BUILDING PEOPLE POWER FOR ENERGY & CLIMATE JUSTICE

NC WARN

June 17, 2019

Honorable Roy Cooper
Governor of North Carolina

cc. Attorney General Josh Stein

Subject: Please protect North Carolina from soaring cost overruns on the Atlantic Coast Pipeline – and dispel the hoax that the pipeline would lead to economic development

Dear Governor Cooper,

The estimated price tag of the Atlantic Coast Pipeline project that you approved two years ago is out of control and continues to climb, even as construction is stalled indefinitely after barely getting started. This leaves North Carolinians on the hook for soaring electric rates and more climate impacts should the project ever be completed. Also, the primary selling point of the ACP – the promise of industry and jobs for eastern North Carolina resulting from access to "natural" gas from the fracking fields of Appalachia – is now revealed as a cruel hoax perpetrated on your constituents by project owners Duke Energy and Dominion Energy.

NC WARN and the entire Energy Justice NC Coalition call on you, as Governor at this critically important time, to protect customers from the continuing mistakes and reckless actions of these two huge energy corporations. If allowed to be completed, the ACP would lock in Duke Energy executives' multi-billion-dollar gas expansion, enhance Duke's ability to impede cheaper renewable-energy-with-storage, and violate your stated commitment to help slow the climate crisis.

ACP COSTS ALREADY OUT OF CONTROL

On May 20th NC WARN attorneys filed comments with the NC Utilities Commission describing the ACP cost overruns in a manner similar to the description below, which contains additional detail:

1. In 2014, Duke and Dominion estimated that construction of the pipeline would cost $5.1 billion.[1] The latest estimate is $8.4 billion[2] (excluding financing costs and the 15% overall project rate of return).[3] Therefore the project is already 65% over budget.
2. In 2014, project completion was slated for late 2018. Now, as noted by the *Charlotte Business Journal*, "The earliest construction could be completed now is sometime in 2021 …"[4]
3. So, the four-year project is 3 years behind schedule and more than $3 billion over budget.

4. Construction is reportedly less than 5% complete, even though we estimate that several billion dollars have already been spent.[5] Thus, the likelihood of additional problems resulting in additional price escalation is substantial.
5. Due to various legal challenges, construction has been halted since December 2018; its resumption relies largely on a possible ruling by the U.S. Supreme Court.
6. Because all project costs would be recovered via the Fuel Factor review, which includes fuel charges and the cost of pipeline transportation, and because Duke has contracted for 59% of the pipeline's capacity, Duke Energy's captive electricity ratepayers would pay for 59% of the cost of reserving capacity on the Atlantic Coast Pipeline. In addition, PSNC, a North Carolina subsidiary of Dominion, has contracted for 6.7% of the ACP's capacity.
7. Therefore, North Carolinians would pay for 66% of Atlantic Coast Pipeline costs, including the expanding cost of construction, through fuel prices – regardless of how much gas is used.[6]
8. When financing and the 15% project rate of return are included, North Carolinians will have paid $13.5 billion, based on the original estimate, for just the first 20 years of reserving capacity on an unneeded pipeline. Additional costs would be incurred for the gas itself, which would be purchased separately.[7]
9. Including construction cost overruns of 65% already projected by the owners, North Carolinians would pay more than $20 billion for the ACP for just the first 20 years.
10. Using the ACP just to transport gas would cost more than the current wholesale price of the gas itself. The much higher price of delivered gas would be passed on through electric and gas rates to monopoly-captive families and businesses while making energy prices higher and hindering economic development statewide.
11. During the year or more that construction is stalled, $20 million a week is being spent in anticipation of project resumption.[8]

Clearly, such a situation is one that only corporations enjoying state-protected monopolies would continue to gamble on. Because the Duke and Dominion parent corporations are responsible for the ACP's capital costs, and because they can force monopoly customers to pay for the project only if and when it is ever completed, there is an inherent and inordinate pressure on the two corporations to press ahead with the ACP – if allowed by the courts and elected officials – to avoid negative response from investors due to project cancellation, despite the lack of cost-effectiveness, the lack of need for the gas, and the urgent global call to stop burning fossil fuels.

MAJOR DECEPTION: NO NEW GAS FOR EASTERN NC

Since 2014, Duke and Dominion officials and their political supporters in this state have based their case for the Atlantic Coast Pipeline on the claim that it would provide a large boost to economic development by providing access to gas for new industry across eastern North Carolina. Corporate executives have promised elected officials, economic developers and attendees at public meetings that there would be access to gas in each of the eight NC counties along the pipeline.

However, documents filed by Duke and Dominion with the Federal Energy Regulatory Commission (FERC) show that only three counties – Johnston, Cumberland and Robeson – would have any access to gas via delivery points and nearly all gas is to be burned in Duke Energy's power plants.[9] Those counties are already served by Piedmont Natural Gas, a subsidiary of Duke. There are no gas delivery points intended for use by any county or municipal government or any industrial park along the route of the ACP in North Carolina. Since the Environmental Impact Statement was filed in 2016, Duke and Dominion have filed thousands of additional pages with FERC but apparently have never proposed to allow additional delivery points in North Carolina. It would cost millions of dollars for any additional tap into the pipeline. Ultimately, this would be paid by the customers along with the much higher price of delivered gas from the ACP compared to what is available from existing pipelines in the state. Thus, there is little to no additional gas for economic development.[10]

The irony is that, even if Duke and Dominion did try to bring gas for economic development to eastern North Carolina, it would be far too expensive to attract industry and jobs anyway, as explained above.

Elected officials in North Carolina, both locally and statewide, have relied on the Duke and Dominion sales pitch that the ACP will bring gas to all eight counties through which it would pass. Even now, economic development leaders incorrectly say there will be access to gas, as do prominent politicians including leaders of your own party. Based on your public statements, it seems that the same false promise was made to you.

We urge you to clarify this issue in a statement to the public. Otherwise, this claim could remain a cruel hoax perpetrated on a region that desperately needs and deserves access to industry and jobs. As members of the new Energy Justice NC coalition have emphasized, that same region – and the entire state – are being harmed by superstorms, disastrous flooding and other climate impacts made worse by Duke Energy's continuing reliance on coal and its expanding use of fracked gas.

REQUEST FOR YOUR TIMELY ACTION

This issue has extraordinary ramifications. If built, the Atlantic Coast Pipeline would help lock in Duke Energy's huge, climate-wrecking expansion of fracked gas. Your approval of the ACP remains a stark contradiction to your public statements of concern about the climate crisis. Its completion would largely offset any gains achieved under your Executive Order 80 when one takes into account that natural gas is even worse for the climate than coal due to the leakage of unburned gas, which is mostly methane. Methane is more than 100 times more potent than carbon dioxide as a greenhouse gas during the first 10 years after its release to the atmosphere.[11]

As NC WARN and other parties are contending to the Utilities Commission in the ongoing docket over Duke's 15-year Integrated Resource Plan, rapid advances have made renewable energy paired with battery storage cheaper and more reliable than gas, an encouraging and accelerating trend that is already proven in many states and by many U.S. utilities. Duke, however, is fighting those advances, determined to pour billions of captive ratepayer dollars into gas infrastructure, including the equivalent of more than 20 large gas-burning power plants.[12] Such plants and the ACP are destined to become stranded assets well before the end of their useful lifetime as economics make them obsolete and as carbon emissions are more strictly regulated.

Therefore:

1) We urge you to publicly state your opposition to North Carolina families and businesses being forced to pay for past and future ACP cost overruns or for stranded costs if the ACP is cancelled.
2) We urge you to publicly acknowledge that the ACP will not provide new access to gas for local use in most or all of the eight NC counties through which it would run, and to call on Duke and Dominion leaders and public officials to stop making that claim.
3) While some contend you have no direct authority to cancel the ACP, we urge you to use your stature as Governor to call Duke and Dominion CEOs Lynn Good and Thomas Farrell to the table and seek their concurrence to end this project for the benefit of all North Carolinians. Since each of them met with you personally within days of your approving the ACP – a time when they were publicly pressing for your approval – you have an opportunity to rectify that mistake by brokering a deal to end this project before more damage is done.

Finally, note that cancelling the ACP at this important juncture will avoid much of the projected cost overruns. With several billion dollars already invested, but only 5% of construction completed, now is the time to stop the bleeding and prevent us all from watching the cost to North Carolina climb past the 10 and 20 billion dollar marks, thus wrecking the state economy.

We hope you will agree that North Carolina residents must stop being forced to pay for the poor choices of Duke Energy executives, who are choosing to add to their profits by burdening North Carolinians with higher costs. We look forward to your reply on this timely matter.

Sincerely, on behalf of the Energy Justice NC Coalition,*

Jim Warren

Jim Warren
Executive Director
NC WARN

***FOUNDERS OF THE ENERGY JUSTICE NC COALITION:**

350 Triangle
Alliance for Climate Education
Alliance for Energy Democracy
Appalachian Voices
Center for Biological Diversity
Concerned Citizens of Maxton
Down East Coal Ash Coalition
Friends of the Earth

RedTailed Hawk Collective	NC WARN
NC Climate Justice Collective	Protecting Progress in Durham
NC Environmental Justice Network	Rachel Carson Council

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[1] *Order Issuing Certificates*, Docket Nos. CP15-554-000, CP15-554-001, CP15-555-000, CP15-556-000, October 13, 2017, p. 5, https://www.ferc.gov/CalendarFiles/20171013192035-CP15-554-000.pdf.

[2] John Downey, "Costs rising sharply for Duke Energy-backed Atlantic Coast Pipeline," *Charlotte Business Journal*, February 1, 2019, https://www.bizjournals.com/charlotte/news/2019/02/01/costs-rising-sharply-for-duke-energy-backed.html.

[3] See *Order Issuing Certificates*, Docket Nos. CP15-554-000, CP15-554-001, CP15-555-000, CP15-556-000, October 13, 2017, p. 41, https://www.ferc.gov/CalendarFiles/20171013192035-CP15-554-000.pdf, *Atlantic Coast Pipeline Initial Application*, Docket Nos. CP15-554-000, CP15-554-001, CP15-555-000, CP15-556-000, September 14, 2015, Exhibit P, p. 4 of 4.

[4] John Downey, "Lynn Good says Duke Energy needs Atlantic Coast Pipeline — or 'Plan B'," *Charlotte Business Journal*, March 26, 2019, https://www.bizjournals.com/charlotte/news/2019/03/26/lynn-good-says-duke-energy-needs-atlantic-coast.html.

[5] Estimate is based on expert assessment of available data and knowledge of similar projects.

[6] Complications involving case law and regulatory rulings make it unclear whether Duke's South Carolina ratepayers would bear any of the ACP costs. Each of Duke's two service areas bridge the two Carolinas and share resources, with 70% of ratepayers in NC. The ACP, however, supposedly would terminate in Robeson County, NC.

[7] This is what the ACP intends to pass through to ratepayers in NC via transportation rate: $1.88/Dekatherm (Dth) ($1.729 transportation rate for ACP + $0.156 transportation rate for supply header; see Atlantic Coast Pipeline, *Order Issuing Certificates*, Federal Energy Regulatory Commission, October 13, 2017, Item 97, p. 40 and Item 106, p. 45). For Duke: $1.88/Dth x 885,000 Dth/d x 365 days x 20 years = $12.1 billion for first 20 years. For PSNC: $1.88/Dth x 100,000 Dth/d x 365 days x 20 years = $1.3 billion for first 20 years. Thus, total added energy costs in North Carolina for an unnecessary pipeline = $13.5 billion for first 20 years (not including cost overruns) excluding the price of fuel itself. These costs must be paid in full regardless of the amount of the reserved capacity that is actually used.

[8] John Downey, "Timing of Federal Case Could Add $1B to Atlantic Coast Pipeline Costs," *Charlotte Business Journal*, January 15, 2019, https://www.bizjournals.com/charlotte/news/2019/01/15/timing-of-federal-case-could-add-1b-to-atlantic.html.

[9] *Resource Report 1*, General Project Description, Docket Nos. CP15-554-000, CP15-554-001, CP15-555-000, CP15-556-000, September 2015, p. 1-12, 1-13

[10] *Final Environmental Impact Statement*, Docket Nos. CP15-554-000, CP15-554-001, CP15-555-000, CP15-556-000, Atlantic Coast Pipeline and Supply Header Project Volume I, July 2017, p. 2-8.

[11] Robert Howarth, "Methane emissions and climatic warming risk from hydraulic fracturing and shale gas development: implications for policy," *Energy and Emission Control Technologies*, October 2015, https://www.dovepress.com/methane-emissions-and-climatic-warming-risk-from-hydraulic-fracturing--peer-reviewed-fulltext-article-EECT.

[12] Duke Energy Carolinas and Duke Energy Progress plan to add a combined 9,040 MW in gas-fired generation by 2032. *See* DEC 2018 Integrated Resource Plan & 2018 REPS Compliance Plan, Docket No. E-100, Sub 157, pp. 63-66, DEP 2018 Integrated Resource Plan & 2018 REPS Compliance Plan, Docket No. E-100 Sub, 157, pp. 66-68.