

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 27, 2018

SCC-CLERK'S OFFICE
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APPLICATION OF

2018 AUG 27 P 1:37

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2018-00067

To revise its fuel factor pursuant to
§ 56-249.6 of the Code of Virginia

ORDER ESTABLISHING 2018-2019 FUEL FACTOR

On May 4, 2018, Virginia Electric and Power Company ("Company" or "Dominion") filed with the State Corporation Commission ("Commission") its application ("Application") pursuant to Code § 56-249.6 seeking an increase in its fuel factor from 2.383 cents per kilowatt-hour (" ¢/kWh ") to 2.719 ¢/kWh , effective for usage on and after July 1, 2018.¹

The Company's proposed fuel factor, reflected in Fuel Charge Rider A, consists of both a current and prior period factor. The Company's proposed current period factor for Fuel Charge Rider A of 2.266 ¢/kWh is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses, of approximately \$1.50 billion for the period July 1, 2018, through June 30, 2019. The Company's proposed prior period factor for Fuel Charge Rider A of 0.453 ¢/kWh is designed to recover approximately \$299.4 million, which represents the net of two projected June 30, 2018 fuel deferral balances.²

In total, Dominion's proposed fuel factor represents a 0.336 ¢/kWh increase from the fuel factor rate presently in effect of 2.383 ¢/kWh , which was approved in Case No.

¹ Application at 2.

² *Id.* The first balance is the projected June 30, 2018 under-recovery balance of approximately \$289.5 million associated with recovery of the July 1, 2017 through June 30, 2018 current period expense. The second balance is the projected June 30, 2018 under-recovery balance of approximately \$9.9 million associated with recovery of the remaining portion of the June 30, 2017 prior period expense.

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PUR-2017-00058.³ According to the Company, this proposal would result in an annual fuel revenue increase of approximately \$221.8 million between July 1, 2018, and June 30, 2019.⁴ The total proposed fuel factor would increase the average weighted monthly bill of a typical residential customer using 1,000 kWh of electricity by \$3.36, or by approximately 2.9%.⁵

On May 21, 2018, the Commission issued an Order Establishing 2018-2019 Fuel Factor Proceeding that, among other things, established a procedural schedule for this matter, required the Company to provide public notice of its Application, scheduled an evidentiary hearing, and allowed the Company's proposed fuel factor of 2.719¢/kWh to be placed into effect on an interim basis for usage on and after July 1, 2018.

The following parties filed notices of participation: Appalachian Voices ("Environmental Respondent"); Virginia Committee for Fair Utility Rates ("Committee"); and Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel").

On July 25, 2018, the Commission convened a public evidentiary hearing. Dominion, Environmental Respondent, the Committee, Consumer Counsel, and the Commission's Staff ("Staff") participated at the hearing, and the Commission received evidence from witnesses for Dominion, Environmental Respondent, and Staff. No public witnesses appeared at the hearing.

On August 1, 2018, Dominion, Environmental Respondent, Consumer Counsel, and Staff each filed an issues matrix as directed at the conclusion of the hearing.⁶

³ Application at 2. See *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia*, Case No. PUR-2017-00058, Doc. Con. Cen. No. 170640081, Order Establishing 2017-2018 Fuel Factor (June 27, 2017).

⁴ Application at 2.

⁵ Ex. 9 (Merritt Direct) at 5.

⁶ Tr. 209.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows. The Commission has considered the entire record in this proceeding, including the specific issues raised by each participant, and finds that Dominion's Application to revise its fuel factor shall be approved with the requirements set forth herein.

Code § 56-249.6 D 2 states as follows:

The Commission shall disallow recovery of any fuel costs that it finds without just cause to be the result of failure of the utility to make every reasonable effort to minimize fuel costs or any decision of the utility resulting in unreasonable fuel costs, giving due regard to reliability of service and the need to maintain reliable sources of supply, economical generation mix, generating experience of comparable facilities, and minimization of the total cost of providing service.

The Commission finds that Dominion shall demonstrate in its next fuel factor proceeding how it monetizes the unused portion of its natural gas pipeline capacity portfolio on days when the system is not constrained.⁷ This information, among other things, will further inform the Commission's analysis under the above statute. At this time, however, based on the instant record and pending the results of this new directive, the Commission does not find that the Company should be directed to implement Environmental Respondent's other requested changes.⁸

In addition, the Commission finds that Dominion should not be prevented at this time from including the FT-Seneca AMA contract as part of the projected 2018-2019 fuel factor. The evidence to date shows, among other things, that: the Company entered into this contract as part

⁷ See, e.g., Staff's August 1, 2018, Issues List at 1; Ex. 19 (Johnson Direct); Environmental Respondent's Aug. 1, 2018, Statement of Issues at 1.

⁸ See, e.g., Environmental Respondent's Aug. 1, 2018, Statement of Issues at 1-4. For example, based on the instant record (including but not limited to the testimony of Staff witness Johnson), we find that at the current time: the overall deliverability of Dominion's portfolio is reasonably sized for the size of its generation fleet; Dominion need not release all of its capacity as open, fully biddable deals; and the Company should not be directed to change its designation of "asset management" deals.

facilities are likewise recovered through base rates; security expenses related to other power plants or fuel are not recovered through the fuel factor; and security expenses for nuclear fuel, while in the reactor, are similarly recovered through base rates.¹² This finding reduces the fuel factor by approximately \$12.7 million.¹³

Accordingly, IT IS ORDERED THAT:

(1) The Company's fuel factor shall be 2.700¢/kWh, for service rendered on and after October 1, 2018.

(2) The Company shall demonstrate in its next fuel factor proceeding how it monetizes the unused portion of its natural gas pipeline capacity portfolio on days when the system is not constrained.

(3) This case is continued generally.

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 delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

¹² See, e.g., Ex. 17.

¹³ See, e.g., Ex 18. Specifically, this finding reduces projected costs for the current period factor, which is designed to recover fuel costs for the period July 1, 2018, through June 30, 2019. This finding also reduces the prior period factor to exclude these security costs for the fuel rate periods commencing January 1, 2017, through June 30, 2018. In this manner, these non-fuel security costs will not be treated as *fuel* costs but, rather, will be properly reflected as *base rate* costs in the Company's upcoming base rate review, which includes the four successive 12-month periods beginning January 1, 2017. See Code § 56-585.1 A 1.