



Judith C. Whitney, Acting Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: Docket No. 7970 – January 2016 Quarterly Cost Estimate Update

Dear Ms. Whitney:

This filing provides the quarterly Cost Estimate Update (“Update”) for Phase 1 (Docket No. 7970) of the Addison Natural Gas Project (“Project”) and provides updated information from the last cost estimate update submitted on October 13, 2015. As shown in the Update, the Project budget forecast remains at \$153.6 million.

The company reports significant progress including:

- Four eminent domain petitions remain active with the Board; one is subject to a stipulated agreement between the landowner and the company. Vermont Gas has reached agreement with 161 of 164 landowners with respect to right-of-way for the pipeline and related construction and maintenance.
- The remaining horizontal directional drill (HDD) in the first 11-mile segment of the project is complete and the pipe is being tied in.
- Construction at Rocky Ridge golf course is also complete. This construction activity must be completed during winter to prevent interference with the spring and summer golfing season and allow restoration of the golfing surface before then.
- The company is in the process of preparing the right-of-way for construction next summer.

The attached Update presents the most recent assessment of the current forecast through December 2015, with comparisons to the October 2015 Update. While the overall Project budget remains at \$153.6 million, three categories show a forecast increase reflected as a drawdown in project contingency. They are:

- **Permitting:** The increase in this line is primarily due to additional support for reroute and remand proceedings.
- **Right of Way:** Additional right-of-way costs are associated with commitments to landowners and costs related to eminent domain and reroute proposals.

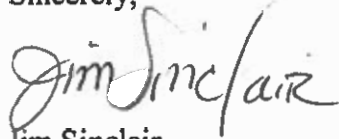
- **Construction:** Increase in the construction forecast results from change orders with the mainline contractor and inspection services. Completion of the most recent HDD required additional support by our mainline contractor as well as stand-by charges.

The project remains on schedule and on budget. Assuming timely access to all rights-of-way, the Company anticipates finishing construction and providing service to new customers in late 2016. Achieving this target date will avoid higher construction costs that would be incurred if the construction team demobilizes in the fall or winter to return in early 2017. Timely right of way access for the remaining parcels remains a significant risk to the project schedule and budget. We remain committed to working with each of the landowners to reach a mutually acceptable agreement, if possible, and are also committed to supporting the adoption of timely docket schedules relating to necessary rights-of-way in any way possible.

We have initiated discussions with our HDD contractor with respect to issues relating to HDD contract performance and claims. At this time we believe the project forecast reasonably reflects the potential impact of these discussions.

We have provided two copies of this filing to the Public Service Department and one copy to each party on the service list.

Sincerely,

A handwritten signature in black ink that reads "Jim Sinclair". The signature is written in a cursive, flowing style.

Jim Sinclair
Vice President – System Expansion

Attachment