

## HOST TOWN AGREEMENT

### **Champlain VT, LLC and the Town of Ludlow, Vermont**

This document (the “Agreement”) sets out the terms of an agreement between the Town of Ludlow, Vermont (“Ludlow” or “the Town”), and Champlain VT, LLC d/b/a TDI New England, a Delaware limited liability company with its principal office at 600 Broadway, Albany, NY 12207 (“TDI-NE”): collectively, the “Parties.”

**Whereas**, TDI-NE has filed a Petition in December 2014 with the Vermont Public Service Board (“the PSB”), requesting permission to develop, construct, and operate the New England Clean Power Link (“NECPL” or “Project”), a proposed electric transmission line; and

**Whereas**, it is anticipated that the electricity shipped through NECPL will be generated by renewable energy sources in Canada, and will be delivered to Vermont and the New England electric grid. The transmission line will utilize high voltage direct current (HVDC) technology, capable of transmitting 1,000 megawatts (MW) of electricity; and

**Whereas**, the transmission line will begin at a converter station in the Province of Québec, Canada and transmit electricity from Alburgh, Vermont to Ludlow Vermont, where it will tie into a new converter station. The Ludlow converter station will convert the electrical power from direct current (“DC”) to alternating current (“AC”) and then connect to the 345 kV Coolidge Substation in Cavendish, Vermont that is owned by the Vermont Electric Power Company (“VELCO”); and

**Whereas**, the underwater portions of the transmission line, approximately 97 miles in length, will be buried in the bed of Lake Champlain, except at water depths of greater than 150 feet where the cables will be placed on the bottom. The terrestrial portions of the transmission line, approximately 57 miles in length, will be buried underground within existing public rights-of-way (“ROWS”); and

**Whereas**, an approximately 7.7 mile portion of the proposed transmission line will be located in the Town of Ludlow, Vermont on private land (0.4 miles), town highways (4.7 miles), and state highways (2.6 miles); and

**Whereas**, TDI-NE believes that the Project can be constructed and operated in a manner that appropriately addresses any potential impacts to the Town of Ludlow, and that the benefits of the Project clearly outweigh its costs; and

**Whereas**, TDI-NE recognizes that close cooperation with the Town of Ludlow is important to the delivery of those benefits and to the success of the Project; and

**Whereas**, the Town has determined that the Project will provide revenue to the Town, and is an environmentally sound energy option; at the same time, the Town believes that minimizing and mitigating any potential impacts within the Town from construction and operation of the Project is important; and

**Whereas**, in the interests of compromise and establishing a mutually beneficial long-term relationship between the Town and TDI-NE, the Parties agree that it is in their mutual interests to reach understandings with respect to certain aspects of the Project;

*Therefore*, provided that the PSB approves the Project consistent with TDI-NE's application or as modified by the PSB or other regulatory entities and accepted by TDI-NE, and TDI-NE chooses in its sole discretion to construct and operate the Project, the Parties agree as follows:

**1. Use of Town Roads**

- a. Pursuant to 19 V.S.A. § 1111 and 30 V.S.A. § 2502, the Town hereby grants TDI-NE permission to use and occupy a utility right of way ("ROW") within portions of town highways 4, 6 and 9 (including any associated bridges and culverts) in the Town of Ludlow, subject to the conditions contained in this Agreement and in Attachment I hereto (Section 1111 Permit Approval). The location and design of TDI-NE's utility right of way are set forth in the plans filed with the PSB in Docket No. 8400, as they may be amended from time to time.
- b. TDI-NE shall have the right to utilize the ROWs for the construction, reconstruction, maintenance, movement, relocation, inspection, alteration, repair, replacement, and operation of an electric transmission line, including such surface or subsurface appurtenances and facilities as may be reasonably deemed to be necessary or convenient by TDI-NE for construction, operation, and maintenance of the Project. TDI-NE shall have the right to engage in all actions and activities necessary for such activities, including the right of ingress and egress to and from TDI-NE's utility right-of-way.

During construction of the Project on any Ludlow town highways, TDI-NE shall adhere to all applicable VTrans construction standards for roads and bridges, and shall return such town highways back to their pre-construction condition or better. TDI shall also comply with Sections 5.b. and 7.b. below regarding insurance and performance bonds.

- c. TDI-NE shall have the right to permanently discontinue use of the electric transmission line and associated facilities within the town rights-of way and to leave such facilities in place, provided that TDI-NE provides written notification to the Town at least 180 days prior to such discontinuance of use. In addition, subject to any decommissioning requirements imposed by the Public Service Board and subject to any town regulations that would apply after the Section 248 project is no longer operating, TDI-NE may elect to leave the converter station and associated facilities in place. TDI-NE will retain ownership and responsibility for its property until such time as control of the property is transferred to a different entity.

**2. Municipal Property Taxes**

- a. Beginning in the tax year in which construction of the Project in Ludlow has commenced prior to April 1<sup>st</sup> and thereafter until the Project ceases commercial operation as an electric transmission facility, pursuant to this Agreement TDI-NE will pay property taxes to the Town, in accordance with applicable law and as further described below, on the segment of

the Project's electric transmission cable and associated electric transmission equipment that is located within the Town of Ludlow (collectively, the "Equipment"). The tax rate and total taxes due on, and valuation of, the Equipment shall not be fixed by this Agreement, and as such, this Agreement shall not constitute a tax stabilization agreement pursuant to 24 V.S.A. § 2741.

- b. The Parties agree to cooperate in determining the fair market value ("FMV") of the Equipment for purposes of placing the Equipment on the Town's Grand List. The Parties further agree that Replacement Cost New Less Depreciation ("RCNLD") shall be the valuation methodology used to determine FMV of the Equipment during any period of time when the Project is commercially operating. RCNLD should be calculated as follows:

**Calculation of Replacement Cost New:**

- Construction work in progress ("CWIP"): if applicable, would be taxed for CWIP in place as of April 1<sup>st</sup> of any given year.
  - TDI-NE to provide certification of costs
- Operations Period:
  - Year 1: Use actual cost of construction (all direct costs of labor and materials)
  - Years 2 through 40: Use Handy Whitman Index
  - TDI-NE to provide certification of costs, both initial capital costs and any future material improvements.

**Calculation of Depreciation:**

- Use Iowa depreciation curve for 40 year asset. The depreciation schedule for 40 years as set by the Iowa Curve as depicted in Attachment I.
- Maximum depreciation of 70% during 40 year life of the Project, that is, a floor of 30% of replacement cost new.

c. If TDI-NE exercise its rights under Section 1.c. to permanently discontinue use of the electric transmission line and associated facilities within the rights of way of town roads in Ludlow, the Parties acknowledge and agree that any such transmission line and facilities shall no longer be taxable under 32 V.S.A. § 3602a; provided, however, that the Town may reevaluate the discontinued equipment for tax purposes, based upon the tax law applicable at that time. For the avoidance of doubt, this Agreement does not address property tax payments, if any, that would be due after the Project permanently ceases commercial operation for the parcel of land on which the converter station is to be located and any fixtures located thereon.

- d. In addition to the tax payments on the Equipment specified in subsections 2.a. and 2.b.

- above, TDI-NE shall be separately obligated to pay property taxes on any real property other than the Equipment that it owns in Ludlow; provided, however, that because any Equipment that may be located on such private property will be valued and placed on the Grand List separately pursuant to subsections 2.a. and b. above, such Equipment shall be excluded from the valuation of any real property owned by TDI-NE.
- e. The Town shall not impose any other fees, dues, or other types of payments beyond those provided for in this Agreement, with the exception of ordinary and applicable permit fees. TDI-NE's payments under this Agreement shall satisfy any tax or other financial obligations that TDI-NE may have to the Town with respect to the construction and operation of the Project.

### **3. Communications**

- a. TDI-NE will maintain a Vermont Office during construction, in order to foster good communication and to address any potential concerns during construction and operation of the Project. A 24-hour/day telephone number will be established for emergencies.
- b. TDI-NE agrees to reasonably apprise the Town of site work taking place within the Town and will make available to the Town relevant plans and general specifications (in electronic form and, if requested, in hard copy form), the construction schedule, and the name, e-mail and postal addresses and phone numbers of the TDI-NE project manager (and of any other TDI-NE personnel whom the Town may contact when and if the project manager is not available). All communications shall be conducted through the project manager or his designee and the Town shall not directly contact any of TDI-NE's contractors or subcontractors.
- c. In the event that any significant construction or maintenance is deemed necessary or appropriate by TDI-NE beyond that which is approved in the Certificate of Public Good issued by the PSB ("CPG") or any post-CPG approval issued by the PSB that would have the likelihood of materially impacting town highways or Town-owned property, TDI-NE shall provide the Town with notice of the required work in a timely fashion in order to address any questions and concerns prior to commencement of work. Emergency repairs, however, shall not be subject to this notification requirement. This obligation is in addition to other obligations under Section 4 – Project Construction Impacts.
- d. In general, TDI-NE and the Town will make good faith efforts to assure that open communications exist between TDI-NE and the Town.

### **4. Project Construction Impacts**

- a. Concurrent with TDI-NE's submission of final design plans to the PSB, TDI-NE shall submit to the Town (in electronic form and, if requested, in hard copy form) for review and approval those same plans for any work that abuts, joins or requires alteration of any town

- highways or trails (including work that affects drainage along, across, above or below town highways). The Town shall have twenty-one (21) calendar days to approve the plans, such approval not to be unreasonably withheld, conditioned, or delayed. Failure of the Town to act within this time period shall constitute approval of such plans.
- b. TDI-NE shall promptly repair or correct any damage to town highways, drainage structures, or other Town-owned infrastructure caused by TDI-NE or its contractors during construction of the Project. Should TDI-NE fail to make such repairs in a reasonable period of time after receiving actual notice of the damage and the resulting conditions pose undue risks to public safety or the environment, the Town may elect to make the repairs itself. In such an event, TDI-NE shall pay all reasonable costs associated with the repairs. Alterations to Town highways or Town-owned property that are consistent with Project plans approved by the PSB and by the Town will not constitute “damage” within the meaning of this section. Inspections of the Project shall be conducted in accordance with Attachment I.
  - c. TDI-NE shall provide to the Town the final “as-built” drawings (in electronic form and, if requested, in hard copy form) for any improvements on town highways or Town-owned property and shall provide as-built or equivalent drawings of the site work within a reasonable period of time after completion of construction activities within the Town.
  - d. Notwithstanding the Town’s approval rights specified above, the Parties acknowledge that the PSB has ultimate review and approval authority over all Project plans. Any action taken by the Town hereunder may not be materially inconsistent with, or have the effect of altering or modifying, any order, judgment, decision or approval of the PSB, pursuant to 30 V.S.A. § 224; provided, however, that the Town does not waive any rights to present a case at the PSB consistent with Section 10 below, nor does it concede that it lacks any jurisdiction that it has by law. The Town shall retain the right to appeal a PSB decision regarding the Project, limited to the following: (i) the PSB decision is materially inconsistent with the Project as proposed by TDI-NE and reflected in this agreement (including any significant or material project changes of which TDI-NE has notified the Town and to which the Town has objected), and (ii) the PSB decision creates additional material burdens to the Town over and above any associated with the Project as originally proposed by TDI-NE, and those burdens are not otherwise mitigated by TDI-NE.
  - e. The Town represents that any approvals or permission given hereunder shall satisfy all its rights and obligations under local ordinances and state statutes; provided, however, that the Town makes no representations concerning the Project’s compliance with municipal zoning bylaws, due its exemption therefrom under 24 V.S.A. § 4413(b) as a Section 248 electric transmission facility.

## 5. Potential Impacts to Private Property

- a. TDI-NE affirms that, at present, it anticipates and intends that it will either own any and all private lands within the Town upon which construction activities will occur or reach an agreement allowing such activities with the owner(s) of any such private lands.
- b. TDI-NE has worked and will continue to work with consulting engineers and state officials to ensure that the Project is built and operated in a safe and commercially sound manner. In addition,
  - i. Before beginning construction in Ludlow, TDI-NE must provide certificates of insurance to show that the following minimum coverages are in effect. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of TDI-NE for its operations. These are solely minimums that have been established to protect the interests of the Town.

Workers Compensation: TDI-NE shall carry workers compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: TDI-NE shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises – Operations  
Products and Completed Operations  
Personal Injury Liability  
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$2,000,000 Per Occurrence  
\$2,000,000 General Aggregate  
\$2,000,000 Products/Completed Operations Aggregate  
\$ 50,000 Fire/Legal Liability

TDI-NE shall name the Town of Ludlow and its officers and employees as additional insureds for liability arising out of the portion of the Project within the town highways of the Town of Ludlow.

Automotive Liability: TDI-NE shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Project. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

TDI-NE will ensure that its contractors carry sufficient liability insurance to cover private property damage claims. Evidence of such insurance will be filed with the Town upon request;

- ii. Prior to construction, TDI-NE will undertake any necessary or appropriate baseline monitoring of conditions concerning private properties that have the potential to be affected by the Project, as determined by TDI-NE's consulting engineers and consistent with the baseline monitoring plan submitted by TDI-NE to the PSB for review and approval in connection with blasting activities. Such monitoring may include water well testing, surveying of septic systems, and/or inventorying the current condition of roads and drainage systems;
  - iii. TDI-NE agrees to identify a contact person and phone number that private property owners may contact; and
  - iv. TDI-NE agrees that it will act in good faith to respond in a timely manner to any reports of physical damage to private property, to ascertain whether the damage was caused by the Project, and, if so, to remedy the damage.
- c. The Parties agree that any legal rights, responsibilities, and obligations with respect to private property damage claims are matters between TDI-NE and private landowners, and this Agreement shall not create any rights of persons or entities other than the Parties to enforce this Agreement or affect any rights of the Town to enter into, mediate, or enforce any such obligations in court or otherwise.

## **6. Changes to Project**

The Parties acknowledge that the PSB has ultimate regulatory authority over the Project. If the PSB grants a CPG and TDI-NE chooses in its sole discretion to proceed with the Project, TDI-NE must build the Project in accordance with the terms of such approval. The Agreement pertains only to the Project as it is presently proposed at the time the Agreement is executed. If it becomes apparent to either party that the Agreement needs to be amended to conform to the terms of the PSB approval, the requesting party shall provide notice and within 30 days thereafter the Parties shall commence to negotiate in good faith to amend the Agreement so that performance is possible within those terms.

## **7. Warranties and Representations**

- a. TDI-NE warrants and represents that, unless the Project is transferred or assigned to an unrelated entity while this Agreement is in effect:
  - i. TDI-NE will, at all times during the term of this Agreement, be the lessee or owner of the Project and have all appropriate rights to access the real property that is necessary to construct and operate the Project;
  - ii. TDI-NE will, at all times while this Agreement is in effect, maintain the adequate

financial resources or have access to the adequate financial resources required to perform all of the obligations herein to be performed by it;

- iii. TDI-NE will, at all times this Agreement is in effect, have the power to assure that services or equipment or materials for the Project will be performed, furnished, or installed, as the case may be;
  - iv. TDI-NE will, at all times this Agreement is in effect, be responsible for the operation and maintenance of the buried cable system within the Town of Ludlow, either directly or through a contracted entity.
- b. TDI-NE will require insurance, performance bonds, or other appropriate forms of guaranty of all its contractors and others working on the Project, as determined by TDI-NE in accordance with good industry practice. Without limiting the foregoing, TDI-NE agrees to require a performance bond from its EPC contractor that will at a minimum cover the work to be conducted on Ludlow town roads. Proof of such bonds or other forms of guaranty shall be furnished to the Town upon the Town's request.
  - c. TDI-NE shall hold harmless the Town from any and all claims, disputes, and legal or regulatory actions that may be brought against the Town as a direct or indirect result of any claims associated with TDI-NE's negligence or willful misconduct. Notwithstanding the above, TDI-NE shall not be obligated to indemnify the Town for acts of negligence or willful misconduct or for any other actions by the Town that are in derogation of its obligations under law or this Agreement.

## **8. Transferees, Successors, and Assigns**

- a. TDI-NE may assign this Agreement in connection with the financing supporting construction of the Project as described in Section 8.c. below and may assign this Agreement otherwise, provided that, in the latter case, any such assignment shall not become effective unless and until such assignee assumes in writing the obligations and rights of TDI-NE hereunder. Upon delivery of written confirmation of such assumption to the Town, TDI-NE shall be released from its obligations hereunder, provided that for any partial transfer of the Project or transfer of a component of the Project, TDI-NE shall remain liable for its obligations hereunder with respect to the portion or components of the Project it retains.
- b. This Agreement in its entirety shall apply to, inure to the benefit of, and, with the exception of an assignment in connection with the financing supporting construction of the Project as described in Section 8.c. below, be binding upon and enforceable against the Parties hereto and their successors and assigns.
- c. In addition to the foregoing, TDI-NE is authorized to collaterally assign the rights and interests afforded to TDI-NE by this Agreement to a party or parties providing the debt financing for the Project, and the Town acknowledges that, in the case of any such



collateral assignment, this Agreement shall not be binding upon or enforceable against such assignee or assignees unless and until, and then only to the extent that, such assignee or assignees elect to exercise its right to displace the assignor and assume the assignor's rights and obligations pursuant to this Agreement.

#### **9. Maintenance and Fire Protection**

- a. TDI-NE warrants that it will operate the Project in accordance with prudent industry practices and in accordance with the manufacturers' requirements for maintenance of Project equipment.
- b. In the event that the Project receives fire protection or emergency services through the Town that result in a greater than normal expense to the Town, TDI-NE will reimburse the Town for the reasonable incremental expense attributable to the provision of such services to the Project, including additional training, if necessary.

#### **10. Cooperation by the Parties**

- a. The Town agrees to support approval of TDI-NE's Section 248 petition at the PSB, including, if necessary, the filing of appropriate testimony, exhibits, and other filings related to the Project's compliance with the Section 248 criteria, including but not necessarily limited to subsections (b)(1) and (b)(5). The Town further agrees to cooperate with TDI-NE before the PSB and other state, federal, and county instrumentalities. The Parties acknowledge that the Town may present its independent position on issues to be decided by the PSB, provided the Town acts consistently with this Agreement.
- b. If, after the execution of the Agreement, TDI-NE discloses to the Town any proposed substantial changes to the Project that may materially impact the Town's rights hereunder and if the Town concludes that such changes are acceptable, the Town, acting within the bounds of its authority, will cooperate with TDI-NE with respect to such changes in dealing with any state, federal, or county instrumentalities.
- c. TDI-NE and the Town have entered this Agreement in good faith and each agree and covenant to abide by its terms.

#### **11. Effective Date and Term of Agreement**

- a. The Agreement shall be effective upon its execution by the Parties.
- b. The Agreement shall be in effect during the commercial operation of the Project, provided that Section 1.c. shall survive the termination of commercial operation of the Project.

- c. Nothing in this Agreement shall obligate TDI-NE to build or operate the Project, any such decision being within TDI-NE's sole discretion. All payment obligations hereunder shall be in effect only during the time in which the Project is commercially operated.
- d. This Agreement shall terminate if the PSB denies TDI-NE's petition to construct and operate the Project and such denial is upheld on appeal, if an appeal is taken.

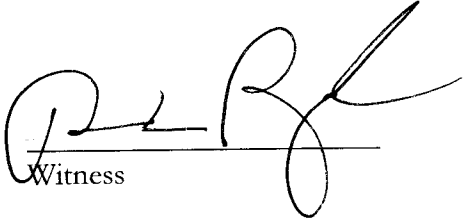
**12. Recording of the Agreement**

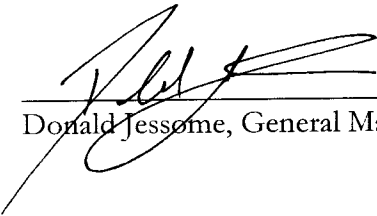
The parties shall record this Agreement in the land records of the Town of Ludlow at TDI-NE's expense.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE TO FOLLOW]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed  
as of this 2<sup>d</sup> day of July, 2015.

**CHAMPLAIN VT, LLC.**

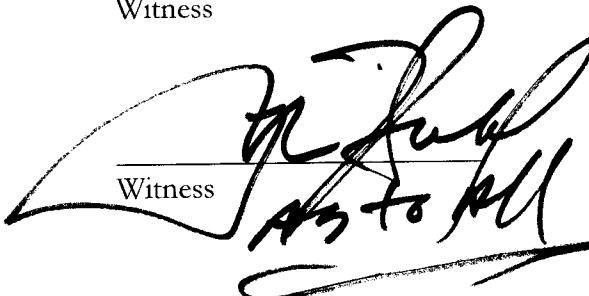
  
\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
Donald Jessome, General Manager

**THE TOWN OF LUDLOW**

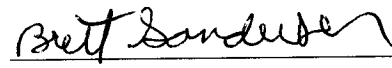
\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
Howard Barton, Jr., Chairman

  
\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
Bruce Schmidt, Vice Chair

\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
Brett Sanderson, Member

\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
Logan Nicoll, Member

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
John Neal, Member

Attachment I to TDI-NE -- Town of Ludlow Host Town Agreement

Section 1111 Approval