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BY ELECTRONIC MAIL

October 26, 2022

Karen G. Sabasteanski
Virginia Department of Environmental Quality
P.O. Box 1105
Richmond, VA 23218

**RE: Notice of Intended Regulatory Action:
Repeal CO_2 Budget Trading Program as Required by Executive Order 9**

Dear Ms. Sabasteanski,

Dominion Energy, Inc. ("Dominion Energy") appreciates the opportunity to provide comments on the Notice of Intended Regulatory Action ("NOIRA") issued by the Department of Environmental Quality ("Department") regarding the repeal of Virginia's CO_2 Budget Trading program as required by Executive Order 9.

About Dominion Energy

About 7 million customers in 15 states energize their homes and businesses with electricity or natural gas from Dominion Energy, headquartered in Richmond, Virginia. A significant portion of the company's electric generation is located in Virginia, including four carbon-free nuclear units, four of the most modern combined-cycle natural gas facilities in the United States, the largest hydroelectric pumped storage facility in the Western Hemisphere, and a rapidly growing portfolio of large-scale solar generation.

The company is committed to sustainable, reliable, affordable, and safe energy and to achieving net zero carbon dioxide and methane emissions from its nationwide power generation and gas infrastructure operations by 2050. In 2022, the company expanded its net zero commitment beyond Scope 1 emissions to include Scope 2 and material categories of Scope 3 emissions. Scope 1 emissions include those which result directly the company's operations. Scope 2 emissions are those emitted from electricity the company consumes but does not generate. The Scope 3 portion of the commitment includes emissions from electricity purchased to power the grid, upstream emissions from fuel for the company's power stations and natural gas purchased to serve customers, and downstream emissions from customers' consumption of natural gas.

The company operates in the Commonwealth as Dominion Energy Virginia, a regulated public utility that generates, transmits, and distributes electricity to more than 2.6 million homes and businesses.

Comments on the NOIRA

Dominion Energy Virginia supports the intended regulatory action whereby the Department proposes to develop a regulation to repeal Virginia's CO_2 Budget Trading program, which authorizes the Commonwealth's participation in a market-based trading program consistent with the Regional Greenhouse Gas Initiative ("RGGI"). RGGI is a regional multi-state market-based program designed to reduce CO_2 emissions from the power sector. Under the RGGI construct, CO_2 allowances are purchased through quarterly auctions to cover CO_2 emissions emitted from fossil fuel-fired generators with nameplate capacity greater than 25 megawatts. Electric generating units subject to RGGI are required to obtain and surrender a CO_2 allowance for every ton of CO_2 emitted. RGGI was implemented in Virginia effective on January 1, 2021.

In 2018, Dominion Energy submitted comments to the Department expressing concern that linkage to RGGI would result in a financial burden to customers with no real mitigation of regional greenhouse gas emissions. The company's position is unchanged despite the fact that Virginia ultimately became a direct participant in RGGI. Indeed, publicly available data suggest that reductions in CO_2 emissions in Virginia attributable to RGGI participation most likely will be offset by emissions increases within PJM states which are not beholden to the RGGI construct. While the regional emissions benefits of RGGI are uncertain, the additional costs borne by Virginia electric customers are clear. Under applicable regulatory law, the costs of CO_2 allowance purchases are recoverable through utility customers' electric rates.

The company filed its first petition for approval of Rider RGGI[1] in November 2020, in anticipation of future compliance costs associated with approximately 19 million CO_2 allowance purchases per year. While initial cost estimates relied upon an expected allowance price of $6.84 per ton, actual costs have exceeded this projection and continue to climb. Even at this initial cost projection level, typical Dominion Energy Virginia residential customers using 1,000 kilowatt hours per month experienced a bill increase of $2.39 beginning on January 1, 2022. The company withdrew Rider RGGI from customer bills effective July 1, 2022.

Prior to this withdrawal, the company presented estimates placing CO_2 allowance prices about 65% higher than originally projected and estimating that typical residential customer bills could increase by an additional $1.98 - for total of $4.37 per month. Bill increases for commercial and industrial customers, as well as residential customers using more than 1,000 kilowatt hours per month, would be even higher. It is important to recognize that Dominion Energy Virginia will not be relieved of its obligation to procure CO_2 allowances until and unless Virginia officially withdraws from RGGI. RGGI compliance costs will continue to accrue in the interim, and subject to regulatory approval, be passed on to customers.

[1] Chapter 1219 of the 2020 Acts of Assembly establishes that the costs of allowances purchased through a market-based trading program are recoverable as environmental compliance project costs through a rate adjustment clause ("rider") pursuant to subdivision A 5 e of § 56-585.1 of the Code of Virginia.

In addition to participation in RGGI, there is a renewable energy portfolio standard (RPS) program in Virginia. The RPS incentivizes utilities to invest in renewable energy to comply with binding targets for the percentage of their retail electricity sales which must be matched with renewable energy certificates (RECs) from qualifying resources. Compliance with the RPS entails costs from REC purchases and development of eligible energy resources. And to reiterate, RGGI compliance entails costs from CO_2 allowance purchases. Both the RPS program and RGGI participation thus result in costs borne by Virginia electric customers to achieve what is fundamentally the same objective - ongoing reductions in power sector CO_2 emissions.

Judge Jagdmann of the State Corporation Commission, concurring with the Commission's ruling in Case No. PUR-2020-00169, wrote that the proceeding had "raise[d] the question of the need for two separate and distinct modes for achieving carbon reduction," and noted the "potential costly duplications" that could arise. She wrote that, in light of the RPS, "it remains unclear whether the significant cost required for participation in an additional cap-and-trade program – which is expected to cost customers billions of dollars – are necessary for [utility] ratepayers to bear in order to achieve the General Assembly's carbon reduction objectives."

Dominion Energy is keenly aware of the need to maintain affordable electric rates and has a long record of rates below the national average as well as best in the business energy assistance programs, most notably our Energy Share Program. Household energy expenditures in the Commonwealth are particularly sensitive to changes in electric rates because Virginians experience warm, humid weather in the summer and rely more heavily on electricity for heating during the colder months, in contrast to other regions which have more temperate summers and a higher prevalence of heating and costs from other fuels such as natural gas.

Since Virginia's Reregulation Act took full effect in 2008, Dominion Energy Virginia's electric rates have remained consistently below the national average and have been very competitive among states in the DC metro area, the mid-Atlantic, and the Southeast. We have also had rates well below the RGGI states average. That being said, amidst economy-wide inflation and rising fuel costs, it is important to eliminate duplicative regulatory costs. Elimination of the additional RGGI-compliance costs would further increase the competitiveness of the company's rates moving forward, thereby building on a long-standing economic development and quality of life advantage for the communities we serve in the Commonwealth.

Dominion Energy Virginia is pursuing many projects that directly support the goal of reducing power sector CO_2 emissions and would be pursued irrespective of Virginia's status as a RGGI participant. These include solar and energy storage deployment, distribution grid transformation, RPS compliance, the Coastal Virginia Offshore Wind commercial project, energy efficiency programs, and license extensions for the company's zero-carbon nuclear units.

In sum, Virginia has made steady progress towards carbon reductions in recent years, and existing statutory provisions will ensure that emissions from the electric sector continue to decline regardless of whether Virginia continues participating in RGGI. RGGI does not further this goal but instead imparts unnecessary additional costs on Virginia customers with no evidence of incremental benefits. Dominion Energy Virginia therefore supports repeal of Virginia's CO_2 Budget Trading program.

Thank you for the opportunity to comment and for your consideration of these matters. If you have any questions, please contact Liz Willoughby at e.willoughby@dominionenergy.com or (804) 240-3234.

Sincerely,

Jason Williams

Jason E. Williams
Vice President, Environmental & Sustainability