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Construction delays frustrate Dominion, investors

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BY JOHN BRUCE • STAFF WRITER

RICHMOND — During Dominion Energy’s first-quarter earnings call on May 3, CEO Thomas Farrell said an appeal to the Supreme Court about the Appalachian Trail crossing by the proposed Atlantic Coast Pipeline will be filed before the end of the second quarter.

Dominion believes the solicitor general of the United States will join its appeal.

Dominion continues to pursue legislative and administrative options as well. Oral arguments on the biological opinion case are scheduled for next week with a decision expected within 90 days.

“We expect to recommence construction on the project in the third quarter,” Farrell said.

There has not been any change to the timeline or costs since Dominion’s last earnings call.

Greg Gordon, analyst for Evercore ISI, said in terms of the ACP, it’s probably as frustrating, if not more frustrating, for investors as it is for Dominion to watch the political process delay what he called obviously a necessary piece of infrastructure.

Gordon asked if it were possible that the portion of the pipeline impacted by the biological permit, assuming it’s resolved and Dominion completes construction, could still become a functioning infrastructure asset by backhauling gas off Transco and still serve Dominion customers should there be an extensive period of uncertainty with regard to the Appalachian Trail issue.

Farrell replied the Transco backhaul is not a solution and does not meet customers’ needs on any kind of long-term basis. Dominion customers need infrastructure from a different supply basin, he said. For example, the state of North Carolina has exactly one pipeline that serves the entire state in Transco. That’s why the policymakers in North Carolina ask for additional gas infrastructure to be built into North Carolina that is not Transco. Dominion has full confidence in the biological opinion case, he said. The U.S. Forest Service follows guidelines given to the agency by the court, and completed the reissuing of the biological opinion.

“We believe we’ll be under construction in the third quarter,” Farrell repeated.

Diane Leopold, executive vice president and CEO of Dominion's Gas Infrastructure Group, added Dominion is talking with customers and has looked at phased-in service. Customers have reaffirmed the need for a permanent solution to be able to have the independent infrastructure and supply to meet their needs, she said.

Gordon added that Dominion is very clear the Supreme Court path is the primary path to hopefully get a solution.

Dominion continually alludes to other potential administrative options, but doesn't want to negotiate against itself in public by articulating what they might be. Asked if there was anything Dominion can articulate with regard to those solutions, Farrell said Dominion still doesn't feel that's appropriate to discuss. Farrell said there are several, but at this point Dominion thinks "it's better to stand where we are."

Shahriar Pourreza, analyst for Guggenheim Partners, asked if Dominion is waiting for a Supreme Court affirmation that it would take on the case before disclosing what the administrative fix is.

Farrell said Dominion needs to just stand pat with what it has said for now. "We're working through the process. It's been a very frustrating process. But we are winding our way through it," he said, adding there are other avenues that "we just feel it's better not to talk about" right at the moment.

Angie Storzynski, analyst for Macquarie Capital Inc., noted Mountain Valley Pipeline seems to be suggesting that rerouting the pipe through private lands was a potential alternative. She asked if that was a possibility for the ACP, as a last resort to cross the Appalachian Trail.

Farrell said there are a lot of possibilities, and that is one of them but again reiterated the company doesn't think it's useful to talk about them right now.

Farrell said he appreciates the frustration level, and pointed to an analyst's earlier comment that the investor community is as frustrated as Dominion.