

## MEMORANDUM

**TO:** VEPGA MEMBERS

**FROM:** Steve Sinclair, Chair of VEPGA

**DATE:** SEPTEMBER 8, 2014

**RE:** Implementation of 2014-2018 Dominion Agreement

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Dear VEPGA Members:

I am pleased to report that the final agreement has been executed between VEPGA and Dominion and is effective from August 1, 2014 through June 30, 2018.

The following have been posted on the VEPGA website, [www.vepga.org](http://www.vepga.org):

- executed copy of 2014-2018 Dominion Agreement including
  - Master Agreement
  - Attachment A: Terms & Conditions (T&C)
  - Attachment B: Rates Schedules and Riders
  - Attachment C: List of VEPGA members
  - Attachment D: List showing timing of rate riders
- redlined documents showing the following:
  - how the 2014-2018 Master Agreement revises the 2011 Master Agreement
  - how the 2014-2018 T&C revises the 2011 T&C
  - how the 2014-2018 Rate Schedules revise the 2011 Rate Schedules
- chart showing where sections from the 2011 T&C are now located in the 2014-2018 T&C

The remainder of this memorandum sets forth Q&As regarding the 2014-2018 Dominion Agreement.

### **How do VEPGA rates compare to rates set by the SCC for other customers of Virginia Power?**

VEPGA **base** rates are approximately **\$6.2 million per year less** than what they would be if they were set at currently effective rates approved by the SCC. This excludes the impact of riders. In the past, VEPGA has saved an additional \$10 million based on the methodology used to allocate transmission costs: Virginia Power uses the PJM “one CP” method, which allocates costs based on the amount of load during the annual system peak. Since VEPGA’s load peaks in September, rather than during the summer, it often benefits from this methodology. The 2014-2018 Agreement requires that Virginia Power continue using PJM methodology, which we expect to remain the “one CP” method during the term of the agreement for Rider T.

**What are the significant aspects of the negotiations for the 2014-2018 Dominion Agreement?**

<b>Topic</b>	<b>Dominion's Position</b>	<b>2014-2018 Agreement</b>	<b>Comments</b>
<b>Rate Increases</b>			
<b>Base rates</b>	\$9.957 million increase	\$0	Increases in basic customer charges are essentially offset by decreases in rates for VEPGA's largest accounts.
<b>Basic customer charges</b>	Part of base rate increase	\$432,992 increase	Basic customer charges are increased by \$432,992. For metered service, the \$5.66 rate becomes \$6.59, and for unmetered service, the \$2.06 rate becomes \$2.40. The negotiating team considered this a reasonable result because customer charges have been static for a number of years and this would place them more on par with industry standards.
<b>Schedule 134 designed for largest accounts</b>	\$0.435 million increase	\$435,000 decrease	Dominion added a new rate design for VEPGA's largest accounts (see Schedule 134 discussion below) to place them more on par with large customers subject to SCC regulation. The introduction of Schedule 134 is expected to decrease VEPGA revenues by approximately \$435,000. Dominion sought to increase VEPGA's revenue requirement to be made whole for this loss but ultimately agreed that a separate adjustment for this amount would be dropped in favor of a "black box" settlement resulting in the \$432,992 increase in customer charges.
<b>Dynamic pricing schedule</b>	\$6.285 million increase	\$0	VEPGA will not be required to switch to Dominion's new dynamic pricing schedule for this contract (see Schedule 133 discussion below).
<b>Annual rate switching</b>	\$2.570 million increase	\$0	When customers switch rates to save money, that reduces Dominion's overall revenue. Dominion sought to increase VEPGA's revenue requirement to be made whole for this loss but ultimately agreed that a separate adjustment for this amount would be dropped in favor of a "black box" settlement resulting in the \$432,992 increase in customer charges.
<b>Overall rate increase</b>	\$18.957 million	None	The increase in revenue from basic customer charges is expected to be offset by a decrease in revenue from adding Schedule 134. Consequently, VEPGA as a whole would not experience an overall rate increase.
<b>Term</b>			
<b>Term</b>	4 years	4 years	Dominion's customers regulated by the Commission have their rates reviewed every two years, and timing VEPGA's rate negotiations to coincide with this review assists in establishing a benchmark for what constitutes a reasonable rate of return, etc. However, two years was deemed too short an interval as long as the 2014-2018 Dominion Agreement established overall reasonable terms. Because it encompassed factors such as a discount off of Dominion's cost allocation methodology, the North Anna 3/off shore wind write-off, and new renewable options applicable to SCC regulated customers, having the agreement in place for four years was deemed acceptable by VEPGA.
<b>Rate Design</b>			
<b>Allocating rider costs to VEPGA</b>	Average & excess (5.3777% initially)	Average & excess minus 0.1%	VEPGA maintains that it is disadvantaged by the average and excess methodology for allocating generation costs that is used for customers subject to SCC regulation. As part of a global settlement, VEPGA agreed to accept the rider methodology applicable to customers subject to SCC regulation as long as it received a discount off of the average & excess methodology.
<b>Expanded Options</b>			
<b>Schedule 134</b>	Proposed	Accepted	VEPGA has a handful of very large, high load factor accounts that would benefit from a rate structure more closely aligned with Rate Schedule GS-4 for customers subject to SCC jurisdiction. VEPGA anticipates that this will offer savings as compared to being served under existing VEPGA rate schedules.

Topic	Changes sought	2014-2018 Agreement	Comments
<b>Expanded Options</b>			
<b>LED Streetlights</b>	VEPGA sought to make existing offerings more attractive	Accepted	VEPGA's current Schedule SSL contains higher monthly rates as compared to other street light schedules because LED streetlights remain more expensive than other streetlights. In an effort to make the monthly rates more comparable, Schedule SSL as of January 1, 2015 will offer an option of having an LED luminaire installed on an existing streetlight fixture. As of 8/1/2014, Schedule SSL adds new Tier 9 and Tier 10 options. Also, in 2016, Schedule SSL is subject to a contract re-opener to examine whether fixture costs have gone down enough to lower Schedule SSL rates.
<b>Customer Construction Pilot</b>	VEPGA sought to implement JAC proposal	Accepted	A pilot program being operated under the Joint Action Committee will allow customers to use contractors rather than having Dominion do the work. The results of this pilot program will be evaluated to determine whether the VEPGA Terms and Conditions should be modified to expand the opportunities for construction work done by customers.
<b>Net Metering</b>	Dominion sought to expand stand-by charges. VEPGA sought to expand net metering.	No change.	<p>Schedule C has been in place for years and applies standby charges to Schedule 130 or Schedule 131 customers who operate an electric generator in parallel with Dominion. Dominion sought to expand standby charges to Schedule 100, 110, and 120 customers. This change was not implemented.</p> <p>VEPGA sought to expand net metering options to allow renewable generation to offset load for more than one of a customer's accounts ("totalizing"), and would have accepted a limitation that these accounts be located on "contiguous" property as broadly defined for agricultural customers subject to SCC regulation. Dominion instead said that rules governing agricultural customers would not apply to VEPGA, and totalizing would be limited to accounts located on contiguous property as narrowly defined under the provisions that have been in place for years (now located in Terms and Conditions, Section III. A and B).</p> <p>As applicable in previous agreements, if net metering is expanded for customers subject to SCC regulation, then such expansion will apply to similarly-situated VEPGA customers.</p>
<b>Renewable Purchase Power Agreements (Solar and Wind)</b>	VEPGA sought to expand renewable options	Accepted	VEPGA members may participate in a purchased power agreement (PPA) renewable generation pilot, with the capacity of any individual PPA limited to 1 MW. The aggregated capacity of the Dominion pilot shall not exceed 50 MW (between VEPGA and jurisdictional customers), and access to the pilot terms will be on a first-come, first-served basis. If during the 2014-2018 Agreement Dominion offers expanded renewable options to its customers that are regulated by the SCC, such options will also be available to VEPGA members.
<b>Distributed generation program</b>	VEPGA sought to make this available	Accepted	VEPGA members may participate in a distributed generation option involving Dominion vendors and PJM demand response. This continues a program that is being phased out for customers subject to SCC regulation but which Arlington County wanted to continue.
<b>Dynamic pricing: Schedule 132 and Schedule 133</b>	Dominion sought to significantly alter Schedule 132	Keep Schedule 132. Add Schedule 133	Schedule 132 is designed to lower rates for users who can reduce or eliminate usage on certain high priced days. Dominion proposed to alter Schedule 132 in significant ways and impose a \$6.285 million rate increase based on potential savings from this altered rate design. As a compromise, Dominion agreed to retain Schedule 132 and offer Schedule 133 on a pilot basis. Dominion stressed that in VEPGA's next contract, it will likely seek to eliminate Schedule 132 and only offer Schedule 133 because it may have succeeded in having the SCC adopt this change for customers subject to SCC regulation.

Topic	Changes sought	2014-2018 Agreement	Comments
<b>Customer Service</b>			
<b>Streetlight repair assessment</b>	VEPGA is frustrated with the length of outages	Dominion will seek to assess and address if needed.	Dominion will present audit reports from its streetlight contractors for August, September, and October 2014, and VEPGA counsel will contact Dominion if streetlight repair issues persist at a systemic level. If needed, resolution of these issues will be considered by Dominion's Director for Electric Distribution Operations.
<b>Traffic signals, Schedule 102</b>	VEPGA had concerns re: metered service	Add provisions to address	Schedule 102 has been revised to provide more parameters on what qualifies for metered and unmetered service, such as qualifying certain low usage devices for unmetered service.
<b>Customer Service</b>			
<b>Line extensions</b>	Revise line extension policy	Implemented	VEPGA sought to reduce costs for undergrounding. Dominion's 2013 biennial review case reduced costs for underground line extensions for its customer subject to SCC regulation. This new policy is now applicable to VEPGA customers.
<b>Excess facilities charges</b>	VEPGA sought to lower excess facilities charges	Implemented	Rates for excess facilities charges have been reduced to match those applicable to customers subject to SCC regulation. When no up-front payment is made, the ongoing monthly charge has been reduced from 1.58% to 1.46%. When an up-front payment has been made, the ongoing monthly charge has been reduced from 0.66% to 0.54%. In addition, excess facilities at the transmission level will have lower rates of 1.26% when no up-front payment is made and 0.36% when an up-front payment is made. In the future, excess facilities charges will be revised to match those applicable to customers subject to SCC regulation.
<b>Terms and Conditions</b>			
<b>Reformatting</b>	VEPGA sought to make the T&C more user-friendly	T&C were reformatted.	The T&C have been re-formatted to add a Table of Contents, add a listing of rate schedules, and present the content in a more logical fashion, including moving some content from the Master Agreement to the Terms and Conditions.
<b>Substantive revisions</b>	VEPGA and Dominion sought substantive revisions	Certain revisions were implemented	Two documents have been provided to illustrate what substantive revisions were made. The first is a chart showing where 2011 T&C provisions are now located in the 2014-2018 T&C. The second is a redlined T&C that shows how specific language was revised.
<b>Demand Response Programs</b>			
<b>Prohibition on participation in demand response programs</b>	Dominion sought to restrict participation	Implemented	As part of a global settlement dealing with the dynamic pricing for Schedule 132 and Schedule 133, VEPGA agreed to Dominion's insistence that customers using Schedule 132 or Schedule 133, and customers using Schedule SGCM or Schedule SGCM-1 for standby generators, may no longer participate in PJM demand response programs. However, a one-time exception is made for contracts in place with CSPs as of June 1, 2014. This is consistent with restrictions imposed on Dominion customers subject to SCC regulation

### How are the 2014-2018 Rate Schedules different from the 2011 Rate Schedules?

- (1) basic customer charges have increased
- (2) revisions have been made to implement the changes discussed in the chart above
- (3) Rider L, which provides a discount for new geothermal heat pump systems, has added efficiency standards requested by Dominion; existing accounts are grandfathered
- (4) Schedule 122 and Rider J have been eliminated
- (5) certain non-substantive revisions have been made to make the rate schedules internally consistent and consistent with existing practice

### What are the basic features of Schedule 132 and Schedule 133?

Component	Schedule 132	Schedule 133
Cap	Up to 100 accounts	Up to 25 accounts
Eligibility	500 kW demand	500 kW demand. Schedule 132 accounts are eligible only if they are not "natural savers" on Schedule 133.
Participation in Demand Response	Cannot participate in any PJM or Dominion programs	Cannot participate in any PJM or Dominion programs
Distribution Demand Charge	<b>Primary:</b> higher rate for 1 <sup>st</sup> 5000 kW. <b>Secondary:</b> all kW at same rate	<b>Primary:</b> all kW at same rate <b>Secondary:</b> higher rate for first 500 kW
Supply Contract Demand Charge	Included	Deleted
Supply Adjustment Demand Charge	Included	Deleted
Base kW Demand	Not applicable	Set based on lowest average minimum kW over 12 months; used to determine base kWh (see below)
Base kWh	Not applicable	Calculated based on up to 50% of the Base Demand and priced at flat rate; additional energy is deemed peak kWh
Seasons	May 1 – September 30; October 1 – April 30	April 16 – October 15; October 16 to April 15
A B C Day Periods	12	15
Number of A, B, and C Days per annual period	28 – A; 277 – B; 60 – C	30 – A; 55 – B; 280 – C
Critical Period Surcharge Hours	Zero	25 five-hour periods
High Priced Hours	250	125
Notification of A, B, C Days	Day ahead notice available via Company's toll free telephone number after 5 p.m.	Day ahead notice available via Company-designated Internet website by 6 p.m. and via phone or text or email.
Notification of Critical Periods	Not applicable	Available via Company-designated Internet website with no less than two hours' notice prior to the beginning of the critical period and via phone or text or email.

**How does Schedule 134 differ from Schedule GS-4?**

<b>New Schedule 134 for large, high load factor customers</b>	
<b>Applicability</b>	<b>How it differs from GS-4</b>
<ul style="list-style-type: none"> <li>• primary voltage</li> <li>• reach a demand of 1,500 kW three or more times in one year</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution demand is based on contract demand (like Schedule 132) with 1,500 kW minimum</li> <li>• Eliminates Electricity Supply Adjustment Demand and Off-Peak Electricity Supply Demand</li> <li>• On-peak supply demand has 90% ratchet &amp; 1,000 kW minimum</li> <li>• On-peak for 7 days (not 5 days)</li> <li>• Customer not allowed to purchase DVP transformation or install own transformation to qualify for schedule</li> </ul>

**What are the key features of the new Distributed Generation Program?**

<b>Distributed Generation Program</b>	
<b>General</b>	<ul style="list-style-type: none"> <li>• Effective 6/1/2015 through 5/31/2018</li> <li>• DVP is the CSP (DOMCSP)</li> <li>• PowerSecure International will implement the DG Program</li> <li>• Availability: any account with 1 MW of aggregated generation capacity behind the account</li> </ul>
<b>Load Curtailment</b>	<ul style="list-style-type: none"> <li>• DVPCSP will enroll customer in PJM capacity and energy markets</li> <li>• Value and timing of bids by mutual agreement of customer and DOMCSP</li> </ul>
<b>Capacity</b>	<ul style="list-style-type: none"> <li>• Customer will select among PJM limited (June through Sept.), Extended Summer, or Annual</li> <li>• Customer and DOMCSP will agree on Customer's minimum offer</li> <li>• Capacity payment will be a three-way split between Customer, DVP, and PowerSecure</li> <li>• Liquidated damages apply if cleared generation is not available for service</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Curtailment will be bid into PJM energy market according to capacity and energy market rules for either Emergency or pre-Emergency demand response</li> <li>• Customer and DOMCSP will agree on Customer's preferred bid price</li> <li>• Customer will provide data on energy cost data (fuel type, heat rate, O&amp;M)</li> <li>• Net revenue that is equal to or less than the Customer's energy cost shall be the responsibility of the Customer</li> <li>• Net revenue that is greater than the Customer's energy cost shall be divided three ways between Dominion, the Customer, and PowerSecure</li> </ul>
<b>Customer Responsibilities</b>	<ul style="list-style-type: none"> <li>• With assistance from PowerSecure, Customer shall be responsible for qualifying the generator for use in load curtailments</li> <li>• Customer will not be exempt from environmental permits, metering requirements, interconnection requirements, and PJM market requirements</li> <li>• Customer will pay all costs in accordance with mutual agreement between Customer and PowerSecure</li> <li>• Customer will be responsible for performance and payment of any performance penalties</li> </ul>

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**What is the current status of net metering and standby charges in the 2014-2018 Agreement?**

No changes are in effect currently for net metering or standby charges under the 2014-2018 Master Agreement. VEPGA members remain entitled to net metering on the same basis as applies to customers subject to SCC regulation. The SCC has recently approved rules for aggregation of net metering accounts for agricultural customers, but these do not apply to VEPGA members because VEPGA members are not agricultural customers. If, in the future, net metering is expanded for SCC regulated customers that are similar to VEPGA customers, the 2014-2018 Agreement will be re-opened to determine how to implement such provisions, including any applicable standby charges.

**Now that VEPGA has executed the 2014-2018 Agreement on behalf of its members, what happens to side agreements that members have entered into under the 2011 Agreement?**

The 2014-2018 Master Agreement states that it does not revise any side agreements addressing specific local government accounts, except to the extent that such agreements incorporate the current agreement. Issues concerning such side agreements are a matter of negotiation between Dominion and the individual VEPGA member.

**Why is Rate Schedule 122 for time of use deleted?**

No VEPGA member is using this schedule, and Dominion asked to eliminate the schedule.

**Why is Rider J for interruptible water heating eliminated?**

Dominion asked to eliminate this schedule because it no longer provides a benefit and consequently results in VEPGA members as a whole subsidizing those on Rider J. The SCC has approved Dominion withdrawing a similar schedule for customers subject to SCC regulation as soon as Dominion can reflect this withdrawal in its rate base.

**If a VEPGA member has issues or concerns regarding the 2014-2018 Agreement, whom should they contact?**

Joe Lerch assists with administering VEPGA: his email address is [jlerch@VML.ORG](mailto:jlerch@VML.ORG) and his phone number is (804) 523-8530. He can direct VEPGA members to the VEPGA website, the chair of VEPGA's Joint Action Committee, the chairs of VEPGA's standing committees, or to VEPGA's counsel, as appropriate, concerning contract issues.

In addition, VEPGA will have board members and its counsel in attendance at three informational sessions being hosted by Dominion during September 2014 in Northern Virginia, Central Virginia, and the Tidewater area. VEPGA encourages its members to review the 2014-2018 Dominion Agreement materials available on its website and come with questions concerning the new line extension policy, revisions to the Terms and Conditions, new Schedule 133, and other items. The sessions will be held at these locations:

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## **VEPGA Central Region Meeting**

**Date:** September 9, 2014

**Time:** 9:30 – 11:30 a.m.

**Place:** Dominion's West Broad Street Office

**Address:** 7500 W. Broad Street  
Richmond, VA 23294  
(GPS may use Henrico, VA 23294)

**Meeting Room:** Electric Kitchen (Room 1S)

**Notes:** The office building is located off of W. Broad Street.

Heading west on W. Broad Street (Route 250), there is a Dominion sign on the right side of the street at a traffic light between Pier 1 Imports and Bailey's Smokehouse and Tavern. (A Burger King and Agee's Bicycles are directly across the street.) Turn right at this traffic light and proceed straight. At the fork in the road, bear to the left to enter the parking area (see the map below).

Heading east on W. Broad Street (Route 250), there is a Dominion sign on the left side of the street at a traffic light between Pier 1 Imports and Bailey's Smokehouse and Tavern. (A Burger King and Agee's Bicycles will be on your right and directly across the street from Bailey's and Pier 1 Imports.) Turn left at this traffic light and proceed straight. At the fork in the road, bear to the left to enter the parking area (see the map below).

Dominion representatives will greet guests at the front doors.



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## **VEPGA Eastern Region Meeting**

**Date:** September 23, 2014

**Time:** 9:00 – 11:00 a.m.

**Place:** Dominion's Eastern Division Office

**Address:** 2700 Cromwell Road  
Norfolk, VA 23509

**Meeting Room:** Auditorium, 1<sup>st</sup> Floor (through the front doors)

**Notes:** Additional guest parking will be available in the employee side parking lot – proceed through the open gates.

Dominion representatives will greet guests at the front doors.



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## **VEPGA Northern Region Meeting**

**Date:** September 30, 2014

**Time:** 9:00 – 11:00 a.m.

**Place:** Dominion’s Lincoln Park 2 Office

**Address:** 3072 Centreville Rd  
Herndon, VA 20171

**Meeting Room:** Auditorium, 1<sup>st</sup> Floor (enter the lobby through the double glass doors at the front of the building - the auditorium will be straight ahead on the right)

**Notes:** Google Maps incorrectly labels Dominion’s Northern Region office building as “Cox Digital Telephone.” The Dominion building faces Centerville Road and there is Dominion signage on the building.

Heading south on Centreville Rd, take the first right past McLearen Road onto Highland Mews Court, then an immediate right into the Dominion parking lot (see the map below).

Heading north on Centreville Rd, take the first left past Kinross Circle, then an immediate right into the Dominion parking lot (see the map below).



Reserved parking for guests will be in the front of the building

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