

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, FEBRUARY 14, 2020

REGISTRATION DIVISION
STATE CORPORATION COMMISSION
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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2019-00124

To participate in the pilot program for electric power storage batteries pursuant to § 56-585.1:6 of the Code of Virginia, and for certification of a proposed battery energy storage system pursuant to § 56-580 D of the Code of Virginia

FINAL ORDER

On August 2, 2019, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") to participate in the pilot program for electric power storage batteries ("Pilot Program") pursuant to Virginia Code ("Code") § 56-585.1:6, the Commission's Guidelines Regarding Electric Power Storage Battery Pilot Programs ("Pilot Guidelines") and Rule 80 A of the Commission's Rules of Practice and Procedure.¹ Through the Application, the Company presents three projects for deployment of battery energy storage systems ("BESS") as part of the Pilot Program.²

The Application states that the Grid Transformation and Security Act of 2018 ("GTSA") directed the Commission to establish the Pilot Program, a program under which the Company must submit proposals to deploy electric power storage batteries.³ The GTSA established permissible objectives of the Pilot Program; established a five-year duration for the Pilot

¹ 5 VAC 5-20-10 *et seq.*

² Ex. 2 (Application) at 1.

³ *Id.* at 3.

Program; set the size of the Pilot Program; and provided for recovery of the Company's reasonable and prudent costs incurred under the Pilot Program through base rates.

On August 16, 2019, the Commission issued an Order for Notice and Hearing that, among other things: established a procedural schedule; set an evidentiary hearing date; directed Dominion to provide public notice of its Application; and provided interested persons an opportunity to file comments on the Application or to participate in the case as a respondent by filing a notice of participation. Notices of participation were filed by: Appalachian Power Company; Appalachian Voices ("Environmental Respondents"); and the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"). The Company, Environmental Respondents and Commission Staff ("Staff") pre-filed testimony in this matter.

On January 14, 2020, the Commission convened an evidentiary hearing on the Application. The Company, Environmental Respondents, Consumer Counsel, and Staff participated at the hearing.⁴

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Application should be approved and Dominion's Pilot Program should be established as follows.

Code of Virginia

Pursuant to Code § 56-585.1:6 A:

The Commission shall establish pilot programs under which each Phase I Utility and each Phase II Utility, as such terms are defined in subdivision A 1 of § 56-585.1, shall submit a proposal to deploy electric power storage batteries. A proposal shall provide for the deployment of batteries pursuant to a pilot program that accomplishes at least one of the following: (i) improve reliability of electrical transmission or distribution systems; (ii) improve integration of different types of renewable resources; (iii) deferred investment in generation, transmission, or distribution of

⁴ No public witnesses appeared to testify at the hearing. Tr. 9.

electricity; (iv) reduced need for additional generation of electricity during times of peak demand; or (v) connection to the facilities of a customer receiving generation, transmission, and distribution service from the utility. A Phase I Utility may install batteries with up to 10 megawatts of capacity. A Phase II Utility may install batteries with up to 30 megawatts of capacity. Each pilot program shall have a duration of five years. The pilot program shall provide for the recovery of all reasonable and prudent costs incurred under the pilot program through the electric utility's base rates on a nondiscriminatory basis. Any pilot program proposed by a Phase I Utility or Phase II Utility that satisfies the requirements of this subsection is in the public interest.

Pilot Program

Through BESS-1, the Company proposes to deploy a 2 megawatt ("MW") / 4 megawatt-hour ("MWh") alternating current ("AC") lithium-ion BESS that will study the prevention of solar back-feeding onto the transmission grid at a specific substation.⁵ Through BESS-2, the Company proposes to deploy a 2 MW / 4 MWh AC lithium-ion BESS that will study batteries as a non-wires alternative to reduce transformer loading at a specific substation.⁶ Through BESS-3, the Company proposes to deploy a lithium-ion BESS at its Scott Solar Facility consisting of a 2 MW / 8 MWh direct current system with a 10 MW / 40 MWh AC-coupled system to study solar plus storage.⁷ The Company explained that it "has proposed BESS-1, BESS-2, and BESS-3 to study important statutory objectives, and believes that the information and experience gained from each will provide valuable insight and experience toward deployment of BESS in the future."⁸ The Company expects that "learning about the [battery]

⁵ Ex. 2 (Application) at 5.

⁶ *Id.* at 5-6.

⁷ *Id.* at 6.

⁸ Ex. 13 (Wright Rebuttal) at 3.

systems now . . . will put [the Company] in the best position to use them as a cost-effective solution in the future."⁹

The Commission finds that each of the proposed BESS will further one or more of the statutory objectives set forth in Code § 56-585.1:6 A. The Commission further finds that the costs of BESS-1, BESS-2, and BESS-3 are reasonable and prudent for purposes of conducting a pilot program on electric power storage batteries at a cost of \$2.9 million, \$4.1 million and \$26.1 million, respectively.¹⁰ As such, the Pilot Program is in the public interest. The Commission cautions, however, that approval of the Pilot Program does not guarantee approval of any future BESS. Any future application must be found reasonable under the particular statutory requirements relevant to such request.

The Commission will not require the Company to relocate BESS-2, as urged by Environmental Respondents. As the Company explained, the available space within the existing substation as well as the proximity to Richmond support locating BESS-2 at the Hanover Substation, as proposed by the Company.¹¹

Reporting Requirements

Consistent with the Pilot Guidelines, the Company proposes to file an annual report on the status of the Pilot Program by March 31 of each year following deployment of the BESS. The Commission adopts the Company's proposed annual reporting requirements that incorporate recommendations of the parties in addition to the metrics included in the Pilot Guidelines.¹² Among other things, the Company committed to study additional use cases for each of the

⁹ Tr. 97.

¹⁰ See, e.g., Ex. 2 (Application) at Ex. 1-3 (Proposal Summaries) at 1; Ex. 8 (Cusick Direct) at 7.

¹¹ See, e.g., Ex. 13 (Wright Rebuttal) at 16-17; Tr. 100-102.

¹² Ex. 13 (Wright Rebuttal) at 6-7, Rebuttal Attachment-1.

proposed batteries and report on the Company's progress.¹³ For BESS-3, the Company specifically committed to evaluating potential participation of BESS-3 in the PJM¹⁴ wholesale markets.¹⁵ We accept the Company's commitment to study additional use cases, including potential participation of BESS-3 in the PJM wholesale markets, and so direct. During the evidentiary hearing, the Company also agreed to the Environmental Respondents' recommendation to track the reduction in the net PJM capacity obligation resulting from the use of BESS-3.¹⁶ The Commission agrees this metric should be collected and directs the Company to report on it.

Amended Certificate of Public Convenience and Necessity ("CPCN")

To the extent necessary, Dominion requests an amended CPCN for the Scott Solar Facility to include BESS-3, which the Company will classify as a generation asset.¹⁷ The Commission finds issuance of the requested amended CPCN is appropriate, subject to Company's compliance with the requirements set forth in the report of the Department of Environmental Quality filed in this matter on November 8, 2019.¹⁸

¹³ See, e.g., *id.* at 4.

¹⁴ The term "PJM" refers to PJM Interconnection LLC regional transmission organization.

¹⁵ Ex. 17 (Rajan Rebuttal) at 15.

¹⁶ Tr. 26, 124.

¹⁷ Ex. 2 (Application) at 1-2. The Scott Solar Facility was previously approved in 2016. *Application of Virginia Electric and Power Company, For approval and certification for the proposed 2016 Solar Projects pursuant to §§ 56-580 D and 56-46.1 of the Code of Virginia, and approval of a rate adjustment clause, designated Rider US-2, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUE-2015-00104, 2016 S.C.C. Ann. Rept. 295, Final Order (June 30, 2016).

¹⁸ Ex. 12 (DEQ Report). The Company did not object to any of the recommendations made by DEQ in its Summary of Findings and Recommendations. Ex. 18 (Gangle Rebuttal) at 2. We will not require CPCNs for BESS-1 or BESS-2 based on the facts and circumstances of this proceeding. Specifically, in the Commission's judgment, the proposed size and function of these specific BESS are "ordinary extensions or improvements in the usual course of business" not requiring a CPCN. Code § 56-265.2.

Cost Recovery

Pursuant to Code § 56-585.1:6 A, "[t]he pilot program shall provide for the recovery of all reasonable and prudent costs incurred under the pilot program through the electric utility's base rates on a nondiscriminatory basis." Having determined herein that the projected costs of the proposed BESS are reasonable and prudent, the Commission will address specific issues related to cost recovery associated with the Pilot Program in a future base rate proceeding.

Accordingly, IT IS ORDERED THAT:

(1) Dominion's Application is granted, subject to the requirements set forth herein.

(2) Subject to the findings and requirements set forth in this Final Order, Certificate No. ET-206 authorizing Dominion to construct and operate the Scott Solar Facility is hereby cancelled and shall be reissued as amended Certificate No. ET-206a to include construction and operation of BESS-3 at the Scott Solar Facility.

(3) This case is continued.

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.