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July 6, 2015

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

**In Re: Petition of Vermont Gas Systems, Inc., requesting a certificate of public good, pursuant to 30 V.S.A. Section 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**

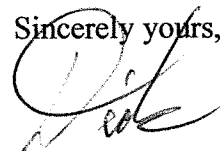
**Docket No. 7970**

Dear Sue:

Enclosed please find the Vermont Fuel Dealers Association Post-Hearing Memorandum for filing in the above docket.

Thank you.

Sincerely yours,



Richard H. Saudek

Enclosure  
cc.: Service List with enc.

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7970

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**VERMONT FUEL DEALERS ASSOCIATION  
POST-HEARING MEMORANDUM**

**Introduction**

The difference between the testimony offered by the Vermont Fuel Dealers Association ("the VFDA") and Vermont Gas Systems ("VGS" or "the Petitioner") is striking. The VFDA was specific and factual while VGS was general and vague. This vagueness was in keeping with the bulk of VGS testimony when it comes to rates, job losses, oil prices, conversion costs, and on the discovery of increased pipeline construction costs. In contrast, the specificity provided by the VFDA is vitally important to understanding the negative economic and environmental impacts associated with natural gas.

### **Conversion Costs**

When calculating conversion costs, Mr. Cota explained safety measures required by Vermont statutes and rules. In response, Ms. Simollardes tried carefully to thread her way through supposed loopholes so that she didn't have to admit the obvious: most homeowners that convert from oilheat to gas will pay more than \$12,000 in conversions costs. (Cota PFT at 15-17, Attachment B.)

Mr. Cota presented detailed cost numbers for conversions from an oilheat system to a natural gas system. These conversion costs include tank, fill, and vent pipe removal as required by the Agency of Natural Resources, Department of Environmental Conservation under the powers given to them by the Vermont Legislature (10 V.S.A. Chapter 59 Section 1929a and 10 V.S.A. Chapter 159). As Mr. Cota noted, failure to remove the tank, fill and vent is a blatant violation of Vermont law and is subject to action by the DEC Compliance Enforcement Division. See Agency of Natural Resources Aboveground Storage Tank Rules, § 9-307. Any contractor or company that does not follow the regulations would be liable for any spill that resulted from non-compliance. And, as he further testified, the expense of lining a chimney must also be added to the cost of conversion, as it is a requirement under Vermont Fire Code when switching fuels. (Cota PFT at 18, Attachment C). While the VFDA provided three conversion estimates in its prefiled testimony, these could have easily been obtained from any Vermont certified heating service contractor.

In calculating their savings from a switch from oilheat to gas, the VGS estimate of conversion costs was simple: Zero. When forced by Mr. Cota's testimony to acknowledge

that conversion costs existed, VGS witness Ms. Simollardes conceded that there might be some costs, but maintained that the decision to remove the old oil tank was entirely up to the customer – she testified that VGS gave their customers no guidance on the point. She even said that VGS received a legal opinion on whether a customer was obliged to remove the tank and, although she did not produce the opinion, she still maintained it was entirely a matter of choice.

In fact, the rule provides that the tank and piping must be removed within one year. See Agency of Natural Resources Aboveground Storage Tank Rules, § 9-307(b). The exception in the regulation cited by Ms. Simollardes was inserted to allow a homeowner to move the tank for use on another property, but only if it passed significant integrity testing. The regulation was not written to allow someone converting to natural gas or propane to leave an oilheat tank in place in perpetuity.

Most homeowners that switch from oilheat to natural gas will also replace their heating appliance, rather than continue to use the cheap and inefficient oil-to-gas conversion burner sold by VGS. This is reinforced by Ms. Simollardes rebuttal testimony in which she admits that only 4,090 out of 43,500 VGS residential customers (about 10%) currently have conversion kits. (Simollardes RPFT at 15 (5-27-15)). Against this background, it is reasonable to assume that the more expensive conversions that comply with Vermont Fire Code and AST Regulations will be the norm, not the exception, if the pipeline is extended to Addison County.

## **Cost of Fuels**

During the initial Phase 1 hearing for the Addison County Pipeline expansion in July of 2013, VFDA provided testimony that predicted the price of crude oil would drop to \$50 a barrel within two years, while experts hired by VGS predicted the price would exceed \$100 a barrel. The VFDA prediction was correct. VGS now agrees with the VFDA that the delta between oilheat and natural gas will continue to narrow in the near term. VFDA disagrees with VGS' assertion that this narrowing gap between fuels will suddenly reverse course twenty years from now. This is important because any economic "savings" from the pipeline is highly dependent on the delta widening between oilheat and natural gas in the long term. While understanding the need to look at future prices to determine whether a project has an economic benefit, the PSB should not rely on long term predictions of oil and gas prices because they are highly inaccurate. As stated by the Journal of Energy Security, relying on long-term projections going out 10 or 20 years "is largely a mistake because they are almost always wrong and sometimes wildly mistaken." Journal of Energy Security <http://tinyurl.com/k6ymubk>). Instead, the PSB should examine the economics of the project based on current and near term commodity prices.

## **Fuel Displaced**

The potential volume of oilheat displaced by natural gas and the environmental characteristics of the fuel has not been accurately represented by VGS and the Department of Public Service ("the Department"). The Department uses 100 MMBTU to determine the number of oilheat gallons that would be displaced per home. This greatly overstates actual usage. A 90% efficient oilheat appliance that provides 100 MMBTU would need 804 gallons of oilheat. The actual consumption of the average Vermont home is much

lower – an annual average of 586 gallons in 2007-2013 (Cota PFT at 9; Attachment E) Any calculation of a homeowner’s economic advantage or disadvantage from fuel switching should be based on actual consumption— not 100 MMBTU. This matters because as homeowners become more efficient, the return on investment for fuel switching diminishes. At current prices, a customer that consumes the average amount of oilheat who undertakes a Vermont compliant conversion wouldn’t see a return on his or her investment for 33 years (Cota PFT at 14; Attachment A).

In addition, some of the oilheat displaced by natural gas is renewable. As established by the American Society for Testing and Materials (ASTM), oilheat may contain up to 20% renewable biodiesel. As described in VFDA’s prefiled testimony, federal renewable energy policy encourages major oil companies to blend biodiesel into the downstream supply of oilheat. Contrary to VGS testimony, biodiesel blended oilheat is readily available in Vermont. The VFDA’s testimony contends that a 5% biodiesel blend has the same GHG emissions as natural gas. (Cota PFT at 13, fn. 21). According to VGS rebuttal testimony by Joel Bluestein, the two fuels reach parity at the 20% blend level. (Bluestein RPFT at 8-9 (May 27, 2015)). In other words, even the expert witness hired by VGS concludes that there is no environmental advantage for a homeowner to convert to gas if they are using a B-20 blend of oilheat.

## **Jobs**

In his testimony before the PSB on June 22, Richard Heaps suggested that job losses in the heating industry are “hypothetical” and could be replaced by jobs at Home Depot. Richard Heaps mistakenly assumes that jobs in the oilheat industry are low paying. A delivery driver in Vermont can earn more than \$21 an hour while an oilheat technician can

earn more than \$23 per hour, according to the 2015 Vermont Fuel Dealer Wages and Benefits Survey (<http://tinyurl.com/ofol3se>). According to that survey, 93% of Vermont heating fuel companies provide health coverage for their employees. The loss of these jobs is not an economist's construct – it is real. As Dr. Dismukes testified, the point is that a large number of these good paying jobs – those in the oilheat industry and those indirectly dependent on the health of the oilheat business - will be forever lost.

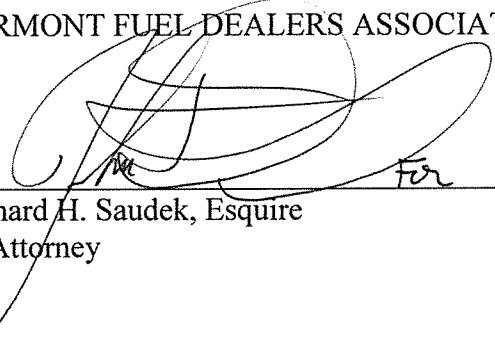
### Conclusion

Major cost overruns, competitive oil prices, dubious environmental benefits and economic dislocations have combined to make this project against the interests of VGS ratepayers and the interests of Vermont. Whatever apparent justifications may have existed for the project in December 2013 when the Board based its decision on misleading cost information no longer exist. The Board should reconsider the project and, one would hope, cut losses and reject it.

Dated: At Montpelier, Vermont, July 8, 2015

VERMONT FUEL DEALERS ASSOCIATION

By:

  
Richard H. Saudek, Esquire  
Its Attorney