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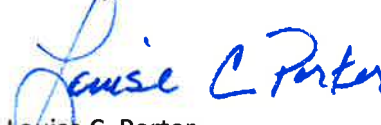
Mrs. Susan M. Hudson, Clerk  
Vermont Public Service Board  
112 State Street  
Montpelier, Vermont 05620

Re: Docket 7970 -VGS Addison Expansion

Dear Mrs. Hudson:

Attached for filing with the Public Service Board are the original and seven copies of the Reply Brief of the Department in the above-referenced matter. Please let me know if you have any questions.

Sincerely,



Louise C. Porter  
Special Counsel

cc: Service List



**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Docket No. 7970

Petition of Vermont Gas Systems, Inc. for a certificate of public good, pursuant to 30 V.S.A. § 248, authorizing the construction of the “Addison Natural Gas Project” consisting of approximately 43 miles of new natural gas transmission pipeline in Chittenden and Addison Counties, approximately 5 miles of new distribution mainlines in Addison County, together with three new gate stations in Williston, New Haven and Middlebury, Vermont

**REPLY BRIEF  
OF  
THE VERMONT DEPARTMENT OF PUBLIC SERVICE**

The Vermont Department of Public Service Department (Department) hereby responds to a limited set of arguments made by parties in initial briefs filed in the above-referenced proceeding. After reviewing initial briefs, the Department continues to believe that with appropriate conditions and post-certification review procedures, construction of the Addison Natural Gas Project (Project) by Vermont Gas Systems, Inc. (Vermont Gas) will not have undue adverse effects, will satisfy the criteria set forth in 30 V.S.A. § 248, and will promote the general good of the State. The Department therefore again recommends that the Board issue a Certificate of Public Good (Certificate or CPG) with the conditions and post-certification review procedures recommended in its initial brief, as updated and revised herein.

**Section 248(b)(5) – Greenhouse Gas Impacts**

With respect to the greenhouse gas emissions that should be attributed to the Project, the Department continues to believe that while the ultimate greenhouse gas impact of the Project is uncertain, the best evidence provided in this proceeding indicates that the Project will result in a net reduction in greenhouse gases. Conservation Law Foundation (CLF) reaches a different conclusion—that the Project will increase greenhouse gas emissions. However, CLF’s rationale (as well as the weight of the evidence admitted in this proceeding—including by CLF witness Stanton) does not support its conclusion.

First, CLF's conclusion appears to be based, at least to some degree, on a new study (i.e., the Intergovernmental Panel on Climate Change's 5<sup>th</sup> Assessment) that has not been admitted into evidence in this proceeding. The Department has not had an opportunity to review the study and therefore can express no opinion on its analysis or conclusions. Needless to say, given that the issue of climate change is the subject of significant ongoing research, it is almost certain that studies such as the one cited by CLF will continue to investigate these issues and develop new findings. However, at some point, the record in this proceeding must rest and a decision must be made. The Department believes that the Board has before it sufficient expert and factual evidence (which all parties have had the opportunity to review) in order to provide due consideration to the greenhouse gas impacts of the Project. Accordingly, the Department opposes CLF's request to keep open the record and require parties to recalculate the greenhouse gas emissions in light of CLF's characterization of the IPCC's most recent findings.

Similarly, the Department objects to the argument of the Vermont Fuel Dealers Association (Fuel Dealers) that the Board should deny Vermont Gas a decision on its petition because at some time in the next few years, additional information will be available on upstream methane leak rates. Vermont Gas has made a compelling case that its Project will reduce greenhouse gas emissions. Even CLF's witness calculates that based on the Project's anticipated loads, there will be no additional greenhouse gas emissions resulting from the Project at a methane leak rate as high as 5.3 percent. Certainly, as CLF emphasizes, this conclusion comes with some level of uncertainty, as the science of climate change develops and matures. However, such uncertainty should not lead to regulatory paralysis. The Department is satisfied that Vermont Gas has made its case given the best information available at this time. The Department might be more receptive to the Fuel Dealers' argument if it was made with the expectation of a definitive study or finding that would provide significant additional clarity in any reasonable timeframe. However, no such resolution of the issue is expected within the foreseeable future. The Department therefore opposes the Fuel Dealers' recommendation. As the Department set forth in its initial brief, there is too much benefit to be gained from the Project to postpone it indefinitely while waiting for some final resolution to what is expected to be a lengthy scientific inquiry.

Second, CLF recommends that the Board rely on Dr. Stanton's analysis in evaluating the greenhouse gas impact of the Project, noting that it "represents the collected corrections and improvements to the initial VGS analysis as presented by the parties in this proceeding." CLF, Initial Brief at 9. The Department agrees, but only to a point. While a portion of Dr. Stanton's analysis does represent a sort of consensus opinion among Vermont Gas, the Department, and CLF developed throughout the proceeding, it also incorporates Dr. Stanton's last-minute—and in the Department's view unfounded—recommendation to consider additional gas use potentially enabled by the Project. As the Department noted in its initial brief, Dr. Stanton's inclusion of potential additional loads in her surrebutal testimony fails to present an apples-to-apples comparison of lifecycle costs attributable to the additional natural gas load as compared to the alternative fuel that would have been used in her hypothetical scenario. In the case of a manufacturing or industrial load, the most likely alternative would be fuel oil or propane, yielding the positive greenhouse gas impact calculated by Dr. Stanton up to a 5.3 percent upstream methane leak rate. To the extent a natural gas generator represents the additional load, that generator would require a certificate under section 248, and due consideration to its greenhouse gas impacts would be considered at that time. Given the opportunity to fully and fairly evaluate the issue when and if it comes to fruition, it should not be considered in the abstract here, as recommended by CLF.

Accordingly, the Board should rely on the consensus developed throughout this proceeding, and articulated by Dr. Stanton in her surrebutal testimony, that even with an unlikely high upstream methane leak rate of 5.3 percent, the Project does not increase greenhouse gas emissions; indeed, at the more reasonable (though still conservative) leak rate of 3.0 percent, the Project is expected to reduce greenhouse gas emissions. Thus, contrary to CLF's arguments, the record evidence in this proceeding shows that the Project is likely to reduce greenhouse gas emissions. The Department acknowledges that some amount of uncertainty accompanies this conclusion. However, the mere fact that there is some uncertainty about the projected future greenhouse gas emissions of the Project does not mean, as CLF seems to argue, that all such uncertainty should be resolved according to the worst case scenario. Instead, the Department recommends that the Board weight its consideration in favor of the most reasonable

scenario, which the Department suggests is the one developed by Vermont Gas, the Department and CLF in which the Project primarily displaces existing fuels such as fuel oil and propane, and which demonstrates that the Project is likely to result in a net reduction in greenhouse gas emissions.

#### **Section 248(b)(5)-Aesthetics**

In its Initial Brief, the Department proposed the inclusion of a condition regarding the permissible level of noise at the three gate stations to be constructed as part of the Project (Condition 5). Upon further review of the record evidence and the initial briefs of other parties, the Department requests that the Board amend that condition to more fully and accurately reflect the agreement among the parties. As expressed by the Town of New Haven in its brief and supported by the testimony of VGS witness Heintz and DPS witness Raphael, post-construction noise monitoring should be conducted at the gate station sites to ensure that the noise levels do not exceed 50 dB, as measured at the fence line of the gate station. Such a condition is a reasonable reconciliation of the various parties' prefiled testimony and the colloquies which followed at the technical hearing, as well as the adoption of the New Haven recommendation.

The Department additionally requested the inclusion of a condition regarding the specifics of the light fixtures to be utilized at the New Haven gate station (Condition 7). This issue, much like the noise level issue referenced above, was the subject of much discussion among the parties over time and the record evidence reflects some confusion as to what was preferred or desired. The intent of the parties remained constant: to reach a reasonable accommodation for the Town of New Haven and provide for the safe operation of the gate station. To that end, the Town of New Haven has expressed in its brief a desire to have human-activated, as opposed to motion sensor-activated, light fixtures. Department witness Raphael testified that this was an acceptable alternative. The Department therefore requests that Condition 7 of its initial brief be amended to require human-activated light fixtures at the New Haven gate station.

**Section 248(a)(3) – General Good of the State**

The Department would like to clarify its recommendation that Vermont Gas be required to file a proposed program similar to Green Mountain Power Corporation's Cow Power program that would enable customers to voluntarily choose to receive "renewable" natural gas to be supplied either from bio-methane or the purchase of renewable attributes where bio-methane is not available. In its initial brief, the Department set forth certain characteristics of a proposed program that should be included. The Department would like to clarify that while the filing of a proposal should be a condition of Vermont Gas's certificate in this proceeding, the Board's evaluation and investigation should take place separately in a standalone docket. The proceeding should also not be so limited as to explore only this one mechanism to encourage bio-methane, but should be broad enough to explore the potential new renewable fuel source more generally, including whether it would be appropriate to establish new regulatory mechanisms (e.g., interconnection standards or tariffs) to accommodate bio-methane producers.

**Conclusion**

For the foregoing reasons and for the reasons set forth in its initial brief, the Department respectfully requests that the Board issue a Certificate of Public Good with the conditions and post-certification review procedures recommended in its initial brief, as updated and revised herein.

Dated at Montpelier, Vermont this 25<sup>th</sup> day of October, 2013.

VERMONT PUBLIC SERVICE DEPARTMENT

By:

  
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cc: Docket No. 7970 Service List

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