

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, DECEMBER 23, 2015

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2015-00114

For establishment of a rate adjustment clause:  
Rider U, new underground distribution facilities,  
For the rate year commencing September 1, 2016

ORDER FOR NOTICE AND HEARING

On December 1, 2015, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission"), pursuant to § 56-585.1 A 6 of the Code of Virginia ("Subsection A 6") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.* ("Rate Case Rules"), an application ("Application") for approval of a rate adjustment clause ("RAC") designated Rider U, for new underground distribution facilities, for the rate year commencing September 1, 2016, through August 31, 2017 ("2016 rate year").<sup>1</sup> Dominion Virginia Power filed a Motion for Entry of a Protective Order and Additional Protective Treatment ("Motion for Protective Order"), as well as a proposed Protective Order with its Application.

The Company states in its Application that the 2014 General Assembly passed legislation<sup>2</sup> ("2014 Legislation") which "allows a utility to petition the Commission for approval of a RAC pursuant to clause (iv) of Subsection A 6 for recovery of the costs of new underground

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<sup>1</sup> The Company's Application included certain waiver requests with respect to the filing requirements of the Rate Case Rules. Pursuant to its Order issued on December 9, 2015, the Commission denied the Company's requested waiver to file Schedule 45 and found the Application incomplete for purposes of initiating this proceeding and commencing the Commission's nine-month review period. *See* Va. Code § 56-585.1 A 7. On December 10, 2015, the Company filed Schedule 45, together with supporting testimony, making the Application complete as of that date.

<sup>2</sup> *See* Chapters 212 and 548 of the 2014 Virginia Acts of Assembly.

facilities to replace overhead distribution facilities of 69 kilovolts [] or less."<sup>3</sup> The Company further states that, pursuant to the 2014 Legislation, it previously filed an application requesting Commission approval of a RAC in connection with its Strategic Underground Program ("SUP"), which was denied by the Commission in Case No. PUE-2014-00089 by Final Order dated July 30, 2015 ("2015 Order").<sup>4</sup> The Company acknowledges the Commission's concerns as expressed in the 2015 Order and states in response that it is presenting a substantially revised Application which seeks "approval of a rider for cost recovery of a more limited and clearly defined Phase One of the SUP."<sup>5</sup> According to the Application, Phase One began in April 2014 and includes only "those projects which will actually be completed prior to the beginning of the proposed rate year or September 1, 2016."<sup>6</sup>

The Company states that from a set of 4,000 miles of outage-prone lines, the Company has identified a smaller subset of lines, approximately 400 miles of its overhead tap lines located across its Virginia service territory, for Phase One implementation, which will assist in evaluating and providing processes and procedures needed to potentially implement subsequent phases of a broader SUP.<sup>7</sup> According to the Application, the capital investment for Phase One is limited to no more than \$140 million.<sup>8</sup> Dominion Virginia Power states that its actual expenses for Phase One incurred between April 1, 2014, and August 31, 2015, were approximately \$74

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

<sup>4</sup> *Id.* at 3-4. See *Application of Virginia Electric and Power Company, For approval of a rate adjustment clause: Rider U, new underground distribution facilities, for the rate year commencing September 1, 2015*, Case No. PUE-2014-00089, Doc. Con. Cen. No. 150750144, Final Order (July 30, 2015).

<sup>5</sup> Application at 4.

<sup>6</sup> *Id.* at 7; Direct Testimony of Leslie M. Carter at 3.

<sup>7</sup> Application at 6.

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

million and that the projected costs through August 31, 2016, are an additional approximately \$66 million, for a total of \$140 million.<sup>9</sup>

The Company seeks approval of Rider U with an associated revenue requirement in the amount of \$24.329 million for the 2016 rate year.<sup>10</sup> The Company states that the two key components of the revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-up Factor.<sup>11</sup> To calculate the Projected Cost Recovery Factor, the Application states that the Company proposes to reflect only projected plant balances as of August 31, 2016, the month-end immediately preceding the beginning of the rate year, in determining the rate base and calculating projected financing costs on rate base.<sup>12</sup> Additionally, the Company states that it is proposing to amortize the deferred costs incurred prior to the beginning of the 2016 rate year over a two-year amortization period, while foregoing additional carrying costs on the second year of amortization.<sup>13</sup> Dominion Virginia Power did not include a true-up amount in this case. However, if requested as part of the 2017 update filing as expected by the Company, Dominion Virginia Power represents that the Actual Cost True-up portion of the revenue requirement would either credit to, or recover from, jurisdictional customers any over or under collection of costs from the most recently completed calendar year.<sup>14</sup>

If the proposed Rider U for the 2016 rate year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. The Company asserts that

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<sup>9</sup> Direct Testimony of Leslie M. Carter at 3-4.

<sup>10</sup> Application at 9-11.

<sup>11</sup> *Id.* at 8.

<sup>12</sup> *Id.* at 9.

<sup>13</sup> *Id.* The Company represents that such deferred costs include depreciation expense, property taxes, and financing costs incurred up through the beginning of the 2016 rate year.

<sup>14</sup> *Id.* at 10.

implementation of the proposed Rider U beginning on September 1, 2016, would increase the residential customer's monthly bill, based on a 1,000 kWh per month, by \$0.62.<sup>15</sup>

Dominion Virginia Power states that pursuant to §§ 56-585.1 and 56-585.1:1 of the Code of Virginia, it applied a return on common equity of 10% prescribed by the Commission in the Company's 2013 Biennial Review<sup>16</sup> to calculate the proposed revenue requirement for the 2016 rate year.<sup>17</sup>

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that the Company 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; and that the Commission Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations on the Application.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 12.1-31 of the Code of Virginia and Rule 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),<sup>18</sup> a Hearing Examiner is appointed to rule on the Company's Motion for Protective Order and to rule on any discovery matters that may arise in this proceeding.

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<sup>15</sup> *Id.* at 11.

<sup>16</sup> *Application of Virginia Electric and Power Company, For a 2013 biennial 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-2013-00020, 2013 S.C.C. Ann. Rept. 371, 376, Final Order (Nov. 26, 2013).

<sup>17</sup> Application at 8.

<sup>18</sup> 5 VAC 5-20-10 *et seq.*

(2) A public hearing on the Application shall be convened on June 7, 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 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.

(3) 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, Charlotte P. McAfee, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, 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 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>.

(4) On or before January 20, 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 AN APPLICATION BY  
 VIRGINIA ELECTRIC AND POWER COMPANY FOR  
 ESTABLISHMENT OF A RATE ADJUSTMENT CLAUSE:  
 RIDER U, NEW UNDERGROUND DISTRIBUTION  
 FACILITIES, FOR THE RATE YEAR COMMENCING  
 SEPTEMBER 1, 2016  
CASE NO. PUE-2015-00114

On December 1, 2015, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission"), pursuant to § 56-585.1 A 6 of the Code of Virginia ("Subsection A 6") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.*, an application ("Application") for approval of a rate adjustment clause ("RAC") designated Rider U, for new underground distribution facilities, for the rate year commencing September 1, 2016, through August 31, 2017 ("2016 rate year").

The Company states in its Application that the 2014 General Assembly passed legislation ("2014 Legislation") which "allows a utility to petition the Commission for approval of a RAC pursuant to clause (iv) of Subsection A 6 for recovery of the costs of new underground facilities to replace overhead distribution facilities of 69 kilovolts [] or less." The Company further states that, pursuant to the 2014 Legislation, it previously filed an application requesting Commission approval of a RAC in connection with its Strategic Underground Program ("SUP"), which was denied by the Commission in Case No. PUE-2014-00089 by Final Order dated July 30, 2015 ("2015 Order"). The Company acknowledges the Commission's concerns as expressed in the 2015 Order and states in response that it is presenting a substantially revised Application which only seeks "approval of a rider for cost recovery of a more limited and clearly defined Phase One of the SUP." According to the Application, Phase One began in April 2014 and includes only "those projects which will actually be completed prior to the beginning of the proposed rate year or September 1, 2016."

The Company states that from a set of 4,000 miles of outage-prone lines, the Company has identified a smaller subset of lines, approximately 400 miles of its overhead tap lines located across its Virginia service territory, for Phase One implementation, which will assist in evaluating and providing processes and procedures needed to potentially implement subsequent phases of a broader SUP. According to the Application, the capital investment

for Phase One is limited to no more than \$140 million. Dominion Virginia Power states that its actual expenses for Phase One incurred between April 1, 2014, and August 31, 2015, were approximately \$74 million and that the projected costs through August 31, 2016, are an additional approximately \$66 million, for a total of \$140 million.

The Company seeks approval of Rider U with an associated revenue requirement in the amount of \$24.329 million for the 2016 rate year. The Company states that the two key components of the revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-up Factor. To calculate the Projected Cost Recovery Factor, the Application states that the Company proposes to reflect only projected plant balances as of August 31, 2016, the month-end immediately preceding the beginning of the rate year, in determining the rate base and calculating projected financing costs on rate base. Additionally, the Company states that it is proposing to amortize the deferred costs incurred prior to the beginning of the 2016 rate year over a two-year amortization period, while foregoing additional carrying costs on the second year of amortization. Dominion Virginia Power did not include a true-up amount in this case. However, if requested as part of the 2017 update filing as expected by the Company, Dominion Virginia Power represents that the Actual Cost True-up portion of the revenue requirement would either credit to, or recover from, jurisdictional customers any over or under collection of costs from the most recently completed calendar year.

If the proposed Rider U for the 2016 rate year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. The Company asserts that implementation of the proposed Rider U beginning on September 1, 2016, would increase the residential customer's monthly bill, based on a 1,000 kWh per month, by \$0.62.

Dominion Virginia Power states that pursuant to §§ 56-585.1 and 56-585.1:1 of the Code of Virginia, it applied a return on common equity of 10% prescribed by the Commission in the Company's 2013 Biennial Review to calculate the proposed revenue requirement for the 2016 rate year.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. TAKE NOTICE that the Commission may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents and thus may adopt rates that differ from

those appearing in the Company's Application and supporting documents.

The Commission entered an Order for Notice and Hearing in this proceeding that, among other things, scheduled a public hearing on June 7, 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 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, Charlotte P. McAfee, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, 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 March 8, 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 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-2015-00114. 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 May 31, 2016, any interested person wishing to comment on the Company's 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 May 31, 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-2015-00114.

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 the Clerk of the Commission at the address set forth above.

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

(5) On or before January 20, 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 by either personal delivery or first class mail to the customary place of business or residence of the person served.

(6) On or before February 3, 2016, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (4) and (5), including the name, title, and address of each official served.

(7) On or before May 31, 2016, 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 May 31, 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-2015-00114.

(8) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before March 8, 2016. 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 shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (3). 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-2015-00114.

(9) 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 public materials filed by the Company with the Commission unless these materials have already been provided to the respondent.

(10) On or before April 12, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Ordering 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 at the address set forth in Ordering Paragraph (7). 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-2015-00114.

(11) The Staff shall investigate the Application. On or before May 10, 2016, 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 Dominion Virginia Power and all respondents.

(12) On or before May 24, 2016, Dominion Virginia Power may file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer and simultaneously shall serve a copy on the Staff and all respondents 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).

(13) 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: answers to 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>19</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.*

(14) This matter is continued.

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

Lisa S. Booth, Esquire, and Charlotte P. McAfee, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; Joseph K. Reid, III, Esquire, and William G. Bushman, 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; and a copy 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>19</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-2015-00114, in the appropriate box.