



KIMBERLY K. HAYDEN
khayden@drm.com
Tel: (802) 846-8359
Fax: (802) 862-7512

March 13, 2014

VIA EMAIL AND U.S. MAIL

Joshua R. Diamond Esq.
Diamond & Robinson, P.C.
15 East State Street
P.O. Box 1460
Montpelier, VT 05601

Re: Docket No. 7970
Town of Monkton Letter of 3-3-14 Vermont Gas-Monkton MOU

Dear Josh:

I am writing on behalf of Vermont Gas to respond to your letter dated March 3, 2014, which we received on March 4, 2014.

First, I would like to apologize if anything that Vermont Gas personnel and right-of-way agents said was viewed as threatening. That was not the intent. Letters received by Monkton residents were intended to inform about potential next steps. They were not intended to shut down communications.

As you know, for large utility infrastructure projects such as the Addison Natural Gas Project, despite best efforts of all involved, it is not uncommon that the utility is unable to negotiate mutually acceptable terms for easements with landowners. Reasons can range from disagreement over reasonable compensation to situations where a landowner is opposed to placement of the utility infrastructure on the landowner's premises. In such cases, the utility's only recourse is to obtain the easement by eminent domain proceedings pursuant to 30 V.S.A. § 110 et seq.

In the case of Monkton, Vermont Gas has also entered into a Memorandum of Understanding ("MOU") with the Town of Monkton that requires that: "VGS shall negotiate in good faith with the Town's residents with respect to the acquisition of easements. VGS agrees to commence takings litigation and use of eminent domain only as a last resort." Vermont Gas believes it is honoring this requirement. While Vermont Gas has been using external team of right-of-way agents, they are representing Vermont Gas. For a project of this size and scope the use of external right-of-way agents allows Vermont Gas to have more resources available to interact with landowners than would otherwise have been available. Notwithstanding the appropriateness of using external right-of-way agents, Vermont Gas has recently added a full-time right-of-way administrator position within the Company. This person will be taking a more active role in the Monkton right-of-way negotiations.

VGS and its right-of-way team have worked hard to develop a respectful, good faith process for negotiating easements with landowners and VGS believes that its dealings with landowners in the Town of Monkton is consistent with the legal requirements of the Vermont public service laws and the Monkton MOU.

As to the specific points regarding the easement process that are addressed in your letter, VGS provides the following clarifications and action items:

1. Each landowner that was sent a final notice of the intent to proceed with eminent domain proceedings had received at least two separate formal notices. For many landowners this is in addition to numerous other communications with VGS through our external right-of-way agents. Of the seven Monkton landowners listed in your letter, only 5 received a final notice letter; the Wagemans and Mr. Mejia have not been sent a final notice. Ultimately, if Vermont Gas and landowners are not able to reach a mutually acceptable easement, VGS will have to proceed to eminent domain. This is not an attempt to "threaten" landowners, but rather place them on notice before VGS initiates eminent domain proceedings at the Public Service Board. Further it in no way implies Vermont Gas will no longer negotiate with the landowner. Importantly, to date, VGS has not filed a single petition for condemnation with respect to the Addison Natural Gas Project.
2. A few days after Vermont Gas received your letter, Vermont Gas' Right of Way Administrator (Dave Walker, an employee of Vermont Gas), sent a letter to each of the Monkton landowners whom you identified, requesting a meeting to discuss the proposed easement. See representative letter attached. At the first meeting Mr. Walker intends to review with the landowner the specifics of their case to ensure we have a common understanding of what the significant issues are that have prevented agreement between Vermont Gas and the landowner. Following that initial meeting, Mr. Walker will bring modified easement documents, not options for easements. As you know, the easement document is part of the option document. The option approach had been used to streamline the process and provide a portion of the compensation payment to the landowner up front. Any confusion caused by the use of the option was unintended. Numerous landowners along the pipeline corridor have executed options and are

proceeding to final closing on the easements. Again, at this stage VGS will provide landowners with the easement and only use options for Phase 1 if the landowner would like to proceed that way.

3. If for some reason the landowners do not wish to have a meeting with Mr. Walker, VGS will send a new letter that will include the final proposed form of easement along with clarification that what VGS is seeking to negotiate is the easement, not an option for an easement. VGS will not initiate eminent domain proceedings until this process has been followed. As stated in Mr. Walker's letter and in the letter you attached as Exhibit A to your correspondence, VGS prefers to negotiate mutually agreeable terms, not condemn. The letter will make clear that even if eminent domain proceedings must be initiated, VGS is open to, and in fact hopes to, have continued negotiations to reach a mutually acceptable, settled resolution.

4. After conversations with the Department of Public Service, Vermont Gas is also clarifying certain easement language that has generated confusion.

Finally, your letter requests that Vermont Gas comment on how it intends to prevent future instances of illicit drug use by contractors' employees. First I need to point out that there is an on-going police investigation so the final facts are still under police review. However Vermont Gas did retain an independent entity to review the drug protocols in place. This report will be filed with the Vermont Public Service Board and a copy will be forwarded to you. The review found that contractors were meeting the federal drug testing requirements. Vermont Gas is implementing additional measures going forward to further enhance monitoring its contractors' compliance.

Please do not hesitate to contact me if you have any questions.

Very truly yours,



Kimberly K. Hayden

Enclosure

14909488.1



March 7, 2014

Michael Alderman
PO Box 67
Monkton, VT 05469

Dear Mr. Alderman,

I am reaching out in connection with your ongoing discussions regarding the proposed easement on your property.

I am aware of general concerns about the negotiation process relating to communications and some confusion about the documents you have been presented. I have reviewed the record of your correspondence with James Whiteside, our subcontracted Right of Way Agent.

I would like to set up a time for us to meet soon, at your convenience. I will be reaching out to you in the next few days. Alternatively, please feel free to contact me to schedule a convenient time. I will make sure your concerns and questions are addressed in a timely manner. In the interest of continuity I will invite James Whiteside to participate in our conversation.

You may reach me by email at DWalker@vermontgas.com, or by phone at (802) 951-0368. I look forward to meeting you soon.

Thank you,

Dave Walker
Right of Way Administrator
Vermont Gas Systems, Inc
802-951-0368
dwalker@vermontgas.com

Cc: James Whiteside
CHA Right of Way Agent.