

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, DECEMBER 20, 2016

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2016-00136

For revision of a rate adjustment clause:  
Rider U, new underground distribution facilities,  
For the rate year commencing September 1, 2017

ORDER FOR NOTICE AND HEARING

On December 1, 2016, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company"), pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code"), the Rules Governing Utility Rate Applications and Annual Informational Filings<sup>1</sup> of the State Corporation Commission ("Commission"), and the directive contained in Ordering Paragraph (4) of the Commission's August 22, 2016 Final Order in Case No. PUE-2015-00114 ("2016 Order"),<sup>2</sup> filed with the Commission an application ("Application") for approval of a revision to its rate adjustment clause ("RAC") designated Rider U. The Company requests (i) an annual update for cost recovery associated with phase one ("Phase One") of the Company's Strategic Underground Program ("SUP") and (ii) Commission approval to recover costs associated with phase two ("Phase Two") of the SUP through Rider U. Dominion Virginia Power states that the SUP focuses on targeted underground conversions of distribution tap lines because a large percentage of outage events on the Company's overhead distribution system

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<sup>1</sup> 20 VAC 5-201-10 *et seq.* ("Rate Case Rules").

<sup>2</sup> *Application of 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, Doc. Con. Cen. No. 160830063, Final Order (Aug. 22, 2016).

occur at damage locations on tap lines and facilities.<sup>3</sup> Dominion Virginia Power filed a Motion for Entry of a Protective Ruling ("Motion for Protective Ruling"), as well as a proposed Protective Ruling with its Application.

The Company states in its Application that the 2014 General Assembly passed legislation<sup>4</sup> that "authorizes investor-owned electric utilities to request Commission approval to recover, on a timely and current basis through a RAC, the costs of new underground distribution facilities to replace overhead distribution facilities of 69 kilovolts [] or less located within the utility's Virginia service territory."<sup>5</sup> The Company's first application requesting Commission approval of Rider U was denied in Case No. PUE-2014-00089.<sup>6</sup> The Company filed a second application for approval of Rider U on December 1, 2015.<sup>7</sup> The Commission subsequently approved Rider U in the 2016 Order and authorized the Company to recover costs associated with Phase One of the SUP, subject to certain limitations.<sup>8</sup>

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<sup>3</sup> Application at 5.

<sup>4</sup> See Chapters 212 and 548 of the 2014 Virginia Acts of Assembly.

<sup>5</sup> Application at 3.

<sup>6</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, 2015 S.C.C. Ann. Rept. 239, Final Order (July 30, 2015).

<sup>7</sup> Application at 4.

<sup>8</sup> *Id.* Specifically, in accordance with the Stipulation and Recommendation between the Company and the Office of the Attorney General, Division of Consumer Counsel, in Case No. PUE-2015-00114, the Commission's 2016 Order: (1) limited the total Phase One investment (\$140 million) to \$122.5 million for cost recovery through Rider U; and (2) provided a \$1.8 million credit against the revenue requirement for the rate years September 1, 2016 to August 31, 2017, September 1, 2017 to August 31, 2018, and September 1, 2018 to August 31, 2019. 2016 Order at 5-6. The Commission also directed that in any future SUP proceeding, the Company "should be prepared to establish, with specificity, how the SUP has resulted in demonstrated *system-wide* benefits, as well as documented *local* benefits to the neighborhoods in which distribution lines have been placed underground." *Id.* at 7 (emphasis in original).

According to the Application, in Phase One, the Company completed approximately 412 miles of underground conversions of overhead distribution tap lines and associated facilities, at a capital cost of \$138.5 million, compared to the projected 400 miles at a capital cost of \$140 million.<sup>9</sup> The actual cost per mile for Phase One was \$336,263.<sup>10</sup>

The Company states that Phase Two of the SUP is designed to convert an additional 244 miles of overhead tap lines to underground at a capital investment of approximately \$110 million and an average cost per mile of \$450,000.<sup>11</sup> Dominion Virginia Power states that its actual expenditures for Phase Two incurred through September 30, 2016, are \$36.6 million and projected expenditures for the period October 1, 2016 through August 31, 2017, are approximately \$73.4 million.<sup>12</sup> The Company is requesting to recover the costs of Phase Two through Rider U for only those projects that will be completed prior to September 1, 2017.<sup>13</sup>

The Company seeks approval of revised Rider U with an associated revenue requirement in the amount of \$30.981 million for the rate year commencing September 1, 2017 through August 31, 2018 ("2017 Rate Year"), which comprises a total requested revenue requirement for Phase One of \$10.532 million and a total requested revenue requirement for Phase Two of \$20.449 million.<sup>14</sup> Dominion Virginia Power is requesting the use of a return on common equity

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<sup>9</sup> Application at 5.

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

<sup>11</sup> *Id.* at 6. The Company states that increased complexity and customer density for Phase Two projects require more facilities and more easements per mile, which contribute to the increased average cost per mile for Phase Two. *Id.*

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

<sup>13</sup> *Id.* at 8.

<sup>14</sup> *Id.* at 9-11.

of 10.5% to calculate the proposed revenue requirement for the 2017 Rate Year.<sup>15</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>16</sup> To calculate the Projected Cost Recovery Factor, the Application states that the Company proposes to reflect only actual and projected capital expenditures as of August 31, 2017, in determining the rate base and calculating projected financing costs on rate base.<sup>17</sup> Additionally, the Company proposes to amortize over the 2017 Rate Year the deferred costs related to Phase Two incurred prior to the beginning of the 2017 Rate Year.<sup>18</sup> Dominion Virginia Power did not include an Actual Cost True-up Factor in this case.<sup>19</sup>

If the proposed Rider U for the 2017 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, 2017, would increase the monthly bill of a residential customer using 1,000 kWh per month by \$0.32 over the current Rider U, for a total Rider U bill impact of \$0.82 per month.<sup>20</sup>

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<sup>15</sup> *Id.* at 8-9.

<sup>16</sup> *Id.* at 9.

<sup>17</sup> *Id.* The Company states that the projected rate base as of August 31, 2017, will be utilized separately for each phase. *Id.*

<sup>18</sup> *Id.* at 10.

<sup>19</sup> *Id.* at 9.

<sup>20</sup> *Id.* at 12.

The Company further requests waiver of certain parts of the requirements of Schedule 46 that relate to RACs associated with generation facilities rather than distribution facilities, to the extent the Commission deems waiver necessary.<sup>21</sup>

NOW THE COMMISSION, upon consideration of 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. With respect to the Company's requested waiver of certain provisions of the Rate Case Rules addressing generation-related RAC filing requirements in Schedule 46, we continue to find, as we previously have, that these provisions do not by their terms apply to the instant Application, and therefore no waiver is necessary.<sup>22</sup>

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUE-2016-00136.

(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>23</sup>

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<sup>21</sup> *Id.* at 14-15.

<sup>22</sup> See *Application of Virginia Electric and Power Company, For 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. 141110324, Order for Notice and Hearing, at 5 (Nov. 17, 2014); *Application of 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, Doc. Con. Cen. No. 151220052, Order, at 2 (Dec. 9, 2015).

<sup>23</sup> 5 VAC 5-20-10 *et seq.*

a Hearing Examiner is appointed to rule on the Company's Motion for Protective Ruling and to rule on any discovery matters that may arise in this proceeding.

(3) A public hearing on the Application shall be convened on June 6, 2017, 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.

(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, Jennifer D. Daglio, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal 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>.

(5) On or before January 19, 2017, 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 A RATE ADJUSTMENT CLAUSE:  
 RIDER U, NEW UNDERGROUND DISTRIBUTION  
 FACILITIES, FOR THE RATE YEAR COMMENCING  
 SEPTEMBER 1, 2017  
CASE NO. PUE-2016-00136

- **Dominion Virginia Power ("DVP") has applied for approval to revise its Rider U, by which DVP recovers the costs of its Strategic Underground Program.**
- **DVP requests a total of \$30.981 million for its 2017 Rider U. According to DVP, this amount would increase the monthly bill of a typical residential customer using 1,000 kilowatt hours per month by \$0.32, for a total Rider U bill impact of \$0.82 per month.**
- **The Commission will hear the case on June 6, 2017, at 10 a.m.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On December 1, 2016, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company"), pursuant to § 56-585.1 A 6 of the Code of Virginia, the Rules Governing Utility Rate Applications and Annual Informational Filings of the State Corporation Commission ("Commission"), and the directive contained in Ordering Paragraph (4) of the Commission's August 22, 2016 Final Order in Case No. PUE-2015-00114 ("2016 Order"), filed with the Commission an application ("Application") for approval of a revision to its rate adjustment clause ("RAC") designated Rider U. The Company requests (i) an annual update for cost recovery associated with phase one ("Phase One") of the Company's Strategic Underground Program ("SUP") and (ii) Commission approval to recover costs associated with phase two ("Phase Two") of the SUP through Rider U. Dominion Virginia Power states that the SUP focuses on targeted underground conversions of distribution tap lines because a large percentage of outage events

on the Company's overhead distribution system occur at damage locations on tap lines and facilities.

The Company states that the Commission first approved Rider U through an Order in Case No. PUE-2015-00114, which authorized the Company to recover costs associated with Phase One of the SUP, subject to certain limitations. According to the Application, in Phase One, the Company completed approximately 412 miles of underground conversions of overhead distribution tap lines and associated facilities, at a capital cost of \$138.5 million, compared to the projected 400 miles at a capital cost of \$140 million. The actual cost per mile for Phase One was \$336,263.

The Company states that Phase Two of the SUP is designed to convert an additional 244 miles of overhead tap lines to underground at a capital investment of approximately \$110 million and an average cost per mile of \$450,000. The Company is requesting to recover the costs of Phase Two through Rider U for only those projects that will be completed prior to September 1, 2017.

The Company seeks approval of revised Rider U with an associated revenue requirement in the amount of \$30.981 million for the rate year commencing September 1, 2017 through August 31, 2018 ("2017 Rate Year"), which comprises a total requested revenue requirement for Phase One of \$10.532 million and a total requested revenue requirement for Phase Two of \$20.449 million. Dominion Virginia Power is requesting the use of a return on common equity of 10.5% to calculate the proposed revenue requirement for the 2017 Rate Year.

If the proposed Rider U for the 2017 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage.

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 6, 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 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, as well as 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, Jennifer D. Daglio, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal 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 May 30, 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 May 30, 2017, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUE-2016-00136.

On or before March 7, 2017, 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-2016-00136. 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 11, 2017, 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-2016-00136.

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  
d/b/a DOMINION VIRGINIA POWER

(6) On or before January 19, 2017, 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.<sup>24</sup>

(7) On or before February 10, 2017, 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 (5) and (6), including the name, title, and address of each official served.

(8) On or before May 30, 2017, any interested person may file written comments on the Application with the Clerk of the Commission at the address shown in Ordering Paragraph (7). Any interested person desiring to submit comments electronically may do so on or before May 30, 2017, by following the instructions found on the Commission's website:

<http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUE-2016-00136.

(9) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before March 7, 2017. 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 (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:

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<sup>24</sup> 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 Informational Filings to permit electronic service to local officials upon request*, Case No. PUE-2016-00039, Doc. Con. Cen. No. 160420194, Order (Apr. 19, 2016).

(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-2016-00136.

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

(11) On or before April 11, 2017, 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. 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-2016-00136.

(12) On or before May 2, 2017, 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. A copy thereof shall be served on counsel to Dominion Virginia Power and all respondents.

(13) On or before May 23, 2017, Dominion Virginia Power may 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 (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: 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>25</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>25</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-2016-00136, in the appropriate box.

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, William G. Bushman, 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, 202 North Ninth Street, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.