

HARM TO CONSUMERS AND COMPETITION FROM NATURAL GAS PIPELINES

My name is Ivy Main. I'm the Renewable Energy Chair of the Virginia Chapter of the Sierra Club. I'm an attorney and write an energy blog called PowerForThePeopleVA.com.

My testimony addresses the harm to consumers and competition that results when giant energy conglomerates use the monopoly power of their regulated utility subsidiaries to benefit their natural gas transmission subsidiaries.

Two pipelines provide egregious examples of this. The Atlantic Coast Pipeline is a joint venture involving three of the nation's largest utilities, including Duke Energy and Dominion Resources. Both Duke and Dominion have electric utility subsidiaries that are regulated monopolies; their customers have no choice but to buy power from them. Both Dominion and Duke plan massive build-outs of new natural gas generating stations that will lock their customers into buying natural gas for decades, guaranteeing a customer base for their own Atlantic Coast Pipeline.

That's a great deal for the shareholders of Dominion and Duke, but it is a raw deal for their customers. The customers will pay for gas to run their utilities' new power plants, or—when it is cheaper to buy wind and solar than run the plants—they will have to pay off Dominion and Duke's stranded costs. Either way, Duke and Dominion win, and customers lose.

In Michigan, an affiliate of DTE Electric is a partner in the NEXUS pipeline. In fact, the record includes a smoking gun, with DTE Electric agreeing to buy more gas from the pipeline not because its customers need the pipeline, but because the pipeline needs the customers.

Another big loser is free market competition. A rational utility without its own gas pipeline to keep filled would look for the cheapest way to supply its customers with electricity over the long term. Today, wind and solar energy are already cheaper than gas in many states, and they will certainly be cheaper than gas nationwide within another ten years—long before new gas infrastructure recovers its costs. A rational utility would not build new gas plants with 30-year life spans, or gas pipelines with 50-year life spans. It would begin a long-term, strategic build-out of wind and solar with an eye to transitioning completely away from fossil fuels. Some utilities are doing this.

So the free market is also a victim of pipeline projects like the ACP and NEXUS. But for their ability to use captive ratepayers to support gas projects, Duke and Dominion would buy more power from wind and solar developers. Wind and solar companies are as much victims of the gas pipelines as are the communities along the routes.

The harm to consumers and competition inherent in the ACP and NEXUS projects is the basis of two antitrust complaints filed with the Federal Trade Commission and FERC this year alleging the unlawful abuse of monopoly power by the utility partners. A complaint against the ACP was filed in May by Michael Hirrel, an attorney formerly with the Antitrust Division of the Department of Justice, supported by the Virginia Chapter of the Sierra Club. Last month, the Michigan Chapter of the Sierra Club filed a similar complaint against NEXUS.

The FTC has not yet indicated whether it plans to open an investigation. Regardless of what the FTC does, FERC should reject pipelines like the ACP and NEXUS that allow energy conglomerates with monopoly power to enrich themselves at the expense of captive consumers.

References:

Nexus antitrust letter:

<https://www.sierraclub.org/sites/www.sierraclub.org/files/blog/P.%20Gallagher%20to%20OPC%20re%20NEXUS%2011-16-16.pdf>

ACP antitrust letter: <http://wp.vasierraclub.org/LetterInFull.pdf>