Thomas Hadwin, Economic Overview of ACP & MVP Development

Hello, I'm here today to talk about the issue of whether we really need these new pipelines in order to have the energy we need. Let's evaluate what we've been told. The first point is we've been told these pipelines are essential in order for us to have the energy we need. We've also been told that we'll save money and lower our energy cost, and as a result of that lower energy cost businesses throughout the state will be able to create more jobs. All of these statements that have been repeated for the past several years are false, and I'll show you why the Department of Energy, an independent consultant, and industry experts have said there's ample capacity in our existing pipeline system to give us the energy we need.

This is one example. This is the Transcontinental pipeline, Transco for short. It’s been around for decades. There're four major pipelines in that corridor. It was built originally to bring gas from the production areas in Texas and the Gulf Coast up along the East Coast, to markets in the Northeast. Once the Marcellus and the Utica Shale regions got underway, more capacity has been added to this system than the total capacity of the Atlantic Coast and Mountain Valley pipelines combined. If the northeastern markets are served by a portion of that added capacity, it frees up capacity to bring the gas southbound, particularly through Virginia and the Carolinas.

This is the existing pipeline system in Virginia. It's filled with pipelines. The Columbia gas pipeline system is expanding almost in the amount of the ACP. In the FERC application Dominion said all their allocation could be brought from West Virginia to Virginia using the Columbia gas pipeline. Same thing for southeast Virginia. We can tap into these existing pipelines and bring as much or more gas to southeastern Virginia over existing rights-of-way.

Two-thirds of the capacity of the Atlantic Coast pipeline is going to North Carolina, All of that amount or perhaps more could be provided in exactly the same locations as is proposed for the ACP by attaching to Transco and going over a hundred and five miles of the Cardinal right-of-way, and then attaching to the final 90 miles of the ACP to deliver in exactly the locations as the ACP proposes. All of this at a fraction of the cost and obviously a fraction of the impact.

Dominion says this is impossible; that this new capacity is already fully subscribed. That leads us to believe that it's already spoken for, that there's no capacity available for others to use, but their actions show the truth of it. They have contracted for capacity for their Cove Point LNG facility in an amount greater than they say they need for all of the proposed new power plants in Virginia, from these supposedly fully subscribed, unavailable sources

The situation is similar with the Mountain Valley pipeline. They really have no customers; about a third of the capacity to the pipeline has been subscribed by potential utilities, but they're in New York City. The New York regulator said it has opened an investigation, because this is not in the best interest of the customers. Another owners’ utility is in Florida. Another in Washington DC. All of these could be more efficiently and far less expensively served by an existing pipeline. The other 2/3 of the capacity of the pipeline is reserved by EQT, the largest gas producer in the Appalachian Basin, and they have no customers whatsoever. Their only intent is to attach to Transco and find some customers somewhere along the east coast.

Dominion says, well alright, even if there is enough capacity in existing pipelines, the Atlantic Coast pipeline will save us money. They commissioned a study that showed that the ACP would save 377 million dollars per year in Virginia and North Carolina. There are a number of flaws in the report. One of the major ones is they forgot to include the cost of actually using the new pipeline. When you add that in, the ACP costs customers, families, and businesses throughout the region, billions of dollars more. Here's a specific example. When the Brunswick plant went into operation last summer, Dominion was actually one of the first to use this southbound flow of gas. If we compare the cost of the gas plus the cost of pipeline transportation, the ACP is actually 28% more costly to fuel the Brunswick plant, and soon the new Greensville plant.

All of what I'm presenting you is based on information that the applicants have provided to FERC or to state regulators. An industry expert testified to the SCC in September that Dominion ratepayers would pay over two billion dollars more to use the ACP than if those facilities were connected to existing pipelines. So who's speaking for us here? Two billion more for Dominion customers, maybe about a billion more for Virginia Natural Gas customers, six billion dollars more for the customers of the three subsidiaries of Duke in North Carolina. This is not a lower-cost energy source. In fact, a higher cost from using these new pipelines will result in fewer jobs, not more as has been advertised.

Someone should be looking at this, right? That's our expectation. We have a federal regulator, the Federal Energy Regulatory Commission, whose job it is to look at this when they approve a new pipeline. They issue a certificate of public convenience and necessity, except they ignore an evaluation of need and they also ignore any consideration of the higher cost to the ultimate customers. The only thing they look at is the existence of contracts for at least a portion of pipeline capacity from the shippers, and nowadays for most pipeline projects these shippers are subsidiaries of the owners of the pipeline.

Ten days ago the current chairman of the FERC, appointed just two months ago, said to a group of Energy attorneys that his federal regulatory commission has no ability to properly assess the need for these projects or to their customers, so they are leaving it entirely in the hands of the applicants because they are the only ones who know whether there's a true need for the project. When the left-hand contracts to the right-hand of the same company that is not a true indication of market demand. FERC’s guidelines even say so. So, where does that leave us if these pipelines are unnecessary to provide the energy we need and they cost us more? Where is the public benefit? And, lacking a public benefit how can we justify seizing access to land from those unwilling to give it?

The other issue is what we're here to talk about today. There's disproportionate harm to the lower-income categories of our communities. They pay a higher portion of their income for energy bills. They have less ability to deal with the seizure of their land. Some think we have no voice. I propose if we have no voice why are they working so hard to silence it? What we're really here to do today is to create power with our collective voice. When communities, people, cultures of all sorts joined together, we have a say. Desmond Tutu says, “if we don't speak up we're condoning the injustice that we see.”

It's time for us to say yes to being free from pipelines. This will avoid the environmental issues. It will avoid the injustice. It will save us billions of dollars. This is what we're here to do today, and when we do, when we're free of these new pipeline projects, we can actually design the kind of energy system, the modern energy system, that will serve this region, that will be good for both the companies and the customers.

Thank you