

February 10, 2015

Via Hand Delivery and E-Mail

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Susan M. Hudson
Clerk
Vermont Public Service Board
112 State Street
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Re: PSB Docket No. 8180 – Request to Withdraw Section 248 Petition for Phase 2 of the Addison Rutland Natural Gas Project

Dear Mrs. Hudson:

By this letter, Vermont Gas Systems, Inc. (“Vermont Gas” or “VGS”) respectfully informs the Vermont Public Service Board (“Board” or “PSB”) of its request to withdraw its petition for a Section 248 Certificate of Public Good for Phase 2 of the Addison Rutland Natural Gas Project (“Project”). VGS asks the Board to dismiss the matter, without prejudice, in accordance with Vermont Rule of Civil Procedure (“V.R.C.P.”) 41(a)(2).¹

As reported to the Board on December 19, 2014, Vermont Gas has worked to develop Project cost estimates for both Phase 1 and 2 of the Project using best practice cost estimating standards. On December 19, 2014, Vermont Gas informed the Board of a new cost estimate for Phase 1. On December 30, 2014, Vermont Gas reported that it would complete its cost estimating analysis for Phase 2 and, under the terms of the Facilities Development Agreement (“FDA”) between Vermont Gas and International Paper Company (“IP”), would work with IP to assess the implications of the changes in the Phase 1 and 2 cost estimates for IP’s allocation of Project costs under the FDA.

The updated cost estimate for Phase 2 of the Project is now \$105 million. This would mean that IP’s total financial responsibility to Vermont Gas for Phase 2, as well as Phase 1, improvements would have risen from \$99 million to \$135 million. Under the FDA, IP may elect to terminate the agreement if its total financial responsibility is estimated to exceed \$104 million. After extensive discussions, Vermont Gas and IP were unable to find a mutually acceptable path forward. IP has formally notified Vermont Gas of its intent to make this election and terminate

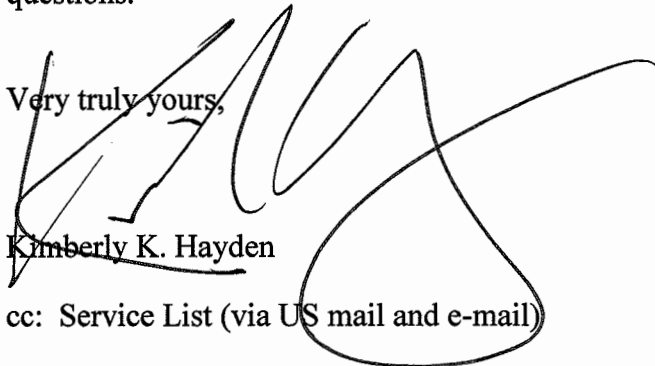
¹ See Docket No. 7832, *Petition of Encore Derby Line Wind, LLC, Order re: Closing Docket*, Order of 6/18/2012 (“V.R.C.P. 41(a)(2) permits dismissal of an action at the plaintiff’s instance by an order of the court upon such terms and conditions as deemed proper by the court. Unless otherwise specified in the dismissal order, the dismissal is without prejudice.”); Docket No. 8340, *Petition of VTel Wireless, Inc., Order Closing Docket*, Order of 11/5/2014 (same).

the FDA. Vermont Gas has accordingly decided not to proceed with Phase 2 of the Project and VGS therefore respectfully withdraws the petition.

This letter also serves as VGS' response to the Board's procedural order of January 23, 2015, which instructed VGS to submit an update on the status of Phase 2 by February 17, 2015.

We thank you for your attention to this matter. Please feel free to call me should you have any questions.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read 'K. Hayden', is written over the text 'Very truly yours,' and extends into the space below the name.

Kimberly K. Hayden

cc: Service List (via US mail and e-mail)

15725051.1

PSB Docket No. 8180
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