The Pipeline Price Shock:

Dominion's Ratepayer-funded Atlantic Coast Pipeline

An expensive, ratepayer-funded pipeline

The Atlantic Coast Pipeline (ACP) will cost billions of dollars, and Dominion plans to charge its utility customers, regardless of whether Dominion actually needs or uses it.[1]

Dominion claims that the ACP will save its customers money,[2] but the company's own data tells a different story. The ACP will increase electricity bills by at least a billion and a half dollars.[3]

Virginia ratepayers have already made Dominion one of the country's most-profitable utilities

Those at least one billion and a half ratepayer dollars would continue to make Dominion one of the most profitable utilities in the nation, with an annual return on equity of almost 17%,[4] and

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[1] *Application of Virginia Electric and Power Company - To revise its fuel factor pursuant to Va. Code § 56-249.6*, Case No. PUR-2017-00058, Hearing Transcript at 45-49 (June 14, 2017), *available at* http://www.scc.virginia.gov/docketsearch/DOCS/3f%25k01!.PDF.

[2] *See* ICF International, The Economic Impacts of the Atlantic Coast Pipeline, Prepared for Dominion Transmission, Inc., at 5 (Feb. 9, 2015) *available at* https://www.dominionenergy.com/library/domcom/pdfs/gas-transmission/atlantic-coast-pipeline/acp-icf-study.pdf.

[3] *In re: Virginia Electric and Power Company's Integrated Resource Plan filing*, Case No. PUR-2017-00051, Direct Testimony and exhibits of Gregory Lander at 2, 10-21 (August 11, 2017), *available at* http://www.scc.virginia.gov/docketsearch/DOCS/3gy601!.PDF.

[4] Dominion Energy "Earnings Estimates," *available at* http://investors.dominionenergy.com/stock-information/earnings-estimates.

Southern Environmental Law Center

offering double the typical annual dividend growth rate to its shareholders.[5] According to Dominion, this shareholder return is largely driven by its "robust business growth programs,"[6] such as the proposed $5-6 billion Atlantic Coast Pipeline.

Dominion's shareholder returns are already largely driven by major projects in Virginia, paid for by ratepayers. These profit-boosting enterprises include the recent $1.3 billion Greensville gas plant,[7] a $2 billion proposed pumped storage facility,[8] a $500 million abandoned nuclear project,[9] and the $395 million in customer-paid dollars Dominion over collects annually[10] and sends instead to shareholders because it is no longer required to refund customers their dollars. Dominion now proposes that its captive utility customers further boost Dominion profits, through higher electric bills, by funding the $5-6 billion dollar ACP.

How ratepayers would pay Dominion for a 5 billion-dollar pipeline

Massive interstate pipelines like Dominion's ACP are multi-billion dollar projects with substantial profit margins of up to 14%.[11]

Dominion gets approval to build the pipeline from the Federal Energy Regulatory Commission ("FERC"), which requires that applicants show there is a need for the proposed pipeline. FERC typically rubber-stamps pipeline projects by relying solely on contracts between gas sellers and gas buyers to demonstrate a "need" for a pipeline.

Dominion's arrangements between its related corporate affiliates indicate there is no "need" for the ACP: Dominion owns companies involved in each step, with a Dominion subsidiary building the pipeline, a Dominion subsidiary buying space on the pipeline, and a Dominion subsidiary using the pipeline capacity for its own power plants.

Such a self-dealing arrangement, in which Dominion subsidiaries build the pipeline, buy the pipeline capacity, and use that capacity to run Dominion power plants, does not indicate any actual free-market need for a new pipeline.

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[5] Dominion Energy and Dominion Midstream Partners, "Barclays CEO Energy-Power Conference," at 30 (Sept. 7, 2017) *available at* http://investors.dominionenergy.com/static-files/84f2e54c-9d89-4b4e-9f69-d4655c3b90ce.

[6] *Id.* at 3.

[7] *Id.* at 7.

[8] *Id.* at 13.

[9] *See* Richmond Times-Dispatch, "Va. attorney general's office says Dominion should abandon third North Anna reactor," (October 21, 2015), *available at* http://www.richmond.com/news/virginia/va-attorney-general-s-office-says-dominion-should-abandon-third/article_ecee574f-77af-5d7f-8b7f-7cf5de60e130.html.

[10] Virginia State Corporation Commission, "Combined Reports," at 7 (Sept. 1, 2017), *available at* http://www.scc.virginia.gov/comm/reports/2017_veurcomb.pdf.

[11] S&P Global, An Overview of FERC Approval of Natural Gas Pipeline Projects From 2007-2016, (March 30, 2017), *available at* https://marketintelligence.spglobal.com/our-thinking/ideas/an-overview-of-ferc-approval-of-natural-gas-pipeline-projects-from-2007-2016.

Dominion profit masquerading as public need

Despite its high cost to ratepayers and high reward to shareholders, the ACP is not supported by actual market signals. Demand for new natural gas combined cycle (NGCC) generation in Virginia is not growing,[12] and in fact Dominion's projected demand has fallen since the ACP was first proposed.[13] If new gas power plants are not needed, then Virginia doesn't need a new pipeline to fuel them.

Dominion itself confirmed this before the State Corporation Commission, where the company said the pipeline would be used for its existing power plants.[14] However, all of Dominion's existing power plants are already sufficiently served by other pipelines. Moreover, Dominion conceded that it hasn't performed any assessment of whether it actually needs to rely on the ACP to keep its plants running and its customers' lights on.[15]

Not only would Dominion's customers be footing the bill for a pipeline, they would be buying a pipeline that's not needed in the first place.

Dominion customers will pay for the unnecessary pipeline, even if it isn't used

Pipelines are profitable enterprises, and Dominion intends to derive its profits from its customers, even if the customers don't use it. Dominion asserted that each year it will pass on to its customers 100% of its billions in ACP costs, regardless of whether the Company uses the pipeline[16]

Dominion's Atlantic Coast Pipeline: Unneeded, Unwanted, and Too Costly for Virginians.

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[12] *See* Virginia Electric and Power Company, "Report of Its Integrated Resources Plan," at 13, (May 1, 2017) (Dominion's 2017 Integrated Resource Plan does not predict a new combined cycle plant until 2025.), *available at* https://www.dominionenergy.com/library/domcom/pdfs/corporate/2017-irp.pdf.

[13] Institute for Energy Economics and Financial Analysis, "IEEFA Update," (Sept. 8, 2017), *available at* http://ieefa.org/ieefa-update-atlantic-coast-pipeline-risk-borne-not-dominion-duke-customers.

[14] *In re: Virginia Electric and Power Company's Integrated Resource Plan filing*, Case No. PUR-2017-00051, Hearing Transcript at 383-84 (Sept. 26, 2017), *available at* http://www.scc.virginia.gov/docketsearch/DOCS/3hv%2401!.PDF.

[15] *In re: Virginia Electric and Power Company's Integrated Resource Plan filing*, Case No. PUR-2017-00051, Hearing Transcript at 78-80 (Sept. 25, 2017), *available at* http://www.scc.virginia.gov/docketsearch/DOCS/3hv%4001!.PDF.

[16] *Application of Virginia Electric and Power Company - To revise its fuel factor pursuant to Va. Code § 56-249.6*, Case No. PUR-2017-00058, Hearing Transcript at 45-49 (June 14, 2017), *available at* http://www.scc.virginia.gov/docketsearch/DOCS/3f%25k01!.PDF.