

The ACP in a Nutshell

Dominion and its partners in the Atlantic Coast Pipeline (ACP) have made what appears on the surface to be an enticing proposal. They have said that we need a greater supply of natural gas in Virginia to fuel our power plants and our economy. The developers say they must build a 600-mile pipeline to make this possible and that the pipeline will provide many jobs and financial benefits. They ask us to take their word that this is the best option and that they should receive rapid approval with little review in order to get the project underway so that it will be available in time.

Upon inspection, we find that the first power plant that requires a new supply of natural gas in Virginia is not scheduled for operation until 2022, the next major one is proposed for 2030. So what is the rush? We have plenty of time for thorough deliberation of the options.

If the ACP is approved, Dominion claims that thousands of jobs and millions of dollars will benefit the states through which the pipeline will pass. A developer of a similar pipeline through West Virginia and Virginia has admitted that it is likely that just 10% of the workers will come from the area in which the pipeline is built. This means that just a few hundred workers are likely to be hired from West Virginia, Virginia, and North Carolina rather than the thousands that have been advertised. No matter where the workers live, the ACP has informed FERC that the typical pipeline job will last just 8-10 months. Most of the skilled workers will come from other regions in the U.S. and will send their paychecks home. The main period of pipeline construction in any one area will last just 6-8 weeks. This is not long enough to require area businesses to add more long term employees or for the money to circulate throughout the local economy. Only businesses such as motels, gas stations, bars, fast food restaurants and convenience stores are likely to benefit, and then just for a short time. According to the ACP all but perhaps 5% of the construction material will be purchased from outside the 3-state region.

The economic models that were used to create the millions of dollars of projected benefits were developed for situations considerably different from pipeline construction and vastly overestimate the benefits to our local economies.

The tax benefits accruing to local jurisdictions along the pipeline route are stated as if they are a net addition to local government coffers. Recent studies show there might not be any net tax benefit. The added property value of the pipeline will be offset by reduced property values for the many parcels on or adjacent to the pipeline right-of-way. Loss of tourism income, lower economic development, and other costs could overwhelm pipeline tax revenues and other purported benefits of the pipeline. Developers have painted an image of economic windfalls. But according to an economic study, just four of the counties through which the Atlantic pipeline will pass in Virginia could experience long-term economic losses greater than the cost of the pipeline.

The ACP is intended primarily to transport natural gas for power plants. The traditional residential and commercial uses of natural gas for water and space heating are expected to be essentially flat through 2040. The ACP is a wholesale pipeline for large users such as utilities, not for supporting the growth of communities and businesses along its path.

The need for additional natural gas supply in Virginia is to fuel new gas-fired power plants. Finding ways not to use energy (energy efficiency) is far cheaper than building a new gas-fired power plant and saves all ratepayers money when the peak load is reduced. Solar power, which does not require any fuel, is now cost-competitive with new gas-fired plants. The cost of solar is decreasing by half every 4-5 years and will undercut the cost of the new gas-fired plants within the first decade of their operation. But assuming more gas supply to Virginia is needed, the question remains – is the ACP the best means to supply it?

Two new gas-fired combined cycle plants are being built in Southside Virginia. The Brunswick facility began operation in the summer of 2016, the Greenville plant is proposed for 2019. A connection to the Transco pipeline was completed in September 2015 and will serve these two plants for an investment of \$490 million. Dominion has said that it prefers to use the ACP to provide the gas supply to these plants. The cost of transporting gas to these two plants using the ACP is 3 times higher than using the existing connection to Transco. This will cost Dominion's ratepayers more than \$200 million per year in higher fuel transportation costs. Costs to ratepayers will increase by hundreds of millions per year for every new power plant that is connected to the ACP instead of much cheaper existing pipelines.

The ACP developers say that they have long-term commitments from customers wanting to receive natural gas from the Atlantic pipeline and these commitments are adequate to prove that the ACP is necessary. All but one of the identified customers is a subsidiary of the same holding companies that own the developers of the pipeline. Such agreements are often used by developers to gain approval to construct a new pipeline and are not indications of the actual market demand for a project.

Since the gas transport fee is part of the fuel cost and is automatically passed through to ratepayers, should Dominion and Duke be allowed to force the customers of their utility subsidiaries to pay for more for gas transportation via the ACP even if it is much more expensive than other alternatives?

The ACP developers say the Atlantic pipeline is the only realistic alternative, but that is seldom the case. If the Dominion's utility subsidiary (Dominion Virginia Power) was free to choose or if they were directed by the SCC to select the lowest cost choice for reliable natural gas supply, what might that be?

The ACP has advertised that it will save Virginian's hundreds of millions per year because of a price differential existing between Marcellus natural gas and gas prices in Louisiana. This gap has considerably closed since this calculation was made, but it is not the correct comparison. Existing pipelines serving Virginia and North Carolina are also supplied by Marcellus gas. Either from a similar location in West Virginia as is used by the ACP, or from the cheapest and by far the most productive natural gas zone in the nation in northeastern Pennsylvania. These existing pipelines have access to multiple production zones, offering many locations from which to source the cheapest natural gas; including the low-cost gas available from the Gulf Coast in the summertime, which is important to power plants during their season of highest demand. The ACP has access to these supplies only by connecting to existing pipelines. Existing pipelines have this advantage without needing the ACP. The ACP only shares this advantage by connecting to what already exists.

Much of the Marcellus production can now directly serve demand centers in the northeast. Traditionally, most of the gas traveled from south to north from the Texas and Gulf Coast supply zones using pipelines in the Transco corridor to serve markets along the east coast. With much of the northeast demand supplied directly from the Marcellus, significant capacity in the Transco corridor is now available to bring natural gas from the Marcellus to Virginia and the Carolinas. Reversal of flow in the Transco system plus low-cost and low-impact expansion of the Columbia Gas system will provide several times the capacity of the ACP to Virginia and the Carolinas. This is the plan identified in reports published by the Department of Energy in 2015. The DOE says that this usage of existing pipelines is sufficient to serve the demand in the region through 2040, even in the high gas usage scenario.

Adding capacity to the Columbia Gas system could provide greater supply to the Chesapeake, Virginia region as well. The main Columbia Gas line feeds the AGL (Virginia Natural Gas) line which supplies the Chesapeake/Norfolk area. Although modifications or a new segment of pipeline might be required, additional natural gas supplies could be provided to the Chesapeake area with far less cost and impacts than is associated with the ACP.

Adding several times the capacity of the ACP in the Transco and Columbia Gas pipelines provides Virginia with a multitude of options for siting new gas-fired plants when (and if) they are needed. Compare the coverage

of the Transco and Columbia pipelines in Virginia to a single corridor for the Atlantic pipeline. This would provide a great deal of flexibility for growth and development in Virginia without the disruption from new pipeline construction.

Existing pipelines, which are cheaper because they have been largely paid for by previous customers, will provide gas supply to Virginia and North Carolina at same the locations proposed for the ACP. Power plants planned for North Carolina could connect over the same last 90 miles of the corridor planned for the ACP by connecting to the Transco mainline running through North Carolina with about 100 miles of new pipeline built on the existing Cardinal right-of-way. Costs and impacts of using existing pipelines to serve Virginia and North Carolina would be far less than with the Atlantic Coast Pipeline.

Developers of the ACP might argue that they do not possess firm reservations for capacity using existing pipelines as they do by utilizing a pipeline that they own. The natural gas producers in the Marcellus are eager to find committed long-term markets to supply with their surplus production. This is the very best time to obtain commitments for low cost supplies. If the ACP were not to be approved, the proposed customers of the Atlantic pipeline would find many willing suppliers, if their demand truly exists.

One can see that Dominion and its partners would prefer to own the supply pipeline to their captive utilities. There are business advantages to paying themselves more rather than paying someone else less to transport the natural gas. However, the benefits accrue only to them. Ratepayers would pay higher transport fees for the ACP compared to existing pipelines; Virginia would have a poorer infrastructure for future economic development and power plant siting; public and private landowners would suffer greatly from the impacts of unnecessary new pipeline construction.

The spirit of eminent domain is to require a landowner to sacrifice their individual interest in order to serve the greater public good. In this case, the greater public good is better served both economically and environmentally by using existing pipelines. No rights to eminent domain should be granted to developers of the ACP. The pipeline is purely for private gain rather than for the greater public good.

The superiority of the option of using existing pipelines applies to the Atlantic Coast Pipeline, and to the Mountain Valley Pipeline, the Appalachian Connector and any other major new pipeline construction project intended to bring natural gas from the Marcellus into the Virginia and North Carolina markets.

We ask that the land, the landowners, and ratepayers of Virginia be respected by selecting the clearly superior option of using existing pipelines to supply the future natural gas needs of Virginia. Dominion and other Virginia utilities are needed for the important role of developing a more reliable and resilient grid for the 21st century that easily accommodates decentralized solar and wind projects which they or other parties develop. Dominion should seek out projects that benefit the ratepayers and residents of Virginia, as well as their shareholders. Setting the interests of shareholders against the interests of customers is not good for any business in the long run. There are numerous other important energy projects where Dominion can work for the good of all Virginians.

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