

Valentinetti, Angela

From: Peter Zamore <pzamore@sheeheyvt.com>
Sent: Friday, October 02, 2015 11:25 AM
To: Porter, Louise; Duggan, Tim
Subject: As requested
Attachments: MOU 04.docx

Peter H. Zamore
SHEEHEY FURLONG & BEHM P.C.
30 Main Street, 6th Floor
PO Box 66
Burlington, VT 05402-0066
(802) 864-9891 (main)
(802) 865-██████ (direct)
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pzamore@sheeheyvt.com
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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. § 248, authorizing the construction)
of the **“Addison Natural Gas Project”** consisting) Docket No. 7970
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)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October __, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction and Recitals

1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Natural Gas Project ("Addison Project"), which is based on completion of the Project in 2016 ("Schedule").
2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board") investigate whether the Addison Project remains in the public good in light of the revised cost estimate.
3. The Board initiated a proceeding to consider the Rule 60(b) Motions ("Remand Proceeding"). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good ("CPG") should not be modified or revoked.

4. The Parties believe that it is in the public interest to conclude all proceedings required for construction and commercial operation of the Addison Project in a time frame that will permit completion of the Addison Project in 2016, consistent with the Schedule. The Parties have concluded that if the Addison Project cannot be completed in 2016, the estimated costs would increase. They have also concluded that, in order to complete the Addison Project consistent with the Cost Update and Schedule, the Remand Proceeding must be concluded by January 8, 2016 and Vermont Gas must have construction access to all rights-of-way required for the Addison Project by June 1, 2016.
5. Vermont Gas has agreed to limit any request for rate recovery of Addison Project costs in the manner set forth herein.
6. In connection with the forgoing, the Parties also desire to clarify certain issues relating to such rate recovery.

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”), which reflects the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus 10%.
2. Vermont Gas may seek to recover in rates amounts in excess of the Rate Cap, to the extent caused (directly or in consequence of Schedule delays) by vandalism, protests or other unreasonable interference with construction access activities, or caused by extraordinary, force majeure-type events outside the control of Vermont Gas .
3. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016, or all regulatory and judicial approvals necessary for construction rights on Addison Project rights-of-way are not obtained by June 1, 2016.
4. Subject to the Rate Cap, the Department agrees that actual and estimated costs necessary to complete the Addison Project (including, if necessary, construction work in progress) shall be included in rates effective November 1, 2016 (“2017 Rates”); provided, however, that the Department reserves the right to review such costs for prudence and, if it

determines that the amount of prudent costs is less than \$134 million, to advocate that cost recovery should be limited to that amount.

5. The Department supports deferral and future amortization of appropriate carrying costs related to the first 11 miles of the Addison Project (“Segment 1”), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates.
6. Vermont Gas and the Department urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of the Rule 60(b) Motions, subject to the Department’s obligations under Title 30 of the Vermont Statutes Annotated.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval and the lack of Board approval shall not affect the effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Porter, Louise
Sent: Friday, October 02, 2015 2:35 PM
To: 'Peter Zamore'; Duggan, Tim
Subject: RE: As requested

We are hoping to have an edited draft to you this afternoon. LP

From: Peter Zamore [mailto:pzamore@sheeheyvt.com]
Sent: Friday, October 02, 2015 11:25 AM
To: Porter, Louise; Duggan, Tim
Subject: As requested

Peter H. Zamore
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Valentinetti, Angela

From: Peter Zamore <pzamore@sheeheyvt.com>
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Attachments: MOU 06 marked.docx; MOU 06.docx

Folks:

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Peter

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Introduction and Recitals—

1. The Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Natural Gas Project (“Addison Project”) for the benefit of customers and the general good of Vermont.
2. The Parties have demonstrated that the Addison Project will produce economic and environmental benefits and contribute to Vermont’s clean energy future by displacing more expensive and higher-emitting energy sources.
3. The Parties believe that it is in the public interest to promptly conclude all proceedings required for completing construction and commercial operation of the Addison Project to permit completion of the Addison Project in 2016 (“Schedule”).
4. Significant industrial customers have made investments in reliance on the probability of the Addison Project’s completion.
5. Vermont Gas, by this MOU, commits to accept rate recovery of \$134 million of

Addison Project costs, subject to the terms and conditions set forth in this MOU.

6. The purpose of this MOU is to create a cap on Addison Project costs for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than projected, and to provide the basis for its completion on time and on budget, in furtherance of the public good.

~~4.7.~~ On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison ~~Natural Gas~~ Project (~~"Addison Project"~~), which is based on completion of the Project in ~~2016~~ (~~"accordance with the Schedule"~~).

~~2.8.~~ In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board") investigate whether the Addison Project remains in the public good in light of the revised cost estimate.

~~3.9.~~ The Board initiated a proceeding to consider the Rule 60(b) Motions ("Remand Proceeding"). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good ("CPG") should not be modified or revoked.

~~4.10.~~ The Parties believe that it is in the public interest to conclude all proceedings required for construction and commercial operation of the Addison Project in a time frame that will permit completion of the Addison Project in 2016, consistent with the Schedule. The Parties have concluded that if the Addison Project cannot be completed in 2016, the estimated costs would increase. They have also concluded that, in order to complete the Addison Project consistent with the Cost Update and Schedule, the Remand Proceeding must be concluded by January 8, 2016 and Vermont Gas must have construction access to all rights-of-way required for the Addison Project by June 1, 2016.

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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

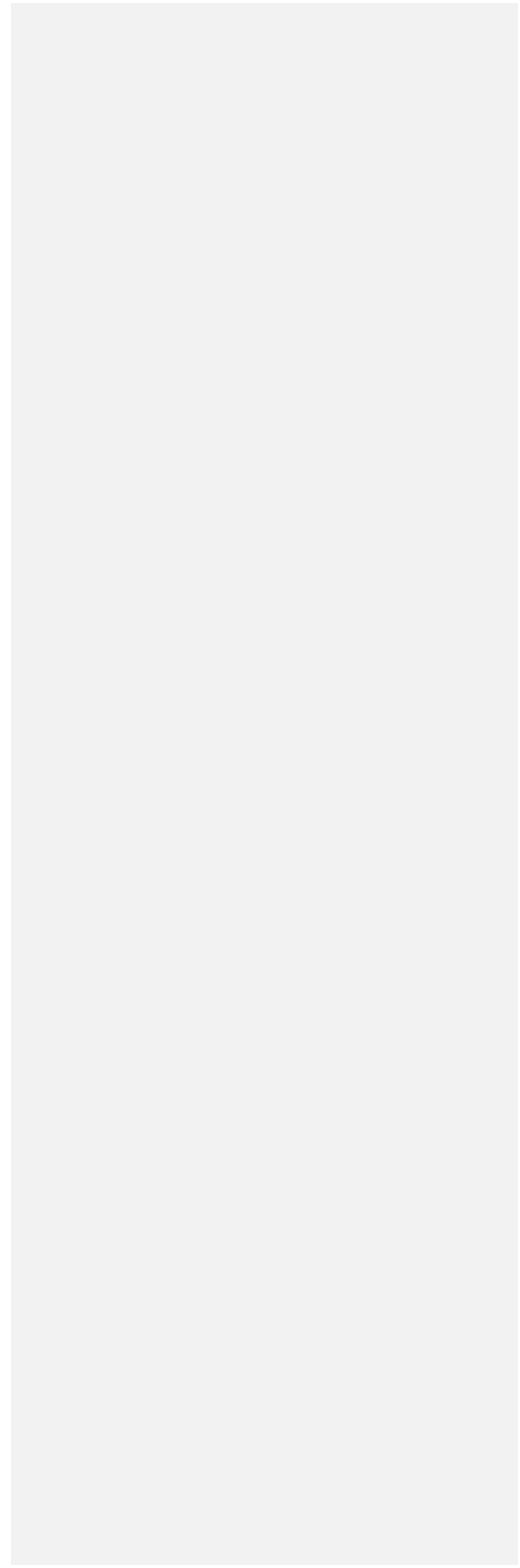
By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont



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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Porter, Louise
Sent: Friday, October 02, 2015 4:54 PM
To: 'Peter Zamore'; Duggan, Tim
Subject: RE: As requested

Hi Peter-Didn't want to leave you hanging. This is with Chris now for review. My guess is that he and Don will be talking. I'm available as needed. Thanks. -LP

From: Peter Zamore [mailto:pzamore@sheeheyvt.com]
Sent: Friday, October 02, 2015 3:47 PM
To: Porter, Louise; Duggan, Tim
Subject: RE: As requested

Folks:

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Peter

From: Peter Zamore
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Subject: As requested

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Valentinetti, Angela

From: Peter Zamore <pzamore@sheeheyvt.com>
Sent: Friday, October 02, 2015 4:56 PM
To: Porter, Louise; Duggan, Tim
Subject: RE: As requested

Great, thanks. I'm in Portland this weekend but can be reached any time (██████). I also gave your inferior half something to chew on today on the telecom side of things.

From: Porter, Louise [mailto:Louise.Porter@vermont.gov]
Sent: Friday, October 02, 2015 4:54 PM
To: Peter Zamore; Duggan, Tim
Subject: RE: As requested

Hi Peter-Didn't want to leave you hanging. This is with Chris now for review. My guess is that he and Don will be talking. I'm available as needed. Thanks. -LP

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From: Peter Zamore <pzamore@sheeheyvt.com>
Sent: Monday, October 05, 2015 6:13 AM
To: Porter, Louise
Cc: Duggan, Tim
Subject: 10:30 meeting today

Follow Up Flag: Flag for follow up
Flag Status: Flagged

Louise, I'm bringing Eileen to the meeting. Let me know if you have any concerns.
Peter

Peter H. Zamore
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From: Porter, Louise
Sent: Monday, October 05, 2015 7:19 AM
To: Peter Zamore
Cc: Duggan, Tim
Subject: Re: 10:30 meeting today

Always glad to see Eileen. We have Mega in 3rd floor.

Sent from my iPhone

On Oct 5, 2015, at 6:13 AM, Peter Zamore <pzamore@sheeheyvt.com> wrote:

Louise, I'm bringing Eileen to the meeting. Let me know if you have any concerns.
Peter

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Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Monday, October 05, 2015 6:40 PM
To: Duggan, Tim; Porter, Louise; pzamore@sheeheyvt.com
Subject: MOU Oct 5 2016 p.m.
Attachments: MOU Oct 5 2016 p.m..docx.docx

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**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October __, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. The Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Natural Gas Project ("Addison Project") for the benefit of customers and the general good of Vermont.
2. The Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project to permit completion of the Addison Project in 2016 and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of the Rule 60(b) Motions.
3. Significant industrial customers have made investments in reliance on the probability of the Addison Project's completion.
4. Vermont Gas believes that if the Addison Project cannot be completed in 2016, the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016 and consistent with the

Cost Update, the Remand Proceeding must be concluded preferably by affirming the existing CPG, but in any case by January 8, 2016 or seriously risk the Project's completion. Further Vermont Gas must have construction access to all rights-of-way required for the Addison Project by June 1, 2016 to complete the Project in 2016.

5. Vermont Gas, commits to a rate recovery cap of \$134 million of Addison Project costs which reflects the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
6. The purpose of this MOU is to create a cap on Addison Project costs to ratepayers for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than projected, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
7. Parties [agree][expect] that if the Project is constructed consistent with plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Background

1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Project, which is based on completion of the Project in 2016.
2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board") investigate whether the Addison Project remains in the public good in light of the revised cost estimate.
3. The Board initiated a proceeding to consider the Rule 60(b) Motions ("Remand Proceeding"). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good ("CPG") should not be modified or revoked.

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in right of way construction access. It is the parties’ intent that recovery of any above-Rate Cap costs be limited in scope and that Vermont Gas must clearly identify and support the requested costs and demonstrate that the event caused the cost increase.
3. Nothing herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project., It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 rates”), except for requests for above Rate Cap costs made pursuant to Paragraph 2 which may be reflect in rates at a later date.
4. To the extent Vermont Gas does not believe the Project will be in service by November 1, 2016, Vermont Gas may seek Board approval to place Addison Project related CWIP in rate base, rather than accruing AFUDC on the Addison Project, for the period before the known and measurable in service date in the 2017 rate year.
5. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures, Vermont Gas agrees to not oppose and to fully cooperate in a separate Board investigation addressing such issues pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
6. The Department supports deferral and future amortization of appropriate carrying costs related to the first 11 miles of the Addison Project (“Segment 1”), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rate when the full rate case is executed. [STILL OPEN]
7. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval and the lack of Board approval shall not affect the effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
4. The Parties have made specific compromises to reach the agreements reflected in this MOU.
5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____

Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 11:07 AM
To: Duggan, Tim; Porter, Louise; pzamore@sheeheyvt.com
Subject: MOU as of 10 6 15
Attachments: MOU 10 6 15 a.m. v 2.docx

Here is a clean one. Redline coming shortly w/ brief explanatory notes. Wanted you to have this ASAP

From: Eileen Simollardes
Sent: Monday, October 05, 2015 6:40 PM
To: 'tim.duggan@vermont.gov'; 'louise.porter@vermont.gov'; 'pzamore@sheeheyvt.com'
Subject: MOU Oct 5 2016 p.m.

**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) Docket No. 7970
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)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October __, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. [Whereas]T[t]he purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. [Whereas]T[t]he Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. [Whereas][s]Significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. [Whereas][t]The Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a

determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. [Whereas] Vermont Gas believes that the Addison Project is on time and on budget and will remain so with prompt resolution of such proceedings by January 8, 2016 and access to rights-of-way by June 1 of that year.
6. [Whereas] Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast) which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights-of way construction access. It is the Parties’ intent that recovery of any above-Rate Cap costs are limited to such circumstances and that Vermont Gas must reasonably identify and support the requested costs and demonstrate that the circumstances caused the cost increase.
3. That Parties agree that if the Addison Project is constructed consistent with plans approved by the Board, the Addison Project is used and useful for the purposes of rate proceedings; provided that subject to the foregoing nothing herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 Rates”), except that requests for recoverable cost not included in 2017 Rates, including above-Rate Cap costs

pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.

4. Vermont Gas may seek Board approval to place Addison Project-related CWIP in rate base, if appropriate for recovery, rather than accruing AFUDC for the period before the known and measurable in-service date in the 2017 rate year, and the Department shall support the request.
5. The Parties agree that it is appropriate to place first 11 miles of the Addison Project (“Segment 1”) in service when completed. In light of changed circumstances, the Department will not oppose the deferral and future amortization of appropriate carrying costs related to the Segment 1, to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rate when the full rate case is executed. Such costs will be subject to the same review described in paragraph 3.
6. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval, and that approval shall not be necessary for effectiveness of the MOU.
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4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Duggan, Tim
Sent: Tuesday, October 06, 2015 11:18 AM
To: 'Eileen Simollardes'; Porter, Louise; pzamore@sheeheyvt.com
Subject: RE: MOU as of 10 6 15

Please send the redline asap, even if explanatory notes may take some time. Thanks,

From: Eileen Simollardes [mailto:ESimollardes@vermontgas.com]
Sent: Tuesday, October 06, 2015 11:07 AM
To: Duggan, Tim; Porter, Louise; pzamore@sheeheyvt.com
Subject: MOU as of 10 6 15

Here is a clean one. Redline coming shortly w/ brief explanatory notes. Wanted you to have this ASAP

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Sent: Monday, October 05, 2015 6:40 PM
To: 'tim.duggan@vermont.gov'; 'louise.porter@vermont.gov'; 'pzamore@sheeheyvt.com'
Subject: MOU Oct 5 2016 p.m.

Valentinetti, Angela

From: Porter, Louise
Sent: Tuesday, October 06, 2015 11:19 AM
To: 'Peter Zamore'; Eileen Simollardes
Cc: Recchia, Chris; Duggan, Tim
Subject: MOU-Oct. 6 working draft
Attachments: MOU-Oct. 6 working draft.docx

Our markup from last night's draft.

**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) Docket No. 7970
of approximately 43 miles of new natural gas)
transmission pipeline in Chittenden and Addison)
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mainlines in Addison County, together with three new)
gate stations in Williston, New Haven and Middlebury,)
Vermont)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

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Introduction

1. The Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Natural Gas Project (“Addison Project”) for the benefit of customers and the general good of Vermont.
2. The Parties believe that it is in the public interest for the Public Service Board (“Board”) to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project ~~to permit completion of the Addison Project~~ in 2016 and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions, and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of the Rule 60(b) Motions.
3. Significant industrial customers have made investments in reliance on the probability of the Addison Project’s completion.
4. Vermont Gas believes that if the Addison Project cannot be completed in 2016, the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016 ~~and consistent with the~~

Cost Update, the Remand Proceeding must be concluded - preferably by affirming the existing CPG~~;~~ but in any case by January 8, 2016 or seriously risk the Project's completion. Further, Vermont Gas believes that it must also have construction access to all rights-of-way required for the Addison Project by June 1, 2016 to complete the Project in 2016.

5. Vermont Gas~~;~~ commits to a rate recovery cap of \$134 million of Addison Project costs, which reflects the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
6. The purpose of this MOU is to create a maximum cap on Addison Project costs to ratepayers for which Vermont Gas will may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than projected, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
7. Parties [~~agree~~expect] that if the Project is constructed and brought into service consistent with the design and as plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Background

1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Project, which is based on completion of the Project in 2016.
2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board") investigate whether the Addison Project remains in the public good in light of the revised cost estimate.
3. The Board initiated a proceeding to consider the Rule 60(b) Motions ("Remand Proceeding"). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the

Certificate of Public Good (“CPG”) should not be modified or revoked.

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
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3. Nothing herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 rates”), except for requests for above Rate Cap costs -made pursuant to Paragraph 2, which may be reflected in rates at a later date.
4. To the extent Vermont Gas does not believe the Project will be in service by November 1, 2016, Vermont Gas may seek Board approval to place Addison Project related CWIP in rate base, rather than accruing AFUDC on the Addison Project, for the period before the known and measurable in service date in the 2017 rate year.
5. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures, Vermont Gas agrees to not oppose and to fully cooperate in a separate Board investigation addressing such issues pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
6. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU ~~the Department supports will not oppose~~ deferral and future amortization

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of appropriate carrying costs related to the first 11 miles of the Addison Project (“Segment 1”), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates when the full rate case is executed, as these costs will also be

subject to the review, investigation and challenge identified in Paragraph 3 above,

~~{STILL OPEN}~~

7. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval and the lack of Board approval shall not affect the effectiveness of the MOU.
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5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

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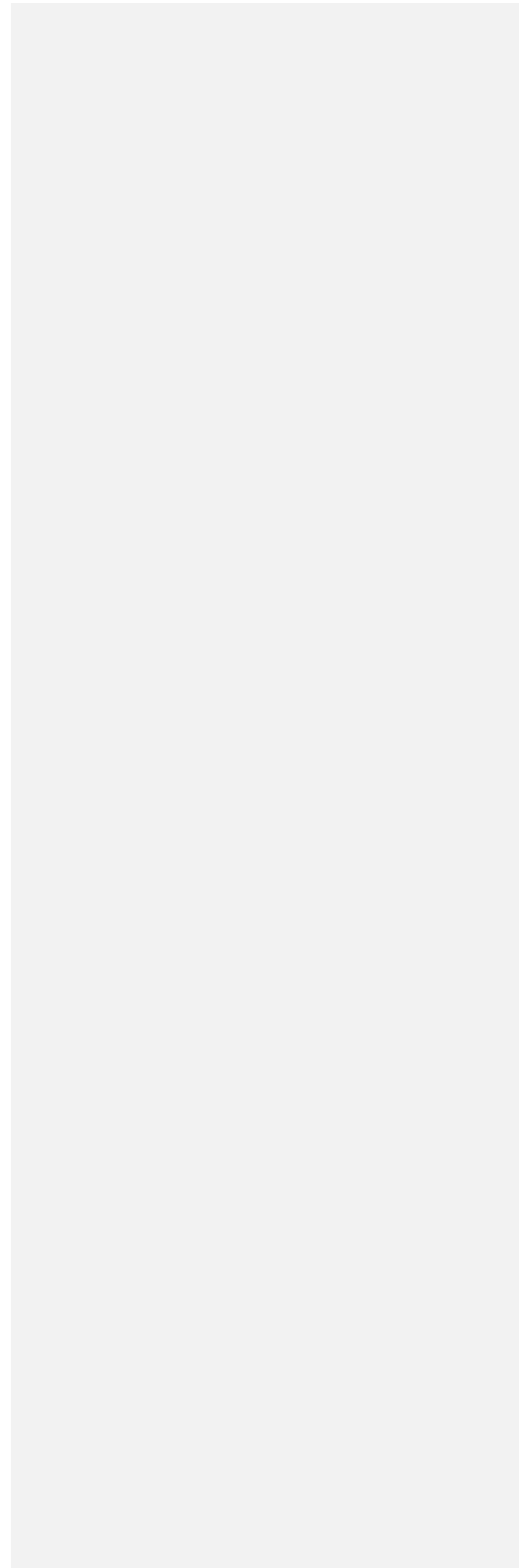
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Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont



Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 11:26 AM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: MOU 10 6 vs 10 5 redline
Attachments: MOU 10 6 vs 10 5 redline.docx

Note quite a few of these are just moving things, others are clarifying. Will send notes in about 10 minutes

**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 |) | Docket No. 7970 |
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1. The [Whereas] [T] [the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. [Whereas] [T] [the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Natural Gas Project ("Addison Project") for the benefit of customers and the general good of Vermont.
3. [Whereas] [s] [Significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. [Whereas] [t] [The Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project to permit completion of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule

60(b) Motions and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of ~~the Rule 60(b) Motions~~these motions.

~~3. Significant industrial customers have made investments in reliance on the probability of the Addison Project's completion.~~

~~4.5. [Whereas] Vermont Gas believes that if the Addison Project cannot be completed in 2016, the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016 is on time and consistent on budget and will remain so with the Cost Update, the Remand Proceeding must be concluded preferably by affirming the existing CPG, but in any case prompt resolution of such proceedings by January 8, 2016, or seriously risk the Project's completion. Further Vermont Gas must have construction and access to all rights-of-way required for the Addison Project by June 1, 2016 to complete the Project in 2016. of that year.~~

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~~5.6. [Whereas] Vermont Gas, commits to a rate recovery cap of \$134 million of Addison Project costs which reflects (as compared to the current \$154 million forecast) which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.~~

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~~7. Parties [agree][expect] that if the Project is constructed consistent with plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.~~

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~~1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Project, which is based on completion of the Project in 2016.~~

~~2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board")~~

~~investigate whether the Addison Project remains in the public good in light of the revised cost estimate.~~

- ~~3. The Board initiated a proceeding to consider the Rule 60(b) Motions (“Remand Proceeding”). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good (“CPG”) should not be modified or revoked.~~

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
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3. ~~Nothing~~That Parties agree that if the Addison Project is constructed consistent with plans approved by the Board, the Addison Project is used and useful for the purposes of rate proceedings; provided that subject to the foregoing ~~nothing~~ herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 ~~rates~~Rates”), except ~~for that~~ requests for recoverable cost not included in 2017 Rates, including above-Rate Cap costs ~~made~~pursuant to Paragraph 2-~~which~~, may be ~~reflect~~reviewed for recovery in rates ~~at~~in a later date subsequent proceeding.

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~~4. To the extent Vermont Gas does not believe the Project will be in service by November 1, 2016, Vermont Gas may seek Board approval to place Addison Project-related CWIP in rate base, if appropriate for recovery, rather than accruing AFUDC on the Addison Project, for the period before the known and measurable in-service date in the 2017 rate year.~~

~~5. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures, Vermont Gas agrees to not oppose and to fully cooperate in a separate Board investigation addressing such issues pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.~~

~~4. The the Department supports shall support the request.~~

~~6.5. The Parties agree that it is appropriate to place first 11 miles of the Addison Project (“Segment 1”) in service when completed. In light of changed circumstances, the Department will not oppose the deferral and future amortization of appropriate carrying costs related to the first 11 miles of the Addison Project (“Segment 1”), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rate when the full rate case is executed. [STILL OPEN] Such costs will be subject to the same review described in paragraph 3.~~

~~7.6. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.~~

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the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.

4. The Parties have made specific compromises to reach the agreements reflected in this MOU.
5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Porter, Louise
Sent: Tuesday, October 06, 2015 11:27 AM
To: Eileen Simollardes; Duggan, Tim
Cc: pzamore@sheeheyvt.com
Subject: RE: MOU 10 6 vs 10 5 redline

Thanks much.

From: Eileen Simollardes [mailto:ESimollardes@vermontgas.com]
Sent: Tuesday, October 06, 2015 11:26 AM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: MOU 10 6 vs 10 5 redline

Note quite a few of these are just moving things, others are clarifying. Will send notes in about 10 minutes

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 11:40 AM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: MOU 10 6 vs 10 5 redline
Attachments: MOU 10 6 vs 10 5 redline with comments.docx

[W/ explanatory comments](#)

From: Eileen Simollardes
Sent: Tuesday, October 06, 2015 11:26 AM
To: 'tim.duggan@vermont.gov'; 'louise.porter@vermont.gov'
Cc: 'pzamore@sheeheyvt.com'
Subject: MOU 10 6 vs 10 5 redline

Note quite a few of these are just moving things, others are clarifying. Will send notes in about 10 minutes

**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) Docket No. 7970
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)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October __, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. ~~The~~ ~~[Whereas]~~ ~~[T]~~ ~~[t]~~ ~~the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.~~

Commented [ES1]: Moved up from paragraph 6 last night's version

+2. ~~[Whereas]~~ ~~[T]~~ ~~[t]~~ ~~the~~ Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison ~~Natural Gas~~ Project (~~"Addison Project"~~) for the benefit of customers and the general good of Vermont.

3. ~~[Whereas]~~ ~~[s]~~ ~~Significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.~~

Commented [ES2]: Just moved up

2-4. ~~[Whereas]~~ ~~[t]~~ ~~The Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project to permit completion of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule~~

Commented [ES3]: Streamlined

60(b) Motions and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of ~~the Rule 60(b) Motions~~these motions.

Commented [ES4]: Streamlined

~~3. Significant industrial customers have made investments in reliance on the probability of the Addison Project's completion.~~

Commented [ES5]: Moved up

~~4.5. [Whereas] Vermont Gas believes that if the Addison Project cannot be completed in 2016, the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016 is on time and consistent on budget and will remain so with the Cost Update, the Remand Proceeding must be concluded preferably by affirming the existing CPG, but in any case prompt resolution of such proceedings by January 8, 2016, or seriously risk the Project's completion. Further Vermont Gas must have construction and access to all rights-of-way required for the Addison Project by June 1, 2016 to complete the Project in 2016. of that year.~~

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~~5.6. [Whereas] Vermont Gas, commits to a rate recovery cap of \$134 million of Addison Project costs which reflects (as compared to the current \$154 million forecast) which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.~~

Commented [ES6]: Streamlined and stated in the positive rather than negative. DJR very concerned about tone the way it was written last night

Commented [ES7]: Puts deal in perspective to current forecast

~~6. The purpose of this MOU is to create a cap on Addison Project costs to ratepayers for which Vermont Gas will seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than projected, and to provide the basis for its completion on time and on budget, in furtherance of the public good.~~

Commented [ES8]: Moved up to paragraph 1

~~7. Parties [agree][expect] that if the Project is constructed consistent with plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.~~

Commented [ES9]: Moved into agreement

Background

Commented [ES10]: Deleted to streamline and make less legalistic

~~1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Project, which is based on completion of the Project in 2016.~~

~~2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board")~~

~~investigate whether the Addison Project remains in the public good in light of the revised cost estimate.~~

- ~~3. The Board initiated a proceeding to consider the Rule 60(b) Motions (“Remand Proceeding”). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good (“CPG”) should not be modified or revoked.~~

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in ~~right-rights-~~of way construction access. It is the ~~parties’~~Parties’ intent that recovery of any above-Rate Cap costs ~~be~~are limited ~~in scope to such~~ circumstances and that Vermont Gas must ~~clearly~~reasonably identify and support the requested costs and demonstrate that the ~~event~~circumstances caused the cost increase.
3. ~~Nothing~~That Parties agree that if the Addison Project is constructed consistent with plans approved by the Board, the Addison Project is used and useful for the purposes of rate proceedings; provided that subject to the foregoing ~~nothing~~ herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 ~~rates~~Rates”), except ~~for that~~ requests for recoverable cost not included in 2017 Rates, including above- Rate Cap costs ~~made~~pursuant to Paragraph 2 ~~which~~, may be ~~reflect~~reviewed for recovery in rates ~~at~~in a later date subsequent proceeding.

Commented [ES11]: Circumstances is more accurate cross reference to above language

Commented [ES12]: Per DJR based on his understanding of discussion w/ CR

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Commented [ES13]: Moved from introduction. Appropriate here based n DJR intention of deal

Commented [ES14]: Believe this language more accurately reflects what will occur

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~~4. To the extent Vermont Gas does not believe the Project will be in service by November 1, 2016, Vermont Gas may seek Board approval to place Addison Project-related CWIP in rate base, if appropriate for recovery, rather than accruing AFUDC on the Addison Project, for the period before the known and measurable in-service date in the 2017 rate year.~~

Commented [ES15]: Streamlined language

~~5. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures, Vermont Gas agrees to not oppose and to fully cooperate in a separate Board investigation addressing such issues pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.~~

~~4. The the Department supports shall support the request.~~

Commented [ES16]: Redlining got funky. This is a continuation of paragraph 3 and states DPS' support of this.

~~6.5. The Parties agree that it is appropriate to place first 11 miles of the Addison Project ("Segment 1") in service when completed. In light of changed circumstances, the Department will not oppose the deferral and future amortization of appropriate carrying costs related to the first 11 miles of the Addison Project ("Segment 1"), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rate when the full rate case is executed. [STILL OPEN] Such costs will be subject to the same review described in paragraph 3.~~

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Commented [ES17]: Djr believes first phrase is critical. We believe it is also helpful in light of additional language suggested (as we understand it) by DPS

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~~7.6. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.~~

Commented [ES18]: Believe this is the intent

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Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval, and the lack of Board that approval shall not affect the necessary for effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve

Commented [ES19]: State in positive

the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.

4. The Parties have made specific compromises to reach the agreements reflected in this MOU.
5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 1:14 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: MOU 10 6 vs 10 5 redline

Here is a challenge we have identified . Moving the Used and Useful language back into the Intro and out of Agreement makes the U&U agreement meaningless. Because the Agreement term that DPS has unlimited ability to challenge a recovery request supercedes the whereas stuff and doesn't acknowledged that the DPS has concurred that the Project is U&U.

Valentinetti, Angela

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Sent: Tuesday, October 06, 2015 1:16 PM
To: Duggan, Tim; Porter, Louise
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Subject: RE: MOU 10 6 vs 10 5 redline

I hit send too fast. We need to make these thoughts consistent. Any ideas you have on how to do so? And of course DR has not yet reviewed..

From: Eileen Simollardes
Sent: Tuesday, October 06, 2015 1:14 PM
To: 'tim.duggan@vermont.gov'; 'louise.porter@vermont.gov'
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Valentinetti, Angela

From: Duggan, Tim
Sent: Tuesday, October 06, 2015 2:18 PM
To: 'Eileen Simollardes'; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: MOU 10 6 vs 10 5 redline - CONFIDENTIAL SETTLEMENT NEGOTIATION
Attachments: MOU-Oct. 6 working draft (DPS).docx

Importance: High

Where we are now. Took most everything from your recitals, flagged where I did not.

In the meat of the Agreement, we added VGS edits that we are ok with to our draft. Please review carefully and make sure I did not miss anything. Thanks,
Tim

From: Eileen Simollardes [mailto:ESimollardes@vermontgas.com]
Sent: Tuesday, October 06, 2015 1:16 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
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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. § 248, authorizing the construction)
of the “**Addison Natural Gas Project**” consisting) Docket No. 7970
of approximately 43 miles of new natural gas)
transmission pipeline in Chittenden and Addison)
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mainlines in Addison County, together with three new)
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Vermont)

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Introduction

1. Whereas the purpose of this MOU is to create a cap on Addison Natural Gas Project (“Addison Project”) costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties’ mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.

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2. The Whereas the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison ~~Natural Gas~~ Project (“~~Addison Project~~”) for the benefit of customers and the general good of Vermont.

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~~1-3.~~ Whereas significant industrial customers have made investments in reliance on the expectation of the Addison Project’s completion.

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~~2-4.~~ Whereas The Parties believe that it is in the public interest for the Public Service Board (“Board”) to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project ~~to permit completion of the Addison Project~~ in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule

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60(b) Motions, and support a determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of the ~~se Rule 60(b) M~~otions.

~~3. Significant industrial customers have made investments in reliance on the probability of the Addison Project's completion.~~

~~4.5. Whereas Vermont Gas believes that if the Addison Project cannot be completed in 2016, the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016 and consistent with the Cost Update, the Remand Proceeding must be concluded – preferably by affirming the existing CPG – but in any case by January 8, 2016 or seriously risk the Project's completion. Further, Vermont Gas believes that it must also have construction access to all rights-of-way required for the Addison Project by June 1, 2016 to complete the Project in 2016.~~

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~~5.6. Whereas Vermont Gas, commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to which reflects the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.~~

Commented [TD1]: Still open – this version reflects DPS proposal; VGS edits not included

~~6. The purpose of this MOU is to create a maximum cap on Addison Project costs to ratepayers for which Vermont Gas will may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than projected, and to provide the basis for its completion on time and on budget, in furtherance of the public good.~~

7. Parties ~~agree~~expect that if the Project is constructed and brought into service consistent with plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Commented [TD2]: Took out DPS proposed "design" language

Background

~~1. On December 19, 2014, VGS filed an update ("Cost Update") of the estimated costs to construct the Addison Project, which is based on completion of the Project in 2016.~~

~~2. In response to the Cost Update, the Department and several parties filed Motions for Relief Pursuant to Rule 60(b) ("Rule 60(b) Motions") requesting that the Vermont Public Service Board ("Board")~~

~~investigate whether the Addison Project remains in the public good in light of the revised cost estimate.~~

- ~~3. The Board initiated a proceeding to consider the Rule 60(b) Motions (“Remand Proceeding”). After several rounds of discovery and testimony, the Board conducted technical hearings on June 22 and 23, 2015, and post-hearing filings were submitted to the Board in July and August, 2015. In the Remand Proceeding, both the Department and Vermont Gas advocated that the Rule 60(b) Motions should be denied, that the Addison Project continued to promote the general good of the state and that the Certificate of Public Good (“CPG”) should not be modified or revoked.~~

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million (“Rate Cap”).
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights of way construction access. It is the ~~parties’~~ Parties’ intent that recovery of any above-Rate Cap costs ~~will be~~ limited in scope to such circumstances and that Vermont Gas must clearly identify and support the requested costs and demonstrate that the ~~event~~ circumstances caused the cost increase if and when it seeks to recover these costs.
3. Nothing herein shall be construed as in any way limiting the Department’s ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 (“2017 ~~rates~~ Rates”), except ~~for that~~ requests for ~~above~~ above-Rate Cap costs -made pursuant to Paragraph 2, which may be ~~reflected~~ reviewed for recovery in rates ~~at a later date~~ in a subsequent proceeding.

Commented [TD3]: Added “will” – purely grammatical

4. ~~To the extent Vermont Gas does not believe the Project will be in service by November 1, 2016,~~ Vermont Gas may seek Board approval to place Addison Project related CWIP in rate base, if appropriate for recovery, rather than accruing AFUDC ~~on the Addison Project,~~ for the period before the known and measurable ~~in-in-~~service date in the 2017 rate year.
5. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures, Vermont Gas agrees to not oppose and to fully cooperate in a separate Board investigation addressing such issues pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
6. The Parties agree that it is appropriate to place first 11 miles of the Addison Project (“Segment 1”) in service when completed. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU ~~(The Department supports will not oppose~~ deferral and future amortization of appropriate carrying costs related to the first 11 miles of the Addison Project (“Segment 1”), to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates when the full rate case is executed, as these costs will also be subject to the review, investigation and challenge identified in Paragraph 3 above, [STILL OPEN]
7. This MOU shall terminate and be void if there is no final Board disposition of the Rule 60(b) Motions by January 8, 2016.

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Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval and ~~the lack of Board~~that approval shall not ~~affect be necessary for~~ the effectiveness of the MOU.
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those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.

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5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Porter, Louise
Sent: Tuesday, October 06, 2015 3:06 PM
To: Eileen Simollardes
Subject: MOU

I am besieged with inquiries regarding timing-both from support staff and those concerned with press issues. Can you give me any update? Thanks.

Louise C. Porter
Special Counsel
Vermont Department of Public Service
112 State Street
Montpelier, Vermont 05620
(802) 828-██████ (o)
(802) 828-2342 (fax)
louise.porter@vermont.gov

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 3:17 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: compare to dps
Attachments: compare to dps.docx

Almost there. Please note that the redline is not picking up a change regarding the board in investigation – can't figure out why. Please call ASAP

**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) Docket No. 7970
of approximately 43 miles of new natural gas)
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Introduction

1. **Whereas the** purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. **Whereas the** Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. **Whereas significant** industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. **Whereas the** Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions, and support a

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determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. ~~Whereas, Vermont Gas believes that if the Addison Project cannot be completed is on time and on budget and material delay in 2016, resolution of the estimated costs would increase beyond the \$154M current estimate. Vermont Gas further believes that, in order to complete the Addison Project in 2016, the Remand Proceeding must be concluded preferably by affirming the existing CPG but in any case by January 8, 2016 Rule 60(b) proceeding or seriously risk the Project's completion. Further, Vermont Gas believes that it must also have in achieving construction access to all rights-of-way required for seriously risks the Addison Project by June 1, Project's completion within the current budget of \$154 million and 2016 to complete the Project in 2016, completion.~~

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Commented [TD1]: Still open – this version reflects DPS proposal; VGS edits not included

6. Whereas Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.

7. Parties agree that if the Project is constructed and brought into service consistent with the plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Commented [TD2]: Took out DPS proposed "design" language

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million ("Rate Cap").
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights-of way construction access. It is the Parties' intent that recovery of any above-Rate Cap costs will be limited in scope to such circumstances and

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Commented [TD3]: Added "will" – purely grammatical

that Vermont Gas must clearly identify and support the requested costs and demonstrate that the circumstances caused the cost increase if and when it seeks to recover these costs.

3. ~~Nothing herein shall be construed as in any way limiting the Department's~~The Department has full ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project-consistent with this Memorandum of Understanding. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016 ("2017 Rates"), except that requests for recoverable costs not included in 2017 Rates, including above-Rate Cap costs ~~made~~ pursuant to Paragraph 2, ~~which~~ may be reviewed for recovery in rates in a subsequent proceeding,

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~~4. Vermont Gas may seek Board approval to place Addison Project related CWIP in rate base, if appropriate for recovery, rather than accruing AFUDC for the period before the known and measurable in service date in the 2017 rate year. To the extent the Board has concerns regarding the cost estimates provided by Vermont Gas in this proceeding, and/or the timeliness of any cost estimate disclosures,~~

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~~5.4.~~ Vermont Gas agrees to not oppose and to fully cooperate in ~~any~~ separate Board investigation addressing such issues regarding cost estimates and/or the timeliness of any cost estimate disclosures pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.

~~6.5.~~ The Parties agree that it is appropriate to place the first 11 miles of the Addison Project ("Segment 1") in service when completed. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU the Department will not oppose the deferral and future amortization of appropriate carrying costs related to the ~~first 11 miles of the Addison Project ("Segment 1")~~, to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates ~~when the full rate case is executed~~, as these costs will also be subject to the review, investigation and challenge identified in Paragraph 3 above.

~~7.6.~~ This MOU shall terminate and be void if there is no final Board disposition of the Certificate of Public Good in response to Rule 60(b) Motions by January 8, 2016.

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Other Provisions

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4. The Parties have made specific compromises to reach the agreements reflected in this MOU.
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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

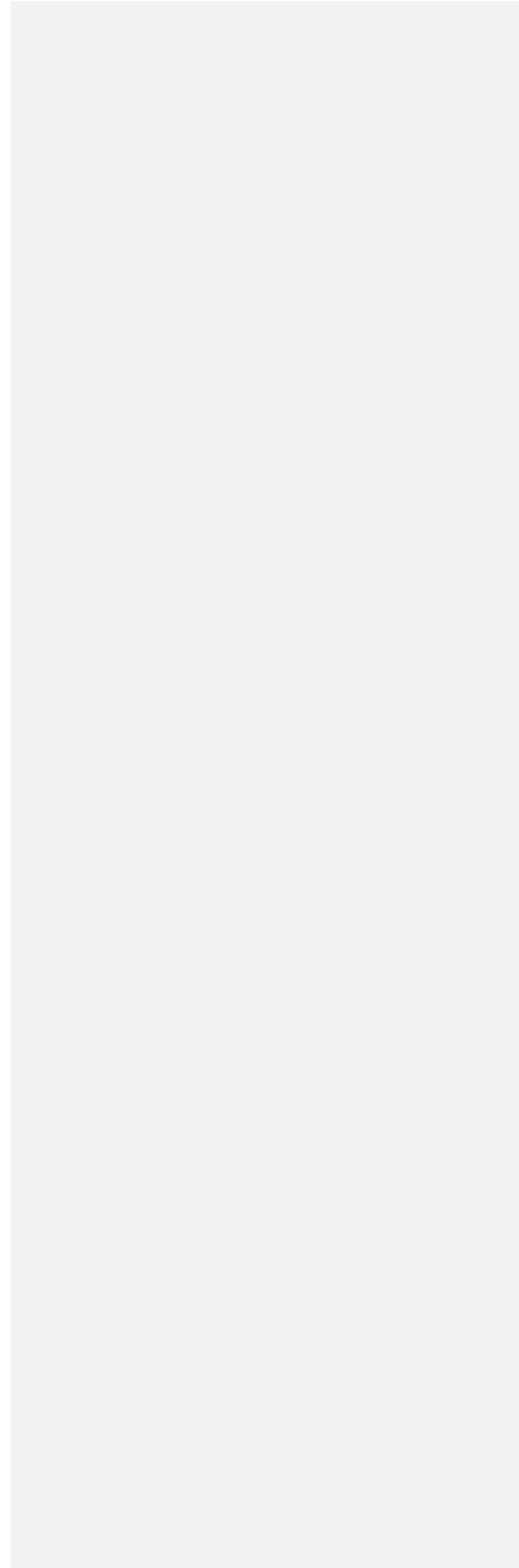
Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
4

Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont



Valentinetti, Angela

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Sent: Tuesday, October 06, 2015 3:18 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
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Attachments: MOU 10 60 15 v 5.docx

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determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. Vermont Gas believes that the Addison Project is on time and on budget and material delay in resolution of the Rule 60(b) proceeding or in achieving construction access to rights-of-way seriously risks the Addison Project's completion within the current budget of \$154 million and 2016 completion.
6. Whereas Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
7. Parties agree that if the Project is constructed and brought into service consistent with the plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Agreement

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Commented [TD1]: Added "will" – purely grammatical

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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

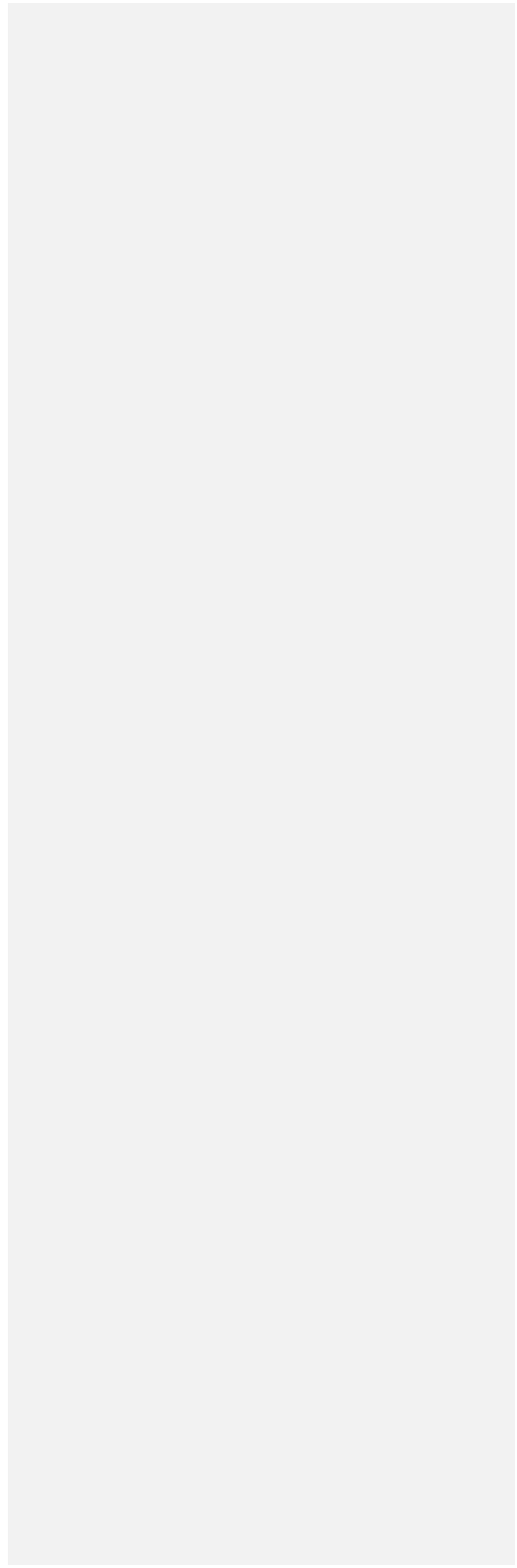
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By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont



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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. § 248, authorizing the construction)
of the “**Addison Natural Gas Project**” consisting) Docket No. 7970
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)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October __, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. Whereas the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. Whereas the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. Whereas significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. Whereas the Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions, and support a

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determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. Whereas Vermont Gas believes that the Addison Project is on time and on budget and material delay in resolution of the Rule 60(b) proceeding or in achieving construction access to rights-of-way seriously risks the Addison Project's completion ~~within the current budget of \$154 million and 2016 completion.~~
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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

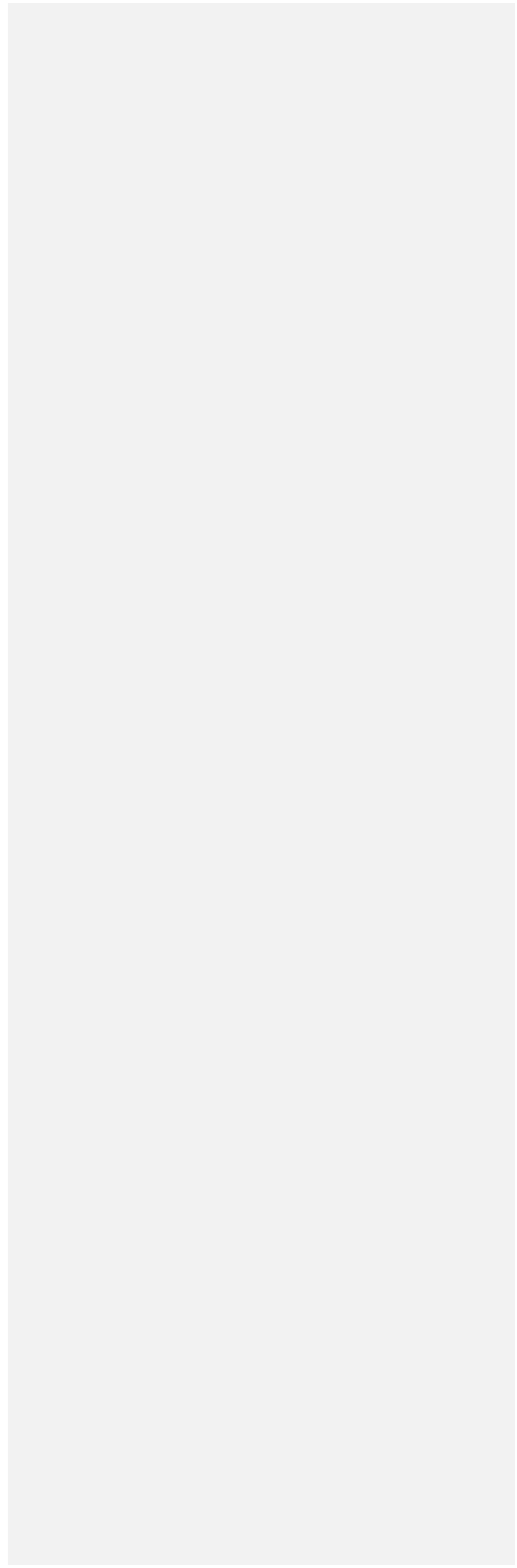
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Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont



Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 4:03 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: compare to dps

Give us 5.

From: Duggan, Tim [mailto:Tim.Duggan@vermont.gov]
Sent: Tuesday, October 06, 2015 4:02 PM
To: Eileen Simollardes; Porter, Louise
Cc: pzamore@sheeheyvt.com
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Discussed with Chris. This is as far as we can go. Thanks,
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Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 4:06 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: compare to dps

3 doesn't work. Don and Chris should talk. Rest is fine.

From: Duggan, Tim [mailto:Tim.Duggan@vermont.gov]
Sent: Tuesday, October 06, 2015 4:02 PM
To: Eileen Simollardes; Porter, Louise
Cc: pzamore@sheeheyvt.com
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Sent: Tuesday, October 06, 2015 4:24 PM
To: Duggan, Tim
Cc: Porter, Louise; pzamore@sheeheyvt.com
Subject: Re: compare to dps

Done. We agree. Will send you an executable copy. Probably bears proofing

Sent from my iPad

On Oct 6, 2015, at 4:01 PM, Duggan, Tim <Tim.Duggan@vermont.gov> wrote:

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<MOU 10 60 15 v 5 (DPS).docx>

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Sent: Tuesday, October 06, 2015 4:30 PM
To: Duggan, Tim; Porter, Louise
Cc: pzamore@sheeheyvt.com
Subject: RE: compare to dps
Attachments: MOU execution copy.docx

Follow Up Flag: Follow up
Flag Status: Flagged

Here is the execution copy. We will PDF a signed version momentarily. Intend to have courier deliver this 1st thing.

From: Duggan, Tim [mailto:Tim.Duggan@vermont.gov]
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("2017 Rates"), except that requests for above-Rate Cap costs pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.

4. Vermont Gas agrees to not oppose and to fully cooperate in any separate Board investigation regarding cost estimates and/or the timeliness of any cost estimate disclosures pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
5. The Parties agree that it is appropriate to place the first 11 miles of the Addison Project ("Segment 1") in service when completed. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU the Department will not oppose the deferral and future amortization of appropriate carrying costs related to Segment 1, to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates, as these costs will also be subject to the review, investigation and challenge identified in Paragraph 3 above.
6. This MOU shall terminate and be void if there is no final Board disposition of the Certificate of Public Good in response to Rule 60(b) Motions by January 8, 2016.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval, and that approval shall not be necessary for the effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 5:16 PM
To: Porter, Louise; Duggan, Tim
Cc: pzamore@sheeheyvt.com
Subject: FW: Attached Image
Attachments: 0393_001.pdf; MOU execution copy.docx

Here is an PDF executed by DR. Just need to add Chris'

From: scanner@vermontgas.com [mailto:scanner@vermontgas.com]
Sent: Tuesday, October 06, 2015 4:57 PM
To: Eileen Simollardes
Subject: Attached Image

**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) Docket No. 7970
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)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of October ~~7~~⁷, 2015 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas" or "VGS") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. Whereas the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
2. Whereas the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. Whereas significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. Whereas the Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a

determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

5. Whereas Vermont Gas believes that the Addison Project is on time and on budget and material delay in resolution of the Rule 60(b) proceeding or in achieving construction access to rights-of-way seriously risks the Addison Project's completion.
6. Whereas Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
7. Whereas Parties agree that if the Project is constructed and brought into service consistent with the plans approved by the Board, the Project is used and useful for the purposes of rate proceedings.

Agreement

Based on the forgoing, the Parties agree as follows:

1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million ("Rate Cap").
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights-of way construction access. It is the Parties' intent that recovery of any above-Rate Cap costs will be limited in scope to such circumstances and that Vermont Gas must clearly identify and support the requested costs and demonstrate that the circumstances caused the cost increase if and when it seeks to recover these costs.
3. Nothing herein shall be construed as in any way limiting the Department's ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016

(“2017 Rates”), except that requests for above-Rate Cap costs pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.

4. Vermont Gas agrees to not oppose and to fully cooperate in any separate Board investigation regarding cost estimates and/or the timeliness of any cost estimate disclosures pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
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STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: 
Donald J. Rendall
Chief Executive Officer

Dated: October 7, 2015 at South Burlington, Vermont

**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) Docket No. 7970
of approximately 43 miles of new natural gas)
transmission pipeline in Chittenden and Addison)
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mainlines in Addison County, together with three new)
gate stations in Williston, New Haven and Middlebury,)
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DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

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2. Whereas the Department and Vermont Gas are committed to the efficient, cost-effective completion of the Addison Project for the benefit of customers and the general good of Vermont.
3. Whereas significant industrial customers have made investments in reliance on the expectation of the Addison Project's completion.
4. Whereas the Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a

determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

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6. Whereas Vermont Gas commits to a rate recovery cap of \$134 million of Addison Project costs (as compared to the current \$154 million forecast), which is equivalent to the estimated Addison Project cost of \$122 million reviewed in the prior Rule 60(b) proceeding plus an additional 10% contingency, subject to the terms and conditions set forth in this MOU.
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3. Nothing herein shall be construed as in any way limiting the Department's ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016

("2017 Rates"), except that requests for above-Rate Cap costs pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.

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4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: _____
Christopher Recchia, Commissioner

Dated: October __, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: _____
Donald J. Rendall
Chief Executive Officer

Dated: October __, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 5:27 PM
To: Porter, Louise; Duggan, Tim
Cc: pzamore@sheeheyvt.com
Subject: 1510 MOU cover letter draft (2)
Attachments: 1510 MOU cover letter draft (2).docx

FYI – opted to send this to you before DJR signs off. It is less descriptive than the DPS' for 2 reasons:

1. it is more powerful if the strong statements come from DPS
2. DPS probably needs to articulate its rationale clearly in the letter as Chris may not be available for reporter's comments

Let us know if this gives you heartburn

October 7, 2015

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

Re: Docket No. 7970 – Memorandum of Understanding between the Department of Public Service and Vermont Gas Systems, Inc.

Dear Mrs. Hudson:

Vermont Gas Systems, Inc. and the Department of Public Service have today agreed to a Memorandum of Understanding (“MOU”) that will cap the amount that the Company will seek to recover for costs of the Addison Natural Gas Project (the “Project”). A copy of the MOU is attached.

The parties have negotiated this MOU at this time based on their mutual interest in completing the Project on time and on budget for the benefit of customers and the general good of Vermont. The agreed-upon maximum recovery in rates will be \$134 million (as compared to the current project cost estimate of \$154 million), except for certain costs that might arise owing to events or circumstances beyond the Company’s control.

We are filing the MOU in this proceeding for information purposes. Because of the MOU’s focus on the ability of Vermont Gas to recover Project costs in rates, the MOU will be considered in subsequent rate proceedings.

Sincerely,

Donald J. Rendall
Chief Executive Officer

Enclosure

Cc: Service List

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Tuesday, October 06, 2015 5:58 PM
To: Porter, Louise; Duggan, Tim
Cc: pzamore@sheeheyvt.com
Subject: RE: 1510 MOU cover letter draft (2)

Ignore this cover letter – it is going to be seriously revamped

From: Eileen Simollardes
Sent: Tuesday, October 06, 2015 5:27 PM
To: Porter, Louise; 'Duggan, Tim'
Cc: pzamore@sheeheyvt.com
Subject: 1510 MOU cover letter draft (2)

FYI – opted to send this to you before DJR signs off. It is less descriptive than the DPS' for 2 reasons:

1. it is more powerful if the strong statements come from DPS
2. DPS probably needs to articulate its rationale clearly in the letter as Chris may not be available for reporter's comments

Let us know if this gives you heartburn

Valentinetti, Angela

From: Porter, Louise
Sent: Tuesday, October 06, 2015 5:59 PM
To: Eileen Simollardes
Cc: Duggan, Tim; pzamore@sheeheyvt.com
Subject: Re: 1510 MOU cover letter draft (2)

Consider it ignored!

Sent from my iPhone

On Oct 6, 2015, at 5:57 PM, Eileen Simollardes <ESimollardes@vermontgas.com> wrote:

Ignore this cover letter – it is going to be seriously revamped

From: Eileen Simollardes
Sent: Tuesday, October 06, 2015 5:27 PM
To: Porter, Louise; 'Duggan, Tim'
Cc: pzamore@sheeheyvt.com
Subject: 1510 MOU cover letter draft (2)

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1. it is more powerful if the strong statements come from DPS
2. DPS probably needs to articulate its rationale clearly in the letter as Chris may not be available for reporter's comments

Let us know if this gives you heartburn

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 4:57 AM
To: Coriell, Scott; Copans, Jon; Eileen Simollardes; Elizabeth Parent
Subject: This morning

Jon, Scott - our plan is to bring the MOU and cover letter to Montpelier (PSB) at around 9 or 9:15, getting it to the PSB at 10, aiming for a press release by you at 10:00, followed by our media statement at around 10:10. Beth Parent and Eileen Simollardes (copied) will be on detail for all this in the early morning because I will be out of pocket for a couple hours early on. Beth's cell number is [REDACTED]. Please send us all your press release when you are ready so we can be sure we are aligned on message. I know they will also want to get any statement by the Gov to Don Rendall ASAP, before he starts talking to reporters. Our statement remains the same except for tan edit I discussed with Jon yesterday. Thanks a million! Ned [REDACTED]

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Wednesday, October 07, 2015 6:52 AM
To: Ned Farquhar
Cc: Coriell, Scott; Copans, Jon; Elizabeth Parent
Subject: Re: This morning

Have put the cover letter in motion. Still need signature page from DPS. I know Louise will be right on it as soon as the admin person comes in (the admin person is the only one w electronic signature rights for comm. Rechia). With that a 9:15 courier might be tight but we are aiming for that.

I have a meeting this a.m that I really shouldn't miss. Will be in at 8:30. Call anytime if there are issues/concerns. Cell [REDACTED]

Regards Eileen

Sent from my iPad

On Oct 7, 2015, at 4:57 AM, Ned Farquhar <NFarquhar@vermontgas.com> wrote:

Jon, Scott - our plan is to bring the MOU and cover letter to Montpelier (PSB) at around 9 or 9:15, getting it to the PSB at 10, aiming for a press release by you at 10:00, followed by our media statement at around 10:10. Beth Parent and Eileen Simollardes (copied) will be on detail for all this in the early morning because I will be out of pocket for a couple hours early on. Beth's cell number is [REDACTED] Please send us all your press release when you are ready so we can be sure we are aligned on message. I know they will also want to get any statement by the Gov to Don Rendall ASAP, before he starts talking to reporters. Our statement remains the same except for tan edit I discussed with Jon yesterday. Thanks a million! Ned [REDACTED]

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 7:28 AM
To: Copans, Jon
Subject: Fwd: This morning

Sent from my iPhone

Begin forwarded message:

From: <NFarquhar@vermontgas.com>
Date: October 7, 2015 at 6:59:13 AM EDT
To: "Coriell, Scott" <Scott.Coriell@vermont.gov>, "jon.copans@vermont.org"
<jon.copans@vermont.org>, Elizabeth Parent <bparent@vermontgas.com>
Subject: **This morning**

We are on for 10:00 release. We will release our statement 10 minutes after you release the press release/gov statement. I will be out of cell range for a while this morning. Beth should be cc'd if you send me anything or need anything - we'd love to see the press release as soon as you are able to forward it. Thanks! Only caveat is we are expecting Recchias autograph around 9, all that is in motion now. Thanks and let us know if 10 doesn't work - we will email/courier the PSB submission at that time unless we hear any different from you. Ned [REDACTED]

Sent from my iPhone

Valentinetti, Angela

From: Porter, Louise
Sent: Wednesday, October 07, 2015 8:30 AM
To: Eileen Simollardes; pzamore@sheeheyvt.com
Subject: MOU signature
Attachments: 0393_001

Here you go. Didn't know where to send. Hope you think this looks ok.

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 8:49 AM
To: Coriell, Scott
Cc: jon.copans@vermont.org; Elizabeth Parent; Copans, Jon
Subject: Re: This morning

I had the wrong email fir Jon so am forwarding to him

On 10/7/15, 8:15 AM, "Coriell, Scott" <Scott.Coriell@vermont.gov> wrote:

>Thanks, Ned. We're finalizing our statements now. I'll send when final.

>10 am sounds good.

>

>> On Oct 7, 2015, at 6:59 AM, Ned Farquhar <NFarquhar@vermontgas.com>

>>wrote:

>>

>> We are on for 10:00 release. We will release our statement 10

>>minutes after you release the press release/gov statement. I will be

>>out of cell range for a while this morning. Beth should be cc'd if

>>you send me anything or need anything - we'd love to see the press

>>release as soon as you are able to forward it. Thanks! Only caveat

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>>now. Thanks and let us know if 10 doesn't work - we will

>>email/courier the PSB submission at that time unless we hear any

>>different from you. Ned [REDACTED]

>>

>> Sent from my iPhone

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Wednesday, October 07, 2015 9:04 AM
To: Porter, Louise; pzamore@sheeheyvt.com
Subject: RE: MOU signature

Thanks Louise – we are on track to have a courier deliver to PSB and you guys around 10. Hard copies will be mailed to service list. E-mail distribution will be afterwards. Ned is coordinating the PR w/ John Copans and Scott Coriell – e-filing to the service list will be around 1:00 or so.

From: Porter, Louise [mailto:Louise.Porter@vermont.gov]
Sent: Wednesday, October 07, 2015 8:30 AM
To: Eileen Simollardes; pzamore@sheeheyvt.com
Subject: MOU signature

Here you go. Didn't know where to send. Hope you think this looks ok.

Valentinetti, Angela

From: Porter, Louise
Sent: Wednesday, October 07, 2015 9:13 AM
To: 'Eileen Simollardes'; pzamore@sheeheyvt.com
Subject: RE: MOU signature

Just what I needed to know. Thanks. Our team is still working on press stuff so glad yours is going at that speed.

From: Eileen Simollardes [mailto:ESimollardes@vermontgas.com]
Sent: Wednesday, October 07, 2015 9:04 AM
To: Porter, Louise; pzamore@sheeheyvt.com
Subject: RE: MOU signature

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From: Porter, Louise [mailto:Louise.Porter@vermont.gov]
Sent: Wednesday, October 07, 2015 8:30 AM
To: Eileen Simollardes; pzamore@sheeheyvt.com
Subject: MOU signature

Here you go. Didn't know where to send. Hope you think this looks ok.

Valentinetti, Angela

From: Eileen Simollardes <ESimollardes@vermontgas.com>
Sent: Wednesday, October 07, 2015 9:21 AM
To: Porter, Louise
Subject: MOU Letter October 7 2015 Revisions
Attachments: MOU Letter October 7 2015 Revisions.docx

FYI – our cover letter. There may have been typos or something cleaned up but I can't find Nancy to give me the pdf of the exact thing and wanted you to have this ASAP

October 7, 2015

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

Re: Docket No. 7970 – Memorandum of Understanding between the
Department of Public Service and Vermont Gas Systems, Inc.

Dear Mrs. Hudson:

Vermont Gas Systems, Inc. (“Vermont Gas”) and the Department of Public Service have today agreed to a Memorandum of Understanding (“MOU”) that will cap the amount that the Company will seek to recover for costs of the Addison Natural Gas Project (the “Project”). A copy of the MOU is attached.

The MOU will help achieve an important, shared goal: capping pipeline construction costs and providing energy value to natural gas customers in Vermont. Vermont Gas will not seek to recover costs above \$134 million from customers (as compared to the project’s current estimated cost of \$154 million) except for certain costs beyond our control if they occur.

The parties have negotiated the MOU at this time based on their mutual interest in completing the Project on time and on budget for the benefit of customers and the general good of Vermont.

The Company has made excellent progress on the Project. We are near completion of the segment through Colchester, Essex, and Williston, which will achieve our 2015 construction goal on time and on budget.

Sincerely,

Donald J. Rendall
Chief Executive Officer

Attachment

Cc: Service List

**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)
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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)
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Vermont)

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Introduction

1. Whereas the purpose of this MOU is to create a cap on Addison Natural Gas Project ("Addison Project") costs to ratepayers for which Vermont Gas may seek rate recovery, to advance the Parties' mutual interest in completion of the Addison Project at a lower cost than forecast, and to provide the basis for its completion on time and on budget, in furtherance of the public good.
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4. Whereas the Parties believe that it is in the public interest for the Public Service Board ("Board") to promptly resolve proceedings required for completing construction and commercial operation of the Addison Project in 2016, and therefore urge expeditious conclusion of all proceedings relating to the Rule 60(b) Motions and support a

determination that the Addison Project Certificate of Public Good should not be modified or revoked on the basis of these motions.

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1. Subject to the conditions and exceptions contained herein, Vermont Gas shall not seek rate recovery of Addison Project costs in excess of \$134 million ("Rate Cap").
2. Notwithstanding the Rate Cap, Vermont Gas may seek to recover amounts in excess of the Rate Cap resulting from extraordinary events outside the control of Vermont Gas (e.g., vandalism, protests, other unreasonable interference with construction, or force majeure-type events). VGS may also seek to recover amounts in excess of the Rate Cap resulting from material delays in rights-of way construction access. It is the Parties' intent that recovery of any above-Rate Cap costs will be limited in scope to such circumstances and that Vermont Gas must clearly identify and support the requested costs and demonstrate that the circumstances caused the cost increase if and when it seeks to recover these costs.
3. Nothing herein shall be construed as in any way limiting the Department's ability to review, investigate, and challenge any request made by Vermont Gas for cost recovery, in whole or in part, related to the Addison Project. It is expected that whatever costs are recoverable shall be included in rates effective November 1, 2016

(“2017 Rates”), except that requests for above-Rate Cap costs pursuant to Paragraph 2, may be reviewed for recovery in rates in a subsequent proceeding.

4. Vermont Gas agrees to not oppose and to fully cooperate in any separate Board investigation regarding cost estimates and/or the timeliness of any cost estimate disclosures pursuant to 30 V.S.A. § 209, and to the extent appropriate, 30 V.S.A. § 30.
5. The Parties agree that it is appropriate to place the first 11 miles of the Addison Project (“Segment 1”) in service when completed. In light of the changed circumstances and commitments by Vermont Gas identified in this MOU the Department will not oppose the deferral and future amortization of appropriate carrying costs related to Segment 1, to the extent Segment 1 is ready for service before such costs begin to be recovered in rates. This is not to be construed that these costs will necessarily be recovered in rates, as these costs will also be subject to the review, investigation and challenge identified in Paragraph 3 above.
6. This MOU shall terminate and be void if there is no final Board disposition of the Certificate of Public Good in response to Rule 60(b) Motions by January 8, 2016.

Other Provisions

1. This MOU is effective as of the date hereof and is binding only on the Parties. Although the Parties will file the MOU with the Board, they agree not to request Board approval, and that approval shall not be necessary for the effectiveness of the MOU.
2. The Parties will cooperate in further Board proceedings in a manner consistent with the obligations under this MOU.
3. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
4. The Parties have made specific compromises to reach the agreements reflected in this MOU.

5. The Department will support issuance of the orders and findings of the Board specified herein subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: 

Christopher Recchia, Commissioner

Dated: October 7, 2015 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: 

Donald J. Rendall
Chief Executive Officer

Dated: October 7, 2015 at South Burlington, Vermont

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 9:56 AM
To: Copans, Jon; Coriell, Scott
Subject: How's it going?

We are ready. Courier should be at PSB in a few minutes

Valentinetti, Angela

From: Coriell, Scott
Sent: Wednesday, October 07, 2015 10:00 AM
To: Ned Farquhar
Cc: Copans, Jon
Subject: Re: How's it going?

Good on my end. Jon gave me good edits on our statement so we should be good whenever.

> On Oct 7, 2015, at 9:56 AM, Ned Farquhar <NFarquhar@vermontgas.com> wrote:

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Valentinetti, Angela

From: Copans, Jon
Sent: Wednesday, October 07, 2015 10:11 AM
To: Coriell, Scott; Ned Farquhar
Subject: RE: How's it going?

We should have something ready very shortly.

Jon Copans, Deputy Commissioner
Vermont Public Service Department
(802) 828-3088 or by cell at (802) [REDACTED] jon.copans@vermont.gov Visit the Department at:
<http://publicservice.vermont.gov/>

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Sent: Wednesday, October 07, 2015 10:22 AM
To: Copans, Jon; Coriell, Scott
Subject: Re: How's it going?

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>Jon Copans, Deputy Commissioner

>Vermont Public Service Department

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Valentinetti, Angela

From: Coriell, Scott
Sent: Wednesday, October 07, 2015 10:24 AM
To: 'Ned Farquhar'; Copans, Jon
Subject: RE: How's it going?

I'll send our statement after I see the ones from you guys go out.

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From: Ned Farquhar [mailto:NFarquhar@vermontgas.com]
Sent: Wednesday, October 07, 2015 10:22 AM
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Valentinetti, Angela

From: Copans, Jon
Sent: Wednesday, October 07, 2015 10:30 AM
To: Coriell, Scott; 'Ned Farquhar'
Subject: RE: How's it going?
Attachments: VGS_Press Statement_DRAFT_151007(4).docx

See attached for our statement. This should go out shortly. Ned, has VGS statement gone yet?

Jon Copans, Deputy Commissioner
Vermont Public Service Department
(802) 828-3088 or by cell at (802) [REDACTED] jon.copans@vermont.gov Visit the Department at:
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Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 10:33 AM
To: Copans, Jon
Subject: Re: How's it going?

Release date is wrong

On 10/7/15, 10:30 AM, "Copans, Jon" <Jon.Copans@vermont.gov> wrote:

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Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 10:34 AM
To: Copans, Jon
Subject: Re: How's it going?

Ours will go out five or ten minutes after yours

On 10/7/15, 10:30 AM, "Copans, Jon" <Jon.Copans@vermont.gov> wrote:

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>Jon Copans, Deputy Commissioner

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Valentinetti, Angela

From: Porter, Louise
Sent: Wednesday, October 07, 2015 10:44 AM
To: 'Eileen Simollardes'
Subject: RE: MOU Letter October 7 2015 Revisions

Sorry-it just landed. "Vemont" did not get changed...

From: Eileen Simollardes [mailto:ESimollardes@vermontgas.com]
Sent: Wednesday, October 07, 2015 9:21 AM
To: Porter, Louise
Subject: MOU Letter October 7 2015 Revisions

FYI – our cover letter. There may have been typos or something cleaned up but I can't find Nancy to give me the pdf of the exact thing and wanted you to have this ASAP

Valentinetti, Angela

From: Copans, Jon
Sent: Wednesday, October 07, 2015 10:46 AM
To: Ned Farquhar; Coriell, Scott
Subject: FW: For Immediate Release: Statement from Department of Public Service Commissioner Chris Recchia Regarding MOU With Vermont Gas Systems

FYI, this just went out.

Jon Copans, Deputy Commissioner
Vermont Public Service Department
(802) 828-3088 or by cell at (802) [REDACTED]
jon.copans@vermont.gov
Visit the Department at: <http://publicservice.vermont.gov/>

From: Tyrrell, Anne
Sent: Wednesday, October 07, 2015 10:43 AM
To: Tyrrell, Anne
Subject: For Immediate Release: Statement from Department of Public Service Commissioner Chris Recchia Regarding MOU With Vermont Gas Systems

For Immediate Release

October 7, 2015

Contact: Christopher Recchia, Commissioner
802-828-4071

Chris.recchia@vermont.gov

MEDIA RELEASE

For Immediate Release: Statement from Department of Public Service Commissioner Chris Recchia Regarding MOU With Vermont Gas Systems

Montpelier, Vermont – Commissioner Christopher Recchia of the Vermont Department of Public Service issued the following statement regarding the Memorandum of Understanding (MOU) reached today between Vermont Gas Systems, Inc. (VGS) and the Department regarding the Addison County Natural Gas Pipeline Project (the Project):

“Today’s MOU between the Public Service Department and Vermont Gas Systems is an important step toward advancing the Addison County Natural Gas Project, both to promote its efficient completion and to protect ratepayers in the process. The agreement provides that, absent extraordinary circumstances, the maximum costs the Company may seek to recover for this Project will be \$134 Million. This sum reflects the last cost estimate reviewed by the Board (\$122 million) plus a 10% contingency. This is fully \$20 million less than the current estimated cost of the Project, and it brings the potential costs to ratepayers down to a level more comparable to the last proceeding in which the Board continued to find the Project was in the public good. The only exceptions to this cap are if there are delays to the Project beyond the control of VGS.

Importantly, the MOU preserves all rights of the Department to review, investigate and challenge costs associated with the Project at the proper time in a rate case. This is a cap, not a floor. If we find other costs were imprudently incurred, we will subtract those from the project costs. Other parties will also have the opportunity to participate, as is the standard practice in a rate case.”

In his cover letter to the Board, Commissioner Recchia stated:

“The Department feels very strongly that this Project remains in the interest of Vermont and is in the general good of the state. The price cap established by this MOU, in tandem with ensuing rate reviews, will ensure that the Project’s benefits will be substantial and ratepayers’ interests will be protected.

We enter into this agreement because while we recognize this has been a challenging Project for all, this construction season we’ve seen a change in which the budget has been maintained and the construction work has been performed efficiently and with excellent quality control. We are confident going forward that VGS has the construction management procedures and people in place to complete this Project on time and on budget if they are allowed to move forward with certainty. However, we are concerned that an untimely resolution of the ... proceeding may, in and of itself, actually increase the cost of the Project overall and jeopardize completion of the Project itself.”

“Thousands of Vermonters along this project route deserve the choice of a heating fuel that is both less expensive and more carbon-friendly than the current predominant options of oil and propane. It’s time to provide certainty to this project and I am hopeful the Board sees the wisdom of this approach, including the cost protections of this agreement, and concludes the project remains in the public good, and does so promptly.”

###

For Immediate release
October 6, 2015

For more information, contact:
Christopher Recchia, Commissioner, DPS
(802) 522-5223



Department of Public Service Statement

Montpelier, Vermont – Commissioner Christopher Recchia of the Vermont Department of Public Service issued the following statement regarding the Memorandum of Understanding (MOU) reached today between Vermont Gas Systems, Inc. (VGS) and the Department regarding the Addison County Natural Gas Pipeline Project (the Project):

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###

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 07, 2015 11:00 AM
To: Coriell, Scott; Copans, Jon
Subject: FW: Statement of Vt. Gas CEO Don Rendall Regarding Pipeline Cost Agreement with the Department of Public Service

Our statement, just went out



**For Immediate Release
October 7, 2015**

**Statement of Vermont Gas CEO Don Rendall Regarding Pipeline
Cost Agreement with the Department of Public Service**

Don Rendall, President & CEO of Vermont Gas issued the following statement regarding the Memorandum of Understanding with the Department of Public Service on the Addison Natural Gas Project (ANGP) cost, which is being filed with the Public Service Board for informational purposes:

“This agreement between Vermont Gas and the Department of Public Service (DPS) will help achieve an important, shared goal: capping pipeline construction costs and providing energy value to natural gas customers in Vermont.

“Vermont Gas will not seek to recover costs above \$134 million from customers –significantly less than the project’s estimated cost of \$154 million announced last December – except for certain costs beyond our control if they occur.

“The Company has made excellent progress this year. We are near completion of the segment through Colchester, Essex, and Williston, which will achieve our 2015 construction goal on time and on budget.

“This project will provide energy choice and opportunity. Natural gas displaces higher-emitting fuels, reduces carbon emissions, and provides powerful energy value and reliability. This agreement will help provide this choice to Addison County households, businesses, schools and other public facilities – on time and on budget starting in late 2016.

“The agreement is great news for our customers and Vermont’s economy, and it’s great news for Vermont’s energy future.”

###

About Vermont Gas

Vermont Gas Systems is a leader in energy efficiency and innovation, offering a clean, safe, affordable choice for almost 50,000 homes, businesses, and institutions in Franklin and Chittenden counties. The company plays an important role in Vermont's clean energy future by displacing higher-emitting fuels and with its award-winning energy efficiency programs. For more information about Vermont Gas visit www.VermontGas.com.

Media Contact

Beth Parent, Corporate Communications Manager, Vermont Gas Systems

PH: (802) 865-1460 / (802) 578-2776

bparent@vermontgas.com

Valentinetti, Angela

From: Porter, Louise
Sent: Wednesday, October 07, 2015 11:05 AM
To: Eileen Simollardes; pzamore@sheeheyvt.com
Subject: VGS-Recchia letter
Attachments: 1305_001

As filed.

State of Vermont
Department of Public Service
112 State Street
Montpelier, VT 05620-2601
<http://publicservice.vermont.gov>

[phone] 802-828-2811
[fax] 802-828-2342
[tdd] 800-734-8390

October 7, 2015

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

Re: Docket No. 7970 – Memorandum of Understanding between the Department of Public Service and Vermont Gas Systems, Inc.

Dear Mrs. Hudson:

Today, Vermont Gas Systems, Inc. (VGS or the Company) has filed a Memorandum of Understanding (MOU) entered into between VGS and the Department of Public Service (Department) intended to advance the Addison County Natural Gas Project (Project) for the benefit of Vermont.

Among other provisions, the MOU places a cap on the costs that may be sought and potentially recovered in a rate case, provided the pending Rule 60(b) proceedings are resolved by the Board by January 8, 2016. Absent extraordinary circumstances, the maximum costs the Company may seek to recover for this Project will be \$134 million, which reflects the last cost estimate reviewed by the Board (\$122 million) plus a 10% contingency. This is fully \$20 million less than the current estimated cost of the Project, and it brings the potential costs to ratepayers down to a level more comparable to the prior Rule 60(b) proceeding in which the Board continued to find the Project was in the public good. The only exceptions to this cap are if there are delays to the Project beyond the control of VGS due to force majeure type circumstances, as well as interference with Project construction or material delays in right of way construction access.

Significantly, the MOU preserves all rights of the Department to review, investigate and challenge costs associated with the Project at the proper time in a rate case to be initiated next year. The MOU also requires that the Company fully cooperate in any further proceeding to investigate the timeliness of any cost estimate disclosures throughout the development and construction of the Project, should the Board decide to initiate one.



The Department feels very strongly that this Project remains in the interest of Vermont and is in the general good of the state. The price cap established by this MOU, in tandem with ensuing rate reviews, will ensure that the Project's benefits will be substantial and ratepayers' interests will be protected.

We enter into this agreement because while we recognize this has been a challenging Project for all, this construction season we've seen a change in which the budget has been maintained and the construction work has been performed efficiently and with excellent quality control. We are confident going forward that VGS has the construction management procedures and people in place to complete this Project on time and on budget if they are allowed to move forward with certainty. However, we are concerned that an untimely resolution of the Rule 60(b) proceeding may, in and of itself, actually increase the cost of the Project overall and jeopardize completion of the Project itself. Vermont Gas has recently informed us that prolonged delays in the resolution of the pending Rule 60(b) proceeding will likely cause it to reconsider whether it finishes this important infrastructure Project. While we recognize the difficulties involved in resolving the present Rule 60(b) proceeding, we felt it imperative to take action that promptly informs the Board of this development, and that does so in a way that limits ratepayer exposure to Project costs, preserves all regulatory reviews, and ensures that the Project's fate is decided affirmatively, rather than through prolonged regulatory uncertainty.

We hope the Board considers the commitments and ratepayer protections identified in this MOU and promptly resolves the pending Rule 60(b) proceeding to clearly conclude this Project remains in the public good. To that end, the Department reiterates its support for the workshop requested by Vermont Gas and stands ready to answer any questions the Board may have pertaining to the substance of the MOU at that time.

Respectfully,


Christopher Recchia
Commissioner

Valentinetti, Angela

From: Ned Farquhar <NFarquhar@vermontgas.com>
Sent: Wednesday, October 21, 2015 1:21 PM
To: Copans, Jon; Coriell, Scott
Cc: Elizabeth Parent
Subject: Draft eminent domain press release
Attachments: 1510 pr em dom final nf.docx

Jon and Scott – Here's a press release we will be putting out in about an hour related to eminent domain for the pipeline project. We will file with the PSB at 2. Main talking points are

- We have reached agreement with 94% of more than 160 landowners
- We deeply appreciate the time, energy, and attention of every affected landowner and every community we are working in
- We have taken every step we can to avoid eminent domain and in some cases are still in negotiation – but the timeline is such that (to avoid increased costs and delays) we must have room to finish eminent domain in those cases where it proves necessary, because our goal remains to complete this project late next year
- Thousands of residents of Addison County and some significant businesses will have access to a new affordable energy choice, and some have already made investments in expectation of the pipeline
- We don't release the names of specific landowners affected by eminent domain
- We are filing nine petitions today, filed two last April (and one settled) so there will be a total of 10, although some current negotiations might also result in agreement and will allow us to withdraw some of today's petition

Call if you have questions!

Ned Farquhar




FOR IMMEDIATE RELEASE
October 21, 2015

**Vermont Gas Reaches Agreement with 94% Percent of
Landowners in Pipeline Corridor**

South Burlington, Vt. – Vermont Gas Systems today announced that it has reached right-of-way agreements with 94% percent of landowners in the right-of-way corridor of the Addison-Rutland Natural Gas Project. This marks a significant increase in landowner agreements since last winter, up from 80% in January 2015.

“I want to extend sincere appreciation to more than 150 landowners who have engaged with our team to reach agreement. We thank them for their time and effort. Our goal has been to work positively with landowners, with respect for them and their interests as we move forward on this clean energy project,” said Don Rendall, President and CEO of Vermont Gas Systems.

Construction of the project on time and on budget, with completion in late 2016, requires acquisition of 100% of the right-of-way in the pipeline corridor. Today, toward timely resolution with all remaining landowners, Vermont Gas filed 9 eminent domain petitions with the Vermont Public Service Board. Vermont Gas will continue negotiating or mediating with landowners who are willing to seek alternatives to the eminent domain process. The right-of-way needed includes access for surveying, construction, and burial and maintenance of the underground pipeline and associated facilities.

The project is on time and on budget. The company’s contractors have almost finished construction planned for summer and fall 2015, and the company expects to complete the entire project through Addison County to Middlebury in late 2016.

Out of respect for privacy, Vermont Gas Systems does not release the names of landowners who may be involved in eminent domain proceedings.

“Eminent domain is a last resort. We must file these petitions now because we are at a critical point with respect to maintaining the project construction schedule and controlling costs,” Rendall said. “Wherever possible, we will continue working with landowners outside the eminent domain process to reach agreements.”

In a letter to the Board, the company acknowledged that more than five months ago the PSB stayed action on eminent domain petitions until it issues a decision on whether to revisit its previous approval of the project.

“We respect and acknowledge the Board’s signal in May that it would stay action on the two petitions we filed in April, one of which has since been resolved. Today’s filing will inform the Board of the status of all remaining landowners. Reaching agreement either through mediation, or as a last resort through eminent domain proceedings, is fundamental to bringing the project to completion,” said James Sinclair, Vice President of System Expansion.

The project will bring a valuable energy choice to 4,000 households, businesses, and institutions such as schools and hospitals in Middlebury, Bristol, Vergennes, New Haven, and other Addison County communities. Natural gas is cleaner and more affordable than heating oil and propane. The company points out that historically more than 80% of potential customers have chosen natural gas where it’s available, including about 95% of possible customers in Burlington.

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About Vermont Gas

Vermont Gas Systems is a leader in energy efficiency and innovation, offering a clean, safe, affordable choice for almost 50,000 homes, businesses, and institutions in Franklin and Chittenden counties. The company plays an important role in Vermont’s clean energy future by displacing higher-emitting fuels and with its award-winning energy efficiency programs. For more information about Vermont Gas visit www.VermontGas.com.

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Valentinetti, Angela

From: Coriell, Scott
Sent: Wednesday, October 21, 2015 2:33 PM
To: 'Ned Farquhar'; Copans, Jon
Cc: Elizabeth Parent
Subject: RE: Draft eminent domain press release

Thanks, Ned.

From: Ned Farquhar [mailto:NFarquhar@vermontgas.com]
Sent: Wednesday, October 21, 2015 1:21 PM
To: Copans, Jon; Coriell, Scott
Cc: Elizabeth Parent
Subject: Draft eminent domain press release

Jon and Scott – Here's a press release we will be putting out in about an hour related to eminent domain for the pipeline project. We will file with the PSB at 2. Main talking points are

- We have reached agreement with 94% of more than 160 landowners
- We deeply appreciate the time, energy, and attention of every affected landowner and every community we are working in
- We have taken every step we can to avoid eminent domain and in some cases are still in negotiation – but the timeline is such that (to avoid increased costs and delays) we must have room to finish eminent domain in those cases where it proves necessary, because our goal remains to complete this project late next year
- Thousands of residents of Addison County and some significant businesses will have access to a new affordable energy choice, and some have already made investments in expectation of the pipeline
- We don't release the names of specific landowners affected by eminent domain
- We are filing nine petitions today, filed two last April (and one settled) so there will be a total of 10, although some current negotiations might also result in agreement and will allow us to withdraw some of today's petition

Call if you have questions!

Ned Farquhar
[REDACTED]