

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 22, 2019

SOC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2019 JUL 22 P 2: 18

APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUR-2018-00203

and

SEQUENT ENERGY MANAGEMENT, L.P.

For approval of an Asset Management Agreement  
under Chapter 4, Title 56 of the Code of Virginia

ORDER FOR HEARING

On December 28, 2018, Virginia Natural Gas, Inc. ("VNG" or "Company"), and Sequent Energy Management, L.P. ("Sequent") (collectively, "Applicants"), filed a Joint Application with the State Corporation Commission ("Commission"), pursuant to Chapter 4, Title 56 of the Code of Virginia ("Code"),<sup>1</sup> seeking approval of an Asset Management and Agency Agreement ("AMAA"), under which Sequent will provide gas supply and asset management services to VNG.

The Joint Application states that on June 29, 2018, the Commission entered an Order that, among other things, directed VNG to conduct a Request for Proposal ("RFP") process to select its next gas procurement and asset manager.<sup>2</sup> The Joint Application further states that, as directed by the June 2018 Order, VNG developed and initiated an RFP process, after which

---

<sup>1</sup> Code § 56-76 *et seq.*, Regulation of Relations with Affiliated Interests.

<sup>2</sup> *Application of Virginia Natural Gas, Inc., and Sequent Energy Management, L.P., For approval of an Asset Management Agreement under Chapter 4, Title 56 of the Code of Virginia*, Case No. PUR-2017-00122, Doc. Con. Cen. No. 180640308, Order (June 29, 2018) ("June 2018 Order").

18074005

Sequent was selected as the successful bidder.<sup>3</sup> The Company also filed the results of the RFP in Case No. PUR-2017-00122 on December 21, 2018.<sup>4</sup>

On January 7, 2019, the Commission issued an Order that docketed the instant case, assigned it to a Hearing Examiner, and extended the statutory 60-day review period by an additional thirty (30) days pursuant to Code § 56-77. An evidentiary hearing was held on February 21-22, 2019. The Applicants, Respondents,<sup>5</sup> and Commission Staff ("Staff") participated in the hearing.

On February 28, 2019, the Hearing Examiner issued his report in this matter ("Report"). On March 5, 2019, each of the participants in this case filed comments on the Report.

On March 15, 2019, the Commission entered an Order ("March 2019 Order") approving the proposed AMAA for two years, with no option for extension, subject to the requirements set forth in such March 2019 Order and the Appendix attached thereto. The Commission further found that "another RFP shall be issued and additional proceedings shall be established to determine specific requirements for that next RFP process *prior to* the commencement thereof, which requirements shall include independent monitoring of the RFP process."<sup>6</sup>

Specifically, the Commission ordered that "on or before June 1, 2019, VNG shall file in the instant docket a proposed RFP for its next AMAA and Gas Purchase and Sale Agreement . . .

---

<sup>3</sup> *Id.* at 6-9.

<sup>4</sup> *Id.* at 9. See *Application of Virginia Natural Gas, Inc., and Sequent Energy Management, L.P., For approval of an Asset Management Agreement under Chapter 4, Title 56 of the Code of Virginia*, Case No. PUR-2017-00122, Doc. Con. Cen. No. 181230143, Asset Management and Agency Agreement Request for Proposal Report (Dec. 21, 2018) ("2018 RFP Report"). The Company filed a revised version of the 2018 RFP Report in Case No. PUR-2017-00122 on January 25, 2019.

<sup>5</sup> Notices of participation were filed by Direct Energy Business Marketing, LLC, Enspire Energy, LLC, Tenaska Marketing Ventures, and the Virginia Industrial Gas Users' Association (collectively, "Respondents").

<sup>6</sup> March 2019 Order at 3.

along with detailed plans for implementing the same."<sup>7</sup> The Commission further directed that, in addition to the current parties in the case, VNG shall also serve a copy of such proposed RFP on the 22 natural gas market participants that responded to the RFP issued in 2018 that resulted in Sequent being selected as the gas supplier and asset manager for the AMAA term beginning on April 1, 2019 ("2018 RFP Participants").<sup>8</sup>

The March 2019 Order further stated that the Commission "will conduct a formal proceeding to determine specific requirements attendant to the next RFP prior to its issuance" and that such "evidentiary proceeding shall be concluded in sufficient time to permit the approved RFP to be prepared by, and advertisements therefor to commence no later than, August 1, 2020."<sup>9</sup> The March 2019 Order further directed "Staff to provide – or to obtain through one or more outside expert witnesses – independent third-party testimony on substantive and procedural aspects proposed for the next RFP and to monitor the implementation of the next RFP to ensure it is conducted in the public interest."<sup>10</sup>

On May 31, 2019, VNG filed its "Asset Management and Agency Agreement Request for Proposal Plan" ("2020 RFP Plan") and accompanying materials and sent a copy to the parties on the service list in this docket and to the 2018 RFP Participants.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that a public hearing should be scheduled for the purpose of receiving testimony and evidence on the 2020 RFP Plan; interested persons should have an opportunity to file comments on the 2020

---

<sup>7</sup> *Id.* at 4.

<sup>8</sup> *See, e.g.*, Report of Michael D. Thomas, Senior Hearing Examiner, at 9 (Feb. 28, 2019).

<sup>9</sup> Order at 4.

<sup>10</sup> *Id.* at 5.

RFP Plan or participate as a respondent in this proceeding; and the Staff should be directed to investigate the 2020 RFP Plan 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 filing a final report containing the Hearing Examiner's findings and recommendations.

Accordingly, IT IS ORDERED THAT:

(1) As provided by Code § 12.1-31 and Rule 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),<sup>11</sup> a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(2) A public hearing on the 2020 RFP Plan shall be convened on February 19, 2020, 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.

(3) On or before September 6, 2019, the Company shall file an original and fifteen (15) copies of any testimony and exhibits in support of its 2020 RFP Plan with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and each witness's testimony shall include a summary not to exceed one

---

<sup>11</sup> 5 VAC 5-20-10 *et seq.*

page and shall specify those portions of the 2020 RFP Plan that the witness will sponsor at the hearing. In lieu of pre-filed testimony and exhibits, the Company may file with the Clerk of the Commission, on or before September 6, 2019, a document in which the Company: (a) identifies witnesses who will appear and offer testimony in support of the Company's 2020 RFP Plan at the hearing; (b) specifies those portions of the 2020 RFP Plan that such witnesses will adopt and support as their testimony at the hearing; and (c) includes a summary not to exceed two pages of each such witness's testimony. The Company shall serve copies thereof on counsel for all respondents and the Staff.

(4) On or before February 12, 2020, any interested person may file written comments on the 2020 RFP Plan with the Clerk of the Commission at the address set forth in Ordering Paragraph (3). Any interested person desiring to submit comments electronically may do so on or before February 12, 2020, 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-2018-00203.

(5) On or before October 9, 2019, any person or entity not currently a respondent in the instant docket and who wishes 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 (3). The respondent simultaneously shall serve a copy of the notice of participation on counsel to the Company, Elaine S. Ryan, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219-3916. 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-2018-00203.

(6) 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 Hearing, and a copy of the public version of the 2020 RFP Plan, unless these materials already have been provided to the respondent.

(7) On or before December 11, 2019, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (3) 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*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00203.

(8) The Staff shall investigate the 2020 RFP Plan. On or before January 15, 2020, 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 VNG and all respondents.

(9) On or before January 29, 2020, VNG shall file with the Clerk of the Commission 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. The Company 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 (3).

(10) 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.

(11) 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.<sup>12</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.*

(12) This matter is continued.

---

<sup>12</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-2018-00203, in the appropriate box.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219. A copy shall also be sent to the entities listed on the "Certificate of Service: 2018 RFP Participants" (Extraordinarily Sensitive) attached to the 2020 RFP Plan. 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.