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BY ELECTRONIC MAIL

March 31, 2023

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

RE: Repeal CO_2 Budget Trading Program as Required by Executive Order 9

Dear Ms. Sabasteanski,

Dominion Energy, Inc. ("Dominion Energy") is committed to safe, sustainable, reliable, affordable energy, and to achieving Net Zero carbon dioxide and methane emissions from its nationwide power generation and gas infrastructure operations by 2050. 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.

Dominion Energy appreciates the opportunity to provide comments regarding the repeal of Virginia's CO_2 Budget Trading program as required by Executive Order 9. For the reasons described below—namely, that RGGI participation increases electricity costs (in the absence of intended emissions benefits) and is not necessary to realize carbon reductions—the company supports the proposed regulatory action to repeal Virginia's CO_2 Budget Trading program.

RGGI does not result in the intended benefits for CO_2 emissions.

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. In the context of a price-sensitive, multijurisdictional power generation market, applying incremental RGGI compliance costs to a subset of electric generating units could prompt shifts in unit dispatch that favor lower-cost—but possibly more carbon-intensive—resources which are not subject to such compliance obligations. Thus, the outcome may be roughly equal or even greater CO_2 emissions on a regional basis.

Publicly available data indicate that CO_2 emissions reductions in Virginia potentially attributable to RGGI participation are offset by emissions increases elsewhere within the PJM region, in states which are not beholden to the RGGI construct. Net trade index data for electricity, published by the U.S. Energy Information Administration, indicate that many RGGI states are net importers[1] of electricity. These states therefore rely more on purchased power from neighboring jurisdictions. The data likewise indicate that Pennsylvania and West Virginia, non-RGGI states which border RGGI states, are net exporters of electricity.

RGGI increases the cost of electricity.

RGGI auction clearing prices for CO_2 allowances have been volatile since the inception of the program and have continued to rise. As the company stated in its initial comments on the NOIRA, Dominion Energy Virginia will not be relieved of its obligation to procure 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. The aggregate revenue requirement for Dominion Energy Virginia's RGGI-related costs from the time Virginia joined RGGI in 2021 through December 31, 2023, is expected to be $723 million.

Under RGGI, customer costs will be further exacerbated by increased electricity needs due to extreme weather. For example, Dominion Energy Virginia recently experienced an all-time record peak load requirement in December 2022, during Winter Storm Elliott. To meet the high demand requirements caused by rapid temperature drops, PJM required the company's entire generation fleet (including all coal- and oil-fired generating units) to operate. Solar resources were not producing during the nighttime hours. While the company was able to maintain reliable service due to proper forecasting and planning, the CO_2 emitted to meet demand requirements in this extreme situation will incur additional costs under the RGGI construct, which will in turn be passed on to customers.

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. Elimination of the additional RGGI-compliance costs would build on long-standing economic development and quality of life advantages of the communities Dominion Energy Virginia serves in the Commonwealth.

RGGI is not necessary to realize carbon reductions.

In its RGGI report required by Executive Order 9, dated March 11, 2022, the Department effectively captured the emissions impact of a series of coal-fired plant retirements and fuel conversions that occurred in the 2011-2012 timeframe.[2] These decarbonization efforts contributed to a 43% decline in the carbon-emissions intensity of electricity generated in Virginia between 2010 and 2020. In other words, historical data indicate that over the decade prior to joining RGGI, the Commonwealth reduced its rate of carbon emissions per unit of electricity by nearly half. This progress was made despite rising demand for electricity.

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[1] *See* https://www.sustainability.com/globalassets/documents/mjba-archive/reports/benchmarking-air-emissions-results-2021.pdf (pg.2,32)
[2] EO-9 RGGI Report.pdf (virginia.gov) (pg. 9)

Adding to these significant decarbonization efforts, there are other effective long-term carbon policies and CO_2 reduction programs and initiatives taking place at the federal and state levels. The United States Environmental Protection Agency is developing regulations to reduce emissions of greenhouse gasses from new and existing fossil fuel-fired electric generating units. These regulations are expected to be released this spring and finalized later in 2023 and 2024. New and reconstructed electric generating units are also subject to federal and state permitting requirements for greenhouse gasses. All RGGI states, including Virginia, also have state-specific climate policies and/or regulations in place that are aimed at reducing carbon emissions.

The Virginia Clean Economy Act (VCEA) established a mandatory renewable portfolio standard (RPS) program in the Commonwealth which envisions Dominion Energy Virginia matching 100% of retail electricity sales in its service territory with renewable energy certificates (RECs) from qualifying resources by 2045. The VCEA also enables a substantial buildout of solar and onshore wind, offshore wind, and energy storage resources. These resource deployments will put downward pressure on the CO2 emissions intensity of Dominion Energy Virginia's operations irrespective of the Commonwealth's participation in RGGI.

The VCEA also established the first mandatory energy efficiency resource standard in the southeastern United States. The company is committed to ensuring continued investment in energy efficiency, particularly initiatives that benefit low-income, elderly, and veteran customers. Resources to continue this important work are available through the company's regulated demand-side management programs and unregulated EnergyShare program, as well as additional funding now available to the state through the Infrastructure Investment and Jobs Act. The company's efforts towards energy efficiency ultimately reduce the amount of energy consumed by customers, which likewise results in reduced power sector emissions.

The company is mindful of concerns that Virginia's withdrawal from RGGI would imperil funding for flood resiliency and energy efficiency, given how RGGI auction proceeds are apportioned. With respect to flood resiliency, the company observes that the Administration has proposed to deposit $200 million in the Resilient Virginia Revolving Loan Fund as a replacement for funding derived from RGGI auction proceeds.

Independent of any federal or state requirements, several electric companies, including Dominion Energy, have set their own carbon reduction goals. The company's commitment to Net Zero entails cutting Scope 1 carbon emissions from its electric operations by 55% by 2030 (compared to 2005 levels) and cutting direct Scope 1 methane emissions from its natural gas business by 65% by 2030 and 80% by 2040 (from 2010 levels). Through 2021, the company cut carbon emissions from its electric generation units by 46% since 2005 and cut methane emissions from its natural gas business by 38% since 2010.

Dominion Energy is also a lead sponsor of the Low Carbon Resources Initiative, a 5-year, $100 million research and development effort focused on emerging clean energy technologies. The company has assembled an internal organization dedicated to pursuing innovative and sustainable technologies that will guide us toward a successful clean energy future. Some of the promising new technologies being investigated include natural gas combined-cycle technology with carbon capture and sequestration, hydrogen, electric vehicles as a grid resource, continuous improvement in solar output, medium and long-term energy storage, direct air capture technology, blending natural gas with hydrogen to consume as a fuel, and increased efficiency with advanced analytics.

In summary, Dominion Energy Virginia is pursuing projects that directly support the goal of reducing power sector CO_2 emissions and will continue to pursue these projects irrespective of Virginia's status as a RGGI participant. Virginia has made steady progress towards carbon reductions in recent years, and existing statutory provisions support continued decline in electric sector emissions. 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 E. Williams
Vice President, Environmental & Sustainability