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July 11, 2013

Nathan B. Palmer
986 Rotax Road
North Ferrisburgh VT 05473

Re: Docket No. 7970

Dear Counsel:

Enclosed please find the Department's responses to the First Set of Information Requests from Nathan B. Palmer. The original signature pages from our consultants are being obtained and will be forwarded to you upon receipt. Please feel free to call should you have any questions. Thank you.

Sincerely,



Timothy M. Duggan
Special Counsel

Enclosure

cc: Public Service Board
Service List (via email)



PSB Docket Nos. 7970 - SERVICE LIST

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STATE OF VERMONT
PUBLIC SERVICE BOARD

Petition of Vermont Gas Systems, Inc.,)
requesting a Certificate of Public Good pursuant)
to 30 V.S.A. §, 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)

Docket No. 7970

DEPARTMENT OF PUBLIC SERVICE'S RESPONSES TO
NATHAN B. PALMER'S
FIRST SET OF INFORMATION REQUESTS

July 11, 2013

Docket No. 7970

**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Questions for Walter (TJ) Poor

Q.Palmer:DPS.1-1: Mr Poor quotes the 2011 CEP, vol. 2, p.220 on page 5, lines 6-9 **“The plan states “Vermont should encourage the increased use of natural gas by supporting economically viable expansion of the natural gas service territory, promoting attachments to the current distribution system...and promoting the use of natural gas vehicles.”** and on same page, lines 19-23, **“Importantly, the CEP recognizes that natural gas expansion encourages fuel choice for Vermonters.”** Since the cost analysis of Ms Simollardes has been called into question, (see TJ Poor testimony page 12, lines 15-16) and a large portion of the cost of this project will be provided by International Paper, can you still support the notion that this project is economically viable for Vermont?

ANSWER: While Mr. Kumar's testimony on behalf of the Department found the economic benefits claimed by VGS to be overstated, Mr. Kumar found that significant economic benefits would accrue to Vermont as a result of the project. (See Kumar pf at. 17, ln 9-28). These benefits are associated with the portion of the project that does not include service to International Paper.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

Docket No. 7970

**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-2: Is it wise (or even legal?) to tie the energy needs of our state to a large corporation such as IP?

ANSWER: Objection to the extent this question calls for a legal conclusion. Please see the response to A:Palmer:DPS:1-1. Furthermore, serving any particular customer does not "tie" the energy needs of the state to that customer.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

Docket No. 7970

**Department of Public Service's Responses to
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Q.Palmer:DPS.1-3: Since much of the cost of this expansion has been paid for by ratepayers in Chittenden and Franklin Counties, is it safe to assume that Addison County ratepayers will be paying for expansion to Rutland County? Has this additional cost burden been figured into this present cost analysis? (my concern is that in addition to price volatility, Addison County ratepayers will be burdened with additional cost factors)

ANSWER: Vermont Gas has not yet sought approval for use of the System Reliability Expansion Fund ("Fund"). Without Board approval, the Fund cannot be utilized to fund expansion to Vergennes and Middlebury.

Vermont Gas has not sought a Certificate of Public Good for expansion to Rutland County, nor has it sought permission for a Fund similar to that established in Docket No. 7712 for those purposes.

Costs associated with natural gas expansion that has not been proposed in this Docket have not been figured into the economic analysis completed by the Department.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

Docket No. 7970

Department of Public Service's Responses to
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Q.Palmer:DPS.1-4: On Page 5 line 20-23, Mr Poor states” **If concerns associated with natural gas production outweigh the potential benefits for a particular customer, that customer is not obligated to take service. The expansion should also increase competitiveness in the fuels market by applying downward pressure on prices and helping keep service quality high.**”

Since this project will be serving only a small percentage of Vermonters in Addison County, can you still claim that it will encourage fuel choices for the vast population of Vermont that will *not be offered* distribution? Please demonstrate for the Board's consideration, what the total percentage of Vermont's population to be offered distribution from *this Phase* of the project.

ANSWER: The Proposed Project would encourage fuel choices for those Vermonters that will be offered distribution services. It will not encourage fuel choices for those Vermonters who will not be offered distribution services. According to the United States Department of Commerce, Vermont was estimated to have a population of 626,011 in 2012, with 324,389 housing units, for an average of 1.92 people per unit. (see <http://quickfacts.census.gov/qfd/states/50000.html>). According to Vermont Gas (Lyons pf. at 4) the Project will serve 3000 new homes and businesses. If all 3000 customers served were homes (unlikely), then 5789 people would be served by this Phase of the project, or 0.93% of the population.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
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Q.Palmer:DPS.1-5: By hooking up schools and municipal buildings to "natural" gas, wont some residents be buying and paying for "natural" gas regardless of their preferences or concerns about the production and consequent environmental ramifications associated with it?

ANSWER: If a school or a municipal building chooses to have natural gas service, and that building's fuel bills are funded through taxpayer dollars, then affected taxpayers will indirectly be buying and paying for natural gas.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-6: Mr Poor seems to imply that fuel prices (oil and propane) will be reduced by the "downward" pressure from "natural" gas prices. Could not the opposite effect happen? Since VGS will have "cherry picked" the densely populated areas, leaving only the more remote customers to be serviced, might the fuel dealers left standing have to raise their prices to cover the costs of more extended deliveries?

ANSWER: I am not aware of a fuel dealer offering varying prices for downtown areas versus more rural areas.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-7: And if Mr Poor is correct in his assumption, and the “downward pressure” brings prices for other fuels in direct competition with the “natural” gas now available, doesn't this contradict all of the other cost savings predictions the Petitioner has made regarding “natural” gas vs. other fuel sources?

ANSWER: No. The savings predictions made by Vermont Gas associated with the ANGP are between the status quo (i.e., no natural gas service) and the project as proposed. To the extent that the project results in downward pressure on other fuel sources once it is built, those savings would be *in addition* to the savings that result from the availability of natural gas.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-8: On page 11, lines 13-20 , Mr Poor states, **“it should be noted that methane is a valuable commodity, making it more likely that methane emissions will be captured for the purposes of selling (and burning) the fuel. This provides significant motivation (perhaps from the industry's perspective greater motivation than environmental concerns alone) for the industry to reduce methane leaks going forward.”** As reported in a recent National Geographic, currently, at many oil fields, the industry will burn off gas rather than capture it on account of the cost of processing and transporting and the low prices they are getting for gas. At what price level do you predict this shift to gas being considered a “valuable commodity” worth capturing will happen?

ANSWER: I have not conducted the analysis necessary to answer this question.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
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Q.Palmer:DPS.1-9: Would you say then, if the price of natural gas does not increase, and basically stays the same, (as is the scenario predicted in the Petitioner's testimony) the consequences might be the opposite...making the fugitive gas less desirable or equitable for the gas industry to capture and sell? And without the environmental motivation (as you seem to imply the gas and oil industry has less of) why would there be any effort to decrease methane leaks going forward?

ANSWER: Vermont Gas Systems assumed that natural gas and other fuel prices increase based on projections made by the Energy Information Administration (see Ms. Simollardes Rebuttal testimony p.8 ln1-2). Even at current prices the capture of methane appears to be "cost-effective". According to CLF-Exhibit EAS-6 (see page 2), "cutting methane leakage rates from natural gas systems to less than 1 percent of total production . . . can be achieved by . . . the widespread use of proven, *cost-effective* technologies" (emphasis added). Environmental Protection Agency regulations will effectuate some implementation of methane capture techniques. Because the capture of methane is already "cost-effective", I believe any price increase needed to achieve the reductions in methane leakages would likely be relatively minor.

As noted above, technologies to capture methane leaks are already cost-effective. With regulations imposed by the EPA or other entities (e.g. states where the well is located), companies could otherwise be encouraged to reduce methane leaks going forward.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
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Q.Palmer:DPS.1-10: When the CEP was developed in 2011, there were factors regarding the production of "natural" gas that were still not apparent to the general public. Do you agree that given the awareness of the problems with the extraction processes, the transmission leakage, and the safety issues associated with "natural" gas that have been peppering the news over the last 2-3 years, that the "real Vermonters" who contributed to the development of the CEP and agreed to the expansion of natural gas service, might not feel the same about the expansion of "natural" gas infrastructure today? (think legislative ban on "fracking" in Vermont)

ANSWER: I cannot comment as to whether all Vermonters who contributed to the development of the Comprehensive Energy Plan and supported the expansion of natural gas service continue to feel the same way about the expansion of natural gas infrastructure.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-11: On page 6 line 18-20, Mr Poor states; **“If total Vermont energy consumption across sectors remains constant, the proposed Project would increase the natural gas share of total Vermont energy consumption to 6.6%”**

Does this figure include the expansions VGS has already made to Jericho and Underhill and Franklin County, and plans for expansion into Richmond?

ANSWER: Yes, it includes natural gas service to Underhill, Hinesburg, Enosberg, Jericho, and Richmond.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-12: Has anyone in the Public Service Department been to Alberta, or Colorado or PA where they are drilling for gas, or North Dakota where oil wells are more common than cows?

ANSWER: I have not been to natural gas production sites in Alberta, Colorado, or Pennsylvania, or North Dakota oil wells. I do not know if anyone in the Public Service Department has been to those sites.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-13: Have you or anyone else figured the costs to residents, towns and states whose wells and potable water sources are being permanently polluted due to the method of gas extraction (ie hydraulic fracturing) currently being widely used?

ANSWER: I have not calculated the costs associated with water resource impacts from any natural gas, oil, or other resource extraction techniques.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-14: If, as you say, the “natural” gas life cycle “**analysis is challenging**”, and as Mr Kumar says, “**VGS has over-estimated the benefits associated with the ANGP.**”, and ANR has pointed out several areas that still need addressing in terms of avoidance and mitigation, which could add substantially to the total cost of the project, doesn't it seem premature to come to the conclusion that this project makes economic sense for the state?

ANSWER: No. This conclusion was reached based on the information available at the time. If the mitigation measures recommended by ANR cost more than the economic benefits of the project to the state, then the Department will consider that information as it becomes available.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
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Q.Palmer:DPS.1-15: On page 12 lines 23 and 24, Mr Poor concludes that in regards to GHG emissions associated with this Project, **“that it is uncertain whether greenhouse gas emissions from outside the borders of the state are reduced.”** Would you consider the GHG emissions from outside of Vermont to be an important factor in determining the merit of this project in the Board's consideration?

ANSWER: Objection to the extent the questions calls for a legal conclusion. Without waiving this objection, I would note that estimates of greenhouse gas emissions from inside the state are much more certain than those from outside the state, making the analysis all the more challenging. However I do think that greenhouse gas emissions from outside the state should be considered to the extent that they can be calculated in a meaningful way.

Person Responsible for Response: TJ Poor, Public Service Department

Date: July 11, 2013

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**Department of Public Service's Responses to
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Questions for Jatinder Kumar

Q.Palmer:DPS.1-1: Did the DPS ask you to evaluate the wisdom and the effects of having so much energy infrastructure in VT owned by only one company?

ANSWER: No.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-2: In your testimony, page 8, line 11, you state that **"It is my opinion that given its limited availability in Vermont, natural gas is underutilized as a heating source."**

Has Mr Kumar ever been to Vermont? Would the rural character, sparse population, and rugged terrain of Vermont help explain this "under-utilization" of "natural" gas?

ANSWER: Yes, I have been to Vermont. Vermont's rural character, sparse population, and rugged terrain would explain, to some extent, the underutilization of natural gas. However, there are similar geographical areas which have more gas utilization than does Vermont.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
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Q.Palmer:DPS.1-3: So gas is an existing fuel source in many areas, but it was adopted in an economy that did not have a price on carbon. If gas was more expensive than other sources due to the cost of carbon, would you still “**encourage the use of natural gas?**”

ANSWER: Objection. The question calls for speculation. Without waiving this objection, I would point out that the competing heating fuels are, primarily, heating oil and propane, both of which would be more carbon-intensive than natural gas, and which therefore would likely have a greater carbon cost than natural gas.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-4: Would you please perform an analysis that would show what the dollar figure amounts of the cost per ton of GHG emissions saved, in relation to the total price of the project (this Phase) would be?

ANSWER: Objection. The question is beyond the scope of my direct testimony. I have not been retained, nor did I testify to the issues related to GHG emissions.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-5: On page 9, lines 8-13, Mr Kumar is asked; Q. "Is there a more cost effective manner to provide the services that would be provided by the ANGP?" A. No, There is no other more cost effective manner including energy conservation/efficiency programs and/or load management measures, to provide the benefits that would be provided by the ANGP (and the associated increased access to VGS-sponsored efficiency programs)

Can you provide your economic analysis for this statement? Please include the capital costs as well as the unit costs for gas.

ANSWER: I did not prepare the requested economic analysis nor did I prepare any other economic analysis comparing the cost of natural gas with other measures. My statement is based on my review of VGS's analysis of comparing the cost of natural gas with the costs of fuel oil and propane and my long experience with the various energy supply sources. Further, energy conservation/efficiency programs and/or load management measures can reduce the use of the existing energy supplies but do not result in the provision of a cleaner, less expensive and more efficient source of supply. My finding is consistent with the Board's recent decision in Paragraph 15 of its Order in Docket No. 7929.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-6: Can you provide historical documentation of the above scenario in other locations, (where new gas infrastructure is judged to be cheaper than conservation/efficiency?)

ANSWER: Yes. For example, the Board has just made this finding in paragraphs 15 through 29 of its May 31, 2013 Order in Docket No. 7929.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
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Q.Palmer:DPS.1-7: This project is purported to be able to offer 3000 homes and businesses the option for distribution. Please explain how the remainder of the homes and businesses will be able to benefit from the VGS sponsored efficiency programs.

ANSWER: I am unaware of any direct benefits that non-connecting homes and businesses will receive from VGS-sponsored efficiency programs, beyond the societal benefits associated with reduced fossil fuel usage that would result from VGS efficiency programs.

Person Responsible for Response: Jatinder Kumar, Consultant

Date: July 11, 2013

Questions for David Berger

Docket No. 7970

**Department of Public Service's Responses to
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Q.Palmer:DPS.1-1: How will the DPS ensure proper oversight of the construction of this project? Will the DPS have personnel on hand? Considering that the entire gas safety division at the DPS is just one person, will the DPS be hiring additional personnel for this as the "representatives" indicated on page 8, line 7? Considering that the engineers presenting the testimony in this docket are not even Professional Engineers in the State of Vermont, who will oversee this on behalf of the Vermont public? Is it the position of the DPS that VGS contractors should be allowed to supervise themselves and voluntarily report any quality issues?

ANSWER: DPS will oversee the construction of the project. To my knowledge, a final decision has not been made as to how PSD will staff its oversight of project construction. However, once a decision is made, DPS will designate a point person (either an employee or a contracted expert) to oversee project construction.

Oversight activities will include, but are not limited to, review of plans and schedules, monitoring of project construction for compliance with the Board's order and conditions of the CPG, inspection of construction sites, discussions with VGS engineers about project progress, and post-construction site visits. An inspection plan will be developed with this information to appropriately monitor critical elements of construction at locations where they occur. The inspection plan is not an attempt to monitor all construction activity in person. In addition to site inspections, the inspection program will review a spectrum of pipeline integrity issues including system design, material usage, assembly/construction processes, equipment and personnel qualification and operational procedures.

Person Responsible for Response: David Berger, Consultant

Date: July 11, 2013

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**Department of Public Service's Responses to
Nathan B. Palmer's
First Set of Information Requests**

Q.Palmer:DPS.1-2: Does the DPS consider it acceptable to place a pipeline within 300' of a house when the Potential Impact Radius of that pipeline is over 300'? Does this not cause an undue adverse effect on the safety and well-being of the occupants of that house who are now required to live their lives permanently within a Potential Impact Radius? Is the DPS aware that the National Transportation Safety Board put pipeline safety on its "Most Wanted" list for 2013?

ANSWER: Federal and Vermont pipeline regulations do allow pipelines to be within 300 feet of a dwelling unit regardless of the potential impact radius. DPS has proposed that VGS upgrade the class locations along the entire pipeline to be Class 3, i.e., suburban, for the protection of those people that live within the potential impact radius. DPS takes pipeline safety seriously and has proposed additional safety requirements beyond those in the current federal and state pipeline safety regulations.


Person Responsible for Response: David Berger, Public Service Department

Date: July 11, 2013

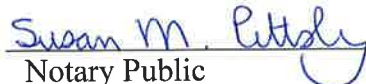
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Department of Public Service's Responses to
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VERMONT DEPARTMENT OF PUBLIC SERVICE

By 
Walter (TJ) Poor

Subscribed and sworn before me this 11th day of July 2013.


Notary Public
My commission expires: 02-10-15

VERMONT DEPARTMENT OF PUBLIC SERVICE

By _____
David Berger

Subscribed and sworn before me this ___th day of July 2013.

Notary Public
My commission expires:

VERMONT DEPARTMENT OF PUBLIC SERVICE

By _____
Jatinder Kumar

Subscribed and sworn before me this ___th day of July 2013.

Notary Public
My commission expires: