

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Virginia Electric and Power Company

Docket No. EC16-122-000

ORDER AUTHORIZING CONSOLIDATION
OF JURISDICTIONAL FACILITIES

(June 22, 2016)

On May 27, 2016, Virginia Electric and Power Company (Applicant) filed an application (Application) pursuant to section (203)(a)(1)(B) of the Federal Power Act (FPA)¹ requesting authorization for a transaction whereby Applicant will accept from Panda Stonewall LLC (Panda Stonewall) certain interconnection facilities, (Interconnection Facilities) associated with Panda Stonewall's generating facility located in Loudoun County, Virginia (Stonewall Project), that were placed into service on April 26, 2016 (Transaction).² The jurisdictional facilities involved in the Transaction consist of the Interconnection Facilities, described in Exhibit I to the Application.

Applicant states that it is a regulated, vertically integrated public utility engaged in the generation, transmission, distribution, and sale of electric energy. Applicant owns and/or operates generating units in the PJM region with an aggregate generating capacity of approximately 24,400 megawatts (MW), as well as approximately 57,000 miles of electric distribution lines. Applicant also owns approximately 6,400 miles of transmission facilities that are under the operational control of PJM pursuant to the PJM Open Access Transmission Tariff (OATT). Applicant sells electric energy at retail in Virginia and North Carolina as well as at wholesale on a short-term basis and under long-term contracts to rural electric cooperatives, municipalities, and wholesale electricity markets. Applicant has authority to make wholesale sales at market-based rates.

Applicant states that it is a direct, wholly owned subsidiary of Dominion Resources, Inc. (Dominion). Other Dominion subsidiaries include Dominion Energy Marketing, Inc., a power marketer with a Commission approved market-based rate tariff, and Dominion Energy, Inc., which directly or indirectly owns various subsidiaries that

¹ 16 U.S.C. § 824b (2012).

² Applicant states that its acceptance of the Interconnection Facilities is for purpose of effectuating an express provision of the Interconnection Construction Service Agreement (ICSA) among Applicant, Panda Stonewall, and PJM Interconnection, L.L.C. (PJM) which obligates Panda Stonewall to transfer title to the Applicant.

own and operate electric generating facilities in the United States. Applicant states that Dominion indirectly owns or controls jurisdictional facilities in the ISO New England, Inc. (ISO-NE), California Independent System Operator, Inc. (CAISO), Imperial Irrigation District, PacifiCorp-East, and Tennessee Valley Authority balancing authority areas, and indirectly owns, controls, or is affiliated with various Qualifying Facility solar photovoltaic facilities that are located in the CAISO, ISO-NE, Midcontinent Independent System Operator, Inc. and Southern Company geographic footprints. Dominion also owns or holds an interest in: (1) two gas utility local distribution companies; (2) four interstate gas pipeline companies; and (3) Dominion Retail, Inc., a retail marketing entity that sells natural gas.

Applicant states that Panda Stonewall is developing a 778 MW natural gas-fired facility that is interconnected with Applicant's transmission system. According to Applicant, Panda Power Funds holds the membership interests in Panda Stonewall. Panda Power Funds is a developer of natural gas and solar generation projects.

Applicant states that the Interconnection Facilities are associated with Panda Stonewall's electric generating facility that is interconnected with Applicant's transmission system pursuant to an Interconnection Service Agreement among Applicant, Panda Stonewall and PJM. Applicant states that Panda Stonewall exercised an "Option to Build" clause pursuant to Section 5.3 and Appendix 2, Section 3.2.3 of the ICSA, which is based on PJM's Form of Interconnection Construction Service Agreement as provided at Attachment P of the PJM OATT. Pursuant to the ICSA, Applicant seeks authorization to accept the Interconnection Facilities from Panda Stonewall at no cost.

Applicant states that the Transaction will have no adverse effect on horizontal or vertical competition. Applicant states that the Transaction does not involve the disposition of any generation assets; therefore the Transaction will not result in any change in market concentration for generation.

With regard to vertical competition, Applicant states that open access transmission service over its facilities is provided pursuant to the PJM OATT and under the operating authority of PJM. Thus, Applicant submits that it will not be able to use the acquisition of the Interconnection Facilities to benefit itself competitively.

Applicant states that the Transaction will have no adverse effect on rates. Applicant asserts that the Transaction will not impact wholesale power rates because the Transaction only involves transmission assets. With respect to transmission rates, Applicant states that the Transaction does not raise the possibility of any rate increases for transmission customers because Panda Stonewall bore the cost responsibility for the Interconnection Facilities when it exercised the "Option to Build" provision. Applicant further states that the only potential impact on rates would be to recover the cost and expense of any incremental operation and maintenance performed by Applicant on the

Interconnection Facilities, but any such incremental cost and expense would have a *de minimis* effect on rates.

Applicant states that the Transaction will have no adverse effect on federal or state regulation. Applicant states that the jurisdictional facilities that are the subject of the Transaction will become subject to the Commission's jurisdiction and will be subject to the operational authority of PJM, along with Applicant's other jurisdictional transmission facilities.

Applicant verifies that, based on facts and circumstances known to it or that are reasonably foreseeable, the Transaction will not result in, at the time of the Transaction or in the future, any cross-subsidization of a non-utility associate company or pledge or encumbrance of utility assets for the benefit of an associate company, including: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuance of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contract between a non-utility associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and service agreements subject to review under sections 205 and 206 of the FPA.

The filing was noticed on May 31, 2016 with comments, protests, or interventions due on or before June 17. Panda Stonewall filed a timely motion to intervene. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214) (2015).

Information and/or systems connected to the bulk system involved in these transactions may be subject to reliability and cybersecurity standards approved by the Commission pursuant to FPA section 215. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information database, and operating systems. If affiliates, personnel or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cybersecurity standards. The Commission, North America Electric Reliability Corporation or the relevant regional

entity may audit compliance with reliability and cybersecurity standards.

When a controlling interest in a public utility is acquired by another company, whether a domestic company or a foreign company, the Commission's ability to adequately protect public utility customers against inappropriate cross-subsidization may be impaired absent access to the parent company's books and records. Section 301(c) of the FPA gives the Commission authority to examine the books and records of any person who controls, directly or indirectly, a jurisdictional public utility insofar as the books and records relate to transactions with or the business of such public utility. The approval of the Transaction is based on such examination ability.

Order No. 652 requires that sellers with market-based rate authority timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.³ To the extent that a transaction authorized under FPA section 203 results in a change in status, sellers that have market-based rates are advised that they must comply with the requirements of Order No. 652.

After consideration, it is concluded that the Transaction is consistent with the public interest and is authorized, subject to the following conditions:

- (1) The Transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) Applicant must inform the Commission of any material change in circumstances that departs from the facts or representations that the Commission relied upon in authorizing the Transaction within 30 days from the date of the material change in circumstances;
- (3) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission;
- (4) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;

³ *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175, *order on reh'g*, 111 FERC ¶ 61,413 (2005).

- (5) If the Transaction results in changes in the status or upstream ownership of Applicant's affiliated qualifying facilities, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 (2015) shall be made;
- (6) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (7) Applicant shall make any appropriate filings under section 205 of the FPA, as necessary, to implement the Transaction;
- (8) Applicant shall notify the Commission within 10 days of the date that the Transaction has been consummated; and
- (9) Applicant shall submit its final accounting entries within six months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation - West, under 18 C.F.R. § 375.307 (2015). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2015).

Steve P. Rodgers, Director
Division of Electric Power
Regulation - West