

Committee on Energy and Commerce

Sub-Committee on Energy and Power Hearing

Quadrennial Energy Review and Related Discussion Drafts, including Title III, Energy Diplomacy.

Commissioner Scott Martin – Lancaster County, Pa.
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Written Statement

The United States does not have a coherent, logical, and clear national energy strategy. I applaud Chairman Upton for his “Architecture of Abundance” legislative framework that will hopefully stimulate a wide ranging and bipartisan debate on the need for a long term national energy agenda based upon economic development, common sense regulations, a modern and safe energy infrastructure, greater efficiencies, increased exports (especially LNG) to support our foreign policy goals, environmental sensitivity, minimal governmental involvement, and the utilization of free market economic principles.

There are certainly many positive developments and trends in energy; however, there are also numerous challenges and issues that urgently need to be addressed. These challenges impact almost every area of our society, including counties and local municipal governments. The longer we wait to address and solve these issues will only make them more difficult, expensive, complicated and controversial.

While there are many equally important goals, one of the most pressing priorities is energy independence. If the United States could achieve true energy independence, the domestic and international ramifications would be incalculable. Of course, energy

independence can only be achieved if there are new and recoverable sources, the required infrastructure exists, the regulatory environment is not hostile, capital is available to finance the expansion, and both domestic and international markets are functioning properly.

I would also argue that the American people need to become more aware of how energy policy (or lack of) impacts their lives. It has been said that most Americans only care about energy policy when the lights won't come on. Congress and the energy industry should have the common goal of educating their constituents and customers regarding the difficult energy challenges facing the United States.

Thankfully, due to new and innovative technologies such as horizontal hydraulic fracturing (fracking), and the discovery of vast new oil and gas resources, America is now the world's largest oil and natural gas producer. As they should, energy prices have been decreasing, sometimes very rapidly.

The United States is increasingly able to export large amounts of liquefied natural gas (LNG) around the world, and especially to European countries. Increased imports of American LNG provides them with greater energy security, lower costs, and more choices. It should also be noted that there are environmental, pipeline and LNG terminal infrastructure, and domestic and international political issues that must be resolved.

American foreign policy is given greater flexibility, new options, and regional hegemons are limited in using energy as a weapon in extracting concessions from countries largely dependent on a single supplier for their energy requirements. The volatile and tense

situation in the Ukraine demonstrates in very stark terms why we need to build the Keystone XL pipeline, greatly accelerate the permitting of LNG export facilities, work closely with the importing nations and expedite the building of pipelines and compressor stations.

As noted above, a significant technological improvement has been the use of fracking in extracting natural gas from shale. The technique has been around for quite some time, but only recently due to innovations in horizontal drilling, fracking has become widely used in the Marcellus shale region of Pennsylvania. The use of fracking in Pennsylvania, the downstream impacts, and the construction of necessary infrastructure has had widespread and significant economic development impacts.

Some of these include:

- \$2.3 billion in additional tax revenues for the state of Pennsylvania.
- Energy development royalties and bonuses generated over \$700 million for the state.
- 96% of new energy hires were from the Appalachian area.
- 45,000 new building trade jobs in the Appalachian region have been created.
- \$850 million has been distributed to local communities and environmental programs from shale impact taxes.
- In 2014, shale development supported 243,000 jobs in Pennsylvania.
- Over \$1 billion has been invested by the shale industry in road and infrastructure improvements.
- Energy industry grants to community colleges and trade schools to train the

workers needed by extraction companies in the Marcellus shale region. These are very high paying jobs with an average core wage of \$68,000/year.

In Lancaster County, we have received approximately \$1.4 million in impact fees. This money has been used to repair bridges and roads, preserve farmland, fund enhancement projects, and building and repairing water and sewer infrastructure.

Increased shale gas production in Pennsylvania has also saved the average family between \$1,200 to \$2,000 annually through energy savings based upon increased supplies and energy consumers being closer to the gas extraction point. The huge additional energy costs to millions of Americans in the Northeast several winters ago due to a “polar vortex” could have been greatly reduced if the necessary pipeline infrastructure existed. The gas was available, but could not be transported to where it was needed.

Business and other institutional energy users have also benefitted from the greatly increased availability of cheap natural gas. The Pennsylvania National Guard and Army Reserve components at Fort Indiantown Gap in Lebanon County, the Garden Spot Public School District in New Holland, Pa., and the Shady Maple Companies in Blue Ball, Pa., have experienced significant savings in their energy bills after switching to natural gas. Cheaper energy due to technological advances, greater supply, and efficiencies will further a developing industrial and manufacturing renaissance in America. Economists also talk about the “multiplier effect” that lower energy costs have both on a macro and micro level. In brief, lower energy costs (gasoline is a perfect example) create more disposable income and hence greater aggregate demand, decreased transportation

costs lead to lower prices, and American products are more globally competitive.

After the shale gas is extracted, it must of course be transported to both domestic and international markets. The domestic oil and gas “revolution” can only be successful long-term if the necessary pipelines are quickly built and brought on-line. The Williams Companies has proposed to build an interstate pipeline (approximately 180 miles) known as the Atlantic Sunrise project from the Marcellus Shale region of northern Pennsylvania and connect it to their main U.S. gas pipeline that travels from Texas to the Northeast. The actual connection point would be in southern Lancaster County. Thirty seven miles of the proposed pipeline would go through my county.

The new Atlantic Sunrise proposal connecting with an existing Transco natural gas pipeline would transport 1.7 billion cubic feet of gas per day, enough to serve seven million homes. It is estimated that the design and construction of the Atlantic Sunrise pipeline will generate approximately \$1.6 billion in additional regional wages, revenues and investments, support 8,000 jobs, and add \$870 million in economic value during the construction period.

Williams throughout the pre and post application phases has been very cooperative and easy to work with as various issues, problems, and concerns have come up. Over 100 route changes (encompassing 47% of the original route) have been made based on stakeholder input during the eleven month pre-application period. Since this is an inter-state pipeline, as you know the Federal Energy Regulatory Commission (FERC) has jurisdiction prior to the actual construction. It is my understanding that

Congressman Joe Pitts received only four requests from impacted property owners for re-routing assistance during the pre-application period.

Williams has also committed to making the pipeline “open access” so that potential customers in Lancaster County could directly access the pipeline. Also, there will be a bi-directional valve installed at the intersection point so that gas can be directed northeast or south-southwest as needed by customers.

As you can imagine, a project of this size generates opposition and controversy.

One early controversy was the proposed routing of the pipeline through a protected and environmentally sensitive area roughly parallel to the eastern side of the Susquehanna River. The Lancaster County Board of Commissioners working with several local conservation and environment organizations went to Williams and expressed strong concerns regarding this route. Williams quickly found a new route and completely moved away from the sensitive areas.

There were also some extremely important and historically significant American Indian sites near the route. After Williams was made aware of these sites, working with local experts, and some descendants of the original Native American inhabitants, the proposed route was changed to avoid any cemeteries or other historically important sites.

Lancaster County already has five significant pipelines that cross the county in a west-east direction. Many property owners are not even aware that a pipeline crosses their land, whether it is agricultural, commercial, or residential. Based upon discussions with local farmers having existing pipelines on their property, including the main Williams’

U.S. pipeline, Williams is very responsive to any problems or issues that arise. Lancaster County has more preserved farmland than any other county in the United States. Over 100,000 acres are preserved. The county ordinances that govern the farmland preservation program specifically allow for pipelines to cross these farms.

Since November of 2014 there have been two elections where the proposed pipeline was in a de facto manner on the ballot. In both elections, the voters were very clear in rejecting efforts to stop the proposed pipeline from coming through the county. An outside public interest law firm was organizing an effort to have two townships adopt a “Community Based Ordinance” that would essentially declare that federal and state laws do not apply in these municipalities. The voters indirectly rejected that as well in a decisive manner. I believe that many of these voters clearly recognized that this pipeline represents the concept of a “greater good” being served. We just need to trust the common sense, good judgment, and wisdom of the American people.

The Federal Energy Regulatory Commission (FERC), essentially must answer one question in approving or rejecting a proposed project -- Is this proposed pipeline absolutely necessary? Indeed, the actual document that FERC issues is entitled – “A Certificate of Public Convenience and Necessity.” FERC requires that the applicant follow a very detailed and prescribed process that concurrently tracks with the National Environmental Policy Act (NEPA) requirements, including permitting approvals from all relevant federal and state agencies. The FERC-NEPA prescribed application process provides the public with numerous meaningful and direct opportunities to make their opinions and concerns known. I have encouraged all impacted property owners to take

advantage of these opportunities rather than pursuing tactics and strategies that will only lead to disappointment and disillusionment.

In closing, I want to again emphasize how incredibly important the ongoing “Energy Revolution” is to the future of the United States, and indeed the entire world. It would have been very difficult even five years ago to think that we have a very legitimate chance to become energy independent by the end of the decade. While renewables, greater efficiencies, clean coal, next generation nuclear, and a secure and smart grid are vitally important, it is really the virtually unlimited supply of clean, recoverable natural gas from shale that will lead America into the future. I can think of no better example of something being in the “public interest.”

Testimony of Commissioner Scott Martin
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