

Pamela F. Faggert
Vice President and Chief Environmental Officer

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Dominion[®]

January 16, 2013

Angelo Bianca
Deputy Director
Air and Radiation Management Administration
Maryland Department of the Environment
1800 Washington Blvd.
Baltimore, MD 21230

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Permits
DIRECTOR'S OFFICE

Dear Mr. Bianca:

Thank you for taking time yesterday to discuss with Dominion Transmission, Inc. ("DTI") representatives whether, under Maryland Environmental Code § 2-404(b)(1)(ii), the Maryland Department of the Environment ("MDE") can accept DTI's application for a Permit to Construct the Myersville Compressor Station ("the Project"). That provision requires an applicant seeking to construct a new emissions source to demonstrate that its proposal meets all applicable zoning and land use requirements. This purpose of this correspondence is to seek a determination related to the Maryland Code and Clean Air Act ("CAA").

As explained in our December 21, 2012 letter to Ms. Karen Irons of MDE, the Federal Energy Regulatory Commission ("FERC") Order Issuing Certificate of December 20, 2012 ("FERC Order")¹ approved the Myersville Compressor Station which is part of the Allegheny Storage Project. FERC approved the Myersville location over other alternative sites because an extensive assessment under the National Environmental Policy Act demonstrated that it would result in the least environmental impacts. See FERC Order at ¶¶ 59-64. It is DTI's position that the FERC Order preempts the Town of Myersville from applying its local zoning code to prohibit or delay the Project. DTI believes that by presenting the FERC Order to MDE in our letter of December 21, 2012, DTI has satisfied the requirement to demonstrate compliance with applicable zoning approval under Md. Code Ann. § 2-404(b) because the Natural Gas Act places exclusive jurisdiction over natural gas facilities with FERC, and under principles of preemption, FERC's approval bars Myersville from prohibiting or delaying the Project. DTI's position is consistent with FERC's articulation of preemption. FERC Order ¶ 68.

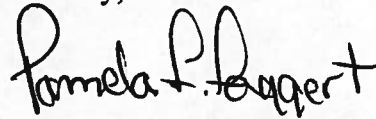
DTI understands from our conversation yesterday that MDE and the Maryland Attorney General's Office are not typically in the position of having to interpret Constitutional principles of preemption or FERC Orders to determine whether §2-404(b) has been satisfied; rather MDE is typically presented with documentation that on its face makes that demonstration. DTI also

¹ Available at <http://elibrary.ferc.gov/idmws/search/eSaveAdv.asp?fdt=&an=20121220%2D3031&>.

understands that you believe that you do not yet have sufficient evidence to demonstrate § 2-404(b)(1)(ii) has been satisfied. In order to attempt to meet that burden, DTI asks that MDE answer a question on which FERC deferred to MDE in Paragraphs 69 through 71 of the FERC Order -- is Md. Code Ann. § 2-404(b) a requirement of the CAA or the Maryland State Implementation Plan ("SIP")?

For the reasons explained in our December 21, 2012 letter, DTI believes that §2-404(b) is not part of the Maryland SIP and not a CAA requirement. DTI asks that you confirm this in writing by Friday, January 18, 2013, if possible. DTI is considering filing a request for rehearing at FERC seeking a clarification. That motion would need to be filed by Tuesday, January 22, 2013. As discussed, DTI has already adjusted the Project's construction schedule to allow time for the FERC Order to be issued. DTI needs to resolve the § 2-404 issue as soon as possible in order to keep on track to meet that adjusted schedule. Thank you for your consideration.

Sincerely,



Pamela F. Faggert
Vice President and
Chief Environmental Officer

cc: Roberta James, Assistant Attorney General