Dominion's green energy package comes with a catch: coal. Businesses aren't happy.

By **Sarah Vogelsong** - October 30, 2019

Dominion's Virginia City Hybrid Energy Center in Wise County, Va., 2019. (Sarah Vogelsong/Virginia Mercury)

Dominion Energy's newest plan for a renewable energy package that environmentally conscious customers can buy is causing some big businesses, including Walmart, to push back against what they call "an unattractive offering."

Why? Companies and an industry group that represents some of Virginia's and the nation's largest employers have two complaints. First, the portfolio of renewable energy resources assembled by Dominion includes numerous carbon-emitting facilities, some decades old, including one in Southwest Virginia that derives 93 percent of its energy from coal and is listed by Dominion on its website as a coal asset.

Second, if the utility succeeds in winning approval for its plan, that will deal a blow to the state's fledgling renewable energy market, leaving nowhere else for most customers in the commonwealth to turn if they want to buy renewables.

"Now is the time to foster innovation and development of renewable energy options, not stifle it," Lisa Perry, Walmart's senior manager of energy services, wrote in testimony filed this October with the State Corporation Commission, the regulatory body that will weigh the merits of Dominion's proposal later this fall.

This isn't the first time Dominion, which, as Virginia's largest utility, controls about two-thirds of the state's electric customers, has proposed a renewable energy package for customers. (In Virginia, the offering is formally called a "renewable energy tariff," and Dominion has labeled this particular plan Rider TRG, short for "Total Renewable Generation.") The utility also floated plans for two green offerings in 2017. One was denied by the SCC, while the other was withdrawn by Dominion after the commission approved a package proposed by the state's other major utility, Appalachian Power Company.

Unlike Dominion's current proposal, however, the 2017 plans didn't specify exactly where the renewable energy bought by customers would come from. Under the first, the company would have bought renewable energy through power purchase agreements with "existing or new facilities" while also developing its own fleet of renewables. Under the second, the company intended to craft a portfolio made up of "a combination of hydroelectric, wind and new solar (i.e., constructed after 2017) resources."

The utility's most recent proposal diverges from that approach, identifying a portfolio of 14 specific facilities that will supply program customers with renewable energy. Eight are solar, either owned by Dominion outright or with which the utility has a contract to purchase power. Two others — the Roanoke Rapids and Gaston power stations, which began operations in 1955 and 1963, respectively — are hydroelectric.

And four, the most controversial of the bunch, are associated with biomass. Besides the Altavista, Hopewell and Southampton stations, which began burning coal in 1992 and were converted to burn biomass in 2013, the portfolio includes the Virginia City Hybrid Energy Center in Wise County, which started operations in 2012 and can produce a maximum of 20 percent of its energy from biomass (with the other 80 percent generated by coal).

Technically, under Virginia law, all of these sources are considered renewable. The state's definition of renewable energy is expansive, including energy derived from biomass, "sustainable or otherwise," even if it is produced at a facility that also burns fossil fuels like coal.

But while opponents of Dominion's renewable energy plan acknowledge that its portfolio is in line with the letter of the law, they argue in SCC filings that the proposal's mismatch with state goals of encouraging development in renewables means that it falls well short of what customers seeking to buy clean energy are looking for.

Virginia's changing definition of renewable energy

> **2007**: "Renewable energy" means energy derived from sunlight, wind, falling water, sustainable biomass, energy from waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas or nuclear power.
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> **2008**: "Renewable energy" means energy derived from sunlight, wind, falling water, sustainable biomass, energy from waste, ***municipal solid waste,*** wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas or nuclear power.
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> **2009** (current definition): "Renewable energy" means energy derived from sunlight, wind, falling water, sustainable biomass, ***sustainable or otherwise, (the definitions of which shall be liberally construed)***, energy from waste, municipal solid waste, wave motion, tides, and geothermal power, and does not include energy derived from coal, oil, natural gas or nuclear power. ***Renewable energy shall also include the proportion of the thermal or electric energy from a facility that results from the co-firing of biomass.***

"Customers are participating in utility programs to drive additional renewable energy deployment, to lower emissions, and to demonstrate leadership," wrote Caitlin Marquis, a director of energy industry trade association Advanced Energy Economy, in testimony opposing Dominion's proposal to the SCC. "Providing financial support to existing projects that are more than 15 years old and to emitting resources — including a seven-year-old coal plant co-fired with biomass — is inconsistent with customers' motivation and objectives."

Of the case's players, none have taken as firm a stance as Walmart, which Perry says will not participate in Dominion's program if approved by the SCC, even though the retailer has set an ambitious target of supplying 50 percent of its energy needs from renewables by 2025.

"The program fails to meet our expectations as a customer because it offers a product that only results in additional costs to Walmart and does not allow Walmart to realize the benefits (or the costs) of opting to be served by renewable resources," she wrote.

Just what do businesses want out of a renewable energy program? Bryn Baker, director of policy innovation for the Renewable Energy Buyers Alliance, an industry group that counts leaders from corporate titans like General Motors, Google and Amazon on its board of directors and is opposing Dominion's proposal, pointed to the Corporate Renewable Energy Buyers' Principles as a guide.

First formulated in 2014, these principles include such goals as "greater choice in procurement options" and "access to new projects that reduce emissions beyond business as usual." And, according to Baker's testimony, Dominion's renewable energy proposal isn't in line with them.

Key among her criticisms are that the plan relies on facilities that already exist — and in some cases have been operating for decades — rather than incentivizing the development of new renewable facilities, and that it relies on the largely coal-fired Virginia City plant.

That facility, SCC filings show, has never operated without burning coal.

A filing from the State Corporation Case considering Dominion Energy's proposed 100 percent renewable energy tariff, including a question by Appalachian Voices and a response by Dominion.

"There is not a single second where [Virginia City] operates 100% on biomass feedstocks; whenever electric power flows out of [the facility], it is necessarily combusting coal," argued William Cox, CEO of energy policy analysis firm Greenlink Analytics in testimony for Appalachian Voices, which is also opposing Dominion's application.

On financial grounds, too, opponents argued that Dominion's plan — which charges a premium of about 3.6 percent above the typical cost of service — also falls short. "The costs of renewable technologies have dropped dramatically and zero-emission resources like wind and solar operate are now cost-competitive with existing fossil-based supply," testified Travis Wright, vice president of energy and sustainability for data center developer QTS Realty Trust, on behalf of REBA. "In these economic conditions, rational commercial consumers are no longer willing to pay a premium cost for renewable energy without receiving a premium level of benefit."

A Dominion spokesman did not respond to a request for comment for this story. Spokespeople have previously said that they have a policy of not speaking with the Virginia Mercury.

Closing the renewable energy market?

As the case rolls toward its Nov. 21 hearing, stakes are high. Renewable energy is increasingly big business in the U.S., and Virginia, with its burgeoning pool of data centers hungry for energy and close proximity to the nation's capital, is a desirable market.

But the state's uniquely complex regulatory structure has complicated development. As a semi-regulated state, Virginia allows few opportunities for businesses that are neither recognized monopolies nor electric cooperatives to sell energy within the commonwealth. One such exception is "100 percent renewable energy": since 2007, licensed non-utilities have been permitted to sell such energy to customers as long as the monopoly utility isn't also offering such a product.

There is, however, a catch: As soon as the utility receives approval to sell its own 100 percent renewable energy package, the market is closed, and no more non-utilities can begin offering such a product. Those that are already active can continue to serve their customers for the duration of their contract but can't enroll anyone new.

It's a scenario that played out recently in Appalachian Power Company's service territory, where competition has been halted by the SCC's approval of the monopoly's own 100 percent renewable energy plan. And it's one that the parties opposing Dominion's tariff fear will come to pass in that utility's territory, which has recently seen three non-utilities — known in this context as competitive service providers — begin offering renewable energy alternatives to customers.

Dominion has vigorously fought the advance of these companies and sought in the present case to speed up the commission's proceedings, a move interpreted by competitive service provider Direct Energy, along with Costco and Advanced Energy Economy, as an effort to curtail CSPs' enrollment of additional customers. Dominion argued that such arguments "lack merit" and that it would benefit the public interest to have the matter decided as quickly as possible; nevertheless, the State Corporation Commission denied the utility's request to accelerate its deliberative process.

Although the window for competitive service providers to operate in Virginia remains open, further development would be stymied by commission approval of Dominion's plan, Cox fretted in his testimony for Appalachian Voices: "Some opportunities to increase Virginia's reliance on clean energy will be set back from day one by eliminating an option that competitively provide[s] 100% renewable energy to participating customers and replacing it with a utility construct that does nothing of the sort," he contended.

Frank Lacey, a consultant for Direct Energy, also complained about the outcome that would result from commission approval of the utility's tariff.

"Unfortunately," he wrote, "the proposed tariff provides customers with only one option for a certain renewable energy service, taking away many other customer options."

> *Other things to know about Dominion's proposed renewable energy package*

> - *Dominion’s proposal, known as Rider TRG, is explicitly modeled on the 100 percent renewable energy tariff proposed earlier this year by Appalachian Power Company and approved by the State Corporation Commission.*
> - *The portfolio the utility has assembled is expected to meet “the capacity and energy requirements of approximately 50,000 residential customers or their commercial equivalent.”*
> - *Customers will pay a premium “based on the prevailing market value of retail renewable energy” equal to about $4.21 per megawatt-hour. They will also pay a “balancing charge” designed to hold non-participating customers “substantially harmless.”*
> - *The typical residential customer using 1,000 kilowatt-hours of energy who signs up to get 100 percent renewable energy from Dominion would see an average monthly bill increase of $4.21.*
> - *Customers who do not elect to participate in Dominion’s renewable energy program will see no increases in either rates or bills.*
> - *A hearing on the application will be held before a hearing examiner at the State Corporation Commission Nov. 21.*

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Sarah covers environment and energy for the Mercury. Originally from McLean, she has spent over a decade in journalism and academic publishing. Most recently she covered environmental issues in Central Virginia for Chesapeake Bay Journal, and she has also written for the Progress-Index, the Caroline Progress, and multiple regional publications. In 2017, she was honored as one of Gatehouse’s Feature Writers of the Year, and she has been the recipient of numerous awards from the Virginia Press Association. She is a graduate of the College of William & Mary. Contact her at svogelsong@virginiamercury.com

On nation's biggest proposed offshore wind farm, Dominion plans to fly solo

By **Sarah Vogelsong** - November 1, 2019

Dominion Energy intends to move forward alone with developing the nation's largest proposed offshore wind farm, an enterprise estimated to cost $8 billion, top utility leaders indicated to investors in a third-quarter earnings call Friday morning.

"The project will be developed and owned by Dominion Energy Virginia, with regulated cost recovery subject to approval by the Virginia State Corporation Commission," said Dominion CEO, Chairman and President Tom Farrell during the presentation.

The company's approach bucks the dominant trend among East Coast utilities, which have otherwise partnered with private developers to add offshore wind energy to their portfolios.

New Jersey's Ocean Wind project, which at 1,100 megawatts should power half a million homes, is being developed by Danish company Ørsted, with efforts underway by New Jersey utility Public Service Enterprise Group to acquire a 25 percent stake in the project. New York's 816-megawatt Empire Wind is owned by private company Equinor, while its 880-megawatt Sunrise Wind is being developed jointly by Ørsted and New England energy utility Eversource. The latter pair are also the drivers behind the Revolution Wind project providing energy to Connecticut and Rhode Island. And in North Carolina, Avangrid is developing the Kitty Hawk wind farm.

Ørsted has been active in Virginia, contracting with Dominion to provide it with the turbines for the utility's 12 megawatt Coastal Virginia Offshore Wind pilot. But Dominion leaders made no reference to the company during the almost hour-long investor call Friday.

Hayes Framme, Ørsted's government relations and communications manager for the Southeast, confirmed to the Mercury that the company was still moving ahead "full bore" on the pilot project but emphasized that the larger plans, which call for 220 turbines producing 2,600 megawatts of energy, were "Dominion's project."

To fund that project, Farrell said that Dominion expects to roll out construction in three phases, and that, pending State Corporation Commission approval, the costs of each phase will be recouped with a rider, an extra fee that is tacked onto customers' bills to pay for a specific project.

While officials acknowledged that the $8 billion price tag is far above the $1.1 billion the company told investors in March that it planned to put toward offshore wind between 2019 and 2023, they noted that most of the spending won't occur until 2024, 2025 and 2026.

In the meantime, Dominion "will work hard to reduce" the additional $7 billion in costs, said Farrell. Possible reductions, according to Paul Koonce, president and CEO of Dominion's Power Generation Group, could come from the maturing of offshore wind supply chains as the three phases of development progress.

Farrell indicated that Dominion's 2,600 megawatt project has significant bipartisan support in Richmond — not only from both sides of the legislative aisle, but from Gov. Ralph Northam.

Dominion Energy CEO Tom Farrell was at Richmond City Hall for an announcement about the city's plans to build a new coliseum, which he spearheaded. (Ned Oliver/Virginia Mercury)

According to Farrell, Northam "specifically said that he recognized that there may be some who want to push back on [the project], on whether it was necessary, required or a good thing for Virginia, [and] that he was going to work very hard to ensure that the public policy and regulatory support was in place to carry out this plan."

"It was only after those statements," Farrell continued, "that we went ahead with our announcement of the full deployment."

Asked to clarify what Northam meant in terms of public policy and regulatory steps and what the administration would do to ensure ratepayers of the investor-owned utility were protected, the governor's press secretary, Alena Yarmosky, replied, "The governor has made it clear he supports public policy that moves Virginia towards renewable energy — that includes making the commonwealth a leader in offshore wind."

Northam has officially committed the commonwealth to renewable energy development, most recently through Executive Order 43, which ordered that 30 percent of Virginia's energy come from renewable sources by 2030 and that the state's grid be carbon-free by 2050. The 2018 Grid Transformation and Security Act passed by the General Assembly also declared the development of 5,000 megawatts of wind and solar energy to be in the public interest.

The State Corporation Commission, however, has been more skeptical. In November 2018, citing concerns for the risk the utility's plans bore for captive customers, the SCC only reluctantly approved Dominion's 12 megawatt offshore wind project, concluding that legislative priorities demanded approval but that it "would not be deemed prudent as that term has been applied by this commission in its long history of public utility regulation or under any common application of the term."

Farrell said during the call that the company is "very concerned" about customer rates.

"It's something we focus on all the time because our goal is to ensure that our customer rates stay very competitive, well below national averages, below the regional averages," he said. "They are now, and we intend for them to stay that way, including with the construction of this wind farm."

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Renewable energy providers win skirmish against Dominion, but larger war drags on

By **Sarah Vogelsong** - August 22, 2019

The State Corporation Commission seal. (Ned Oliver/ Virginia Mercury)

Two renewable energy providers whose attempts to sign up Dominion Energy customers were halted by the utility in July won a victory Wednesday when the State Corporation Commission ordered the company to begin processing the enrollments immediately.

The order is the first decision by the commission in an ongoing battle between Dominion, Virginia's largest regulated utility, and Direct Energy and Calpine, two competitive service providers seeking to sell "100 percent renewable energy" to customers including Kroger and Costco, both of which have joined the fight against the utility.

But while the commission's ruling on the enrollments allows Direct Energy and Calpine to resume operations in Virginia, their fate will remain uncertain until the commissioners decide the outcome of a broader case determining what exactly "100 percent renewable energy" is and whether those companies are selling it.

That case, which was heard Tuesday, is a highly technical one, complicated by confusion over terminology ("This is just a mess," one attorney involved was heard to mutter to a colleague during a break in court proceedings). But it is also a consequential one, watched on a national level, as an indicator of just how open Virginia will be to renewable energy businesses.

Under current state law, licensed competitive service providers, or CSPs, are permitted to sell customers electricity "provided 100 percent from renewable energy" in a regulated utility's territory as long as the utility doesn't also offer a fully renewable option.

Dominion doesn't — yet. On May 31, it filed an application with the State Corporation Commission to establish a renewable energy tariff, regulator-speak for electricity entirely drawn from renewable sources that can be sold to customers as a product. As corporations increasingly seek to distance themselves from fossil fuels, such renewable energy products have become hot commodities.

In Virginia, the CSPs have another powerful appeal for some large corporations: they aren't Dominion. Companies like Walmart and Costco have been vocal about their dissatisfaction with the utility's rates and have sought — unsuccessfully, so far — to find other sources of electricity. The renewable energy loophole is an appealing exit.

Dominion, however, isn't giving up its customers without a fight. The utility has challenged Direct Energy's and Calpine's right to enroll customers on the grounds that they don't meet statutory requirements for serving the "full load" of customers with "electric energy provided 100 percent from renewable energy."

According to a pre-hearing brief filed by Dominion, in order to be allowed to operate in Virginia, a CSP must demonstrate that it "controls sufficient generation resources to meet the customer's full load requirements around the clock: not just each month, but each and every day and night during the month."

At issue is not reliability — both Dominion and the CSPs acknowledge that there is no expectation CSP customers would experience interruptions to their electric service — but capacity.

When customers buy renewable energy, they aren't actually buying the exact electrons generated by renewable facilities. Instead, their purchase ensures that a certain amount of renewable energy will be generated and fed into the electric grid. Consequently, renewable energy use is measured by matching the supply that flows into the grid (generation) with the energy that customers actually consume (load).

But because renewables, unlike fossil fuels, can't generate energy continuously, the time frame in which the match is calculated makes a big difference. Even when multiple renewable sources are combined in a portfolio — as Direct Energy and Calpine have done — the amount of energy they supply may at times not meet the full customer load, triggering the need to channel energy from other sources into the grid.

To account for this reality, regulators in many other states rely on what is known as an annual matching standard: the requirement that annual average generation equal or exceed annual average load.

Virginia has taken a more stringent stance in prior cases, establishing a monthly matching standard for Appalachian Power Company's renewable energy tariff in 2018. Direct Energy and Calpine contend that this standard is sufficient, and that they can easily demonstrate that they meet it through the contracts they've made with renewable generators.

Dominion, however, in the present case has pushed for even more rigorous proof of what it calls "renewable capacity" and an "hourly planning standard" — a concept that caused much confusion before the commission Tuesday and was labeled by Calpine attorney Brian Greene "a fancy name for an hourly matching standard."

The State Corporation Commission previously had the option of setting an hourly matching standard in the Appalachian Power case but opted instead for a monthly standard. It did, however, note in its opinion that the decision "does not preclude other matching standards from also being found reasonable in specific instances."

Dominion has said repeatedly that it is only seeking to uphold the letter of the statute, which attorney Harry Johnson told the commission Aug. 7 "put(s) the burden on Dominion to verify that enrollments are valid."

"Dominion is protecting customers, and it cannot simply ignore attempts to provide what appears to be unauthorized service," he said.

Calpine and Direct Energy both dispute that contention, arguing that Dominion is overstepping its authority and seeking to set the bar for Virginia's CSPs so high as to prevent them from operating in the state.

Dominion, said Direct Energy consultant John Hanger, has "effectively usurped the role of the commission."

State Corporation Commission Judge Mark Christie. (Photo by Ned Oliver/Virginia Mercury)

"All of the other provisions that you are trying to shoehorn in here like renewable capacity are not in the statute," he told the utility before suggesting, "Perhaps you should go to the General Assembly and get them to rewrite it the way you want it to read."

Speaking on behalf of Costco, attorney Cliona Robb argued that not only is there "nothing remotely reasonable about Dominion's hourly balancing standard," but that if the commission were to adopt that standard, "what you will do is get rid of the sale of renewable energy in Virginia, you will not promote it."

At times, even SCC Judge Mark Christie seemed skeptical of Dominion's argument, at one point telling Greg Morgan, the utility's general manager of regulatory affairs, "It seems like the standard you're setting would be almost impossible for (the CSPs) to meet."

Dominion says that it would not, and that, in the words of attorney Johnson, the statute is "very clear that it requires more than monthly matching to satisfy compliance."

The commission has noted in an order that it intends to "rule promptly" on the case.

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