CAPTION SHEET CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/0	:		
2. BUREAU: FUS	:		
3. SECTION(S):	:	4.	PUBLIC MEETING DATE: 00/00/00
5. APPROVED BY:	:		
DIRECTOR:	:		
SUPERVISOR:	:		
6. PERSON IN CHARGE:	:	7.	DATE FILED: 05/13/98
8. DOCKET NO: A 110073	:	9.	EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: GREEN MOUNTAIN ENERGY RESOURCES

COMP/APP COUNTY: UTILITY CODE: 110073

ALLEGATION OR SUBJECT

APPLICATION OF GREEN MOUNTAIN ENERGY RESOURCES L.L.C., FOR APPROVAL TO OFFER, RENDER, FURNISH, OR SUPPLY ELECTRICITY OR ELECTRIC GENERATION SERVICES AS A BROKER/MARKETER ENGAGED IN THE BUSINESS OF SUPPLYING ELECTRICITY AND AS AN AGGREGATOR ENGAGED IN THE BUSINESS OF SUPPLYING ELECTRICITY TO THE PUBLIC IN THE COMMONWEALTH OF PENNSYLVANIA.

DOCUMENT
FOLDER

DOCKETED
MAY 14 1998

ORIGINAL

RHOADS & SINON LLP

ATTORNEYS AT LAW
DAUPHIN BANK BUILDING
TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TELEPHONE (717) 233-5731

FAX NOS:
GENERAL: 717-232-1459
MUNICIPAL GROUP: 717-231-6610
LITIGATION GROUP: 717-231-6637

DIRECT DIAL NO.

FILE NO.

Writer's Direct Dial:
(717) 231-6698
(717) 231-6600 (FAX)
E-Mail: jcawley@rhoads-sinon.com

May 13, 1998

PROTHONOTARY'S OFFICE
98 MAY 13 PM 4:04

Via Hand Delivery

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

Re: **Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania**

Docket No. A-110073

Dear Mr. McNulty:

Enclosed for filing is an original and eight copies of the above-captioned application of Green Mountain Energy Resources, L.L.C., together with a Proof of Service, a 3.5" disk containing the application in electronic form, and a check in the amount of $350 for the application fee.

Please call me if you have any questions about this filing.

DOCUMENT
FOLDER

DOCKETED
MAY 14 1998

Very truly yours,

James H. Cawley

James H. Cawley

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania

Docket No. A-110073

Proof of Service

I hereby certify that I have this day served a true copy of the foregoing document upon the following individuals and entity, listed below, in accordance with the requirements of 52 Pa. Code § 1.54.

Irwin A. Popowsky, Esquire
Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17121

Bernard A. Ryan, Jr., Esquire
Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

James H. Cawley
RHOADS & SINON LLP
One South Market Square
P. O. Box 1146
Harrisburg, PA 17108-1146
(717) 231-6608

Attorneys for
Green Mountain Energy Resources, L.L.C.

Dated: May 13, 1998

ORIGINAL

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Green Mountain Energy Resources L.L.C., d/b/a Green Mountain Energy Resources, for approva to offer, render, furnish, or supply electricity or electric generation services as a(n) broker/marketer/aggregator [as specified in item 8 below] to the public in the Commonwealth of Pennsylvania.	Application Docket No. A. 110073 F 19

To the Pennsylvania Public Utility Commission:

1 **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and FAX number of the Applicant are.

Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone (802) 846-6100
FAX (802) 846-6102

Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated within the preceding five (5) years, including name, address, and telephone number.

Applicant is a Delaware limited liability company formed in 1997 by Green Mountain Resources Inc., a Delaware corporation and wholly-owned subsidiary of Green Mountain Power Corporation, a Vermont electric utility company. The sole members of the Applicant are Green Funding I, L.L.C., a Delaware limited liability company owned by the Sam Wyly family of Dallas, Texas. and Green Mountain Resources Inc. The Applicant has no predecessors and has not conducted business under any other name since its formation.

2 a. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom questions about this Application should be addressed are:

Karen O'Neill, Vice President, Regional Development and Strategic Alliances
Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone (802) 846-6177.
FAX (802) 846-6102

2 b. **CONTACT PERSON-PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY:** The name, title, address telephone number and FAX number of the person with whom contact should be made by PEMA.

Thomas C. Boucher – Vice President, Energy Supply and Business Development
Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone (802) 846-6172.
FAX (802) 846-6102

3 a ATTORNEY: If applicable, the name, address, telephone number, and FAX number of the Applicant's attorney are:

Veronica M. Fallon, Assistant General Counsel
Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone: (802) 846-6174.
FAX: (802) 846-6162

James H. Cawley, Esquire
Rhoads & Sinon LLP
One South Market Square
P.O. Box 1146
Harrisburg, Pennsylvania 17108-1146
Telephone: (717) 231-6608
FAX: (717) 232-1459

3b REGISTERED AGENT: If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are

Corporation Service Company
319 Market Street
Harrisburg, PA 17105
Telephone: (717) 234-9715
FAX: (717) 234-9055

4 **FICTITIOUS NAME:** (select and complete appropriate statement)

[X] The Applicant will be using a fictitious name or doing business as ("d/b/a"): Green Mountain Energy Resources

Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

See Exhibit 1 attached hereto.

or

[ ] The Applicant will not be using a fictitious name.

5 **BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:** (select and complete appropriate statement)

[ ] The Applicant is a sole proprietor.
If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

[ ] The Applicant is a
  [ ] domestic general partnership (*)

[ ] domestic limited partnership (15 Pa. C.S. §8511)
[ ] foreign general or limited partnership (15 Pa. C.S. §4124)
[ ] domestic limited liability partnership (15 Pa. C.S. §8201)
[ ] foreign limited liability general partnership (15 Pa. C.S. §8211)
[ ] foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

[ ] * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

[X] The Applicant is a:
[ ] domestic corporation (none)
[ ] foreign corporation (15 Pa. C.S. §4124)
[ ] domestic limited liability company (15 Pa. C.S. §8913)
[X] foreign limited liability company (15 Pa. C.S. §8981)
[ ] Other ______________________________

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation.

See Exhibits 2 and 3 attached hereto.

Give name and address of officers.

The officers of Green Mountain Energy Resources L.L.C. are:

Douglas G. Hyde – President Julie D. Blunden – Regional Director Thomas C. Boucher – VP, Energy Supply and Business Development Kevin W. Hartley – VP, Marketing David B. Luther – VP, Finance and Customer Operations and Treasurer Karen K. O'Neill – VP, Regional Development & Strategic Alliances Peter H. Zamore – VP, General Counsel and Secretary	Green Mountain Energy Resources 55 Green Mountain Drive P. O. Box 2206 South Burlington VT 05407-2206

The Applicant is incorporated in the state of Delaware.

6 **AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:** (select and complete appropriate statement)

[ ] Affiliate(s) of the Applicant doing business in Pennsylvania are

Give name and address of the affiliate(s) and state whether the affiliate(s) are jurisdictional public utilities

[ ] If the Applicant or an affiliate has a predecessor who has done business within Pennsylvania, give name and address of the predecessor(s) and state whether the predecessor(s) were jurisdictional public utilities

or

[X] The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

7 **APPLICANT'S PRESENT OPERATIONS:** (select and complete the appropriate statement)

[ ] The Applicant is presently doing business in Pennsylvania as a
- [ ] vertically-integrated provider of generation, transmission, and distribution services.
- [ ] municipal electric corporation providing service outside its municipal limits
- [ ] electric cooperative
- [ ] local gas distribution company
- [ ] nonintegrated provider of electric generation, transmission or distribution services
- [ ] Other (Identify the nature of service being rendered.)

or

[X] The Applicant is not presently doing business in Pennsylvania

8 **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:
[ ] Generator and supplier of electric power
[ ] Municipal generator and supplier of electric power
[ ] Electric Cooperative and supplier of electric power
[X] Broker/Marketer engaged in the business of supplying electricity.
[X] Aggregator engaged in the business of supplying electricity

9 **PROPOSED SERVICES:** Generally describe the electric services or the electric generation services which the Applicant proposes to offer.

The Applicant intends to sell energy products in addition to other products and services and business activities related or incident thereto to residential and commercial/industrial customers

10 **SERVICE AREA:** Generally describe the geographic area in which Applicant proposes to offer services.

The Applicant will offer services to all eligible customers within the State of Pennsylvania.

11. **CUSTOMERS:** Applicant proposes to initially provide services to

- [ ] Residential Customers
- [ ] Commercial Customers
- [ ] Industrial Customers
- [ ] Governmental Customers
- [X] All of above
- [ ] Other (Describe) ______________________

12 **FERC FILING** Applicant has:

- [ ] Filed an Application with the Federal Energy Regulatory Commission to be a Power Marketer.

- [ ] Received approval from FERC to be a Power Marketer at Docket or Case Number ________.

Applicant has not applied to the Federal Energy Regulatory Commission to be a Power Marketer because the Applicant does not fall within the definition of a FERC jurisdictional Power Marketer.

13 **START DATE:** The Applicant proposes to begin marketing its services on June 1, 1998 (approximate date)

14 **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filing

15. **NOTICE:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, serve a copy of the signed and verified Application with attachments on the following.

Irwin A. Popowsky
Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Bernard A. Ryan, Jr
Commerce Building, Suite 1102
Small Business Advocate

300 North Second Street
Harrisburg, PA 17101

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, attach Proof of Service of the Application and attachments upon the above named parties. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14.

16 **AFFIDAVIT AS TO SERVICE AND FITNESS:** Attach to the Application an affidavit as follows.

AFFIDAVIT

State of Vermont

ss. South Burlington, May 10 ,1998

County of Chittenden

Karen K. O'Neill, Affiant, being duly sworn according to law, deposes and says that:

She is the Vice President, Regional Development & Strategic Alliances of Green Mountain Energy Resources L.L.C.;

That she is authorized to and does make this affidavit for said Applicant,

That Green Mountain Energy Resources L.L.C., the Applicant herein, acknowledges that Green Mountain Energy Resources L.L.C. may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That Green Mountain Energy Resources L.L.C., the Applicant herein, asserts that it possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That the facts above set forth are [true and correct/true and correct to the best of his/her knowledge, information, and belief] and that he/she [expects/expects said Applicant] to be able to prove the same at any hearing hereof.

Karen K. O'Neill
Signature of Affiant

Sworn and subscribed before me this 10th day of May, 1998.

Penny J. Collins
Signature of official administering oath

My commission expires: 2-10-99

17 **TAXATION:** Provide the State Tax Account number or similar number of the Applicant Pending

In certification that the supplier will pay in full all taxes due from the supplier as required by 66 Pa. C S Section 2809 (C)(1)(II)(IV), the Applicant will attach to the Application and affidavit as follows

AFFIDAVIT

State of Vermont

ss South Burlington, May 8 , 1998

County of Chitterden :

David B. Luther, Affiant, being duly sworn according to law, deposes and says that:

That he is the Vice President, Finance and Customer Operations and Treasurer of Green Mountain Energy Resources L.L.C ;

That he is authorized to and does make this affidavit for said Applicant,

That Green Mountain Energy Resources L.L.C., the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P L 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant The Applicant acknowledges that it shall provide to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission and is subject to Title 66, Section 506.

As provided by Section 2810 (C)(6)(IV), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

D B Luther

Signature of Affiant

Sworn and subscribed before me this 8th day of May, 1998.

Penny J. Collins

Signature of official administering oath

My commission expires 2-10-99

18. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, by name, subject and citation dealing with business operations, in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

None.

The Applicant, an affiliate, a predecessor of either, or a person identified in this Application has not been convicted of a crime involving fraud or similar activity.

19. **STANDARDS, BILLING PRACTICES, TERMS AND CONDITIONS OF PROVIDING SERVICE AND CONSUMER EDUCATION:** Electricity should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

a. Contacts for Consumer Service and Complaints: Provide the name, title, address, telephone number and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with Applicant, the Electric Distribution Company, the Pennsylvania Public Utility Commission or other agencies.

Kenneth D. Gokey
Manager – Customer Operations
Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone: (802) 846-6125
FAX: (802) 846-6102

Jerri Brown
Customer Retention Manager
Green Mountain Energy Resources L.L.C.
55 Green Mountain Drive, P.O. Box 2206
South Burlington, Vermont 05407-2206
Telephone: (802) 846-6135
FAX: (802) 846-6102

b. Provide a copy of all standard forms or contracts that you use, or propose to use, for service provided to residential customers.

Standard forms for Pennsylvania have not yet been finalized pending finalization of product offerings and issuance of final regulations. The Applicant requests conditional approval of its application and will supply standard forms to the Commission for review when the Applicant's products are finalized.

c. Attach to the Application an Affidavit as follows:

AFFIDAVIT

State of Vermont:

ss. South Burlington, May 8 , 1998

County of Chittenden

Peter H. Zamore, Affiant, being duly sworn according to law, deposes and says that:

He is the Vice President, General Counsel & Secretary of Green Mountain Energy Resources L.L.C.;

That he is authorized to and does make this affidavit for said Applicant,

That Green Mountain Energy Resources L.L.C., the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 PA. C.S. Section 506, 2807 (C), 2807(D)(2), 2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission or designee to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof.

Peter H. Zamore
Signature of Affiant

Sworn and subscribed before me this 8th day of May 1998

Penny L. Collins
Signature of official administering oath

My commission expires 2-10-99

20. **BONDING:** In accordance with 66 PA. C.S. Section 2809(C) (1)(I), the Applicant is:

[X] Furnishing a copy of initial bond, letter of credit or proof of bonding to the Commission in the amount of $250,000.

See Exhibit 4.

[ ] Furnishing proof of other initial security for Commission approval, to ensure financial responsibility.

[ ] Filing for a modification to the $250,000 and furnishing a copy of an initial bond, letter of credit or proof of bonding to the Commission for the amount of $________. Applicant is required to provide information supporting an amount less than $250,000.

At the conclusion of Applicant's first year of operation or when a permanent license is issued, whichever comes first, it is the intention of the Commission to tie security bonds to a percentage of Applicant's gross receipts resulting from the sale of generated electricity consumed in Pennsylvania. The amount of the security bond will be reviewed and adjusted on an semi-annual basis.

21. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

22. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2809(D). Transferee will be required to file the appropriate licensing application.

23. **ASSESSMENT:** The Applicant acknowledges that Title 66, Chapter 5, Section 510 grants to the Commission the right to make assessments to recover regulatory expenses and that as a supplier of electricity or an electric generation supplier it will be assessed under that section of the Pennsylvania Code. The Applicant also acknowledges that the continuation of its license as a supplier of electricity or an electric generation supplier will be dependent upon the payment of all prior years' assessments.

24. **FINANCIAL FITNESS:**

A. Applicant shall provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.
- Published parent-company financial and credit information.
- Applicant's balance sheet and income statement for the most recent fiscal year. Published financial information such as 10K's and 10Q's may be provided, if available.

- Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form or other independent financial service reports.
- A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.
- Such other information that demonstrates Applicant's financial fitness.

Green Mountain Energy Resources is a Delaware limited liability company formed February 27, 1997. The owners and members of Green Mountain Energy Resources L.L.C. are:

Green Funding I LLC
300 Crescent, Suite 1000
Dallas, TX 75201

Green Mountain Resources Inc.
25 Green Mountain Drive
P. O. Box 850
South Burlington, VT 05402-0850

The members of the Management Committee of Green Mountain Energy Resources L.L.C. are:

G. Chris Andersen	Andersen, Weinroth & Co., L.P. 1330 Avenue of Americas 36th Floor New York NY 10019
Christoper L. Dutton – President & Chief Executive Officer	Green Mountain Power Corporation 25 Green Mountain Drive P. O. Box 850 South Burlington VT 05402-0850
Jason Elliott	Sterling Software 300 Crescent Court Suite 1000 Dallas, TX 75201-7832
Douglas G. Hyde	Green Mountain Energy Resources 55 Green Mountain Drive P. O. Box 2206 South Burlington VT 05407-2206
Laurie Wyly Matthews	Sterling Software 300 Crescent Court Suite 1000 Dallas, TX 75201-7832
Evan Wyly	Sterling Software 300 Crescent Court Suite 1000 Dallas, TX 75201-7832
Lisa Wyly	Sterling Software 300 Crescent Court Suite 1000 Dallas, TX 75201-7832
Sam Wyly	Sterling Software 300 Crescent Court Suite 1000 Dallas, TX 75201-7832

Attached as Exhibit 5 is the Affidavit of Peter H. Zamore concerning the capital commitments of the Applicant's members and the 1997 Annual Report on Form 10-K of Green Mountain Power Corporation, the parent company of one of the members of the Applicant

B Applicant must provide the following information:

- Identify Applicant's chief officers including names and their professional resumes.

  See Exhibit 6 attached hereto

- Provide the name, title, address, telephone number and FAX number of Applicant's custodian for its accounting records

  Michael Bursell
  Controller
  Green Mountain Energy Resources L.L.C
  55 Green Mountain Drive, P O Box 2206
  South Burlington, Vermont 05407-2206
  Telephone (802) 846-6166
  FAX (802) 846-6102

25 **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided Examples of such information which may be submitted include the following

- The identity of the Applicant's officers directly responsible for operations, including names and their professional resumes.
- General information concerning the energy sources to be employed by the Applicant in providing services
- Documentation of membership in ECAR, MAAC or other regional reliability councils.
- An affidavit stating that you will adhere to the reliability protocols of the North American Electric Reliability Council, the appropriate regional reliability council(s), and the Commission, and that you agree to comply with the operational requirements of the control area(s) within which you provide retail service

See Exhibit 7 attached hereto.

26 **UNIFORM STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission

27. **REPORTING REQUIREMENTS** Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate.

a. Reports of Gross Receipts Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on a quarterly and year to date basis no later than 30 days following the end of the quarter

b. The Treasurer or other appropriate officer of Applicant shall transmit to the Department of Revenue by March 15, an annual report, and under oath or affirmation, of the amount of gross receipts received by Applicant during the prior calendar year.

c. Applicant shall report to the Commission the following information on an annual basis:

- the percentages of total electricity supplied by each fuel source

Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 28 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive electric market.

28. **FEE:** The Applicant has enclosed the required initial licensing fee of $350.

Applicant: Green Mountain Energy Resources L.L.C.

By: Peter H. Zamore

Title: Vice President, General Counsel & Secretary

VERIFICATION

State of Vermont

ss South Burlington, May 8, 1998

County of Chittenden :

Peter H. Zamore, Affiant, being duly sworn according to law, deposes and says that

He is the Vice President, General Counsel and Secretary (Office of Affiant) of Green Mountain Energy Resources L.L.C. (Name of Applicant);

That he is authorized to and does make this affidavit for said limited liability company;

That the facts above set forth are true and correct to the best of his knowledge, information, and belief and that he expects said Applicant to be able to prove the same at any hearing hereof

Peter H. Zamore

Signature of Affiant

Sworn and subscribed before me this 8th day of May, 1998.

Penny J. Collins

Signature of official administering oath

My commission expires. 2-10-99

EXHIBITS

Exhibit 1 Fictitious Tradename Filing

Exhibit 2. Qualification to Do Business in Pennsylvania as a Foreign Limited Liability Company

Exhibit 3 Certificate of Formation of Green Mountain Energy Resources L.L.C., as amended

Exhibit 4 Initial Bond or Letter of Credit

Exhibit 5 Affidavit of Peter H Zamore and Annual Report of Green Mountain Power Corporation

Exhibit 6 Biographies of the Applicant's Officers

Exhibit 7. Evidence of Technical Fitness

Exhibit No. 1

Microfilm Number________________

Filed with the Department of State on________________

Entity Number________________

____

Secretary of the Commonwealth

APPLICATION FOR REGISTRATION OF FICTITIOUS NAME

DSCB:54-311 (Rev 90)

In compliance with the requirements of 54 Pa.C.S. § 311 (relating to registration), the undersigned entity(ies) desiring to register a fictitious name under 54 Pa.C.S. Ch. 3 (relating to fictitious names), hereby state(s) that:

1. The fictitious name is: Green Mountain Energy Resources

2. A brief statement of the character or nature of the business or other activity to be carried on under or through the fictitious name is:
To engage in the sale of energy and related products and services at retail.

3. The address, including number and street, if any, of the principal place of business of the business or other activity to be carried on under or through the fictitious name is (P.O. Box alone is not acceptable):

55 Green Mountain Drive, P. O. Box 2206, S. Burlington VT 05407-2206

Number and Street | City | State | Zip | County

4. The name and address, including number and street, if any, of each individual interested in the business is:

Name | Number and Street | City | State | Zip

5. Each entity, other than an individual, interested in such business is (are):

Name | Form of Organization | Organizing Jurisdiction | Principal Office Address | Pa. Registered Office, if any

Green Mountain Energy Resources L.L.C -- Limited Liability Company -- Delaware -- 55 Green Mountain Drive, S. Burlington VT 05403 -- Corporation Services Company, 319 Market Street, Harrisburg PA 17105

6. The applicant is familiar with the provisions of 54 Pa.C.S. § 332 (relating to effect of registration) and understands that filing under the Fictitious Names Act does not create any exclusive or other right in the fictitious name.

7. (Optional): The name(s) of the agent(s), if any, any one of whom is authorized to execute amendments to, withdrawals from or cancellation of this registration in behalf of all then existing parties to the registration, is (are):

____

PA Dept. of State

MAY 6 98

IN TESTIMONY WHEREOF, the undersigned have caused this Application for Registration of Fictitious Name to be executed this 1st day of May, 1998.

______________________________ (Individual Signature)

______________________________ (Individual Signature)

______________________________ (Individual Signature)

______________________________ (Individual Signature)

Green Mountain Energy Resources L.L.C.
(Name of Entity)

BY: [signature]

TITLE: Vice President, General Counsel & Secretary

______________________________ (Name of Entity)

BY: ______________________________

TITLE: ______________________________

RHOADS & SINON LLP

ATTORNEYS AT LAW
DAUPHIN BANK BUILDING
TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TELEPHONE (717) 233-5731

FAX NOS.
GENERAL: 717-232-1459
MUNICIPAL GROUP: 717-231-6610
LITIGATION GROUP: 717-231-6637

DIRECT DIAL NO.

FILE NO.

May 13, 1998

<u>Re: Green Mountain Energy Resources</u> 5894/01

Department of State
Corporation Bureau
North Office Building, Third Floor
Harrisburg, PA 17120

To Whom It May Concern:

In reference to the above-captioned corporation, please file the following document:

____ Articles of Incorporation

_X_ Application for Registration of Fictitious Name. Entity registering this fictitious name has filed an Application for Registration as a Foreign Limited Liability Company on even date herewith.

Please stamp our copy on the front. Please deduct the $52.00 filing fee from our account, #20198. Please place the completed document in our box.

If you have any questions concerning the attached, please feel free to contact the undersigned.

Very truly yours,

RHOADS & SINON LLP

By: Judi L. Krape
Judi L. Krape
Legal Assistant to
James H. Cawley

Exhibit No. 2

Microfilm Number ____________

Filed with the Department of State on ____________

Entity Number ____________

____
Secretary of the Commonwealth

APPLICATION FOR REGISTRATION AS A FOREIGN LIMITED LIABILITY COMPANY

DSCB:15-8981 (Rev 95)

MAY 13 98
PA Dept. of State

In compliance with the requirements of 15 Pa.C.S. § 8981 (relating to registration), the undersigned foreign limited liability company, desiring to register to do business in this Commonwealth, hereby states that:

1. The name of the limited liability company is: Green Mountain Energy Resources L.L.C.

2. (If the name set forth in paragraph 1 is not available for use in this Commonwealth, complete the following): The name under which the limited liability company proposes to register and do business in this Commonwealth is: ____________

3. The name of the jurisdiction under the laws of which the limited liability company was organized and the date of its formation are:

   Jurisdiction: Delaware   Date of Formation: February 26, 1997

4. The (a) address of this limited liability company's initial registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

   (a) N/A
   Number and Street   City   State   Zip   County

   (b) c/o: Corporation Services Company,   Dauphin
   Name of Commercial Registered Office Provider   County

   For a limited liability company represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the limited liability company is located for venue and official publication purposes.

5. (Check and complete one of the following):

   X The address of the office required to be maintained by it in the jurisdiction of its organization by the laws of that jurisdiction is:

   c/o Corporation Services Co., 1013 Centre Road, Wilmington, DE 19805
   Number and Street   City   State   Zip

   —It is not required by the laws of its jurisdiction of organization to maintain an office therein and the address of its principal office is:

   ____
   Number and Street   City   State   Zip

6. (Strike out if inapplicable): The company is a restricted professional company organized to render the following restricted professional service(s):

   N/A

DSCB:15-8981 (Rev 95)-2

IN TESTIMONY WHEREOF, the undersigned limited liability company has caused this Application for Registration as a Foreign Limited Liability Company to be signed by a duly authorized member or manager thereof this 1st day of May, 19 98.

Green Mountain Energy Resources L.L.C

(Name of Limited Liability Company)

BY: [signature]

(Signature)

TITLE: VP, General Counsel & Secretary

DOCKETING STATEMENT DSCB:15-134A (Rev 95)
DEPARTMENTS OF STATE AND REVENUE

FILING FEE: NONE

BUREAU USE ONLY:

Dept. of State Entity Number ______

Revenue Box Number ______

Filing Period ______ Date 3 4 5 ______

SIC ______ Report Code ______

This form (*file in triplicate*) and all accompanying documents shall be mailed to:

COMMONWEALTH OF
PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU

Check proper box:

__ Pa. Business-stock __ Pa. Business-nonstock __ Pa. Business-Management __ Pa. Professional

__ Pa. Business-statutory close __ Pa. Business-cooperative __ Pa. Nonprofit-stock __ Pa. Nonprofit-nonstock

__ Foreign business __ Foreign-nonprofit __ Motor Vehicle for Hire __ Insurance

__ Foreign Certificate of Authority to D/B/A ______

__ Business Trust

__ Pa. Limited Liability Company __ Pa. Restricted Professional Limited Liability Company

X Foreign Limited Liability Company __ Foreign Restricted Professional Limited Liability Company

Association registering as a result of (check box):

__ Incorporation (Pa.) __ Domestication __ Consolidation

__ Authorization of a foreign association __ Division __ Summary of Record

__ Organization (Pa.)

1. Name of association: Green Mountain Energy Resources L.L.C.

2. Location of (a) initial registered office in Pennsylvania or (b) the name and county of the commercial registered office provider:

(a) ______
Number and Street/RD number and Box — City — State — Zip code — County

(b) c/o. Corporation Service Company — Dauphin
Name of commercial registered office provider — County

3. State or Country of ~~Incorporation~~/Organization Delaware

4. Specified effective date, if applicable: ______

5. Federal Identification Number: 043382668

6. Describe principal Pennsylvania activity to be engaged in, within one year of this application date:

To engage in the sale of energy and related products and services at retail.

7. Names, residences and social security numbers of the chief executive officer, secretary and treasurer or individual responsible for maintaining financial records:

Name	Address	Title	Social Security#
Douglas G. Hyde	55 Green Mountain Drive S. Burlington VT 05407-2206	Chief Executive Office	
Peter H. Zamore	Same	VP, General Counsel & Secretary	
Michael L. Bursell	Same	Controller	

If professional association, include officer's professional license numbers with the respective Pennsylvania Professional Board.

8. Location of principal place of business:

55 Green Mountain Drive, South Burlington, VT 05403

Number and Street/RD number and Box | City | State | Zip Code

9. Mailing address if different than #8 (Location where correspondence, tax report form, etc. are to be sent):

P. O. Box 2206, South Burlington VT 05407-2206

Number and Street/RD number and Box | City | State | Zip Code

10. Act of General Assembly or authority under which you are organized or incorporated (Full citation of statute or other authority; attach a separate sheet if more space is required): N/A

11. Date and state of ~~XXXXXXXXXX~~ organization (foreign corporation only): February 26, 1997--Delaware LLC

12. Date business started in Pennsylvania (foreign association only): June 1, 1998

13. Is the association authorized to issue capital stock? __ YES X NO

14. Corporation's fiscal year ends December 31

This statement shall be deemed to have been executed by the individual who executed the accompanying submittal. See 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

Instructions for Completion of Form:

A. A separate completed set of copies of this form shall be submitted for each entity or registration resulting from the transaction.

B. The Bureau of Corporation Taxes in the Pennsylvania Department of Revenue should be notified of any address changes. Notification should be sent to the Processing Division, Bureau of Corporation Taxes, Pa. Department of Revenue, Dept. 280705, Harrisburg, PA 17128-0705

C. All Pennsylvania corporate tax reports, except those for motor vehicle for hire, must be filed with the Commonwealth on the same fiscal basis as filed with the U.S. government. Motor vehicle for hire, i.e., gross receipts tax reports, must be filed on a calendar year basis only.

D. The disclosure of the social security numbers of the corporate officers in Paragraph 7 is voluntary. The numbers are used to assure the proper identification of corporation officers by the Department of Revenue in accordance with the Fiscal Code.

RHOADS & SINON LLP

ATTORNEYS AT LAW
DAUPHIN BANK BUILDING
TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TELEPHONE (717) 233-5731

FAX NOS.
GENERAL: 717-232-1459
MUNICIPAL GROUP: 717-231-6610
LITIGATION GROUP: 717-231-6637

DIRECT DIAL NO.

FILE NO.

May 13, 1998

<u>Re: Green Mountain Energy Resources L.L.C.</u> 5894/01

Department of State
Corporation Bureau
North Office Building, Third Floor
Harrisburg, PA 17120

To Whom It May Concern:

In reference to the above-captioned corporation, please file the following document:

___ Articles of Incorporation

_X_ Application for Registration as a Foreign Limited Liability Company

Please stamp our copy on the front. Please deduct the $180.00 filing fee from our account, #20198. Please place the completed document in our box.

If you have any questions concerning the attached, please feel free to contact the undersigned.

Very truly yours,

RHOADS & SINON LLP

By: Judi L. Krape
Judi L. Krape
Legal Assistant to
James H. Cawley

Exhibit No. 3

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF LIMITED LIABILITY COMPANY OF "GREEN MOUNTAIN RESOURCES L.L.C.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF FEBRUARY, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

2723739 8100

971063070

AUTHENTICATION: 8353926

DATE: 02-28-97

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 02/26/1997
971063070 - 2723739

CERTIFICATE OF FORMATION

OF

GREEN MOUNTAIN RESOURCES L.L.C.

This Certificate of Formation of Green Mountain Resources L.L.C. (the "LLC"), dated February 25, 1997, is being duly executed and filed by Green Mountain Resources, Inc., as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del. Code § 18-101, et seq.).

FIRST: The name of the limited liability company hereby formed is Green Mountain Resources L.L.C.

SECOND: The registered office of the LLC in the State of Delaware is c/o Corporation Service Company, 1013 Centre Road, in the City of Wilmington, County of New Castle, Delaware 19805.

THIRD: The name and address of the registered agent for service of process on the LLC in the State of Delaware is Corporation Service Company, 1013 Centre Road, in the City of Wilmington, County of New Castle, Delaware 19805.

FOURTH: The latest date on which the LLC is to dissolve is December 31, 2085.

FIFTH: The purpose or purposes of the LLC shall be:

To engage in any lawful act or activity for which limited liability companies may be organized under the Delaware Limited Liability Company Act; provided, however, that the LLC shall not be permitted to own or operate any facilities used for the generation, transmission or distribution of electric energy or natural gas for sale, as contemplated by the Public Utility Holding Company Act of 1935, as amended.

IN WITNESS WHEREOF, the undersigned, being the authorized person forming the LLC, has executed, signed and acknowledged this Certificate of Formation the date first above written.

GREEN MOUNTAIN RESOURCES, INC.
Authorized Person

By: [signature]

~~Secretary and Treasurer~~
Its
CHRISTOPHER L. DUTTON

F:\WPDOCS\GMP\GENERAL\FORMAGMR.CER

3022312817

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "GREEN MOUNTAIN RESOURCES L.L.C.", CHANGING ITS NAME FROM "GREEN MOUNTAIN RESOURCES L.L.C." TO "GREEN MOUNTAIN ENERGY RESOURCES L.L.C.", FILED IN THIS OFFICE ON THE TWELFTH DAY OF MAY, A.D. 1997, AT 9 O'CLOCK A.M.

Edward J. Freel

Edward J. Freel, Secretary of State

2723739 8100

971155323

AUTHENTICATION: 8462626

DATE: 05-13-97

Certificate of Amendment to Certificate of Formation

of

Green Mountain Resources L.L.C.

It is hereby certified that:

1. The name of the limited liability company (hereinafter called the "limited liability company") is Green Mountain Resources L.L.C.

2. The FIRST paragraph of the Certificate of Formation of the limited liability company is hereby amended to read as follows:

FIRST: The name of the limited liability company hereby formed is Green Mountain Energy Resources L.L.C.

Executed on May 9, 1997.

GREEN MOUNTAIN RESOURCES, INC.,
Authorized Person

By: [signature]
Name: Peter H. Zamore
Title: Secretary/Treasurer

Exhibit No. 4

May 12, 1998

Office of the Prothonotary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Letter of Credit Submitted by Green Mountain Energy Resources L.L.C. in connection with its Application to offer electric generation services

Gentlemen:

In accordance with regulations adopted by the Pennsylvania Public Utility Commission, Green Mountain Energy Resources L.L.C., the applicant, encloses an original and two copies of an irrevocable letter of credit in the amount of $250,000. The expiration date of the letter of credit is August 31, 1998. The Applicant intends to continue to comply with the security provisions of the Commission's regulations while it is conducting business within the State of Pennsylvania and will replace the enclosed letter of credit with a suitable surety bond or other acceptable form of security prior to August 31, 1998.

If you have any questions, please don't hesitate to contact me.

Sincerely yours,

Michael Bursell

Michael Bursell
Controller

Green Mountain
Energy Resources℠

P.O. Box 2206, 55 Green Mountain Drive • South Burlington, Vermont 05407-2206
1-888-246-6730 • Fax (802) 846-6102 • www.choosewisely.com

Howard Bank
111 Main Street, P.O. Box 409
Burlington, Vermont 05402-0409
(802) 658-1010
http://howard.banknorth.com

IRREVOCABLE LETTER OF CREDIT

ISSUER: Howard Bank, N.A.
P.O. Box 409
111 Main Street
Burlington, VT 05402-0409

DATE OF ISSUE: May 12, 1998

LETTER OF CREDIT NO.: 3122

BENEFICIARY:
Pennsylvania Public Utility Comm.
P.O. Box 3265
Harrisburg, PA 17105-3265

APPLICANT:
Green Mountain Energy Resources L.L.C.
P.O. Box 2206
So. Burlington, VT 05407-2206

AMOUNT: $250,000.00

EXPIRY DATE. August 31, 1998

PROJECT: Electric Generation Supplier License

To Whom It May Concern:

This Irrevocable Letter of Credit is issued in favor of the Pennsylvania Public Utility Commission, which is available by one or more sight drafts drawn on us accompanied by the following:

1. The original of the Letter of Credit
2. A written statement from the Beneficiary that the Applicant has not complied with applicable provisions of the Public Utility Code, 66 Pa. C.S. 101, et seq and the rules and regulations of the Pennsylvania Public Utility Commission by the Applicant as a licensed electric generation supplier or the Applicant has not paid the Gross Receipts Tax as required by Section 2810 of the Public Utility Code 66 Pa C.S. 2810 or the Applicant has not supplied electricity at retail in accordance with contracts, agreements or arrangements. Therefore, reimbursement is required in the amount up to $250,000.00.

The Letter of Credit is written in accordance with Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. 2909(c)(1)(i), to assure compliance with applicable provisions of the Public Utility Code, 66 Pa. C.S. 101, et seq and the rules and regulations of the Pennsylvania Public Utility Commission by the Applicant as a licensed electric generation supplier; to ensure the payment of Gross Receipts Tax as required by Section 2810 of the Public Utility Code, 66 Pa. C.S. 2810, and to ensure the supply of electricity at retail in accordance with contract, agreements or arrangements. Payments made pursuant to this Letter of Credit shall ensure first to the benefit of the Commonwealth, and second, to electric distribution companies for the reimbursement of Gross Receipts Tax and third, to any and all retail electric generation customers to whom the Applicant may be held legally liable for failure to supply electric generation pursuant to contract, agreements or arrangements. Any claims made by the Commonwealth shall have priority over claims made by private individuals. Proceeds of the Irrevocable Letter of Credit may not be used to pay any penalties or fines levied against the Applicant for violations of the law, or for payment of any other tax obligations owed to the Commonwealth.

This Letter of Credit sets forth the full terms of Issuer's obligation to the Pennsylvania Public Utility Commission. It is separate from and shall not be subject to or supplemented or modified by any agreement which refers to this Letter of Credit or to which this Letter of Credit relates.

Except as otherwise stated, this Letter of Credit is governed by the Pennsylvania Uniform Commercial Code and is subject to the "Uniform Customs and Practice for Documentary Credits" (1983 Revision) International Chamber of Commerce Publication No. 500. In case of conflict between the Pennsylvania Uniform Commercial Code and the Uniform Customs and Practice for Documentary Credits, the Pennsylvania Uniform Commercial Code shall control.

We hereby agree with you that sight drafts drawn under this Letter of Credit will be honored in accordance with the terms and conditions stated herein provided the sight draft and required documents are presented to us at the above address within 60 days from the date of expiry. Payment of any draft drawn under this Letter of Credit in an amount less that the maximum amount available hereunder shall be recorded by us on the reverse side hereof and this Letter of Credit shall then be returned to you.

Howard Bank, N.A.

Gisele M. Kloeckner

Gisele M. Kloeckner
Vice President

EXHIBIT 5

AFFIDAVIT OF PETER H. ZAMORE

Peter H. Zamore, being duly sworn, deposes and states as follows:

1 I am Vice President, General Counsel and Secretary of Green Mountain Energy Resources L.L.C. (the "Applicant") I am submitting this affidavit to provide evidence of the Applicant's financial soundness The facts contained in this affidavit are based on my personal knowledge.

2 The Applicant was formed as a Delaware limited liability company on February 26, 1997 by Green Mountain Resources Inc., a wholly-owned subsidiary of Green Mountain Power Corporation, an investor-owned electric public utility company in Vermont. The Applicant was formed to engage in the sale of energy and other products and services. Green Mountain Resources Inc made a capital contribution to the Applicant of certain assets and development expenses related to the development of its retail energy business.

3 On August 6, 1997, Green Funding I L.L.C., an affiliate of the Sam Wyly family of Dallas, Texas, acquired a 67% membership interest in the Applicant in exchange for its commitment to contribute $30 million to the capital of the Applicant. On October 31, 1997, Green Funding I, L.L.C. committed to contribute an additional $10 million to the capital of the Applicant.

Peter H. Zamore

Peter H. Zamore

STATE OF VERMONT)
COUNTY OF CHITTENDEN, S.S.)

On this 5th day of May, 1998, before me personally appeared Peter H. Zamore, known to be the person described in, and who executed the foregoing affidavit, and acknowledged that he executed the same.

Penny J. Collins
NOTARY PUBLIC

EXHIBIT 6

The names, ages and a brief account of the business experience for the past five years of the individuals who are serving as executive officers of the Applicant appears below.

Douglas G. Hyde- Age 55- President of the Applicant since August 6 1997 and member of the Management Committee; President and Chief Executive Officer of Green Mountain Power Corporation ("GMP") from 1993 until August 6, 1997 when he resigned to take his current position He is a former director of GMP, Vermont Yankee Nuclear Power Corporation, Vermont Electric Power Company and the Edison Electric Institute. Currently, he is a director of Bank North Group Mr Hyde is a lawyer by training He served in successive management positions at GMP before becoming its Chief Executive Officer

Julie Blunden- Age: 31- Regional Director of the Company since August 6, 1997; Regional Director, GMP from January 1997 until August 6, 1997. She brought experience in power source development with the AES Corporation, a world-wide developer owner and operator of power plants, and in grassroots organizing of environmental and consumer groups involved with restructuring of the electric industry in California. She held various project management positions with AES over a period of 10 years, and worked in 1994 for the Center for Energy Efficiency and Renewable Technologies.

Thomas C. Boucher- Age: 43- Vice President, Energy Supply and Business Development of the Company since March 18,1998, Vice President, Energy Supply, Business Development & Customer Operations of the Company from August 6, 1997 until March 18,1998; Vice President, Business Strategy and Development, for GMP from May 1996 until August 6, 1997, between 1992 and 1996, Mr. Boucher has held a variety of financial, business and energy planning positions at GMP.

Kevin W. Hartley- Age: 38- Vice President of Marketing of the Company since August 6, 1997; Managing Director of Marketing of GMP from 1996 until August 6, 1997, Director of Marketing of GMP from 1994 until 1996; Director of Retail Fiberglass Marketing, Manville Corporation from 1990 to1994.

David B. Luther- Age 62 - Vice President, Finance & Customer Operations &Treasurer since March 18, 1998; Vice President, Finance & Administration & Treasurer of the Company from August 6, 1997 until March 18, 1998 He retired in 1994 after 32 years with Corning Incorporated, where he served in several corporate positions including Senior Vice President and Corporate Director of Quality, Director of Personnel Resources, Assistant Corporate Controller, Director of Information Resources, and Director of Corporate Planning. He served four terms as a judge for the Malcolm Baldridge National Quality Award and is co-founder of the Conference Board Quality Council.

Karen K. O'Neill- Age: 46- Vice President, Regional Development & Strategic Alliances of the Company since August 6, 1997; Vice President, Organization Development and Human Resources of GMP from April 1997 to August 6, 1997 ; Assistant Vice President, Organization Development and Human Resources of GMP from January 1995 until April, 1997; Assistant General Counsel of GMP from 1989 to 1995

Peter H. Zamore- Age: 45- Vice President, General Counsel and Secretary of the Company since August 6, 1997, General Counsel of GMP from 1995 until August 6, 1997: Associate and then Partner, Sheehey Brue Gray and Furlong, P.C., a Burlington, Vermont law firm from 1984 to 1995.

EXHIBIT 7

Question 25

Thomas C Boucher, Vice President, Energy Supply and Business Development of the Applicant is responsible for the Applicant's supply operations. His biography is included in Exhibit 6. Mr. Boucher and his staff have substantial experience in providing service to the Applicant's customers in California and as a result of prior employment with Green Mountain Power Corporation, a Vermont electric utility. The applicant intends to purchase energy supplies from wholesale suppliers from PJM-ECAR. As with supply arrangement negotiated in California, the Applicant intends to provide in its supply agreements that the wholesaler will provide scheduling and other ancillary services for the delivery of energy to the local distribution company. The Applicant also intends to join PJM once the current application for registration as an electric generation supplier is approved by the Pennsylvania Public Utility Commission which is a precondition of the PJM membership process.

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

_X_ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to ___________________

For the fiscal year ended December 31, 1996

Commission file number 1-8291

GREEN MOUNTAIN POWER CORPORATION

(Exact name of registrant as specified in its charter)

Vermont	03-0127430
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25 Green Mountain Drive South Burlington, VT	05403
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (802) 864-5731

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
COMMON STOCK, PAR VALUE $3.33-1/3 PER SHARE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 14, 1997, was $120,638,465.00 based on the closing price for the Common Stock on the New York Stock Exchange as reported by The Wall Street Journal.

The number of shares of Common Stock outstanding on March 14, 1997, was 5,052,920.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's Definitive Proxy Statement relating to its Annual Meeting of Stockholders to be held on May 15, 1997, to be filed with the Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, is incorporated by reference in Items 10, 11, 12 and 13 of Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

THE COMPANY

Green Mountain Power Corporation (the Company) is a public utility operating company engaged in supplying electrical energy in the State of Vermont in a territory with approximately one quarter of the State's population. It serves approximately 82,500 customers. The Company was incorporated under the laws of the State of Vermont on April 7, 1893.

For the year ended December 31, 1996, the Company's sources of revenue were derived as follows: 33.3% from residential customers, 31.0% from small commercial and industrial customers, 20.1% from large commercial and industrial customers, 11.3% from sales to other utilities, and 4.3% from other sources. For the same period, the Company's energy resources for retail and requirements wholesale sales were obtained as follows: 50.4% from hydroelectric sources (7.4% Company-owned, 0.1% New York Power Authority (NYPA), 39.6% Hydro-Québec and 3.3% small power producers), 27.9% from nuclear generating sources (the Vermont Yankee plant described below), 7.4% from coal sources, 3.7% from wood, 1.1% from natural gas, and 1.1% from oil. The remaining 8.4% was purchased on a short-term basis from other utilities and through the New England Power Pool (NEPOOL). In 1996, the Company purchased 96.7% of the energy required to satisfy its retail and requirements wholesale sales (including energy purchased from Vermont Yankee and under other long-term purchase arrangements). *See Note K of Notes to Consolidated Financial Statements.*

A major source of the Company's power supply is its entitlement to a share of the power generated by the 531-MW Vermont Yankee nuclear generating plant owned and operated by Vermont Yankee Nuclear Power Corporation (Vermont Yankee), in which the Company has a 17.9% equity interest. For information concerning Vermont Yankee, *see "Power Resources - Vermont Yankee."*

The Company participates in NEPOOL, a regional bulk power transmission organization established to assure the reliability and economic efficiency of power supply in the Northeast. The Company's representative to NEPOOL is the Vermont Electric Power Company, Inc. (VELCO), a transmission consortium owned by the Company and other Vermont utilities, in which the Company has a 30% equity interest. As a member of NEPOOL, the Company benefits from increased efficiencies of centralized economic dispatch, availability of replacement power for scheduled and unscheduled outages of its own power sources, sharing of bulk transmission facilities and reduced generation reserve requirements.

The principal territory served by the Company comprises an area roughly 25 miles in width extending 90 miles across north central Vermont between Lake Champlain on the west and the Connecticut River on the east. Included in this territory are the cities of Montpelier, Barre, South Burlington, Vergennes and Winooski, as well as the Village of Essex Junction and a number of smaller towns and communities. The Company also distributes electricity in four noncontiguous areas located in southern and southeastern Vermont that are interconnected with the Company's principal service area through the transmission lines of VELCO and others. Included in these areas are the communities of Vernon (where the Vermont Yankee plant is located), Bellows Falls, White River Junction, Wilder, Wilmington and Dover. The Company also supplies at wholesale a portion of the power requirements of several municipalities and cooperatives in Vermont and one utility in another state. The Company is obligated to meet the changing electrical requirements of these wholesale customers, in contrast to the Company's obligation to other wholesale customers, which is limited to specified amounts of capacity and energy established by contract.

Major business activities in the Company's service areas include computer assembly and components manufacturing (and other electronics manufacturing), granite fabrication, service enterprises such as government, insurance and tourism (particularly winter recreation), and dairy and general farming.

During the years ended December 31, 1996, 1995 and 1994, electric energy sales to International Business Machines Corporation (IBM), the Company's largest customer, accounted for 13.2%, 12.9% and 13.7%, respectively, of the Company's operating revenues in those years. No other retail customer accounted for more than 1.0% of the Company's revenue. Under the present regulatory system, the loss of IBM as a customer of the Company would require the Company to seek rate relief to recover the revenues previously paid by IBM from other customers in an amount sufficient to offset the fixed costs that IBM had been covering through its payments.

EMPLOYEES

The Company had 344 employees, exclusive of temporary employees, as of December 31, 1996. In addition, subsidiaries of the Company had 45 employees at year end.

SEASONAL NATURE OF BUSINESS

The Company experiences its heaviest loads in the colder months of the year. Winter recreational activities, longer hours of darkness and heating loads from cold weather usually cause the Company's peak electric sales to occur in December, January or February. The Company's heaviest load in 1996 - 313.0 MW - occurred on December 31, 1996. The Company's retail electric rates are seasonally differentiated. Under this structure, retail electric rates produce average revenues per kilowatt hour during four peak season months (December through March) that are approximately 30% higher than during the eight off-season months (April through November). See "*Energy Efficiency - Rate Design.*"

OPERATING STATISTICS

For the Years Ended December 31

	1996	1995	1994	1993	1992
Net System Capability During Peak Month (MW)					
Hydro (1)	193.8	152.1	179.0	174.9	160.6
Lease transmissions	0.6	0.3	2.1	3.9	5.7
Nuclear (1)	95.7	81.9	107.2	109.5	109.6
Conventional steam	52.9	77.8	67.1	92.6	95.0
Internal combustion	60.7	62.0	60.2	71.0	47.4
Combined cycle	22.1	22.0	22.6	22.8	21.6
Total capability (MW)	425.8	396.1	438.2	474.7	439.9
Net system peak	313.0	297.1	308.3	307.3	314.4
Reserve (MW)	112.8	99.0	129.9	167.4	125.5
Reserve % of peak	36.0%	33.3%	42.1%	54.5%	39.9%
Net Production (MWh)					
Hydro (1)	1,192,881	1,043,617	742,088	751,078	641,525
Lease transmissions	---	---	---	15,425	58,374
Nuclear (1)	680,613	682,814	763,690	598,245	665,034
Conventional steam	705,331	673,982	651,105	748,626	762,451
Internal combustion	2,674	6,646	3,532	2,849	1,504
Combined cycle	51,162	92,723	37,808	40,966	60,138
Total production	2,632,661	2,499,782	2,198,223	2,157,189	2,189,026
Less non-requirements sales to other utilities	653,175	582,942	328,794	271,224	273,087
Production for requirements sales	1,979,486	1,916,840	1,869,429	1,885,965	1,915,939
Less requirements sales & lease transmissions (MWh)	1,824,371	1,760,830	1,730,497	1,749,454	1,794,966
Losses and Company use (MWh)	155,115	156,010	138,932	136,511	120,953
Losses as a percentage of total production	5.89%	6.24%	6.32%	6.32%	5.53%
System load factor (2)	69.7%	71.2%	67.7%	68.7%	68.5%
Sales and Lease Transmissions (MWh)					
Residential - GMP	557,726	549,296	564,635	541,579	505,234
Lease MWh transmitted	---	---	---	15,425	58,374
Total Residential	557,726	549,296	564,635	557,004	563,608
Commercial & industrial - small	620,839	608,688	604,686	593,560	582,594
Commercial & industrial - large	586,249	556,278	521,400	529,372	539,665
Other	2,898	8,855	1,146	8,868	6,312
Total retail sales and lease transmissions	1,775,712	1,723,117	1,691,867	1,688,804	1,692,179
Sales to Municipals, Cooperatives	38,659	37,713	38,630	60,650	102,807
Total requirements sales	1,824,371	1,760,830	1,730,497	1,749,454	1,794,986
Other Sales for Resale	653,175	582,942	328,794	271,224	273,087
Total sales and lease transmissions	2,477,546	2,343,772	2,059,291	2,020,678	2,068,073
Average Number of Electric Customers					
Residential	70,198	69,639	68,811	67,994	67,201
Commercial and industrial - small	11,828	11,732	11,611	11,447	11,245
Commercial and industrial - large	25	24	24	25	24
Other	75	76	76	74	73
Total	82,126	81,471	80,522	79,540	78,543
Average Revenue Per KWh (Cents)					
Residential including lease revenues	10.87	10.09	9.03	8.94	8.44
Lease charges	---	---	---	.06	.41
Total Residential	10.87	10.09	9.03	9.00	8.85
Commercial & industrial - small	8.96	8.42	8.00	7.97	7.82
Commercial & industrial - large	6.28	5.86	6.02	5.96	5.89
Total retail including lease revenues	8.72	8.36	7.96	7.86	7.56
Average Use and Revenue Per Residential Customer					
Kilowatt hours including lease transmissions	7,945	7,885	8,206	8,192	8,387
Revenues including lease revenues	$863	$796	$741	$733	$707

(1) See Note K of Notes to Consolidated Financial Statements.

(2) Load factor is based on net system peak and firm MWh production less off-system losses.

STATE AND FEDERAL REGULATION

General. The Company is subject to the regulatory authority of the Vermont Public Service Board (VPSB), which extends to retail rates, services, facilities, securities issues and various other matters. The separate Vermont Department of Public Service (the Department), created by statute in 1981, is responsible for development of energy supply plans for the State of Vermont (the State), purchases of power as an agent for the State and other general regulatory matters. The VPSB is principally responsible for quasi-judicial proceedings, such as rate proceedings. The Department, through a Director for Public Advocacy, is entitled to participate as a litigant in such proceedings and regularly does so.

The Company's rate tariffs are uniform throughout its service area. The Company has entered into two economic development agreements, providing for reduced charges to large customers to be applied only to new load. A third economic development agreement with IBM was part of the rate settlement approved by the VPSB on May 23, 1996. *See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) - "Results of Operations - Operating Revenues and MWh Sales."*

The Company's wholesale rate on sales to three wholesale customers is regulated by the Federal Energy Regulatory Commission (FERC). Revenues from sales to these customers were approximately 0.9% of operating revenues for 1996.

Late in 1989, the Company began serving a municipal utility, Northfield Electric Department, under its wholesale tariff. This customer increased the Company's electricity sales by approximately 23,350 MWh and peak requirements by approximately 6 MW. Revenues in 1996 from Northfield were $1,389,972.

The Company provides transmission service to twelve customers within the State under rates regulated by the FERC; revenues for such services amounted to less than 1.0% of the Company's operating revenues for 1996.

On April 24, 1996, the FERC issued Orders 888 and 889 which among other things required the filing of open access transmission tariffs by electric utilities. See *Item 7. MD&A - "Transmission Issues - Federal Open Access Tariff Orders."* NEPOOL has proposed a transmission tariff for certain transmission facilities, including certain facilities between New York and New England, that incorporates a load-based method of capacity allocation for NEPOOL transmission facilities. The proposal could reduce the amount of capacity available to the Company from such facilities in the future. See *Item 7. MD&A - "Transmission Issues - Proposed NEPOOL Transmission Tariff."*

By reason of its relationship with Vermont Yankee, VELCO and Vermont Electric Transmission Company, Inc. (VETCO), a wholly owned subsidiary of VELCO, the Company has filed an exemption statement under Section 3(a)(2) of the Public Utility Holding Company Act, thereby securing exemption from the provisions of such Act, except for Section 9(a)(2) thereof (which prohibits the acquisition of securities of certain other utility companies without approval of the Securities and Exchange Commission). The Securities and Exchange Commission has the power to institute proceedings to terminate such exemption for cause.

Licensing. Pursuant to the Federal Power Act, the FERC has granted licenses for the following hydro projects:

Project	Issue Date	Period
Bolton	February 5, 1982	February 5, 1982 - February 4, 2022
Essex	March 30, 1995	March 1, 1995 - March 1, 2025
Vergennes	June 29, 1979	June 1, 1949 - May 31, 1999
Waterbury	July 20, 1954	September 1, 1951 - August 31, 2001

Major project licenses provide that after an initial twenty-year period, a portion of the earnings of such project in excess of a specified rate of return is to be set aside in appropriated retained earnings in compliance with FERC Order #5, issued in 1978. Although the twenty-year periods expired in 1985, 1969 and 1971 in the cases of the Essex, the Vergennes and the Waterbury projects, the amounts appropriated are not material.

Department of Public Service Twenty-Year Power Plan. In December 1994, the Department adopted an update of its twenty-year electrical power-supply plan (the Plan) for the State of Vermont. The Plan includes an overview of statewide growth and development as they relate to future requirements for electrical energy; an assessment of available energy resources; and estimates of future electrical energy demand.

The Company's Integrated Resource Plan (IRP) was published in June 1996. It was developed in a manner consistent with the Department's Plan. The Company's 1996 IRP calls for a greater emphasis on distributed utility approaches that can best use the Company's assets, maximize the benefit of energy efficiency programs, and provide customers with the highest quality service.

RECENT RATE DEVELOPMENTS

In early 1996, the Company entered into an agreement with Hydro-Québec which enabled the Company to settle its rate case filed in September 1995. The settlement provided for an overall increase in retail rates of 5.25%, effective June 1, 1996, and a target return on equity for utility operations of 11.25%. For further information regarding recent rate developments, see *Item 7. MD&A - "Liquidity and Capital Resources - Rates"* and *Note I.5 of Notes to Consolidated Financial Statements.*

COMPETITION AND RESTRUCTURING

Electric utilities historically have had exclusive franchises for the retail sale of electricity in specified service territories. Legislative authority has existed since 1941 that would permit Vermont cities, towns and villages to own and operate public utilities. Since that time, no municipality served by the Company has established or, as far as is known to the Company, is presently taking steps to establish, a municipal public utility.

In 1987, the Vermont General Assembly enacted legislation that authorized the Department to sell electricity on a significantly expanded basis. Before the new law was passed, the Department's authority to make retail sales had been limited. It could sell at retail only to residential and farm customers and could sell only power that it had purchased from the Niagara and St. Lawrence projects operated by the New York Power Authority.

Under the law, the Department can sell electricity purchased from any source at retail to all customer classes throughout the state, but only if it convinces the VPSB and other state officials that the public good will be served by such sales. The Department has made limited additional retail sales of electricity. The Department retains its traditional responsibilities of public advocacy before the VPSB, and electricity planning on a statewide basis.

Regulatory and legislative authorities at the federal level and among states across the country, including Vermont, are considering how to restructure the electric industry to facilitate competition for electricity sales at wholesale and retail levels. For further information regarding Competition and Restructuring, *See Item 7. MD&A - "Future Outlook."*

In a recent order related to electric industry restructuring issued by the VPSB on December 31, 1996 (Final Order), the VPSB requested utilities to submit their initial utility restructuring plans to the VPSB by June 30, 1997. These plans will set forth the utility's plan for the structural changes required to implement functional separation or operational unbundling of the regulated transmission and distribution operations from the unregulated generation and retail competitive services operations. These filings will include plans for providing unbundled service rates and other elements to facilitate separation of regulated and unregulated activities. The Company is currently in the process of preparing its restructuring plan, including unbundled service tariffs, for submission to the VPSB in accordance with its Final Order. The Company's final restructuring plans will not be formulated until definitive restructuring legislation has been adopted by the Vermont General Assembly and such plans will be subject to approval by the VPSB.

POWER RESOURCES

The Company generated, purchased or transmitted 1,924,811.9 MWh of energy for retail and requirements wholesale customers for the twelve months ended December 31, 1996. The corresponding maximum one-hour integrated demand during that period was 313.0 MW on December 31, 1996. This compares to the previous all-time peak of 322.6 MW on December 27, 1989. The following tabulation shows the source of such energy for the twelve-month period and the capacity in the month of the period system peak. *See also "Power Resources - Long-Term Power Sales."*

	Net Generated and Purchased in Year Ended 12/31/96 (a)		Net Generated and Purchased in Month of Annual Peak	
	MWh	% (b)	KW	% (b)
WHOLLY OWNED PLANTS				
Hydro	150,586.2	7.4	35,300	8.3
Diesel and Gas Turbine	5,530.0	0.3	63,660	15.0
JOINTLY OWNED PLANTS				
Wyman #4	5,941.5	0.3	7,030	1.7
Stony Brook I	10,291.7	0.5	7,990	1.9
McNeil	15,252.9	0.8	6,470	1.5
OWNED IN ASSOCIATION W/OTHERS				
Vermont Yankee Nuclear	565,383.9	27.9	95,680	22.5
NYPA LEASE TRANSMISSIONS				
State of Vermont (NYPA)	1,520.0	0.1	620	0.1
LONG-TERM PURCHASES				
Hydro-Québec	807,030.7	39.6	140,680	33.0
Merrimack #2	150,913.1	7.4	31,820	7.5
Stony Brook I	21,907.3	1.1	14,150	3.3
Small Power Producers	125,552.2	6.2	24,630	5.8
SHORT-TERM PURCHASES	167,343.5	8.4	0.0	0.0
Less System Sales Energy	(102,441.1)		(2,260)	(0.6)
TOTAL	1,924,811.9	100.00	425,770	100.00

NOTE: (a) Excludes losses on off-system purchases, totaling 59,332 MWh
(b) Percentages may be adjusted to total 100%.

Vermont Yankee. The Company and Central Vermont Public Service Corporation acted as lead sponsors in the construction of the Vermont Yankee nuclear plant, a boiling-water reactor designed by General Electric Company. The plant, which became operational in 1972, has a generating capacity of 531 MW. Vermont Yankee has entered into power contracts with its sponsor utilities, including the Company, that expire at the end of the life of the unit. Pursuant to its Power Contract, the Company is required to pay 20% of Vermont Yankee's operating expenses (including depreciation and taxes), fuel costs (including charges in respect of estimated costs of disposal of spent nuclear fuel), decommissioning expenses, interest expense and return on common equity, whether or not the Vermont Yankee plant is operating. In 1969, the Company sold to other Vermont utilities a share of its entitlement to the output of Vermont Yankee. Accordingly, those utilities had an obligation to the Company to pay 2.735% of Vermont Yankee's operating expenses, fuel costs, decommissioning expenses, interest expense and return on common equity. As a result of the bankruptcy of one of those utilities, a portion of the entitlement has reverted back to the Company. Accordingly, those utilities have an obligation to the Company to pay 2.338% of Vermont Yankee's operating expenses, fuel costs, decommissioning expenses, interest expense and return on common equity.

Vermont Yankee has also entered into capital funds agreements with its sponsor utilities that expire on December 31, 2002. Under its Capital Funds Agreement, the Company is required, subject to obtaining necessary regulatory approvals, to provide 20% of the capital requirements of Vermont Yankee not obtained from outside sources.

On April 27, 1989, Vermont Yankee applied to the Nuclear Regulatory Commission (NRC) for an amendment to its operating license to extend the expiration date from December 2007 to March 2012, in order to take advantage of current NRC policy to issue operating licenses for a 40-year term measured from the grant of the operating license. Prior NRC policy, under which the operating license was issued, called for a term of 40 years from the date of the construction permit. On August 22, 1989, the State, opposing the license extension, filed a request for a hearing and petition for leave to intervene, which petition was subsequently granted. On December 17, 1990, the NRC issued an amendment to the operating license extending the expiration date to March 21, 2012, based upon a "no significant hazards" finding by the NRC staff and subject to the outcome of the evidentiary hearing on the State's assertions. On July 31, 1991, Vermont Yankee reached a settlement with the State, and the State filed a withdrawal of its intervention. The proceeding was dismissed on September 3, 1991.

In New England, five nuclear units are currently under orders from the NRC not to operate until shown to be in compliance with applicable safety provisions. In December 1996, a decision was made to retire one of these units, effective immediately, with several years remaining on its license. The NRC recently issued Vermont Yankee's Systematic Assessment of Licensee Performance scores for the period July 16, 1995 to January 18, 1997. Operations, engineering and maintenance were rated good, while plant support was rated superior. These scores are identical to Vermont Yankee's scores for the prior 18 month period. In 1996, Vermont Yankee elected to accelerate certain safety and management related projects intended to improve efficiency of the plant and assure compliance with NRC regulations and the facility's operating license.

During periods when Vermont Yankee is unavailable, the Company incurs replacement power costs in excess of those costs that the Company would have incurred for power purchased from Vermont Yankee. Replacement power is available to the Company from NEPOOL and through special contractual arrangements with other utilities. Replacement power costs adversely affect cash flow and, absent deferral, amortization and recovery through rates, would adversely affect reported earnings. Routinely, in the case of scheduled outages for refueling, the VPSB has permitted the Company to defer, amortize and recover these excess replacement power costs for financial reporting and ratemaking purposes over the period until the next scheduled outage. Vermont Yankee has adopted an 18-month refueling schedule. On September 7, 1996, Vermont Yankee began a scheduled refueling outage which ended November 2, 1996. Vermont Yankee's next scheduled refueling is March, 1998. In the case of unscheduled outages of significant duration resulting in substantial unanticipated costs for replacement power, the VPSB generally has authorized deferral, amortization and recovery of such costs.

Vermont Yankee's current estimate of decommissioning is approximately $366,000,000, of which $160,000,000 has been funded. At December 31, 1996, the Company's portion of the net unfunded liability was $36,000,000, which it expects will be recovered through rates over Vermont Yankee's remaining operating life.

During 1996, the Company incurred $28,500,000 in Vermont Yankee annual capacity charges, which included $1,800,000 for interest charges. The Company's share of Vermont Yankee's long-term debt at December 31, 1996 was $13,800,000.

During the year ended December 31, 1996, the Company utilized 565,383.9 MWh of Vermont Yankee energy to meet 27.9% of its retail and requirements wholesale (Rate W) sales. The average cost of Vermont Yankee electricity in 1996 was 4.8¢ per KWh. In 1996, Vermont Yankee had an annual capacity factor of 83.0%, compared to 85.0% in 1995 and 96.1% in 1994.

The Price-Anderson Act currently limits public liability from a single incident at a nuclear power plant to $8,900,000,000. Any liability beyond $8,900,000,000 is indemnified under an agreement with the NRC, but subject to Congressional approval. The first $200,000,000 of liability coverage is the maximum provided by private insurance. The Secondary Financial Protection Program is a retrospective insurance plan providing additional coverage up to $8,700,000,000 per incident by assessing retrospective premiums of $79,300,000 against each of the 110 reactor units in the United States that are currently subject to the Program, limited to a maximum assessment of $10,000,000 per incident per nuclear unit in any one year. The maximum assessment is to be adjusted at least every five years to reflect inflationary changes.

The above insurance covers all workers employed at nuclear facilities prior to January 1, 1988, for bodily injury claims. Vermont Yankee has purchased a master worker insurance policy with limits of $200,000,000 with one automatic reinstatement of policy limits to cover workers employed on or after January 1, 1988. Vermont Yankee's estimated contingent liability for a retrospective premium on the master worker policy as of December 1996 is $3,000,000. The secondary financial protection program referenced above provides coverage in excess of the Master Worker policy.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover the costs of property damage, decontamination or premature decommissioning resulting from a nuclear incident. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available. The maximum potential assessment against Vermont Yankee with respect to NEIL losses arising during the current policy year is $13,300,000. Vermont Yankee's liability for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made. *See Note B of Notes to Consolidated Financial Statements.*

HYDRO-QUÉBEC

Highgate Interconnection. On September 23, 1985, the Highgate transmission facilities, which were constructed to import energy from Hydro-Québec in Canada, began commercial operation. The transmission facilities at

Highgate include a 225-MW AC-to-DC-to-AC converter terminal and seven miles of 345-kV transmission line. VELCO built and operates the converter facilities, which are jointly owned by a number of Vermont utilities, including the Company.

NEPOOL/Hydro-Québec Interconnection. VELCO and certain other NEPOOL members have entered into agreements with Hydro-Québec providing for the construction in two phases of a direct interconnection between the electric systems in New England and the electric system of Hydro-Québec in Canada. The Vermont participants in this project, which has a capacity of 2,000 MW, will derive about 9.0% of the total power-supply benefits associated with the NEPOOL/Hydro-Québec interconnection. The Company, in turn, receives about one-third of the Vermont share of those benefits.

The benefits of the interconnection include access to surplus hydroelectric energy from Hydro-Québec at a cost below that of the replacement cost of power and energy otherwise available to the New England participants; energy banking, under which participating New England utilities will transmit relatively inexpensive energy to Hydro-Québec during off-peak periods and will receive equal amounts of energy, after adjustment for transmission losses, from Hydro-Québec during peak periods when replacement costs are higher; and provision for emergency transfers and mutual backup to improve reliability for both the Hydro-Québec system and the New England systems.

Phase I. The first phase (Phase I) of the NEPOOL/Hydro-Québec Interconnection consists of transmission facilities having a capacity of 690 MW that traverse a portion of eastern Vermont and extend to a converter terminal located in Comerford, New Hampshire. These facilities entered commercial operation on October 1, 1986. VETCO was organized to construct, own and operate those portions of the transmission facilities located in Vermont. Total construction costs incurred by VETCO for Phase I were $47,850,000. Of that amount, VELCO provided $10,000,000 of equity capital to VETCO through sales of VELCO preferred stock to the Vermont participants in the project. The Company purchased $3,100,000 of VELCO preferred stock to finance the equity portion of Phase I. The remaining $37,850,000 of construction cost was financed by VETCO's issuance of $37,000,000 of long-term debt in the fourth quarter of 1986 and the balance of $850,000 was financed by short-term debt.

Under the Phase I contracts, each New England participant, including the Company, is required to pay monthly its proportionate share of VETCO's total cost of service, including its capital costs, as well as a proportionate share of the total costs of service associated with those portions of the transmission facilities constructed in New Hampshire by a subsidiary of New England Electric System.

Phase II. Agreements executed in 1985 among the Company, VELCO and other NEPOOL members and Hydro-Québec, provided for the construction of the second phase (Phase II) of the interconnection between the New England electric system and that of Hydro-Québec. Phase II expands the Phase I facilities from 690 MW to 2,000 MW, and provides for transmission of Hydro-Québec power from the Phase I terminal in northern New Hampshire to Sandy Pond, Massachusetts. Construction of Phase II commenced in 1988 and was completed in late 1990. The Phase II facilities commenced commercial operation November 1, 1990, initially at a rating of 1,200 MW, and increased to a transfer capability of 2,000 MW in July 1991. The Hydro-Québec-NEPOOL Firm Energy Contract provides for the import of economical Hydro-Québec energy into New England. The Company is entitled to 3.2% of the Phase II power-supply benefits. Total construction costs for Phase II were approximately $487,000,000. The New England participants, including the Company, have contracted to pay monthly their proportionate share of the total cost of constructing, owning and operating the Phase II facilities, including capital costs. As a supporting participant, the Company must make support payments under 30-year agreements. These support agreements meet the capital lease accounting requirements under SFAS 13. At December 31, 1996, the present value of the Company's obligation was $9,000,000. The Company's projected future minimum payments under the Phase II support agreements are $474,013 for each of the years 1997-2001 and an aggregate of $6,636,181 for the years 2002-2020.

The Phase II portion of the project is owned by New England Hydro-Transmission Electric Company, Inc. and New England Hydro-Transmission Corporation, subsidiaries of New England Electric System, in which certain of the Phase II participating utilities, including the Company, own equity interests. The Company owns approximately 3.2% of the equity of the corporations owning the Phase II facilities. During construction of the Phase II project, the Company, as an equity sponsor, was required to provide equity capital. At December 31, 1996, the capital structure of such corporations was 39.0% common equity and 61.0% long-term debt. *See Note J of Notes to Consolidated Financial Statements.*

At times, the Company requests that portions of its power deliveries from Hydro-Québec and other sources be routed through New York. The Company's ability to do so could be adversely affected by the proposed tariff that NEPOOL has filed with the FERC, which incorporates a load-based method of capacity allocation for transmission interfaces between NEPOOL and the New York Power Pool. A reduction of the Company's allocation of capacity on transmission interfaces with New York could adversely affect the Company's ability to import power to Vermont from outside New England which would impact the Company's power costs in the future. *See Item 7. MD&A - "Transmission Issues" and Note J of Notes to Consolidated Financial Statements.*

Hydro-Québec Power Supply Contracts. Under an arrangement negotiated in January 1996, the Company received cash payments from Hydro-Québec of $3,000,000 in 1996 and will receive $1,100,000 in 1997. The Company will shift certain transmission requirements and make certain minimum payments for periods in which power is not purchased. In addition, in November 1996, the Company entered into a Memorandum of Understanding with Hydro-Québec under which Hydro-Québec will pay $8,000,000 in exchange for certain power purchase elections. See *Item 7. MD&A - "Power Supply Expenses" and Notes J and K-2 of Notes to Consolidated Financial Statements.*

In 1996, the Company utilized 430,958.9 MWh under Schedule B, 300,359.7 MWh under Schedule C3, and 75,712.1 MWh under the tertiary energy contract to meet 39.6% of its retail and requirements wholesale sales. The average cost of Hydro-Québec electricity in 1996 was 4.0¢ per KWh.

New York Power Authority (NYPA). The Department allocates NYPA power to the Company which, in turn, delivers the power to its residential and farm customers. The Company purchased at wholesale 1,520.0 MWh to meet 0.1% of its retail and requirements wholesale sales of NYPA power at an average cost of 0.8¢ per KWh in 1996. Under the allocation currently made by NYPA of NYPA power to states neighboring New York, residential and farm customers in the Company's service territory will be entitled to 0.3 MW annually.

Merrimack Unit #2. Merrimack Unit #2 is a coal-fired steam plant of 320.0 MW capacity located in Bow, New Hampshire, and owned by Northeast Utilities. The Company is entitled to 28.48 MW of capacity and related energy from the unit under a 30-year contract expiring May 1, 1998. During the year ended December 31, 1996, the Company utilized 150,913.1 MWh from the unit to meet 7.4% of its total retail and requirements wholesale sales. The average cost of electricity from this unit was 3.8¢ per KWh in 1996. *See Note K-2 of Notes to Consolidated Financial Statements.*

Stony Brook I. The Massachusetts Municipal Wholesale Electric Company (MMWEC) is principal owner and operator of Stony Brook, a 352.0-MW combined-cycle intermediate generating station located in Ludlow, Massachusetts, which commenced commercial operation in November 1981. The Company entered into a Joint Ownership Agreement with MMWEC dated as of October 1, 1977, whereby the Company acquired an 8.8% ownership share of the plant, entitling the Company to 31.0 MW of capacity. In addition to this entitlement, the Company has contracted for 14.2 MW of capacity for the life of the Stony Brook I plant, for which it will pay a proportionate share of MMWEC's share of the plant's fixed costs and variable operating expenses. The three units that comprise Stony Brook I are primarily oil-fired. Two of the units are also capable of burning natural gas. The natural gas system at the plant was modified in 1985 to allow two units to operate simultaneously on natural gas.

During 1996, the Company utilized 32,199.0 MWh from this plant to meet 1.6% of its retail and requirements wholesale sales at an average cost of 7.6¢ (purchased power). *See Note I-4 and K-1 of Notes to Consolidated Financial Statements.*

Wyman Unit #4. The W. F. Wyman Unit #4, which is located in Yarmouth, Maine, is an oil-fired steam plant with a capacity of 620 MW. The construction of this plant was sponsored by Central Maine Power Company. The Company has a joint-ownership share of 1.1% (6.8 MW) in the Wyman #4 unit, which began commercial operation in December 1978.

During 1996, the Company utilized 5,941.5 MWh from this unit to meet 0.3% of its retail and requirements wholesale sales at an average cost of 6.1 per kWh, based only on operation, maintenance, and fuel costs incurred during 1996. *See Note I-4 of Notes to Consolidated Financial Statements.*

McNeil Station. The J. C. McNeil station, which is located in Burlington, Vermont, is a wood chip and gas-fired steam plant with a capacity of 53.0 MW. The Company has an 11% or 5.9 MW interest in the J. C. McNeil plant, which began operation in June 1984. During 1996, the Company utilized 15,252.9 MWh from this unit to meet 0.8% of its retail and requirements wholesale sales at an average cost of 5.4¢ per kWh, based only on operation, maintenance, and fuel costs incurred during 1996. In 1989, the plant added the capability to burn natural gas on an as-available/interruptible service basis. *See Note I-4 of Notes to Consolidated Financial Statements.*

Small Power Production. The VPSB has adopted rules that implement for Vermont the purchase requirements established by federal law in the Public Utility Regulatory Policies Act of 1978 (PURPA). Under the rules, qualifying facilities have the option to sell their output to a central state purchasing agent under a variety of long- and short-term, firm and non-firm pricing schedules, each of which is based upon the projected Vermont composite system's power costs which would be required but for the purchases from small producers. The state purchasing agent assigns the energy so purchased, and the costs of purchase, to each Vermont retail electric utility based upon its *pro rata* share of total Vermont retail energy sales. Utilities may also contract directly with producers. The rules provide that all reasonable costs incurred by a utility under the rules will be included in the utilities' revenue requirements for ratemaking purposes.

Currently, the state purchasing agent, Vermont Electric Power Producers, Inc. (VEPPI), is authorized to seek 150 MW of power from qualifying facilities under PURPA, of which the Company's current *pro rata* share would be approximately 32.7% or 49.1 MW.

The rated capacity of the qualifying facilities currently selling power to VEPPI is approximately 74 MW. These facilities were all online by the spring of 1993, and no other projects are under development. The Company does not expect any new projects to come online in the foreseeable future because the excess capacity in the region has eliminated the need for and value of additional qualifying facilities.

In 1996, the Company, through both its direct contracts and VEPPI, purchased 125,552.2 MWh of qualifying facilities production to meet 6.2% of its retail and requirements wholesale sales at an average cost of 10.7¢ per KWh.

Short-Term Opportunity Purchases and Sales. The Company has made arrangements with several utilities in New England and New York under which the Company may make purchases or sales of utility system power on short notice and generally for brief periods of time when it appears economic to do so. Opportunity purchases are arranged when it is possible to purchase power from another utility for less than it would cost the Company to generate the power with its own sources. Purchases also help the Company save on replacement power costs during an outage of one of its base load sources. Opportunity sales are arranged when the Company has surplus energy available at a price that is economic to other regional utilities at any given time. The sales are arranged based on forecasted costs of supplying the incremental power necessary to serve the sale. The price is set so as to recover the forecasted fuel and capacity costs.

During 1996, the Company purchased 167,343.5 MWh, meeting 8.2% of the Company's retail and requirements wholesale sales, at an average cost of 2.7¢ per kWh.

NEPOOL. As a participant of NEPOOL, through VELCO, the Company takes advantage of pool operations with central economic dispatch of participants' generating plants, pooling of transmission facilities and economy and emergency exchange of energy and capacity. The NEPOOL agreement also imposes obligations on the Company to maintain a generating capacity reserve as set by NEPOOL, but which is lower than the reserve which would be required if the Company were not a NEPOOL participant.

Company Hydroelectric Power. The Company wholly owns and operates eight hydroelectric generating facilities located on river systems within its service area, the largest of which has a generating output of 8.8 MW. In 1996, these plants provided 150,586.2 MWh of low-cost energy, meeting 7.4% of the Company's retail and requirements wholesale sales at an average cost of 2.9¢ per kWh, based on total embedded costs. *See "State and Federal Regulation - Licensing."*

VELCO. The Company, together with six other Vermont electric distribution utilities, owns VELCO. Since commencing operation in 1958, VELCO has transmitted power for its owners in Vermont, including power from NYPA and other power contracted for by Vermont utilities. VELCO also purchases bulk power for resale at cost to its owners, and as a member of NEPOOL, represents all Vermont electric utilities in pool arrangements and transactions. *See Note B of Notes to Consolidated Financial Statements.*

Long-Term Power Sales. In 1996, the Company entered into an agreement for the sale to United Illuminating of 23 MW of capacity produced by the Stony Brook I combined-cycle plant for a 12-year period commencing October 1, 1996. The agreement provides for the recovery by the Company of all costs associated with the capacity and energy sold.

Fuel. During 1996, the Company's retail and requirements wholesale sales were provided by the following fuel sources: 50.4% from hydro (7.4% Company-owned, 0.1% NYPA, 39.6% Hydro-Québec and 3.3% small power producers), 27.9% from nuclear, 7.4% from coal, 3.7% from wood, 1.1% from natural gas, and 1.1% from oil. The remaining 8.4% was purchased on a short-term basis from other utilities and through NEPOOL.

Vermont Yankee has approximately $133,000,000 of "requirements based" purchase contracts for nuclear fuel needs to meet substantially all of its power production requirements through 2002. Under these contracts, any disruption of operating activity would allow Vermont Yankee to cancel or postpone deliveries until actually needed.

Vermont Yankee has a contract with the United States Department of Energy (DOE) for the permanent disposal of spent nuclear fuel. Under the terms of this contract, in exchange for the one-time fee discussed below and a quarterly fee of 1 mil per KWh of electricity generated and sold, the DOE agrees to provide disposal services when a facility for spent nuclear fuel and other high-level radioactive waste is available, which is required by contract to be prior to January 31, 1998. The actual date for these disposal services is expected to be delayed many years.

The DOE contract obligates Vermont Yankee to pay a one-time fee of approximately $39,300,000 for disposal costs for all spent fuel discharged through April 7, 1983. Although such amount has been collected in rates from the Vermont Yankee participants, Vermont Yankee has elected to defer payment of the fee to the DOE as permitted by the DOE contract. The fee must be paid no later than the first delivery of spent nuclear fuel to the DOE. Interest accrues on the unpaid obligation based on the thirteen-week Treasury Bill rate and is compounded quarterly. Through 1996, Vermont Yankee accumulated approximately $78,000,000 in an irrevocable trust to be used exclusively for defeasing this obligation at some future date, provided the DOE complies with the terms of the aforementioned contract.

The Company does not maintain long-term contracts for the supply of oil for the oil-fired peaking unit generating stations wholly owned by it (80 MW). The Company did not experience difficulty in obtaining oil for its own units during 1996, and, while no assurance can be given, does not anticipate any such difficulty during 1997. None of the utilities from which the Company expects to purchase oil- or gas-fired capacity in 1997 has advised the Company of grounds for doubt about maintenance of secure sources of oil and gas during the year.

Coal for Merrimack #2 is presently being purchased under a long-term contract from Bailey Mine in western Pennsylvania and occasionally on the spot market from northern West Virginia and southern Pennsylvania sources.

Wood for the McNeil plant is furnished to the Burlington Electric Department from a variety of sources under short-term contracts ranging from several weeks' to six months' duration. The McNeil plant used 221,529 tons of wood chips and mill residue and 23,340,000 cubic feet of gas in 1996. The McNeil plant is forecasting consumption of wood chips for 1997 to be 180,000 tons and gas consumption of 136,000,000 cubic feet.

The Stony Brook combined-cycle generating station is capable of burning either natural gas or oil in two of its turbines. Natural gas is supplied to the plant subject to its availability. During periods of extremely cold weather, the supplier reserves the right to discontinue deliveries to the plant in order to satisfy the demand of its residential customers. The Company assumes for planning and budgeting purposes that the plant will be supplied with gas during the months of April through November, and that it will run solely on oil during the months of December through March. The plant maintains an oil supply sufficient to meet approximately one-half of its annual needs.

Wind Project. The Company's 20 years of research and development work in wind generation was recognized in 1993 when the Company was selected by the DOE and the Electric Power Research Institute (EPRI) to build a commercial scale wind-powered facility. The Company was awarded $3,500,000 by the DOE and EPRI, to provide partial funding for the wind project. The overall cost of the project, located in the southern Vermont towns of Searsburg and Readsboro, is estimated to be $11,000,000. The eleven wind turbines have a rating of 6 MW and are expected to begin to generate electricity for the Company in 1997.

The Company is a utility leader in wind power research. The Company's extensive wind resource database shows that wind power is technically feasible and is becoming economically viable at other sites within Vermont. Several years of wind turbine operation at Mt. Equinox, Vermont, has provided the Company with valuable knowledge about the effects of icing and extreme cold on the performance of wind turbines, and the necessary adaptations for these conditions.

The Searsburg wind project affords an opportunity to employ turbines that are of an advanced design and larger scale than the Mt. Equinox turbines. The economies of scale and advanced technology inherent in these turbines offers a more competitive and reliable source of power than earlier designs. First-hand knowledge about these turbines in Vermont's climatic conditions will enable the Company to make intelligent and timely decisions about this power resource, which can be installed in increments that closely match the need for power. Furthermore, the project's size and northerly location will boost the commercialization of wind power by deploying a new model of turbines in sufficient quantities to obtain statistically valid operations and maintenance data, which will be shared with other utilities. Finally, information related to the siting, permitting, and possible impacts on the natural environment will also be documented and shared with the industry and the public.

The Company estimates that the wind project will cause rates to rise less than one-half of 1% in the first several years of the project. Early in the next century, however, the Company projects that electricity from wind energy will cost less than comparable power from other sources. Over the life of the project, the average cost of electricity from the wind farm, which provides electricity at times of peak demand for the Company, is expected to be competitive with the cost of alternatives in the market.

ENERGY EFFICIENCY

The Company develops and implements energy efficiency services, known as demand-side management (DSM) programs, as part of its long-term resource strategy. These programs are aimed at improving the match between customer needs and the Company's ability to supply those needs at a reasonable cost. Energy conservation, load management and efficient electric use are central to these program efforts and provide the means for controlling operating expenses and requirements for additional capital investment. With more efficient electric consumption, the use of existing resources can be optimized. DSM program components also provide customers with options and choices with respect to their use and cost of electric service.

In 1996, the Company focused its energy efficiency services on lost opportunity programs that encourage customers to install energy efficient equipment when they are planning to replace or buy new equipment. This strategy has helped the Company to reduce its cost-per-kilowatthour-saved by 51% since 1992. The current cost of saving a kilowatthour is approximately 2.2 cents. In 1996, the Company's energy efficiency programs saved 10,399 megawatthours of energy, 14% above targeted savings for the year. During the past five years the Company's efficiency programs have achieved a cumulative annual savings of 64,047 MWh.

One of the highlights of the Company's 1996 energy efficiency initiatives was the successful completion of the Mad River Valley Energy Project. The project reduced the peak demand in the Mad River Valley (Vermont) and helped postpone the need for a costly transmission upgrade. The Company is currently examining other areas of its distribution system that may need upgrading in the near future and is including energy efficiency as one of the options to help mitigate costs.

In 1996, the Company spent approximately $2,400,000 on energy efficiency programs, approximately 1.5% of its retail revenue.

Rate Design. The Company seeks to design rates to encourage the shifting of electrical use from peak hours to off peak hours. Since 1976, the Company has offered optional time-of-use rates for residential and commercial customers. Currently, approximately 2,500 of the Company's residential customers continue to be billed on the original 1976 time-of-use rate basis. In 1987, the Company received regulatory approval for a rate design that permitted it to charge prices for electric service that reflected as accurately as possible the cost burden imposed by each customer class. The Company's rate design objectives are to provide a stable pricing structure and to accurately reflect the cost of providing electric services. This rate structure helps to achieve these goals. Since inefficient use of electricity increases its cost, customers who are charged prices that reflect the cost of providing electrical service have real incentives to follow the most efficient usage patterns. Included in the VPSB's order approving this rate design was a requirement that the Company's largest customers be charged time-of-use rates on a phased-in basis by 1994. By year end December 31, 1996, approximately 1,350 of the Company's largest customers, comprising 48% of retail revenues, were successfully converted to time-of-use rates.

In May 1994, the Company filed its current rate design with the VPSB. The parties, including the Department, IBM and a low-income advocacy group, entered into a settlement that was approved by the VPSB on December 2, 1994. Under the settlement, the revenue allocation to each rate class was adjusted to reflect class-by-class cost changes since 1987, the differential between the winter and summer rates was reduced, the customer charge was increased for most classes, and usage charges were adjusted to be closer to the associated marginal costs.

Dispatchable and Interruptible Service Contracts. In 1996, the Company had interruptible/dispatchable power contracts with three major ski areas, interruptible-only contracts with five customers and dispatchable-only contracts with an additional twenty-four customers. The interruptible portion of the contracts allow the Company to control power supply capacity charges by reducing the Company's capacity requirements. During 1996, the Company did not request any interruptions due to the surplus capacity in the region. The dispatchable portion of the contracts allows customers to purchase electricity during times designated by the Company when low cost power is available at the energy only cost of the rate. The customer's demand during these periods is not considered in calculating the monthly billing. This program provides customers with discretionary use of portions of their load and the opportunity to maximize their energy value, while, at the same time, the Company is able to retain customer load requirements that might otherwise be met through alternative means. These programs are available by tariff for qualifying customers.

CONSTRUCTION AND CAPITAL REQUIREMENTS

The Company's capital expenditures for 1994 through 1996 and projection for 1997 are set forth in *Item 7. MD&A - "Liquidity and Capital Resources-Construction."* Construction projections are subject to continuing review and may be revised from time-to-time in accordance with changes in the Company's financial condition, load forecasts, the availability and cost of labor and materials, licensing and other regulatory requirements, changing environmental standards and other relevant factors.

For the period 1994-1996, internally generated funds, after payment of dividends, provided approximately 60% of total capital requirements for construction, sinking fund obligations and other requirements. Internally generated funds provided 39% of such requirements for 1996, inclusive of an optional redemption of $7,200,000 of first mortgage bonds made by the Company. The Company anticipates that for 1997, internally generated funds will provide approximately 87% of total capital requirements for regulated operations, the remainder to be derived from bank loans.

In January 1996, a portion of the proceeds from the sale of $24,000,000 of the Company's first mortgage bonds in December 1995 was used to refund $7,200,000 of the Company's 10.7% first mortgage bonds.

In October 1996, the Company issued $12,000,000 of its 7.32%, Class E, Series 1, preferred stock. In November 1996, the Company sold $10,000,000 of its first mortgage bonds at an interest rate of 7.18% and in December 1996, the Company sold $4,000,000 of its first mortgage bonds at an interest rate of 7.05%. The proceeds from these transactions were used to repay short-term debt, to retire fixed income securities and for other general corporate purposes.

In connection with the foregoing, see *Item 7. MD&A - "Liquidity and Capital Resources."*

ENVIRONMENTAL MATTERS

The Company has been notified by the Environmental Protection Agency (EPA) that it is one of several potentially responsible parties for clean up at the Pine Street marsh site in Burlington, Vermont. For information regarding the Pine Street Marsh and other environmental matters see *Item 7. MD&A - "Environmental Matters" and Note I-2 of Notes to Consolidated Financial Statements.*

UNREGULATED BUSINESSES

The Company has had a plan of diversification into unregulated businesses that complements the Company's basic utility operations. The diversification plan has involved the establishment of several subsidiaries, including Green Mountain Resources, Inc., which is engaged in the competitive marketing of energy products. For information regarding unregulated businesses, see *Item 7. MD&A- "Future Outlook - Unregulated Businesses."*

EXECUTIVE OFFICERS

Executive Officers of the Company as of March 28, 1997:

Name	Age	
Thomas C. Boucher	42	Vice President, Business Strategy and Development since May 1996. Vice President, Energy Resources and Planning from January 1995. Vice President-Corporate Planning from 1994 to 1995. Vice President, Financial Planning from 1992 to 1994. Assistant Vice President-Energy Planning from 1986 to 1992.
Christopher L. Dutton	48	Vice President, Finance and Administration, Chief Financial Officer and Treasurer since January 1995. Vice President and General Counsel from 1993 to January 1995. Vice President, General Counsel and Corporate Secretary from 1989 to 1993.
Robert J. Griffin	40	Controller since October 7, 1996. Manager of General Accounting from 1990 to 1996.
Francis J. Heald	55	President of Green Mountain Propane Gas Company since June 1996. Prior to joining the Company, he was Executive Vice President and General Manager of Pico Ski Resort, Inc.
Richard B. Hieber	58	Vice President, Electric Operations and Engineering since September 1, 1996. Prior to joining the Company, he was President and Chief Executive Officer of Stone & Webster Management Consultants, Inc. from 1992 to 1996 and Senior Vice President from 1991 to 1992.
Douglas G. Hyde	54	President, Chief Executive Officer and Chairman of the Executive Committee of the Corporation since 1993. Executive Vice President, Chief Operating Officer and Director from 1989 to 1993. President of Green Mountain Resource, Inc.
Donna S. Laffan	47	Corporate Secretary since December 1993. Assistant Secretary from 1986 to 1993.
John J. Lampron	52	Assistant Treasurer since July 1991. Prior to joining the Company, he was employed by Public Service Company of New Hampshire as an Assistant Vice President from 1982 to 1990.
Craig T. Myotte	42	Assistant Vice President-Engineering and Operations since 1994. Assistant Vice President-Operations and Maintenance from 1991 to 1994.
Edwin M. Norse	51	Vice President and General Manager, Energy Resources and Sales since January 1995. Vice President, Chief Financial Officer and Treasurer from 1986 to January 1995. President-Green Mountain Propane Gas Company from October 1993 to June 1996.

Walter S. Oakes	50	Assistant Vice President-Customer Operations since June 1994. Assistant Vice President-Human Resources from August 1993 to June 1994. Assistant Vice President-Corporate Services from 1988 to 1993.
Karen K. O'Neill	45	Assistant Vice President-Organizational Development and Human Resources since June 1994. Assistant General Counsel from 1989 to 1994.
Stephen C. Terry	54	Vice President and General Manager, Retail Energy Services since January 1995. Vice President-External Affairs from 1991 to January 1995.
Jonathan H. Winer	45	President of Mountain Energy, Inc. since March 1997. Vice President and Chief Operating Officer from 1989 to March 1997.
Robert C. Young	59	Assistant Vice President-Customer Operations since 1994. Assistant Vice President-Operations and Engineering from 1992 to 1994. Director of Engineering from August 1991 to December 1992. Director of Special Projects from August 1991 to March 1992. Prior to joining the Company, he was employed by the Burlington Electric Department for thirty-two years, including sixteen years as General Manager.
Peter H. Zamore	44	General Counsel since January 1995. Prior to joining the Company, he was a partner at the law firm of Sheehey Brue Gray & Furlong, P.C. from 1984 to 1995.

Officers are elected by the Board of Directors of the Company, Mountain Energy, Inc., Green Mountain Resources, Inc. or Green Mountain Propane Gas Company, as appropriate, for one-year terms and serve at the pleasure of such boards of directors.

ITEM 2. PROPERTY

GENERATING FACILITIES

The Company's Vermont properties are located in five areas and are interconnected by transmission lines of VELCO and New England Power Company. The Company wholly owns and operates eight hydroelectric generating stations with a total nameplate rating of 36.4 MW and an estimated claimed capability of 35.7 MW. It also owns two gas-turbine generating stations with an aggregate nameplate rating of 63.0 MW and an estimated aggregate claimed capability of 73.2 MW. The Company has two diesel generating stations with an aggregate nameplate rating of 8.0 MW and an estimated aggregate claimed capability of 8.6 MW.

The Company also owns 17.9% of the outstanding common stock, and is entitled to 17.6624% (93.8 MW of a total 531 MW) of the capacity of Vermont Yankee, a 1.1% (6.8 MW of a total 620 MW) joint-ownership share of the Wyman #4 plant located in Maine, an 8.8% (31.0 MW of a total 352 MW) joint-ownership share of the Stony Brook I intermediate units located in Massachusetts and an 11% (5.9 MW of a total 53 MW) joint-ownership share of the J. C. McNeil wood-fired steam plant located in Burlington, Vermont. See Item 1. Business - "Power Resources" for plant details and the table hereinafter set forth for generating facilities presently available.

TRANSMISSION AND DISTRIBUTION

The Company had, at December 31, 1996, approximately 1.5 miles of 115-kV transmission lines, 9.4 miles of 69 kV transmission lines, 5.4 miles of 44-kV and 265.4 miles of 34.5 kV transmission lines. Its distribution system includes about 2,384 miles of overhead lines, 2.4 kV to 34.5 kV, and about 432 miles of underground cable of 2.4 kV to 34.5 kV. At such date, the Company owned approximately 153,275 kVa of substation transformer capacity in transmission substations, 446,050 kVa of substation transformer capacity in distribution substations and 1,260,901 kVa of transformers for step-down from distribution to customer use.

The Company owns 33.8% of the Highgate transmission intertie, a 225-MW converter and transmission line utilized to transmit power from Hydro-Québec.

The Company also owns 29.5% of the common stock and 30% of the preferred stock of VELCO which operates a high-voltage transmission system interconnecting electric utilities in the State of Vermont.

PROPERTY OWNERSHIP

The principal wholly-owned plants of the Company are located on lands owned in fee by the Company. Water power and floodage rights are controlled through ownership of the necessary land in fee or under easements.

Transmission and distribution facilities which are not located in or over public highways are, with minor exceptions, located either on land owned in fee or pursuant to easements which, in nearly all cases, are perpetual. Transmission and distribution lines located in or over public highways are so located pursuant to authority conferred on public utilities by statute, subject to regulation by state or municipal authorities.

INDENTURE OF FIRST MORTGAGE

The Company's interests in substantially all of its properties and franchises are subject to the lien of the mortgage securing its First Mortgage Bonds.

GENERATING FACILITIES OWNED

The following table gives information with respect to generating facilities presently available in which the Company has an ownership interest. *See also Item 1. Business - "Power Resources."*

	Type	Location	Name	Fuel	Winter Capability MW(1)
Wholly Owned	Hydro	Middlesex, VT	Middlesex #2	Hydro	3.3
		Marshfield, VT	Marshfield #6	Hydro	4.9
		Vergennes, VT	Vergennes #9	Hydro	2.1
		W. Danville, VT	W. Danville #15	Hydro	1.1
		Colchester, VT	Gorge #18	Hydro	3.3
		Essex Jct., VT	Essex #19	Hydro	7.8
		Waterbury, VT	Waterbury #22	Hydro	5.0
		Bolton, VT	DeForge #1	Hydro	7.8

	Diesel	Vergennes, VT	Vergennes #9	Oil	4.2
		Essex Jct., VT	Essex #19	Oil	4.4
	Gas Turbine	Berlin, VT	Berlin #5	Oil	57.1
		Colchester, VT	Gorge #16	Oil	16.1
Jointly Owned	Steam	Vernon, VT	Vermont Yankee	Nuclear	93.6 (2)
		Yarmouth, ME	Wyman #4	Oil	7.1
		Burlington, VT	McNeil	Wood	6.6 (3)
	Combined	Ludlow, MA	Stony Brook #1	Oil/Gas	31.0 (2)
Total Winter Capability					255.6

(1) Winter capability quantities are used since the Company's peak usage occurs during the winter months. Some unit ratings are reduced in the summer months due to higher ambient temperatures. Capability shown includes capacity and associated energy sold to other utilities.

(2) For a discussion of the impact of various power supply sales on the availability of generating facilities, see *Item 1. Business - "Power Resources - Long-Term Power Sales."*

(3) The Company's entitlement in McNeil is 5.8 MW. However, the Company receives up to 6.6 MW as a result of other owners' losses on this system.

CORPORATE HEADQUARTERS

For a discussion of the Company's operating lease for its Corporate Headquarters building, *see Note I-3 of Notes to Consolidated Financial Statements.*

ITEM 3. LEGAL PROCEEDINGS

See the discussion Item 7, MD&A - "Environmental Matters" concerning a notice received by the Company in 1982, under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Outstanding shares of the Common Stock are listed and traded on the New York Stock Exchange under the symbol "GMP". The following tabulation shows the high and low sales prices for the Common Stock on the New York Stock Exchange during 1996 and 1995:

		HIGH	LOW
1996	First Quarter	$29 1/8	$26 7/8
	Second Quarter	27 7/8	22 7/8
	Third Quarter	26 3/8	23 1/2
	Fourth Quarter	25 1/8	22 3/4
1995	First Quarter	28 1/4	24 7/8
	Second Quarter	27	24 3/4
	Third Quarter	27 1/8	23 7/8
	Fourth Quarter	28 5/8	27 3/4

The number of common stockholders of record as of March 14, 1997 was 8,716.

Quarterly cash dividends were paid as follows during the past two years:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1996	53¢	53¢	53¢	53¢
1995	53¢	53¢	53¢	53¢

Dividend Policy -- The Company's current dividend policy is based on the continued validity of three assumptions: The ability to achieve earnings growth, the receipt of an allowed rate of return that accurately reflects the Company's cost of capital, and the retention of its exclusive franchise.

There is a strong movement in Vermont to restructure the electric utility industry, to be implemented in 1998, in order to permit competition in the generation and retail sale of electricity. Such restructuring is expected, among other things, to lead to a loss of the Company's current exclusive franchise for selling electricity at retail, even though the Company currently expects that it would retain its exclusive franchise to provide distribution service. Also, a business operating in a competitive environment, including any unregulated activities by the Company, would by its nature engender a different type of earnings growth and volatility than is found in a regulated entity. Should restructuring be approved in Vermont, it is likely that the Company will reconsider its dividend policy and make appropriate changes so that anticipated payout levels are more commensurate with the risk of any new business activities to be undertaken and consistent with the capital needs of its businesses. *See Item 7. MD&A "Future Outlook - Competition and Restructuring" and Note C of Notes to Consolidated Financial Statements for discussion of limitations on dividends.*

ITEM 6. SELECTED FINANCIAL DATA (In thousands except per share amounts)

Results of Operations for the years ended December 31

	1996	1995	1994	1993	1992
Operating Revenues	$179,009	$161,544	$148,197	$147,253	$145,240
Operating Expenses	162,882	146,249	133,680	132,427	128,828
Operating Income	16,127	15,295	14,517	14,826	16,412
Other Income					
AFUDC - equity	175	27	263	273	186
Other	3,055	3,607	3,418	2,360	2,073
Total other income	3,230	3,634	3,681	2,633	2,259
Interest Charges					
AFUDC - borrowed	(468)	(547)	(539)	(357)	(202)
Other	7,866	7,973	7,735	7,185	7,021
Total interest charges	7,398	7,426	7,196	6,828	6,819
Net Income	11,959	11,503	11,002	10,631	11,852
Dividends on Preferred Stock	1,010	771	794	811	831
Net Income Applicable to Common Stock	$10,949	$10,732	$10,208	$9,820	$11,021
Common Stock Data					
Earnings per share	$2.22	$2.26	$2.23	$2.20	$2.54
Cash dividends declared per share	$2.12	$2.12	$2.12	$2.11	$2.08
Weighted average shares outstanding	4,933	4,747	4,588	4,457	4,345

Financial Condition as of December 31

	1996	1995	1994	1993	1992
Assets					
Utility Plant, Net	$189,853	$181,999	$175,987	$171,411	$164,723
Other Investments	20,634	20,248	20,751	22,528	21,700
Current Assets	30,901	30,216	28,798	26,215	28,067
Deferred Charges	43,224	42,951	35,659	33,693	19,012
Non-Utility Assets	39,927	37,868	33,416	28,626	23,716
Total Assets	$324,539	$313,282	$294,611	$282,673	$257,218
Capitalization and Liabilities					
Common Stock Equity	$111,554	$106,408	$101,319	$97,149	$92,645
Redeemable Cumulative Preferred Stock	19,310	8,930	9,135	9,385	9,575
Long-Term Debt, Less Current Maturities	94,900	91,134	74,967	79,800	67,644
Capital Lease Obligation	9,006	9,778	10,278	11,029	11,950
Current Liabilities	21,037	32,629	40,441	37,925	30,059
Deferred Credits and Other	54,968	52,041	49,434	40,214	33,264
Non-Utility Liabilities	13,764	12,262	9,037	7,171	12,041
Total Capitalization and Liabilities	$324,539	$313,282	$294,611	$282,673	$257,218

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section presents management's assessment of Green Mountain Power Corporation's (the Company) financial condition and the principal factors having an impact on the results of its operations. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained in this annual report. This section contains forward-looking statements as defined under the securities laws. Actual results could differ materially from those projected. This section, particularly under "Future Outlook - Competition and Restructuring" and "Risk Factors," lists some of the reasons why results could differ materially from those projected.

EARNINGS SUMMARY

Earnings per average share of common stock in 1996 were $2.22 as compared with $2.26 in 1995 and $2.23 in 1994. The 1996 earnings represent an earned return on average common equity of 10.0 percent. In both 1995 and 1994, the earned return on average common equity was 10.3 percent.

The 1996 decrease in earnings was primarily due to increased mandatory purchases of power from independent power producers resulting from greater production from in-state hydroelectric plants and unusually warm weather in December that adversely affected the Company's electric operating revenues and sales of propane by the Company's wholly-owned subsidiary, Green Mountain Propane Gas Company.

The principal factors contributing to the increase in 1995 earnings were higher retail revenues resulting from a 9.25 percent retail rate increase that went into effect in June 1995, increased sales of electricity to the Company's commercial and industrial customers, and a $557,000 increase in the earnings of Mountain Energy, Inc., the Company's wholly-owned subsidiary that invests in energy generation and efficiency projects.

FUTURE OUTLOOK

Competition and Restructuring -- The electric utility business is being subjected to rapidly increasing competitive pressures stemming from a combination of trends, including the presence of surplus generating capacity, a disparity in electric rates among and within various regions of the country, improvements in generation efficiency, increasing demand for customer choice, and new regulations and legislation intended to foster competition. To date, this competition has been most prominent in the bulk power market, in which non-utility generators have significantly increased their market share.

Electric utilities historically have had exclusive franchises for the retail sale of electricity in specified service territories. As a result, competition for retail customers has been limited to (i) competition with alternative fuel suppliers, primarily for heating and cooling; (ii) competition with customer-owned generation; and (iii) direct competition among electric utilities to attract major new facilities to their service territories. These competitive pressures have led the Company and other utilities to offer, from time to time, special discounts or service packages to certain large customers.

In states across the country, including the New England states, there has been an increasing number of proposals to allow retail customers to choose their electricity suppliers, with incumbent utilities required to deliver that electricity over their transmission and distribution systems (also known as "retail wheeling"). Increased competitive pressure in the electric utility industry may restrict the Company's ability to charge prices high enough to recover embedded costs, such as the cost of purchased power obligations or of generation facilities owned by the Company. The amount by which such costs might exceed market prices is commonly referred to as "stranded costs".

Regulatory and legislative authorities at the federal level and among states across the country, including Vermont, are considering how to facilitate competition for electricity sales at the wholesale and retail levels. On October 24, 1994, the Vermont Public Service Board (VPSB) and the Vermont Department of Public Service (the Department) convened a "Roundtable on Competition and the Electric Industry," consisting of representatives of utilities (including the Company), customers, environmental groups and other affected parties. On July 17, 1995, a subgroup of the Roundtable agreed on a set of 14 principles intended to guide the debate in Vermont concerning competition. These principles, among other things, call for exploration of the potential for retail competition, honoring of past utility commitments incurred under regulation, protection for low income customers, and continued exploration of renewable resources, energy efficiency and environmental protections.

On September 14, 1995, Governor Dean of Vermont announced his desire to provide for competition and a restructuring of the electric utility industry. The Governor's announcement included proposed legislative adoption of restructuring principles, a VPSB proceeding to address the issue, the submission by Vermont electric utilities of detailed plans by May 1, 1996, and implementation of restructuring by the beginning of 1998. In response to a Department petition, the VPSB opened a proceeding on utility industry restructuring by order dated October 17, 1995. On December 29, 1995, the Company released its proposed restructuring plan, calling for corporate separation into a regulated company for transmission and distribution functions and an unregulated company for generation and sales functions.

On October 16, 1996, the VPSB issued a Draft Report and Order which proposed the commencement of competitive retail sales of electricity in early 1998, while distribution and transmission functions would remain subject to regulation. The Company and other parties responded to the Draft Report and Order in November 1996, and the VPSB issued its Final Order on December 31, 1996.

The Final Order requires that Vermont investor-owned utilities divide their competitive retail and regulated distribution and transmission functions into separate corporate subsidiaries in order to achieve a functional separation of regulated and unregulated businesses, and provides for competition for all customer classes to be completed by the end of 1998. In view of this change in structure as well as the unknown relative level of competition each corporation may face, the Company cannot predict the future cost or availability of capital for the new subsidiary corporations. Furthermore, most of the assets of the Company are encumbered by a lien of the Company's First Mortgage Indenture. The Company cannot predict with certainty at this time the cost and feasibility of obtaining approval from the existing bondholders, to the extent that it is determined that such approvals are necessary, in order to achieve functional separation.

The Final Order proposes an approach that takes into account multiple factors that the VPSB believes will "create the opportunity for full recovery of stranded costs provided they are legitimate, verifiable, otherwise recoverable, prudently incurred and non-mitigable," but the Final Order also states the VPSB's belief that "an opportunity for full recovery must be explicitly tied to successful mitigation." The Final Order further provides that, where a utility has successfully mitigated its stranded costs, the opportunity should exist for substantial or full recovery of stranded costs when the magnitude of the post-mitigation stranded costs, among other things, allows for rates that are comparable to regional rates.

The Final Order calls for a multi-step process that would involve (1) a rigorous estimate of stranded costs (which in turn would require an estimate of future power costs) and a determination of the extent to which stranded costs can be mitigated, (2) an adjustment of stranded costs based on mitigation of such costs and changes in the market price of power, and (3) a stranded cost reconciliation proceeding. The process would consider each utility's estimate of stranded costs and the success of its mitigation efforts on a case by case basis.

The Final Order proposes that allowed stranded cost recovery be accomplished through the use of a non-bypassable access charge, or Competitive Transition Charge (CTC), collected by the regulated distribution company. The Final Order also endorses the securitization of stranded costs through the assignment of CTC receipts as a means of achieving lower-cost financing and the Final Order supports legislative action to achieve these savings.

The Company, Central Vermont Public Service Corporation (CVPS), representatives of the Governor of Vermont and the Department are in the process of negotiating a Memorandum of Understanding (MOU) that would outline agreed-upon positions among the parties relative to the recovery of stranded costs, distribution company rates, corporate unbundling and societal benefit programs. The parties to the MOU mutually would support those provisions in connection with any proposed legislation before the Vermont General Assembly and in any regulatory proceeding before the VPSB. If all of the terms of the MOU are not included in final restructuring legislation and in an implementing VPSB Order, the MOU will be of no force or effect.

Although not executed as of March 6, 1997, it is likely that the MOU will include the following financial terms:

> If the Company were able to reduce its power costs by $105 million (on a net present value basis assuming a 10% discount rate), then it would be conclusively deemed to have adequately mitigated stranded costs for the purpose of recovering its remaining stranded costs. The closer the Company is to the mitigation target, the greater the likelihood that the Company will recover all of its remaining stranded costs.
>
> The CTC would be fixed initially at $30/MWh for the first two years of retail competition. Any under-collections or over-collections of the CTC, respectively, would be added to or subtracted from the unrecovered stranded cost balance. The CTC would be adjusted annually thereafter to achieve recovery of stranded costs by the end of 2012.
>
> Unbundled distribution subsidiary rates would be frozen for 1998 and 1999 and adjusted by 70% of the change in the consumer price index for calendar years 2000 through 2004. Some portion of the frozen and subsequent rates would be dependent on achieving mutually agreed upon performance targets regarding quality of service. The distribution subsidiary would also be able to petition the VPSB for relief due to significant factors out of the control of the distribution subsidiary, such as, but not limited to, a change in income tax rates, the need for significant capital expenditures to meet material customer expansions, natural catastrophes or significant changes in load growth.

Proposals are currently being debated before the Vermont General Assembly that would allow all classes of customers in Vermont to choose their power supplier beginning in 1998. The terms of most of the proposed legislation are generally consistent with the approach set forth in the Final Order regarding eligibility for stranded cost recovery, although some would permit less stranded cost recovery.

There is no assurance that any restructuring legislation will be enacted by the Vermont General Assembly, or if legislation is enacted, that it will be consistent with the terms of the Final Order or the MOU.

Risk Factors -- The major risk factors affecting the impact of electric industry restructuring upon the Company, including the recovery of stranded costs, are: (i) regulatory and legal decisions, (ii) the market price of power, and (iii) the amount of market share retained by the Company. There can be no assurance that a final restructuring plan ordered by VPSB, the courts, or through legislation will include a CTC that would allow for full recovery of stranded costs and include a fair return on those costs as they are being recovered. If laws are enacted or regulatory decisions are made that do not offer an opportunity adequately to recover stranded costs, the Company believes it has legal arguments to challenge such laws or decisions.

The largest category of the Company's stranded costs are future costs under long-term power purchase contracts. The Company intends to pursue compliance with the steps outlined in the Final Order and aggressively to pursue mitigation efforts in order to maximize its recovery of these costs. The magnitude of stranded costs for the Company is largely dependent upon the future market price of power. The Company has discussed various market price scenarios with interested parties for the purpose of identifying stranded costs. Preliminary market price assumptions, which are likely to change, have resulted in estimates of the Company's stranded costs of between $330 million and $564 million, on a net present value basis, discounted at a rate of 10%.

If retail competition is implemented in Vermont and elsewhere, the Company is unable to predict the impact of this competition on its revenues, on the Company's ability to retain existing customers and attract new customers, or on the margins that will be realized on retail sales of electricity.

Historically, electric utility rates have been based on a utility's costs. As a result, electric utilities are subject to certain accounting standards that are not applicable to other business enterprises in general. Statement of Financial Accounting Standards (SFAS) 71, *Accounting for Certain Types of Regulation*, requires regulated entities, in appropriate circumstances, to establish regulatory assets and liabilities, and thereby defer the income statement impact of certain costs and revenues that are expected to be realized in future rates.

As described in Note A.2 in the Notes to Consolidated Financial Statements, the Company complies with the provisions of SFAS 71. In the event the Company determines that it no longer meets the criteria for following SFAS 71, the accounting impact would be an extraordinary, non-cash charge to operations of an amount that could be material. Criteria that give rise to the discontinuance of SFAS 71 include (1) increasing competition that restricts the Company's ability to establish prices to recover specific costs and (2) a change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation.

The Company believes that the provisions of both the Final Order and MOU, if implemented, would meet the criteria for continuing application of SFAS 71 as to those costs for which recovery is permitted. Because the Company is unable to predict what form enacted legislation will take, however, it cannot predict if or to what extent SFAS 71 will continue to be applicable in the future.

SFAS 121, *Accounting for the Impairment of Long Lived Assets*, which was implemented by the Company on January 1, 1996, requires that any assets, including regulatory assets, that are no longer probable of recovery through future revenues be revalued based upon future cash flows. SFAS 121 requires that a rate-regulated enterprise recognize an impairment loss for regulatory assets which are no longer probable of recovery. As of December 31, 1996, based upon the regulatory environment within which the Company currently operates, SFAS 121 did not have an impact on the Company's financial position or results of operations. Competitive influences or regulatory developments may impact this status in the future.

Thus, the Company cannot predict whether restructuring legislation enacted by the Vermont General Assembly or any subsequent report or actions of, or proceedings before, the VPSB or Vermont General Assembly would have a material adverse effect on the Company's operations, financial condition or credit ratings. The Company's failure to recover a significant portion of its purchased power costs, or to retain and attract customers in a competitive environment, would likely have a material adverse effect on the Company's business, including its operating results, cash flows and ability to pay dividends at current levels.

Unregulated Businesses -- For several years, the Company has had a plan of diversification into unregulated businesses that complements the Company's basic utility operations. The following is a discussion of the Company's unregulated enterprises, including its newest subsidiary, which is engaged in the competitive retail marketing of energy products.

Mountain Energy, Inc., which has invested in energy-related businesses, earned $1.32 million in 1996, a slight decrease from 1995's net income of $1.38 million. The 1996 results contributed 27 cents of earnings per share to the Company's consolidated results as compared to 29 cents in 1995.

Since its formation in 1989, Mountain Energy has invested more than $17 million in nine operating energy projects, including two California wind projects, hydroelectric projects in California and New Hampshire, a gas cogeneration facility in Illinois and energy efficiency installations in Maine, New York, New Jersey, Massachusetts and Hawaii.

In March 1997, Mountain Energy broadened its investment portfolio by acquiring a 35 percent ownership interest in Micronair, LLC, which owns certain patent rights to a wastewater treatment system that provides an innovative and efficient solution to the sludge disposal issues facing the United States. The Micronaire® system enhances both the processing and energy efficiency at wastewater facilities, virtually eliminating sludge as a byproduct. This environmentally and economically desirable result has already been demonstrated in several commercial facilities.

Green Mountain Propane Gas Company, which sells propane gas at retail in Vermont and New Hampshire, experienced a $335,000 loss in 1996 as compared to a $347,000 loss in 1995. The loss in 1996 was due primarily to strong competition, low margins due to significant wholesale price fluctuations, increased producer pipeline restrictions beginning in November 1996 and warmer than normal weather in December 1996. In 1995, the loss was due primarily to warmer than normal weather in the first quarter of 1995 and reduced margins due to strong competition. In both 1996 and 1995, the losses reduced the Company's consolidated earnings by 7 cents per share.

The Company's unregulated rental water heater business earned $379,000 in 1996, an increase from 1995's net income of $308,000. The increase in income in 1996 was attributable to an increase in the rental rate charged to customers. The 1996 results contributed 8 cents of earnings per share to the Company's consolidated results as compared to 6 cents in 1995.

Green Mountain Resources, Inc. (GMRI) was formed in April 1996 to explore opportunities in competitive retail energy markets. In 1996, GMRI, together with subsidiaries of Hydro-Québec, Consolidated Natural Gas Corporation and Noverco, Inc., participated in the retail sales of energy in pilot programs in New Hampshire and Massachusetts through Green Mountain Energy Partners L.L.C. (GMEP).

The State of New Hampshire has undertaken an experiment to provide retail customer choice in the purchase of electricity. The New Hampshire pilot program is one of the nation's first significant attempts to test the viability of retail electric competition. GMEP has been competing in New Hampshire since May 1996 with approximately two dozen other suppliers to serve

17,000 eligible customers. The pilot program will extend two years, with service that began in June 1996.

The Commonwealth of Massachusetts authorized Bay State Gas Company's Pioneer Valley Customer Choice Residential Pilot Program (the Bay State Gas Pilot), in which GMEP is participating. The Bay State Gas Pilot permits the retail sale of natural gas to up to 10,000 eligible residential customers and will extend for two years with service that began in November 1996.

GMRI experienced a $579,000 loss in 1996, its first year of operation. The loss experienced was consistent with the Company's expectation and reflects a limited number of pilot customers coupled with significant price competition on the part of energy providers participating in the retail pilots. The 1996 results reduced the Company's consolidated earnings by 12 cents per share. This loss was mitigated to a large extent by offsetting payments the Company received from GMEP for work performed on its behalf.

The Company believes that participation in these pilot programs will enhance the capability of GMRI to compete in additional markets that are opened for retail electric and natural gas customer choice. GMRI may decide to participate in other retail energy programs that are developed through GMEP or other entities that may be formed in the future.

RESULTS OF OPERATIONS

Operating Revenues and MWh Sales--Operating revenues and megawatthour (MWh) sales for the years 1996, 1995 and 1994 consisted of:

	1996	1995	1994
		(Dollars in Thousands)	
Operating Revenues:			
Retail	$ $154,916	$ 140,676	$ 131,444
Sales for Resale	20,667	17,541	13,521
Other	3,426	3,327	3,232
Total Operating Revenues	$ 179,009	$ 161,544	$ 148,197
MWh Sales:			
Retail	1,775,711	1,723,117	1,691,867
Sales for Resale	701,835	620,655	367,424
Total MWh Sales	2,477,546	2,343,772	2,059,291
Average Number of Customers:			
Residential	70,198	69,659	68,811
Commercial & Industrial	11,853	11,736	11,635
Other	75	76	76
Total Customers	82,126	81,471	80,522

Differences in operating revenues were due to changes in the following:

	1995 to 1996	1994 to 1995
	(In Thousands)	
Operating Revenues:		
Retail Rates	$ 9,654	$ 6,619
Retail Sales Volume	4,586	2,613
Resales and Other Revenues	3,225	4,115
Increase in Operating Revenues	$17,465	$13,347

In 1996, total electricity sales increased 5.7 percent due principally to an increase in electricity consumption by the Company's commercial and industrial customers and regional market conditions that allowed the Company to buy electricity and to resell it to other utilities at prices slightly higher than the purchase price. Total operating revenues increased 10.8

percent in 1996 primarily due to retail rate increases of 9.25 percent and 5.25 percent that went into effect in June 1995 and June 1996, respectively, and the increase in electricity sales mentioned above. Total retail revenues increased 10.1 percent in 1996 primarily due to the retail rate increases mentioned above. Wholesale revenues increased 17.8 percent in 1996 primarily due to the regional market conditions mentioned above.

In 1995, total electricity sales increased 13.8 percent due principally to an increase in electricity consumption by the Company's commercial and industrial customers and regional market conditions that allowed the Company to buy electricity and to resell it to other utilities at prices slightly higher than the purchase price. Total operating revenues increased 9.0 percent in 1995 primarily due to a 9.25 percent retail rate increase that went into effect in June 1995 and the increase in electricity sales previously mentioned. Total retail revenues increased 7.0 percent in 1995 primarily due to the 9.25 percent retail rate increase mentioned above. Wholesale revenues increased 29.7 percent in 1995 primarily due to the regional market conditions mentioned above.

IBM, the Company's single largest customer, operates manufacturing facilities in Essex Junction, Vermont. IBM's electricity requirements for its main plant and an adjacent plant accounted for 13.2, 12.9 and 13.7 percent of the Company's operating revenues in 1996, 1995 and 1994, respectively. No other retail customer accounted for more than one percent of the Company's revenue.

In February 1995, the Company and IBM entered into an Economic Development Agreement (EDA) that established the price to be paid by IBM at its Essex Junction facility for incremental electric usage during 1995, 1996 and 1997. The contract, which is intended to promote growth in IBM's operations and create jobs in the Company's service area, applies only to that portion of IBM's load that exceeds its 1994 consumption level. Most of IBM's electric usage is billed under the Company's tariff rate. The EDA price, although lower than the Company's tariff rate, exceeds the Company's marginal costs of providing this incremental electric service to IBM. The VPSB approved the EDA in June 1995. The Company believes that the EDA benefits the Company because it encourages the incremental purchase of electricity by IBM at a price above the Company's marginal cost of providing such incremental service.

Power Supply Expenses -- Power supply expenses constituted 61.5 percent, 60.1 percent and 59.2 percent of total operating expenses for the years 1996, 1995 and 1994, respectively. These expenses increased by $12.3 million (14.0 percent) in 1996 and by $8.7 million (11.0 percent) in 1995.

Power supply expenses increased in 1996 primarily due to higher costs for power purchased from Hydro-Québec, increases in mandatory purchases from independent power producers and purchases of additional power to service increased electricity sales.

Vermont Yankee's operating expenses for 1996 exceeded the level of such expenses incurred during 1995 by approximately $1.3 million, of which approximately $230,000 was allocated to the Company. In 1996, Vermont Yankee elected to accelerate certain safety and management related projects intended to improve efficiency of the plant and assure compliance with Nuclear Regulatory Commission regulations and the facility's operating license.

Power supply expenses increased in 1995 as the Company produced and purchased additional power to service increased electricity sales.

Under an arrangement negotiated in January 1996, the Company received cash payments from Hydro-Québec of $3.0 million in 1996 and will receive $1.1 million in 1997. Consistent with allowed ratemaking treatment, the $3.0 million payment reduced purchase power expense by $1.75 million in 1996; the balance of the payment will reduce power costs in 1997. The $1.1 million payment will reduce purchase power expense ratably over the period beginning June 1997 and ending May 1998.

In response, the Company will shift up to 40 megawatts of its Schedule C3 deliveries to an alternate transmission path, and use the associated portion of the NEPOOL/Hydro-Québec interconnection facilities to purchase power for the period from September 1996 through June 2001 at prices that vary based upon conditions in effect when the purchases are made. The 1996 arrangement also provides for minimum payments by the Company to Hydro-Québec for periods in which power is not purchased under the agreement. Although the level of benefits to the Company will depend on various factors, the Company estimates that the 1996 arrangement will provide a minimum benefit of $1.8 million on a net present value basis.

In November 1996, the Company entered into a Memorandum of Understanding with Hydro-Québec providing for the payment to the Company of $8.0 million in 1997 in exchange for Hydro-Québec's right to elect, on or before September 1, 1997, one of two options to purchase power. Under the first option, for the period commencing November 1, 1997 and effective through the remaining term of the 1987 power supply agreement between the Company and Hydro-Québec (the 1987 Agreement), which expires in 2015, Hydro-Québec can exercise an option to purchase on an annual basis, at energy prices established in accordance with the 1987 Agreement, an amount of energy equivalent to the Company's firm capacity entitlements in the 1987 Agreement, delivered at up to an approximately 10.5 percent capacity factor, or 105,000 MWh. Under the second option, for the period commencing November 1, 1997 and effective through the remaining term of the 1987 Agreement, Hydro-Québec can exercise an option to purchase on an annual basis, at energy prices established in accordance with the 1987 Agreement, an amount of energy equivalent to the Company's firm capacity entitlements in the 1987 Agreement, delivered at up to an approximately 5.25 percent capacity factor, or 52,500 MWh. Hydro-Québec also would have the right under the second option to elect to purchase up to 600,000 MWh of power from the Company over the remaining term of the 1987 Agreement, commencing November 1, 1997, at the energy prices established in accordance with the 1987 Agreement, subject to certain annual and hourly volume limitations.

On December 31, 1996, the Company received an accounting order from the VPSB that provides for recognition in 1997 revenues of the present value payment of $8 million. The accounting order also continues the limitation on the return on equity from utility operations of 11.25 percent which had been a part of the Company's last two rate settlements through December 31, 1997. The Company estimates that the future costs associated with the Memorandum of Understanding to be approximately $8.0 million on a net present value basis. Consistent with allowed ratemaking treatment, the $8.0 million payment will be recognized in income in the third and fourth quarters of 1997.

Other Operating Expenses -- Other operating expenses decreased 2.8 percent in 1996 primarily due to a decrease in salaries resulting from a reduction in the workforce and to a decrease in medical insurance claims experienced by the Company.

Other operating expenses increased 4.8 percent in 1995 primarily due to an increase in rent expense and expenses relating to customer-focused research.

Transmission Expenses -- Transmission expenses increased 9.7 percent in 1996 primarily due to higher tariff rates under an interconnection agreement between CVPS and the Company discussed below. This increase was offset to a large extent by revenues generated by the same interconnection agreement.

On August 28, 1996, the Company received a bill totaling approximately $1.9 million from CVPS for service at certain transmission interconnections that are the subject of a 1993 interconnection agreement between the Company and CVPS. The bill covered the period October 1993 through June 1996.

In September 1996, the Company charged approximately $700,000 of the CVPS invoice to transmission rent expense. The Company disputes the amount of the CVPS billing and estimates its liability in the range of $1.0 million to $1.3 million, inclusive of amounts already expensed.

The Company has submitted a bill totaling approximately $500,000 to CVPS for its services under the same interconnection agreement, and credited this amount to transmission services in September 1996. CVPS disputes approximately $100,000 of the amount billed by the Company.

On December 31, 1996, the Company received an accounting order from the VPSB requiring that amounts deferred under the interconnection agreement be expensed over the remaining eleven years of the agreement. The interconnection agreement contains an arbitration clause for the settlement of disputes. The Company has requested arbitration and is unable to predict the ultimate outcome of that proceeding.

Transmission expenses decreased 4.8 percent in 1995 primarily due to cost reduction measures implemented by Vermont Electric Power Company (VELCO), a corporation engaged in the transmission of electric power within the State of Vermont in which the Company has an equity interest.

Maintenance Expenses -- Maintenance expenses increased 6.0 percent in 1996 due principally to a scheduled increase in plant maintenance.

Maintenance expenses decreased 5.7 percent in 1995 primarily due to cost containment measures implemented by the Company.

Depreciation and Amortization -- Depreciation and amortization expenses increased 15.3 percent in 1996 primarily due to the amortization of expenditures related to energy conservation programs and the Pine Street Marsh environmental matter (See Note I of the Notes to Consolidated Financial Statements) and to the depreciation of expenditures related to additional investment in the Company's distribution facilities.

Depreciation and amortization expenses increased 32.1 percent in 1995 for the same reasons.

Income Taxes -- The effective federal income tax rates for the years 1996, 1995 and 1994 were 27.2 percent, 25.3 percent and 25.1 percent, respectively.

Other Income -- Other income decreased 11.1 percent in 1996 primarily due to a $579,000 loss experienced by GMRI. The impact of the GMRI loss on consolidated earnings was mitigated to a large extent by offsetting payments received by the Company from GMEP for work performed on its behalf.

Other income decreased 1.3 percent in 1995 primarily due to a decrease in the allowance for equity funds used during construction resulting from lower average construction work in progress balances and an increase in short-term debt outstanding during the year and a $389,000 decrease in earnings experienced by Green Mountain Propane Gas Company. These decreases were partially offset by a $557,000 increase in earnings of Mountain Energy, Inc.

Dividends on Preferred Stock -- Dividends on preferred stock increased 31.0 percent in 1996 primarily due to the issuance of 120,000 shares of the Company's 7.32 percent, Class E, Series 1 preferred stock in October 1996.

Dividends on preferred stock decreased 2.9 percent in 1995 primarily due to the repurchase by the Company in 1994 of the following preferred stock: 450 shares of 4.75 percent, Class B; 450 shares of 7 percent, Class C, and 1,600 shares of 9.375 percent, Class D, Series 1.

Interest Charges -- Interest charges were virtually unchanged in 1996. An increase in interest charges related to a higher amount of long-term debt outstanding during the year and a decrease in the allowance for funds used during construction were slightly more than offset by a reduction in interest charges related to a lower amount of short-term debt outstanding during the year.

Interest charges increased 3.2 percent in 1995 primarily due to interest charges related to an increase in short-term debt outstanding during 1995. These charges were partially offset by a reduction in interest charges related to a decrease in the amount of long-term debt outstanding during 1995.

TRANSMISSION ISSUES

Federal Open Access Tariff Orders -- On April 24, 1996, the Federal Energy Regulatory Commission (FERC) issued Orders 888 and 889 which, among other things, required the filing of open access transmission tariffs by electric utilities, and the functional separation by utilities of their transmission operations from power marketing operations. Order 888 also supports the full recovery of legitimate and verifiable wholesale power costs previously incurred under federal or state regulation. The Company is currently in the process of responding to the orders. On July 9, 1996, the Company filed with the FERC the non-discriminatory open access tariffs required by Order 888. The tariffs defined the Company's transmission system to include subtransmission facilities owned by the Company and the Company's entitlement to facilities owned by VELCO. The Company's tariffs included charges related to the use of the VELCO transmission system by customers. Other Vermont utilities required to make filings with the FERC under Order 888 followed the same course of action. VELCO, in turn, submitted to the FERC a request for waiver of its obligation to file a separate open access transmission tariff. On September 11, 1996, the FERC denied VELCO's waiver request. The Company is also in the process of modifying its tariff to comply with various orders of the FERC and in addition complying with the FERC's regulations relating to OASIS, the electronic bulletin board to be used to post availability of transmission capacity.

In accordance with Order 889, the Company has also functionally separated its transmission operations and filed with the FERC a code of conduct for its transmission operations. The Company does not anticipate any material adverse effects or loss of wholesale customers due to the FERC orders mentioned above.

Proposed NEPOOL Transmission Tariff -- Under an allocation agreement among VELCO, Northeast Utilities and New England Power Corporation, VELCO currently has 14 percent of the capacity of transmission facilities between New England, New York and Canada. VELCO's capacity for such transmission facilities is allocated among Vermont electric utilities, including the Company. NEPOOL has filed a proposed tariff with the FERC that incorporates a load-based method of capacity allocation for NEPOOL transmission facilities that would reduce the amount of capacity allocated to VELCO for such transmission facilities in the future. A reduction of VELCO's allocation of capacity on transmission interfaces with New York and Canada would adversely effect the Company's ability to import power to Vermont from outside New

England which would impact the Company's power costs in the future. VELCO and the Company have filed comments with the FERC seeking to change the effect of the proposed NEPOOL capacity allocation procedures but the Company is unable to predict at this time the outcome of these proceedings before the FERC.

ENVIRONMENTAL MATTERS

Public concern for the environment has resulted in increased government regulation of the licensing and operation of electric generation, transmission and distribution facilities. The electric industry typically uses or generates a range of potentially hazardous products in its operations. The Company must meet various land, water, air and aesthetic requirements as administered by local, state and federal regulatory agencies. The Company maintains an environmental compliance and monitoring program that includes employee training, regular inspection of Company facilities, research and development projects, waste handling and spill prevention procedures and other activities. Subject to developments concerning the Pine Street Marsh site described below, the Company believes that it is in substantial compliance with such requirements, and no material complaints concerning compliance by the Company with present environmental protection regulations are outstanding.

The Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as the "Superfund" law, generally imposes strict, joint and several liability, regardless of fault, for remediation of property contaminated with hazardous substances. The Company has been notified by the Environmental Protection Agency (EPA) that it is one of several potentially responsible parties (PRPs) for cleanup of the Pine Street Marsh site in Burlington, Vermont, where coal tar and other industrial materials were deposited. From the late 19th century until 1967, gas was manufactured at the Pine Street Marsh site by a number of enterprises, including the Company. In 1990, the Company was one of the 14 parties that agreed to pay a total of $945,000 toward the EPA's past response under a confidential Consent Decree. The Company remains a PRP for ongoing and future response costs. In November 1992, the EPA proposed a cleanup plan estimated by the EPA to cost $47 million. In June 1993, the EPA withdrew this cleanup plan in response to public concern about the plan and its cost. The cost of any future cleanup plan, the magnitude of unresolved EPA cost recovery claims, and the Company's share of such costs are uncertain at this time.

Since 1994, the EPA has established a coordinating council, with representatives of PRPs, environmental and community groups, the City of Burlington and the State of Vermont, presided over by a neutral facilitator. The council has determined, by consensus, what additional studies were appropriate for the site, and is addressing the question of additional response activities. The EPA, the State of Vermont and other parties have entered into two consent orders for completion of appropriate studies. Work is continuing under the second of those orders. On December 1, 1994, the Company and two other PRPs, New England Electric System (NEES) and Vermont Gas Systems (VGS), entered into a confidential agreement with the State of Vermont, the City of Burlington and nearly all other landowner PRPs under which, subject to certain qualifications, the liability of those landowner PRPs for future Superfund response costs would be limited and specified. On December 1, 1994, the Company entered into a confidential agreement with VGS compromising contribution and cost recovery claims of each party and contractual indemnity claims of the Company arising from the 1964 sale of the manufactured gas plant to VGS. In March 1996, the Company and NEES entered into a confidential agreement compromising past and future contribution and cost recovery claims of both parties relating to response costs.

In December 1991, the Company brought suit against eight previous insurers seeking recovery of unrecovered past costs and indemnity against future liabilities associated with environmental problems at the site. Discovery in the case, which was previously subject to a stay, is proceeding and is largely complete. A trial in this litigation is scheduled for late 1997. The Company has reached confidential final settlements with two of the defendants in this litigation and has obtained summary judgment declaring one non-settling insurer's duty to defend.

The Company has deferred amounts received, under confidential settlement, from third parties pending resolution of the Company's ultimate liability with respect to the site and rate recognition of that liability. The Company is unable to predict at this time the magnitude of any liability resulting from potential claims for the costs to investigate and remediate the site, or the likely disposition or magnitude of claims the Company may have against others, including its insurers, except to the extent described above.

Through rate cases filed in 1991, 1993, 1994 and 1995, the Company has sought and received recovery for ongoing expenses associated with the Pine Street Marsh site. Specifically, the Company proposed rate recognition of its unrecovered expenditures incurred between January 1, 1991 and June 30, 1995 (in the total of approximately $8.7 million) for technical consultants and legal assistance in connection with the EPA's enforcement action at the site and insurance litigation. While reserving the right to argue in the future about the appropriateness of rate recovery for Pine Street Marsh related costs, the Company and the Department reached agreements in these cases that the full amount of Pine Street Marsh costs reflected in those rate cases should be recovered in rates. The Company's rates approved by the VPSB in those proceedings reflected the Pine Street Marsh related expenditures referred to above.

Management expects to seek and (assuming recovery consistent with the previous regulatory treatment set forth above) receive ratemaking treatment for unreimbursed costs incurred beyond the amounts for which ratemaking treatment has been received.

An authoritative accounting standard, Statement of Position (SOP) 96-1, has been issued by the accounting profession addressing environmental remediation obligations. This SOP is effective for years beginning in 1997, and addresses, among other things, regulatory benchmarks that are likely triggers of the accrual of estimated losses, the costs included in the measurement, including incremental costs of remediation efforts such as post-remediation monitoring and long-term operation and maintenance costs and costs of compensation and related benefits of employees devoting time to the remediation. After reviewing the Company's current accounting policies and ratemaking treatment, management does not believe that this SOP will have a material adverse effect on the Company's financial position or results of operations upon adoption.

Clean Air Act -- Because the Company purchases most of its power supply from other utilities, it does not anticipate that it will incur any material direct cost increases as a result of the Federal Clean Air Act or proposals to make more stringent regulations under that Act. Furthermore, only one of its power supply purchase contracts, which expires in 1998, relates to a generating plant that is likely to be affected by the acid rain provisions of this legislation. Overall, approximately 10 percent of the Company's committed electricity supply (a contract to purchase coal-fired generation that expires in 1998) is expected to be affected by federal and State environmental compliance requirements.

LIQUIDITY AND CAPITAL RESOURCES

Construction -- The Company's capital requirements result from the need to construct facilities or to invest in programs to meet anticipated customer demand for electric service. If restructuring does occur, the Company will reassess its capital expenditures for generation and other projects and the terms of financing thereof.

Capital expenditures over the past three years and projected for 1997 are as follows:

Actual	Generation	Transmission	Distribution	Conservation	Other	Total Net Expenditures
(Dollars in thousands and net of AFUDC and Customer Advances For Construction)						
1994	$2,540	$1,415	$7,902	$6,388	$1,815	$20,060
1995	2,696	1,067	8,935	4,152	2,824	19,674
1996	6,289*	528	8,422	3,090	3,394	21,723
Forecasted						
1997	$2,680	$1,355	$8,591	$2,300	$7,504	$22,430

*Includes $4.978 million for wind project

Rates -- On September 26, 1994, the Company filed a request with the VPSB to increase retail rates by 13.9 percent. The increase was needed primarily to cover the rising cost of existing power sources, the cost of new power sources that the Company secured to replace power supply that will be lost in the near future, and the cost of energy efficiency programs that the Company implemented for its customers. The Company, the Department and the other parties in the proceeding reached a settlement agreement providing for a 9.25 percent retail rate increase effective June 15, 1995, and a target return on equity for utility operations of 11.25 percent. In the event that the target return on equity is exceeded, the Company would accelerate the amortization of certain demand side management expenditures in the next year for which rate recovery otherwise would have been sought. The agreement was approved by the VPSB on June 9, 1995.

In September 1995, the Company filed a 12.7 percent retail rate increase application to cover higher power supply costs, to support additional investment in plant and equipment, to fund expenses associated with the Pine Street Marsh site, and to cover higher costs of capital. Early in 1996, the Company settled this rate case with the Department and other parties.

The settlement became possible when the Company negotiated a new arrangement with Hydro-Québec that will reduce the Company's net power-supply costs below the amounts anticipated in the rate increase request. The settlement provided: projected additional annual revenues of $7.6 million; an overall increase in retail rates of 5.25 percent effective June 1, 1996; target return on equity for utility operations of 11.25 percent (with a continuation of the amortization of any amount in excess of the target rate of return in the following year, as described above); and recovery of $1.3 million of costs associated with the Pine Street Marsh site, amortized over five years. The VPSB approved the settlement in an order dated May 23, 1996. In 1996, the rate of return on utility operations was 11.8% and in 1995 was 11.3%. An accounting order received from the VPSB on December 31, 1996 continues the limitation on return on equity from utility operations through December 31, 1997.

Dividend Policy -- The Company's current dividend policy is based on the continued validity of three assumptions: The ability to achieve earnings growth, the receipt of an allowed rate of return that accurately reflects the Company's cost of capital, and the retention of its exclusive franchise. As discussed under "Future Outlook-Competition and Restructuring," there is a strong movement in Vermont to restructure the electric utility industry, to be implemented in 1998, in order to permit competition in the generation and retail sale of electricity. Such restructuring would, among other things, lead to a loss of the Company's current exclusive franchise for selling electricity at retail, even though the Company would retain its exclusive franchise to provide distribution service. Also, a business operating in a competitive environment, including any unregulated activities by the Company, would by its nature engender a different type of earnings growth and volatility than is found in a regulated entity. Should restructuring be approved in Vermont, it is likely that the Company will reconsider its dividend policy and make appropriate changes so that anticipated payout levels are more commensurate with the risk of any new business activities to be undertaken and consistent with the capital needs of its businesses.

Financing and Capitalization -- For the period 1994 through 1996, internally generated funds, after payment of dividends, provided approximately 60 percent of total capital requirements for construction, sinking funds and other requirements. The Company anticipates that for 1997, internally generated funds will provide approximately 87 percent of total capital requirements for regulated operations.

In January 1996, a portion of the proceeds from the sale of $24 million of the Company's first mortgage bonds in December 1995 was used to refund $7.2 million of the Company's 10.7 percent first mortgage bonds.

In October 1996, the Company issued $12 million of its 7.32 percent, Class E, Series 1, preferred stock. In November 1996, the Company sold $10 million of its first mortgage bonds at an interest rate of 7.18 percent and in December 1996, the Company sold $4 million of its first mortgage bonds at an interest rate of 7.05 percent. The proceeds from these transactions were used to repay short-term debt, to retire fixed income securities and for other general corporate purposes.

At December 31, 1996, the Company's capitalization consisted of 48.8 percent common equity, 42.8 percent long-term debt and 8.4 percent preferred equity. The Company has a comprehensive capital plan to increase the equity component of its capital structure.

The rating of the Company's first mortgage bonds by Standard & Poor's remains at "BBB+." In 1996, a rating of "BBB" was assigned to the Company's preferred stock. Standard & Poor's "outlook" of the Company remains "stable."

The rating of the Company's first mortgage bonds by Duff & Phelps was lowered in September 1996 from "A-" to "BBB+." The rating of the Company's preferred stock was also lowered from "BBB+" to "BBB." These ratings reflect Duff & Phelps' assessment that the electric utility industry in the region is becoming increasingly more competitive and that the Company is highly dependent upon purchased power agreements with escalating fixed payment obligations. Duff & Phelps, however, concluded that the Company has low cost structures, access to a good transmission system and a strong marketing-oriented focus.

The rating of the Company's first mortgage bonds by Moody's Investment Services remains at "Baa2." In 1996, a rating of "baa3" was assigned to the Company's preferred stock by Moody's. Moody's "outlook" for the Company remains "stable."

See Note F of the Notes to Consolidated Financial Statements for a discussion of bank lines of credit available to the Company.

Effects of Inflation -- Financial statements are prepared in accordance with generally accepted accounting principles and report operating results in terms of historic costs. This accounting provides reasonable financial statements but does not always take inflation into consideration. As rate recovery is based on these historical costs and known and measurable changes, the Company is able to receive some rate relief for inflation. It does not receive immediate rate recovery relating to fixed costs associated with Company assets. Such fixed costs are recovered based on historic figures. Any effects of inflation on plant costs are generally offset by the fact that these assets are financed through long-term debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GREEN MOUNTAIN POWER CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

CONSOLIDATED STATEMENTS OF INCOME

GREEN MOUNTAIN POWER CORPORATION • For the Years Ended December 31

	1996	1995	1994
	(In thousands, except amounts per share)		
Operating Revenues	$179,009	$161,544	$148,197
Operating Expenses			
Power Supply			
Vermont Yankee Nuclear Power Corporation	30,596	30,222	30,300
Company-owned generation	3,330	3,786	3,113
Purchases from others	66,320	53,915	45,777
Other operating	17,615	18,120	17,296
Transmission	10,833	9,874	10,374
Maintenance	4,463	4,210	4,465
Depreciation and amortization	16,280	14,116	10,683
Taxes other than income	6,982	6,428	6,277
Income taxes	6,463	5,578	5,395
Total operating expenses	162,882	146,249	133,680
Operating income	16,127	15,295	14,517
Other Income			
Equity in earnings of affiliates and non-utility operations	2,880	3,513	3,092
Allowance for equity funds used during construction	175	27	283
Other income and deductions, net	175	94	306
Total other income	3,230	3,634	3,681
Income before interest charges	19,357	18,929	18,198
Interest Charges			
Long-term debt	6,872	6,546	6,868
Other	994	1,427	867
Allowance for borrowed funds used during construction	(468)	(547)	(539)
Total interest charges	7,398	7,426	7,196
Net Income	11,959	11,503	11,002
Dividends on preferred stock	1,010	771	794
Net Income Applicable to Common Stock	$10,949	$10,732	$10,208
Common Stock Data			
Earnings per share	$2.22	$2.26	$2.23
Cash dividends declared per share	$2.12	$2.12	$2.12
Weighted average shares outstanding	4,933	4,747	4,568

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

GREEN MOUNTAIN POWER CORPORATION - For the Years Ended December 31

	1996	1995	1994
		(In thousands)	
Operating Activities:			
Net Income	$11,959	$11,503	$11,002
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,280	14,116	10,663
Dividends from associated companies, less equity income	254	660	202
Allowance for funds used during construction	(643)	(574)	(803)
Deferred purchased power costs	(5,917)	(12,925)	(536)
Amortization of purchased power costs	5,187	6,036	4,178
Deferred income taxes	1,937	3,715	1,585
Amortization of investment tax credits	(282)	(283)	(283)
Environmental proceedings costs, net	(1,720)	(1,352)	7,103
Conservation expenditures	(3,207)	(3,560)	(6,388)
Changes in:			
Accounts receivable	347	(2,641)	(426)
Accrued utility revenues	(139)	(510)	126
Fuel, materials and supplies	(309)	2	(473)
Prepayments and other current assets	(354)	1,562	(1,982)
Accounts payable	221	2,191	(2,327)
Taxes accrued	415	(871)	1,044
Interest accrued	(465)	(106)	(117)
Other current liabilities	1,065	(22)	(65)
Other	1,738	(95)	2,383
Net cash provided by operating activities	26,367	16,237	24,906
Investing Activities:			
Construction expenditures	(17,541)	(15,314)	(13,536)
Investment in non-utility property	(2,203)	(6,121)	(1,220)
Net cash used in investing activities	(19,744)	(21,435)	(14,756)
Financing Activities:			
Issuance of preferred stock	12,000	---	---
Reduction in preferred stock	(1,620)	(205)	(250)
Issuance of common stock	4,642	4,404	3,671
Short-term debt, net	(7,400)	(11,799)	1,198
Issuance of long-term debt	14,000	25,917	---
Reduction in long-term debt	(16,201)	(4,833)	(1,800)
Cash dividends	(11,455)	(10,818)	(10,504)
Net cash provided by (used in) financing activities	(6,034)	2,666	(7,665)
Net increase (decrease) in cash and cash equivalents	589	(2,532)	2,465
Cash and cash equivalents at beginning of year	160	2,692	227
Cash and Cash Equivalents at End of Year	$749	$160	$2,692

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

GREEN MOUNTAIN POWER CORPORATION • December 31

ASSETS	1996	1995
	(In thousands)	
Utility Plant		
Utility plant, at original cost	$248,135	$239,291
Less accumulated depreciation	81,286	75,797
Net utility plant	166,849	163,494
Property under capital lease	9,006	9,778
Construction work in progress	13,998	8,727
Total utility plant, net	189,853	181,999
Other Investments		
Associated companies, at equity	15,769	16,024
Other investments	4,865	4,224
Total other investments	20,634	20,248
Current Assets		
Cash	238	84
Accounts receivable, customers and others, less allowance for doubtful accounts	17,733	18,081
Accrued utility revenues	6,662	6,523
Fuel, materials and supplies, at average cost	3,621	3,312
Prepayments	2,206	1,890
Other	441	326
Total current assets	30,901	30,216
Deferred Charges		
Demand side management programs	16,409	18,367
Environmental proceedings costs	7,991	7,893
Purchased power costs	9,163	8,433
Other	9,661	8,258
Total deferred charges	43,224	42,951
Non-Utility		
Cash and cash equivalents	511	76
Other current assets	3,979	4,055
Property and equipment	11,226	11,478
Intangible assets	2,555	2,580
Equity investment in energy-related businesses	12,494	10,999
Other assets	9,162	8,680
Total non-utility assets	39,927	37,868
Total Assets	$324,539	$313,282

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

GREEN MOUNTAIN POWER CORPORATION • December 31

CAPITALIZATION AND LIABILITIES	1996	1995
	(In thousands)	
Capitalization (See Capitalization Data)		
Common Stock Equity		
Common stock	$16,790	$16,168
Additional paid-in capital	68,226	64,206
Retained earnings	26,916	26,412
Treasury stock, at cost	(378)	(378)
Total common stock equity	111,554	106,408
Redeemable cumulative preferred stock	19,310	8,930
Long-term debt, less current maturities	94,900	91,134
Total capitalization	225,764	206,472
Capital Lease Obligation	9,006	9,778
Current Liabilities		
Current maturities of long-term debt	3,034	7,833
Short-term debt	1,016	8,416
Accounts payable, trade, and accrued liabilities	6,140	5,529
Accounts payable to associated companies	6,621	7,011
Dividends declared	381	194
Customer deposits	689	816
Taxes accrued	986	571
Interest accrued	1,382	1,847
Other	788	412
Total current liabilities	21,037	32,629
Deferred Credits		
Accumulated deferred income taxes	26,726	25,292
Unamortized investment tax credits	4,825	5,107
Other	23,417	21,642
Total deferred credits	54,968	52,041
Non-Utility		
Current liabilities	1,752	1,124
Other liabilities	12,012	11,238
Total non-utility liabilities	13,764	12,362
Total Capitalization and Liabilities	$324,539	$313,282

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CAPITALIZATION DATA

GREEN MOUNTAIN POWER CORPORATION • December 31

CAPITAL STOCK	Authorized	Issued and Outstanding 1996	Issued and Outstanding 1995	1996	1995
				(In thousands)	
Common Stock, $3.33 1/3 par value (Note C)	10,000,000	5,037,143	4,850,496	$16,790	$16,168

	Authorized	Issued	Outstanding 1996	Outstanding 1995	1996	1995
					(In thousands)	
Redeemable Cumulative Preferred Stock, $100 par value (Note D)						
4.75%, Class B, redeemable at $101 per share	15,000	15,000	2,850	3,000	$285	$ 300
7%, Class C, redeemable at $101 per share	15,000	15,000	4,650	5,100	465	510
9.375%, Class D, Series 1, redeemable at $101 per share . . .	40,000	40,000	9,600	11,200	960	1,120
8.625%, Class D, Series 3, redeemable at $102.877 per share .	70,000	70,000	56,000	70,000	5,600	7,000
7.32%, Class E, Series 1	200,000	120,000	120,000	---	12,000	---
Total Preferred Stock					$19,310	$8,930

LONG-TERM DEBT (Note E)	1996	1995
	(In thousands)	
First Mortgage Bonds		
5 1/8% Series due 1996	$ --	$ 3,000
6.84% Series due 1997 - Cash sinking fund, $1,333,000 annually	1,334	2,667
7% Series due 1998	3,000	3,000
10.7% Series due 2000	--	9,000
5.71% Series due 2000	5,000	5,000
6.21% Series due 2001	8,000	8,000
6.29% Series due 2002	8,000	8,000
6.41% Series due 2003	8,000	8,000
10.0% Series due 2004 - Cash sinking fund, $1,700,000 annually	13,600	15,300
7.05% Series due 2006	4,000	--
7.18% Series due 2006	10,000	--
6.7% Series due 2018	15,000	15,000
9.64% Series due 2020	9,000	9,000
8.65% Series due 2022 - Cash sinking fund, commences 2012	13,000	13,000
Total Long-term Debt Outstanding	97,934	98,967
Less Current Maturities (due within one year)	3,034	7,833
Total Long-term Debt, Net	$94,900	$91,134

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

A. SIGNIFICANT ACCOUNTING POLICIES

1. The Company. Green Mountain Power Corporation (the Company) is an investor-owned energy services company located in Vermont that serves one-quarter of its population. The most significant portion of the Company's net income is derived from its regulated electric utility operation, which purchases and generates electric power and distributes it to 82,500 retail and wholesale customers. Two of the Company's wholly-owned subsidiaries (which are not regulated by the Vermont Public Service Board (VPSB)) are Green Mountain Propane Gas Company, which supplies propane to 10,000 customers in Vermont and New Hampshire, and Mountain Energy, Inc., which invests in energy generation and efficiency projects across the United States. In 1996, the Company's wholly-owned, unregulated subsidiary, Green Mountain Resources Inc., was created to participate, along with the wholly-owned subsidiaries of three energy companies -- Hydro-Québec, Consolidated Natural Gas Company, and Noverco, Inc. - in pilot programs in New Hampshire and Massachusetts to test the viability of retail electric competition through a limited liability company (Green Mountain Energy Partners L.L.C.). The results of these subsidiaries, the Company's unregulated rental water heater program and its other unregulated wholly-owned subsidiaries (GMP Real Estate Corporation and Lease-Elec, Inc.) are included in earnings of affiliates and non-utility operations in the Other Income section of the Consolidated Statements of Income. Summarized financial information is as follows:

	For the years ended December 31,	
	1996	1995
	(In thousands)	
Revenues	$11,997	$11,905
Expenses.	11,207	10,416
Net Income	$ 790	$ 1,489

The Company carries its investments in various associated companies -- Vermont Yankee Nuclear Power Corporation (Vermont Yankee), Vermont Electric Power Company, Inc. (VELCO), New England Hydro-Transmission Corporation, and New England Hydro-Transmission Electric Company -- at equity.

2. Basis of Presentation The Company's utility operations, including accounting records, rates, operations and certain other practices of its electric utility business, are subject to the regulatory authority of the Federal Energy Regulatory Commission (FERC) and the VPSB.

The accompanying consolidated financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises in accordance with Statement of Financial Accounting Standards (SFAS) 71, *Accounting for Certain Types of Regulation*. Under SFAS 71, the Company is permitted to account for certain transactions in accordance with permitted regulatory treatment. As such, regulators may permit incurred costs, typically treated as expenses, to be deferred and recovered in future revenues. Criteria that give rise to the discontinuance of SFAS 71 include (1) increasing competition that restricts the Company's ability to establish prices to recover specific costs, and (2) a change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. In the event that the Company no longer meets the criteria under SFAS 71, the Company would be required to writeoff related regulatory assets and liabilities.

SFAS 121, *Accounting for the Impairment of Long Lived Assets*, which became effective for the Company January 1, 1996, requires that any assets, including regulatory assets, which are no longer probable of recovery through future revenues, be revalued based upon future cash flows. SFAS 121 requires that a rate-regulated enterprise recognize an impairment loss for regulatory assets which are no longer probable of recovery. As of December 31, 1996, based upon the regulatory environment within which the Company currently operates, SFAS 121 did not have a material impact on the Company's financial position or results of operations. Competitive influences or regulatory developments may impact this status in the future. See Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of electric utility restructuring which may impact the Company's application of SFAS 71 and 121.

3. Statements of Cash Flows. The following amounts of interest (net of amounts capitalized) and income taxes were paid for the years ending December 31:

	1996	1995	1994
		(In thousands)	
Interest	$8,104	$7,940	$7,714
Income Taxes (Net of refunds)	$3,727	$2,949	$3,088

4. Utility Plant. The cost of plant additions includes all construction-related direct labor and materials, as well as indirect construction costs, including the cost of money (Allowance for Funds Used During Construction or AFUDC). The costs of renewals and betterments of property units are capitalized. The costs of maintenance, repairs and replacements of minor property items are charged to maintenance expense. The costs of units of property removed from service, net of removal costs and salvage, are charged to accumulated depreciation.

5. Depreciation. The Company provides for depreciation on the straight-line method based on the cost and estimated remaining service life of the depreciable property outstanding at the beginning of the year and adjusted for salvage value and cost of removal of the Company's retirements.

The annual depreciation provision was approximately 3.6 percent of total depreciable property at the beginning of each year 1996, 1995 and 1994.

6. Operating Revenues. Operating revenues consist principally of sales of electric energy. The Company records accrued utility revenues, based on estimates of electric service rendered and not billed at the end of an accounting period, in order to match revenues with related costs.

7. Deferred Charges. In a manner consistent with authorized or expected ratemaking treatment, the Company defers and amortizes certain replacement power, maintenance and other costs associated with the Vermont Yankee nuclear plant. In addition, the Company accrues and amortizes other replacement power expenses to reflect more accurately its cost of service to better match revenues and expenses consistent with regulatory treatment. The Company defers and amortizes certain purchased power costs related to its obligations under the Hydro-Québec contracts.

At December 31, 1996, other deferred charges totaled $9.7 million, consisting of repair costs for the Essex and Vergennes hydroelectric facilities, regulatory deferrals of storm damages, rights-of-way maintenance, regulatory proceedings expenses, unamortized debt expense, preliminary survey and investigation charges, transmission interconnection charges and various other projects and deferrals.

8. Earnings Per Share. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year.

9. **Major Customers.** The Company had one major retail customer, IBM, metered at two locations, that accounted for 13.2, 12.9 and 13.7 percent of operating revenues in 1996, 1995 and 1994, respectively.

10. **Pension and Retirement Plans.** The Company has a defined benefit pension plan covering substantially all of its employees. The retirement benefits are based on the employees' level of compensation and length of service. The Company's policy is to fund all pension costs accrued. The Company records annual expense based on amounts funded in accordance with methods approved in the rate-setting process.

Net pension costs reflect the following components and assumptions:

	1996	1995	1994
	(Dollars in thousands)		
Service cost-benefits earned during the period	$ 689	$ 687	$ 768
Interest cost on projected benefit obligations	1,912	1,671	1,633
Actual return on plan assets	(4,383)	(6,447)	(1,296)
Net amortization and deferral	1,756	4,232	(906)
Effect of voluntary retirement program	416	765	---
Adjustment due to actions of regulator	(366)	(878)	(174)
Net periodic pension cost funded and recognized	$ 24	$ 30	$ 25

Assumptions used to determine pension costs and the related benefit obligation in 1996, 1995 and 1994 were:

	1996	1995	1994
Discount rate	8.0%	8.0%	7.5%*
Rate of increase in future compensation levels	5.0%	5.0%	5.0%
Expected long-term rate of return on assets	9.0%	9.0%	9.0%

*The discount rate used to determine the accumulated benefit obligation was 8.0%.

The following table sets forth the plan's funded status as of December 31:

	1996	1995	1994
	(In thousands)		
Actuarial present value of benefit obligations:			
Accumulated benefit obligations, including vested benefits of $21,146, $19,107 and $18,184, respectively	($21,376)	($19,431)	($18,479)
Projected benefit obligations for service rendered to date	($25,615)	($21,974)	($21,363)
Plan assets at fair value	31,286	28,685	24,171
Assets in excess of projected benefit obligations	5,671	6,711	2,808
Unrecognized net gain from past experience different from that assumed	(4,734)	(5,188)	(265)
Prior service cost not yet recognized in net periodic pension cost	1,474	1,506	1,642
Unrecognized net asset at transition being recognized over 16.47 years	(1,477)	(1,706)	(1,934)
Adjustment due to actions of regulator	(934)	(1,323)	(2,231)
Prepaid pension cost included in other assets	$ ---	$ ---	$ ---

The plan assets consist primarily of cash equivalent funds, fixed income securities and equity securities.

The Company also has a supplemental pension plan for certain employees. Pension costs for the years ended December 31, 1996, 1995 and 1994 were $494,000, $397,000 and $381,000, respectively, under this plan. This plan is funded in part through insurance contracts.

11. **Postretirement Health Care Benefits.** The Company provides certain health care benefits for retired employees and their dependents. Employees become eligible for these benefits if they reach normal retirement age while

working for the Company. The Company accrues the cost of these benefits during the service life of covered employees.

Accrued postretirement health care expenses are recovered in rates if those expenses are funded. In order to maximize the tax deductible contributions that are allowed under IRS regulations, the Company amended its pension plan to establish a 401-h subaccount and established separate VEBA trusts for its union and non-union employees. The plan assets consist primarily of cash equivalent funds, fixed income securities and equity securities.

Net postretirement benefits costs for 1996 reflect the following components and assumptions:

	1996	1995 (In thousands)	1994
Accumulated postretirement benefit obligation:			
Current retirees	($ 4,563)	($ 4,594)	($ 3,497)
Participants currently eligible	(772)	(681)	(1,863)
All others	(3,837)	(3,384)	(3,785)
Total accumulated postretirement benefit obligation	(9,172)	(8,659)	(9,145)
Plan assets at fair value	6,327	5,465	3,433
Accumulated postretirement benefit obligation in excess of plan assets . .	(2,845)	(3,194)	(5,712)
Unrecognized prior service cost	(867)	(929)	---
Unrecognized transition obligation	5,630	5,982	6,485
Unrecognized net gain	(1,879)	(1,687)	(1,777)
Prepaid (accrued) postretirement benefit cost	$ 39	$ 172	($ 1,004)

Net periodic postretirement benefit cost for 1996 includes the following components:

	1996	1995 (In thousands)	1994
Service cost	$ 247	$ 224	$ 407
Interest cost	698	697	864
Actual return on plan assets	(870)	(586)	(127)
Deferred asset loss/(gain)	407	264	(107)
Recognition of transition obligation, net of amortization	245	234	361
Total net periodic postretirement benefit cost	$ 727	$ 833	$ 1,398

Assumptions used to determine postretirement benefit costs and the related benefit obligation were:

	1996	1995	1994
Discount rate to determine postretirement benefit costs	8.0%	8.5%	7.5%
Discount rate to determine postretirement benefit obligation	8.0%	8.5%	8.5%
Expected long-term rate of return on assets	8.5%	7.5%	7.5%

For measurement purposes, a 6.0 percent annual rate of increase in the per capita cost of covered benefits was assumed for 1996; the rate was assumed to decrease gradually to 5.0 percent by the year 2001 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by one percentage point would increase the accumulated postretirement benefit obligation as of December 31, 1996 by $1.4 million and the aggregate of the service and interest components of net periodic postretirement benefit cost for the year ended December 31, 1996 by $211,000

12. Fair Value of Financial Instruments. If the first mortgage bonds and preferred stock outstanding at December 31, 1996 were refinanced using new issue debt rates of interest, which, on average, are lower than the Company's outstanding rates, the present value of those obligations would differ from the amounts outstanding on the December 31, 1996 balance sheet by 3 percent. In the event of such a refinancing, there would be no gain or loss, inasmuch as under established regulatory precedent, any such difference would be reflected in rates and have no effect upon income.

13. Deferred Credits. At December 31, 1996, the Company had other deferred credits and long-term liabilities of $23.4 million, consisting of operating lease equalization, reserves for damage claims and environmental liabilities and accruals for employee benefits.

14. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect assets and liabilities, the disclosure of contingent assets and liabilities, and revenues and expenses. Actual results could differ from those estimates.

15. Reclassification. Certain items on the prior years' financial statements have been reclassified for consistent presentation with the current year.

B. INVESTMENTS IN ASSOCIATED COMPANIES

The Company accounts for investments in the following companies by the equity method:

	Percent Ownership at December 31, 1996	Investment in Equity December 31,	
		1996	1995
		(In thousands)	
VELCO - Common	29.5%	$ 1,834	$ 1,811
- Preferred	30.0%	1,118	1,278
Total VELCO		2,952	3,089
Vermont Yankee - Common	17.9%	9,768	9,631
New England Hydro-Transmission - Common	3.18%	1,205	1,296
New England Hydro-Transmission Electric - Common	3.18%	1,891	2,008
		$15,816	$16,024

Undistributed earnings in associated companies totaled $714,000 at December 31, 1996.

VELCO. VELCO is a corporation engaged in the transmission of electric power within the State of Vermont. VELCO has entered into transmission agreements with the State of Vermont and other electric utilities, and under these agreements bills all costs, including interest on debt and a fixed return on equity, to the State and others using the system. The Company's purchases of transmission services from VELCO were $7.7 million, $7.6 million and $7.9 million for the years 1996, 1995 and 1994, respectively. Pursuant to VELCO's Amended Articles of Association, the Company is entitled to approximately 30 percent of the dividends distributed by VELCO. The Company has recorded its equity in earnings on this basis and also is obligated to provide its proportionate share of the equity capital requirements of VELCO through continuing purchases of its common stock, if necessary.

Summarized financial information for VELCO is as follows:

	December 31,		
	1996	1995	1994
	(In thousands)		
Company's equity in net income	$ 383	$ 377	$ 386
Total assets	$74,065	$71,668	$69,724
Less:			
Liabilities and long-term debt	64,159	61,238	58,850
Net assets	$9,906	$10,430	$10,874
Company's equity in net assets	$2,952	$ 3,089	$ 3,232

Vermont Yankee. The Company is responsible for 17.3 percent of Vermont Yankee's expenses of operations, including costs of equity capital and estimated costs of decommissioning, and is entitled to a similar share of the power output of the nuclear plant, which has a net capacity of 531 megawatts. Vermont Yankee's current estimate of decommissioning costs is approximately $366 million, of which $160 million has been funded. At December 31, 1996, the Company's portion of the net unfunded liability was $36 million, which it expects will be recovered through rates over Vermont Yankee's remaining operating life. As a sponsor of Vermont Yankee, the Company also is obligated to provide 20 percent of capital requirements not obtained by outside sources. During 1996, the Company incurred $28.5 million in Vermont Yankee annual capacity charges, which included $1.8 million for interest charges. The Company's share of Vermont Yankee's long-term debt at December 31, 1996 was $13.8 million.

The Price-Anderson Act currently limits public liability from a single incident at a nuclear power plant to $8.9 billion. Any liability beyond $8.9 billion is indemnified under an agreement with the Nuclear Regulatory Commission, but subject to congressional approval. The first $200 million of liability coverage is the maximum provided by private insurance. The Secondary Financial Protection Program is a retrospective insurance plan providing additional coverage up to $8.7 billion per incident by assessing retrospective premiums of $79.3 million against each of the 110 reactor units in the United States that are currently subject to the Program, limited to a maximum assessment of $10 million per incident per nuclear unit in any one year. The maximum assessment is expected to be adjusted at least every five years to reflect inflationary changes.

The above insurance covers all workers employed at nuclear facilities prior to January 1, 1988, for bodily injury claims. Vermont Yankee has purchased a master worker insurance policy with limits of $200 million with one automatic reinstatement of policy limits to cover workers employed on or after January 1, 1988. Vermont Yankee's estimated contingent liability for a retrospective premium on the master worker policy as of December 1995 is $3.0 million. The secondary financial protection program referenced above provides coverage in excess of the Master Worker policy.

Insurance has been purchased from Nuclear Electric Insurance Limited (NEIL) to cover the costs of property damage, decontamination or premature decommissioning resulting from a nuclear incident. All companies insured with NEIL are subject to retroactive assessments if losses exceed the accumulated funds available. The maximum potential assessment against Vermont Yankee with respect to NEIL losses arising during the current policy year is $13.3 million. Vermont Yankee's liability for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year unless prior demand has been made.

Summarized financial information for Vermont Yankee is as follows:

	December 31,		
	1996	1995	1994
		(In thousands)	
Earnings:			
Operating revenues	$181,715	$180,437	$162,757
Net income applicable to common stock	6,985	6,790	6,588
Company's equity in net income	1,232	1,171	1,143
Total assets	$565,000	$531,293	$512,142
Less:			
Liabilities and long-term debt	510,202	477,350	457,669
Net assets	$ 54,798	$ 53,943	$ 54,473
Company's equity in net assets	$ 9,768	$ 9,631	$ 9,766

C. COMMON STOCK EQUITY

The Company maintains a Dividend Reinvestment and Stock Purchase Plan (DRIP) under which 509,139 shares were reserved and unissued at December 31, 1996. The Company also funds an Employee Savings and Investment Plan (ESIP). At December 31, 1996, there were 149,900 shares reserved and unissued under the ESIP.

During 1995, the Company's Board of Directors, with subsequent approval of the Company's common shareholders, adopted the Compensation Program for Officers and Certain Key Management Personnel. Participants are entitled to receive cash and restricted and unrestricted stock grants in predetermined proportions. Participants who receive restricted stock are entitled to receive dividends and have voting rights but assumption of full beneficial ownership is contingent upon two restrictions of a five year duration, including no transferability and forfeiture of the stock upon termination of employment with the Company. Participants who receive unrestricted stock assume full beneficial ownership upon grant and may retain or sell such shares. During 1996, 7,035 shares of common stock were awarded under this program. At December 31, 1996, there were 31,039 shares reserved and unissued under the Compensation Program.

Changes in common stock equity for the years ended December 31, 1994, 1995 and 1996 are as follows:

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Stock Equity
			(Dollars in thousands)				
BALANCE, December 31, 1993	4,536,042	$15,120	$57,178	$25,229	15,856	($378)	$97,149
Common Stock Issuance							
DRIP	109,959	367	2,472				2,839
ESIP	31,511	105	728				833
Net Income				11,002			11,002
Cash Dividends on Capital Stock:							
Common Stock - $2.12 per share				(9,713)			(9,713)
Preferred Stock - $4.75 per share				(18)			(18)
- $7.00 per share				(38)			(38)
- $9.375 per share				(131)			(131)
- $8.625 per share				(604)			(604)
BALANCE, December 31, 1994	4,677,512	15,592	60,378	25,727	15,856	(378)	101,319
Common Stock Issuance							
DRIP	125,046	417	2,731				3,148
ESIP	36,012	120	829				949
Compensation Program:							
Restricted Shares	8,100	27	182				209
Stock Grant	3,826	12	86				98
Net Income				11,503			11,503
Cash Dividends on Capital Stock:							
Common Stock - $2.12 per share				(10,047)			(10,047)
Preferred Stock - $4.75 per share				(15)			(15)
- $7.00 per share				(36)			(36)
- $9.375 per share				(116)			(116)
- $8.625 per share				(604)			(604)
BALANCE, December 31, 1995	4,850,496	16,168	64,206	26,412	15,856	(378)	106,408
Common Stock Issuance							
DRIP	149,968	500	3,188				3,688
ESIP	29,644	99	668				767
Compensation Program:							
Restricted Shares	2,392	8	59				67
Stock Grant	4,643	15	105				120
Net Income				11,959			11,959
Cash Dividends on Capital Stock:							
Common Stock - $2.12 per share				(10,445)			(10,445)
Preferred Stock - $4.75 per share				(14)			(14)
- $7.00 per share				(35)			(35)
- $9.375 per share				(101)			(101)
- $8.625 per share				(543)			(543)
- $7.32 per share				(317)			(317)
BALANCE, December 31, 1996	5,037,143	$16,790	$68,226	$26,916	15,856	($378)	$111,554

Dividend Restrictions. Certain restrictions on the payment of cash dividends on common stock are contained in the Company's indenture relating to long-term debt and in the Restated Articles of Association. Under the most restrictive of such provisions, $20.5 million of retained earnings were free of restrictions at December 31, 1996.

The properties of the Company include several hydroelectric projects licensed under the Federal Power Act, with license expiration dates ranging from 1999 to 2025. At December 31, 1996, $302,000 of retained earnings had been appropriated as excess earnings on hydroelectric projects as required by Section 10(d) of the Federal Power Act.

D. PREFERRED STOCK

The holders of the preferred stock are entitled to specific voting rights with respect to certain types of corporate actions. They are also entitled to elect the smallest number of directors necessary to constitute a majority of the Board of Directors in the event of preferred stock dividend arrearages equivalent to or exceeding four quarterly dividends. Similarly, the holders of the preferred stock are entitled to elect two directors in the event of a default in any purchase or sinking fund requirements provided for any class of preferred stock.

Certain classes of preferred stock are subject to annual purchase or sinking fund requirements. The sinking fund requirements are mandatory. The purchase fund requirements are mandatory, but holders may elect not to accept the purchase offer. The redemption or purchase price to satisfy these requirements may not exceed $100 per share plus accrued dividends. All shares redeemed or purchased in connection with these requirements must be canceled and may not be reissued. The annual purchase and sinking fund requirements for certain classes of preferred stock are as follows:

Purchase and Sinking Fund		
8.625%, Class D, Series 3 . .	September 1	14,000 Shares
4.75%, Class B	December 1	450 Shares
7%, Class C	December 1	450 Shares
9.375%, Class D, Series 1 . .	December 1	1,600 Shares

Under the Restated Articles of Association relating to Redeemable Cumulative Preferred Stock, the annual aggregate amount of purchase and sinking fund requirements for the next five years are $1,650,000 for the years 1997-1999, $1,640,000 for 2000 and $235,000 for 2001.

Certain classes of preferred stock are redeemable at the option of the Company or, in the case of voluntary liquidation, at various prices on various dates. The prices include the par value of the issue plus any accrued dividends and a redemption premium. The redemption premium for Class B, C and D, Series 1, is $1.00 per share. The redemption premium for the Class D, Series 3, is $2.877 per share until September 1, 1997; $1.919 per share from September 1, 1997 to September 1, 1998; and $0.916 per share from September 1, 1998 to September 1, 1999, after which there is no redemption premium.

In October 1996, the Company issued $12.0 million of its 7.32 percent, Class E, Series 1, preferred stock.

E. LONG-TERM DEBT

Utility. Substantially all of the property and franchises of the Company are subject to the lien of the indenture under which first mortgage bonds have been issued. The annual sinking fund requirements (excluding amounts that may be satisfied by property additions) and long-term debt maturities for the next five years are:

	Sinking Funds	Maturities	Total
		(In thousands)	
1997	$1,700	$1,334	$3,034
1998	1,700	3,000	4,700
1999	1,700	---	1,700
2000	1,700	5,000	6,700
2001	1,700	8,000	9,700

Non-Utility. At December 31, 1996, Green Mountain Propane Gas Company, the Company's propane subsidiary, had long-term debt of $2,900,000, which was secured by substantially all of the subsidiary's assets, and Mountain Energy Inc., the Company's subsidiary that invests in energy generation and efficiency projects, had unsecured long-term debt of $1,749,103. The annual sinking fund requirements and maturities for the next four years are:

	Sinking Funds	Maturities	Total
		(In thousands)	
1997	$1,167	$ ---	$1,167
1998	1,167	---	1,167
1999	167	900	1,067
2000	83	1,166	1,249

F. SHORT-TERM DEBT

Utility. At December 31, 1996, the Company had lines of credit with six banks totaling $40.0 million, with borrowings outstanding of $1.0 million. Borrowings under these lines of credit are at interest rates based on various market rates and are generally less than the prime rate. The Company has fee arrangements on its lines of credit ranging from 1/8 to 1/4 percent and no compensating balance requirements. These lines of credit are subject to periodic review and renewal during the year by the various banks.

The weighted average interest rate on borrowings outstanding on December 31, 1996 and December 31, 1995 was 5.7 percent and 6.3 percent, respectively.

Non-Utility. At December 31, 1996, Green Mountain Propane Gas Company, the Company's propane subsidiary, had a line of credit with a bank for $1.5 million, with $275,000 outstanding.

G. INCOME TAXES

Utility. The Company accounts for income taxes using an asset and liability approach. This approach accounts for deferred income taxes by applying statutory rates in effect at year end to the differences between the book and tax bases of assets and liabilities.

The regulatory assets and liabilities represent taxes that will be collected from or returned to customers through rates in future periods. As of December 31, 1996 and 1995, the net regulatory assets were $1,194,000 and $690,000, respectively.

The temporary differences which gave rise to the net deferred tax liability at December 31, 1996 and December 31, 1995, were as follows:

	At December 31, 1996	At December 31, 1995
	(In thousands)	
Deferred Tax Assets		
Contributions in aid of construction	$ 7,094	$ 6,361
Deferred compensation and post-retirement benefits	2,944	2,931
Alternative minimum tax credit . . .	(552)	(661)
Excess deferred taxes	1,891	1,990
Unamortized investment tax credits .	2,025	2,151
Other	2,719	2,982
	$16,121	$15,754
Deferred Tax Liabilities		
Property-related and other	$30,553	$28,009
Demand side management costs	5,856	6,685
Deferred purchased power costs . . .	3,716	2,901
Reversal of previously flowed-through tax depreciation	2,133	2,816
AFUDC equity basis adjustment	589	635
	42,847	41,046
Net accumulated deferred income tax liability	($26,726)	($25,292)

The following table reconciles the change in the net accumulated deferred income tax liability to the deferred income tax expense included in the income statement for the period:

	Year Ended December 31, 1996	1995	1994
		(In thousands)	
Net change in deferred income tax liability per above table	$1,434	$3,210	$1,080
Change in income tax related regulatory assets and liabilities.	504	503	505
Change in alternative minimum tax credit . .	109	168	(1,578)
IRS audit adjustment, 1989 - 90	--	255	--
Deferred income tax expense for the period .	$2,047	$4,136	$ 7

The components of the provision for income taxes are as follows:

	Year Ended December 31, 1996	1995	1994
		(In thousands)	
Current state income taxes	$ 990	$ 365	$1,205
Deferred state income taxes	459	897	70
Current federal income taxes	3,708	1,359	4,466
Deferred federal income taxes	1,588	3,239	(63)
Investment tax credits -- net	(282)	(282)	(283)
Income taxes charged to operations . . .	$6,463	$5,578	$5,395

Total federal income taxes differ from the amounts computed by applying the statutory tax rate to income before taxes. The reasons for the differences are as follows:

	Year Ended December 31,		
	1996	1995	1994
	(Dollars in thousands)		
Income before income tax	$18,422	$17,081	$16,398
Federal statutory rate	34%	34%	34%
Computed "expected" federal income taxes	$ 6,263	$ 5,808	$ 5,575
Increase (decrease) in taxes resulting from:			
Tax versus book depreciation	327	327	327
Dividends received and paid credit .	(524)	(616)	(499)
AFUDC - equity funds	(59)	(9)	(89)
Amortization of ITC	(282)	(282)	(283)
State tax benefit	(493)	(429)	(433)
Excess deferred taxes	(60)	(60)	(60)
Taxes attributable to subsidiaries .	(140)	(401)	(268)
Other	(18)	(22)	(150)
Total federal income taxes	$5,014	$4,316	$4,120
Effective federal income tax rate . .	27.2%	25.3%	25.1%

Non-Utility. The Company's non-utility subsidiaries had accumulated deferred income taxes of $4.7 million on their balance sheets at December 31, 1996, largely attributable to property-related transactions.

The components of the provision for income taxes for the non-utility operations are:

	Year Ended December 31,		
	1996	1995	1994
	(In thousands)		
State income taxes	$154	$165	$123
Federal income taxes	207	613	444
Investment tax credits	(45)	(45)	(45)
Income taxes charged to operations . .	$ 316	$733	$522

Total federal income taxes differ from the amounts computed by applying the statutory rate to income before taxes, primarily attributable to state tax benefits.

The effective federal income tax rates for the non-utility operations were 22.4 percent, 29.7 percent, and 29.0 percent for the years ended December 31, 1996, 1995 and 1994, respectively.

H. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following quarterly financial information, in the opinion of management, includes all adjustments necessary to a fair statement of results of operations for such periods. Variations between quarters reflect the seasonal nature of the Company's business and the timing of rate changes.

	1996 Quarter Ended				
	March	June	Sept.	Dec.	Total
	(Amounts in thousands, except per share)				
Operating Revenues	$48,415	$40,467	$44,423	$45,704	$179,009
Operating Income	5,073	1,859	4,419	4,776	16,127
Net Income	4,065	1,024	3,474	3,396	11,959
Net Income Applicable to Common Stock	3,875	834	3,315	2,925	10,949
Earnings per Average Share of Common Stock	$0.80	$0.17	$0.67	$0.58	$2.22
Weighted Average Number of Common Shares Outstanding .	4,860	4,911	4,959	5,003	4,933

	1995 Quarter Ended				
	March	June	Sept.	Dec.	Total
	(Amounts in thousands, except per share)				
Operating Revenues	$40,023	$37,127	$39,781	$44,613	$161,544
Operating Income	4,482	2,770	3,826	4,217	15,295
Net Income	3,227	1,992	3,071	3,213	11,503
Net Income Applicable to Common Stock	3,033	1,798	2,877	3,024	10,732
Earnings per Average Share of Common Stock	$0.65	$0.38	$0.60	$0.63	$2.26
Weighted Average Number of Common Shares Outstanding .	4,680	4,721	4,771	4,815	4,747

I. COMMITMENTS AND CONTINGENCIES

1. Industry Restructuring. The electric utility business is being subjected to rapidly increasing competitive pressures stemming from a combination of trends, including the presence of surplus generating capacity, a disparity in electric rates among and within various regions of the country, improvements in generation efficiency, increasing demand for customer choice, and new regulations and legislation intended to foster competition.

On December 31, 1996, the VPSB issued an Order which proposed the commencement of competitive retail sales of electricity in early 1998. The Vermont General Assembly is debating proposals that would allow retail competition in Vermont in 1998.

The Company, Central Vermont Public Service Corporation, representatives of the Governor of Vermont and the Department are in the process of negotiating a Memorandum of Understanding that would outline agreed-upon positions among the parties relative to the numerous issues involving the industry restructuring.

For a complete discussion, see Management's Discussion and Analysis of Financial Condition and Results of Operations - "Future Outlook".

2. Environmental Matters. Public concern for the environment has resulted in increased government regulation of the licensing and operation of electric generation, transmission and distribution facilities. The electric industry typically uses or generates a range of potentially hazardous products in its operations. The Company must meet various land, water, air and aesthetic requirements as administered by local, state and federal regulatory agencies. The Company maintains an environmental compliance and monitoring program that includes employee training, regular inspection of Company facilities, research and development projects, waste handling and spill prevention procedures and other activities. Subject to developments concerning the Pine Street Marsh site described below, the Company believes that it is in substantial compliance with such requirements, and no material complaints concerning compliance by the Company with present environmental protection regulations are outstanding.

The Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as the "Superfund" law, generally imposes strict, joint and several liability, regardless of fault, for remediation of property contaminated with hazardous substances. The Company has been notified by the Environmental Protection Agency (EPA) that it is one of several potentially responsible parties (PRPs) for cleanup of the Pine Street Marsh site in Burlington, Vermont, where coal tar and other industrial materials were deposited. From the late 19th century until 1967, gas was manufactured at the Pine Street Marsh site by a number of enterprises, including the Company. In 1990, the Company was one of the 14 parties that agreed to pay a total of $945,000 of the EPA's past response costs under a Consent Decree. The Company remains a PRP for ongoing and future response costs. In November 1992, the EPA proposed a cleanup plan estimated by the EPA to cost $47 million. In June 1993, the EPA withdrew this cleanup plan in response to public concern about the plan and its cost. The cost of any future cleanup plan, the magnitude of unresolved EPA cost recovery claims, and the Company's share of such costs are uncertain at this time.

Since 1994, the EPA has established a coordinating council, with representatives of PRPs, environmental and community groups, the City of Burlington and the State of Vermont presided over by a neutral facilitator. The council has determined, by consensus, what additional studies were appropriate for the site, and is addressing the question of additional response activities. The EPA, the State of Vermont and other parties have entered into two consent orders for completion of appropriate studies. Work is continuing under the second of those orders. On December 1, 1994, the Company, and two other PRPs, New England Electric System (NEES) and Vermont Gas Systems (VGS), entered into a confidential agreement with the State of Vermont, the City of Burlington and nearly all other landowner PRPs under which, subject to certain qualifications, the liability of those landowner PRPs for future Superfund response costs would be limited and specified. On December 1, 1994, the Company entered into a confidential agreement with VGS compromising contribution and cost recovery claims of each party and contractual indemnity claims of the Company arising from the 1964 sale of the manufactured gas plant to VGS. In March 1996, the Company and NEES entered into a confidential agreement compromising past and future contribution and cost recovery claims of both parties relating to response costs.

In December 1991, the Company brought suit against eight previous insurers seeking recovery of unrecovered past costs and indemnity against future liabilities associated with environmental problems at the site. Discovery in the case, which was previously subject to a stay, is proceeding and is largely complete. A trial in this litigation is scheduled for late 1997. The Company has reached confidential final settlements with two of the defendants in this litigation and has obtained summary judgment declaring one insurer's duty to defend.

The Company has deferred amounts received, under confidential settlement, from third parties pending resolution of the Company's ultimate liability with respect to the site and rate recognition of that liability. The Company is unable to predict at this time the magnitude of any liability resulting from potential claims for the costs to investigate and remediate the site, or the likely disposition or magnitude of claims the Company may have against others, including its insurers, except to the extent described above.

Through rate cases filed in 1991, 1993, 1994 and 1995, the Company has sought and received recovery for ongoing expenses associated with the Pine Street Marsh site. Specifically, the Company proposed rate recognition of its unrecovered expenditures incurred between January 1, 1991 and June 30, 1995 (in the total of approximately $8.7 million) for technical consultants and legal assistance in connection with the EPA's enforcement action at the site and insurance litigation. While reserving the right to argue in the future about the appropriateness of rate recovery for Pine Street Marsh related costs, the Company and the Department reached agreements in these cases that the full amount of Pine Street Marsh costs reflected in those rate cases should be recovered in rates. The Company's rates approved by the VPSB in those proceedings reflected the Pine Street Marsh related expenditures referred to above.

Management expects to seek and (assuming recovery consistent with the previous regulatory treatment set forth above) receive ratemaking treatment for unreimbursed costs incurred beyond the amounts for which ratemaking treatment has been received.

An uthoritative accounting standard, Statement of Position (SOP) 96-1, has bee issued by the accounting profession addressing environmental remediation obligations. This SOP is effective for years beginning in 1997, and addresses, among other things, regulatory benchmarks that are likely triggers of the accrual of estimated losses, the costs included in the measurement, including incremental costs of remediation efforts such as post-remediation monitoring and long-term operation and maintenance costs and costs of compensation and related benefits of employees devoting time to the remediation. After reviewing the Company's current accounting policies and ratemaking treatment, management does not believe that this SOP will have a material adverse effect on the Company's financial position or results of operations upon adoption.

3. Operating Leases. The Company has an operating lease for its corporate headquarters building and two of its service center buildings, including related real estate. This lease has a base term of 25 years, ending June 30, 2009, with renewal options aggregating another 25 years. The annual lease charges will total $983,000 for each of the years 1997 through 2008 and $574,000 for 2009. The Company has options to purchase the buildings at fair market value at the end of the base term and at the end of each renewal period.

4. Jointly-Owned Facilities. The Company had joint-ownership interests in electric generating and transmission facilities at December 31, 1996, as follows:

	Ownership Interest	Share of Capacity	Utility Plant	Accumulated Depreciation
	(In %)	(In MW)	(In thousands)	
Highgate	33.8	67.6	$ 9,734	$3,056
McNeil	11.0	5.9	$ 8,633	$3,323
Stony Brook (No. 1)	8.8	31.0	$10,039	$5,919
Wyman (No. 4)	1.1	6.8	$ 2,384	$1,309
Metallic Neutral Return (1) .	59.4	---	$ 1,563	$ 368

(1) Neutral conductor for NEPOOL/Hydro-Québec Interconnection

The Company's share of expenses for these facilities is reflected in the Consolidated Statements of Income. Each participant in these facilities must provide for its own financing.

5. Rate Matters. 1994 Retail Rate Case - On September 26, 1994, the Company filed a request with the VPSB to increase retail rates by 13.9 percent. The increase was needed primarily to cover the rising cost of existing power sources, the cost of new power sources that the Company secured to replace power supply that will be lost in the near future, and the cost of energy efficiency programs that the Company implemented for its customers. The Company, the Department and the other parties in the proceeding reached a settlement agreement providing for a 9.25 percent retail rate increase effective June 15, 1995, and a target return on equity for utility operations of 11.25 percent. In the event that the target return on equity is exceeded, the Company would accelerate the amortization of certain demand side management expenditures in the next year for which rate recovery otherwise would have been sought. The agreement was approved by the VPSB on June 9, 1995.

1995 Retail Rate Case - In September 1995, the Company filed a 12.7 percent retail rate increase to cover higher power supply costs, to support additional investment in plant and equipment, to fund expenses associated with the Pine Street Marsh site, and to cover higher costs of capital. Early in 1996, the Company settled this rate case with the Department and other parties, enabling the Company to conduct its business and achieve satisfactory financial results without the drain on human resources and the additional costs that rate litigation imposes.

The settlement became possible when the Company negotiated a new arrangement with Hydro-Québec that will reduce the Company's net power-supply costs below the amounts anticipated in the rate increase request. The settlement provided: projected additional annual revenues of $7.6 million; an overall increase in retail rates of 5.25 percent effective June 1, 1996; target return on equity for utility operations of 11.25 percent (with a continuation of the amortization of any amount in excess of the target rate of return in the following year, as described above); and recovery of $1.3 million of costs associated with the Pine Street site, amortized over five years. The VPSB approved the settlement in an order dated May 23, 1996. In 1996, the rate of return on utility operations was 11.8% and in 1995 was 11.3%. An accounting order received from the VPSB on December 31, 1996 continues the limitation on return on equity from utility operations through December 31, 1997.

6. Other Legal Matters. The Company is involved in legal and administrative proceedings in the normal course of business and does not believe that the ultimate outcome of these proceedings will have a material effect on the financial position or the results of operations of the Company.

J. OBLIGATIONS UNDER TRANSMISSION INTERCONNECTION SUPPORT AGREEMENT

Agreements executed in 1985 among the Company, VELCO and other NEPOOL members and Hydro-Québec provided for the construction of the second phase (Phase II) of the interconnection between the New England electric systems and that of Hydro-Québec. Phase II expands the Phase I facilities from 690 megawatts to 2,000 megawatts and provides for transmission of Hydro-Québec power from the Phase I terminal in northern New Hampshire to Sandy Pond, Massachusetts. Construction of Phase II commenced in 1988 and was completed in late 1990. The Company is entitled to 3.2 percent of the Phase II power-supply benefits. Total construction costs for Phase II were approximately $487 million. The New England participants, including the Company, have contracted to pay monthly their proportionate share of the total cost of constructing, owning and operating the Phase II facilities, including capital costs. As a supporting participant, the Company must make support payments under thirty-year agreements. These support agreements meet the capital lease accounting requirements under SFAS 13. At December 31, 1996, the present value of the Company's obligation is $9.0 million.

Projected future minimum payments under the Phase II support agreements are as follows:

Year ending December 31,	
1997	$ 474,013
1998	474,013
1999	474,013
2000	474,013
2001	474,013
Total for 2002-2020	6,636,181
	$9,006,246

The Phase II portion of the project is owned by New England Hydro-Transmission Electric Company and New England Hydro-Transmission Corporation, subsidiaries of New England Electric System, in which certain of the Phase II participating utilities, including the Company, own equity interests. The Company holds approximately 3.2 percent of the equity of the corporations owning the Phase II facilities.

K. LONG-TERM POWER PURCHASES

1. Unit Purchases. Under long-term contracts with various electric utilities in the region, the Company is purchasing certain percentages of the electrical output of production plants constructed and financed by those utilities. Such contracts obligate the Company to pay certain minimum annual amounts representing the Company's proportionate share of fixed costs, including debt service requirements (amounts necessary to retire the principal of and to pay the interest on the portion of the related long-term debt ascribed to the Company) whether or not the production plants are operating. The cost of power obtained under such long-term contracts, including payments required to be made when a production plant is not operating, is reflected as "Power Supply Expenses" in the accompanying Consolidated Statements of Income.

Information (including estimates for the Company's portion of certain minimum costs and ascribed long-term debt) with regard to significant purchased power contracts of this type in effect during 1996 follows:

	Merrimack	Stony Brook	Vermont Yankee
		(Dollars in thousands)	
Plant capacity	320.0 MW	352.0 MW	531.0 MW
Company's share of output	9.5%	4.0%	17.3%
Contract period	1968-1998	(1)	(2)
Company's annual share of:			
Interest	$ 650	$ 232	$ 1,829
Other debt service	365	307	---
Other capacity	1,953	319	26,697
Total annual capacity	$2,968	$ 858	$28,526
Company's share of long-term debt .	$ 907	$4,538	$13,845

(1) Life of plant estimated to be 1981 - 2006.
(2) License for plant operations expires in 2012.

2. Hydro-Québec System Power Purchases. Under various contracts, the details of which are described in the table below, the Company purchases capacity and associated energy produced by the Hydro-Québec system. Such contracts obligate the Company to pay certain fixed capacity costs whether or not energy purchases above a minimum level set forth in the contracts are made. Such minimum energy purchases must be made whether or not other, less expensive energy sources might be available. These contracts are intended to complement the other components in the Company's power supply to achieve the most economic power-supply mix reasonably available.

The Company's current purchases pursuant to the contract with Hydro-Québec entered into December 4, 1987 (the 1987 Contract) are as follows: (1) Schedule B -- 68 megawatts of firm capacity and associated energy to be delivered at the Highgate interconnection for twenty years beginning in September 1995; and (2) Schedule C3 -- 46 megawatts of firm capacity and associated energy to be delivered at interconnections to be determined at any time for 20 years, which began in November 1995.

During 1994, the Company negotiated an arrangement with Hydro-Québec that reduces the cost impacts associated with the purchase of Schedules B and C3 under the 1987 Contract, over the November 1995 through October 1999 period (the July 1994 Agreement). Under the July 1994 Agreement, the Company, in essence, will take delivery of the amounts of energy as specified in the 1987 Contract, but the associated fixed costs will be significantly reduced from those specified in the 1987 Contract.

As part of the July 1994 Agreement, the Company is obligated to purchase $3 million (in 1994 dollars) worth of research and development work from Hydro-Québec over the four-year period, and made a $7.5 million (in 1994 dollars) cash payment to Hydro-Québec in 1995. The Company has exercised an option to purchase $1 million worth of additional research and development work and the $7.5 million cash payment was reduced accordingly. Hydro-Québec retains the right to curtail annual energy deliveries by 10 percent up to five times, over the 2000 to 2015 period, if documented drought conditions exist in Québec.

During the first year of the July 1994 Agreement (the period from November 1995 through October 1996), the average cost per kilowatt-hour of Schedules B and C3 combined was cut from 6.4 to 4.2 cents per kilowatt-hour, a 34 percent (or $16 million) cost reduction. Over the four-year period covered by the arrangement, combined unit costs will be lowered from 6.4 to 5.3 cents per kilowatt-hour, reducing unit costs by 17 percent and saving $34.1 million in nominal terms.

All of the Company's contracts with Hydro-Québec call for the delivery of system power and are not related to any particular facilities in the Hydro-Québec system. Consequently, there are no identifiable debt-service charges associated with any particular Hydro-Québec facility that can be distinguished from the overall charges paid under the contracts.

A Summary of the Hydro-Quebec contracts, including the July 1994 Agreement, but excluding the January and November 1996 agreements (described below) including historic and projected charges for the years indicated, follows:

	The 1987 Contract	
	Schedule B	Schedule C3
	(Dollars in thousands)	
Capacity Acquired	68 MW	46 MW
Contract Period	1995-2015	1995-2015
Minimum Energy Purchase (annual load factor) . .	75%	75%
Annual Energy Charge . .	$10,584 (1996)	$7,290 (1996)
	$15,100 (1997-2015)*	$10,416 (1997-2015)*
Annual Capacity Charge .	$9,637 (1996)	$1,712 (1996)
	$17,124 (1997-2015)*	$10,892 (1997-2015)*
Average Cost per KWH . .	4.7¢ (1996) **	3.0¢ (1996)**
	7.0¢ (1997-2015)***	6.4¢ (1997-2015)***

* Estimated average.
** Excludes amortization of payments to Hydro-Québec for the July 1994 Agreement.
***Estimated average in nominal dollars, levelized over the period indicated. Includes amortization of payments to Hydro-Québec for the July 1994 Agreement.

Under an agreement negotiated in January 1996 (the January 1996 Agreement), Hydro-Québec provided a cash payment to the Company of $3.0 million in 1996 and will provide a cash payment of $1.1 million in 1997. In return, the Company has agreed, under certain circumstances, to shift up to 40 megawatts of the Schedule C3 deliveries from the NEPOOL/Hydro-Québec interconnection facilities to an alternate transmission path, using the freed-up transmission path for an incremental purchase. The Company will purchase an annual minimum quantity of energy for the Company's use or resale for the period of September 1996 through June 2001. The purchase price will vary based upon conditions in effect when the purchases are made, or on the resale conditions at the time. Should the Company not satisfy its obligation to purchase the quantity of energy in any calendar year, it must pay a cancellation fee or rollover its residual purchase obligation into the succeeding calendar year period. Although the level of benefits to the Company will depend on various factors, the Company estimates that the January 1996 Agreement will provide a minimum benefit of $1.8 million on a net present value basis. During 1996, the Company purchased or sold to others, 87.8% of the minimum purchase obligation for that year. The remainder of the requirement has been rolled over into the 1997 calendar year energy purchase obligation.

Under a Memorandum of Understanding negotiated in November 1996, Hydro-Québec will provide cash payments of $8.0 million to the Company in 1997. In return for this payment, the Company is providing Hydro-Québec with the choice of selecting one of two alternatives, described below:
Alternative A: For the period commencing November 1, 1997 and effective through the remaining term of the 1987 Contract, which expires in 2015, Hydro-Québec can exercise an option to purchase up to 105,000 MWh on an annual basis, at energy prices established in accordance with the 1987 Contract, for an amount of energy equivalent to the Company's firm capacity entitlements in the 1987 Contract. The cumulative amount of energy purchased over the remaining term of the 1987 Contract shall not exceed 1,900,000 MWh. Hydro-Québec may not exercise its annual rights to purchase power in the amounts specified under the November 1996 Agreement during those years in which Hydro-Québec exercises its rights to curtail energy deliveries in accordance with the July 1994 Agreement.
Alternative B: For the period commencing November 1, 1997 and effective through the remaining term of the 1987 Contract, Hydro-Québec can exercise an option to purchase up to 52,500 MWh on an annual basis, at energy prices established in accordance with the 1987 Contract, for an amount of energy equivalent to the Company's firm capacity entitlements in the 1987 Contract. The cumulative amount of energy purchased over the remaining term of the 1987 Contract shall not exceed 950,000 MWh. Unlike Alternative A, Hydro-Québec's option to curtail energy deliveries pursuant to the July 1994 Agreement can be exercised in addition to the purchase option under Alternative B. Finally, for the period commencing January 1, 1998 and effective though the remaining term of the 1987 Contract under Alternative B, Hydro-Québec can exercise an option on an annual basis to purchase up to 600,000 MWh at the 1987 Contract energy price. Hydro-Québec can purchase no more than 200,000 MWh in any given year.

Consistent with allowed ratemaking treatment, the $8.0 million payment will be recognized in income in the third and fourth quarters of 1997.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Green Mountain Power Corporation:

We have audited the accompanying consolidated balance sheets and capitalization data of Green Mountain Power Corporation (a Vermont corporation) as of December 31, 1996 and 1995, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Green Mountain Power Corporation as of December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Boston, Massachusetts
January 31, 1997

Schedule II
GREEN MOUNTAIN POWER CORPORATION
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
For the Years Ended December 31, 1996, 1995 and 1994

Description	Balance at Beginning of Period	Additions: Charged to Cost & Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Pine Street Marsh (1)					
1996	$0	$ --	$ --	$ --	$0
1995	$0	$ --	$ --	$ --	$0
1994	$684,430	$ --	$ --	$684,430	$0
Injuries and Damages					
1996	$103,301	$572,000	$ --	$437,409	$237,892
1995	$513,720	$38,000	$ --	$448,419	$103,301
1994	$105,660	$35,000	$394,430	$21,370	$513,720
Bad Debt Reserve (3)					
1996	$417,684	$677,272	$72,344 (2)	$669,276	$498,024
1995	$402,923	$371,564	$48,696 (2)	$405,499	$417,684
1994	$639,853	$243,974	$53,076 (2)	$533,980	$402,923

(1) See Note I-1 of the Notes to Consolidated Financial Statements.
(2) Represents collection of accounts previously written off.
(3) Includes non-utility bad debt reserve.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEMS 10, 11, 12 & 13

Certain information regarding executive officers called for by Item 10, "Directors and Executive Officers of the Registrant," is furnished under the caption, "Executive Officers" in Item 1 of Part I of this Report. The other information called for by Item 10, as well as that called for by Items 11, 12, and 13, "Executive Compensation," "Security Ownership of Certain Beneficial Owners and Management" and "Certain Relationships and Related Transactions," will be set forth under the captions "Election of Directors," "Board Compensation, Other Relationship, Meetings and Committees," "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Compensation," "Compensation Committee Report on Executive Compensation," "Performance Graphs," "Pension Plan Information" and "Securities Ownership of Certain Beneficial Owners and Management" in the Company's definitive proxy statement relating to its annual meeting of stockholders to be held on May 15, 1997. Such information is incorporated herein by reference. Such proxy statement pertains to the election of directors and other matters. Definitive proxy materials will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in April 1997.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	Filed Herewith On Page
Item 14(a)(1). The financial statements and financial statement schedules of the Company are listed on the Index to financial statements set forth in Item 8 hereof.	37

ITEM 14(a)(3). EXHIBITS

Exhibit Number		Incorporated by Reference from: Exhibit	SEC Docket OR Page Filed Herewith
3-a	Restated Articles of Association, as certified June 6, 1991.	3-a	Form 10-K 1993 (1-8291)
3-a-1	Amendment to 3-a above, dated as of May 20, 1993.	3-a-1	Form 10-K 1993 (1-8291)
3-a-2	Amendment to 3-a above, dated as of October 11, 1996.	3-a-2	Form 10-Q Sept. 1996 (1-8291)
*3-b	By-laws of the Company, as amended February 10, 1997.		
4-b-1	Indenture of First Mortgage and Deed of Trust dated as of February 1, 1955.	4-b	2-27300
4-b-2	First Supplemental Indenture dated as of April 1, 1961.	4-b-2	2-75293
4-b-3	Second Supplemental Indenture dated as of January 1, 1966.	4-b-3	2-75293
4-b-4	Third Supplemental Indenture dated as of July 1, 1968.	4-b-4	2-75293
4-b-5	Fourth Supplemental Indenture dated as of October 1, 1969.	4-b-5	2-75293
4-b-6	Fifth Supplemental Indenture dated as of December 1, 1973	4-b-6	2-75293
4-b-7	Seventh Supplemental Indenture dated as August 1, 1976.	4-a-7	2-99643
4-b-8	Eighth Supplemental Indenture dated as of December 1 1979.	4-a-8	2-99643
4-b-9	Ninth Supplemental Indenture dated as of July 15, 1985.	4-b-9	2-99643
4-b-10	Tenth Supplemental Indenture dated as of June 15, 1989	4-b-10	Form 10-K 1989 (1-8291)
4-b-11	Eleventh Supplemental Indenture dated as of September 1, 1990.	4-b-11	Form 10-Q Sept 1990 (1-8291)
4-b-12	Twelfth Supplemental Indentrue dated as of March 1, 1992.	4-b-12	Form 10-K 1991 (1-8291)
4-b-13	Thirteenth Supplemental Indenture dated as of March 1, 1992.	4-b-13	Form 10-K 1991 (1-8291)
4-b-14	Fourteenth Supplemental Indenture dated as of November 1, 1993.	4-b-14	Form 10-K 1993 (1-8291)
4-b-15	Fifteenth Supplemental Indenture dated as of November 1, 1993.	4-b-15	Form 10-K 1993 (1-8291)
4-b-16	Sixteenth Supplemental Indenture dated as of December 1, 1995.	4-b-16	Form 10-K 1995 (1-8291)
4-b-17	Revised form of Indenture as filed as an Exhibit to Registration Statement No. 33-59383.	4-a-17	Form 10-Q Sept. 1995 (1-8291)
10-a	Form of Insurance Policy issued by Pacific Insurance Company, with respect to indemnification of Directors and Officers.	10-a	33-8146
10-b-1	Firm Power Contract dated September 16, 1958, between the Company and the State of Vermont and supplements thereto dated September 19, 1958; November 15, 1958; October 1, 1960 and February 1, 1964.	13-b	2-27300
10-b-2	Power Contract, dated February 1, 1968, between the Company and Vermont Yankee Nuclear Power Corporation.	13-d	2-34346

* Filed herewith

Exhibit Number		Incorporated by Reference from SEC Docket OR Exhibit	Page Filed Herewith
10-b-3	Amendment, dated June 1, 1972, to Power Contract between the Company and Vermont Yankee Nuclear Power Corporation.	13-f-1	2-49697
10-b-3 (a)	Amendment, dated April 15, 1983, to Power Contract between the Company and Vermont Yankee Nuclear Power Corporation.	10-b-3(a)	33-8164
10-b-3 (b)	Additional Power Contract, dated February 1, 1984, between the Company and Vermont Yankee Nuclear Power Corporation.	10-b-3(b)	33-8164
10-b-4	Capital Funds Agreement, dated February 1, 1968, between the Company and Vermont Yankee Nuclear Power Corporation.	13-e	2-34346
10-b-5	Amendment, dated March 12, 1968, to Capital Funds Agreement between the Company and Vermont Yankee Nuclear Power Corporation.	13-f	2-34346
10-b-6	Guarantee Agreement, dated November 5, 1981, of the Company for its proportionate share of the obligations of Vermont Yankee Nuclear Power Corporation under a $40 million loan arrangement.	10-b-6	2-75293
10-b-7	Three-Party Power Agreement among the Company, VELCO and Central Vermont Public Service Corporation dated November 21, 1969.	13-i	2-49697
10-b-8	Amendment to Exhibit 10-b-7, dated June 1, 1981.	10-b-8	2-75293
10-b-9	Three-Party Transmission Agreement among the Company, VELCO and Central Vermont Public Service Corporation, dated November 21, 1969.	13-j	2-49697
10-b-10	Amendment to Exhibit 10-b-9, dated June 1, 1981.	10-b-10	2-75293
10-b-12	Unit Purchase Contract dated February 10, 1968, between the Company and Vermont Electric Power Company, Inc., for purchase of "Merrimack" power from Public Service Company of New Hampshire.	13-h	2-34346
10-b-14	Agreement with Central Maine Power Company et al, to enter into joint ownership of Wyman plant, dated November 1, 1974.	5.16	2-52900
10-b-15	New England Power Pool Agreement as amended to November 1, 1975.	4.8	2-55385
10-b-16	Bulk Power Transmission Contract between the Company and VELCO dated June 1, 1968.	13-v	2-49697
10-b-17	Amendment to Exhibit 10-b-16, dated June 1, 1970.	13-v-1	2-49697
10-b-20	Power Sales Agreement, dated August 2, 1976, as amended October 1, 1977, and related Transmission Agreement, with the Massachusetts Municipal Wholesale Electric Company.	10-b-20	33-8164
10-b-21	Agreement dated October 1, 1977, for Joint Ownership, Construction and Operation of the MMWEC Phase I Intermediate Units, dated October 1, 1977.	10-b-21	33-8164
10-b-28	Contract dated February 1, 1980, providing for the sale of firm power and energy by the Power Authority of the State of New York to the Vermont Public Service Board.	10-b-28	33-8164
10-b-30	Bulk Power Purchase Contract dated April 7, 1976, between VELCO and the Company.	10-b-32	2-75293

* Filed herewith

Exhibit Number		Incorporated by Reference from Exhibit	SEC Docket OR Page Filed Herewith
10-b-33	Agreement amending New England Power Pool Agreement dated as of December 1, 1981, providing for use of transmission interconnection between New England and Hydro-Québec.	10-b-33	33-8164
10-b-34	Phase I Transmission Line Support Agreement dated as of December 1, 1981, and Amendment No. 1 dated as of June 1, 1982, between VETCO and participating New England utilities for construction, use and support of Vermont facilities of transmission interconnection between New England and Hydro-Québec.	10-b-34	33-8164
10-b-35	Phase I Terminal Facility Support Agreement dated as of December 1, 1981, and Amendment No. 1 dated as of June 1, 1982, between New England Electric Transmission Corporation and participating New England utilities for construction, use and support of New Hampshire facilities of transmission interconnection between New England and Hydro-Québec.	10-b-35	33-8164
10-b-36	Agreement with respect to use of Quebec Interconnection dated as of December 1, 1981, among participating New England utilities for use of transmission interconnection between New England and Hydro-Québec.	10-b-36	33-8164
10-b-39	Vermont Participation Agreement for Quebec Interconnection dated as of July 15, 1982, between VELCO and participating Vermont utilities for allocation of VELCO's rights and obligations as a participating New England utility in the transmission interconnection between New England and Hydro-Québec.	10-b-39	33-8164
10-b-40	Vermont Electric Transmission Company, Inc. Capital Funds Agreement dated as of July 15, 1982, between VETCO and VELCO for VELCO to provide capital to VETCO for construction of the Vermont facilities of the transmission inter-connection between New England and Hydro-Québec.	10-b-40	33-8164
10-b-41	VETCO Capital Funds Support Agreement dated as of July 15, 1982, between VELCO and participating Vermont utilities for allocation of VELCO's obligation to VETCO under the Capital Funds Agreement.	10-b-41	33-8164
10-b-42	Energy Banking Agreement dated March 21, 1983, among Hydro-Québec, VELCO, NEET and participating New England utilities acting by and through the NEPOOL Management Committee for terms of energy banking between participating New England utilities and Hydro-Québec.	10-b-42	33-8164
10-b-43	Interconnection Agreement dated March 21, 1983, between Hydro-Québec and participating New England utilities acting by and through the NEPOOL Management Committee for terms and conditions of energy transmission between New England and Hydro-Québec.	10-b-43	33-8164
10-b-44	Energy Contract dated March 21, 1983, between Hydro-Québec and participating New England utilities acting by and through the NEPOOL Management Committee for purchase of surplus energy from Hydro-Québec.	10-b-44	33-8164
10-b-45	Firm-Power Agreement dated as of October 5, 1982, between Ontario Hydro and Vermont Department of Public Service.	10-b-45	33-8164
10-b-46	Sales Agreement, dated January 20, 1983, between Central Maine Power Company and the Company for excess power.	10-b-46	33-8164

* Filed herewith

Exhibit Number		Incorporated by Reference from Exhibit	SEC Docket OR Page Filed Herewith
10-b-48	Sales Agreement, dated February 1, 1983, between Niagara Mohawk and Vermont Electric Power Company for purchase of energy.	10-b-48	33-8164
10-b-50	Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection, dated August 1, 1984, between certain electric distribution companies, including the Company.	10-b-50	33-8164
10-b-51	Highgate Operating and Management Agreement, dated as of August 1, 1984, among VELCO and Vermont electric-utility companies, including the Company.	10-b-51	33-8164
10-b-52	Allocation Contract for Hydro-Québec Firm Power dated July 25, 1984, between the State of Vermont and various Vermont electric utilities, including the Company.	10-b-52	33-8164
10-b-53	Highgate Transmission Agreement dated as of August 1, 1984, between the Owners of the Project and various Vermont electric distribution companies.	10-b-53	33-8164
10-b-54	Lease and Sublease Agreement dated June 1, 1984, between Burlington Associates and the Company.	10-b-54	33-8164
10-b-55	Ground Lease Agreement dated June 1, 1984, between GMP Real Estate Corporation and Burlington Associates.	10-b-55	33-8164
10-b-56	Assignment of Lease and Agreement, dated June 1, 1984, from Burlington Associates to Teachers Insurance and Annuity Association of America.	10-b-56	33-8164
10-b-57	Mortgage dated June 1, 1984, from GMP Real Estate Corporation, Mortgagor, to Teachers Insurance and Annuity Association of America, Mortgagee.	10-b-57	33-8164
10-b-58	Lease and Operating Agreement dated June 28,1985, between the State of Vermont and the Company.	10-b-58	33-8164
10-b-59	Service Contract dated June 28, 1985, between the State of Vermont and the Company.	10-b-59	33-8164
10-b-61	Agreements entered in connection with Phase II of the NEPOOL/Hydro-Québec ± 450 KV HVDC Transmission Interconnection.	10-b-61	33-8164
10-b-62	Agreement between UNITIL Power Corp. and the Company to sell 23 MW capacity and energy from Stony Brook Intermediate Combined Cycle Unit.	10-b-62	33-8164
10-b-63	Sales Agreement dated as of June 20, 1986, between the Company and UNITIL Power Corp. for sale of system power.	10-b-63	33-8164
10-b-64	Sales Agreement dated as of June 20, 1986, between the Company and Fitchburg Gas and Electric Light Company for sale of 10 MW capacity and energy from the Vermont Yankee plant.	10-b-64	33-8164
10-b-65	Sales Agreement dated September 18, 1985, between the Company and Fitchburg Gas and Electric Light Company for the sale of system power.	10-b-65	Form 10-K 1991 (1-8291)
10-b-66	Sales Agreement dated January 1, 1987, between the Company and Bozrah Light and Power Company for sale of power.	10-b-66	Form 10-K 1991 (1-8291)
10-b-67	Sales Agreement dated August 31, 1987, amending the agreement dated June 20, 1986, between the Company and UNITIL Power Corp. for sale of system power.	10-b-67	Form 10-K 1992 (1-8291)

* Filed herewith

Exhibit Number		Incorporated by Reference from Exhibit	SEC Docket OR Page Filed Herewith
10-b-68	Firm Power and Energy Contract dated December 4, 1987, between Hydro-Québec and participating Vermont utilities, including the Company, for the purchase of firm power for up to thirty years.	10-b-68	Form 10-K 1992 (1-8291)
10-b-69	Firm Power Agreement dated as of October 26, 1987, between Ontario Hydro and Vermont Department of Public Service.	10-b-69	Form 10-K 1992 (1-8291)
10-b-70	Firm Power and Energy Contract dated as of February 23, 1987, between the Vermont Joint Owners of the Highgate facilities and Hydro-Quebec for up to 50 MW of capacity.	10-b-70	Form 10-K 1992 (1-8291)
10-b-70 (a)	Amendment to 10-b-70.	10-b-70(a)	Form 10-K 1992 (1-8291)
10-b-71	Interconnection Agreement dated as of February 23, 1987, between the Vermont Joint Owners of the Highgate facilities and Hydro-Québec.	10-b-71	Form 10-K 1992 (1-8291)
10-b-72	Participation Agreement dated as of April 1, 1988, between Hydro-Québec and participating Vermont utilities, including the Company, implementing the purchase of firm power for up to 30 years under the Firm Power and Energy Contract dated December 4, 1987 (previously filed with the Company's Annual Report on Form 10-K for 1987, Exhibit Number 10-b-68).	10-b-72	Form 10-Q June 1988 (1-8291)
10-b-72 (a)	Restatement of the Participation Agreement filed as Exhibit 10-b-72 on Form 10-Q for June 1988.	10-b-72(a)	Form 10-K 1988 (1-8291)
10-b-73	Agreement dated as of May 1, 1988, between Rochester Gas and Electric Corporation and the Company, implementing the Company's purchase of up to 50 MW of electric capacity and associated energy.	10-b-73	Form 10-Q Sept. 1988 (1-8291)
10-b-74	Agreement dated as of November 1, 1988, between the Company and Fitchburg Gas and Electric Light Company, for sale of electric capacity and associated energy.	10-b-74	Form 10-Q for Sept. 1988 (1-8291)
10-b-74 (a)	Amendment to Exhibit 10-b-74.	10-b-74(a)	Form 10-Q Sept 1989 (1-8291)
10-b-75	Allocation Agreement dated as of March 25, 1988, between Ontario Hydro and the State of Vermont, for firm power and associated energy from Ontario Hydro.	10-b-75	Form 10-Q Sept. 1988 (1-8291)
10-b-77	Firm Power and Energy Contract dated December 29, 1988, between Hydro-Québec and participating Vermont utilities, including the Company, for the purchase of up to 54 MW of firm power and energy.	10-b-77	Form 10-K 1988 (1-8291)
10-b-78	Transmission Agreement dated December 23, 1988, between the Company and Niagara Mohawk Power Corporation (Niagara Mohawk), for Niagara Mohawk to provide electric transmission to the Company from RochesterGas and Electric and Central Hudson Gas and Electric.	10-b-78	Form 10-K 1988 (1-8291)
10-b-79	Lease Agreement dated November 1, 1988, between the Company and International Business Machines Corporation (IBM) for the lease to IBM of the gas turbines and associated facilities located on land adjacent to IBM's Essex Junction, Vermont, plant.	10-b-79	Form 10-K 1988 (1-8291)
10-b-80	Sales Agreement dated January 1, 1989, between the Company and Public Service of New Hampshire (PSNH)for PSNH to purchase electric capacity from the Company.	10-b-80	Form 10-K 1988 (1-8291)

* Filed herewith

Exhibit Number		Incorporated by Reference from Exhibit	SEC Docket OR Page Filed Herewith
10-b-81	Sales Agreement dated May 24, 1989, between the Town of Hardwick, Hardwick Electric Department and the Company for the Company to purchase all of the output of Hardwick's generation and transmission sources and to provide Hardwick with all-requirements energy and capacity except for that provided by the Vermont Department of Public Service or Federal Preference Power.	10-b-81	Form 10-Q June 1989 (1-8291)
10-b-82	Sales Agreement dated July 14, 1989, between Northfield Electric Department and the Company for the Company to purchase all of the output of Northfield's generation and transmission sources and to provide Northfield with all-requirements energy and capacity except for that provided by the Vermont Department of Public Service or Federal Preference Power.	10-b-82	Form 10-Q June 1989 (1-8291)
10-b-83	Power Purchase and Operating Agreement dated as of April 20, 1990, between CoGen Lime Rock, Inc., and the Company for the production of energy to meet customer needs.	10-b-83	Form 10-Q June 1990 (1-8291)
10-b-84	Capacity, Transmission and Energy Service Agreement dated December 23, 1992, between the Company and Connecticut Light and Power Company (CL&P) for CL&P to supply power to Bozrah Light and Power Company.	10-b-84	Form 10-K 1992 (1-8291)
	Management contracts or compensatory plans or arrangements required to be filed as exhibits to this form 10-K pursuant to Item 14(c).		
10-c	Contract dated as of October 15, 1983, between the Company and Thomas V. O'Connor, Jr.	10-c	33-8164
10-c-1	Amendment dated as of March 31, 1988, to an agreement between the Company and Thomas V. O'Connor, Jr	10-c-1	Form 10-Q March 1988 (1-8291)
10-d-1b	Green Mountain Power Corporation Second Amended and Restated Deferred Compensation Plan for Directors.	10-d-1b	Form 10-K 1993 (1-8291)
10-d-1c	Green Mountain Power Corporation Second Amended and Restated Deferred Compensation Plan for Officers.	10-d-1c	Form 10-K 1993 (1-8291)
10-d-1d	Amendment No. 93-1 to the Amended and Restated Deferred Compensation Plan for Officers.	10-d-1d	Form 10-K 1993 (1-8291)
10-d-1e	Amendment No. 94-1 to the Amended and Restated Deferred Compensation Plan for Officers.	10-d-1e	Form 10-Q June 1994 (1-8291)
10-d-2	Green Mountain Power Corporation Medical Expense Reimbursement Plan.	10-d-2	Form 10-K 1991 (1-8291)
10-d-3	Green Mountain Power Corporation Management Incentive Plan.	10-d-3	Form 10-K 1991 (1-8291)
10-d-4	Green Mountain Power Corporation Officer Insurance Plan.	10-d-4	Form 10-K 1991 (1-8291)
10-d-4a	Green Mountain Power Corporation Officers' Insurance Plan as amended.	10-d-4a	Form 10-K 1990 (1-8291)
10-d-5a	Severance Agreements with D. G. Hyde, E. M. Norse, C. L. Dutton, S. C. Terry and T.C. Boucher.	10-d-5a	Form 10-K 1990 (1-8291)
10-d-6	Severance Agreements with W. S. Oakes, and J. H. Winer.	10-d-6	Form 10-K 1988 (1-8291)
10-d-6a	Restatement of 10-d-6 above.	10-d-6a	Form 10-K 1990 (1-8291)
10-d-7	Severance Agreement with K. F. O'Neill.	10-d-7	Form 10-K 1990

* Filed herewith

Exhibit Number		Incorporated by Reference from Exhibit	SEC Docket OR Page Filed Herewith
			(1-8291)
10-d-8	Green Mountain Power Corporation Officers' Supplemental Retirement Plan.	10-d-8	Form 10-K 1990 (1-8291)
10-d-9	Severance Agreement with C. T. Myotte.	10-d-9	Form 10-Q June 1991 (1-8291)
10-d-10	Severance Agreement with J. J. Lampron.	10-d-10	Form 10-K 1991 (1-8291)
10-d-13	Severance Agreement with M. H. Lipson.	10-d-13	Form 10-K 1994 (1-8291)
10-d-14	Severance Agreement with D. G. Whitmore.	10-d-14	Form 10-K 1994 (1-8291)
10-d-15a	Green Mountain Power Corporation Compensation Program for Officers and Key Management Personnel as amended August 8, 1995	10-d-15a	Form 10-Q Sept. 1995 (1-8291)
10-d-16	Severance Agreement with R. C. Young	10-d-16	Form 10-Q March 1995 (1-8291)
10-d-17	Severance Agreement with P. H. Zamore	10-d-17	Form 10-Q March 1995 (1-8291)
*10-d-18	Severance Agreement with R. B. Hieber	10-d-18	
*10-d-19	Severance Agreement with R. J. Griffin	10-d-19	
*10-d-20	Severance Agreement with K. W. Hartley	10-d-20	
*21	Subsidiaries of the Registrant		
*23-a-1	Consent of Arthur Andersen LLP		
*24	Power of Attorney		
*27	Financial Data Schedule		

* Filed herewith

ITEM 14(b)

A report on Form 8-K was filed on December 11, 1996 setting forth the computation of the Company's ratio of earnings to fixed charges and preferred stock dividends.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREEN MOUNTAIN POWER CORPORATION

By: /s/ Douglas G. Hyde
Douglas G. Hyde, President
and Chief Executive Officer

Date: March 28, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Douglas G. Hyde Douglas G. Hyde	President and Director (Principal Executive Officer)	March 28, 1997
/s/ Christopher L. Dutton Christopher L. Dutton	Vice President, Treasurer and Chief Financial Officer (Principal Financial Officer)	March 28, 1997
/s/ Robert J. Griffin Robert J. Griffin	Controller (Principal Accounting Officer)	March 28, 1997
*Thomas P. Salmon	Chairman of the Board	
*Robert E. Boardman	)	
*Nordahl L. Brue	)	
*William H. Bruett	)	
*Merrill O. Burns	)	
*Lorraine E. Chickering	)	
*John V. Cleary	) Directors	
*Richard I. Fricke	)	
*Euclid A. Irving	)	
*Martin L. Johnson	)	
*Ruth W. Page	)	

*By: /s/ Christopher L. Dutton
Christopher L. Dutton
(Attorney - in - Fact)

March 28, 1997

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Green Mountain Power Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Green Mountain Power Corporation included in this Form 10-K and have issued our report thereon dated January 31, 1997. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index on page 37 of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Boston, Massachusetts
January 31, 1997

/s/ Arthur Andersen LLP

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE
717-787-8009

May 14, 1998

A-110073

JAMES H CAWLEY ESQUIRE
RHOADS & SINON LLP
ONE SOUTH MARKET SQUARE
P O BOX 1146
HARRISBURG PA 17108-1146

Dear Mr. Cawley.

The Application and $350.00 filing fee of Green Mountain Energy Resources, L.L.C., received in this Office on May 13, 1998, for approval to supply Electricity or Electric Generation Services as a Broker/Marketer and Aggregator engaged in the business of supplying electricity, is hereby acknowledged.

Pursuant to the Commission's Final Order, entered February 13, 1997, at M-00960890F0004, Notice of filing of this Application must be published in newspapers of general circulation covering each county in which you intend to provide service.

You have requested state-wide authority. Attached is a list of the six newspapers in which you must publish in order to meet the publication requirement.

Please note that this Application will not be considered complete until the original proof of publication is filed with this Office.

Very truly yours,

James J. McNulty

James J. McNulty
Secretary

JJM:was

DOCUMENT
FOLDER

DOCKETED
MAY 14 1998

LICENSING OF ELECTRIC GENERATION SUPPLIERS

NEWSPAPER PUBLICATION FOR STATE-WIDE AUTHORITY

Philadelphia Inquirer

Pittsburgh Post Gazette

Harrisburg Patriot News

Scranton Times

Erie Morning News

Williamsport Sun Gazette

COMMONWEALTH OF PENNSYLVANIA

DATE: May 14, 1998

SUBJECT: A-110073

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary

Attached is a copy of the Application of Green Mountain Energy Resources, L.L.C., for a license to supply Electricity or Electric Generation Services as a Broker/Marketer and Aggregator engaged in the business of supplying electricity.

This matter is assigned to your Bureau for appropriate action

Attachment

cc: Law Bureau

was

DOCUMENT FOLDER

DOCKETED
MAY 14 1998

SRB

RHOADS & SINON LLP

ATTORNEYS AT LAW
DAUPHIN BANK BUILDING
TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TELEPHONE (717) 233-5731

FAX NOS:
GENERAL: 717-232-1459
MUNICIPAL GROUP: 717-231-6610
LITIGATION GROUP: 717-231-6637

DIRECT DIAL NO.

FILE NO.

Writer's Direct Dial:
(717) 231-6608
(717) 231-6600 (FAX)
E-Mail: jcawley@rhoads-sinon.com

June 2, 1998

ORIGINAL

SECRETARY'S BUREAU

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17108-3265

Re: **Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania**

Docket No. A-110073

Dear Mr. McNulty:

Enclosed for filing are five of the six required Proofs of Publication of the above-captioned application from the newspapers for statewide authority: the Scranton Times, the Philadelphia Inquirer, the Erie Morning News, the Pittsburgh Post-Gazette, and the Harrisburg Patriot News. The notice appeared in all five newspapers on the same day: May 18, 1998.

As to the proof for the Williamsport Sun-Gazette, we are informed that it will arrive tomorrow, June 3, by FedEx. Meanwhile, as evidence that the notice in fact appeared on May 18, enclosed are a copy of the proof and a copy of the newspaper's statement for services indicating publication on May 18. We shall immediately file the original when it arrives tomorrow.

Sincerely yours,

James Cawley

James H. Cawley

cc: H. Edwin Rodrock, Bureau of Fixed Utility Services & Service List

DOCUMENT
FOLDER

YORK OFFICE:
118 EAST MARKET STREET, YORK, PA 17401, TELEPHONE (717) 843-8968, FAX (717) 843-6864
LANCASTER OFFICE:
15 NORTH LIME STREET, LANCASTER, PA 17602, TELEPHONE (717) 397-5127, FAX (717) 397-5267
AFFILIATED OFFICE:
SUITE 2-C, 1700 SOUTH DIXIE HIGHWAY, BOCA RATON, FL 33432, TELEPHONE (561) 395-5595, FAX (561) 395-9497

50

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania

Docket No. A-110073

Proof of Service

I hereby certify that I have this day served a true copy of the foregoing document upon the following individuals and entity, listed below, in accordance with the requirements of 52 Pa. Code § 1.54:

Irwin A. Popowsky, Esquire
Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Bernard A. Ryan, Jr., Esquire
Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17121

P.U.C. SECRETARY'S BUREAU
PM 4: 12

James H. Cawley

James H. Cawley
RHOADS & SINON LLP
One South Market Square
P. O. Box 1146
Harrisburg, PA 17108-1146
(717) 231-6608

Attorneys for
Green Mountain Energy Resources, L.L.C.

Dated: June 2, 1998

( ) No. ( ) Term, 19

PROOF OF PUBLICATION OF NOTICE IN THE WILLIAMSPORT SUN-GAZETTE UNDER ACT NO. 587, APPROVED MAY 16, 1929

STATE OF PENNSYLVANIA (
COUNTY OF LYCOMING (SS:

Thomas C. Briley Publisher of the Sun-Gazette Company, publishers of the Williamsport Sun-Gazette, successor to the Williamsport Sun and the Gazette & Bulletin, both daily newspapers of general circulation, published at 252 West Fourth Street, Williamsport, Pennsylvania, being duly sworn, deposes and says that the Williamsport Sun was established in 1870 and the Gazette & Bulletin was established in 1801, since which dates said successor the Williamsport Sun-Gazette has been regularly issued and published in the County of Lycoming aforesaid, and that a copy of the printed notice is attached hereto exactly as the same was printed and published in the regular editions and issues of said Williamsport Sun-Gazette on the following dates, viz:

May 18, 1998

Affiant further deposes that he is an officer duly authorized by the Sun-Gazette Company, publisher of the Williamsport Sun-Gazette, to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication, and that all the allegations in the foregoing statement as to time, place and character of publication are true.

SUN-GAZETTE COMPANY

Sworn to and subscribed before me

this 2 day of June 1998

Stacy Vann Notary Public

NOTARIAL SEAL
STACY E. VANN, Notary Public
Williamsport, Lycoming County, PA
My Commission Expires April 1, 2002

Kim

RECEIVED

JUN 2 1998

PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

STATEMENT OF ADVERTISING COSTS

To the Sun-Gazette Company, Dr.
For publishing the notice attached hereto on the above stated dates .... $ 109.44

Probating same .... $

Total .... $ 109.44

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE SUN-GAZETTE COMPANY hereby acknowledges receipt of the aforesaid advertising and publication costs and certifies that the same have been fully paid.

SUN-GAZETTE COMPANY

By Thomas C. Briley

SUN-GAZETTE
252 W FOURTH ST
P O BOX 728
WILLIAMSPORT PA
17703-0728

ADVERTISING INVOICE/STATEMENT

YOUR SALESPERSON IS: LEGAL ADS

PHONE: 717 326 1551

RHOADS AND SINON
DAUPHIN BK BLDG-12TH FLR
ONE SOUTH MARKET SQUARE
HARRISBURG PA
17108

Appearance date

STATEMENT NUMBER	BILLING DATE
174830W	5/20/98
ACCOUNT NUMBER	**BILLING PERIOD**
LR0005	MAY 1998

TERMS OF PAYMENT

BALANCE DUE UPON RECEIPT OF THIS INVOICE/STATEMENT

NAME OF ADVERTISER

RHOADS AND SINON

DATE	REFERENCE NUMBER	CHARGE OR CREDIT DESCRIPTION / PRODUCT CODE	SAU/ DIMENSIONS	BILLED UNITS	RATE	AMOUNT
		PREVIOUS BALANCE				342.00
18		GREEN MT ENERGY		48	2.28	109.44
19		PAYMENT THANK YOU				342.00-

Date Rec'd.
Vendor 992
Date Pd. Ck #
GL #
GL #
GL # 7220

5894/01/040

RECEIVED
JUN 2 1998
PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RECEIVED
5/22/98

POSTED

SEND YOUR MESSAGE TO OVER 33,000 HOMES DAILY AND OVER 43,000 SUNDAY WITH THE SUN-GAZETTE. NOW REACH OVER 55,000 HOMES IN COMBINATION WITH THE LYCO WEEKENDER. DON'T FORGET THE GOLDEN YEARS SPECIAL SECTION JUNE 2, DEADLINE MAY 28.

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services As A Marketer/Broker Engaged in the Business of Supplying Electricity to the Public in the Commonwealth of Pennsylvania.

Docket No. 110073

On May 13, 1998, Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as a marketer/broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C. may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest, and any questions about this application, should be directed to Veronica M. Fallon, phone (802) 846-6174, referencing the PUC's "docket number" which is A-110073.

DISCOUNT	AGING				TOTAL AMOUNT DUE
PAID WITHIN DAYS	CURRENT	30 DAYS	60 DAYS	90 DAYS	
PERIOD ONLY	109.44	.00	.00	.00	109.44

CREDIT LEGEND

R CHARGE	TOTAL CREDITS
.00	342.00

INFORMATION

REQUIREMENT

CUMULATIVE

REMITTANCE SLIP

PLEASE DETACH AND SEND WITH PAYMENT

ACCOUNT NUMBER	ACCOUNT NAME
LR0005	RHOADS AND SINON

REMITTANCE ADDRESS

SUN-GAZETTE
252 W FOURTH ST
P O BOX 728
WILLIAMSPORT PA
17703-0728

WRITE AMOUNT ENCLOSED

5/20/98 10944 10944

The Scranton Times

PENN AVENUE AT SPRUCE STREET • P.O. BOX 3311 • SCRANTON, PA 18505-3311

PHONE (717) 348-9100

9 ADVERTISER CLIENT

7 BILLED/ACCOUNT NO. 95048

2 BILLED ACCOUNT

RHOADS & SINON ATTYS AT LAW
COMPTROLLER
1 S MARKET SQ 12TH FLOOR
POST OFFICE BOX 1146
HARRISBURG PA 17108

5 BILLING PERIOD: 5/18/98 5/18/98

3 INVOICE NO. | 4 BILLING DATE 5/18/98

6 TERMS OF PAYMENT: SEE OTHER SIDE

RECEIVED
5/21/98

LEGAL BILL

10 DATE	11 REFERENCE NUMBER	12–14 CHARGES OR CREDITS DESCRIPTION/PRODUCT CODE	15 SAU/DIMENSIONS	16 TIMES	17 BILLED UNITS	18 RATE	19 GROSS AMOUNT	20 NET AMOUNT
18	703001	PA PUBLIC UTILITY COMM NOTICE	64	1	64.00	2.73		174.72
18	703001	AFF. 5/18/98						5.00

THE SCRANTON TIMES (UNDER ACT P.L. 877 NO. 160, JULY 9,1976)
COMMONWEALTH OF PENNSYLVANIA , COUNTY OF LACKAWANNA

MARLENE GREGORCZYK BEING DULY SWORN ACCORDING TO LAW DEPOSES AND SAYS THAT SHE IS ACCOUNTING CLERK FOR THE SCRANTON TIMES , OWNER AND PUBLISHER OF THE SCRANTON TIMES , A NEWSPAPER OF GENERAL CIRCULATION, ESTABLISHED IN 1870, PUBLISHED IN THE CITY OF SCRANTON , COUNTY AND STATE AFORESAID, AND THAT THE PRINTED NOTICE OR PUBLICATION HERETO ATTACHED IS EXACTLY AS PRINTED IN THE REGULAR EDITIONS OF THE SAID NEWSPAPER ON THE FOLLOWING DATES, VIZ.: 5/18/98

AFFIANT FURTHER DEPOSES AND SAYS THAT NEITHER THE AFFIANT NOR THE SCRANTON TIMES IS INTERESTED IN THE SUBJECT MATTER OF THE AFORESAID NOTICE OR ADVERTISEMENT AND THAT ALL ALLEGATIONS IN THE FOREGOING STATEMENT AS TIME, PLACE AND CHARACTER OF PUBLICATION ARE TRUE Marlene Gregorczyk

SWORN AND SUBSCRIBED TO BEFORE ME THIS 19 DAY OF MAY A.D. 1998.

Rosalyn A. Washner (NOTARY PUBLIC)

Notarial Seal
Rosalynta A. Washner, Notary Public
Scranton, Lackawanna County
My Commission Expires Sept. 23, 1999
Member, Pennsylvania Association of Notaries

5894/01/040

Date Rec'd.
Vendor 6516
Date Pd. Ck #
GL #
GL #
GL # 7820

POSTED

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/ Broker Engaged in the Business of Supplying Electricity, And An Aggregator Engaged in the Business of Supplying Electricity, to the Public in the Commonwealth of Pennsylvania

Docket No. A-110073

On May 13, 1998 green Mountain Energy Resources, L.L.C filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a marketer / broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C may be filed within 15 days of the date of this

24 AGING

DOCKETED
JUN 05 1998

RECEIVED
JUN 2 1998
PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CURRENT NET AMOUNT 179.72

25 CONTRACT PERFORMANCE

EXPIRATION DATE	REQUIREMENT	CURRENT MONTH	CUMULATIVE

TOTAL NET AMOUNT DUE

DOCUMENT FOLDER

AMOUNT OF PAYMENT	26 BILLED/ACCOUNT NO.	27 BILLED
	95048	RHOADS & SINON

DETACH AND RETURN THIS PORTION WITH YOUR PAYMENT

REMITTANCE ADVICE

The Scranton Times
PENN AVENUE AT SPRUCE STREET • P.O. BOX 3311 • SCRANTON, PA 18505-3311
PHONE (717) 348-9100

TERMS OF PAYMENT

MONTHLY

PAYABLE LAST DAY OF MONTH FOLLOWING BILLING DATE
A 1% PER MONTH FINANCE CHARGE WILL BE ADDED TO PAST
DUE BALANCES. THIS IS AN ANNUAL PERCENTAGE RATE OF 12%

WEEKLY: PAYABLE ON RECEIPT OF THIS INVOICE

LEGEND

The 29 elements of the Standard Advertising Invoice (SAI)

1. Name and Address of Newspaper, and Phone No.
2. Billed Account Name and Address
3. Invoice/Document Number
4. Billing Date
5. Billing Period
6. Terms of Payment
7. Billed Account Number
*8. Advertiser/Client Number
9. Advertiser/Client Name
10. Date of Insertion
11. Newspaper's Reference Number
12. Other Charges or Credits
13. Description
14. Product/Service Code
15. SAU Dimensions
16. Times Published
17. Billed Units
18. Applicable Rate
19. Gross Amount
20. Net Amount
21. Current Gross Amount
22. Current Net Amount Due
*23. Cash Discount
24. Aging of Past Due Amounts
25. Total Net Amount Due
26. Billed Account Number
27. Billed Account Name
28. Name and Address for Remittance
29. Contract Performance

The elements shown above appear on the face of the invoice and are identified by number.

* NOT APPLICABLE

OATH of PUBLICATION
In
THE MORNING NEWS
And THE ERIE DAILY TIMES
COMBINATION EDITION

RECEIVED

JUN 2 1998

PUBLIC UTILITY COMMISSIO
SECRETARY'S BUREAU

RHOADS & SINON LLP
DAUGHIN BANK BLDG TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
PO BOX 1146
HARRISBURG PA 17108-1146

REFERENCE: L0000473
0001576817 GREENMOUNT

STATE OF PENNSYLVANIA)
COUNTY OF ERIE) SS:

Michael Mead being duly sworn, deposes and says that he is the Publisher of the Times Publishing Company, which publishes:

the Morning News, established, January 1957, and the Erie Daily Times, established April 1888, daily newspapers of general circulation, and published at Erie, Erie County, Pennsylvania, and that the notice of which the attached is a copy cut from said newspapers, was printed and published in the regular editions of said newspapers of the dates referred to below.

Affiant further desposes that he is duly authorized by THE TIMES PUBLISHING COMPANY, publisher of the Morning News and Erie Daily Times to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

PUBLISHED ON: 05/18

DOCKETED
JUN 05 1998

PENNSYLVANIA PUBLIC UTILITY COMMISSION
NOTICE
Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In the Business of Supplying Electricity, And An Aggregator Engaged In the Business of Supplying Electricity, to the Public In the Commonwealth of Pennsylvania.
Docket No. A-110073
On May 13, 1998, Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a marketer/broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.
The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C. may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest, and any questions about this application, should be directed to Veronica M. Fallon, phone (802) 846-6174, referencing the PUC's "docket number" which is A-110073.
(3204-NT-18)

TOTAL COST: 130.00 AD SPACE: 65 LINE
FILED ON: 05/18/98

Sworn to and subscribed before me this

18th day of May 1998 Affiant: Michael Mead

NOTARY: Carol J. Savelli My Commission Expires: ______

Notarial Seal
C... J. Savelli, Notary P...
Erie, Erie County
My Commission Expires Nov. 30, ...98
Member, Pennsylvania Association of Notaries

DOCUMENT
FOLDER

No.____________________ Term, 19______

Proof of Publication of Notice in Post-Gazette

Under Act No. 587, Approved May 16, 1929, P.L. 1784, as last amended by Act No. 409 of September 29, 1951

Commonwealth of Pennsylvania, County of Allegheny, ss: W. Taylor, being duly sworn, deposes and says that the Post-Gazette, a newspaper of general circulation published in the City of Pittsburgh, County and Commonwealth aforesaid, was established in 1993 and the Post-Gazette and Sun-Telegraph was established in 1960 and the Pittsburgh Post-Gazette was established in 1927 by the merging of the Pittsburgh Gazette established in 1786 and the Pittsburgh Post, established in 1842, since which date the said Post-Gazette has been regularly issued in said County and that a copy of said printed notice or publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said Post-Gazette a newspaper of general circulation on the following dates, viz:

May 18, 1998

Affiant further deposes that he/she is an agent for the PG Publishing Company, a corporation and publisher of the Post-Gazette; that, as such agent, affiant is duly authorized to verify the foregoing statement under oath; that affiant is not interested in the subject matter of the aforesaid notice or publication; and that all allegations in the foregoing statement as to time, place and character of publication are true.

COPY OF NOTICE OR PUBLICATION

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged in the Business of Supplying Electricity and an Aggregator Engaged in the Business of Supplying Electricity, to the Public in the Commonwealth of Pennsylvania. [illegible] A-110073 [illegible] 1998 Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission (PUC) for a license to supply electricity or electric generation services as (1) a marketer/broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C. may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest, and any questions about this application, should be directed to Veronica M. Falton, phone (802) 846-6174, referencing the PUC's docket number which is A-110073

W Taylor

PG Publishing Company

Sworn to and subscribed before me this day of:

May 20, 1998

Mary E. Wazenegger

Notarial Seal
Mary E. W[illegible] Notary Public
Pittsburgh, [illegible]
My Commission Expires Feb. 18, 2[illegible]
Member, Pennsylvania Association of Notaries

STATEMENT OF ADVERTISING COSTS

Rhoads & Sinon
Judi L. Krape
P. O. Box 1146
Harrisburg Pa. 17108
To PG Publishing Company

Total -- $ 422.25

[illegible]er's Receipt for Advertising Costs

PG PUBLIS[illegible] [illegible]blisher of the Post-Gazette, a newspaper of general circulation, hereby acknowledges receipt of th[illegible] [illegible]nd publication costs and certifies that the same have been fully paid.

Office
Boulevard of the Allies
PITTSBURGH, PA 15230
Phone 412-263-1338

PG Publishing Company, a Corporation, Publisher of Post-Gazette, a Newspaper of General Circulation

By Brian McGervey

I hereby certify that the foregoing is the original Proof of Publication and receipt for the Advertising costs in the subject matter of said notice.

RECEIVED
JUN 2 1998
PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKETED
JUN 05 1998

Attorney for

DOCUMENT FOLDER

No. .... Term, 19 ....

Proof of Publication of Notice in The Philadelphia Inquirer

Under Act No. 160, P.L. 577, July 9, 1976

Commonwealth of Pennsylvania
County of Philadelphia } ss.:

.... M. Ruchalski ...., being duly sworn, deposes and says that THE PHILADELPHIA INQUIRER is a daily newspaper published at Broad and Callowhill Streets, Philadelphia County, Pennsylvania, which was established in the year 1829, since which date said daily newspaper has been regularly published and distributed in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of said daily newspaper on the following dates viz.:

....

....

................and the ....18th.......day of ....May........A. D. 19 ...98...........

Affiant further deposes that he is duly authorized by Philadelphia Newspapers, Inc., a corporation, publisher of THE PHILADELPHIA INQUIRER, a daily newspaper, to verify the foregoing statement under oath, and also declares that affiant is not interested in the subject matter of the aforesaid notice or publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

M. Ruchalski

DOCKETED
JUN 05 1998

DOCUMENT FOLDER

Sworn to and subscribed before me this ....18th.......

day of ....May.......................19 98 ....

Elaine Smith
Notary Public.

My Commission Expires

NOTARIAL SEAL
ELAINE SMITH, Notary Public
City of Philadelphia, Phila County
My Commission Expires April 29, 2000

Copy of notice or publication

PENNSYLVANIA PUBLIC
UTILITY COMMISSION
NOTICE

Application of Green Mountain Energy Resources L.L.C for Approval to Offer Render Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged in the Business of Supplying Electricity, And An Aggregator Engaged in the Business of Supplying Electricity to the Public in the Commonwealth of Pennsylvania

Docket No. A-110073

On May 13, 1998, Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a marketer/broker engaged in the business of supplying electricity and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C. may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest and any questions about this application, should be directed to Veronica M. Fallon, phone (802) 846 6174, referencing the PUC's docket number which is A-110073.

RECEIVED

JUN 2 1998

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

THE PATRIOT NEWS
THE SUNDAY PATRIOT NEWS
Proof of Publication

Under Act No. 587, Approved May 16, 1929

Commonwealth of Pennsylvania, County of Dauphin} ss

Michael Morrow being duly sworn according to law, deposes and says:

That he is the Assistant Controller of THE PATRIOT-NEWS CO., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 812 to 818 Market Street, in the City of Harrisburg, County of Dauphin, State of Pennsylvania, owner and publisher of THE PATRIOT-NEWS and THE SUNDAY PATRIOT-NEWS newspapers of general circulation, printed and published at 812 to 818 Market Street, in the City, County and State aforesaid; that THE PATRIOT-NEWS and THE SUNDAY PATRIOT-NEWS were established March 4th, 1854, and September 18th, 1949, respectively, and all have been continuously published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in their regular daily and/or Sunday and Metro editions/issues which appeared on the 18th day(s) of May 1998. That neither he nor said Company is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

That he has personal knowledge of the facts aforesaid and is duly authorized and empowered to verify this statement on behalf of The Patriot-News Co. aforesaid by virtue and pursuant to a resolution unanimously passed and adopted severally by the stockholders and board of directors of the said Company and subsequently duly recorded in the office for the Recording of Deeds in and for said County of Dauphin in Miscellaneous Book "M", Volume 14, Page 317.

Sworn to and subscribed before me this 18th day of May 1998 A.D.

Notarial Seal
Terry L. Russell, Notary Public
Harrisburg, Dauphin County
My Commission Expires June 6, 1998
Member, Pennsylvania Association of Notaries

NOTARY PUBLIC
My commission expires June 6, 1998

PUBLICATION COPY

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In the Business of Supplying Electricity, And An Aggregator Engaged In the Business of Supplying Electricity, to the Public in the Commonwealth of Pennsylvania.

Docket No. A-110073

On May 13, 1998, Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a marketer/broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest, and any questions about this application, should be directed to Veronica M. Fallon, phone (802) 846-6174, referencing the PUC's "docket number" which is A-110073.

RHOADS & SINON
ATTN: YVONNE R. DURHAM
P.O. BOX 1146
HARRISBURG, PA 17108

Statement of Advertising Costs

To THE PATRIOT-NEWS CO., Dr.

For publishing the notice or publication attached hereto on the above stated dates		$	126.54
Probating same	Notary Fee(s)	$	1.50
	Total	$	128.04

...isher's Receipt for Advertising Cost

THE PATRIOT-NEWS CO., publisher of THE PATRIOT-NEWS and THE SUNDAY PATRIOT-NEWS, newspapers of general circulation, hereby acknowledge receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE PATRIOT-NEWS CO.

By.......................................

OCKETED
JUN 05 1998

RECEIVED
JUN 2 1998
PUBLIC UTILITY COMMISSIO
...CRETARY'S BUREAU

DOCUMENT
FOLDER

SRB

RHOADS & SINON LLP

HENRY W. RHOADS
ROBERT H. LONG, JR.
SHERILL T. MOYER
JAN P. PADEN
RICHARD B. WOOD
LAWRENCE B. ABRAMS III*
J. BRUCE WALTER
JOHN P. MANBECK
FRANK J. LEBER
CHARLES J. SIECK*
PAUL A. LUNDEEN
JACK F. HURLEY, JR.
DAVID B. DOWLING
DAVID F. O'LEARY
DAVID D. TWADDELL
CHARLES J. FERRY
STANLEY A. SMITH
JENS H. DAMGAARD*
DRAKE D. NICHOLAS
THOMAS A. FRENCH
DEAN H. DUSINBERRE
DONNA M. J. CLARK
CHARLES E. GUTSHALL
LUCY E. KNISELEY
PAUL F. WESSELL
SHAWN D. LOCHINGER
JAMES H. CAWLEY
TIMOTHY J. PFISTER
LORI J. McELROY
DEAN F. PIERMATTEI
TODD J. SHILL
JENNIFER M. McHUGH
KENNETH L. JOEL
THOMAS J. NEHILLA
KEVIN M. GOLD
DANIELLE S. KILGORE
M. CATHERINE NOLAN
RICHARD E. ARTELL
CARL D. LUNDBLAD
STEPHEN MONIAK
JAMES E. ELLISON
ROBERT J. TRIBECK
TIMOTHY J. NIEMAN
PAUL J. BRUDER, JR.

*ALSO ADMITTED TO THE FLORIDA BAR

ATTORNEYS AT LAW
DAUPHIN BANK BUILDING
TWELFTH FLOOR
ONE SOUTH MARKET SQUARE
P.O. BOX 1146
HARRISBURG, PA 17108-1146

TELEPHONE (717) 233-5731

FAX NOS:
GENERAL: 717-232-1459
MUNICIPAL GROUP: 717-231-6610
LITIGATION GROUP: 717-231-6637

OF COUNSEL
FRANK A. SINON
JOHN C. DOWLING
R. STEPHEN SHIBLA
NATHAN H. WATERS, JR.

PAUL H. RHOADS
1907-1984
JOHN M. MUSSELMAN
1918-1980
CLYLE R. HENDERSHOT
1922-1980

DIRECT DIAL NO.

FILE NO.

Writer's Direct Dial:
(717) 231-6608
(717) 231-6600 (FAX)
E-Mail: jcawley@rhoads-sinon.com

June 3, 1998

ORIGINAL

SECRETARY'S BUREAU

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17108-3265

Re: **Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania**

Docket No. A-110073

Dear Mr. McNulty.

Enclosed for filing is the last of the six required Proofs of Publication of the notice of the filing of the above-captioned application the proof from the Williamsport Sun-Gazette The notice appeared on May 18, 1998.

Yesterday we filed the Proofs of Publication for the other five newspapers for statewide authority

Sincerely yours,

James H. Cawley

cc: H. Edwin Rodrock, Bureau of Fixed Utility Services & Service List

YORK OFFICE
118 EAST MARKET STREET, YORK, PA 17401, TELEPHONE (717) 843-8968, FAX (717) 843-5664
LANCASTER OFFICE
15 NORTH LIME STREET, LANCASTER, PA 17602, TELEPHONE (717) 397-5127, FAX (717) 397-5267
AFFILIATED OFFICE
SUITE 2-C 1700 SOUTH DIXIE HIGHWAY, BOCA RATON, FL 33432 TELEPHONE (561) 395-6595 FAX (561) 395-9497

26

No. Term, 19

PROOF OF PUBLICATION OF NOTICE IN THE WILLIAMSPORT SUN-GAZETTE UNDER ACT NO. 587, APPROVED MAY 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF LYCOMING ss:

Thomas C. Briley Publisher of the Sun-Gazette Company, publishers of the Williamsport Sun-Gazette, successor to the Williamsport Sun and the Gazette & Bulletin, both daily newspapers of general circulation, published at 252 West Fourth Street, Williamsport, Pennsylvania, being duly sworn, deposes and says that the Williamsport Sun was established in 1870 and the Gazette & Bulletin was established in 1801, since which dates said successor the Williamsport Sun-Gazette has been regularly issued and published in the County of Lycoming aforesaid, and that a copy of the printed notice is attached hereto exactly as the same was printed and published in the regular editions and issues of said Williamsport Sun-Gazette on the following dates, viz:

May 18, 1998

Affiant further deposes that he is an officer duly authorized by the Sun-Gazette Company, publisher of the Williamsport Sun-Gazette, to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication, and that all the allegations in the foregoing statement as to time, place and character of publication are true.

SUN-GAZETTE COMPANY

Sworn to and subscribed before me

this 2 day of June 1998

Stacy Vann Notary Public

NOTARIAL SEAL
STACY R. VANN, Notary Public
Williamsport, Lycoming County, PA
My Commission Expires April 1, 2002

RECEIVED
JUN 3 1998
PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

Application of Green Mountain Energy Resources, L.L.C. for Approval to Offer, Render, Furnish or Supply Electricity or Electric Generation Services As A Marketer/Broker Engaged In the Business of Supplying Electricity to the Public in the Commonwealth of Pennsylvania

Docket No. 110073

On May 13, 1998, Green Mountain Energy Resources, L.L.C. filed an application with the Pennsylvania Public Utility Commission ("PUC") for a licensed to supply electricity or electric generation services as (1) a marketer/broker engaged in the business of supplying electricity, and (2) an aggregator engaged in the business of supplying electricity. Green Mountain Energy Resources, L.L.C. proposes to sell electricity and related services throughout all of Pennsylvania. Its application results from the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Green Mountain Energy Resources, L.L.C. may be filed within 15 days of the date of this notice with the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Copies of any protest, and any questions about this application, should be directed to Veronica M. Fallon, phone (802) 846-6174, referencing the PUC's "docket number" which is A-110073.

STATEMENT OF ADVERTISING COSTS

To the Sun-Gazette Company, Dr:
For publishing the notice attached hereto on the above stated dates .... $ 109.44
Probating same .... $
Total .... $ 109.44

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Green Mountain Energy Resources, L.L.C. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Marketer/Broker Engaged In The Business of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania

Docket No. A-110073

Proof of Service

I hereby certify that I have this day served a true copy of the foregoing document upon the following individuals and entity, listed below, in accordance with the requirements of 52 Pa. Code § 1.54

Irwin A. Popowsky, Esquire
Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Bernard A. Ryan, Jr., Esquire
Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17121

SECRETARY'S BUREAU
P.U.C.
98 JUN -3 AM 11:04

James H. Cawley

James H. Cawley
RHOADS & SINON LLP
One South Market Square
P. O. Box 1146
Harrisburg, PA 17108-1146
(717) 231-6608

Attorneys for
Green Mountain Energy Resources, L.L.C.

Dated June 3, 1998