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October 3, 2017

**Application of Virginia Electric and Power Company
For revision of rate adjustment clause: Rider US-2,
Scott, Whitehouse, and Woodland Solar Power Stations
for the Rate Year Commencing September 1, 2018
Case No. PUR-2017-00127**

To: Local Government Officials

Pursuant to 20 VAC 5-201-10 J, Virginia Electric and Power Company is providing you a copy of its Application in the above-referenced matter. Please take notice of its contents.

A copy of the complete Application in this matter may be obtained from Dominion Virginia Power at no cost by oral or written request to William H. Baxter II, Senior Counsel, Law Department, Dominion Energy Services, Inc., Post Office Box 26532, Richmond, Virginia 23261, or (804) 819-2458.



William H. Baxter II
Senior Counsel

Attachment

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2017-00127
For revision of rate adjustment clause: Rider US-2,)
Scott, Whitehouse, and Woodland Solar Power Stations,)
for the Rate Year Commencing September 1, 2018)

**VIRGINIA ELECTRIC AND POWER COMPANY'S
RIDER US-2 ANNUAL UPDATE FILING**

Pursuant to § 56-585.1 A 6 (“Subsection A 6”) of the Code of Virginia (“Va. Code”) and the directive contained in Ordering Paragraph (3) of the Final Order issued by the State Corporation Commission of Virginia (“Commission”) on June 30, 2017 in Case No. PUE-2016-00113,¹ Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), by counsel, hereby submits its annual update filing with respect to its Rider US-2 (“2017 Annual Update” or “Update”) for the three utility-scale solar photovoltaic generation facilities: (i) the 17 megawatt (“MW”) (nominal alternating current (“AC”)) Scott Solar Facility located in Powhatan County (“Scott Solar”); (ii) the 20 MW AC Whitehouse Solar Facility located in Louisa County (“Whitehouse Solar”); and (iii) the 19 MW AC Woodland Solar Facility located in Isle of Wight County (“Woodland Solar”) (collectively, “US-2 Solar Projects” or the “Projects”). In support of this 2017 Annual Update, the Company respectfully shows as follows:

¹ *Application of Virginia Electric and Power Company d/b/a Dominion Virginia Power, For revision of rate adjustment clause: Rider US-2, Scott, Whitehouse, and Woodland Solar Power Stations, for the Rate Year Commencing September 1, 2017, Case No. PUE-2016-00113, Final Order (June 30, 2017) (the “2016 RAC Order”). Hereinafter referred to as the “2016 Annual Update.”*

GENERAL INFORMATION

1. Dominion Energy Virginia is a public service corporation organized under the laws of the Commonwealth of Virginia furnishing electric service to the public within its certificated service territory. The Company also supplies electric service to non-jurisdictional customers in Virginia and the public in portions of North Carolina. The Company is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation. The Company is also a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is an operating subsidiary of Dominion Energy, Inc.

2. The Company's name and post office address are:

Virginia Electric and Power Company
120 Tredegar Street
Richmond, Virginia 23219

3. The names, post office addresses, and telephone numbers of the attorneys for the Company are:

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BACKGROUND

4. On June 30, 2016, by its Final Order in Case No. PUE-2015-00104, the Commission approved the US-2 Solar Projects and granted certificates of public convenience and necessity for the Scott Solar, Whitehouse Solar, and Woodland Solar Facilities.² The CPCN Order also authorized the Company to recover in a timely manner costs associated with the construction of the Projects, including projected construction work in progress and associated allowance for funds used during construction. For this purpose, the Commission approved a rate adjustment clause (“RAC”), designated Rider US-2, pursuant to Subsection A 6.

5. The CPCN Order states as follows with respect to the Projects:

Based on the record developed herein, and in accordance with our findings above, the Commission concludes that the proposed Solar Projects: (i) will have no material adverse impact upon reliability of electric service; (ii) are required by the public convenience and necessity; and (iii) are not otherwise contrary to the public interest.³

6. The CPCN Order approved Rider US-2, effective for usage on and after September 1, 2016, and directed the Company to file its annual Rider US-2 application on or after October 3, 2016.⁴

7. The Company subsequently filed an annual update to Rider US-2 in the 2016 Annual Update proceeding (Case No. PUE-2016-00113).⁵

8. In its Final Order in the 2016 Annual Update proceeding, the Commission approved the annual update to Rider US-2 and directed the Company to file an annual update

² *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 for 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, Final Order, 2016 S.C.C. Ann. Rept. 295 (June 30, 2016). Hereinafter referred to as the “CPCN Order.”*

³ CPCN Order, 2016 S.C.C. Ann. Rept. 295, 299.

⁴ CPCN Order, 2016 S.C.C. Ann. Rept. 295, 301.

⁵ 2016 RAC Order, at 4.

with respect to Rider US-2 “[o]n or before October 3, 2017.”⁶

9. The Company files this annual Rider US-2 Update to (1) inform the Commission of the status of the Projects and their projected expenditures; and (2) present the Company’s proposed revenue requirement, including proposed cost allocation, rate design, and accounting treatment for service rendered during a proposed rate year commencing on September 1, 2018, and extending through August 31, 2019 (“Rate Year”), as related to Rider US-2 and the Projects.

US-2 SOLAR PROJECTS AND EXPENDITURES UPDATE

A. Status of the US-2 Solar Projects

10. As discussed in more detail below and in the testimony of Company Witness Mark D. Mitchell, the Scott Solar, Whitehouse Solar, and Woodland Solar Facilities were completed and became operational as scheduled during December 2016. Each facility achieved commercial operations on December 11, 2016.⁷ Currently, final closeout activities are being completed at all three locations. In addition, Scott Solar is completing the sediment Pond outfall rerouting, which was approved by the Virginia Department of Environmental Quality in the 2nd Quarter of 2017.

B. Construction Expenditures

11. As Company Witness Mitchell explains, the total forecasted costs for the combined US-2 Solar Projects has increased and is now at \$131.5 million (excluding financing

⁶ 2016 RAC Order at 4, Ordering Paragraph (3).

⁷ On December 22, 2016, the Company made a compliance filing pursuant to Ordering Paragraph (3) of the Commission’s June 30, 2016 Final Order in Case No. PUE-2015-00104. In that compliance filing, the Company stated Woodland Solar obtained commercial operations on December 12, 2016 and Scott Solar and Whitehouse Solar obtained commercial operations on December 13, 2016. The Company has since determined that there has been some miscommunication regarding what constitutes commercial operations. The facility turnover to operations occurred on December 12, 2016 for Woodland Solar and December 13, 2016 for Scott Solar and Whitehouse Solar. However, the Company issued a Certificate of Substantial Completion to the Engineering, Procurement, and Construction contractor for the US-Solar Projects on December 11, 2016, which has been determined to be a more appropriate milestone to signify a project reached commercial operations.

costs), or \$2,348 /kW at the 56 MW (nominal AC) rating, which is approximately 1.5% over the original budget of \$129.5 million. There have been cost variances from the original estimates both upward and downward and within specific cost categories and subcategories, as would be expected for projects of this size and complexity. Mr. Mitchell provides a description of the expenditures by budget categories and subcategories for the Projects, as well as a discussion of any variances to earlier projections, as appropriate.

12. The updated budget forecast, which is included in the testimony of Company Witness Mitchell, reflects actual capital expenditures through June 30, 2017, and projected capital expenditures through Final Acceptance. The monthly projection of capital expenditures detailed by Mr. Mitchell were provided to Company Witness Jared R. Robertson for use in determining the revenue requirement in this 2017 Annual Update.

C. Operation and Maintenance and Capital Expenditures

13. The Company maintains a five-year budget plan based on expected operating and maintenance (“O&M”) and capital maintenance expenditures. These plans are based on third-party service agreements, land lease agreements, manufacturer recommended capital replacements, Asset Retirement Obligation accretion expenses, and expected insurance expenses. The Company also maintains a five-year budget plan for expected capital expenditures associated with operations. Company Witness Kelly S. Scott’s pre-filed direct testimony describes these expenditures in detail and provides the current Five-Year O&M Budget Plan and the current Five-Year Capital Budget Plan for the US-2 Solar Projects.

14. Mr. Scott’s testimony details the actual and projected O&M expenses for the US-2 Solar Projects. For the period beginning January 1, 2016 through December 10, 2016, actual deferred pre-COD O&M expenses are \$13,249 for Scott Solar, \$7,297 for Whitehouse Solar and

\$12,758 for Woodland Solar. For the period beginning December 11, 2016 through June 30, 2017, the actual post-COD O&M expenses are \$234,567 for Scott Solar, \$464,482 for Whitehouse Solar and \$264,953 for Woodland Solar. For the period July 1, 2017 through August 31, 2018, the projected post-COD O&M expenses are \$395,775 for Scott Solar, \$370,713 for Whitehouse Solar, and \$435,546 for Woodland Solar. For the September 1, 2018 through August 31, 2019 rate year, the Company has projected post-COD O&M expenses of \$356,287 for Scott Solar, \$573,244 for Whitehouse Solar, and \$412,151 for Woodland Solar.

15. Mr. Scott's testimony also details the actual and projected operations related capital maintenance expenditures for the US-2 Solar Projects. For the period beginning July 1, 2016 through December 10, 2016, there were no actual pre-COD capital maintenance expenditures for the Projects. For the period December 11, 2016 through June 30, 2017, there are no actual post-COD capital maintenance expenditures for the Projects. For the period beginning July 1, 2017 through August 31, 2018, the Company has projected post-COD capital maintenance expenditures of \$5,066 for Scott Solar, \$5,066 for Whitehouse Solar, and \$5,066 for Woodland Solar. For the Rate Year beginning September 1, 2018 and ending August 31, 2019, the Company has projected post-COD capital maintenance expenditures of \$5,196 for Scott Solar, \$5,196 for Whitehouse Solar, and \$5,196 for Woodland Solar.

16. As part of this 2017 Annual Update, the Company respectfully requests that the Commission approve the updated expenditures for the US-2 Solar Projects, subject to subsequent true-ups, and find that such expenditures are reasonable and prudent in order to fulfill the Company's service obligations as a public electric utility.

US-2 SOLAR PROJECTS ACCOUNTING UPDATE

A. Rate of Return on Common Equity

17. The Company is proposing the use of a return on common equity (“ROE”) of 10.50% in this proceeding. Accordingly, for purposes of calculating the revenue requirement for the Rate Year in this case, the Company has used an ROE of 10.50%. The proposed 10.50% general ROE is supported by the direct and rebuttal testimony of Company Witness Robert B. Hevert in Case No. PUR-2017-00038.⁸

18. For purposes of calculating the 2016 Actual Cost True-Up Factor, the Company has used an ROE of 9.6% for the months of September through December 2016. The 9.6% general ROE was approved by the Commission in its June 30, 2016 Final Order in the Company’s initial Rider US-2 proceeding in Case No. PUE-2015-00104.

B. Revenue Requirement Update

19. The revenue requirement calculation for the continuation of the Rider US-2 RAC is described in detail in Company Witness Jared R. Robertson’s testimony. As discussed in more detail in Mr. Robertson’s testimony, the proposed Rate Year for this proceeding is from September 1, 2018 through August 31, 2019. Pursuant to Va. Code § 56-585.1 A 10 and consistent with the Commission’s Order on Commission Staff’s Motion in Limine dated July 14, 2009 in Case No. PUE-2009-00019, the 2017 Annual Update utilizes the Company’s December 31, 2016 year-end capital structure and year-end cost of capital for purposes of setting rates during the Rate Year.

⁸ *Application of Virginia Electric and Power Company For determination of the fair rate of return on common equity to be used as the general rate of return applicable to its rate adjustment clauses pursuant to § 56-585.1:1 C of the Code of Virginia, Case No. PUR-2017-00038 (filed Mar. 31, 2017).*

20. The two key components of the revenue requirement are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor.

21. The Projected Cost Recovery Factor in this 2017 Annual Update includes financing costs for rate base as well as projected operating costs for the Projects during the Rate Year.

22. The Actual Cost True-Up Factor will recover from, or credit to, customers any under/over recovery of costs from the most recently completed calendar year. Actual revenues recovered during 2016 are compared to actual costs incurred during 2016. Any difference in these amounts becomes the Actual Cost True-Up Factor credited to, or recovered from, customers through the total revenue requirement requested for recovery during the Rate Year in this 2017 Annual Update.

23. For the Rate Year beginning September 1, 2018, the Company is therefore requesting a Projected Cost Recovery Factor revenue requirement of \$12,437,000 and an Actual Cost True-Up Factor revenue requirement of \$2,216,000. Thus, the total revenue requirement requested for recovery in the Company's 2017 Annual Update for the Rate Year beginning September 1, 2018, is \$14,653,000.

RIDER US-2 RATE DESIGN UPDATE

A. Revised Rider US-2 Tariff

24. The Company is proposing an updated Rider US-2 tariff, which is sponsored by Company Witness Debra A. Stephens. Ms. Stephens identifies the rates, in either cents per kilowatt-hour or dollars per kilowatt, that will apply to each Company Rate Schedule or special contract approved by the Commission pursuant to Va. Code § 56-235.2. If approved as proposed, the revised Rider US-2 will be effective for usage on and after September 1, 2018.

B. Revised Rider US-2 Calculation

25. The Company has calculated the proposed Rider US-2 rates in accordance with the same methodology as used for those rates approved by the Commission for the Company's most-recently decided Rider US-2 (Case No. PUE-2016-00113) for the Scott Solar, White Solar, and Woodland Solar Facilities.

C. Rider US-2 Impact on Customer Bills

26. The implementation of the proposed Rider US-2 on September 1, 2018 will increase the residential customer's monthly bill, based on usage of 1,000 kWh per month, by \$0.08. Ms. Stephens' testimony provides typical bill charges for Residential Schedule 1, General Service Schedules GS-1, GS-2, GS-3, and GS-4, and Church Schedule 5C at several representative levels of consumption and demand.

D. Request for Rate Effective Date

27. As Ms. Stephens explains, the Company respectfully requests for billing purposes, a rate effective date for usage on and after the latter of September 1, 2018 or the first day of the month which is at least fifteen (15) days following the date of any Commission order approving Rider US-2.

PRE-FILED DIRECT TESTIMONY AND EXHIBITS SUPPORTING FILING SCHEDULE 46 AND REQUEST FOR PARTIAL WAIVER OF THE RATE CASE RULES FILING REQUIREMENTS

28. In support of this 2017 Annual Update, Dominion Energy Virginia presents herewith the pre-filed direct testimony and exhibits of the following witnesses: Mark D. Mitchell, Kelly S. Scott, Jared R. Robertson, and Debra A. Stephens.

A. Filing Schedule 46

29. Filing Schedule 46A, Statement 1, sponsored by Company Witness Mitchell, provides a schedule of projected construction costs by type of cost and year associated with Rider US-2. In addition, consistent with the approach presented in other Subsection A 6 annual update filings, Filing Schedule 46A, Statement 2, provides the documentation supporting the US-2 Solar Projects construction costs to the extent such information has changed since the 2016 Rider US-2 Update filing in Case No. PUE-2016-00113, including all documents, contracts, studies, investigations or correspondence that support costs proposed to be recovered via the proposed rider.

30. Filing Schedule 46B, Statement 1, sponsored by Company Witness Scott, provides schedules of actual and projected O&M expenses and capital maintenance expenditures by type of cost and year associated with Rider US-2. In addition, Filing Schedule 46B, Statement 2, provides the documentation supporting these O&M and capital costs, including all documents, contracts, studies, investigations, or correspondence that support costs proposed to be recovered via the RAC. Consistent with the approach presented in other Subsection A 6 annual update filings, this Filing Schedule 46B, Statement 2 information contains only those contracts that are new or have changed since the 2016 Rider US-2 Update filing in Case No. PUE-2016-00113.

31. Filing Schedule 46C, Statement 1, sponsored by Company Witness Robertson, provides the annual revenue requirement for the Rate Year ending August 31, 2019. In addition, Filing Schedule 46C, Statement 2, provides the annual revenue requirement over the duration of the RAC, and Statement 3 provides documentation supporting Statement 2. Lastly, Filing Schedule 46C, Statement 4, provides a detailed description of all significant accounting

procedures and internal controls that the Company has instituted to identify all costs associated with the RAC. Filing Schedule 46C, Statement 1, also satisfies the project financing requirement of subsection of (f) of Filing Schedule 46.

32. Filing Schedule 46D, Statement 1, sponsored by Company Witness Stephens, provides the allocation of the revenue requirement and the rate design for the Rate Year ending August 31, 2019. In addition, Filing Schedule 46D, Statement 2, provides the annual revenue requirement by class over the duration of the RAC.

33. The Company notes that as part of the 2016 Annual Update to Rider US-2, pursuant to 20 VAC 5-201-10 E, the Commission granted the Company a limited, ongoing waiver with respect to certain parts of Filing Schedule 46 related to approval of the US-2 Solar Projects as required by the public convenience and necessity, which the Commission noted had previously been filed and reviewed as part of Case No. PUE-2015-00104.⁹

C. Request for Waiver of Filing Schedule 45 Requirements

34. The Company, for good cause shown and pursuant to 20 VAC 5-201-10 E, respectfully requests that the Commission waive, in part, the requirements under Rules 60 and 90 of the Rate Case Rules with respect to Filing Schedule 45 (Return on Equity Peer Group Benchmark). Specifically, the Company has requested in this 2017 Annual Update that the general ROE of 10.50% as proposed in the Company's 2017 Application for determination of ROE in Case No. PUR-2017-00038 be used to calculate the revenue requirement. The Company filed testimony and other evidence in support of its requested ROE, including Filing Schedule 45 materials and analysis, in pending Case No. PUR-2017-00038. Pursuant to Va. Code § 56-

⁹ *Application of Virginia Electric and Power Company For revision of rate adjustment clause: Rider US-2, Scott, Whitehouse, and Woodland Solar Power Stations, for the Rate Year Commencing September 1, 2017, Case No. PUE-2016-00113, Order for Notice and Hearing, Ordering Paragraph (17) (Oct. 21, 2016).*

585.1:1 C 3, the ROE determined in that proceeding will apply to all Subsection A 5 and A 6 RACs effective as of the date of the Commission's final order therein, which is anticipated to be issued no later than November 31, 2017 and prior to the start of the Rate Year proposed for this proceeding. To promote judicial economy and efficiency of case administration, the Company requests a waiver of Filing Schedule 45's filing requirements in this proceeding. For these reasons, and pending consideration of its procedural request, the Company respectfully requests that the Commission waive, for good cause shown, the requirements of 20 VAC 5-201-60 and 20 VAC 5-201-90 with respect to the submission of Filing Schedule 45 with this 2017 Annual Update.

REQUEST FOR CONFIDENTIAL TREATMENT

35. The Company's 2017 Annual Update contains, at points so designated therein, confidential and/or redacted information, and the non-public version of this filing is being made under seal. Because portions of the Company's Update contain such confidential and/or redacted information, in compliance with Rule 10 F and Rule 170, 20 VAC 5-201-10 F and 5 VAC 5-20-170, this filing is accompanied by a separate Motion for Entry of Protective Ruling, including a form of Proposed Protective Ruling, filed by the Company under separate cover but contemporaneously with this 2017 Annual Update.

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

36. The Company's 2017 Annual Update for approval of Rider US-2 complies with the requirements contained in Rule 10 of the Rate Case Rules. In accordance with Rule 10 A, the Company filed with the Commission on August 4, 2017, the Company's notice of intent to file this Update under Va. Code § 56-585.1 A 6. Copies of the Public Version of this Update, to the extent required by Rule 10 J, along with the additional information required by Rule 10 J,

have been served upon the persons addressed in that Rule. A complete copy of the Public Version of this Update has been served upon the Office of the Attorney General's Division of Consumer Counsel, in conformity with Rule 10 J. Also included with and following this Update, pursuant to Rule 10, is a table of contents of this filing, including exhibits and schedules.

37. Beyond the initial Application, Rule 20 VAC 5-201-10 J requires the Company to serve copies of certain information related to Dominion Energy Virginia's rate proceedings upon local officials via first class mail or personal delivery. The Company has obtained a continuing waiver of Rule 10 J of the Rate Case Rules from the Commission to permit electronic delivery of rate application information to the localities in lieu of first class mail delivery upon request from the locality.¹⁰ Accordingly, the Company requests that any procedural order issued in this proceeding allow for electronic service of materials going forward on localities that request such service in writing.

CONCLUSION

WHEREFORE, the Company respectfully requests that the Commission (1) approve the proposed revenue requirement, cost allocation, rate design, and accounting treatment for service rendered on and after September 1, 2018 through August 31, 2019 for the construction and operation of the US-2 Solar Projects; (2) approve the Company's proposed Rider US-2, effective for usage on and after the latter of September 1, 2018 or the first day of the month which is at least fifteen (15) days following the date of any Commission order approving Rider US-2; and (3) grant such other relief as deemed appropriate and necessary.

¹⁰ *Petition of Virginia Electric and Power Company For a continuing waiver of 20 VAC 5-201-10 J of the Rules Governing Utility Rate Applications and Annual Informational Filings to permit electronic service to local officials upon request*, Case No. PUE-2016-00039, Final Order at 2-3 (Apr. 19, 2016).

Respectfully submitted,

By: 
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