Vermont Gas

Addison Natural Gas Project: Phase II

February 2013

Project Description

The Addison Natural Gas Project will deliver a more cost-effective and cleaner energy source to consumers. Phase I of the project is a 41-mile natural gas transmission line from Colchester to Addison County that will initially serve the Vermont communities of Middlebury and Vergennes. This $90 million stand-alone transmission project will be completed in 2014.

Phase II of the project extends the transmission pipeline 24-miles from Middlebury through Cornwall and Shoreham to Ticonderoga, New York, where it will supply the International Paper mill. This project will be completed in 2015 at no financial cost to Vermont residents or Vermont Gas customers. The Phase II project also brings the transmission line further south thereby allowing Vermont Gas to serve Brandon and Rutland sooner than previously planned.

Project Benefits

For the Phase I project, this will reduce Vermont's greenhouse gas production by 300,000 tons over 20 years. As natural gas is less expensive than oil, the Phase I project will save Addison County consumers $200 million over 20 years. Natural gas also produces 25 percent fewer carbon dioxide emissions when compared to oil. Phase II will result in significant greenhouse gas reductions at International Paper's Ticonderoga mill.

Pipeline Safety

The high-strength steel transmission line will meet or exceed all state and federal safety codes. The pipeline is designed to resist seismic and frost-heave forces and will withstand urban and rural road conditions. It will be specially coated and cathodically protected to resist corrosion and will have a practical lifespan of at least 100 years. Pipeline fabrication follows industry best practices and third-party inspectors will ensure that all safety criteria are met during the installation processes. The pipeline will be welded together in the field with all welds being x-ray inspected. In addition, the pipeline will be pressure tested to 150% of its maximum operating pressure to ensure integrity. Following installation, the pipeline will be regularly monitored and inspected to ensure ongoing pipeline integrity, again, in a manner that meets or exceeds state and federal safety codes.

Vermont Gas is a member of the regional "Dig Safe" organization which notifies Vermont Gas of all pending excavations near the transmission pipeline. Upon receiving notice of a project in the vicinity of the pipeline, Vermont Gas will mark the pipeline location and work with the excavation crews to ensure pipeline integrity.

Permitting

Vermont Gas will meet all local, state and federal permit requirements for this project. In Vermont, this includes the Public Service Board's (PSB) Section 248 process. Phase I permitting is underway and we plan to initiate the PSB process for Phase II in July of 2013.

The PSB is a quasi-judicial agency that regulates utilities in the state of Vermont. Before beginning site preparation or construction of the pipeline, Vermont Gas must secure a Certificate of Public Good from the PSB. The 248 process is well established with clear milestones. It begins with a petition filed by Vermont Gas and concludes with a final decision of the PSB. Along the way there are multiple hearings, a site visit and various rounds of testimony.

When determining a project's merits, the PSB considers whether the proposed project meets 10 statutory criteria, including site-specific environmental criteria, in addition to general issues such as need, reliability and economic benefit. For more information, please see the "Citizens Guide to the Vermont Public Service Board's Section 248 Process". A link can be found on our website (www.addisonnaturalgas.com).

For Phase II, and in parallel with securing Vermont permits, we will also apply for project permits from the Federal Energy Regulatory Commission, as well as New York's regulatory agencies, including the Department of Environmental Conservation and Public Service Commission.

Pipeline Route Selection

Routing a pipeline calls for the balancing of a number of factors, including environmental, archeological, land-owner access, community input and constructability considerations. At present, we are in the preliminary stages of reviewing alternatives for a Phase II route in conjunction with a community engagement process. We hope to shortly begin that conversation with you.

As a result of this dialogue, a final route will be selected and reviewed with town representatives. This route will then form the basis of our filing for a Certificate of Public Good, under Act 248, with the Vermont Public Service Board in late July 2013.

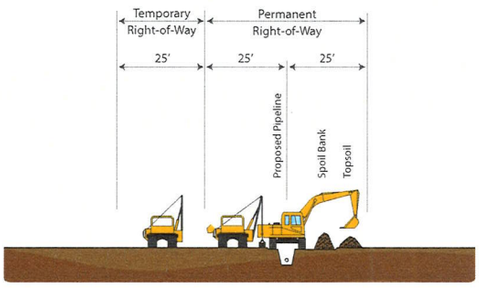
The Construction Process

The pipeline will be constructed following the proposed sequence:

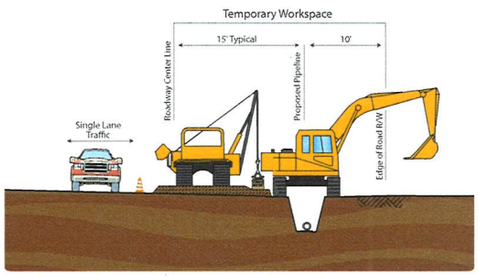
1. **The route is cleared and temporary work areas are prepared.**
2. **Perimeter erosion control measures, such as silt fences and hay bales, may be installed to control sediment.**
3. **A four foot wide trench is dug to a depth of approximately five feet, and soil from the trench is stockpiled.**
4. **Pipe lengths are welded together, inspected, laid in the trench and then the trench is backfilled.**
5. **The landscape is restored to as close to pre-construction conditions as possible, in accordance with permit requirements.**

We use two different construction techniques depending on if the pipeline is being installed in the open country right of way or along the road shoulder. As shown on these two figures, the open country construction technique takes place within a 75' right of way (25' temporary and 50' permanent). For construction in the road, that right of way is narrowed to approximately 25' to allow for passage of vehicular traffic and to reduce construction impacts.

Open Country Construction



Along Road Shoulder



Community Engagement

Both Vermont and New York promote public engagement through their permitting processes. In Vermont, this information is found at the Public Service Board's website (psb.vermont.gov). New York's public comment guidelines can be found at www3.dps.ny.gov. Vermont Gas maintains a comprehensive website (www.addisonnaturalgas.com) which contains current project information. We will work with the Town's to ensure that accurate project information is communicated on a regular basis. In addition, Vermont Gas is more than willing to meet with individuals or community groups as part of the route selection, permitting, construction and operation phases of this project.

Environmental and Archeological Resources

The protection of environmental and archeological resources is an important component in the pipeline project. As part of route selection, field studies are conducted by environmental and archeology professionals to develop a thorough understanding of the local geography and the associated natural resources. After land owners are notified, this initial work consists of walking the area and recording visual observations.

At this point, no physical samples are taken although the crews may leave behind small, temporary markers identifying their route and particular features.

Physical samples may later be required to better understand a particular resource. In this case, field crews will be in direct contact with individual land owners to obtain permission prior to accessing their property. These survey results will be included in the route selection and permitting process.

Route Impacts

Pipeline construction calls for excavations within the right-of-way corridor. These excavations carry with them unavoidable impacts, including, on occasion, the need for trees to be trimmed or cut. Vermont Gas recognizes the strong feelings that some citizens may have regarding pipeline impacts and we will work hard to satisfy their concerns when possible. Following the installation of the pipeline, there are restrictions on placing new buildings or structures in the immediate vicinity of the pipeline. In general, there are no restrictions on farming activities post-construction.

International Paper

International Paper's Ticonderoga Mill is located on the shore of Lake Champlain in New York, less than one-half mile from Vermont. More than 15% of the wood supplied to the mill comes from sustainably-managed Vermont forests. The mill has 600 employees and an additional 700 independent loggers and truckers from New York and Vermont who directly earn a living by providing wood and fiber to the mill.

After the Addison Natural Gas Project was launched, International Paper contacted Vermont Gas as conversion to natural gas as a primary purchased fuel will lower energy costs for the mill and significantly reduce greenhouse gas emissions. Vermont Gas has entered into an agreement with International Paper to provide gas to the mill in 2015 at no cost to Vermont residents or Vermont Gas customers.

Lake Champlain Crossing

Approximately one-half mile of the transmission line to Ticonderoga will be installed within the bedrock underneath Lake Champlain by a technique called directional drilling. This technique is standard industry practice. Vermont Gas has successfully used this method on several occasions, and it will allow the pipeline to cross the lake without any disturbance to the shoreline or lake bottom.

Next Steps - Phase II

Vermont Gas is in contact with the towns of Cornwall, Middlebury, Shoreham and Ticonderoga and is working to schedule an open house and/or a public meeting in these communities to share information on the project, hear your thoughts and answer questions that you may have. We would plan on these meetings taking place in February and March of 2013 to support a petition to the PSB in July of 2013.

Additional Information

If you have any questions or comments, please do not hesitate to contact Steve Wark, Project Director, at (802) 951-0399 or addison@vermontgas.com. We also welcome visitors to our website: www.addisonnaturalgas.com.

February 12, 2013