Exhibit No. DCP-24

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Dominion Cove Point LNG, LP) Docket No. RP06-_____

DIRECT TESTIMONY OF
ALAN R. LOVINGER ON BEHALF OF
DOMINION COVE POINT LNG, LP

Q. Please state your name and business address.

A. My name is Alan R. Lovinger, and my business address is 1155 15th Street, N.W., Suite 400, Washington, D.C. 20005.

Q. By whom are you employed and in what capacity?

A. I am a Vice President with the firm of Brown, Williams, Moorhead & Quinn, Inc.

Q. What are the services offered by the firm?

A. The firm provides technical and policy assistance to various segments of the natural gas and oil industries on business and regulatory matters, including natural gas ratemaking, and also offers technical and policy assistance in electric matters.

Q. Please briefly describe your background and training.

A. I graduated from Bryant University in 1966 with a B.S. Degree in Business Management. In 1966, I enrolled in an MBA program at Texas Tech University majoring in Accounting. Prior to joining Brown, Williams, Moorhead & Quinn, I was employed by the Federal Energy Regulatory Commission ("FERC" or "Commission") as a senior Accountant for twenty-five years, from 1966 to 1969 and from 1976 to 1998.

My work at the Commission was primarily related to cost-of-service matters with an emphasis on income tax matters. I provided expert testimony before the Commission on accounting and accounting-related policy matters as well as on cost-of-service matters. I also provided accounting and tax advice and assistance on projects involving construction of facilities to serve new or expanded markets.

I represented the Commission in dealings with the Internal Revenue Service on income tax issues that arose in various rate proceedings and also assisted the Commission on rulemakings for such cost-of-service matters as tax normalization, cash working capital, and Post Retirement Benefits Other than Pensions.

Between 1970 and 1976, I was employed as an Internal Revenue Agent. As an agent, I was involved in the auditing of individuals, partnerships and publicly held corporations.

Q. Did you provide testimony in proceedings before the Commission while employed there?

A. Yes, I prepared testimony and exhibits in a number of proceedings while employed at FERC. They are listed in Exhibit No. DCP-25.

Q. Have you submitted testimony before the Commission in your current capacity?

A. Yes, these submissions, too, are listed in Exhibit No. DCP-25.

Q. What is the purpose of your testimony?

A. My services have been retained by Dominion Cove Point, LNG, LP (“DCP”) to support and defend several rate issues in this proceeding. These issues include: (1) whether DCP is entitled to an income tax allowance; (2) whether DCP is entitled to include in its operation and maintenance ("O&M") cost payments made to the Cove Point Natural Heritage Trust, Inc.; and (3) whether DCP is entitled to restore original plant investment that was removed from DCP's financial books during a period of time when LNG imports were suspended.

CORPORATE INCOME TAX

Q. Please provide a brief description of the issue concerning corporate income tax in this proceeding.

A. A recent order by the United States Court of Appeals for the District of Columbia Circuit in *BP West Coast Producers, LLC* ("BP West") *v. FERC*, 374 F.3d 1263, *reh'g denied*, 2004 U.S. App. LEXIS 20976-98 (2004), found that the Commission erroneously gave a tax allowance to a regulated entity owned by a master limited partnership ("MLP") that did not have an income tax obligation. Although DCP is not part of an MLP, it is appropriate to discuss DCP's particular situation with respect to DCP's obligation to pay federal income taxes. I conclude that it is both appropriate and necessary for DCP to be allowed an income tax allowance.

Q. Has FERC responded to the *BP West* decision?

A. Yes. On May 4, 2005, the Commission issued a Policy Statement on Income Tax Allowances that permits an income tax allowance for all entities or individuals owning public utility assets, provided that the entity or individual has an actual or potential income tax liability to be paid on that income from those assets.

Q. Did the Commission's Policy Statement address corporate entities ownership through partnership interest?

A. The Commission found that just as a corporation has an actual or potential tax liability from the first tier ownership it controls, so do owners of a partnership or LLC, on the first tier assets and income that they control, by means of a pass-through entity.

Q. Please discuss whether DCP's owners have "actual or potential tax liability."

A. DCP, the operating company for the Cove Point facilities, is a limited partnership and accordingly does not pay an income tax liability directly to the Internal Revenue Service. Dominion Cove Point LNG Company, LLC is a holding company that owns a 1% general partnership interest in DCP and the remaining 99% limited partnership interest is owned by Dominion Gas Projects Company, LLC. Dominion Cove Point, Inc. owns 100% of Dominion Cove Point LNG Company, LLC and Dominion Gas Projects Company, LLC. Both entities are treated as disregarded entities pursuant to the Internal Revenue Code regulation section 301.7701-3(b) and, as such, are not required to file a tax return and accordingly, are treated as divisions of Dominion Cove Point, Inc. Dominion Cove Point, Inc. income that includes DCP's income or loss is subject to corporate income taxes as part of the consolidated return filed by the ultimate parent company, Dominion Resources, Inc. ("Dominion"). Thus, DCP's allowed return should be subject to an income tax allowance in this proceeding so that after payment of income tax attributable to DCP by Dominion, DCP will have an opportunity to earn its allowed return.

Q. Does the Commission's Policy Statement support this position?

A. Yes, the Policy Statement permits an income tax allowance for owners with an actual or potential tax liability. DCP meets this test.

Q. In your opinion does the decision in *BP West* influence the manner in which DCP computes its income tax allowance in a cost of service study?

A. No. *BP West* addressed a tax allowance for an MLP. An MLP is a limited liability partnership whose partnership shares are publicly traded. Corporations or individuals can own the partnership shares with ownership constantly changing as shares are traded similar to corporate stock. With MLPs, there may be no tax paying corporate entity in the entire ownership structure. DCP is not part of an MLP; it is ultimately wholly owned by a tax paying corporation.

Q. Please explain.

A. DCP's taxable income and losses are recognized in the consolidated tax return filed by its parent, Dominion, a taxpaying "C" Corporation subject to corporate federal income taxes. DCP is obligated through a "tax sharing agreement" with Dominion to disperse funds to its parent to cover its stand-alone corporate income tax obligation.

Q. Do you place any significance on the fact that DCP does not make a payment directly to IRS?

A. No.

Q. Please explain.

A. As stated above, DCP has entered into a Federal Income Tax Allocation Agreement that provides as follows:

> The Consolidated Group will elect, on a timely basis, in accordance with Code Section 1552(b) and Section 1.1552-1(c)(2) of the Regulations to allocate its consolidated tax liability (other than alternative minimum tax ("AMT") and its

> related credits) among its Members under the method described in Sections 1.1502-33(d)(3) and 1.1552-1(a)(2) commencing with the consolidated taxable year ended December 31, 2000. The fixed percentage to be used for purposes of Regulations section 1.1502-33(d) (3) (i) is 100%. The general effect of such method is to first allocate the consolidated tax liability among the Members of the Consolidated Group on the basis of the percentage of the total consolidated tax which the tax of such Member (other than AMT and its related credits) if computed on a separate return basis would bear to the total amount of the taxes (other than AMT and its related credits) for all Members of the group so computed. Then such method allocates an addition amount (the "Tax Benefit Amount") to each Member up to, but not greater than, the excess, if any, of its Separate Return Tax liability (other than AMT and its related credits) over the amount allocated to such Members shall result in payments to, and an increase in the earnings and profits of, the Members who had items of deduction, loss or credits to which such Tax Benefit Amount is attributable. This election is intended to comply with Rule 45(c)(5) under the Act, as modified by Section 2(d) below.

Thus, DCP's tax obligation in any given year on a stand-alone basis would have to be provided to DCP's ultimate parent, Dominion, who in turn would make the payment to IRS for DCP. There is no significance to the fact that a payment obligation is not made directly to IRS. The tax obligation is ultimately paid to IRS by the consolidated entity on behalf of DCP.

Q. Does the Federal Income Tax Allocation Agreement refer to any other provision that would indicate that DCP pays federal corporate income taxes?

A. Yes, there is a provision in the Agreement that addresses the issue of estimated corporate tax payments. This provision provides as follows:

> Section 3.2 - Federal Tax Payments. (a) With respect to each Consolidated Return Year, the Designated Official of Dominion Resources, Inc. shall estimate and assess or pay to Members of the Consolidated Group their share of estimated tax payments to be made on a projected consolidated federal income tax return for each year. In making this determination, DRI shall elect a method for determining estimated tax and each Member shall follow that method. Such Members will pay, to DRI or be paid by DRI, such estimates not later than the

> 15th day of the 4th, 6th, 9th and 12th months of such Consolidated Return Year. With respect to any extension payment, the Designated Official of Dominion Resources, Inc. shall estimate and assess or pay to Members of the Consolidated Group their share of such extension payment. The difference between (1) a Member's estimated tax payments used for computation of the quarterly estimated payments plus their extension payments and (2) such Member's actual Tax Liability for any Consolidated Return Year as determined under Section 2.1(b) hereof, shall be paid to DRI or by DRI within sixty (60) days after the filing of the consolidated federal income tax return.

Thus, DCP not only has the obligation to pay its share of the consolidated income tax obligation, but is further required to contribute to the consolidated group its share of the estimated tax obligation.

Q. Please summarize your position.

A. Even though DCP is structured as a partnership, it is clear that its earned income is taxable. DCP's income is included in the consolidated corporate income tax return of Dominion and that income is subject to a federal corporate income tax rate. The Commission permits a corporate income tax allowance for utilities such as DCP when it can be demonstrated that the income generated is subject to corporate taxes, as stated in the Commission's policy statement. Therefore, it is appropriate and reasonable for DCP to receive an income tax allowance calculated using a corporate income tax rate.

PAYMENT TO THE COVE POINT NATURAL HERITAGE TRUST, INC.

Q. Please provide an explanation of the issue involved with payments made to the Cove Point Natural Heritage Trust, Inc. ("Heritage Trust").

A. DCP, while under the ownership of Columbia LNG, entered into an agreement with the Sierra Club and the Maryland Conservation Council, Inc. ("MCC") on September 21, 1994 ("Agreement"). The Agreement notes that DCP is subject to a letter agreement with Calvert County, Maryland signed in 1972 regarding an easement granted by the County. The Agreement noted that certain modifications were needed with respect to the easement granted by the County and specifically sets out restrictions for use of the Cove Point site. To secure the Sierra Club's and the MCC's agreement with Columbia LNG's proposed installation of a liquefaction facility to be installed on the Cove Point site, the Agreement requires DCP to make an annual payment to the Heritage Trust in the amount of $120,000. The annual payment is to be used by the Trust to monitor the Cove Point site and operations to assure that the operations are conforming to all environment programs provided for and set out in the Agreement.

Because the Heritage Trust is a charitable organization, DCP recorded the annual payment in FERC Account No. 426.1, Donations. DCP proposes to reclassify the entry to Account No. 846.2, Other Expenses, and include the payment in the calculation of its cost of service in this proceeding.

Q. What is the Commission's policy concerning the treatment of charitable contributions?

A. In *Williams Natural Gas Company, Opinion 441*, 90 FERC ¶ 61,017 (2000) at p. 61,064, the Commission revised its position on charitable contribution. The Commission found:

> The Commission agrees at this point that it should revise its traditional approach and disallow charitable contributions. That policy has, in effect, allowed ratepayers funds to be used simply to purchase customer good will and employee loyalty, primarily for the benefit of company shareholders. While the Commission believes companies should be a positive force for social good in their respective communities, the Commission does not believe that making charitable contributions is a necessary incident to providing interstate gas transportation service.

The Commission further found that ratepayers are denied a choice as to the recipients of the charitable organizations that are funded through ratepayers' rates.

Q. Does this policy apply to the payments to the Heritage Trust?

A. No. Although the Heritage Trust is a charitable organization, the payments were made to enable the plant to be constructed.

Q. Please explain.

A. DCP specifically entered into the Agreement with Sierra Club and MCC to enable its proposed peaking service to go forward. Without the support of MCC and Sierra Club, the plant may never have been reopened. The Agreement further commits DCP to operate the facilities in a manner that minimizes adverse environmental impacts upon the DCP site.

Q. Do you believe that the Commission's policy as expressed in Opinion No. 441 should bar DCP from treating the payments to Heritage Trust as operating expense?

A. No.

Q. Please explain.

A. The genesis of the Commission's policy was that charitable contributions made to foster customer goodwill and employee loyalty should not be financed by ratepayer funds, because they are not a necessary incident "to providing interstate natural gas transportation service." The agreement entered into with Sierra Club and MCC and the required annual payments certainly do not result in any customer goodwill nor do the payments impact employee loyalty. Further, the annual payment is not discretionary on the part of DCP. Thus, it is clear that with respect to the annual payment, DCP is not precluding ratepayers from selecting the recipients of the contributions that are funded through ratepayers' rates.

Q. Why do you believe that DCP ratepayers should be responsible for the annual payment of $120,000?

A. Without the Agreement, the project might not have been able to proceed. At a minimum, the project could have been delayed and the legal expenses associated with providing the peaking service and recoverable in rates would have been significantly higher. An increase in plant investment and rate base would cause rates to increase. It is clear that DCP acted in the best interest of the potential customers. The payments are a legitimate cost of doing business, and are a "necessary incident" to providing service at the facility regardless of their tax status. Accordingly DCP should be permitted to recover the payments.

RESTORING PLANT INVESTMENT TO ORIGINAL COST

Q. Please provide a brief description of the ownership of the Cove Point facilities and the effect of ownership changes on the recording of plant investment.

A. There is a long history that goes through several ownership changes. These facilities were originally owned by a joint venture consisting of Consolidated System LNG Corporation ("Consolidated") and Columbia LNG. Shipments of LNG commenced in March 1978, but were interrupted in April 1980 and finally ceased altogether in December 1980. When shipments ceased, both owners were permitted to collect their out-of-pocket cost ("minimum bill") provided in their tariff. The minimum bill permitted the partners to collect debt principal payments through depreciation but did not permit the collection of return of-and-on their investment. On January 28, 1988, the Commission approved a settlement that authorized Consolidated to transfer to Columbia LNG its interest in the LNG and pipeline facilities at no cost. When Consolidated conveyed its interest to Columbia LNG, Columbia LNG did not add this conveyed share to its plant investment, Account No. 101, consequently no additional cost basis has been added to rate base. This ensured that no interstate pipeline customer would pay twice for these facilities if and when Columbia LNG decided to reactivate the Cove Point facilities.

The facilities were held in mothball status from 1980 through 1994 when the Commission authorized the facilities to be used for peaking services and be operated by the Cove Point LNG Limited Partnership ("Partnership"). To form the partnership, Columbia LNG contributed the Cove Point assets for a 50% interest in the Partnership. Potomac Electric Power Company ("PEPCo") acquired the remaining 50% with a cash contribution of $25 million. In approving the formation of the Partnership, the Commission addressed an accounting issue and held that the depreciable basis of the assets contributed should be based on the value placed on such asset in the forming of the Partnership. The value established in the Partnership formation was $50 million -- an amount that did not reflect Columbia's full unrecovered plant investment. The Commission directed the Partnership to write down the depreciable basis of the existing plant assets by $51,118,634 and allocate the $25 million fair value consideration directly among the actual plant assets and liabilities transferred. As of the date of this writedown, the $51,118,634 was never charged to or paid by any interstate consumer.

In 1999, Columbia LNG purchased PEPCo's 50% interest in the Partnership at a premium of $23.1 million. In an order issued on October 12, 2001, 97 FERC ¶ 61,043, the Commission authorized Cove Point LNG Limited Partnership to reactive and expand the LNG terminal and permitted the recording of an acquisition adjustment in the amount of $23.1 million in Account No. 114, Gas Plant Acquisition Adjustment. Further, the Commission authorized the inclusion of this acquisition adjustment in Cove Point LNG Limited Partnership's rate base.

On June 14, 2000, the Cove Point facilities were sold to the Williams Companies, Inc. ("Williams"). While under Williams' ownership, the certificate application requesting authority to reactivate the facilities for import service was filed and the order was issued. On September 5, 2002, the Cove Point assets were sold to wholly owned subsidiaries of Dominion Resources, Inc.

Q. Please describe the Commission's findings with respect to the write down of $51.1 million and the acquisition adjustment in the amount of $23.1 million.

A. The agreement between PEPCo and Columbia LNG formed an entity that would provide peaking service at the DCP facility. The documents submitted to FERC did not indicate any interest in the importation of LNG. Nevertheless, there was no proposal to abandon the marine facilities, and notwithstanding the Commission's compelled write-down, the marine facilities were maintained so that reactivation could occur on a relatively rapid time table.

Q. Please continue.

A. With Columbia LNG's acquisition of PEPCo's 50% interest, the Commission recognized the premium of $23.1 million as a partial offset to the previous recognition of a $51.1 million write down. Columbia LNG's new cost basis in the original facilities was $73.1 million (this number does not recognize recorded depreciation expense). In the short life of the joint venture, Columbia LNG lost $28.0 million in asset value that was not recovered from any interstate consumer.

Q. Do you have any other observation concerning Columbia LNG's acquisition of PEPCo's interest?

A. The original write down of $51.1 million was caused by the forced recognition of the amount paid by PEPCo, $25.0 million, for a 50% interest. In buying PEPCo's 50% interest back, Columbia was able to restore its original cost basis by $23.1 million, but received no recognition for the increased value of its original 50% interest.

Q. What is DCP's position with respect to the remaining write down of $28.0 million?

A. The remaining $28.0 million of the write down adjustment should be reversed.

Q. Please provide the justification for the reversal of the remaining $28.0 million of the write down adjustment.

A. Dominion purchased the DCP facilities in September, 2002 and paid an amount that exceeded the book cost by $73.1 million -- well in excess of the $28.0 million at issue. At this time, DCP is not seeking an acquisition adjustment for the sum it paid to Williams that was above the original net book value. All of the facilities were maintained by the owners, even though the Commission mandated a write-down; since these facilities are now clearly used and useful, the original cost of the facilities should be restored to rate base. The history of the change in ownerships in DCP as described above from 1994 forward resulted in adverse financial implications to the owners of Cove Point and an unwarranted windfall to ratepayers merely due to a change in ownership that resulted in no financial gains to the owners. DCP's proposal is simply to restore the cost basis to its true, original cost and to reverse the write-down that was made during a time period when LNG was not commercially viable.

Q. Do you believe that it is appropriate for the shippers' rates to include the original cost of the facilities in question?

A. Yes.

Q. Please explain.

A. There is no logical reason why shippers should obtain a windfall from the series of ownership changes over the years. The Commission's policy on acquisition adjustments is intended to insure that ratepayers are not overcharged for utility plant. By the same token, the ratepayer should not be undercharged for used and useful plant merely because of the ownership and use changes that have occurred. DCP could certainly argue for recovery of the full cost of the acquisition from Williams at this time, but is not doing so. In this case all DCP is seeking is the right to restore rate base that was written down over time as a result of various corporate transactions. Moreover, the entire $28.0 million of restored rate base is proposed to be assigned to the import shippers -- the shippers benefiting from the restoration of the plant to LNG importing service.

Q. How do you propose that DCP collect the $28.0 million?

A. DCP should be allowed to collect the $28.0 million through Account No. 114.

Although I strongly disagree that the $28.0 million is an acquisition adjustment, nevertheless the Commission's Uniform System of Accounts limits the accounting treatment for DCP's position on restoring rate base to original cost. Also, the use of Account No. 114 is consistent with the Commission's treatment of the $23.1 million permitted in the Commission's order for Docket No. CP01-76.

Q. How do you propose that DCP collect the restored rate base?

A. As this issue only pertains to original facilities used in the import of LNG, the shippers using the facilities should pay; in other words, this amount should be allocated to the LTD-1 shippers. Based on DCP Witness Feinstein's study, the $28.0 million should be amortized over 17 years. Thus, DCP should be permitted to collect $1,652,000 as shown on Statement H-2 of Exhibit No. DCP-4.

Q. Does that conclude your testimony?

A. Yes.

UNITED STATES OF AMERICA
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FEDERAL ENERGY REGULATORY COMMISSION

Dominion Cove Point LNG, LP) **Docket No. RP06-____**

AFFIDAVIT OF ALAN R. LOVINGER

Alan R. Lovinger, being first duly sworn according to law, on oath deposes and says: that he is the witness whose testimony appears on the preceding pages entitled "DIRECT TESTIMONY OF ALAN R. LOVINGER ON BEHALF OF DOMINION COVE POINT LNG, LP" in this proceeding; that, if asked the questions which appear in the text of the aforesaid testimony, affiant would give the answers that are therein set forth; and that affiant adopts the aforesaid testimony as his sworn testimony in these proceedings.

Alan R. Lovinger

Alan R. Lovinger

Subscribed and sworn to before me this 27 day of June, 2006.

Notary Public

District of Columbia
My Commission expires: 11/14/07