# Virginia State Corporation Commission
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*Commonwealth of Virginia, ex rel. State Corporation Commission Ex Parte: In the matter of establishing regulations for a shared solar program pursuant to § 56-594.3 of the Code of Virginia*
Case No. PUR-2020-00125

Dear Mr. Logan:

Please find enclosed for electronic filing in the above-captioned proceeding the *Supplemental Information Regarding Minimum Bill Proposal of Virginia Electric and Power Company.*

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

Highest regards,

/s/ Timothy D. Patterson

Timothy D. Patterson

Enclosures

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Service List

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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| COMMONWEALTH OF VIRGINIA, *ex rel.*<br>STATE CORPORATION COMMISSION<br><br>*Ex Parte*: In the matter of establishing regulations for a shared solar program pursuant to § 56-594.3 of the Code of Virginia | )<br>)<br>)<br>)<br>)<br>) | Case No. PUR-2020-00125 |

**SUPPLEMENTAL INFORMATION REGARDING MINIMUM BILL PROPOSAL OF VIRGINIA ELECTRIC AND POWER COMPANY**

On December 23, 2020, the State Corporation Commission ("Commission") adopted rules to implement the Shared Solar Program ("Rules") as required by the Virginia Clean Economy Act ("VCEA").[1] In its Order, the Commission directed Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") to "file a proposal for the minimum bill as set forth in [20 VAC 5-340-80] no later than March 1, 2021."[2] On March 1, 2021, the Company filed its Minimum Bill Proposal ("Minimum Bill Proposal") as directed. On March 18, 2021, the Commission issued an Order directing the Company to address various issues raised in the Minimum Bill Proposal in further detail. Accordingly, the Company provides the following supplemental information regarding its Minimum Bill Proposal.

## I. GENERATION BALANCING SERVICE CHARGES

**What specific non-bypassable charges does Dominion propose to include in the Generation Balancing Service Charges?**

The Company proposes to include any and all non-bypassable charges as specified in, and required by, the Virginia Code and approved by the Commission, both now and in the future.

[1] The Commission issued a Correcting Order on December 30, 2020.
[2] Order Adopting Rules at 8.

This includes, but is not limited to, Rider CE, Rider NBC, Rider RPS, Rider PPA (as proposed by Staff in the RPS and NBC proceedings), and Rider CCR.

**With regard to the proposed Generating Balancing Service Charges, provide a description of the methodology by which Dominion proposes to determine the "avoided cost credits."**

The Company proposes to calculate "avoided cost credits" in the same manner as the VCS Adjustment is calculated in Rider VCS. Under Rider VCS, the VCS Adjustment includes a forecasted energy credit and a credit based on the market value of the capacity provided by the community solar portfolio. The VCS Adjustment is reset annually, with 90 days' advanced notice given to existing and prospective participating customers, using forecasting methods for PJM Interconnection, LLC ("PJM"), energy and capacity prices consistent with those used in the Company's annual fuel factor filing. The VCS Adjustment is used to offset the VCS Charge to produce the VCS Net Rate for each customer.

In the Shared Solar program, the Company proposes to structure the avoided cost credits to include a forecasted energy credit as well as a credit based on the market value of the capacity benefit provided to the system by the Shared Solar generating facility. Like the VCS Adjustment , the avoided cost credits in the Shared Solar program would be reset annually using forecasting methods for PJM energy and capacity prices consistent with those used in the Company's annual fuel factor filing. Specifically, energy prices would be forecasted using market curves for PJM Dominion Zone day-ahead locational marginal pricing, and capacity prices would be based on the results of the applicable Base Residual Auctions ("BRA") for capacity resources. As was approved in Rider VCS, the Company would propose to provide existing and prospective participants 90 day's notice of the updated avoided cost credits calculation in a manner consistent with those used in the Company's annual fuel factor filing.

**The Company states that the Generation Balancing Service Charges are analogous to those of the current Rider VCS, Rider TRG, and charges for the School Solar and Municipal Solar Pilot Programs. What are the current values of the Generation Balancing Service Charges for these programs today?**

The Company discussed the charging mechanisms in Rider VCS, Rider TRG, and the School Solar and Municipal Pilot Programs to suggest that its proposed Generation Balancing Service Charge was designed to be consistent with charging approaches approved by the Commission for similar programs in other proceedings.[3] The Company observed that while each of these programs features charging mechanisms that bear similarity to the proposed Generation Balancing Service Charge, Rider VCS presented the closest parallel.

For reference, the current annualized pricing for the typical 1,000 kWh residential bill effective April 1, 2021 is $117.47 (11.747 cents/kWh). This is composed of the following components:

- Distribution Service Charges: $29.45
- Transmission Service Charges: $20.29
- Generation Service Charges: $67.73

The proposed Shared Solar Generation Balancing Charge calculation for the minimum bill essentially would be composed of (1) the cost of the customer's generation service as set forth in their principal tariff; and (2) the avoided cost credit, which represents the market value of the energy being injected into the grid. Assuming current pricing (6/1/21-5/31/22 forecast), the following is a model for how the Company would calculate the Shared Solar Generation Balancing Charge:

[3] Minimum Bill Proposal at 9.

- Forecasted On-Peak DOM Zone Price (for 6/1/21 – 5/31/22): **\$34.42/MW (3.442 cents/kWh)**
- Capacity:
  - \$142.16/MW-day (actual BRA result for 6/1/21 – 5/31/22)
  - Assume 34.4% solar value for capacity = \$48.90/MW-day
  - Assume 25% capacity factor for solar in a day for 1 MW: 1 MW x 24 hrs x 25% = 6 MWH/day on average
  - \$48.90/MW-day / 6 MWH/day = **\$8.15/MWH (0.815 cents/kWh)**
- Total Avoided Cost Credit pricing:

  Energy: \$34.42/MW (3.442 cents/kWh)

  <u>Capacity: \$8.15/MWH (0.815 cents/kWh)</u>

  **Total: 4.257 cents/kWh**

The Generation Balancing Service Charge nets the customer's principal tariff generation service charge against the avoided cost price calculation:

| | |
|---|---|
| Principal Tariff Generation Service Charge:[4] | 6.773 cents/kWh |
| Avoided Cost Credit price: | <u>(4.257 cents/kWh)</u> |
| | 2.516 cents/kWh |

In Rider VCS, customers pay a VCS Charge, which includes (i) purchased power costs for the community solar, based upon PPA prices for solar energy, capacity, and environmental attributes; (ii) RFP costs; (iii) marketing costs; (iv) customer service costs; and, (v) a reasonable margin. The Customer also receives a VCS Adjustment credit, as described above. With respect to Rider VCS, the components analogous to the proposed Generation Balancing Service Charge

[4] For the typical 1,000 kWh residential bill.

are (1) the cost of the customer's generation service as set forth in their principal tariff; and (2) the VCS Adjustment , which is effectively synonymous with the avoided cost benefit credit of the Shared Solar program, because it represents the market value of the energy being injected into the grid. The Rider VCS Net Rate calculation follows the form of the proposed Generation Balancing Service Charge presented above, with "Avoided Cost Credit price" substituted for "VCS Adjustment." Operationally, the calculations are structured identically.

For Rider TRG, pursuant to the approved tariff, on an annualized basis, the Balancing Charge is 6.773 cents/kWh. Although not strictly analogous in operation, Rider TRG presents a Commission-approved charging mechanism whereby participating customers are charged a balancing charge that credits the generation component of base rates, fuel and generation riders in amounts to hold no-participants harmless, including any future generation riders that may be approved. Conceptually, the same is true of the School Solar and Municipal Solar programs, though the generation portion of the minimum bill equivalent in those programs is calculated based on prescribed formula. The exact value of the equivalent Generation Balancing Service Charges for the School Solar and Municipal Solar programs are too factor-dependent to present here in a meaningful way, and other nuances of these programs differentiate them from the Shared Solar program minimum bill context. Nevertheless, they offer an example of programs where customers pay baseline transmission and distribution charges, as well as electricity supply charges, even as they receive the benefit of credits for solar generation.

## II. DELIVERY CHARGES

**The Company states that the Delivery Charges are analogous to those of the current Rider VCS, Rider TRG, and charges for the School Solar and Municipal Solar Pilot Programs. What are the current values of the Delivery Charges for these programs today?**

The current delivery charges for each of the listed programs are provided below:

Shared Solar – As proposed, assuming a 1,000 kWh residential typical bill and customer purchases matching 100% of usage:

- Distribution Service Charges: $29.45
- Transmission Service Charges: $20.29

Rider VCS – As approved, assuming annualized 1,000 kWh residential typical bill and customer matching 100% of usage:

- Distribution Service Charges: $29.45
- Transmission Service Charges: $20.29

Rider TRG – As approved, assuming annualized 1,000 kWh residential typical bill:

- Distribution Service Charges: $29.45
- Transmission Service Charges: $20.29

Residential Schedule 1 – pricing for non-participants, assuming annualized 1,000 kWh residential typical bill:

- Distribution Service Charges: $29.45
- Transmission Service Charges: $20.29

School Solar / Municipal Solar – Assuming 1,000 kWh light and power account.

- Distribution Service Charges: $21.08
- Transmission Service Charges: $10.35

## III. ADMINISTRATIVE CHARGES

**Describe the costs, if any, that Dominion plans to charge subscriber organizations. How will these costs be recovered?**

The Company intends to isolate, track, and allocate all administrative costs to Shared Solar subscriber organizations on an annual basis, proportionately based on operating facility capacity.

**Describe the methodology, process, and formulas the Company proposes to use to determine the components of the Administrative Charges.**

The Company will establish dedicated project hierarchies within its financial system for each administrative cost category to properly isolate and track costs as they are incurred, in support of the Shared Solar program.

**What are the Company's current estimated values for the expected incremental costs associated with bill preparation, subscriber organization coordination, workforce expansion, and unique modifications to the forthcoming customer information platform?**

The Company anticipates the need for workforce expansion to accommodate management and subscriber organization coordination efforts to ensure billing and crediting is applied consistent with the Commission-approved Rules. The Company currently estimates these costs to total approximately $302,300 per year, to be incurred beginning on the effective date of the Shared Solar program. These costs include full time salary and benefits for one program manager and one business performance analyst, grossed up to 2023 dollars, who will work exclusively in support of the Shared Solar program.

With respect to the forthcoming customer information platform, while there will be incremental costs attributable to the unique modifications required to utilize the system for this program, at the early stages of the project, these costs are uncertain at this time.

## IV. OTHER MATTERS

**Rule 20 VAC 5-340-80 A 2 requires that the minimum bill "be limited to such costs as determined by the Commission to be just and reasonable." Explain why Dominion's Proposal should be considered just and reasonable.**

The Company structured its Minimum Bill Proposal to model, as closely as possible, charging mechanisms in similar programs that have already been found to be just and reasonable by the Commission. As noted above, the minimum bill structure incorporates the companion tariff model in Rider VCS, and conceptually simulates the basic billing framework of several other Commission-approved programs.

In its Order Approving Tariff in Rider TRG, the Commission stated that "to be just and reasonable, the proposed tariff should include safeguards that hold non-participating customers substantially harmless."[5] The same sentiment undergirds the General Assembly's declaration that the Shared Solar minimum bill should "ensure subscribing customers pay a fair share of the costs of providing electric services, and [] minimize the costs shifted to customers not in a shared solar program."[6] Each aspect of the Company's Minimum Bill Proposal is targeted to achieving this objective, and seeks to do so without reinventing the wheel, and consistent with programs that the Commission has found accomplish that goal. Every proposed component of the minimum bill is drawn from an existing charging structure and tailored to support and promote the Shared Solar program in a manner that is fair to participants and non-participants alike.

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[5] *Application of Virginia Electric and Power Company, For approval of a 100 percent renewable energy tariff, designated Rider TRG, pursuant to §§ 56-577 A 5 and 56-234 of the Code of Virginia*, Case No. PUR-2019-00094, Order Approving Tariff at 6 (July 2, 2020).

[6] Va. Code § 56-594.3 A.

**What is the Company's estimate of a typical minimum bill for a residential customer?**

Although this calculation is subject to change as the Shared Solar program becomes more fully developed, the Company currently estimates that a subscribing residential customer purchasing 1,000 kWh of shared solar generation should receive a minimum bill of approximately $74.90, broken down as follows:

| | |
|---|---|
| Distribution Service Charges: | $29.45 |
| Transmission Service Charges: | $20.29 |
| Generation Balancing Service Charges: | $25.16 |
| Total Minimum Bill (1,000 kWh): | $74.90[7] |

As discussed above, it is premature to assign an estimated cost for the Administrative Charge component of the minimum bill at this time. Accordingly, the number above would be increased by the amount of the Administrative Charge, once that number can be calculated.

This minimum bill largely tracks the components of a regular bill, as shared solar customers are only purchasing a replacement intermittent generation resource. All other components of the customer charges remain the same by design.

**Explain the Company's Proposal for exempt low-income customer minimum bill charges. Include information on (1) Dominion's identification of low-income customers; (2) Dominion's calculation of total minimum bill charges that would otherwise be recovered from these customers; (3) Dominion's proposal to comply with Rule 20 VAC 5-340-60 G 2; and (4) Dominion's estimation of the expected utility bill for a typical low-income customer participating in the program.**

(1) The Company has participated actively in the Commission low-income stakeholder working group for the Shared Solar programs, and plans to align with the eventual

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[7] This calculation is based on the rates as of April 1, 2021, and assumes purchase of Shared Solar generation equal to 100% of customer's usage. It also assumes that the Generation Balancing Service Charges exceed the cost of non-bypassable charges.

outcomes of that group, including its determination regarding the process for identifying low-income customers. In that process, the Company has expressed its support for using an unbiased, third party to perform income verification to determine eligibility for the Shared Solar program. Specifically, it has proposed the Department of Social Services as a potential entity that provides similar services to low-income aid programs on a regular basis, and regularly performs the inquiry necessary to verify individuals' income, and the services and programs for which they qualify. Among other reasons, the Company believes using an unbiased, third-party is important in light of the Shared Solar statute's provisions that exempt such individuals from the minimum bill, as well as qualify the program's size based on the level of low-income individuals' participation. Va. Code. §§ 56-594.3 D and E.

(2) The calculation of the minimum bill for low-income customers would be identical to the calculation for all other subscribing customers. The only difference for low-income customers is that the minimum bill amount would not be recovered from these customers.

(3) The Company will comply with all requirements of Rule 20 VAC 5-340-60 G 2. It understands this to mean that customers who have been identified as low-income will not be charged the minimum bill amount and this amount would be recovered through the fuel factor pursuant to Rule 20 VAC 5-340-60 F 6.

(4) While the Shared Solar statute exempts low-income customers participating in the program from the minimum bill, nothing in that statute exempts any customers, including low-income customers, from paying non-bypassable charges required by other statutes. As such, low-income customers would continue to pay non-bypassable charges and, outside of the minimum bill context, all customers pay the Basic Customer Charge.

## CONCLUSION

The Company appreciates the opportunity to share this supplemental information regarding its Minimum Bill Proposal, and respectfully urges the Commission to adopt the Minimum Bill as proposed, subject to further details that may be provided in the forthcoming hearing to establish the minimum bill.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

By: <u>/s/ Timothy D. Patterson</u>
Counsel

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*Counsel for Virginia Electric and Power Company*

April 1, 2021

## CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of April 2021, a true and accurate copy of the foregoing filed in Case No. PUR-2020-00125 was delivered by hand, email or mail first class postage pre-paid to the following:

Frederick D. Ochsenhirt, Esq.
Austin Skeens, Esq.
Office of the General Counsel
State Corporation Commission
Tyler Building, 1300 E. Main St., 10th Floor
Richmond, Virginia 23219

*/s/ Timothy D. Patterson*