



FEDERAL ENERGY REGULATORY COMMISSION

September 2, 2008
Virginia Electric Power Company
Docket No. ER08-1207-000, -001

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FERC Incentives Support Increased Grid Investment

The Federal Energy Regulatory Commission (FERC) on Friday approved Virginia Electric Power Company's (VEPCO) request for transmission incentives in the form of 125 and 150 basis point adders to its return on equity for 11 transmission projects in Virginia and parts of the PJM Interconnection (PJM).

Background

The Energy Policy Act of 2005 (EPAAct) directed FERC to create incentive-based rate treatments to promote capital investment in transmission infrastructure. FERC Order No. 679 sets forth the process by which a public utility may seek transmission rate incentives.

VEPCO, a wholly owned indirect subsidiary of Dominion Resources, Inc., has proposed long-term transmission projects and system upgrades to ensure reliability and accommodate increased usage in the Mid-Atlantic region. Between 2008 and 2012, VEPCO expects to triple its capital investment to \$2.1 billion. Four of the 11 projects are part of the PJM's Regional Transmission Expansion Plan (RTEP). VEPCO is part of the multi-state PJM regional transmission organization. VEPCO also is participating in the Mid-Atlantic Power Pathway project, a PJM RTEP baseline and backbone project involving a new 500- kilovolt transmission line that will run from northern Virginia to southern New Jersey

The Order

FERC accepted VEPCO's revised tariff sheets that will include the increased costs in its formula rates for the requested incentives, effective Sept. 1, 2008. FERC determined that VEPCO projects ensure reliability or reduce congestion, satisfying the elements of Order No. 679. VEPCO satisfies Order No. 679's nexus requirements for both its baseline and non-baseline projects, FERC said, noting the company is "undertaking considerable risks and challenges to develop and construct its projects." VEPCO "has demonstrated a nexus between those risks and challenges and the incentives that it has requested, both as a package and for each individual project," FERC concluded.