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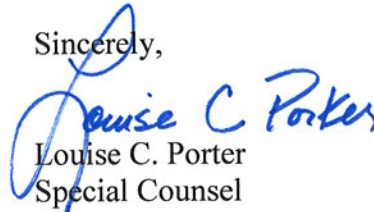
Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, Vermont 05620

Re: Docket 7970 –Addison Expansion-Second Remand

Dear Mrs. Hudson:

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

Sincerely,



Louise C. Porter
Special Counsel

cc: Service List



PSB Docket Nos. 7970 - SERVICE LIST

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**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 (On Remand Two)

**REPLY BRIEF OF
THE VERMONT DEPARTMENT OF PUBLIC SERVICE
ON WHETHER TO REOPEN THE PROCEEDING**

The Department of Public Service hereby responds to certain arguments made by parties in initial briefs filed in the above-referenced proceeding. After reviewing the record evidence and the initial briefs, the Department continues to believe and recommend that the Board should not take the extraordinary step of reopening the final order as the Addison Natural Gas Project (the “Project”) proposed by Vermont Gas Systems, Inc. (“Vermont Gas”) continues to satisfy the requisite statutory criteria and to promote the general good of the State.

Section 248(b)(2)-Need for the Project

In its order granting a CPG to the Project, the Board found that the need for the Project is primarily the market demand for natural gas in Addison County. December 23, 2013 Order at 75. That demand continues and has been clearly demonstrated. In its initial brief, the Department rejected the argument that the current existence of delivered compressed natural gas (“CNG”) obviates the need for the Project. CNG is only available to certain limited sectors of the market and provides no benefit to residential and small commercial customers. Moreover, customers who are currently utilizing CNG to meet some of their fuel needs have made clear their preference for pipeline natural gas. An initial brief was submitted by Agri-Mark Inc./Cabot Creamery (“Agri-Mark”), which is one such customer. Agri-Mark points to its dissatisfaction

with the method of delivery (by truck), as well as the added expense and lack of reliability associated with CNG relative to pipeline natural gas. Agri-Mark Brief at 2-3.

Other post-hearing submissions illustrate the continuing market demand in Addison County as well. On July 1, 2015, the Addison County Regional Planning Commission (“ACRPC”) convened a special meeting to consider its continued support of the Project. After lengthy discussion, including the review of summaries of the evidence presented at the hearing, the ACRPC voted 23-9 to reaffirm its support of the Project as expressed in the Memorandum of Understanding it executed with Vermont Gas in August 2013. ACRPC July 6, 2015 letter to Susan Hudson, Clerk of the Board. Additionally, in response to a record request from the Board, Vermont Gas provided information with respect to the substantial financial investments made by three Addison County industrial customers in anticipation of becoming Vermont Gas customers. Vermont Gas July 8, 2015 letter to Susan M. Hudson, Clerk of the Board.

There is ample evidence in the record of the continuing demand for natural gas in Addison County. This demand is not being adequately met by truck-delivered CNG even for those customers who are using it and it is not available at all to a significant number of potential end-users. Customers who have invested in converting their systems in anticipation of the pipeline are deprived daily of the benefits of less costly, reliable, cleaner-burning natural gas and all Addison County customers are deprived of this additional fuel choice.

As the Department has previously conceded, there may have been some reduction in demand in Addison County due to the increased cost of the Project and/or the decreased cost of competing fuels, but there has been no compelling showing that any such reduction would probably change the Board’s original assessment of need for the Project.

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

The Project promotes the general good of the State. While the economic benefits are admittedly less than they were at the time of the original proceeding, they nevertheless continue to exist. In addition to the quantifiable benefits which will result from energy cost savings, increased energy efficiency programs and greenhouse gas emissions reductions, non-quantifiable benefits

such as fuel choice, reliable firm supply and avoidance of fuel price volatility remain. The Project will also increase overall system reliability for all Vermont Gas customers.

From a policy perspective, the Project presents opportunities that have long-term economic benefits to the State. The cost-effective provision of pipeline natural gas to more markets in Vermont is a goal of the 2011 Comprehensive Energy Plan. The Project will also provide infrastructure which will allow for further expansion toward Rutland and, ultimately, for connection with the U.S. pipeline system.

These real and continuing potential benefits to the State—while perhaps reduced in light of the increased cost of the Project today versus at the time of its approval—cannot be denied. The Board articulated these benefits quite clearly in its order approving the Project and no persuasive evidence has been presented which would suggest that the Board’s evaluation would be otherwise today.

Standard of Review

In its initial brief, AARP “joins” in the Petition for Declaratory Relief filed by Conservation Law Foundation in Docket 8330, asks that the Project as it currently exists be found to constitute a substantial change under Board Rule 5.408, and requests injunctive relief after notice to Vermont Gas with an opportunity to be heard. The Board provided at the beginning of this process that the threshold determination in this Second Remand is whether to reopen the December 23rd Order or not. March 25, 2015 Order at 3. In the course of making that determination, the Board permitted parties to present evidence related to the provisions of Vermont Rule of Civil Procedure 60 (b)(1)(2) and(3) and a lengthy record exists to demonstrate such efforts.

AARP’s requests as set forth above are misplaced and should be denied by the Board. To the extent AARP desires to participate in Docket 8330, it should seek whatever leave of the Board is appropriate or necessary to do so. AARP should not, however, be permitted to further delay and confuse the proceedings in this docket by its attempt to commingle it with Docket 8330.

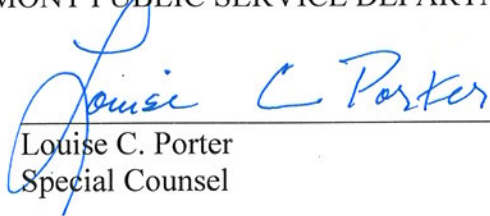
Conclusion

For the foregoing reasons and for the reasons set forth in its initial brief, the Department respectfully recommends that the Board not reopen the final order and return this matter to the Vermont Supreme Court for resolution of the issues currently on appeal. This will allow Vermont Gas to continue and conclude construction of the Project on schedule and within the current budget.

Dated at Montpelier, Vermont this 10th day of August, 2015.

VERMONT PUBLIC SERVICE DEPARTMENT

By:



Louise C. Porter
Special Counsel

cc: Docket No. 7970 Service List