

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, OCTOBER 9, 2015

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2015-00103

For approval of special rates, terms and conditions pursuant to § 56-235.2 of the Code of Virginia and new rate schedules SCR – GS-3 and SCR – GS-4

ORDER FOR NOTICE AND HEARING

On September 21, 2015, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company"), pursuant to § 56-235.2 of the Code of Virginia ("Code"), filed with the State Corporation Commission ("Commission") an application ("Application") for approval of a special rate and contract for electric service ("Special Rate Contract"). The Company also filed an Energy Management Services Agreement with its Application for the Commission's consideration. The Company has requested expedited consideration of its Application.<sup>1</sup>

On September 18, 2015, Dominion Virginia Power and Vadata, Inc. ("Vadata"), entered into a Special Rate Contract. Vadata is a high-load factor, Virginia jurisdictional customer of Dominion Virginia Power. Vadata is a subsidiary of Amazon.com, Inc., and an affiliate of Amazon Web Services.<sup>2</sup>

In its Application, Dominion Virginia Power states that Amazon Web Services, and by extension Vadata, has made a long-term corporate commitment to ultimately achieve 100% renewable energy usage for its global infrastructure footprint, with a short-term goal of

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<sup>1</sup> Concurrent with its Application, Dominion Virginia Power filed a motion for entry of a Protective Order and for additional protective treatment for extraordinarily sensitive information ("Motion for Protective Order").

<sup>2</sup> Application at 1, 3.

increasing its renewable energy usage to at least 40% by the end of 2016.<sup>3</sup> To accomplish this, Amazon Web Services has announced that it has entered into wholesale power purchase agreements to buy the output of new renewable generating resources that commence delivery in early 2016.<sup>4</sup> Amazon Web Services is also in the process of joining PJM Interconnection, L.L.C. ("PJM"), as a market participant and intends to resell the energy output of its power purchase agreements into PJM and receive the associated PJM market-based revenues and charges. According to the Company, a PJM market-based retail rate would help Vadata financially correlate its wholesale PJM market participation with the retail electric service and billing for its accounts.<sup>5</sup> In its Application, Dominion Virginia Power states that the Special Rate Contract would provide Vadata with a newly-designed and optional market-based rate for its qualifying load accounts that is structured to reflect pricing in the PJM wholesale market.<sup>6</sup>

The Special Rate Contract is comprised of: (i) a base contract proposed for an initial term extending through December 31, 2020, and continuing thereafter by automatic one-year renewals, unless otherwise terminated with notice; and (ii) two companion market-based rate schedules, designated Rate Schedule SCR – GS-3 and Rate Schedule SCR – GS-4 (collectively, "SCR Rate Schedules"), for the Company's provision of electric service to Vadata's qualifying current or future accounts.<sup>7</sup> To qualify to transfer to the SCR Rate Schedules, Vadata's accounts

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<sup>3</sup> *Id.* at 3.

<sup>4</sup> Direct Testimony of Gregory J. Morgan at 8.

<sup>5</sup> *Id.*

<sup>6</sup> Application at 4.

<sup>7</sup> *Id.* at 3. While the Company states in its Application that it anticipates offering a new experimental market-based rate as an elective option for certain of the Company's other high load factor commercial and industrial customers in a future proceeding, the rate schedules proposed in this proceeding, Rate Schedule SCR – GS-3 and Rate Schedule SCR – GS-4, would only be available to Vadata's qualifying current or future accounts. *See id.* at 5.

must: (i) be eligible for Rate Schedule GS-3 or Rate Schedule GS-4; (ii) have peak demand of 5 megawatts or more; and (iii) meet the additional criteria set forth in the Special Rate Contract.<sup>8</sup> According to the Application, Vadata will determine whether to transfer accounts to the SCR Rate Schedules on an individual account basis.<sup>9</sup>

On September 18, 2015, Dominion Virginia Power and Vadata also entered into an Energy Management Services Agreement for the provision of certain incidental non-tariff market management services, including wholesale energy scheduling and settlement services, and other wholesale energy management services relating to the wholesale activities of Vadata and its affiliates in the PJM market. According to the Application, the Energy Management Services Agreement will allow Vadata, at its option, to have one entity – the Company – manage both Vadata's wholesale transaction activities in PJM and its retail electric service and billing under the Special Rate Contract.<sup>10</sup>

The Company states that the services provided under the Energy Management Services Agreement involve wholesale activities. However, because Company personnel will be involved in meeting the Company's contractual obligations under the agreement, and because the Company anticipates treating any revenues derived from the services performed under the agreement as base rate revenue, the Company has provided the Energy Management Services Agreement with its Application for the Commission's consideration and for any necessary approvals.<sup>11</sup>

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<sup>8</sup> *Id.* at 3-4.

<sup>9</sup> *Id.* at 4.

<sup>10</sup> *Id.* at 1, 8-9.

<sup>11</sup> *Id.* at 9.

Dominion Virginia Power states that the Special Rate Contract will not unreasonably prejudice or disadvantage any customer or class of customers, will not jeopardize the continuation of reliable utility service, and will protect the public interest by signaling to companies, especially those in the data center industry, that Virginia is an attractive place to locate.<sup>12</sup> The Company further states that, other than the administrative costs of preparing for this proceeding and negotiating the Special Rate Contract and the Energy Management Services Agreement, it does not expect to incur any significant direct costs to implement the Special Rate Contract or the Energy Management Services Agreement.<sup>13</sup> However, according to the Company, the SCR Rate Schedules will likely result in altered levels of base rate revenue as compared to the Company's traditional rate schedules, though the amount of such revenue differences will depend on the amount of load that actually migrates from Rate Schedules GS-3 and GS-4 to the applicable SCR Rate Schedule and, ultimately, on fuel and market prices.<sup>14</sup>

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter should be docketed; Dominion Virginia Power should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the Company's Application or to participate in this proceeding as a respondent; the Commission Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon; and a Hearing Examiner should be assigned to conduct

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<sup>12</sup> *Id.* at 4-6.

<sup>13</sup> *Id.* at 6-7.

<sup>14</sup> *Id.* at 7-8.

all further proceedings in this matter on behalf of the Commission, including ruling on the Company's Motion for Protective Order and filing a final report containing the Hearing Examiner's findings and recommendations.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2015-00103.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),<sup>15</sup> a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) A public hearing on the Application shall be convened on December 15, 2015, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) The Company shall make copies of the public version of its Application, as well as a copy of this Order for Notice and Hearing, 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, Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Riverside 2, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the

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<sup>15</sup> 5 VAC 5-20-10 *et seq.*

documents by electronic means. Copies of the public version of all documents 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 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before October 30, 2015, the Company shall cause the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territory in Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY VIRGINIA ELECTRIC AND POWER COMPANY, FOR APPROVAL OF SPECIAL RATES, TERMS AND CONDITIONS PURSUANT TO § 56-235.2 OF THE CODE OF VIRGINIA AND NEW RATE SCHEDULES SCR – GS-3 AND SCR – GS-4

CASE NO. PUE-2015-00103

On September 21, 2015, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company"), pursuant to § 56-235.2 of the Code of Virginia, filed with the State Corporation Commission ("Commission") an application ("Application") for approval of a special rate and contract for electric service ("Special Rate Contract"). The Company also filed an Energy Management Services Agreement with its Application for the Commission's consideration. The Company has requested expedited consideration of its Application.

On September 18, 2015, Dominion Virginia Power and Vadata, Inc. ("Vadata"), entered into a Special Rate Contract. Vadata is a high-load factor, Virginia jurisdictional customer of Dominion Virginia Power. Vadata is a subsidiary of Amazon.com, Inc., and an affiliate of Amazon Web Services.

In its Application, Dominion Virginia Power states that Amazon Web Services, and by extension Vadata, has made a long-term corporate commitment to ultimately achieve 100% renewable energy usage for its global infrastructure footprint, with a short-term goal of increasing its renewable energy usage to at least 40% by the end of 2016. To accomplish this, Amazon Web Services has announced that it has entered into wholesale power purchase agreements to buy the output of new renewable generating resources that commence delivery in early 2016. Amazon Web Services is also in the process of joining PJM Interconnection, L.L.C. ("PJM"), as a market participant and intends to resell the energy output of its power purchase agreements into PJM and receive the associated PJM market-based revenues and charges. According to the Company, a PJM market-based retail rate would help Vadata financially correlate its wholesale PJM market participation with the retail electric service and billing for its accounts. In its Application, Dominion Virginia Power states that the Special Rate Contract would provide Vadata with a newly-designed and optional market-based rate for its qualifying load accounts that is structured to reflect pricing in the PJM wholesale market.

The Special Rate Contract is comprised of: (i) a base contract proposed for an initial term extending through December 31, 2020, and continuing thereafter by automatic one-year renewals, unless otherwise terminated with notice; and (ii) two companion market-based rate schedules, designated Rate Schedule SCR – GS-3 and Rate Schedule SCR – GS-4 (collectively, "SCR Rate Schedules"), for the Company's provision of electric service to Vadata's qualifying current or future accounts. While the Company states in its Application that it anticipates offering a new experimental market-based rate as an elective option for certain of the Company's other high load factor commercial and industrial customers in a future proceeding, the rate schedules proposed in this proceeding, Rate Schedule SCR – GS-3 and Rate Schedule SCR – GS-4, would only be available to Vadata's qualifying current or future accounts. To qualify to transfer to the SCR Rate Schedules, Vadata's accounts must: (i) be eligible for Rate Schedule GS-3 or Rate Schedule GS-4; (ii) have peak demand of 5 megawatts or more; and (iii) meet the additional criteria set forth in the Special Rate Contract. According to the Application, Vadata will determine whether to transfer accounts to the SCR Rate Schedules on an individual account basis.

On September 18, 2015, Dominion Virginia Power and Vadata also entered into an Energy Management Services Agreement for the provision of certain incidental non-tariff market management services, including wholesale energy scheduling and settlement services, and other wholesale energy management services relating to the wholesale activities of Vadata and its affiliates in the PJM market. According to the Application, the Energy Management Services Agreement will allow Vadata, at its option, to have one entity – the Company – manage both Vadata's wholesale transaction activities in PJM and its retail electric service and billing under the Special Rate Contract.

The Company states that the services provided under the Energy Management Services Agreement involve wholesale activities. However, because Company personnel will be involved in meeting the Company's contractual obligations under the agreement, and because the Company anticipates treating any revenues derived from the services performed under the agreement as base rate revenue, the Company has provided the Energy Management Services Agreement with its Application for the Commission's consideration and for any necessary approvals.

Dominion Virginia Power states that the Special Rate Contract will not unreasonably prejudice or disadvantage any customer or class of customers, will not jeopardize the continuation of reliable utility service, and will protect the public interest by signaling to companies, especially those in the data center industry, that Virginia is an attractive place to locate. The Company further states that, other than the administrative costs of preparing for this proceeding and negotiating the Special Rate Contract and the Energy Management Services Agreement, it does not expect to incur any significant direct costs to implement the Special Rate Contract or the Energy Management Services Agreement. However, according to the Company, the SCR Rate Schedules will likely result in altered levels of base rate revenue as compared to the Company's traditional rate schedules, though the amount of such revenue differences will depend on the amount of load that actually migrates from Rate Schedules GS-3 and GS-4 to the applicable SCR Rate Schedule and, ultimately, on fuel and market prices.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled a public hearing on December 15, 2015, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive testimony from members of

the public and evidence related to the Application from the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

The public version of the Company's Application and the Commission's Order for Notice and Hearing are 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, Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Riverside 2, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and documents filed in this case also are 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 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

Any person or entity may participate as a respondent in this proceeding by filing, on or before November 17, 2015, a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. A copy of the notice of participation as a respondent also must be sent simultaneously to counsel for the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, 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. All filings shall refer to Case No. PUE-2015-00103. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing.

On or before November 17, 2015, each respondent may file with the Clerk of the Commission, and serve on the Commission's Staff, the Company, and all other respondents, any testimony and

exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Respondents also 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*. All filings shall refer to Case No. PUE-2015-00103.

On or before December 8, 2015, any interested person wishing to comment on the Company's Application shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Application. Any interested person desiring to file comments electronically may do so on or before December 8, 2015, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUE-2015-00103.

The Commission's Rules of Practice and Procedure may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

VIRGINIA ELECTRIC AND POWER COMPANY  
d/b/a DOMINION VIRGINIA POWER

(6) On or before October 30, 2015, the Company shall serve a copy of this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) and city or town attorney of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.

(7) On or before November 13, 2015, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6), including the name, title, and address of each official served.

(8) On or before December 8, 2015, any interested person may file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to submit comments electronically may do so on or before December 8, 2015, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUE-2015-00103.

(9) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before November 17, 2015. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (8), and the respondent shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, 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. Any organization, corporation or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2015-00103.

(10) 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 public version of the Application, and all materials filed by the Company with the Commission unless these materials have already been provided to the respondent.

(11) On or before November 17, 2015, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission. In all filings, the respondent shall comply with the Commission's Rules of Practice, 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*. All filings shall refer to Case No. PUE-2015-00103.

(12) The Staff shall investigate the Application. On or before November 17, 2015, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. A copy thereof shall be served on counsel to the Company and all respondents.

(13) On or before December 2, 2015, the Company shall file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. The Company shall serve a copy on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (8).

(14) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, shall be modified for this proceeding as follows: Responses and objections to written interrogatories and requests for production of documents shall be served within five (5) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.<sup>16</sup> Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(15) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Riverside 2, Richmond, Virginia 23219; Kristian M. Dahl, Esquire, and Jennifer D. Daglio, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 900 East Main Street, Second Floor, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.

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<sup>16</sup> The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUE-2015-00103, in the appropriate box.