

**Preliminary Challenge of  
Old Dominion Electric Cooperative and  
North Carolina Electric Membership Corporation  
Regarding Virginia Electric and Power Company's  
Electric Transmission Formula Rate  
True-Up Adjustment for 2013 and Annual Transmission Revenue Requirement for 2015  
Dated December 2, 2014**

**I. The following issues relate to both the 2013 T/U and the 2015 Projection:**

1. Prepayment of Institute of Nuclear Power Operations North Anna and Surry assessment dues in the amount of \$3.363 million should be removed from the “Prepayment Component” of rate base. These assessment dues are directly related to the North Anna and Surry nuclear facilities and therefore should not have any allocation to transmission. This would be consistent with the fact that the formula currently removes all ADIT related production facilities. The reclassification will reduce the Rate Base Component of Prepayments and result in a reduction in the Annual Transmission Revenue Requirement (ATRR). (See Dominion’s response to ODEC/NCEMC Q. 2-16.c. and ODEC/NCEMC Q. 3-6.a.)
2. Prepayments for CSX coal freight for Chesterfield and Yorktown Stations in the amount of \$4,044,150 should be removed from the “Prepayment Component” of rate base. These payments are related to the transportation of coal for the two generation facilities. This would be consistent with the fact that the formula currently removes all ADIT related production facilities. The reclassification will reduce the Rate Base Component of Prepayments and result in a reduction in the Annual Transmission Revenue Requirement (ATRR). (See Dominion’s responses to ODEC/NCEMC Q. 2-16.c. and ODEC/NCEMC Q.3-6.c. & e.)
3. The “IT – AWARE (Boiler Docket)” expenses are for the annual maintenance, hosting and support for the Heat Recovery Steam Generator (HRSG) and boiler systems. These expenses should be excluded from FERC Account 930.2 and should have been recorded in the appropriate production operating expense function account. The reclassification will reduce the A&G expense and result in a reduction in the Annual Transmission Revenue Requirement (ATRR) and a reduction in the Network Integration Transmission Service Rate. (See Dominion’s response to ODEC/NCEMC Q. 2-14.c.)
4. Dominion has included in the transmission formula rate fees charged by PJM for providing Administration services and Spinning Reserves. However, PJM directly charges these fees for both services to all Transmission Customers based on (1) each Customer’s usage (reserved or actual monthly usage) in the case of Administration Fees;

or (2) based on each Customer's Load Ratio Share of the system in the case of Spinning Reserves services. ODEC and NCEMC challenge the inclusion of Administration and Spinning Reserves fees in the transmission formula rate as double recovery of these costs from Transmission Customers.

5. Dominion represented at the Customer Meeting in September 2014 that PJM Miscellaneous Administrative Fees include "Credits paid to transmission customers under Section 30.9 of the PJM OATT." However these costs are also being recovered on line 165 of the formula rate: "Facility Credits under Section 30.9 of the PJM OATT." ODEC and NCEMC challenge the inclusion of these costs in both PJM Miscellaneous Administrative Fees and in line 165 of the formula rate template as potential double recovery of these Facility Credits.
6. The "Renewed Facility Operating License DPR-32 SURR 1" and "Renewed Facility Operating License DPR-37 SURR 2" totaling \$5.125 million should be excluded from Account 303 prior to allocation of Intangible Plant to transmission. These specific nuclear operating licenses are related to production and not transmission. The reclassification will reduce the Rate Base and result in a reduction in the Annual Transmission Revenue Requirement (ATTR) and a reduction in the Network Integration Transmission Service Rate. (See Dominion's response to ODEC/NCEMC Q. 2-23).
7. ODEC and NCEMC submit a conditional Preliminary Challenge with respect to Dominion's inclusion in the 2013 True-Up and the 2015 projected formula rate of the incremental costs of underground projects associated with the ODEC and NCEMC complaint in FERC Docket No. EL10-49-000, pending the outcome of rehearing requests that remain before FERC in that proceeding. Although FERC issued an order in this proceeding in March 2014, several parties, including ODEC and NCEMC sought rehearing/clarification of that order, and the rehearing requests remain pending before FERC.
8. ODEC and NCEMC submit a conditional Preliminary Challenge on the treatment of Post-Employment Benefits other than Pensions ("PBOP") pending the outcome of discussions between ODEC, NCEMC and Dominion on this issue and Dominion's proposal to submit a filing in 2015 to revise its current treatment of PBOPs in its formula rate.

**II. The following issue is for discussion purposes and relates only to the 2015 Projection:**

ODEC/NCEMC would like to discuss with DVP the budgeting process for the 2015 projection and future projections. We would like to understand the basis for only projecting

additional expense increases and not projecting the exclusion of one-time, non-recurring items. To the extent ODEC and NCEMC's concerns about these matters are unresolved, ODEC and NCEMC reserve the right to submit additional Preliminary Challenges related to this matter.

1. The 2015 Projection formula only appears to reflect DVP projected increases in the formula due to the 2015 budgeting process. It does not, however, address the removal of any of the 2013 non-recurring major items. The 2015 Projection formula should also reflect the known 2013 non-recurring major items as reductions. A list of the known 2013 non-recurring major items which should be reflected is as follows:
  - a. Account 570, "Morrisville transformer" in the amount of \$1.4 million. (See Dominion's response to ODEC/NCEMC Q. 2-7);
  - b. Account 571, "Right-of-way fringe growth initiative" in the amount of \$0.8 million. (See Dominion's response to ODEC/NCEMC Q. 2-8.b.);
  - c. Account 571, "Pole Maintenance – replace wood cross braces" in the amount of \$0.55 million. (See Dominion's response to ODEC/NCEMC Q. 2-8.b.);
  - d. Account 572, "Higher oil leak repairs" in the amount of \$0.5 million. (See Dominion's response to ODEC/NCEMC Q. 2-9 & ODEC/NCEMC Q. 1-15);
  - e. Account 920, "Severance expense" in the amount of \$9,552,918. The "2013 O&M reduction effort" should not be included in the 2015 projections. (See Dominion's response to ODEC/NCEMC Q.3-3 and ODEC/NCEMC Q. 1-18).