Vermont Gas
CLEAN ENERGY. CLEAN AIR.

July 8, 2015

Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Drawer 20
Montpelier, VT 05620-2701

Re: Addison Rutland Natural Gas Project - Docket No. 7970

Dear Ms. Hudson:

During the June 22-23, 2015 hearings, there were two record requests from the Board. This letter provides the requested information.

The first request was to express Vermont Gas' average daily and peak-day load requirements in gigajoule's ("Gj") currently and after construction of Phase 1 of the Addison Rutland Natural Gas Project ("ARNGP"). This information is provided in the table below. Please note that FY2016 is reflective of current market requirements, including interruptible compressed natural gas ("CNG") service to the Middlebury energy island, while FY 2017 – 2020 reflect market conditions assuming construction of the ARNGP.

Fiscal year	Design Day	Average Annual Day
	Volumes in Gj	
	(1)	(2)
2016	77,245	33,094
2017	78,835	33,676
2018	80,363	34,103
2019	81,455	34,347
2020	82,387	34,620

(1) Reflects design day defined as firm load on an 86 degree day, the coldest temperatures experienced in the last 30 years. Interruptible customers are assumed to be curtailed.
(2) Reflects assumed firm and interruptible annual usage divided by 365.

The second request relates to conversion costs for industrial customers converting from fuel oil to natural gas (either CNG or pipeline) and whether there are any additional costs to convert from CNG to pipeline natural gas. The information Vermont Gas has available is provided below.

Vermont Hard Cider: Based on conversations with Vermont Hard Cider, Vermont Gas understands that they constructed a new facility and purchased new propane boilers for the new facility. Vermont Gas does not have the information regarding the boiler replacement costs. Vermont Hard Cider also invested in a mixing skid to enable the boilers to burn both natural gas and propane at a cost of approximately $75,000. There is no incremental conversion cost to convert from CNG to pipeline natural gas.

Agri-Mark: Based on correspondence with Agri-Mark, Vermont Gas understands Agri-Mark has invested approximately $4 million dollars to-date with an additional $500,000 anticipated when the dryers are converted. Please note that the investment in the main boilers was slated to occur regardless of the Project because the existing boilers were at the end of their useful life. The correspondence with Agri-Mark is attached to this filing. There is no incremental conversion cost to convert from CNG to pipeline natural gas.

Middlebury College: Based on conversations with Middlebury, we estimate that Middlebury College's conversion costs were approximately $1.7 million. These costs were incurred in anticipation of the College utilizing renewable natural gas which will be supplemented by pipeline natural gas. There is no incremental conversion cost to convert from CNG to pipeline natural gas.

I would be glad to answer any questions regarding this information.

Sincerely,

Eileen Simollardes
Vice President –Regulatory Affairs

Attachment

Cc: Docket No. 7970 Service List

Agri-Mark, Inc.
P.O Box 5800, Lawrence, MA 01842
Office Location: 40 Shattuck Rd., Suite 301
Andover, MA 01810

Agri·Mark FAMILY DAIRY FARMS ™

agrimark.coop
P. 978.552.5500

July 6, 2015

Eileen Simollardes
Vice President Regulatory Affairs
Vermont Gas Systems
P.O. Box 467
Burlington, VT 05402-0467

Ms. Simollardes:

This letter is in response to your request for additional information on the costs and expected savings associated with converting the Agri-Mark facility in Middlebury, Vermont to natural gas. We understand that at the Board's recent hearings in this docket, the Board requested additional information on these topics as they relate to potential industrial customers.

As you know, Agri-Mark participated in the original Docket 7970 proceeding and submitted testimony outlining the benefits the Company anticipated from the conversion of its Middlebury facility from oil and propane to natural gas.

Following the Board's Order in 2013 authorizing the construction of Phase I of the pipeline, the company elected to switch its fuel use at the Middlebury facility.

In 2014, Agri-Mark made significant capital investments and upgrades to the Middlebury facility to first convert its #6 fuel oil use to natural gas. The company waited until the Board's final approval of the pipeline to authorize these investments, and elected to go forward with the expenditures in anticipation of the cost savings, operational benefits, and environmental benefits that would eventually be achieved through conversion to pipeline-delivered natural gas.

The Company has already invested approximately $4 million dollars ($4,000,000) to replace boilers and other equipment necessary for the facility to utilize natural gas. The main boilers were nearing the end of their useful life, and would have required replacement in the near term regardless of whether or not the facility was converted to natural gas. However, if a reliable supply of natural gas was not available at the facility, the new boilers would have been designed to utilize #2 fuel oil. As part of its natural gas conversion efforts, the company took advantage of energy efficiency programs available through Vermont Gas to increase the overall efficiency of the facility. The company anticipates an additional $500,000 in capital improvements to convert its dryer equipment from propane to natural gas when the pipeline is completed.

Because of delays in construction of the pipeline, and as a temporary stop gap measure, the facility has been receiving compressed natural gas deliveries by NG Advantage to the gas island on our property in Middlebury. This temporary measure has allowed the company to capture some, but not all, of the expected savings and operational benefits associated with conversion of the facility to natural gas. The cost of CNG is higher than the expected cost of pipeline-delivered natural gas, and the truck delivery method creates some unique operational and reliability risks for the company that will be avoided once the pipeline is completed.

Going forward the company expects to realize approximately $1 million dollars ($1,000,000) in annual savings at current market prices once the facility has converted its remaining propane uses to natural gas and begins receiving lower cost pipeline-delivered natural gas.

These savings are significant and will help our farmer-owned business remain competitive nationally with cheese makers around the U.S. As a result, we continue to strongly support the extension of the natural gas pipeline from Chittenden County to Middlebury.

Sincerely,

Robert D. Wellington
Senior V.P. of Economics,
Communications & Legislative Affairs