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VIA HAND DELIVERY

November 9, 2016

PAUL D. SHEEHEY (1919-2004)

Ms. Judith C. Whitney, Clerk
VERMONT PUBLIC SERVICE BOARD
People's United Bank Building, 4th Floor
112 State Street
Montpelier, VT 05620-2701

Re: Vermont Gas/NOPV, Docket 8814

Dear Ms. Whitney:

Enclosed for filing with the Board in this matter please find a Memorandum of Understanding between the Vermont Department of Public Service and Vermont Gas Systems, Inc. ("MOU"). The purpose of the MOU is to resolve the Notice of Probable Violations ("NOPV") issued by the Department on August 8, 2016. The MOU is the product of extensive discussions between Vermont Gas and the Department. Consistent with the Board's October 11, 2016 Order, Vermont Gas is filing the MOU in lieu of a supplemental response to the NOPV.

Thank you for your attention to this matter. Please contact me with any questions.

Sincerely,

SHEEHEY FURLONG & BEHM P.C.


Craig S. Nolan

CSN/dms

cc: Louise C. Porter, Department of Public Service

Docket 8814 - SERVICE LIST

Parties:

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**STATE OF VERMONT
PUBLIC SERVICE BOARD**

Docket No. 8814

Notice of Probable Violations re Construction of the)
Addison Natural Gas Project)

**MEMORANDUM OF UNDERSTANDING BETWEEN THE VERMONT
DEPARTMENT OF PUBLIC SERVICE AND VERMONT GAS SYSTEMS, INC.**

This Memorandum of Understanding (this "MOU") dated as of November 9, 2016 sets forth the agreement of the Vermont Department of Public Service (the "Department") and Vermont Gas Systems, Inc. ("Vermont Gas") (collectively, the "Parties") regarding the above-captioned proceeding.

Introduction

1. Whereas the purpose of this MOU is to resolve the Notice of Probable Violations ("NOPV") relating to the Addison Natural Gas Project ("ANGP") issued by the Department on August 8, 2016.
2. Whereas Vermont Gas and the Department have engaged in extensive communications about the issues raised in the NOPV.
3. Whereas Vermont Gas and the Department desire that the ANGP be constructed and brought into service consistent with the plans approved by the Board.
4. Whereas Vermont Gas and the Department are committed to construction of the ANGP in a manner that provides a safe environment for employees, contractors and members of the public.

Agreement

1. With regard to alleged violation no. 1, Vermont Gas agrees that its mainline contractor, Michels, failed to fully comply with Section 130000 during June 7 through June 24, 2016.
2. The Department acknowledges that after it informed Vermont Gas of the violations, Vermont Gas promptly engaged in remedial action towards achieving compliance with Section 130000.
3. The Department acknowledges that the violation did not result in any injuries to any employee, contractor or member of the public, and there was no risk to the general public outside of the construction right of way.
4. With regard to alleged violation no. 2, the Department acknowledges that Vermont Gas responded within one business day to the Department's June 24, 2016 request for information.
5. Although the Department desired more information than provided by Vermont Gas, the Department agrees that Vermont Gas's response complied with the minimum requirements of Board Rule 6.102(B).
6. Vermont Gas agrees to pay a civil penalty of \$95,000.
7. In addition to the remedial measures Vermont Gas has already implemented, including revisions to Section 130000 and Vermont Gas's use of VELCO's electrical safety onboarding for its employees and contractors working on the Project, Vermont Gas agrees to the following:
 - a. Vermont Gas will adopt VELCO's electrical safety onboarding training and incorporate it into Vermont Gas's existing onboarding for new employees and all

new and returning contractors who will perform Operator Qualification tasks within Vermont Gas's transmission right of way or work within VGS's Operations department.

- b. Vermont Gas will hold annual induced voltage training for its employees who perform Operator Qualification tasks within Vermont Gas's transmission right of way or work within VGS's Operations Department.
- c. Vermont Gas will develop an induced voltage procedure for its O&M manual within 30 days of the entry of a Board Order approving this MOU.
- d. Vermont Gas will revise Section 130000 and include in the induced voltage procedure of its O&M manual, a process for identifying sections of Vermont Gas's transmission right of way subject to the induced voltage procedure based on where electrical safety risks may exist while working in close proximity to electric transmission lines, within 30 days of the entry of a Board Order approving this MOU.
- e. Vermont Gas will designate a point-of-contact for requests by the Department for information pursuant to Board Rule 6.102(B). Vermont Gas will make a good faith effort to respond to the Department's information requests in a manner that is responsive and complete.
- f. Vermont Gas will ensure all of its existing and future written procedures and specifications are:
 - i. feasible, effective for the task to be performed, and are able to be logically followed, prior to performing any future tasks under the respective procedures and specifications; and

- ii. followed when performing tasks under the respective procedures and specifications.
8. Subject to approval by the Board, the Department and Vermont Gas agree that this MOU fully resolves the NOPV received by Vermont Gas on August 8, 2016 and any related potential violations that may have continued up to and including the date of this MOU.

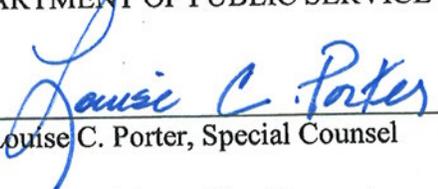
Final Terms and Conditions

1. This MOU shall become effective upon the issuance of approval by the Board in the manner contemplated herein.
2. The Parties agree that this MOU relates only to these Parties and should not be construed by any party or tribunal as having precedential or any other impact on future proceedings involving the Parties, except as necessary to implement this MOU. The Parties reserve the right in future proceedings not referenced herein to advocate positions that differ from those set forth in this MOU, except as necessary to implement the Parties' rights and obligations under this MOU.
3. The Parties have made specific compromises to reach the agreements reflected in this MOU.
4. Except as otherwise provided for herein, the Parties agree that this MOU shall be effective, and shall bind the Parties hereto, only if the Board issues an order in this docket containing terms consistent with this MOU in all respects.
5. The Parties agree that should the Board reject or fail to approve the MOU in its entirety, the Parties' agreements set forth herein shall terminate if so requested by either Party, in which case Vermont Gas shall have the right to file a response to the NOPV. The

deadline for such response shall be 30 days after the Board's issuance of an order relating to adoption or rejection of the MOU.

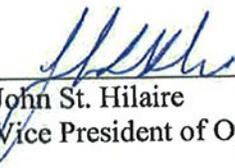
6. The Department will support issuance of the orders and findings of the Board subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.
7. This MOU is governed by Vermont law and any disputes under this MOU shall be decided by the Board.

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE

By: 
Louise C. Porter, Special Counsel

Dated: November 9, 2016 at Montpelier, Vermont

VERMONT GAS SYSTEMS, INC.

By: 
John St. Hilaire
Vice President of Operations

Dated: November 9, 2016 at South Burlington, Vermont