DG 15-155
Valley Green Hanover-Lebanon Franchise Petition
Data Requests from Commission Staff
Staff Set 3 to Valley Green Natural Gas, LLC

Date Request Received: 11/20/15 Date of Response: 12/21/15
Request No. Staff 3-2 Witness: James W. Campion, IV

REQUEST:
a) What is the annual projected sales amount necessary for the Company to go forward with the project (ordering equipment and commencing construction)?

b) For each of the first five years, please provide projected annual Dth sales, net income and rate of return.

c) For the utility, what is the anticipated breakeven point in annual sales and in what year does the Company expect to reach the breakeven point? (The year in which revenue exceeds the revenue requirement. Please also identify the year in which the Company first generates a profit.)

Please provide supporting schedules in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

REDACTED RESPONSE:

See also Supplemental Response to Staff 1-7 and related responses to Staff 3-10 and Supplemental Staff 1-2.

a) Valley Green's project is designed to provide [redacted] in response to Supplemental Staff 1-2 also provide projected sales, equipment that will be ordered, and what construction is expected for 2016.

b) [redacted]

		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

c) The break-even point cannot be discussed without first discussing one of the main reasons why Valley Green Natural Gas, LLC was formed: to bring competitive energy alternatives to the Upper Valley. Valley Green presumes Staff is aware of the precipitous drop in crude oil prices that has occurred since Valley Green first meeting with PUC staff in 2012. On the date of that meeting with Staff, the price of Brent crude was $107.86. As of this writing, Brent Crude oil now stands at $37.66 dollars a barrel. Mont Belvieu propane prices in the same time span have collapsed from $1.70 to 38 cents. These fuels are the energy source for the majority of the franchise territory consumer load and are the fuels Valley Green intended to compete with to bring price relief to businesses in the Upper Valley. [redacted]

[redacted]

Valley Green's break-even point is not prolonged by having costs from outside the franchise. Valley Green will be providing service to only local interests in the Hanover and Lebanon area. Its revenue requirement will be based solely on the costs to provide service to customers in Hanover and Lebanon and it will have the benefit of a strong unregulated affiliate. [redacted]

Tom Evslin

From: Jay Campion <jay.campion@gmail.com>
Sent: Friday, December 19, 2014 11:01 AM
To: Tom Evslin
Subject: Thanks

Hi Tom,

Thanks for taking the time to come and visit Hanover and share your company's vision.

And thank you for a lovely lunch. Next visit let me take you to your favorite spot in Stowe.

If you would ever consider a couple of hours of skiing together, I would love to come up and ski Mt Mansfield. It hasn't been since the Nose Dive had seven turns since my last visit but it's been a while and I'd love a quick tour.

As I explained, for several years when I was very young, Stowe was my big mountain experience. For a winter week, my immediate family (8) would share a tiny heated space and a large cold bunkroom with two other families above the wool store. It was a very special time.

My wife Polly, of 44 years and I honeymooned at the Mt. Mansfield trout club where my grandfather and uncle were life long members and where my father worked in the kitchen in his high school summer years. We have a lot of great history and memories associated with your corner of the universe.

Have you looked into aggregating the mountain company energy demand with the mountain road development? I'm sure you've thought of it. A tie in with VT Gas to run the pipe like over in Middlebury?

I understand and agree with your concept of supporting my anticipated base line energy use with CNG. However, a LNG tank and vaporizer sized as a back-up and capable of supporting my peak demand would be a large stranded investment if it wasn't used and the inventory isn't turned over. And, if my location is to be my islands' source for natural gas I will need to have capacity provide back-up storage for everyone, whether it gets to them by pipeline, pressurized tanks or liquid mini-systems.

I think that the new NG Advantage, partnered with Clean Energy, should embrace the strengths of LNG and CNG and integrate both into an overall strategy. For Transit busses and long haulers the fuel is liquid and for all of our islands' fleets, the first choice is compressed. For island scale businesses that can't be practically reached by pipe, case by case evaluation will drive whatever alternate delivery method might work best.

I know I can't run pipe to the UPS HQ in Wilder VT but it is a regional hub and I will find a way unless someone beats me to it.

I guess what I'm saying is that I fully expect to use a supply of both densities and if possible, sell both densities to match island customer need. I will need strategic partnerships with both to do it properly.

Sorry for the length of the email. My irrational exuberance is showing.

I look forward connecting with Dave and seeing how we might collaborate.

Sincerely, Jay

DG 15-155
Valley Green Natural Gas, LLC
Petition for Franchise Approval
Staff Set 1 to Valley Green Natural Gas, LLC

Date Request Received: 8/5/15 Date of Response: 8/17/15
Request No. 1-3 Witness: James W. Campion, IV

REQUEST: Regarding the services to be provided Valley Green by Gulf and TRI-MONT, did Valley Green issue and RFP for services? If so, please provide a copy of the RFP, a description of the responding bids and how the bids were evaluated. If Valley Green did not issue an RFP, please explain why not.

RESPONSE:

Valley Green did not issue an RFP for the services to be provided by either TRI-MONT or Gulf due to the unique nature of its project but pursued a process that was equivalent to an RFP. Pursuing an RFP process wasn't feasible because Valley Green needed to engage development partners before it was in a position to fully define scopes of work for aspects of its project. Also, an RFP is of limited usefulness when the pool of qualified providers is limited, as is the case with gas pipeline engineers and gas supplier-operators.

As to TRI-MONT:

There are very few firms in the New England region that have the capacities and experience required to shoulder the range of engineering responsibilities Valley Green has charged to TRI-MONT. Valley Green originally sought to retain a New Hampshire engineering firm located in the state with the full range of qualifications and experience the project required (specialized experience in gas processing, transmission and distribution via pipeline, and operations and maintenance of process applications, in addition to the full range of civil, mechanical, and environmental engineering services). Valley Green researched the New Hampshire engineering market and identified only two New Hampshire firms as meeting these standards - CHI Engineering and Sanborn Head & Associates. Valley Green contacted both firms to determine their interest. Both firms responded that they were unable to work with Valley Green due to a conflict of interest raised by their work with another gas utility. Because CHI and Sanborn Head were unavailable, Valley Green was forced to look out of state for providers with in-state New Hampshire experience. An additional benefit is that TRI-MONT also serves as a development partner.

As to Gulf:

Valley Green contacted many potential gas suppliers, including GDF Suez, Irving Oil, Clean Energy (truck fueling), Liberty Utilities, UGI Utilities, and Gas Metro and determined it needed the following basic gas supply requirements to best serve its customers:

- Firm pricing over a long period of time (15 years plus) because prospective customers are interested in stability of pricing over time.

- The capacity to supply large volumes of gas when Valley Green reaches full build-out of its distribution network.

- The flexibility to limit any take or pay requirement to accommodate a gradual build-out of the distribution network and use of supplemental fuels.

- Commitment to provide LNG & CNG fleet truck service.

During the course of discussions, Valley Green came to the conclusion that liquefied natural gas (LNG) was better suited to meet Valley Green's needs than compressed natural gas (CNG), for the following reasons:

- LNG has higher energy density than CNG. Accordingly, LNG is easier to store in quantities necessary to meet 7-day storage requirement. Further, because of storage advantages, LNG allows for purchases outside peak demand periods. By contrast, the CNG business model largely relies on just-in-time inventory.

- LNG is more stable in price. CNG prices vary markedly by season.

- CNG equipment would cost more.

- Using CNG would result in much heavier traffic because three times as many truck trips would be needed to deliver the same amount of fuel. Less traffic is a benefit sought by customers and the municipalities.

- During periods when CNG prices are low, Valley Green can augment its LNG supply with CNG as needed. Valley Green is designing its plant to include a CNG takedown station to mix CNG with our vaporized product when it is competitive with its base supply source, LNG. This too required special considerations in the supply contract. It would be harder to do the opposite (supplement a system designed around CNG with LNG).

- Seasonal storage of LNG allows purchase outside.

- Using LNG means Valley Green can lease extra tank space to defray costs.

The best opportunities for LNG supply are from the new liquefaction plants under construction, such as Gulf's. Older LNG facilities are dedicated to other markets or are requiring large take or pay commitments. With everyone adding loads of capacity and new trains from Gulf, Liberty, UGI and others due to come on line in 12-24 months, aggressive pre-selling of that capacity is well underway.

Gulf was willing to commit supply for this project over the long term from a planned 100,000 gallons/day liquefaction train, with a bridge supply agreement until that facility comes on-line. Gulf has offered to dedicate an LNG-powered truck fleet to the project. No other potential suppliers matched this cost-effective commitment.

In addition, other suppliers did not match Gulf's experience with and commitment to on-site operation and maintenance of the system equipment and to lease additional Valley Green LNG tank storage capacity. Gulf is willing to match through an option of first refusal, any offer to spot price Valley Green supply from competitors before the liquefaction "train" comes on line. This price security is attractive.

Valley Green had multiple contacts with Clean Energy prior to its purchase of NG Advantage. NG Advantage's focus, however, was on CNG and vehicle fueling. Valley Green attended a presentation at Clean Energy's office in Concord after it purchased NG Advantage but Clean Energy never followed up with pricing for Valley Green. Clean Energy stated it had access to LNG supply, but the sources were from Tennessee and Ohio and Clean Energy did not own those sources. NG Advantage's closest LNG asset was in Michigan. NG Advantage and Clean Energy continued to push hard for CNG preference for base load and transportation fuel but could supply ample LNG for back-up.

Having surveyed the market thoroughly, Valley Green is confident that Gulf is currently the best match for the benefits Valley Green and its customers are seeking.

Geiger, Susan S.

From: Drew Drummond <ddrummond@cleanenergyfuels.com>
Sent: Wednesday, January 21, 2015 4:45 PM
To: jay.campion@gmail.com
Cc: Tom Evslin; Dave Lavoie; Mark Riley; Peter Stovall
Subject: VGNG LDC and Fueling Station

Jay,

Thanks for taking some time this morning to visit our office and connect with Clean Energy and NG Advantage on the status of your project.

I think that Clean Energy and NG Advantage have a pretty viable solution in terms of sourcing both CNG and LNG for your proposed LDC in the Upper Valley and we'd like to continue our discussions as you move through the NHPUC staff meetings in February and beyond. As Peter Stovall mentioned, we have 22 different LNG sources to pull from throughout the country, many of these might seem too far away, however, the pricing Peter is able to get often outweighs the transportation factor. We will get you pricing when you are ready.

The 'gas island' credibility that NG Advantage has built will go a long ways with the NH PUC in proving this can be done and works well for the end users. The flexibility to offer both fuels competitively should make you and your investors comfortable and be assured you'll have constant attention to your facility. Perhaps a visit to the Middlebury gas island with you and your team and even offering it to the NHPUC would be a good idea.

As for the fueling station side of the business, Clean Energy would like to explore this with you further. We would need to take a look at what you have in mind for the location of the station, the initial footprint we have to work with, and initial drawings/renderings of this project. It is nice to hear the fueling station is already approved and that we'd have to back to the site plan review process for the layout and such. I would also like to get a list of the potential L/CNG fleets in the area to connect with to verify their interest and commitment to moving towards L/CNG if it were available to them. Lastly, we need to put together a letter of agreement to commit resources to this fueling station, I have a document I will prepare and get off to you within the next week so we can move this part of the project along.

If I missed anything please do let me know.

Thank you again for coming to Concord, talk soon.

Drew

Drew Drummond
Business Development Manager
New England
Clean Energy
49 South Main Street, Suite 205 | Concord, New Hampshire 03301
office 603.410.2257 | **mobile** 603.530.2921
email ddrummond@cleanenergyfuels.com

Tom Evslin

From: Jay,campion@gmail.com <jay.campion@gmail.com>
Sent: Friday, May 22, 2015 3:46 PM
To: Dave Lavoie
Cc: Tom Evslin
Subject: Re: Congratulations on your NHPUC franchise filing

Thanks Dave,
Lots of steps to go, but that was a big one.
I have a required prior to SEC filing, publicly noticed information meeting on the 28th. After the first of June my primary focus will be major customer commitments. When we move beyond MOU level conversations, integrating supply options will be in play. Vehicle fueling will likely proceed on a separate track. In either case, I will try to being in NG/clean at the earliest appropriate time.
Thanks for the continued interest.
I will be in touch. Jay
Sent from my iPhone

On May 22, 2015, at 3:01 PM, Dave Lavoie <dlavoie@ngadvantage.com> wrote:

> Is it a good time for us to talk again?
>
> All the best,
> Dave
>
> *David W. Lavoie*
> *Vice President of Business Development*
> *NG Advantage LLC*
> *O - (617) 848-9050*
> *M - (603) 724-1130*
> *dlavoie@ngadvantage.com*
>
> <image001.png>

Tom Evslin

From:	Tom Evslin
Sent:	Monday, June 15, 2015 4:03 PM
To:	'Scott Brown'
Cc:	Stanley, Ken
Subject:	RE: Valley Green

Scott, thank you for the introduction.

Ken, I would like to meet at your convenience. I'm glad to come down there.

We would like to see Valley Green succeed both with the PUC and in implementation. However, I think that CNG (either instead of or in conjunction with LNG) can lower capital, commodity, and operating costs and help assure success for the project.

1. Every indication we have is that CNG delivered to the Hanover area by truck is cheaper per MMBtu than LNG delivered to the same point. We have LNG experience through our majority owner, Clean Energy Fuels.
2. We believe this disparity is likely to continue in the immediate future and even widen as more pipeline capacity becomes available in New England.
3. Although natural gas prices in central New England spike in the winter, our winter gas in Milton, VT is sourced through TransCanada and has much less seasonality and volatility.
4. The onsite capital cost for LNG usage is an order of magnitude higher than the capital cost required to use CNG.
5. It may be possible to meet the PUC's requirement for seven days' supply with only CNG, or at least much less LNG storage, if very large customers are willing to be interruptible as they would often be on a traditional pipeline.
6. Even if LNG is needed to meet the storage requirement, the delivered cost to customers will be lower if CNG is used for daily supply and LNG reserved for backup only.
7. We know from recent talks with DHMC that they would pay only a very small premium to be served by a pipeline compared to what they are now paying our competitor, XNG, for trucked CNG. We will, of course, compete for their business on renewal and their cost will probably go down no matter whom they sign with. We would like to be able to serve them through Valley Green; but that won't be possible if Valley Green's capital-recovery requirements are too high or LNG is the only source of supply for Valley Green. (We can supply LNG but don't believe it would be competitive with CNG in this case).
8. We know that Dartmouth College is eager to burn a cleaner fuel and think that their economics will be very similar to those of DHMC.

A community pipeline will bring many benefits to those too small to be served directly by trucked CNG or LNG. We would like to see Valley Green make this happen; we think we can help. But we don't think Valley Green can get the anchor tenants this project needs with an LNG only strategy.

Is there sometime next week when I can visit you in Hanover to discuss if there are ways that CNG, whether from NGA or a competitor, can play a constructive part in this project?

Thank you.

Tom

From: Scott Brown [mailto:sbrown@newenergycapital.com]
Sent: Friday, June 12, 2015 9:38 AM
To: Tom Evslin
Cc: Stanley, Ken
Subject: RE: Valley Green

Tom,
I've talked with the engineering team. They have looked at CNG and think it's not likely to meet our needs. Feel free to reach out to Ken Stanley for a general discussion to see whether there is anything that Trimont is missing in their analysis.
Scott

Scott Brown
CEO, New Energy Capital Partners, LLC

From: Tom Evslin [mailto:tevslin@ngadvantage.com]
Sent: Thursday, June 11, 2015 2:42 PM
To: Scott Brown
Subject: Valley Green

Hi Scott,

I hope you're enjoying the beautiful day.

When we talked a couple of weeks ago, you had mentioned putting me in touch with your engineering firm. Is that possible? I would like to find a way to work together and to see where CNG can help your efforts.

Thank you very much.

Tom

Tom Evslin
Chairman and CEO
NG Advantage LLC
www.ngadvantage.com
802 760 1167 x502