

Dominion Resources Services, Inc.
Law Department
P.O. Box 26532, Richmond, VA 23261



May 15, 2008

**APPLICATION OF VIRGINIA ELECTRIC AND POWER COMPANY
TO REVISE ITS FUEL FACTOR PURSUANT TO VIRGINIA CODE § 56-249.6
CASE NO. PUE-2008-00039**

To: Local Government Officials

Pursuant to the Virginia State Corporation Commission's May 9, 2008 *Order Establishing 2008-2009 Fuel Factor Proceeding*, Virginia Electric and Power Company is providing a copy of that Order to you. Please take notice of its contents.

A copy of Dominion Virginia Power's Application in Case No. PUE-2008-00039 may be obtained from Dominion Virginia Power at no cost by written request to Karen L. Bell, Law Department, Dominion Resources Services, Inc., Post Office Box 26532, Richmond, Virginia 23261.

A handwritten signature in cursive script that reads "Karen L. Bell".

Karen L. Bell
Assistant General Counsel

Enclosure

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

REGULATORY CONTROL

AT RICHMOND, MAY 9, 2008

APPLICATION OF

2008 MAY -9 P 12: 54

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2008-00039

To revise its fuel factor pursuant to
Va. Code § 56-249.6

ORDER ESTABLISHING 2008-2009 FUEL FACTOR PROCEEDING

On May 6, 2008, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") its application, written testimony, and exhibits requesting to increase its current fuel factor from 2.232 cents per kilowatt-hour to 4.245 cents per kilowatt-hour, effective for usage on and after July 1, 2008, based on a projected increase in fuel expense for the 2008-2009 fuel factor period of approximately \$1.3 billion above the Company's 2007-2008 fuel cost recovery level.

The proposed fuel factor, Fuel Charge Rider A, includes both a current and a prior period factor. Fuel Charge Rider A's current period factor of 3.893 cents per kilowatt-hour is designed to recover the Company's total estimated Virginia jurisdictional fuel expenses of approximately \$2.6 billion for the period July 1, 2008 through June 30, 2009. Fuel Charge Rider A's prior period factor of 0.352 cent per kilowatt-hour is designed to recover approximately \$231 million over that same 12-month period. This amount represents that part of the Company's estimated June 30, 2008 deferral portion of the increase in fuel tariffs that would increase the total rates of the residential class of customers by 4% over the level of such total rates in existence on June 30, 2008.

In addition to its filed factor of 4.245 cents per kilowatt-hour, Dominion Virginia Power concurrently filed a Proposed Rule that, if adopted, would change the impact of its filed fuel

factor. Specifically, adoption of the Proposed Rule would result in implementation of a current period factor of 3.893 cents per kilowatt-hour and defer recovery of the entire \$697 million June 30, 2008 deferred balance to the three succeeding fuel periods of 2009-2010, 2010-2011, and 2011-2012, without recovery of any portion of such balance in the 2008-2009 period. Fuel Charge Rider B (0.338 cent per kilowatt-hour) attached to the Proposed Rule would provide for recovery of the \$697 million deferred balance on a straight-line basis over such three succeeding fuel periods. As part of the procedures established in this Order, the Commission is allowing the submission of legal memoranda that may address, among other issues, the legal permissibility of the Proposed Rule and whether the Commission can approve the Proposed Rule as part of this proceeding.

NOW THE COMMISSION, having considered the application, is of the opinion and finds that this matter should be docketed, that public notice and an opportunity for participation in this proceeding should be given, and that a hearing should be scheduled.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) This matter is docketed and assigned Case No. PUE-2008-00039.
- (2) A public hearing shall be convened on June 24, 2008, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive comments from members of the public and evidence related to the establishment of Dominion Virginia Power's fuel factor pursuant to its application and Proposed Rule. Any person desiring to make a statement at the public hearing concerning the application or Proposed Rule need only appear in the Commission's Second Floor Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff.

(3) The Company shall forthwith make copies of its Proposed Rule, application, prefiled testimony, and exhibits available for public inspection during regular business hours at all Company offices in Virginia where customer bills may be paid. Interested persons may also review a copy of Dominion Virginia Power's application and Proposed Rule in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. Interested persons may also request a copy of the same, at no charge, by written request to counsel for Dominion Virginia Power, Pamela J. Walker, Esquire, or Karen L. Bell, Esquire, Dominion Resources Services, 120 Tredegar Street, Richmond, Virginia 23219. Dominion Virginia Power shall make a copy available on an electronic basis upon request. In addition, unofficial copies of the Company's application and Proposed Rule, Commission Orders entered in this docket, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at <http://www.scc.virginia.gov/case/>.

(4) On or before May 19, 2008, Dominion Virginia Power shall cause a copy of the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout its service territory:

NOTICE TO THE PUBLIC OF
VIRGINIA ELECTRIC AND POWER COMPANY'S
REQUEST TO INCREASE ITS FUEL FACTOR
CASE NO. PUE-2008-00039

On May 6, 2008, Virginia Electric and Power Company ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") an application, written testimony and exhibits requesting to increase its current fuel factor from 2.232 cents per kilowatt-hour to 4.245 cents per kilowatt-hour, effective for usage on and after July 1, 2008, based on a projected increase in fuel expense for the 2008-2009 fuel factor

period of approximately \$1.3 billion above the Company's 2007-2008 fuel cost recovery level.

The proposed fuel factor, Fuel Charge Rider A, includes both a current and prior period factor. Fuel Charge Rider A's current period factor of 3.893 cents per kilowatt-hour is designed to recover the Company's total estimated Virginia jurisdictional fuel expenses of approximately \$2.6 billion for the period July 1, 2008, through June 30, 2009. Fuel Charge Rider A's prior period factor of 0.352 cent per kilowatt-hour is designed to recover approximately \$231 million over that same 12-month period. This amount represents that part of the Company's estimated June 30, 2008 deferral portion of the increase in fuel tariffs that would increase the total rates of the residential class of customers by 4% over the level of such total rates in existence on June 30, 2008.

Also on May 6, the Company concurrently filed a Proposed Rule with its application that, if adopted, would change the impact of its filed fuel factor. Specifically, adoption of the Proposed Rule would result in implementation of a current period factor of 3.893 cents per kilowatt-hour and defer recovery of the entire \$697 million June 30, 2008 deferred balance to the three succeeding fuel periods of 2009-2010, 2010-2011, and 2011-2012, without recovery of any portion of such deferred balance in the 2008-2009 period. Fuel Charge Rider B (.338 cent per kilowatt-hour) attached to the Proposed Rule would provide for recovery of the \$697 million deferred balance on a straight-line basis over such three succeeding fuel periods.

Pursuant to Va. Code § 56-249.6, the Commission has scheduled a public hearing to commence at 10:00 a.m. on June 24, 2008, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving comments from members of the public and evidence related to the establishment of Dominion Virginia Power's fuel factor.

The Company's application, Proposed Rule, prefiled testimony, and exhibits are available for public inspection during regular business hours at all of the Company's offices where bills may be paid. Interested persons may also review a copy of the application and Proposed Rule in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, excluding holidays. A copy of the Company's application and Proposed Rule

may also be obtained, at no cost, by written request to counsel for Dominion Virginia Power, Pamela J. Walker, Esquire, or Karen L. Bell, Esquire, Dominion Resources Services, 120 Tredegar Street, Richmond, Virginia 23219. In addition, unofficial copies of the Company's application, Proposed Rule, Commission Orders entered in this docket, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website: <http://www.scc.virginia.gov/case/>.

Any person desiring to make a statement at the public hearing concerning the application or Proposed Rule need only appear in the Commission's Second Floor Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff. Any person desiring to file written comments on the Company's application or Proposed Rule shall file, on or before June 19, 2008, such comments with the Clerk of the Commission at the address set forth below and shall simultaneously serve a copy of such comments on counsel for the Company at the address set forth above. Any person desiring to file comments electronically may do so, on or before June 19, 2008, by following the instructions found at the Commission's website: <http://www.scc.virginia.gov/case/>.

On or before June 12, 2008, any interested person may participate as a respondent in this proceeding by filing an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and simultaneously serving a copy of the notice of participation on counsel to the Company. Interested parties should obtain a copy of the Commission's Order for further details on participation as a respondent.

On or before June 12, 2008, each respondent may file with the Clerk at the address set forth above, an original and fifteen (15) copies of (1) any testimony and exhibits by which it expects to establish its case and (2) legal memoranda, and shall serve copies of the testimony and exhibits on counsel to Dominion Virginia Power and on all other respondents.

All filings with the Clerk of the Commission shall refer to Case No. PUE-2008-00039 and shall simultaneously be served on counsel for the Company at the address set forth above.

VIRGINIA ELECTRIC AND POWER COMPANY

(5) On or before May 19, 2008, the Company shall serve a copy of this Order on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) of every city and town in which the Company provides service. Service shall be made by first-class mail to the customary place of business or residence of the person served.

(6) At the commencement of the hearing scheduled herein, the Company shall provide proof of service and notice as required in this Order.

(7) Any person desiring to file written comments on the Company's application or Proposed Rule shall file, on or before June 19, 2008, such comments with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall simultaneously serve a copy of such comments on counsel to the Company at the address set out in Ordering Paragraph (3) above. Any person desiring to file comments electronically may do so, on or before June 19, 2008, by following the instructions found at the Commission's website: <http://www.scc.virginia.gov/case/>.

(8) On or before May 22, 2008, the Company shall file a legal memorandum supporting its application and Proposed Rule, which shall address, among other things, the legal permissibility of the Proposed Rule and whether the Commission can approve the Proposed Rule as part of this proceeding.

(9) On or before June 12, 2008, any interested person may participate as a respondent in this proceeding by filing an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set out in Ordering Paragraph (7) above, and simultaneously serving a copy of the notice of participation on counsel to the Company at the address set forth in Ordering Paragraph (3) above. Pursuant to Rule 5 VAC 5-20-80 of the

Commission's Rules of Practice and Procedure, any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested parties shall refer in all of their filed papers to Case No. PUE-2008-00039.

(10) Within three (3) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order, a copy of the application, and all materials filed with the Commission, unless these materials have already been provided to the respondent.

(11) On or before June 12, 2008, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) above, an original and fifteen (15) copies of (a) any testimony and exhibits by which it expects to establish its case and (b) a legal memorandum, and shall simultaneously serve copies of the testimony, exhibits, and legal memoranda on counsel to the Company and all other respondents.

(12) The Commission Staff shall investigate the reasonableness of the Company's estimated fuel expenses and proposed fuel factor. On or before June 12, 2008, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of (a) the Staff's testimony and exhibits regarding the captioned application and (b) a legal memorandum, and shall promptly serve a copy on counsel to the Company and all respondents.

(13) On or before June 19, 2008, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of (a) any rebuttal testimony that the Company expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and (b) a legal memorandum in response to the legal memoranda of the respondents and the Staff, and shall on the same day serve one (1) copy on Staff and all respondents.

(14) The Company and all respondents shall respond to written interrogatories within seven calendar days after receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(15) Pursuant to § 12.1-31 of the Code of Virginia and 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.*, the Commission assigns a Hearing Examiner to rule on any discovery matter that may arise in this proceeding.

(16) This matter is continued pending further order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Pamela J. Walker, Deputy General Counsel, Dominion Virginia Power, Law Department
PH-1, P.O. Box 26532, Richmond, Virginia 23261-6532; C. Meade Browder, Jr., Senior
Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General,
900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and the Commission's Office
of General Counsel and Division of Energy Regulation.