

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 20-0384-PET

Petition of Vermont Gas Systems, Inc. for approval of an out-of-state renewable gas purchase contract with a term exceeding 5 years pursuant to 30 V.S.A. § 248(i)	
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Order entered: 03/05/2020

ORDER OPENING INVESTIGATION AND NOTICE OF SCHEDULING CONFERENCE

I. INTRODUCTION

On February 10, 2020, Vermont Gas Systems, Inc. (“VGS” or the “Company”) filed a petition (“Petition”) with the Vermont Public Utility Commission (“Commission”) seeking the approval of an out-of-state renewable natural gas (“RNG”) purchase contract with U.S. Venture Inc., which sources RNG principally from the Dubuque Water and Resource Recovery Center in Dubuque, Iowa—a wastewater treatment facility.

On September 6, 2017, in Docket 8667, the Commission approved the Company’s establishment of an RNG program that established a framework for VGS to offer its customers the option to purchase RNG as a portion of their natural gas usage.¹

In today’s Order, the Commission initiates an investigation into the Company’s RNG purchase contract with U.S. Venture. Section 248(i) of Title 30 requires that the Commission complete its investigation and make an approval determination within 120 days of the Petition’s filing, or June 9, 2020. We also assign a hearing officer for the investigation and direct that a scheduling conference be held on Monday, March 16, 2020, to ensure that we can make a final approval decision in a timely fashion. The scheduling conference will be held at 1:30 P.M. in the Susan M. Hudson Hearing Room, People’s United Bank Building Third Floor, 112 State Street in Montpelier, Vermont.

¹ *Petition of Vermont Gas Systems, Inc. for a Renewable Natural Gas Program and Optional Tariff*, Docket 8667, Order of 9/6/17.

Pursuant to 30 V.S.A. §§ 20 and 21, the Company will be responsible for court reporter costs incurred by the Commission during the course of this proceeding and billed back to the Company.

II. PROCEDURAL HISTORY

On June 28, 2019, the Company filed a gas supply overview that included an annual RNG report.

On February 10, 2020, the Company filed the Petition.

On February 27, 2020, the Vermont Department of Public Service (“Department”) filed comments in response to the Petition. The Department recommends that the Commission approve the Petition because “the Department supports measured steps by VGS to foster greater development of renewable gas through its customer base.”² The Department asserts that “the RNG contract at issue represents a relatively small volume of VGS’s overall supply” and that “VGS customers can switch to propane or another fuel if RNG becomes too expensive.”³

III. DISCUSSION

In Docket 8667, the Commission approved the Company’s proposal to establish the framework of a program to make RNG available to its customers. VGS proposed the RNG program in response to a condition of approval in Docket 7970. In Docket 7970 the Commission approved construction of the Addison Natural Gas Pipeline and, after making findings, required the Company to propose a program to promote bio-methane development:

Bio-methane is a renewable fuel produced by the digestion of organic matter that is identical in composition to natural gas. There is at least one bio-methane initiative planned that is expected to provide energy to Vermont customers. The proposed expansion of natural gas transmission service provides a market for this fuel.⁴

The [Addison Natural Gas Pipeline] Project provides a market for renewable bio-methane. While the known resources are only estimated to be 1 percent of Vermont

² Department’s Comments at 3.

³ *Id.*

⁴ *Petition of Vermont Gas Systems, Inc., for a certificate of public good, pursuant to 30 V.S.A. Section 248, authorizing the construction of the "Addison Natural Gas Pipeline" consisting of approximately 43 miles of new natural gas transmission pipeline in Chittenden and Addison Counties, approximately 5 new distribution mainlines in Addison County, together with three new gate stations in Williston, New Haven, and Middlebury, Vermont, Docket 7970, Order of 10/23/13, at 72.*

Gas' sales, the Project can foster more of these opportunities, both geographically and with respect to increased market demand, thereby reducing the amount of fossil fuels used in the state.⁵

A number of farms have installed digesters and generators to convert the bio-methane into electricity, rather than allowing it to escape into the atmosphere. Other farms have not taken this step, principally due to their smaller size. With the expansion of VGS's system, it is possible that VGS could extend distribution pipes to these farms, allowing cost effective collection of the bio-methane that has been produced. Accordingly, we condition our approval of the [Addison Natural Gas Pipeline] Project on VGS developing a proposal to foster bio-methane projects in Addison county.⁶

In consultation with the Department, VGS shall file a petition with the Board proposing a program to promote bio-methane project development.⁷

The RNG program approved in Docket 8667 reflected the Commission's direction in Docket 7970. The features of the RNG program include:

- The RNG program is entirely voluntary. Under the program, retail customers would voluntarily purchase RNG in amounts equal to 10%, 25%, 50%, or 100% of their total monthly requirements at specified prices per hundred cubic feet as an adder to other retail charges. Customers could terminate RNG purchases upon providing three days of advance notice to VGS.⁸
- Each year the Company will file an RNG report with the Commission and the Department.⁹
- After the first three years, the Company will initiate a review of the RNG program by the Commission, Department, and others.¹⁰
- The Company has an RNG Quality Assurance Plan for testing and monitoring to ensure that RNG injected (via in-state and Canadian RNG producers) into the

⁵ *Id.*

⁶ Docket 7970, Order of 10/23/13, at 78-79.

⁷ *Id.* at 147; *see also* Docket 7970, Certificate of Public Good of 10/23/13, at 147.

⁸ Docket 8667, Order of 9/6/17 at 5.

⁹ *Id.* at 7. VGS states that these annual reports were filed in June 2018 and 2019.

¹⁰ *Id.* at 5. VGS projects this review occurring in March 2021, three years after the Commission approved VGS's first RNG tariff on 3/8/18 in Case No. 18-0313-TF.

VGS system is pipeline quality and meets the specifications of the TransCanada Pipeline transportation tariff for bio-methane gas quality.¹¹

- The RNG program proposed by VGS and supported by the Department seeks to offer ratepayers the option to purchase renewable energy as part of their individual energy-use portfolio.¹²
- In May 2019, the Company purchased 33,790 MMBtus¹³ from the Dubuque Water and Resource Recovery Center delivered to VGS at Dawn, Ontario.¹⁴
- The voluntary RNG program is currently supplied by two contracts, one with BP Canada that ships the RNG via the TransCanada Pipeline into the VGS pipeline where it is comingled with regular natural gas, and a second with Salisbury AD 1, LLC, an RNG facility in Salisbury, Vermont.¹⁵
- The RNG program is rate neutral to VGS and its non-RNG customers.¹⁶

The Petition reflects the Company's efforts to comply with the Commission's direction to make the RNG program "sustainable and continue to evolve, ensuring significant contributions toward meeting the State's renewable energy goals and reducing the consumption of fossil fuel."¹⁷ The contract addressed in the Petition supports an RNG program that is evolving beyond what was specifically approved in Docket 8667, and includes:

- A supply of RNG that will not only meet voluntary program commitments when the two existing contracts cannot do so, but will also begin filling VGS's base supply with RNG paid for by all the ratepayers in a measured, incremental manner at about 2% per year.¹⁸
- Supporting the development of out-of-state RNG projects rather than the in-state projects envisioned in Dockets 7970 and 8667.¹⁹

¹¹ *Id.* at 6.

¹² Docket 8667, Order of 9/6/17, at 6.

¹³ 1 MMBTU = 1 million British Thermal Units.

¹⁴ 2019 Annual RNG Report at 8.

¹⁵ *Id.*, and VGS Renewable Natural Gas Program Manual, updated 8/20/19, at 2-4.

¹⁶ *Petition of Vermont Gas Systems, Inc., for approval of a new tariff implementing the Renewable Natural Gas program*, Case No. 18-0313-TF, Order of 3/8/18.

¹⁷ Docket 8667, Order of 9/6/17, at 11-12.

¹⁸ Todd Lawliss, VGS ("Lawliss") pf. at 5.

¹⁹ Lawliss pf. at 6.

- The purchase of out-of-state RNG attributes, which are like electrical renewable energy credits. Unlike the injected RNG currently supporting the voluntary RNG program, the out-of-state RNG need not and may never enter the VGS pipeline. The out-of-state RNG will enter a pipeline system to be used by others with VGS being credited for the RNG attributes.²⁰
- U.S Venture's supply of RNG comes from not only the Dubuque Water and Resource Recovery Center but may also come from alternate out-of-state facilities with verified RNG supply.²¹
- Innovative marketing and accounting wherein VGS and U.S. Venture use a new peer-to-peer virtual platform for RNG delivery and verification. The RNG market is very new and the development and separate marketing of RNG attributes is also new.²²
- The RNG supply needed to meet VGS's plans to gradually add RNG to VGS's base supply. VGS's upcoming Integrated Resource Plan will address how the Company can reduce greenhouse gases by 30% by 2030 by increasing RNG to 20% of VGS's overall retail portfolio.²³

While these new features of the RNG program may provide significant improvement, we have not yet fully reviewed these changes and are therefore ordering an investigation.

IV. CONCLUSION

As we stated in both Docket 7970 and 8667, the Commission is committed to supporting the use of RNG in Vermont to meet the State's renewable energy goals and to reduce the consumption of fossil fuel. However, we need additional information before expanding the currently approved RNG voluntary program to include impacts on all VGS ratepayers.

We concluded our discussion approving the voluntary program in Docket 8667 by stating:

We emphasize the importance of the successful implementation of the RNG program in helping to meet the State's renewable energy policy objectives. The

²⁰ Lawliss pf. at 7.

²¹ *Id.*

²² *Id.*

²³ *Id.* at 5

annual report on the implementation of the RNG program will serve as a valuable tool to assess that progress. . . . In assessing its program, we expect VGS to revisit and report on the feasibility of incorporating RNG as a portion of its supply mix in the future. It is important for VGS's RNG program to be sustainable and continue to evolve, ensuring significant contributions toward meeting the State's renewable energy goals and reducing the consumption of fossil fuel. Accordingly, it is critical that the annual report and the three-year comprehensive review address not only the effectiveness of the program but also its affordability and the feasibility of other policy options to advance the production and use of RNG in Vermont.²⁴

The Company has filed some information in the Petition and its associated testimony and exhibits. Also, the two-page annual RNG report filed on June 28, 2019, as part of VGS's gas supply overview provides additional information of use to us in this review, but more is needed. And while we look forward to the Company's upcoming Integrated Resource Plan proceeding and the March 2023 delivery of a comprehensive report on the RNG program, neither of those activities can provide us the information we need now to make our determination as to whether to approve the Company's contract with U.S. Venture Inc.

Therefore, we are initiating this investigation. We do not want to move ahead and commit non-volunteer ratepayers to the unknowns of the nascent RNG market until we know how the RNG program is working now and the ratepayer impacts of this program. At a minimum, we anticipate the opportunity to address the annual RNG reports and hope for an early look at the Company's filings in the Integrated Resource Plan proceeding and, if possible, an interim look at the three-year comprehensive RNG program report.

V. ORDER

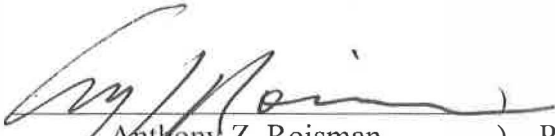
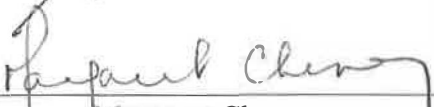

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Public Utility Commission ("Commission") of the State of Vermont that:

1. Pursuant to 30 V.S.A. § 248(i), an investigation is opened into the renewable natural gas supply contract with U.S. Ventures, Inc. entered into by Vermont Gas Systems Inc.
2. Pursuant to 30 V.S.A. § 8, Michael Tousley, Esq., Staff Attorney, is appointed to serve as the hearing officer to conduct the proceedings in this matter.

²⁴ Docket 8667, Order of 9/6/17, at 11-12.

3. Pursuant to 30 V.S.A. § 10, a scheduling conference will be held before the hearing officer on March 16, 2020, commencing at 1:30 P.M. in the Susan M. Hudson Hearing Room, People's United Bank Building Third Floor, 112 State Street in Montpelier, Vermont.

Dated at Montpelier, Vermont, this 5th day of March, 2020.

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Anthony Z. Roisman)	PUBLIC UTILITY
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)	
Margaret Cheney)	COMMISSION
)	
)	
Sarah Hoffmann)	OF VERMONT

OFFICE OF THE CLERK

Filed: March 5, 2020

Attest: 
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

PUC Case No. 20-0384-PET - SERVICE LIST

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