https://www.richmond.com/business/scc-says-dominion-customers-will-bear-risks-of-million-offshore/article_645eafd6-e0dd-51be-9b5d-41da54f30aa9.html

SCC says Dominion customers will bear risks of $300 million offshore wind project, legislature to blame

By MICHAEL MARTZ Richmond Times-Dispatch   Nov 2, 2018

In 2015, Dominion Virginia Power began test borings off Virginia Beach to research the possibillty of harvesting offshore wind energy. A 110-foot-long lift vessel gathered core samples off Camp Pendleton.

Dominion Virginia Power

The State Corporation Commission said it bowed to legislative mandate by approving a $300 million offshore wind power pilot project that it otherwise would have found imprudent because customers of Dominion Energy Virginia will bear all the costs and risks.

The SCC concluded in a scathing 20-page order on Friday that the Coastal Virginia Offshore Wind project isn't needed to serve Dominion customers and will cost more than any other option for generating electricity to serve the utility's 2.6 million customers.

The commission was especially direct in noting that the project's developers won't bear any of the risk for a project to be built 27 miles off the Atlantic coast.

"The economic benefits specific [to the project] are speculative, whereas the risks and excessive costs are definite and will be borne by Dominion's customers," the order states.

The SCC concluded it had no choice but to approve the 12-megawatt pilot project because the General Assembly adopted a law this year at Dominion's request with provisions that "subordinate the factual analysis to the legislative intent and public policy clearly set forth in the statutes."

In contrast, the commission also approved a Dominion agreement to buy power from an 80-megawatt solar plant in Halifax County because the developer — "not Dominion's customers — bears almost all the risks of this project."

"It appears that the SCC doesn't want to embrace change," Dominion spokesman David Botkins said of the SCC's analysis of the offshore wind project.

"The General Assembly and Governor Ralph Northam have made clear the commonwealth's policy is to advance forms of renewable energy, such as solar and wind," Botkins said. "The Coastal Virginia Offshore Wind project is just the type of clean energy they had in mind when they joined a broad range of stakeholders in supporting the Grid Transformation & Security Act of 2018."

"Dominion Energy is moving forward in taking this legislation and expanding our commitment to renewable energy," he said.

The law requires Dominion to develop 5,000 megawatts of renewable energy generation over the next decade — including offshore wind — as a matter of public interest.

The company subsequently has made a public commitment to developing 3,000 megawatts of renewable energy generation — including the 12-megawatt offshore pilot project — by 2022.

If the pilot is successful, the company says it could develop offshore wind facilities to generate 2,000 megawatts of electricity, enough to power a half-million homes, in waters leased from the federal government.

The SCC cites the company's own estimate that the large-scale development of offshore wind facilities would cost almost $1.8 billion, not including financing expenses, which would be "significantly costlier than several other conventional and renewable energy alternatives."

Dominion countered that the company fixed most of the costs in its contract with Orsted, a Danish company that would built the two-turbine project, and expects the cost of offshore wind generation to decline "as the construction and operations infrastructure gets established in the U.S."

Environmentalists hailed the SCC ruling.

"It is a great day for clean energy in the commonwealth," said David Carr, general counsel at the Southern Environmental Law Center, based in Charlottesville.

"The cost of offshore wind generation in Europe has dropped dramatically in recent years and is now competitive with other generation sources," Carr said. "The first U.S. project was completed in 2016 off Rhode Island and others are being developed now from Massachusetts to Maryland."

The SCC found that electricity generated by the pilot would cost nine times more than both the Vineyard Wind offshore wind project off the Massachusetts coast and onshore wind facilities, as well as almost 14 times more than new solar power generation.

In comparison, the commission found that the new solar project in Halifax offered the "highest customer net present value" of 10 proposals that Dominion considered in a competitive bidding process.

The SCC faulted Dominion for not conducting a competitive bidding process for the offshore wind pilot or using a power purchase agreement, "which generally places all or some of the risk on the developer."

Botkins said the company has tried unsuccessfully to reach a deal through "multiple solicitations of competitive bids" and said the cost of the project "will be covered in existing base rates."

The new law allows Dominion to use excess earnings that otherwise would be refunded to customers to instead pay for investments in renewable energy and modernization of the electric grid.

In the end, the SCC acknowledged that the factual findings didn't matter because of the "express and unprecedented" law.

"That is, unlike prior generating facility cases, the commission's standard analysis of prudency as a purely factual matter must be subordinated in large measure to the public policy established by the General Assembly," it concluded.

mmartz@timesdispatch.com

(804) 649-6964

Michael Martz