

September 20, 2018

***Ex Parte: In the matter concerning implementation by
Virginia Electric and Power Company d/b/a Dominion
Energy Virginia of reductions in rates for generation
and distribution services pursuant to Enactment Clause
Nos. 6 and 7 of Senate Bill 966
Case No. PUR-2018-00055***

To: Local Government Officials

Pursuant to the State Corporation Commission of Virginia's September 11, 2018 *Order Establishing Further Proceedings* ("Order"), Virginia Electric and Power Company ("Company") is providing a copy of the Order to you. Please take notice of its contents.

A copy of the Company's Filing in this matter may be obtained from the Company at no cost by written request to Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.



Lisa S. Booth
Deputy General Counsel

Attachments

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 11, 2018

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2018 SEP 11 P 3:39
CASE NO. PUR-2018-00055

Ex Parte: In the matter
concerning the implementation by
Virginia Electric and Power
Company d/b/a Dominion Energy Virginia
of reductions in rates for generation and
distribution services pursuant to
Enactment Clause Nos. 6 and 7 of
Senate Bill 966

ORDER ESTABLISHING FURTHER PROCEEDINGS

During its 2018 Session, the Virginia General Assembly enacted Senate Bill 966 (the "Bill"). The Bill was signed into law by the Governor of Virginia on March 9, 2018, as Chapter 296 of the 2018 Acts of Assembly. The Bill became effective July 1, 2018.

Among its provisions, Enactment Clause 6 of the Bill directs the State Corporation Commission ("Commission") to:

implement adjustments in the rates for generation and distribution services of incumbent electric utilities, as defined in § 56-576 of the Code of Virginia, effective April 1, 2019, to reflect the actual annual reductions in corporate income taxes to be paid by such utilities pursuant to the provisions of the federal Tax Cuts and Jobs Act of 2017 (P.L. 115-97) and as of the effective date of such act.

Enactment Clause No. 7 of the Bill directs, in advance of the Commission's determination as to rate reductions pursuant to Enactment Clause No. 6, Dominion Energy Virginia ("DEV" or "Company") to "reduce its existing rates for generation and distribution services on an interim basis, within 30 days of July 1, 2018" by an amount "sufficient to reduce its annual revenues from such rates by an aggregate amount of \$125 million." The amount of the identified rate reduction is "attributable to reductions in the corporate income tax obligations of the utility pursuant to the provisions of the federal Tax Cut and Jobs Act of 2017[.]"

Enactment Clause No. 7 further states:

In implementing any further reductions to the rates for generation and distribution services of ... [DEV] effective April 1, 2019, pursuant to the sixth enactment of this act, the Commission shall consider this interim revenue requirement reduction, and its actions shall be limited to a true-up of this interim reduction amount to the actual annual reduction in corporate tax obligations of such utility as of the effective date of the federal Tax Cuts and Jobs Act of 2017....

On April 16, 2018, the Commission issued an Order Directing Compliance Filings to Reflect Reductions in Federal Income Taxes ("Order") pursuant to Enactment Clause No. 7 of the Bill. As directed by that Order, DEV submitted the required compliance filing on May 16, 2018, with revised tariffs and workpapers implementing the rate reductions directed in Enactment Clause No. 7. DEV subsequently filed certain revised tariff sheets and revised workpapers on June 14, 2018.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that DEV shall file with the Commission certain information ("Filing") to enable the Commission to "implement adjustments in the rates for generation and distribution services of incumbent electric utilities" as directed by Enactment Clause No. 6 of the Bill; DEV shall provide public notice of its Filing; a public hearing shall be scheduled for the purpose of receiving testimony and exhibits on the Company's Filing; interested persons should have an opportunity to file comments on the Filing or to participate as respondents in this proceeding; and the Commission's Staff ("Staff") should be directed to investigate the Filing and file testimony and exhibits containing its findings and recommendations. Further, we find that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 12.1-31 of the Code of Virginia and Rule 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),¹ a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(2) On or before October 9, 2018, the Company shall submit its Filing to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, which shall include, at a minimum, schedules, exhibits, and testimony that quantify the following actual reductions in corporate income taxes pursuant to the provisions of the federal Tax Cuts and Jobs Act of 2017:

- a. The annual reduction to DEV's cost of service. The annual reduction should be calculated based on DEV's actual 2017 cost of service with appropriate regulatory accounting and proforma adjustments to reflect the 2018 cost of service. DEV shall reflect all regulatory accounting adjustments previously approved by the Commission;
- b. DEV's excess deferred income tax ("EDIT") balances as of December 31, 2017. DEV should separately quantify protected and unprotected EDIT balances and identify the proposed amortization methodologies and periods related thereto. The EDIT balances may be based upon estimates, with actuals provided at a later date; and
- c. The true-up of the interim rate reductions set forth in Enactment Clause 7 of the Bill for the period from January 1, 2018, through March 31, 2019.² The true-up calculation may be based upon estimates, with actuals provided at a later date.

¹ 5 VAC 5-20-10 *et seq.* See 5 VAC 5-20-120.

² The Commission previously directed utilities to accrue regulatory liabilities effective January 1, 2018, reflecting the Virginia jurisdictional revenue requirement impacts of the reduced corporate income tax rate until such a time as the federal tax benefits can be appropriately reflected in customers' rates. See *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: Regulatory Accounting related to the federal Tax Cuts and Jobs Act of 2017*, Case No. PUR-2018-00005, Doc. Con. Cen. No. 180110073, Order (Jan. 8, 2018).

In addition, to the extent that any of the calculations are based upon estimates, DEV shall state when actual calculations will be submitted to the Commission. Furthermore, DEV shall propose how to incorporate the actual reductions in corporate income taxes in customers' rates for generation and distribution services. Each witness's testimony that the Company files in accordance with this Ordering Paragraph shall include a summary not to exceed one page.

(3) A public hearing shall be convened on January 14, 2019, at 10 a.m., in the Commission's second floor courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence offered by the Company, respondents, and the Staff on the Company's Filing. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) The Company shall make copies of its Filing, as well as a copy of this Order Establishing Further Proceedings, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Lisa S. Booth, Esquire, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents filed in this case also shall be available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before October 9, 2018, the Company shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF
ORDER ESTABLISHING FURTHER PROCEEDINGS TO
IMPLEMENT ADJUSTMENTS IN RATES FOR FEDERAL
INCOME TAX OBLIGATIONS OF VIRGINIA ELECTRIC AND
POWER COMPANY D/B/A DOMINION ENERGY VIRGINIA
CASE NO. PUR-2018-00055

During its 2018 Session, the Virginia General Assembly enacted Senate Bill 966 (the "Bill"). The Bill was signed into law by the Governor of Virginia on March 9, 2018, as Chapter 296 of the 2018 Acts of Assembly. The Bill became effective July 1, 2018.

Among its provisions, Enactment Clause 6 of the Bill directs the State Corporation Commission ("Commission") to:

implement adjustments in the rates for generation and distribution services of incumbent electric utilities, as defined in § 56-576 of the Code of Virginia, effective April 1, 2019, to reflect the actual annual reductions in corporate income taxes to be paid by such utilities pursuant to the provisions of the federal Tax Cuts and Jobs Act of 2017 (P.L. 115-97) and as of the effective date of such act.

Enactment Clause No. 7 of the Bill directs, in advance of the Commission's determination as to rate reductions pursuant to Enactment Clause No. 6, Dominion Energy Virginia ("DEV" or "Company") to "reduce its existing rates for generation and distribution services on an interim basis, within 30 days of July 1, 2018" by an amount "sufficient to reduce its annual revenues from such rates by an aggregate amount of \$125 million." The amount of the identified rate reduction is "attributable to reductions in the corporate income tax obligations of the utility pursuant to the provisions of the federal Tax Cut and Jobs Act of 2017[.]"

Enactment Clause No. 7 further states:

In implementing any further reductions to the rates for generation and distribution services of ... [DEV] effective April 1, 2019, pursuant to the sixth enactment of this act, the Commission shall consider this interim revenue requirement reduction, and its actions shall be limited to a true-up of this interim reduction amount to the actual annual reduction in corporate tax obligations of such utility as of the effective date of the federal Tax Cuts and Jobs Act of 2017...

On April 16, 2018, the Commission issued an Order Directing Compliance Filings to Reflect Reductions in Federal Income Taxes ("Order") pursuant to Enactment Clause No. 7 of the Bill. As directed by that Order, DEV submitted the required compliance filing on May 16, 2018, with revised tariffs and workpapers implementing the rate reductions directed in Enactment Clause No. 7. DEV subsequently filed certain revised tariff sheets and revised workpapers on June 14, 2018.

On September 11, 2018, the Commission entered an Order Establishing Further Proceedings that, among other things, directed DEV to file certain information ("Filing"), on or before October 9, 2018, quantifying the actual annual reduction in DEV's corporate income tax obligations pursuant to the provisions of the federal Tax Cuts and Jobs Act of 2017.

In addition, the Order Establishing Further Proceedings scheduled a public hearing on January 14, 2019, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive testimony from members of the public and evidence related to the Filing from the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

The Company's Filing and the Commission's Order Establishing Further Proceedings are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. If

acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of all documents filed in this case also are available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before October 23, 2018. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. A copy of the notice of participation as a respondent also must be sent to counsel for the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2018-00055.

On or before November 30, 2018, each respondent may file with the Clerk of the Commission and serve on the Commission's Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth above. Respondents also shall comply with the Commission's Rules of Practice, including 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00055.

On or before January 7, 2019, any interested person may file written comments on the Filing with the Clerk of the Commission at the address set forth above. Interested persons

desiring to file comments electronically may do so on or before January 7, 2019, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2018-00055.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order Establishing Further Proceedings in this proceeding may be obtained from the Clerk of the Commission at the address above.

VIRGINIA ELECTRIC AND POWER COMPANY
d/b/a DOMINION ENERGY VIRGINIA

(6) On or before October 9, 2018, the Company shall serve a copy of this Order Establishing Further Proceedings on the following local officials, to the extent the position exists, in each county, city, and town in which the Company provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.³

(7) On or before October 23, 2018, the Company shall file proof of the notice and service required by Ordering Paragraphs (5) and (6) above, including the name, title, and address

³ Service may also be made electronically if a locality has submitted a written request to the Company for electronic service, pursuant to the Commission's April 19, 2016 Order in Case No. PUE-2016-00039. See *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, Doc. Con. Cen. No. 160420194, Order (Apr. 19, 2016).

of each official served, with the Clerk of the Commission at the address set forth in Ordering Paragraph (2).

(8) On or before January 7, 2019, any interested person may file written comments on the Filing with the Clerk of the Commission at the address set forth in Ordering Paragraph (2).

Any interested person desiring to submit comments electronically may do so on or before January 7, 2019, by following the instructions found on the Commission's website:

<http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No.

PUR-2018-00055.

(9) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before October 23, 2018. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (2), and the respondent shall simultaneously serve a copy of the notice of participation on counsel to the Company at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth:

(i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2018-00055.

(10) Within three (3) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order Establishing Further

Proceedings, a copy of the Filing, and all materials filed by the Company with the Commission in this proceeding, unless these materials already have been provided to the respondent.

(11) On or before November 30, 2018, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (2), and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission. In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to, 5 VAC 5-20-140, *Filing and service*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00055.

(12) On or before November 30, 2018, the Staff shall investigate the Filing and file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. A copy thereof shall be served on counsel to the Company and all respondents.

(13) On or before December 21, 2018, DEV shall file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. The Company simultaneously shall serve a copy on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (2).

(14) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(15) Responses and objections to written interrogatories and requests for production of documents shall be served within three (3) business days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.⁴ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Joseph K. Reid, III, Esquire, McGuireWoods LLP, Gateway Plaza, 800 East Canal Street,
14th Floor, Richmond, Virginia 23219; Carlos M. Brown, Vice President and General Counsel,
Dominion Energy, Inc., 120 Tredegar Street, Richmond, Virginia 23219; and C. Meade
Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of
Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy shall
be delivered to the Commission's Office of General Counsel and Divisions of Public Utility
Regulation and Utility Accounting and Finance.

⁴ The assigned Staff attorney is identified on the Commission's website: <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2018-00055, in the appropriate box.