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PUBLIC VERSION

December 6, 2019

BY HAND DELIVERY

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Richmond, Virginia 23219

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*Application of Virginia Natural Gas, Inc.
For approval and certification of natural gas facilities: the Header Improvement Project, and for
approval of Rate Schedules and Terms and Conditions for Pipeline Transportation Service*
Case No. PUR-2019-00207

Dear Mr. Peck:

Enclosed for filing, please find an unbound original and one (1) copy of Virginia Natural Gas, Inc.'s Application, Direct Testimony, Exhibits, Schedules in the above-referenced matter. A Confidential version is also being filed under seal under separate cover.

Please do not hesitate to call if you have any questions in regard to the enclosed.

Very truly yours,



Lisa R. Crabtree

Enclosures

cc: William H. Chambliss, Esq. (w/o enclosures)
Mr. John Stevens (w/o enclosures)
Ms. Kimberly B. Pate (w/o enclosures)
Elizabeth B. Wade, Esq.
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA NATURAL GAS, INC.)
)
For approval and certification of natural gas)
facilities, the Header Improvement Project,)
and for approval of Rate Schedules and)
Terms and Conditions for Pipeline)
Transportation Service)

Case No. PUR-2019-00207



Virginia Natural Gas

**APPLICATION, APPENDIX,
DIRECT TESTIMONY AND EXHIBITS**

Filed: December 6, 2019

Volume 1 of 1

PUBLIC VERSION

Application
191210188

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STATE CORPORATION COMMISSION

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Transportation Service)	

**APPLICATION OF
VIRGINIA NATURAL GAS, INC.**

Pursuant to the Utility Facilities Act, §§ 56-265.1 and 56-265.2 of the Code of Virginia (“Va. Code” or “Code”), Virginia Natural Gas, Inc. (“VNG” or the “Company”), by counsel, files with the Virginia State Corporation Commission (the “Commission”) this application (the “Application”) for approval and certification of natural gas facilities (the “Project,” as defined below). Additionally, pursuant to 80 A of the Commission’s Rules of Practice and Procedure, 20 VAC 5-20-180 A, the Company seeks approval to implement Rate Schedules HP-TRFT, HP-FT, HP-LFT, and HP-IT and Terms and Conditions for Pipeline Transportation Service (“Terms and Conditions”). The proposed rate schedules and Terms and Conditions, which are being filed pursuant to Va. Code § 56-236, are designed to offer new services that are being made possible by the Project. In support of its Application, VNG respectfully states as follows:

1. VNG is a public service company organized and existing under the laws of the Commonwealth of Virginia that provides natural gas service to approximately 300,000 customers in central and southeastern Virginia, including the communities of Norfolk, Virginia Beach, and portions of Chesapeake and Suffolk in southside Hampton Roads, and to Newport News, Hampton, Poquoson, York, James City, Williamsburg, New Kent, and Charles City on the

Peninsula, as well as to King William and Hanover Counties.

2. In order to perform its legal duty to furnish adequate and reliable service, the Company must, from time to time, update and expand its gas delivery capabilities through additional facilities to meet customer demand and to serve the public interest of the Commonwealth. In this instance, the incremental natural gas transportation is required to meet the needs of VNG utility and transportation customers.

3. In this Application, in order to provide new service as requested by an independent power producer, C4GT, LLC ("C4GT"), for a facility to be located in Charles City County, Virginia, to provide incremental transportation capacity to existing customers, and to help maintain reliable service to the area, VNG proposes the following:

- (i) Transco Interconnect Pipeline – construct approximately 6.2 miles of 30” diameter steel pipeline in new right-of-way extending north from the Company’s existing natural gas transmission system located near Quantico, Virginia and interconnecting with the Transcontinental Gas Pipe Line (“Transco”) pipeline via an interconnect station located near Catlett, Virginia.
- (ii) Transco Interconnect Compressor Station – construct a compressor station to be located in Prince William County, Virginia.
- (iii) Quantico Parallel Pipe – construct approximately 3.3 miles of 30” diameter steel pipeline in new right-of-way that runs parallel and adjacent to the Company’s existing Joint Use Pipeline (“JUP”) located in Fauquier County, Virginia.
- (iv) Mechanicsville Parallel Pipe – construct approximately 14.6 miles of 30” diameter steel pipeline in new right-of-way that runs parallel and adjacent to the Company’s existing VNG Lateral Pipeline (“VNG Lateral”) in the Counties of Hanover, New Kent and Charles City, Virginia.
- (v) Ladysmith Compressor Station Expansion – construct a compressor station by expanding the existing footprint of the existing Ladysmith Compressor Station located in Caroline County, Virginia.
- (vi) Gidley Compressor Station – construct a compressor station at the existing Gidley Gate Metering and Regulation (“M&R”) Station located in the City of Chesapeake, Virginia.

Taken together, the Transco Interconnect Pipeline, Transco Interconnect Compressor Station, Quantico Parallel Pipe, Mechanicsville Parallel Pipe, Ladysmith Compressor Station Expansion,

and Gidley Compressor Station are referred to as the “Header Improvement Project” or “Project.”

4. The proposed Project is necessary in order for VNG to provide new service as requested by C4GT for a new natural gas-fueled combined cycle electrical generating station with a net nominal generating capacity of 1,060 megawatts (“MW”) to be located in Charles City County, Virginia (the “C4GT Facility”), as well as to provide incremental transportation capacity to existing VNG customers, including Columbia Gas of Virginia (“CVA”) and Virginia Power Services Energy (“VPSE”). The Project will also help VNG maintain reliable service to the Company’s service area. Specifically, the Project will allow VNG to provide access to natural gas supplies received from the Transco pipeline and delivered through the JUP and VNG Lateral to serve customers in VNG’s service territory. Specifically, the Project will provide 412,300 Dth per day of incremental natural gas transportation capacity to VNG’s utility and transportation customers, where utility customers are those residential, commercial, and industrial customers that VNG serves from its natural gas distribution system, and transportation customers include the local distribution companies and power generation facilities served directly from VNG’s high pressure natural gas transmission system. Section I of the Appendix provides a description of the components, as well as support for the need for the Project.

5. VNG has a desired in-service date for the Project of December 31, 2022, which accommodates the projected in-service date of the C4GT Facility. The Company’s current construction schedule requires 30 months for survey, design, permitting, obtaining easements and materials, construction, clearing, testing and commissioning. Accordingly, to support this estimated construction timeline and construction plan, the Company respectfully requests a final order by June 2020.

6. The total estimated cost for the proposed Project is approximately \$345.9 million, which includes approximately \$202.4 million in pipeline-related costs and approximately \$143.5 million in compressor station-related costs (2019 dollars). Approximately 94% of the capital cost of the Project will be attributable to C4GT, CVA, and VPSE through new rate schedules that are designed to recover the actual, as-built costs to construct, operate, and maintain the assets. Each of these customer's rates will be based on their allocated share of the costs for the project components that are used to provide their specific service. The remainder (6%) of the capital cost will be attributable to VNG's customers. The service provided to VNG utility customers will be recovered through base rates, as VNG's allocated share of the costs for the applicable Project components are rolled into the utility's rate base.

7. In particular, the Company seeks to put into effect four new rate schedules – Rate Schedules HP-TRFT, HP-FT, HP-LFT, and HP-IT – to offer new services that are being made possible by the Header Improvement Project, as well as the Terms and Conditions related thereto. An overview of the rate schedules and design methodology are provided in Company Witness John Cogburn's testimony, including copies of the proposed rate schedules and Terms and Conditions.

8. For Rate Schedules HP-TRFT, HP-FT, and HP-LFT, the rates are based on estimated costs of the individual Project components. After the final costs of the Project are determined, the rates will be recomputed on the basis of actual cost and may be adjusted from time to time in the context of general rate cases. C4GT's, VPSE's, and CVA's bills based on the estimated costs will be recomputed and re-billed. All customers acknowledged that the final costs associated with the Project are not likely to be known at the date service commences, and that VNG will commence billing on an estimated rate basis, subject to true-up when final costs and improved estimates of actual operating expenses for the Project are known or available.

9. Rate Schedule HP-IT will be provided at the incremental operating cost associated with providing the service. A forward-looking estimated operating expense will be submitted to the Commission prior to the commencement of service of the Project. All customers taking service under Rate Schedules HP-TRFT, HP-FT, or HP-LFT will be eligible for interruptible service under this rate schedule.

10. The Company has identified a preferred route for the construction of the 6.2-mile Transco Interconnect Pipeline primarily collocated with an existing electric and natural gas transmission right-of-way, and also identified routes for the Quantico Parallel Pipe and Mechanicsville Parallel Pipe along the existing JUP and VNG Lateral rights-of-way. However, because the existing right-of-way is not adequate to construct the proposed Project, the Company is seeking new permanent rights-of-way, as well as temporary rights-of-way during construction. Section II of the Appendix provides a description of the right-of-way and the Company's route selection for the proposed Project.

11. The Transco Interconnect Pipeline, Quantico Parallel Pipe and Mechanicsville Parallel Pipe will consist of 30" diameter steel pipelines, with a throughput capacity of 412 million standard cubic feet per day of natural gas and a maximum allowable operating pressure of 1250 pounds per square inch gauge. Section III of the Appendix provides additional design and operational characteristics of the proposed Project.

12. Code § 56-265.2:1 requires the Commission to consider the effect of a proposed pipeline on the environment, public safety, and economic development in the Commonwealth, and allows the Commission to establish such reasonably practical conditions as may be necessary to minimize any adverse environmental or public safety impact. Section IV of the Appendix describes the existing area and environmental, public safety and economic development considerations.

13. Section V of the Appendix provides a proposed route description for public notice purposes and a list of federal, state, and local agencies and officials that may reasonably be expected to have an interest in the proposed construction.

14. In addition to the information provided in the Appendix, this Application is supported by the prefiled direct testimony of Company Witnesses Kenneth Yagelski, Shannon Kiefhaber, Ted Holm, Erica Carter and John Cogburn.

15. Because VNG's Application contains, at points so designated, Confidential information, it is being filed under seal and subject to the Company's Motion for Entry of a Protective Order filed contemporaneously with this Application in compliance with Rule 170 of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-170, including a form Proposed Protective Order.

WHEREFORE, Virginia Natural Gas respectfully requests that the Commission:

(a) direct that notice of this Application be given as required by §§ 56-237 and 56-265.2:1 of the Code of Virginia;

(b) approve pursuant to § 56-265.2:1 of the Code of Virginia the construction of the Project;

(c) grant a certificate of public convenience and necessity for the Project under the Utility Facilities Act, § 56-265.1 *et seq.* of the Code of Virginia;

(d) approve Rate Schedules HP-TRFT, HP-FT, HP-LFT, and HP-IT and Terms and Conditions for Pipeline Transportation Service; and,

(e) grant such other relief as deemed necessary and appropriate.

The Company respectfully requests that the Commission issue its final order by no later than June 2020.

Respectfully submitted,

VIRGINIA NATURAL GAS, INC.

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December 6, 2019