South Carolina & the Atlantic Coast Pipeline

Southern Environmental Law Center

Coastal Conservation League

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South Carolina and Natural Gas Pipelines

SC Natural Gas Interstate Transmission System

- Skipping Stone Study on transmission capacity
- Industrial users: sufficient capacity
- Electrical generation: sufficient capacity

Atlantic Coast Pipeline – Background &Experience

- Ownership Model and Revenue Stream
- Reliability Claims
- Pricing Claims

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CCL & SC's Natural Gas Needs

CCL served on SC State Energy Plan Natural Gas Committee & chaired the Subcommittee on Consumption Reduction

CCL's goal: understand SC gas infrastructure needs to avoid large ratepayer expenditures on failed or stranded assets like VC Summer that inhibit clean energy growth.

Worked with national expert Skipping Stone for detailed analysis of SC gas consumption, capacity, and constraints.

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Skipping Stone Report

GL-2

Assessment of South Carolina Natural Gas Pipeline Capacity

[T]here is ample pipeline capacity to DCGT and to South Carolina as a general matter. To the extent that industrial users have difficulty obtaining firm contracts from…SCE&G, this is not due to inadequate interstate pipeline capacity to South Carolina; rather it is due to insufficient pipeline (and distribution—*i.e.,* SCE&G) capacity within South Carolina

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Transco Myths & Realities

- "Firm" capacity holders can be gas buyers or gas sellers
- Many firm capacity holders are not gas end-users; they hold capacity solely to deliver gas to end-users
- Transco isn't 1 line, actually 3 or 4 lines depending on location in South Carolina
  - Lines are l

Transco is *NOT* constrained

- Line is now bidirectional, so outages affecting gas flow in one direction can be served by flow from the opposite direction
- Over 50 compressor stations & over 200 Bcf of storage
- ***NEVER*** interrupted scheduled firm service in the Carolinas
- Transco ***excluded*** from participating in Duke's capacity RFP (RFP terms mandated a second pipeline)*

*https://news.duke-energy.com/releases/duke-energy-piedmont-natural-gas-seek-proposals-to-build-second-major-natural-gas-pipeline-into-north-carolina

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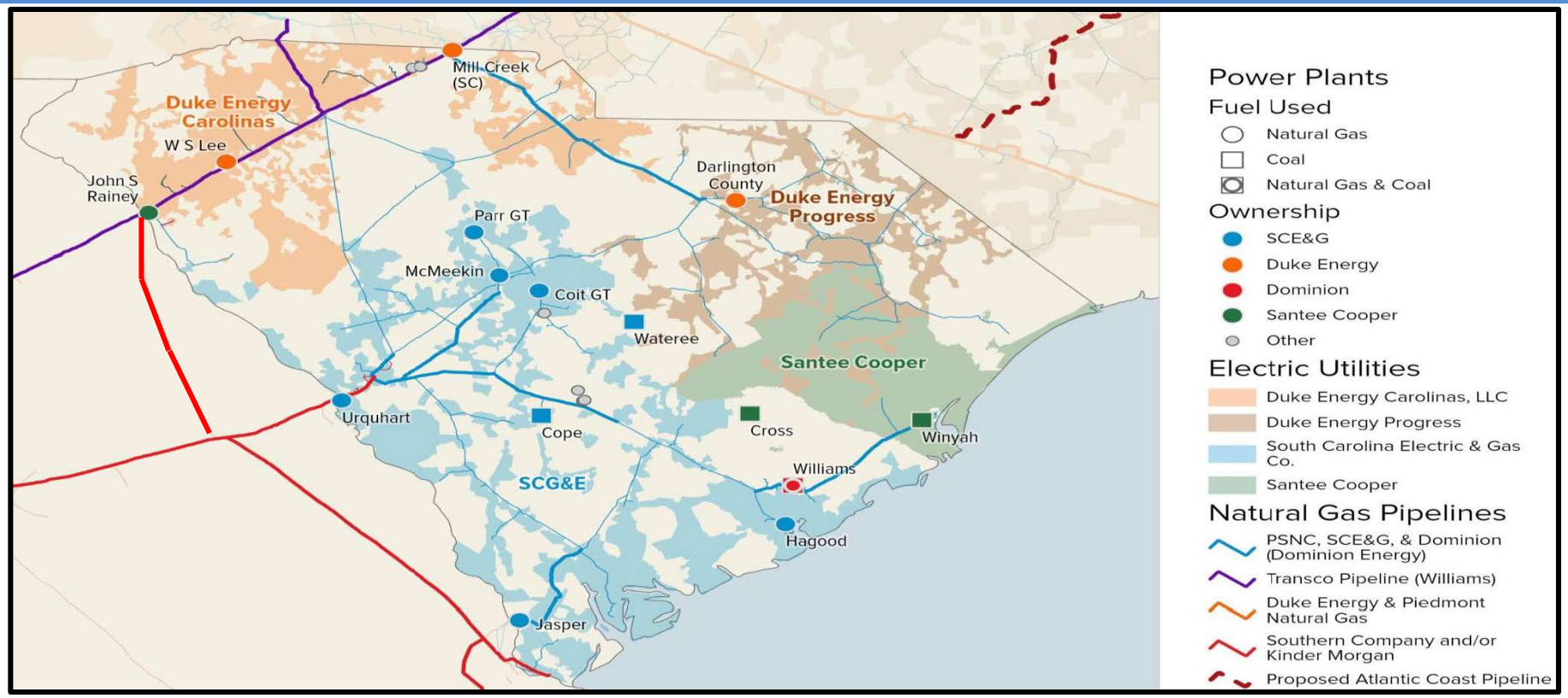
South Carolina Gas Infrastructure



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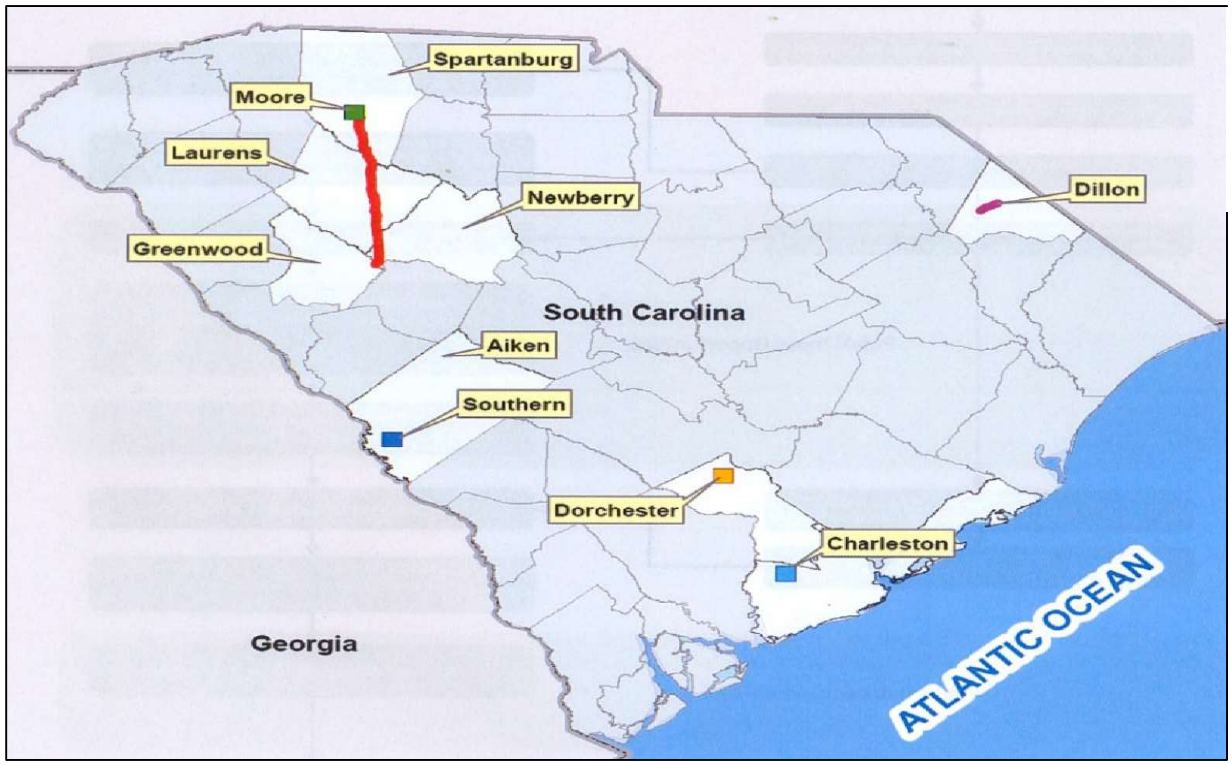
Transco to Charleston



Moore to Chappells Pipeline
Dillon Pipeline
Moore Compressor Station
Dorchester Compressor Station
Southern Compressor Station
Charleston Town Border Station

Specific Projects

- 55 miles of 12" pipe from Spartanburg to Greenwood
- 5 miles of 4" pipe in Dillon
- Two 1,400 hp compressor units at the Moore Compressor Station
- One 3,150 hp compressor station in Dorchester County
- Conversion of a 1,050 hp compressor unit at the Southern Compressor Station in Aiken County;
- Upgrades to the Charleston Town Border Station in Charleston County; Associated pipeline support facilities.

http://www.dillonheraldonline.com/wp-content/uploads/2015/11/Dominion-map.jpg

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SCE&G Does Not Need New Capacity

GL-2

Assessment of South Carolina Natural Gas Pipeline Capacity

Due to recent developments regarding pipeline capacity within and serving South Carolina … there is ample pipeline capacity to serve the needs of SCE&G through at least the winter of 2027-2028. There is sufficient interstate pipeline capacity available on Dominion Carolina Gas Transmission (DCGT)—the pipeline serving the vast majority of SCE&G's gas-fired electric generation and gas distribution—to meet SCE&G's forecasted needs.

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Santee Cooper Does Not Need New Capacity

Notably, based purely on economics, optimization of the Santee Cooper system with unconstrained renewable solar and storage resources resulted in the buildout of a large amount of these resources to meet future capacity and energy. In fact, even in scenarios in which new gas generation resources are available, the model still chose additional solar and battery storage deployment as the most cost-effective resources to replace a substantial share of lost coal-fired generation capacity. According to the model, renewable power economically outcompetes new gas over time. This means that new gas facilities may become stranded assets—burdening ratepayers—before the end of their useful lives, as Winyah and Cross are today.

Synapse
Energy Economics, Inc.
485 Massachusetts Avenue, Suite 2
Cambridge, Massachusetts 02139
617.661.3248 | www.synapse-energy.com

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Santee Cooper Does Not Need New Capacity

The Least-Cost Resource Plan for Santee Cooper

A Path to Meet Santee Cooper's Customer

Table 1. Scenario revenue requirements, reference gas prices

PVRR ($ millions)	Gas Major	BAU	Gas Medium	Clean Energy
Reference Gas	$13,808	$13,569	$13,284	$13,209
Costs/(Savings) compared to BAU	$239	-	($285)	($360)

Divita Bhandari

Synapse Energy Economics, Inc.

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DEC & DEP Do Not Need New Capacity

Mr. Lander argued that the Company should, at a minimum, track its gas pipeline utilization at a more granular scale to see if there are opportunities to resell unused pipeline capacity. During the hearing, the Company's witness, Mr. Phipps, testified that the Company could track its gas pipeline utilization **at a more granular scale** to identify if there are opportunities to resell **unused pipeline capacity**.

In future fuel cases, the Company should have such available hourly and daily metered usage readily available for production. Additionally, I move that the Commission require the Company to present evidence in its next fuel case regarding whether or not it can **monetize the unused gas capacity** on days when the system is not constrained. I firmly believe this enquiry is important because of the potential benefit to ratepayers from sales of **unused natural gas capacity**.

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Reasons to Be Skeptical of ACP

The traditional utility business is in crisis

- Electric load is flat or declining nationwide
- Normal capital projects are harder to justify

The "customers" and "developers" are affiliated entities

- Captive utility ratepayers bear cost and risk

Internal utility forecasts undercut utilities' public claims about costs

- The ACP does not improve reliability or offer net fuel savings

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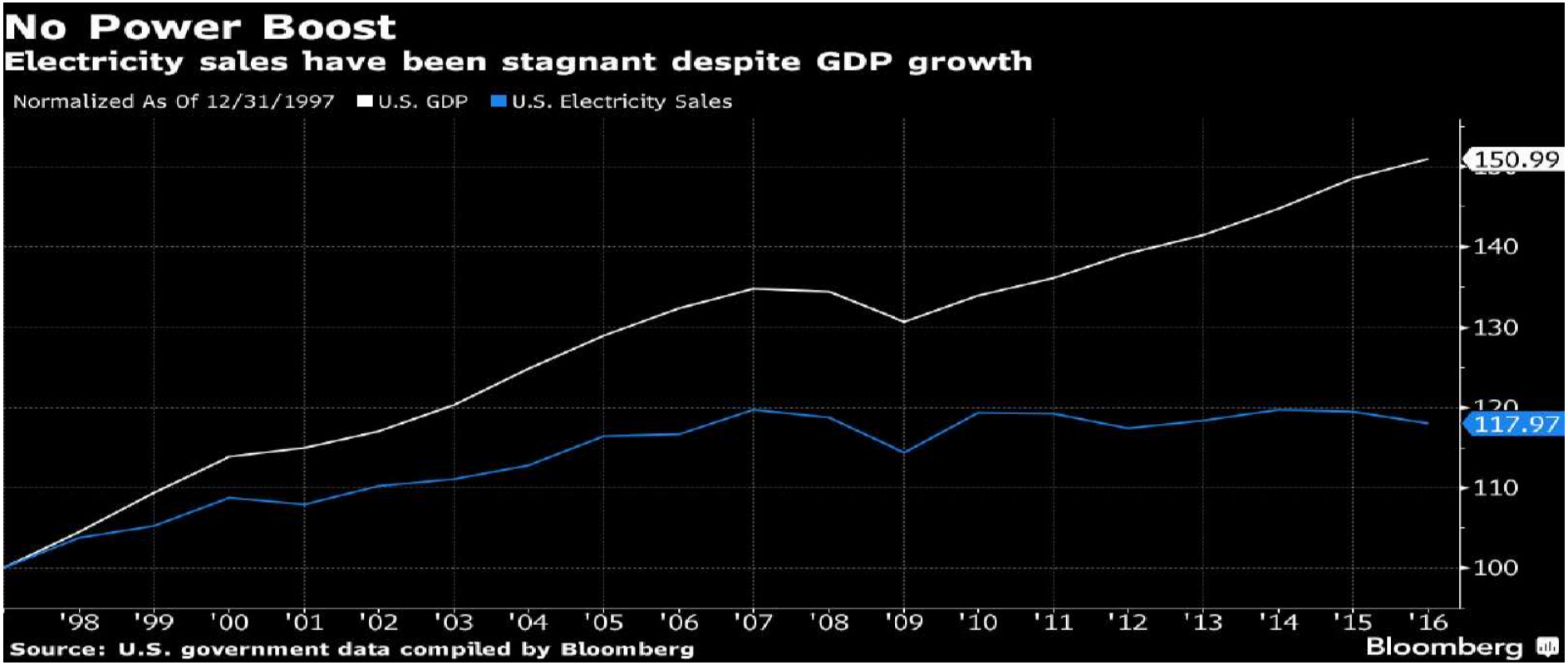
Decoupled Growth: Economy v Load



Source: https://www.vox.com/energy-and-environment/2018/2/27/17052488/electricity-demand-utilities

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Disruption in the Electric Industry

After rising for 100 years, electricity demand is flat. Utilities are freaking... https://www.vox.com/energy-and-environment/2018/2/27/17052488/elect...

After rising for 100 years, electricity demand is flat. Utilities are freaking out.

Thanks to a combination of greater energy efficiency, outsourcing of heavy industry, and customers generating their own power on site, demand for utility power has been flat for 10 years, and most forecasts expect it to stay that way. The die was cast around 1998, when GDP growth and electricity demand growth became "decoupled":

Thanks to a combination of greater energy efficiency, outsourcing of heavy industry, and customers generating their own power on site, demand for utility power has been flat for 10 years, and most forecasts expect it to stay that way. The die was cast around 1998, when GDP growth and electricity demand growth became "decoupled":

But investor-owned utilities (IOUs), which administer electricity for well over half of Americans, face another imperative: to make money for investors. They can't make money selling electricity; monopoly regulations forbid it. Instead, they make money by earning a rate of return on investments in electrical power plants and infrastructure.

The problem is, with demand stagnant, there's not much need for new hardware. And a drop in investment means a drop in profit. Unable to continue the steady growth that their investors have always counted on, IOUs are treading water, watching as revenues dry up.

1 of 4 12/12/2019, 3:23 PM

Source: https://www.vox.com/energy-and-environment/2018/2/27/17052488/electricity-demand-utilities

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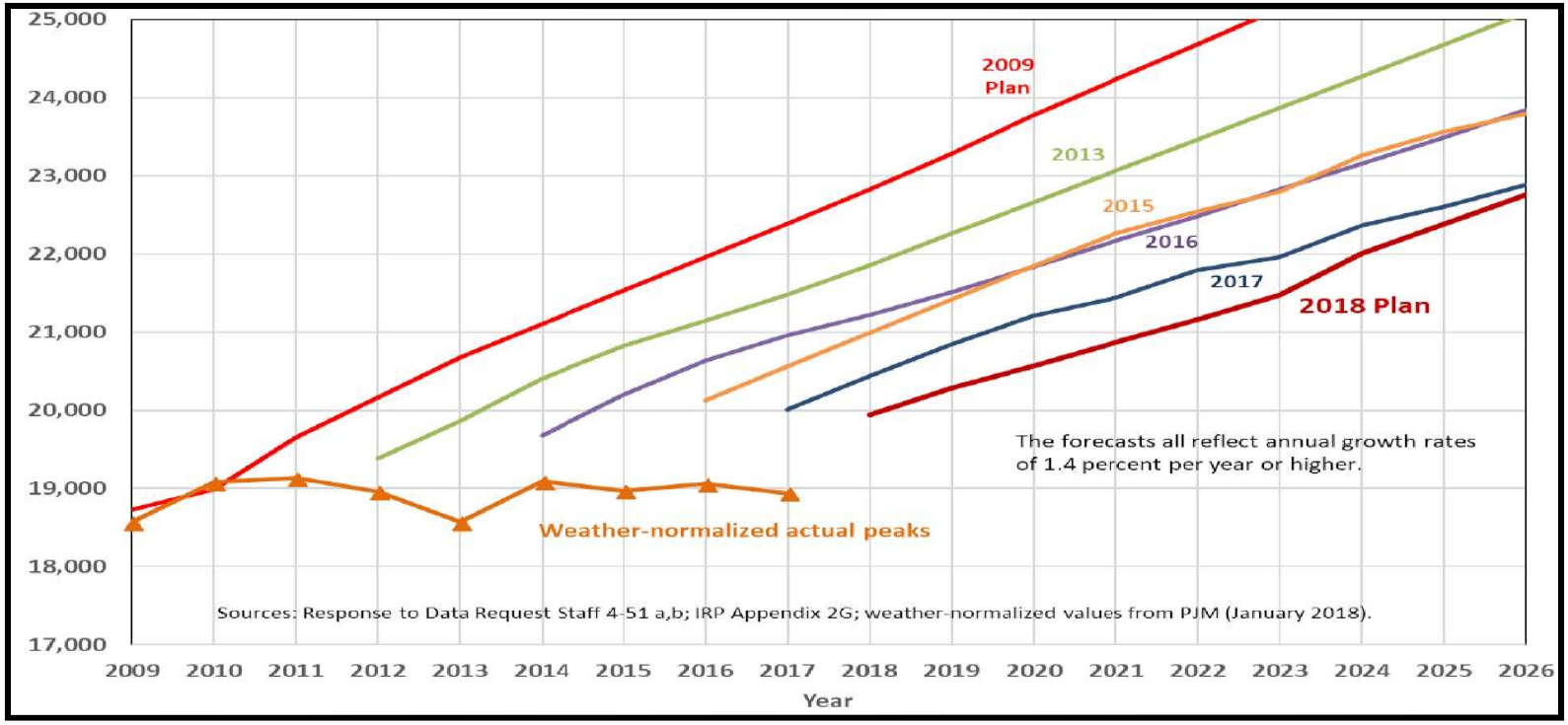
DEV's Load Forecasts



Source: Testimony of James F. Wilson (Fig. JFW-A) RE: Virginia Electric and Power Company - Integrated Resource Plan filing for 2018 pursuant to Va. Code § 56-597 et seq. (Aug. 10, 2018).

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End of the Generation Gravy Train

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 7, 2018

CLERK'S OFFICE
DOCUMENT CONTROL CENTER
2018 DEC -7 A 9:24

[T]he Commission has considerable doubt regarding the accuracy and reasonableness of the Company's load forecast for use to predict future energy and peak load requirements.

filed with the State Corporation Commission ("Commission") the Company's 2018 Integrated Resource Plan ("IRP") pursuant to § 56-597 *et seq.* of the Code of Virginia ("Code").

The record further reflects that the load forecasts contained in the Company's past IRPs have been consistently overstated, particularly in years since 2012, with high growth expectations despite generally flat actual results each year.

Virginia Committee for Fair Utility Rates ("Committee"); Sandra L. Meyer, Trustee of the Meyer Family Trust ("Meyer Trust"); and the Virginia Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel").

Source: http://www.scc.virginia.gov/docketsearch/DOCS/4d5g01!.PDF

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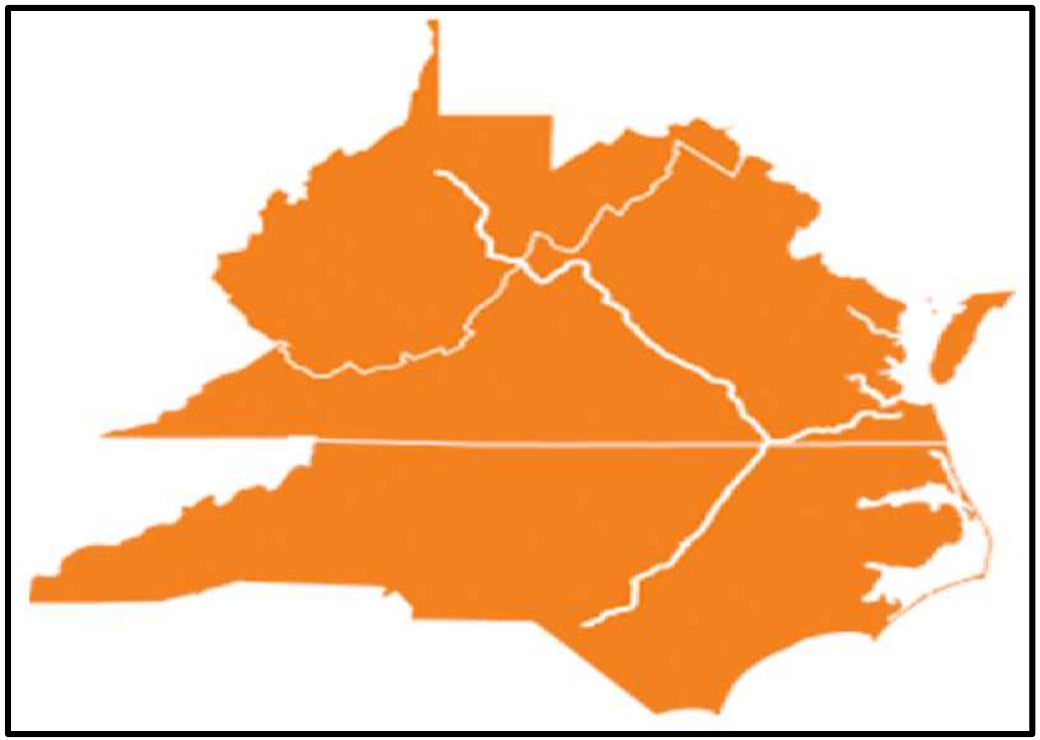
Utilities Turn to Interstate Pipelines



Source: https://atlanticcoastpipeline.com/img/acp-og.png

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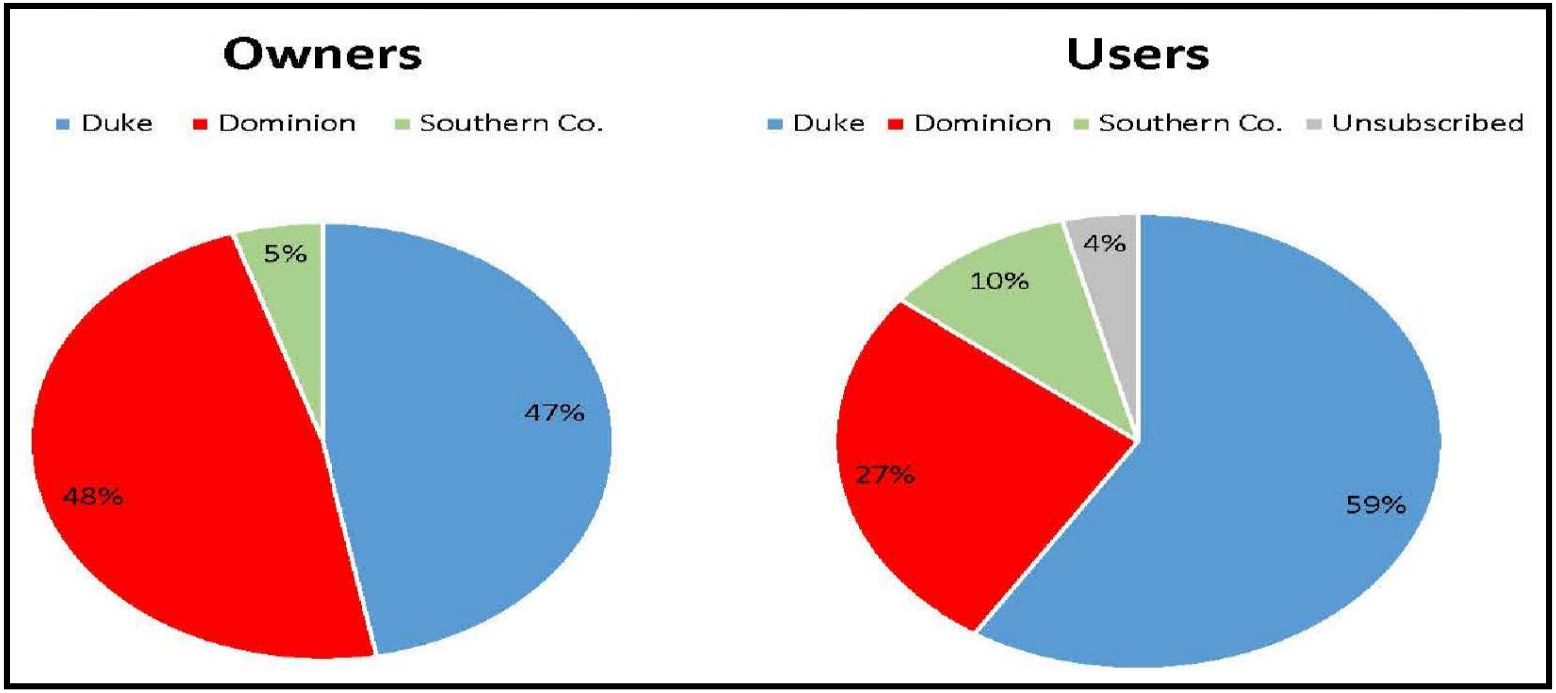
ACP Owners & Users



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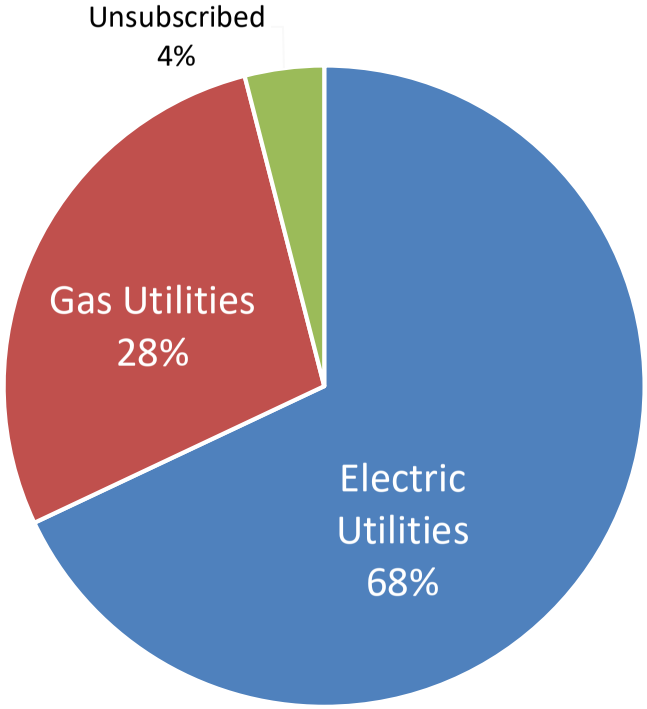
ACP Use By Type



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Failures at FERC

FERC issues certificates based solely on whether a pipeline developer has contracted out capacity on pipeline

FERC has refused to independently evaluate the market when pipeline customers are corporate affiliates of pipeline developers

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Failures at FERC

164 FERC ¶ 61,100
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Neil Chatterjee, and Robert F. Powelson.

Atlantic Coast Pipeline, LLC	Docket Nos. CP15-554-002
Dominion Transmission, Inc.	CP15-555-001
Atlantic Coast Pipeline, LLC Piedmont Natural Gas Company, Inc.	CP15-556-001

We disagree and affirm the Certificate Order's finding that even though all but one of the ACP Project's shippers are affiliated with Atlantic, the Commission is not required to look behind precedent agreements to evaluate project need.

[1] 15 U.S.C. § 717f(c) (2012).

[2] On May 12, 2017, Dominion Transmission, Inc. changed its name to Dominion Energy Transmission, Inc.

[3] *Atlantic Coast Pipeline, LLC*, 161 FERC ¶ 61,042 (2018) (Certificate Order).

[4] Demian Jackson and Bridget Hamre jointly sought rehearing individually and as owners of Nelson County Creekside, LLC.

https://www.ferc.gov/CalendarFiles/20180810203730-CP15-554-002.pdf

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Commissioner LaFleur's Dissent

STATEMENT

Dissent of
Commissioner Cheryl A. LaFleur on
Atlantic Coast Pipeline

Date: August 10, 2018

Docket Nos.: CP15-554-002; CP15-555-001; CP15-556-001

Today, the Commission denies rehearing of its original authorization of the Atlantic Coast Pipeline (ACP) Project.[1] For the reasons set forth herein, I respectfully dissent.

I did not support the Commission's underlying order authorizing the ACP Project because I concluded the project as proposed was not in the public interest

impacts. Both pipelines cross hundreds of miles of karst terrain, thousands of waterbodies, and many agricultural, residential, and commercial areas. Moreover, the impacts on landowners and communities are significant, noting the numerous concerns raised by intervenors in this rehearing proceeding. For these reasons, I believe we should have given more consideration to the collocation and merged system/one-pipe alternative options that could result in less environmental disturbance and fewer landowner impacts.

[1] *Atlantic Coast Pipeline, LLC*, 164 FERC ¶ 61,100 (2018) (Rehearing Order).

[2] *Atlantic Coast Pipeline, LLC*, 161 FERC ¶ 61,042 (2017) (LaFleur, Comm'r, *dissenting*) (Certificate Order).

[3] *Mountain Valley Pipeline, LLC*, 161 FERC ¶ 61,043 (2017) (LaFleur, Comm'r, *dissenting*).

[4] *Sierra Club v. U.S. Dept. of the Interior*, Opinion No. 18-1082 (4th Cir. Aug. 6, 2018).

Federal Energy Regulatory Commission | Washington DC 20426 | www.FERC.GOV

https://www.ferc.gov/media/statements-speeches/lafleur/2018/08-10-18-lafleur-ACP.pdf

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Commissioner Glick's Abstention

STATEMENT

Statement of
Commissioner Richard Glick on
Atlantic Coast Pipeline LLC

I chose not to participate in today's order … solely to enable those parties challenging the Certificate to have their day in court. If I had voted, the rehearing order would have failed on a 2-2 vote … and pursuant to the requirements of section 19 of the Natural Gas, the appellate courts would not have had jurisdiction to review the Commission's decision to grant the Certificate. I share many of the concerns articulated in Commissioner LaFleur's dissenting opinion and I do not believe that the ACP Project has been shown to be in the public interest.

Federal Energy Regulatory Commission | Washington DC 20426 | www.FERC.GOV

https://www.ferc.gov/media/statements-speeches/glick/2018/08-10-18-glick-ACP.pdf

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Utility Arguments in Favor of ACP

- Fuel cost savings relative to Transco Zone 5
- Reliability & Pipeline Constraints
- Winter Price Spikes

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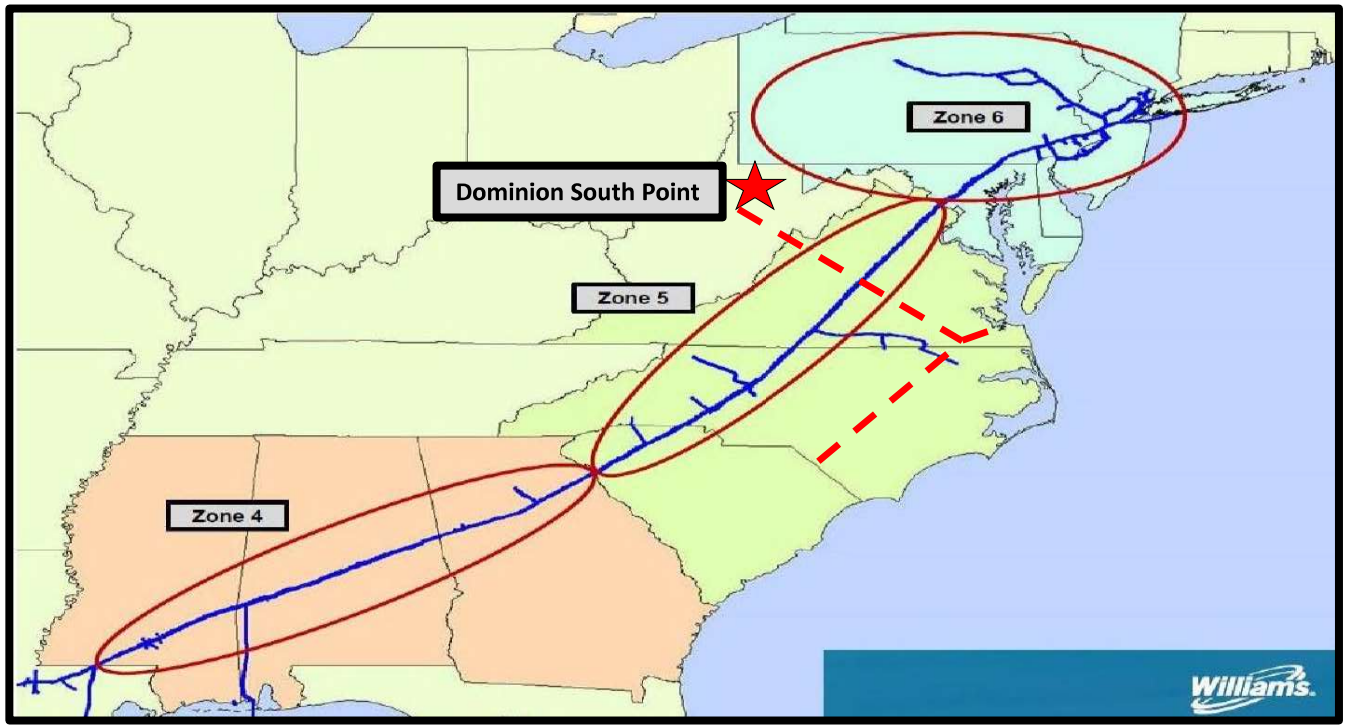
ACP & Transco Zones



Source: https://marcellusdrilling.com/wp-content/uploads/2018/05/Transco-map.jpeg

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ICF's 2015 Fuel Cost Savings Claims

The Economic Impacts of the Atlantic Coast Pipeline

Between 2019 and 2038, ICF estimates a net annual average energy cost savings of over $377 million dollars - $243 million in Virginia, and $134 million in North Carolina. These benefits accrue to both natural gas and electric consumers and add to the construction and local tax benefits identified in other studies.[6]

ICF International
9300 Lee Highway
Fairfax, VA 22031

1331 Lamar, Suite 660
Houston, TX 77010

February 9, 2015

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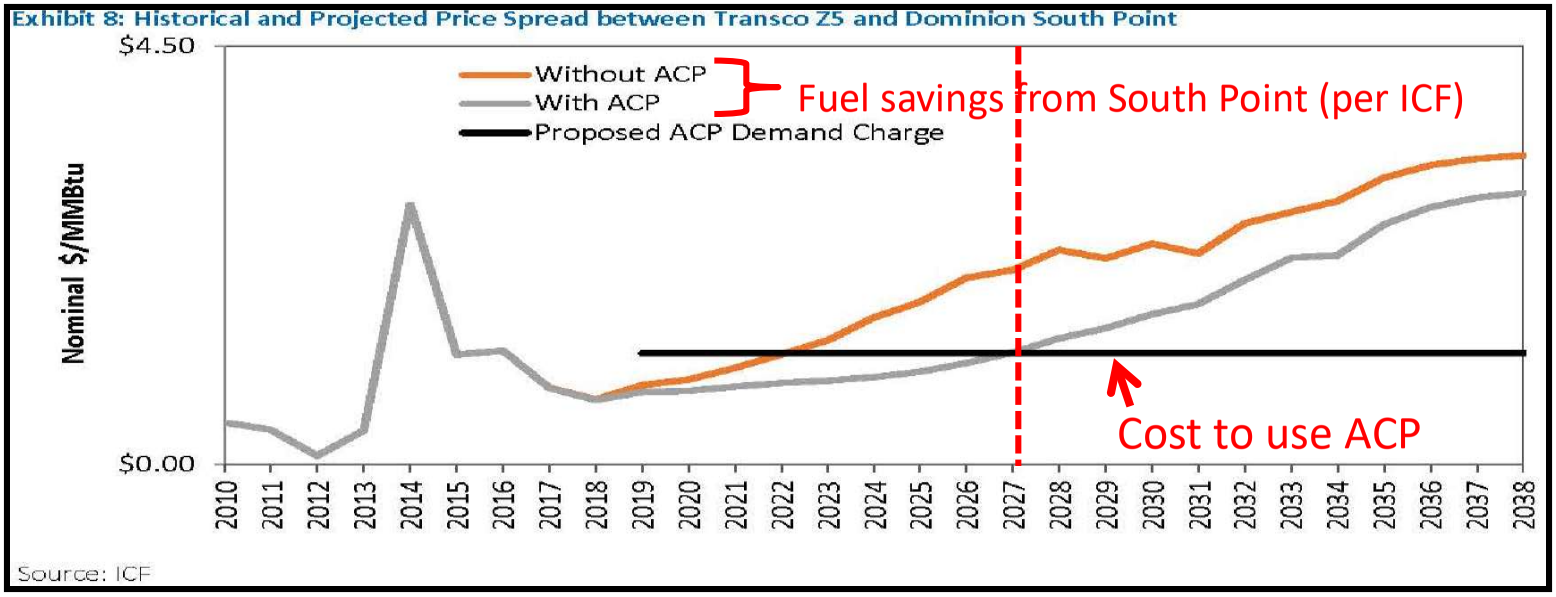
Dominion South Point v Transco Z5



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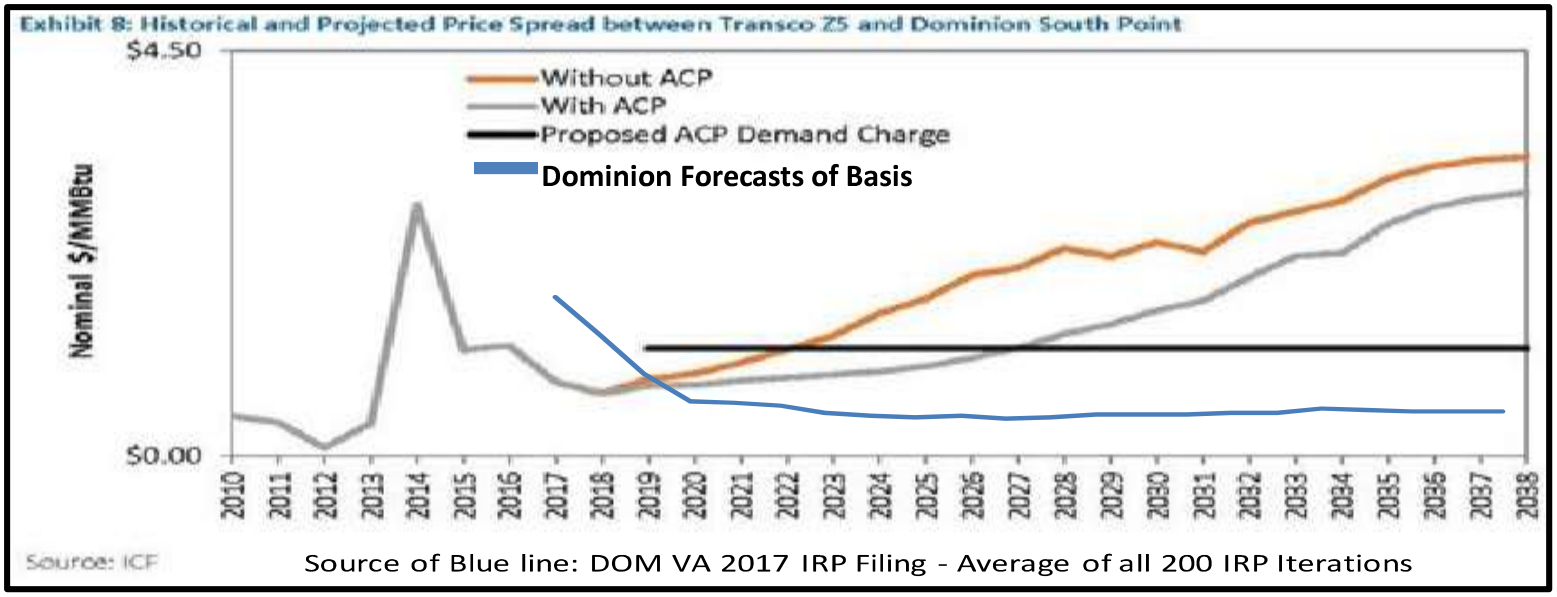
Dominion South Point v Transco Z5



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Dominion South Point v Transco Z5

The Economic Impacts of the Atlantic Coast Pipeline

As seen in Exhibit 8, ICF estimates that, as compared to purchasing gas supplies delivered into the market, ACP gas buyers could save $1.61/MMBtu on average by transporting Appalachian Basin gas on ACP - far exceeding the proposed transportation rate on the pipeline. The cost savings enabled by the ACP occur early in the life of the project and grow steadily over time.

1331 Lamar, Suite 660
Houston, TX 77010

February 9, 2015

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Dominion South Point v Transco Z5

Common Facts:

- ACP increases transportation costs

ICF Myth:

- ACP accesses gas cheaper from Dominion South Point
- Commodity cost savings more than offset increased transportation costs

Market Fact:

- ACP transportation costs will exceed the cost "savings" that result from buying gas at Dominion South Point instead of Transco Z5

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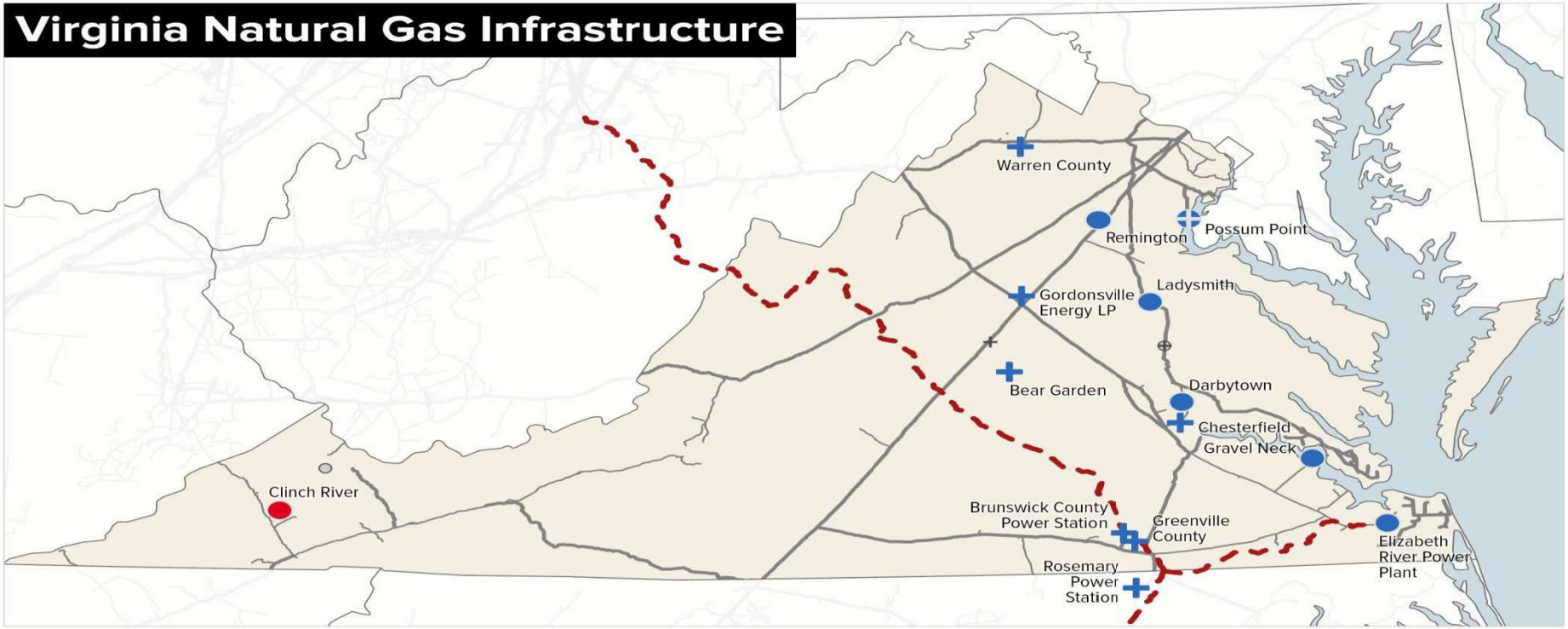
ACP Does Not Improve VA Reliability



Natural Gas Power Plants
- Combustion Turbine Only
- Combined Cycle Only
- Combustion Turbine & Combined Cycle

Utility
- Dominion
- Appalachian Power Co
- Other

Natural Gas Pipelines
- Mainline
- Lateral
- Proposed Atlantic Coast Pipeline

Map created by: Libbie Weimer (lweimer@selcnc.org)
Last updated: December 16, 2019
Source: Platts, EIA, Natural Earth 4.0

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ACP Does Not Improve VA Reliability

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 15, 2019

CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2019 AUG 15 P 2: 20

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2019-00070

To revise its fuel factor pursuant to
§ 56-249.6 of the Code of Virginia

ORDER ESTABLISHING 2019-2020 FUEL FACTOR

[B]ased on the instant record … we find that at the current time, the overall deliverability of Dominion's [natural gas pipeline] portfolio is reasonably sized for the size of its generation fleet… (footnote 8)

2.3254¢/kWh, effective for usage on and after July 1, 2019.[2]

The Company's proposed fuel factor, reflected in Fuel Charge Rider A, consists of both a current and prior period factor. The Company's revised proposed current period factor for Fuel Charge Rider A of 2.1675¢/kWh is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses, of approximately $1.47 billion for the period July 1, 2019, through June 30, 2020.[3] The Company's revised proposed prior

[1] Ex. 2 (Application) at 2.

[2] Ex. 12 (Beasley Supplemental Direct) at 2.

[3] Ex. 2 (Application) at 2; Ex. 12 (Beasley Supplemental Direct), Schedule 3.

http://www.scc.virginia.gov/docketsearch/DOCS/4%24b%2401!.PDF

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DEV's 2015 Generation Expansion Plan

Year	Least Cost Non-Compliant Plan	Compliant with Clean Power Plan				Renewables, Retrofit, Retirements, and DSM included in all Plans (*resources only in CPP-Compliant Plans)			
		Plan A: Solar	Plan B: Co-fire	Plan C: Nuclear	Plan D: Wind	Renewable*	Retrofit	Retire	DSM[1]
2016	Brunswick	Brunswick	Brunswick	Brunswick	Brunswick	SLR NUG[3] (250 MW) SPP[3] (16 MW) RSLR (20 MW)		YT 1-2	
2017						SLR NUG (150 MW) SLR* (100 MW) SLR TAG* (4 MW)			
2018									
2019	Greenev								
2020								-4[4],	Approved & Future DSM 611 MW by 2030 3,008 GWh by 2030
2021									
2022	CT								
2023									
2024									
2025									
2026	CC								
2027		SCT SLR (300MW)	SLR (200MW)						
2028		SLR (300MW)	SLR (200MW)	NA3[2]					
2029		SLR (300MW)							
2030		CC SCT SLR (300MW)	CC SCT	CT	CC CT				

1,600 – 3,200 MW NGCC Capacity

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DEV's 2019 Generation Expansion Plan

Year	Plan A: No CO_2 Tax	Plan B: RGGI	Plan C: Sustainable Investment
Approved and Generic DSM: 265 MW			
2020	US-3 Solar 1 (142 MW)	US-3 Solar 1 (142 MW)	US-3 Solar 1 (142 MW)
2021	CVOW US-3 Solar 2 (98 MW) US-4 Solar (100 MW)	CVOW US-3 Solar 2 (98 MW) US-4 Solar (100 MW)	CVOW US-3 Solar 2 (98 MW) US-4 Solar (100 MW)
		YT3	YT3
2024	CT	CT GSLR (480 MW)	CT GSLR (480 MW)
2025		CT GSLR (480 MW) CL 1-2	CT OFF WIND (852 MW) CL 1-2
2026		CT GSLR (480 MW)	CT GSLR (480 MW)
2027		GSLR (480 MW)	
2028	GSLR (60 MW)		
2029	GSLR (240 MW)		
2030	GSLR (480 MW)		PMP STG (300 MW)
2031	GSLR (480 MW)	GSLR (360 MW)	GSLR (120 MW)
2032	GSLR (480 MW)	GSLR (480 MW)	GSLR (480 MW)
2033	GSLR (420 MW)	GSLR (240 MW)	GSLR (180 MW)
2034	GSLR (480 MW)	GSLR (480 MW)	GSLR (480 MW)

0 MW NGCC Capacity

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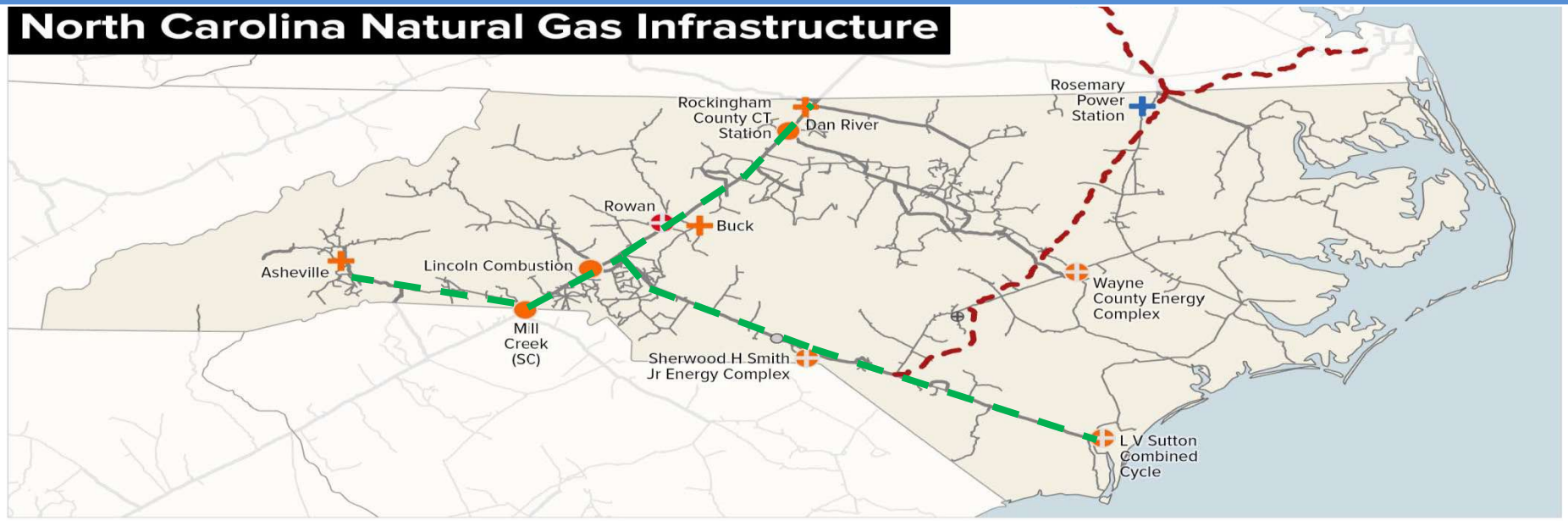
ACP Does Not Improve NC Reliability



Natural Gas Power Plants
- Combustion Turbine Only
- Combined Cycle Only
- Combustion Turbine & Combined Cycle

Utility
- Duke Energy
- Dominion
- Southern Power Co
- Other

Natural Gas Pipelines
- Mainline
- Lateral
- Proposed Atlantic Coast Pipeline

Map created by: Libbie Weimer (lweimer@selcnc.org)
Last updated: December 16, 2019
Source: Platts, EIA, Natural Earth 4.0

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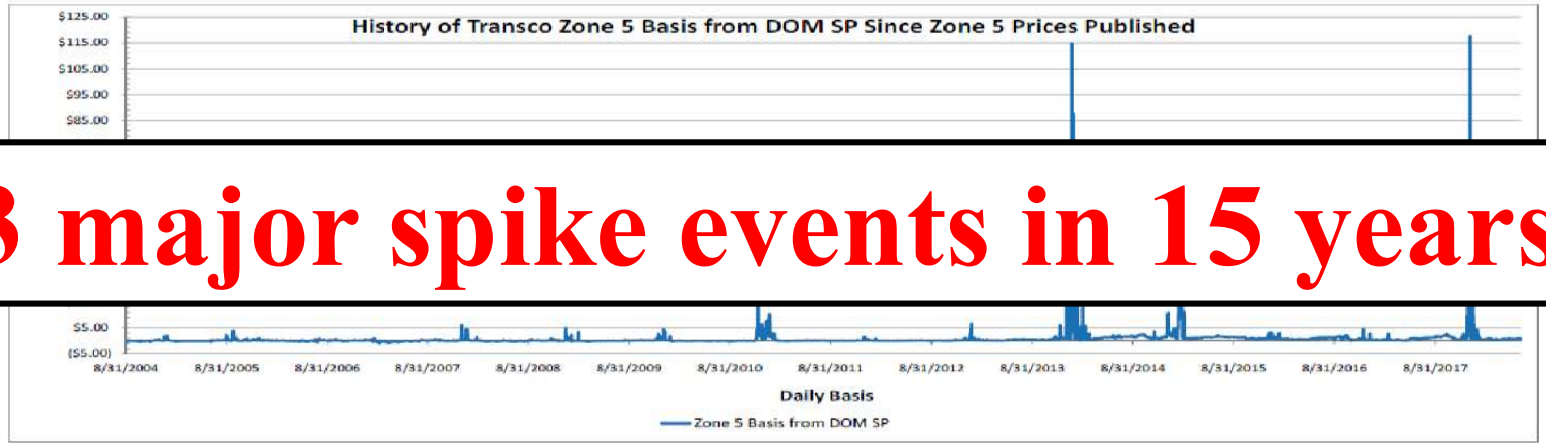
Winter Price Spikes



3 major spike events in 15 years

Testimony of Gregory M. Lander, *In re: Virginia Electric and Power Company - Integrated Resource Plan filing for 2018 pursuant to Va. Code § 56-597 et seq.*, Case No. PUR-2018-00065 (Aug. 10, 2018).

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What the ACP Does Not Do

- Does not enhance reliability
- Does not provide "net savings" when year-round fixed transportation costs are compared with Dominion South Point commodity basis
- Does not provide "net savings" on a year-round basis, even in years where prices spike in the winter

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What the ACP Does Do

Dominion Energy, Inc. (D) CEO, Thomas Farrell on Q3 2019 Results - E... https://seekingalpha.com/article/4301568-dominion-energy-inc-d-ceo-t...

Seeking Alpha
Transcripts | Utilities

Dominion Energy, Inc. (D) CEO, Thomas Farrell on Q3 2019 Results - Earnings Call Transcript

I'll also note that since the last quarterly call, we have continued to advance discussions with Atlantic Coast pipeline customers regarding the equitable resolution of project cost increases. We expect to reach an agreement in principle by the end of this year, and we are confident that the result will satisfactory balance customer rates with project returns. Our customers demand for this critical and common sense energy infrastructure is unwavering.

-Tom Farrell, Dominion CEO

Conference Call Participants

Shahriar Pourreza - Guggenheim Partners

Steve Fleishman - Wolfe Research

Julien Dumoulin-Smith - Bank of America Merrill Lynch

1 of 24 11/1/2019, 3:10 PM

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2019 DEV Q3 Earnings Call

Dominion Energy, Inc. (D) CEO, Thomas Farrell on Q3 2019 Results - E... https://seekingalpha.com/article/4301568-dominion-energy-inc-d-ceo-t...

Question:
I think investors are concerned that with the cost overruns, this winds up being a pipe that doesn't earn its cost of capital. But you seem to be positioning it in such a way that you should be able to potentially share the burden of those unexpected cost increases with the utilities who are taking the capacity. So can you talk through like how much of that you are, you think you'll be able to share given the unforeseen delays in the pipe and what type of return we should expect on the pipe, if you're successful?

Answer:
And we are in very constructive negotiations with the customer for fair rates to their customers as well as fair returns for us and more comfortable with the returns that we'll get for the pipeline.

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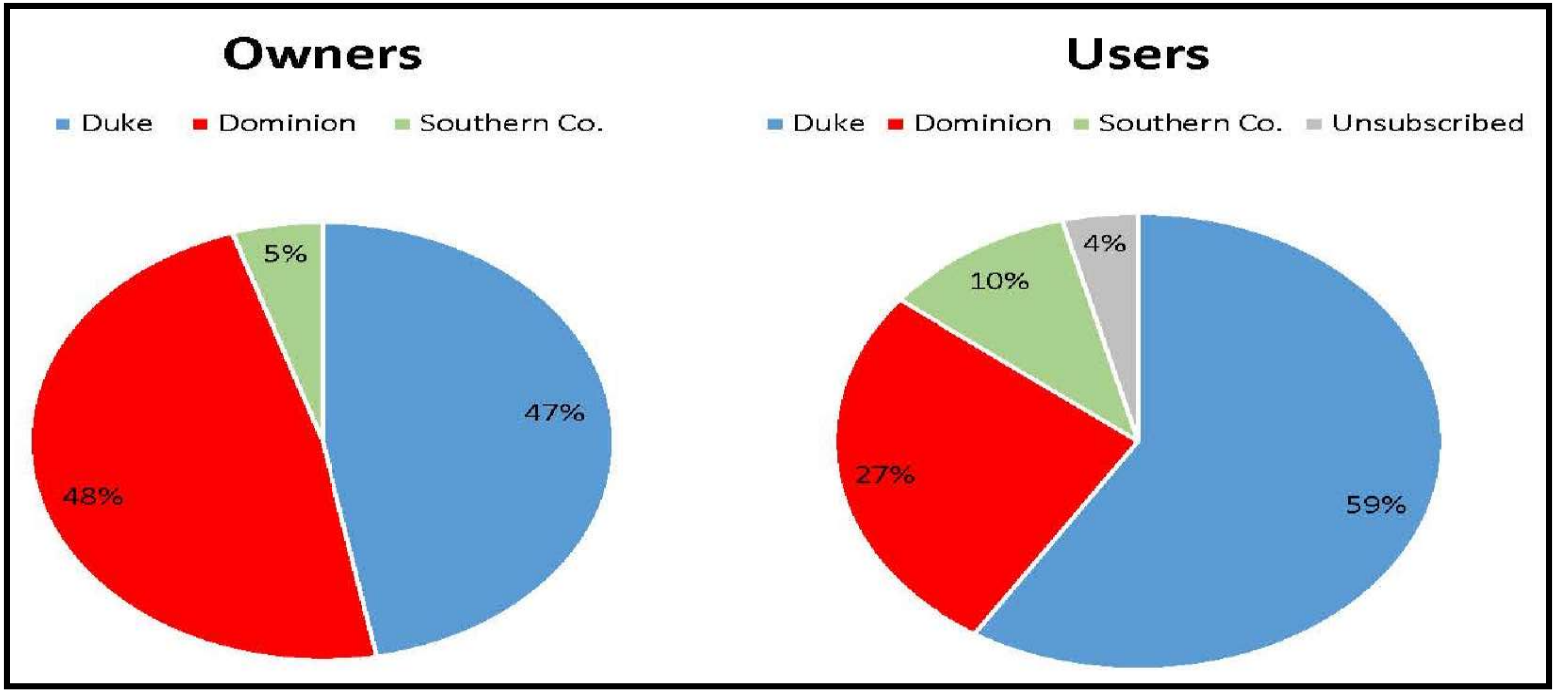
ACP Owners & Users



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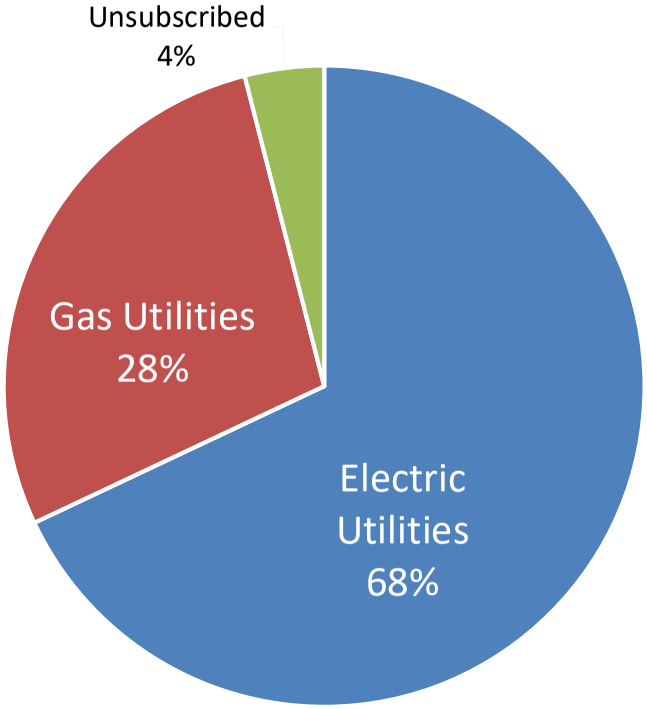
ACP Use By Type



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Realities of the ACP

Billions of dollars over budget

Years behind schedule

Provides no cost-effective improvements in reliability

Provides no cost-effective fuel diversity

Provides no useful, cost-effective pipeline capacity for industrial users

Financial structure shifts cost and risk to captive electric ratepayers

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QUESTIONS

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Coastal Conservation League

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