

**Virginia State Corporation Commission
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Case Number (if already assigned) PUE-2012-00029

Case Name (if known) Application of Virginia Electric and Power Company for Approval and Certification of Electric Facilities: Surry-Skiffes Creek 500 kV Line, Skiffes Creek-Wheaton 230 kV Line and Skiffes Creek 500kV-230kV-115kV Switching Station

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December 28, 2015

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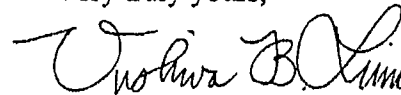
*Application of Virginia Electric and Power Company for
Approval and Certification of Electric Facilities: Surry-Skiffes Creek
500 kV Transmission Line, Skiffes Creek-Wheaton 230 kV Transmission
Line and Skiffes Creek 500 kV-230 kV-115 kV Switching Station
Case No. PUE-2012-00029*

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 (December 28, 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
DECEMBER 28, 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 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). A fourth public notice was published October 1, 2015 providing notice of a public hearing to be held on October 30, 2015 at Lafayette High School in Williamsburg, Virginia.

10. Also on October 1, 2015, the ACE published their Preliminary Alternatives Conclusions White Paper (“White Paper”), which concluded, in relevant part:

Therefore, based on information presented to date, our preliminary finding is that two alternatives appear to meet the project purpose while reasonably complying with the evaluation criteria. These are Surry-Skiffes-Wheaton 500 kV OH (AC) (Dominion’s Preferred) and Chickahominy-Skiffes-Wheaton 500kV. We have determined that other alternatives are unavailable due to cost, engineering constraints and/or logistics. Please note this is not a decision on whether Dominion’s preferred alternative is or is not permissible, nor does it exclude further consideration of alternatives should new information become available.

White Paper at 7-8. A copy of the White Paper was attached as Exhibit A to the Company’s October 2, 2015 Status Update filed with the Commission.

11. ACE has hosted four Consulting Parties meetings to date (September/December 2014 and June/October 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.

12. As part of the process to assist in consideration of historic impacts, the Company prepared a Consolidated Effects Report (“CER”) to merge the various studies that had been prepared beginning in 2011 into a single document. The ACE published the CER on October 1, 2015.

13. The Corps conducted its public hearing on October 30, 2015, during which approximately 80 witnesses appeared to present their views to the Corps. The period for written public comments associated with the October 30, 2015 public hearing (originally scheduled to close on November 9, 2015) was subsequently extended to close of business November 13, 2015, concurrent with the public comment period for the CER and White Paper.

14. As indicated in the Company’s December 1, 2015 motion for extension referenced below, once a complete mitigation plan is developed, the Corps will provide for a comment period on the mitigation plan. At the conclusion of the comment period, the Corps will be able to issue its decision on the requested permit, although there is no set period of time within which the Corps must act.

15. 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.

16. Additionally, the Federal Aviation Administration has completed its review of all of the proposed 500 kV structures; the 230 kV structures; and associated cranes and has made a determination of no hazard to air navigation.

17. 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.

18. Consistent with the Court's opinion in *BASF*, on June 17, 2015, the Company filed a special use permit application ("SUP"), a rezoning request, a substantial accord determination 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. Pursuant to Va. Code § 15.2-2232, on August 17, 2015, the Company filed an appeal of the substantial accord determination to the James City County Board of Supervisors (the "JCC Board"). The JCC Board will make the final determination on the SUP, rezoning and height waiver requests and will hear the appeal on the substantial accord determination, and it is anticipated that all four items will be considered during the same meeting of the JCC Board. The appeal and the other pending applications were to be considered by the JCC Board at its October 13, 2015 public meeting, but the Company submitted a letter on

September 17, 2015 requesting that action on the appeal be deferred until the JCC Board's meeting on November 24, 2015. The JCC Board approved that request at its meeting on September 22, 2015. A subsequent request was submitted by the Company on November 6, 2015 to defer the vote on the matter until the JCC Board's January 12, 2016 meeting; this request was approved by the JCC Board on November 10, 2015. The Company anticipates that the decision of the JCC Board will be better informed by the status of the Corps process in January of 2016; therefore, on December 4, 2015, the Company submitted a letter of request for further deferral of the JCC Board's public hearing on this matter to the JCC Board's February 9, 2016 meeting; this request was approved by the JCC Board on December 8, 2015.

19. On September 11, 2015, in advance of the JCC Board's vote on the aforementioned items, the Company, at its own risk, submitted the Switching Station site plan to the County for review. Comments from JCC and other review agencies have been reviewed by the Company and were addressed in the Company's November 16, 2015 second submission of the Switching Station site plan. 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.

20. 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. On October 15, 2015, the Company submitted a Petition seeking 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. On December 2, 2015, the Federal Energy Regulatory Commission (“FERC”) issued Comments on the Company’s request to EPA, stating that Yorktown Unit Nos. 1 and 2 “are needed during the administrative order period, as requested by Dominion, to maintain electric reliability and to avoid possible NERC Reliability Standard violations.”³

21. 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 United States Court of Appeals for the D.C. Circuit Court (“D.C. Court of Appeals”) 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 vacated the rule nor placed a stay on its implementation. On July 31, 2015, the Supreme Court formally sent the litigation back to the D.C. Court of Appeals, to decide whether to vacate or leave in place the MATS Rule while the EPA works to address the Supreme Court decision.

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).

³ *Virginia Electric and Power Company*, Docket No. AD16-11-000, 153 FERC ¶ 61,265.

22. On November 20, 2015, in response to the Supreme Court decision, the EPA proposed a supplemental finding⁴ that consideration of cost does not alter the agency's previous conclusion that it is appropriate and necessary to regulate coal- and oil-fired electric utility steam generating units ("EGUs") under Section 112 of the Clean Air Act ("CAA"). The proposed supplemental finding was published for public comment on December 1, 2015. 80 Fed. Reg. 75025 (Dec. 1, 2015). The public comment period will close on January 15, 2016.

23. On December 15, 2015, the D.C. Court of Appeals in *White Stallion Energy, LLC v. Environmental Protection Agency*, No. 12-1100, 2015 U.S. App. LEXIS 21819 (D.C. Cir. 2015) issued an order remanding the MATS rulemaking proceeding back to EPA without vacatur. This action means that the MATS rule remains applicable and effective. The D.C. Court of Appeals noted that EPA has represented it was on track to issue by April 15, 2016, a final finding that consideration of cost does not alter the agency's previous conclusion that it is appropriate and necessary to regulate coal- and oil-fired EGUs under Section 112 of the CAA.

24. On December 1, 2015, the Company filed with the Commission a motion to extend the date for completion and placement in service of the Certificated Project to the date twenty (20) months after the date on which the Corps issues a construction permit for the Certificated Project. On December 22, 2015, the Commission issued an Order granting the Company's motion to extend.

Plans for Maintaining System Reliability in the North Hampton Roads Area

25. 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

⁴ See <http://www.gpo.gov/fdsys/pkg/FR-2015-12-01/pdf/2015-30360.pdf>.

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.

26. Additional inspection and maintenance work that is currently being conducted as part of the Inspection Program includes performing substation inspections quarterly; augmenting quarterly inspections with Technical Oversight Inspections of select stations; increasing infrared inspections of affected substations; performing infrared inspections every two weeks if load exceeds 18,000 MW; and reviewing all Corrective & Preventative Maintenance orders for substation equipment and relay systems to ensure they are completed or can be deferred during construction of the Certificated Project.

27. Foundation work on the existing transmission lines at the James River Bridge is underway and will be completed by the end of 2015. Additional inspection and maintenance work is also being planned for the future (prior to construction of the Certificated Project). This additional future work under the Inspection Program includes the following: all line switches will be inspected and any necessary maintenance performed prior to construction; all questionable compression conductor connections will be inspected and any necessary repairs will be made prior to commencement of work; one month prior to beginning work, a foot patrol will be done on the four 230 kV lines serving the Peninsula, and any issues found will be corrected prior to commencement of work; one week prior to beginning work, an aerial patrol will be done on the four 230 kV lines serving the Peninsula, and any issues found will be corrected prior to commencement of work; and bi-weekly aerial patrols will be done throughout the construction of the Certificated Project on these four 230 kV lines to identify any issues that may have surfaced since the previous patrol. The bi-weekly aerial patrols will specifically look for equipment integrity issues identified through visual inspection, corona camera, and infrared camera; and any third-party work on or near the right-of-way with a potential threat to the lines, which will be identified and addressed accordingly. Should the permit be delayed and Yorktown is forced to shut down without the line in service, the above actions will be taken well in advance of the Yorktown coal unit closures.

28. 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.

29. 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

December 28, 2015

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CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of December, 2015, copies of the foregoing were hand delivered, electronically mailed, and/or mailed first class postage prepaid to:

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