https://www.richmond.com/news/virginia/government-politics/scc-reluctantly-says-dominion-can-recover-from-ratepayers-for-putting/article_7223051f-0fb2-5af8-a19a-a78663f0cc50.html

SCC reluctantly says Dominion can recover from ratepayers for putting lines underground

By MICHAEL MARTZ Richmond Times-Dispatch Dec 19, 2018

Dominion Energy building in Richmond.
NED OLIVER/

The State Corporation Commission has approved a $69.5 million increase in electric rates for all customers of Dominion Energy Virginia to pay for burial of underground lines for less than 1 percent of them because it says a new state law gave it no choice.

The order issued on Wednesday will increase bills for all residential customers by $1.33 a month for a “strategic undergrounding program” mandated by the Grid Transformation Security Act, which the General Assembly adopted and Gov. Ralph Northam signed this year after a lobbying effort led by Dominion.

The commission acknowledged in its 15-page order that the law “has removed any commission discretion” in considering the number of customers who would benefit from the Rider U program, the cost of burying the most difficult lines and the effect on ratepayers’ monthly electric bills.

"The statute explicitly directs this commission to find that Dominion's Rider U proposal is cost-beneficial to customers without regard to contrary evidence in the record," the SCC said.

The commission found that "based on the evidentiary record in this proceeding ... the costs of the proposed [strategic undergrounding program] would not be considered reasonable and prudent under a standard analysis, nor cost-beneficial for residential customers in particular."

Dominion welcomed the commission's approval of the program, which the Richmond-based company says is justified by the time and effort required to restore power to customers who lose it frequently during major storms.

"Not only is this program extremely popular with our customers but it ensures improved reliability for them across our system, and allows us to divert repair trucks to harder-hit areas during a storm," spokesman Rob Richardson said in a statement.

The program also is popular with state legislators, particularly in Northern Virginia, who mandated the requirement after the SCC either rejected or cut back a number of proposals that Dominion had made previously because the regulators deemed the benefits for some customers insufficient to justify the cost to all customers.

This approved application is the fourth that Dominion has filed for the program since 2015. The SCC rejected the first request, scaled back the second as a pilot program, and allowed partial recovery of costs in the third.

The order covers an additional 416 miles of distribution lines buried between Sept. 1, 2017, and Jan. 31, 2019, as well as recovery of expenses from earlier phases of the project. It will increase the monthly rate of the program to $1.92 for a typical residential customer using 1,000 kilowatt-hours of electricity.

The money will be recovered through Rider U, a rate adjustment clause created under a law adopted in 2007 at Dominion’s request.

By 2028, when Dominion expects to have buried 4,000 miles of distribution lines highly prone to weather-related outages, the SCC expects that customer will pay $5.15 a month for the program. The completed program will cost an estimated $2 billion to install and will have a lifetime expense of $5.8 billion over 40 years, including profit for the company and its shareholders.

The SCC, which is down to two members and has been waiting for the General Assembly to elect a third since February, said it approved the latest proposal only because the law gave it no choice.

Dominion acknowledged that it did not perform a cost-benefit analysis in the case, but said the program is valuable to customers because it reduces the number of downed, dangerous lines after a storm, the work necessary to repair them and the length of time for outages.

“The primary focus of this program is how do we reduce the amount of time to recover from these long-duration storm events,” said Alan Bradshaw, director of the program for Dominion.

“What we’re trying to do is eliminate work,” said Bradshaw, who contends the program will allow the company to move repair crews across the state more quickly and efficiently after a hurricane or other major weather event.

Dominion estimates that the program ultimately will reduce the length of major outages by 40 to 50 percent, or five days instead of nine after a big storm.

“That’s significant for those customers,” Bradshaw said.

However, the SCC order said the program helps a small fraction of Dominion’s 2.4 million customers, while spreading the cost over all of them.

For example, it said the third phase of the project would benefit 8,578 customers directly, or 0.36 percent, and help an additional 4,872 customers indirectly, or 0.2 percent.

The law specifies that only lines that experience frequent outages are eligible for burial and includes caps on the cost per line mile and customer.

However, the caps are based on an average of aggregate costs, so some projects are much more expensive. For example, the 14 most expensive line burials range in cost from $159,710 to $299,149 per customer.

“It’s about how many outages we are eliminating for customers,” said Bradshaw at Dominion.

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