

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 21, 2017

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2017-00073

For revision of rate adjustment clause: Rider S,
Virginia City Hybrid Energy Center

ORDER FOR NOTICE AND HEARING

On June 1, 2017, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company"), pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code"), filed with the State Corporation Commission ("Commission") an annual update of the Company's rate adjustment clause, Rider S ("Application"). Through its Application, the Company seeks to recover costs associated with the Virginia City Hybrid Energy Center ("VCHEC" or "Project"), a 600 megawatt nominal coal-fueled generating plant and associated transmission interconnection facilities located in Wise County, Virginia.¹

In Case No. PUE-2007-00066,² the Commission approved Dominion's construction and operation of VCHEC and also approved a rate adjustment clause, designated Rider S, for Dominion to recover costs associated with the development of the Project.³ VCHEC became fully operational in 2012.⁴

¹ Application at 1; Direct Testimony of Rick L. Propst at 1.

² *Application of Virginia Electric and Power Company, For a certificate of public convenience and necessity to construct and operate an electric generation facility in Wise County, Virginia, and for approval of a rate adjustment clause under §§ 56-585.1, 56-580 D, and 56-46.1 of the Code of Virginia*, Case No. PUE-2007-00066, 2008 S.C.C. Ann. Rept. 385, Final Order (Mar. 31, 2008).

³ Application at 2-3.

⁴ *Id.* at 5.

In this proceeding, Dominion has asked the Commission to approve Rider S for the rate year beginning April 1, 2018, and ending March 31, 2019 ("2018 Rate Year").⁵ The two components of the proposed total revenue requirement for the 2018 Rate Year are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor.⁶ The Company is requesting a Projected Cost Recovery Factor revenue requirement of \$227,619,000 and an Actual Cost True-Up Factor revenue requirement of \$17,362,000.⁷ Thus, the Company is requesting a total revenue requirement of \$244,981,000 for service rendered during the 2018 Rate Year.⁸

Dominion utilized a rate of return on common equity ("ROE") of 11.5% for purposes of calculating the Projected Cost Recovery Factor in this case. This ROE comprises a general ROE of 10.5%, plus a 100 basis point enhanced return applicable to a conventional coal generating station as described in § 56-585.1 A 6 of the Code.⁹ For purposes of calculating the Actual Cost True-Up Factor, the Company utilized an ROE of 11% for the months of January 2016 through March 2016, which comprises the general ROE of 10% approved by the Commission in its Final Order in Case No. PUE-2013-00020,¹⁰ plus the 100 basis point enhanced return, and an ROE of 10.6% for the months of April 2016 through December 2016, which comprises the general ROE

⁵ *Id.* at 7.

⁶ *Id.*

⁷ *Id.* at 7-8; Direct Testimony of Rick L. Propst at 5-8.

⁸ Application at 8. Dominion requests a rate effective date for usage on the first day of the month that is at least 15 days following the date of any Commission order approving Rider S, if such date is later than April 1, 2018. *Id.* at 9.

⁹ Application at 6-7; Direct Testimony of Rick L. Propst at 3.

¹⁰ *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).

of 9.6% approved by the Commission in its Final Order in Case No. PUE-2015-00060,¹¹ plus the 100 basis point enhanced return.¹²

If the proposed Rider S for the 2018 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to Dominion, implementation of its proposed Rider S on April 1, 2018, would decrease the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.38.¹³

The Company indicates that it has calculated the proposed Rider S rates in accordance with the same methodology as used for rates approved by the Commission in the most recent Rider S proceeding, Case No. PUE-2016-00062.¹⁴

Dominion also requests a waiver of Rules 20 VAC 5-201-60 ("Rule 60") and 20 VAC 5-201-90 ("Rule 90") of the Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules") with respect to Schedule 45. Rule 60 of the Rate Case Rules requires that an application filed pursuant to § 56-585.1 A 6 of the Code include Schedule 45, "Return on Equity Peer Group Benchmark," with the utility's direct testimony. Rule 90 of the Rate Case Rules states that Schedule 45 must include "documentation supporting the return on equity benchmark proposed pursuant to § 56-585.1 A 2 a and b of the Code" In support of its request for waiver of Schedule 45, Dominion states that it has requested in this Application that the general ROE of 10.5%, which the Company proposes in a separate

¹¹ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider S, Virginia City Hybrid Energy Center*, Case No. PUE-2015-00060, Doc. Con. Cen. No. 160250197, Final Order (Feb. 29, 2016).

¹² Application at 7; Direct Testimony of Rick L. Propst at 4.

¹³ Application at 9.

¹⁴ Application at 9; *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider S, Virginia City Hybrid Energy Center*, Case No. PUE-2016-00062, Doc. Con. Cen. No. 170230116, Final Order (Feb. 27, 2017).

proceeding for the determination of an ROE applicable to certain rate adjustment clauses in Case No. PUR-2017-00038,¹⁵ plus a 100 basis point enhanced return, be used to calculate the revenue requirement. The Company filed testimony and other evidence in support of its requested general ROE, including Filing Schedule 45 materials and analysis, in Case No. PUR-2017-00038 and states that the ROE determined in that proceeding will apply to Rider S for the 2018 Rate Year. Accordingly, the Company asserts that waiver of this schedule in this proceeding is warranted by judicial economy and efficiency of case administration.¹⁶

Finally, in conjunction with the filing of its Application on June 1, 2017, 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 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 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 a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission, including ruling on the Company's

¹⁵ *Application of Virginia Electric and Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2017-00038, Doc. Con. Cen. No. 170340087, Application (filed Mar. 31, 2017).

¹⁶ Application at 10-11.

Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

Finally, we grant Dominion's request to waive the filing of Schedule 45 for purposes of making the Application complete and commencing this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2017-00073.

(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"),¹⁷ a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) A public hearing on the Application shall be convened on December 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 the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) The Company shall make copies of the public version of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia

¹⁷ 5 VAC 5-20-10 *et seq.*

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 July 28, 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 RATE ADJUSTMENT CLAUSE:
RIDER S, VIRGINIA CITY HYBRID ENERGY CENTER
CASE NO. PUR-2017-00073

- **Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion") has applied for approval to revise its rate adjustment clause, Rider S.**
- **Dominion requests a total revenue requirement of \$244.981 million for its 2018 Rider S.**
- **A Hearing Examiner appointed by the Commission will hear the case on December 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 June 1, 2017, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company"), pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code"), filed

with the State Corporation Commission ("Commission") an annual update of the Company's rate adjustment clause, Rider S ("Application"). Through its Application, the Company seeks to recover costs associated with the Virginia City Hybrid Energy Center ("VCHEC" or "Project"), a 600 megawatt nominal coal-fueled generating plant and associated transmission interconnection facilities located in Wise County, Virginia.

In Case No. PUE-2007-00066, the Commission approved Dominion's construction and operation of VCHEC and also approved a rate adjustment clause, designated Rider S, for Dominion to recover costs associated with the development of the Project. VCHEC became fully operational in 2012.

In this proceeding, Dominion has asked the Commission to approve Rider S for the rate year beginning April 1, 2018, and ending March 31, 2019 ("2018 Rate Year"). The two components of the proposed total revenue requirement for the 2018 Rate Year 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 \$227,619,000 and an Actual Cost True-Up Factor revenue requirement of \$17,362,000. Thus, the Company is requesting a total revenue requirement of \$244,981,000 for service rendered during the 2018 Rate Year.

Dominion utilized a rate of return on common equity ("ROE") of 11.5% for purposes of calculating the Projected Cost Recovery Factor in this case. This ROE comprises a general ROE of 10.5%, plus a 100 basis point enhanced return applicable to a conventional coal generating station as described in § 56-585.1 A 6 of the Code. For purposes of calculating the Actual Cost True-Up Factor, the Company utilized an ROE of 11% for the months of January 2016 through March 2016, which comprises the general ROE of 10% approved by the Commission in its Final Order in Case No. PUE-2013-00020, plus the 100 basis point enhanced return, and an ROE of 10.6% for the months of April 2016 through December 2016, which comprises the general ROE of 9.6% approved by the Commission in its Final Order in Case No. PUE-2015-00060, plus the 100 basis point enhanced return.

If the proposed Rider S for the 2018 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to Dominion, implementation of its proposed Rider S on April 1, 2018, would decrease the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.38.

The Company indicates it has calculated the proposed Rider S rates in accordance with the same methodology as used for rates approved by the Commission in the most recent Rider S proceeding, Case No. PUE-2016-00062.

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, scheduled a public hearing on December 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, Lisa S. Booth, Esquire, Dominion Energy 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 other 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 November 29, 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 November 29, 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. PUR-2017-00073.

On or before September 15, 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. PUR-2017-00073. 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 October 20, 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. PUR-2017-00073.

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

(6) On or before July 28, 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.¹⁸

(7) On or before August 31, 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 November 29, 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 November 29, 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. PUR-2017-00073.

¹⁸ Service also may 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).

(9) On or before September 15, 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 set forth in Ordering Paragraph (7). The respondent shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2017-00073.

(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 a copy of the public version of all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(11) On or before October 20, 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. PUR-2017-00073.

(12) The Staff shall investigate the Application. On or before November 8, 2017, the Staff 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 and all respondents.

(13) On or before November 21, 2017, Dominion 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 simultaneously shall 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 to parties or requests for production of documents and things*, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents shall be served within 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.¹⁹ 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) The Company's request for waiver of the requirements of 20 VAC 5-201-60 and 20 VAC 5-201-90 for filing Schedule 45 is granted as set forth in this Order.

(16) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Joseph K. Reid, III, Esquire, and Lisa R. Crabtree, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219; Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

¹⁹ 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, PUR-2017-00073, in the appropriate box.