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August 21, 2015

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*Application of Virginia Electric and Power Company for
Approval and Certification of Electric Facilities: Surry-Skiffes Creek
500 kV Transmission Line, Skiffes Creek-Wheaton 230 kV Transmission
Line and Skiffes Creek 500 kV-230 kV-115 kV Switching Station
Case No. PUE-2012-00029*

Dear Mr. Peck:

Pursuant to Ordering Paragraph (1) of the Order issued by the State Corporation Commission in the above-captioned proceeding, enclosed please find for electronic filing on behalf of Virginia Electric and Power Company the *Update on Status of Certificated Project (August 21, 2015)*.

Please do not hesitate to call if you have any questions in regard to the enclosed.

Very truly yours,



Vishwa B. Link

Enc.

cc: Hon. Alexander F. Skirpan, Hearing Examiner
William H. Chambliss
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
d/b/a DOMINION VIRGINIA POWER)
)
For approval and certification of electric facilities:)
Surry-Skiffes Creek 500 kV Transmission Line,)
Skiffes Creek-Wheaton 230 kV Transmission Line, and)
Skiffes Creek 500 kV-230 kV-115 kV Switching Station)

Case No. PUE-2012-00029

UPDATE ON STATUS OF CERTIFICATED PROJECT
August 21, 2015

Virginia Electric and Power Company (“Dominion Virginia Power” or the “Company”), by counsel, pursuant to Ordering Paragraph (1) of the Order issued by the State Corporation Commission (“Commission”) in this proceeding on June 5, 2015 (“Order Directing Updates”), hereby files this Update regarding the status of the Surry-Skiffes Creek Line, Skiffes Creek Switching Station (“Skiffes Station”), Skiffes Creek-Wheaton Line, and additional transmission facilities (collectively, the “Certificated Project”). This Update supersedes prior updates submitted by the Company. For this Update to the Commission, the Company respectfully states as follows:

1. By its November 26, 2013 Order, as modified by its February 28, 2014 Order Amending Certificates in the above-styled proceeding and confirmed by its April 10, 2014 Order Denying Petition, the Commission approved and certificated under § 56-46.1 of the Code of Virginia (“Va. Code”) and the Virginia Utility Facilities Act¹ the construction and operation by Dominion Virginia Power of the electric transmission lines and related facilities proposed by the

¹ Va. Code § 56-265.1 *et seq.*

Company in its Application filed in this proceeding on June 11, 2012 (“2012 Application”).

Those orders provide that this case is to remain open until the proposed facilities are in service.

2. Those orders were appealed by BASF Corporation and jointly by James City County, Save The James Alliance Trust and James River Association (“JCC Parties”) to the Supreme Court of Virginia, which issued its unanimous opinion in those appeals on April 16, 2015, affirming the Commission’s approval and certification of these transmission facilities, which comprise the Certificated Project. *BASF Corp. v. State Corp. Comm’n*, ___ Va. ___, 770 S.E.2d 458, *reh’g denied*, ___ Va. ___, ___ S.E.2d ___ (2015) (“*BASF*”).

3. The Court’s opinion in *BASF* also reversed and remanded (by a 4-3 vote) the holding in the Commission’s November 26, 2013 Order that the term “transmission line” includes transmission switching stations such as Skiffes Station under Va. Code § 56-46.1 F, which exempts transmission lines approved by the Commission under that section from Va. Code § 15.2-2232 and local zoning ordinances. Petitions of the Commission and the Company seeking rehearing of this aspect of the *BASF* opinion were denied by the Court on May 15, 2015. As a result, the Company is now required to obtain local land use approval from James City County to construct Skiffes Station.

4. The Court issued its mandate and remand on June 4, 2015, returning the case to the Commission for further proceedings consistent with the views expressed in the written opinion of the Court.

5. The Commission stated in its Order Directing Updates:

The evidence in this proceeding shows that the North Hampton Roads Area is in critical need of a significant electric system upgrade. The need is severe and fast approaching, and the reliability risks are far reaching. The facilities approved in this case, for which judicial review thereof has concluded, are needed to avoid violations of mandatory electric reliability standards

approved under federal law to prevent: the loss of electric service to customers; transmission system overloads; and outages in the North Hampton Roads Area with cascading outages into northern Virginia, the City of Richmond, and North Carolina. Given the time required for the construction of significant electric infrastructure projects like the Certificated Project, and the magnitude of the projected reliability violations, the Commission directs Dominion to provide regular updates on the status of the Certificated Project, including but not necessarily limited to the Skiffes Station, the status of the Army Corps process, and the Company's plans for maintaining system reliability in the North Hampton Roads Area.

Order Directing Updates at 2-3.

Updates on Status of the Certificated Project

6. The Company has continued with its plans to construct the facilities that have been approved and certificated by the Commission. As the Commission is aware, the Company must obtain a construction permit from the U.S. Army Corps of Engineers ("ACE" or "Corps") and authorization from the Virginia Marine Resources Commission ("VMRC"), both of which have been pending since March of 2012.

7. In August 2013, the Company submitted a combined Joint Permit Application ("JPA") to ACE for the Surry-Skiffes Creek Line and the Skiffes Creek-Wheaton Line. This JPA superseded the individual permit applications for each such transmission line that had been submitted in March 2012 and June 2013.

8. On August 28, 2013, ACE solicited public comments on the undertaking via public notice in accordance with the requirements of the National Environmental Policy Act. These comments helped facilitate the initial steps of the review process under Section 106 of the National Historic Preservation Act and provided interested members of the public with an opportunity to comment on the identification of historic properties and potential effects. The Corps, in coordination with the State Historic Preservation Office, then identified organizations

that have a demonstrated interest in the treatment of historic properties associated with the Certificated Project ("Consulting Parties").

9. ACE issued a second public notice soliciting comments specific to historic property identification and an alternatives analysis (November 2014) and a third public notice to assist in evaluation of the effects of the Certificated Project on the identified historic properties and evaluation of alternatives or modifications which could avoid, minimize or mitigate adverse effects of the undertaking (May 2015). Comments on the May 2015 public notice were due by the close of business on June 20, 2015.

10. ACE has hosted three Consulting Parties meetings to date (September/December 2014 and June 2015). On July 2, 2015, ACE made a request to the Keeper of the Register ("Keeper") concerning the eligibility of listing a portion of the Captain John Smith National Historic Trail ("CAJO") on the National Register of Historic Places. On August 14, 2015 the Keeper made a determination that a portion of the Captain John Smith Trail is eligible for listing on the National Register of Historic Places. The Company continues to work with ACE and other parties to consider effects of the Certificated Project and develop a mitigation plan.

11. The Company has been coordinating with VMRC and based upon this coordination, anticipated appearing before the VMRC at their July 28, 2015 meeting for public hearing. VMRC has deferred the hearing on the Certificated Project until a later date based upon their desire to have additional certainty surrounding the ACE permitting.

12. Additionally, the Federal Aviation Administration has completed its review of all of the proposed 500 kV structures, as well as the 230 kV structures, and has made a determination of no hazard to air navigation. Four construction crane notification determinations for the 230 kV line are still pending.

13. There are other state permits being sought by the Company in a timely manner. Upon obtaining the required approvals, the Company intends to commence construction of the approved and certificated 500 kV Surry-Skiffes Creek and 230 kV Skiffes Creek-Wheaton Lines.

14. Consistent with the Court's opinion in *BASF*, on June 17, 2015, the Company filed a special use permit application ("SUP"), a rezoning request, and a height waiver application for a switching station in James City County associated with the Certificated Project. Comments from County staff were received on July 2, 2015, and the Company responded to the County July 10, 2015. The County produced additional comments on the resubmission on July 17, 2015, and the Company responded on July 24, 2015. On July 23, 2015, an open house was hosted by Dominion Virginia Power to discuss the switching station. There were 26 attendees. The switching station was placed on the James City County Planning Commission agenda scheduled for August 5, 2015, and legal notices were run on July 22 and July 29, 2015 to alert the public of the meeting. A favorable staff report was issued July 29, 2015 recommending approval of the switching station. On August 5, 2015 the James City County Planning Commission voted 4 to 2 against recommending approval of the Company's switching station. The James City County Board of Supervisors will make the final determination.

15. The Company will continue to report to the Commission material developments in its permitting and construction activities on the schedule set forth in the Order Directing Updates.

16. Additionally, the Company notes that the inability to begin construction for the past three years since the Application was filed with the Commission has made it impossible for the proposed facilities to be completed and in service by December 31, 2015, as provided in the

Commission's February 28, 2014 Order Amending Certificates. As permitted by federal environmental regulations, the Company has obtained from the Virginia Department of Environmental Quality a one-year extension of the April 16, 2015 deadline for Yorktown Units 1 and 2 to comply with the U.S. Environmental Protection Agency's ("EPA") Mercury and Air Toxics Standards ("MATS") regulation that will be achieved by retiring the units, which drove the original June 1, 2015 need date for the new transmission facilities. The Company also will seek from the EPA an administrative order under EPA's Administrative Order Policy for the Mercury and Air Toxics Standards (MATS) rule,² which, if granted, would provide an additional one-year waiver of non-compliance with the regulations that drive those retirements and further extend the need date for the Certificated Project to June 1, 2017.

17. On June 29, 2015, the United States Supreme Court ("Supreme Court") in *Michigan, et al. v. Environmental Protection Agency, et al.*, __U.S. __ (2015) reversed and remanded (by a 5-4 vote) the EPA's MATS regulation to the Court of Appeals for the D.C. Circuit Court for further proceedings consistent with the Supreme Court's Opinion. This decision does not change the Company's plans to close coal units at Yorktown Power Station or the need to construct the Certificated Project by 2017. The Court's ruling required that EPA consider the cost of implementation. The decision neither vacates the rule nor places a stay on its implementation. As a result, Dominion Virginia Power intends to proceed with the Certificated Project as scheduled.

² *The Environmental Protection Agency's Enforcement Response Policy For Use of Clean Air Act Section 113(a) Administrative Orders In Relation To Electric Reliability and the Mercury and Air Toxics Standard.* EPA Memorandum from Cynthia Giles, Assistant Administrator of the Office of Enforcement and Compliance Assurance to EPA Regional Administrators, Regional Counsel, Regional Enforcement Directors and Regional Air Division Directors (December 16, 2011).

18. Accordingly, the Company will file a motion with the Commission to extend the completion and in-service date of the new transmission facilities when a definitive timeline is able to be developed.

Plans for Maintaining System Reliability in the North Hampton Roads Area

19. In order to ensure reliability for the Peninsula while the Surry-Skiffes Creek Line is being constructed in anticipation of the Yorktown Unit 1 and 2 retirements, the Company is conducting a rigorous inspection and maintenance program ("Inspection Program"). The focus of the Inspection Program is transmission lines and stations for assets that directly serve the Peninsula. This includes, but is not limited to, the lines and stations from Chickahominy east to Newport News, as well as lines from Surry and Chuckatuck that feed into the southern end of the Peninsula. The Inspection Program focuses on the human performance factor that will be emphasized consistently over the work period to ensure the Electric Transmission and Station workforce involved in supporting the assets on the Peninsula are cognizant of the ongoing construction. The Inspection Program will also consist of a complete evaluation of all abnormal equipment logs that require equipment maintenance or replacement in order to ensure that all equipment is in-service, and infrared reviews of stations and transmission lines prior to and during long critical outages to identify any weak links in the system that need attention to prevent unplanned outage events. More frequent aerial and foot patrols of transmission lines and stations will also be incorporated into the Inspection Program. Lastly, the outages required to address any outstanding equipment issues will be scheduled around the necessary planned outages to support the construction of the Certificated Project to limit the overall system exposure.

20. If the Certificated Project is not in-service by the time that Yorktown Units 1 and 2 must retire to be in compliance with effective environmental regulations, then the plan for maintaining system reliability for the Peninsula will include careful planning of transmission outages and minimum work on assets on the Peninsula while the planned outages to support the construction of the Certificated Project outages are underway. Under some unplanned event scenarios, the reliability plan must include shedding of load in the amounts necessary to reduce stress on the system below critical demand levels. The shedding of load could occur in some instances at system load levels well below peak demand levels, on the order of 16,000 MW or higher. The exact system load level, load shed amounts and locations will be dependent on the circumstances that exist on the system at the time.

21. The Company will continue to report to the Commission material developments of its plans for maintaining system reliability on the schedule set forth in the Order Directing Updates.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

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Counsel for Virginia Electric and Power Company

August 21, 2015

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of August, 2015, copies of the foregoing were hand delivered, electronically mailed, and/or mailed first class postage prepaid to:

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