

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 29, 2016

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2016-00059

For revision of rate adjustment clause: Rider B,
Biomass Conversions of the Altavista, Hopewell,
and Southampton power stations for the rate year
commencing April 1, 2017

ORDER FOR NOTICE AND HEARING

On June 1, 2016, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed an annual update with respect to the Company's rate adjustment clause, Rider B ("Application"). The Company filed its Application pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code") and the directive contained in Ordering Paragraph (4) of the Final Order issued by the State Corporation Commission of Virginia ("Commission") in Case No. PUE-2015-00058 ("2015 Rider B Proceeding").¹ Through its Application, Dominion Virginia Power seeks to recover costs associated with the major unit modifications of the Altavista, Hopewell, and Southampton power stations (collectively, the "Biomass Conversions").

In Case No. PUE-2011-00073,² the Commission approved a certificate of public convenience and necessity for the Biomass Conversions. In conjunction with its approval of the

¹ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton power stations, for the rate year commencing April 1, 2016*, Case No. PUE-2015-00058, Doc. Con. Cen. No. 160250199, Final Order (Feb. 29, 2016).

² *Applications of Virginia Electric and Power Company, For approval and certification of the proposed biomass conversions of the Altavista, Hopewell, and Southampton Power Stations under §§ 56-580 D and 56-46.1 of the Code of Virginia and for approval of a rate adjustment clause, designated as Rider B, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUE-2011-00073, 2012 S.C.C. Ann. Rept. 279, Final Order (Mar. 16, 2012) ("Biomass Conversions CPCN Proceeding").

Biomass Conversions, the Commission also approved a rate adjustment clause, designated Rider B, which allowed Dominion Virginia Power to recover its costs associated with the major unit modifications of the Biomass Conversions.³ In Case Nos. PUE-2012-00072,⁴ PUE-2013-00060,⁵ PUE-2014-00050,⁶ and in the 2015 Rider B Proceeding, the Commission approved updates to Rider B.⁷

According to Dominion Virginia Power, Altavista became fully operational as a biomass fueled unit on July 12, 2013; Hopewell became fully operational as a biomass fueled unit on October 18, 2013; and Southampton became fully operational as a biomass fueled unit on November 28, 2013.⁸

In this proceeding, Dominion Virginia Power has asked the Commission to approve an update to Rider B for the rate year beginning April 1, 2017, and ending March 31, 2018 ("2017 Rate Year").⁹ The Company is requesting a total revenue requirement of approximately \$28,483,000 for service rendered during the 2017 Rate Year.¹⁰ The two key components of the

³ Application at 3.

⁴ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton power stations, for the rate year commencing April 1, 2013*, Case No. PUE-2012-00072, Doc. Con. Cen. No. 130330134, Final Order (Mar. 22, 2013).

⁵ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton power stations, for the rate year commencing April 1, 2014*, Case No. PUE-2013-00060, 2014 S.C.C. Ann. Rept. 278, Final Order (Mar. 14, 2014).

⁶ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton Power Stations, for the Rate Year Commencing April 1, 2015*, Case No. PUE-2014-00050, 2015 S.C.C. Ann. Rept. 223, Final Order (Mar. 12, 2015).

⁷ Application at 3.

⁸ *Id.* at 4.

⁹ *Id.* at 4, 14.

¹⁰ *Id.* at 9.

proposed total revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor. The Company is requesting a Projected Cost Recovery Factor revenue requirement of \$17,150,000, and an Actual Cost True-Up Factor revenue requirement of \$11,333,000.¹¹

Dominion Virginia Power utilized a rate of return on common equity ("ROE") of 12.50% for purposes of calculating the Projected Cost Recovery Factor in this case. This ROE comprises a general ROE of 10.5%,¹² plus a 200 basis point enhanced return applicable to qualifying renewable powered generation facilities as described in § 56-585.1 A 6 of the Code.¹³ For purposes of calculating the Actual Cost True-Up Factor, including an accompanying correction to the 2014 calendar year Actual Cost True-Up Factor, the Company utilized an ROE of 12%, which comprises the general ROE of 10% approved by the Commission in its Final Order in Case No. PUE-2013-00020,¹⁴ plus the 200 basis point enhanced return.¹⁵

If the proposed Rider B for the 2017 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to Dominion Virginia Power, implementation of its proposed Rider B on April 1, 2017, would increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.03.¹⁶

¹¹ *Id.*

¹² See Direct Testimony of Robert B. Hevert at 51-52.

¹³ Application at 7; Direct Testimony of Cory A. Seiders at 3. The 200 basis point enhanced return was approved by the Commission in the Biomass Conversions CPCN Proceeding for the first five years of the Biomass Conversions' service lives.

¹⁴ *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, Final Order (Nov. 26, 2013).

¹⁵ Direct Testimony of Cory A. Seiders at 3.

¹⁶ Application at 10.

The Company states that it has calculated the proposed Rider B rates in accordance with the same methodology as used for rates approved by the Commission in the 2015 Rider B Proceeding.¹⁷

Finally, in conjunction with the filing of its Application, on June 1, 2016, the Company filed the Motion of Virginia Electric and Power Company for Entry of a Protective Ruling ("Motion for Protective Ruling") and a proposed protective ruling that establishes procedures governing the use of confidential information in this proceeding.

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 Application; interested persons should have an opportunity to file comments on the Application or to participate as a respondent in this proceeding; and the Commission's Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon.

We also find that ROE issues (factual or legal) that arise in this case will be bifurcated from the remainder of the case and heard by the Commission.¹⁸ A Hearing Examiner is assigned to conduct all further proceedings on non-ROE issues in this matter on behalf of the Commission, including ruling on the Company's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations on non-ROE issues.

¹⁷ *Id.* at 9; 2015 Rider B Proceeding.

¹⁸ The ROE issues involving rate adjustment clauses in Case Nos. PUE-2016-00060, PUE-2016-00061, PUE-2016-00062, and PUE-2016-00063 also will be bifurcated from the remainder of their respective cases and heard by the Commission. The bifurcated proceedings on ROE in each of these five rate adjustment cases shall be heard together, without consolidation.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2016-00059.

(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"),¹⁹ a Hearing Examiner is appointed to conduct, on behalf of the Commission, all further proceedings on non-ROE issues in this matter, including ruling on any discovery issues and the Company's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

(3) ROE issues shall be bifurcated from the remainder of the case and are not hereby assigned to a Hearing Examiner.

(4) A public hearing on non-ROE aspects of the Company's Application shall be convened by a Hearing Examiner on January 24, 2017, 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.

(5) A public hearing on ROE issues in this case and in Case Nos. PUE-2016-00060, PUE-2016-00061, PUE-2016-00062, and PUE-2016-00063 shall be convened by the Commission on January 18, 2017, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

¹⁹ 5 VAC 5-20-10 *et seq.*

(6) 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, 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>.

(7) On or before August 1, 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 REVISION OF RATE ADJUSTMENT CLAUSE:
RIDER B, BIOMASS CONVERSIONS OF THE ALTAVISTA,
HOPEWELL, AND SOUTHAMPTON POWER STATIONS
CASE NO. PUE-2016-00059

On June 1, 2016, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed an annual update with respect to the Company's rate adjustment clause, Rider B ("Application"). The Company filed its Application pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code") and the directive contained in Ordering Paragraph (4) of the Final Order issued by the State Corporation Commission of Virginia ("Commission") in Case No.

PUE-2015-00058 ("2015 Rider B Proceeding"). Through its Application, Dominion Virginia Power seeks to recover costs associated with the major unit modifications of the Altavista, Hopewell, and Southampton power stations (collectively, the "Biomass Conversions").

In Case No. PUE-2011-00073, the Commission approved a certificate of public convenience and necessity for the Biomass Conversions. In conjunction with its approval of the Biomass Conversions, the Commission also approved a rate adjustment clause, designated Rider B, which allowed Dominion Virginia Power to recover its costs associated with the major unit modifications of the Biomass Conversions. In Case Nos. PUE-2012-00072, PUE-2013-00060, PUE-2014-00050, and in the 2015 Rider B Proceeding, the Commission approved updates to Rider B.

According to Dominion Virginia Power, Altavista became fully operational as a biomass fueled unit on July 12, 2013; Hopewell became fully operational as a biomass fueled unit on October 18, 2013; and Southampton became fully operational as a biomass fueled unit on November 28, 2013.

In this proceeding, Dominion Virginia Power has asked the Commission to approve an update to Rider B for the rate year beginning April 1, 2017, and ending March 31, 2018 ("2017 Rate Year"). The Company is requesting a total revenue requirement of approximately \$28,483,000 for service rendered during the 2017 Rate Year. The two key components of the proposed total revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor. The Company is requesting a Projected Cost Recovery Factor revenue requirement of \$17,150,000, and an Actual Cost True Up Factor revenue requirement of \$11,333,000.

Dominion Virginia Power utilized a rate of return on common equity ("ROE") of 12.50% for purposes of calculating the revenue requirement in this case. This ROE comprises a general ROE of 10.50%, plus a 200 basis point enhanced return applicable to qualifying renewable powered generation facilities as described in § 56-585.1 A 6 of the Code.

If the proposed Rider B for the 2017 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to Dominion Virginia Power, implementation of its proposed Rider B on April 1, 2017, would increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.03.

The Company states that it has calculated the proposed Rider B rates in accordance with the same methodology as used for rates approved by the Commission in the 2015 Rider B Proceeding.

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 that, among other things, bifurcated ROE issues from the remainder of the case and scheduled a public hearing on January 24, 2017, 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 on the Company's Application. At this public hearing evidence related to non-ROE aspects of the Application will also be received from the Company, any respondents, and the Commission's Staff. Any person desiring to testify 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 contact the Commission's Bailiff.

A public hearing on ROE issues in this case and in Case Nos. PUE-2016-00060, PUE-2016-00061, PUE-2016-00062, and PUE-2016-00063 shall be convened by the Commission on January 18, 2017, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219. At this public hearing evidence and testimony related to ROE aspects of the Application will be received from the Company, any respondents, and the Commission's Staff.

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, 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>.

On or before January 19, 2017, any interested person wishing to comment on the Company's Application shall 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 file comments electronically may do so on or before January 19, 2017, 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-2016-00059.

On or before November 7, 2016, any person or entity wishing to participate as a respondent in this proceeding may do so 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 above. 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 and Procedure ("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-2016-00059. 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 28, 2016, 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 the Clerk of the Commission at the address above. Respondents also 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-2016-00059.

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 above.

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

(8) On or before August 1, 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.²⁰

(9) On or before August 31, 2016, the Company shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, proof of the notice and service required by Ordering Paragraphs (7) and (8), including the name, title, and address of each official served.

²⁰ Service may also be made electronically if a locality has submitted a written request to the Company for electronic service, pursuant to the Commission's April 19, 2016 Order in Case No. PUE-2016-00039. *See Petition of Virginia Electric and Power Company, For a continuing waiver of 20 VAC-5-201-10 J of the Rules Governing Utility Rate Applications and Annual Filings to permit electronic service to local officials upon request, Case No. PUE-2016-00039, Doc. Con. Cen. No. 160420194, Order (Apr. 19, 2016).*

(10) On or before January 19, 2017, any interested person may file written comments on the Application with the Clerk of the Commission at the address shown in Ordering Paragraph (9). Any interested person desiring to submit comments electronically may do so on or before January 19, 2017, 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-2016-00059.

(11) On or before November 7, 2016, any person or entity wishing to participate as a respondent in this proceeding may do so 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 (9), and the respondent shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (6). 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-2016-00059.

(12) 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 already have been provided to the respondent.

(13) On or before November 28, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (9) 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-2016-00059.

(14) On or before December 16, 2016, the Staff shall investigate the Application and shall file with the Clerk of the Commission an original and fifteen (15) copies of its testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to Dominion Virginia Power and all respondents.

(15) On or before January 12, 2017, Dominion Virginia Power shall file with the Clerk of the Commission: (a) 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; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Company shall simultaneously serve a copy of the testimony and exhibits 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 (9).

(16) 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, 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.²¹ 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.*

(17) This matter is continued.

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

Kristian M. Dahl, Esquire, and Lisa R. Crabtree, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219-3916; Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Esquire, Division of Consumer Counsel, Office of the Attorney General, 202 North Ninth Street, 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.

²¹ 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-2016-00059, in the appropriate box.