

SETTLEMENT AGREEMENT
BETWEEN
VIRGINIA ELECTRIC AND POWER COMPANY
AND
NORTH CAROLINA MUNICIPAL POWER
AGENCY NUMBER 3
INCLUDING
AGREEMENT FOR INTERIM ELECTRIC SERVICE
AND
AGREEMENT FOR TRANSMISSION USE AND
OTHER ELECTRIC SERVICE

JULY 30, 1981

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SETTLEMENT AGREEMENT

This Settlement Agreement dated as of July 30, 1981 by and between Virginia Electric and Power Company (hereinafter "Vepco") and North Carolina Municipal Power Agency Number 3 (hereinafter "Power Agency") provides as follows:

WHEREAS, Power Agency intends to become the bulk power supplier for a number of municipalities in the State of North Carolina, among them the municipalities listed on Appendix A presently being served at wholesale by Vepco (hereinafter the "Municipal Customers");

WHEREAS, the Municipal Customers are presently served by Vepco pursuant to FPC Electric Tariff First Revised Volume No. 1 (hereinafter "Electric Tariff") on file with the Federal Energy Regulatory Commission (hereinafter "FERC");

WHEREAS, a disagreement has arisen over the interpretation of the provisions of the Electric Tariff particularly as they relate to the length of notice required for the Municipal Customers to terminate their service from Vepco;

WHEREAS, Power Agency expects to own portions of electric generating units (hereinafter the "Power Agency Project") to be purchased from Carolina Power & Light Company (hereinafter "CP&L"):

WHEREAS, Vepco and Power Agency (hereinafter referred to jointly as the "Parties") desire to resolve their disagreements, to provide for a transition period during which Vepco will supply to Power Agency that portion of the Municipal Customers' loads in excess of the generating capacity to be provided from the Power Agency Project, and for Vepco to provide transmission service during the transition period and thereafter;

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

I.

Compensation to Vepco

1.1. Power Agency shall pay to Vepco a sum initially computed at \$16,500,000 (referred to, including such adjustments as may be made pursuant to Section 1.4, as the "Compensation Payment") as compensation in full for termination of service prior to the time when termination otherwise might have been permitted under the Electric Tariff.

1.2. The Compensation Payment shall be paid on the Initial Termination of Service Date defined in Section 2.1 hereof. If payment is to be delayed beyond December 30, 1981 Power Agency shall deliver to Vepco on the Initial Termination of Service Date a promissory note (or comparable evidence of commitment to pay) substantially in the form attached hereto as Appendix B. Such note shall bear simple interest at the rate of 11% per annum for the period from January 1, 1982 through

March 31, 1982 and interest at the FERC rate on refunds for the period April 1, 1982 through December 31, 1982. Power Agency covenants that it shall use its best efforts to issue and sell bonds (including notes or other evidences of indebtedness) at or prior to the maturity date of said promissory note in order to effect a first closing with CP&L prior to December 30, 1982, and further covenants to pay from the proceeds of the first issue of such bonds an amount equal to the principal and accrued interest on said promissory note. Power Agency covenants, in addition, that until the payment in full of all principal of, and accrued interest on, said promissory note, Power Agency shall promptly (a) advise the Assistant Treasurer-Legal of Vepco of any negotiations by Power Agency with respect to the issuance of such bonds and (b) furnish to the Assistant Treasurer-Legal of Vepco copies of the first draft, and if requested by Vepco, any subsequent drafts and the execution and executed forms, of all documents, agreements and instruments relating to the issuance of such bonds. In the event that such first closing has not occurred by December 30, 1982, Power Agency and Vepco agree that said promissory note shall be forthwith cancelled and of no further force and effect and in lieu thereof compensation shall be paid by Power Agency to Vepco pursuant to Section 6.2 hereof.

1.3. The initial computation of the Compensation Payment reflects the following:

- (i) Power Agency will own 18.7% of the Brunswick Units Nos. 1 and 2 and 13.2% of the Roxboro Unit No. 4. Of the total purchase by Power Agency, 35.3% has been assumed to be available to the Municipal Customers;
- (ii) The Maximum Net Dependable Capability (MNDC) of Brunswick Units Nos. 1 and 2 has been assumed to be 790 megawatts per unit (MW) and the MNDC of the Roxboro Unit No. 4 has been assumed to be 720 MW;
- (iii) Losses for energy and capacity on the Vepco system from the interconnection between Vepco and CP&L to the delivery points of the Municipal Customers have been assumed to be 3.8%;
- (iv) All of the Municipal Customers will become Participants in the Power Agency Project; and
- (v) As a result of factors (i), (ii) (iii) and (iv) Power Agency will have 88.4 MW available for delivery to the Municipal Customers at their delivery points computed as follows:

$$R[A_1(MNDC_{B1} + MNDC_{B2}) + A_2(MNDC_{R4})](B)(C)(L_C)(L_V) = 88.4 \text{ MW}$$

Where:

R = the ratio of participation in the Power Agency Project by Vepco-served cities, initially assumed to be 1.0

- A_1 = the percentage of each of Brunswick Units Nos. 1 and 2 to be owned by Power Agency, expressed as a decimal, initially assumed to be .187
- A_2 = the percentage of Roxboro Unit No. 4 to be owned by Power Agency, expressed as a decimal, initially assumed to be .132
- $MNDC_{B1}$ = the Maximum Net Dependable Capability for Brunswick Unit No. 1, initially assumed to be 790 MW
- $MNDC_{B2}$ = the Maximum Net Dependable Capability for Brunswick Unit No. 2, initially assumed to be 790 MW
- $MNDC_{R4}$ = the Maximum Net Dependable Capability for Roxboro Unit No. 4, initially assumed to be 720 MW
- B = the ratio of forecasted 1982 annual peak resource demand contribution of the Vepco-served cities to total forecasted 1982 annual peak resource demand contribution of all members of Power Agency, initially assumed to be .353
- C = that proportion of the capacity entitlement associated with the Power Agency Project assumed to be available at the end of 1981, which proportion shall not change
- L_C = the factor to account for losses on the CP&L system between the bus-bar of the Power Agency Project and the Vepco-CP&L interconnection, expressed as (1 minus the losses expressed as a decimal), which losses shall not change
- L_V = the factor to account for losses of 3.8% on the Vepco system between the Vepco-CP&L interconnection point and the delivery points of the Municipal Customers expressed as .962

NOTE: For purposes of the above calculation, the product of L_C and C is deemed to be .6666

1.4. The Compensation Payment will be subject to adjustment, as of December, 1981 and prior to the Initial Termination of Service Date provided in Section 2.1, to reflect the actual Power Agency Project entitlements to serve the Municipal Customers to the extent that:

- (i) the MNDC of the Brunswick Units Nos. 1 and 2 are different from 790 MW per unit or the MNDC of Roxboro Unit No. 4 is different from 720 MW, or both;
- (ii) the ratio of forecasted 1982 annual peak load of the Vepco-served cities to total forecasted 1982 annual peak loads of all members of Power Agency is different from .353; and
- (iii) the ratio of the forecasted 1982 annual peak loads of the Vepco-served cities which actually participate in the Power Agency Project (hereinafter "Participants-Vepco") to the forecasted 1982 annual peak loads of all Vepco-served Power Agency cities is less than 1.0

The revised figures, if any, for (i), (ii) and (iii) in this Section 1.4 shall be substituted in the formula in Section 1.3 to compute a revised number of megawatts. The Compensation Payment shall be increased or decreased to reflect the ratio of the revised number of megawatts to 88.4 MW.

II.

Termination of Full Requirements Service

2.1. The Initial Termination of Service Date shall be the date in December, 1981 on which Power Agency first closes on the purchase of generating facilities from CP&L in connection with the Power Agency Project, provided, however, that such date shall be a day in December, 1981 as the Parties

may agree, if the conditions set forth in Section 3.3 have been met and if it does not appear Power Agency will be able to close with CP&L prior to January 1, 1982. Since time is of the essence, the Initial Termination of Service Date shall be no later than December 30, 1981.

2.2. Upon the Initial Termination of Service Date, and notwithstanding any notice requirements of the Electric Tariff or the Agreement for the Purchase of Electricity for Resale thereunder, the obligations under the Electric Tariff of the Participants-Vepco shall terminate except for any obligations incurred as a result of services rendered by Vepco prior to that date and except that Power Agency shall assume the obligations of the Greenville Utilities Commission as stated in Supplement B-1 (April 4, 1975), the obligations of the Town of Tarboro as stated in Supplement B-1 (December 11, 1974 and as revised thereafter), the obligations of the Town of Robersonville as stated in Supplement B-2 (March 27, 1980) to their respective Agreements for the Purchase of Electricity for Resale and any other obligations of the Participants-Vepco incurred pursuant to Article 4 of the Terms and Conditions for the Purchase of Electricity for Resale included within the Electric Tariff.

2.3. The service termination described in Section 2.2 shall not occur unless on or prior to the Initial Termination of Service Date,

- (i) Power Agency shall have paid the Compensation Payment provided in Section 1.1, as adjusted pursuant to Section 1.4, or the promissory note described in Section 1.2 shall have been delivered;
- (ii) the releases and covenants not to sue described in Section 8.2 shall have been delivered by Power Agency and each of the Participants-Vepco to Vepco, provided, however, that Power Agency and the Participants-Vepco shall have no obligation to deliver such releases and covenants not to sue if by the Initial Termination of Service Date Vepco shall have failed to deliver the release or releases provided in Section 8.2 to Power Agency and the Participants-Vepco; and
- (iii) Vepco shall have received (1) an opinion of Messrs. Wood & Dawson to the effect that:
 - (a) The supplemental power sales agreements, including provisions thereof obligating the Participants-Vepco to pay the costs incurred by Power Agency pursuant to Section 6.2 hereof and granting Vepco certain rights to enforce the provisions of the supplemental power sales agreements as a third-party beneficiary,

constitute valid and legally binding obligations of the Participants-Vepco enforceable in accordance with their terms and will continue to be so enforceable notwithstanding that no Bonds, as defined in the project power sales agreements, are ever issued; and (b) Power Agency may not be dissolved unless and until Power Agency has paid all amounts to Vepco as required by Section 6.2 hereof or the obligation to make such payments has been fully satisfied and (2) an opinion of Messrs. Spiegel & McDiarmid to the effect that the Settlement Agreement is a valid and legally binding obligation of the Power Agency enforceable in accordance with its terms, each opinion with such counsels' usual bankruptcy and equity exceptions.

2.4. Upon the Initial Termination of Service Date, the Participants-Vepco will become full requirements customers of Power Agency and Vepco will provide service to Power Agency pursuant to Articles III and IV herein. Vepco will continue to provide full requirements service pursuant to the Electric Tariff and the Agreement for the Purchase of Electricity for Resale to any municipality now served by Vepco which does not become a Participant in the Power Agency Project.

III.

Service Arrangements During the Transition Period

3.1. During a Transition Period, which will commence on the Initial Termination of Service Date and conclude on December 30, 1983, Power Agency will provide service to the Participants-Vepco from its Project. From the Initial Termination of Service Date through December 30, 1982, Power Agency will supply 69% of the ultimate capacity entitlement for the Participants-Vepco associated with the Brunswick Units and Roxboro Unit No. 4 included in the Power Agency Project. From December 31, 1982 through December 30, 1983 and through December 30, 1984, the Transition Period is extended pursuant to Section 3.2, Power Agency will supply all of the Participants-Vepco share of the ultimate capacity entitlement associated with the Brunswick Units and Roxboro Unit No. 4 included in the Power Agency Project.

3.2. The Transition Period may be extended for one full year, to December 30, 1984, if Power Agency shall have provided written notice to Vepco prior to July 1, 1983 of its intention to extend the Transition Period.

3.3. If the closing on Power Agency's acquisition of generating facilities from CP&L to form the Power Agency Project shall be delayed beyond December 30, 1981, and if on such date (i) the Purchase, Construction and Ownership Agreement between Power Agency and CP&L dated as July 30, 1981

with respect to acquisition of generating facilities shall remain in full force and effect; (ii) a sufficient number of the members of Power Agency shall have entered into project power sales agreements with Power Agency as required by the Purchase, Construction and Ownership Agreement as a condition precedent to its effectiveness, (iii) the releases and covenants not to sue pursuant to Section 8.2 hereof shall have been delivered to Vepco, and (iv) the opinions of counsel required by Section 2.3 shall have been received by Vepco, Power Agency may substitute capacity and energy from CP&L for capacity and energy which Power Agency otherwise would have supplied pursuant to Section 3.1.

3.4. For requirements in excess of that provided from the Power Agency Project (including reserve capacity as may be purchased by Power Agency from CP&L in connection therewith), Vepco will provide service pursuant to the Agreement for Interim Electric Service from Virginia Electric and Power Company dated as of July 30, 1981 (hereinafter "Agreement for Interim Electric Service"), reproduced as Appendix C hereto, in accordance with Sections 3.5, 3.6 and 3.7 hereof.

3.5. During the Transition Period, Vepco will utilize Schedule RS-A, Interim Electric Service to NCMPA3, included in the Agreement for Interim Electric Service as the rates therein may be changed from time to time, to provide partial requirements service to Power Agency to supply the loads of the

Participants-Vepco in addition to a combination of Project capacity designated for the Participants-Vepco and Emergency Electric Service purchased pursuant to Section 3.6.

3.6. Emergency Electric Service will be sold by Vepco to Power Agency, pursuant to Schedule A, Emergency Electric Service included in the Agreement for Interim Electric Service, to supply needs of the Participants-Vepco in excess of those provided by Power Agency Project capacity and those supplied pursuant to Schedule RS-A. The determination of how much Emergency Electric Service, if any, is to be sold in any hour is provided in Section 3.7 and Schedule A. Emergency Electric Service shall be sold at Vepco's incremental energy costs (with no demand charge imposed). If, however, at the time of the sale by Vepco of Emergency Electric Service to Power Agency, Vepco shall be purchasing power from another system at a cost in excess of its own system incremental cost, the rate for the Emergency Electric Service shall be the total costs to Vepco (including demand, capacity and any other costs) of the purchases from the other system. All sales of Emergency Electric Service, whether generated on or off the Vepco system, shall include a handling charge of one mill per kilowatthour.

3.7. Power Agency, or CP&L on Power Agency's behalf, shall dispatch each hour to the Vepco-CP&L interconnections the Participants-Vepco share of the Power Agency Project. In any hour when the amount to be dispatched shall be less than the

Participants-Vepco share of the MNDC of the units constituting the Power Agency Project, Power Agency, through the CP&L dispatcher, shall notify Vepco of any lesser amount being, or to be, dispatched. At the end of each month, Vepco shall determine the billing for service under Schedule RS-A and for Emergency Electric Service in accordance with the Agreement for Interim Electric Service.

3.8. Vepco will also purchase (on an after-the-fact basis) as Economy Energy any Power Agency generation in excess of the loads of the Participants-Vepco. The price for such Economy Energy is expressed as

$$\frac{A+B}{2}$$

where,

A = the incremental cost to Power Agency in the hour of the Economy Energy sale

B = the incremental cost to Vepco in the hour of the Economy Energy purchase

In no event will Vepco pay more for Economy Energy from Power Agency than Vepco's incremental cost for the hour in which the Economy Energy is deemed to have been purchased.

3.9. Power Agency shall pay Vepco, prior to the first day of each month, an Accounting Fee of \$6,000 per month. Such Accounting Fee is compensation to Vepco for the after-the-fact accounting to be performed by Vepco.

3.10. Transmission Service, described in Article IV hereof, shall be provided during the Transition Period and shall continue thereafter unless terminated pursuant to the provisions of the Agreement for Transmission Use and Other Electric Service attached hereto as Appendix D.

IV.

Transmission Service

4.1. Transmission Service will be provided, pursuant to the Agreement for Transmission Use and Other Electric Service attached hereto as Appendix D, during the Transition Period and thereafter for the purpose of transmitting Power Agency power to the Participants-Vepco.

4.2. The rate for Transmission Service shall be stated in dollars per delivered kilowatt per month. During the Transition Period, the rate shall also be stated in dollars per billed kilowatt per month. The rate shall be stated separately for transmission level service (69 kV and above) and for distribution level service. The rate will include an allowance for the cost to Vepco of the reduction in transfer capability into the Vepco System. During the Transition Period, a credit shall be applied against Transmission Service billings to the extent of Schedule RS-A billing demand times the appropriate transmission rate level stated in dollars per billed kilowatt.

4.3. If the Greenville Utilities Commission establishes a point of connection with CP&L, neither Power Agency nor Greenville will be charged for transmission over the Vepco

system of Power Agency Project capacity delivered directly to Greenville by CP&L; provided, however, that the amount deemed to be delivered to Greenville by CP&L shall not exceed Greenville's load ratio share of such Project capacity.

4.4. Sections 8.3 and 8.4 of the Agreement for Transmission Use and Other Electric Service notwithstanding, if the City of Washington shall give written notice within six (6) months of the date hereof, the City shall have the right to connect its system directly to the system of CP&L provided that Power Agency, until the end of the Transition Period, shall pay to Vepco the sums which otherwise would have been paid for transmission service and for service pursuant to Section 3.4 hereof.

V.

Sale of Facilities

5.1. Subject to obtaining any necessary regulatory approvals and the execution of a satisfactory agreement of sale, Vepco agrees to sell to CP&L certain transmission and substation facilities that will permit CP&L to provide service directly to the Greenville Utilities Commission.

5.2. Subject to obtaining any necessary regulatory approvals, Vepco agrees to sell certain substation facilities at Greenville, North Carolina to the Greenville Utilities Commission. Such facilities would provide 115 kv service to Greenville from the 230 kv facilities at Greenville. The price

for the facilities shall be computed on the basis of reproduction cost new less accumulated depreciation using Vepco depreciation rates applied to such reproduction costs.

5.3. Applications for approval of the transactions described in Sections 5.1 and 5.2 will be submitted to the appropriate regulatory agencies.

VI.

Effects of Delay and/or Power Agency Failure

6.1. If by December 30, 1981 the Purchase, Construction and Ownership Agreement between Power Agency and CP&L shall no longer be in full force and effect or if a sufficient number of the members of Power Agency shall not have entered into project power sales agreements with Power Agency as required by such Purchase, Construction and Ownership Agreement as a condition precedent to its effectiveness, this Settlement Agreement shall be null and void, except to the following extent:

- (i) the Municipal Customers will continue to receive full requirements service pursuant to the Electric Tariff;
- (ii) Greenville's notice of termination submitted on April 30, 1980 shall be deemed to have been given one year prior to the date on which Greenville notifies Vepco in writing of its renewed intention to terminate service, but

(a) nothing herein shall be deemed to be an admission by Vepco that Greenville's notice is effective to terminate service nor shall anything herein constitute a waiver of any right Vepco may have to assert that such notice is not effective and (b) nothing herein shall prejudice Greenville's right to argue that no additional notice is required.

6.2. In the event the promissory note referred to in Section 1.2 hereof is not paid by December 31, 1982, and is cancelled, Power Agency shall pay to Vepco, in equal monthly payments for the forty eight month period January 1, 1983, through December 31, 1986, an amount sufficient to amortize (i) the Compensation Payment; (ii) simple interest at the rate of 11% per annum for the period from January 1, 1982 through March 31, 1982 on the amount in (i); and (iii) interest at the FERC rate on refunds for the period April 1, 1982 through December 31, 1982 on the amounts in (i) and (ii). Interest shall also be paid at 120% of the FERC rate on refunds for the period from January 1, 1983 through December 31, 1986 on any unpaid balance, such balance including the amounts in (i), (ii) and (iii) above.

6.3. The supplemental power sales agreements entered into by each Participant with Power Agency shall provide that each Participant-Vepco shall, as part of the monthly bill for

Interim All Requirements Bulk Power Supply, be obligated to pay all costs associated with the monthly payments to Vepco potentially payable under Section 6.2 herein. Each such supplemental power sales agreement shall further provide that it shall not be amended, modified or otherwise changed or rescinded, with respect to the obligations under this section or Section 6.2, without the prior written consent of Vepco. Vepco shall have the right, as a third-party beneficiary, to enforce the payment provisions of the supplemental power sales agreements so long as Vepco has not received from the Power Agency payment of costs incurred by Power Agency pursuant to Section 6.2; such enforcement may be sought against Power Agency, against the Participants-Vepco or against both, and in such enforcement Vepco shall have the same rights as Power Agency to enforce such provisions of the supplemental power sales agreements. The supplemental power sales agreements shall be in substantially the form attached hereto as Appendix F.

6.4. Power Agency agrees not to take any action to dissolve Power Agency unless and until Power Agency has paid all amounts as required by Sections 6.2 and 6.3 or the obligation to make such payments has been fully satisfied.

VII.

Regulatory Matters

7.1. The rate schedules described herein, and attached hereto as Appendices C and D, shall be filed with FERC, with the request that they become effective on the Initial Termination of Service Date.

7.2. Power Agency will join in Vepco's request that the initial filings of the rate schedules described in Section 7.1 be accepted for filing without suspension and will support such initial filings.

7.3. Power agency retains the right to contest the justness and reasonableness of the rates filed by Vepco in Docket Nos. ER78-522, ER81-121-000 and ER81-388-000.

7.4. Vepco retains the right to refile all rate schedules, although, during the Transition Period, it will not change the concepts of Emergency Electric Service, Economy Energy or energy accounting described above in Sections 3.3, 3.5, and 3.4, respectively, or the rate structures contained therein; provided, however, that nothing contained herein shall be construed as affecting in any way the right of Vepco to unilaterally make application to FERC for a change in the level of any rate at any time under Section 205 of the Federal Power Act and pursuant to the Rules and Regulations promulgated thereunder; and provided further that during the third year, if any, of a transition period Vepco reserves the right, subject

to appropriate regulatory filings, to impose a demand charge for extended emergency service or to change the rate structure, or both. Power Agency retains the right to contest any rate filings made pursuant to this Section 7.4.

VIII.

Other Matters

8.1. No later than December 30, 1983, Power Agency will have telemetering facilities installed on all of the delivery points of the Participants-Vepco so as to provide totalized metering to both the Vepco and CP&L dispatch centers.

8.2. The Parties will mutually release and covenant not to sue each other, and Vepco and the individual Participants-Vepco will mutually release and covenant not to sue each other from all claims based in whole or in part on claimed allegations of anticompetitive acts, practices, conduct or omissions prior to the effective date of the release and covenant not to sue. The releases and covenants not to sue shall be in the forms attached hereto as Appendix E.

8.3. The descriptive headings of the various Articles of this Settlement Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

8.4. Any waiver at any time, by either party hereto, of any of its rights with respect to the other party, or with respect to any matter arising in connection with this Settlement Agreement, shall not be considered a waiver of any other rights with respect to any subsequent matter.

8.5. Each term of this Settlement Agreement is in consideration and support of every other term. None of the terms are severable. In the event that any provision of this Settlement Agreement, other than the rate schedules filed with FERC, shall be held invalid or unenforceable, the remainder of this Agreement shall be deemed null and void. In such event, the Parties will negotiate in good faith to restore as nearly as practicable the economic benefits each party would have received.

8.6. Power Agency agrees that it shall pay attorneys' fees and other expenses incurred by Vepco in the collection of payments due hereunder or under the supplemental power sales agreements or in the enforcement of any other obligation of Power Agency hereunder or the obligations of the Participants-Vepco under the supplemental power sales agreements.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed and sealed as of the day and year first above written, by their duly authorized representatives.

(SEAL)

VIRGINIA ELECTRIC AND POWER COMPANY

Attest:

By

William W. King

Title

President

W. C. Hillman
Secretary

(SEAL)

NORTH CAROLINA MUNICIPAL POWER
AGENCY NUMBER 3

Attest:

By Simon C. Sitterson Jr.
Chairman, Board of Commissioners

David R. Fayl
Secretary

Appendix A

Wholesale Municipal Customers of Virginia Electric
and Power Company in North Carolina Eligible to
Become Full Requirements Customers of North
Carolina Municipal Power Agency Number 3

Town of Belhaven
Town of Edenton
City of Elizabeth City
Town of Enfield
Greenville Utilities Commission*/
Town of Hamilton
Town of Hertford
Town of Hobgood
Town of Robersonville
Town of Scotland Neck
Town of Tarboro
City of Washington
Town of Windsor

*/For purposes of this Agreement, the load of the
Greenville Utilities Commission shall include the load of the
City of Winterville, which is served by the Greenville
Utilities Commission.

SETTLEMENT AGREEMENT PROMISSORY NOTE

North Carolina Municipal Power Agency Number 3, duly organized as a public body and a body corporate and politic under the laws of the State of North Carolina (the "Agency"), hereby promises to pay to Virginia Electric and Power Company (the "Company"), on December 30, 1982 (subject to prepayment as hereinafter provided), the principal amount of _____ dollars (\$ _____),

together with interest from January 1, 1982 until December 30, 1982 on the unpaid principal amount hereof at the rate of eleven percent (11%) per annum for the period from January 1, 1982 through March 31, 1982 and at the Federal Energy Regulatory Commission rate on refunds, as established from time to time, for the period from April 1, 1982 through December 30, 1982, all payable on December 30, 1982 (subject to prepayment as hereinafter provided). All interest shall be computed for the actual number of days elapsed based on a year of 365 days.

This note may be prepaid at any time at the option of the Agency upon payment of the unpaid principal amount hereof together with interest accrued thereon to the date of prepayment.

If the principal amount hereof together with all accrued interest thereon is not paid on or before December 30, 1982, this note forthwith shall be cancelled by Vepco and as of such date this note (but not other obligations of the Agency under the Settlement Agreement hereinafter mentioned) shall be of no further force and effect; such failure to pay shall not constitute or be considered to be a default hereunder or under the Settlement Agreement hereinafter mentioned for any purpose whatsoever.

All payments payable hereon on account of principal and interest shall be made to _____ Bank for the account of Vepco in lawful money of the United States of America. Any payment made as aforesaid shall discharge the obligation of the Agency to pay principal of and interest on this note to the extent of the payment and whether or not this note is surrendered for payment; however, upon the payment in full of such principal and interest Vepco shall cancel this note. Upon such cancellation or a cancellation of this note pursuant to the next preceding paragraph, Vepco shall forthwith surrender the cancelled note to Power Agency.

This note may not be sold, transferred or otherwise disposed of, nor may any participation herein be granted, without the consent of the Agency.

This note constitutes a special obligation of the Agency payable as to principal and interest solely from the proceeds of Bonds, Notes or Subordinated Debt, if and to the extent the same may be and are issued. The terms "Bonds", "Notes" and "Subordinated Debt" as used herein shall have the meanings as defined in the Project Power Sales Agreements hereinafter mentioned.

The principal of and interest on this note shall not be payable from the general funds of the Agency nor shall this note constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the property or upon any of the income, receipt, or revenues of the Agency, except as described herein. Neither the faith and credit nor the taxing power of the State of North Carolina or of any city, town or other unit of municipal government thereof are pledged for the payment of the principal of or interest on this note, and no holder of this Note shall have the right to compel the exercise of the taxing power of the State of North Carolina or of any city, town or other unit of municipal government thereof or the forfeiture of any of their property in connection with any default with respect to this note.

The Agency has entered into Project Power Sales Agreements, Initial Project, and Supplemental Power Sales Agreements, each dated as of July 30, 1981, with certain of its members.

This note is issued as required by a Settlement Agreement dated as of July 30, 1981, by and between the Agency and Vepco and in consideration of said Agreement and the promises, covenants and agreements contained therein, and is issued under the authority of and in full compliance with the Constitution and statutes of the State of North Carolina, including particularly Chapter 159B, General Statutes of North Carolina. Said Settlement Agreement and the issuance of this note were authorized by a resolution adopted by the Board of Commissioners of the Agency on July 30, 1981, Resolution No. R-3-81, and the issuance of this note was approved by the Local Government Commission of North Carolina by a resolution adopted [by the Executive Committee thereof] on _____, 1981.

It is hereby certified and recited that all conditions, acts and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this note exist, have happened and have been performed in regular and due time, form and manner and that the issuance of this note does not exceed any debt or other limit prescribed by the Constitution and laws of the State of North Carolina.

IN WITNESS WHEREOF, the Agency has caused this note to be executed in its name by the manual signature of its Chairman or Vice Chairman and the seal of the Agency to be impressed hereon and attested by the manual signature of its Secretary-Treasurer or Assistant Secretary-Treasurer, all as of the ____ day of _____, 1981.

NORTH CAROLINA MUNICIPAL POWER
AGENCY NUMBER 3

[SEAL]

By: _____
Chairman or Vice Chairman

ATTEST:

Secretary-Treasurer or
Assistant Secretary-
Treasurer

AGREEMENT FOR INTERIM ELECTRIC SERVICE
FROM VIRGINIA ELECTRIC AND POWER COMPANY

THIS AGREEMENT, made this 30th day of July, 1981, by and between the VIRGINIA ELECTRIC AND POWER COMPANY, (the Company), and North Carolina Municipal Power Agency Number 3, (the Customer):

WITNESSETH: The parties hereto contract and agree as follows:

1. The Company will furnish to the Customer, and the Customer will purchase from the Company, at mutually agreed upon Delivery Points, partial requirements electricity required by the Customer primarily for resale to Participants and also for its own use.

2. This Basic Agreement shall become effective on the earlier of (a) December 30, 1981 or (b) the date on which the Customer closes on the purchase of facilities from Carolina Power and Light Company (C P & L) in connection with the Customer's project, provided, however, that such date shall be a day in December, 1981 as the Customer and the Company may agree if it does not appear the Customer will be able to close with C P & L prior to December 30, 1981. The effective date shall be confirmed by an exchange of correspondence between the Company and the Customer.

3. The term of this Basic Agreement shall be from the effective date of this Basic Agreement until December 30, 1983 unless extended for one (1) year to December 30, 1984 by the Customer providing written notice to the Company prior to July 1, 1983 of its intention to extend.

4. Nothing contained herein shall be construed as affecting in any way the right of Company or Customer to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates, charges, classification, or service, or in any rule, regulation or contract relating thereto, under Section 205 of the Federal Power Act, and pursuant to the Commission's Rules of Practice and Procedure, except that, to the extent that any such changes are proscribed or limited by Section 7.4 of the "Settlement Agreement Between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3".

5. Service hereunder shall be at all times in accordance with and subject to the provisions of the applicable rate schedules and terms and conditions attached hereto, as filed and effective with the Federal Energy Regulatory Commission and as amended from time to time in the manner prescribed by law.

6. This Basic Agreement cancels and supersedes as of the effective date hereof all previous agreements with the Customer and/or Participants for the use of electricity at each location covered by this Basic Agreement except

obligations under previous electric service agreements assumed by the Customer pursuant to Section 2.2 of the Settlement Agreement between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3. Any claim or claims which either party hereto may have to assert in any manner arising out of the supplying of electricity hereto without respect to this Basic Agreement, and any and all rights which either party may have, to make and enforce any claim, is hereby reserved for the benefit of such party except as limited by Section 8.2 of the Settlement Agreement between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3.

7. The Electric Service Specifications shall be stated in numbered Supplement(s) to this Basic Agreement, executed by the parties and made effective from time to time for each Delivery Point supplied hereunder.

8. This Basic Agreement shall be binding upon the Company only when accepted by its duly authorized agent and shall not be modified by any promise, agreement or representation of any agent or employee of the Company unless incorporated in writing in this agreement before such acceptance. This Basic Agreement shall inure to the benefit of and be binding upon the heirs, successors, or assigns of each of the parties hereto.

9. All appendices attached hereto shall be incorporated into and be a part of this Basic Agreement.

10. Terms used in this Basic Agreement shall be as defined in Appendix B hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Basic Agreement to be executed in their names and their seals hereunto affixed and attested by their duly authorized officers.

ATTEST:

North Carolina Municipal Power Agency
Number 3

David R. Gayle
SECRETARY

By Simon C. Lutterman Jr.
Title Chairman

VIRGINIA ELECTRIC AND POWER COMPANY

ATTEST:

R. C. Holloman Jr.
Assistant Secretary
CHAP

William H. King
Vice President

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

I. AVAILABILITY

This schedule is applicable for the supply of alternating current electricity to the Customer at its Delivery Points for which such electricity is purchased for Participants primarily for resale and the Customer contracts for such service under the Company's "Agreement for Interim Electric Service from Virginia Electric and Power Company".

II. SERVICE AVAILABLE

Normally, the Company will supply the equipment necessary and will deliver to the Customer, in accordance with the Company's applicable Terms and Conditions on file with the Federal Energy Regulatory Commission at each Delivery Point mutually satisfactory to the Customer and the Company, 60 Hertz alternating current electricity of the phase and voltage desired by the Customer at each Delivery Point, provided electricity of the phase and voltage desired by the Customer is available generally in the area in which electricity is desired.

III. 30-DAY RATE

- A. kW Demand Charge (for each Delivery Point)
 - First 300 kW of demand or less \$2,799.46
 - Additional kW of demand @ \$ 8.831 per kW
- B. Less Customer Capacity Credit
 - All kW of Customer Capacity @ \$ 8.831 per kW
- C. Plus RKVA Demand Charge (for each Delivery Point)
 - All rkVA of Demand @ \$ 0.06 per rkVA
- D. Plus Energy Charge
 - All kWh @ 2.435¢ per kWh
- E. Less Customer Energy Credit
 - All kWh of Project Energy and
Emergency Energy @ 2.435¢ per kWh

E. The Customer's bill for the current billing month shall be increased or decreased by an amount equal to:

- 1. The sum of
 - a. The estimated fuel adjustment factor for the current billing month, and
 - b. The differential adjustment factor for the current billing month, multiplied by

(Continued)

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

III. 30-DAY RATE (Continued)

2. The Supplemental kWh used in the current billing month.

The estimated fuel adjustment factor for the current billing month shall be based on the total actual fuel expenses and sales for the three months ended with the first month preceding the current billing month and shall be calculated by the fuel adjustment factor formula below rounded to the nearest thousandth of a cent.

The differential adjustment factor to be applied to the current billing month will be equal to:

1. The actual fuel adjustment factor for each of the first, second and third months preceding the current billing month, minus
2. The estimated fuel adjustment factor, respectively, for each of the first, second, and third months preceding the current billing month; each difference is then multiplied by
3. The kilowatthour sales for the first, second, and third months, respectively, preceding the current billing month, and the resulting sum of these products is then divided by
4. The sum of the total kilowatthour sales for the same three months.

The actual fuel adjustment factor shall be based on the actual monthly fuel expenses and kWh sales for that month and shall be calculated by the fuel adjustment factor formula below rounded to the nearest thousandth of a cent.

Estimated and Actual Fuel Adjustment Factor Formula:

$$F = \frac{E}{S} - \$0.01788 \quad (T) (L) \quad (100)$$

Where:

F = Fuel adjustment factor (estimated or actual) in cents per kilowatthour.

(Continued)

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

III. 30-DAY RATE (Continued)

E = Expenses to be used in the above formula for appropriate months will be determined as follows:

- (1) Fossil and nuclear fuel consumed in the Utility's own plants, and the Utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518, excluding estimated costs and salvage value associated with reprocessing and disposal of the nuclear fuel and by-products, and except that if Account 518 also contains any expense for fossil fuel, it shall be deducted from this account.

Plus

- (2) Purchased Power fuel costs purchased for reasons other than those identified in (3) below such as those incurred in Unit Power and Limited Term Power purchases where the fossil and nuclear costs associated with energy purchased are identifiable and are identified in the billing statement.

Plus

- (3) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis.

Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased to substitute for the Company's own higher cost energy.

Energy receipts that do not involve money payments such as Diversity Energy and pay-back of Storage Energy are not defined as Purchased or Interchanged Power relative to the Fuel Clause.

(Continued)

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

III. 30-DAY RATE (Continued)

- (4) The cost of fossil ^{Minus} and nuclear fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity Energy and pay-back of Storage Energy are not defined as sales relative to the Fuel Clause.

S = Total actual kilowatthour sales during the appropriate months.

\$0.01788 = Base cost of fuel per kWh sold.

T = Adjustment for state and local taxes measured by gross receipts determined separately for resale customers in Virginia and North Carolina: 100% divided by (100% minus applicable gross receipts tax rate).

L = 0.970071, loss factor for resale services based on the difference between line losses for resale services and system average line losses.

G. When the actual number of days between meter readings is more or less than 30 days, the kW Demand Charge, the Customer Capacity Credit and the RKVA Demand Charge will each be multiplied by the actual number of days in the billing period and divided by 30.

IV. SURCHARGES

Surcharges will apply only to charges under Paragraphs III. A. and D. for distribution services with delivery voltages of less than 69 kV.

A. kW Demand Surcharge
All kW of Demand in Excess of 300 kW @ \$0.41 per kW
Surcharge

(Continued)

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

IV. SURCHARGES (Continued)

B. Energy Surcharge			
Energy Charge	@	1.2%	Surcharge

V. MINIMUM BILL

The minimum bill for a Delivery Point shall be the minimum charge for which the Customer has contracted, but not less than the sum of the charges in Paragraphs III. A. and C. and increased as appropriate under Paragraph III. E.

VI. OTHER PROVISIONS

A. Determination of kW Demand

(1) Except as provided under VI. A. (2), the kW of demand billed for each Delivery Point shall be the highest of:

- (a) The highest average kW measured in any 30-minute interval during the current billing month or
- (b) 90% of the highest average kW of demand measured in any 30-minute interval during the billing months of June through September of the preceding eleven billing months, or
- (c) 300 kW.

(2) Where the kW of demand under VI. A. (1) is 1000 kW or more, the kW of demand billed for each Delivery Point shall be the highest of:

- (a) The highest average kW measured in any 30-minute interval during the on-peak hours of 10:00 a.m. to 10:00 p.m. E.D.T. (9:00 a.m. to 9:00 p.m. E.S.T.), Mondays through Fridays, plus 30% of the excess of this amount determined in a similar manner during any other period during the current billing month, or
- (b) 90% of the highest kW of demand as determined by Subparagraph VI. A. (2) (a), above during the billing

(Continued)

SCHEDULE RS-A
INTERSTATE ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

VI. OTHER PROVISIONS(Continued)

months of June through September of the preceding
eleven billing months, or

(c) 1000 kW.

B. Determination of Customer Capacity

During the current billing month the kW of Customer Capacity available for delivery at the Delivery Points shall be determined for the time of the Company's system peak in that month and determined in accordance with the provisions of the Settlement Agreement between Vepco and NCMPA No. 3.

C. Determination of RKVA Demand

The rkVA demand for each Delivery Point shall be billed only where the kW of demand is determined under Paragraph VI. A. (2).

The rkVA of demand billed for each Delivery Point shall be the highest average rkVA measured in any 30-minute interval during the current billing month.

D. Determination of Supplemental Energy

- (1) All energy shall be expressed in kWh by hour.
- (2) Total energy shall mean the sum of kWh energy of all Customer Delivery Points.
- (3) Project energy shall mean energy supplied by the Customer in parallel with the Company as determined, in accordance with the provisions of the Settlement Agreement between Vepco and NCMPA No. 3, to be available from the Company's transmission system to supply the Customer's energy requirements.

(Continued)

SCHEDULE RS-A
INTERIM ELECTRIC SERVICE TO
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

(Continued)

VL OTHER PROVISIONS(Continued)

D. Determination of Supplemental Energy (Continued)

- (4) Supplemental Energy in each hour shall be the lesser of (a) the greater of (i) the amount by which the Customer's total energy in such hour exceeds the rated project energy (100% of supply), and (ii) the amount by which such total energy determined for the hour of the Company's system peak demand in the current billing month exceeds such rated project energy; and (b) the amount by which the Customer's total energy in such hour exceeds the actual received projected energy in such hour.
- (5) The remainder of the Customer's total energy requirements not supplied from project energy or from Supplemental Energy in the manner set forth above shall be supplied as Emergency Energy in accordance with Appendix E of this Basic Agreement.

VII. APPLICABLE TERMS AND CONDITIONS

Articles 1 through 7 of the Company's Terms and Conditions for the Purchase of Electricity by North Carolina Municipal Power Agency Number 3, as included in the Agreement for Interim Electric Service from Vepco as Appendix B and as changed from time to time, apply to this schedule and are hereby incorporated by reference.

TERMS AND CONDITIONS
FOR THE PURCHASE OF ELECTRICITY
BY NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

ARTICLE 1. Definitions

Certain words and phrases as used herein shall be understood to have the following meanings:

- "Basic Agreement" - The Agreement for Interim Electric Service between Customer and Company for the purchase of partial requirements electricity for use by Participants.
- "Commission"-The Federal Energy Regulatory Commission and any other regulatory Commission having jurisdiction over the Company's sales for resale.
- "Company"- Virginia Electric and Power Company
- "Customer"- The North Carolina Municipal Power Agency Number 3 purchasing electricity from the Company for resale in accordance with these Terms and Conditions.
- "Delivery Point"- Point of electrical connection between Company-owned and Customer-owned or Participant-owned facilities, or otherwise as specified in the Supplement.
- "Electric Service Specifications"- For each Delivery Point, the Supplement to the Basic Agreement describing the Delivery Point and the characteristics of electric service supplied at the Delivery Point.
- "Participant"- A municipal system which receives full requirements service from the Customer and as listed in Appendix D of this Basic Agreement.
- "Parties"- The Customer and the Company.
- "Supplement"- The supplement to the Basic Agreement containing the Electric Service Specifications for one Delivery Point.

ARTICLE 2. Agreement

A. The Customer and the Company have executed a Basic Agreement, and will normally have executed a numbered Supplement for service at each Delivery Point, before the Company incurs any expense to provide the requested service.

B. The Customer by accepting electricity or requesting preparations to supply electricity is bound by the terms of the Basic Agreement and Supplement and these Terms and Conditions as each is then in effect or changed from time to time and on file with the Commission.

C. The Supplement for each existing Delivery Point shall contain the characteristics of electricity supplied, and other desired provisions. At each Delivery Point the latest executed Supplement when effective shall supersede all previous Supplements. The terms of a Supplement may be amplified but not contradicted by other written correspondence between the Parties.

D. The Company and the Customer will mutually agree upon a target date for service under the Supplement for the connection of each new delivery point and for changes in facilities at an existing Delivery Point that requires a refiling of the Supplement. This date may be changed by mutual agreement should construction delays, right-of-way problems, material and/or equipment acquisition difficulties, etc., arise and indicate that such change would be appropriate, and such agreement shall not be unreasonably withheld by either of the Parties. However, in the absence of a mutually agreed upon target date change, the Company will commence billing the monthly minimum bill under Schedule RS-A not more than ninety days after the stated target date or the completion of the Company's facilities, whichever occurs last.

E. Commission filing fees will be borne by the Company for rate change applications and changes in the Basic Agreement, Supplements and these Terms and Conditions requested by the Company. The Customer will pay the cost of the filing fees for all revisions of the Basic Agreement, Supplements and these Terms and Conditions requested by the Customer, except that for any Delivery Point the Company will pay for one Supplement filing within any twelve month period.

ARTICLE 3. Electricity

A. The Company will supply to the Customer three phase, 3 or 4 wire, 60 Hertz alternating current electricity normally at each mutually agreed upon Delivery Point location. Existing multiple deliveries for a Participant may be provided subject to these Terms and Conditions. The Nominal Voltage delivered shall be in accordance with Company standard voltages as determined by good engineering and operating practice.

B. The Company will endeavor to supply voltages within the following limits:

Except when necessary to minimize interruption of service, the variation from Nominal Voltage to Minimum Voltage will not exceed 7.5 percent of Nominal Voltage, and the variation from Nominal Voltage to Maximum Voltage will not exceed 7.5 percent of Nominal Voltage. Variations in voltage in excess of these specifications arising from causes beyond the control of the Company will not be considered a violation hereof.

As used above, "Nominal Voltage" is the reference level of service voltage stated in the Supplement for that Delivery Point; "Maximum Voltage" is the greatest 5 minute average voltage; and "Minimum Voltage" is the least 5 minute average voltage.

C. The Company will use its best efforts to furnish an uninterrupted supply of electricity, but it does not undertake to guarantee such an uninterrupted supply. Therefore, should the supply of electricity fail or be interrupted or become defective through an act of God, or the public enemy, or federal, state, municipal, or other public authority, or because of accident, strikes or labor troubles, or any other cause beyond the reasonable control of the Company, the Company will not be liable for such failure, interruption or defect.

1. In the event of a power shortage or an adverse condition or disturbance on the system of the Company, or on any system directly or indirectly interconnected with it which requires in the judgement of the Company, interruption of the supply of electricity to some customers or areas in order to compensate for the power shortage or to limit the extent or duration of the adverse condition or disturbance, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, the Company may, without incurring liability, reduce or interrupt the supply of electricity or take such other action as appears reasonably necessary; provided, however, such reductions and interruptions shall be no

ARTICLE 3 Electricity

(Continued)

more stringent than applied to the service of the Company's retail customers in such areas in like circumstances taking into account the types of service rendered by the Participants to their retail customers.

2. In the event of any condition specified in paragraph 1 above and the Company determines that a temporary voltage reduction is necessary, the Company will give the Customer as much advance notice as practicable under the circumstances, and the Customer upon request from the Company will effect a true voltage reduction on its and/or Participants system during the period of the Company's voltage reduction.
3. If the Company in good faith believes that, because of civil disorder, riot, insurrection, war, fire or other conditions beyond the reasonable control of the Company in the vicinity of its energized facilities, it is necessary to de-energize a portion of its facilities for the protection of the public, or if ordered by duly constituted public authority so to do, the Company may, without incurring liability, de-energize its facilities in such vicinity or in such related areas as may be practically required, and the Company will not be obligated to furnish electric service through such facilities, but the Company will be prompt and diligent in re-energizing its facilities and restoring its service as soon as it believes, in the exercise of reasonable care for the protection of the public and the employees of the Company, that such action can be taken with reasonable safety.

ARTICLE 4. Service Facilities

A. The Company and the Customer, respectively, will furnish, install, maintain, own and operate at its sole cost and expense, all lines and equipment located on its side of the Delivery Point, unless otherwise specified in or agreed to pursuant to these Terms and Conditions.

1. When the Company installs transformation and related switching equipment at the Delivery Point location to be used exclusively for providing service to the Customer, the Customer will, upon request of the Company, provide the property on which such required transformation and related switching equipment may be located by the Company. The Customer will grade the property to the Company's specifications and will provide the fencing and fence grounding for the entire substation. Equipment grounding will be provided by the respective owners of the equipment. When delivery will require transformation, at the Customer's election the Company will provide the Delivery Point Substation required for delivery at a Company standard voltage reasonably needed by the Customer.
2. The Company and Customer will have the right to install poles, lines, transformers, or any other equipment on the Delivery Point property which, in their judgment, are necessary in supplying or receiving electricity. Each party will inform the other of the facilities it proposes to install on the property and secure the property owner's approval prior to the installation of such equipment. All equipment furnished and installed by the Company and the Customer will be and remain the property of the respective party. The Company will make application for the permits and acquire the easements necessary to build its supply facilities to the property occupied by the Customer, and the Customer will apply for, obtain, and deliver to the Company all other permits or certificates necessary to give the Company the right to connect its conductors to the Customer's. Each Party will meet design criteria specified by the other Party for station structures which it constructs, on or to which the other Party's meters, equipment or conductors may be located or attached.
3. The Company will install supply facilities based on the Customer's load requirements. The Company will have the right to install facilities with capacity in addition to that required to meet the Customer's load requirements,

ARTICLE 4. Service Facilities

(Continued)

but by permitting the Company to install such facilities the Customer does not agree that the cost of such facilities would necessarily be allocable to service to the Customer. The Company, in accordance with good engineering and operating practice, will consider the Customer's anticipated load growth and the minimum design criteria for facilities in selecting facilities for Customer Delivery Points.

4. The Company and Customer will have the right of access to the Delivery Point property (whether provided by the Company or the Customer) at all reasonable times for the purpose of reading meters, installing, maintaining, changing, or removing their respective property, and for any other proper purpose.
5. To assure the proper coordination of the Customer's system with the Company's system, the Customer will advise the Company in advance whenever the Customer or a Participant plans to extend its lines of the same voltage as the Company's line to which the Customer is connected. The Customer will also advise the Company when installing any positive or zero sequence source or high resistance neutral grounds and will reimburse the Company by means of the provisions in 4.E hereof for the cost of any required special protective devices on the Company side of the Delivery Point which are required because of these sources or grounds. The installation, adjustment and settings of all of the Customer's and/or a Participant's control and protective equipment located at the Delivery Point or at the Customer's and/or a Participant's substation shall be as recommended by the Company in accordance with good engineering and operating practice. The Customer's and/or a Participant's relays and protective equipment located at the Delivery Point shall be subject, at all reasonable times, to inspection by the Company's authorized representative.

B. If the Customer requests temporary service and the Company finds it practicable, the temporary facilities shall be provided subject to reimbursement in accordance with 4.F below. Electricity will be metered and billed separately in accordance with the applicable rate schedule.

C. If the Customer cancels a request for service or fails to accept service at a new Delivery Point after executing a Supplement for service or

ARTICLE 4. Service Facilities

(Continued)

terminates service at an existing Delivery Point, the Customer will reimburse the Company for all expenditures towards such service in the manner provided in Article 4.F below.

D. If the Customer requests a change in delivery voltage or any other change affecting the Company's facilities that is not mutually advantageous to the Parties, and such request is made within fifteen (15) years of the initial connection or last change in Company facilities at that Delivery Point, then the Customer will reimburse the Company in accordance with 4.F below.

E. Whenever a Customer requests the Company to supply electricity in a manner which will require facilities in excess of Normal Service Facilities as defined in paragraph 2 hereof, and the Company finds it practicable, such facilities will be provided in accordance with the following:

1. The Customer agrees to pay to the Company monthly, an Excess Facilities Charge consisting of:
 - a. 1.96% of the estimated installed cost of all distribution equipment and facilities (rated below 69 kV) required in addition to Normal Service Facilities.
 - b. 1.55% of the estimated installed cost of all transmission equipment and facilities (rated 69 kV and above) required in addition to Normal Service Facilities.
2. The Company's Normal Service facilities at a point of delivery to the Customer shall be those the Company is committed to provide for service under these Terms and Conditions. Multiple supply sources with manual or automatic switching, multiple transformers and multiple meters with or without totalized demands may be provided with no facilities charge if the Company so elects for its convenience.
3. Excess Facilities Service shall be provided as follows:
 - a. The Company's facilities will be installed in a place and manner satisfactory to the Company; and, upon request by the Company, the Customer will furnish the property on which any excess facilities may be located.

ARTICLE 4. Service Facilities

(Continued)

- b. The Company may change facilities at its convenience so long as equivalent service is rendered and the charge to the Customer is unaffected. In paragraphs c, d, and F below, a change in facilities shall mean one for which an increase or decrease in the monthly charge for Excess Facilities Service becomes appropriate.
- c. If within fifteen (15) years from the initial connection of Excess Facilities Service at any Delivery Point or from the last change made in Company facilities at that point, (1) the Customer wishes to discontinue Excess Facilities Service; or (2) the Customer ceases to take electric service from the Company at that Point; or (3) the Company determines that, in accordance with good engineering and operating practice, service to the Customer at such Delivery Point requires a further change in Company facilities or in their classification as Normal or Excess Facilities, other than a change provided for in paragraph d below, the Customer will:
 - (a) Agree to the new monthly Excess Facilities Charge ; or
 - (b) Request that the Excess Facilities be removed and, in such event, the Customer will reimburse the Company for the costs specified in 4.F below.
- d. If Excess Facilities serving a Delivery Point are changed by the Company within five years from the initial connection or from the last change made in Company facilities at that Point, not as a direct result of a change in the Customer's load or request by the Customer, the Customer will:
 - (a) Agree to such change by the Company before the change is made, if service is still wanted by the Customer, provided that:
 - (1) if the change causes an increase in the Monthly Charge for Excess Facilities,

ARTICLE 4. Service Facilities

(Continued)

the increase will be effective only after the end of said five years, or

- (2) if the change causes a decrease in the Monthly Charge for Excess Facilities, the decrease will be effective from the date the Company changes its facilities; or

(b) Request the Company to remove the Excess Facilities at no cost to the Customer at the time the Company changes its facilities.

- e. If at any time, all or any part of the Excess Facilities become Normal Service Facilities, the Excess Facilities Service Charge will cease or will be adjusted to reflect such change.

F. If facilities are removed or rearranged subject to reimbursement, the Customer will reimburse the Company as follows:

1. When rights-of-way for such service are utilized for a period of less than fifteen (15) years, the Company will require the Customer to pay the Company the total cost of acquiring all rights-of-way which are abandoned within twelve months after any aforesaid event, and upon such payment, the Customer shall have the right to have transferred to it, subject to the approval of the Company's Board of Directors, whatever interests in said rights-of-way the Company may legally convey; provided that, if the Company's Board of Directors does not approve the transfer, the Company shall not require such payment; plus
2. The original installed cost (for line facilities, being the year's average installed cost on units of property installed throughout the Company's system in each calendar year) - plus - the estimated removal cost - less - salvage on all Company facilities installed to provide such service and removed as a result of any such event,

and if applicable,
3. The original installed cost (defined as in 2. above) to rearrange and/or relocate such facilities to serve such

ARTICLE 4. Service Facilities

(Continued)

Delivery Point - plus - the estimated cost to return such facilities to their condition prior to service such Delivery Point if such facilities are changed as a result of any such event,

less,

4. A credit of 1/180th of such reimbursement for each full month the Company facilities at such Delivery Point were utilized to service the Customer, except that no credit will apply if such facilities were utilized for a period less than three years.

G. The Company will supply electricity to new Delivery Points at mutually agreed upon locations in accordance with the terms of Article III of the Agreement for Transmission Use and Other Electric Service between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3.

H. The Company reserves the right to change its method of supplying electric service at any time in accordance with good engineering and operating practice. The Company will give the Customer adequate advance written notice of its intent to change the voltage of its supply facilities for any Delivery Point. If such change will require a change in the Delivery Point Substation or will require a new Delivery Point Substation where none then exists, the Parties will bear such costs in accordance with the terms of Article III of the Agreement for Transmission Use and Other Electric Service between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3.

ARTICLE 5. Metering and Billing

A. Electricity supplied hereunder will be measured by metering equipment owned and installed by the Company in a suitable place normally located at or near the Delivery Point.

1. The mounting facilities for said metering equipment will, upon request by the Company, be provided by the Customer in accordance with specifications furnished by the Company.
2. At the Company's option, totalizing metering may be installed and/or electricity may be metered at a point remote from the Delivery Point with adequate compensating equipment to accurately meter, in effect, at the Delivery Point.
3. Whenever the Customer requests and the Company finds it practicable, the Company may provide totalized metering of more than one Delivery Point for a particular Participant upon payment of the Excess Facilities Charge in 4.E above.
4. The metering equipment installed by the Company to measure the electricity used by the Customer will be tested regularly by the Company and will be subject to such standard tests as may be necessary to establish its accuracy.
5. The Company will, without charge, make a test of accuracy of registration of the metering equipment upon request by the Customer, provided the Customer does not request such a test more frequently than once in each 24 months. If more than one request test is made in a 24-month period, the Company will charge the cost of each such test, refundable only if the percentage registration of the meter exceeds 102%. Following test of the accuracy of registration, the metering equipment shall be adjusted to correct for any inaccuracy disclosed by the tests.
6. When a meter is found to be no more than 2% fast or slow, no adjustment will be made in the Company's bills. If the meter is found to be more than 2% fast or slow because of incorrect calibration, the Company will rebill the Customer for the correct amount as calculated for a period equal to one-half of the time elapsed since the last previous test, but in no case for a period in excess of twelve months.

ARTICLE 5. Metering and Billing

(Continued)

7. In the event the metering apparatus, for any reason other than incorrect calibration, fails to register the true amount of electricity which has been used by the Customer, the electricity used during the entire period of incorrect registration will be estimated. Such estimate will be based upon all known pertinent facts and the amount of electricity so estimated will be used in calculating the bill. The Company will rebill the Customer for the adjusted amount for the entire period of incorrect registration if known, otherwise for a period equal to one-half of the time elapsed since the last previous test of the metering apparatus but in no case for a period in excess of twelve months. If the metering equipment installed by the Company is of a recording demand type, the Company will provide the Customer, upon request, as a part of a test of the accuracy of registration or subsequent billing, copies of any paper charts or translations from magnetic tapes.
8. If, during the term of the Agreement, the Customer at any Delivery Point is unable to operate its facilities, in whole or in part, because of accident, act of God, fire, or strike of the Customer's employees, the charge for electricity used during the period reasonably necessary to correct any such conditions will be reasonably adjusted in accordance with all pertinent facts and conditions.

B. All payments to be made by the Customer to the Company under the Agreement for Interim Electric Service will be made monthly within fifteen (15) days from the date the invoice for the electricity sold is mailed to the Customer, and when bills are not so paid within said period, the Company will add a monthly late payment charge determined by multiplying the unpaid balance by 1/12 of the interest rate then allowed by the Federal Energy Regulatory Commission on refunds. Such late payment shall be in addition to the Company's right to discontinue service under Article 7 hereof.

1. Billing for service at any Delivery Point will accrue from initiation of service at such Delivery Point except as provided in Article 2.D hereof, and will be the effective date stated in the Supplement for the Delivery Point.
2. Electricity supplied to each Delivery Point, or Delivery Points totalized pursuant to A.3. above, shall be paid for

ARTICLE 5. Metering and Billing

(Continued)

in accordance with the provisions of the schedule in the Supplement for that Delivery Point, or a successor schedule, as in effect from time to time and on file with the Commission.

ARTICLE 6. General Conditions of Service

A. Electricity supplied by the Company shall not be used in conjunction with any other source of electricity except as expressly provided by the terms of the Settlement Agreement between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3 without reasonable written notice to the Company and agreement between the Parties on such measures or conditions, if any, as may be electrically required for reliability of both systems, except that if electricity supplied by the Company fail or be interrupted and if the Customer's system is (and during such period remains) electrically isolated from the Company's system, the Customer may use any other source of electricity without such notice or agreement. Agreement as to measures or conditions, if any, shall not be unreasonably withheld, based on good engineering practices in the electric utility industry.

B. Because the Company's facilities used in supplying electricity to the Customer have a definite limited capacity and can be damaged by overloads, the Customer shall give reasonable written notice to the Company before making any substantial change in the amount or use of the load connected to the Company's service, provided, however, that such proposed change shall be subject to the availability of power on the Company's system and shall also be subject to agreement between the Parties on such measures or conditions, if any, as may be required for reliability of both systems.

C. Service is provided to the Customer at more than one Delivery Point and no section of the Customer's electric system supplied from any Delivery point shall be connected to any section of the Customer's system supplied from any other Delivery Point except at the times and under the operating conditions and requirements approved by the Company. However, the Company will not prohibit the reasonable switching of load if such switching will not unreasonably burden the Company's supply facilities and the Customer first secures the Company's concurrence for such switching as follows:

1. The Customer will request, in writing, permission from the Company to transfer load between Delivery Points and such load will not be transferred by the Customer without the consent of the Company; and
2. The Customer will include, in such written request, each Delivery Point affected, the nature and a stated amount of each load transfer to be made, the date and the hours of the proposed transfer; and
3. The Company will reply informing the Customer of its acceptance, as to all or any portion of the load to be transferred, or denial of the Customer's request. In the event the Customer's request is denied or the amount of

ARTICLE 6. General Conditions of Service

(Continued)

the load to be transferred is less than requested, the Company will state its reasons for limiting or denying the request; and

4. In emergencies the Customer may request load transfers in person or by telephone. When such request reaches a Company representative authorized to make the decision and take action, the Company will make such response as determined reasonable under the circumstances. The Company will confirm in writing to the Customer the Customer's request and the Company's response including the Company's reasons for denying or limiting the Customer's request if applicable.

D. When alternate or emergency service is provided by the Company in accordance with 4.E. above, the Customer may transfer load to the alternate or emergency location up to the maximum alternate or emergency load contracted for without notifying the Company of such transfer.

E. Nothing in these Terms and Conditions shall preclude the Customer's use of additional power supply sources in a manner which does not adversely affect the reliability of the system of either the Customer or the Company except that to the extent such additional power supply is limited or prohibited by the "Settlement Agreement Between Virginia Electric and Power Company and North Carolina Municipal Power Agency Number 3".

F. The Customer and the Company shall each protect the other party's facilities and equipment located on its premises and shall permit no one but the other party's qualified representatives to handle same. In the event of any loss of or damage to the property of one party caused by or arising out of the carelessness, neglect or misuse of the other party or its representatives, the responsible party shall reimburse the other party for the loss or damage occasioned thereby. The Company and the Customer shall each indemnify and save harmless the other from and against any and all legal and other expenses, claims, costs, losses, suits or judgments for damages, for injuries to or death of persons or damage to or destruction of property, arising from the acts of its authorized agents and employees on the premises or the property of the other under the right of access provided herein.

G. The Company will not be liable to the Customer or Participants for loss or damage to any person or property whatsoever, resulting directly or

ARTICLE 6. General Conditions of Service

(Continued)

indirectly from the use, misuse, or presence of the said electricity after it passes the Delivery Point; or for any loss or damage resulting from the presence, character or condition of the wires or equipment of the Customer or Participants or for the inspection or repair thereof.

ARTICLE 7. Discontinuance

A. The Company reserves the right, subject to the limitations, if any, of the Federal Power Act and Regulations duly issued thereunder, to discontinue the supply of electricity to the Customer irrespective of any claims of the provisions hereof. The Company will give to the Customer fifteen (15) days prior written notice before any such discontinuance of the supply of electricity. If the supply of electricity has been discontinued by the Company, the Customer's service will not be reconnected until such non-compliance on the part of the Customer shall have been remedied.

B. Whenever the supply of electricity is discontinued in accordance herewith, the Company will not be liable for any damages, direct or indirect, that may result from such discontinuance.

Supplement No.
Electric Service Specifications

1. Customer: North Carolina Municipal Power Agency Number 3
2. Participant (name and address): _____
3. Delivery Point (name, county, and state) _____

4. Target date for connection: _____
5. Effective date: _____
6. Original connection date: _____
7. Service Characteristics. Unless otherwise stated, the characteristics of electricity supplied hereunder shall be three phase, four wire, wye connected, at approximately 60 Hertz, and the metered voltage shall be the same as the delivery voltage.
 - (a) Rate Schedule: _____
 - (b) Delivery voltage: _____
 - (c) Delivery point - physical location: _____

 - (d) Other provisions and list of additional sheets:

North Carolina Municipal Power Agency
Number 3

By _____ Date _____

Title: _____

VIRGINIA ELECTRIC AND POWER COMPANY

By _____ Date _____
Vice President

Index of Participants and Delivery Points

<u>Name of Participant</u>	<u>Delivery Point Identification</u>
Belhaven, Town of	Town of Belhaven
Edenton, Town of	Town of Edenton
Elizabeth City, City of	City of Elizabeth City
Enfield, Town of	Town of Enfield
Greenville Utilities Commission	Greenville
Hamilton, Town of	Town of Hamilton
Hertford, Town of	Town of Hertford
Hobgood, Town of	Town of Hobgood
Robersonville, Town of	Town of Robersonville No. 1
	Town of Robersonville No. 2
Scotland, Neck, Town of	Town of Scotland Neck
Tarboro, Town of	Town of Tarboro No. 1
	Town of Tarboro No. 2
	Town of Tarboro No. 3
Washington, City of	City of Washington
Windsor, Town of	Town of Windsor

SCHEDULE A
EMERGENCY ELECTRIC SERVICE
BETWEEN
VIRGINIA ELECTRIC AND POWER COMPANY
AND
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

This Schedule A will be effective under, and a part of, the Agreement for Interim Electric Service from Vepco (Basic Agreement) for electric service supplied between Virginia Electric and Power Company (Company) and North Carolina Municipal Power Agency Number 3 (Customer).

Section I - Term: The term of this Schedule A shall commence with the same effective date as that of the Basic Agreement and shall continue until changed or terminated pursuant to Section 3 of that Basic Agreement.

Section II - Emergency Electric Service: Emergency Electric Service, for the purpose of this Schedule A, shall mean electric energy supplied by the Company for use under emergency conditions to partially backstand the Customer's generation when the Customer is unable to supply all its energy requirements from project output which includes Carolina Power & Light Company backstand service and supplemental energy pursuant to Schedule RS-A. For any hour Emergency Energy will be supplied to offset unavailable project energy to the extent that the supplemental energy difference between total energy and rated project energy equals or exceeds that difference determined for the hour of the Company's system peak in the current billing month.

Section III - Payment Emergency Electric Service received by the Customer

shall be paid for by the Customer in accordance with the Basic Agreement and at the following rate:

(1) For energy generated on the Company's own system, an energy charge per kWh based on the incremental cost of such energy. The incremental cost of energy shall consist of fuel and other costs which are incurred by the Company directly by reason of its generation of such energy and which otherwise would not have been incurred by the Company.

(2) For energy or capacity purchased from a third party at a cost in excess of the Company's system incremental cost, the Company's total cost including demand, capacity or any other charges which otherwise would not have been incurred by the Company.

(3) For all Emergency Service provided to the Customer, a charge of one (1) mill per kWh shall be added to the charges described in (1) and (2) above.

SCHEDULE B
ECONOMY ENERGY SERVICE
BETWEEN
VIRGINIA ELECTRIC AND POWER COMPANY
AND
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

This Schedule B will be effective under, and a part of, the Agreement for Interim Electric Service from Vepco (Basic Agreement) for electric service supplied between Virginia Electric and Power Company (Company) and North Carolina Municipal Power Agency Number 3 (Customer).

Section I - Term: The term of this Schedule B shall commence with the same effective date as that of the Basic Agreement and shall continue until changed or terminated pursuant to Section 3 of the Basic Agreement.

Section II - Economy Energy Service: Economy Energy Service, for the purpose of this Schedule B, shall mean electric energy which the Customer can produce from its project capacity attributable to the Participants and can deliver to the Company in excess of the Customer's requirements.

Section III - Payment: Economy energy shall be charged on an hourly basis and paid for in accordance with the Basic Agreement and on the basis of the cost of such energy generated by the Customer and delivered to the Company, plus one-half the difference between the total supply cost so determined and the cost the Company would incur in supplying such energy from its own resources. In no event shall the Company pay more for such energy than the Company's incremental cost for the hour in which such energy is deemed to have been

sold. In addition any definable cost experienced by the Company resulting from the receipt of such Economy Energy shall be reimbursed by the Customer.

AGREEMENT FOR TRANSMISSION USE AND
OTHER ELECTRIC SERVICE
BETWEEN
VIRGINIA ELECTRIC AND POWER COMPANY
AND
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

This Agreement for Transmission Use and Other Electric Service, dated as of July 30, 1981, shall be utilized for Virginia Electric and Power Company to provide service to North Carolina Municipal Power Agency Number 3 and provides as follows:

ARTICLE I.

Definitions

The following definitions shall be included as part of the Agreement:

1.1 Agreement. This Agreement for Transmission Use and Other Electric Service, dated as of July 30, 1981, between Vepco and Power Agency.

1.2 Delivery Points. The points of connection between the Vepco System and the Power Agency System. During the Transition Period, for existing Delivery Points, the points shall be as shown on Schedule A. After the Transition Period, and for all Future Delivery Points whenever established, the points shall be at the high voltage side of the transformation facilities.

1.3 FERC. The Federal Energy Regulatory Commission including any successor governmental agency.

1.4 Parties. Vepco and Power Agency (including, where "Power Agency System" is used in this Agreement, Power Agency Participants).

1.5 Power Agency. North Carolina Municipal Power Agency Number 3, a body corporate and politic, its successors and assigns.

1.6 Power Agency Participants. Those members of Power Agency listed on Schedule A who become participants in Power Agency's generating facilities through the execution of Project Power Sales Agreements and Supplemental Power Sales Agreements. Such members are sometimes referred to herein as "Participants."

1.7 Power Agency System. Facilities owned by Power Agency or any of its Participants.

1.8 Prudent Utility Practices. The practices generally followed by the electric utility industry and as changed from time to time, which generally include, but may not be limited to, engineering, operating and economic feasibility considerations.

1.9 Settlement Agreement. The Settlement Agreement dated as of July 30, 1981 between Vepco and Power Agency.

1.10 Transition Period. That period of time defined in Section 3.1 of the Settlement Agreement, including such extension as may be permitted pursuant to Section 3.2 of the Settlement Agreement.

1.11 Vepco. Virginia Electric and Power Company, a Virginia public service corporation, its successors and assigns.

1.12 Vepco System. The generation, transmission, distribution and other facilities owned and operated by Vepco.

ARTICLE II.

Availability

2.1 Vepco will make available to Power Agency Vepco's transmission and distribution facilities as needed to transfer power for Power Agency. Power Agency recognizes that it has the responsibility for delivery of power to be transferred by Vepco hereunder to the Vepco transmission system. Where the transfer is to the Delivery Points, Vepco shall provide adequate transmission and distribution facilities as needed to transfer power for loads existing on the effective date of this Agreement and for normal load growth thereafter. Power Agency will notify Vepco promptly when extraordinary loads are anticipated on that portion of Power Agency's System being provided transmission service by Vepco. Where a load at a Delivery Point is in excess of that reasonably anticipated, Vepco shall make every reasonable effort to transfer power for such load in a timely fashion but shall not be responsible for delays in providing adequate service where such delays are beyond Vepco's reasonable control.

2.2 If Power Agency shall purchase power from, or sell power to, or exchange power with any entity other than Power Agency Participants, Power Agency may utilize Vepco's

transmission and distribution facilities for such purpose, but shall compensate Vepco for the cost of modifications to the Vepco System to the extent such modifications are necessary to accommodate such sales, purchases or exchanges. Vepco will utilize Prudent Utility Practices as the basis for developing the required modifications and for determining whether the costs of such modifications shall be shared by the Parties. Similar compensation shall be provided for modifications to the Vepco System necessitated by Power Agency's installation of generating resources within the Vepco System.

2.3(a) Vepco shall be under no obligation to transfer power to Power Agency or to make available power to Power Agency in excess of that delivered to Vepco for the account of Power Agency. In the event Power Agency's resources shall be insufficient to supply Power Agency Participants' loads or other emergency shall impair or jeopardize Power Agency's ability to meet its Participants' loads, Vepco shall make every reasonable effort to supply emergency energy, provided, however, that Vepco is not obligated to deliver such energy when in its sole judgment such delivery is inconsistent with its other obligations or would unduly impair or jeopardize service on its System, the Power Agency System or on systems interconnected with Vepco.

(b) If emergency service is provided, it shall be paid for by Power Agency at the following rate:

(i) For energy generated on the Vepco system, an energy charge per kWh based on the incremental cost of such energy.

(ii) For energy or capacity purchased from a third party on whatever basis it is sold to Vepco at a cost in excess of the Company's system incremental cost, Vepco's total cost including demand, capacity and any other charges which otherwise would not have been incurred by Vepco.

(iii) For emergency service extending beyond 24 hours for a single emergency, an additional capacity charge of \$.12 per kilowatt per day shall be imposed.

(iv) For all emergency service provided, a charge of one (1) mill per kWh shall be added to the charges described in (i), (ii), and (iii) above.

ARTICLE III.

Delivery Points

3.1 Delivery Points. Vepco and Power Agency, during the term of this Agreement, will remain connected at Delivery Points. Unless otherwise mutually agreed upon, Power Agency or its Participants shall be responsible for, operate and maintain all facilities, including transformation and metering equipment, on the Power Agency System side of the Delivery Points, and these facilities shall be operated and maintained in accordance with Prudent Utility Practices. The requirement that Power Agency or its Participants shall be responsible for, operate and maintain metering equipment shall become effective as of the end of the Transition Period. The responsibility for transformation equipment shall become effective as of the earlier of the end of the Transition Period or the establishment of a Future Delivery Point pursuant to Section

3.4 or Section 3.5 hereof. Unless otherwise mutually agreed upon, Vepco shall own, operate and maintain all facilities on the Vepco side of the Delivery Points, and these facilities shall be operated and maintained in accordance with Prudent Utility Practices.

3.2 Sale or Lease of Facilities. (a) As provided by Section 3.1, facilities beyond the Delivery Point are the responsibility of Power Agency or its Participants. Where Power Agency or its Participants request not to own such facilities, for facilities owned by Vepco on or prior to the Initial Termination of Service Date defined in the Settlement Agreement, Vepco will lease such facilities to Power Agency or its Participants or will sell such facilities.

(b) Whenever Power Agency or a Participant requests Vepco to supply electricity in a manner which will require facilities in excess of those Vepco is committed to provide under this Agreement and Vepco is agreeable to providing such facilities, Vepco will lease such facilities to Power Agency.

(c) Where such facilities are to be sold by Vepco to either Power Agency or a Participant, the price shall be computed on the basis of reproduction cost new less accumulated depreciation using Vepco depreciation rates applied to such reproduction costs.

(d) Where facilities are leased, Power Agency shall pay to Vepco monthly a Facilities Charge consisting of

- a. 1.96% of the estimated installed cost of all distribution equipment and facilities (rated below 69 kV).
- b. 1.55% of the estimated installed cost of all transmission equipment and facilities (rated 69 kV and above).

(e) If the use of such facilities is terminated within fifteen (15) years from the initial connection or last change of such lease^d facilities, reimbursement of Vepco expenses by Power Agency will be made in accordance with Section 8.4 hereof.

3.3 Existing Delivery Points. Existing Delivery Points are defined as those points where electric power and energy are transferred on the effective date of this Agreement from Vepco System facilities to facilities owned by Power Agency or one of its Participants. Such Delivery Points are listed on Schedule A hereto.

3.4 Modifications to Delivery Points. Modifications to existing Delivery Points shall be made consistent with Prudent Utility Practices and each Party shall bear its own costs incurred as a result of such change. Where Vepco facilities are not adequate to provide for the modification, the modification shall be treated as a Future Delivery Point pursuant to Section 3.5.

3.5 Future Delivery Points. Future Delivery Point locations will be established consistent with Prudent Utility Practices. In establishing Future Delivery Points, in all

cases, Power Agency shall bear the costs of those facilities installed to provide the connection at the point where adequate Vepco facilities exist at the time of the connection, and Power Agency shall be responsible for constructing all facilities on the Power Agency System side of the Delivery Point. Future Delivery Points shall be established at 230 kV or 115 kV at the option of Vepco, exercised consistent with Prudent Utility Practices, except in the case of small loads where Vepco may agree to provide service at lower voltage levels.

3.6 Filing Fees. Filing fees required in implementing this Agreement or arising from changes in this Agreement will be borne equally by the Parties.

3.7 Characteristics of Electricity. Vepco will deliver three phase, 60 Hertz alternating current electricity at one of Vepco's nominal voltages available at the point of connection as listed in Schedule B. Vepco shall operate its system so that Power Agency's voltage at each Delivery Point is within the range Vepco would maintain for its own purposes under similar circumstances.

3.8 Unusual Operating Conditions. Power Agency and its Participants will develop load curtailment plans that provide schedules for voltage reductions, voluntary load curtailments and manual load shedding. These plans will provide for sufficient load reduction in case the resources of Power Agency are insufficient to meet its loads. In the event such load

reductions become necessary, Vepco shall promptly notify Power Agency by telephone of the need to interrupt and Power Agency and its Participants will cooperate by interrupting load to the extent required. When Power Agency's resources (including those made available by Vepco pursuant to Section 2.3 hereof) are insufficient to supply Power Agency's load and when Power Agency or a Participant has not interrupted load to the extent required, Vepco shall have the right to disconnect sufficient Power Agency load to maintain the balance between loads and resources. To the extent feasible, Vepco shall consult with Power Agency and shall effectuate any disconnection as nearly as practical in the manner requested by Power Agency.

3.9 Access at Delivery Points. Power Agency and Vepco will have the right of access at all Delivery Points at all reasonable times for the purpose of isolating the Delivery Point from the Vepco System pursuant to Section 3.8 hereof and for any other proper purpose.

3.10 Notification of System Changes. Power Agency shall notify Vepco in advance, and Vepco shall notify Power Agency in advance, of any changes to be made in their respective systems which will affect the proper coordination of protective devices on the two systems. Power Agency and Vepco shall each be responsible for selection, installation, adjustment and setting, and maintenance of their own control and protective equipment. In no case shall operation of this

equipment by either Vepco or Power Agency or its Participants place a burden upon or cause avoidable interruptions to the other's system.

3.11 Supply of Data. On or about July 1 of each year, Power Agency shall supply to Vepco a twenty (20) year forecast of demand and energy values for each year for each Participant. The demand values shall be reported as the estimated winter and summer loads of the Power Agency Participants. For this purpose, the winter period shall be November and December of one year and January and February of the year next following; and the summer period shall be June, July, August, and September. On request, Power Agency shall also provide Vepco with the methodology underlying each forecast. For the first forecast provided, Power Agency shall provide all historical data used in developing the forecast and indicate the types of measurements and locations thereof. On or about July 1 of each year, Vepco shall supply to Power Agency a ten (10) year forecast of system peak demand and energy values for each year and a generation and bulk power transmission expansion plan. On request, Vepco shall also provide Power Agency with the methodology underlying each forecast.

3.12 Metering. (a) Suitable metering shall be installed to measure all power delivered to Vepco by or on behalf of Power Agency and to measure all deliveries by Vepco

to Power Agency or its Participants. By the end of the Transition Period, Power Agency shall be responsible for all metering at the Delivery Points.

(b) All meters will be sealed and seals will be broken only by the owning Party and only when meters are to be tested or adjusted. Meters will be tested at suitable intervals and the accuracy of registration shall be maintained in accordance with Prudent Utility Practices. At the request of either Party a special test of any meter owned by a Party will be performed. All costs of such a test will be paid by the Party requesting the test, unless meter inaccuracy as defined in Section 3.12(c) is discovered. Costs then will be borne by the owning Party. Representatives of Power Agency or its Participants and Vepco shall be afforded the opportunity to be present at all routine or special tests. Power Agency or its Participants and Vepco shall have the right to install check metering for any Delivery Point without charge by the Party owning the metering equipment.

(c) Any metering equipment found to be inaccurate by more than two (2) percent will be promptly replaced, repaired or readjusted by the owner of such inaccurate metering equipment. Adjustments made for metering inaccuracy will be made for the period the inaccuracy is known, or for a mutually agreed upon period, if not known, or lacking knowledge or agreement, a period of three months from the date of discovery of the inaccuracy.

(d) Delivery Point metering will be installed at the Delivery Point if practical as determined by the Party owning the metering. Where metering is installed at some other place than the Delivery Point, adjustments will be made to permit readings to be determined as though they were at the Delivery Point.

ARTICLE IV

Protection of Systems

4.1 Obligation for Adequate Facilities. Vepco and Power Agency or its Participants are obligated to provide, or cause to be provided, on their own systems, facilities adequate to serve expected loads and to maintain these facilities in a suitable condition of repair so that they may be operated in accordance with Prudent Utility Practices and not impose a burden on any other system.

4.2 Protection of Systems. (a) Vepco and Power Agency or its Participants will install, maintain and operate, or will cause to be installed, maintained and operated, such protective equipment and switching, voltage controls, load shedding and emergency facilities as required to assure continuity and adequacy of the Vepco System and the Power Agency System. Such protective equipment shall specifically include an appropriate device to permit physical disconnection between the Power Agency System and the Vepco System.

(b) Power Agency shall refrain from, and shall require its Participants to refrain from, any acts, transactions, and uses of equipment, appliances or devices which may have a significant adverse effect upon the reliability or characteristics of the Vepco System. Vepco shall refrain and shall require its customers to refrain from any acts, transactions, and uses of equipment, appliances or devices which may have a significant adverse effect upon the reliability or characteristics of the Power Agency System.

ARTICLE V.

Rates, Billing and Payment

5.1 Rates. Power Agency will pay the Company monthly transmission service charges as provided in Schedule C hereto. No later than six (6) months after Power Agency has assumed financial responsibility for all transformation and metering costs pursuant to Section 3.1, Vepco shall revise and file transmission service charges. Such a revision shall, as a minimum, include the elimination of costs associated with such transformation and metering facilities. Where Power Agency's generating resources are outside of the Vepco transmission service area, such charges shall include appropriate compensation to Vepco for the reduction in transfer capability into the Vepco System that is attributable to Vepco's providing firm transmission service to Power Agency. If Vepco's reduction in transfer capability into the Vepco System is

reduced or eliminated because of changes in firm transmission service to Power Agency, appropriate recognition shall be made in establishing rates.

5.2 Supply of Data. After the end of the Transition Period, Power Agency shall supply to Vepco, or cause to be supplied to Vepco, no later than the 10th day of each month, data to permit Vepco to compute the transmission service charges for the previous month pursuant to Section 5.1. Such data shall be separately aggregated as between loads served at 69 kV and above and loads served below 69 kV and shall include, for each Delivery Point, (1) the kilowatthours delivered for each clock hour; (2) a continuous integrating record of kilowatthours delivered; and (3) an hourly record to indicate the kilovarhours.

5.3 Billing and Payment. Vepco shall render Power Agency a monthly invoice. All payments shall be made within fifteen (15) days from the date the invoice is mailed or presented. If payment is not received within such period, Vepco will add a monthly late payment charge determined by multiplying the unpaid balance by 1/12 of the interest rate then allowed by the FERC on refunds. Such late payment charge shall be in addition to any other rights Vepco may have hereunder, or at law or in equity.

5.4 Billing Disagreement. A billing disagreement will occur when Power Agency disputes a bill as rendered. When

resolution of disagreements is not achieved within fifteen (15) days after mailing or presentation, the bill must be paid as submitted or the late payment charge will accrue.

5.5. Access to Vepco's Books and Records. During normal business hours and subject to conditions consistent with the conduct by Vepco of its regular business affairs and responsibilities, Vepco will provide Power Agency or Power Agency's authorized representative(s) access to Vepco's books, records, and other documents and, upon request, copies thereof, which relate to the transactions described in this Agreement. Power Agency will bear the cost of any copying, review or audit of such books and records. Notwithstanding the foregoing, however, Vepco shall not be required to make available to Power Agency any reports and information relating to personnel practices, staffing or labor relations.

5.6 Access to Power Agency's Books and Records. During normal business hours and subject to conditions consistent with the conduct by Power Agency of its regular business affairs, Power Agency will provide Vepco or Vepco's authorized representative(s) access to Power Agency's books, records, and other documents and, upon request, copies thereof, which relate to the transactions described in this Agreement. Vepco will bear the cost of any copying, review or audit of such books and records. Notwithstanding the foregoing, however, Power Agency shall not be required to make available to Vepco any reports and information relating to personnel practices, staffing or labor relations.

ARTICLE VI

Maintenance of Power Factor

6.1 Power Factor Limits. Neither Power Agency nor Vepco shall be obligated to deliver or receive reactive volt-amperes for the benefit of the other. At the time of Vepco's monthly peak, Power Agency shall require each Participant to maintain a power factor of 92% or higher at each of that Participant's Delivery Points. During the daily off-peak period from 10:00 p.m. to 7:00 a.m. (E.S.T.) on weekdays and on all Saturdays and Sundays, Power Agency shall not deliver reactive volt-amperes to the Vepco System.

6.2 Payment for Deviations from Power Factor Limits. Power Agency shall pay Vepco \$.20 per kilovar per month for the total number of kilovars required to improve to 92% lagging the power factor at each of Power Agency Participant's Delivery Points at the time of the monthly system peak. Power Agency shall pay Vepco \$.40 per kilovar per month at each Delivery Point for the maximum number of kilovars supplied by Power Agency Participants to the Vepco system during any one hour in each month in the off-peak hours designated in Section 6.1.

ARTICLE VII

Liability, Service Interruptions and Force Majeure

7.1 Liability. (a) In providing the services called for by this Agreement, Vepco shall use reasonable diligence at all times to provide reliable service. Vepco, however, does

not guarantee continuous service. In addition to all other limitations on liability contained in this Agreement, neither Party hereto shall be liable to the other Party to this Agreement for any damage or loss resulting from the interruption, prevention, suspension or failure of service caused by:

- (i) Force majeure, as defined in Section 7.3 below; and/or
- (ii) An emergency action due to an adverse condition or disturbance on a Party's system, or on any other system directly or indirectly interconnected with a Party's system, which requires automatic or manual interruption of the supply of electricity to some customers or areas in order to limit the extent of, or damage caused by, the adverse condition or disturbance, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system; and/or
- (iii) The making of necessary inspections of, adjustments to, changes in, or repairs to a Party's lines, substations or other facilities and in cases where the continuation of service would endanger persons or property.

7.2 Responsibility on Either Side of Delivery Point.

Neither Party shall be responsible for the transmission, control, use or application of electric power provided under this Agreement on the other Party's System. Electricity is transmitted by Vepco to Power Agency upon the express condition that after it passes the Delivery Point it becomes the property of Power Agency, and neither Party, unless and except to the extent that such results from the negligence or misuse of the

property on the part of its own employees or agents, subject to the limitations of Section 7.1, will be liable for loss or damage to any person or property whatsoever, resulting directly or indirectly from the use, misuse, or presence of the said electricity, on the other Party's System or for any loss or damage resulting from the presence, character, or condition of the wires or equipment of the other Party, nor shall it be responsible for the inspection or repair of such wires or equipment.

7.3 Force Majeure. Vepco and Power Agency shall not be liable or responsible for any delay in the performance of, or the ability to perform, any duties or obligations required by this Agreement when such delay in performance or inability to perform results from a Force Majeure occurrence, except that the obligation to pay money in a timely manner is absolute and shall not be subject to the Force Majeure provisions. Force Majeure as used herein shall mean without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders, or absence of necessary orders and permits of any kind which have been properly applied for, from the Government of the United States or from any State or Territory, or any of their departments, agencies or officials, or from any civil or military authority; extraordinary delay in transportation; inability to transport, store or reprocess spent nuclear fuel; unforeseen geologic

conditions; equipment, material, supplies, labor or machinery shortages; epidemics; landslides; lightning; earthquakes; fire; hurricanes; tornadoes; storms; floods; washouts; drought; war; civil disturbances; explosions; breakage or accident to machinery, generation, transmission and/or distribution facilities, pipes or canals; partial or entire failure of utilities; breach of contract by any supplier, contractor, subcontractor, laborer or materialman; sabotage; injunction; blight; famine; blockage; quarantine; or any other similar cause or event not reasonably within the control of Vepco and/or Power Agency.

7.4 Remedy. A Party suffering an occurrence of Force Majeure shall remedy with all reasonable dispatch the cause or causes preventing such Party from carrying out its duties and obligations as required in this Agreement; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of that Party, and it shall not be required to make settlement of strikes, lockouts, or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is unfavorable in the judgment of such employer.

ARTICLE VIII

Term of Agreement

8.1 Effective Date. This Agreement shall become effective on the Initial Termination of Service Date as defined in the Settlement Agreement.

8.2 Termination of Agreement. Unless earlier terminated pursuant to the provisions of Article X, this Agreement shall terminate upon the mutual agreement of the Parties or ten years after written notice is given by either Party of its intent to terminate service. For notice provided by Vepco, such notice shall not expire prior to January 1, 2007. Between January 1, 2007 and December 31, 2035, Vepco will continue to provide transmission service, but this Agreement shall in no way limit the basis for such service.

8.3 Termination of Delivery Point. Unless otherwise mutually agreed upon in writing by the Parties, service at a Delivery Point shall not be terminated by Power Agency prior to the expiration of five years' written notice to Vepco, but such notice shall not be applicable to terminate all or substantially all service under this Agreement.

8.4 Reimbursement of Vepco Expenses. Where a change occurs in leased facilities provided by Vepco under Section 3.2 hereof or where a Delivery Point is terminated under Section 8.3 above, and such termination is not advantageous to Vepco, Power Agency shall reimburse Vepco for expenses as follows:

(a) Where rights of way utilized to provide service to Power Agency or Power Agency Participants are utilized for a period of less than 15 years, Vepco will require Power Agency to pay to Vepco the total cost of acquiring all rights-of-way which are abandoned within twelve months after any aforesaid

event, and upon such payment the Power Agency shall have the right to have transferred to it or to its Participant, subject to the approval of Vepco's Board of Directors, whatever interests in said rights-of-way Vepco may legally convey; provided that, if Vepco's Board of Directors does not approve the transfer, Vepco shall not require such payment.

(b) Where equipment is installed or transmission lines are modified or installed to provide service to Power Agency or its Participants, Power Agency shall reimburse Vepco if a Delivery Point is removed or rearranged, or if the request for service is cancelled prior to service having commenced and the removal, rearrangement or cancellation causes such equipment or line to no longer be in service. Where such reimbursement is appropriate, Power Agency shall pay Vepco

- (i) for the original installed cost (for line facilities, being the year's average installed cost on units of property installed throughout Vepco's System in each calendar year), plus the estimated removal cost, less salvage, on all Vepco facilities installed to provide such service and removed as a result of such termination or modification,

plus, if applicable,

- (ii) The original installed cost (defined as in (i) above), to rearrange and/or relocate such facilities to serve such Delivery Point plus the cost to return such facilities to their condition prior to serving such Delivery Point if such facilities are changed as a result of any such event;

less,

- (iii) A credit of 1/180th of such reimbursement for each full month Vepco's facilities were utilized to serve Power Agency or its Participant, except that no credit will apply if such facilities were utilized for a period less than three years.

(c) In computing the time a right-of-way or facility has been utilized, the date of first utilization shall be the first day of any service to either Power Agency or a Participant even if it occurred prior to the date of this Agreement.

ARTICLE IX

Regulatory Matters

9.1 This Agreement shall be filed with FERC, with the request that it become effective on the Initial Termination of Service Date as defined in the Settlement Agreement. Power

Agency will join in Vepco's request that this Agreement be accepted for filing without suspension and will support the provisions of this Agreement.

9.2 Nothing contained herein or in any of the Appendices hereto shall be construed as affecting in any way the right of Vepco to unilaterally make application to FERC for a change in the level of any rate at any time under Section 205 of the Federal Power Act and pursuant to the Rules and Regulations promulgated thereunder. Power Agency retains the right to contest any rate filings made pursuant to this section.

ARTICLE X

Termination for Non-Payment

10.1 Termination. If any amount due under this Agreement, or under the Settlement Agreement, shall not be paid within thirty (30) days after the date on which such payment becomes due and payable, Vepco shall have the right to give Power Agency written notice that it intends to terminate this Agreement. If such non-payment shall not have been fully cured within thirty (30) days from the date of the notice, Vepco shall have right to terminate service under this Agreement. Such termination may occur only after sixty (60) days notice duly given to FERC.

10.2 No Remedy Exclusive. No remedy conferred upon or reserved to Vepco in this Article X is intended to be exclusive of any other remedy or remedies available hereunder or now or

hereafter existing at law, in equity, or by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy. The pursuit by any Party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or by law, equity or statute.

ARTICLE XI

Miscellaneous

11.1 Conflicts with Other Agreements. Whenever any provision of the Agreement shall be in conflict with the Agreement for Interim Electric Service dated as of July 30, 1981, the latter document shall govern during the Transition Period.

11.2 Actions Required by Participants. Whenever in this Agreement a required action may be taken by Power Agency or one or more Participants, Vepco reserves the right to require Power Agency, after reasonable notice to Power Agency, to take such action or cause such action to be taken.

11.3 No Delay. No disagreement or dispute of any kind between the Parties to this Agreement or between a Party and any other entity, concerning any matter, including, without limitation, the amount of any payment due from said Party or the correctness of any billing made to the Party, shall permit either Party to delay or withhold any payment or the

performance of any other obligation pursuant to this Agreement. Each Party shall promptly and diligently undertake to resolve such disagreement or dispute without undue delay and in good faith.

11.4 Notice. Any notice or other communication permitted or required by this Agreement shall be in writing and shall be deemed given when delivered by hand or (unless otherwise required by the terms of this Agreement) when deposited in the United States mail, first class postage, prepaid and if to Vepco, addressed to:

Senior Vice President - Power Operations
Virginia Electric and Power Company
P.O. Box 26666
Richmond, Virginia 23261

and if to Power Agency, addressed to:

General Manager
North Carolina Municipal Power Agency Number 3
P.O. Box 95162
Raleigh, North Carolina 27625

unless a different officer or address shall have been designated by the respective Party by notice in writing sent to the other Party hereto.

11.5 Headings Not to Affect Meaning. The descriptive headings of the various articles and sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions hereof.

11.6 No Association, Trust, Joint Venture or Partnership. Notwithstanding any provision of this Agreement, the Parties do not intend to create hereby any association, trust, joint venture or partnership under the law of Virginia and, if it should appear that one or more changes to this Agreement would be required in order to avoid the creation or terminate the existence of any such entity, the Parties agree to negotiate promptly and in good faith with respect to such changes.

11.7 Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, Vepco and Power Agency, and their respective successors and assigns.

11.8 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

11.9 Severability. In the event any of the terms, covenants or conditions of this Agreement or amendments thereof or the application of any such term, covenant or condition or amendment thereof shall be held invalid as to a Party or circumstance by any court or government agency having jurisdiction, all of the other terms, covenants or conditions of this Agreement and amendment thereof shall not be affected thereby and shall remain in full force and effect.

11.10 Applicable Law. This Agreement is made under and shall be governed by the laws of the State of Virginia.

11.11 No Waiver. The failure of either Party to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision.

11.12 Computation of Time. In computing any period of time prescribed or allowed under this Agreement, the day on which the act or event occurs after which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included if it is a business day; if it is not a business day, the period shall run until the end of the next day which is a business day. The term "business day" shall mean any day other than a day on which banking institutions in the City of Richmond, Virginia are authorized by law to close.

11.13 Survivorship of Obligations. The termination of this Agreement shall not discharge either Party hereto from any obligation it owes to the other Party under this Agreement by reason of any transaction, loss, cost, damage, expense or liability which shall occur or arise (or the circumstances, events or basis of which shall occur or arise) prior to such

termination. It is the intent of the Parties hereby that any such obligation owed (whether the same shall be known or unknown at the termination of this Agreement or whether the circumstances, events, or basis of the same shall be known or unknown at the termination of this Agreement) shall survive the termination of this Agreement.

11.14 Non-Exclusive Agreement. Subject to the limitations in this Agreement, Vepco shall have the right at all times to execute interconnection agreements with any other persons on the same or different terms and conditions as those stated herein, but no such other agreements shall diminish any rights of the other Party hereunder.

11.15 Relationship of the Parties. The duties, obligations, and liabilities of the Parties herein are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, trust, joint venture or partnership or impose a trust or partnership duty, obligation or liability on or with regard to the Parties. The Parties shall be individually responsible for their own obligations as provided herein. Neither of the Parties shall have the right to bind the other Party.

11.16 Singular and Plural. Throughout this Agreement, whenever any word in the singular number is used, it should include the plural unless the context otherwise requires; and whenever the plural number is used, it shall include the singular, unless the context otherwise requires.

11.17 Good Faith. The Parties hereto expressly agree that every obligation undertaken in this Agreement will be performed in good faith.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

VIRGINIA ELECTRIC AND POWER COMPANY

By William H. King
President

ATTEST:

W. C. Williams
Secretary

NORTH CAROLINA MUNICIPAL POWER AGENCY
NUMBER 3

By Simon C. Sitterson Jr.
Chairman, Board of Commissioners

ATTEST:

David R. Gay
Secretary

Schedule A

Index of Participants and Delivery Points

<u>Name of Participant</u>	<u>Delivery Point Identification</u>	<u>Service Voltage</u>
Belhaven, Town of	Town of Belhaven	4.16 kV
Edenton, Town of	Town of Edenton	12.5 kV
Elizabeth City, City of	City of Elizabeth City	34.5 kV
Enfield, Town of	Town of Enfield	4.16 kV
Greenville Utilities Commission	Greenville	115 kV
Hamilton, Town of	Town of Hamilton	4.16 kV
Hertford, Town of	Town of Hertford	4.16 kV
Hobgood, Town of	Town of Hobgood	12.5 kV
Robersonville, Town of	Town of Robersonville No.1	4.16 kV
	Town of Robersonville No.2	12.5 kV
Scotland Neck, Town of	Town of Scotland Neck	12.5 kV
Tarboro, Town of	Town of Tarboro No.1	12.5 kV
	Town of Tarboro No.2	12.5 kV
	Town of Tarboro No.3	12.5 kV
Washington, City of	City of Washington	34.5 kV
Windsor, Town of	Town of Windsor	12.5 kV

Schedule B

Nominal Voltage

4.16	kV*
12.5	kV
34.5	kV
115	kV
230	kV

*Will not be available after the Transition Period.

Schedule C

SCHEDULE TS-A
TRANSMISSION SERVICE
BETWEEN
VIRGINIA ELECTRIC AND POWER COMPANY
AND
NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 3

This Schedule TS-A will be effective under, and a part of, the Agreement for Transmission Use and Other Electric Service, dated as of July 30, 1981 (Agreement), for transmission service supplied by Virginia Electric and Power Company (Vepco) to North Carolina Municipal Power Agency Number 3 (Power Agency).

Section I - Availability: This Schedule TS-A is available for transmission service provided by Vepco to the Agency over Vepco's transmission facilities pursuant to the Agreement.

Section II - Definitions: For the purposes of this Schedule TS-A, transmission facilities shall include all of Vepco's transmission plant in service operated at 69 kV or higher, except step-up facilities from generating stations to Vepco's bulk transmission system.

Section III - Payment:

(A) Power Agency will pay Vepco a monthly transmission service charge of \$1.433 per kilowatt based on the maximum capacity transmitted during the month, whether the transmitted capacity originates from Power Agency generating

resources, from Vepco's bulk power supply system, from a third party or from a combination of the three, but not including capacity delivered under Schedule RS-A. and

(B) For capacity and energy transmitted by Vepco to Power Agency's Delivery Points that utilize Vepco facilities operated at voltages of less than 69 kV, Power Agency will pay Vepco \$1.923 per kilowatt of capacity transmitted in (A) above during the month.

Section IV - Losses: Power Agency will supply all losses of capacity and energy attributable to Vepco's transmission and distribution system in providing service under this Schedule TS-A.

Section V -Rate Changes: Nothing contained herein shall be construed as affecting in any way the right of Vepco to unilaterally make application to FERC for a change in the level of any rate at any time under Section 205 of the Federal Power Act and pursuant to the Rules and Regulations promulgated thereunder. Power Agency retains the right to contest any rate filings made pursuant to this section.

Appendix E-1

RELEASE AND COVENANT NOT TO SUE

This Release and Covenant Not to Sue (hereinafter "this Release"), dated this ____ day of _____, 1981, by [Power Agency/Participant] _____ hereinafter referred to as the "Releasor" provides:

RECITALS:

A. North Carolina Municipal Power Agency Number 3 ("Power Agency") intends to become the bulk power supplier for a number of municipalities in the State of North Carolina, among them the following North Carolina municipalities which are or have been served at wholesale by Virginia Electric and Power Company (hereinafter "Vepco"): Town of Belhaven, Town of Edenton, City of Elizabeth City, Town of Enfield, Greenville Utilities Commission, Town of Hamilton, Town of Hertford, Town of Hobgood, Town of Robersonville, Town of Scotland Neck, Town of Tarboro, City of Washington, Town of Windsor (hereinafter the "Municipal Customers"). The Municipal Customers which execute Project Power Sales Agreements and Supplemental Power Sales Agreements with Power Agency are referred to hereinafter as "Participants".

B. Vepco and Power Agency have entered into a Settlement Agreement dated as of July 30, 1981 to resolve their disagreement over the length of notice required for the Participants to terminate their service from Vepco;

C. Vepco and Power Agency have also entered into an Agreement for Interim Electric Service providing for a transition period during which Vepco will supply to Power Agency that portion of the Participants' loads in excess of the power supplied by generating capacity owned by Power Agency;

D. Vepco and Power Agency have also entered into an Agreement for Transmission Use and Other Electric Service, pursuant to which Vepco will, subject to regulatory approval, provide transmission and other service to Power Agency;

E. Vepco and Power Agency have bargained at arm's length, in good faith and on equal terms for economic benefits to each of them and to the Participants that are closely interrelated and produce an overall result which the Releasor considers just and reasonable, and Releasor has been represented by competent counsel in all matters relating to this Release;

F. As a part of the aforementioned economic benefits, and as a necessary part of, and condition for, the Settlement Agreement, the Agreement for Interim Electric Service and the Agreement for Transmission Use and Other Electric Service, Power Agency and each of the Participants have agreed to execute and deliver to Vepco releases and covenants not to sue in the form of this Release, and Vepco has agreed to execute and deliver reciprocal releases and covenants not to sue substantially in the same form. In executing these releases and covenants not to sue,

each of Vepco, Power Agency, and the Participants denies any wrongdoing of any kind, and it is mutually agreed by Vepco and Releasor that this Release is not and shall not be deemed evidence of any wrongdoing.

NOW THEREFORE, in consideration of the mutual covenants, agreements, warranties and representations set forth or noted herein, Releasor, on behalf of and for itself, [For Power Agency: its departments, managers, officers,] [For Participants: its departments, agencies,] predecessors, successors and assigns and any person or entity claiming through, by or under it or them, agrees as follows:

1. (A) Except as reserved in paragraph 2 hereof, not to raise or assert allegations or claims of anticompetitive conduct by Vepco or its predecessors, including, but not limited to, any "price squeeze" claims, whether now known or hereafter discovered, in any proceeding at the Federal Energy Regulatory Commission (hereinafter "FERC"), and whether by complaint, petition, intervention or other means, if such allegation or claim is based in whole or part on any conduct, act, practice or omission or any other matters or events which occurred or are alleged to have occurred on or prior to the effective date of this Release;

(B) Except as reserved in paragraph 2 hereof, unconditionally to remise, release and forever discharge (or, if necessary to preserve rights against others, instead

covenant not to sue pursuant to paragraphs 1(C) and 3 hereof) Vepco, its predecessors, successors and assigns, and its past and present officers, directors, agents and employees, from all claims, demands, causes of action, obligations, damages and liabilities of every type and description, including, without restricting the generality of the foregoing, all claims for costs, expenses, attorney's fees and all other related or similar claims of whatever kind, whether now known or hereafter discovered, which are based in whole or part on or arise out of any conduct, act, practice or omission or any other matter or event which occurred or is alleged to have occurred on or prior to the effective date of this Release and is claimed to violate (1) any state or federal antitrust law, (2) the Federal Power Act, the Atomic Energy Act, or any similar or related state or federal act, law or statute and any amendment to any of said acts, laws, or statutes insofar as such act, law or statute may give rise to liability for monopolistic, anticompetitive or unfairly competitive acts, conduct or omissions, including all claims for damages, injunctive relief or any other form of relief, or action by an administrative agency or other entity charged with carrying out or enforcing any said act, law or statute, or for costs, expenses or attorney's fees; or (3) the statutory or common law of any state relating to tortious interference with contractual relationships which is anticompetitive or unfairly competitive in intent or effect; and

(C) Except as reserved in paragraph 2 hereof, not to bring, commence, initiate, maintain, participate in or prosecute any action at law or proceeding in equity or any other legal proceeding or claim for damages or relief of any kind or description, whether now known or hereafter discovered, against Vepco, based in whole or part on or arise out of any conduct, act, practice or omission or any other matter or event which occurred or is alleged to have occurred on or prior to the effective date of this Release, where such claim, cause of action or other proceeding asserts a violation of (1) any state or federal antitrust law, (2) the Federal Power Act, the Atomic Energy Act, or any similar or related state or federal act, law or statute, and any amendment to any of said acts, laws or statutes insofar as such act, law or statute may give rise to liability for monopolistic, anticompetitive or unfairly competitive acts, conduct or omissions, including all claims for damages, injunctive relief or any other form of relief, or action by an administrative agency or other entity charged with carrying out or enforcing any said act, law or statute, or for costs, expenses or attorney's fees; and (3) the statutory or common law of any state relating to tortious interference with contractual relationships which is anticompetitive or unfairly competitive in intent or effect.

2. The Releasor reserves all rights it may possess in the absence of this Release to assert claims of "price-squeeze"

in FERC Docket No. ER81-388-000 or in any wholesale rate proceeding filed subsequent to that docket. With respect to any discovery, whether formal or informal, instituted or sought by the Releasor or any group or organization of which it may be a part, with respect to the rights retained by this paragraph, the Releasor agrees that it will seek only such discovery which is directly related to the rights reserved by this paragraph, and further agrees that as to any objection to any such discovery by Vepco the burden shall be on the Releasor to establish a direct relationship between the discovery being sought and the rights reserved in this paragraph. Releasor agrees that the rights reserved in this paragraph shall be narrowly construed.

3. Except as may specifically be provided in this Release, neither Vepco nor the Releasor desires, contemplates or intends that this Release shall be a bar to any claim by either of them against any person, firm, corporation, association or other entity which may have been a joint tort-feasor or co-conspirator with either of them with respect to any matter relating to this Release. Vepco and the Releasor agree, therefore, that this Release shall constitute a covenant not to sue where necessary to preserve all rights against any and all such alleged joint tort-feasors or co-conspirators.

4. This Release may be pleaded as a full and complete defense to, and may be used as the basis for an injunction

against, any action, suit, claim or other proceeding instituted, prosecuted, or attempted by Releasor or any other entity, jointly or severally, in breach of this Release.

5. Releasor agrees that this Release is and shall be binding on the predecessors, successors and assigns of Releasor and any persons or entities claiming through, by or under it or them, and shall inure to the benefit of Vepco and its successors and assigns.

6. Releasor represents and warrants that it has not made or suffered to be made any assignment or transfer of any claim herein purported to be released or as to which it has herein covenanted not to sue.

7. In the event that any court or other tribunal of competent jurisdiction at any time holds that any provision of this Release is invalid or unenforceable, the remainder hereof shall not be affected by such holding and shall continue in full force and effect.

8. Releasor acknowledges that this Release is not based upon any factual, legal or other representations, promises or assurances, oral or otherwise, made by Vepco and not contained in this document, the Settlement Agreement, the Agreement for Interim Electric Service or the Agreement for Transmission Use and Other Electric Service; and it expressly assumes the risk that the facts or law with respect to which this Release is executed are or may be found hereafter to be different from the

facts or law believed by Releasor to be true as of the effective date of this Release, and agrees that this Release shall be effective notwithstanding any such difference.

9. This Release is the entire agreement between Vepco and the Releasor as to the subject matter covered by this Release and any related matters, and cannot be changed or modified except by written agreement between Vepco and the Releasor.

IN WITNESS WHEREOF, Releasor has caused this Release and Covenant Not to Sue to be signed and sealed by its duly authorized representative. This Release and Covenant Not to Sue shall be effective as of July 30, 1981 upon delivery to Vepco.

By _____
Releasor

Title _____

ATTEST:

Appendix E-2

RELEASE AND COVENANT NOT TO SUE

This Release and Covenant Not to Sue (hereinafter "this Release"), dated this ____ day of _____, 1981, by Virginia Electric and Power Company hereinafter referred to as "Vepco" and delivered to, [Power Agency/Participant] provides:

RECITALS:

A. North Carolina Municipal Power Agency Number 3 ("Power Agency") intends to become the bulk power supplier for a number of municipalities in the State of North Carolina, among them the following North Carolina municipalities which are or have been served at wholesale by Vepco: Town of Belhaven, Town of Edenton, City of Elizabeth City, Town of Enfield, Greenville Utilities Commission, Town of Hamilton, Town of Hertford, Town of Hobgood, Town of Robersonville, Town of Scotland Neck, Town of Tarboro, City of Washington, Town of Windsor (hereinafter the "Municipal Customers"). The Municipal Customers which execute Project Power Sales Agreements and Supplemental Power Sales Agreements with Power Agency are referred to hereinafter as "Participants".

B. Vepco and Power Agency have entered into a Settlement Agreement dated as of July 30, 1981 to resolve their disagreement over the length of notice required for the Participants to terminate their service from Vepco;

C. Vepco and Power Agency have also entered into an Agreement for Interim Electric Service providing for a transition period during which Vepco will supply to Power Agency that portion of the Participants' loads in excess of the power supplied by generating capacity owned by Power Agency;

D. Vepco and Power Agency have also entered into an Agreement for Transmission Use and Other Electric Service, pursuant to which Vepco will, subject to regulatory approval, provide transmission and other service to Power Agency;

E. Vepco and Power Agency have bargained at arm's length, in good faith and on equal terms for economic benefits to each of them and to the Participants that are closely interrelated and produce an overall result which Vepco considers just and reasonable, and Vepco has been represented by competent counsel in all matters relating to this Release;

F. As a part of the aforementioned economic benefits, and as a necessary part of, and condition for, the Settlement Agreement, the Agreement for Interim Electric Service and the Agreement for Transmission Use and Other Electric Service, Vepco has agreed to execute and deliver to Power Agency and each of the Participants releases and covenants not to sue in the form of this Release, and the Power Agency and each of the Participants have agreed to execute and deliver reciprocal releases and covenants not to sue substantially in the same form. In executing these releases and covenants not to sue, each of

Vepco, Power Agency, and the Participants denies any wrongdoing of any kind, and it is mutually agreed by Vepco, Power Agency and the Participants that this Release is not and shall not be deemed evidence of any wrongdoing.

NOW THEREFORE, in consideration of the mutual covenants, agreements, warranties and representations set forth or noted herein, Vepco on behalf of and for itself, its predecessors, successors and assigns and any person or entity claiming through, by or under it or them, agrees as follows:

1. (A) Not to raise or assert allegations or claims of anticompetitive conduct by Power Agency or any Participant or their predecessors in any proceeding at the Federal Energy Regulatory Commission (hereinafter "FERC"), and whether by complaint, petition, intervention or other means, if such allegation or claim is based in whole or part on any conduct, act, practice or omission or any other matters or events, whether now known or hereafter discovered, which occurred or are alleged to have occurred on or prior to the effective date of this Release;

(B) Unconditionally to remise, release and forever discharge (or, if necessary to preserve rights against others, instead covenant not to sue pursuant to paragraphs 1(C) and 2 hereof) Power Agency and each Participant, their predecessors, successors and assigns, and their past and present officers, council members, commissioners, managers, agents and employees,

from all claims, demands, causes of action, obligations, damages and liabilities of every type and description, including, without restricting the generality of the foregoing, all claims for costs, expenses, attorney's fees and all other related or similar claims of whatever kind, whether now known or hereafter discovered, which are based in whole or part on or arise out of any conduct, act, practice or omission or any other matter or event which occurred or is alleged to have occurred on or prior to the effective date of this Release and is claimed to violate (1) any state or federal antitrust law, (2) the Federal Power Act, the Atomic Energy Act, or any similar or related state or federal act, law or statute and any amendment to any of said acts, laws, or statutes insofar as such act, law or statute may give rise to liability for monopolistic, anticompetitive or unfairly competitive acts, conduct or omissions, including all claims for damages, injunctive relief or any other form of relief, or action by an administrative agency or other entity charged with carrying out or enforcing any said act, law or statute, or for costs, expenses or attorney's fees; or (3) the statutory or common law of any state relating to tortious interference with contractual relationships which is anticompetitive or unfairly competitive in intent or effect; and

(C) Not to bring, commence, initiate, maintain, participate in or prosecute any action at law or proceeding in equity or any other legal proceeding or claim for damages or

relief of any kind or description, whether now known or hereafter discovered, against Power Agency or any Participant, based in whole or part on or arise out of any conduct, act, practice or omission or any other matter or event which occurred or is alleged to have occurred on or prior to the effective date of this Release, where such claim, cause of action or other proceeding asserts a violation of (1) any state or federal antitrust law, (2) the Federal Power Act, the Atomic Energy Act, or any similar or related state or federal act, law or statute, and any amendment to any of said acts, laws or statutes insofar as such act, law or statute may give rise to liability for monopolistic, anticompetitive or unfairly competitive acts, conduct or omissions, including all claims for damages, injunctive relief or any other form of relief, or action by an administrative agency or other entity charged with carrying out or enforcing any said act, law or statute, or for costs, expenses or attorney's fees; and (3) the statutory or common law of any state relating to tortious interference with contractual relationships which is anticompetitive or unfairly competitive in intent or effect.

2. Except as may specifically be provided in this Release, neither Vepco nor Power Agency nor any Participant desires, contemplates or intends that this Release shall be a bar to any claim by any of them against any person, firm, corporation, association or other entity which may have been a

joint tort-feasor or co-conspirator with any of them with respect to any matter relating to this Release. Vepco and Power Agency and each Participant agree, therefore, that this Release shall constitute a covenant not to sue where necessary to preserve all rights against any and all such alleged joint tort-feasors or co-conspirators.

3. This Release may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, claim or other proceeding instituted, prosecuted, or attempted by Vepco or any other entity, jointly or severally, in breach of this Release.

4. Vepco agrees that this Release is and shall be binding on its predecessors, successors and assigns and any persons or entities claiming through, by or under it or them, and shall inure to the benefit of Power Agency and each Participant and their successors and assigns.

5. Vepco represents and warrants that it has not made or suffered to be made any assignment or transfer of any claim herein purported to be released or as to which it has herein covenanted not to sue.

6. In the event that any court or other tribunal of competent jurisdiction at any time holds that any provision of this Release is invalid or unenforceable, the remainder hereof shall not be affected by such holding and shall continue in full force and effect.

7. Vepco acknowledges that this Release is not based upon any factual, legal or other representations, promises or assurances, oral or otherwise, made by Power Agency or a Participant and not contained in this document, the Settlement Agreement, the Agreement for Interim Electric Service or the Agreement for Transmission Use and Other Electric Service; and it expressly assumes the risk that the facts or law with respect to which this Release is executed are or may be found hereafter to be different from the facts or law believed by Vepco to be true as of the effective date of this Release, and agrees that this Release shall be effective notwithstanding any such difference.

8. This Release is the entire agreement between Vepco and Power Agency and the Participants as to the subject matter covered by this Release and any related matters, and cannot be changed or modified except by written agreement between Vepco, Power Agency and the Participants.

IN WITNESS WHEREOF, Vepco has caused this Release and Covenant Not to Sue to be signed and sealed by its duly

authorized representative. This Release and Covenant Not to Sue shall be effective as of July 30, 1981 upon delivery to Power Agency or a Participant, as the case may be.

Virginia Electric and Power Company

By _____

Title _____

ATTEST:

Secretary

Appendix F

FORM OF SUPPLEMENTAL POWER SALES AGREEMENT

[Included With Executed Copies Only]