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Bill intends to question Dominion Energy pipeline need

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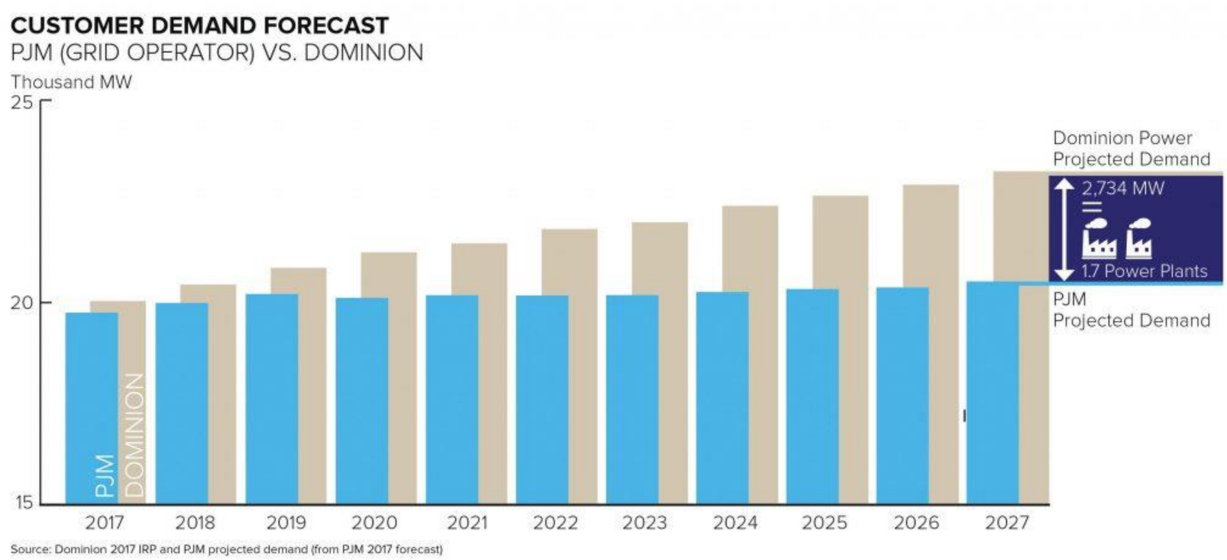


There is a notable difference between Dominion's inflated demand projection and that of the region's grid operator, PJM Interconnection. By 2027, that difference equals almost two gas-fired power plants. (Chart courtesy SELC)

MONTEREY — Republican Del. Lee Ware of Powhatan once again has introduced legislation to keep Dominion Energy's electric utility from saddling ratepayers to pay for the proposed Atlantic Coast Pipeline.

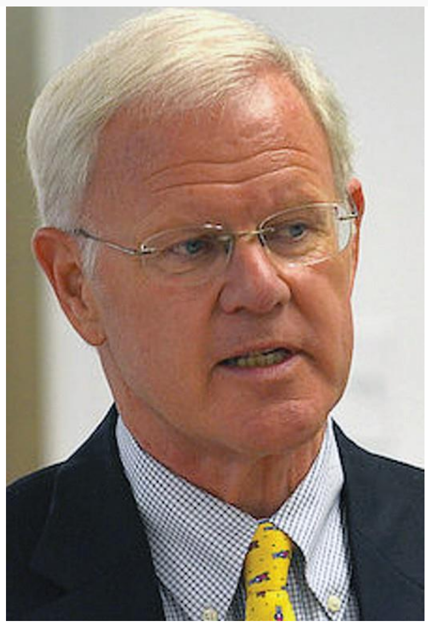
Ware said his bill, H.B. 167, aims to answer the question of whether retail customers actually need the pipeline or is it instead an entrepreneurial venture meant to earn high profits for Dominion Energy.

Winners, losers

The legislation joins a growing contention asking if the pipeline amounts to a strategy to enrich the investor-owned utility at the sacrifice of captive ratepayers.

These include electric cooperatives in Bath and Highland counties that buy wholesale power from Dominion.

As proposed this year, Ware's bill summary states it "requires an electric utility, as a condition of approval of any request by an electric utility for recovery through its fuel factor of costs incurred under a natural gas capacity contract not previously subject to review in a fuel factor case, to prove by a preponderance of the evidence that the utility has:



Del. Lee Ware (Photo courtesy Capital News Service)

• (i) determined that the utility cannot meet its service obligations, giving due regard, in the (Virginia State Corporation) Commission's sole discretion, to reliability of service and the need to maintain reliable sources of supply, without an additional fuel resource;

• (ii) reasonably identified and determined the date and amount of the new fuel resource it needs;

• (iii) objectively studied available alternative fuel resource options, as verified by the commission, including options other than a new natural gas capacity contract or contracts to meet the identified and determined need; and

• (iv) determined that the natural gas capacity contract or contracts are the lowest-cost available option, taking into consideration fixed and variable costs and a reasonable projection of utilization."

In 2019, the then-Dominion friendly Senate Commerce and Labor Committee rejected Ware's similar proposal when Republicans made up the majority.

Thomas Hadwin (Photo courtesy SELC)

The committee has a Democratic majority in 2020.

To view the full bill text, access lis.virginia.gov/ and enter hb167 in the search field.

The same lack of analysis and oversight of a pipeline's necessity exists not only on the state level but on the federal level as well, according to one expert.

The $8 billion proposed Atlantic Coast Pipeline is not needed, electric and gas utility expert Thomas Hadwin contends. He noted in his latest report that the Federal Energy Regulatory Commission allows utilities to collect 15 percent rate of return yearly on their gas pipeline investments.

The Recorder first reported the estimated cost in 2014 was $4 billion.

"This extremely high rate of return, in an era of very low interest rates, has lured utility holding companies into the pipeline building business," Hadwin said, "especially since growth in demand for electricity is relatively flat. Utilities are typically awarded rates of return in the 9-10 percent range for building power plants and transmission lines. Owning a pipeline provides a long-term stream of windfall profits. It works as long as there are customers that pay to use the pipeline."

Deficient regulation

Dominion cited need for the pipeline project when it told FERC back in 2015 about plans to build two more gas power plants — projects it since has canceled.

But FERC in all likelihood would have approved the project anyway.

"FERC assumes that if an organization is willing to sign a long-term contract to pay for capacity on a pipeline, it must have a need for it," Hadwin said. "This might have been true at one time.

Developers have since learned to have their subsidiaries or affiliates sign contracts for reserving the capacity of the new pipeline.

"It is easy for the holding-company owners of the ACP to propose a new pipeline when FERC gives the go-ahead without further analysis of the actual need for the project and they expect that state regulators will pass through the costs and risks of the project to the ratepayers of their utility subsidiaries. Over 400 applications have been submitted to FERC in the past 20 years. Only one failed to pass muster.

"At the time of the FERC application, Dominion planned to build two large gas-fired plants, beyond what was already in development. Duke planned to add six more of these combined cycle gas turbine facilities to its system in North Carolina," Hadwin explained.

"Since that time, Dominion has canceled plans to build more large gas-fired units and says it plans to build no more. The company has also just announced that it will discontinue plans to build 1,500 MW of new gas-fired peaking units.

"Testimony to the state regulator shows that Dominion has sufficient long-term contracts for pipeline capacity to serve all of its existing gas-fired units," Hadwin said. "With plans to build no more, Dominion has no need for the ACP."

A surplus of gas power plants coupled with overbuilt pipeline infrastructure could burden retail customers of the regulated monopoly with debt, Hadwin suggests, adding expansions to the existing Transco east coast pipeline system more than satisfies gas demand at a far lower price than the ACP for the foreseeable future.

"S&P Global Market Intelligence has recently published a series of articles that reveal we have a glut of natural gas-fired power plants. Policymakers and regulators will be forced to confront what others have been saying for some time — we have greatly overbuilt our gas infrastructure," Hadwin noted.

Big decision

"Assuming the ACP can overcome its permitting hurdles, after the pipeline is expected to begin commercial operation in 2022, state regulators must decide whether to pass-through all, some, or none of the cost of the pipeline contracts to ratepayers," Hadwin continued. "By then, it should be obvious that no new gas-fired plants are needed. Or if they were, that they could be supplied by existing pipelines at a much lower price.

"There is no reason to burden families and businesses in Virginia and North Carolina with more than $30 billion in added energy costs for an unnecessary pipeline," Hadwin concluded.

To read Hadwin's report, access www.abralliance.org/ and click on "Why Support for the Atlantic Coast Pipeline Adds Risks to Shareholders and Ratepayers."