STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. _________

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)	

DIRECT TESTIMONY OF
TODD LAWLISS
ON BEHALF OF VERMONT GAS SYSTEMS, INC.

June 13, 2022

SUMMARY OF TESTIMONY

Mr. Lawliss's testimony sponsors VGS's contract for the purchase of Renewable Natural Gas with Archaea Energy Marketing LLC. He describes the contract documents and key terms and discusses potential rate impacts, cost-effectiveness, and least-cost planning.

EXHIBITS

Exhibit VGS-TL-1	North American Energy Standards Board Base Contract
Confidential Exhibit VGS-TL-2	Transaction Confirmation

DIRECT TESTIMONY OF

TODD LAWLISS

ON BEHALF OF VERMONT GAS SYSTEMS, INC.

Q1. Please state your name, occupation, and business affiliation.

A1. My name is Todd Lawliss. I am the Manager of Gas Supply at Vermont Gas Systems, Inc. ("VGS" or the "Company").

Q2. Please describe your educational background and pertinent professional experience.

A2. I have a B.S. in Engineering Management from the University of Vermont (1988) and an Associate in Science Degree in Computer Programming from Champlain College (2000). I have been at VGS since 1988 in positions of increasing authority. I took the role of Manager, Gas Supply and Gas Control in January 2015, and in January 2021, I was promoted to my current position.

Q3. Have you previously testified before the Vermont Public Utility Commission ("Commission")?

A3. Yes. I have provided testimony in several Commission proceedings, including VGS's last six rate cases, and I have testified in support of Section 248(i) petitions for approval of long-term natural gas supply contracts, including Case Nos. 18-2154-PET and 20-0384-PET, a VGS petition for approval of an out-of-state renewable natural gas ("RNG") purchase contract.

Q4. What is the purpose of the Company's testimony and how is it organized?

A4. The Company's testimony includes my testimony and testimony from Thomas Murray, Vice President of Decarbonization Technology. The purpose of my testimony is to sponsor VGS's contract for the purchase of Renewable Natural Gas with Archaea Energy Marketing LLC (the "Contract") in support of the Company's Petition. I describe the Contract documents and key terms and discuss potential rate impacts, cost-effectiveness, and least-cost planning. Mr. Murray's testimony describes how the Contract components align with the Company's climate goals in a cost-effective manner that is beneficial to VGS customers.

Q5. Why is VGS submitting this Contract for approval under 30 V.S.A. § 248(i)?

A5. 30 V.S.A. § 248(i) requires approval for all contracts for the purchase of gas from outside the State for resale to firm-tariff customers that are for a period exceeding five years or represent more than 10% of a company's peak demand for resale to firm-tariff customers. This Contract is to purchase gas from outside the State for a term of 14.5 years for resale to firm-tariff customers through the incorporation of RNG in overall retail supply through the Purchased Gas Adjustment as contemplated under our Alternative Regulation Plan ("ARP").[1] Other volumes may be sold to firm or interruptible customers through our voluntary RNG program.[2]

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[1] *See* Exhibit VGS-JMP-5 filed May 21, 2021, in Case No. 19-3529-PET, approved by Commission Order dated Aug. 11, 2021.

[2] *See Petition of Vermont Gas Systems, Inc. for a Renewable Natural Gas Program and Optional Tariff*, Docket No. 8677 (Vt. Pub. Util. Comm'n, Sept. 6, 2017).

Q6. What documents comprise this Contract?

A6. The Contract, like all VGS gas supply contracts, includes a North American Energy Standards Board ("NAESB") base contract, which is the widely used template for terms and conditions in gas contracts. *See* **Exhibit VGS-TL-1**. The Contract also includes a Transaction Confirmation ("TC") that outlines the specifics of actual gas sales and delivery. *See* **Confidential Exhibit VGS-TL-2**. Confidential Exhibit VGS-TL-2 also includes an amendment to the TC with adjustments to timing and delivery.[3]

Q7. Please describe how the NAESB is structured for this Contract.

A7. The NAESB template is a standard industry form, a version of which VGS signs for all of its gas supply arrangements. It has been amended in this instance by the inclusion of "Special Provisions", where VGS and Archaea negotiated several minor modifications to the NAESB that clarify certain procedural aspects of the Contract. The special provisions section also includes VGS's annual audit rights to have the facility and renewable attributes audited, as required by the Commission's Order approving the RNG Program.[4]

Q8. What does the Transaction Confirmation govern?

A8. The Transaction Confirmation includes the Contract term, pricing, nomination obligations, delivery requirements, and other conditions specific to the actual flow of RNG.

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[3] The initial Contract assumed delivery to Parkway, Ontario, but the physical delivery path had yet to be determined when the Contract was executed. We have now executed the First Amendment because, due to available U.S. pipeline capacity, delivery to Dawn, Ontario carries less overall transportation cost. The First Amendment also provides that the Contract will begin 30 days following regulatory approval, rather than on July 1, 2022.

[4] *See Petition of Vermont Gas Systems, Inc. for a Renewable Natural Gas Program and Optional Tariff*, Docket No. 8667 (Vt. Pub. Util. Comm'n, Sept. 6, 2017) at 7.

Q9. Please describe the key Contract terms.

A9. The Contract term is 14.5 years with an option to extend an additional 5 years if both parties agree. Each full year has a minimum contracted volume of 300,000 dekatherm ("DTH")[5], which VGS will purchase from Archaea's Seneca Landfill RNG plant in Waterloo, New York. The initial contract year will be less than half a calendar year, with an approximate contract volume of 130,000 DTH, in order to start each full "contract year" on November 1.[6]

VGS will pay a price per dekatherm for the RNG plus the cost of delivery. The Contract price also has an escalation clause linked to the annual Consumer Price Index. These details are shown on Confidential Exhibit VGS-TL-2.

The Contract has a delivery requirement, under which Archaea will need to secure contractual physical pipeline capacity to reflect delivery to VGS's physical capacity at the Dawn natural gas hub in Ontario. From Dawn, the RNG will be transported on VGS's existing contracted pipeline capacity to our point of connection with TC Energy at the Canadian border between Phillipsburg, Quebec, and Highgate, Vermont.

Each year, prior to June 1, VGS will nominate the volumes that will be delivered to the Delivery Point for use in VGS's supply portfolio, to be sold as part of VGS's voluntary RNG program, or to be consumed through VGS's internal use (building or gate stations). Some portion of the volumes VGS contracts for may also be sold into the renewable transportation fuel market, as described further in Mr. Murray's testimony. Additionally, throughout the life of the Contract,

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[5] One dekatherm is equivalent to 1 million British thermal units or 1 MMBtu.

[6] The Contract's Begin Date is subject to regulatory approval and initial year volumes may be prorated accordingly.

and with appropriate notice as defined in the TC, VGS has the option to increase the contracted volume. Mr. Murray's testimony describes this option as well.

Q10. Why should VGS purchase this supply and why should it commit to a 14.5 year term?

A10. VGS is committed to providing a decarbonized thermal energy future that meaningfully advances Vermont's commitment to reduce greenhouse gas emissions as required by the Global Warming Solutions Act. RNG is a key component of our strategy to reduce our customers' carbon emissions, and this contractual supply for the next 14.5 years is an important element in our ability to supply RNG to customers. This Contract is priced very competitively with our other RNG contracts, and in order to secure the attractive price we have negotiated, Archaea required a term commitment of at least 14.5 years. We are monitoring the developing RNG market closely and are seeing growth in demand as vehicle use of RNG increases and as more gas utilities build their RNG portfolios. We believe the price structure we have negotiated in this Contract is and will continue to be attractive for years to come.

Q11. What are the potential rate impacts associated with this level of commitment to RNG?

A11. The cost per RNG molecule under the Contract is in the mid-range relative to other RNG molecules already in our portfolio, without accounting for the potential benefit of offsetting RNG costs through revenue received from selling RNG in the renewable transportation fuel market. Thus, the rate impact of this supply is consistent with VGS's existing RNG portfolio. Initially, rate impact is limited to 300,000 DTH, which is about 4% of VGS's firm portfolio by volume. If it is fully utilized in the firm portfolio, it would result in an approximate 3.6% increase to VGS's overall firm rates. When accounting for renewable transportation fuel market revenues, this Contract will actually lower VGS's Blended RNG Adder and will have a reduced impact to VGS's overall rates.

Q12. Have you considered this Contract in light of least cost planning obligations under 30 V.S.A. § 218c?

A12. Yes. While RNG remains at a premium to conventional natural gas resources, this Contract is a least-cost means for VGS to advance the State's renewable energy commitments and GHG reductions through our supply choices. Additionally, the volumes at the price agreed upon under this Contract are consistent with the modeling in our 2020 Integrated Resource Plan ("IRP"), which showed potential rate impacts of increased blending of RNG into overall supply.[7] The IRP modeled three scenarios with the overall rate impact of RNG varying for each scenario depending on the price of the RNG, but showed generally 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%. At the time of the IRP, we did not have the volumes under contract that were modeled, but we anticipated that future supply contracts would provide those additional volumes. This Contract, therefore, is an important step in carrying out the RNG plans we set forth in our IRP.

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[7] *See VGS Integrated Resource Plan*, filed Jan. 15, 2021, and approved by the Commission by Order dated Oct. 13, 2021, in Case No. 21-0167-PET.

Q13. Is this a cost-effective opportunity to add RNG to VGS's supply mix for both the voluntary RNG Program and as part of the overall supply mix?

A13. Yes. Blending these Contract volumes into our portfolio will be managed within our ARP RNG 2% annual blending authority, and because this Contract provides RNG competitively priced as it relates to our overall RNG supply mix, this Contract will cause little to no increase in VGS's voluntary RNG adder. The attractive price under this Contract, coupled with the renewable transportation fuel market revenue sharing option, will provide VGS with several RNG supply management tools.

Q14. How will VGS determine and verify the environmental attributes of its RNG supply from this Contract?

A14. VGS will use the same process we established in Docket 8667 for all our RNG supply contracts, which includes an annual review by an Environmental Protection Agency Renewable Identification Number certified consulting group. This company will review the project, the production, the delivery pathway, and title to the attributes to ensure VGS has received all the RNG consistent with our contracts.

Q15. Does this conclude your testimony?

A15. Yes.