

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 16, 2022

SOC - CLERK'S OFFICE
DOCUMENT CONTROL CENTER

22092050

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

2022 SEP 16 P 3: 22
CASE NO. PUR-2022-00064

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

ORDER ESTABLISHING 2022-2023 FUEL FACTOR

On May 5, 2022, Virginia Electric and Power Company ("Company" or "Dominion") filed with the State Corporation Commission ("Commission") its application ("Application") pursuant to § 56-249.6 of the Code of Virginia ("Code") seeking an increase in its fuel factor effective for usage on and after July 1, 2022. The Application describes the Company's (i) projected jurisdictional fuel expense for the July 1, 2022 through June 30, 2023 fuel year ("Rate Year"), and (ii) projected June 30, 2022 fuel deferral balance. The Application states that together, these components would translate into a total fuel factor rate of 4.4568 cents per kilowatt hour ("¢/kWh") for the Rate Year.¹

The Application presented two potential mitigation plans for the Commission's consideration in which recovery of the Company's projected June 30, 2022 fuel deferral balance could be spread over two years in one plan, and three years in another plan, thereby reducing the proposed fuel factor rate.² The Company requested that the Commission establish a three-year

¹ Ex. 2 (Application) at 2. The Company's previous fuel rate for the July 1, 2021 through June 30, 2022 fuel year was 2.0448¢/kWh, as established in *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-2021-00097, 2021 S.C.C. Ann. Rept. 481, Order Establishing 2021-2022 Fuel Factor (June 29, 2021).

² Ex. 2 (Application) at 3, 4.

mitigation plan ("Mitigation Plan"), with a corresponding proposed fuel rate of 3.5379¢/kWh for the Rate Year.³

The Company's proposed fuel factor, reflected in Fuel Charge Rider A, consists of both current and prior period factors. The Company's proposed current period factor for Fuel Charge Rider A of 3.0784¢/kWh is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses, of approximately \$2.278 billion for the period July 1, 2022, through June 30, 2023. The Company's proposed Prior Period factor for Fuel Charge Rider A of 0.4595¢/kWh is designed to collect approximately one-third of the Company's \$1.020 billion projected fuel deferral balance as of June 30, 2022, or \$288.8 million, as adjusted downward to reflect Dominion's proposed accounting change for market-based rate ("MBR") customers.⁴ The Company asserts that this adjustment does not impact the proposed fuel rates for non-MBR customers.⁵

In total, Dominion's proposed fuel factor represents a 1.4931¢/kWh increase⁶ from the fuel factor rate previously in effect of 2.0448¢/kWh.⁷ According to the Company, this proposal would result in an annual fuel revenue increase of approximately \$1.105 billion between July 1, 2022, and June 30, 2023.⁸ The total proposed fuel factor would increase the average

³ *Id.* at 4.

⁴ Ex. 16 (Stuller) at 2, 3. The amount of \$288.8 million represents one-third of \$866.5 million, which is the Company's calculation of its deferral balance as of June 30, 2022, adjusted to exclude fuel costs associated with Dominion customers under certain MBR schedules. *Id.* at Schedule 6.

⁵ Ex. 4 (Gaskill Direct) at 12.

⁶ As noted above, Dominion's proposed fuel factor is derived from its three-year mitigation plan. The increase in the fuel factor rate if no mitigation is applied would be 2.4120¢/kWh.

⁷ Ex. 16 (Stuller) at Schedule 10.

⁸ Ex. 16 (Stuller) at 1-2.

weighted monthly bill of a residential customer using 1,000 kWh of electricity by \$14.93, or approximately 12.2%.⁹

In the Application, the Company also requested approval of an accounting change regarding the funding of the fuel factor for customers taking service under the approved MBR schedules: Rate Schedule MBR, Rate Schedule MBR-GS-3, Rate Schedule MBR-GS-4, and the SCR Rate Schedule (collectively, the "MBR Customers"). The Company asserts that this proposed accounting change will better align the timing of the fuel expense incurred by the Company and the revenues received through the market-based charges from these customers. The Company asserts that this change holds both MBR and non-MBR customers harmless and is intended to resolve a timing mismatch between revenue and fuel expense that exists for customers taking service on these voluntary rate schedules.¹⁰

On May 24, 2022, the Commission issued its Order Establishing 2022-2023 Fuel Factor Proceeding in which, among other things, the Commission: (i) stated "[t]he Company's proposed fuel factor of 3.5379¢/kWh may, at the Company's election, be placed into effect on an interim basis for usage on and after July 1, 2022[;]" (ii) scheduled a telephonic hearing for July 6, 2022, to receive the testimony of public witnesses; (iii) scheduled an in-person public hearing for July 7, 2022; (iv) directed the Company to provide notice to the public; (v) provided interested persons an opportunity to comment on the Company's Application; and (vi) appointed a Hearing Examiner to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

⁹ *Id.* at 8. If no mitigation is applied to the fuel deferral balance, the Company stated that the increase for such a residential customer would be 19.8%. Ex. 2 (Application) at 3.

¹⁰ Ex. 2 (Application) at 5.

The following parties filed notices of participation: the Virginia Committee for Fair Utility Rates ("Committee"); Direct Energy Business, LLC and Direct Energy Services, LLC; Appalachian Voices; and the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel"). On June 16, 2022, Appalachian Voices filed direct testimony. On June 24, 2022, the Commission's Staff ("Staff") filed its direct testimony.¹¹ On June 29, 2022, Dominion filed rebuttal testimony.

On July 6, 2022, the Chief Hearing Examiner appointed by the Commission convened the public witness hearing, receiving testimony from four public witnesses.¹² On July 7, 2022, the Chief Hearing Examiner convened the evidentiary hearing, as scheduled. Dominion, the Committee, Appalachian Voices, Consumer Counsel, and Staff participated at the hearing.

On July 26, 2022, the Company, with Staff and the Committee, filed a Proposed Stipulation and Recommendation ("Stipulation"). On August 3, 2022, Consumer Counsel filed a response and Appalachian Voices filed comments in which they both opposed certain portions of the Stipulation. Consumer Counsel and Appalachian Voices opposed the Stipulation's provision concerning carrying charges, and Appalachian Voices took issue with the Stipulation's reporting requirements concerning the dispatch of Dominion's coal units. On August 8, 2022, Dominion filed its Reply in Support of the Proposed Stipulation and Recommendation.

On August 11, 2022, the Report of Alexander F. Skirpan, Jr., Chief Hearing Examiner ("Report") was issued. In his Report, the Chief Hearing Examiner summarized the record in this proceeding. The Chief Hearing Examiner found that a revised total fuel factor, based on the Company's Mitigation Plan of 3.5379¢/kWh meets the requirements of § 56-249.6 of the Code.

¹¹ Staff supplemented its direct testimony on July 5, 2022.

¹² The Commission also received written public comments on the Company's Application.

The Chief Hearing Examiner agreed with Staff's recommendation that in future fuel factor proceedings, until Virginia's continued membership in the Regional Greenhouse Gas Initiative ("RGGI") is ascertained, the Company should file modeling results both including and excluding RGGI compliance costs. The Chief Hearing Examiner recommended that the Commission defer deciding the issue of carrying charges until a future base rate proceeding; and that the Commission approve the Company's proposed going-forward accounting change related to the funding of the fuel factor for MBR Customers. Finally, regarding the issue related to self-scheduling of Dominion's coal units raised by Appalachian Voices, the Chief Hearing Examiner concluded that the Company's self-scheduling appears to be reasonable and designed to provide lower overall fuel costs for the Company's customers.

The Company, Committee, Appalachian Voices, Consumer Counsel and Staff filed comments to the Report.

NOW THE COMMISSION, upon consideration of this matter, adopts the findings set forth in the Chief Hearing Examiner's Report as modified herein and finds that a revised total fuel factor of 3.5379¢/kWh, consisting of a current period factor of 3.0784¢/kWh and a prior period factor of 0.4595¢/kWh is approved for usage on and after July 1, 2022. In approving this fuel factor, we adopt the Company's three-year Mitigation Plan. We also note that this is the same total fuel factor that the Company placed into effect on an interim basis for usage on and after July 1, 2022 and therefore, will not result in an additional increase at this time.

We additionally find that the Stipulation is reasonable, and should be approved, including the proposal set forth in the Stipulation whereby the Company would waive recovery of one-half of its reasonable and prudent incremental carrying costs arising from its Mitigation Plan. According to the Stipulation, this would result in the Company waiving recovery of

approximately \$27.5 million in financing costs.¹³ In approving the Stipulation, we note that while Consumer Counsel and Appalachian Voices request that the Commission order Dominion to waive all incremental carrying costs attendant to its Mitigation Plan based on Dominion's agreement to waive carrying costs in prior cases,¹⁴ neither Consumer Counsel nor Appalachian Voices suggest that those carrying costs would not be incurred by the Company and their requests lacked citation to legal authority or precedent for the Commission to require such waiver.

In granting this approval, the Commission notes its awareness of the ongoing rise in gas prices, inflation, and other economic pressures that are impacting all utility customers. We are sensitive to the effects of rate increases, especially in times such as these. The Commission, however, must follow the laws applicable to this case, as well as the findings of fact supported by the evidence in the record. This is what we have done herein.

Regarding Dominion's self-scheduling of its generation units, the Commission takes the issues raised by Appalachian Voices witness Gregory Abbott¹⁵ seriously and has carefully evaluated the evidence in the record. We agree with the Chief Hearing Examiner that "[b]ased

¹³ Ex. 32 (Stipulation) at Exhibit A. The Stipulation further provides that review of the actual financing costs incurred will occur in the review of the Company's rates for generation and distribution services conducted in the Company's triennial review proceedings pursuant to § 56-585.1 A 3 of the Code of Virginia, in which remaining financing costs are eligible for recovery. *Id.* at 2.

¹⁴ Specifically, Consumer Counsel cites to *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia*, Case No. PUE-2003-00285, 2003 S.C.C. Ann. Rept. 542, Order Establishing 2004 Fuel Factor (Dec. 12, 2003); *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia*, Case No. PUE-2008-00039, 2008 S.C.C. Ann. Rept. 533, Order Establishing Fuel Factor (June 27, 2008); *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia*, Case No. PUE-2011-00045, 2011 S.C.C. Ann. Rept. 498, Order Establishing Fuel Factor (June 27, 2011); and *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to § 56-249.6 of the Code of Virginia*, Case No. PUE-2014-00033, 2014 S.C.C. Ann. Rept. 414, Order Establishing 2014-2015 Fuel Factor (Sept. 18, 2014). Consumer Counsel Response at 3-4.

¹⁵ See Tr. 215.

on the record in this proceeding, the process by which Dominion Energy self-schedules its generating units, including its coal units, appears to be reasonable and designed to provide lower overall fuel costs for its customers."¹⁶ Based on the record, we similarly "do not find it speculative, nor does it appear to be in customers' interest for the Commission to prohibit self-scheduling going forward."¹⁷ We note that the Company asserts that it "works diligently to dispatch all units across the fleet in the most economic manner possible for customers within the confines of market, regulatory, and reliability considerations."¹⁸ The Commission expects the Company to continue to abide by this commitment and its duty to "prudently dispatch[] and manag[e] the generation fleet to deliver safe, reliable, and affordable power to [] customers."¹⁹ Based on the record in this proceeding, we disagree with the Chief Hearing Examiner that a Staff investigation of the Company's recordkeeping regarding self-scheduling is warranted at this time.²⁰

Accordingly, IT IS ORDERED THAT:

- (1) The Company's fuel factor shall be 3.5379¢/kWh, effective for usage on and after July 1, 2022.
- (2) The Stipulation is approved.

¹⁶ Report at 38.

¹⁷ *Id.*

¹⁸ Ex. 29 (Vitiello Rebuttal) at 17.

¹⁹ *Id.* at 17-18.

²⁰ We note further in this regard that under the Stipulation approved herein, the Company "acknowledges that it will maintain records created in the normal course of business regarding the dispatch decisions of its other coal units (Chesterfield Units 5 and 6, Clover Units 1 and 2, and Mt. Storm Units 1, 2, and 3) and will disclose such documentation through discovery, if requested, in future fuel factor and other relevant proceedings pursuant to the Commission's Rules of Practice and Procedure." Ex. 32 (Stipulation) at 2.

(3) The Company shall comply with the directives set forth in this Order.

(4) This case is continued.

A COPY hereof shall be sent electronically 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.