



October 3, 2018

**Application of Virginia Electric and Power Company
For revision of rate adjustment clause: Rider BW, Brunswick County
Power Station, for the Rate Year Commencing September 1, 2019
Case No. PUR-2018-00166**

To: Local Government Officials

Pursuant to 20 VAC 5-201-10 J, Virginia Electric and Power Company (the "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 the Company at no cost by written or oral request to Lisa S. Booth, Deputy General Counsel, Law Department, Dominion Energy Services, Inc., 120 Tredegar Street, RS-2, Richmond, Virginia 23219, (804) 819-2288.

A handwritten signature in blue ink, appearing to read "Lisa S. Booth", written over a horizontal line.

Lisa S. Booth
Deputy General Counsel

Attachment

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2018-00166
For revision of rate adjustment clause: Rider BW,)
Brunswick County Power Station, for the Rate Year)
Commencing September 1, 2019)

**VIRGINIA ELECTRIC AND POWER COMPANY'S
RIDER BW 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 July 3, 2018, in Case No. PUR-2017-00128 (“2017 RAC Order”),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 BW (“2018 Annual Update” or “Update”) for the Brunswick County Power Station (the “Station”), a 1,358 MW (nominal) natural gas-fired combined-cycle electric generating facility in Brunswick County, Virginia, including the related transmission interconnection facilities (collectively, the “Brunswick County Project” or the “Project”). In support of this 2018 Annual Update, the Company respectfully shows as follows:

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

¹ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider BW, Brunswick County Power Station, Case No. PUR-2017-00128, Final Order (July 3, 2018) (“2017 Annual Update”)*

customers in Virginia and to 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 Resources, 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 August 2, 2013, by its Final Order in Case No. PUE-2012-00128, the Commission approved and granted a certificate of public convenience and necessity for the Brunswick County Project, finding that the Project will serve the public convenience and

necessity and is in the public interest (the "CPCN Order").² The CPCN Order also authorized the Company to recover in a timely manner costs associated with the development of the Brunswick County Project.³ For this purpose, the Commission approved Rider BW, a rate adjustment clause ("RAC") pursuant to Subsection A 6.

5. The CPCN Order states as follows with respect to Rider BW:

(6) Rider BW, as approved herein, shall become effective for service rendered on and after September 1, 2012.

(7) The Company shall file its annual Rider BW application on or before November 1st of each year.⁴

6. On November 1, 2013, Dominion Energy Virginia submitted its application in Case No. PUE-2013-00122, requesting approval of its first update to its RAC, designated Rider BW, pursuant to Subsection A 6 with respect to the Brunswick County Project. In its Final Order issued on July 8, 2014 ("2013 RAC Order"),⁵ the Commission directed the Company to file its subsequent annual update filing with respect to its Rider BW "[o]n or before November 1, 2014."⁶

7. The Company has since annually updated its Rider BW RAC in 2014 (Case No. PUE-2014-00103), 2015 (Case No. PUE-2015-00102), 2016 (Case No. PUE-2016-00112), and 2017 (Case No. PUR-2017-00128).

8. In its Final Order in the 2017 Annual Update proceeding, the Commission

² *Application of Virginia Electric and Power Company, For approval and certification of the proposed Brunswick County Power Station and related transmission facilities pursuant to §§ 56-580 D, 56-265.2, and 56-46.1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider BW, pursuant to § 56-585.1 A 6 of the Code of Virginia*, Case No. PUE-2012-00128, 2013 S.C.C. Ann. Rept. 302, 309, Final Order (Aug. 2, 2013).

³ CPCN Order, 2013 S.C.C. Ann. Rept. 302, 309.

⁴ CPCN Order, 2013 S.C.C. Ann. Rept. 302, 310.

⁵ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider BW, Brunswick County Power Station, for the rate year commencing September 1, 2014*, Case No. PUE-2013-00122, 2014 S.C.C. Ann. Rept. 334, Final Order (July 8, 2014).

⁶ 2013 RAC Order, 2014 S.C.C. Ann. Rept. 334, 335.

approved the annual update to Rider BW and directed the Company to file an annual update with respect to Rider BW “[o]n or before November 30, 2018.”⁷

9. Pursuant to the provisions of the Commission’s Brunswick County CPCN Order and the Commission’s Final Order in the 2017 Annual Update proceeding, the Company files this annual Rider BW Update to (1) inform the Commission of the status of the Brunswick County Project and its projected expenditures; and (2) present the Company’s revenue requirement, including proposed cost allocation, rate design, and accounting treatment for service rendered during a proposed rate year commencing on September 1, 2019 and extending through August 31, 2020 (“Rate Year”) as related to Rider BW and the Brunswick County Project.

BRUNSWICK COUNTY PROJECT AND EXPENDITURES UPDATE

A. Status of the Brunswick County Project

10. On April 25, 2016, the Brunswick County Project achieved Provisional Acceptance, thus commencing commercial operations. The Project was completed ahead of schedule and under budget. Since 2016, and specifically in 2017, the engineering, procurement, and construction (“EPC”) contractor has been working to complete outstanding warranty and punch list items. On June 4, 2018 Final Acceptance was granted to the EP contractor closing out the requirements for that agreement.

B. Construction Expenditures

11. As Company Witness Mark D. Mitchell explains, the total capital forecasted for the Brunswick County Project has decreased \$2.7 million or 0.2% to \$1.103 billion (excluding financing costs) from the estimated amount of \$1.105 billion in the 2017 Rider BW filing. This

⁷ 2017 Annual Update Final Order, Ordering Paragraph (3).

is equivalent to \$812 per kilowatt based on the nominal summer rating of 1,358 MW.

12. While the Brunswick County Project as a whole is below the original budget of \$1.27 billion, there have been cost variances from the original estimates both upward and downward within specific cost categories and subcategories, as would be expected for a project of this size and complexity. In previous proceedings, Mr. Mitchell has provided a description of the Project expenditures by budget categories and subcategories, as well as a discussion of any variances to earlier projections, as appropriate.

13. The updated budget forecast is included in the testimony of Mr. Mitchell. The monthly capital expenditures detailed by Mr. Mitchell were provided to Company Witness C. Alan Givens for use in determining the revenue requirement in this 2018 Annual Update.

C. Operations and Maintenance and Capital Expenditures

14. The Company maintains a five-year budget plan for the Project based on expected operating and maintenance ("O&M") expenditures, including costs for expected operating levels, staffing, planned outages and minor capital improvements. The Company also maintains a five-year budget plan for expected capital expenditures associated with Station operations. Company Witness Kenneth J. Lazzaro'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 Brunswick County Project.

15. The actual O&M expenses for the period beginning January 1, 2017 through June 30, 2018 were \$27,733,598. The projected O&M expenses for the period beginning July 1, 2018 through August 31, 2019 are \$24,160,583. And, the projected O&M expenses for the Rate Year beginning September 1, 2019 through August 31, 2020 are \$23,496,422.

16. Mr. Lazzaro's testimony also details the capital expenditures for the Project. For the period January 1, 2017 and ending June 30, 2018, the actual capital expenditures were \$27,352,761. The projected capital expenditures for the period July 1, 2018 through August 31, 2019 are \$7,331,340. Finally, the projected capital expenses for the Rate Year beginning September 1, 2019 through August 31, 2020 are \$70,894,540. This O&M and capital expenditure information was also provided to Company Witness Givens for use in calculating the revenue requirement in this proceeding.

17. As part of this 2018 Annual Update, the Company respectfully requests that the Commission approve the updated expenditures on the Brunswick County Project, 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.

BRUNSWICK COUNTY PROJECT ACCOUNTING UPDATE

A. Rate of Return on Common Equity

18. The Company has utilized an enhanced rate of return on common equity ("ROE") of 10.2% for purposes of calculating the revenue requirement over the Rate Year in this 2017 Annual Update. This includes a general ROE of 9.2% and a 100 basis points enhanced return, as provided for in Subsection A 6 for a combined-cycle generating station at the time it was approved, and as authorized by this Commission in the CPCN Order.⁸ The 9.2% general ROE is supported by the Commission's Final Order in Case No. PUR-2017-00038.⁹

19. For purposes of calculating the 2017 Actual Cost True-Up Factor, the Company

⁸ CPCN Order, 2013 S.C.C. Ann. Rept. 302, 308.

⁹ *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, Final Order, at 10 (Nov. 29, 2017).

has used an enhanced ROE of 10.6% for the months of January 2017 through August 2017 and an enhanced ROE of 10.4% for the months of September 2017 through November 28, 2017. For the period of November 29, 2017 through December 31, 2017, the Company has used an enhanced ROE of 10.2%. This includes a general rate of return on common equity of 9.6%, 9.4% and 9.2% respectively, and an ROE adder of 100 basis points. The 100 basis points equity adder was approved by the Commission in the CPCN Order in the initial Brunswick County RAC case (PUE-2012-00128) through the first 10 years of the Project's service life. The 10.0% general ROE was approved by the Commission in its November 26, 2013 Final Order in the Company's 2013 Biennial Review, Case No. PUE-2013-00020, pursuant to Va. Code § 56-585.1 A 2. The 9.6% ROE was approved by the Commission in its June 30, 2016 Final Order for Rider BW in Case No. PUE-2015-00102. The 9.4% ROE was approved by the Commission in its June 30, 2017 Final Order in Case No. PUE-2016-00112. As noted above, the 9.2% ROE was approved by the Commission in its Final Order in Case No. PUR-2017-00038.

B. Revenue Requirement Update

20. The revenue requirement calculation for the continuation of the Rider BW RAC is described in detail in Company Witness Givens' testimony. Expenses requested for recovery in this 2018 Annual Update are non-fuel, direct expenses of the Brunswick County Project. As noted above, the proposed Rate Year for this Update is from September 1, 2019 through August 31, 2020. Pursuant to Va. Code § 56-585.1 A 1 and consistent with the Commission's Order on Commission Staff's Motion in Limine dated July 14, 2009 in Case No. PUE-2009-00019,¹⁰ the 2018 Annual Update utilizes the Company's December 31, 2017 year-end capital structure and

¹⁰ *Application of Virginia Electric and Power Company, For a 2009 statutory review of rates, terms and conditions for the provision of generation, distribution, and transmission services pursuant to § 56-585.1 A 5 of the Code of Virginia, Case No. PUE-2009-00019, Order on Commission Staff's Motion in Limine (July 14, 2009).*

year-end cost of capital for purposes of setting rates during the Rate Year.

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

22. The Projected Cost Recovery Factor in this 2018 Annual Update includes the financing costs for rate base as well as projected operating costs for the Project during the Rate Year.

23. The Actual Cost True-up Factor will credit to, or recover from, customers any over/under-recovery of costs from the most recently completed calendar year. Actual revenues recovered during 2017 are compared to actual costs incurred during 2017, and any difference in the 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 2018 Annual Update.

24. The specific calculations of the revenue requirement and the components thereto are detailed in the testimony of Mr. Givens. The Company is requesting recovery of the Projected Cost Recovery Factor revenue requirement of \$107,184,000, and an Actual Cost True-up Factor revenue requirement of \$16,015,000 for this 2018 Annual Update of Rider BW. Thus, the total revenue requirement requested for recovery for the Rate Year is \$123,199,000.

RIDER BW RATE DESIGN UPDATE

A. Revised Rider BW Tariff

25. The Company is proposing an updated Rider BW tariff, which is sponsored by Company Witness Debra A. Stephens. Ms. Stephens identifies the rates, in either cents per kilowatt-hours, 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 BW will be effective for usage on and after September 1, 2018.

B. Revised Rider BW Calculation

26. The Company is proposing a change in the calculation of Factor 1. Specifically, it seeks to adjust the Company's recorded "system peaks," jurisdictional class peaks, and customer class peaks to recognize that kW generated by certain non-utility generators are not included in those values. Otherwise, the Company has calculated the proposed Rider BW rates in accordance with the same methodology used for those rates approved by the Commission with respect to the Company's most recent revision to Rider BW (Case No. PUR-2017-00128) for the Brunswick County Project.

C. Rider BW Impact on Customer Bills

27. The implementation of the proposed Rider BW on September 1, 2019, will increase the residential customer's monthly bill, based on 1,000 kWh usage per month, by \$0.23. Company Witness Stephens' testimony at Schedule 3 thereto provides typical bill comparisons for customers receiving service on 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 or demand.

D. Request for Rate Effective Date

28. 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, 2019, or the first day of the month that is at least fifteen (15) days following the date of any Commission order approving Rider BW.

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

29. In support of this 2018 Annual Update, Dominion Energy Virginia presents herewith the pre-filed direct testimony and exhibits of the following witnesses: Mark D. Mitchell, Kenneth J. Lazzaro, C. Alan Givens and Debra A. Stephens.

30. Rule 20 VAC 5-201-60 of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules") provides that an application filed pursuant to Subsection A 6 "shall include Schedules 45 and 46 as identified and described in 20 VAC 5-201-90, and which shall be submitted with the utility's direct testimony." The Company is submitting with this 2018 Annual Update Filing Schedule 46 in compliance with the Schedule instructions set forth in Rule 20 VAC 5-201-90, except, in part, to the extent addressed by the requested waiver discussed below.

A. Filing Schedule 46

31. Filing Schedule 46A, sponsored by Company Witness Mitchell, provides Project cost information that has changed since the 2017 Update proceeding through June 30, 2018. The Company is providing updated supporting documentation as part of Filing Schedule 46A consistent with the November 25, 2013 Order for Notice and Hearing in the Company's 2013 Annual Update proceeding, Case No. PUE-2013-00122, in which the Commission granted the Company a limited, ongoing waiver specifically with respect to the portions of Filing Schedule 46 and permitted the Company to supplement this type of information required by Filing Schedule 46 only to the extent it had changed from that filed and reviewed previously.

32. Filing Schedule 46B, Statement 1, sponsored by Company Witness Lazzaro, provides schedules of actual and projected O&M and capital expenditures by type of cost and

year associated with Rider BW. 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 in previous annual update filings, this Filing Schedule 46B, Statement 2 information contains only those contracts that are new or have changed since the previous 2017 Update proceeding.

33. Filing Schedule 46C, Statement 1, sponsored by Company Witness Givens, provides the annual revenue requirement for the Rate Year ending August 31, 2020. 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 Subsection A 6 RAC. Filing Schedule 46C, Statement 1, also satisfies the project financing requirement of subsection (f) of Filing Schedule 46.

34. 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, 2020. In addition, Filing Schedule 46D, Statement 2, provides the annual revenue requirement by class over the duration of the RAC.

35. The Company notes that as part of the 2013 Annual Update to Rider BW, pursuant to 20 VAC 5-201-10 E, the Commission granted the Company a limited, ongoing waiver with respect to certain portions of Filing Schedule 46 related to selection of the Brunswick County Project as the preferred alternative to meet the specified need for new generating capacity, which the Commission noted was previously filed and reviewed as part of

B. Request for Waiver of Filing Schedule 45 Requirements

36. 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 2018 Annual Update that the general ROE of 9.2% as ordered by the Commission's Final Order in Case No. PUR-2017-00038 (plus a 100 basis point enhanced return for a combined-cycle generating station) be used to calculate the revenue requirement. Pursuant to Va. Code § 56-585.1:1 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 was issued on November 29, 2017, 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 2018 Annual Update.

REQUEST FOR CONFIDENTIAL TREATMENT

37. The Company's 2018 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 of the Rate Case Rules and Rule 170 of the

¹¹ Case No. PUE-2013-00122, Order for Notice and Hearing, Ordering Paragraph (15) (Nov. 25, 2013).

Commission's Rules of Practice and Procedure, 20 VAC 5-201-10 F and 5 VAC 5-20-170, this filing is accompanied by a separate Motion for Entry of a Protective Ruling, including a form of Proposed Protective Ruling, which is being filed under separate cover but contemporaneously with this 2018 Annual Update.

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

38. The Company's 2018 Annual Update for approval of Rider BW 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 July 27, 2018, 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.

39. 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.¹² 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

¹² *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).

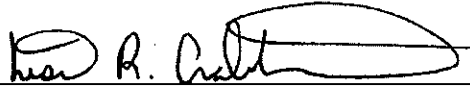
service in writing.

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, 2019 through August 31, 2020 for construction and operation of the Brunswick County Project; (2) approve the Company's proposed Rider BW, effective for usage on and after the latter of September 1, 2019 or the first day of the month which is at least fifteen (15) days following the date of any Commission order approving Rider BW; and (3) grant such other relief as deemed appropriate and necessary.

Respectfully submitted,

By:



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