STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 22-2230-PET

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

THE DEPARTMENT OF PUBLIC SERVICE’S RECOMMENDATION

On June 13, 2022, Vermont Gas Systems, Inc. (“VGS”), filed a petition for approval of a renewable natural gas (“RNG”) contract, pursuant to 30 V.S.A. § 248(i). VGS’s petition represents that it proposes to enter into a contract for the purchase of RNG from Archaea Energy Marketing LLC from Archaea’s Seneca Landfill RNG plant in Waterloo, New York (the “Contract”). It further states that the RNG purchased under the Contract will be sold to VGS’s firm-tariff customers through both voluntary RNG tariffs and the overall retail supply through the Purchased Gas Adjustment under its Alternative Regulation Plan. VGS asserts that the Contract’s minimum RNG purchase volume and option to increase the RNG volume each year would secure 50 percent of the non-fossil gas required for VGS to meet its 2030 supply goal.

30 V.S.A. § 248(i) provides that no company may invest in a gas-production facility located outside the State or execute a contract for the purchase of gas outside the State for a period exceeding five years without the approval of the Vermont Public Utility Commission (the “Commission”).

To date, RNG has been sold through VGS’s voluntary tariff where customers opt-in at an additional cost. RNG procured under the proposed Contract would be sold to voluntary customers and likely, for the first time, incorporated into the overall retail supply that all customers receive.

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1 Prefiled Direct Testimony of Todd Lawliss, Case No. 22-2230-PET at 5 (June 13, 2022).
2 Petition at ¶ 7-8.
in significant quantities. The estimated value of the proposed Contract over the 14.5-year term could range from tens to hundreds of millions of dollars depending on whether VGS exercises its option to increase the RNG volume each year, among other options within the Contract. The scope and scale of the Contract strongly suggests that it should be comprehensively evaluated to better understand the RNG commodity impacts, from ratepayer impact to greenhouse gas mitigation. While VGS is authorized to supply up to two percent of its supply under its Alternative Regulation Plan, that authority is not without regulatory oversight. It is necessary for the Department of Public Service (the “Department”) to review the details of this proposed long-term Contract through an investigation to ensure its terms promote a least-cost means for VGS to advance the state’s renewable energy commitments and greenhouse gas reduction.

VGS’s most recent Purchased Gas Adjustment was for an overall firm rate increase of 9.9%. Additionally, VGS states that “increasing overall RNG usage by 2% of total retail sales each year results in an average incremental annual increase to overall rates of 2.6%.” The scale and scope of the Contract has the potential for significant and sustained impacts to ratepayers. In contrast, the Contract provides VGS the option to either take delivery or sell a portion of the renewable attributes associated with the contracted RNG volume into federal and state renewable transportation fuel markets and use that revenue margin to significantly reduce overall costs – to the point where this Contract could also provide downward pressure on rates. Furthermore, the Contract would affect the amount of renewable gas VGS could claim within its system. Credits from Federal Renewable Fuel Standard and other state-level Low Carbon Fuel Standard markets

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3 Prefiled Direct Testimony of Todd Lawliss at 8.
4 Case No. 22-1975-TF.
5 Prefiled Direct Testimony of Todd Lawliss at 7.
6 Prefiled Direct Testimony of Thomas Murray, Case No. 22-2230-PET at 6 (June 13, 2022).
would be a new and developing revenue stream to VGS that has not been previously evaluated by the Department or Commission.

Through productive informational exchanges between VGS and the Department following the submission of this petition, the Department acknowledges a range of potential greenhouse gas and net pricing outcomes exist for this Contract based on factors within and outside of VGS’s control. Pursuant to VGS’s approved 2020 Integrated Resource Plan incorporating the memorandum of understanding with the Department, “VGS will include a discussion of the steps taken to develop and apply a valuation of greenhouse gas emissions framework to inform resource procurement decisions in the next IRP and apply to any investment decisions in the interim.” An investigation will provide an opportunity for the Department and VGS to consider a range of possible outcomes and the associated cost to avoid carbon emissions from this Contract relative to other sources of RNG.

The Department commends VGS’s proactive steps to further its support of the state’s renewable energy and greenhouse gas reduction commitments. The Department recommends an investigation to carefully evaluate the Contract and ensure the benefits of VGS’s efforts are delivered to Vermont ratepayers in a least-cost manner, consistent with 30 V.S.A. § 218c.

DATED at Montpelier, Vermont this 5th day of July 2022.

Respectfully Submitted,

VERMONT DEPARTMENT OF PUBLIC SERVICE

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7 VGS-Department Memorandum of Understanding, Case No. 21-0167-PET at 4(d) (May 14, 2021).