closing statement (the "Post-Closing Statement") that shall set forth all adjustments to the Cash Purchase Price required by Section 3.3(a) not previously effected by the Closing Adjustment (the "Proposed Post-Closing Adjustment") and all work papers detailing such adjustments. The Post-Closing Statement shall be prepared using the same accounting principles, policies and methods as Seller has historically used in connection with the calculation of the items reflected on such Post-Closing Statement. Within thirty (30) days after the delivery of the Post-Closing Statement by Seller to Buyer, Buyer may object to the Proposed Post-Closing Adjustment in writing. Seller agrees to cooperate with Buyer to provide Buyer with the information used to prepare the Post-Closing Statement and information relating thereto. If Buyer objects to the Proposed Post-Closing Adjustment, the Parties shall attempt to resolve such dispute by negotiation. If the Parties are unable to resolve such dispute within thirty (30) days after any objection by Buyer, the Parties shall appoint the Independent Accounting Firm, which shall, at Seller's and Buyer's joint expense, review the Proposed Post-Closing Adjustment and determine the appropriate adjustment to the Cash Purchase Price, if any, within thirty (30) days after such appointment. The Parties agree to cooperate with the Independent Accounting Firm and provide it with such information as it reasonably requests to enable it to make such determination. The finding of such Independent Accounting Firm shall be binding on the Parties hereto. Upon determination of the appropriate adjustment (the "Post-Closing Adjustment") by agreement of the Parties or by binding determination of the Independent Accounting Firm, the Party owing the difference shall deliver such amount to the other Party no later than two (2) Business Days after such determination, in immediately available funds or in any other manner as reasonably requested by the payee.

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3.4 Allocation of Purchase Price. Buyer and Seller shall agree upon an allocation among the Purchased Assets of the Purchase Price consistent with Section 1060 of the Code and the Treasury Regulations thereunder within sixty (60) days after the Closing Date, except to the extent any such allocation is required for the calculation of transfer taxes paid at Closing in which case Buyer and Seller shall agree upon an allocation for Purchased Assets subject to such transfer taxes at least ten days prior to the Closing Date. If Buyer and Seller cannot agree on any such allocation, such dispute shall be resolved in accordance with Section 6.8(d) of this Agreement. Buyer and Seller shall treat the transaction contemplated by this Agreement as the acquisition by Buyer of a trade or business for United States federal income tax purposes and agree that no portion of the consideration therefor shall be treated in whole or in part as the payment for services or future services. The allocation required by this Section 3.4 shall be revised based on the Post-Closing Adjustment within one hundred eighty (180) days after the Closing Date. Each of Buyer and Seller agrees to file IRS Form 8594, and all federal, state, local and foreign Tax Returns, in accordance with any such agreed allocation as adjusted as provided herein. Each of Buyer and Seller shall report the transactions contemplated by this Agreement for federal Tax and all other Tax purposes in a manner consistent with any such allocation determined pursuant to this Section 3.4. Each of Buyer and Seller agrees to provide the other promptly with any information required to complete Form 8594. Buyer and Seller shall notify and provide the other with reasonable assistance in the event of an examination, audit or other proceeding regarding any allocation of the Purchase Price determined pursuant to this Section 3.4. Buyer and Seller shall not take any position in any Tax Return, Tax proceeding or audit that is inconsistent with such allocation.

3.5 Prorations.

(a) Buyer and Seller agree that all of the items normally prorated, including those listed below (but not including Income Taxes), relating to the business and operation of the Purchased Assets shall be prorated as of the Closing Date, with Seller liable to the extent such items relate to any time period prior to the Closing Date, and Buyer liable to the extent such items relate to periods commencing with the Closing Date (measured in the same units used to compute the item in question, otherwise measured by calendar days):

(i) Personal property, real estate and occupancy Taxes, assessments and other charges, including those of the type that could give rise to a Permitted Encumbrance, if any, on or with respect to the business and operation of the Purchased Assets;

(ii) Rent, Taxes and all other items (including prepaid services or goods not included in Inventory) payable by or to Seller under any of Seller's Agreements;

(iii) Any permit, license, registration, compliance assurance fees or other fees with respect to any Transferable Permit;

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(iv) Sewer rents and charges for water, telephone, electricity and other utilities;

(v) Rent and Taxes and other items payable by Seller under the Real Property Agreements assigned to Buyer;

(vi) Fees or charges imposed by the Institute for Nuclear Power Operations, Nuclear Energy Institute, NRC or any other Governmental Authority; and

(vii) Insurance premiums with respect to the policies transferred to Buyer pursuant to Section 2.1(n).

(b) In connection with the prorations referred to in (a) above, in the event that actual figures are not available at the Closing Date, the proration shall be based upon the actual Taxes or other amounts accrued through the Closing Date or paid for the most recent year (or other appropriate period) for which actual Taxes or other amounts paid are available. Such prorated Taxes or other amounts shall be re-prorated and paid to the appropriate Party within sixty (60) days of the date that the previously unavailable actual figures become available. The prorations shall be based on the number of days in a year or other appropriate period (i) before the Closing Date and (ii) including and after the Closing Date. Seller and Buyer agree to furnish each other with such documents and other records as may be reasonably requested in order to confirm all adjustment and proration calculations made pursuant to this Section 3.5.

3.6 Deliveries by Seller. At the Closing, Seller will deliver, or cause to be delivered, the following to Buyer:

(a) The Power Purchase Agreement Cash-Out Payments by any Sponsors making the Power Purchase Agreement Cash-Out Election, by wire transfers of immediately available funds denominated in U.S. dollars or by such other means as are agreed to in advance of the Closing by Buyer;

(b) The Bill of Sale, duly executed by Seller;

(c) Copies of any and all governmental and other third party consents, waivers or approvals obtained by Seller with respect to the transfer of the Purchased Assets, or the consummation of the transactions contemplated by this Agreement;

(d) The opinion of counsel and officer's certificate contemplated by Section 7.1;

(e) One or more quit claim deeds conveying the Real Property to Buyer, substantially in the form of Exhibit I hereto, duly executed and acknowledged by Seller in recordable form, and any owner's affidavits or similar documents reasonably required by the title company;

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- (f) All Ancillary Agreements to which Seller is a party, duly executed by Seller and the other parties thereto other than Buyer;
- (g) A FIRPTA Affidavit, duly executed by Seller;
- (h) The Power Purchase Agreement and the Amendatory Power Agreements duly executed by the Sponsors set forth therein;
- (i) The Power Purchase Agreement Cash-Out Elections, duly executed by the Sponsors making such election;
- (j) The Easement Agreement and the Interconnection Agreement duly executed by Velco;
- (k) Seller's Decommissioning Funds Certificate, if required by Seller's Decommissioning Trust Agreement;
- (l) Copies, certified by the Secretary or Assistant Secretary of Seller, of corporate resolutions of the stockholders and board of directors of Seller authorizing the execution and delivery of this Agreement and all of the agreements and instruments to be executed and delivered by Seller in connection herewith, and the consummation of the transactions contemplated hereby;
- (m) A certificate of the Secretary or Assistant Secretary of Seller identifying the name and title and bearing the signatures of the officers of Seller authorized to execute and deliver this Agreement and the other agreements and instruments to be executed and delivered by Seller in connection herewith;
- (n) A certificate of good standing with respect to Seller (dated within three (3) Business Days of the Closing Date), issued by the Secretary of State of the State of Vermont;
- (o) To the extent available, originals of all Seller's Agreements, Real Property Agreements and Transferable Permits and, if not available, true and correct copies thereof, together with notices to and, if required by the terms thereof, consents by other Persons which are parties to such Seller's Agreements, Real Property Agreements and Transferable Permits;
- (p) The assets of the Decommissioning Funds to be transferred pursuant to Section 6.12 shall be delivered to the Trustee under the Post-Closing Decommissioning Trust Agreement (or to Buyer if so directed in writing by Buyer, subject to any required regulatory approvals);

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(q) All such other instruments of assignment, transfer or conveyance as shall, in the reasonable opinion of Buyer and its counsel, be necessary or desirable to transfer to Buyer the Purchased Assets, in accordance with this Agreement and where necessary or desirable in recordable form;

(r) Evidence of the credit insurance or surety bond referred to in Section 7.1(x);
and

(s) Such other agreements, consents, documents, instruments and writings as are required to be delivered by Seller at or prior to the Closing Date pursuant to this Agreement or otherwise reasonably required in connection herewith.

3.7 Deliveries by Buyer. At the Closing, Buyer will deliver, or cause to be delivered, the following to Seller:

(a) The Cash Purchase Price, as adjusted pursuant to Section 3.3;

(b) The opinion of counsel and officer's certificate contemplated by Section 7.2;

(c) All Ancillary Agreements to which Buyer is a party, duly executed by Buyer;

(d) Copies, certified by the Secretary or Assistant Secretary of Buyer, of resolutions authorizing the execution and delivery of this Agreement, and all of the agreements and instruments to be executed and delivered by Buyer in connection herewith, and the consummation of the transactions contemplated hereby;

(e) A certificate of the Secretary or Assistant Secretary of Buyer identifying the name and title and bearing the signatures of the officers of Buyer authorized to execute and deliver this Agreement and the other agreements to be executed and delivered by Buyer in connection herewith;

(f) Certificates of good standing with respect to Buyer (dated within three (3) Business Days of the Closing Date), issued by the Secretary of State of the State of Delaware and the Secretary of State of the State of Vermont;

(g) All such other instruments of assumption as shall, in the reasonable opinion of Seller and its counsel, be necessary for Buyer to assume the Assumed Liabilities and Obligations in accordance with this Agreement;

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(h) Copies of any and all governmental and other third party consents, waivers or approvals obtained by Buyer with respect to the transfer of the Purchased Assets, or the consummation of the transactions contemplated by this Agreement;

(i) Such other agreements, documents, instruments and writings as are required to be delivered by Buyer at or prior to the Closing Date pursuant to this Agreement or otherwise reasonably required in connection herewith; and

(j) Evidence of Buyer's membership in NEPOOL.

3.8 **Pre-Closing Deliveries.** (a) Sponsors having entitlement percentages for the purchase of energy, net capacity and ancillary products from the Facility of not more than 45% in the aggregate may elect to cash-out of the Sponsor's obligations with respect to such entitlement percentages by delivering a Power Purchase Agreement Cash-Out Election to Buyer, with a copy to Seller, which election shall be made on or before November 1, 1999.

(b) The Buyer and Seller have executed and delivered as of the Agreement Date the releases substantially in the form of Exhibit N.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, to the Seller's Knowledge, as follows:

4.1 **Organization; Qualification.** Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Vermont and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted. Seller has heretofore delivered to Buyer complete and correct copies of its Articles of Association and Bylaws as currently in effect.

4.2 **Authority.** Seller has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements to which Seller is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action required on the part of Seller and no other corporate proceedings on the part of Seller are necessary to authorize this Agreement and the Ancillary Agreements to which it is a party or to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller, and assuming that this Agreement constitutes a valid and binding agreement of Buyer,

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subject to the receipt of Seller's Required Regulatory Approvals, constitutes the legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

4.3 Consents and Approvals; No Violation.

(a) Except as set forth in Schedule 4.3(a), and subject to the receipt of Seller's Required Regulatory Approvals, neither the execution and delivery by Seller of this Agreement or the Ancillary Agreements to which Seller is a party nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with or result in the breach or violation of any provision of the Articles of Association or Bylaws of Seller, (ii) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, license or other restriction of any Governmental Authority to which the Seller or any of its property is subject, (iii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which Seller is a party or by which Seller or any of the Purchased Assets may be bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, create a Material Adverse Effect, or (iv) constitute violations of any order, writ, injunction, decree, statute, rule or regulation applicable to Seller, or any of its assets, which violation, individually or in the aggregate, would create a Material Adverse Effect.

(b) Except as set forth in Schedule 4.3(b) (the filings and approvals, including all relevant decisions and orders, applicable to the Seller and/or the Sponsors and referred to in Schedule 4.3(b) are collectively referred to as the "Seller's Required Regulatory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Authority is necessary for the consummation by Seller of the transactions contemplated hereby, other than (i) such declarations, filings, registrations, notices, authorizations, consents or approvals which, if not obtained or made, will not, individually or in the aggregate, create a Material Adverse Effect or (ii) such declarations, filings, registrations, notices, authorizations, consents or approvals which become applicable to Seller as a result of the specific regulatory status of Buyer (or any of its Affiliates) or the result of any other facts that specifically relate to the business or activities in which Buyer (or any of its Affiliates) is or proposes to be engaged.

4.4 Financial Statements; Reports.

(a) Seller has delivered to Buyer complete and correct copies of (i) its balance sheets at December 31, 1996, 1997 and 1998 and the related statements of income and retained earnings and statements of cash flows and capital expenditures for the years then ended, together with the notes thereto and the report thereon by Arthur Andersen LLP and (ii) its unaudited balance sheets at the end of each calendar month ended after December 31, 1998 and prior to the date hereof

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and its unaudited statements of operations and cash flows for such months. Such financial statements, including all related notes, fairly present in all material respects the consolidated financial position, assets and liabilities (whether accrued, absolute, contingent or otherwise) of Seller as of the respective dates thereof and the consolidated results of operations, changes in retained earnings and cash flows of Seller for the periods indicated in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except for changes in accounting principles disclosed in the notes thereto) and subject in the case of interim financial statements to year-end adjustments and the absence of notes. The audited financial statements of Seller as at and for the year ended December 31, 1998 are referred to herein as the "1998 Financial Statements." The balance sheet of Seller as of the latest date referred to in clause (ii) above fairly presents in all material respects, subject to year end adjustments and the absence of notes, the amounts owed by Seller to the Sponsors and owed to Seller by the Sponsors as of such date.

(b) Since January 1, 1995, Seller has filed or caused to be filed with the applicable state or local utility commissions or regulatory bodies, the NRC and the FERC, as the case may be, all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by Seller with respect to the Purchased Assets or the operation thereof under each of the applicable state public utility laws, the Federal Power Act, the Atomic Energy Act, the Energy Reorganization Act and the Price-Anderson Act and the respective rules and regulations thereunder, all of which complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder in effect on the date each such report was filed, and there are no material misstatements or omissions relating to the Purchased Assets in any such report; provided, however, that Seller shall not be deemed to be making any representation or warranty to Buyer hereunder concerning the financial statements of Seller contained in any such reports.

4.5 Undisclosed Liabilities. Other than those applicable only to Excluded Liabilities, except as set forth in Schedule 4.5, in the 1998 Financial Statements, in any other schedule hereto or except as would not have a Material Adverse Effect, the Purchased Assets are not subject to any liability or obligation (whether absolute, accrued, contingent or otherwise) that has not been accrued or reserved against in Seller's financial statements as of the end of the most recent fiscal quarter for which such statements are available or disclosed in the notes thereto in accordance with generally accepted accounting principles consistently applied.

4.6 Absence of Certain Changes or Events. Since January 1, 1999, except as set forth in Schedule 4.6, there has not been (a) any Material Adverse Effect, (b) any damage, destruction or casualty loss, whether or not covered by insurance, which, individually or in the aggregate, created a Material Adverse Effect, or (c) any agreement, commitment or transaction entered into by Seller that is material to the ownership or operation of the Purchased Assets and remains in full force and effect on the date hereof.

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4.7 Title and Related Matters. Except for Permitted Encumbrances, Seller has good and marketable title as set forth in the Title Commitment, insurable by a nationally recognized title insurance company, to the Real Property to be conveyed by it hereunder free and clear of all Encumbrances. The Real Property constitutes all of the real property necessary to operate the Facility as currently operated. Except for Permitted Encumbrances and as set forth in Schedule 4.7B, Seller has good and valid title to each of the Purchased Assets not constituting Real Property free and clear of all Encumbrances.

4.8 Real Property Agreements. Schedule 4.8 lists, as of the date of this Agreement, all real property leases, easements, licenses and other rights in real property (collectively, the "Real Property Agreements") to which Seller is a party and which (a) are to be transferred and assigned to Buyer on the Closing Date, (b) affect all or any part of any Real Property in any material respect, or (c) (i) provide for annual payments of more than \$100,000 or (ii) are material to the ownership or operation of the Purchased Assets. Except as set forth in Schedule 4.8, all such Real Property Agreements are valid, binding and enforceable on Seller in accordance with their terms and are in full force and effect; there are no existing material defaults by Seller or any other party thereunder; and no event has occurred which (whether with or without notice, lapse of time or both) would constitute a material default by Seller or any other party thereunder.

4.9 Insurance. All material policies of fire, liability, property damage, worker's compensation and other forms of insurance owned or held by Seller and insuring the Purchased Assets are listed in Schedule 4.9 along with the amount of the coverage, the type of insurance, the risks insured, the expiration date and the policy number. Except as set forth in Schedule 4.9, all of such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the date as of which this representation is being made have been paid or will be paid prior to Closing (other than retroactive premiums which may be payable with respect to comprehensive general liability and workers' compensation insurance policies), and no notice of cancellation or termination has been received with respect to any such policy which was not replaced on substantially similar terms prior to the date of such cancellation. Except as described in Schedule 4.9, as of the date of this Agreement, Seller has not been refused any insurance with respect to the Purchased Assets nor has Seller's coverage been limited by any insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the last twelve months.

4.10 Environmental Matters. With respect to the Purchased Assets and the ownership or operation thereof by Seller, except as disclosed in Schedule 4.10

(a) Seller has obtained and holds all Environmental Permits that are material to the ownership and operation of the Facility;

(b) Seller is in material compliance with all terms, conditions and provisions of (i) all applicable Environmental Laws and (ii) all Environmental Permits;

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(c) there are no Environmental Claims relating to or with respect to the Purchased Assets and no facts or circumstances which could reasonably be expected to form the basis for any Environmental Claim with respect to the Purchased Assets;

(d) no Releases of Hazardous Substances have occurred at the Site and no Hazardous Substances are present in, on, about or, based on the monitoring that has been conducted, migrating to or from the Site that could give rise to an Environmental Claim against Seller;

(e) the Site is not a current or proposed Environmental Clean-up Site;

(f) there are no Encumbrances arising under or pursuant to any Environmental Law with respect to the Purchased Assets and there are no facts, circumstances, or conditions that could reasonably be expected to restrict, encumber or result in the imposition of special conditions under any Environmental Law with respect to the ownership, occupancy, development, use or transferability of the Purchased Assets;

(g) there are no (i) underground storage tanks, active or abandoned, or (ii) polychlorinated-biphenyl-containing equipment;

(h) there have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by, on behalf of or which are in the possession of Seller which have not been delivered to Buyer prior to execution of this Agreement; and

(i) there have been no claims by Seller against comprehensive general liability and excess insurance carriers for any Loss resulting from, relating to or arising from Environmental Claims.

4.11 Labor Matters. Seller has previously delivered to Buyer a true, correct and complete copy of the IBEW Collective Bargaining Agreement, which is the only collective bargaining agreement with unionized workers to which Seller is a party or is subject and which relates to the Purchased Assets. With respect to the ownership or operation of the Purchased Assets, except to the extent set forth in Schedule 4.11 (which matters shall remain the sole responsibility of Seller): (a) Seller is in material compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours; (b) Seller has not received notice of any unfair labor practice complaint pending before the National Labor Relations Board; (c) there is no labor strike, slowdown or stoppage actually pending or threatened by any authorized representative of any union or other representative of employees against or affecting Seller; (d) Seller has not received notice that any representation petition respecting the employees of Seller has been filed with the National Labor Relations Board; (e) no arbitration proceeding arising out of or under collective bargaining agreements is pending against Seller; and (f) Seller has not experienced any primary work stoppage since at least December 31, 1994.

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4.12 ERISA; Benefit Plans.

(a) Schedule 4.12(a) lists all deferred compensation, profit-sharing, retirement and pension plans and all material bonus and other employee benefit or fringe benefit plans maintained or with respect to which contributions are made by Seller in respect of employees employed at the Purchased Assets ("Benefit Plans"). True, correct and complete copies of all such Benefit Plans have been made available to Buyer.

(b) Except as set forth in Schedule 4.12(b), Seller and any ERISA Affiliates have fulfilled their respective obligations under the minimum funding requirements of Section 302 of ERISA and Section 412 of the Code with respect to each Benefit Plan which is an "employee pension benefit plan" as defined in Section 3(2) of ERISA and to which Section 302 of ERISA applies, and each such plan is in compliance in all material respects with the presently applicable provisions of ERISA and the Code. Except as set forth in Schedule 4.12(b), neither Seller nor any ERISA Affiliate has incurred any liability under Sections 4062(b), 4063 or 4064 of ERISA to the PBGC in connection with any Benefit Plan which is subject to Title IV of ERISA, nor any withdrawal liability to any multiemployer pension plan under Section 4201 et seq. of ERISA or to any multiemployer welfare benefit plan, nor is there or has there been any reportable event (as defined in Section 4043 of ERISA) with respect to any Benefit Plan except as set forth in Schedule 4.12(b). Except as set forth in Schedule 4.12(b), the IRS has issued a letter for each Benefit Plan which is intended to be qualified determining that such plan is exempt from federal Income Tax under Sections 401(a) and 501(a) of the Code and there has been no occurrence since the date of any such determination letter (including, without limitation, statutory or regulatory changes to the requirements of Section 401(a) of the Code for which the remedial amendment period has expired) which has or could have adversely affected such qualification.

(c) Neither Seller nor any ERISA Affiliate or parent or successor corporation (within the meaning of Section 4069(b) of ERISA) has engaged in any transaction which may be disregarded under Section 4069 or Section 4212(c) of ERISA. Seller does not contribute to and has no liabilities or obligations under any multiemployer plan (within the meaning of Section 3(37) of ERISA). No Benefit Plan or ERISA Affiliate Plan is a multiemployer plan.

(d) Seller has materially complied with all reporting, disclosure, notice, election, coverage and other benefit requirements of Sections 4980B and 9801-9833 of the Code and Sections 601-734 of ERISA as and when applicable to any Benefit Plan.

4.13 Real Property; Plant and Equipment.

(a) Schedule 4.13(a) contains a description of, and exhibits indicating the location of, the real property owned by Seller and included in the Purchased Assets (the "Real Property").

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Complete and correct copies of any current surveys in Seller's possession or any policies of title insurance currently in force and in the possession of Seller with respect to the Real Property have heretofore been delivered by Seller to Buyer. Except for Permitted Encumbrances and except as set forth in such surveys or in Schedule 4.13(a), there are no encroachments onto, overlaps, boundary line disputes or other similar matters with respect to the Real Property and no improvements included in the Real Property encroach upon any adjacent property or any easement or right-of-way.

(b) Schedule 4.13(b) contains a description of the major equipment components and personal property comprising the Purchased Assets.

(c) The Purchased Assets conform in all material respects to the Technical Specifications and the Final Safety Analysis Report (FSAR) and are being operated and are in material conformance with all applicable requirements under the Atomic Energy Act, the Energy Reorganization Act, and the rules, regulations, orders and licenses issued thereunder. The Purchased Assets related to the metering of power to and from the VYNPS are in material conformance with all applicable NEPOOL standards and requirements.

4.14 Condemnation; Public Improvements. Neither the whole nor any part of the Real Property or any other real property or rights leased, used or occupied by Seller in connection with the ownership or operation of the Purchased Assets is subject to any pending or threatened suit for condemnation or other taking by any Governmental Authority. No assessment for public improvements has been served upon Seller with respect to the Real Property which remains unpaid, including, without limitation, those for construction of sewer, water, electric, gas or steam lines and mains, streets, sidewalks and curbing. There are no public improvements with respect to the Real Property which have been ordered to be made by any Governmental Authority which have not been completed, assessed and paid for prior to the date hereof.

4.15 Certain Contracts and Arrangements.

(a) Except (i) as listed in Schedule 4.15(a) or the other schedules to this Agreement or (ii) for contracts, agreements, personal property leases, commitments, understandings or instruments in which all obligations of Seller will expire prior to the Closing Date, Seller is not a party to any written contract, agreement, personal property lease, commitment, understanding or instrument which is material to the ownership or operation of the Purchased Assets.

(b) Except as disclosed in Schedule 4.15(b), each of Seller's Agreements (i) constitutes the legal, valid and binding obligation of Seller and constitutes the legal, valid and binding obligation of the other parties thereto, (ii) is in full force and effect, and (iii) may be transferred or assigned to Buyer at the Closing without consent or approval of the other parties thereto, and will continue in full force and effect thereafter, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any material rights thereunder.

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(c) Except as set forth in Schedule 4.15(c), there is not, under any of Seller's Agreements, any default or event which, with notice or lapse of time or both, would constitute a default on the part of any of the Seller or the other parties thereto, except such events of default and other events as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, create a Material Adverse Effect.

4.16 Legal Proceedings, etc. Except as set forth in Schedule 4.16 or in any filing made by Seller prior to the date hereof pursuant to the Atomic Energy Act, there are no claims, actions, proceedings or investigations pending or threatened against or relating to Seller before any Governmental Authority which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 4.16 or in any filing made by Seller prior to the date hereof pursuant to the Atomic Energy Act, Seller is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any Governmental Authority which, individually or in the aggregate, could have a Material Adverse Effect.

4.17 Permits; Compliance with Law.

(a) Seller has all permits, licenses, franchises and other governmental authorizations, consents and approvals, other than with respect to permits under Environmental Laws referred to and as provided in Section 4.10 hereof, or permits issued by the NRC referred to in Section 4.18 hereof (collectively, "Permits"), necessary for the ownership and operation of the Purchased Assets as presently conducted. Except as set forth in Schedule 4.17(a), Seller has not received any written notification that it is in violation of any such Permits, or any law, statute, order, rule, regulation, ordinance or judgment of any Governmental Authority applicable to it, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. Seller is in compliance with all Permits, laws, statutes, orders, rules, regulations, ordinances or judgments of any Governmental Authority applicable to the Purchased Assets, except for violations which could not, individually or in the aggregate, have a Material Adverse Effect.

(b) Schedule 4.17(b) sets forth all material Permits and Environmental Permits other than Transferable Permits (which are set forth in Schedule 1.1(166)) applicable to the Purchased Assets.

4.18 NRC Licenses.

(a) Seller has all permits, licenses, and other consents and approvals issued by the NRC necessary to own and operate the Purchased Assets as presently operated, pursuant to the requirements of all Nuclear Laws. Except as set forth in Schedule 4.18(a), Seller has not received any written notification that it is in violation of any such licenses, or any order, rule, regulation or decision of the NRC with respect to the Purchased Assets, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. Seller is in

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compliance with all Nuclear Laws and all orders, rules, regulations or decisions of the NRC applicable to Seller with respect to the Purchased Assets, except for violations which could not, individually or in the aggregate, have a Material Adverse Effect.

(b) Schedule 4.18(b) sets forth all material permits, licenses, and other consents and approvals issued by the NRC applicable to the Purchased Assets.

4.19 Regulation as a Utility. Seller is an electric utility company within the meaning of the Holding Company Act, a public utility within the meaning of the Federal Power Act and an electric utility within the meaning of the NRC regulations implementing the Atomic Energy Act and an electric company under the laws of Vermont.

4.20 Taxes. With respect to the Purchased Assets (a) all Tax Returns required to be filed have been filed and (b) all material Taxes shown to be due on such Tax Returns have been paid in full. Except as set forth in Schedule 4.20, no notice of deficiency or assessment has been received from any taxing authority with respect to liabilities for Taxes of Seller in respect of the Purchased Assets, which have not been fully paid or finally settled, and any such deficiency shown in such Schedule 4.20 is being contested in good faith through appropriate proceedings. Except as set forth in Schedule 4.20, there are no outstanding agreements or waivers extending the applicable statutory periods of limitation for Taxes associated with the Purchased Assets for any period. Schedule 4.20 sets forth the taxing jurisdictions in which Seller owns assets or conducts business that require a notification to a taxing authority of the transactions contemplated by this Agreement, if the failure to make such notification, or obtain Tax clearances in connection therewith, would either require Buyer to withhold any portion of the Purchase Price or would subject Buyer to any liability for any Taxes of Seller.

4.21. Qualified Decommissioning Fund.

(a) Seller's Qualified Decommissioning Fund is a trust validly existing under the laws of the State of Vermont with all requisite authority to conduct its affairs as it now does. Seller has heretofore delivered to Buyer a copy of the Seller's Decommissioning Trust Agreement as in effect on the date of this Agreement. Seller's Qualified Decommissioning Fund satisfies the requirements necessary for such Fund to be treated as a "Nuclear Decommissioning Reserve Fund" within the meaning of Code Section 468A(a) and as a "nuclear decommissioning fund" and a "qualified nuclear decommissioning fund" within the meaning of Treas. Reg. § 1.468A-1(b)(3). Such Fund is in compliance in all material respects with all applicable rules and regulations of the NRC, FERC, the VTDPs, the VTSPB and the IRS. Seller's Qualified Decommissioning Fund has not engaged in any acts of "self-dealing" as defined in Treas. Reg. § 1.468A-5(b)(2). No "excess contribution," as defined in Treas. Reg. § 1.468A-5(c)(2)(ii), has been made to Seller's Qualified Decommissioning Fund which has not been withdrawn within the period provided under Treas. Reg. § 1.468A-5(c)(2)(i). Seller has made timely and valid elections to make annual contributions to the

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Qualified Decommissioning Fund since 1984. Seller has heretofore delivered copies of such elections to Buyer.

(b) Subject only to Seller's Required Regulatory Approvals, Seller and the Trustee has all requisite authority to cause the assets of the Qualified Decommissioning Fund to be transferred to Buyer in accordance with the provisions of this Agreement.

(c) Seller and/or the Trustee of the Qualified Decommissioning Fund has/have filed or caused to be filed with the NRC, FERC, the IRS and any relevant state or local authority all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by such entities. Seller has delivered to Buyer a copy of the schedule of ruling amounts most recently issued by the IRS for the Qualified Decommissioning Fund, a copy of the request that was filed to obtain such schedule of ruling amounts and a copy of any pending request for revised ruling amounts, in each case together with all exhibits, amendments and supplements thereto. Any amounts contributed to the Qualified Decommissioning Fund while such request is pending before the IRS and which turn out to exceed the applicable amounts provided in the schedule of ruling amounts issued by the IRS will be withdrawn from the Qualified Decommissioning Fund within the period provided under Treas. Reg. § 1.468A-5(c)(2)(i). There are no interim rate orders that may be retroactively adjusted or retroactive adjustments to interim rate orders that may affect amounts that Buyer may contribute to the Qualified Decommissioning Fund or may require distributions to be made from the Qualified Decommissioning Fund.

(d) Seller has made available to Buyer the balance sheets for the Qualified Decommissioning Fund as of December 31, 1998 and as of the last Business Day before Closing, and they present fairly as of December 31, 1998 and as of the last Business Day before Closing, the financial position of the Qualified Decommissioning Fund in conformity with generally accepted accounting principles applied on a consistent basis, except as otherwise noted therein. Seller has made available to Buyer information from which Buyer can determine the Tax Basis of all assets in the Qualified Decommissioning Fund as of the last Business Day before Closing. There are no liabilities (whether absolute, accrued, contingent or otherwise and whether due or to become due), including, without limitation, any acts of "self-dealing" as defined in Treas. Reg. § 1.468A-5(b)(2), or agency or other legal proceedings that may materially affect the financial position of the Qualified Decommissioning Fund other than those, if any, that are disclosed in Schedule 4.21.

(e) Seller has made available to Buyer all contracts and agreements to which the Trustee of the Qualified Decommissioning Fund, in its capacity as such, is a party.

(f) The Qualified Decommissioning Fund has filed all Tax Returns required to be filed and all material Taxes shown to be due on such Tax Returns have been paid in full. Except as shown in Schedule 4.21, no notice of deficiency or assessment has been received from any taxing authority with respect to liability for Taxes of the Qualified Decommissioning Fund which have not

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been fully paid or finally settled, and any such deficiency shown in such Schedule 4.21 is being contested in good faith through appropriate proceedings. Except as set forth in Schedule 4.21, there are no outstanding agreements or waivers extending the applicable statutory periods of limitations for Taxes associated with the Qualified Decommissioning Fund for any period.

(g) To the extent Seller has pooled the assets of the Qualified Decommissioning Fund with those of any other assets for investment purposes in periods prior to Closing, such pooling arrangement is a partnership for federal income tax purposes and Seller has filed all Tax Returns required to be filed with respect to such pooling arrangement for such periods.

4.22 Nonqualified Decommissioning Fund.

(a) Seller's Nonqualified Decommissioning Fund is a trust validly existing under the laws of the State of Vermont with all requisite authority to conduct its affairs as it now does. Seller's Nonqualified Decommissioning Fund is in full compliance with all applicable rules and regulations of the NRC and FERC.

(b) Subject only to Seller's Required Regulatory Approvals, Seller has all requisite authority to cause the assets of the Nonqualified Decommissioning Fund to be transferred to Buyer in accordance with the provisions of this Agreement.

(c) Seller and the Trustee of the Nonqualified Decommissioning Fund have filed or caused to be filed with the NRC and any relevant state or local authority all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by either of them.

(d) Seller has made available to Buyer the balance sheets for the Nonqualified Decommissioning Fund as of December 31, 1998 and as of the last Business Day before Closing, and they present fairly as of December 31, 1998 and as of the last Business Day before Closing, the financial position of the Nonqualified Decommissioning Fund in conformity with generally accepted accounting principles applied on a consistent basis, except as otherwise noted therein. Seller has made available to Buyer information from which Buyer can determine the Tax Basis as of the last Business Day before Closing of all assets (other than cash) of the Nonqualified Decommissioning Fund transferred to Buyer pursuant to Section 6.12(b). There are no liabilities (whether absolute, accrued, contingent or otherwise and whether due or to become due) including, without limitation, agency or other legal proceedings, that may materially affect the financial position of the Nonqualified Decommissioning Fund other than those, if any, that are disclosed in Schedule 4.22.

(e) Seller has made available to Buyer all contracts and agreements to which the Trustee of the Nonqualified Decommissioning Fund, in its capacity as such, is a party.

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(f) If Seller has pooled the assets of the Nonqualified Decommissioning Fund with any other assets at any time prior to Closing, such pooling arrangement is not and shall not be deemed a corporation for tax purposes.

4.23 Zoning Classification. The Real Property is zoned as set forth in Schedule 4.23.

4.24. Disclaimer. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE IV, THE PURCHASED ASSETS ARE BEING SOLD AND TRANSFERRED "AS IS, WHERE IS," AND SELLER IS NOT MAKING ANY OTHER REPRESENTATIONS OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING SUCH PURCHASED ASSETS, INCLUDING, IN PARTICULAR, ANY WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE. ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND DISCLAIMED OR AS TO THE WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS, OR AS TO THE CONDITION OF THE PURCHASED ASSETS, OR ANY PART THEREOF, OR WHETHER THE SELLER POSSESSES SUFFICIENT REAL PROPERTY OR PERSONAL PROPERTY TO OPERATE THE PURCHASED ASSETS. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN SECTION 4.10, THE SELLER FURTHER SPECIALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING THE ABSENCE OF HAZARDOUS SUBSTANCES OR LIABILITY ARISING UNDER ENVIRONMENTAL LAWS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF ANY KIND REGARDING THE CONDITION OF THE PURCHASED ASSETS OR THE SUITABILITY OF THE FACILITIES FOR OPERATION AS POWER PLANTS AND NO OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATION MADE BY THE SELLER OR ITS AGENTS WILL CAUSE OR CREATE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, CONDITION, VALUE OR QUALITY OF THE PURCHASED ASSETS.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, to the Buyer's Knowledge, as follows:

5.1 Organization. Buyer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as is now being conducted. Buyer has heretofore delivered to Seller complete and correct copies of its Certificate

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of Formation and Operating Agreement (or other similar governing documents), as currently in effect.

5.2 Authority. Buyer has full organizational power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements to which Buyer is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action required on the part of Buyer and no other corporate proceedings on the part of Buyer are necessary to authorize this Agreement and the Ancillary Agreements to which it is a party or to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Buyer, and assuming that this Agreement constitutes a valid and binding agreement of Seller, subject to the receipt of Buyer's Required Regulatory Approvals, constitutes a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms.

5.3 Consents and Approvals; No Violation.

(a) Except as set forth in Schedule 5.3(a), and subject to the receipt of Buyer's Required Regulatory Approvals, neither the execution and delivery by Buyer of this Agreement and the Ancillary Agreements to which Buyer is a party nor the consummation of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the Certificate of Formation or Operating Agreement (or other similar governing documents) of Buyer, (ii) require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (iii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation to which Buyer is a party or by which any of its assets may be bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which would not, individually or in the aggregate, have a Buyer Material Adverse Effect, or (iv) violate any law, regulation, order, judgment or decree applicable to Buyer, which violations, individually or in the aggregate, would create a Buyer Material Adverse Effect.

(b) Except as set forth in Schedule 5.3(b) (the filings and approvals, including all relevant decisions and orders, referred to in such Schedule are collectively referred to as the "Buyer's Required Regulatory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of any Governmental Authority is necessary for the consummation by Buyer of the transactions contemplated hereby.

5.4 Availability of Funds. Buyer has sufficient funds available to it or has received binding written commitments from third parties to provide sufficient funds to pay the Cash Purchase

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Price on the Closing Date and to enable Buyer timely to perform all of its obligations under this Agreement and the Ancillary Agreements to which it is a party.

5.5 Legal Proceedings. There are no actions, suits or proceedings pending, or, to Buyer's Knowledge, threatened, against Buyer or its members before any court, arbitrator or Governmental Authority which, individually or in the aggregate, could have a Buyer Material Adverse Effect or that questions the validity of this Agreement or the Ancillary Agreements to which Buyer is a party or of any action taken or to be taken pursuant to or in connection with the provisions of this Agreement or the Ancillary Agreements to which Buyer is a party. Neither Buyer nor its members is subject to any outstanding judgments, rules, orders, writs, injunctions or decrees of any court, arbitrator or Governmental Authority which, individually or in the aggregate, have a Buyer Material Adverse Effect, or impair, estop, impede, restrain, ban or otherwise adversely affect Buyer's ability to satisfy or perform the Assumed Liabilities under any federal, state or local law.

5.6 WARN Act. Buyer shall not, with respect to the Purchased Assets, engage in a "plant closing" or "mass layoff," as such terms are defined in the WARN Act, within ninety (90) days after the Closing Date.

ARTICLE VI

COVENANTS OF THE PARTIES

6.1 Conduct of Business During the Interim Period.

(a) Except as described in Schedules 6.1, 3.3(a)(v) and 7.1(m), or to the extent Buyer otherwise consents in writing, during the period from the date of this Agreement to the Closing Date (the "Interim Period"). Seller (i) shall operate the Purchased Assets in the ordinary course consistent with Good Utility Practices, (ii) shall use Commercially Reasonable Efforts to preserve intact the Purchased Assets and preserve the goodwill and relationships with customers, suppliers and others having business dealings with Seller with respect thereto, (iii) shall maintain the insurance coverage described in Section 4.9, (iv) shall comply with all applicable laws, rules and regulations relating to the Purchased Assets, including, without limitation, all Nuclear Laws and Environmental Laws, (v) shall complete in accordance with Good Utility Practices and in conformity with all applicable NRC and other legal requirements the Refueling Outage, including the work identified in Schedule 1.1(136) hereof, and promptly return the Facility to full licensed capacity operation, and (vi) shall continue to implement in accordance with Good Utility Practices Seller's Year 2000 Compliance program, as further described in Section 6.1(f). Without limiting the generality of the foregoing, and, except as contemplated in this Agreement or as described in Schedule 6.1, or as required under applicable law or by any Governmental Authority, prior to the

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Closing Date, without the prior written consent of Buyer, Seller will not with respect to the Purchased Assets:

(i) make any material change in the levels of fuel inventory customarily maintained by Seller with respect to the Purchased Assets except for changes consistent with Good Utility Practices;

(ii) except for Permitted Encumbrances, sell, lease (as lessor), pledge, encumber, restrict, transfer or otherwise dispose of, or grant any right with respect to, any of the Purchased Assets, other than assets acquired, leased, used, consumed or replaced in the ordinary course of business consistent with Good Utility Practices;

(iii) modify, amend or voluntarily terminate prior to the expiration date thereof any material Seller's Agreements or any material Permit or Environmental Permit or waive any default by, or release, settle or compromise any claim against, any other party thereto, other than (A) in the ordinary course of business, to the extent consistent with Good Utility Practices, (B) with cause, to the extent consistent with Good Utility Practices, or (C) as may be required in connection with Seller's obligations to Buyer under this Agreement;

(iv) enter into any commitment for the purchase or sale of nuclear fuel having a term that extends beyond December 31, 2000 or such other date that the Parties mutually agree to be the date on which the Closing is expected to occur, provided, however, that Buyer's consent shall not be unreasonably withheld;

(v) other than the amendments or modifications to power sales agreements with Sponsors as contemplated by Section 6.1(h) hereof, enter into any power sales agreement having a term that extends beyond December 31, 2000 or such other date that the Parties mutually agree to be the date on which the Closing is expected to occur;

(vi) enter into any commitment or contract for goods or services not addressed in clauses (i) through (v) above that will be delivered or provided after December 31, 2000 or such other date that the Parties mutually agree to be the date on which the Closing is expected to occur that exceeds \$250,000 in the aggregate, unless such commitment or contract is terminable by Seller (or after the Closing Date by Buyer) without further liability (other than for payment by the responsible party under Sections 2.3 and 2.4 for goods received or services rendered), upon not more than sixty (60) days notice;

(vii) except as required by the terms of the IBEW Collective Bargaining Agreement or regulatory requirements (A) hire any new employees, or transfer any existing employees, other than to fill vacancies in existing positions, (B) other than consistent with past practice, increase salaries or wages of employees employed in connection with the Purchased Assets

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prior to Closing, (C) take any action prior to Closing to effect a material change in the IBEW Collective Bargaining Agreement or enter into any other collective bargaining or representation agreement for employees, or (D) take any action prior to the Closing to increase materially the aggregate benefits payable to employees; provided, however, that, after the Parties' good faith negotiations with respect to any such actions, Buyer's consent shall not be unreasonably withheld;

(viii) enter into any agreement or settlement with any Governmental Authority relating to or regarding the tax status of the Purchased Assets for any taxable period ending after December 31, 1999; provided, however, that, after the Parties' good faith negotiations with respect to any such agreement or settlement, Buyer's consent shall not be unreasonably withheld;

(ix) amend or modify Seller's Decommissioning Trust Agreement, provided, however, that Buyer's consent shall not be unreasonably withheld; or

(x) enter into any written or oral contract, agreement, commitment or arrangement with respect to any of the transactions set forth in the foregoing paragraphs (i) through (ix) except any such contract, agreement, commitment or arrangement with the NRC.

(b) A committee comprised of one or more senior representatives designated by Seller and one or more senior representatives designated by Buyer (the "Transition Committee") will be established as soon as practicable after the execution of this Agreement to permit Buyer to observe the operation of the Purchased Assets and to facilitate the transfer of the Purchased Assets to Buyer at the Closing. The Transition Committee will be kept fully apprised by Seller of all VYNPS management and operating developments. The Transition Committee shall have regular access to the management and the Board of Directors of Seller (including to any written management reports on the operations of VYNPS given to the Board). The Transition Committee shall be accountable directly to the respective chief executive officers of Buyer and Seller and shall from time to time report its findings to the senior management of each of Seller and Buyer. The Transition Committee shall have no authority to enter into a legally binding agreement to bind Buyer or Seller.

(c) Between the date of this Agreement and the Closing Date, in the interest of cooperation between Seller and Buyer and to permit informed action by Buyer regarding its rights pursuant to Section 6.1(a), the parties agree that at the sole responsibility and expense of Buyer, and subject to compliance with all applicable NRC rules and regulations, Seller will permit designated employees ("Observers") of Buyer to observe all operations of Seller that relate to the Purchased Assets, and such observation will be permitted on a cooperative basis in the presence of personnel of Seller but not restricted to the normal business hours of Seller; provided, however, that such Observers and their actions shall not interfere with the operation of VYNPS. Buyer's Observers may recommend or suggest actions be taken or not be taken by Seller; provided, however, that Seller will be under no obligation to follow any such recommendations or suggestions and Seller shall be entitled, subject to this Agreement, to conduct its business in accordance with its own judgment and

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discretion. Buyer's Observers shall have no authority to bind or make agreements on behalf of Seller; to conduct discussions with or make representations to third parties on behalf of Seller; or to issue instructions to or direct or exercise authority over Seller or any of Seller's officers, employees, advisors or agents.

(d) Seller shall advise Buyer promptly upon becoming aware of the promulgation of any changes in VTDPS or VTPSB rules or procedures which are reasonably likely to have a Material Adverse Effect on VYNPS. Seller agrees that it will not take or cause to be taken any action to reduce the current installed capacity credit VTDPS or VTPSB has assigned to VYNPS under VTDPS and VTPSB rules, regulations or policies in effect on the date hereof; provided, however, that the foregoing shall in no way restrict or prohibit Seller from taking or causing to take any such action which generally affects Seller's generating facilities.

(e) During the period from the Agreement Date to the Closing Date, Seller shall retain full authority to conduct all operations at the VYNPS and to make all decisions and take all actions necessary to comply with NRC requirements and the conditions of the NRC Operating License No. DPR-28. Nothing contained in this Agreement shall be construed to diminish or impair such authority of Seller.

(f) Seller shall use Commercially Reasonable Efforts to conduct a year 2000 readiness program similar to that outlined in Nuclear Utility Year 2000 Readiness, NEI/NUSMG 97-07. The program shall apply to software, hardware and firmware whose failure due to a Y2K problem would prevent the performance of the safety function of a structure, system or component. Additionally, the program shall apply to any software, hardware and firmware whose failure due to a Y2K problem would degrade, impair, or prevent operation of VYNPS beyond December 31, 1999. The program shall include identifying and, where appropriate, remediating embedded systems, and shall provide for risk management efforts and development of contingency plans to mitigate the impact of Y2K-induced events at key rollover dates. Seller shall use Commercially Reasonable Efforts to cause (i) the program to be completed before December 31, 1999, for systems required for operation of the Purchased Assets and (ii) the Purchased Assets to be "Y2K Ready" as such term is defined in NEI/NUSMG 97-07 before December 31, 1999.

(g) Seller shall use Commercially Reasonable Efforts to implement in all material respects the work set forth in Schedule 3.3(a)(v) in accordance with Good Utility Practices and all applicable NRC rules and regulations, before the Closing Date to the extent such work is to occur before such date.

6.2 Access to Information.

(a) In addition to the rights granted by Sections 6.1(b), (c) and (d), between the date of this Agreement and the Closing Date, Seller will, during ordinary business hours and upon

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reasonable notice and subject to compliance with all applicable NRC rules and regulations (i) give Buyer and Buyer's Representatives reasonable access to all books, records, plants, offices and other facilities and properties constituting the Purchased Assets; (ii) permit Buyer, at its sole expense, to make such environmental inspections as are mutually agreed upon by Buyer and Seller in writing based on objectively determinable facts which (x) first came to Buyer's attention after the date hereof from a reasonably reliable source and (y) are reasonably likely to constitute or result in an Environmental Condition; (iii) furnish Buyer with such financial and operating data and other information with respect to the Purchased Assets as Buyer may from time to time reasonably request, including, without limitation, in the event that Closing occurs after March 31, 2000, audited financial statements for Seller's 1999 fiscal year prepared in accordance with the standards set forth in Section 4.4(a); and (iv) furnish Buyer a copy of each material report, schedule or other document filed or received by Seller with respect to the Purchased Assets with the NRC, FERC, VTDPs, VTPSB or any other Governmental Authority having jurisdiction over the Purchased Assets; provided, however, that (A) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the Purchased Assets, (B) Seller shall not be required to take any action which would constitute a waiver of the attorney-client privilege, (C) Seller need not supply Buyer with any information that Seller is legally prohibited to supply. Seller will provide Buyer with access to the Transferred Employee Records, but Seller shall not be required to provide access to other employee records or medical information unless required by law or specifically authorized by the affected employee, (D) Seller will not provide access to any documents or information constituting or containing "Safeguards Information" unless the Buyer first obtains authorization or concurrence from the NRC for the disclosure of such information to designated persons, and (E) under no circumstances will Seller provide access to any documents or information constituting or containing "Classified National Security Information" or "Restricted Data".

(b) Buyer and Seller acknowledge that all information regarding Seller and the Sponsors furnished to or obtained by Buyer or Buyer's Representatives pursuant to this Section 6.2 shall be treated as Proprietary Information.

(c) For a period of five (5) years after the Closing Date and subject to all applicable NRC rules and regulations, each Party and its respective Representatives shall have reasonable access to all of the books and records relating to the Purchased Assets, including all Transferred Employee Records or other personnel and medical records required by law, legal process or subpoena, in the possession of the other Party to the extent that such access may reasonably be required by such Party in connection with the Assumed Liabilities and Obligations or the Excluded Liabilities, or other matters relating to or affected by the operation of the Purchased Assets. Such access shall be afforded by the Party in possession of such books and records upon receipt of reasonable advance notice and during normal business hours. The Party exercising this right of access shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 6.2(c). If the Party in possession of such books and records shall desire to dispose of any such books and records upon or prior to the expiration of such five (5)-year period, such Party shall, prior to such

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disposition, give the other Party a reasonable opportunity at such other Party's expense, to segregate and remove such books and records as such other Party may select. Notwithstanding the foregoing, the rights of access to medical records and other confidential employee records shall be subject to all applicable legal requirements.

(d) Seller agrees (i) not to release any Person (other than Buyer) from any confidentiality agreement now existing with respect to the Purchased Assets, or waive or amend any provision thereof and (ii) to assign any rights arising under any such confidentiality agreement (to the extent assignable) to Buyer.

(e) Notwithstanding the terms of the Confidentiality Agreement and Section 6.2(b) above, the Parties agree that prior to the Closing Buyer may reveal or disclose Proprietary Information to any other Persons in connection with Buyer's financing and risk management of the Purchased Assets, and, to the extent that Seller consents, which consent shall not be unreasonably withheld, to existing and potential customers and suppliers, and to such Persons with whom Buyer expects it may have business dealings regarding the Purchased Assets from and after the Closing Date; provided, however, that all such Persons agree in writing to maintain the confidentiality of the Proprietary Information on substantially the same terms and conditions as the Confidentiality Agreement.

(f) Except as may be permitted in the Confidentiality Agreement or during the course of Buyer's due diligence investigation of the Purchased Assets prior to the date hereof, Buyer agrees that, prior to the Closing Date, it will not contact any vendors, suppliers, employees or other contracting parties of Seller with respect to any aspect of the Purchased Assets or the transactions contemplated hereby, without the prior written consent of Seller, which consent shall not be unreasonably withheld.

(g) Upon the other Party's prior written approval (which approval shall not be unreasonably withheld or delayed) either Party may provide Proprietary Information of the other Party to the SEC, NRC, FERC, VTDPS, VTPSB or any other Governmental Authority having jurisdiction over the Purchased Assets or any stock exchange, as may be necessary to obtain Seller's Required Regulatory Approvals or Buyer's Required Regulatory Approvals, respectively, or to comply generally with any relevant law, rule or regulation. The disclosing Party shall seek confidential treatment for the Proprietary Information provided to any such Governmental Authority and the disclosing Party shall notify the other Party as far in advance as practical of its intention to release to any Governmental Authority any such Proprietary Information.

(h) Except as required by law, unless otherwise agreed to in writing by Buyer, Seller shall keep (i) all Proprietary Information confidential and not disclose or reveal any Proprietary Information to any Person other than Representatives of Seller (including, without limitation, the Sponsors) who are actively and directly participating in the transactions contemplated

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hereby or who otherwise need to know the Proprietary Information for such purpose and to cause those Persons to observe the terms of this Section 6.2(h) and (ii) not to use Proprietary Information for any purpose other than consistent with the terms of this Agreement. Seller shall continue to hold all Proprietary Information according to the same internal security procedures and with the same degree of care regarding its secrecy and confidentiality as currently applicable thereto. Seller shall notify Buyer of any unauthorized disclosure to third parties that it discovers, and shall endeavor to prevent any further such disclosures. Seller shall be responsible for any breach of the terms of this Section 6.2(h) by Seller or Seller's Representatives.

After the Closing Date, in the event that Seller is requested pursuant to, or required by, applicable law or regulation or by legal process to disclose any Proprietary Information, Seller shall provide Buyer with prompt notice of such request or requirement in order to enable Buyer to seek an appropriate protective order or other remedy, to consult with Seller with respect to taking steps to resist or narrow the scope of such request or legal process, or to waive compliance, in whole or in part, with the terms of this Section 6.2(h). Seller agrees not to oppose any action by Buyer to obtain a protective order or other appropriate remedy after the Closing Date. In the event that no such protective order or other remedy is obtained, or that Buyer waives compliance with the terms of this Section 6.2(h), Seller shall furnish only that portion of the Proprietary Information which Seller is advised by counsel is legally required. In any such event Seller shall use its Commercially Reasonable Efforts to ensure that all Proprietary Information that is so disclosed will be accorded confidential treatment.

(i) The Parties agree that the Confidentiality Agreement will terminate in accordance with its terms, without further act or evidence by the Parties. Notwithstanding the foregoing, any restriction contained in the Confidentiality Agreement with respect to Buyer's disclosure of Proprietary Information related to the Purchased Assets shall terminate on the Closing Date.

6.3 Expenses. Except to the extent specifically provided herein, whether or not the transactions contemplated hereby are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including the cost of legal, technical and financial consultants and the cost of filing for and prosecuting applications for Required Regulatory Approvals, shall be borne by the Party incurring such costs and expenses. Notwithstanding anything to the contrary herein, Buyer and Seller will share equally the cost of all filing fees under the HSR Act and with respect to any NRC filings required to consummate the transactions contemplated hereby.

6.4 Further Assurances; Cooperation.

(a) Subject to the terms and conditions of this Agreement, each of the Parties hereto will use Commercially Reasonable Efforts to take, or cause to be taken, all action, and to do,

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or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the sale of the Purchased Assets pursuant to this Agreement, including, without limitation, using Commercially Reasonable Efforts to ensure satisfaction of the conditions precedent to each Party's obligations hereunder. Notwithstanding anything in the previous sentence to the contrary, Seller and Buyer shall use Commercially Reasonable Efforts to obtain all Permits and Environmental Permits necessary for Buyer to acquire and operate the Purchased Assets. Neither of the Parties hereto will, without the prior written consent of the other Party, take or fail to take any action, which would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement.

(b) From time to time after the Closing Date, without further consideration, Seller will, at its own expense, execute and deliver such documents to Buyer as Buyer may reasonably request in order to more effectively consummate the sale and purchase of the Purchased Assets or to more effectively vest in Buyer good and marketable title to the Purchased Assets subject to the Permitted Encumbrances. Seller shall cooperate with Buyer, at Buyer's expense, in Buyer's efforts to cure or remove any Permitted Encumbrances that Buyer reasonably deems objectionable. From time to time after the Closing Date, without further consideration, Buyer will, at its own expense, execute and deliver such documents to Seller as Seller may reasonably request in order to evidence Buyer's assumption of the Assumed Liabilities and Obligations.

(c) To the extent that Seller's rights under any Seller's Agreement may not be assigned without the consent of another Person which consent has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use Commercially Reasonable Efforts to obtain any such required consent(s) as promptly as possible. Seller and Buyer agree that if any consent to an assignment of any Seller's Agreement shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer's rights and obligations under the applicable Seller's Agreement so that Buyer would not in effect acquire the benefit of all such rights and obligations, Seller, to the maximum extent permitted by law and such Seller's Agreement, shall after the Closing appoint Buyer to be Seller's representative and agent with respect to such Seller's Agreement, and Seller shall, to the maximum extent permitted by law and such Seller's Agreement, enter into such reasonable arrangements with Buyer as are necessary to provide Buyer with the benefits and obligations of such Seller's Agreement. Seller and Buyer shall cooperate and shall each use Commercially Reasonable Efforts after the Closing to obtain an assignment of such Seller's Agreement to Buyer; provided that the Seller shall not have any obligation to offer or pay any consideration to obtain such consents.

(d) For a reasonable time after the Closing Date, Buyer and Seller agree to provide services to each other as reasonably required to the extent necessary to ensure the continuity of support for VYNPS and the orderly completion of projects or other work in progress that would be adversely affected if those services were interrupted. Such support by one Party to the other will

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not be unreasonably withheld, provided that requests for such support are made in a timely manner. The Party providing the requested support will be reimbursed for all reasonable costs thereof in accordance with established accounting procedures or on an alternative cost reimbursement basis as mutually agreed by the Parties.

(e) As long as the Power Purchase Agreement remains in full force and effect, Buyer shall provide to Seller, on a rent-free basis, three contiguous offices (as designated on Schedule 6.4(e) hereto) or comparable facilities in Buyer's other office buildings, together with the requisite office furniture, communications and computer equipment, heat, cooling and electric service and unrestricted access and egress therefrom necessary to conduct the continuing administrative support activities for Seller's business.

(f) Buyer agrees to materially comply with all applicable NEPOOL standards and requirements known to Buyer.

6.5 Public Statements. From time to time after the date hereof until thirty (30) days after the Closing Date, the Parties shall not issue any public announcement, statement or other disclosure with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other Party, which consent will not be unreasonably withheld or delayed, except as may be required by law or the rules of the New York Stock Exchange.

6.6 Consents and Approvals.

(a) Seller and Buyer shall each file or cause to be filed with the Federal Trade Commission and the Department of Justice any notifications required to be filed under the HSR Act and the rules and regulations promulgated thereunder with respect to the transactions contemplated hereby. The Parties shall consult with each other as to the appropriate time of filing such notifications and shall agree upon the timing of such filings, respond promptly to any requests for additional information made by either of such agencies, and cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date after the date of filing. Buyer and Seller shall be equally responsible for the cost of all filing fees under the HSR Act and each Party will bear its own costs for the preparation of any such filing.

(b) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the receipt of any findings required to be made by any other Governmental Authority as a condition to Buyer making the filing contemplated by this paragraph, Buyer shall file with FERC an application requesting Exempt Wholesale Generator status for Buyer, which filing may be made individually by Buyer or jointly with Seller, as reasonably determined by the Parties. Buyer shall be solely responsible for the cost of preparing and filing this application, any petition(s) for rehearing or any reapplication(s).

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(c) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the date hereof, Seller and Buyer, as applicable, shall file with the VTDPS, VTPSB or any other Governmental Authority having jurisdiction over the Purchased Assets or the Parties, applications requesting (i) a determination that allowing the Purchased Assets to be an eligible facility under Section 32 of the Holding Company Act (A) will benefit consumers, (B) is in the public interest, and (C) does not violate state law, and/or (ii) a determination required by Section 32 of the Holding Company Act to exempt PECO Energy Company from the prohibition against purchasing electric energy or capacity at wholesale from an affiliated Exempt Wholesale Generator.

(d) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the date hereof, Buyer shall file with the FERC an application requesting authorization under Section 205 of the Federal Power Act to sell electric generating capacity and energy at wholesale at market-based rates, which filing may be made individually by Buyer or jointly with Seller, as reasonably determined by the Parties. Buyer shall be solely responsible for the cost of preparing and filing this application, any petition(s) for rehearing or any reapplication(s).

(e) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the date hereof, Buyer and Seller shall file with the NRC an application requesting consent under Section 184 of the Atomic Energy Act and 10 C.F.R. § 50.80 for the transfer of the VYNPS license from Seller to Buyer, and any associated licenses, amendments or approvals. The Parties shall respond promptly to any requests for additional information made by the NRC and use their respective Commercially Reasonable Efforts to cause regulatory approval to be obtained at the earliest possible date after the date of filing. Each Party will bear its own costs of the preparation of any such filing and Buyer and Seller will share equally the cost of all filing fees with respect to any NRC filings required to consummate the transactions contemplated hereby.

(f) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the date hereof, Seller and Buyer as applicable, shall file with the FERC, VTDPS, VTPSB or any other Governmental Authority having jurisdiction over the Purchased Assets, Parties or the Sponsors, any other filings, including, without limitation, those set forth on Schedules 4.3(b) and 5.3(b), required to be made with respect to the transactions contemplated hereby. The Parties shall respond promptly to any requests for additional information made by such agencies, and use their respective Commercially Reasonable Efforts to cause regulatory approval to be obtained at the earliest possible date after the date of filing. Each Party will bear its own costs of the preparation of any such filing.

(g) Seller and Buyer shall cooperate with each other and (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, (iii) use Commercially Reasonable Efforts to obtain the

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transfer or reissuance to Buyer of all necessary Transferable Permits, consents, approvals and authorizations of all Governmental Authorities, and (iv) use Commercially Reasonable Efforts to obtain all necessary consents, approvals and authorizations of all other parties, in the case of each of the foregoing clauses (i), (ii), (iii) and (iv), necessary or advisable to consummate the transactions contemplated by this Agreement (including, without limitation, Seller's Required Regulatory Approvals and Buyer's Required Regulatory Approvals) or required by the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which Seller or Buyer is a party or by which any of them is bound. Prior to either Party's submission of any filing made in connection with the transactions contemplated by this Agreement, the submitting Party shall give such application to the other Party and the receiving Party shall have the right to review and comment on within five business days of receipt of any filing including on all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing made in connection with the transactions contemplated hereby.

(h) Seller and Buyer shall cooperate with each other and promptly prepare and file notifications with, and request Tax clearances from, state and local taxing authorities in jurisdictions in which a portion of the Purchase Price may be required to be withheld or in which Buyer would otherwise be liable for any Tax liabilities of Seller pursuant to such state and local Tax law.

(i) As promptly as practicable after the date of this Agreement and in any event by no later than 50 days after the date hereof, Seller and Buyer, as applicable, shall file with the IRS the requests for private letter rulings described in Sections 6.12 and 7.2(r). The Parties shall respond promptly to any requests for additional information made by the IRS, and use their respective Commercially Reasonable Efforts to cause the private letter rulings to be obtained at the earliest possible date after the date of filing. Each of Seller and Buyer shall cooperate with one another to secure the private letter rulings described in Sections 6.12 and 7.2(r) and each shall have the right to review in advance all information included in the requests for private letter rulings and supplemental submissions to the IRS. Each Party will bear its own costs of the preparation of such requests.

(j) Buyer shall have the primary responsibility for securing the transfer, reissuance or procurement of the Permits and Environmental Permits (other than Transferable Permits) effective as of the Closing Date. Seller shall cooperate with Buyer's efforts in this regard and assist in any transfer or reissuance of a Permit or Environmental Permit held by Seller or the procurement of any other Permit or Environmental Permit when so requested by Buyer.

(k) Within forty (40) days after the receipt of any Buyer's or Seller's Required Regulatory Approval, the Party receiving such approval (the "Receiving Party") shall notify the other Party in writing if the approval is not in form and substance reasonably satisfactory to the Receiving Party, in its sole discretion or, in the case of Buyer, that the Buyer determines could reasonably be

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expected to cause a Material Adverse Effect on the Purchased Assets; provided, however, that if the Receiving Party does not provide such notice to the other Party within the forty (40)-day period specified in this sentence, the Receiving Party shall be deemed to have accepted such Required Regulatory Approval, including any condition or deficiency contained therein, and the condition to Closing set forth in Sections 7.1(c), 7.1(d) or 7.2(c), as applicable to such Party with respect to such Required Regulatory Approval, shall be deemed satisfied, except to the extent such Required Regulatory Approval is not then final. Within fifteen (15) days after receipt of any notice specified in the previous sentence, Seller and Buyer shall meet to consider what Commercially Reasonable Efforts the Receiving Party intends to take in order to obtain the Required Regulatory Approval or to eliminate any condition or deficiency not reasonably satisfactory to the Receiving Party. After the Receiving Party has completed such agreed upon Commercially Reasonable Efforts with respect to any such condition or deficiency contained in such Required Regulatory Approval, within fifteen (15) days of such completion, the Receiving Party shall notify the other Party if any such condition or deficiency has been eliminated or remains in effect, and whether the Receiving Party either will accept any such condition or deficiency by a waiver of the applicable Closing condition in Sections 7.1(c), 7.1(d) or 7.2(c) with respect to any such condition or deficiency or deem that the applicable Closing condition in Section 7.1(c), 7.1(d) or 7.2(c) cannot be satisfied due to any such condition or deficiency in such Required Regulatory Approval.

(l) In no event shall either Party in connection with the foregoing proceedings be required to take or refrain from taking any action, or advance or refrain from advancing any position if such action would violate any applicable law or code of professional conduct applicable to attorneys-at-law.

6.7 Brokerage Fees and Commissions. Seller and Buyer each represent and warrant to the other that no broker, finder or other Person is entitled to any brokerage fees, commissions or finder's fees in connection with the transactions contemplated hereby by reason of any action taken by the Party making such representation. Seller and Buyer will pay to the other or otherwise discharge, and will indemnify and hold the other harmless from and against, any and all claims or liabilities for all brokerage fees, commissions and finder's fees incurred by reason of any action taken by the indemnifying party.

6.8 Tax Matters.

(a) All transfer and sales Taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by Buyer. Buyer will file, to the extent required by applicable law, all necessary Tax Returns and other documentation with respect to all such transfer or sales Taxes, and Seller will be entitled to review such returns in advance and, if required by applicable law, will join in the execution of any such Tax Returns or other documentation. Prior to the Closing Date, Buyer will provide to Seller, to the extent possible, an appropriate exemption

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certificate in connection with this Agreement and the transactions contemplated hereby, due from each applicable taxing authority.

(b) With respect to Taxes to be prorated in accordance with Section 3.5 of this Agreement, Buyer shall prepare and timely file all Tax Returns required to be filed after the Closing with respect to the Purchased Assets, if any, and shall duly and timely pay all such Taxes shown to be due on such Tax Returns. Buyer's preparation of any such Tax Returns shall be subject to Seller's approval, which approval shall not be unreasonably withheld. Buyer shall make such Tax Returns available for Seller's review and approval no later than fifteen (15) Business Days prior to the due date for filing such Tax Return. Not less than five (5) Business Days prior to the due date of any such Tax Return, Seller shall pay to Buyer the amount shown as due on such Tax Return determined in accordance with Section 3.5 of this Agreement.

(c) Buyer and Seller shall provide the other Party with such assistance as may reasonably be requested by the other Party in connection with the preparation of any Tax Return, any audit or other examination by any taxing authority, or any judicial or administrative proceedings relating to liability for Taxes, and each will retain and provide the requesting Party with any records or information which may be relevant to such return, audit or examination, proceedings or determination. Any information obtained pursuant to this Section 6.8(c) or pursuant to any other Section hereof providing for the sharing of information or review of any Tax Return or other schedule relating to Taxes shall be kept confidential by the Parties hereto

(d) In the event that a dispute arises between Seller and Buyer as to the amount of Taxes, or the amount of any allocation of Purchase Price under Section 3.4, the Parties shall attempt in good faith to resolve such dispute, and any amount so agreed upon shall be paid to the appropriate party. If such dispute is not resolved thirty (30) days thereafter, the Parties shall submit the dispute to the Independent Accounting Firm for resolution, which resolution shall be final, conclusive and binding on the Parties. Notwithstanding anything in this Agreement to the contrary, the fees and expenses of the Independent Accounting Firm in resolving the dispute shall be borne equally by Seller and Buyer. Any payment required to be made as a result of the resolution of the dispute by the Independent Accounting Firm shall be made within ten (10) days after such resolution, together with any interest determined by the Independent Accounting Firm to be appropriate.

6.9 Interim Period Notice.

(a) The Buyer shall notify the Seller promptly if any information comes to its attention that would excuse the Buyer from the performance of its obligations under this Agreement or the Ancillary Agreements due to Seller's inability to satisfy any condition to close set forth in Section 7.1. In the event that the Buyer fails to so notify the Seller within twenty (20) days of obtaining Knowledge of such information, the Buyer shall be deemed to have waived the performance of such obligations or the fulfillment of such conditions.

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(b) The Seller shall notify the Buyer promptly if any information comes to its attention that would excuse the Seller from the performance of its obligations under this Agreement or the Ancillary Agreements due to Buyer's inability to satisfy any condition to close set forth in Section 7.2. In the event that the Seller fails to so notify the Buyer within twenty (20) days of obtaining Knowledge of such information, the Seller shall be deemed to have waived the performance of such obligations or the fulfillment of such conditions.

(c) The Seller shall promptly notify the Buyer in writing of the existence of any matter, which if in existence on the Agreement Date or the Closing Date would cause any of the representations or warranties in Article IV above to be untrue or incorrect. If all of such untrue or incorrect representations or warranties could reasonably be expected to cost more than \$500,000 in the aggregate to cure, the Buyer shall have the right, if the Seller has not within twenty (20) days after receipt by Buyer of the notice referred to in the preceding sentence (the "Cure Commencement Period") committed to cure such untrue or incorrect representations or warranties, to terminate this Agreement upon written notice to the Seller. If the cost to cure all of such untrue or incorrect representations or warranties could reasonably be expected to be \$500,000 or less in the aggregate or if the Buyer does not exercise the right to terminate this Agreement within twenty (20) days after the Cure Commencement Period, the written notice pursuant to this Section 6.9(c) shall be deemed to have amended the appropriate Schedule or Schedules as of the Agreement Date, to have qualified the representations and warranties contained in Article IV above as of the Agreement Date, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the existence of such matter. If, after Seller commits to cure such untrue or incorrect representations or warranties exceeding \$500,000 in the aggregate, but the same remain uncured for the earlier of (i) 90 days after the Cure Commencement Period (or such longer period as Seller is diligently pursuing such cure) or (ii) the Closing, Buyer may terminate this Agreement by giving written notice of termination to the Seller.

(d) The Buyer shall promptly notify the Seller in writing of the existence of any matter, which if in existence on the Agreement Date or the Closing Date would cause any of the representations or warranties in Article V above to be untrue or incorrect. If all of such untrue or

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incorrect representations or warranties could reasonably be expected to cost more than \$500,000 in the aggregate to cure, the Seller shall have the right, if the Buyer has not within twenty 20 days after receipt by Seller of the notice referred to in the preceding sentence committed to cure such untrue or incorrect representations or warranties, to terminate this Agreement upon written notice to Buyer. If the cost to cure all of such untrue or incorrect representations or warranties could reasonably be expected to be \$500,000 or less in the aggregate or if the Seller does not exercise the right to terminate this Agreement within twenty (20) days after the Cure Commencement Period, the written notice pursuant to this Section 6.9(d) shall be deemed to have amended the appropriate Schedule or Schedules as of the Agreement Date, to have qualified the representations and warranties contained in Article V above as of the Agreement Date, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the existence of such matter. If, after Buyer commits to cure such untrue or incorrect representations or warranties exceeding \$500,000 in the aggregate, but the same remain uncured for the earlier of (i) 90 days after the Cure Commencement Period (or such longer period as Buyer is diligently pursuing such cure) or (ii) the Closing, Seller may terminate this Agreement by giving written notice of termination to the Buyer.

(e) Seller shall be entitled to amend, substitute or otherwise modify any Seller's Agreement to the extent that such Seller's Agreement expires by its terms prior to the Closing Date or is terminable without liability to Buyer on or after the Closing Date, or if the terms and conditions of such modified Seller's Agreement constituting the Assumed Liabilities and Obligations are on terms and conditions not less favorable to Buyer than the original Seller's Agreement. Subject to Sections 6.9(a), (b), (c) and (d), nothing contained herein shall relieve Seller or Buyer of any breach of representation, warranty or covenant under this Agreement existing as of the date hereof or any subsequent date as of which such representation, warranty or covenant shall have been made.

6.10 Employees.

(a) Buyer will offer employment to the lesser of (i) 426 regular employees of Seller or (ii) the actual number of regular employees of Seller at the Facilities as of the Closing Date. As used in this Section 6.10(a), the term "regular employees" excludes only those employees who are temporary, casual or regularly scheduled to work less than 20 hours per week. If a regular employee is on an approved leave of absence on the Closing Date, Buyer nonetheless shall offer such regular employee employment, provided, however, that Buyer shall condition such offer on (a) the employee being able to report, and in fact reporting, to work at the conclusion of his/her leave of absence and upon such leave of absence not exceeding twelve weeks from the date the leave began or such longer period to which the employee is entitled under applicable law or collective bargaining agreement and (b) the employee being able to perform the essential functions of his or her job with or without a reasonable accommodation. Additionally, Buyer will be entitled to offer employment to any employee of Seller who provides services with respect to the Purchased Assets.

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(b) The selection of individual employees who will be offered employment within each job classification will be made at the sole discretion of Buyer. All offers of employment shall be made in accordance with all applicable federal, state and local laws and regulations and, with respect to Union Employees, the IBEW Collective Bargaining Agreement.

(c) All offers of employment made by Buyer to any of Seller's employees will be made subject to Buyer receiving confirmation from Seller that an employee: (i) is currently performing and is licensed or certified (if applicable), and properly trained in accordance with any applicable governmental requirements or standards, to perform the duties and responsibilities of his current job assignment, and (ii) has or will obtain prior to Closing the appropriate nuclear power plant access authorization.

(d) Non-Union Employees who are offered and accept employment with Buyer are referred to herein as "Transferred Non-Union Employees." Union Employees who are offered and accept employment with Buyer are referred to herein as "Transferred Union Employees." Transferred Non-Union Employees and Transferred Union Employees are collectively referred to herein as "Transferred Employees." Employees who are not transferred to the Buyer and who continue employment with the Seller are referred to herein as "Non-Transferred Employees."

(e) Buyer shall recognize the IBEW as the collective bargaining representative for the Transferred Union Employees and shall agree to be a successor to and will assume the IBEW Collective Bargaining Agreement for the Transferred Union Employees.

(f) Unless otherwise specifically provided for herein, all Transferred Union Employees shall retain their seniority and receive full credit for service with Seller (including service with a Sponsor to the extent credited by Seller) in connection with entitlement to compensation, vacation, benefits and rights under the IBEW Collective Bargaining Agreement, and benefits and rights under each retirement or employee benefit plan or program Buyer is required to maintain for Transferred Union Employees pursuant to the IBEW Collective Bargaining Agreement.

(g) For the period commencing on the Closing Date and ending twelve (12) months thereafter Buyer shall provide each Transferred Non-Union Employee with total compensation (including, without limitation, base pay, bonuses and benefits provided under any employee benefits plans and programs) which in the aggregate is substantially similar to the Transferred Non-Union Employee's annualized total compensation (including, without limitation, base pay, bonuses and benefits provided under any employee benefits plans and programs) received from Seller prior to the Closing.

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(h) As of the Closing Date, all Transferred Employees and their eligible dependents shall commence participation in welfare benefit plans of Buyer or its Affiliates (the "Replacement Welfare Plans") that will provide benefits or coverage substantially similar to the benefits or coverage provided to the Transferred Employees and their eligible dependents under Seller's plans and programs in effect for the Transferred Employees and their eligible dependents immediately prior to the Closing Date. Buyer shall (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to the Transferred Employees and their eligible dependents under the Replacement Welfare Plans, other than, but only to the extent of, limitations or waiting periods that were in effect with respect to such employees under the welfare benefit plans maintained by Seller and that have not been satisfied as of the Closing Date, and (ii) provide each Transferred Employee and their eligible dependents with credit for any co-payments and deductibles paid prior to the Closing Date during a plan year under Seller's plan that has not ended as of the Closing Date, in satisfying any deductible or out-of-pocket requirements under the Replacement Welfare Plans (on a pro-rata basis in the event of a difference in plan years).

(i) Buyer shall assume sponsorship of Seller's Thrift Plan for Management Employees and Thrift Plan for Employees who are members of the IBEW (the "Assumed Thrift Plans"). Seller shall cause the Transferred Employees and the Non-Transferred Employees to be fully vested in their respective account balances under the Assumed Thrift Plans at the time of Closing. Non-Transferred Employees will not be considered active participants in the Assumed Thrift Plans, and will not be able to make contributions to the Assumed Thrift Plans. Non-Transferred Employees will be treated as terminated/retired employees under the Assumed Thrift Plans as of the Closing Date.

(j) Buyer shall assume sponsorship of (i) the Retirement Plan for the IBEW, which is the Seller's defined benefit pension plan for Union Employees, and (ii) the Final Average Pay Pension Plan, which is the Seller's defined benefit pension plan for Non-Union Employees (collectively referred to as the "Seller's Defined Benefit Plans.") In the event that the market value of the assets of either of Seller's Defined Benefit Plans is less than the Projected Benefit Obligation ("PBO") of that plan, determined as of the Closing Date and in accordance with the benefits assumptions set forth in Schedule 6.10(j), the Seller shall make a contribution to such Defined Benefit Plan equal to such shortfall, but only to the extent such contribution is fully deductible. To the extent the amount of such shortfall exceeds the amount of such deductible contribution, the Cash Purchase Price shall be reduced by an amount equal to such remaining shortfall in assets with respect to either or both of Seller's Defined Benefit Plans. Similarly, in the event that the market value of the assets of either of Seller's Defined Benefit Plans exceeds the PBO of that plan, determined as of the Closing Date and in accordance with the benefits assumptions set forth in Schedule 6.10(j), the Cash Purchase Price shall be increased to reflect the value of the excess assets relative to the PBO with respect to either or both of Seller's Defined Benefit Plans and the Buyer's cash contribution requirements to such plans based on the market value of the transferred assets. Such

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increase to the Cash Purchase Price shall equal the “Net Present Value (NPV) of the tax-effected contribution avoidance” as set forth in Schedule 6.10(j). Buyer assumes responsibility for all benefit payments under the Seller’s Defined Benefit Plans for all participants, whether active, retired, terminated vested participants, or eligible beneficiaries. Seller shall cause the Transferred Employees and the Non-Transferred Employees to be fully vested in their respective accrued benefits under the Seller’s Defined Benefit Plans as of the Closing Date. Non-Transferred Employees will be treated as terminated/retired employees under the Seller’s Defined Benefit Plans as of the Closing Date.

(k) Buyer shall assume sponsorship of the Seller’s VEBA for Non-Union Employees and Seller’s VEBA for Union Employees, as well as the 401(h) accounts in the Seller’s Defined Benefit Plans maintained by Seller for the purpose, in whole or in part, of funding post-retirement benefits (collectively referred to as the “Seller’s Retiree Welfare Plans”). In the event that the market value of the assets of Seller’s VEBAs and 401(h) accounts is less than the aggregate Accumulated Post-Retirement Benefit Obligations (“APBO”) of the Seller’s Retiree Welfare Plans, determined as of the Closing Date and in accordance with the benefit assumptions as set forth in Schedule 6.10(k), the Seller shall make a contribution to the Seller’s VEBAs or 401(h) accounts equal to such shortfall, but only to the extent such contribution is fully deductible. To the extent the amount of such shortfall exceeds the amount of such deductible contribution, the Cash Purchase Price shall be reduced by an amount equal to such remaining shortfall in assets with respect to the Seller’s Retiree Welfare Plans. In the event that the market value of the assets of the Seller’s VEBAs and 401(h) accounts exceed the aggregate APBO of the Seller’s Retiree Welfare Plans determined as of the Closing Date and in accordance with the benefits assumptions set forth in Schedule 6.10(k), the Cash Purchase Price shall be increased to reflect the value of the excess assets relative to the APBO in accordance with the methodology described in Schedule 6.10(k). Buyer assumes responsibility for all benefit payments under the Seller’s Retiree Welfare Benefit Plans for all participants, whether active, retired, or beneficiaries.

(l) Notwithstanding the provisions of Sections 6.10(j) and 6.10(k), the Cash Purchase Price shall be increased by the difference between: (i) the excess value of all of the plans identified in Sections 6.10(j) and 6.10(k) as of the Closing Date, as determined by the methodologies and assumptions described in Schedules 6.10(j) and 6.10(k), and (ii) \$8.2 million. If the value of such plans is less than \$8.2 million, the Purchase Price shall be reduced by such shortfall.

(m) Seller shall file in a timely manner all reports or other information required by the Pension Benefit Guaranty Corporation under Section 4043 of ERISA in connection with the transfer of sponsorship of Seller’s Defined Benefit Plan. The transfer described in Section 6.10(j) shall be made as soon as practicable following the determination of the amount described in Section 6.10(j).

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(n) Upon completion of the transfer under Section 6.10(j) and Section 6.10(k), all benefit payments from the Buyer's Defined Benefit and Retiree Welfare Benefit Funds shall be the responsibility of Buyer. Pending completion of the transfers under Section 6.10(j) and Section 6.10(k), any benefits that would otherwise be payable under Buyer's Defined Benefit and Retiree Welfare Benefit Funds shall be paid or continue to be paid out of Seller's applicable benefit plan. Seller will (i) cooperate with Buyer with respect to completion of the transfer under Section 6.10(j) and Section 6.10(k) and plan administration including the disbursement of benefits pending completion of the transfer; and, (ii) make no changes in asset allocation of fund managers except at the direction of the Buyer.

(o) Buyer shall be responsible for any obligations to make severance payments to any (i) Transferred Employees whose employment with Buyer or its Affiliates is terminated by Buyer on or after the Closing Date or (ii) employees of Seller terminated by Seller prior to the Closing Date in accordance with Buyer's written directions.

(p) Seller shall be responsible, with respect to the Purchased Assets, for performing and discharging all requirements under the WARN Act and under applicable state and local laws and regulations for the notification of its employees of any "employment loss" within the meaning of the WARN Act which occurs only prior to the Closing Date. Buyer shall be responsible, with respect to the Purchased Assets, for performing and discharging all requirements under the WARN Act and under applicable state and local laws and regulation for the notification of employees of any "employment loss" within the meaning of the WARN Act which occurs on or after the Closing Date.

(q) Buyer agrees to assume responsibility for COBRA administration for all Transferred Employees, Non-Transferred Employees, and former employees of Seller, and their qualified beneficiaries who become or became entitled to such COBRA continuation coverage on or before the Closing Date.

(r) [Intentionally Omitted]

(s) Seller shall remain responsible for paying Transferred Employees for (i) all salary and wages, and a pro rata share of all bonuses and incentive compensation that were earned for time worked for Seller prior to the Closing Date, and (ii) all workers' compensation, disability benefits or other insurance benefits that were accrued and for which entitlement is based upon events occurring prior to the Closing Date including any incurred claims under employee benefit plans maintained by Seller. Nothing in this Agreement shall be construed as making Seller liable for any benefit under any of Seller's Benefit Plans for which the Seller would not be liable under the terms of such plans. Seller shall pay to Buyer as promptly as practicable following the Closing Date, but by no later than the thirtieth (30th) day after the Closing Date, the cash equivalent for all unpaid

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vacation and holiday time for Transferred Employees which have accrued prior to the Closing Date. Buyer shall thereafter be responsible for the payment of such vacation and holiday benefits to Transferred Employees. Seller shall not be responsible for the payment of sick pay or personal time associated with the Transferred Employees on or after the Closing Date.

(t) At the Closing, Buyer agrees to adopt and assume responsibility for any (i) non-tax qualified executive or management retirement program or incentive, and (ii) all change-in-control arrangements or agreements, provided that the assets funding any benefit identified in clause (i) and (ii) are transferred to Buyer. In the event those assets cannot be transferred to Buyer, Seller shall retain all responsibility for those benefits accrued through the Closing. Buyer shall then establish, effective as of the Closing, substantially similar benefits for covered executives.

(u) Individuals who are otherwise "Union Employees" or "Non-Union Employees" but who on any date are not actively at work due to a leave of absence covered by the Family and Medical Leave Act, or due to any other authorized leave of absence, shall nevertheless be treated as "Union Employees" or as "Non-Union Employees," as the case may be, on such date if they are able to (i) return to work within the protected period under the Family and Medical Leave Act or such other leave (which in any event shall not extend more than twelve (12) weeks after the Closing Date or such longer period required by law), whichever is applicable, and (ii) perform the essential functions of their job with or without a reasonable accommodation.

(v) All Transferred Employee Records shall be delivered promptly after the Closing Date to Buyer in accordance with and subject to applicable legal requirements.

6.11 Risk of Loss.

(a) From the date hereof through the Closing Date, all risk of loss or damage to the property included in the Purchased Assets shall be borne by Seller. Seller shall replace or repair any damage to the Purchased Assets in accordance with Good Utility Practices, except as otherwise provided in paragraphs (b) or (c) below.

(b) If, before the Closing Date all or any portion of the Purchased Assets are taken by eminent domain or is the subject of a pending or (to the Knowledge of Seller) contemplated taking which has not been consummated, Seller shall notify Buyer promptly in writing of such fact. If such taking would reasonably be expected to create a Material Adverse Effect, Buyer and Seller shall negotiate in good faith to settle the loss resulting from such taking (including, without limitation, by making a fair and equitable (i) adjustment to the Purchase Price or (ii) restoration or replacement of such Purchased Assets) and, upon such settlement, consummate the transactions contemplated by this Agreement pursuant to the terms of this Agreement. If no such settlement is

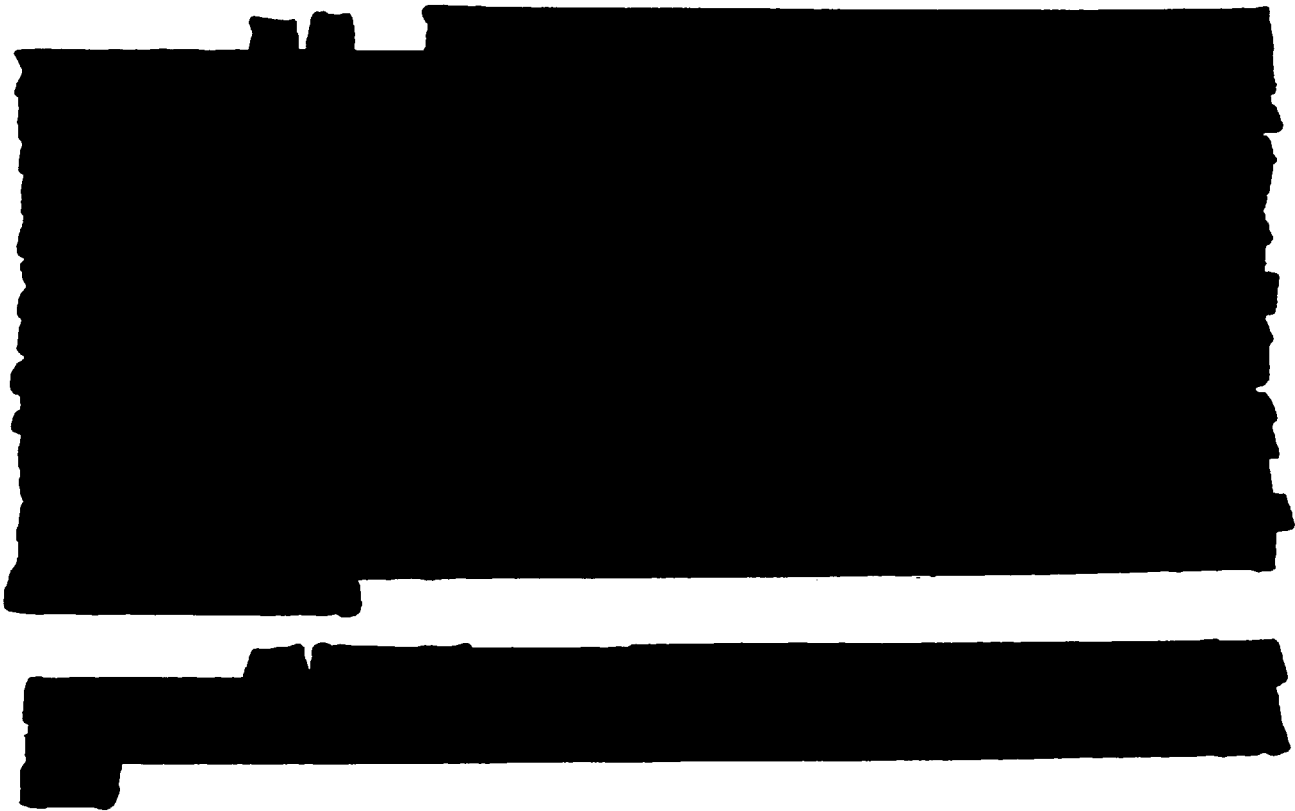
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reached within sixty (60) days after Seller has notified Buyer of such taking, then Buyer or Seller may terminate this Agreement pursuant to Section 9.1(g).

(c) If, before the Closing Date all or any portion of the Purchased Assets are damaged or destroyed by fire or other casualty, Seller shall notify Buyer promptly in writing of such fact. If such damage or destruction would reasonably be expected to create a Material Adverse Effect and Seller has not notified Buyer of their intention to cure such damage or destruction within fifteen (15) days after its occurrence, Buyer and Seller shall negotiate in good faith to settle the loss resulting from such casualty (including, without limitation, by making a fair and equitable adjustment to the Purchase Price) and, upon such settlement, consummate the transactions contemplated by this Agreement pursuant to the terms of this Agreement. If no such settlement is reached within sixty (60) days after Seller has notified Buyer of such casualty, then Buyer may terminate this Agreement pursuant to Section 9.1(g).

(d) The provisions of Section 5-1311 of the New York General Obligations Law shall not apply to this Agreement.

6.12 Decommissioning Funds.



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[REDACTED]

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**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

[REDACTED]

[REDACTED]

[REDACTED]

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**REDACTED TEXT CONTAINS CONFIDENTIAL INFORMATION WITHHELD
FROM PUBLIC DISCLOSURE PURSUANT TO 10 CFR §§ 2.790 AND 9.17(a)(4)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6.13 Spent Nuclear Fuel Fees.

(a) Between the date hereof and the Closing Date, and at all times thereafter, Seller will pay all Spent Nuclear Fuel Fees and any other fees associated with electricity generated at VYNPS prior to the Closing Date, and Buyer shall have no liability or responsibility therefor. Buyer shall pay and discharge all fees and expenses associated with electricity generated at VYNPS from and after the Closing Date, and Seller shall have no liability or responsibility therefor. Buyer shall assume title to and responsibility for the storage and disposal of the Spent Nuclear Fuel in VYNPS as of the Closing Date. Seller shall assign to Buyer the DOE Standard Contract, except for the obligation to pay the one time fee, and shall provide the required notice to the DOE within ninety (90) days of transfer of title to spent fuel.

(b) Seller agrees, upon receipt of at least 15 days advance written notice from the Buyer of the date on which the one-time fee for fuel burned prior to April 7, 1983 under the DOE Standard Contract will become due and payable in accordance with the terms of the DOE Standard Contract, to cause such fee to be duly paid when due, subject to any rights of set-off to which Seller may be entitled by reason of the Department of Energy's defaults under said DOE Standard Contract.

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(c) Until such time as the DOE shall take financial responsibility for the Spent Nuclear Fuel generated at VYNPS or the DOE otherwise causes or pays for the storage at or removal of such Spent Nuclear Fuel from the Site, Seller shall be responsible for 70% of the costs of building and operating the operational phase spent fuel storage facility with respect to such Spent Nuclear Fuel. Buyer shall invoice Seller for such costs as incurred on a monthly basis. Seller's share of such costs shall not exceed 70% of an amount not to exceed the equivalent to \$20.7 million in 1999 dollars. The reimbursement by the Seller will include an adjustment to compensate Buyer for the deferral of tax deductions associated with the capital portion of Seller's share of the costs. At Seller's option, Seller may cause funds to be disbursed from the Vermont Yankee Spent Fuel Trust to satisfy such costs; provided, however, to the extent Seller's share of such costs are not fully paid by disbursements from such trust, Seller shall be responsible for the payment of such costs. From and after the date the DOE assumes financial responsibility for Spent Nuclear Fuel as contemplated by this Section 6.13(c), the Seller shall be relieved of responsibility for that portion of the costs assumed by DOE.

(d) Buyer agrees that, if at any time after the Closing, Buyer receives any cash compensation from the Department of Energy with respect to the DOE's defaults under the DOE Standard Contract or is otherwise compensated by the DOE for the costs of storage and safe keeping of the Spent Nuclear Fuel generated at the Facility, then, to the extent that such cash compensation relates to the following enumerated items Buyer shall pay over to Seller, or its assignees, portions of such cash compensation or from the Decommissioning Funds, when such Decommissioning Funds are available and accessible, up to an aggregate amount not to exceed the following items:

- (i) the amount theretofore paid by Seller as its 70% share of the cost of building and operating the operational phase storage facility under subsection 6.13(c); and
- (ii) \$22.5 million being the portion of the assets of the Decommissioning Fund(s) conveyed to Buyer pursuant to this Agreement, attributable to the estimated costs of storage of Spent Nuclear Fuel;

provided, however, that, to the extent the recovery of cash damages from DOE relates to clause (i) above, the damages shall be shared pro rata, 70% for Seller and 30% for Buyer, up to the maximum value identified in clause (i) above.

If the DOE's refund or payment of costs is less than the total costs of storage and safekeeping of the Spent Nuclear Fuel generated at the Site, the Seller shall receive a pro rata share of the benefits. The pro rata share shall be determined by dividing the Seller's responsible costs, as outlined above, by the total project cost and then multiplying the quotient by the amount of the DOE payment or refund.

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6.14 Department of Energy Decontamination and Decommissioning Fees. Seller will continue to pay all Department of Energy Decontamination and Decommissioning Fees relating to nuclear fuel purchased and consumed at VYNPS prior to the Closing Date, including, without limitation, all annual Special Assessment invoices to be issued after the Closing Date by the Department of Energy, as contemplated by its regulations at 10 C.F.R. Part 766 implementing Sections 1801, 1802 and 1803 of the Atomic Energy Act.

6.15 Cooperation Relating to Insurance and Price-Anderson Act. Until the Closing, Seller will maintain in effect the same level of property damage and liability insurance for the Facility as in effect on the date hereof, including those insurance policies described in Schedule 4.9. Seller shall cooperate with Buyer's efforts to obtain insurance, including insurance required under the Price-Anderson Act or other Nuclear Laws with respect to the Purchased Assets. In addition, Seller agrees to use reasonable efforts to assist Buyer in making any claims against pre-Closing insurance policies of Seller that may provide coverage related to Assumed Liabilities and Obligations. Buyer agrees that it will indemnify Seller for its reasonable out-of-pocket expenses incurred in providing such assistance and cooperation.

6.16 Tax Clearance Certificates. Seller and Buyer shall cooperate and use their Commercially Reasonable Efforts to cause the tax clearance certificates described in Schedule 4.20 of this Agreement to be issued by the appropriate taxing authorities prior to the Closing Date or as soon as practicable thereafter.

6.17 Remediation. Prior to the Closing, and at its expense, Seller shall fully and successfully correct and complete its plan of Remediation as set forth on Schedule 6.17 or shall compensate Buyer for the costs of any uncompleted Remediation set forth on Schedule 6.17 through an adjustment to the Purchase Price paid at Closing.

6.18 Insurance Policies. Buyer shall obtain the Nuclear Insurance Policies effective as of the Closing Date as set forth on Schedule 1.1(109) hereto. Any claims bonus or premium refunds paid in connection with the credit insurance or surety bond referred to in Section 7.1(x) shall be solely for the account of the Seller and Buyer shall immediately pay to Seller any such claims bonus or premium refunds received by Buyer.

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ARTICLE VII

CONDITIONS

7.1 Conditions to Obligations of Buyer. The obligations of Buyer to purchase the Purchased Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date (or the waiver in writing by Buyer) of the following conditions:

(a) The waiting period under the HSR Act applicable to the consummation of the sale of the Purchased Assets contemplated hereby shall have expired or been terminated;

(b) No preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority which prevents the consummation of the sale of the Purchased Assets contemplated herein shall have been issued and remain in effect (each Party agreeing to cooperate in all efforts to have any such injunction, order or decree lifted) and no statute, rule or regulation shall have been enacted by any state or federal government or Governmental Authority which prohibits the consummation of the sale of the Purchased Assets;

(c) Buyer shall have received all of Buyer's Required Regulatory Approvals, which approvals shall be in form and substance reasonably satisfactory to Buyer in its sole discretion (as evidenced by failure to give notice within the period permitted by Section 6.6(k) or earlier written acknowledgement of acceptability), and such approvals shall be final;

(d) Seller shall have received all Seller's Required Regulatory Approvals, which approvals shall contain no condition or deficiency which, as determined by the Buyer in its sole discretion, could reasonably be expected to result in a Material Adverse Effect (as evidenced by failure to give notice within the period permitted by Section 6.6 (k) or earlier written acknowledgement of acceptability), and such approvals shall be final;

(e) Seller shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement and the Power Purchase Agreement which are required to be performed and complied with by Seller on or prior to the Closing Date;

(f) The representations and warranties of Seller set forth in this Agreement that are qualified by materiality shall be true and correct as of the Closing Date and all other representations and warranties shall be true and correct in all material respects as of the Closing Date, in each case as though made at and as of the Closing Date;

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(g) Buyer shall have received certificates from an authorized officer of Seller, dated the Closing Date, to the effect that, to the Seller's Knowledge, the conditions set forth in Sections 7.1(e), (f), (m), (n), (o), (p) and (v) have been satisfied by Seller;

(h) Buyer shall have received an opinion or opinions from Seller's counsel reasonably acceptable to Buyer, dated the Closing Date and reasonably satisfactory in form and substance to Buyer and its counsel, substantially in the form of Exhibit J hereto;

(i) Seller shall have delivered, or caused to be delivered, to Buyer at the Closing, Seller's closing deliveries described in Section 3.6;

(j) Buyer shall have received from a nationally recognized title insurance company an ALTA owner's title insurance policies on the Real Property, in form and substance reasonably satisfactory to Buyer, insuring title as described therein, subject only to the Permitted Encumbrances. Buyer shall provide Seller with a copy of a preliminary title report to the extent obtained by Buyer and Seller shall have provided Buyer, at Seller's expense, with an updated survey for the Real Property;

(k) Since the date of this Agreement, no Material Adverse Effect, including, without limitation, from any contract, agreement, commitment or arrangement with the NRC as permitted by Section 6.1(a)(x), that could reasonably be expected to cause Buyer to increase expenses, lose revenue, make capital expenditures or otherwise experience any financial detriment within five (5) years from the Closing Date in an amount greater than \$5,000,000 in the aggregate shall have occurred and be continuing; other than those arising from facts or circumstances that were expressly set forth herein or in any Schedule hereto on the date of this Agreement and were not expressly required to be corrected or Remediated and such correction or Remediation was completed before the Closing Date;

(l) The IRS rulings or opinions of counsel applicable to Buyer set forth in Section 6.12 shall have been received;

(m) Seller shall have materially performed the maintenance, repair and replacement work on the Facility set forth in Schedule 7.1(m) in accordance with the previously established schedule for the completion of such work, and such work shall have been completed in accordance with Good Utility Practices and Section 6.1(a) and in material conformity with all applicable legal requirements;

(n) Seller shall have completed in accordance with Good Utility Practices and Section 6.1(a) and in material conformity with all applicable legal requirements all work required to be accomplished in order for the Purchased Assets to be Year 2000 Compliant or "Y2K Ready" (as defined in Section 6.1(f));

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(o) Seller shall have completed in accordance with Good Utility Practices and Section 6.1(a) and in material conformity with all applicable legal requirements all work required to be accomplished in the Refueling Outage as set forth in Schedule 1.1(136);

(p) All Low Level Waste that has been generated in the operations of the Facility which have an associated disposal cost in the aggregate of greater than \$250,000 shall have been shipped off-Site by Seller for permanent disposal in accordance with all applicable legal requirements, and all remaining Low Level Waste generated in the operations of the Facility having an associated disposal cost in the aggregate of \$250,000 or less shall have been properly bagged, tagged, packaged and/or stored by Seller at the Facility in accordance with Good Utility Practices for handling Low Level Waste;

(q) The lien of the Mortgage Indentures on the Purchased Assets and all Encumbrances on the Real Property (other than Permitted Encumbrances) shall have been released and any documents necessary to evidence such releases shall have been delivered to the title company;

(r) All consents and approvals for the consummation of the sale of the Purchased Assets contemplated hereby required under the terms of any note, bond, mortgage, indenture, material agreement or other instrument or obligation to which Seller is a party or by which Seller, or any of the Purchased Assets, may be bound, shall have been obtained, other than those which if not obtained, would not, individually and in the aggregate, create a Material Adverse Effect;

(s) Velco and Seller shall have entered into the Easement Agreement and the Transmission Asset Purchase Agreement and Velco shall have entered into the Interconnection Agreement, and such agreements shall be in full force and effect;

(t) (i) The Total NCV of the Decommissioning Funds shall be as set forth in Section 6.12, and (ii) Seller shall have made the deposits required in accordance with Section 6.12 to the Texas Disposal Fund;

(u) Buyer shall be satisfied, in its reasonable discretion, that, other than with respect to the Environmental Conditions disclosed by Seller in any schedule to this Agreement, there is no Environmental Condition at the Site that is reasonably likely to give rise to an Environmental Claim or Remediation activity that would result in a Material Adverse Effect;

(v) Seller shall have completed all Remediation set forth in Schedule 6.17 or, alternatively, shall pay Buyer for any and all such Remediation costs to be incurred after the Closing Date;

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(w) Seller and each of the Sponsors shall have entered into the Amendatory Power Agreement;

(x) Seller shall have obtained the credit insurance or surety bond, substantially in conformity with the term sheet attached as Exhibit O.

(y) Seller and Chittenden Bank shall have entered into the Vermont Yankee Spent Fuel Trust Supplemental Indenture in form and substance reasonably satisfactory to Buyer and such agreement shall be in full force and effect;

(z) Seller, Buyer and Seller's secured lender or lenders shall have entered into a creditors' agreement substantially on the terms set forth in Schedule 7.1(z) and which is otherwise in form and substance reasonably satisfactory to Buyer;

(aa) The Indenture dated August 1, 1970 between Seller and New England Power Company, predecessor in interest to U.S. Generating Company, relating generally to the Vernon Dam shall have been recorded in the land records of the Town of Vernon, Windham County, Vermont as an encumbrance against the VYNPS Site and evidence of such recording shall have been delivered to Buyer in form and substance reasonably satisfactory to Buyer, and the Seller shall have assigned to Buyer its interest as grantee thereunder with respect to the rights granted therein relating to the Vernon Dam and the site thereof, which instrument of assignment shall be in recordable form and substance reasonably satisfactory to Buyer and shall be in full force and effect;

(bb) The Buyer, U.S. Generating Company, GMPC and NEPCO shall have entered into an agreement, satisfying applicable NRC license or operation requirements, providing for the supply of power with respect to so-called "black start" of VYNPS during periods when VYNPS is not operating and the electrical supply referred to in subsection (cc) below is not available, which agreement shall be in form and substance reasonably satisfactory to Buyer and such agreement shall be in full force and effect;

(cc) GMPC, Seller and Buyer shall have entered into an agreement which, among other things, assigns to Buyer the Seller's interest in an Amended Agreement dated November 27, 1989 providing for the purchase of electric energy for the operation of VYNPS from GMPC for station service backup and outage power, which agreement shall be in form and substance reasonably satisfactory to Buyer and such agreement shall be in full force and effect;

(dd) Buyer and NEPCO shall have entered into an agreement with respect to the interconnection of NEPCO's Vernon substation, the Vernon Dam and the VYNPS, which agreement shall be in form and substance reasonably satisfactory to Buyer and such agreement shall be in full force and effect; and

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(ee) Seller shall have established a special purpose entity in form and substance satisfactory to Buyer in its sole discretion.

7.2 Conditions to Obligations of Seller. The obligations of Seller to sell the Purchased Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date (or the waiver in writing by Seller) of the following conditions:

(a) The waiting period under the HSR Act applicable to the consummation of the sale of the Purchased Assets contemplated hereby shall have expired or been terminated;

(b) No preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority which prevents the consummation of the sale of the Purchased Assets contemplated herein shall have been issued and remain in effect (each Party agreeing to use its Commercially Reasonable Efforts to have any such injunction, order or decree lifted) and no statute, rule or regulation shall have been enacted by any state or federal government or Governmental Authority in the United States which prohibits the consummation of the sale of the Purchased Assets;

(c) Seller and its Sponsors shall have received all of Seller's Required Regulatory Approvals, which approvals shall be in form and substance reasonably satisfactory to Seller (or the affected Sponsor) in the sole discretion of the Seller or such Sponsor (as evidenced by failure to give notice within the period permitted by Section 6.6 (k) or earlier written acknowledgement of acceptability), and such approvals shall be final;

(d) Buyer shall have performed and complied with in all material respects the covenants and agreements contained in this Agreement and the Power Purchase Agreement which are required to be performed and complied with by Buyer on or prior to the Closing Date;

(e) The representations and warranties of Buyer set forth in this Agreement that are qualified by materiality shall be true and correct as of the Closing Date and all other representations and warranties shall be true and correct in all material respects as of the Closing Date, in each case as though made at and as of the Closing Date;

(f) Seller shall have received a certificate from an authorized officer of Buyer, dated the Closing Date, to the effect that, to the Buyer's Knowledge, the conditions set forth in Sections 7.2(d) and (e) have been satisfied by Buyer;

(g) Effective upon Closing, Buyer shall have assumed, as set forth in Section 6.10, all of the applicable obligations under the IBEW Collective Bargaining Agreement as they relate to Transferred Union Employees;

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(h) Seller shall have received an opinion from Buyer's counsel reasonably acceptable to Seller, dated the Closing Date and satisfactory in form and substance to Seller and its counsel, substantially in the form of Exhibit K hereto;

(i) Buyer shall have delivered, or caused to be delivered, to Seller at the Closing, Buyer's closing deliveries described in Section 3.7;

(j) Buyer shall have entered into the Easement Attachment Agreement and the Interconnection Agreement, and the Sponsors set forth therein shall have entered into the Power Purchase Agreement and the Sponsors Agreement, and such Agreements shall be in full force and effect;

(k) The IRS rulings or opinions of counsel applicable to Seller set forth in Section 6.12, as the case may be, shall have been received;

(l) The lien of the Mortgage Indentures on the Purchased Assets shall have been released and any documents necessary to evidence such release shall have been delivered to the title company;

(m) Since the Agreement Date and as a result of a Major Capital Repair, Seller shall not have expended on Capital Projects more than \$2 million (net of insurance proceeds) in excess of the portion of the Capital Budget (exclusive of the amounts related to the items set forth in Schedule 7.1(m)) attributable to the period between the Agreement Date and the Closing, assuming that the budget amounts for each year of the Capital Budget are allocated in equal amounts to each of the months of such year.

For purposes of this subsection:

"Capital Budget" means the capital budget of Seller for 1999 and 2000 as set forth in Schedule 6.1.

"Capital Projects" mean capital projects, including a Major Capital Repair, but excluding the items set forth on Schedule 7.1(m).

"Major Capital Repair" means a single major capital repair or replacement (and related repairs and replacements) not set forth in the Capital Budget, but excluding any Capital Projects for which the Cash Purchase Price is to be increased pursuant to Section 3.3(a)(iii):

(n) Velco shall have entered into the Easement Agreement, the Interconnection Agreement and the Transmission Asset Purchase Agreement, and such agreements shall be in full force and effect:

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(o) Each of the Sponsors shall have entered into the Amendatory Power Agreement;

(p) Seller, Buyer and Seller's secured lender or lenders shall have entered into a creditors' agreement containing the terms set forth in Schedule 7.1(z) and which is otherwise in form and substance reasonably satisfactory to Seller;

(q) Seller shall have established a special purpose entity in form and substance satisfactory to Seller in its sole discretion; and

(r)



(s) Seller shall have obtained the credit insurance or surety bond, substantially in conformity with the term sheet attached as Exhibit O.

ARTICLE VIII

INDEMNIFICATION

8.1 Indemnification.

(a) Buyer shall indemnify, defend and hold harmless Seller, its officers, directors, employees, shareholders, Affiliates and agents (each, a "Seller Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by any Seller Indemnitee, that relate to, result from or arise out of (i) any breach by Buyer of any representations, warranties or covenants contained in this Agreement, provided that such Indemnifiable Losses in the aggregate exceed Five Hundred Thousand Dollars (\$500,000) less the cost of curing untrue or incorrect representations or warranties described in Section 6.9(d) that were not cured by Buyer, (ii) the Assumed Liabilities and Obligations, (iii) any loss or damages resulting from or arising out of any Inspection, (iv) any Third Party Claims against a Seller Indemnitee arising out of or in connection with Buyer's ownership or operation of VYNPS and other

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Purchased Assets on or after the Closing Date subject to the proviso in clause (i), if applicable, (v) Taxes attributable to taxable income resulting from the Qualified Decommissioning Funds post-Closing or (vi) any loss or damage arising out of the termination of the contract for fabrication of nuclear fuel set forth on Schedule 8.1(a)(vi).

(b) Seller shall indemnify, defend and hold harmless Buyer, its officers, directors, members, employees, shareholders, Affiliates and agents (each, a "Buyer Indemnitee") from and against any and all Indemnifiable Losses asserted against or suffered by any Buyer Indemnitee, and relate to, result from or arise out of (i) any breach by Seller of any representations, warranties or covenants contained in this Agreement, provided that such Indemnifiable Losses in the aggregate exceed Five Hundred Thousand Dollars (\$500,000) less the cost of curing untrue or incorrect representations or warranties described in Section 6.9(c) that were not cured by Seller, (ii) the Excluded Liabilities, (iii) noncompliance by Seller with any bulk sales or transfer laws as provided in Section 10.11, (iv) any Third Party Claims against a Buyer Indemnitee arising out of or in connection with Seller's ownership or operation of the Purchased Assets on or prior to the Closing Date (except to the extent related to Assumed Liabilities and Obligations), subject to the proviso in clause (i), if applicable, (v) any Third Party Claims against a Buyer Indemnitee arising out of or in connection with Seller's ownership or operation of the Excluded Assets, (vi) all Taxes incurred by reason of any act of Seller that either constitutes an act of "self-dealing" as defined in Treas. Reg. § 1.468A-5(b)(2) or results in the disqualification of the Qualified Decommissioning Fund under Treas. Reg. § 1.468A-5 or (vii) any claims or attachments of Seller or any creditor of Seller against the Decommissioning Funds after the Closing Date.

(c) The expiration or termination of any representation or warranty shall not affect the Parties' obligations under this Section 8.1 if the Indemnitee provided the Person required to provide indemnification under this Agreement (the "Indemnifying Party") with proper notice of the claim or event for which indemnification is sought prior to such expiration, termination or extinguishment.

(d) The rights and remedies of Seller and Buyer under this Article VIII are the sole and exclusive remedies and in lieu of any and all other rights and remedies which Seller and Buyer may have under this Agreement or otherwise, with respect to (i) any breach of or failure to perform any covenant, agreement, or representation or warranty set forth in this Agreement, after the occurrence of the Closing or (ii) the Assumed Liabilities and Obligations or the Excluded Liabilities, as the case may be. The indemnification obligations of the Parties set forth in this Article VIII apply only to matters arising out of this Agreement, excluding the Ancillary Agreements. Any Indemnifiable Loss arising under or pursuant to an Ancillary Agreement shall be governed by the indemnification obligations, if any, contained in the Ancillary Agreement under which the Indemnifiable Loss arises.

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(e) Except for obligations under this Article VIII, no Party (including an Indemnitee) shall be entitled to the remedy of specific performance by the other Party (including an Indemnifying Party).

(f) Notwithstanding anything to the contrary herein, no Party (including an Indemnitee) shall be entitled to recover from the other Party (including an Indemnifying Party) for any liabilities, damages, obligations, payments, losses, costs or expenses under this Agreement any amount in excess of the actual compensatory damages, court costs and reasonable attorney's and other advisor fees suffered by such Party. Buyer and Seller waive any right to recover punitive, incidental, special, exemplary and consequential damages arising in connection with or with respect to this Agreement. The provisions of this Section 8.1(f) shall not apply to indemnification for a Third Party Claim.

8.2 Defense of Claims.

(a) If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action or proceeding made or brought by any Person who is not a Party to this Agreement or any Affiliate of a Party to this Agreement (a "Third Party Claim") with respect to which indemnification is to be sought from an Indemnifying Party, the Indemnitee shall give such Indemnifying Party reasonably prompt written notice thereof, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee's receipt of notice of such Third Party Claim. Such notice shall describe the nature of the Third Party Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume the defense of any Third Party Claim at such Indemnifying Party's expense and by such Indemnifying Party's own counsel, provided that the counsel for the Indemnifying Party who shall conduct the defense of such Third Party Claim shall be reasonably satisfactory to the Indemnitee. The Indemnitee shall cooperate in good faith in such defense at such Indemnitee's own expense. If an Indemnifying Party elects not to assume the defense of any Third Party Claim, the Indemnitee may compromise or settle such Third Party Claim over the objection of the Indemnifying Party, which settlement or compromise shall conclusively establish the Indemnifying Party's liability pursuant to this Agreement.

(b) (i) If, within twenty (20) calendar days after an Indemnitee provides written notice to the Indemnifying Party of any Third Party Claims, the Indemnitee receives written notice from the Indemnifying Party that such Indemnifying Party has elected to assume the defense of such Third Party Claim as provided in Section 8.2(a), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, however, that if the Indemnifying Party shall fail to take reasonable steps necessary to defend diligently such Third Party Claim within twenty (20) calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such

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steps, the Indemnitee may assume its own defense and the Indemnifying Party shall be liable for all reasonable expenses thereof.

(ii) Without the prior written consent of the Indemnitee, the Indemnifying Party shall not enter into any settlement of any Third Party Claim which would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder. If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such firm offer within twenty (20) calendar days after its receipt of such notice, the Indemnifying Party shall be relieved of its obligations to defend such Third Party Claim and the Indemnitee may contest or defend such Third Party Claim. In such event, the maximum liability of the Indemnifying Party as to such Third Party Claim will be the amount of such settlement offer plus reasonable costs and expenses paid or incurred by Indemnitee up to the date of such notice.

(c) Any claim by an Indemnitee on account of an Indemnifiable Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, stating the nature of such claim in reasonable detail and indicating the estimated amount, if practicable, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee becomes aware of such Direct Claim, and the Indemnifying Party shall have a period of twenty (20) calendar days within which to respond to such Direct Claim. If the Indemnifying Party does not respond within such twenty (20) calendar day period, the Indemnifying Party shall be deemed to have accepted such claim. If the Indemnifying Party rejects such claim, the Indemnitee will be free to seek enforcement of its right to indemnification under this Agreement.

(d) If the amount of any Indemnifiable Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by, from or against any other entity, the amount of such reduction, less any costs, expenses or premiums incurred in connection therewith (together with interest thereon from the date of payment thereof to the date of repayment at the "prime rate" as published in The Wall Street Journal) shall promptly be repaid by the Indemnitee to the Indemnifying Party.

(e) A failure to give timely notice as provided in this Section 8.2 shall not affect the rights or obligations of any Party hereunder except if, and only to the extent that, as a result of such failure, the Party which was entitled to receive such notice was actually prejudiced as a result of such failure.

ARTICLE IX

TERMINATION

9.1 Termination.

(a) This Agreement may be terminated at any time prior to the Closing Date by mutual written consent of Seller and Buyer.

(b) This Agreement may be terminated by either Seller or Buyer by giving written notice to the other Party any time prior to Closing if any of the following has occurred: (i) any federal or state court of competent jurisdiction shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the Closing, and such order, judgment or decree shall have become final and nonappealable, (ii) any statute, rule, order or regulation shall have been enacted or issued by any Governmental Authority which, directly or indirectly, prohibits the consummation of the Closing, or (iii) the Closing contemplated hereby shall have not occurred on or before December 31, 2000 (the "Termination Date").

(c) Except as otherwise provided in this Agreement, this Agreement may be terminated by Buyer by giving written notice to the Seller any time prior to Closing if any of Buyer's Required Regulatory Approvals or Seller's Required Regulatory Approvals, the receipt of which is a condition to the obligation of Buyer to consummate the Closing as set forth in Sections 7.1(c) and 7.1(d), shall have been finally denied (and a petition for rehearing or refiling of an application initially denied without prejudice shall also have been denied) or shall have been granted but such approval contains conditions that, after satisfaction of the provisions of Section 6.6(k), in the case of Buyer's Required Regulatory Approvals, would not be in form and substance reasonably satisfactory to Buyer in its sole discretion, or, in the case of Seller's Required Regulatory Approvals, could reasonably be expected to cause a Material Adverse Effect as determined by Buyer in its sole discretion.

(d) Except as otherwise provided in this Agreement, this Agreement may be terminated by Seller by giving written notice to Buyer any time prior to Closing, if any of Seller's Required Regulatory Approvals, the receipt of which is a condition to the obligation of Seller to consummate the Closing as set forth in Section 7.2(c), shall have been finally denied (and a petition for rehearing or refiling of an application initially denied without prejudice shall also have been denied) or shall have been granted but such approval contains conditions that, after satisfaction of the provisions of Section 6.6(k), would not be in form and substance reasonably satisfactory to Seller (or the affected Sponsor) in its sole discretion.

(e) This Agreement may be terminated by Buyer if there has been any violations or breaches by Seller of any covenants, representations or warranties contained in this Agreement

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which have resulted in a Material Adverse Effect and such violations or breaches have not been cured by the date thirty (30) days after receipt by Seller of written notice specifying particularly such violations or breaches or such violations or breaches have not been waived by Buyer.

(f) This Agreement may be terminated by Seller if there has been any violations or breaches by Buyer of any covenants, representations or warranties contained in this Agreement which have resulted in a Material Adverse Effect or a Buyer Material Adverse Effect.

(g) This Agreement may be terminated by Buyer or Seller in accordance with the provisions of Sections 6.9(c) or (d) and 6.11(b) or (c).

(h) This Agreement may be terminated by Buyer or Seller if any "extraordinary nuclear occurrence" or "nuclear incident" or "precautionary evacuation" (as such terms are defined in the Atomic Energy Act), other than the nuclear incident at Three Mile Island in 1979, occurs at the Site, or at any other licensed nuclear reactor site in the United States.

9.2 Procedure and Effect of No-Default Termination. In the event of termination of this Agreement by either or both of the Parties pursuant to this Section 9, written notice thereof shall forthwith be given by the terminating Party to the other Party, whereupon, if this Agreement is terminated pursuant to any of Sections 9.1(a) through (d) and 9.1(g), the liabilities of the Parties hereunder will terminate, except as otherwise expressly provided in this Agreement, and thereafter neither Party shall have any recourse against the other by reason of this Agreement (except for recourse against any Party then in breach).

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified or supplemented only by written agreement of Seller and Buyer.

10.2 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver of such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

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10.3 Survival of Representations, Warranties, Covenants and Obligations.

(a) The representations and warranties given or made by any Party to this Agreement or in any certificate or other writing furnished in connection herewith shall terminate

Each Party shall be entitled to rely upon the representations and warranties of the other Party or Parties set forth herein, notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any Party to complete the Closing.

(b) Except as provided in Section 10.3(a), the covenants and obligations of Seller and Buyer set forth in this Agreement, including, without limitation, the indemnification obligations of the parties under Article VIII hereof, shall survive the Closing indefinitely, and the Parties shall be entitled to the full performance thereof by the other Parties hereto without limitation as to time or amount.

10.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission, or mailed by overnight courier or registered or certified mail (return receipt requested), postage prepaid, to the recipient Party at its address (or at such other address or facsimile number for a Party as shall be specified by like notice; provided, however, that notices of a change of address shall be effective only upon receipt thereof):

(a) If to Seller, to:

Vermont Yankee Nuclear Power Corporation
185 Old Ferry Road
Brattleboro, VT 05301
Fax No.: 802-258-2128
Attention: Ross P. Barkhurst

with a copy to:

Ropes & Gray
One International Place
Boston, MA 02110
Fax No.: 617-951-7050
Attention: John A. Ritscher, Esq.
Hemmie Chang, Esq.

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(b) If to Buyer, to:

AmerGen Energy Company, L.L.C.
965 Chesterbrook Boulevard (63C-3)
Wayne, PA 19087
Fax No.: 610-640-6611
Attention: Charles P. Lewis

with a copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Fax No.: 215-963-5299
Attention: Howard L. Meyers, Esq.

10.5 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either Party hereto, including by operation of law, without the prior written consent of the other Party, such consent not to be unreasonably withheld, nor is this Agreement intended to confer upon any other Person except the Parties hereto any rights, interests, obligations or remedies hereunder. No provision of this Agreement shall create any third party beneficiary rights in any employee or former employee of Seller (including any beneficiary or dependent thereof) in respect of continued employment or resumed employment, and no provision of this Agreement shall create any rights in any such Persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder. Notwithstanding the foregoing, but subject to all applicable legal requirements, (a) Buyer or its permitted assignee may assign, transfer, pledge or otherwise dispose of (absolutely or as security) its rights and interests hereunder to a trustee, lending institutions or other party for the purposes of leasing, financing or refinancing the Purchased Assets, including such an assignment, transfer or other disposition upon or pursuant to the exercise of remedies with respect to such leasing, financing or refinancing, or by way of assignments, transfers, pledges or other dispositions in lieu thereof, and (b) Buyer or its permitted assignee may assign, transfer, pledge or otherwise dispose of (absolutely or as security) its rights and interests hereunder to a wholly owned Affiliate of Buyer; provided, however, that no such assignment shall relieve or discharge Buyer from any of its obligations hereunder. Seller agrees, at Buyer's expense, to execute and deliver such documents as may be reasonably necessary to accomplish any such assignment, transfer, pledge or other disposition of rights and interests hereunder so long as Seller's rights under this Agreement are not thereby altered, amended, diminished or otherwise impaired.

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10.6 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York (without giving effect to conflict of law principles) as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE STATE AND FEDERAL COURTS IN AND FOR NEW YORK COUNTY, NEW YORK, WHICH COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSE, AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.7 Attorney-Client Matters. In any dispute or proceeding arising under or in connection with this Agreement, including, without limitation, Article VIII hereof, Seller shall have the right, at its election, to retain the firm of Ropes & Gray to represent it in such matter. Buyer, for itself and its successors and assigns, hereby irrevocably acknowledges and agrees that all communications between Seller and Seller's counsel, including without limitation Ropes & Gray, made in connection with the negotiation, preparation, execution, delivery, and closing under, or any dispute or proceeding arising between Buyer and Seller under or in connection with, this Agreement which, immediately prior to the Closing, would be deemed to be privileged communications of Seller and its counsel and would not be subject to disclosure to Buyer in connection with any process relating to such dispute under or in connection with this Agreement, shall continue after the Closing to be privileged communications between Seller and such counsel, and neither Buyer nor any Person purporting to act on behalf of or through Buyer, shall seek to obtain the same by any process on the grounds that the privilege attaching to such communications belongs to the Buyer and not Seller. The foregoing acknowledgment and agreement of Buyer shall survive the Closing.

10.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.9 Interpretation. The articles, section and schedule headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement.

10.10 Schedules and Exhibits. Except as otherwise provided in this Agreement, all Exhibits and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement.

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10.11 Entire Agreement. This Agreement, the Confidentiality Agreement and the Ancillary Agreements, including the Exhibits, Schedules, documents, certificates and instruments referred to herein or therein, embody the entire agreement and understanding of the Parties hereto in respect of the transactions contemplated by this Agreement and supersedes all prior agreements and understandings between the Parties (other than the Confidentiality Agreement) with respect to such transactions. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material made available to Buyer pursuant to the terms of the Confidentiality Agreement.

10.12 Bulk Sales Laws. Buyer acknowledges that, notwithstanding anything in this Agreement to the contrary, Seller will not comply with the provision of the bulk sales laws of any jurisdiction in connection with the transactions contemplated by this Agreement. Buyer hereby waives compliance by Seller with the provisions of the bulk sales laws of all applicable jurisdictions.

IN WITNESS WHEREOF, Seller and Buyer have caused this Asset Purchase Agreement to be signed by their respective duly authorized officers as of the date first above written.

VERMONT YANKEE NUCLEAR POWER CORPORATION

AMERGEN ENERGY COMPANY, L.L.C.

By:/s/ R.P. Barkhurst _____

Name: R.P. Barkhurst

Title: President

By:/s/ Drew B. Fetters _____

Name: Drew B. Fetters

Title: Vice President

ENCLOSURE 8

**PERFORMANCE GUARANTEE OF AMERGEN VERMONT
FINANCIAL OBLIGATIONS BY AMERGEN**

AmerGen

A PECO Energy/British Energy Company

AmerGen Energy Company, LLC
965 Chesterbrook Blvd. 63C-3
Wayne, PA 19087-5691
Telephone: 610 640 6600
Fax: 610 640 6611

January 6, 2000

AmerGen Vermont, LLC
185 Old Ferry Road
Brattleboro, VT 05301

Re: Letter Agreement Assuring Financial Obligations of AmerGen Vermont, LLC

Ladies and Gentlemen:

Reference is made to the Asset Purchase Agreement dated as of November 17, 1999 by and between Vermont Yankee Nuclear Power Corporation and AmerGen Energy Company, LLC ("AmerGen") involving the sale of Vermont Yankee Nuclear Power Station ("VYNPS"). AmerGen has assigned or will assign its rights in this agreement and certain other agreements to AmerGen Vermont, LLC ("AmerGen Vermont").

In consideration of the benefits to be derived by AmerGen from AmerGen Vermont's ownership and operation of VYNPS, the mutual benefits to be derived by AmerGen and AmerGen Vermont from the commitments contemplated hereunder, in furtherance of the Limited Liability Company Agreement of AmerGen Vermont (the "LLC Agreement") dated as of January 1, 2000,, and any provision in the LLC Agreement which could limit application of this letter agreement notwithstanding, AmerGen hereby agrees that, subject to the terms and conditions of this Agreement, it will provide funds to AmerGen Vermont to assure that AmerGen Vermont will have sufficient funds available to meet its expenses in connection with the operation and maintenance of VYNPS.

AmerGen represents and warrants that it will provide funding to AmerGen Vermont, at any time that the Management Committee of AmerGen Vermont determines that, in order to protect the public health and safety and/or to comply with NRC requirements, such funds are necessary to meet the ongoing operating expenses at VYNPS or such funds are necessary to safely maintain VYNPS.

This agreement **shall take effect** upon the transfer of VYNPS to AmerGen Vermont, as approved by the NRC, and will remain in effect and remain irrevocable until such time as decommissioning is completed.

AmerGen shall have the right to demand that AmerGen Vermont permanently cease operations at VYNPS rather than using funds available under this Agreement for continued operations, provided that, in such event, AmerGen Vermont will nevertheless have the right to continue to obtain the funds necessary to assure the safe and orderly shutdown of VYNPS and continue the safe maintenance of VYNPS until AmerGen Vermont can certify to the NRC that the fuel has been permanently removed from the reactor vessel.

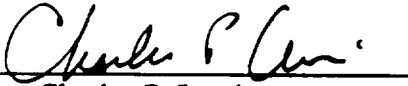
AmerGen hereby represents and warrants to AmerGen Vermont that its obligations under this Agreement are valid, binding and enforceable obligations of AmerGen in accordance with their terms (subject to bankruptcy, insolvency, reorganization and similar laws affecting creditors' rights generally and general equitable principles) and does not require the consent, approval or authorization of any Governmental Agency or third party other than those which have been obtained and are in full force and effect (or will be obtained on or prior to the Closing Date under the Asset Purchase Agreement).

AmerGen hereby irrevocably, unconditionally and expressly waives, and agrees that it shall not at any time assert any claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, any bankruptcy, insolvency or similar proceedings, or exemption, whether now or any time hereafter in force, which may delay, prevent or otherwise affect the performance by AmerGen of its obligations hereunder.

This Agreement shall be governed and construed in accordance with the laws of the State of Vermont without giving effect to conflict of law principles.

Very truly yours,

AmerGen Energy Company, L.L.C.

By: 
Charles P. Lewis
Vice President

ENCLOSURE 9

**PROJECTED INCOME STATEMENT AND OPENING BALANCE SHEET OF
AMERGEN VERMONT'S ANTICIPATED ASSETS, LIABILITIES AND CAPITAL
STRUCTURE (NON-PROPRIETARY VERSION)**

Vermont Yankee Nuclear Power Station
PROJECTED OPENING BALANCE SHEET
(\$Millions)

Assets		LIABILITIES	
Current Assets		Current Liabilities	
Cash & Accounts Receivable		Accounts Payable	
		Total Current Liabilities	_____
Fixed Assets		Non-Current Liabilities	
Plant		Decommissioning Liability	
Fuel		Texas Compact Fee	
Total Fixed Assets	_____	Other Liability	
		Total Non-Current Liabilities	_____
Other		Total Liabilities	
Decommissioning Fund			=====
Texas LLW Compact Fund			
		OWNERS EQUITY	
Goodwill	_____	Equity	
		Total Liabilities & Owners Equity	
Total Assets	=====		=====

Note: The Decommissioning Liability includes both radiological and non-radiological decommissioning liabilities.

Vermont Yankee Nuclear Power Station Detailed Information

	Sales to VYNPC					
	2000	2001	2002	2003	2004	2005
Power Purchase Agreement Price (PPA)	\$/MWH					
Percentage of Output to PPA	Percent					
Capacity Factor	Percent					
	Other Sales					
Projected Price for Other Sales	\$/MWH					
Percentage of Other Sales	Percent					
Capacity Factor	Percent					

Income Statement

IN

Vermont Yankee Nuclear Power Station
PROJECTED INCOME STATEMENT
(\$ Thousands)

	1	2	3	4	5	6
	2000	2001	2002	2003	2004	2005
Power Sales - Contract						
Power Sales - Other						
Power Purchase Contract Buy Out						
Total Revenue	<hr/>					
Operation & Maintenance						
Fuel						
Depreciation						
Administrative & Other						
Total Operating Expenses	<hr/>					
Operating Profit (Loss)	<hr/>					
Interest Expense						
Income Taxes						
Net Income (Loss)	<hr/> <hr/>					

Year 2000 assumes a December 1, 2000 Financial Closing

ENCLOSURE 10

POWER PURCHASE AGREEMENT DATED AS OF NOVEMBER 17, 1999

**AMERGEN - VERMONT YANKEE
POWER PURCHASE AGREEMENT**

This Power Purchase Agreement, dated as of November 17, 1999 by and between AmerGen Energy Company, L.L.C. ("AmerGen") a Delaware limited liability company with offices located at 965 Chesterbrook Blvd., 63C-3, Wayne, Pennsylvania, 19087, and Vermont Yankee Nuclear Power Corporation ("Vermont Yankee"), a Vermont corporation with offices located at 185 Old Ferry Road, Brattleboro, Vermont 05301 (this "Agreement") (AmerGen and Vermont Yankee are each referred to herein as a "Party," and collectively as the "Parties").

WITNESSETH:

WHEREAS, concurrently with the execution of this Agreement, AmerGen and Vermont Yankee are entering into an Asset Purchase Agreement (the "Asset Purchase Agreement") of even date herewith under which Vermont Yankee agrees to sell and AmerGen agrees to purchase, on the terms and subject to the conditions set forth therein, the Vermont Yankee Nuclear Power Plant, as described therein (the "Facility"), and certain related assets, and to assume certain liabilities and obligations; and

WHEREAS, the consummation of the purchase of the Facility under the Asset Purchase Agreement (the "Closing") is subject to, among other things, the execution and delivery of this Agreement by AmerGen and Vermont Yankee,

NOW THEREFORE, in consideration of these premises, the mutual agreements set forth herein and other good and valuable consideration, and intending to be legally bound, the Parties agree as follows:

1. DEFINITIONS

In addition to the terms defined elsewhere herein, the following terms shall have the meaning stated below when used in this Agreement:

- 1.1 "Agreement" shall mean this document, including its appendices and schedules, as amended from time to time.
- 1.2 "Actual Monthly Energy" shall mean the total amount of Energy for the calendar month being billed.

- 1.3 "Adjustment Factor" shall have the meaning set forth in Section 9.2.
- 1.4 "Base Prices" shall mean the prices set forth on Schedule A hereto.
- 1.5 "Buyer's Entitlement" shall mean the sum of the Sub Entitlements and, when applicable, as adjusted pursuant to Section 9.2.
- 1.6 "Claimed Capability Audit" shall mean the procedure used to determine the Monthly Summer Net Capability and the Winter Net Capability of the Facility, in accordance with NEPOOL Standards.
- 1.7 "Delivery Point" shall mean the "Producer's Delivery Point" as indicated on the diagram attached hereto as Schedule D.
- 1.8 "Effective Date" shall mean the date of the Closing.
- 1.9 "Energy" shall mean the actual hourly electric energy, as the term Energy is defined in the NEPOOL Agreement, generated by the Facility as measured in MWh less Station Service Use and transformer losses, where such electric energy is delivered at the Delivery Point in the form of a 3-phase, 60 cycle, alternating current at a nominal voltage of 345,000 volts, provided that for purposes of this Agreement, such Energy will never be less than zero.
- 1.10 "Facility" shall mean the Vermont Yankee Nuclear Power Station, a nuclear power generating unit located in Vernon, Vermont.
- 1.11 "FERC" shall mean the Federal Energy Regulatory Commission or its successor.
- 1.12 "Good Utility Practices" shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition and giving due regard for the requirements of governmental agencies having jurisdiction. Good Utility Practices are not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather are intended to include acceptable practices, methods, or acts generally accepted in the electric utility industry.

- 1.13 "Governmental Authority" shall mean any federal, state, local or international governmental, regulatory or administrative agency, commission, body, department, board, or other governmental subdivision, court, tribunal, arbitrating body or other governmental authority.
- 1.14 "Installed Capability" shall mean the Winter Net Capability during the Winter Period and the Summer Net Capability during the Summer Period.
- 1.15 "Interconnection Agreement" shall mean that certain agreement by and between AmerGen and Vermont Electric Power Company, Inc., regarding the interconnection of the Facility to the PTF.
- 1.16 "ISO-NE" shall mean the Independent System Operator of New England provided for in the NEPOOL Agreement, or its successor.
- 1.17 "Monthly NEPOOL Clearing Price" shall mean the average Energy clearing price for a given month as provided by ISO-NE in accordance with NEPOOL Standards.
- 1.18 "NEPOOL" shall mean the New England Power Pool established by the NEPOOL Agreement, or its successor.
- 1.19 "NEPOOL Agreement" shall mean the agreement establishing NEPOOL, dated September 1, 1971, as amended by the Restated NEPOOL Agreement filed with FERC on December 31, 1996, as finally approved by FERC and as further amended and restated from time to time.
- 1.20 "NEPOOL Standards" shall mean all market rules and procedures, criteria, rules and standards, and operating procedures from time to time issued or adopted by NEPOOL or ISO-NE, while in effect.
- 1.21 "Operable Capability" shall have the meaning set forth in the NEPOOL Agreement.
- 1.22 "Original Sub Entitlement" shall mean the percentage entitlement allocated to the Sub-Purchaser as set forth in Schedule C.
- 1.23 "Overproduction Credit" for any month shall equal (i) the Sub Entitlement multiplied by (ii) the Actual Monthly Energy in excess of the maximum monthly

amount set forth on Schedule B multiplied by (iii) the amount equal to (a) Base Price minus (b) the Monthly NEPOOL Clearing Price.

- 1.24 "PTF" or "Pool Transmission Facilities" shall have the meaning set forth in the NEPOOL Agreement.
- 1.25 "Sub Entitlement" shall mean the proportion allocated to each Sub-Purchaser of the following as actually produced by or, in the case of Installed Capability, available from the Facility in any hour: Energy, Installed Capability, Operable Capability, and all other associated ancillary services, including without limitation, reactive power, for which a NEPOOL market is established during the Term. The proportion for each Sub-Purchaser shall be its Original Sub Entitlement, multiplied by its applicable Take Percentage.
- 1.26 "Sub Entitlement Charge" for any month for each Sub-Purchaser shall equal: (i) the Actual Monthly Energy, multiplied by (ii) its Sub Entitlement multiplied by (iii) the Base Prices set forth on Schedule A as applicable to the Option selected by such Sub-Purchaser.
- 1.27 "Sub-Purchasers" shall mean, collectively, the entities purchasing power from Vermont Yankee listed in Schedule C and "Sub-Purchaser" shall mean an individual such entity listed in Schedule C.
- 1.28 "Station Service Use" shall mean all of the Energy and ancillary products recognized by NEPOOL used on-site to operate the Facility, including cooling tower operations.
- 1.29 "Summer Net Capability" shall mean the Summer Claimed Capability, as defined by and determined in accordance with NEPOOL Standards, of the Facility, as determined by a Claimed Capability Audit, exclusive of the capacity required for Station Service Use, or any successor thereto.
- 1.30 "Summer Period" shall have the meaning set forth in the NEPOOL Agreement.
- 1.31 "Take Percentage" shall mean the take percentage applicable to each Sub-Purchaser's selected Option as set out in Schedule A.
- 1.32 "Term" has the meaning provided in Section 3.1.
- 1.33 "Uprate" shall have the meaning set forth in Section 9.1 hereof.

- 1.34 "Uprate Power" shall have the meaning set forth in Section 9.1 hereof.
- 1.35 "Winter Net Capability" shall mean the Winter Claimed Capability, as defined by and determined in accordance with NEPOOL Standards, of the Facility, as determined by Claimed Capability Audit, exclusive of the capacity required for Station Service Use, or any successor thereto.
- 1.36 "Winter Period" shall have the meaning set forth in the NEPOOL Agreement.

2. **CONDITION PRECEDENT.** It is a condition precedent to the obligations of AmerGen and Vermont Yankee under this Agreement that the Closing shall have occurred and that all regulatory approvals required for the Agreement's initial effectiveness shall have been obtained.

3. **AGREEMENT TERM.**

- 3.1 Term. The term ("Term") of this Agreement shall begin with the first hour of the day that is the Effective Date and will expire at 2400 Eastern Standard Time or Eastern Daylight Savings Time, as applicable, on March 21, 2012.
- 3.2 Facility Retirement. Notwithstanding the foregoing, AmerGen has the option at any time, at its sole discretion, to retire the Facility and therefore to terminate this Agreement as of the date on which the Facility is deemed by AmerGen to be retired. AmerGen will, as soon as practicable, notify Vermont Yankee in writing if AmerGen decides to retire the Facility, and will include in such notice its non-binding estimate of the date on which the Facility will be retired. AmerGen will provide six (6) months prior written notice to Vermont Yankee, unless notice of that duration is not feasible or practicable under the circumstances. This Agreement will automatically terminate as of the date the Facility is deemed to be retired in accordance with applicable NEPOOL standards.

4. **PURCHASE AND SALE TO VERMONT YANKEE.**

- 4.1 Sale to Vermont Yankee. During the term AmerGen agrees to sell at wholesale and to deliver and Vermont Yankee agrees to purchase and to accept delivery of, at the Delivery Point, the Buyer's Entitlement.
- 4.2 Transmission Cost Payment. Vermont Yankee shall reimburse AmerGen for

transmission charges, if any, assessed by the ISO-NE, NEPOOL, or Vermont Electric Power Company, Inc. for the transmission of Energy from the Producer's Delivery Point to the Company 115 kV Delivery Point as those points are indicated on Schedule D attached hereto.

- 4.3 Facility Management; No Performance Obligations. AmerGen shall operate the Facility in accordance with NEPOOL Standards and Good Utility Practices. If AmerGen does generate power at the Facility, it will use reasonable efforts to sell and deliver to Vermont Yankee the Energy generated and ancillary products and services produced; provided, however, that if applicable NEPOOL Standards or, in AmerGen's reasonable judgment, the physical operation of the Facility requires AmerGen to withhold from Vermont Yankee a specific quantity of ancillary products or Energy, then AmerGen may withhold such amount of those products at no cost and will provide the remaining amounts to Vermont Yankee and provided that at no time will AmerGen be required by this Agreement to change the Facility's operation, to operate the Facility beyond its normal rated capabilities, or change the MWh output in order to provide ancillary products. If for any reason AmerGen does not generate power at the Facility, AmerGen has no obligation to sell or deliver to Vermont Yankee the Buyer's Entitlement or to obtain replacement power.
- 4.4 Claimed Capability Audits. Periodically after the execution of this Agreement, Seller shall undergo Claimed Capability Audits pursuant to NEPOOL Standards to demonstrate and audit the Summer Net Capability and/or the Winter Net Capability of the Facility. The Claimed Capability Audit shall be performed pursuant to NEPOOL Standards or to standards mutually agreed to by the Parties if NEPOOL ceases to establish such standards. AmerGen agrees to provide to Vermont Yankee the results of the demonstrations and audits.
- 4.5 Maintenance. AmerGen will comply with NEPOOL Standards and Good Utility Practices concerning maintenance. AmerGen will provide to Vermont Yankee or, as requested by Vermont Yankee, to the Purchasers or their assignees, advance written notice of planned maintenance activities and will give prompt notice by telephone or facsimile of unplanned outages or deratings at the Facility to Vermont Yankee's designated agent as required by NEPOOL Standards.
- 4.6 Operations. Prior to making an Uprate provided in Section 9.1, AmerGen agrees that, to the extent it operates the Facility, it will cause the Facility to be operated within the current configuration of the Facility and the thermal limitations of 1562 megawatts thermal that is currently applicable to the Facility under its NRC

Operating License.

- 4.7 **Other Costs.** Title to the Buyer's Entitlement shall transfer from AmerGen to Vermont Yankee upon delivery at the Delivery Point. Except as set forth in Section 7.1: (i) AmerGen will have no responsibility or liability for costs associated with the delivery of Buyer's Entitlement, beyond the Delivery Point, including but not limited to, transmission and ancillary service costs and congestion costs and (ii) any constraint imposed upon the output of the Facility in accordance with applicable NEPOOL Standards, whether related to transmission reliability or otherwise, shall be not be chargeable to Vermont Yankee unless the costs or penalties in connection with such constraints are, under NEPOOL Standards, generally charged to purchasers of power.

5. OPTIONS, PRICE AND PAYMENT CALCULATION.

- 5.1 **Options.** The Option selected by each Sub-Purchaser is listed in Schedule C. The Sub Entitlement for each Sub-Purchaser shall be priced in accordance with the elected Option. Other terms of the elected Option shall also apply to such Sub Entitlement. AmerGen shall have the right to sell to third parties any portion of the output of the Facility no longer included in the Buyer's Entitlement.
- 5.2 **Base Prices.** The Base Prices for the Sub Entitlement provided by AmerGen under this Agreement are set forth in Schedule A.
- 5.3 **Monthly Payment Calculation.** The amount payable by Vermont Yankee to AmerGen shall be calculated monthly as follows: AmerGen shall determine from meter readings, appropriately adjusted to net out Station Service Use and transformer losses, the Actual Monthly Energy. AmerGen shall prepare a monthly bill to Vermont Yankee consisting of line item charges for each Sub-Purchaser. Each line item shall consist of the following charges and credits, if applicable: Sub Entitlement Charge minus the Overproduction Credit (whether positive or negative).

6. NEPOOL.

- 6.1 **NEPOOL Membership.** From and after the Closing, AmerGen and Vermont Yankee each agree to maintain membership in good standing in NEPOOL, and to submit to the governance of the ISO-NE as established and required by the NEPOOL Agreement.

- 6.2 NEPOOL Standards. AmerGen and Vermont Yankee each shall comply with all applicable NEPOOL Standards.

7. SCHEDULING AND DISPATCH.

- 7.1 Scheduling and Dispatch. AmerGen shall be solely responsible for scheduling and dispatching the Facility with ISO-NE. If AmerGen submits a negative bid, AmerGen shall be solely responsible for any additional costs charged by ISO-NE under NEPOOL Standards and incurred by Vermont Yankee or its Sub-Purchasers as a direct result of such bid (which may include costs for power supply, transmission, congestion management, redispatch, and ISO or NEPOOL costs).
- 7.2 ISO Forms. AmerGen shall submit all forms to ISO-NE as required. AmerGen shall provide to Vermont Yankee and Sub-Purchasers having a Take Percentage copies of all forms AmerGen is required to submit to ISO-NE containing information that ISO-NE, in accordance with NEPOOL standards, must provide to entitlement holders in the Facility.

8. BILLING, PAYMENT AND METERING.

- 8.1 Billing. Bills shall be rendered monthly by AmerGen no later than the sixth working day of the month following the month in which services were rendered or credits accrued and shall be due from Vermont Yankee within twenty (20) days following receipt of a monthly bill.
- 8.2 No Right of Set-Off. Vermont Yankee may not set off against the payments required to be made by it under this Agreement (i) any amounts owed to it by AmerGen, or (ii) any claim by it against AmerGen, except for additional costs incurred pursuant to Section 7.1.
- 8.3 Metering. AmerGen shall be responsible for maintaining metering and telemetering under this Agreement in accordance with NEPOOL Standards.

9. UPRATE.

- 9.1 Uprate Power. At any time during the Term, AmerGen may notify Vermont Yankee in writing that AmerGen intends to make capital improvements or related adjustments to operating parameters, set points, instruments and procedures to increase the Installed Capability, Operable Capability or Energy output of the Facility (an "Uprate"). Such AmerGen notice shall contain: (i) the estimated

increase in Installed Capability, Energy, and Operable Capability associated with the Uprate (the "Uprate Power"); and (ii) an estimated date by which AmerGen would be able to begin generating Uprate Power. After providing the notice required by this Section 9.1, AmerGen will have the right but not the obligation to complete the Uprate.

- 9.2 Uprate Calculation. AmerGen will arrange for a Capability Audit to be conducted before, if necessary, and after the Uprate is completed to determine the actual increase in Installed Capability attributable to the Uprate. Based upon the results of these audits, AmerGen will reduce each Sub Entitlement as follows:

The post-Uprate Sub Entitlement equals (i) Adjustment Factor times (ii) the pre-Uprate Sub Entitlement.

Adjustment Factor = (y/x)

Where x = Capability Audit results after Uprate, and

y = Capability Audit results immediately preceding the Uprate, both being determined in the same season.

- 9.3 Additional Uprates. The Uprate Power attributable to further Uprates shall be calculated as set forth above and shall be AmerGen's. Additional Uprates will nonetheless reduce the Buyer's Entitlement in the manner set forth in Section 9.2.

10. TERMINATION AND DEFAULT.

- 10.1 Events of Default by AmerGen. The following will constitute an Event of Default by AmerGen:

10.1.1 AmerGen becomes insolvent, admits in writing its inability to pay debts generally as they come due, has debts which exceed the value of its property, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver, trustee, liquidator, sequestrator, or similar person for its business or assets, has wound up, dissolved or liquidated, voluntarily or otherwise, or becomes subject to any proceeding under any bankruptcy, reorganization or insolvency law, whether domestic or foreign, and any such appointment, proceeding, order or decree remains unstayed and in effect for 60 days.

10.1.2 AmerGen fails to perform any of its material obligations under this Agreement (other than those obligations referred to in Sections 4.3, 4.5, 6.1, 6.2 and 11.3 hereof, for which AmerGen's failure to perform will not

constitute an event of default) and such failure shall remain uncured for a period of 30 days following written notice of the occurrence thereof having been provided by Vermont Yankee to AmerGen.

- 10.2 Events of Default by Vermont Yankee. The following will constitute an Event of Default by Vermont Yankee:
- 10.2.1 Vermont Yankee becomes insolvent, admits in writing its inability to pay debts generally as they come due, has debts which exceed the value of its property, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver, trustee, liquidator, sequestrator, or similar person for its business or assets, has wound up, dissolved or liquidated, voluntarily or otherwise, or becomes subject to any proceeding under any bankruptcy, reorganization or insolvency law, whether domestic or foreign, and any such appointment, proceeding, order or decree remains unstayed and in effect for 60 days.
 - 10.2.2 Vermont Yankee fails to make any payment due under this Agreement and such failure continues for 20 days following Vermont Yankee's receipt of written notice of such failure from AmerGen.
 - 10.2.3 Vermont Yankee fails to perform any of its material obligations under this Agreement, (other than those obligations referred to in Section 6.1 or 6.2), and such failure, if capable of being cured, shall remain uncured for a period of 30 days following written notice of the occurrence thereof having been provided by AmerGen to Vermont Yankee.
- 10.3 Termination by AmerGen. If any one or more of the Events of Default described in Section 10.2 above occur, in addition to any other remedy available to it, upon written notice, AmerGen may: (i) suspend deliveries of Buyer's Entitlement, under this Agreement and/or, (ii) terminate this Agreement without incurring any further liability. Vermont Yankee agrees to execute all required documentation in connection with any such termination, and to make any filings with FERC or any other regulatory body that may be necessary to effect such termination. AmerGen's termination of this Agreement will not excuse pre-existing liabilities of either Party.
- 10.4 Termination by Vermont Yankee. If any one or more of the Events of Default described in Section 10.1 above occur, in addition to any other remedy available to it, upon written notice, Vermont Yankee may terminate this Agreement without

incurring any further liability. AmerGen agrees to execute all required documentation in connection with any termination, and to make any filings with FERC or any other regulatory body that may be necessary to effect such termination. Vermont Yankee's termination of this Agreement will not excuse pre-existing liabilities of either Party.

- 10.5 Additional Remedies. A Party's right to terminate as the result of an occurrence of an Event of Default of the other Party will not serve to limit the rights such Party may have under law or equity as a result of such Event of Default.

11. **LIMITATION OF LIABILITY, RELATIONSHIP OF PARTIES, AND NO THIRD PARTY RIGHTS.**

- 11.1 Exclusion of Consequential Damages; Limitation of Liability. In no event will either Party be liable under this Agreement, or under any cause of action relating to the subject matter of this Agreement, for any special, indirect, incidental, punitive, exemplary or consequential damages, including, but not limited to, loss of profits or revenue (other than payments expressly required and properly due under this Agreement); loss of use of any property; cost of substitute equipment, facilities or services; downtime costs; or claims of customers of the Parties for such damages. In no event will AmerGen be required to specifically perform or be liable under any cause of action under Sections 4.3, 4.5, 6.1, 6.2, or 11.3, and in no event will Vermont Yankee be required to specifically perform or be liable under any cause of action under Section 6.1 or 6.2. This Section 11.1 will survive the termination of this Agreement.
- 11.2 Business Relationship. Each Party will be solely liable for the payment of all wages, taxes, and other costs related to the employment by such Party of persons who perform this Agreement, including all federal, state, and local income, social security, payroll and employment taxes and statutorily-mandated workers' compensation coverage. None of the persons employed by either Party shall be considered employees of the other Party for any purpose. Nothing in this Agreement shall be construed as creating any relationships between the parties other than that of independent contractors.
- 11.3 Insurance. AmerGen shall maintain commercially reasonable insurance coverage at its sole expense.
- 11.4 Binding Effect; No Third-Party Rights or Benefits. This Agreement is entered into solely for the benefit of AmerGen and Vermont Yankee, and their respective

successors and permitted assigns, and is not intended and shall not be construed to confer any rights or benefits on any third party.

12. **Buyout for Option One Sub-Purchasers.** AmerGen grants to Vermont Yankee, on behalf of those Sub-Purchasers electing Option One, an option to buyout all or part of the Option One obligations to purchase power. This option is exercisable by Vermont Yankee on December 31, 2006 and December 31, 2007 ("Exercise Date") by giving written notice to AmerGen at least 180 days prior to the applicable Exercise Date. During such 180 day period, the terms of such buyout shall be mutually negotiated between the parties.

13. **CONTRACT ADMINISTRATION AND OPERATION.**

- 13.1 **Parties' Representatives.** AmerGen and Vermont Yankee will both appoint a representative (individually, a "Representative," collectively, the "Parties' Representatives") each of whom shall be duly authorized to act on behalf of the Party that appoints him, and with whom the other Party may consult at all reasonable times, and whose instructions, requests, and decisions shall be binding on the appointing Party as to all matters pertaining to the administration of this Agreement.
- 13.2 **Record Retention and Access.** AmerGen and Vermont Yankee will both keep complete and accurate records and all other data required by either of them for the purpose of proper administration of this Agreement, including such records as may be required by state or federal, regulatory authorities or ISO-NE. All such records shall be maintained for a minimum of five (5) years after the creation of the record or data and for any additional length of time required by state or federal regulatory agencies with jurisdiction over AmerGen or Vermont Yankee. AmerGen and Vermont Yankee, on a confidential basis as provided for in Section 16 of this Agreement, will provide reasonable access to records kept pursuant to this Section of this Agreement. The Party seeking access to such records shall pay 100% of any incremental out-of-pocket costs the other Party incurs to provide such access. AmerGen acknowledges that under the NEPOOL Agreement or NEPOOL Standards, ISO-NE may require AmerGen to provide to Vermont Yankee certain information relating to the Facility or this Agreement. Vermont Yankee acknowledges that under the NEPOOL Agreement, ISO-NE may require Vermont Yankee to provide to AmerGen certain information relating to this Agreement.
- 13.3 **Notices.** All notices pertaining to this Agreement not explicitly permitted to be in

a form other than writing shall be in writing and shall be given by same day or overnight delivery, electronic transmission, certified mail, or first class mail. Any notice shall be given to the other Party as follows:

If to AmerGen:

AmerGen Energy Company, L.L.C.
965 Chesterbrook Blvd., 63C-3
Wayne, PA 19087
Attention: Charles P. Lewis
Phone: (610) 640-6196
Fax: (610) 640-6611

If to Vermont Yankee:

Vermont Yankee Nuclear Power Corporation
185 Old Ferry Road
Brattleboro, VT 05301
Attention: Chief Executive Officer
Phone: (802) 258-4103
Fax: (802) 258-2128

If given by electronic transmission (including telex, facsimile or telecopy), notice shall be deemed given on the date received and shall be confirmed by a written copy sent by first class mail. If sent in writing by certified mail, notice shall be deemed given on the second business day following deposit in the United States mails, properly addressed, with postage prepaid. If sent by same-day, or overnight delivery service, notice shall be deemed given on the day of delivery. AmerGen and Vermont Yankee may, by written notice to the other, change the representative, the address to which notices are to be sent, the form of notice, or its method of delivery.

14. **TAXES.** Vermont Yankee agrees to pay any and all local, state, federal, sales, use, excise or any other taxes, however designated, which are now, or in the future may be, assessed on sales under this Agreement. AmerGen, however, will be responsible for any income taxes that apply to the monies it receives hereunder.
15. **GOVERNMENT REGULATION.** This Agreement and all rights and obligations of the Parties hereunder are subject to all applicable federal, state and local laws and all duly promulgated orders and duly authorized actions of governmental authorities having proper and valid jurisdiction over the terms of this Agreement. Further, if at any time

following receipt of any final regulatory approval required for the initial effectiveness of this Agreement, any legislature, any federal or state agency or commission, or any court takes any action relating to or affecting this Agreement, the payments to be made hereunder, or recovery by Vermont Yankee or by Vermont Yankee's investors or Purchasers or their customers for payments for power generated by the Facility, Vermont Yankee will nevertheless be obligated to make all payments hereunder and otherwise comply with this Agreement unless the Federal Energy Regulatory Commission, finds that this Agreement is not in the public interest. Neither this Section nor any other provision of this Agreement will give Vermont Yankee the right to seek damages as a consequence of such action. Each of Vermont Yankee and AmerGen shall not propose, advance or support, and shall vigorously oppose and defend against, any action by any legislature, agency, commission, (including the Federal Energy Regulatory Commission), entity or court that would adversely affect the Parties' rights and benefits hereunder and each of Vermont Yankee and AmerGen will vigorously pursue all actions and remedies to overturn or cure any such action. In addition, the rates, terms, and conditions contained in this Agreement are not subject to change under Sections 205 or 206 of the Federal Power Act, as either section may be amended or superseded, absent the mutual written agreement of the Parties or a finding by the Federal Energy Regulatory Commission, that this Agreement is not in the public interest.

16. **CONFIDENTIALITY.** Except as otherwise required by law or for implementation of this Agreement, the Parties must keep confidential the transactions undertaken pursuant hereto; provided, however, that Vermont Yankee may disclose such information to its Purchasers as required to implement the resale of energy and ancillary products. Any information provided by either Party to the other Party pursuant to this Agreement and labeled "CONFIDENTIAL" will be used by the receiving Party solely in connection with the purposes of this Agreement and will not be disclosed by the receiving Party to any third party, except with the providing Party's consent. This Section 16 of this Agreement will not prevent either Party from providing any confidential information received from the other Party to any court or in accordance with a proper discovery request or in response to the reasonable request of any governmental agency with jurisdiction to regulate or investigate the disclosing Party's affairs, provided that, if feasible, the disclosing Party will give prior notice to the other Party of such disclosure and, if so requested by such other Party, will have used all reasonable efforts to oppose or resist the requested disclosure, as appropriate under the circumstances, or to otherwise make such disclosure pursuant to a protective order or other similar arrangement for confidentiality.
17. **GOVERNING LAW/CONTRACT CONSTRUCTION.** This Agreement will be interpreted, construed, and governed by the laws of the State of New York, excluding the

provisions thereof regarding conflict of laws, and the laws of the United States of America. For purposes of contract construction, or otherwise, this Agreement is the product of negotiation and neither Party to it shall be deemed to be the drafter of this Agreement or any part hereof. The Section and Subsection headings of this Agreement are for convenience only and shall not be construed as defining or limiting in any way the scope or intent of the provisions hereof.

18. **WAIVER AND AMENDMENT.** Any waiver by either Party of any of the provisions of this Agreement must be made in writing, and shall apply only to the instance referred to in the writing, and shall not, on any other occasion, be construed as a bar to, or a waiver of, any right either Party has under this Agreement. The Parties may not modify, amend, or supplement this Agreement except by a writing signed by the Parties.
19. **ENTIRE AGREEMENT.** This Agreement, including any references to and incorporation of other agreements and tariffs, contains the complete and exclusive agreement and understanding, between the Parties as to its subject matter.
20. **ASSIGNMENT.** AmerGen may not assign its rights or obligations under this Agreement without the consent of Vermont Yankee, which consent shall not be unreasonably withheld, except that AmerGen may assign this Agreement without the consent of Vermont Yankee to an entity affiliated with AmerGen, or to an entity acquiring all or substantially all of the assets of AmerGen, provided, in each case that such entity has a credit rating equivalent to AmerGen's and is duly licensed to operate the facility. Vermont Yankee may not assign its rights or obligations under this Agreement except to special purpose entity referred to in 7.1(ee) and 7.2(q) of the Asset Purchase Agreement without AmerGen's written prior written consent, which consent shall be in AmerGen's sole discretion.
21. **SIGNATORIES' AUTHORITY/COUNTERPARTS.** The undersigned certify that they are authorized to execute this Agreement on behalf of their respective Parties. This Agreement may be executed in two or more counterparts, each of which shall be an original. It will not be necessary in making proof of the contents of this Agreement to produce or account for more than one such counterpart.
22. **AMERGEN'S MARKET-BASED POWER SALES TARIFF.** This Agreement is made under the authority of AmerGen's Market-Based Power Sales Tariff, as accepted for filing by the Federal Energy Regulatory Commission. Nevertheless, unless provisions of that Tariff are specifically incorporated herein by reference, this Agreement controls the terms of the transactions hereunder.

23. **DEDICATION OF FACILITIES.** No undertaking by AmerGen or Vermont Yankee under any provision of this Agreement shall be deemed to constitute the dedication of any of AmerGen's facilities or any portion thereof to the public, to Vermont Yankee, or to any other entity.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed this Agreement by the undersigned duly authorized representatives as of the date first stated above.

AMERGEN ENERGY COMPANY, L.L.C.

VERMONT YANKEE NUCLEAR
POWER CORPORATION

By: /s/ Drew B. Fetters

By: /s/ R.P. Barkhurst

Name: Drew B. Fetters

Name: R.P. Barkhurst

Title: Vice President

Title: President

SCHEDULE A

The **Base Prices** (\$/MWh)for the Buyer's Entitlement under this Agreement are as follows for each respective Option:

The total Sub Entitlements electing Option One may not exceed 64%. The total Sub Entitlements electing Option Two or Three may not exceed 45%.

Option One:

Term: from Effective Date to March 21, 2012

Pricing:

	<u>\$/MWh</u>	<u>Take Percentage</u>
2000	\$39.80	100%
2001	\$39.80	100%
2002	\$40.22	100%
2003	\$40.65	100%
2004	\$41.09	100%
2005	\$41.20	100%
2006	\$41.40	100%
2007	\$41.60	100%
2008	\$41.80	100%
2009	\$42.00	100%
2010	\$42.30	100%
2011	\$42.60	100%
2012	\$42.80	100%

Option Two:

Term: from Effective Date through December 31, 2004

Pricing:

	<u>\$/MWh</u>	<u>Take Percentage</u>
2000	\$47.50	100%
2001	\$48.50	100%
2002	\$49.50	100%
2003	\$51.50	75%
2004	\$51.50	50%

Option Three:

Term: from Effective Date through December 31, 2005

Pricing:

	<u>\$/MWh</u>	<u>Take Percentage</u>
2000	47.50	100%
2001	45.65	100%
2002	46.25	100%
2003	46.65	100%
2004	47.15	75%
2005	47.55	50%

SCHEDULE B

	Maximum Monthly Amount *(in MWH)
January	383,805
February	359,391
March	383,373
April	370,526
May	378,074
June	357,103
July	375,765
August	366,677
September	357,773
October	380,189
November	371,181
December	383,742

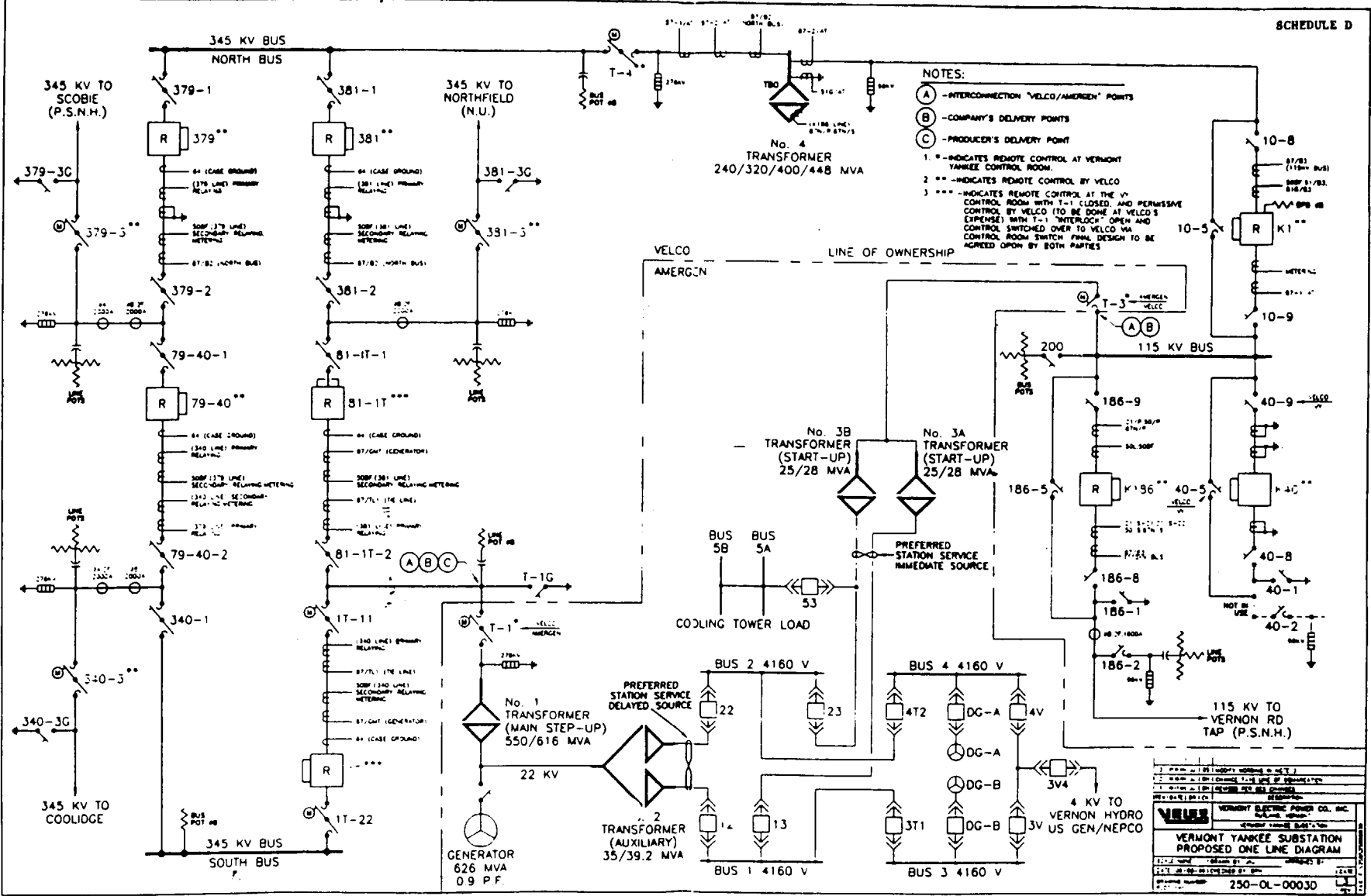
* The maximum figure for any month affected by a refueling outage will be reduced by an amount equal to 510 times the actual number of hours that the Facility produces no Energy due to such refueling outage.

If AmerGen completes an Uprate, Schedule B amounts, including the refueling outage adjustment, shall be increased by multiplying the amount by the fraction (x / y) as x and y are defined in Section 9.2.

SCHEDULE C

Purchasers:

<u>Purchasers</u>	<u>Original Entitlement %</u>	<u>Elected Option from Schedule A</u>
Central Vermont Public Service Corporation	35.0%	One
Green Mountain Power Corporation	20.0%	One
Central Maine Power Company	4.0%	One
Cambridge Electric Light Company	2.5%	One



NOTES:

- (A) - INTERCONNECTION "VELCO/AMERGEN" POINTS
- (B) - COMPANY'S DELIVERY POINTS
- (C) - PRODUCER'S DELIVERY POINT
- 1 - INDICATES REMOTE CONTROL AT VERMONT YANKEE CONTROL ROOM.
- 2 - INDICATES REMOTE CONTROL BY VELCO
- 3 - INDICATES REMOTE CONTROL AT THE VY CONTROL ROOM WITH T-1 CLOSED, AND PERMISSIVE CONTROL BY VELCO TO BE DONE AT VELCO'S EXPENSE) WITH T-1 INTERLOCK OPEN AND CONTROL SWITCHED OVER TO VELCO VIA CONTROL ROOM SWITCH FINAL DESIGN TO BE AGREED UPON BY BOTH PARTIES

<p>VERMONT ELECTRIC POWER CO. INC. VELCO VERMONT YANKEE SUBSTATION PROPOSED ONE LINE DIAGRAM 250-OL-0003D</p>	<p>DATE: 08/25/83 DRAWN BY: [Signature] CHECKED BY: [Signature] APPROVED BY: [Signature]</p>
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ENCLOSURE 11

**FORM OF AMERGEN VERMONT NUCLEAR DECOMMISSIONING
MASTER TRUST FUND AGREEMENT**

**NUCLEAR DECOMMISSIONING
MASTER TRUST AGREEMENT**

THIS NUCLEAR DECOMMISSIONING MASTER TRUST AGREEMENT, dated as of _____ between AmerGen Vermont, LLC, a single member limited liability company duly organized and existing under the laws of the State of Vermont, (the "Company"), having its principal office at [965 Chesterbrook Boulevard, Wayne, Pennsylvania 19087] and MELLON BANK, N.A., as Trustee, having its principal office at One Mellon Bank Center, Pittsburgh, Pennsylvania 15258 (the "Trustee");

WITNESSETH:

WHEREAS, the Company's sole member is AmerGen Energy Company, LLC, a limited liability company duly organized and existing under the laws of the state of Delaware, having its principal office at 965 Chesterbrook Boulevard, Wayne, Pennsylvania 19087.

WHEREAS, the Company owns one hundred percent of the Vermont Yankee Nuclear Power Station (the "Unit"); and

WHEREAS, the Company desires to appoint Mellon Bank, N.A. as Trustee and to continue to maintain pursuant to this Agreement its fund which qualifies as a Nuclear Decommissioning Reserve Fund under section 468A of the Internal Revenue Code of 1986, as amended, or any corresponding section or sections of any future United States internal revenue statute (the "Code") and the regulations thereunder (the "Qualified Fund"), and its fund of which does not so qualify (the "Nonqualified Fund"; collectively, the "Funds"), under the laws of the Commonwealth of Pennsylvania.

WHEREAS, the execution and delivery of this Agreement have been duly authorized by the Company and the Trustee and all things necessary to make this Agreement a valid and binding agreement by the Company and the Trustee have been done.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, that to provide for the maintenance of the Funds and the making of payments therefrom and the performance of the covenants of the Company and the Trustee set forth herein, the Company does hereby sell, assign, transfer, set over and pledge unto the Trustee, and to its successors in the trust and its assigns forever, all of the Company's right, title and interest in and to any and all cash and property herewith and hereafter contributed to the Funds, subject to the provisions of Article V hereof and Section 4 of the Special Terms of the Qualified Nuclear Decommissioning Reserve Fund, attached hereto as Exhibit A (the "Special Terms").

TO HAVE AND TO HOLD THE SAME IN TRUST for the exclusive purpose of providing funds for the decommissioning of the Unit in order to satisfy the liability in connection therewith, to pay the administrative costs and other incidental expenses of the Funds, and to make certain investments, all as hereinafter provided.

ARTICLE I
Purposes of the Funds; Contributions

Section 1.01. Establishment of the Funds. The Master Trust shall be divided by the Trustee into Funds to be identified as follows:

- (a) Vermont Yankee - One Qualified Fund; and
- (b) Vermont Yankee - One Nonqualified Fund.

The Funds shall be maintained separately at all times in the United States as the Nonqualified Fund and the Qualified Fund pursuant to this Agreement and in accordance with the laws of the [State of Vermont/Commonwealth of Pennsylvania]. The Company intends that the Qualified Fund shall qualify as a Nuclear Decommissioning Reserve Fund under section 468A of the Code. The assets of the Qualified Fund may be used only in a manner authorized by section 468A of the Code and the regulations thereunder and this Agreement cannot be amended to violate section 468A of the Code or the regulations thereunder. The Trustee shall maintain such records as are necessary to reflect each Fund separately on its books from each other Fund and shall create and maintain such subaccounts within each Fund as the Company shall direct. In performing its duties under this agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances.

Section 1.02. Purposes of the Funds. The Funds are established for the exclusive purpose of providing funds for the decommissioning of the Unit. The Nonqualified Fund shall accumulate all contributions (whether from the Company or others) which do not satisfy the requirements for contributions to the Qualified Fund pursuant to Section 2 of the Special Terms. The Qualified Fund shall accumulate all contributions (whether from the Company or others) which satisfy the requirements of Section 2 of the Special Terms. The Qualified Fund shall also be governed by the provisions of the Special Terms, which provisions shall take precedence over any provisions of this Agreement construed to be in conflict therewith. None of the assets of the Funds shall be subject to attachment, garnishment, execution or levy in any manner for the benefit of creditors of the Company or any other party.

Section 1.03. Contributions to the Funds. The assets of the Funds shall be transferred or contributed by the Company (or by others approved in writing by the Company) from time to time. Cash contributions for the Unit shall be allocated to its Qualified Fund unless the Company designates in writing at the time of payment to which of the Unit's two Funds the payment is allocated. The Company shall have sole discretion as to whether cash payments are allocated to a Qualified Fund or a Nonqualified Fund.

ARTICLE II
Payments by the Trustee

Section 2.01. Use of Assets. The assets of the Funds shall be used exclusively (a) to satisfy, in whole or in part, any expenses or liabilities incurred with respect to the decommissioning of the Unit, including expenses incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all expenses incurred after the actual decommissioning occurs, such as physical security and radiation monitoring expenses (the "Decommissioning Costs"), (b) to pay the administrative costs and other incidental expenses of each Fund, and (c) to invest in publicly-traded securities and investments (including common trust funds) as directed by the investment manager(s) pursuant to Section 3.02(a) or the Trustee pursuant to Section 3.02(b), except that all assets of a Qualified Fund must be invested in Permissible Assets as defined in the Special Terms. The assets of the Funds shall not be invested in the securities or other obligations of [Vermont Yankee Nuclear Power Corporation], PECO Energy, British Energy, plc, or affiliates thereof, or their successors or assigns. Except for investments tied to market indexes or other non-nuclear sector common trust funds or mutual funds, investments in any entity owning one or more nuclear power plants is prohibited. Use of the assets of a Qualified Fund shall be further limited by the provisions of the Special Terms. The assets of the Funds shall be used, in the first instance, to pay the expenses to the decommissioning of the Unit, as defined by the United States Nuclear Regulatory Commission ("NRC") in its regulations and issuances, and as provided in the NRC issued license to operate the Unit and any amendments thereto.

Section 2.02. Certification for Decommissioning Costs. (a) If assets of the Funds are required to satisfy Decommissioning Costs, the Company shall present a certificate substantially in the form attached hereto as Exhibit B to the Trustee signed by its Chairman of the Board, its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting payment from the Fund. Any certificate requesting payment by the Trustee to a third party or to the Company from the Fund for Decommissioning Costs shall include the following:

- (1) a statement of the amount of the payment to be made from the Fund and whether the payment is to be made from the Nonqualified Fund, the Qualified Fund or in part from both Funds;
- (2) a statement that the payment is requested to pay Decommissioning Costs which have been incurred, and if payment is to be made from the Qualified Fund, a statement that the Decommissioning Costs to be paid constitute Qualified Decommissioning Costs, as defined in the Special Terms;
- (3) the nature of the Decommissioning Costs to be paid;
- (4) the payee, which may be the Company in the case of reimbursement for payments previously made or expenses previously incurred by the Company for Decommissioning Costs;
- (5) a statement that the Decommissioning Costs for which payment is requested have not theretofore been paid out of the Funds; and

(6) a statement that any necessary authorizations of the NRC and/or any other governmental agencies having jurisdiction with respect to the decommissioning have been obtained.

(b) No disbursements of payments for decommissioning costs from the Funds shall be made by the Trustee:

(1) unless the Trustee has first provided thirty (30) days prior notice of such disbursement or payment to the NRC; and

(2) if the Trustee receives written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation.

(c) The Trustee shall retain at least one counterpart of all copies of such certificates (including attachments) and related documents received by it pursuant to this Article II.

(d) The Company shall have the right to enforce payments from the Funds upon compliance with the procedures set forth in this Section 2.02.

Section 2.03. Administrative Costs. The Trustee shall pay, as directed by the Company, the administrative costs and other incidental expenses of the Nonqualified Fund, including all federal, state, and local taxes, if any, imposed directly on the Nonqualified Fund, legal expenses, accounting expenses, actuarial expenses and trustee expenses, from the assets of the Nonqualified Fund and shall pay, as directed by the Company, the administrative costs and other incidental expenses of the Qualified Fund, as defined in the Special Terms, from the assets of the Qualified Fund.

Section 2.04. Payments between the Funds. The Trustee shall make payments (i) from the Qualified Fund to the Nonqualified Fund provided such payments are in cash and are in accordance with Section 4 of the Special Terms or (ii) from the Nonqualified Fund to the Qualified Fund provided such payments are in cash and are in accordance with the contribution limitations set forth in Section 2 of the Special Terms, as the case may be, upon presentation by the Company of a certificate substantially in the form of Exhibit C hereto executed by the Company instructing the Trustee to make any such payments. The Trustee shall be fully protected in relying upon such certificate and any other certificate provided pursuant to this agreement.

ARTICLE - III **Concerning the Trustee**

Section 3.01. Authority of Trustee. The Trustee hereby accepts the trust created under this Agreement. The Trustee shall have the authority and discretion to manage and control the Funds to the extent provided in this Agreement but does not guarantee the Funds in any manner against investment loss or depreciation in asset value or guarantee the adequacy of the Funds to satisfy the Decommissioning Costs. The Trustee shall not be liable for the making, retention or sale of any asset of a Qualified Fund which qualifies as a Permissible Asset, as defined in the Special Terms, nor shall the Trustee be responsible for any other loss to or diminution of the

Funds, or for any other loss or damage which may result from the discharge of its duties hereunder except for any action not taken in good faith.

Section 3.02. Investment of Funds. (a) The Company shall have the authority to appoint one or more investment managers who shall have the power to direct the Trustee in investing the assets of the Funds; provided, however, that the Trustee shall not follow any direction which would result in assets of a Qualified Fund being invested in assets other than Permissible Assets as defined in the Special Terms. Any such investment manager(s) shall adhere to the “prudent investor” standard as specified in 18 C.F.R. 35.32(a)(3) of the Federal Energy Regulatory Commission (“FERC”) regulations (the “Prudent Investor Standard”). To the extent that the Company chooses to exercise this authority, it shall so notify the Trustee and instruct the Trustee in writing to separate into a separate account those assets the investment of which will be directed by each investment manager. The Company shall designate in writing the person or persons who are to represent any such investment manager in dealings with the Trustee. Upon the separation of the assets in accordance with the Company instructions, the Trustee, as to those assets while so separated, shall be released and relieved of all investment duties, investment responsibilities and investment liabilities normally or statutorily incident to a trustee; provided, however, that the Trustee shall not be relieved of the responsibility of ensuring that assets of a Qualified Fund are invested solely in Permissible Assets, as defined in the Special Terms. The Trustee shall retain all other fiduciary duties with respect to assets the investment of which is directed by investment managers.

(b) To the extent that the investment of assets of the Funds are not being directed by one or more investment managers under Section 3.02(a), the Trustee shall hold, invest, and reinvest the funds delivered to it hereunder as it in its sole discretion deems advisable, subject to the restrictions set forth herein for investment of the assets of a Qualified Fund, adherence to the Prudent Investor Standard, and guidelines acceptable to the Trustee.

(c) Regardless of the person directing investments, any assets of a Qualified Fund shall be invested solely in Permissible Assets as defined in, and required by, the Special Terms, and shall be accumulated, invested, and reinvested in like manner. Upon the written consent of the Company, the assets of a Qualified Fund relating to a Unit may be pooled, but only with the assets of any other Qualified Fund relating to any other Unit; provided that the book and tax allocations of the Qualified Fund Pool are made in proportion to each Qualified Fund’s relative book capital accounts. Upon the written consent of the Company, the assets of a Nonqualified Fund relating to a Unit may be pooled, but only with the assets of another Nonqualified Fund relating to any other Unit.

(d) Notwithstanding any other provision of this Agreement, with respect to the pooling of investments authorized by subparagraph (c) no part of any Fund’s (or any subsequent holder’s) interest in such pool, nor any right pertaining to such interest (including any right to substitute another entity for the Fund or for any subsequent holder, as holder of investments pooled pursuant to subparagraph (c)) may be sold, assigned, transferred or otherwise alienated or disposed of by any holder of an interest in the pool unless the written consent to the transfer of every other holder of interests in such pool is obtained in advance of any such transfer.

(e) Notwithstanding the provisions of subparagraph (d) of this Section, a Fund's investment in a pooled arrangement may be withdrawn from the pool (but not from the Master Trust, except as otherwise permitted by this Agreement) at any time upon 7 days written notice to the Trustee by the Fund. If the Fund withdraws its entire interest in a pool, the pooled arrangement shall terminate 30 days after notice of final withdrawal has been given by any withdrawing Fund unless a majority in interest of the remaining Funds give their written consent to continue the pool within such 30 day period. If the pooled arrangement terminates, each Fund's assets will be segregated into a separate account under the Master Trust, and no further commingling may occur for a period of at least one year after such termination.

(f) Subparagraphs (c), (d) and (e) apply to transfers of interests within, and withdrawals from, the pooling arrangement. Nothing within these sections shall be interpreted to permit or to limit transfer of interests in, or withdrawals from, a Fund, which transfers and withdrawals are governed by other provisions of this agreement. In addition, the provisions of subparagraphs (c), (d) and (e) shall not limit the Trustee's authority to invest in permissible common or collective trust funds.

Section 3.03. Prohibition Against Self-Dealing. Notwithstanding any other provision in this Agreement, the Trustee shall not engage in any act of self-dealing as defined in section 468A(e)(5) of the Code and Treas. Reg. § 1.468A-5(b) or any corresponding future law or Treasury Regulation.

Section 3.04. Compensation. The Trustee shall be entitled to receive out of the Funds reasonable compensation for services rendered by it, as well as expenses necessarily incurred by it in the execution of the trust hereunder, provided such compensation and expenses qualify as administrative costs and other incidental expenses of the Qualified Fund, as defined in the Special Terms, with respect to any payment of compensation and expenses from the Qualified Fund. The Company acknowledges that, as part of the Trustee's compensation, the Trustee will earn interest on balances, including disbursement balances and balances arising from purchase and sale transactions. If the Trustee advances cash or securities for any purpose, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act, or willful misconduct, any property at any time held for the Funds or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Funds sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Company held under this Agreement to the extent necessary to obtain reimbursement. To the extent the Trustee advances funds to the Funds for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Funds either (i) with respect to domestic assets, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market.

Section 3.05. Books of Account. The Trustee shall keep separate true and correct books of account with respect to each of the Funds, which books of account shall at all reasonable times and with reasonable notice be open to inspection by the Company or its duly appointed

representatives. The Trustee shall, upon written request of the Company, permit government agencies, such as the NRC or the Internal Revenue Service, to inspect the books of account of the Funds. The Trustee shall furnish to the Company by the tenth business day of each month a statement for each Fund showing, with respect to the preceding calendar month, the balance of assets on hand at the beginning of such month, all receipts, investment transactions, and disbursements which took place during such month and the balance of assets on hand at the end of such month. The Trustee agrees to provide on a timely basis any information deemed necessary by the Company to file the Company's federal and state tax returns.

Section 3.06. Reliance on Documents. The Trustee, upon receipt of documents furnished to it by the Company pursuant to the provisions of this Agreement, shall examine the same to determine whether they conform to the requirements thereof. The Trustee acting in good faith may conclusively rely, as to the truth of statements and the correctness of opinions expressed in any certificate or other documents conforming to the requirements of this Agreement. If the Trustee in the administration of the Funds, shall deem it necessary or desirable that a matter be provided or established prior to taking or suffering any action hereunder, such matter (unless evidence in respect thereof is otherwise specifically prescribed hereunder) may be deemed by the Trustee to be conclusively provided or established by a certificate signed by the Chairman of the Board, the President or any Vice President of the Company and delivered to the Trustee. The Trustee shall have no duty to inquire into the validity, accuracy or relevancy of any statement contained in any certificate or document nor the authorization of any party making such certificate or delivering such document and the Trustee may rely and shall be protected in acting or refraining from acting upon any such written certificate or document furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not, however, be relieved of any obligation (a) to refrain from self-dealing as provided in Section 3.03 hereof (b) to ensure that all assets of a Qualified Fund are invested solely in Permissible Assets as defined in the Special Terms or (c) to adhere to the Prudent Investor Standard if acting as manager.

Section 3.07. Liability and Indemnification. The Trustee shall not be liable for any action taken by it in good faith and without gross negligence, willful misconduct or recklessness and reasonably believed by it to be authorized or within the rights or powers conferred upon it by this Agreement and may consult with counsel of its own choice (including counsel for the Company) and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and without gross negligence and in accordance with the opinion of such counsel, provided, however, that the Trustee shall be liable for direct damages resulting from investing assets of the Qualified Fund in other than Permissible Assets or from self-dealing as provided in Section 3.03 hereof. Provided indemnification does not result in self-dealing under Section 3.03 hereof or in a deemed contribution to a Qualified Fund in excess of the limitation on contributions under Section 468A of the Code and the regulations thereunder, the Company hereby agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence, willful misconduct, recklessness or bad faith on the part of the Trustee, arising out of or in connection with its entering into this Agreement and carrying out its duties hereunder, including the costs and expenses of defending itself against any claim of liability, provided such loss, liability or expense does not result from investing assets of a Qualified Fund in other than Permissible Assets as defined in the Special Terms or from self-dealing under Section 3.03 hereof, and provided further that no such costs or

expenses shall be paid if the payment of such costs or expenses is prohibited by section 468A of the Code or the regulations thereunder. This indemnification shall survive the termination of this Agreement.

The Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any custodian, subtrustee or subcustodian, except to the extent the Trustee was negligent in its selection or continued retention of such entity. Under no circumstances shall the Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

Section 3.08. Resignation, Removal and Successor Trustees. The Trustee may resign at any time upon sixty (60) days written notification to the Company. The Company may remove the Trustee for any reason at any time upon thirty (30) days written notification to the Trustee. If a successor Trustee shall not have been appointed within these specified time periods after the giving of written notice of such resignation or removal, the Trustee or Company may apply to any court of competent jurisdiction to appoint a successor Trustee to act until such time, if any, as a successor shall have been appointed and shall have accepted its appointment as provided below. If the Trustee shall be adjudged bankrupt or insolvent, a vacancy shall thereupon be deemed to exist in the office of Trustee and a successor shall thereupon be appointed by the Company. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company an appropriate written instrument accepting such appointment hereunder, subject to all the terms and conditions hereof, and thereupon such successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as Trustee hereunder. The predecessor Trustee shall upon written request of the Company, and payment of all fees and expenses, deliver to the successor Trustee the corpus of the Funds and perform such other acts as may be required or be desirable to vest and confirm in said successor Trustee all right, title and interest in the corpus of the Funds to which it succeeds.

Section 3.09. Merger of Trustee. Any corporation or other legal entity into which the Trustee may be merged or with which it may be consolidated, or any corporation or other legal entity resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or other legal entity to which the corporate trust functions of the Trustee may be transferred, shall be the successor Trustee under this Agreement without the necessity of executing or filing any additional acceptance of this Agreement or the performance of any further act on the part of any other parties hereto.

ARTICLE IV **Amendments**

The Company may amend this Agreement from time to time, provided such amendment does not cause the Qualified Fund to fail to qualify as a Nuclear Decommissioning Reserve Fund under section 468A of the Code and the regulations thereunder. The Qualified Fund is established and shall be maintained for the sole purpose of qualifying as a Nuclear Decommissioning Reserve Fund under section 468A of the Code and the regulations thereunder. If the Qualified Fund would fail to so qualify because of any provision contained in this Agreement, this Agreement shall be deemed to be amended as necessary to conform with the

requirements of section 468A and the regulations thereunder. If a proposed amendment shall affect the responsibility of the Trustee, such amendment shall not be considered valid and binding until such time as the amendment is executed by the Trustee. Notwithstanding any provision herein to the contrary, this Agreement cannot be modified in any material respect without first providing 30 days prior written notice to the NRC Director, Office of Nuclear Reactor Regulation.

ARTICLE V
Powers of the Trustee and Investment Manager

Section 5.01. General Powers. The Trustee shall have and exercise the following powers and authority in the administration of the Funds only on the direction of an Investment Manager where such powers and authority relate to a separate account established for an Investment Manager, and in its sole discretion where such powers and authority relate to investments made by the Trustee in accordance with Section 3.02(b):

- (a) to purchase, receive or subscribe for any securities or other property and to retain in trust such securities or other property;
- (b) to sell, exchange, convey, transfer, lend, or otherwise dispose of any property held in the Funds and to make any sale by private contract or public auction; and no person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency or propriety of any such sale or other disposition;
- (c) to vote in person or by proxy any stocks, bonds or other securities held in the Funds;
- (d) to exercise any rights appurtenant to any such stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise rights or options to subscribe for or purchase additional stocks, bonds or other securities, and to make any and all necessary payments with respect to any such conversion or exercise, as well as to write options with respect to such stocks and to enter into any transactions in other forms of options with respect to any options which the Funds have outstanding at any time;
- (e) to join in, dissent from or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties of which the Funds may hold stocks, bonds or other securities or in which it may be interested, upon such terms and conditions as deemed wise, to pay any expenses, assessments or subscriptions in connection therewith, and to accept any securities or property, whether or not trustees would be authorized to invest in such securities or property, which may be issued upon any such reorganization, recapitalization, consolidation, sale or merger and thereafter to hold the same, without any duty to sell;
- (f) to enter into any type of contract with any insurance company or companies, either for the purposes of investment or otherwise; provided that no insurance company dealing with the Trustee shall be considered to be a party to this Agreement and shall only be bound by and held accountable to the extent of its contract with the Trustee. Except as otherwise provided by any contract, the insurance company need only look to the Trustee with regard to any instructions issued and shall make disbursements or payments to any person, including the

Trustee, as shall be directed by the Trustee. Where applicable, the Trustee shall be the sole owner of any and all insurance policies or contracts issued. Such contracts or policies, unless otherwise determined, shall be held as an asset of the Funds for safekeeping or custodian purposes only;

(g) upon authorization of the Company to lend the assets of the Funds and, specifically, to loan any securities to brokers, dealers or banks upon such terms, and secured in such manner, as may be determined by the Trustee, to permit the loaned securities to be transferred into the name of the borrower or others and to permit the borrower to exercise such rights of ownership over the loaned securities as may be required under the terms of any such loan; provided, that, with respect to the lending of securities pursuant to this paragraph, the Trustee's powers shall subsume the role of custodian (the expressed intent hereunder being that the Corporation, in such case, be deemed a financial institution, within the meaning of section 101 (22) of the Bankruptcy Code); and provided, further, that any loans made from the Funds shall be made in conformity with such laws or regulations governing such lending activities which may have been promulgated by any appropriate regulatory body at the time of such loan;

(h) to purchase, enter, sell, hold, and generally deal in any manner in and with contracts for the immediate or future delivery of financial instruments of any issuer or of any other property; to grant, purchase, sell, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally deal in any manner with and in all forms of options in any combination.

Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Company shall have sole responsibility for nonreceipt of payment (or late payment) by the counterparty.

Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Funds resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Funds' property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

Section 5.02. Specific Powers of the Trustee. The Trustee shall have the following powers and authority, to be exercised in its sole discretion with respect to the Fund:

(a) to appoint agents, custodians, subtrustees or counsel, domestic or foreign, as to part or all of the Funds and functions incident thereto where, in the sole discretion of the Trustee, such delegation is necessary in order to facilitate the operations of the Funds and such delegation is not inconsistent with the purposes of the Funds or in contravention of any applicable law. To the extent that the appointment of any such person or entity may be deemed to be the appointment of a fiduciary, the Trustee may exercise the powers granted hereby to appoint as such a fiduciary any person or entity. Upon such delegation, the Trustee may require such reports, bonds or written agreements as it deems necessary to properly monitor the actions of its delegate;

(b) to cause any investment, either in whole or in part, in the Funds to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, including but not limited to that of the Trustee or an affiliate of the Trustee, a clearing corporation, or a depository, or in book entry form, or to retain any such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that such investments are a part of the Funds; and to cause any such investment, or the evidence thereof, to be held by the Trustee, in a depository, in a clearing corporation, in book entry form, or by any other entity or in any other manner permitted by law; provided that the Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization;

(c) to make, execute and deliver, as trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or desirable for the accomplishment of any of the foregoing powers;

(d) to defend against or participate in any legal actions involving the Funds or the Trustee in its capacity stated herein, in the manner and to the extent it deems advisable.

(e) to form corporations and to create trusts, to hold title to any security or other property, to enter into agreements creating partnerships or joint ventures for any purpose or purposes determined by the Trustee to be in the best interests of the Funds;

(f) to establish and maintain such separate accounts in accordance with the instructions of the Company as the Company deems necessary for the proper administration of the Funds, or as determined to be necessary by the Trustee;

(g) to hold uninvested cash in its commercial bank or that of an affiliate, as it shall deem reasonable or necessary;

(h) to invest in any collective, common or pooled trust fund operated or maintained exclusively for the commingling and collective investment of monies or other assets including any such fund operated or maintained by the Trustee or an affiliate. The Company expressly understands and agrees that any such collective fund may provide for the lending of its securities by the collective fund trustee and that such collective fund's trustee will receive compensation for the lending of securities that is separate from any compensation of the Trustee hereunder, or

any compensation of the collective fund trustee for the management of such collective fund. The Trustee is authorized to invest in a collective fund which invests in Mellon Bank Corporation stock in accordance with the terms and conditions of the Department of Labor Prohibited Transaction Exemption 95-56 (the "Exemption") granted to the Trustee and its affiliates and to use a cross-trading program in accordance with the Exemption. The Company acknowledges receipt of the notice entitled "Cross-Trading Information", a copy of which is attached to this Agreement as Exhibit E;

(i) to invest in open-end and closed-end investment companies, including those for which the Trustee or an affiliate provides services for a fee, regardless of the purposes for which such fund or funds were created, and any partnership, limited or unlimited, joint venture and other forms of joint enterprise created for any lawful purpose; and

(j) to generally take all action, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Funds.

Notwithstanding anything else in this Agreement to the contrary, including, without limitation, any specific or general power granted to the Trustee and to the Investment Managers, including the power to invest in real property, no portion of the Funds shall be invested in real estate. For this purpose "real estate" includes, but is not limited to, real property, leaseholds or mineral interests.

Section 5.03 The powers described in Section 5.02 may be exercised by the Trustee with or without instructions, from the Company or a party authorized by the Company to act on its behalf, but where the Trustee acts on Authorized Instructions, the Trustee shall be fully protected as described in Section 3.07. Without limiting the generality of the foregoing, the Trustee shall not be liable for the acts or omissions of any person appointed under paragraph (a) of Section 5.02 pursuant to Authorized Instructions.

Section 5.04 The assets of the Funds shall not be invested in the securities or other obligations of [Vermont Yankee Nuclear Power Corporation], PECO Energy, British Energy, plc, or affiliates thereof, or their successors or assigns as identified by the Company. Except for investments tied to market indexes or other non-nuclear sector mutual funds or common trust funds, the assets of the Funds shall not be invested in the securities of any entity owning one or more nuclear power plants, as identified by a source agreed to by the Trustee and the Company.

ARTICLE VI

Termination

The Qualified Fund shall terminate upon the later of (A) the earlier of either (i) substantial completion of decommissioning of the respective Unit, as defined in the Special Terms, or (ii) disqualification of the Qualified Fund by the Internal Revenue Service as provided in Treas. Reg. § 1.468A-5(c) or any corresponding future Treasury Regulation or (B) termination by the NRC of the Unit's license. The Nonqualified Fund shall terminate upon termination by the NRC of the Unit's license. The Company shall notify the Trustee upon termination of any Fund, and the assets of the terminated Fund shall be distributed to the Company.

ARTICLE VII
Miscellaneous

Section 7.01. Binding Agreement. All covenants and agreements in this Agreement shall be binding upon and inure to the benefit of the respective parties hereto, their successors and assigns.

Section 7.02. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given on the date mailed if sent by registered mail, return receipt requested, as follows:

MELLON BANK, N.A.
Trust and Investment Department
Attn: Trust Administration
Room 151-3346
One Mellon Bank Center
Pittsburgh, PA 15258

or at such other address as any of the above may have furnished to the other parties in writing by registered mail, return receipt requested.

Section 7.03. Governing Law. The Funds have been established pursuant to this Agreement in accordance with the requirements for a trust under the laws of the [State of Vermont/Commonwealth of Pennsylvania] and this Agreement shall be governed by and construed and enforced in accordance with the laws of the [State of Vermont/Commonwealth of Pennsylvania].

Section 7.04. Counterparts. This Agreement may be executed in several counterparts, and all such counterparts executed and delivered, each an original, shall constitute but one and the same instrument.

Section 7.05. (a) Contractual Income. The Trustee shall credit the Fund with income and maturity proceeds on securities on the contractual payment date net of any taxes or upon actual receipt as agreed between the Trustee and the Company. To the extent the Company and the Trustee have agreed to credit income on the contractual payment date, the Trustee may reverse such accounting entries with back value to the contractual payment date if the Trustee reasonably believes that such amount will not be received by it.

(b) Contractual Settlement. The Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement date accounting or actual settlement date accounting as agreed between the Company and the Trustee. To the extent the Company and the Trustee have agreed to settle certain securities transactions on the basis of contractual settlement date accounting, the Trustee may reverse with back value to the contractual settlement date any entry relating to such contractual settlement where the related transaction remains unsettled according to established procedures.

Section 7.06. The Company and the Trustee hereby each represent and warrant to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind the Company and the Trustee to this Agreement.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have hereunto set their hands and seals as of the day and year first above written.

AmerGen Vermont, LLC

By: _____

Name:

Title:

MELLON BANK, N.A.

By: _____

Name:

Title:

EXHIBIT "A"

SPECIAL TERMS OF THE QUALIFIED NUCLEAR DECOMMISSIONING RESERVE FUND

The following Special Terms of the Qualified Nuclear Decommissioning Reserve Fund (the "Qualified Fund") (hereinafter referred to as the "Special Terms") will apply for purposes of the Nuclear Decommissioning Trust Agreement, dated _____ between

AmerGen Vermont, LLC (the "Company") and MELLON BANK, N.A. (the "Trustee") (the "Agreement").

Section 1. Definitions. The following terms as used in the Special Terms shall, unless the context clearly indicates otherwise, have the following respective meanings:

(a) "Administrative costs and other incidental expenses of a Qualified Fund" shall mean all ordinary and necessary expenses incurred in connection with the operation of a Qualified Fund, as provided in Treas. Reg. § 1.468A-5(a)(3)(ii)(A) or any corresponding future Treasury Regulation, including without limitation, federal, state and local income tax, legal expenses, accounting expenses, actuarial expenses and trustee expenses.

(b) "Qualified Decommissioning Costs" shall mean all expenses otherwise deductible for federal income tax purposes without regard to section 280B of the Internal Revenue Code of 1986, as amended, or any corresponding section or sections of any future United States internal revenue statute (the "Code"), incurred (or to be incurred) in connection with the entombment, decontamination, dismantlement, removal and disposal of the structures, systems and components of the Unit(s) when it has permanently ceased the production of electric energy, excluding any costs incurred for the disposal of spent nuclear fuel, as provided in Treas. Reg. § 1.468A-1(b)(5) or any corresponding future Treasury Regulation. Such term includes all otherwise deductible expenses to be incurred in connection with the preparation for decommissioning, such as engineering and other planning expenses, and all otherwise deductible expenses to be incurred with respect to the Unit after the actual decommissioning occurs, such a physical security and radiation monitoring expenses.

(c) "Permissible Assets" shall mean any investment permitted for a qualified nuclear decommissioning reserve fund under section 468A of the Code and the regulations thereunder, subject to the restrictions provided in Section 5.04 of the Agreement.

(d) "Substantial completion of decommissioning" shall mean the date that the maximum acceptable radioactivity levels mandated by the NRC with respect to a decommissioned nuclear power plant are satisfied by the Unit; provided, however, that if the Company requests a ruling from the Internal Revenue Service, the date designated by the Internal Revenue Service as the date on which substantial completion of decommissioning occurs shall govern; provided, further, that the date on which substantial completion of decommissioning occurs shall be in accordance with Treas. Reg. §1.468A-5(d)(2) or any corresponding future Treasury Regulation.

Section 2. Contributions to a Qualified Fund. The assets of the Qualified Fund shall be contributed by the Company (or by others approved by the Company in writing) from time to time in cash. The Trustee shall not accept any contributions for the Qualified Fund other than cash payments with respect to which the Company is allowed a deduction under section 468A(a) of the Code and Treas. Reg. §1.468A-2(a) or any corresponding future Treasury Regulations. The Company hereby represents that all contributions (or deemed contributions) by the Company to the Qualified Fund in accordance with the provisions of Section 1.03 of the Agreement shall be deductible under section 468A of the Code and Treas. Reg. §1.468A-2(a) or any corresponding future Treasury Regulation or shall be withdrawn pursuant to Section 4 hereof.

Section 3. Limitation on Use of Assets. The assets of the Qualified Fund shall be used exclusively as follows:

(a) To satisfy, in whole or in part, the liability of the Company for Qualified Decommissioning Costs through payments by the Trustee pursuant to Section 2.2 of the Agreement;

(b) To pay the administrative costs and other incidental expenses of the Qualified Fund; and

(c) To the extent the assets of the Qualified Fund are not currently required for (a) and (b) above, to invest directly in Permissible Assets.

Section 4. Transfers by the Company. If the Company's contribution (or deemed contribution) to the Qualified Fund in any one year exceeds the amount deductible under section 468A of the Code and the regulations thereunder, the Company may instruct the Trustee to transfer such excess contribution from the Qualified Fund to the Nonqualified Fund, as defined in the Agreement, pursuant to Section 2.04 of the Agreement, provided any such transfer occurs on or before the date prescribed by law (including extensions) for filing the federal income tax return of the Qualified Fund for the taxable year to which the excess contribution relates for withdrawals pursuant to Treas. Reg. §§1.468A-5(c)(2) and 1.468A-2(f)(2) and occurs on or before the later of the date prescribed by law (including extensions) for filing the federal income tax return of the Qualified Fund for the taxable year to which the excess contribution relates or the date that is thirty (30) days after the date that the Company receives the ruling amount for such taxable year for withdrawals pursuant to Treas. Reg. § 1.468A-3(j)(3). If the Company determines that transfer pursuant to this Section 4 is appropriate, the Company shall present a certificate so stating to the Trustee signed by its Chairman of the Board, its President or one of its Vice Presidents and its Treasurer or an Assistant Treasurer, requesting such withdrawal and transfer. The certificate shall be substantially in the form attached as Exhibit C to the Agreement for transfers to the Nonqualified Fund as provided in Section 2.04 of the Agreement and substantially in the form of Exhibit D to the Agreement for withdrawals and transfers by the Company.

Section 5. Taxable Year/Tax Returns. The accounting and taxable year for a Qualified Fund shall be the taxable year of the Company for federal income tax purposes. If the taxable year of the Company shall change, the Company shall notify the Trustee of such change and the accounting and taxable year of the Qualified Fund must change to the taxable year of the

Company as provided in Treas. Reg. §1.468A-4(c)(1) or any corresponding future Treasury Regulation. The Company shall assist the Trustee in complying with any requirements under section 442 of the Code and Treas. Reg. §1.442-1. The Company shall prepare, or cause to be prepared, any tax returns required to be filed by the Qualified Fund, and the Trustee shall sign and file such returns on behalf of the Qualified Fund. The Trustee shall cooperate with the Company in the preparation of such returns.

EXHIBIT "B"

**CERTIFICATE FOR PAYMENT
OF DECOMMISSIONING COSTS**

**[Name of Trustee],
as Trustee
[Address]**

This Certificate is submitted pursuant to Section 2.02 of the Nuclear Decommissioning Trust Agreement, dated _____, between Mellon Bank, N.A. and AmerGen Vermont, LLC (the "Company") (the "Agreement"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and requested to disburse out of the Funds to ___ the amount of \$___ from the Qualified Fund and the amount of \$ _____ from the Nonqualified Fund for the payment of the Decommissioning Costs which have been incurred with respect to the Vermont Yankee Nuclear Power Station. With respect to such Decommissioning Costs, the Company hereby certifies as follows:

1. The amount to be disbursed pursuant to this Certificate shall be solely used for the purpose of paying the Decommissioning Costs described in Schedule A hereto.
2. None of the Decommissioning Costs described in Schedule A hereto have previously been made the basis of any certificate pursuant to Section 2.02 of the Agreement.
3. The amount to be disbursed from the Qualified Fund pursuant to this Certificate shall be used solely for the purpose of paying Qualified Decommissioning Costs as defined in the Special Terms.
4. Any necessary authorizations of the NRC, or any corresponding governmental authority having jurisdiction over the decommissioning of the Unit have been obtained.

IN WITNESS WHEREOF, the undersigned have executed this Certificate in the capacity shown below as of _____.

AmerGen Vermont, LLC

By: _____

Name:

Title:

MELLON BANK, N.A.

By: _____

Name:

Title:

EXHIBIT "C"

**CERTIFICATE FOR TRANSFER BETWEEN THE QUALIFIED FUND
AND THE NONQUALIFIED FUND**

**[Name of Trustee],
as Trustee**

[Address]

This Certificate is submitted pursuant to Section 2.04 of the Nuclear Decommissioning Trust Agreement, dated _____, between Mellon Bank, N.A. (the "Trustee") and AmerGen Vermont, LLC (the "Company") (the "Agreement"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and instructed as follows (complete one):

To pay \$ ____ in cash from the Nonqualified Fund to the Qualified Fund; or

To pay \$ ____ in cash from the Qualified Fund to the Nonqualified Fund.

With respect to such payment, the Company hereby certifies as follows:

1. Any amount stated herein to be paid from the Nonqualified Fund to the Qualified Fund is in accordance with the contribution limitations applicable to the Qualified Fund set forth in Section 2 of the Special Terms and the limitations of Section 2.04 of the Agreement.
2. Any amount stated herein to be paid from the Qualified Fund to the Nonqualified Fund is in accordance with Section 4 of the Special Terms. The Company has determined that such payment is appropriate under the standards of Section 4 of the Special Terms.

IN WITNESS WHEREOF, the undersigned have executed this Certificate in the capacity as shown below as of _____, _____.

AmerGen Vermont, LLC

By: _____

Name:

Title:

MELLON BANK, N.A.

By: _____

Name:

Title:

EXHIBIT "D"

**CERTIFICATE FOR WITHDRAWAL
OF EXCESS CONTRIBUTIONS
FROM QUALIFIED FUND**

**[Name of Trustee],
as Trustee
[Address]**

This Certificate is submitted pursuant to Section 4 of the Special Terms attached as Exhibit A to the Nuclear Decommissioning Trust Agreement, dated _____, between Mellon Bank, N.A. (the "Trustee") and AmerGen Vermont, LLC (the "Company") (the "Agreement"). All capitalized terms used in this Certificate and not otherwise defined herein shall have the meanings assigned to such terms in the Agreement. In your capacity as Trustee, you are hereby authorized and instructed to pay \$ ____ in cash to the Company from the Qualified Fund. With respect to such payment, the Company hereby certifies that withdrawal and transfer pursuant to Section 4 of the Special Terms is appropriate and that \$ _____ constitutes an excess contribution pursuant to such Section.

IN WITNESS WHEREOF, the undersigned have executed this Certificate in the capacity as shown below as of _____, _____.

AmerGen Vermont, LLC

By: _____

Name:

Title:

MELLON BANK, N.A.

By: _____

Name:

Title:

EXHIBIT "E"

CROSS-TRADING INFORMATION

As part of the cross-trading program covered by the Exemption for the Trustee and its affiliates, the Trustee is to provide to each affected Trust the following information:

I. The existence of the cross-trading program

The Trustee has developed and intends to utilize, wherever practicable, a cross-trading program for Indexed Accounts and Large Accounts as those terms are defined in the Exemption.

II. The "triggering events" creating cross-trade opportunities

In accordance with the exemption three "triggering events" may create opportunities for cross-trading transactions. They are generally the following (see the Exemption for more information):

- A. A change in the composition or weighting of the index by the independent organization creating and maintaining the index;
- B. A change in the overall level of investment in an Indexed Account as a result of investments and withdrawals on the account's opening date, where the Account is a bank collective fund, or on any relevant date for non-bank collective funds; provided, however, a change in an Indexed Account resulting from investments or withdrawals of assets of the Trustee's own plans (other than the Trustee's defined contribution plans under which participants may direct among various investment options, including Indexed Accounts) are excluded as a "triggering event"; or
- C. A recorded declaration by the Trustee that an accumulation of cash in an Indexed Account attributable to interest or dividends on, and/or tender offers for, portfolio securities equal to not more than 0.5% of the Account's total value has occurred.

III. The pricing mechanism utilized for securities purchased or sold

Securities will be valued at the current market value for the securities on the date of the crossing transaction.

Equity securities - the current market value for the equity security will be the closing price on the day of trading as determined by an independent pricing service; unless the security was added to or deleted from an index after the close of trading, in which case the price will be the opening price for that security on the next business day after the announcement of the addition or deletion.

Debt securities - the current market value of the debt security will be the price determined by the Trustee as of the close of the day of trading according to the Securities and Exchange Commission's Rule 17a-7(b)(4) under the Investment Company Act of 1940.

Debt securities that are not reported securities or traded on an exchange will be valued based on an average of the highest current independent bids and the lowest current independent offers on the day of cross-trading. The Trustee will use reasonable inquiry to obtain such prices from at least three independent sources that are brokers or market makers. If there are fewer than three independent sources to price a certain debt security, the closing price quotations will be obtained from all available sources.

IV. The allocation methods

Direct cross-trade opportunities will be allocated among potential buyers or sellers of debt or equity securities on a prorata basis. With respect to equity securities, please note the Trustee imposes a trivial share constraint to reduce excessive custody ticket charges to participating accounts.

V. Other procedures implemented by the Trustee for its cross-trading practices

The Trustee has developed certain internal operational procedures for cross-trading debt and equity securities. These procedures are available upon request.

ENCLOSURE 12

**PROJECTION OF EARNINGS CREDIT ON DECOMMISSIONING
FUNDS USING 2% ANNUAL REAL RATE OF RETURN**

ANDREWS OFFICE PRODUCTS CAPITOL HEIGHTS, MD (K)

ENCLOSURE 13

**CALCULATION OF NRC FORMULA AMOUNT FOR DECOMMISSIONING
FUNDING ASSURANCE FOR VERMONT YANKEE (10 CFR § 50.75(C))**

VERMONT YANKEE
 (1,593 MWt)
 As of September 1999*

REACTOR TYPE / BASE COST

BWRs (1200MWt - 3400 MWt)
 (\$104 + 0.009 P (in MWt))
 (\$104 + 0.009 (1593))

\$118,337,000

ESCALATION FACTOR

(0.65L + 0.13E + 0.22B)

Labor

Energy (BWR)

Waste vendor

Northeast regional data	E = (0.54P + 0.46F)			Barnwell (100%)
	Power		Fuel	
1999 x scaling factor / 1986	P = 1999 / 1986		F = 1999 / 1986	B = 6.968
143.2 x 1.555 / 130.5	134.1 / 114.2		67.9 / 82.0	
	1.17426	E = (0.54P + 0.46F)	0.82805	
		E = (0.54 x 1.17426) + (0.46 x 0.82805)		
1.70633		1.01500		6.968
(0.65L + 0.13E + 0.22B) =	0.65 x 1.70633	0.13 x 1.015		0.22 x 6.968
(L + E + B) =	1.1091142	+	0.1319501	+
				1.5329600

Escalation Factor =

2.77402

TOTAL ESCALATED COST

\$118,337,000

x

2.77402

\$

328,269,707

*Preliminary data

(
US OFFICE PRODUCTS

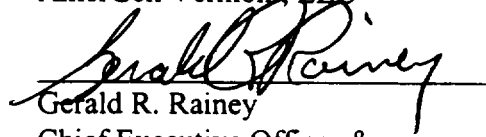
10 CFR § 2.790
AFFIDAVIT OF GERALD R. RAINEY

I, Gerald R. Rainey, Chief Executive Officer and Chief Nuclear Officer of AmerGen Vermont, LLC (AmerGen Vermont), do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of AmerGen Vermont.
2. AmerGen Vermont is providing information in support of its "Application for Order and Conforming Administrative Amendments for License Transfer (NRC Facility Operating License No. DPR-28)." The Documents being provided in Enclosures 7A and 9A contain AmerGen Vermont's financial projections related to the continued operation of Vermont Yankee Nuclear Power Station and the commercial terms of a unique transaction. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4), because:
 - i. This information is and has been held in confidence by AmerGen Vermont.
 - ii. This information is of a type that is held in confidence by AmerGen Vermont, and there is a rational basis for doing so because the information contains sensitive financial information concerning AmerGen Vermont's projected revenues and operating expenses.
 - iii. This information is being transmitted to the NRC in confidence.
 - iv. This information is not available in public sources and could not be gathered readily from other publicly available information.
 - v. Public disclosure of this information would create substantial harm to the competitive position of AmerGen Vermont by disclosing AmerGen Vermont's internal financial projections and the commercial terms of a unique transaction to other parties whose commercial interests may be adverse to those of AmerGen Vermont.

3. Accordingly, AmerGen Vermont requests that the designated documents be withheld from public disclosure pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4).

AmerGen Vermont, LLC

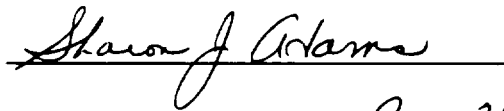


Gerald R. Rainey
Chief Executive Officer &
Chief Nuclear Officer

STATE OF Pennsylvania

COUNTY OF Montgomery

Subscribed and sworn to me, a Notary Public, in and for the County and State above named, this 5th day of January, 2000.



My Commission Expires: Aug 31, 2002