



Written Statement for the Record

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On behalf of

Distribution Contractors Association

Before the

SUBCOMMITTEE ON ENERGY AND POWER

COMMITTEE ON ENERGY AND COMMERCE  
U.S. HOUSE OF REPRESENTATIVES

Regarding

“Natural Gas Pipeline Permitting Reform Act”

July 9, 2013

Chairman Whitfield, Ranking Member Rush and Members of the Subcommittee:

My name is Alex Paris, and I am President of Alex E. Paris Contracting Company. Our main office is in Atlasburg, Pennsylvania which is located in southwestern part of the state. My company performs a variety of services in the Mid-Atlantic region, including gas pipeline construction, underground utilities site development, landfill construction, trenchless technology, mechanical piping, equipment installation, and a broad range of other construction services. We work on many gas pipeline projects in the Marcellus and Utica shale plays in Pennsylvania, West Virginia, and Ohio respectively. Last year we installed over 350,000 feet of gas pipe. Since the development of the shale plays in our area we have had to increase our employee base dramatically as well as purchase a substantial amount of additional equipment.

While we perform a significant amount of “midstream” work, mainly pipeline installation from the well to a treatment facility or distribution system, we also work on gas distribution pipeline systems. I am here today on behalf of the Distribution Contractors Association. DCA represents contractors, suppliers and manufacturers who provide install, replace, and rehabilitate natural gas pipelines, water and wastewater infrastructure, as well as fiber optic, cable and duct systems in communities across the country.

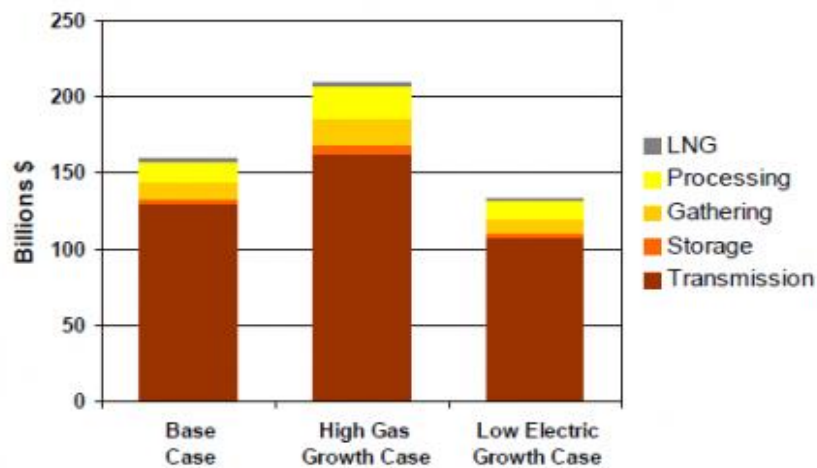
I am pleased to speak with you this morning about the natural gas pipeline permitting process, which unfortunately often results in considerable delays in getting important projects off the ground. The Natural Gas Pipeline Permitting Act (HR 1900) would effectively address this problem by authorizing the Federal Energy Regulatory Commission (FERC) to enforce approval deadlines subject to other federal agencies involved in the permitting process.

### **Pipeline Capacity must be expanded to meet Demand**

It is evident that we have enough natural gas to meet America’s growing energy needs for generations to come. According to the American Gas Association, natural gas serves more than 65 million homes; five million businesses such as hotels, restaurants, hospitals, schools and supermarkets; 190,000 factories; and 1,900 electric generating units. Currently there are more than 2.4 million miles of pipeline of varying sizes and pressures that transport natural gas from the natural gas wellhead to more than 177 million people across America.

However, many parts of the country do not have the necessary pipeline infrastructure to meet the rising demand – a significant number of pipeline projects must be approved and initiated to achieve that capacity.

In 2009, the Interstate Natural Gas Association of America (INGAA) Foundation released a study that found that the U.S. and Canada will need 28,900 to 61,600 miles of additional natural gas pipelines through 2030. According to *Pipeline and Gas Journal*, “new infrastructure is needed throughout the U.S. and Canada and not just to move natural gas across long distances between regions. All regions will need natural gas infrastructure to serve growing demand and/or shifts in demand. Even regions with mature producing basins will continuously need some additional development. Since shifts in supply from traditional to unconventional sources have been, and are projected to continue to be the key driver of pipeline construction, regions with growing unconventional production will experience a higher proportion of infrastructure development.”



*Billion \$ in Natural Gas Pipeline, Storage, and Gathering Infrastructure, 2009-2030  
(Source: Pipeline and Gas Journal)*

INGAA projected that through 2030 investments from \$133 to \$210 billion in infrastructure will be needed over the next 20 years (between \$6 and \$10 billion per year), mainly to attach increased domestic natural gas production from unconventional shale basins and tight sands to the existing gas pipeline network. Market growth from the electric generation and industrial sectors and potential to connect LNG supplies to the grid was also expected to be key drivers for additional investment, according to the study.

### **Extensive Economic Benefit**

Gas pipeline projects create high-paying jobs, generate significant economic activity and expand the local tax base. It is estimated that 625,000 workers are employed to explore, produce, transport and distribute natural gas, and industry studies have indicated that every \$1 billion invested in underground infrastructure creates up to between 25,000 and 30,000 jobs and greatly increases demand for products and services in other industries. According to IHS Global, the current unconventional gas boom supports close to two million jobs across a broad chain of supply, and expected to support up to three million jobs by 2020.

The tax revenue generated by the natural gas phenomenon is remarkable and comes at a time when states and local communities need it most. In 2011, the Pennsylvania Department of Revenue reported that companies engaged in and related to natural gas drilling activities in my state had paid more than \$1.1 billion in state taxes since 2006. Last year, production and transportation of natural gas production nationwide added \$62 billion to federal and state government revenues, a number that could elevate to \$111 billion by 2020.

I've seen these economic impacts up close over the past few years in my home state of Pennsylvania. In 2008 I employed between 220-250 employees. Since then my company has seen an average annual growth of around 20 percent, and I now employ approximately 450 people. We are constantly hiring and training new employees to meet our project needs. In fact, on a recent project we had to add 60 more workers to an ongoing project because the schedule compressed due to permitting issues.

Recognizing the incredible employment opportunities in Pennsylvania, it's not surprising that in 2012, Washington County in Southwest PA enjoyed a lower unemployment rate than any other county in the United States.

Economic benefits that accompany natural gas pipeline projects aren't limited to hiring workers. Last year my company purchased an additional \$16 million in new trucks and equipment, and I can honestly attribute all of this to the recent boom in natural gas production and transportation. Our company has been operating at a high rate of capacity since 2008 when the first Marcellus wells were being drilled. We have had an opportunity to see firsthand both the economic and social impact of the shale development. We have also been a witness to the many problems that occur when permits are delayed.

This includes layoffs, equipment being idled, and impacts on property owner. I've also seen companies move into our area to perform pipeline work and found the issues with permitting and resulting delays too much to deal with and opted to go elsewhere.

I would also like to point out that our company has had the opportunity to work in a vast variety of industries and with many government identities. I have never seen an industry like the gas industry. Its commitment to the environment and to doing projects the right way is unparalleled. They spend the money and dedicate the resources necessary to address environmental concerns and build safe pipeline systems that meet the latest and highest standards. I have had an opportunity to be part of this and I am very proud of it.

### **Delays in Permitting Process Impact Midstream and Downstream Operations**

Unfortunately, important pipeline projects are often mired with extended reviews while they acquire federal and state permits, grants of rights-of-way and approvals from various federal, state and local agencies. These delays often result in missed in-service dates and increased project costs, and hamper the vast economic benefits that accompany gas pipeline construction.

My company is currently experiencing delays in obtaining permits on two key projects where we encounter stream crossings. In one project, we have not received all permits to initiate an additional 8,000 foot steel pipeline in Staltsburg, PA. We had completed the first five miles of the project, but because all permits were not able to be obtained in a reasonable amount of time we were forced to demobilize our equipment and displace 30 of our workers. The delay has threatened the entire project because of missed opportunities to negotiate pricing and at this point the project owner is likely put the remainder of the project out for rebid. All of this could have been avoided if all permits went through the approval process within a reasonable timeframe.

On another segment for the same customer we are currently being forced to significantly alter operations while installing a high-density polyethylene water line in Majorsville W.V. to supply water to a well site. Because the stream crossing permits have not been received, we had to simply lay the water line above ground and delay installation until we receive the necessary permits. This will inevitably increase the cost of the project, and depending on when the permits arrive, will cause future scheduling problems.

A recent study done in Pennsylvania determined that permit delays are averaging 150 days and most of these permits are for minor stream and wetland crossings. The cost of this is high and other impacts are far reaching.

Depending on the owner, many projects are not put out to bid until all permits have been received, causing unpredictable work schedules which lead to increased costs all around. The bottom line is that delays in acquiring pipeline permits regularly cause downstream delays, from gathering and compression systems through the treatment process to transmission and distribution pipeline transportation.

### **Providing FERC Needed Authority**

The Energy Policy Act of 2005 included several provisions aimed at improving the pipeline permitting process by allowing closer coordination between state and federal agencies. FERC was designated as the “lead agency” for natural gas infrastructure involved in interstate commerce. This provided FERC with the authority to set timelines for other permitting agencies to act.

Unfortunately, despite the best intentions of the law, pipeline permitting today takes longer than it did when the 2005 bill was being debated. The root of the problem is that the permitting deadlines authorized by the 2005 law do not provide FERC an effective method to enforce those deadlines on other agencies. Providing for automatic approval if an agency does not respond by the deadline, as provided in HR 1900, would be a significant step in the right direction.

### **Conclusion**

Understanding the significant job creation and economic activity that result from gas pipeline projects, DCA supports legislation to streamline the permitting process and get these important projects off the ground. While FERC is generally effective in reviewing applications for permission to build pipelines, the lack of authority to enforce permitting deadlines for other federal and state agencies is detrimental to the process. HR 1900 would address that by providing that authority and establishing deadlines for approval of these permits, and we support quick consideration and passage of the legislation.

I appreciate the opportunity to appear before you this morning, and I look forward to answering any questions you may have.