

Independent Regulatory Review Commission 333 Market Street, 14th Floor Harrisburg, PA 17101 [via email to irrchelp@irrc.state.pa.us]

August 30, 2021

RE: Comments to Reg #7-559: CO2 Budget and Trading Program

Dear Commissioners,

Vicinity Energy Inc. ("Vicinity") hereby submits this letter pursuant to the notice for comments by the Independent Regulatory Review Commission ("IRRC") concerning Regulation #7-559: CO2 Budget and Trading Program. We would like to thank you for this opportunity to provide our feedback regarding the Regional Greenhouse Gas Initiative ("RGGI") in Pennsylvania.

As a company, we are aligned with Pennsylvania in our shared commitment to achieving net carbon zero carbon emissions by 2050 in a sensible and responsible manner. As such, we are supportive of Pennsylvania joining the Regional Greenhouse Gas Initiative ("RGGI") and applaud the Commonwealth for its work thus far in developing the PA RGGI Rule.

Most importantly, the Pennsylvania RGGI Rule is not simply an overlay or importation of the existing RGGI Model Rule or a RGGI Rule from another state. On the contrary, the PA RGGI Rule contains provisions that are specifically crafted to the fit the assets and attributes of the Pennsylvania energy grid. The Department of Environmental Protection (DEP) worked tirelessly with its diverse group of constituents to craft a program that not only is good for Pennsylvania, but should be a model for other states.

Among such provisions is the set-aside for cogeneration (CHP or Combined Heat and Power). Cogeneration is a key tool in the fight against carbon emissions. In fact, the Pennsylvania Climate Action Plan (CAP) recognizes CHP as an essential part in reducing carbon emissions. A central recommendation of the CAP is to 'incentivize and increase the use of CHP". Expanded use of CHP is associated with one of the largest gross targets for carbon reduction in the CAP (i.e., 544,502 tons by 2025).

Vicinity owns the cogeneration-fed district energy system in City Center Philadelphia, the largest in the Commonwealth. We operate the Grays Ferry Cogeneration Facility ("Grays Ferry"), which consists of a 163MW electric and steam generation system. Through a network of over 41 miles of underground pipes, Vicinity leverages and distributes the heat generated from this facility to deliver low carbon green steam to customers in Philadelphia, including hospitals, universities, government, and commercial

41

http://www.depgreenport.state.pa.us/elibrary/GetDocument?docId=1454161&DocName=2018%20PA%20CLIMAT %28NEW%29 See pp. 18 and %28NEW%29 See pp. 18 and mailto:amailto:amailto:amailto:amailto:blue%3b">%28NEW%29 See pp. 18 and mailto:amailto:



buildings. Vicinity serves the thermal needs of approximately 100 million square feet of commercial and institutional space and employs over 100 people from the Philadelphia area.

For every 1 million square feet added to the Philadelphia District Energy system, carbon emissions avoided are between 3,417 to 4,960 short tons per year. Vicinity's queue of new users includes over 16.9 million square feet of space and growing. Connecting these users to the district energy system translates to an additional reduction of carbon emissions of between 57,790 to 83,830 short tons per year, which is between 10.6% and 15.4% of the PA CAP's goal for carbon emissions reduction via CHP.

The PA RGGI rule is unique in that it encourages the increased use of CHP. The DEP was incredibly thoughtful in its approach to developing the most appropriate program for the Commonwealth – one that would address carbon emissions, but also would be beneficial to industry and the economy. As the rule is drafted, Pennsylvania will be better suited than neighboring states in attracting new industry, which would employ CHP in their operations. PA RGGI also provides the benefit of encouraging clean energy in the City of Philadelphia and will assist the City in meeting the goals of its Climate Action Playbook and its pledge of carbon neutrality by 2050.²

Finally, Pennsylvania's entry into RGGI will provide for Pennsylvania to engage in an incremental, market-based transition to a low-carbon economy. This move now is an important safeguard for Pennsylvania. Should the federal government move to restrict carbon emissions as anticipated, RGGI will place Pennsylvania in an advantageous position relative to other states to accommodate any such new Federal rules by having started that transition process now.

For the reasons stated herein Vicinity Energy encourages the IRRC to approve of the PA RGGI Rule as presented.

Respectfully Submitted,

Jaclyn Bliss

Chief Revenue Officer

 $^{^2\} https://www.phila.gov/2021-01-15-city-commits-to-carbon-neutrality-by-2050-releases-climate-action-playbook-and-hires-first-chief-resilience-officer/$