BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR A SUBSCRIPTION-BASED CARBON OFFSET PROGRAM	Docket No. 21-057-14

DIRECT TESTIMONY OF

JORDAN K. STEPHENSON FOR

DOMINION ENERGY UTAH

June 30, 2021

Redacted DEU Exhibit 1.0

Q. Please state your name and business address.

A. My name is Jordan K. Stephenson. My business address is 333 South State Street, Salt Lake City, Utah.

Q. By whom are you employed and what is your position?

A. I am employed by Dominion Energy, Inc. as a Manager of Regulation. I am responsible for preparing various regulatory filings including the results of operations, general rate case revenue requirement calculations and exhibits, infrastructure rate adjustment (tracker) cost reports and rate adjustments, and other regulatory reports and correspondence. In recent years, I have focused heavily on regulatory frameworks to enable sustainability initiatives at Dominion Energy Utah (DEU, Dominion Energy, or Company). I prepared the Application and accompanying exhibits seeking approval for the Company's Renewable Natural Gas Transportation (RNGT) program in Docket No. 18-057-T05 and the first approved RNGT contract. I also prepared a Request for Proposal (RFP) to partner with a renewable natural gas supplier to distribute renewable natural gas through the Company's NGV stations, with the added benefit of providing a share of RIN credits to Utah NGV customers. I also participated in the preparation of the Company's application seeking approval of the GreenTherm^{SM} program in Docket No. 19-057-T04. I am testifying on behalf of the Company.

Q. What are your qualifications to testify in this proceeding?

A. I have listed my qualifications in DEU Exhibit 1.1.

Q. Attached to your written testimony are DEU Exhibits 1.1 through 1.8. Were these prepared by you or under your direction?

A. Yes, unless otherwise indicated, in which case they are true and accurate copies of the documents they purport to be.

Q. Please summarize the carbon offset program (Program) the Company proposes in this Docket.

A. The Company seeks approval to launch a voluntary, subscription-based carbon offset program that would function similarly to the existing GreenTherm[SM] program. This Program will give customers the option to purchase monthly blocks of carbon offsets representing a defined amount of greenhouse gas (GHG) emissions reductions. Each block would cost $5.00 per month and would offset 100% of the natural gas emissions of a typical customer using 80 dekatherms over a 12-month subscription period. I discuss the carbon offsets and describe the underlying calculation of this percentage in more detail later in my testimony.

The proposed Program is designed with the following principles in mind:

1. It will have a separate accounting of costs.
2. It will be paid for by customers who choose to subscribe to the Program. Non-participating customers will bear no costs related to the Program.
3. The product offering will be clear and transparent to ensure participants know what they are paying for.
4. Proper oversight and verification will ensure that all carbon offsets offered to customers are properly purchased and retired.

Q. Has the Company prepared draft modifications to its Utah Natural Gas Tariff No. 500 (Tariff) that would reflect the implementation of the Program?

A. Yes. DEU Exhibit 1.2 provides the Company's proposed Tariff modifications. The Tariff changes include new Tariff Section 8.10 - Voluntary Carbon Offset Program, the addition of balancing account 191.5 to the list of accounts subject to a carrying charge in section 8.07, the addition of Section 8.10 to the table of contents, and the addition of the term "Carbon Offset" to the glossary.

Q. Why is Dominion Energy Utah interested in offering a carbon offset program?

A. People across the nation, including many within Dominion Energy's service territory, are increasingly interested in and committed to reducing their carbon footprints. Many are seeking to become carbon neutral. DEU Exhibit 1.3 shows greenhouse gas emissions by type and sector as provided by the EPA. While direct natural gas combustion by homes and businesses is not a major contributor to overall greenhouse gas emissions, the Company supports proactive solutions to help customers address this portion of greenhouse gas emissions.

This Program will provide a simple, convenient and reliable way for Dominion Energy's customers to advance their own environmental goals, and to become carbon neutral as well. In fact, for those customers who are interested, they will be able to purchase sufficient carbon offsets in this program to *more than* offset their natural gas usage—and offset their other carbon-producing activities.

Q. Do you have evidence that Dominion Energy's customers are interested in sustainability and in achieving carbon neutrality?

A. Yes. In addition to my own conversations with various stakeholders including neighbors, business owners, and local and statewide policy makers, DEU's parent company conducted a survey of all of its service territories, including Utah. The survey results demonstrate interest in this type of program. The survey was conducted in the first half of 2020 and had 210 participants in Utah. Some key takeaways from Utah respondents include the following:

- 78% of Utah respondents indicated interest in participating in a carbon offset program. Nearly half of those were "very" or "extremely" interested in participating in a carbon offset program.
- 81% of those very or extremely interested in participating would pay at least $5 per month to offset some or all of their carbon emissions.

- Most respondents (56% of total and 70% of interested respondents) preferred carbon offsets from their natural gas or electric utility company. Other options included: local government, environmental organization, non-profit foundation, independent energy supplier, grocery chain, a company specializing in selling carbon offsets, a bank, or an airline company.

Q. What is a carbon offset?

A. A carbon offset is a quantifiable product representing carbon reductions from a mitigating activity that is measured, certified, and sold to a customer seeking to fund such activities. When a carbon offset is sold, the seller of the offset may no longer claim or take credit for the associated carbon emissions mitigation. That right passes to the purchaser of the offset. A carbon offset can, for example, be generated by funding a reforestation project that absorbs and stores carbon dioxide (CO_2) from the atmosphere. An offset could also be generated by installing equipment that captures stray methane (CH_4) emissions at an emission source. Carbon offsets are typically measured in metric tons of carbon dioxide-equivalent (CO_2e). In the proposed Program, customers would be purchasing carbon emissions reductions associated with the carbon offsets and the Company would retire those offsets on behalf of participating customers.

Q. How are carbon offsets different from renewable natural gas offered in the Company's GreenTherm^{SM} program?

A. Renewable natural gas specifically refers to stray methane from organic material that is captured, processed to pipeline quality, and injected into a natural gas pipeline system. This renewable natural gas can replace conventional natural gas for any use natural gas serves today. A carbon offset, on the other hand, can be generated by a wide variety of projects that reduce or eliminate GHG emissions. A carbon offset does not replace conventional natural gas, but rather removes an amount of GHG from the atmosphere to offset emissions, including those associated with conventional natural gas usage. Carbon offset projects may or may not be tied to or directly involved with

natural gas or a distribution system. For example, forestation is a widely recognized carbon mitigating activity. As trees naturally capture and store carbon dioxide, planting and managing forests to maximize carbon capture can reduce the amount of CO_2 in the atmosphere. This reduction can be quantified as a carbon offset and its ownership assigned in order to offset GHG emissions associated with natural gas combustion. While there is a GHG benefit provided by both products, they also offer different benefits to meet different customer needs.

Q. Can you explain why a customer might prefer to participate in one program compared to another?

A. Yes. The GreenTherm[SM] program offers customers a unique renewable fuel (renewable natural gas or RNG) which replaces fossil fuels while also mitigating greenhouse gas emissions from stray methane that would otherwise leak into the atmosphere. Customers who have a preference for this kind of renewable fuel may favor renewable natural gas through the GreenTherm[SM] program. On the other hand, carbon offsets are not a fuel and cannot replace conventional natural gas. The Program would appeal to customers with a more general focus on greenhouse gas emission mitigation through carbon offsets. Some customers may choose a mix between carbon offsets and RNG. The Program is designed to allow customers who want to purchase carbon offsets to have the transparency and flexibility to participate in both programs.

Q. Are carbon offsets available from other sources?

A. Yes. Other companies offer carbon offsets. That said, most of these companies do not widely market to individual households or small commercial customers. By contrast, the Program would increase customer awareness and reach a large group of individual customers. In addition, this Program will be specifically designed for Utah-based customers with a preference for Utah based carbon offset projects. This local focus makes the Program unique when compared to other alternatives, which may support projects anywhere in the world. Finally, Dominion Energy is proposing this as a Tariff-

based program, subject to Commission oversight. Some customers will appreciate that Dominion Energy is administering this Program as a regulated activity.

Q. How will the Program benefit DEU's customers?

A. In addition to increased awareness and understanding, carbon offsets from Dominion Energy offer customers the ease and convenience of purchasing offsets with natural gas and having those costs paid through their monthly natural gas bill. Dominion Energy also provides scale, which may result in a lower cost for customers to purchase carbon offsets compared to other sources available to individual homes and businesses. Finally, it will be a Utah-focused program with a preference for local or regional based projects. As the Program will be voluntary, customers will have the right to choose whether or not they would like to participate.

Q. What is the benefit to the Company to offer these credits to customers? Is there a financial incentive?

A. The Company will not generate any profit from the Program. Customers will pay for the costs of the Program with no markup or margin. All costs incurred for the Program and all monies paid by participating customers will be accounted for in a separate account.

Q. How will the Company ensure a separate accounting of costs for the Program?

A. The Company will account for the Program in the same manner it accounts for the existing GreenTherm^{SM} and Thermwise$^{®}$ programs. The Company will create a unique and separate balancing account, account 191.5, that will be dedicated to accounting for Program activities independent of other utility accounts. Program costs will consist of two main categories: the cost of the carbon offsets and the cost of marketing/administering the Program. Recording these activities to the designated balancing account will ensure no costs are passed to non-participating customers.

The Company will also credit Program revenues to the balancing account. Revenues will be generated by a surcharge to participating customers. Like the GreenTherm[SM] and Thermwise® programs, the Company will apply the approved carrying charge in Section 8.07 of the Company's Tariff to the net balance in the Program balancing account.

Q. Will the Company need a deferred accounting order to manage the costs of this Program?

A. Yes. The Company will need deferred accounting treatment so that these costs can be tracked and managed.

Q. How much will the program cost?

A. Confidential DEU Exhibit 1.4 provides a conservative scenario of revenues and expenses over the first 24 months of the Program and the associated impact on the balancing account. On page 1, Row 8 shows anticipated Program costs over the first 12 months of the Program. As shown in Row 8, column Q, the Program will launch at a cost of approximately [redacted].

This estimate is largely dependent on the subscription level in the Program (shown on row 1). Should Program participation grow more quickly than anticipated in this exhibit, additional carbon offset purchases will increase the total cost. Based on the cost of carbon offsets and Program administration, the Company proposes a monthly surcharge of $5.00 per block paid by participating customers.

Q. How did the Company determine the cost of the carbon offsets?

A. In preparation for this Program proposal, the Company conducted an RFP for carbon offsets and selected an initial supply of 2,650 metric tons of CO_2e at a total cost of [redacted], or [redacted] per metric ton of CO_2e. This initial supply equates to approximately 50,000 decatherms worth of emissions and 7,500 program blocks. The

Company estimates this supply will meet the first 12 months of participation in the Program. As this initial supply is depleted, the Company will purchase additional carbon offsets as required to meet future demand in the Program. Based on the amount of carbon offsets offered to the Company in its RFP and existence of additional supplies on public registries, the Company expects there to be adequate supply of carbon offsets to meet future needs in the Program.

Q. What is included in the administrative costs contemplated in the initial year?

A. First year administrative expenses will cover all incremental costs associated with start-up activities. These include IT, billing, accounting, reporting, web portal, customer outreach, and marketing activities. The Company has envisioned a modest startup for the Program, with incremental organic growth occurring over time. The Company will gradually increase marketing and outreach efforts over time as participation and Program revenues grow.

Q. How will the proposed $5 per month surcharge be collected from participating customers?

A. The Company will assess the surcharge to participating customers on their monthly gas bill for each block purchased in the Program. Non-participating customers will continue to pay current Tariff rates and will not be impacted. Customers may subscribe or unsubscribe to blocks at any time. Changes in subscription will be implemented on the first bill following 30 days from the point a change is made.

For example, if a customer subscribes to two blocks on July 15th, the change would be made by August 14th and the following bill would include a surcharge of $10.00 ($5 per block X 2 blocks). If on September 21st the customer decides to adjust the subscription level down to a single block, the change would be made by October 20th and the following bill would include a surcharge of $5.00.

Q. What is included in one block of carbon offsets and how does this relate to a customer's natural gas usage?

A. Each block of carbon offsets will represent 0.3533 metric tons of CO_2e. Subscribing to one block over a 12-month period would equate to offsetting 4.24 metric tons of CO_2e (0.3533 X 12 = 4.24) for a total cost of $60 ($5 X 12 months).

To put this amount into perspective, a typical customer burning 80 Dths of natural gas per year produces approximately 4.24 metric tons of CO_2 on an annual basis.[1] As such, one block is designed to offset 100% of a typical customer's natural gas emissions. Customers may choose to purchase more blocks depending on their own usage level and the desired amount they wish to offset.

Q. You indicated that the product offering under this program will be clear and transparent to ensure participants know what they're paying for. How do you intend to achieve that transparency?

A. The Company undertook steps to develop the clarity and transparency for this Program prior to filing this docket. In November 2020, the Company met with representatives from the Utah Office of Consumer Services (Office) and the Utah Division of Public Utilities (Division) to introduce the concept of a carbon offset program and invite questions and feedback. In these meetings the Office and the Division helped identify potential areas of confusion for customers, and Dominion Energy has addressed these concerns in the proposed structure and operation of the Program as described in the Application and proposed Tariff language. The Company also plans to involve the Office and the Division again when it creates the marketing information for these customers. The Company believes that their feedback will help to ensure that all customer communications are clear and transparent.

[1] Per the U.S. Energy Information Administration 1 Dth of natural gas emits 117 pounds, or .053 metric tons of carbon dioxide. Thus, 80 Dths would produce 4.24 metric tons of CO_2e. (80 X .053 = 4.24);
-see https://www.eia.gov/energyexplained/natural-gas/natural-gas-and-the-environment.php

The Company also sought to add clarity and transparency by issuing an RFP in March of 2021. Responses to this RFP were received in April and provided specific carbon offset offerings and associated costs. From that RFP, the Company selected a portfolio of carbon offsets and now approaches the Commission with firm pricing in hand. The Company is not asking customers to fund an effort to begin developing a new product offering – the Company will be offering specific carbon offsets from known sources at known costs that it can publish in communications with customers.

The Company also will provide a summary of the carbon offsets that make up its portfolio via its website as customers subscribe, providing a clear and transparent picture of the offsets they are purchasing. It will also include the amount of reduced carbon each offset represents and how that relates to a customer's own carbon emissions. Finally, the Company will clearly explain how much of each $5 block is used to pay for admin costs and for carbon offsets.

Q. Could you explain in a little more detail how the Company intends to market the program?

A. Yes. As mentioned, the Company initially intends to use existing customer channels to solicit participation in the program through low and no-cost methods. For example, like Dominion Energy Utah's GreenTherm^{SM} program, the Company will utilize its customer care center to solicit program participation upon new customer sign-up. The Company's key accounts group will also solicit participation to interested commercial and industrial customers. Additionally, the Company may utilize marketing channels such as bill inserts, promotional flyers, and digital in order to reach other potential program participants.

Q. How did the Company select the carbon offsets in its initial portfolio?

A. The Company crafted its portfolio with the following criteria in mind:

- Quality of the carbon offsets
- Project type

- Geographic Location
- Cost

All carbon offsets were evaluated against these criteria to ensure integrity and marketability of the offsets. For example, a low-cost carbon offset produced in a foreign country with little understanding of verification systems could harm the integrity of the Program and hurt long-term success if the project is found to overstate carbon reduction benefits. As such, the Company chose not to exclusively evaluate cost but also considered the other qualitative aspects mentioned above.

Q. What do you mean when you reference the "quality" of the carbon offsets?

A. The term "quality" in this context encompasses several concepts. For the Program to achieve the desired impact, the carbon offsets must be real, verifiable, and additional (meaning the activity is above and beyond a baseline scenario). To ensure high quality offsets, the Company required that each offset reside in a widely-accepted, reputable carbon offset registry. Carbon offset registries ensure that projects have independent third-party verification, and that each of the concepts above have been satisfied. Two of the carbon offset projects are registered in the Climate Action Reserve registry, and one project is registered in the American Carbon Registry. Both registries are widely respected and are approved by the California cap-and-trade program. DEU Exhibit 1.5 provides a summary of each registry and more information can be found on the registries websites: https://www.climateactionreserve.org and https://americancarbonregistry.org.

Q. Do these registries publish their methodologies and standards to certify carbon offsets from various projects?

A. Yes. Each registry established protocols, or pathways, that carbon offset projects must follow to become listed on the registry. These protocols detail the standards and methods that govern how carbon offsets must be produced, measured, and verified in order to be listed on the registry. This helps ensure transparency and credibility of the

carbon offsets. The Company's selected carbon offsets come from the CAR U.S Landfill Project Protocol and the ACR Improved Forest Management Methodology, attached as DEU Exhibits 1.6 and 1.7 respectively.

Q. What is meant by the project type?

A. As I mentioned previously, carbon offsets can be generated by a wide range of activities. The Company preferred offsets that would be relatable and understandable for customers. As such, the Company sought two types of carbon offset projects: methane mitigation projects and forestry projects. Methane has a direct link to the Company's own product (natural gas), and the Company has devoted significant attention to managing methane through its methane leak reduction initiatives as well as its renewable natural gas initiatives. In addition, the Company's parent commissioned market research conducted by a third party (referenced above) that indicates that forestry related activities are attractive to customers as well. The Company's selected portfolio consists of two methane mitigation projects at landfills, and one forestry project. I provide more details on the selected projects later in my testimony.

Q. What did the Company seek in terms of geography?

A. Although carbon has a global impact (meaning a carbon reduction anywhere on the earth should have the same benefit globally), the Company believes that closer proximity between the carbon reducing activity and the Company's Utah service territory will increase the Program's appeal and relatability. In addition, distance can also impact the Company's ability to ensure the quality of carbon offsets. As such, the Company required that the carbon offsets be generated in the United States, with a strong preference for offsets located in or near its Utah service territory. Most of the carbon offsets in the portfolio come from a landfill project in South Jordan, Utah.

Q. Please summarize the portfolio that the Company selected in preparation for this Program.

A. The Company evaluated 15 potential carbon offset projects in its RFP. The Company selected the following three projects at a total cost of [redacted]:

Carbon Offset Project	MT Tons
South Jordan Landfill Gas Destruction Project (CAR 400)	1,987
Maple Hill Landfill Project (CAR 521)	398
UPM Blandin Improved Forest Management Project (ACR 212)	265
Total:	**2,650**

Approximately 75% of the carbon offsets come from the South Jordan Landfill, where methane emissions from the landfill waste are captured. This was the only Utah project offered to the Company, and it satisfied the Company's preference for a methane mitigation project. It was also listed on the Climate Action Reserve registry (CAR 400) with a below average cost per metric ton of CO2e. Ten percent of the portfolio comes from a forestry project in Minnesota, which was the lowest cost forestry project offered and is listed on the American Carbon Registry (ACR 212). While forestry projects have a high level of appeal to customers, they are also more expensive than landfill projects and no Utah based projects were offered. For these reasons the Company only filled 10% of its portfolio with forestry offsets. The remaining 15% of offsets come from the Maple Hill Landfill project in Missouri. This project is also listed on the Climate Action Reserve (CAR 521), and helps reduce the total blended portfolio cost. A more detailed description of each project is included in DEU Exhibit 1.8.

Q. As this initial portfolio is depleted, will the Company purchase carbon offsets from other projects besides the three you have described?

A. Yes. The Company will always favor carbon offset projects that are based in or near Utah and that come from activities that fit well with the Company's operations and customer preferences. That said, the specific projects included in the portfolio will shift overtime depending on availability, cost, and alternatives.

Q. Will the Company communicate to customers what is included in the portfolio at any point in time?

A. Yes. The Company will publish a portfolio summary that discusses each project that contributes to its portfolio at any point in time with similar information as shown in DEU Exhibit 1.8. If offsets from one project are replaced with offsets from another, the portfolio page will be updated to reflect the most current information. This portfolio will be clearly linked on the enrollment page in order to inform customers considering participation in the Program. It will also be emailed to participating customers annually to help inform established customers of changes in the portfolio.

Q. Will the Company provide any annual reporting related to this Program?

A. Yes. The Company will submit to the Commission, beginning in 2023, an annual report that includes revenues and expenses, customer enrollments, units sold, supply of carbon offsets and the project portfolio makeup. The Company will also send program statistics to customers that show the total amount of carbon offset each year through the Program in addition to the portfolio makeup. The Company proposes to send the first annual report to customers by the end of June 2023.

Q. Is the approval of the Application in this docket just, reasonable and in the public interest?

A. Yes. As I testified, this Program is beneficial to participating customers and it is offered at no cost to non-participating customers. It offers an easy, reliable way for Dominion Energy's customers to achieve their carbon-related goals.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)

) ss.

County of Salt Lake)

I, Jordan K. Stephenson, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. The exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

Jordan K. Stephenson

SUBSCRIBED AND SWORN TO this 29th day of June, 2021.

RENA PORTER
Notary Public State of Utah
My Commission Expires on:
April 25, 2023
Comm. Number: 704986

Notary Public