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Birchwood Power Partners, L.P.

April 3, 2018

Ms. Karen G. Sabasteanski
Department of Environmental Quality
1111 East Main Street, Suite 1400
PO Box 1105
Richmond VA 23218

Re: 9VAC5-140 Regulation for Emissions Trading Programs (adding 9VAC5-140-6010 through 9VAC5-140-6430)

Dear Ms. Sabasteanski:

Birchwood Power Partners, L.P. ("Birchwood") has previously provided the DEQ with written comments, regarding the Clean Power Plan and its impact on power generation in Virginia, and more particularly the potential detrimental impact on Birchwood's ability to operate under a program that is intended to impose a carbon cost that will be borne by power generators. The following comments similarly express Birchwood's concerns while recognizing the need for preserving fuel diversity in the generation fleet and ensuring the reliability of the grid during periods of natural gas curtailment or other events that may limit the availability of power from renewable energy sources or base load facilities.

BACKGROUND ON BIRCHWOOD POWER

Birchwood Power operates an approximately 240 megawatt ("MW") pulverized coal-fired cogeneration facility in King George County, Virginia. The Birchwood plant was permitted and constructed in the early 1990s and began operation in 1996 as a high efficiency, low emitting unit with a full suite of emissions controls for criteria pollutants. Birchwood produces electricity for sale to Dominion (Virginia Power) pursuant to a long-term contract executed in July 1990.

Birchwood is equipped with state-of-the-art pollution controls, including (i) low NOx burners, over-fired air, and selective catalytic reduction ("SCR") to reduce NOx emissions, (ii) use of high quality, low sulfur bituminous coal and a flue gas desulfurization system with a dry lime scrubber to control SO2 emissions, and (iii) a high efficiency fabric filter baghouse to control particulate matter emissions. Because Birchwood was designed and constructed from inception as a coal-fired power plant with a full set of emission controls, it provides the advantages of fuel diversification, high energy efficiency, and low emissions. Moreover, Birchwood is located in relatively close proximity to load. This combination makes Birchwood an important tool as Virginia seeks to balance grid reliability and environmental protection.

COAL-FIRED GENERATION IN VIRGINIA PROVIDES FUEL DIVERSIFICATION AND GRID RELIABILITY

Birchwood is one of the few remaining coal-fired plants in the Commonwealth of Virginia. In 2005, coal-fired power plants accounted for approximately 34.6 gigawatt hours ("GWh") or about 46 percent of in-state electricity generation. By 2012, coal-fired generation in Virginia was reduced to 13.6 GWh or about 20 percent of in-state generation. During the same period, generation from natural gas-fired combined cycle plants increased from 7.3 GWh (about 10 percent of in-state generation) to approximately 23 GWh or 35 percent of in-state power generation. Further retirements of coal plants and construction of new gas plants are underway. The 2014 Virginia Energy Plan lists Birchwood as one of four coal-fired plants in the Commonwealth with projected long-term operations, and it is the only such plant that operates as an independent power producer ("IPP").

Coal-fired generation is important to maintaining fuel diversity and reliability. Birchwood is consistently dispatched during extreme weather events and peak power demand periods, e.g., hot summer days. During the extremely cold weather Polar Vortex events in 2014 and 2015, natural gas that might have been available for power generation was consumed by residential and commercial customers for heating purposes or, if available, became very costly. The Birchwood plant, with an on-site solid fuel stockpile, was dispatched at a high capacity factor and was 100% available for dispatch. Birchwood is particularly important to maintaining reliability as it is located close to load in the Washington D.C. and Northern Virginia area and can provide useful fuel diversity in the face of temporary natural gas shortages or price spikes.

PRESERVING COAL GENERATION IN VIRGINIA

Birchwood's sale of energy is currently contracted to a third-party and is unable to pass the costs of the proposed regulation through to the market. Although Birchwood will be able to include these costs in its price of energy after its contract expires, the economics of coal-fired power plants have been severely impacted by the glut of natural gas, which has reduced energy margins and dispatch of the facilities. The regulation as proposed will put further pressure on the viability of these critical assets.

Birchwood is still in the process of evaluating the potential impacts of the directive, and urges the DEQ to adopt an approach that preserves a diversified fleet of power plants using different fuels. Diversification of the types of electricity generation sources will help maintain grid reliability during situations where there are natural gas curtailments, periods when renewable energy is limited or not available, and other events impacting individual base load units in the Commonwealth.

Under the proposed regulation, Birchwood's allocation will be based upon the average generation of the years 2016, 2017, and 2018. During this period, Birchwood's dispatch was at a historical low that represents only approximately 25% of its potential generation, due to the low price of natural gas. As an IPP, Birchwood would be severely disadvantaged based upon the proposed allocations of emission allowances. Accordingly, selection of a different period would more accurately represent dispatch of Birchwood.

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Birchwood Power looks forward to working with the DEQ to develop a reasonable approach to carbon emission reduction that makes sense for the Commonwealth and that does not result in shut down of Birchwood's operations and ensures that the plant will continue to play a vital role in grid reliability and fuel diversity in the Commonwealth.

Please feel free to contact me at 540-775-6340 with any questions or concerns.

Sincerely,

Julie Caiafa
Business Manager
Birchwood Power Partners, L.P.