



June 16, 2022

Vanessa A. Countryman, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: The Enhancement and Standardization of Climate-Related Disclosure for Investors, Release Nos. 33-11042 and 34-94478; File No. S7-10-22**

Dear Ms. Countryman:

Thank you for the opportunity to provide comments on the proposed rules. We applaud the ongoing efforts of the Commission to enhance and standardize climate-related disclosures.

Dominion Energy, Inc. (Dominion Energy) is one of the nation's largest producers and distributors of energy, serving approximately 7 million customers in 13 states. Dominion Energy is committed to safely delivering sustainable, reliable and affordable energy and achieving net zero carbon and methane emissions by 2050. Dominion Energy's net zero commitment includes Scope 1, Scope 2 and the following material categories of Scope 3 emissions: electricity purchased to power the grid, fuel for its power stations and gas distribution systems and consumption by natural gas customers. In connection with its journey to net zero emissions, Dominion Energy has specifically committed to interim targets to cut Scope 1 carbon emissions from its electric operations by 55% by 2030, relative to 2005 emissions, and cut Scope 1 methane emissions from its natural gas infrastructure operations by 65% by 2030 and by 80% by 2040, in each case relative to 2010 emissions. Dominion Energy's commitment is highlighted by our anticipated growth capital investment of up to \$73 billion in projects supporting decarbonization efforts from 2022 to 2035.

As part of its broader commitment to transparency, Dominion Energy has proactively increased its disclosures around carbon and methane emissions as well as the risks and opportunities associated with its clean energy transition. Dominion Energy became a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020 and discloses its environmental commitments, policies and initiatives in a TCFD-aligned Climate Report as well as a Sustainability and Corporate Responsibility Report in addition to other reports, such as the Edison Electric Institute (EEI) and American Gas Association (AGA) ESG/Sustainability Template, all of which are included on Dominion Energy's dedicated Environmental, Social and Governance (ESG) website. In March 2019, we hosted investors for a presentation focused exclusively on our accomplishments and efforts on environmental, social, and governance matters and how those efforts underpin our long-term strategy and position us to become an industry leader in sustainability. To our knowledge, this was the first instance of a major U.S. company, from the energy infrastructure industry or otherwise, to host an investor session

dedicated exclusively to these matters. Accordingly, given our belief of the importance of our environmental strategy to our business, Dominion Energy has included a dedicated section within Item 1 *Business* of Form 10-K filings highlighting strategic initiatives, progress and greenhouse gas (GHG) emissions data.

Dominion Energy supports several key elements of the climate-related disclosure approach contemplated by the Commission's proposal. We believe climate-related disclosures are important to our investors and support the Commission's efforts to design rules and guidance to provide investors with the disclosures that they need in order to make informed decisions. We further believe it is imperative that the Commission implement rules that provide investors with an appropriate and cost-effective level of detail that balances the value of any additional information that is required to be reported against the cost of developing and reporting that information. The following areas represent those which we believe would be the most impactful to Dominion Energy's investors.

## **Governance, Strategy and Risk Management**

### *Proposal Regarding the Board of Directors' Climate-Related Expertise*

We agree with the Commission that investors are interested in knowing that registrants and their boards are taking climate change seriously and addressing the risks comprehensively. However, we believe investors currently look to proxy statements for board-related information, including experience and expertise of directors. For example, Dominion Energy currently includes disclosure about which of our directors have environmental and sustainability experience in our proxy statement. We do not believe that an in-depth discussion on climate-related expertise is necessary for investors to be able to understand how the board manages oversight of climate-related risks. However, to the extent that the Commission would require disclosure of such information, we recommend that the proxy disclosure rules be revised to require disclosure about any climate-related experience or expertise of board members.

### *Proposal Regarding Climate Strategy, Risk Management and Management's Role and Expertise*

We are concerned that the proposal focuses too much, either directly or by implication, on the granular components of a registrant's climate strategy, risk management activities and the experience and expertise of management. While we believe that Item 105 (Risk Factors) of Regulation S-K currently requires disclosure of information concerning risks reasonably likely to have a material impact on a registrant's business operations and financial results, we are concerned that certain items in the Commission's proposal would require disclosures that would be too voluminous and detailed to be readily useful for investors. For example, we believe the proposal to include all zip codes of properties subject to physical risk that has had or is likely to have a material impact on a registrant's business or consolidated financial statements is too detailed, and it would be more useful for disclosure to be at a state-level instead, particularly for entities such as ours that operate in several states. In addition, the disclosure of specific analytical tools and scenario planning models utilized in our corporate risk management activities, including specific components and methodology, would potentially result in an overwhelming amount of information (including proprietary data), which we believe would be a

detriment to the readability of a registrant's Form 10-K. Importantly, we are concerned that disclosing this sort of confidential information could potentially be abused by bad actors. We believe that a principles-based approach, rather than a prescriptive standard, allows registrants to provide relevant information to investors through existing mechanisms in the proxy statement as well as the business section and/or risk factors section of Form 10-K in the manner most useful for investors.

Additionally, we believe that appropriate information concerning policies and structure for managing risks would be best located in proxy statements along with other corporate governance and risk management information currently disclosed. For example, Dominion Energy currently includes discussion of the management teams supporting climate governance in our proxy statement.

We recommend that the Commission modify the proxy rules to include disclosures concerning management of climate related risks, including applicable policies and structures, following a principles-based approach rather than the currently proposed granular disclosure requirements of climate related risks and associated risk management activities.

## **GHG Emissions**

### *Proposal for Reporting All Categories of Scope 3 Emissions*

We share the Commission's position that GHG emissions are a meaningful data set for investors, particularly for entities such as Dominion Energy which have committed to reducing such emissions, and we support the Commission's effort to enhance and standardize climate-related disclosures. However, Scope 3 emissions can be difficult to quantify, generally require estimates and reliable information is not available for all categories included in the Commission's proposal. As the Commission knows, within Scope 3 there are 15 categories, many of which are not directly applicable to the energy and utility industry. There are a few material categories of Scope 3 applicable to this industry where data is readily available and/or consistently estimable: electricity purchased to power the grid, fuel for power stations and gas distribution systems and consumption by natural gas customers. It should be noted though that some companies may define these differently (i.e., gross versus net purchased power, titled versus non-titled gas, etc.). In addition, certain amounts can only be estimated, such as purchases of natural gas, which often come from markets where the suppliers cannot be individually identified.

We believe that the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard provides an appropriate model to follow, which states that accounting and reporting of a Scope 3 emissions inventory should be based on a set of principles: Relevance, completeness, consistency over time, transparency in which relevant assumptions are disclosed, and accuracy that enables users to make decisions with reasonable confidence. Regarding relevance, the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard instructs disclosures to appropriately reflect the GHG emissions of a company that will serve the decision-making needs of users. Accordingly, we believe that the relevant Scope 3 emissions categories to a registrant may change over time, both in relation to changes in a registrant's operations as well as changes resulting in more reliably estimable Scope 3 emissions data from certain

categories. We recommend that registrants only report on the Scope 3 categories which are relevant to their operations, defined as those which are both material and the registrant believes can be reliably estimable, but always inclusive of any categories included in a registrant's stated emissions reductions goals or targets.

#### Proposal for Timing of Emissions Disclosures

While we appreciate the Commission's suggestion for the use of estimated emissions data for the fourth quarter, we are concerned that does not provide adequate time to capture, analyze and ultimately have an attestation completed upon relevant sections of the GHG emission data included in the Commission's proposal. This perspective is shaped by our experience disclosing GHG emissions data in our Form 10-K as well as other reports. Dominion Energy currently reports Scope 1 GHG emissions data as part of EPA's Greenhouse Gas Reporting Program and maintains a comprehensive corporate GHG inventory that includes additional Scope 1 sources, Scope 2 sources and certain Scope 3 categories which are not currently required to be reported to the EPA. Dominion Energy proactively developed a comprehensive corporate GHG inventory and continually works to improve and refine it. Consistent with our commitment to be transparent and provide high quality information, we know that it takes time to appropriately capture, analyze and review any emissions data before it is published. For example, preliminary reporting under the EPA's GHG Reporting Program is not due until March 31<sup>st</sup> and has historically taken additional subsequent months to finalize the emissions data. As a result, we have been including Scope 1 GHG emissions data for the previous year in our Form 10-K within our environmental strategy section of Item 1 *Business*.

In addition, since the Commission's proposed standards, while similar, do not fully align with existing GHG emissions reporting practices, we believe that a later deadline to report GHG emissions data is warranted to improve the quality of reporting. We have experience with reporting GHG emissions data and understand the time commitments and complexities involved to gather, model, analyze and verify the accuracy of such data. In addition to our disclosure of Scope 1 GHG emissions data in our Form 10-K, we also include Scope 2 and Scope 3 emissions data in our Climate Report, which is published significantly later in the year compared to our Form 10-K filing. We recommend that registrants be allowed to provide preliminary emissions data (Scope 1, Scope 2 and, as discussed above, relevant Scope 3 categories) for the most recently completed fiscal year as an estimated amount in the Form 10-K with final emissions data, with the corresponding attestation report on Scope 1 and Scope 2 emissions, provided in a subsequent reporting period (either later in the year on Form 10-Q or the following year Form 10-K).

#### **Financial Impact Metrics**

##### Proposal to include Financial Impact Metrics in Footnotes to Financial Statements – location

While we agree with the Commission that the financial impact of climate related events and associated transaction activities are important information to investors, we believe that providing such information alongside disclosures provided in accordance with Item 101 (Description of business) or Item 303 (Management's discussion and analysis of financial condition and results

of operations) of Regulation S-K enhances readability and usefulness for investors. We believe that these sections of Form 10-K best align with the sections in which investors expect to see information concerning critical operating strategies, such as addressing climate events, as well as discussions concerning results of operations and material sources and uses of cash. For example, Dominion Energy currently includes information in Item 1 *Business* and Item 7 *Management's Discussion and Analysis (MD&A)* concerning weather events, to the extent such events are significant to the analysis of its results of operations, specifically to an understanding of other operations and maintenance expense, as well as capital expenditure plans, including specific disclosures on projects under development, as part of our decarbonization plan. In addition, the inclusion of additional financial metrics in the footnotes to the financial statements would result in redundancy of information that could potentially be difficult for an investor to understand the consistency and interactions of such information based on the Commission's current proposed financial metrics. See additional discussion below regarding our concern on the volume of these proposed disclosures. As such, we believe the inclusion of information about climate events and transition plans through a principles-based framework focused on information most material to investors would align with the recently adopted amendments to modernize, simplify, and enhance certain financial disclosure requirements in Regulation S-K. We recommend that relevant financial impact metrics be included in the Form 10-K in some combination of Item 1 *Business*, Item 7 *MD&A* and/or the proposed Item 6 *Climate-Related Disclosure* under the provisions of Regulation S-K rather than within Item 8 *Financial Statements* under the provisions of Regulation S-X.

*Proposal to include Financial Impact Metrics in Footnotes to Financial Statements – volume*

We are concerned that the volume of granular disclosures to satisfy the financial impact metrics proposed by the Commission would result in large amounts of data which may not be useful to investors as it may not be readily comparable across or within industries. For example, the requirement to provide information by each financial statement line item, with impacted events in excess of 1% of the account balance, would result in a tremendous volume of information for a regulated utility. Events such as severe weather events, which are a normal part of a utility's business, impact various financial statement line items and recovery for such amounts may occur as a component of base rates (i.e., not separately identifiable) or through a separate rate recovery mechanism. These rate recovery mechanisms may be tied either to specific events or relative to a stated amount, depending on the applicable state regulator. Within the current framework, such mechanisms are disclosed by entities based on the applicable materiality of amounts to be recovered. As the regulator may not have the same definition as the Commission has proposed for severe weather events, the disclosure framework proposed by the Commission could result in data that could be difficult for an investor to understand as it would likely not be comparable either within a utility's financial statements or to peer companies.

We believe the Commission's proposal to disclose positive impacts and negative impacts to a financial statement line item would not provide investors with relevant information given the inherent differences which are likely to occur. For example, Dominion Energy evaluates within each reporting period the variance in storm costs, a component of other operations and maintenance expense in its Consolidated Statement of Income, and whether the total costs incurred represents a meaningful variance. These variances could be caused by a specific

significant weather event, such as a hurricane or winter storm, or an aggregation of various smaller storms such as thunderstorms, which routinely occur in our electric territories. We believe that the most meaningful information to investors is the cost across all these events rather than an evaluation under the proposed framework which would only capture severe weather events. Further, we are unable to know ahead of time the impact of a weather event as it is dependent upon inherently unpredictable factors such as intensity, duration and storm path. As such, our systems would have to track every event, aggregate event information and then determine whether it was a severe event. As a result, such disclosures would be inherently complex as well as time consuming both in preparation and auditing. We believe this represents a significant amount of effort to generate disclosure which we do not believe would be particularly useful for investors, especially in comparison to the existing disclosure framework.

In addition, activities may or may not be easily separable or consistently identified amongst stakeholders as transition or resiliency activities. For example, the undergrounding of electric distribution lines increases the reliability of electricity for customers due to a variety of factors which can affect overhead power lines, including but not solely consisting of weather events. The decision to underground power lines for utilities is, for rate-regulated registrants, dependent in part upon approval of applicable state commissions, which also provides for recovery of such costs. Another example is the relicensing of existing nuclear power stations, which serves to extend the useful lives of a carbon-free source of base load electric generation. For these activities, it could be potentially confusing to an investor to have conflicting amounts disclosed in the footnotes for costs incurred and recovered between the climate disclosure and regulatory matters sections. Additionally, we believe that the proposed standards could result in differences in the amounts disclosed for capital expenditures classified as transition activities in the footnotes to the financial statements and what a registrant would disclose in its analysis of liquidity within MD&A for projected capital investment commitments associated with established emissions reduction goals or targets, such as achieving net zero emissions, which would lead to investor confusion. As such, we believe that a more principles-based disclosure framework for disclosure of activities associated with achieving a registrant's GHG emissions reduction goals and/or climate risk mitigation strategy would be beneficial.

We are concerned that the overwhelming amount of additional data points, particularly given the substantial effort it would take to track, compile and validate the disclosures, would not provide investors with meaningful information, and could distract from the relevant information most useful to investors. Additionally, we are concerned that the proposed disclosures appear to be inconsistent with the Commission's commitment through recent amendments to modernize, simplify, and enhance certain financial disclosure requirements in Regulation S-K and Regulation S-X to improve the readability and transparency of financial statements for investors. As noted above, we believe that disclosure of relevant climate related financial impacts and capital expenditure commitments aligns with existing requirements in Item 303 (Management's discussion and analysis of financial condition and results of operations) of Regulation S-K to provide an analysis of results of operations as well as material cash requirements. Further, we believe that a principles-based standard to disclose material impacts on results of operations, financial position and liquidity would be more useful for investors. As such, we recommend that the Commission amend Regulation S-K, as noted above, to include the financial impact of climate related matters, including impacts of weather and activities associated with achieving an

entity's GHG emissions reduction goals and/or climate risk mitigation strategy within the analysis of a registrant's results of operations and liquidity rather than the currently proposed prescriptive listing of granular financial metric disclosure requirements.

### **Wholly-Owned Subsidiaries**

Dominion Energy has multiple wholly-owned subsidiaries which are registrants as a result of issuing public debt. These entities currently meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and submit information in a reduced disclosure format. The Commission did not provide similar relief for these entities in the current proposal. We believe that climate risks and the associated risk management activities and governance, along with any targets or goals are generally established at the parent company level and that requiring disclosure by wholly-owned subsidiary registrants would result in substantial amounts of largely duplicative information, which appears inconsistent with the Commission's recent Regulation S-K and Regulation S-X modernization projects. We recommend that the Commission amend General Instruction I(2) of Form 10-K to also provide relief from climate change disclosure for qualifying wholly-owned subsidiaries.

### **Implementation Timeline**

We are concerned with the implementation timeline outlined in the Commission's proposal that requires information to be disclosed as soon as the Form 10-K for the year ending December 31, 2023. As already mentioned, Dominion Energy has been disclosing GHG emissions data in its Form 10-K as well as in other reports and publications, including under different frameworks such as EPA's GHG Reporting Program and GHG Protocol Corporate Accounting and Reporting Standard. In our experience, these differences, which may seem subtle at first glance, can result in significant effort to ensure that the data is captured and analyzed in the appropriate manner for each report. For example, differences may occur related to an acquisition or disposition of an entity during the period, proportional ownership of an entity or sources of emissions to include. As the Commission's proposed standard would be different than these other reporting standards, such difference would create additional burden on the underlying processes and systems for gathering the information. In addition, as noted above, the detailed financial metrics included in the Commission's proposal would also be significantly more granular than existing disclosure requirements and likely introduce differences in tracking mechanisms; particularly for rate regulated utilities which may have recovery of weather-related events and other entities which have already established emission reduction target capital investment commitments. As such, we believe that registrants need time to digest the Commission's final rule and implement tracking mechanisms and/or system enhancements. Further, we believe that a more principles-based disclosure framework, similar to our above recommendations, would allow for a smoother and more rapid implementation. As an example, we believe the Commission could allow registrants to choose from and disclose which existing framework they have utilized to expedite implementation. We recommend that the Commission provide a transition period of at least one year from the issuance of the final rule until the start of the first reporting period provided the Commission modifies the financial metric disclosure requirements as recommended herein or a transition period of at least two years if the final rule is issued substantially as proposed.

In addition, we believe that the differences in the Commission's proposed disclosure requirements from existing reporting guidelines under which a registrant may already be tracking and disclosing GHG emissions data would require significant additional effort to align and convert historical information, including certain measures which may not have been captured. Such effort could be avoided if the Commission were to allow utilization of an existing framework for entities, such as Dominion Energy, already reporting emissions data. We recommend that the Commission modify the proposed rule to provide a phase-in implementation period, which would require only the most recently completed year in the first year following adoption.

## **Conclusion**

As noted above, we support the Commission's efforts to enhance climate-related disclosure and appreciate the opportunity to comment on the proposal. Consistent with the Commission's recent modernization projects of Regulation S-K and Regulation S-X, we believe it is critical to provide meaningful information to investors in an efficient manner. Dominion Energy has included disclosures in our Form 10-K of our environmental strategy as well as information on significant projects to meet our decarbonization goals in Item 1 *Business*, environmental risks in Item 1A *Risk Factors*, planned capital expenditures and impacts of any significant weather events on results of operations in Item 7 *MD&A* as well as including information concerning our board of directors and management committees related to sustainability and corporate responsibility, including environmental matters, in our proxy statement.

We believe, however, that the Commission's proposal would result in voluminous incremental disclosure that would not be useful for investors and would result in a significant burden for registrants to prepare. In addition, we believe that other reports, including those developed by EEI and AGA specifically for ESG-focused investors, readily available on our dedicated ESG website, provide an option for those investors to obtain more granular information. As a result, we encourage the Commission to modify the disclosure requirements and associated timelines as follows:

- That the proxy disclosure rules be revised to require disclosure about any climate-related experience or expertise, if deemed necessary by the Commission, of board members.
- That the Commission modify the proxy rules to include disclosures concerning management of climate related risks, including applicable policies and structures, following a principles-based approach rather than the currently proposed granular disclosure requirements of climate related risks and associated risk management activities.
- That registrants only report on the Scope 3 categories which are relevant to their operations, defined as those which are both material and the registrant believes can be reliably estimable, but always inclusive of any categories included in a registrant's stated emissions reductions goals or targets.
- That registrants be allowed to provide preliminary emissions data (Scope 1, Scope 2 and, as discussed above, relevant Scope 3 categories) for the most recently completed fiscal year as an estimated amount in the Form 10-K with final emissions data, with the corresponding attestation report on Scope 1 and Scope 2 emissions, provided in a

subsequent reporting period (either later in the year on Form 10-Q or the following year Form 10-K).

- That relevant financial impact metrics be included in the Form 10-K in some combination of Item 1 *Business*, Item 7 *MD&A* and/or the proposed Item 6 *Climate-Related Disclosure* under the provisions of Regulation S-K rather than within Item 8 *Financial Statements* under the provisions of Regulation S-X.
- That the Commission amend Regulation S-K to include the financial impact of climate related matters, including impacts of weather and activities associated with achieving an entity's GHG emissions reduction goals and/or climate risk mitigation strategy within the analysis of a registrant's results of operations and liquidity rather than the currently proposed prescriptive listing of granular financial metric disclosure requirements.
- That the Commission amend General Instruction I(2) of Form 10-K to also provide relief from climate change disclosure for qualifying wholly-owned subsidiaries.
- That the Commission provide a transition period of at least one year from the issuance of the final rule until the start of the first reporting period provided the Commission modifies the financial metric disclosure requirements as recommended herein or a transition period of at least two years if the final rule is issued substantially as proposed.
- That the Commission modify the proposed rule to provide a phase-in implementation, which would require only the most recently completed year in the first year following adoption.

We believe that with these changes the new disclosure requirements will be balanced in providing the most relevant information to investors.

Dominion Energy would be happy to discuss any questions on our recommendations at the Commission's convenience.

Respectfully submitted,



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