

**STATE OF VERMONT
PUBLIC SERVICE BOARD**

Petition of Vermont Gas Systems, Inc.,)
requesting 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)

Docket No. 7970

**PREFILED TESTIMONY OF JEFFREY B. CARR
ON BEHALF OF VERMONT GAS SYSTEMS, INC. EXPLAINING
CORRECTIONS TO DECEMBER 20, 2012 PREFILED TESTIMONY**

May 30, 2013

The purpose of Mr. Carr’s testimony is to explain certain corrections to his December 20, 2012 prefiled testimony and exhibits.

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1 **1. Introduction**

2 Q1. Please state your name and occupation.

3 A1. My name is Jeffrey B. Carr. I am the President and a Senior Economist at
4 Economic and Policy Resources, Inc. I provided prefiled testimony in this docket
5 on December 20, 2012 on behalf of the Petitioner.

6

7 Q2. What is the purpose of your testimony?

8 A2. The purpose of my testimony is to explain certain corrections to my December 20,
9 2012 prefiled testimony and Exhibits Petitioner JC-2 and JC-3 which are
10 necessary to correct several inadvertent errors. These corrections are necessary
11 because I discovered that three references within the analysis spreadsheets had
12 incorrect cells. These references are listed below:

13

- 1 • Annual estimates of projected reduction in sales by fuel oil dealers were
2 understated;
- 3 • Conversion costs, though included in the present value calculations and
4 construction impacts, were not referenced in the modeling of the effects on
5 households and businesses; and
- 6 • Incentives offered to households for converting to natural gas were
7 included in the modeling of the effects on households, but were not
8 included in the present value calculations.

9

10 In both the **Reference case** and **Alternate case** evaluated for the Project, the
11 economic conclusions remain as in the December 20, 2012 testimony: Both cases
12 continue to result in increases to economic output to the economy of the state of
13 Vermont even with these corrections.

14

15 For ease of reference, I am resubmitting both a separate clean and marked version
16 of my corrected prefiled testimony (5/30/13 Corrected). With that corrected
17 testimony I have included my original December 20, 2012 Exhibits Petitioner JC-
18 2 and JC-3, as well as Revised Exhibits JC-2 and JC-3 (Rev) (5/30/13), and a
19 version of those exhibits which identifies the Differences between the original and
20 corrected exhibits.

21

1 Q3. How do these corrections impact the values you derived in your present value
2 estimates?

3 A3. The **Reference Case** analysis is set forth in the Tables that comprise Exhibit
4 Petitioner JC-2(Rev)(5/30/13). With the corrections, the present value estimates
5 yield the following results in the **Reference Case**:

6

7 • For the Expanded Service Territory of Addison County, the direct
8 economic benefits (less conversion costs) of the Project (also called Gross
9 Fuel Costs Savings) remain unchanged at \$210.28 million in present value
10 terms. See JC Table 1Rev of Exhibit Petitioner JC-2(Rev)(5/30/13).

11 • Conversion costs of the Project are now \$17.96 million in present value
12 terms instead of \$18.94 million as in the December 20, 2012 Testimony; a
13 decline of \$977,374 after accounting for incentives. JC Table 1Rev of
14 Exhibit Petitioner JC-2(Rev)(5/30/13).

15 • Net Fuel Bill Savings [Gross Fuel Costs Savings minus Conversion Costs]
16 are now \$192.32 million in present value terms instead of \$191.34 million
17 due to the inclusion of the incentives to households. JC Table 1Rev of
18 Exhibit Petitioner JC-2(Rev)(5/30/13).

19 • For the Current Service Territory of Chittenden and Franklin counties, the
20 expansion fund collections for the Project remain the same at \$78.83
21 million in present value terms. JC Table 1Rev of Exhibit Petitioner JC-
22 2(Rev)(5/30/13).

1 • For the entire State of Vermont, the Net Fuel Bill Savings [Net Fuel Bill
2 Savings of Expanded Service Territory minus Expansion Fund Collections
3 of Current Service Territory] are now \$113.49 million in present value
4 terms instead of \$112.51 million. The difference, carried forward from
5 conversion costs, represents approximately 0.9 percent change from the
6 December 20, 2012 Testimony. JC Table 1Rev of Exhibit Petitioner JC-
7 2(Rev)(5/30/13).

8 • Results are shown in Exhibit Petitioner JC-2(Rev)(5/30/13), JC Table
9 1Rev. Reference Case—VGS Expansion Project: Summary Base Case,
10 Reference Case Forecast, Conversion Costs, Net Savings and Table 2Rev.
11 Reference Case—VGS Expansion Project: Detailed Base Case Fuel Cost
12 Forecast, Reference Case Forecast, Gross Cost Savings, Conversion Costs,
13 Net Savings by Rate Class, 2011/2031.

14
15 The **Alternative Case** analysis is set forth in the Tables that comprise Exhibit
16 Petitioner JC-3(Rev)(5/30/13). With the corrections, the present value estimates
17 yield the following results in the **Alternative Case**:

18
19 • For the Expanded Service Territory of Addison County, the direct
20 economic benefits (less conversion costs) of the Project (also called Gross
21 Fuel Costs Savings) remain unchanged at \$204.58 million in present value
22 terms. See JC Table 4Rev of Exhibit Petitioner JC-3(Rev)(5/30/13).

- 1 • Conversion costs of the Project are now \$17.96 million in present value
2 terms instead of \$18.94 million; a decline of \$977,374. See JC Table
3 4Rev of Exhibit Petitioner JC-3(Rev)(5/30/13).
- 4 • Net Fuel Bill Savings [Gross Fuel Costs Savings minus Conversion Costs]
5 are now \$186.62 million in present value terms instead of \$185.65 million.
6 See JC Table 4Rev of Exhibit Petitioner JC-3(Rev)(5/30/13).
- 7 • For the Current Service Territory of Chittenden and Franklin counties, the
8 expansion fund collections for the Project remain the same at \$127.06
9 million in present value terms. See JC Table 4Rev of Exhibit Petitioner
10 JC-3(Rev)(5/30/13).
- 11 • For the entire State of Vermont, the Net Fuel Bill Savings [Net Fuel Bill
12 Savings of Expanded Service Territory minus Expansion Fund Collections
13 of Current Service Territory] are now \$59.57 million in present value
14 terms instead of \$58.59 million. The difference, carried forward from
15 conversion costs, represents approximately 1.7 percent change from the
16 December 20, 2012 Testimony. See JC Table 4Rev of Exhibit Petitioner
17 JC-3(Rev)(5/30/13).
- 18 • Results are shown in JC Table 4Rev. Alternate Case—VGS Expansion
19 Project: Summary Base Case, Alternate Case Forecast, Conversion Costs,
20 Net Savings and JC Table 5Rev. Alternative Case—VGS Expansion
21 Project: Detailed Base Case Fuel Cost Forecast, Alternate Case Forecast,

1 Gross Cost Savings, Conversion Costs, Net Savings by Rate Class,

2 2011/2031.

3

4 Q4. Does this conclude your testimony?

5 A4. Yes.