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July 2, 2018

Rob Klee
Commissioner
Connecticut Department of Energy and Environmental Protection
79 Elm Street
Hartford, CT 06106-5127

**Re: Draft Notice of Request for Proposals from Private Developers
for Zero Carbon Energy**

Dear Commissioner Klee:

I am writing on behalf of Dominion Energy Nuclear Connecticut, Inc. (“Dominion Energy” or the “Company”) to provide the following initial limited comments regarding the above referenced Draft Notice of Request for Proposals from Private Developers for Zero Carbon Energy (“Draft RFP”) issued by the Department of Energy and Environmental Protection (“DEEP”) on June 22, 2018. Dominion Energy reserves the right to offer supplementary substantive comments on the Draft RFP before the written comments deadline of July 20, 2018.

I. The “At Risk” Period

These initial comments are limited to identifying a flaw in the Draft RFP and its implications for Connecticut. It is essential that Dominion Energy raises this issue now, rather than waiting until the July 20, 2018 comment deadline, because it significantly affects the very core of this procurement. Specifically, the Draft RFP proposes that an “Existing Resource Confirmed at Risk” will only be considered at risk during an “At Risk Time Period”, defined as commencing June 1, 2023.¹ As a result, any portion of a proposed contract from an Existing

¹ Connecticut Department of Energy and Environmental Protection, “Draft Notice of Request for Proposals from Private Developers for Zero Carbon Energy” (June 22, 2018) (“Draft RFP”) at p. 23 available at [http://www.dpuc.state.ct.us/DEEP/energy.nsf/c6c6d525f7cdd1168525797d0047c5bf/c2c8985c6ccf3e58852582b4006c1be7/\\$FILE/2018.06.22_FINAL%20Draft%20RFP.pdf](http://www.dpuc.state.ct.us/DEEP/energy.nsf/c6c6d525f7cdd1168525797d0047c5bf/c2c8985c6ccf3e58852582b4006c1be7/$FILE/2018.06.22_FINAL%20Draft%20RFP.pdf). See also Draft RFP at p.4.

Resource Confirmed at Risk that covers a period before June 1, 2023 will not be evaluated based on the zero carbon environmental or other beneficial attributes of the resource.²

Dominion Energy is the only company that has petitioned the Connecticut Public Utilities Regulatory Authority (“PURA”) for designation as an Existing Resource Confirmed at Risk. The proposed definition effectively prohibits an Existing Resource Confirmed at Risk, and consequently Dominion Energy, should it be selected in the competitive procurement, from entering into a contract with Connecticut’s electric distribution companies until June 1, 2023. Left unaddressed, Dominion Energy will not be able to participate in the RFP under those circumstances. This is clearly not what the Governor and the Connecticut General Assembly envisioned after more than three years of combined legislative and executive work to chart a long-term path for Connecticut to retain the jobs, economic, environmental and energy security benefits produced around the clock by Millstone Power Station.

The General Assembly chose to act now, recognizing that an inflection point is approaching in the future of Millstone Power Station that will require Dominion Energy to determine whether or not to commit hundreds of millions of dollars in additional capital spending to keep the station operating at the level of excellence the nuclear industry and Dominion Energy demand of all of its assets.

It appears that DEEP has construed Dominion Energy’s participation in forward capacity auctions (“FCAs”) as evidence of economic vitality. That is an erroneous conclusion. Dominion Energy has participated in FCA 10, 11 and 12 (and has signaled it will participate in FCA 13) in good faith while the Company was engaged with Connecticut officials in seeking a mutually beneficial solution regarding Millstone. The Company did not participate in the FCAs because it was warranted by Millstone’s current economics. The ISO-NE Forward Capacity

² Draft RFP at p. 25.

Market provides only a small portion of the plant's total revenue, which comes predominantly from the ISO-NE wholesale energy market. As DEEP has acknowledged, low wholesale energy prices "eventually lead to economic stress on power plants that were designed to operate on a near continuous basis and garner the majority of their revenues from the energy market (such as steam generators powered by oil, coal and nuclear)."³

Millstone is at risk **now**, and Dominion Energy must face critical business decisions regarding the future of Millstone, irrespective of the consequences those decisions might have on Connecticut or the New England region. We have deferred making these difficult decisions for three years, in good faith, in deference to the legislative process and the interests of the 1,500 women and men that work at Millstone, and not because the economics of the current market warranted it. If Millstone is deemed an Existing Resource Confirmed at Risk, consideration of its zero carbon environmental and other attributes must be considered from the start of any proposed contract. These benefits exist now, and should be valued accordingly. Otherwise, any contract that results from the RFP is unlikely to be viable and the efforts of all involved will be wasted.

DEEP and PURA's *Resource Assessment, Appraisal, and Determination Pursuant to Executive Order No. 59 and Public Act 17-3; Determination Pursuant to Public Act 17-3* (the "Determination")⁴, as well as ISO-NE's January 2018 *Operational Fuel Security Analysis* ("Fuel Security Analysis")⁵, demonstrates the importance of retaining Millstone in Connecticut and the New England region. As DEEP and PURA have acknowledged, "New England remains

³ See Testimony of Gordon van Weile, before the House Energy and Commerce Committee, Subcommittee on Energy p. 7 (July 26, 2017), as cited in *Protest by the Connecticut Public Utilities Regulatory Authority, the Connecticut Department of Energy and Environmental Protection and the Connecticut Office of Consumer Counsel*, FERC Docket ER18-619, Attachment D, p. 176 (January 29, 2018).

⁴ See, Determination, available under "Governor's Executive Order Number 59: DEEP and PURA Joint Proceeding" at <http://www.ct.gov/deep/energyfilings> and Docket 17-07-32 at <http://www.ct.gov/pura/docketsearch> (February 1, 2018).

⁵ ISO-NE, Operational Fuel-Security Analysis, available at https://www.iso-ne.com/static-assets/documents/2018/01/20180117_operational_fuel-security_analysis.pdf (January 17, 2018).

'extremely vulnerable to the loss of any of the region's key energy facilities,' such as the Millstone station in Connecticut that provides 2,100 MW of baseload power."⁶ Thus, Dominion Energy urges DEEP to remove the unwarranted At Risk Time Period restrictions in the Draft RFP so that the progress made so far in Connecticut is not cut short.

II. Background

Connecticut's retail electric rates are among the highest in the nation and the region's wholesale energy market does not appropriately value non-gas, baseload generation. As demonstrated in DEEP's own comprehensive energy policy, zero carbon baseload generation, like nuclear power is critical. Its cost structure is stable and predictable. It provides myriad benefits for which owners currently are not compensated. These benefits include the true value of its carbon-free emissions, its fuel diversity (non-gas), fuel security (18 month onsite fuel supply) and remarkable reliability (capacity factors greater than 90%).

The value of the attributes, and the ramifications of Millstone retiring prematurely, has been demonstrated in ISO-NE's recent Fuel Security Analysis and the Determination. In the Fuel Security Analysis, ISO-NE evaluated 8 high impact scenarios for the 2024-2025 winter period.⁷ One of the scenarios assumed that Millstone's 2,100 MWs of capacity were on a winter long outage.⁸ Using its reference case, the analysis found that loss of Millstone for the winter period would result in **47 hours of load shedding** over 10 days. Under its maximum retirements and maximum renewables case, the analysis predicted **70 hours of load shedding** over 12 days.⁹ In addition to reliability issues, the loss of Millstone would have impacts on electricity costs and carbon emission levels in Connecticut. The Levitan Assessment conducted for the

⁶ See Protest by the Connecticut Public Utilities Regulatory Authority, the Connecticut Department of Energy and Environmental Protection and the Connecticut office of Consumer Counsel, FERC Docket ER18-619, p. 30 (January 29, 2018).

⁷ Fuel Security Analysis at p. 22.

⁸ *Id.* at p. 44.

⁹ *Id.* at p. 45.

Determination found that “early retirement of Millstone would likely result in higher electricity costs for Connecticut ratepayers as well as higher carbon dioxide emissions both in Connecticut and throughout New England.”¹⁰ Levitan ran three replacement scenarios for assessing an early retirement of Millstone. The first scenario, which assumed that Connecticut would do nothing and allow the wholesale market to replace Millstone, found that there would be an increase in total ratepayer cost of \$719 million and a dramatic increase carbon emissions since natural gas would be the predominant replacement.¹¹ The second scenario, the “do something” scenario, replaced Millstone with 25% carbon-free resources (Connecticut’s current pro-rata share of Millstone based on load profile) and the rest with market resources. This scenario resulted in a projected total ratepayer cost of \$1.8 billion.¹² The final scenario, the “do everything” scenario, replaced Millstone with 100% carbon-free resources and resulted in a projected total ratepayer cost of \$5.5 billion but keeping regional carbon emissions in check with where they are today.¹³

Connecticut’s legislators recognized the need to retain Millstone and these beneficial attributes and acted accordingly. In October 2017, legislation passed both chambers in a strong bipartisan manner and Governor Malloy signed Public Act 17-3, *An Act Concerning Zero Carbon Solicitation and Procurement*.

As part of its directives from the Executive Order 59 and the Public Act 17-3, DEEP and PURA issued the Determination. The primary conclusion was:

“Based on our comprehensive assessment of the Millstone nuclear generating facilities, the need to maintain zero-carbon resources in the state’s electric generation mix in order to achieve the greenhouse gas emissions reduction targets set in the GWSA, and our appraisal of nuclear power generating facilities in New England, **DEEP and PURA conclude that pursuant to June Special Session Public Act 17-3, DEEP should conduct a procurement or procurements for new and existing zero carbon generation facilities, according to the conditions and structure outlined below**¹⁴”

¹⁰ Determination, Levitan and Associates, Inc. Assessment at p. ES-4.

¹¹ Determination at p. 30.

¹² *Id.*

¹³ *Id.*

¹⁴ Determination at p. 41.

The Determination created three categories of entities eligible to participate in the procurement: new resources, existing resources, and existing resources “confirmed at risk”.¹⁵

On May 31, 2018, Dominion Energy submitted a comprehensive filing with PURA requesting a declaratory ruling that Millstone Power Station is an existing resource “confirmed at risk”.¹⁶

Dominion Energy was both surprised and disappointed to see DEEP create a new term and definition for “At Risk Time Period” in the Draft RFP. The term and definition does not exist in Public Act 17-3; does not exist in the Executive Order 59; does not exist in the Determination made by DEEP and PURA; and does not exist in the “At Risk” proceeding before PURA.

The addition of this definition has significant ramifications because the Draft RFP goes on to state that an Existing Resource Confirmed at Risk must “at least submit bids...commencing not earlier than the At Risk Time Period”¹⁷, and any “bid by an Existing Resource Confirmed at Risk that has a contract start date prior to the At Risk Time Period that continues into the At Risk Time Period will be evaluated as two separate bids, one for each time period.”¹⁸ Importantly, the Existing Resource Confirmed at Risk will not have its zero carbon environmental and other attributes considered for contracts with a start date before the At Risk Time Period.¹⁹ This effectively limits an Existing Resource Confirmed at Risk to submitting a bid commencing June 1, 2023.

¹⁵ See *Id.* at p. 41-42.

¹⁶ Dominion Energy Nuclear Connecticut, Inc., Petition for Declaratory Ruling, Docket No. 18-05-04, dated May 31, 2018.

¹⁷ Draft RFP at p. 15.

¹⁸ *Id.* at p. 23.

¹⁹ *Id.* at p. 25.

Dominion Energy respectfully submits that the proposed limitation is inappropriate and should be removed. A resource is either at risk or it is not. In Public Act 17-3, the Connecticut legislature intended to give DEEP and PURA the means to provide “at risk” facilities the economic certainty required to justify continued investment in and operation of the facility. As stated above, numerous studies show the undesirable ramifications that will occur if Millstone prematurely retires. To decide in 2018 that an existing resource is at risk but to only treat it as such five years from now will not provide the required economic certainty.

If the course DEEP proposes in the Draft RFP is evidence of the path DEEP plans to take going forward in this proceeding, the prospects of Dominion Energy having the confidence to enter into another capacity obligation are dim. In order to fully realize the legislative intent of Public Act 17-3, DEEP should allow Existing Resources Confirmed at Risk to submit zero carbon procurement contracts that start before June 1, 2023. This is the only way to provide the economic certainty required for at risk resources to justify continued operation in the future. Furthermore, these contracts must be approved by PURA no later than March 2019, as it should not be assumed that Dominion Energy will commit to another capacity obligation without knowing the results of this process.

III. An “At Risk” Unit in a Risk-Adverse Portfolio

Dominion Energy is a wholly owned subsidiary of Dominion Energy, Inc. Ten years ago, Dominion Energy, Inc. owned and operated a robust fleet of merchant generating assets, including coal, natural gas, and nuclear units in both the mid-west and in New England. However, market changes have caused Dominion Energy, Inc. to exit merchant generation in the mid-west entirely, including the permanent shutdown and ongoing decommissioning of its Kewanee Power Station nuclear unit in Wisconsin. Dominion Energy, Inc. is continuing to explore reducing its merchant exposure while increasing its regulated assets. As is well known, Dominion Energy, Inc. is currently endeavoring to purchase a regulated utility in South Carolina.

Today, Dominion Energy, Inc. owns three remaining merchant power plants, Millstone and two combined cycle natural gas-fired plants in Providence, RI and near Philadelphia, PA, and has begun a formal process to evaluate the sale of the two combined cycle gas plants.

IV. Conclusion

Precluding “at risk” entities from proposing competitive contracts that take into consideration their environmental and other attributes until 2023 is unsupported by wholesale market economics and represents an unnecessary impediment in DEEP’s Draft RFP. Accordingly, we respectfully request DEEP amend the draft RFP to remove the term “at risk time period” and explicitly allow Existing Resources Confirmed at Risk to submit contracts with a start date as early as 2019 that take into consideration their environmental and other attributes.

Respectfully submitted,



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