

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, MARCH 21, 2018

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APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUR-2018-00038

For approval of its 2018  
annual update to Rate Schedule PT-1

ORDER FOR NOTICE AND COMMENT

On March 1, 2018, pursuant to Ordering Paragraph (4) of the Final Order issued by the State Corporation Commission ("Commission") in Case No. PUE-2016-00076 on May 3, 2017,<sup>1</sup> and in accordance with Rule 80 of the Commission's Rules of Practice and Procedure,<sup>2</sup> 5 VAC 5-20-80, Virginia Natural Gas ("VNG" or "Company") filed its application for approval of its first annual adjustment to Rate Schedule PT-1 and requested that the adjusted PT-1 rate be approved effective June 1, 2018 ("Application").

VNG states that Section III.A of the Company's Rate Schedule PT-1 permits the Company to adjust the PT-1 rate annually to reflect any changes in the cost of service components going forward and to refund or recover any difference between actual and recovered operations and maintenance ("O&M") expense.<sup>3</sup> According to the Company, for each year the PT-1 rate is in effect, the Company will update the plant in service, accumulated depreciation, and projected O&M expenses, as well as property tax expense and federal and state tax rates.<sup>4</sup>

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<sup>1</sup> *Application of Virginia Natural Gas, Inc., For authority to revise Rate Schedule PT-1, Pipeline Transportation Service*, Doc. Con. Cen. No. 170510184, Final Order (May 3, 2017).

<sup>2</sup> 5 VAC 5-20-10 *et seq.*, ("Rules of Practice").

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

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

The Company will also update changes to its depreciation rates and rate of return to reflect the results in each base rate case while the PT-1 rate is in effect.<sup>5</sup> At the end of each 12-month period the PT-1 rate is in effect, VNG will reconcile the difference between the actual O&M expenses and the amounts recovered through the PT-1 rate.<sup>6</sup> The Company will also include an adjustment to the subsequent year's PT-1 rate to recover or refund the difference in these O&M costs.<sup>7</sup>

In its Application, the Company proposes a revised PT-1 rate of \$1.00450 per dekatherm ("Dth").<sup>8</sup> According to the Company, the primary drivers for the increase in the PT-1 rate from \$0.94203 per Dth to \$1.00450 per Dth are (i) the projected level of total monthly fixed O&M costs, and (ii) the true-up of the under-recovered fixed O&M costs for the period January 1, 2017, through December 31, 2017.<sup>9</sup> The Company included an estimated level of total monthly fixed O&M costs of \$70,122, as compared to an actual level of \$113,750, resulting in an under-recovery of \$43,628 per month.<sup>10</sup> The Company also included forecasted total monthly fixed O&M costs of \$95,964 for January 1, 2018, through December 31, 2018.<sup>11</sup> According to the Company, the increase in the PT-1 rate due to O&M costs is offset in part by changes to other components of the rate calculation, including depreciation rates and the federal

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

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

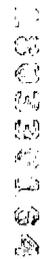
<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 7.

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

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

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



income tax rate.<sup>12</sup> In December 2017, the federal *Tax Cut and Jobs Act of 2017* ("Act") was enacted, and among other provisions, the Act reduced the federal corporate income tax rate from 35% to 21%, effective January 1, 2018.<sup>13</sup> The Company states that its cost of capital and revenue expansion factor reflects the reduction in the federal income tax rate.<sup>14</sup>

NOW THE COMMISSION, upon consideration of VNG's Application, is of the opinion and finds that the Application should be docketed; the proposed update to Rate Schedule PT-1 should be suspended pursuant to § 56-238 of the Code of Virginia ("Code") to and through June 1, 2018, or until further order of the Commission, whichever is earlier; the Company should serve a copy of its Application and this Order on Doswell Limited Partnership, the City of Richmond, Columbia Gas of Virginia, Inc., and Virginia Electric and Power Company (collectively, "Customers"); any interested person or entity affected by the Company's Application should have an opportunity to file comments or request a hearing on the Company's Application; the Commission Staff ("Staff") should be afforded an opportunity to investigate the Application and file with the Commission a report ("Report") or testimony, as appropriate, setting forth the Staff's findings and recommendations on VNG's Application; and the Company should be given the opportunity to file a response or testimony, as appropriate, in rebuttal to the Staff Report or testimony or any comments or requests for hearing that may be filed herein.

Accordingly, IT IS ORDERED THAT:

- (1) The matter is docketed as Case No. PUR-2018-00038.
- (2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedure before*

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

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

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

*Hearing Examiners*, of the Commission's Rules of Practice, a Hearing Examiner is appointed to rule on any discovery matters that arise during the course of this proceeding.

(3) The proposed update to the Company's Rate Schedule PT-1 is hereby suspended pursuant to § 56-238 of the Code to and through June 1, 2018, or until further order of the Commission, whichever is earlier.

(4) On or before April 9, 2018, VNG shall serve a copy of its Application upon Customers.

(5) On or before April 9, 2018, VNG shall serve a copy of this Order upon Customers.

(6) On or before April 16, 2018, VNG shall file proof of the service required by Ordering Paragraphs (4) and (5) with the Clerk of the Commission.

(7) On or before April 23, 2018, any interested person or entity may file written comments on VNG's Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any interested person desiring to file comments electronically may do so on or before April 23, 2018, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. All comments shall refer to Case No. PUR-2018-00038.

(8) On or before April 23, 2018, any interested person may participate as a respondent in this proceeding by filing a notice of participation in accordance with 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice. 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). Pursuant to 5 VAC 5-20-80 B, *Participation as a respondent*, of the 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-2018-00038.

(9) On or before April 23, 2018, any interested person or entity may request that the Commission convene a hearing on the Company's Application by filing an original and fifteen (15) copies of a request for hearing with the Clerk of the Commission at the address set forth in Ordering Paragraph (7), or by filing a request for hearing electronically by following the instructions found on the Commission's website: [www.scc.virginia.gov/case](http://www.scc.virginia.gov/case). Requests for hearing must include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter. All such filings shall refer to Case No. PUR-2018-00038.

(10) A copy of any requests for hearing and notices of participation simultaneously shall be sent to counsel for the Company, Elaine S. Ryan, Esquire, and Anne Hampton Andrews, Esquire, McGuireWoods, LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219-3916.

(11) On or before May 7, 2018, the Staff may investigate and file a report or prefiled testimony, if appropriate, on VNG's Application with the Clerk of the Commission and shall send a copy of the same promptly to counsel for VNG and each respondent.

(12) On or before May 14, 2018, VNG may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) an original and fifteen (15) copies of any response or testimony the Company expects to introduce in rebuttal to any Staff Report or prefiled testimony or any such response or rebuttal to any comments or requests for hearing by interested persons. VNG shall serve a copy of any such response or rebuttal testimony upon the Staff and each respondent on or before May 14, 2018.

(13) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(14) The Company shall respond to written interrogatories or requests for the production of documents within five (5) business days after the receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, 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 the Staff.<sup>15</sup> Except as so modified, discovery shall be in accordance with Part IV of the Commission's Rules of Practice.

(15) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Elaine S. Ryan, Esquire, and Anne Hampton Andrews, Esquire, McGuireWoods, LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219-3916; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 North Ninth Street, Richmond, Virginia 23219; and the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

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<sup>15</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, PUR-2018-00038, in the appropriate box.