

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 25, 2019

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2019-00069

For approval of a rate adjustment clause pursuant
to § 56-585.1 A 4 of the Code of Virginia

FINAL ORDER

On May 7, 2019, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company"), pursuant to § 56-585.1 A 4 ("Subsection A 4") of the Code of Virginia ("Code"), filed an application ("Application") with the State Corporation Commission ("Commission") for approval of a rate adjustment clause designated as Rider T1.

Subsection A 4 states as follows:

4. The following costs incurred by the utility shall be deemed reasonable and prudent: (i) costs for transmission services provided to the utility by the regional transmission entity of which the utility is a member, as determined under applicable rates, terms and conditions approved by the Federal Energy Regulatory Commission [("FERC")], and (ii) costs charged to the utility that are associated with demand response programs approved by the Federal Energy Regulatory Commission and administered by the regional transmission entity of which the utility is a member. Upon petition of a utility at any time after the expiration or termination of capped rates, but not more than once in any 12-month period, the Commission shall approve a rate adjustment clause under which such costs, including, without limitation, costs for transmission service, charges for new and existing transmission facilities, administrative charges, and ancillary service charges designed to recover transmission costs, shall be recovered on a timely and current basis from customers. Retail rates to recover these costs shall be designed using the appropriate billing determinants in the retail rate schedules.

In this proceeding, Dominion seeks approval of a revenue requirement for the rate year September 1, 2019, through August 31, 2020 ("Rate Year").¹ This revenue requirement, if

¹ Exhibit ("Ex.") 2 (Application) at 1.

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approved, would be recovered through a combination of base rates and a revised increment/decrement Rider T1. Rider T1 is designed to recover the increment/decrement between the revenues produced from the transmission component of base rates and the new revenue requirement developed from the Company's total transmission costs for the Rate Year.²

The total proposed revenue requirement to be recovered over the Rate Year is \$919,682,244, comprising an increment Rider T1 of \$445,489,325, and forecast collections of \$474,192,919 through the transmission component of base rates.³ This total revenue requirement represents an increase of \$271,214,490, compared to the revenues projected to be produced during the Rate Year by the combination of the base rate component of Subsection A 4 (the Company's former Rider T) and the Rider T1 rates currently in effect.⁴ Implementation of the proposed Rider T1 on September 1, 2019, would increase the average weighted monthly bill of a residential customer using 1,000 kilowatt-hours per month by \$6.71.⁵

On May 13, 2019, the Commission issued an Order for Notice and Hearing that, among other things, established a procedural schedule for this case, directed the Company to provide public notice of its Application, provided interested persons an opportunity to file comments on the Application or to participate as respondents in this proceeding, scheduled a public evidentiary hearing, and directed the Commission's Staff ("Staff") to investigate the Application. The

² *Id.* at 6. References herein to "transmission component of base rates" and "total transmission costs" are inclusive of demand response costs applicable under Subsection A 4.

³ On May 30, 2019, Dominion filed a letter notifying the Commission that the Company had discovered an error in the original calculation of the Rider T1 revenue requirement and the Company's correction of that error increased the amount of the proposed revenue requirement to \$922,268,285. The Company further stated, however, that because the correction caused the Rider T1 tariffed rates to exceed the total tariffed rates requested in the Application and stated in the public notice, it continued to request recovery in this case equal to the originally filed revenue requirement amount of \$919,682,244. Ex. 3 (May 30, 2019 Correction Letter).

⁴ Ex. 4 (Wilkinson Direct) at 2.

⁵ Ex. 6 (Crouch Direct) at 7.

Commission also assigned a Hearing Examiner to conduct further proceedings in this matter on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations.

The Office of Attorney General's Division of Consumer Counsel ("Consumer Counsel") and the Virginia Committee for Fair Utility Rates filed notices of participation in this proceeding.

On June 6, 2019, Staff filed its testimony and exhibits recommending a Rider T1 revenue requirement for the Rate Year equal to the amount requested by the Company in its Application.⁶ Further, Staff did not object to the Company's cost allocation or rate design.⁷ On June 10, 2019, the Company filed a letter stating that the Company agrees with the recommendations in Staff's pre-filed testimony and that it would not be filing rebuttal testimony.⁸ On June 19, 2019, the Honorable Alexander F. Skirpan, Jr., Chief Hearing Examiner, convened the evidentiary hearing in this proceeding. Dominion, Consumer Counsel, and Staff participated in the hearing. No public witnesses appeared.

On June 28, 2019, the Chief Hearing Examiner filed his Report ("Report"). In the Report, the Chief Hearing Examiner summarized the record in this proceeding and recommended that the Commission approve a total Subsection A 4 revenue requirement of \$922,268,285, with recovery limited to a total Subsection A 4 revenue requirement of \$919,682,244, of which

⁶ Ex. 10 (Carr Direct) at 2.

⁷ Ex. 9 (Blevins Direct) at 10.

⁸ Along with the Company's June 10, 2019 letter, the Company filed corrections to the Direct Testimony of J. Clayton Crouch.

\$474,192,919 is to be collected in base rates and \$445,489,325 through Rider T1 during the Rate Year commencing September 1, 2019.⁹

On July 1, 2019, Staff filed a letter notifying the parties that Staff waived filing any comments on the Report and asking the Commission to adopt the recommendations contained in the Report. The Company and Consumer Counsel filed comments to the Report on July 8, 2019, and July 9, 2019, respectively. Consumer Counsel noted concerns regarding the Company's continued use of the one coincident peak ("1 CP") allocation methodology and asserted that "other allocation methods, such as the 12 CP approach, could reduce rate volatility."¹⁰ Consumer Counsel further noted that Dominion has a pending request with the FERC related to changing the Company's allocation methodology for certain components of its wholesale rate from a 1 CP approach to a 12 CP approach.¹¹

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Chief Hearing Examiner's Report is reasonable and should be adopted.¹²

Accordingly, IT IS ORDERED THAT:

(1) Rider T1, as approved herein, shall become effective for service rendered on and after September 1, 2019.

⁹ Report at 14-15.

¹⁰ Consumer Counsel Comments at 2.

¹¹ *Id.*

¹² The Commission approves the 1 CP allocation methodology for the purpose of allocating costs in Rider T1 at this time. This finding, however, does not preclude the Commission from subsequently approving other allocation methodologies in future Rider T1 proceedings.

(2) The Company forthwith shall file, with the Clerk of the Commission and the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, the updated tariff sheets for Rider T1 as approved herein. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website:

<http://www.scc.virginia.gov/case>.

(3) This matter is closed.

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 Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219. A copy also shall be sent to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.