

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
AIR ENFORCEMENT DIVISION, OFFICE OF ENFORCEMENT AND COMPLIANCE ASSURANCE
BEFORE THE ADMINISTRATOR

In the Matter of:

Virginia Electric and Power Company,

Respondent.

Administrative Compliance Order on Consent
AED-CAA-113(a)-2016-0005

ADMINISTRATIVE COMPLIANCE ORDER

A. PRELIMINARY STATEMENT

1. This Administrative Compliance Order (“Order”) is issued under the authority vested in the Administrator of the U.S. Environmental Protection Agency (“EPA”) by Section 113(a) of the Clean Air Act (“CAA” or the “Act”), 42 U.S.C. § 7413(a)(3) and (4).
2. On the EPA’s behalf, Phillip A. Brooks, Division Director of the Air Enforcement Division, Office of Civil Enforcement, Office of Enforcement and Compliance Assurance, U.S. Environmental Protection Agency, is delegated the authority to issue this Order under Section 113(a) of the Act.
3. Respondent is Virginia Electric and Power Company, doing business as Dominion Virginia Power (hereinafter, “Respondent” or “Dominion”), a corporation doing business in the Commonwealth of Virginia. Respondent is a “person” as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e). Respondent owns and/or operates Yorktown Power Station (hereafter, the “Facility”), located in the Commonwealth of Virginia. The Facility includes two coal-fired units (Units 1&2) and an oil-fired unit (Unit 3).
4. Respondent signs this Order on consent.

B. STATUTORY AND REGULATORY BACKGROUND

5. Section 112 of the CAA, 42 U.S.C. § 7412, authorizes the Administrator of EPA to regulate hazardous air pollutants (“HAPs”) which may have an adverse effect on health or the environment.
6. Pursuant to Section 112 of the CAA, the EPA finalized National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units Subpart UUUUU on December 16, 2011, 77 FR 9304 (Feb. 16, 2012) (40 C.F.R. Part 63 Subpart UUUUU), commonly known as the “Mercury and Air Toxics Standards.” *Id.* (hereafter, “MATS”). The MATS adopt emission limits on mercury, acid gases and other toxic pollutants for affected coal and oil-fired electric utility generating units (“EGUs”).
7. Pursuant to 40 C.F.R. § 63.9981, the MATS applies to owners or operators of coal-fired EGUs or oil-fired EGUs as defined in 40 C.F.R. § 63.10042.
8. Pursuant to 40 C.F.R. § 63.2, “owner or operator” is defined as “any person who owns, leases, operates, controls, or supervises a stationary source.”
9. Section 111(a)(3) of the Act, 42 U.S.C. § 7411(a)(3), and 40 C.F.R. § 63.2 defines a “stationary source” as “any building, structure, facility, or installation which emits or may emit any air pollutant.”
10. Pursuant to 40 C.F.R. § 63.2, “affected source” is defined as “the collection of equipment, activities, or both within a single contiguous area and under common control that is included in a Section 112(c) source category or subcategory for which a Section 112(d) standard or other relevant standard is established pursuant to Section 112 of the Act.”
11. Pursuant to 40 C.F.R. § 63.9982, the affected source to which the provisions of the MATS, 40 C.F.R. Part 63, Subpart UUUUU, applies is the collection of all existing coal- or oil-fired EGUs, as

defined in 40 C.F.R. § 63.10042, within a subcategory, [and] ... each new or reconstructed coal- or oil-fired EGU, as defined in 40 C.F.R. § 63.10042.”

12. On December 16, 2011, in parallel with finalizing the MATS, the Office of Enforcement and Compliance Assurance issued a policy memorandum describing its intended approach regarding issuance of Section 113(a) administrative orders (“Orders”) to sources that are unable to comply with the MATS but that may need to operate for up to a year to address a specific and documented reliability concern. *See* The Environmental Protection Agency’s Enforcement Response Policy For Use Of Clean Air Act Section 113(a) Administrative Orders In Relation To Electric Reliability And The Mercury and Air Toxics Standard (hereafter, “2011 MATS Enforcement Policy”). The 2011 MATS Enforcement Policy is limited in application to units that are critical for reliability purposes.
13. In issuing the 2011 MATS Enforcement Policy, the EPA believed that there would be few, if any, cases in which affected sources would not be able to comply with the MATS within the compliance period specified by Section 112(i)(3) of the CAA (including, as applicable, any extensions permitted under Section 112(i)(3)(B)), which has proven to be the case. Nonetheless, the EPA acknowledged that there may be isolated instances in which the deactivation or retirement of a unit or a delay in installation of controls due to factors beyond the owner’s/operator’s control could have an adverse, localized impact on electric reliability that could not be timely predicted or planned for with specificity. In such instances, sources could find themselves in the position of either operating in noncompliance with the MATS or halting operations and thereby potentially impacting electric reliability. Thus, although the EPA generally does not speak publicly to the intended scope of its enforcement efforts in advance of the date when a violation may occur, the Agency issued the 2011 MATS Enforcement Policy to describe the EPA’s intended enforcement response in such instances and to provide confidence

with respect to electric reliability. The policy is informed, as are EPA's enforcement actions in general, by the need to find an appropriate balance between critical public interests, bearing in mind the resources and process time required for any enforcement response.

14. The 2011 MATS Enforcement Policy specifies that to qualify for an Order in connection with it, an owner/operator must, in summary, provide early written notice of its compliance plans to the Planning Authority¹ for the area in which the source is located, timely request an Order and provide notice of such request to the EPA, FERC, its Planning Authority, any state public utility or service commission, and any state, tribal or local environmental agencies, with jurisdiction over the area in which the EGU is located, and submit a complete request for an Order.
15. A complete request pursuant to the 2011 MATS Enforcement Policy must include the following elements: copies of the early notice provided to the Planning Authority; written analysis of the reliability risk, which demonstrates that operation of the unit after the MATS Compliance Date is critical to maintaining electric reliability; written concurrence with the reliability analysis by the relevant Planning Authority (or a written explanation of why such concurrence cannot be provided); copies of any written comments received from third parties in favor of, or opposed to, operation of the unit after the MATS Compliance Date; a plan to achieve compliance with the MATS no later than one year after the MATS Compliance Date; and identification of the level of operation required to avoid the reliability risk and proposed operational limits and/or work practices to minimize or mitigate emissions to the extent practicable during non-compliant operation.

¹ Planning Authorities are the entities tasked, under NERC reliability standards, with addressing electric reliability through grid planning. In the 2011 MATS Enforcement Policy, Planning Authority was defined as "the entity defined as such in the "Glossary of Terms Used in NERC Reliability Standards," available at: http://www.nerc.com/docs/standards/rs/Reliability_Standards_Complete_Set.pdf, or any successor term thereto approved by FERC, and includes, in relevant jurisdictions, RTOs and ISOs."

16. With respect to the demonstration of reliability risk, the 2011 MATS Enforcement Policy states that the analysis provided in an Order request should demonstrate that operation of the unit after the MATS Compliance Date is critical to maintaining electric reliability, and that failure to operate the unit would: (a) result in the violation of at least one of the reliability criteria required to be filed with the Commission, and, in the case of the Electric Reliability Council of Texas, with the Texas Public Utility Commission; or (b) cause reserves to fall below the required system reserve margin.
17. Although the EPA's issuance of an Order is not conditioned upon the approval or concurrence of any entity, in light of the complexity of the electric system and the local nature of many reliability issues, for purposes of using its Section 113(a) Order authority in connection with the 2011 MATS Enforcement Policy, the EPA has sought advice in the identification and/or analysis of reliability risks, as necessary and on a case-by-case basis from reliability experts, including, but not limited to, the Federal Energy Regulatory Commission ("FERC"), Regional Transmission Operators ("RTOs"), Independent System Operators and other Planning Authorities, as EPA indicated it would do in the 2011 MATS Enforcement Policy.
18. The 2011 MATS Enforcement Policy specifically stated that an owner/operator interested in receiving a Section 113(a) administrative order pursuant to the policy should provide FERC with a copy of its complete and timely written request to the EPA.
19. On May 17, 2012, FERC issued a policy statement explaining how it intended to provide advice to the EPA on requests for an administrative order pursuant to the 2011 MATS Enforcement Policy. *See* Policy Statement of the Commission's Role Regarding the Environmental Protection Agency's Mercury and Air Toxics Standards, 139 FERC ¶ 61,131 (2012) ("FERC Policy Statement"). The FERC Policy Statement provided that the Commission will advise the EPA by submitting written Commission comments to the EPA based on the Commission's review of the

information provided in an informational filing containing the copy of the request for the administrative order provided to the Commission in an AD docket. *Id.* at Paragraph 21. Further, the FERC Policy Statement indicated that the Commission's comments would provide advice to the EPA on whether, based on the Commission's review of the informational filing, there might be a violation of a Commission-approved Reliability Standard, and may also identify issues within its jurisdiction other than a potential violation of a Commission-approved Reliability Standard. *Id.*

C. FINDINGS

20. Respondent owns and/or operates two existing coal-fired electric utility steam generating unit, as defined in 40 C.F.R. § 63.10042.
21. Respondent's operation at the Facility is subject to the MATS.
22. On June 24, 2014 Respondent received a one year extension pursuant to 40 C.F.R. 63.6(i)(4)(i)(A) from its permitting authority, extending the date by which it must comply with the MATS with respect to Unit 1 and Unit 2 at the Facility to April 15, 2016. *See* June 24, 2014 Letter from Michael G. Dowd, Virginia Department of Environmental Quality, to Pamela F. Faggert.
23. On October 15, 2015, Respondent submitted a timely and complete request for an Order pursuant to the 2011 MATS Enforcement Policy to the EPA, with a copy to FERC. That request can be found in the FERC AD docket, AD16-11-000 (hereafter "Order Request").
24. Pursuant to the Order Request, Respondent seeks an Order from April 16, 2016 to April 15, 2017, on grounds that it will not be able to comply with the MATS at Units 1 and 2 of the Facility without halting operations and thereby potentially impacting electric reliability, until a new high-voltage electric transmission line across the James River in James County, Virginia and

related project components are completed and in service (collectively, “Skiffes Creek Project”²), which is expected no earlier than the second quarter of 2017. *See* Order Request at 17 and 21.

In the Order Request, Respondent claims that construction of the Skiffes Creek Project was delayed due to factors outside of its control, including appeals of the Certificate of Convenience and Necessity for the Skiffes Creek Project and other approvals. *Id.* at 1 – 2, 4, 11 - 15.

25. More specifically, the Order Request states that Respondent will be unable to avoid violations of Reliability Standards developed by the North American Electric Reliability Corporation (“NERC”) if Units 1 and 2 are deactivated prior to the Skiffes Creek Project being put into service unless Respondent resorts to load shedding. *Id.* at 17. Specifically, Respondent maintains that the retirement of Units 1 and 2 before completion of the Skiffes Creek Project would result in Category B, C and D violations under the NERC Transmission Planning Reliability Standards without load shedding. *Id.* at 18-19; *see also*, note 11.

26. In its Order Request, Respondent provided concurrence from its Planning Authority with the reliability assessment. *See id.*, Attachment C (Written Concurrence of Planning Coordinator) at 2. In its concurrence, the Planning Authority states that “the Deactivation of both Yorktown Unit Nos. 1 and 2 will adversely affect the reliability of the PJM Transmission System, and that updates to the system were required.” *Id.*, Attachment K (PJM April 11, 2014 Letter) at 1.

27. FERC reviewed the reliability risk presented in the Order Request in accordance with the FERC Policy Statement and on December 2, 2015 found that “the loss of Dominion’s Yorktown Unit Nos. 1 and 2 prior to the completion of the Skiffes Creek Project might result in violations of NERC Reliability Standards in the absence of load shedding,” and “Dominion’s Yorktown Unit

² The Skiffes Creek Project consists of construction of the Surry-Skiffes Creek 500 kV transmission line, the Skiffes Creek-Wheaton 230 kV transmission line, and the Skiffes Creek 500 kV-230 kV-115 kV Switching Station (“Skiffes Station”), and work at Dominion Virginia Power’s existing Surry and Wheaton Stations. *Id.* at 10 and note 4. The Skiffes Creek Project will be located in the Counties of James City, Surrey, and York and the Cities of Hampton and Newport News within Virginia.

Nos. 1 and 2 are needed during the administrative order period, as requested by Dominion, to maintain electric reliability and to avoid possible NERC Reliability Standard violations.” See Commission Comments On Requests For EPA Administrative Order (December 2, 2015), at Paragraph 5, Docket No. AD16-11-000.

28. Respondent proposes to minimize emissions by operating Units 1 and 2 only as needed in order to meet the NERC Reliability Standards discussed in Paragraphs 25 - 27 of this Order. In order to do so, Respondent asserts that it will work with its Planning Authority to establish a dispatch methodology that operates Units 1 and 2 “only when called upon for reliability issues associated with the Skiffes Creek construction project, as well as for other expected and actual local area transmission issues or generation emergencies from April 16, 2016 to April 15, 2017.” *Id.* at 22-23.³ Respondent expects the required combined operation of Units 1 and 2 “to be in an estimated monthly range between 30% and 50% in any month during which the [] units are required to operate to support the Skiffes Creek project and up to 10% in months without Skiffes Creek support but requiring support for generation or local transmission reasons;” however, “the units could be required to operate above or below the estimates provided above, depending on system operating requirements.” *Id.*

D. ORDER

29. Respondent is ordered to take the actions described in this section of this Order.

30. Between April 16, 2016 and April 15, 2017, Respondent shall operate Units 1 and 2 only as needed in order to meet the NERC Reliability Standards discussed in Paragraphs 25 - 27 of this Order. In order to do so, from April 16, 2016 to April 15, 2017, Respondent shall implement a

³ Respondent indicates that “in order to maintain compliance with NERC Reliability Standards, if the [] Units must be retired before the Skiffes Creek Project is completed and operational, the Company will implement special protection schemes to shed load under certain system conditions.” Order Request at note 17.

dispatch methodology with PJM that operates Units 1 and 2 only when called upon for reliability issues associated with the Skiffes Creek Project or for other local area transmission issues or generation emergencies. Respondent expects the required combined operation of Units 1 and 2 to be between 30% and 50% in any month during which the units are required to operate to support the Skiffes Creek Project and up to 10% in months requiring support for generation or local transmission reasons in the absence of support for the Skiffes Creek Projects; however, the units may be required to operate above or below the estimates provided above, depending on system operating requirements.

31. By 11:59 pm April 15, 2017, Respondent shall achieve full compliance with the MATS at Units 1 and 2 at the Facility.
32. Within 30 days of achieving full compliance with the MATS at the Facility, Respondent shall provide written notice to the EPA indicating that compliance has been achieved and the date by which it was achieved, pursuant to the process specified in paragraph 39 of this Order.

E. OTHER TERMS AND CONDITIONS

33. Respondent admits the jurisdictional allegations contained in Sections A (Preliminary Statement) and B (Statutory and Regulatory Background) of this Order.
34. Respondent neither admits nor denies the findings in Section C (Findings) of this Order.

F. GENERAL PROVISIONS

35. Any violation of this Order may result in a civil administrative or judicial action for an injunction or civil penalties of up to \$37,500 per day per violation, or both, as provided in Sections 113(b)(2) and 113(d)(1) of the Act, 42 U.S.C. §§ 7413(b)(2) and 7413(d)(1), as well as criminal sanctions as provided in Section 113(c) of the Act, 42 U.S.C. § 7413(c). The EPA may use any information submitted under this Order in an administrative, civil judicial, or criminal action.

36. Nothing in this Order shall relieve Respondent of the duty of achieving and maintaining compliance with all applicable provisions of the Act or other federal, state or local laws or statutes, nor shall it restrict the EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or determination of, any issue related to any federal, state, or local permit.
37. Nothing herein shall be construed to limit the power of the EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment to the public health, welfare, or the environment.
38. The provisions of this Order shall apply to and be binding upon Respondent and its officers, directors, employees, agents, trustees, servants, authorized representatives, successors, and assigns. From the Effective Date of this Order until the Termination Date as set out in paragraph 44 below, Respondent must give written notice and a copy of this Order to any successors in interest prior to any transfer of ownership or control of any portion of or interest in the Facility. Simultaneously with such notice, Respondent shall provide written notice of such transfer, assignment, or delegation to the EPA. In the event of any such transfer, assignment, or delegation, Respondent shall not be released from the obligations or liabilities of this Order unless the EPA has provided written approval of the release of said obligations or liabilities.
39. Unless this Order states otherwise, whenever, under the terms of this Order, written notice or other documentation is required to be given, it shall be directed to the individuals specified at the addresses below unless those individuals or their successors give notice of a change of address to the other party in writing:

Phillip A. Brooks
Division Director of the Air Enforcement Division, Office of Civil Enforcement, Office of
Enforcement and Compliance Assurance, US Environmental Protection Agency
Mail Code 2242A, Room 1119
1200 Pennsylvania Ave, NW
Washington, DC 20460 mail or 20004 courier (note Room 1119 on courier packages)

Dennis M. Abraham
Senior Assistant Regional Counsel
United State Environmental Protection Agency, Region III
Office of Regional Counsel, Air Branch (3RC10)
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abraham.dennis@epa.gov

Pamela F. Faggert
Chief Environmental Officer and Vice President-Corporate Compliance
Dominion Resources Services, Inc.
5000 Dominion Boulevard
Glen Allen, VA 23060

Daniel L. Siegfried
Senior Counsel
Dominion Resources Services, Inc.
120 Tredegar Street
Richmond, VA 23220

All notices and submissions shall be considered effective upon receipt.

40. To the extent this Order requires Respondent to submit any information to the EPA, Respondent may assert a business confidentiality claim covering part or all of that information, but only to the extent and only in the manner described in 40 C.F.R. Part 2, Subpart B. The EPA will disclose information submitted under a confidentiality claim only as provided in 40 C.F.R. Part 2, Subpart B. If Respondent does not assert a confidentiality claim, the EPA may make the submitted information available to the public without further notice to Respondent.
41. Each undersigned representative of the Parties certifies that he or she is authorized to enter into the terms and conditions of this Order to execute and bind legally the Parties to this document.

G. EFFECTIVE DATE AND OPPORTUNITY FOR A CONFERENCE

42. Pursuant to Section 113(a)(4) of the Act, an Order does not take effect until the person to whom it has been issued has had an opportunity to confer with the EPA concerning the alleged violations. By signing this Order, Respondent acknowledges and agrees that it has been provided

an opportunity to confer with the EPA prior to issuance of this Order. Accordingly, this Order will take effect immediately upon signature by the latter of Respondent or the EPA.

H. JUDICIAL REVIEW

43. Respondent waives any and all remedies, claims for relief and otherwise available rights to judicial or administrative review that Respondent may have with respect to any issue of fact or law set forth in this Order, including any right of judicial review under Section 307(b)(1) of the Clean Air Act, 42 U.S.C. § 7607(b)(1).

I. TERMINATION

44. This Order shall terminate on the earlier of the following (the “Termination Date”) at which point Respondent shall operate in compliance with the Act:

- a. 11:59 pm April 15, 2017;
- b. The effective date of any determination by the EPA that Respondent has achieved compliance with all terms of this Order; or
- c. Immediately upon receipt by Respondent of notice from the EPA finding that an imminent and substantial endangerment to public health, welfare, or the environment has occurred.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
AIR ENFORCEMENT DIVISION, OFFICE OF ENFORCEMENT AND COMPLIANCE ASSURANCE
BEFORE THE ADMINISTRATOR

In the Matter of:

Virginia Electric and Power Company,

Respondent.

Administrative Compliance Order on Consent
AED-CAA-113(a)-2016-0005

For United States Environmental Protection Agency, Air Enforcement Division, Office of Enforcement and Compliance Assurance:

4/16/2016
Date


Phillip A. Brooks

Division Director of the Air Enforcement Division, Office of Civil Enforcement, Office of Enforcement and Compliance Assurance, US Environmental Protection Agency
Mail Code 2242A, Room 1119
1200 Pennsylvania Ave, NW
Washington, DC 20460 mail or 20004 courier (note Room 1119 on courier packages)

For Virginia Electric and Power Company:


Signature

4/11/2016
Date

Printed Name: Pamela F. Faggert
Title: Chief Environmental Officer and Vice President-Corporate Compliance
Address: Dominion Resources Services, Inc.
5000 Dominion Boulevard
Glen Allen, VA 23060

CERTIFICATE OF SERVICE

I certify that the foregoing "Administrative Compliance Order" in the Matter of Virginia Electric and Power Company, Order AED-CAA-113(a)-2016-0005, was filed and copies of the same were mailed to the parties as indicated below.

Certified Mail

Pamela F. Faggert
Chief Environmental Officer and Vice President-Corporate Compliance
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Daniel L. Siegfried
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Michael G. Dowd
Director, Air Enforcement Division
Virginia Department of Environmental Quality
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P.O. Box 1105
Richmond, Virginia 23218

4/18/16
Date


Tawanna Cathey