

## OPENING COMMENTS (Final)

6/19/13

Town Forum - Pipeline

Good evening. I'm Bruce Hiland, Chair of the Cornwall Select Board. On behalf of the board thank you for attending. This is a properly warned meeting of the Select Board with a single agenda item - to continue our information gathering by listening to your concerns and questions regarding the natural gas pipeline project proposed by Vermont Gas Systems.

Guests this evening include Don Gilbert, Chief Executive of Vermont Gas Systems and Eileen Simollardes, VP Supply and Regulatory Affairs and members of their staff. Also joining us are Chris Recchia, Commissioner of the Vermont Public Service Department and members of his staff. That PSD is charged with representing the public interest in energy, telecommunications, water and wastewater utility matters. Several members of the press are here as well.

To get started I'll take a few minutes to frame the issues then turn the meeting over to Cy Tall, our familiar and respected Town Meeting Moderator. She will recognize Cornwall residents first and direct questions to the proper responder. If time allows then visitors may speak. We ask that speakers do two things: first, please state your name; second, please limit your questions/comments to 3 minutes. Cy has a timer and gavel. We hope to conclude this meeting no later than 9:00 PM. If necessary we will adjourn to a later date. If you are uncomfortable speaking in public please either email your comments and questions to a member of the Select Board or leave them at Town Hall.

One last procedural point: we will take no official action of any kind at this meeting. We are here to gather information that will help inform us what position we should take if and when VTGas files its application with the Public Service Board for permission to construct the pipeline.

For a productive discussion it's essential to understand the process and procedures that apply. At Town Meeting I summarized the pipeline permitting process, who does what and to whom, along these lines. To build a gas pipeline in VT requires the approval of the Public Service Board. The PSB is a panel of three independent commissioners answering to no one else. They have the authority to issue a Certificate of Public Good – a CPG - to the pipeline company that allows construction. That process starts with the pipeline company – in this case, VT Gas Systems - conceiving a project then researching and planning a specific pipeline route. To select a route the pipeline company works with federal, state, regional and local governments and landowners. Concurrently the pipeline company negotiates with landowners for, first, access to their property for study and eventually for easements to allow actual pipeline construction and maintenance. Once the pipeline company has a detailed plan in hand they officially file their request for a CPG with the PSB. The PSB collects testimony and evidence from the builder and many others, both proponents and opponents. The Vermont Public Service Department submits its position to the PSB on behalf of the State. If the pipeline company wins a CPG and landowner negotiations fail

they may invoke “eminent domain” , a legal process that forces compliance by landowners by compelling sale of the necessary easements.

The Public Service Board approval process is complex, bound by strict rules and very much like a courtroom. Consequently direct participation in PSB proceedings is very expensive because it is “lawyer intensive”. Section 248 of the VT Statutes (available online) and online explanatory materials at the PSB’s website spells it all out if you’d like to see the details. At the local level our board’s responsibility is to advocate for and act in the best interests of the entire Cornwall community. Individual property owners are responsible for addressing their own interests and can do so individually or collectively.

Enough about process – now a quick history of the proposed project impacting Cornwall.

Chapter One: Two years ago Vermont Gas Systems announced the “Addison Project” with the objective to extend natural gas service from Chittenden County south as far as Middlebury. This proposed pipeline extension was consistent with both VTGas’ mission and the State Energy Plan calling for extension of natural gas service down the “western corridor”. The State’s objectives were – and still are - first, to get natural gas to Rutland ASAP, a city in dire need of an economic boost, and, second, to enable linkage to the national pipeline “grid” via NY State.

Chapter Two: The story goes that in March, 2012, International Paper took note of the Addison Project proposal for a natural gas pipeline reaching south to Middlebury. Negotiations began immediately to connect their paper mill at Ticonderoga, NY to that significantly cheaper fuel source. In October 2012 a contract was announced wherein IP would put up \$70MM for the necessary construction. Needless to say that negotiation included an assumed path for the pipeline subsequently revealed as going directly through the Cornwall village center and out Route 74 to Shoreham. Concurrently VTGas coined new names for what had by that deal become two proposed pipelines: the “Addison Project”, that is the original pipeline project to bring natural gas south to Middlebury, was renamed “Phase 1” and “Phase 2” became their name for the pipeline they want to construct from Middlebury through Cornwall and Shoreham under Lake Champlain to International Paper’s mill in Ticonderoga, NY. In the interest of accuracy and to help alleviate the Phase 1/Phase 2 confusion that has developed from here on we will refer to Phase 2 as what it is: the International Paper Transmission Pipeline.

Chapter Three: Last November VTGas met with us to describe their plan. They explained their intent to hold meetings in January and February with community representatives to help determine the actual route for the proposed pipeline. We appointed Jim Duclos, a member of the CPC and subsequently added Abi Sessions, a selector, to their route planning advisory committee.

Their plan then was a route through Cornwall that would provide no local distribution. They estimated annual property taxes starting at about \$200K to be paid based on their reported book value of the constructed pipeline.

The route advisory committee meetings were delayed two months. In the interim we were assured repeatedly that no specific route through Cornwall has been chosen despite evidence to the contrary. Concurrently VTGas filed for a CPG for Phase 1. That filing and other public statements appeared to intentionally blur the distinction between the two pipeline projects raising our concerns regarding future discussions. In parallel with these events the Cornwall Planning Commission and Select Board concluded the update of the town plan including language specifically addressing the possibility of a natural gas pipeline.

Chapter Four: Route planning meetings eventually were held in which VTGas floated several options, none satisfactory to Cornwall. As Board chair I met twice with Mr. Gilbert to directly convey our Board's disapproval and Cornwall's preference for a "southern route" that does not go through Cornwall. This route option emerged when Town of Whiting officials requested that VTGas route the pipeline through Whiting along an abandoned rail right of way. This "southern route" involves extending the main "Phase 1" north-south pipeline approximately 10 miles further south along the eventual route to Rutland and then west through Whiting. VTGas' position was and continues to be that the additional cost – their estimate is approximately \$15MM – is unacceptable. Please note that a substantial portion of that additional cost – perhaps 2/3rds - will be incurred whenever VTGas undertakes to extend service to Rutland. So paying for that pipeline section is simply a matter of timing

In the late winter and early spring VTGas began holding public information meetings in Middlebury and Shoreham. Our position was that before such meetings would be held here Cornwall residents deserved complete information about a proposed route with which to consider the project and in turn to assess VTGas' information and assurances.

Current Chapter – a work in progress: As many of you know, at a recent Select Board meeting VTGas proposed a route through Cornwall which they believe respects the provisions of our updated Town Plan. They also announced that they would offer natural gas service to "60 to 70 locations" in Cornwall adjacent to the pipeline, a figure that was recently modified to "about 100" locations. VTGas says it plans to file its Phase 2 request with the PSB in the fall to build the International Paper Transmission Pipeline. Cornwall and other involved parties will be informed at least 45 days before the filing date.

Your Select Board considers the construction of a high-pressure natural gas transmission pipeline through our community as effectively a "forever" decision not simply a "here and now" project. We are mindful of the potential costs and uncertain outcome of engaging in prolonged legal wrangling. We understand that the decision to build the pipeline may turn out to be out of our hands.

Our current position remains that we prefer the "southern route" but that we will continue to inform ourselves and consider all reasonable options until we believe we have sufficient basis for a final decision, most likely in September.

To that end we and our Town Attorney are monitoring the PSB's handling of Phase I, the VTGas pipeline extension to Middlebury, for accurate information regarding the connection between that project and the International Paper Transmission Pipeline. Two Cornwall community members, one with a career in the gas pipeline infrastructure business and the other an experienced energy company executive, have already offered invaluable expertise. To our great good fortune we have a Cornwall resident attorney with expertise in the utility industry and the PSB process who is working closely with us.

To sum up – the question before us is “What does Cornwall want?” The State of Vermont has an Energy Plan that says we want to get gas to Rutland ASAP. Up to this point the State seems content to consider running a transmission pipeline through Cornwall as an acceptable element of accomplishing that goal. VTGas wants a big customer that will increase its revenue by 30% a year and, most importantly, fund its continued expansion to the south. International Paper has been shy on its “wants” so let me highlight what we can infer. Our research indicates that for International Paper's Ticonderoga plant a switch from #6 fuel oil to natural gas at current prices produces savings conservatively estimated at \$20MM per year! You will quickly calculate that's not a bad payback on a \$70MM investment. Also, the vaguely stated benefits to “the regional economy” and “preserving jobs and job security” at the Ticonderoga facility are contradicted by International Paper's 149 page power point “road show” presentation last month to its institutional investors. That presentation confirms that IP has eliminated under-performing facilities, that energy costs are only 15-20% of their paper production cost profile. In a separate announcement they confirmed that the most important criteria for a paper plant is location relative to fiber source, an obvious Ticonderoga advantage. Not incidentally the \$20MM per year savings go directly to their corporate coffers. Were IP committed to sharing perhaps half those savings with employees or for plant expansion their “wants” might have more weight.

While the original “Addison Project” pipeline - now called Phase 1 - seems a legitimate extension of utility services to a substantial portion of the state, the International Paper Transmission Pipeline seems by any reasonable measure strictly a money deal. VTGas acknowledged this at the recent Select Board meeting explaining that their corporate interest is to use their financial gain from their project to finance a more rapid expansion to Rutland.

So the International Paper Transmission Pipeline is about improving the profitability of the two proponents, VTGas and International Paper. VTGas would get a very big customer and additional infrastructure to include in its rate base in perpetuity, regardless of whether IP remains a customer. For its part, International Paper would save enough on fuel to justify picking up a \$70MM tab for the construction.

I will close by reminding you that any and all agreements you and the Town may make will be between institutional entities, not people. Whether you like

the person you may be dealing with doesn't matter, it's what the words say on paper. Lastly, keep in mind the fact that each enterprise has a fiduciary responsibility to their respective shareholders to maximize the value of their assets.

That's the bottom line.

What does Cornwall want?