

Statement by Diane Leopold
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U.S. Senate
Opportunities for America's Energy Infrastructure
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Good morning Chairman Murkowski, Ranking Member Cantwell and members of the Committee. I am Diane Leopold and I serve as President and CEO of Dominion Energy, the business unit at Dominion Resources with responsibility for all of our natural gas operations. I also am chair of the Interstate Natural Gas Association of America or INGAA – the North American natural gas pipeline trade association – although I am not appearing in that capacity today.

Thank you for inviting me to testify on the immense economic, environmental and security benefits fostered by expanding our nation's energy infrastructure using domestic sources. These benefits are well documented, as I will lay out in my testimony. Our projects – those of Dominion and many other companies – provide the added advantage of being done using private capital, not taxpayer dollars. We are ready, eager and able to make that commitment. However, to unleash this wave of investment and the benefits that result, we also need a reasonable level of certainty from federal agencies that there can be a rational path forward. Not a rubber stamp, but surety that agencies will establish fair schedules and keep to them. We need common-sense decisions. I firmly believe this can be achieved while maintaining transparency and full public participation in the process, as there rightly should be.

I am proud that Dominion has underway two of our country's most-important energy infrastructure projects: the Cove Point Liquefied Natural Gas (LNG) liquefaction project in Maryland and the Atlantic Coast Pipeline proposed to deliver natural gas from throughout the Appalachian region to customers in Virginia and North Carolina. These projects will generate tens of thousands of combined temporary and permanent jobs and billions of dollars in wages for the skilled craft professionals building our projects. Local governments will have significant new revenue streams, and industrial, commercial and residential customers will enjoy lower energy costs because of increased access to America's abundant natural gas resources. And, in the case of Cove Point, our trade deficit will be reduced by billions of dollars.

In addition, I will discuss a critically important electric transmission project Dominion has proposed. I include it in my testimony because it, too, will provide significant benefits and it, too, faces many of the same regulatory and permitting hurdles seen by Cove Point and the Atlantic Coast Pipeline.

Dominion is executing an aggressive growth strategy focused on public need and financed solely with private capital to better serve our customers. We are in the process of investing approximately \$16 billion from 2016 to 2020 in natural gas transmission and distribution pipelines, electric transmission upgrades, and building new generation from renewable sources and highly-efficient baseload natural gas.

By way of background, Dominion Resources is headquartered in Richmond, Virginia, and is one of the nation's largest integrated energy companies. We are a "Fortune 250" company with 16,000 employees and operations in 18 states, ranging from the Northeast and South Carolina to Utah and California. We

deliver electricity or natural gas to about five million homes and businesses in seven states: Virginia, North Carolina, Ohio, West Virginia, Utah, Wyoming and Idaho. Our portfolio of assets includes approximately 26,400 megawatts of nuclear, gas, coal, wind, solar, biomass, hydro, and fuel cell power generation; 15,000 miles of natural gas pipelines; and 6,600 miles of electric transmission lines. Dominion operates one of the nation's largest natural gas storage systems with 1 trillion cubic feet of capacity. And, our interstate natural gas pipeline system overlays the prolific Marcellus and Utica gas fields in the East and links the gas fields of the Rocky Mountains to markets in the West and Midwest.

Atlantic Coast Pipeline Overview

Our nation has a newfound and growing abundance of natural gas, but it has a shortage of infrastructure to get the natural gas from where it is to where it is needed. Meeting some of that need is the reason behind the Atlantic Coast Pipeline project and other similar projects by other companies. With any project of this scope and scale, one would expect a robust and thorough regulatory review process. Our nation has constructed a network of more than 300,000 miles of interstate and intrastate pipelines using a process built on the Natural Gas Act of 1938 and subsequent regulation. It is one of the safest and most-efficient energy networks in the world. In recent years, however, this process has not worked as smoothly as in the past. While we recognize that modern expectations and updated standards should be applied, we also believe that there is room for common-sense improvements and efficiencies.

There are two key drivers for the Atlantic Coast Pipeline. First, there is a specific, regional customer need. This need is for critical infrastructure to ensure the reliability of the power grid, to support energy security, to comply with existing environmental regulations, and to serve underserved and constrained areas. The second factor that made this possible was the low cost, prolific supply of nature gas reserves across the country which lowers energy bills to homeowners and makes businesses more competitive.

The result is that Dominion joined with Duke Energy, Piedmont Natural Gas and what is now Southern Company Gas in a joint venture to build the Atlantic Coast Pipeline. This project is a 600-mile, \$5 billion, 100% privately financed underground pipeline that will bring 1.5 billion cubic feet per day of new supplies of natural gas to gas-constrained areas of Virginia and North Carolina. The FERC pre-filing process started in September, 2014 and the application was filed a year later in September, 2015. We anticipate beginning construction later this year, and to be in service to meet our customers' needs in late 2019.

The ACP, as the pipeline is commonly known, has signed 20-year, binding transportation agreements with multiple end-use customers and over 94 percent of the gas capacity is under contract solely for domestic use. Over 76 percent of the 1.5 billion cubic feet per day of capacity is dedicated for use by utilities for power generation. The remaining amount will be for industrial users expanding operations and for local gas utilities for their residential and commercial customers in areas that are underserved today. One local gas distribution company, Southern's Virginia Natural Gas subsidiary, has advised FERC that its Hampton Roads Crossing pipeline is operating at design limits on peak demand days. Further, during frigid days Virginia Natural Gas has had to curtail service to large industrial customers to prevent residential and other customers from being left in the cold. Piedmont Natural Gas in North Carolina conveys similar concerns in that they cannot reliably meet the growing demand let alone be in a position to serve new industries who want to locate in eastern North Carolina.

To convey to the Committee the need and benefits of the Atlantic Coast Pipeline project, a statement from Jim Kibler, president of Virginia Natural Gas, the sole retail supplier of natural gas in Southeastern

Virginia, is compelling. “Since ACP was announced, Virginia Natural Gas has experienced an influx of interest from new, prospective customers. Manufacturers interested in relocating realize that Hampton Roads will have sufficient natural gas supplies upon completion of the ACP. Before the announcement of ACP, economic development authorities who are charged with bringing new business to the state and help diversify the economy were at a disadvantage when they communicated to prospects that there was insufficient natural gas infrastructure, which prohibited firm service contracts. This has undoubtedly cost Hampton Roads jobs, tax revenue and economic diversification. “

Greg Cummings, Director of Economic Development for Robeson County, North Carolina and Mayor of Pembroke, North Carolina urges approval of the project because of the many industries that have passed over the eastern region of North Carolina due to the inability of access to natural gas. Mr. Cummings states, “without natural gas you can’t compete for new jobs and provide growth to your people.”

The economic case for the Atlantic Coast Pipeline is validated by two independent studies. From Chmura Economics in September, 2014, during the three-year construction period there would be over 17,000 jobs for skilled craft professionals – pipefitters, welders and other trade crafts. ICF International estimates that consumers and businesses would save approximately \$377 million annually in lower energy costs after the pipeline becomes operational.

Atlantic Coast Pipeline Outreach

Dominion takes very seriously our obligation for transparency and to reach out to all segments of our communities with information about our activities and plans for new projects. In fact, Dominion has engaged in an unprecedented level of outreach to all landowners, local governments, tribal governments, citizen organizations, and others. Since 2014, as the largest owner and the partner responsible for construction, Dominion has undertaken a concerted effort to communicate directly with and to meet with dozens of organizations along the route. Dominion held thirty-three open houses in the three states from September 2014 to March 2016. FERC held twelve public scoping meetings in March, 2015 and May, 2016 where Dominion attended to respond to questions. Recently, FERC held ten public meetings on the draft Environmental Impact Statements (EIS).

We understand that many communities and landowners are experiencing this process for the first time. We have a responsibility to listen and work with every landowner to accommodate their routing concerns as much as possible. From our outreach where we learned from residents and other stakeholders, we have made thousands of small and large adjustments to the route. Transparency in this process is essential to gaining public understanding and trust that we will meet and often exceed the federal and state requirements to ensure the project is built safely with as minimal impact and environmental disturbance as possible.

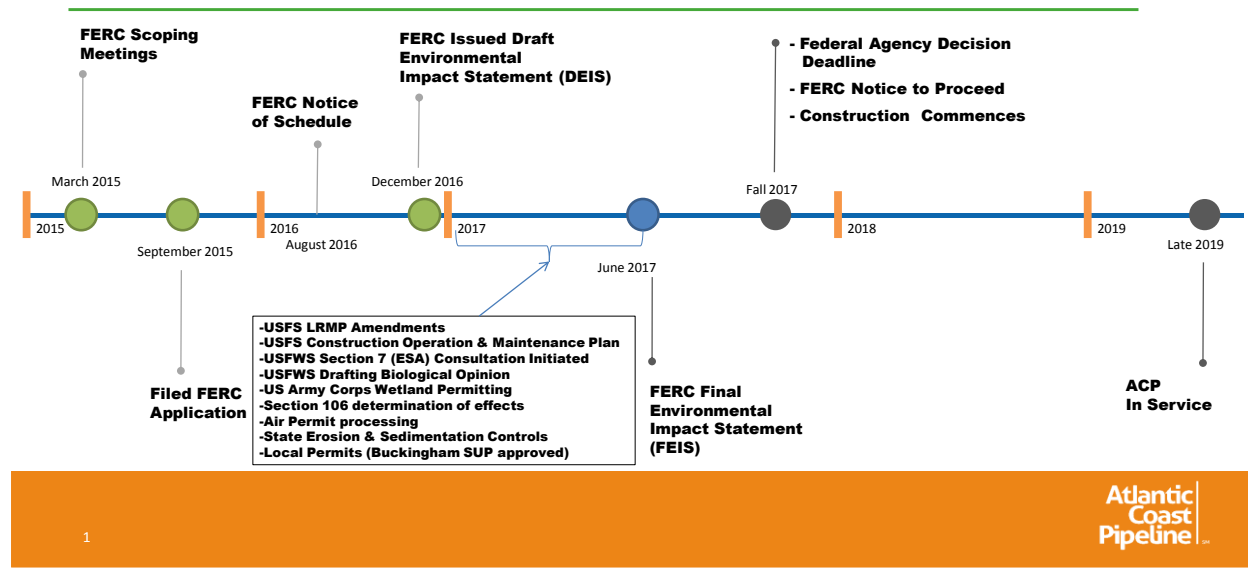
I am pleased to advise the Committee that on average over 90 percent of the landowners along the route have provided permission to survey their property to determine the suitability for the pipeline.

Atlantic Coast Pipeline Federal Permitting

Coordination among the several federal agencies is critical to the timely review of a project, and as designed today, the federal permitting process is challenging.

The Atlantic Coast Pipeline requires more than eighteen major federal permits and authorizations from FERC, the Army Corps of Engineers (Corps), the National Park Service (NPS), the U.S. Forest Service (USFS), the U.S. Environmental Protection Agency (EPA) and the U.S. Fish and Wildlife Service (FWS). FERC is the lead federal agency for reviewing and permitting the project and is preparing an Environmental Impact Statement (EIS) to assess the direct, indirect and cumulative impacts of the project. The Corps, EPA, Forest Service and Fish and Wildlife Service are cooperating in the preparation of FERC's EIS. Last August, FERC issued the Notice of Schedule, a major milestone for the project, indicating that the draft EIS would be issued in December, 2016 for a 90-day comment period and the final EIS would be issued by June 30, 2017. As provided under EPAct 2005, the Notice of Schedule also sets out a deadline to complete all federal authorizations by September 28, 2017.

Project Expected Timeline



Since May, 2014 – event before the FERC pre-filing process began in September, 2014 - Dominion has been actively engaged in discussions with these agencies. We value the time and engagement of agency staff and remain committed to providing all information necessary to complete the agencies' respective reviews. In addition, to facilitate interagency coordination, the Atlantic Coast Pipeline was placed on the FAST-41 list of high-priority, nationally significant projects. And, to address agency resource constraints, Dominion has entered into cost-sharing agreements with the Fish and Wildlife service and National Park Service. As of this date, we are continuing to seek guidance from the agencies on a number of schedule-critical issues of great importance to the over project schedule.

To emphasize our concerns, let me share two examples. While virtually all of the 600-mile pipeline will be underground which significantly reduces the impact to view sheds, the ACP is going to extraordinary lengths to further protect the view scape from the Blue Ridge Parkway and the adjacent Appalachian National Scenic Trail, Virginia's and the Nation's premiere sites. Instead of using traditional boring methods, ACP has chosen to use a horizontal directional drill (HDD) construction method. We will bore under a mountain for nearly one mile so the pipeline can cross under the Parkway and Trail. This construction method, while significantly more costly, was selected precisely to ensure that there will be

no surface disturbances, tree clearing or interference with public access to the Parkway or Trail. Even with this diligence, the Park Service took 14 months to review our 22-page application just to survey the area. Once permission was granted, the survey work was accomplished in one afternoon. This approval does not address the extensive permitting review underway by the Park Service for the permit to perform construction of the crossing itself.

As a second example, the ACP also crosses Forest Service lands with five miles in the Monongahela National Forest and 16 miles in the George Washington National Forest. Like all of our national forests, these serve multiple purposes and both have a number of activities going on within their borders. For example, hundreds of miles of natural gas pipelines have safely run through our national forests for decades. After many months of analysis and meetings, ACP, at the direction of the Forest Service revised the route by 95 miles, increasing the total route by another 30 miles and significantly increasing the number of affected landowners, to avoid potential impacts to sensitive species and reduce the miles within the two forests.

In addition to this re-route, ACP has committed to employ best-in-class construction techniques to ensure the forest lands are protected and the project is compatible with management efforts to protect the forests resources. ACP continues to respond to requests and provide detailed information on construction techniques, soil conditions, visual impacts and construction operation plans to this new route suggested by the Forest Service. Despite all of our earnest efforts, the Forest Service continues to deliver new information requests and has often revised its standards. As I said in the opening of my remarks, all we are asking for is fair and common-sense standards, and a reasonable schedule that is upheld.

Dominion has submitted on the public record at FERC more than 130,000 pages on numerous routing analyses, plans and protocols as part of our permit application and in response to questions and concerns from federal agencies and stakeholders. We are not seeking to limit any of the public review or detailed examination by resource specialists in federal agencies. We do believe, however, that there needs to be improved coordination among federal agencies, timely review and decision-making and a clearer path to present evidence so that there is a predictable, defined process to meet requirements by multiple federal agencies within a coordinated schedule.

Cove Point LNG Terminal

Some may challenge the forecasted benefits of the Atlantic Coast Pipeline, a project not yet built. However, the concrete results that are being realized at another Dominion project – the Cove Point LNG liquefaction project – show that if anything the potential benefits of the ACP may be underestimated. At Cove Point, construction jobs have been created in far greater numbers than originally anticipated. Increased taxes are about to be realized. And, long-term economic and diplomatic benefits are already clearly apparent.

The Cove Point project will make a small portion of our domestic energy resources available for overseas customers. In doing so, it will help meet the energy needs of two strategic U.S. allies and trading partners, India and Japan. Our ability to provide clean, reliable, long-term energy will only help to strengthen our relationships with allies and help insulate them from other energy suppliers who may use their influence in conflict with the best interests of the United States. Given the current state of world affairs, such a benefit cannot be undervalued. At the same time, we can do this while having a negligible impact on our domestic energy prices. In fact, it is easy to see how having this small “relief

valve” on domestic production could help stabilize U.S. energy prices by reducing the traditional boom-and-bust cycle that has plagued the natural gas industry for a century.

With the transformative changes in domestic gas production, we sought permission from the U.S. Department of Energy, the Federal Energy Regulatory Commission (FERC) and other federal and state agencies to add export capabilities to the facility. Overall cost of the project is about \$4 billion. This includes construction of natural gas liquefaction equipment as well as improvements to other facility components. We initiated the federal approval process in 2011 and began the pre-filing process with FERC in 2012 and received FERC’s final approval in October, 2014.

Cove Point construction began in 2014 and will be completed by the end of this year. There are currently over 3,000 skilled craft professionals and 700 other staff on site as construction has ramped up. To ensure the sufficient supply of skilled labor for this complex project, we directed our primary contractor to execute an agreement with the Building Trades Union. Expected to be operational by the end of this year, Cove Point as well as other LNG terminals will support thousands of additional jobs throughout the supply chain of producing, processing and transporting natural gas to terminals.

On a macro level, making gas from Cove Point available to our international partners in Japan and India will reduce our trade deficit by \$5 billion annually. Worldwide competition is fierce to deliver LNG to Asia. Our contracts cover only the liquefaction, storage and loading of the LNG; our customers must secure the supplies on their own. They have focused on pricing, energy security and diversity of supply in their buying decisions. Exports from the U.S. will generally be tied to lower US prices. However, even with multiple US export terminals, the global competitive situation will ensure that exports to Asia will remain a small portion of those countries’ overall supply portfolio.

Federal and state permitting for the additional components at the Cove Point site were extensive. The project required more than 55 federal, state and local permits and reviews. As part of FERC’s very thorough process, more than 62,000 pages of information were submitted in our application to date on the expansion of this existing industrial site. Coordination with the Army Corps of Engineers and jurisdictional state agencies required ongoing involvement to ensure that each agency received the information it needed to complete its respective review within the FERC schedule. Each process required individual public hearings and outreach to ensure that the public had the opportunity to participate and be fully informed about the project.

Surry-Skiffes Creek-Whealton Electric Transmission Line

The long-term nature of large energy projects and the millions in private dollars required to execute them demand regulatory predictability to proceed. Our Surry-to-Skiffes Creek-to-Whealton 500kV/230kV electric transmission line is a prime example of the costs of delay to our communities and our national security.

Immediately following the issuance of the Environmental Protection Agency’s Mercury and Air Toxics Standard (MATS) rule, Dominion determined that retirement was the best course of action for two, aging coal units at our Yorktown power station was retirement. To replace this lost generation and to meet immediate load demands, Dominion identified the Surry-Skiffes Creek project that involves an aerial transmission line over the James River below Colonial National Historic Park and Jamestown. This project requires an Army Corps of Engineers permit, which I understand is not the jurisdiction of this

Committee. The project does not directly impact any Park Service lands and does not require a Park Service permit.

The Corps permit application has been pending since 2012 and the Corps has undertaken extensive consultation with the Advisory Council on Historic Preservation, the National Park Service and other interested parties for three years as part of the National Historic Preservation Act's section 106 requirements.

Due to the lengthy permitting process and section 106 consultation, Dominion received extensions allowed under the MATS rule for the Yorktown coal units to operate until next month – April 2017. As required by law, Dominion will comply with the NERC reliability standards and has submitted a plan to shed load – or to say it more clearly - to cut off service to industrial, commercial and residential customers in order to prevent overloading the entire electric grid that could result in cascading outages along the Eastern seaboard.

To successfully complete the historic preservation consultation, an agreement is needed among the State Historic Preservation Officer in the Commonwealth of Virginia, Dominion, the Corps of Engineers, and the Advisory Council. At risk is the disruption of service to eight federal military and DOE facilities, as well as the world's largest shipyard building aircraft carriers and nuclear-powered submarines for the US Navy.

Permitting Modernization

Chairman Murkowski and members of the Committee, these projects serve a compelling public need and purpose. They provide reliability, serve a public need, support environmental goals, lower costs to consumers, add thousands of jobs and are 100% privately funded. We support and understand each federal agency's requirement for careful analysis to ensure the protection of the natural and cultural resources under their stewardship. We believe the NEPA process undertaken by FERC and the interagency coordination called for in the FAST-41 legislation strives for project schedule coordination and timely reviews.

We were encouraged by several of the provisions in the legislation that this Committee drafted and the Senate approved last year. Those of us involved in energy infrastructure would like to build on those ideas and offer the following concepts for your consideration:

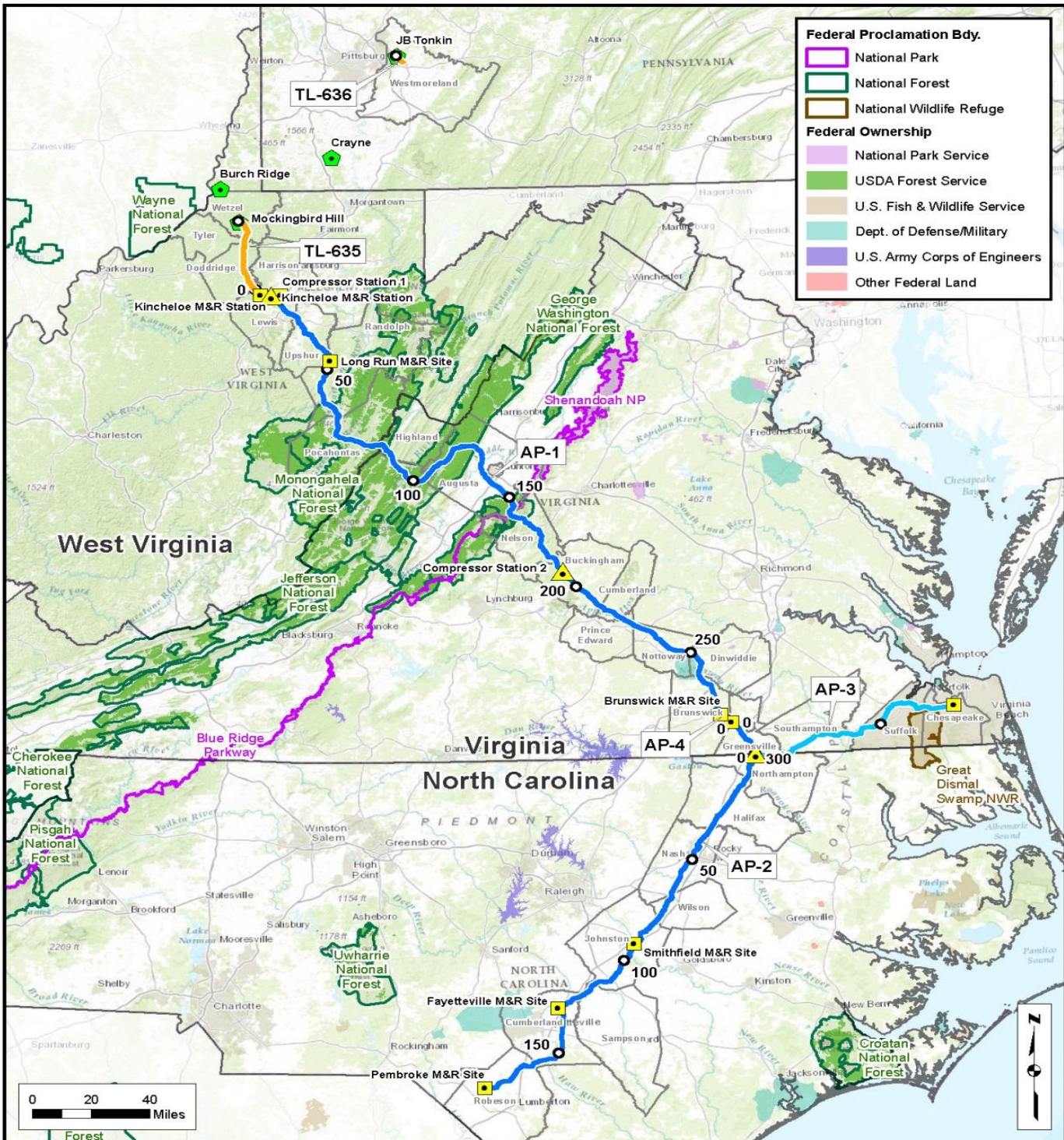
- Concurrent NEPA analysis and review of permits by FERC and other permitting agencies. Given FERC's lead agency status for the NEPA review of interstate natural gas pipelines, it is essential that there be a predictable schedule followed by other agencies as they complete permit reviews required by other laws.
- Require permitting agencies to determine when an application is complete to ensure compatibility with FERC's permitting timeline. To ensure that an agency has ample time to review an application within the FERC schedule, such a determination should be made within a specific time period. This action would improve the transparency of the FERC permitting process and put the applicant on notice if its permit application was deficient.
- Strengthen the coordination of FERC's NEPA environmental reviews with cooperating agencies. There is a very real need to give meaning to the responsibilities of "lead agency" and

“cooperating agency” so that all federal agencies work together efficiently for a robust environmental review. It is equally important to ensure that once the NEPA process is completed and a review is issued, that other agencies use the information already contained in the NEPA document as the basis for permits required under other statutes. Neither federal agencies nor project applicants are well served if multiple NEPA reviews are conducted by agencies who have declined to cooperate or those who do not fully participate in the FERC NEPA process so they can request “supplemental” NEPA reviews later in the process.

Conclusion

Chairman Murkowski and members of the Committee, I have confidence that the United States energy industry – both natural gas and electric utilities – is poised to accelerate the development of new infrastructure projects to meet identified, critical public needs. With Dominion’s projects I have discussed today, there is ample evidence that these projects provide high-paying jobs for skilled crafts, provide new revenue to local governments, transports and facilitates the use of cleaner and lower cost natural gas, and strengthens the nation’s energy security.

Thank you and I would be pleased to respond to any questions the Committee may have.

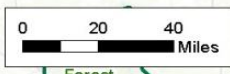


Federal Proclamation Bdy.

- National Park
- National Forest
- National Wildlife Refuge

Federal Ownership

- National Park Service
- USDA Forest Service
- U.S. Fish & Wildlife Service
- Dept. of Defense/Military
- U.S. Army Corps of Engineers
- Other Federal Land



- ACP Mainline
- ACP Lateral
- SHP Loop
- Existing Compressor Station
- Proposed Compressor Station
- Proposed M and R Site

Atlantic Coast Pipeline and Supply Header Project
Figure 1.0-1
Project Overview Map