

STATE CORPORATION COMMISSION
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Case No. PUR-2018-00065
Sponsor: ("DOMINION")
Exhibit No. 73 (LATE FILED)

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May 31, 2019

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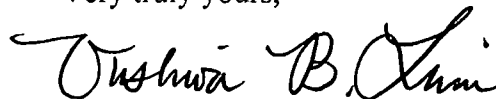
*Commonwealth of Virginia ex rel. State Corporation Commission,
In re: Virginia Electric and Power Company's Integrated Resource Plan
filing pursuant to Va. Code § 56-597 et seq.
Case No. PUR-2018-00065*

Dear Mr. Peck:

Please find enclosed for filing in the above-referenced matter an original and one (1) copy of the PUBLIC VERSION of Virginia Electric and Power Company's Late-Filed Exhibit No. 73. An extraordinarily sensitive version of this material is also being filed under separate cover.

Please do not hesitate to contact me if you have any questions in regard to this filing.

Very truly yours,



Vishwa B. Link

Enclosure

cc: Lisa S. Booth, Esq.
Audrey T. Bauhan, Esq.
Service List

EXHIBIT# 73

Paul D. Koonce
President & CEO – Power Generation Group

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May 31, 2019

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Re: Dominion Energy Virginia 2018 Integrated Resource Plan
Case No. PUR-2018-00065

Dear Mr. Peck:

As ordered by the Commission, Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”) submits the attached late-filed Exhibit 73 to the Commission in Case No. PUR-2018-00065 regarding the Company’s 2018 Integrated Resource Plan.¹

During the recent hearing, the Commission ordered certain further documentation with respect to future capital deployment estimates released by Dominion Energy during its “Investor Day” presentation on March 25, 2019. The Commission appears to be interested in how such projected investments, along with other initiatives, may affect customer rates in the future.

Exhibit 73 is intended to not only summarize the impact of the “Investor Day” presented investments in isolation, but also to provide a more comprehensive projection of future customer rates through 2023. Our investments are made when analysis and judgment show that they are needed and will provide value for customers. Investments in new renewable, fuel-free generation facilities or high efficiency gas-fired technology, for example, will lower fuel costs for customers over time.

The Company anticipates approximately \$12.1 billion in Virginia jurisdictional rate base growth on an unadjusted basis, and \$8.5 billion on a net basis, over the five-year period 2019 to 2023. These investments will focus on replacement or extension of aged transmission infrastructure; development of new generation resources, particularly renewable solar, wind and pumped storage facilities, along with extending the life of existing nuclear units; transformation of the distribution grid; demand side management and energy efficiency measures; and compliance with prevailing environmental regulations.

¹ The Company has collaborated with the Commission Staff in the preparation of this Exhibit; however, the comments contained in this cover letter are those of Dominion Energy Virginia alone.

Many of these investments are promoted and enabled by the public policy priorities of the 2018 Grid Transformation and Security Act (“GTSA”). Some of them will be funded through rate adjustment clauses (with Commission approval), and others will be recovered through existing base rates, which have not increased since 1992, and which by law cannot increase any earlier than 2025. *All* investments will be made in furtherance of ensuring a more modern, resilient, secure, diverse, and lower emission energy system to meet our customers’ growing needs and preferences for electric service.

While the jurisdictional rate base is projected to grow from roughly \$18 billion to \$27 billion between 2019 and 2023, Dominion Energy Virginia’s typical residential bill for a customer using 1,000 kilowatt-hours of electricity per month (annualized) is expected to rise at a compound annual growth rate (CAGR) of only around 2.45% over these five years excluding mandatory SB 1355 coal ash remediation costs, or 2.96% including such costs. Both rates are below the long-term general rate of inflation of 3%. Over the same five-year term, the Company’s average industrial rate will fare even better. Exhibit 73 forecasts industrial rates to remain essentially flat.

In fact, the Company expects, based on current projections, that the new chapter of regulation under the GTSA will mirror the successful record over the last decade. The 2007 Act prioritized investment in new electric generation resources to make Virginia self-reliant and minimize the risks of supply from volatile external markets. Between 2008 and 2018, the Company committed over \$6.5 billion to develop more than 6,000 MW of new, cost-effective utility-owned generation infrastructure that will serve Virginians for many decades. The Virginia jurisdictional rate base grew from just under \$10 billion in 2008 to \$18 billion in 2018. However, the typical residential bill increased only to \$114.42 from \$107.20 over the same period—just 6.7% in the aggregate over ten years, or less than 30% of the general rate of inflation. And the industrial rates actually *decreased* between 2008 and 2018 by 3%, from 6.3 cents/kWh to 6.1 cents/kWh.

In total, from 2008 through 2023, as currently projected, residential rates will have increased only 1.3% annually on a CAGR basis, and industrial rates will have gone down on the same basis by 0.5%.²

Over the historical period of 2008 to 2018, the nationwide average typical monthly residential bill rose from \$119.79 to \$140.63—an increase of nearly 17.4%—and the South Atlantic regional average moved from \$104.24 to \$120.18—an increase of about 15.3%. The Company’s competitive position has been even stronger when compared to the states participating in the Regional Greenhouse Gas Initiative (RGGI). As of January 2019, the average typical residential monthly bill for the 10 participating RGGI states was \$185.75, a full 62% higher than the comparable Dominion Energy Virginia bill.

We consider this to be no small accomplishment. There will always be detractors, but the facts and figures presented in this Exhibit speak for themselves.

² Excluding mandatory 2019 SB 1355 coal ash remediation costs. Including an estimate of those costs, the residential bill would have a CAGR of 1.4% from 2008 to 2023, and the industrial bill would have gone down on the same basis by 0.01%.

Neither the Company nor this body can have absolute control over future events. But we do look forward to, and expect, a future for our customers which is equally constructive as has been the past.

Sincerely,

A handwritten signature in cursive script that reads "Paul D. Koonce".

Paul D. Koonce

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**Virginia Electric and Power Company
 Summary of Investor Day Rate Base and Customer Bill Impact
 Exhibit 73 - Schedule 1**

	Virginia Jurisdictional Rate Base (In Billions)	Monthly Residential Customer Bill (In Dollars)	Monthly GS-4 Customer Bill (In Dollars)
2018	\$ 18.0	\$ 114.42	\$ 364,299
Investor Day Capital Growth Investments	12.1	29.37	61,218
Other Changes	<u>(3.6)</u>	<u>(14.65)</u>	<u>(73,359)</u>
2023 (Excluding SB1355)	\$ 26.5	\$ 129.14	\$ 352,158
Additional Environmental Expenses (SB 1355)	<u>-</u>	<u>3.23</u>	<u>19,450</u>
2023 (Including SB1355)	<u>\$ 26.5</u>	<u>\$ 132.37</u>	<u>\$ 371,608</u>
Compound Annual Growth Rate		2.45%	-0.68%
Compound Annual Growth Rate (with SB1355)		2.96%	0.40%

Virginia Electric and Power Company
Summary of Projected Customer Bill Impacts
Exhibit 73 - Schedule 2

EXTRAORDINARILY SENSITIVE INFORMATION REDACTED

	Projected Change in Virginia Jurisdictional Rate Base: 2019-2023 \$ in Billions				Projected Residential Customer Bill Impact Monthly \$			Projected Industrial GS-4P Bill Impact Monthly \$					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	System Growth Capital Investments (Investor Day)	Va. Juris. %	Virginia Jurisdictional Growth Capital Investments (Investor Day)	Growth Capital Investments Base Rate	Growth Capital Investments RAC	Other Changes in Rate Base	Total Change in Rate Base	Impact of Incremental Growth Capital Investments (Unadjusted) 2023 - 2018	Other Projected Rate Changes ² 2023 - 2018	Total Projected Change in Customer Bill 2023 - 2018	Impact of Incremental Growth Capital Investments (Unadjusted) 2023 - 2018	Other Projected Rate Changes ² 2023 - 2018	Total Projected Change in Customer Bill 2023 - 2018
Transmission	\$ 4.3	70.0%	3.0				1.8						
Solar ¹	2.4	80.3%	1.9				1.9						
Customer Growth	1.7	83.7%	1.4				(0.3)						
Grid Transformation	1.6	88.3%	1.4				1.4						
Nuclear Relicensing	1.2	80.3%	1.0				0.9						
Offshore Wind	1.1	80.3%	0.9				0.9						
Pumped Storage	1.0	80.3%	0.8				0.8						
Strategic Undergrounding	0.8	89.0%	0.7				0.6						
Environmental	0.5	80.3%	0.4				0.3						
Renewable-enabling CTs	0.5	80.3%	0.4				0.4						
Broadband	0.2	89.0%	0.2				0.2						
Gen RACs							(0.4)						
Fuel													
DSM													
\$	15.3		12.1	3.5	8.6	(3.6)	8.5	29.37	(14.65)	14.72	61.218	(73.359)	(12.141)

¹ Excludes ringfenced solar projects (\$1.3B).

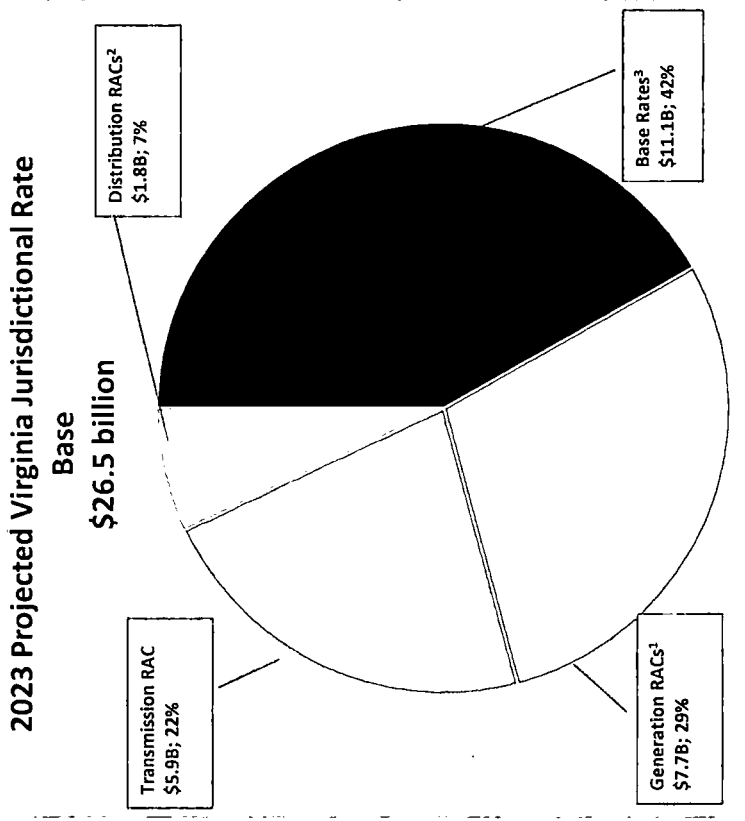
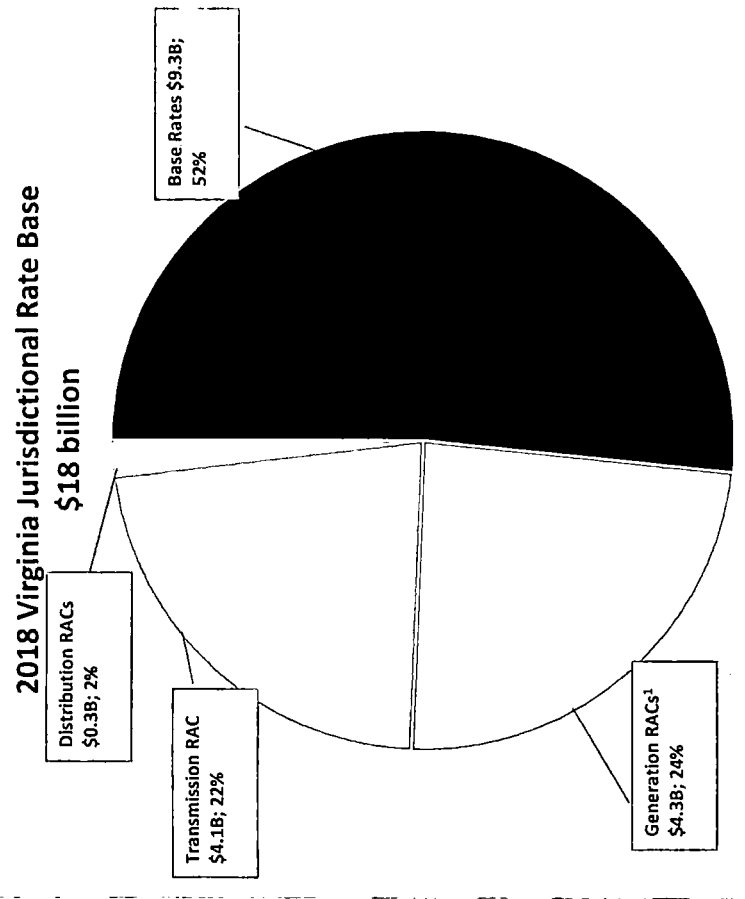
² Adjustments to include no permissible increase in base rates; costs of service changes due to depreciation; fuel costs reductions driven by generation mix; commodity prices and fossil plant retirements; rate reductions for lower tax rates and other factors.

Dec-18 \$	364,299
Dec-23 \$	352,158
Dec-23 \$	(12,141)

Dec-18 \$	114.42
Dec-23 \$	129.14
Dec-23 \$	14.72

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Virginia Electric and Power Company
 Projected Virginia Jurisdictional Rate Base Growth From 2018 to 2023
 Exhibit 73 - Schedule 3



¹ Includes Bear Garden, VCHEC, Warren, Biomass, Brunswick, Greensville, US-2 solar, US-3 solar, future solar, future pump storage, future nuclear relicensing, future offshore wind, future environmental and future CTs
² Includes rural broadband rate base
³ Includes customer growth capital. For purposes of this analysis, assumes no CCRO related write-offs.

NOTE: Projected rate base is subject to changes in capital investment plans as a result of changing or updated assumptions.

Virginia Electric and Power Company
Rate Outlook 2018 to 2023
Exhibit 73 - Schedule 4

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Rate projections are not final. Rates are subject to regulatory approval.
Rate projections assume return on equity of 9.20%.

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<u>RESIDENTIAL SCHEDULE 1</u>	2018	2019	2020	2021	2022	2023
1000 kWh	DEC 2018	DEC 2019	DEC 2020	DEC 2021	DEC 2022	DEC 2023
BASIC CUSTOMER CHARGE	\$ 6.73	\$6.58	\$6.58	\$6.58	\$6.58	\$6.58
DISTRIBUTION kWh CHARGE	19.69	19.26	19.26	19.26	19.26	19.26
GENERATION kWh CHARGE	36.61	35.98	35.98	35.98	35.98	35.98
DISTRIBUTION & GENERATION (BASE) ¹	\$ 63.03	\$ 61.82	\$ 61.82	\$ 61.82	\$ 61.82	\$ 61.82
TRANSMISSION - RIDER T	11.47					
FUEL (MARKET FORECAST)	27.00					
DSM	0.61					
<u>New Generation Infrastructure</u>						
VCHC - RIDER S	4.00					
BEAR GARDEN - RIDER R	1.21					
WARREN COUNTY - RIDER W	2.00					
BIOMASS - RIDER B	0.77					
GREENSVILLE -RIDER GV	1.41					
BRUNSWICK - RIDER BW	2.10					
COST OF SERVICE SOLAR (US-2)	0.23					
COST OF SERVICE SOLAR (US-3)	-					
GENERIC SOLAR TOTAL ²	-					
SURRY EXTENSION	-					
NORTH ANNA EXTENSION	-					
NEW CT	-					
PUMPED STORAGE	-					
BOEM OFFSHORE WIND ²	-					
<u>New Distribution Infrastructure</u>						
GRID TRANSFORMATION PLAN (GTP) ²	-					
STRATEGIC UG PLAN (SUP)	0.59					
BROADBAND	-					
<u>A5 Environmental</u>						
ENVIRONMENTAL ³	-					
RIDER TOTAL	\$ 51.39	\$ 60.57	\$ 56.03	\$ 57.28	\$ 62.26	\$ 67.32
TYPICAL BILL TOTAL	\$ 114.42	\$ 122.39	\$ 117.85	\$ 119.10	\$ 124.08	\$ 129.14
	DEC 2018	DEC 2019	DEC 2020	DEC 2021	DEC 2022	DEC 2023
CAGR (2018 Base)						2.45%
<u>Additional Item (not included in Investor Day Presentation):</u>						
COAL ASH SB1355 ⁴	\$ -	\$ -	\$ -	\$3 to \$4	\$3 to \$4	\$3 to \$4
Total (all in with SB1355)	\$ 114.42	\$ 122.39	\$ 117.85	\$ 122.42	\$ 127.35	\$ 132.37
CAGR (2018 Base with SB1355 Included)						2.96%

¹ Publicly available tariff rates. No change modeled.

² Also CCRO eligible in lieu of rider.

³ Coal ash related based upon Factor 3. Non-coal ash related based upon Factor 1.

⁴ Based on the statutory annual recovery level cap of \$225 million on a Virginia jurisdictional basis. Allocated at Factor 3.

Virginia Electric and Power Company
Rate Outlook 2018 to 2023
Exhibit 73 - Schedule 4

Rate projections are not final. Rates are subject to regulatory approval.
Rate projections assume return on equity of 9.20%.

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INDUSTRIAL GS-4P

	2018	2019	2020	2021	2022	2023
6,000,000 kWh	DEC 2018	DEC 2019	DEC 2020	DEC 2021	DEC 2022	DEC 2023
10,000 kW	DEC 2018	DEC 2019	DEC 2020	DEC 2021	DEC 2022	DEC 2023
BASIC CUSTOMER CHARGE	\$ 123	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
DISTRIBUTION kW CHARGE	9,670	9,449	9,449	9,449	9,449	9,449
GENERATION kWh CHARGE	19,485	19,146	19,146	19,146	19,146	19,146
GENERATION kW CHARGE	104,287	102,482	102,482	102,482	102,482	102,482
CRC BASE GEN 2% DISCOUNT	-	(2,433)	(2,433)	(2,433)	(2,433)	(2,433)
DISTRIBUTION & GENERATION ¹	\$ 133,565	\$ 128,764	\$ 128,764	\$ 128,764	\$ 128,764	\$ 128,764
RIDER T/T1	34,730					
FUEL (MARKET FORECAST)	162,000					
DSM - RIDER C1A	24					
<u>New Generation Infrastructure</u>						
VCHC - RIDER S	11,580					
BEAR GARDEN - RIDER R	3,500					
WARREN CO. - RIDER W	5,790					
BIOMASS - RIDER B	2,240					
BRUNSWICK - RIDER BW	6,120					
GREENSVILLE - RIDER GV	4,070					
COST OF SERVICE SOLAR (US-2)	680					
COST OF SERVICE SOLAR (US-3)	-					
GENERIC SOLAR TOTAL ²	-					
SURRY EXTENSION	-					
NORTH ANNA EXTENSION	-					
NEW CT	-					
PUMPED STORAGE	-					
BOEM OFFSHORE WIND ²	-					
<u>New Distribution Infrastructure</u>						
GRID TRANSFORMATION PLAN (GTP) ²	-					
<u>A5 Environmental</u>						
ENVIRONMENTAL ³	-					
RIDER TOTAL	\$ 230,734	\$ 224,110	\$ 206,916	\$ 202,574	\$ 212,636	\$ 223,394
TYPICAL BILL TOTAL	\$ 364,299	\$ 352,874	\$ 335,680	\$ 331,338	\$ 341,400	\$ 352,158
Price in Cents per kWh	\$ 6.072	\$ 5.972	\$ 5.595	\$ 5.522	\$ 5.690	\$ 5.869
	DEC 2018	DEC 2019	DEC 2020	DEC 2021	DEC 2022	DEC 2023
CAGR (2018 Base)						-0.68%
<u>Additional Items (not included in Investor Day Presentation):</u>						
COAL ASH SB1355 ⁴	\$ -	\$ -	\$ -	\$12k to \$19k	\$11k to \$19k	\$11k to \$19k
Total (all in with SB1355)	\$ 364,299	\$ 352,874	\$ 335,680	\$ 351,338	\$ 361,130	\$ 371,608
CAGR (2018 Base with SB1355 Included)						0.40%

¹ Publicly available tariff rates. No change modeled.

² Also CCRO eligible in lieu of rider.

³ Coal ash related based upon Factor 3. Non-coal ash related based upon Factor 1.

⁴ Based on the statutory annual recovery level cap of \$225 million on a Virginia jurisdictional basis. Allocated at Factor 3.

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of May, 2019, true and accurate copies of the foregoing filed in Case No. PUR-2018-00065 were hand delivered, electronically mailed, and/or mailed first class postage pre-paid to the following:

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