

STATE OF VERMONT
PUBLIC SERVICE BOARD

Petition of Vermont Gas Systems, Inc. for)
change in rates, and for use of the System)
Reliability and Expansion Fund in connection) Docket No. _____
therewith)

VERMONT GAS SYSTEMS, INC.
PETITION FOR TARIFF CHANGE AND FOR USE OF THE
SYSTEM EXPANSION AND RELIABILITY FUND

Now comes Vermont Gas Systems, Inc. (“VGS” or “Vermont Gas”) and, pursuant to 30 V.S.A. § 225, states as follows:

1. Vermont Gas is a Vermont corporation providing natural gas service by pipeline in the State of Vermont, and is subject to the regulatory and rate-setting authority of the Vermont Public Service Board (“Board”). 30 V.S.A. §§ 203, 209, 225.

2. As indicated in the attached testimony and exhibits, Vermont Gas requests approval for a change in non-gas rates that, based on the current forecast of gas costs, is expected to limit the increase to customers’ overall firm rates to 1.9%. This proposal is based on VGS’s revenue requirement, strategic use of the System Expansion and Reliability Fund (“SERF”), a limit on VGS’s Return on Equity (“ROE”), and VGS’s proposal to forego collection of \$1.15 million in revenue in order to limit the firm non-gas rate increase to 4%. Combined with the current forecast of natural gas costs to be in effect during the Rate Year (October, 2017 to September, 2018), the overall increase in firm rates is 1.9%.

3. This rate request impacts the non-gas component of VGS’s firm rates, which includes the daily access and distribution charges (“Base Rates”). Base Rates are determined by VGS’s proposed Cost of Service (“COS”) based on a historic test year (12-month period ending

December 31, 2016) with appropriate adjustments to reflect known and measurable costs during the Rate Year.

4. In this case, VGS's COS reflects appropriate known and measurable adjustments and other proposed adjustments designed to maintain competitive rates and mitigate rate impacts on VGS's customers while ensuring safe, reliable service to its customers. VGS's COS supports a revenue requirement of \$129.1 million in the absence of any SERF withdrawal. VGS proposes to reduce the impact to customers' Base Rates in several ways.

5. First, VGS requests approval for withdrawal of \$12 million from SERF. In 2011, the Board approved creation of the SERF to facilitate system expansions and required Board approval before use of any SERF funds. *Request of Vermont Gas Systems, Inc. to establish a System Expansion and Reliability Fund, etc.*, Docket No. 7712 (Vt. Pub. Serv. Bd. Sept. 28, 2011). Board-approved SERF withdrawals are intended to smooth and mitigate rate impacts associated with system expansions such as VGS's Addison Natural Gas Project ("ANGP"). VGS's proposed SERF withdrawal achieves this purpose by reducing VGS's COS, which includes ANGP costs, from \$129.1 million to \$117 million. This would result in a firm non-gas rate increase of 6.4%; however, VGS proposes additional steps to mitigate rate impacts.

6. Second, Vermont Gas proposes to limit the increase in non-gas rates to 4% by foregoing collection of approximately \$1.15 million that is supported by its COS.

7. Third, VGS's ROE is limited to 8.5%—a reduction of approximately 120 basis points from the ROE requested in Docket 8710—consistent with the Memorandum of Understanding between the Department of Public Service and VGS pending Board-approval in Docket 8710 ("Docket 8710 MOU").

8. Finally, including the natural gas charge, customers can expect a moderate increase to overall firm rates, limited to 1.9%. The natural gas charge is governed by the Purchase Gas Adjustment (“PGA”) under VGS’s Alternative Regulation Plan approved in Docket 8698, including the recovery of weather-normalization amounts. Projected natural gas costs are mitigated as a result of completing the transition from a long-haul to a short-haul capacity portfolio, which results in lower TransCanada PipeLines Limited (“TCPL”) tolls.

9. For the foregoing reasons, and as set forth in more detail in the prefiled testimony of Vermont Gas witnesses, in accordance with 30 V.S.A. § 218(a), the rates contained in the enclosed tariffs are just and reasonable, and VGS’s proposed adjustments to Base Rates, including the requested use of SERF, promotes the public good.

10. Consistent with 30 V.S.A. § 225(a), the proposed tariffs incorporate an effective date of April 2, 2016, which is 45 days after filing. Vermont Gas requests that the Board suspend the effectiveness of the proposed tariffs pursuant to Section 226(a), with implementation occurring on November 1 after the Section 227(a) seven-month review period. This request is consistent with the expected review and timeframe for implementation of new rates contemplated by Vermont Gas and the Department of Public Service in the Docket 8710 MOU.

11. In accordance with Rule 2.402(A), VGS includes the following documents:

- a. Official and marked versions of the proposed tariffs;
- b. Prefiled Testimony and Exhibits of Eileen Simollardes, Lauren Hammer, John St. Hilaire, Ashley Wainer, and Todd Lawliss; and
- c. Notices of Appearance.

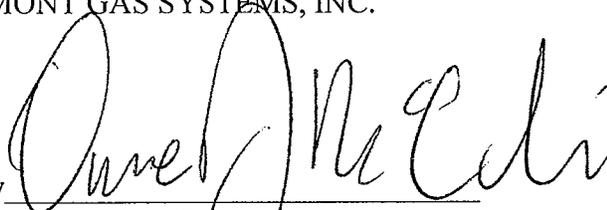
Wherefore, Vermont Gas requests that the Board:

1. Immediately suspend the effectiveness of the revised rates;

2. Schedule a prehearing conference on Vermont Gas' Petition and issue an order establishing procedural requirements, including the scheduling of technical hearings, as may be appropriate for the Board's review of the rate filing;
3. Make findings of fact and conclusions of law with respect to the matters set forth in this Petition;
4. Issue an order approving the revised rates to be effective November 1, 2017 and approving use of the SERF in the manner requested; and
5. Take such other actions as in the Board's judgment are necessary or advisable in connection with this Petition.

DATED at Burlington, Vermont this 15th day of February, 2017.

VERMONT GAS SYSTEMS, INC.

By 

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