

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 12, 2009

CLERK'S OFFICE

2009 AUG 12 PM 3: 26

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

DOCUMENT CONTROL

CASE NO. PUE-2009-00081

For approval to implement new demand-side management programs and for approval of two rate adjustment clauses pursuant to § 56-585.1 A 5 of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On July 28, 2009, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia ("Subsection A 5"), and various provisions of the Commission's rules,¹ submitted an application ("Application") to the State Corporation Commission ("Commission") for approval to implement twelve new Demand-Side Management programs (individually the "DSM Program(s)" or "Program(s)" or, collectively, the "DSM Portfolio" or "Portfolio") and for approval of two rate adjustment clauses ("A 5 Riders"), Riders C1 and C2, with respect to such DSM Portfolio.

According to the Company, the DSM Portfolio it proposes includes both energy efficiency and peak-shaving DSM Programs, as those terms are defined by § 56-576 of the Code of Virginia ("Code").² The Company's implementation strategy also includes the development of a Measurement & Verification ("M&V") plan to quantify the level of energy conservation that

¹ Rules 10 (20 VAC 5-201-10) and 60 (20 VAC 5-201-60) of the Commission's Rules Governing Utility Rate Case Applications and Annual Informational Filings (20 VAC 5-201-10, *et seq.*) ("Rate Case Rules"), the Commission's Rules Governing Utility Promotional Allowances (20 VAC 5-03-10, *et seq.*) ("Promotional Allowance Rules"), and the Commission's Rules Governing Cost/Benefit Measures Required for Demand-Side Management Programs (Rules 20 VAC 5-304-10, *et seq.*) ("Cost/Benefit Rules").

² The Application includes one peak-shaving program, Air Condition Cycling Program, and eleven energy efficiency programs: Commercial Distributed Generation Program; Curtailment Service Program; Residential Lighting Program; Low Income Program; ENERGY STAR® New Homes Program; Residential Heat Pump Tune-Up Program; Residential Refrigerator Turn-In Program; Heat Pump Upgrade Program; Commercial HVAC Upgrade Program; Voltage Conservation Program (AMI-Enabled); and Commercial Lighting Program.

the Programs will achieve. The Company states that the M&V plan will identify the extent to which these demand-side resources may be relied upon to reduce future supply-side resources.

The Company proposes to launch one DSM Program, the Voltage Conservation Program, on February 1, 2010, and plans to implement the eleven remaining Programs on April 1, 2010. The Company requests a rate year beginning April 1, 2010, for the recovery of costs of all proposed Programs.

The Company seeks Commission approval of Advanced Metering Infrastructure ("AMI") cost recovery, as proposed in this case and in its 2009 Rate Case Filing,³ and states that AMI is an important component of the Portfolio, as it will enable the Company's proposed Voltage Conservation Program, which represents approximately 75% of the energy reductions from the overall Portfolio in 2024. According to the Company, energy and demand reductions expected by 2024 from the Portfolio approximate 2,400 GWh and 650 MW, respectively, for the Virginia jurisdiction. The Company projects that implementation of the proposed DSM Portfolio is expected to result in system-level benefits in excess of costs of approximately \$1.2 billion over a 15-year planning horizon.

In addition to approval of the DSM Portfolio, the Company seeks approval of Riders C1 and C2 to recover costs associated with the proposed DSM Portfolio, pursuant to § 56-585.1 A 5 of the Code. The Company seeks to recover the capital costs and operating expenses of designing, implementing, and operating the proposed DSM Programs for 2009, January – March 2010, and the rate period from April 1, 2010 to March 31, 2011. The Company proposes to recover, pursuant to § 56-585.1 A 5 c of the Code, an equity return on invested capital and, for

³ *Application of Virginia Electric and Power Company, For a 2009 statutory review of the rates, terms, and conditions for the provision of generation, distribution and transmission services pursuant to §56-585.1 A of the Code of Virginia, Case No. PUE-2009-00019.*

costs incurred after July 1, 2009, a margin on the projected operating expenses associated with energy efficiency DSM Programs, equal to the general rate of return on common equity determined by the Commission in the Company's 2009 Rate Case Filing.

The Company states that Rider C1 will recover the cost of the Company's peak-shaving program and Rider C2 will recover the costs of the eleven energy efficiency programs. The Company requests recovery for projected operating expenses, a margin on qualifying operating expenses, and depreciation expenses in the amount of \$46.0 million, and projected rate base return of \$5.4 million. The Company states that the cost components generate an annual revenue requirement of \$51.4 million.⁴ The Company does not seek approval to recover revenue reductions related to the DSM Portfolio in this Application.

The Company proposes that both Rider C1 and Rider C2 become effective April 1, 2010. However, § 56-585.1 A 7 of the Code provides that the Commission shall enter its final order in cases filed under Subsection A 5 not more than eight months after the date of filing of the petition and further provides that, if the petition is approved, the "order shall direct that the applicable rate adjustment clause be applied to the customers' bills not more than 60 days after the date of the order. . . ."⁵ This is a case of first impression for the Commission to consider, and the Commission will act within the timeframe required by the statute.

The Company proposes that, for the purposes of judicial economy, the Order for Notice and Hearing issued by the Commission in this proceeding includes public notice that Dominion

⁴ In its Application, the Company states that it plans to submit an application in response to the Recovery Act Financial Assistance Funding Opportunity Announcement for the Smart Grid Investment Grant Program (DE-FOA-0000058) offered by the federal government. The Company states that, if it becomes a recipient of federal funds, the cost to customers could be reduced and further states that it will address the effect of the funds once it is notified of the Department of Energy's decision regarding its application.

⁵ Section 56-585.1 A 7 of the Va. Code.

Virginia Power proposes that the equity return be the same as the general ROE determined by the Commission in the Company's 2009 Rate Case Filing.⁶

The Company also requests a partial waiver of the requirements of Rules 60 and 90 of the Rate Case Rules with respect to filing Schedule 45. The Company states it has requested that the equity return on invested capital and margin on the projected operating expenses associated with energy efficiency Programs that would apply to the A 5 Riders be the same as the general ROE in the Company's 2009 Rate Case Filing. For good cause shown, pursuant to 20 VAC 5-201-10 E, the Company's requested waiver to forego filing Schedule 45 is hereby granted. At the conclusion of these matters, the Commission may order refunds as it finds appropriate.

With its Application, the Company filed a Motion for Protective Order and Additional Protective Treatment along with a Proposed Protective Order.

NOW THE COMMISSION, having considered the Application, is of the opinion and finds that public notice and an opportunity for participation in this proceeding should be given; that a hearing should be scheduled on the application; and that the Company's request for partial waiver of the requirements of Rules 20 VAC 5-201-60 and 20 VAC 5-201-90 to file Schedule 45 should be granted.

Accordingly, IT IS ORDERED THAT:

- (1) This matter is hereby docketed and assigned Case No. PUE-2009-00081.
- (2) A public hearing shall be convened on February 16, 2010, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive evidence related to the establishment of the Company's proposed DSM

⁶ The Application's proposed revenue requirement is based on the 14.0% equity return proposed by the Company in its amended Rate Case Filing.

Programs and A 5 Riders in this proceeding. Any person desiring to offer testimony as a public witness at the hearing concerning the application need only appear in the Commission's Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff.

(3) Pursuant to § 12.1-31 of the Code of Virginia and 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.*, a Hearing Examiner shall be appointed to rule on any discovery matters that may arise in this proceeding, including the Motion for Protective Order and Additional Protective Treatment that was filed contemporaneously with the Application.

(4) The Company's request for a partial waiver of the requirement of 20 VAC 5-201-60 and 20 VAC 5-201-90 to file Schedule 45 is granted.

(5) The Company shall make copies of the public version of its application, as well as a copy of this Order, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Karen L. Bell, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the application by electronic means. Copies of the public version of the application, testimony, and schedules, as well as a copy of this Order, also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before September 28, 2009, the Company shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA ELECTRIC AND POWER COMPANY FOR
APPROVAL OF DEMAND-SIDE MANAGEMENT
PROGRAMS AND TWO RATE ADJUSTMENT CLAUSES
PURSUANT TO VA. CODE § 56-585.1 A 5
CASE NO. PUE-2009-00081

On July 28, 2009, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia ("Subsection A 5") and various provisions of the rules of the State Corporation Commission ("Commission") submitted an application ("Application") to the Commission for approval to implement twelve new Demand-Side Management ("DSM") programs (individually "DSM Program(s)" or "Program(s)" or collectively, the "DSM Portfolio" or "Portfolio") and for approval of two rate adjustment clauses ("A 5 Riders"), Riders C1 and C2, with respect to such DSM Portfolios.

According to the Company, the DSM Portfolio it proposes includes both energy efficiency and peak-shaving DSM Programs, as those terms are defined by § 56-576 of the Code. According to the Company, its implementation strategy also includes development of a reasonable Measurement & Verification ("M&V") plan to quantify the level of energy conservation the Programs achieve. The Company states that the M&V plan will identify the extent to which these demand-side resources may be relied upon to reduce future supply-side resources.

The Company proposes to launch one DSM Program, the Voltage Conservation Program, on February 1, 2010, and plans to implement the eleven remaining Programs on April 1, 2010. The Company requests a rate year beginning April 1, 2010, for the recovery of costs of all proposed Programs.

The Company seeks Commission approval of Advanced Metering Infrastructure ("AMI") cost recovery, as proposed by the Company in this case and in its 2009 Rate Case Filing, and states that AMI is an important component of the Portfolio, as it will enable the Company's proposed Voltage Conservation Program,

which represents approximately 75% of the energy reductions from the overall Portfolio in 2024. According to the Company, the energy and demand reductions expected by 2024 from the Portfolio approximate 2,400 GWh and 650 MW, respectively, for the Virginia jurisdiction. The Company projects that implementation of the proposed DSM Portfolio is expected to result in system-level benefits in excess of costs of approximately \$1.2 billion over a 15-year planning horizon.

In addition to approval of the DSM Portfolio, the Company seeks approval of Riders C1 and C2 to recover costs associated with the proposed DSM Portfolio, pursuant to § 56-585.1 A 5 of the Code. The Company seeks to recover the capital costs and operating expenses of designing, implementing, and operating the proposed DSM Programs for 2009, January – March 2010, and the rate period from April 1, 2010 to March 31, 2011. The Company proposes to recover, pursuant to §56-585.1 5 c of the Code, an equity return on invested capital and, for costs incurred after July 1, 2009, a margin on the projected operating expenses associated with energy efficiency DSM Programs equal to the general rate of return on common equity determined by the Commission in the Company's 2009 Rate Case Filing.

The Company states that Rider C1 will recover the cost of the Company's peak-shaving program and Rider C2 will recover the costs of the eleven energy efficiency programs. The Company requests recovery for projected operating expenses, a margin on qualifying operating expenses, and depreciation expenses in the amount of \$46.0 million, and projected rate base return of \$5.4 million. The Company states that the cost components generate an annual revenue requirement of \$51.4 million. The Company does not seek approval to recover revenue reductions related to the DSM Portfolio in this Application.

The Commission entered an Order for Notice and Hearing ("Scheduling Order") that, among other things, scheduled a public hearing to commence at 10:00 a.m. on February 16, 2009, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence related to the establishment of Dominion Virginia Power's DSM Programs and A 5 Riders. Public witnesses desiring to offer testimony at the public hearing need only appear in the Commission's Second Floor Courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

The Company's Application and the Commission's Scheduling Order are available for public inspection during regular business hours at all of the Company's offices in the Commonwealth of Virginia. Interested persons may also review the Company's application in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. A copy may also be obtained, at no cost, by written request to counsel for the Company, Karen L. Bell, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. In addition, unofficial copies of the Company's application, Commission Orders entered in this docket, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website: <http://www.scc.virginia.gov/case>.

Any interested person may participate as a respondent in this proceeding by filing, on or before December 8, 2009, an original and fifteen (15) copies of a notice of participation as a respondent with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2009-00081.

On or before January 8, 2009, each respondent may file with the Clerk of the Commission at the address above an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company at the address above and on all other respondents. Respondents shall comply with the Commission's Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

On or before February 9, 2010, any interested person may file with the Clerk of the Commission, at the address set forth above, written comments on the application. On or before February 9, 2010, any interested person desiring to submit comments electronically may do so by following the instructions

found on the Commission's website:
<http://www.scc.virginia.gov/case>. All correspondence shall refer
to Case No. PUE-2009-00081.

VIRGINIA ELECTRIC AND POWER COMPANY

(7) On or before September 28, 2009, the Company shall serve a copy of this Order on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by first class mail to the customary place of business or residence of the person served.

(8) On or before October 12, 2009, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (6) and (7) herein.

(9) On or before February 9, 2010, any interested person may file with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the application. On or before February 9, 2010, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>.

(10) Any interested person may participate as a respondent in this proceeding by filing, on or before December 8, 2009, an original and fifteen (15) copies of a notice of participation with the Clerk at the address in Ordering Paragraph (9), and shall simultaneously serve a copy of the notice of participation on counsel to Dominion Virginia Power at the address in Ordering Paragraph (5). Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the

factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2009-00081.

(11) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order for Notice and Hearing, a copy of the application, and all materials filed by the Company with the Commission, unless these materials have already been provided to the respondent.

(12) On or before January 8, 2010, each respondent may file with the Clerk of the Commission an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company and on all other respondents. Respondents shall comply with the Commission's Rules of Practice and Procedure, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

(13) The Commission Staff shall investigate the application. On or before January 22, 2010, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits and shall serve a copy on counsel to the Company and all respondents.

(14) On or before February 2, 2010, Dominion Virginia Power shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony and exhibits and shall serve a copy on the Staff and all respondents.

(15) The Company and all respondents shall respond to written interrogatories within seven (7) business days after receipt of the same. Except as modified above, all discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(16) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Stephen H. Watts, II, Esquire, McGuireWoods LLP, 901 East Cary Street, Richmond, Virginia 23219; Karen L. Bell, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and the Commission's Office of General Counsel and Divisions of Energy Regulation, Economics and Finance, and Public Utility Accounting.