COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 15, 2019

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY CASE NO. PUR-2019-00070

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

ORDER ESTABLISHING 2019-2020 FUEL FACTOR

On May 7, 2019, 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 a decrease in its fuel factor from 2.700 cents per kilowatt-hour ("¢/kWh") to 2.4162¢/kWh, effective for usage on and after July 1, 2019.[1] On May 21, 2019, the Company filed a Motion for Leave to File Supplemental Direct Testimony, in which the Company proposed to further decrease its requested fuel factor to 2.3254¢/kWh, effective for usage on and after July 1, 2019.[2]

The Company's proposed fuel factor, reflected in Fuel Charge Rider A, consists of both a current and prior period factor. The Company's revised proposed current period factor for Fuel Charge Rider A of 2.1675¢/kWh is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses, of approximately $1.47 billion for the period July 1, 2019, through June 30, 2020.[3] The Company's revised proposed prior

[1] Ex. 2 (Application) at 2.

[2] Ex. 12 (Beasley Supplemental Direct) at 2.

[3] Ex. 2 (Application) at 2; Ex. 12 (Beasley Supplemental Direct), Schedule 3.

period factor for Fuel Charge Rider A of 0.1579¢/kWh is designed to recover approximately $107 million, which represents the net of two projected June 30, 2019 fuel deferral balances.[4]

In total, Dominion's proposed fuel factor represents a 0.3746¢/kWh decrease from the fuel factor rate previously in effect of 2.700¢/kWh, which was approved in Case No. PUR-2018-00067.[5] The total proposed fuel factor would decrease the average weighted monthly bill of a typical residential customer using 1,000 kWh of electricity by $3.75, or by approximately 3.19%.[6]

On May 14, 2019, the Commission issued an Order Establishing 2019-2020 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 2.4162¢/kWh to be placed into effect on an interim basis for usage on and after July 1, 2019. On May 24, 2019, the Commission issued an order granting the Company's Motion for Leave to File Supplemental Testimony and allowed the Company's revised proposed fuel factor of 2.3254¢/kWh to be placed into effect on an interim basis for usage on and after July 1, 2019.

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 30, 2019, the Commission convened a public evidentiary hearing. Dominion, Environmental Respondent, Consumer Counsel, and the Commission's Staff ("Staff")

---

[4] Ex. 2 (Application) at 2; Ex. 12 (Beasley Supplemental Direct), Schedule 5.

[5] *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-2018-00067, Doc. Con. Cen. No. 180840312, Order Establishing 2018-2019 Fuel Factor (August 27, 2018).

[6] Ex. 12 (Beasley Supplemental Direct) at 2.

participated at the hearing, and the Commission received evidence from witnesses for Dominion, Environmental Respondent, and Staff. No public witnesses appeared at the hearing.

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 further 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, a commitment which the Company has indicated it would not oppose.[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]

---

[7] *See, e.g.*, Ex. 18 (Johnson Direct); Ex. 20 (Hinson Rebuttal) at 9.

[8] *See*, Ex. 13 (Lander Direct) at 15-17. 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, and Dominion appears to be conducting best efforts to monetize its pipeline capacity. Therefore, at this time, the Commission concludes that Dominion need not determine and track margins for third-party sales or establish a reserve price, as proposed by Mr. Lander.

The Commission also finds that, consistent with Staff witness Johnson's recommendations, the Company should provide auditable details of any such monetization transactions in its annual fuel procurement strategy report.[9]

Accordingly, IT IS ORDERED THAT:

(1) The Company's fuel factor shall be 2.3254¢/kWh, for usage on and after July 1, 2019.

(2) The Company shall continue to 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) The company shall include details of any monetization transactions in its annual fuel procurement strategy.

(4) 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.

---

[9] Ex. 18 (Johnson direct) at 33-34; Ex. 20 (Hinson rebuttal) at 9.