



**Edward H. Comer**  
*Vice President, General Counsel & Corporate Secretary*

November 22, 2011

**VIA ELECTRONIC FILING**

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

**Re: *Edison Electric Institute*, Written Statement of Thomas Farrell, Chairman and CEO of Dominion Resources; Docket No. RC11-6-000**

Dear Secretary Bose:

Transmitted electronically for filing in the referenced docket, please find enclosed the written statement of Thomas Farrell, Chairman and CEO of Dominion Resources, on behalf of EEI for the November 30 Technical Conference. Since Mr. Farrell must leave the conference early, I have also enclosed a biography of Paul Koonce, Executive Vice President, Dominion Resources and CEO, Dominion Virginia Power. Mr. Koonce will substitute after Mr. Farrell leaves.

If there are any questions concerning this filing, please call me at (202) 508.5615.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ed Comer', written over a horizontal line.

Edward H. Comer  
Vice President, General Counsel &  
Corporate Secretary

Enclosures

STATEMENT BY THOMAS F. FARRELL, II  
CHAIRMAN AND CEO, DOMINION  
ON BEHALF OF THE EDISON ELECTRIC INSTITUTE  
FERC RELIABILITY CONFERENCE  
NOVEMBER 30, 2011

Thank you Chair LaFleur and members of the Commission. I am Tom Farrell, Chairman and CEO of Dominion and this year's Chairman of the Edison Electric Institute (EEI).

It is my pleasure to offer the views of EEI member companies at this Conference focusing on local and regional reliability impacts that may be caused by the condensed compliance deadlines for EPA regulations. EEI has been a very active participant in the several EPA rulemakings affecting fossil-fuel generating units. The most urgent proceeding, and the focus of my remarks today, is the pending Utility MACT rule, also known as the Mercury and Air Toxics rule. It is due to be issued in about two weeks – December 16. The views I express today are the consensus views of EEI's members.

My company, Dominion, has a critical interest in the scope and timing of this rule. We are one of the nation's top producers and transporters of energy, and we operate a portfolio of approximately 28,200 megawatts of electric generation in New England, the Mid-Atlantic, the Midwest and the Southeast. Our fleet consists of both merchant units and regulated facilities producing power for the retail customers of our Dominion Virginia Power and Dominion North Carolina Power subsidiaries. In 2010, approximately 41 percent of the energy produced by our fleet was generated by coal-powered units, second only to the 42 percent produced by our nuclear units.

As we discuss today the potential impact of the rules on electricity reliability, it is important to note the progress the utility sector has made in improving air quality. Since the last revision to the Clean Air Act in 1990, our industry has invested nearly \$40 billion in retrofitting existing facilities and building new facilities with advanced pollution control equipment. The result is cleaner air.

Emissions of SO<sub>2</sub> and NO<sub>x</sub> have declined by nearly 70 percent. Mercury emissions are down by 50 percent. We have reduced NO<sub>x</sub> emissions in the summer ozone season in the eastern U.S. by 82 percent. According to EPA, the recently announced Cross-State Air Pollution Rule will further cut SO<sub>2</sub> emissions by 80 to 90 percent from 1990 levels in most Eastern states by 2014.

I cite these statistics to demonstrate that we are modernizing our generation fleet. Sophisticated pollution control equipment is being installed on coal-fired plants, there are announced retirements of coal units, and investments are being made in cleaner fuels to generate electricity. The issue at hand is whether our system of delivering electricity and our customers can withstand an accelerated transition caused by these EPA rules that will impact reliability and costs, or whether we can fashion an orderly transition that provides limited time extensions for some units where necessary to ensure the stability of the grid.

According to EPA, the Utility MACT rule will affect 1,350 coal and oil-fired units at 525 power plants. These units are clustered in a few regions of the country – PJM and MISO in the Mid-Atlantic and Midwest, the Southeast region and Texas. The Clean Air Act (CAA) specifically requires that units must

comply or cease operations within three years of the issuance of the MACT rule. The Act allows EPA to extend this deadline for only one year. Fortunately, Section 112 of the Act also authorizes the President to extend the compliance deadlines even longer based upon a finding that “(1) the technology to implement such standard is not available, and (2) it is in the national security interest of the United States to do so.” The President can delegate this authority to EPA or another federal agency.

Given the large number of units subject to this rule and the fact that utilities have recently announced about 48 GW of coal generation unit retirements -- we know that additional time for compliance will be needed and that reliability constraints will occur, especially without additional time for compliance. Our past experiences provide ample evidence for this position. Upon release of the final rule, each company will immediately assess whether to retrofit an existing plant or to retire a unit and replace its generation with a new facility or an expanded transmission line. This is followed by the unpredictable process of securing environmental and other permits from federal and state authorities, obtaining regulatory approvals, and, last of all, constructing new facilities or retrofitting existing units. At Dominion, we have had an extensive construction program underway to install environmental controls, to construct new generation and to expand our transmission system. Three recent projects to add scrubbers to our coal units in Virginia and Massachusetts took a minimum of 54 months to as long as 67 months. Our two recently energized 500-kV transmission line projects each took a approximately 5 years to complete starting with the PJM RTEP request, the Virginia State Corporation Commission filing, hearings and eventual approval followed by two years of construction.

Some contend that since utilities have been able to add significant amounts of new generation when circumstances warranted, we will easily be able to do so again. However, each new project must go through the time-consuming task of obtaining the necessary regulatory approvals and environmental permits. A case in point is Virginia, where Dominion as a regulated utility has about 2.3 million retail customers. State law requires that every two years we develop a comprehensive Integrated Resource Plan for review by our state commission. The IRP demonstrates how we will meet our customers’ needs over the next 15 years. The Commission considers whether the plan is “reasonable and in the public interest,” but this does not commit the judges to approving any of the individual projects in the plan. The Commission reviews each major infrastructure project individually to determine that the “public convenience and necessity require” construction of the proposed project. And, the issuance of a certificate is only one step in the process that also includes engineering and siting studies, environmental permitting and public participation before the construction begins.

The facts are much the same whether a utility operates in a regulated state or in competitive markets – it takes time. Approvals for infrastructure projects needed to meet growing demand or to comply with environmental requirements are lengthy and complex, even in states such as Virginia where regulators make every effort to efficiently respond to these requests.

EI is concerned about the reliability impacts of the MACT rule in two different respects: (1) the retirement of units where no further investments will be made and (2) the installation of controls at so many units within a relatively short time period. Our reliability concerns go beyond the impacts of lost generation from retired units, which are likely to be highly localized. Reliability concerns also arise when units are taken out of service to install controls. This work may include new pollution control equipment, replacement of a coal unit with a new generation facility, or even construction of transmission to preserve reliability upon closure of a coal unit. Most installation work can be only scheduled during limited periods in the fall and spring when demand is down. Much attention has been

given to the shutdown scenario. However, the challenges of meeting load demand while scheduling control installations may be even greater.

Simply stated, the MACT rule imposes an extremely compressed schedule in which to ensure that compliance work at all units is completed without disruption to electricity delivery. There is much evidence to show that this cannot be guaranteed. This is one reason we believe that an effective, transparent and uniform process is needed to allow individual units additional time to meet the requirements.

Because of these concerns, EEI filed comments with EPA urging the Agency to extend compliance to a full four years for all units where investments are being undertaken. EEI also indicated that units designated for retirement should meet the three year compliance deadline, unless the applicable RTO, state commission or NERC determines that shutdown would jeopardize reliability and the utility demonstrates that the reliability problem is being diligently addressed. I want to emphasize if a plant closure would jeopardize reliability, the utility closing the plant has the obligation to assure the reliability problem is remedied.

It is also important to understand that the local reliability problems that can arise due to a specific plant shutdown may encompass more than just the immediate area surrounding a power plant. A “local” reliability problem can impact an entire region if it leads to cascading outages. This is why “local” issues are so important.

EEI’s position regarding a reliability exception to the three year deadline for plant closures is conceptually similar to what has been called a RTO “safety valve” proposal. In an October 14 transmittal of a draft version of this proposal to EPA, the RTOs indicated their detailed proposed approach is a draft and the RTOs acknowledge that similar approaches should be extended to address situations where units that are retrofitting need more time to install controls to come into compliance.

EEI’s comments to EPA specifically addressed the retrofitting issue as well. EEI stated that some units installing pollution control equipment, being replaced or awaiting transmission upgrades would need more than four years to come into compliance. EEI further indicated that it is urging the President to use his authority under CAA Section 112(i)(4) to allow more time in instances where:

1. The utility is taking diligent, good-faith measures to achieve compliance,
2. The needed technology is not available for installation. (This would take into account time needed to obtain needed permits, regulatory approvals, financing, equipment and installation of equipment for final operation.); and
3. The appropriate RTO, NERC or appropriate state commission determines that an extension of time is necessary to address reliability issues or is consistent with the applicable state-approved integrated resources plan (or similar state process), which may take into account the potential reliability and economic impacts of compliance decisions.

EEI’s comments to EPA are firmly based on the proposition that the reliability impacts of compliance decisions must be taken into account in scheduling and implementing compliance activities. Granting more time for compliance can mitigate and avoid many potential reliability concerns. More time should be allowed as long as the utility involved is diligently taking good faith measures to comply.

EEl believes that the specific reliability impacts of the MACT rule cannot be known or evaluated until the final rule is issued. Final EPA rules almost always differ in important respects from the proposed versions.

In the MACT rule, EEl filed substantive comments seeking changes to many technical aspects of the proposed rule. If adopted, these could make a meaningful difference in development of individual compliance plans. One example of a modification – a modification that would not reduce the environmental benefits -- would be a separate set of work practice standards for oil-fired units that run infrequently. These units are essential for grid stability, for meeting reserve margin requirements, for responding to natural disaster restoration, and for providing reliable electricity when natural gas supplies are restricted. They contribute only a fraction of the total hazardous air pollutant emissions. Installing pollution controls on units that seldom run is not economic because they cannot amortize the costs. With an individual set of requirements for these oil units, EPA can ensure that they will be available to meet reliability needs.

EEl's comments to EPA also recommended that the RTOs, NERC and state public utility commissions (PUCs) conduct the needed studies. These are independent experts in the best position to evaluate the reliability and related impacts of compliance plans.

RTOs are planning authorities subject to rigorous NERC reliability requirements. They regularly conduct studies of generation and transmission proposals and are well equipped to study the reliability and other system impacts resulting from utility compliance plans. They are in the best position to take into account issues like frequency response, system inertia, blackstart and other relevant factors mentioned in Commissioner Moeller's Request for Evidence. They should continue their ongoing studies, but also take into account varied reasonable scenarios, so that their response planning is robust and can address changes and uncertainties that could jeopardize reliability.

The one problem the RTOs have in evaluating impacts from the MACT rule is their ability to obtain potential retirement and retrofit data from their generation owners. This is understandable due to the market sensitive nature of such information. However, with proper confidentiality enforcement, we believe it is possible, and necessary, for this information to be shared with the Reliability Authorities. This is the only way we can get an accurate handle on the impacts coming from the proposed EPA regulations.

EEl advocated EPA reliance upon state PUCs because they are independent governmental agencies with considerable expertise in utility and reliability matters. State PUCs usually conduct integrated resource planning or similar processes which address resource adequacy and reliability as well as economic and other considerations. They can consult with NERC regions, planning authorities or other reliability experts if needed. The NERC regions could serve as a backup for such analyses.

In some cases, a utility may anticipate that a proposed compliance action will affect reliability and devise a solution as part of its compliance plan. In Dominion's recently filed Integrated Resource Plan, we identified the retirement of 750 megawatts by 2016 from two coal-fired plants in southeastern Virginia. In this area, Dominion is proud to serve the largest navel complex in the world – Norfolk, Virginia – and dozens of military and federal facilities including Langley Air Force base, Oceana Naval Air Station, Fort Eustis Army installation and the shipyards at Newport News, Norfolk and Portsmouth. A map of these

facilities is attached. These major facilities require approximately 320 MW daily. We are committed to delivering reliable electricity so they can execute their mission requirements.

In order to do this, we plan to replace part of our retired generation with power from a new 57-mile 500-kV and 230-kV transmission line. This is needed because this region is geographically isolated from the rest of our system. We believe this is the most cost-effective and prudent option for our customers, but as we all know, obstacles and delays to transmission projects have become routine. We may not be able to complete this project in 3 or 4 years. A process to provide for a short-term extension of the MACT rule would allow our coal units needed for reliability to continue operating if necessary until our transmission solution is complete. This process is an essential part of EEI's proposal to allow for additional time in limited circumstances.

In the prior example you can see how Dominion has gone to great lengths to identify the transmission construction needs to replace the loss of capacity. It is impossible for the individual utilities to do this same type of rigorous review of the impacts beyond their borders. Despite the best efforts of individual utilities, a problem may not become evident until the compliance plans of several utilities are analyzed simultaneously on a more comprehensive basis. Furthermore, greater coordination across the seams between these larger regions will be necessary beyond the levels of coordination taking place today. I understand that several RTOs have important concerns if all of their affected units have to comply within 3 or 4 years. However, the potential for problems may not be known until the final components of the rule with the compliance timeline framework are issued.

Based on informal discussions with RTO staff, we understand that the RTOs may have to adopt new procedures to collect the information needed to conduct efficient and cost-effective reliability studies. EEI urges that the information collection be kept simple and by necessity, confidential. Simplicity will minimize the additional burden and recognize that the utilities' plans may change as their plans develop more fully over time. Certainly, utilities should have to provide information about their compliance schedules that identifies the units that will be shut down permanently (and dates for such), as well as shutdowns necessary for the installation of technology and equipment, including transmission upgrades to assure reliability. Utilities should identify any changes that could affect system operations, including installation of different generating technologies, different fuels (and fuel delivery infrastructure, such as natural gas pipelines) and re-ratings of existing facilities.

In addition, utilities should identify any ancillary service capabilities that may be lost during the outage and/or reduced as a result of the modifications at the plant. Clearly the retirement of a resource will mean it is no longer capable of providing such services, but it is likely that the retrofits will impact the emergency ratings: ramping, regulation and minimum load characteristics of the facility. While individual units on their own may not create a problem, widespread changes could significantly impact the available supply of regulation, spinning and supplemental reserves on the electric system. These all are services which are essential for the reliable operation of the transmission system.

We would urge RTOs and state PUCs to develop a common information collection format if at all possible to simplify and help expedite the needed analysis.

RTOs may want to propose a common schedule for collecting such information in order to develop a comprehensive study in a cost-effective manner. Most utilities will want to submit their plans early. The RTO should periodically update its analysis, given the fact that compliance plans and other factors

affecting grid reliability may change over time. For example, plans may change if a utility decides a certain technology will not work on its units, or identifies a less costly or less complex compliance approach.

If the RTOs do not have procedures in place to accomplish this type of analysis now, we urge they develop them quickly, and we urge the Commission give expedited approval to any tariffs or other arrangements that require Commission action. We also urge the RTOs to coordinate with each other and with state commissions to develop a common template for the minimum information needed to complete the necessary analysis and assure that they are not needlessly duplicating efforts.

Finally, we recognize that this Commission has no authority to grant extensions of time for MACT compliance deadlines. That is EPA's role. But, as the agency Congress vested with oversight over the reliability of the electric grid, I urge this Commission, in the interagency review process or elsewhere, to strongly support our view that the MACT rules must be implemented in a way that preserves the reliability of the electric grid while diligent, good faith compliance efforts are pursued without placing the utility involved in violation of EPA rules. There is no doubt that reliable electric service is a primary component of our national critical infrastructure and essential to national security.

For national security purposes the Department of Homeland Security (DHS) has designated electric utility facilities as "critical infrastructure" and the Department of Defense has expressed considerable concern about the national security implications of a loss of electric service at DOD installations. DHS and the Department of Defense have initiated policies, many related to cybersecurity, to assure that the provision of electric service will be maintained in national security and emergency events.

Unfortunately, there have been situations where utilities needed to run plants in a manner inconsistent with EPA pollution control requirements in order to preserve reliability. In 2005 the Secretary of the Department of Energy ordered Mirant's Potomac River coal-powered generating plant in Alexandria, Virginia to remain open, despite environmental concerns, because of the potential for a blackout in the District of Columbia (and impacts on a major sewage treatment plant) if the plant ceased operating. The order, issued pursuant to section 202(c) of the Federal Power Act, states in part:

The Central D.C. area includes offices, facilities and operations involved in all three branches of government, and that are critically important to the Nation's national security, law enforcement and regulatory functions. The Central D.C. area also includes hundreds of thousands of residents and workers, and all manner of public safety and protection facilities, including hospitals, police, and fire facilities.

Another witness today will discuss a situation where a plant which had to operate to preserve reliability during the California energy crises was successfully sued for operating longer than allowed for emission control purposes. Fortunately, these situations have been rare to date, but they are likely to increase if EPA is not allowed to provide more than 4 years for compliance with the MACT rule for at least some units.

Utilities making diligent efforts to comply with environmental requirements should not have to choose between preserving reliability and meeting environmental standards.

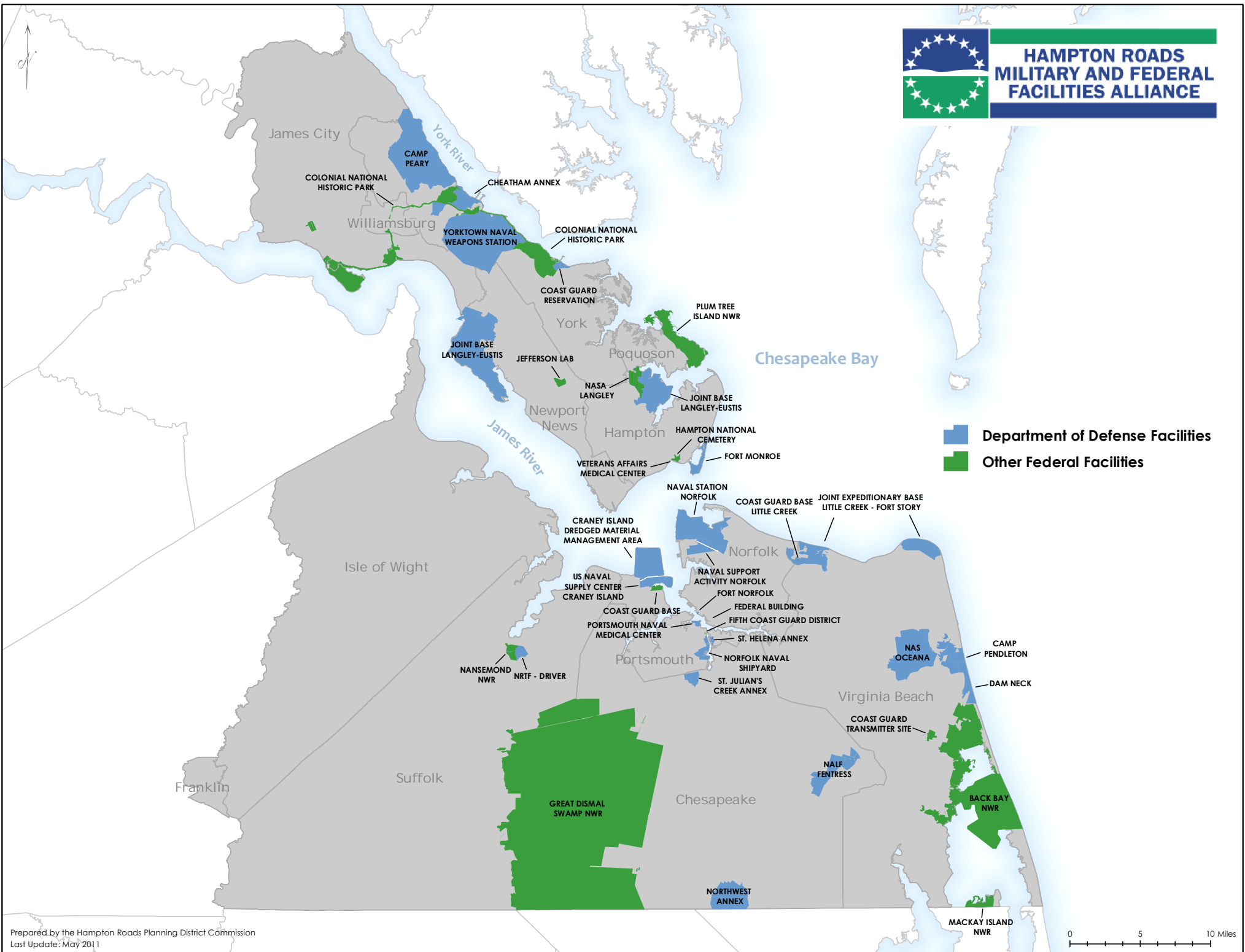
Therefore, we urge the Commission to be a strong proponent of asking the President to use authority under Section 112(i)(4) of the Clean Air Act to assure electric system reliability can be maintained without penalty or threat of citizen lawsuits while utilities are moving to cleaner fuel sources. EEI further asks the Commission and the RTOs to be prepared to follow this Technical Conference with expeditious procedures to allow the RTOs to take all necessary actions to study the reliability impacts of MACT compliance decisions. We similarly urge state commissions, which need no prior FERC approval, to undertake comparable actions as allowed within their own local authority.

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# HAMPTON ROADS MILITARY AND FEDERAL FACILITIES ALLIANCE



**Thomas F. Farrell II**  
**Chairman, President and Chief Executive Officer**

Thomas F. Farrell II is chairman, president and chief executive officer of Dominion.

He was named president and CEO effective Jan. 1, 2006; he was elected chairman in April 2007.

Farrell formerly was president and chief operating officer of Dominion. He served as chief executive officer of Dominion Generation upon its formation May 1, 1999, and as president and chief executive officer of Dominion Energy.

He was named executive vice president of Virginia Power in September 1997, and he coordinated all deregulation matters at Virginia Power/North Carolina Power, overseeing state and federal regulatory and legislative initiatives. He also had responsibility for external relations, legal and government affairs at Dominion and its subsidiaries.

Farrell came to Virginia Power from its parent company, Dominion Resources, where he served as senior vice president-Corporate Affairs and general counsel. He previously held the post of vice president and general counsel at Dominion.

He earned his undergraduate degree in economics in 1976 and his law degree in 1979, both from the University of Virginia.

Farrell is a member of the board of directors of Dominion Resources Inc. and Altria Inc. He is a member of the board of visitors of the University of Virginia's College at Wise in Southwest Virginia and a member of the board of trustees of the Colonial Williamsburg Foundation, serving as vice chair, and the Virginia Museum of Fine Arts. He also serves as vice chairman of the Institute of Nuclear Power Operations and chairman of Edison Electric Institute.

He has served as a member of the State Council of Higher Education for Virginia and is a former member of the board of visitors of the University of Virginia, where he also served as rector.

He is married to the former Anne Garland Tullidge and has two sons. The family resides in Richmond.



**Paul D. Koonce**  
**Executive Vice President, Dominion Resources, Inc.**  
**Chief Executive Officer, Dominion Virginia Power**

Paul D. Koonce is executive vice president of Dominion Resources, Inc. and chief executive officer of the company's Dominion Virginia Power operating segment.

He oversees Dominion's regulated electric transmission, distribution and customer service operations that provide electricity to approximately 2.4 million customer accounts in Virginia and northeastern North Carolina. Koonce is also responsible for Dominion's nonregulated retail energy marketing operations, serving more than 2 million customers in 15 states.

Koonce was chief executive officer of the company's Dominion Energy operating segment before assuming his current position in June 2009. He has more than 25 years of experience in the energy marketplace in both regulated and unregulated responsibilities.

He also serves on the boards of the Southeastern Electric Exchange, The Yorktown/Jamestown Foundation Board of Trustees and Jobs for Virginia Graduates. He was the campaign chair for the Greater Richmond/Petersburg 2010 United Way campaign. He has served as past chair of the Interstate Natural Gas Association of America and the Southern Gas Association.

Koonce is a 1982 graduate of the University of Tennessee-Knoxville, with a bachelor's degree in business.

Koonce and his wife have two children and live in Richmond

