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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 *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/ Joseph K. Reid, III

Joseph K. Reid, III

Enclosures

cc: David J. DePippo, Esq.
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Service List

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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

MINIMUM BILL PROPOSAL OF VIRGINIA ELECTRIC AND POWER COMPANY

The State Corporation Commission of Virginia (the “Commission”) established this proceeding to adopt regulations related to the implementation of a community shared solar program (“Shared Solar Program” or “Program”), as required by the recently enacted Chapters 1238 (HB 1634) and 1264 (SB 629) of the 2020 Virginia Acts of Assembly (“Act”). On December 23, 2020, the Commission adopted rules to implement the Shared Solar Program (“Rules”).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 The Commission directed the Company to file the proposal in this docket. Accordingly, the Company provides the following proposal for the minimum bill, as set forth in 20 VAC 5-340-80.

I. PURPOSE OF THE MINIMUM BILL

Fundamentally, the Shared Solar Program acts as a companion to a Subscriber’s principal tariff. The Act established the mechanism under which a Subscriber may purchase a portion of a shared solar facility, and then receive a bill credit on their electric bill to offset their incurred charges. This means that Subscribers will continue to purchase their electric service from the

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

Company in accordance with their individual, Commission-approved principal tariff, just as any similarly situated non-Program participant customer. The only difference is that a Subscriber will receive a credit on their bill for this companion service under the Program. Consistent with this construct, the Act established that each Subscriber shall pay a minimum bill (*i.e.* the bill credit may not totally offset the charges of their principal tariff).

The minimum bill is an essential feature of the Shared Solar Program. By statute, it is “an amount . . . that subscribers are required to, at a minimum, pay on their utility bill each month after accounting for any bill credits.”³ Although the amount and calculation of the minimum bill are left to the discretion of the Commission, the General Assembly made clear that a primary policy objective is to prevent cost shifting and subsidization. Specifically, the General Assembly stated, “[i]n establishing the minimum bill, the Commission shall (i) consider further costs the Commission deems relevant to ensure subscribing customers pay a fair share of the costs of providing electric services; and (ii) minimize the costs shifted to customers not in a shared solar program.”⁴ The Commission’s adopted regulations reaffirm this principle by establishing factors to be considered in identifying incremental costs of the shared solar program to be included in the minimum bill.⁵

The operability and long-term viability of the Program depends on the utility’s electric supply and delivery infrastructure, generation balancing service, and administrative billing support systems. While the Program is intended to provide generation credits to offset some of the participating customers’ generation supply, the Program will not satisfy all of subscribers’ electric needs. Participants will still rely on utility services that carry considerable costs that all

³ Va. Code § 56-594.3 A.

⁴ *Id.*

⁵ 20 VAC 5-340-80 A 2.

utility customers are required to pay. If subscribing customers are exempted from these costs, such costs would be shifted to other utility customers who are not participating in the Program. The General Assembly has implemented the minimum bill to prevent this outcome to the greatest extent possible. An appropriately-comprehensive minimum bill is a reasonable means to ensure that participating customers pay for the costs of utility services they will be consuming, even as they receive generation credits through the Program, and it is the only safeguard against unfair cost-shifting to non-participating customers.

II. OUTLINE OF PROPOSED MINIMUM BILL COMPONENTS

The Act provides that the minimum bill “shall include the costs of all utility infrastructure and services used to provide electric service and administrative costs of the shared solar program.”⁶ To that end, the Company proposes the following as the core components of the minimum bill, to be reviewed and approved annually by the Commission. Additional explanation and support for these component categories is provided in Part III, below.

A. Delivery Charges – Costs of utilizing Company transmission and distribution infrastructure to deliver electricity to customers. For this component, the Company proposes to charge Shared Solar customers the same transmission and distribution charges as non-participating customers pay under their principal tariff. These customers will continue to be billed delivery charges as normal on Schedule 1 for Residential Customers, GS-1 for non-residential customers with demand < 30kW, *etc.* No separate calculation for Program participants is required.

B. Generation Balancing Service Charges – Costs of generation supply service to provide electricity to subscribers when incorporating benefits of intermittent resources. As a

⁶ Va. Code § 56-594.3 D.

preliminary matter, customers participating in the Program will utilize the system's generation resources during any times when their shared solar facility is not producing or production does not equal the customer usage at any given time. The Program participant will rely on the system's generation resources to provide its requirements. Additionally, the Program participant will expect the system's generation resources to be available at all times for its requirements. Therefore, it is appropriate for the customers to pay for use of the system as any other non-participating customer. Accordingly, the Generation Balancing Service Charge component of the minimum bill should be based upon the Company's approved current rates for generation service, including base rates and fuel charges which would apply to the customer if they did not participate in the Program. This component also includes non-bypassable charges applicable to all of the Company's customers (who are not otherwise exempted by statute), which form a cost floor for subscribing and non-subscribing customers alike.

Participation in the Program affords customers the benefit of receiving generation credits to be applied against their bill. The generation provided by the Shared Solar facility provides a benefit to the system in the form of avoided costs. The Generation Balancing Service charge should, therefore, include an avoided cost credit for the amount of generation offset by the Shared Solar purchase.

To calculate the Generation Balancing Service Charge rate, the Company proposes to net the total of customer's electricity supply generation costs (including the non-bypassable charges) against avoided cost value. However, the Generation Balancing Service Charge rate component of the minimum bill shall never be less than the applicable non-bypassable charges.

In summary, the Generation Balancing Service Charge rate shall be the customer's tariff generation rate, less the avoided cost of energy credit they receive through the Program, with a baseline minimum of all aggregate non-bypassable charges.

C. Administrative Charges – Incremental costs associated with utility administration of the Shared Solar Program, including the following:

- Bill preparation charges [to the extent it requires manual intervention]
- Coordination with Shared Solar Subscriber Organization
- Customer Information Platform usage and modifications specific to administration of Shared Solar Program
- Workforce expansion to accommodate Program administration

The Company recognizes that, pursuant to Va. Code § 56-594.3 D, low-income customers will be exempt from all components of the minimum bill outlined in paragraphs (A) through (C) above. The Company proposes to recover costs associated with low-income customers' participation in the Program through the Fuel Factor.

III. SUPPORT FOR MINIMUM BILL COMPONENTS

The Company provides the following description and support for each of the proposed components of the minimum bill:

A. Delivery Charges

A fundamental policy objective undergirding the minimum bill is that Shared Solar customers should bear the cost of utility services they receive. The Shared Solar Program will operate by means of a crediting system whereby the solar generation resource will produce energy that will be sold into the grid, with the value of that energy credited back to participating customers. The Program does not have its own delivery component, nor, as a value crediting

scheme, does it need one. For subscribing customers, electricity must be delivered to them via utility transmission and distribution infrastructure in the same way as if they were not a Shared Solar subscriber.

Program customers should not pay less than non-participants for the same unbundled services. The General Assembly identified “costs of all utility infrastructure and services used to provide electric service” as a proper component of the minimum bill. These charges also meet the Commission’s definition for “incremental costs” under the factor test in 20 VAC 5-340-80 A 2:

Factor (A): Delivery services constitute “utility infrastructure and services used to provide electric service for the shared solar program.” The Program has no delivery component, so this service is essential for customers to receive electricity.

Factor (C): If the costs of subscribing customers’ delivery service are not included in the minimum bill, it will be borne by non-participating customers. Inclusion of these charges in the minimum bill is the only means to ensure “subscribing customers pay a fair share of the costs of providing electric services to the subscribers.”

Factor (D): As noted above, exempting subscribing customers from paying the costs of their energy delivery service will result in those costs being “shifted to customers not in a shared solar program.”

The delivery charge for Shared Solar Program customers should mirror that charged to non-participating customers in accordance with the then-current approved tariffs, and accordingly, no Program-specific calculation is needed.

B. Generation Balancing Service Charges

The intermittent nature of solar generating facilities dictates that customers must rely on the grid and its generation sources to guarantee continuous electric service since shared solar generation does not match a subscriber's entire usage on a continuous basis. In the Shared Solar Program context, even when the facilities are operating, the energy does not go directly from the generator to the customer; rather the system receives an avoided cost benefit for the energy those facilities produce and inject into the grid. And because they are not always operating and likely not matching the subscriber's electrical usage at all times, subscribers will rely on utility system generation for all or part of their energy needs every day. The most straightforward mechanism for ensuring that the utility's generation balancing is not a subsidized service for Shared Solar Program customers is to include a Generation Balancing Service Charge component in the minimum bill that is calculated as the net of avoided cost benefit credits and the cost of the customer's generation service, as set forth in their principal tariff.

The VCEA and other state law make certain costs non-bypassable for all utility customers, unless specifically exempted. Shared Solar Program customers are subject to these charges, and the Company proposes to include the charges in the generation component of the minimum bill, as is the case with all other customers. This avoids creation of an adverse incentive for customers to join a Shared Solar Program as a means of evading required non-bypassable charges, and prevents cost-shifting to the Company's remaining customers. As noted in Part II, above, for calculation purposes, the non-bypassable charges would be included in the Generation Balancing charges described above, and netted against the subscriber's avoided cost benefit credit to determine the amount owed. However, because non-bypassable charges are, by

law, non-bypassable (except where exempted), the Generation Balancing Service Charge component of the minimum bill shall never be less than the non-bypassable charges.

Applying the factor test in 20 VAC 5-340-80 A 2 shows that the Generation Balancing Service Charges are incremental costs of the Program that should be included in the minimum bill:

Factor (A): As noted above, the solar generation in the Program is insufficient on its own to meet 100% of subscribers' energy needs on a continuous basis. The Company's generation balancing service is, therefore, a "utility . . . service used to provide electric service for the shared solar program." The program could not exist without it, and it is a cost subscribers, as the users of that energy, should bear.

Factors (C) and (D): Generation balancing charges are certain to be incurred, and the Program does not provide another cost recovery mechanism by which to capture them. If they are not included in the minimum bill, they will be shifted to non-participating customers.

C. Administrative Charges

Both the Act and the Commission's regulations⁷ identify "administrative costs" as a category of costs that is to be included in the minimum bill. The Company will incur a variety of costs to administer the Shared Solar Program. These costs include technology development, workforce expansion, and billing and coordination services, among others. Specifically, the Company is tasked with providing customer bills, and calculating and providing applicable bill credits in cooperation with subscriber organizations.

The Company intends to utilize its forthcoming customer information platform to automate this process to the greatest extent possible, but elements of the Shared Solar Program

⁷ 20 VAC 5-340-80 A 2 (b).

may require specialized program configuration or ongoing manual processes to comply with Program requirements. To the extent the customer information platform must be altered to accommodate the Program, these incremental costs would be included in the administrative charge of the minimum bill. At this early stage, data transfer protocols have also not been established with subscriber organizations. The cost associated with some of these variables is uncertain at this time, but to the extent they are incremental costs attributable to the Shared Solar Program, they would be included in the administrative charge to be borne by subscribing customers.

IV. APPLICABLE PRECEDENT

The Company's proposal for the minimum bill in the Shared Solar Program is designed to be consistent with charging approaches approved for similar programs in other Commission proceedings.

In Rider VCS (Case No. PUR-2018-00009),⁸ for example, the Commission approved a community solar pilot program companion tariff whereby customers could purchase solar energy to match 100% of their monthly usage for an annually updated fixed price per kWh. Similar to the Shared Solar Program, solar generation in the community solar pilot is located at a point on the grid other than behind the customer's meter, with produced energy injected into the grid. In the community solar pilot program, customers are credited at a market-based value for the energy and capacity produced. The customers utilize utility delivery services to receive their electricity and rely on utility supply service to receive uninterrupted electricity.

⁸ *Application of Virginia Electric and Power Company For approval to establish a Virginia community solar pilot program, pursuant to § 56-585.1:3 of the Code of Virginia, Case No. PUR-2018-00009, Final Order (Sep. 11, 2018) ("Rider VCS Order").*

As part of this program, VCS community solar customers pay transmission and distribution charges. Because Shared Solar customers will use utility delivery services in precisely the same manner, the Company proposes that they should incur these charges as well. VCS community solar customers, like Shared Solar customers, receive credit for energy produced and injected into the grid. The Company proposes that in the Shared Solar program, as in the VCS community solar program, that credit be netted against the costs incurred by the utility to provide continuing electric service and administrative support for the Program. In short, the Company views the VCS community solar program as being functionally equivalent to the Shared Solar Program, and has accordingly structured this minimum bill proposal to incorporate the same cost categories and general model previously approved by the Commission.

Rider VCS is not the only example. The Commission has required participating customers to pay baseline service charges in several other programs where customers receive bill credits for energy from alternative generation resources, but still depend on utility services and infrastructure. In the School Solar Pilot Program (Case No. PUR-2018-00061),⁹ for example, customers receive the benefit of solar generation from an off-site facility. The customers receive a credit for excess energy, but must still pay distribution and transmission charges as well as electricity supply charges.¹⁰ The same is true of the Municipal Solar Pilot Guidelines approved by the Commission in Case No. PUR-2019-00182.¹¹ In Rider TRG (PUR-2019-00094),¹²

⁹ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: In the matter concerning the implementation by Virginia Electric and Power Company d/b/a Dominion Energy Virginia of a pilot aggregation program pursuant to house Bill 1451*, Case No. PUR-2018-00061 (“School Solar Proceeding”).

¹⁰ See School Solar Proceeding Final Order, Guidelines for Public School Excess Wind or Solar Renewable Generation Pilot Program at 7.

¹¹ *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: In the matter concerning the implementation of a pilot program for municipal net energy metering*, Case No. PUR-2019-00182, Final Order (May 18, 2020).

¹² *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 (July 2, 2020).

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Counsel for Virginia Electric and Power Company

March 1, 2021

210310033

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of March 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.
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Richmond, Virginia 23219

 /s/ Joseph K. Reid, III