

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, DECEMBER 10, 2015

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2015-00108

For approval to establish experimental companion rates, designated Rate Schedule MBR - GS-3 (Experimental) and Rate Schedule MBR - GS-4 (Experimental) pursuant to § 56-234 B of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On November 3, 2015, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") for approval to establish experimental companion rates, designated Rate Schedule MBR - GS-3 (Experimental) and Rate Schedule MBR - GS-4 (Experimental) (collectively, "MBR Rate Schedules") pursuant to § 56-234 B of the Code of Virginia ("Code") and Rule 80 of the Commission's Rules of Practice and Procedure ("Rules of Practice").<sup>1</sup>

Specifically, Dominion Virginia Power requests an opportunity to test market-based rates, on an experimental basis, for certain high load-factor customers.<sup>2</sup> The Company states that such an experimental rate could gauge customer interest in a market-based rate and gather necessary information about market-based rate implementation with respect to customers outside of the context of a special rate contract and in furtherance of the public interest.<sup>3</sup>

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<sup>1</sup> Application at 1; 5 VAC 5-20-10 *et seq.*

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

<sup>3</sup> *Id.* Dominion Virginia Power states that it recently filed an application for approval of a special rate contract for a similar market-based rate, pursuant to § 56-235.2 of the Code, for a customer with unique load characteristics and a corporate commitment to increase renewable energy supply. See *Application of Virginia Electric and Power Company, For approval of special rates, terms and conditions pursuant to § 56-235.2 of the Code of Virginia and for expedited consideration*, Case No. PUE-2015-00103. Application at 2-3.

As proposed, the MBR Rate Schedules contain newly designed and optional market-based rates structured to reflect pricing in the PJM Interconnection, LLC ("PJM"), wholesale market for qualifying customers who would otherwise take service under Rate Schedule GS-3 or Rate Schedule GS-4.<sup>4</sup> The Company represents that the MBR Rate Schedules include a: (1) generation capacity charge; (2) generation energy charge; (3) PJM ancillary service charge; (4) PJM administrative fee charge; and (5) margin charge.<sup>5</sup>

To be eligible for the MBR Rate Schedules, Dominion Virginia Power represents that customers must: (1) be currently taking electric service under Rate Schedule GS-3 or Rate Schedule GS-4, subject to certain qualifications and limitations specified in the MBR Rate Schedules; (2) have a measured peak demand of five megawatts ("MW") or more during at least three billing months in the current and previous eleven billing months; (3) have a billing history with the Company for at least twelve consecutive billing months in the current and previous eleven billing months; and (4) have a qualifying average monthly load factor of at least 85%.<sup>6</sup> As proposed, the MBR Rate Schedules have a total combined participation cap of 200 MW, and a minimum term of three years.<sup>7</sup> The Company also proposes that the MBR Rate Schedules expire on December 31, 2022.<sup>8</sup>

Dominion Virginia Power does not anticipate any impact on reliability or any change in the Company's PJM market operations or in the Company's actual costs to serve its load from the

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

<sup>5</sup> *Id.* The Company represents in its Application that the margin charge is intended to cover any differences between the Company's designed market-based rates in the MBR Rate Schedules and the actual marginal PJM costs to serve customers electing to migrate from Rate Schedule GS-3 and Rate Schedule GS-4 to the applicable companion Rate Schedule MBR - GS-3 (Experimental) and Rate Schedule MBR - GS-4 (Experimental). *Id.*

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

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 6.

MBR Rate Schedules.<sup>9</sup> For example, Dominion Virginia Power explains that a qualifying customer's election to move an account from Rate Schedule GS-3 to Rate Schedule MBR - GS-3 (Experimental) would not impact how the Company's load would be bid or otherwise offered into the PJM market.<sup>10</sup> The only distinction would be that a customer electing Rate Schedule MBR - GS-3 (Experimental) would be charged a rate that reflects PJM wholesale market pricing.<sup>11</sup>

Dominion Virginia Power describes the MBR Rate Schedules as companion tariffs to the applicable Rate Schedule GS-3 or Rate Schedule GS-4.<sup>12</sup> As such, Dominion Virginia Power explains that a participating customer's billing statement would look much as it does today with the exception of a new line item, which is the computed variance between the market-based rate charges and the applicable Rate Schedule GS-3 or Rate Schedule GS-4 charges for generation.<sup>13</sup> This companion rate design, according to the Company, permits Dominion Virginia Power to continue funding the Commission-approved Virginia jurisdictional fuel clause and rate adjustment clauses for generation, transmission, and demand-side management, to ensure no impacts to other nonparticipating Virginia jurisdictional customers occur during the Transitional Rate Period.<sup>14</sup>

Should the Commission approve the Company's Application, Dominion Virginia Power requests to implement the MBR Rate Schedules within 60 days of the Commission's final order

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<sup>9</sup> *Id.* at 4-5.

<sup>10</sup> *Id.* at 4.

<sup>11</sup> *Id.* at 4-5.

<sup>12</sup> *Id.* at 5.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* Pursuant to § 56-585.1:1 of the Code, the Transitional Rate Period runs from January 1, 2015, through December 31, 2019.

in this proceeding.<sup>15</sup> Once the Company implements the MBR Rate Schedules, Dominion Virginia Power represents that it would collect data and information related primarily to customer interest in the market-based rate.<sup>16</sup> The Company also expects to analyze differences in load profiles and peak demands of customers on the MBR Rate Schedules as well as the volatility of a market-based rate and how such rate volatility may impact participating customers' bills.<sup>17</sup> Dominion Virginia Power further represents that it would collect information on the market-based rate variability and corresponding base rate variance to determine the extent of possible base rate impacts following the expiration of the Transitional Rate Period, and would evaluate the volumes of customers on the MBR Rate Schedules and the volatility of market-based rates to help understand what types of risk management transactions, if any, may be necessary.<sup>18</sup> Collectively, Dominion Virginia Power plans to use this information to determine which classes of customers and customer load profiles may be best suited for any future market-based rate offering, and how to manage any impacts in a way to minimize effects on nonparticipating customers.<sup>19</sup> Finally, if the Commission approves the MBR Rate Schedules, Dominion Virginia Power also proposes to track key metrics, make annual updates to the Commission, and submit a final comprehensive report within 90 days of the conclusion of the MBR Rate Schedules.<sup>20</sup>

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<sup>15</sup> Application at 4.

<sup>16</sup> *Id.* at 5.

<sup>17</sup> *Id.* at 5-6.

<sup>18</sup> *Id.* at 6.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that 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 Application; a procedural schedule should be established to allow interested persons an opportunity to file comments on the Application or to participate in this proceeding as a respondent; and the Commission's Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon. Further, we find that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission, including 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-2015-00108.
- (2) As provided by § 12.1-31 of the Code and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission as directed above.
- (3) A public hearing on the Application shall be convened on April 12, 2016, at 10 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record the testimony of public witnesses and the evidence of the Company, any respondents, and 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) A copy of the Application 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 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, 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 January 12, 2016, 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  
THE APPLICATION OF VIRGINIA ELECTRIC AND POWER  
COMPANY FOR APPROVAL TO ESTABLISH  
EXPERIMENTAL COMPANION RATES, PURSUANT TO  
§ 56-234 B OF THE CODE OF VIRGINIA  
CASE NO. PUE-2015-00108

On November 3, 2015, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") for approval to establish experimental companion rates, designated Rate Schedule MBR - GS-3 (Experimental) and Rate Schedule MBR - GS-4 (Experimental) (collectively, "MBR Rate Schedules") pursuant to § 56-234 B of the Code of Virginia and Rule 80 of the Commission's Rules of Practice and Procedure ("Rules of Practice").

Specifically, Dominion Virginia Power requests an opportunity to test market-based rates, on an experimental basis, for certain high load-factor customers. The Company states that such an experimental rate could gauge customer interest in a market-based rate and gather necessary information about market-based rate implementation with respect to customers outside of the context of a special rate contract and in furtherance of the public interest.

As proposed, the MBR Rate Schedules contain newly designed and optional market-based rates structured to reflect pricing in the PJM Interconnection, LLC ("PJM") wholesale market for qualifying customers who would otherwise take service under Rate Schedule GS-3 or Rate Schedule GS-4. The Company represents that the MBR Rate Schedules include a: (1) generation capacity charge; (2) generation energy charge; (3) PJM ancillary service charge; (4) PJM administrative fee charge; and (5) margin charge.

To be eligible for the MBR Rate Schedules, Dominion Virginia Power represents that customers must: (1) be currently taking electric service under Rate Schedule GS-3 or Rate Schedule GS-4, subject to certain qualifications and limitations specified in the MBR Rate Schedules; (2) have a measured peak demand of five megawatts ("MW") or more during at least three billing months in the current and previous eleven billing months; (3) have a billing history with the Company for at least twelve consecutive billing months in the current and previous eleven billing months; and (4) have a qualifying average monthly load factor of at least 85%. As proposed, the MBR Rate Schedules have a total combined participation cap of 200 MW, and a minimum term of three years. The Company also proposes that the MBR Rate Schedules expire on December 31, 2022.

Dominion Virginia Power does not anticipate any impact on reliability or any change in the Company's PJM market operations or in the Company's actual costs to serve its load from the MBR Rate Schedules. For example, Dominion Virginia Power explains that a qualifying customer's election to move an account from Rate Schedule GS-3 to Rate Schedule MBR - GS-3 (Experimental) would not impact how the Company's load would be bid or otherwise offered into the PJM market. The only distinction would be that a customer electing Rate Schedule MBR - GS-3 (Experimental) would be charged a rate that reflects PJM wholesale market pricing.

Dominion Virginia Power describes the MBR Rate Schedules as companion tariffs to the applicable Rate Schedule GS-3 or Rate Schedule GS-4. As such, Dominion Virginia Power explains that a participating customer's billing statement would look much as it does today with the exception of a new line item, which is the computed variance between the market-based rate charges and the applicable Rate Schedule GS-3 or Rate Schedule GS-4 charges for generation. This companion rate design, according to the Company, permits Dominion Virginia Power to continue funding the Commission-approved Virginia jurisdictional

fuel clause and rate adjustment clauses for generation, transmission, and demand-side management, to ensure no impacts to other nonparticipating Virginia jurisdictional customers occur during the Transitional Rate Period.

Should the Commission approve the Company's Application, Dominion Virginia Power requests to implement the MBR Rate Schedules within 60 days of the Commission's final order in this proceeding. Once the Company implements the MBR Rate Schedules, Dominion Virginia Power represents that it would collect data and information related primarily to customer interest in the market-based rate. The Company also expects to analyze differences in load profiles and peak demands of customers on the MBR Rate Schedules as well as the volatility of a market-based rate and how such rate volatility may impact participating customers' bills. Dominion Virginia Power further represents that it would collect information on the market-based rate variability and corresponding base rate variance to determine the extent of possible base rate impacts following the expiration of the Transitional Rate Period, and would evaluate the volumes of customers on the MBR Rate Schedules and the volatility of market-based rates to help understand what types of risk management transactions, if any, may be necessary. Collectively, Dominion Virginia Power plans to use this information to determine which classes of customers and customer load profiles may be best suited for any future market-based rate offering, and how to manage any impacts in a way to minimize effects on nonparticipating customers. Finally, if the Commission approves the MBR Rate Schedules, Dominion Virginia Power also proposes to track key metrics, make annual updates to the Commission, and submit a final comprehensive report within 90 days of the conclusion of the MBR Rate Schedules.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals.

The Commission entered an Order for Notice and Hearing in this proceeding that, among other things, scheduled a public hearing on April 12, 2016, 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.

A copy of the Application 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 all 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 February 12, 2016, 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 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, 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-2015-00108. 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 April 5, 2016, any interested person wishing to comment on the Application shall file written comments on the Application with the Clerk of the Commission at the address set forth above. Any interested person desiring to file comments electronically may do so on or before April 5, 2016, 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-2015-00108.

The Commission's Rules of Practice may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

VIRGINIA ELECTRIC AND POWER COMPANY

(6) On or before January 12, 2016, 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 either by personal delivery or first class mail to the customary place of business or residence of the person or entity served.

(7) On or before January 26, 2016, the Company shall file proof of the notice and service required by Ordering Paragraphs (5) and (6), including the name, title, and address of each official served with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(8) On or before April 5, 2016, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (7). Any interested person desiring to submit comments electronically may do so on or before April 5, 2016, 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-2015-00108.

(9) On or before February 12, 2016, any person or entity may participate as a respondent in this proceeding by filing a notice of participation. 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 (7), and the respondent simultaneously shall 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-2015-00108.

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

(11) On or before February 29, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Paragraph (7) 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, but not limited to: 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-2015-00108.

(12) The Staff shall investigate the Application. On or before March 15, 2016, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of 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 March 29, 2016, the Company may 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 (7).

(14) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories 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 seven (7) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260 of the Rules of Practice, 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 Staff.<sup>21</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.

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<sup>21</sup> The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search" and entering the case number, PUE-2015-00108, in the appropriate box.

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 23219-3916; 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; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.