COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 15, 2019

190420069

PETITION OF

VIRGINIA ELECTRIC AND POWER COMPANY CASE NO. PUR-2018-00101

For approval and certification of the proposed US-3 Solar Projects pursuant to §§ 56-580 D and 56-46.1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider US-3, under § 56-585.1 A 6 of the Code of Virginia

ORDER APPROVING RATE ADJUSTMENT CLAUSE

On July 24, 2018, Virginia Electric and Power Company ("Dominion" or "Company") filed with the State Corporation Commission ("Commission") a petition ("Petition") for approval and certificates of public convenience and necessity ("CPCNs") to construct and operate two utility-scale solar photovoltaic generating facilities: (i) the Colonial Trail West Solar Facility, an approximately 142 megawatt ("MW") (nominal alternating current ("AC")) facility located in Surry County; and (ii) the Spring Grove 1 Solar Facility, an approximately 98 MW AC facility located in Surry County (collectively, "US-3 Solar Projects"). The Company requested approval of and a CPCN for each of the US-3 Solar Projects pursuant to §§ 56-46.1 and 56-580 D of the Code of Virginia ("Code") and the Filing Requirements in Support of Applications for Authority to Construct and Operate an Electric Generating Facility.[1] Through its Petition, the Company also requested approval of a rate adjustment clause ("RAC"), designated Rider US-3, pursuant to Code § 56-585.1 A 6 and the Rules Governing Utility Rate Applications and Annual Informational Filings.[2]

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[1] 20 VAC 5-302-10 *et seq.*

[2] 20 VAC 5-201-10 *et seq.*

On July 26, 2018, the Commission issued an Order for Notice and Hearing ("Procedural Order") that, among other things: docketed the Petition; required the Company to publish notice of the Petition; gave interested persons the opportunity to comment on, or participate in, the proceeding; scheduled separate public hearings for the purpose of receiving testimony and evidence on the Company's request for CPCNs and approval of Rider US-3; and directed the Commission Staff ("Staff") to investigate the Petition and file testimony and exhibits containing its findings and recommendations. Maryland DC Virginia Solar Energy Industries Association ("MDV-SEIA"), Mid-Atlantic Renewable Energy Coalition ("MAREC"), Appalachian Voices ("Environmental Respondents"), the Board of Supervisors of Culpeper County, Virginia, Appalachian Power Company, the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), and the Virginia Committee for Fair Utility Rates ("Committee") filed notices of participation.[3]

On December 18, 2018, the Commission convened an evidentiary hearing on the Company's request for CPCNs. The Company, MDV-SEIA, MAREC, Environmental Respondents, Consumer Counsel, and Staff participated in such hearing. On January 10, 2019, Dominion and Consumer Counsel filed legal briefs as permitted by the Commission.

On January 24, 2019, the Commission issued an Order Granting Certificates that approved the requested CPCNs subject to specific conditions and requirements, which the Company accepted.[4]

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[3] On January 9, 2019, the Commission issued an Order granting the Committee's motion for leave to file its notice of participation out-of-time.

[4] *See, e.g.*, Tr. 595.

On March 6, 2019, the Commission convened an evidentiary hearing on the Company's request for a RAC. The Company, Environmental Respondents, the Committee, Consumer Counsel, and Staff participated in such hearing. On March 29, 2019, Dominion, the Committee, Consumer Counsel, and Staff filed briefs as permitted by the Commission.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds as follows.

The Commission finds that Rider US-3 meets the statutory requirements for approval of a RAC under Code § 56-585.1 A 6.[5] The Commission herein approves a revenue requirement, as updated by the Company during the proceeding, of $10.570 million.[6] As noted by the Company, however, this amount exceeds the total tariff rates originally requested by the Company and included in the public notice.[7] Thus, for purposes of the instant RAC, the Company continues to request, and the Commission approves, the originally-requested revenue requirement of $10.365 million.[8] The Commission also approves Dominion's request that the $10.365 million revenue requirement be made effective in rates beginning June 1, 2019, and remain in effect through May 31, 2020.[9]

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[5] The Commission also notes that no party in this case argued otherwise. *See, e.g.,* Dominion's March 29, 2019 Brief at 3.

[6] *See, e.g.,* Ex. 41 (Moore Rebuttal) at 4.

[7] Dominion's March 29, 2019 Brief at 4 n.5.

[8] *Id.* As also noted by the Company, the difference can be addressed as part of Dominion's annual true-up for Rider US-3. *Id.*

[9] *See, e.g.,* Dominion's March 29, 2019 Brief at 4; Staff's March 29, 2019 Brief at 10. The Company will utilize a rate year of June 1 through May 31 for future Rider US-3 proceedings, beginning with the 2019 annual update to be filed on or after July 1, 2019. *See, e.g.,* Ex. 41 (Moore Rebuttal) at 5; Staff's March 29, 2019 Brief at 10.

The only contested issue in the RAC proceeding involved the appropriate jurisdictional and class cost allocation methodology to be applied to Rider US-3. Dominion utilized the average and excess allocation methodology that it typically uses for generation resources.[10] Staff proposed a new "specialized allocation methodology for the recovery of the costs of the US-3 Solar Projects that more closely aligns with the benefits received from the resource."[11] Dominion and the Committee oppose Staff's request to change allocation methodologies.[12] Consumer Counsel "supports the objective behind Staff's [proposal]."[13]

For purposes of the instant proceeding, the Commission approves the average and excess allocation methodology used by Dominion.[14] The Commission further concludes, however, that Staff has identified an important issue worthy of additional study and consideration.[15] In this regard, Dominion proposed that "the Commission could direct further study of this cost allocation issue in the next Rider US-3 proceeding" and "could direct the Company to study cost allocation for intermittent facilities and present its result as part of [its] next filing [on or after

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[10] *See, e.g.,* Dominion's March 29, 2019 Brief at 2.

[11] Ex. 30 (Abbott Direct) at 9.

[12] *See, e.g.,* Dominion's March 29, 2019 Brief at 3-19; Committee's March 29, 2019 Brief at 1-26.

[13] Consumer Counsel's March 29, 2019 Brief at 5.

[14] Having made such finding, the Commission nonetheless rejects the Committee's contention that it would be inappropriate to change allocation methodologies as part of the instant case. *See, e.g.,* Committee's March 29, 2019 Brief at 24; Tr. 588-89. As noted by Staff, the public notice in this case expressly stated that "the Commission *may apportion revenues among customer classes* and/or design rates in a manner differing from that shown in the Petition and supporting documents and thus may adopt rates that differ from those appearing in the Company's Petition and supporting documents." *See, e.g.,* Staff's March 29, 2019 Brief at 6 (emphasis in original) (citing Procedural Order at 12; Tr. 733). The Committee, however, argues that such notice should be discounted or disregarded because Dominion has "*eleven pending*" RAC cases and "it is simply not possible ... to participate in every case." Committee's March 29, 2019 Brief at 24 (emphasis in original). This argument, again, we reject. The panoply of RAC cases pending at the Commission at any given time is an outcome of the statute.

[15] Accordingly, the allocation methodology approved herein is explicitly without prejudice for further consideration of such issue and potential approval of different allocation methodologies in subsequent proceedings.

July 1, 2019]."[16] We agree and so direct. Dominion shall present a thorough cost allocation study for intermittent facilities as part of its next Rider US-3 application, and the participants in that next case shall develop a record for consideration of allocation alternatives.

Accordingly, IT IS ORDERED THAT:

(1) The Company's Petition for approval of a RAC, designated Rider US-3, is approved as discussed herein.

(2) Rider US-3, as approved herein, shall be effective for usage on and after June 1, 2019.

(3) The Company shall file its annual Rider US-3 application on or after July 1, 2019.

(4) The Company's 2019 annual Rider US-3 application shall include a thorough cost allocation study for intermittent facilities.

(5) This case is dismissed.

Commissioner Patricia L. West did not participate in this matter.

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 Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.

[16] Dominion's March 29, 2019 Brief at 18.