COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY **CASE NO. PUR-2019-00069**

For approval of a rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia

REPORT OF ALEXANDER F. SKIRPAN, JR., CHIEF HEARING EXAMINER

June 28, 2019

Dominion Energy seeks approval of a total corrected Subsection A 4 revenue requirement of $922,268,285, with recovery in this proceeding limited to the amount noticed to the public of $919,682,244. Staff agreed with the Company's corrected Application. No other party filed testimony or offered alternative recommendations. Based on the record, I recommend the Commission grant the Company's Application, as corrected.

HISTORY OF THE CASE

On May 7, 2019, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion Energy" or "Company"), pursuant to § 56-585.1 A 4 ("Subsection A 4") of the Code of Virginia ("Code"), and pursuant to Rules 20 VAC 5-201-10 and 20 VAC 5-201-60 of the Rules Governing Utility Rate Case Applications and Annual Informational Filings ("Rate Case Rules"),[1] filed an application ("Application") with the State Corporation Commission ("Commission") for approval of a rate adjustment clause designated as Rider T1. Dominion Energy seeks to recover a total Rider T1 revenue requirement of approximately $922,268,285,[2] comprising an increment Rider T1 of $445,489,325, and forecast collection of $474,192,919 through the transmission component of base rates. This total revenue requirement represents an increase of $271,214,490, compared to the revenues projected to be produced by current rates.

Subsection A 4 deems to be prudent the "costs for transmission services provided to the utility by the regional transmission entity of which the utility is a member" and "costs charged to the utility that are associated with demand response [('DR')] programs approved by the Federal Energy Regulatory Commission [('FERC')] and administered by the regional transmission entity of which the utility is a member."

On May 13, 2019, the Commission issued an Order for Notice and Hearing that, among other things: (1) docketed this matter, (2) scheduled a public hearing on the Application for June 19, 2019, (3) granted the Company's request for a waiver of 20 VAC 5-201-60 and

[1] 20 VAC 5-201-10 *et seq.*

[2] In its original Application, the Company requested $919,682,244, which was corrected on May 30, 2019.

20 VAC 5-201-90 of the Commission's Rate Case Rules, (4) required the Company to publish notice of the Application, (5) established a schedule for the filing of notices of participation and the submission of prefiled testimony, and (6) assigned this case to a Hearing Examiner to conduct all further proceedings on the Commission's behalf.

On May 23, 2019, the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") filed its notice of participation. On May 28, 2019, the Virginia Committee for Fair Utility Rates ("Committee") filed its notice of participation.

On May 30, 2019, the Company filed corrections to its Application and prefiled direct testimony.[3] Dominion Energy stated it discovered an error in its revenue requirement calculation, with the corrected revenue requirement now $922,268,285.[4] Because the Company originally requested and provided notice for a revenue requirement of $919,682,244, Dominion Energy does not seek recovery of the difference in this proceeding.[5]

On June 3, 2019, Dominion Energy filed its Motion for Entry of a Protective Ruling along with a proposed protective ruling pursuant to Rules 110[6] and 170[7] of the Commission's Rules of Practice and Procedure ("Procedural Rules"),[8] and Rule 10 F[9] of the Commission's Rate Case Rules. A Hearing Examiner's Protective Ruling was entered for this proceeding on June 5, 2019.

Also on June 5, 2019, the Company filed its Proof of Notice as required by Ordering Paragraph (8) of the Commission's Order for Notice and Hearing in this proceeding.

On June 6, 2019, Staff submitted its direct testimony and exhibits.

On June 10, 2019, the Company filed a letter concerning rebuttal testimony, along with minor corrections to the Direct Testimony and Schedules of J. Clayton Crouch.

During the course of this matter, no written comments were received from the public.

The hearing was convened, as scheduled, on June 19, 2019. Vishwa B. Link, Esquire, and Lisa R. Crabtree, Esquire, appeared on behalf of the Company. C. Meade Browder, Jr., Esquire, and Katherine C. Creef, Esquire, appeared on behalf of Consumer Counsel. William H. Chambliss, Esquire, and Andrea B. Macgill, Esquire, appeared on behalf of Staff.

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[3] Exhibit No. 3.
[4] *Id.*
[5] *Id.*
[6] 5 VAC 5-20-110 ("Rule 110").
[7] 5 VAC 5-20-170 ("Rule 170").
[8] 5 VAC 5-20-10 *et seq.*
[9] 20 VAC 5-201-10 F ("Rule 10 F").

SUMMARY OF THE RECORD

Dominion Energy seeks to revise Rider T1 to assure the timely and current recovery of its Subsection A 4 revenue requirement for the rate year of September 1, 2019, through August 31, 2020 ("Rate Year").[10] The Company advised its Subsection A 4 revenue requirement includes: "(i) costs charged to the Company by PJM Interconnection, L.L.C. ('PJM') for transmission services provided to the Company by PJM, as determined under applicable rates, terms, and conditions approved by the [FERC]; and (ii) costs charged to the Company by PJM associated with [DR] programs approved by FERC and administered by PJM."[11] Dominion Energy stated PJM charges the Company for transmission services at the rates contained in PJM's Open Access Transmission Tariff ("PJM OATT"), including (i) Network Integration Transmission Service ("NITS"); (ii) annual PJM charges under the PJM OATT, Schedule 12, Transmission Enhancement Charges; (iii) PJM administrative charges based on the PJM OATT, Schedule 9, Administrative Services; and (iv) PJM charges under the PJM OATT, Schedule 1A for Scheduling, System Control, and Dispatch Service ancillary services.[12]

In its *Rider T Order*, the Commission approved the initial Subsection A 4 rate adjustment clause ("RAC").[13] Since then, the Commission has adopted annual updates.[14] In its *2018 Rider T1 Orders*,[15] the Commission approved a total Subsection A 4 revenue requirement of $628,498,181.[16] In this case, Dominion Energy seeks a total Subsection A 4 revenue requirement of $922,268,285, with $474,192,919 collected through the Subsection A 4 component of base rates and $445,489,325 collected through Rider T1.[17]

Company's Direct Testimony

The Company presented the direct testimony of David M. Wilkinson, manager – regulation in Dominion Energy's Regulatory Accounting Department; James D. Jackson, Jr., regulatory consultant in the Company's Electric Transmission Regulatory Group; and J. Clayton Crouch, regulatory consultant for the Company. The direct testimony of each witness is summarized below.

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[10] Exhibit No. 2, at 1.
[11] *Id.* at 1-2.
[12] *Id.* at 4-5.
[13] *Application of Virginia Electric and Power Company, For approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUE-2009-00018, Final Order, 2009 S.C.C. Ann. Rep. 422 ("*Rider T Order*").
[14] Exhibit No. 2, at 5. Rider T was redesignated Rider T1 in *Application of Virginia Electric and Power Company, For approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUE-2012-00052, Final Order, 2012 S.C.C. Ann. Rep. 458.
[15] *Application of Virginia Electric and Power Company, For approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUR-2018-00066, Final Order (Aug. 2, 2018) and Order on Reconsideration (Nov. 30, 2018) ("*2018 Rider T1 Orders*").
[16] Exhibit No. 2, at 5-6.
[17] *Id.* at Corrected Page 6.

David M. Wilkinson presented the Company's proposed total Subsection A 4 revenue requirement of $922,268,285 for the Rate Year, which includes an increment Rider T1 of $445,489,325.[18] Mr. Wilkinson advised that the Company's requested total Subsection A 4 revenue requirement represents an increase of $271,214,490 over the revenues projected to be produced during the Rate Year by the base rate component of Subsection A 4 and the Rider T1 rates currently in effect.[19] Mr. Wilkinson noted the requested total Subsection A 4 revenue requirement in this Application, as corrected, of $922,268,285 is an increase of $293,770,104 from the total Subsection A 4 revenue requirement approved in the Commission's *2018 Rider T1 Orders*.[20]

Mr. Wilkinson attributed the increase in total Subsection A 4 revenue requirements to "significant increases in the cost of net investment in plant included in the [NITS] charges billed by PJM, net transmission enhancement charges, the true-up adjustment, and the update adjustment."[21] Mr. Wilkinson reported a projected increase in investment in transmission plant from December 31, 2018, to December 31, 2019, of over $800 million.[22] Mr. Wilkinson explained the Company is required to maintain the reliability of the transmission system, and is contractually obligated to construct any reliability upgrade assigned to Dominion Energy through PJM's Regional Transmission Expansion Plan ("RTEP").[23] He also testified the Company is required to remedy potential reliability violations identified by the North American Electric Reliability Corporation ("NERC") or face penalties if found to be in noncompliance.[24]

Mr. Wilkinson testified the Company's Rider T1 is designed to recover the increment/decrement between revenues produced from the current Subsection A 4 component of base rates and the new revenue requirement developed from Dominion Energy's Subsection A 4 costs for the Rate Year.[25] He explained that Formula Schedule 11, within his Schedule 2, supports a revenue requirement of $445,489,325 to be recovered through Rider T1 as proposed by the Company in this case.[26] Dominion Energy determined this amount by comparing revenues of $474,192,919 projected by Dominion Energy to be recovered during the Rate Year through the Subsection A 4 component of base rates with the Company's total proposed transmission revenue requirement of $922,268,285.[27] In addition, Mr. Wilkinson testified the Subsection A 4 costs sought for recovery in this case are consistent with those approved by the Commission in other Rider T1 proceedings.[28]

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[18] Exhibit No. 4, at Corrected Page 2.

[19] *Id.*

[20] *Id.* at Corrected Page 3.

[21] *Id.*

[22] *Id.* at 4.

[23] *Id.*

[24] *Id.*

[25] *Id.* at Corrected Page 5.

[26] *Id.*

[27] *Id.*

[28] *Id.* at 6.

Mr. Wilkinson identified the three primary components of the Company's proposed revenue requirement to be: (1) current Subsection A 4 Rate Year costs in the amount of $738,278,646; (2) the true-up of the difference between the actual revenues received and the actual Subsection A 4 costs incurred during calendar year 2018, in the amount of $128,735,126; and (3) an update of Subsection A 4 costs for January 1, 2019, through August 31, 2019 ("Update Period"), in the amount of $55,254,512.[29]

Mr. Wilkinson testified the projected Subsection A 4 Rate Year costs has four subcomponents.[30] He identified NITS as the first subcomponent and that it reflects the projected NITS costs billed to the Company by PJM, net of Firm and Non-Firm Point-to-Point Transmission Service revenue credits, and increased by the annual level of the Dominion Energy Virginia Settlement Charge and the Underground Transmission Service charge, as shown below.[31]

NITS Components	**Virginia Jurisdictional Amount**
Transmission Demand	$713,203,150
Firm Point-to-Point Transmission Service	(4,318,259)
Non-Firm Point-to Point Transmission Service	(980,108)
Dominion Energy Virginia Settlement	226,499
Underground Transmission Service	26,009,605
Total NITS	**$734,140,887**

Mr. Wilkinson identified the second subcomponent of the projected Subsection A 4 Rate Year costs to be the net Transmission Enhancement Credits billed by PJM of ($11,939,808).[32] Mr. Wilkinson reported this subcomponent consists of (i) Transmission Enhancement Charges of $170,872,095 associated with Dominion Energy's allocated portion of the revenue requirements for RTEP projects constructed by all transmission owners in PJM; (ii) Transmission Enhancement Credits for all RTEP projects constructed by the Company and billed by PJM to all transmission owners within PJM that benefited from the projects of ($196,158,350), and (iii) other charges totaling $13,846,448.[33]

Mr. Wilkinson stated the third component of the projected Subsection A 4 Rate Year costs is PJM administrative charges of $15,879,282, which cover the following PJM administrative services: control area and dispatch, financial transmission rights, and regulation and frequency response.[34]

[29] *Id.* at Corrected Page 11, Attached Schedule 1, at Corrected Page 1. In his testimony, Mr. Wilkinson individually refers to Formula Schedules 1-11, which make-up Attached Schedule 1.
[30] *Id.* at 16-17.
[31] *Id.* at 17, Attached Schedule 1, at 2.
[32] *Id.* at 18, Attached Schedule 1, at 2.
[33] *Id.*
[34] *Id.* at 20, Attached Schedule 1, at 2.

Mr. Wilkinson testified the fourth component of the projected Subsection A 4 Rate Year costs is for the DR programs, which include both the Economic and Emergency and Pre-Emergency Load Response programs administered by PJM.[35] Mr. Wilkinson advised the Company set these cost at the actual level for the twelve-month period February 2018, through January 2019, or $198,284.[36]

The second primary component of the revenue requirement addressed by Mr. Wilkinson was the 2018 True-Up Adjustment.[37] Mr. Wilkinson testified for the twelve months ending December 31, 2018, the total amount of NITS charges billed to the Company and allocated to the Virginia jurisdiction amounted to $661,268,395.[38] He reported the net amount of Transmission Enhancement Charges/Credits attributed to the Company by PJM and subject to true-up amounted to a Virginia jurisdictional charge of $24,887,063.[39] Mr. Wilkinson stated PJM administrative charges billed to the Company during 2018, and allocated to the Virginia jurisdiction amounted to $14,637,986.[40] Mr. Wilkinson confirmed the 2018 PJM charges for DR programs allocated to the Virginia jurisdiction subject to true-up were $255,794.[41]

Mr. Wilkinson testified the 2018 True-Up Adjustment also includes amortization of any prior period under- or over-recovered amounts.[42] Mr. Wilkinson showed this amount to be a Virginia jurisdictional charge of $47,907,343.[43] In addition, Mr. Wilkinson advised the monthly true-up amounts are adjusted to reflect the Update Period adjustment, which is calculated to be a credit of $399,717.[44] Consequently, Mr. Wilkinson calculated the total cost subject to true-up to be $748,556,863.[45] Mr. Wilkinson compared the 2018 true-up costs to the actual Virginia jurisdictional retail revenues received in 2018 of $619,821,737, and determined an under-recovery of $128,735,126.[46]

The third primary component of the revenue requirement addressed by Mr. Wilkinson was the Update Period Adjustment.[47] Mr. Wilkinson explained that "this adjustment allows for under- or over-recoveries arising from changes in FERC-approved rates and billing determinants that are known to occur during the Update Period to be built into rates for recovery or credit beginning September 1 of each rate year, instead of being delayed until much later when

[35] *Id.* at 24.
[36] *Id.* at 24-25.
[37] *Id.* at 26.
[38] *Id.* at 27-28, Attached Schedule 1, at Corrected Page 17.
[39] *Id.* at 29, Attached Schedule 1, at Corrected Page 17.
[40] *Id.* at 29-30, Attached Schedule 1, at Corrected Page 17.
[41] *Id.* at 30.
[42] *Id.* at 30-31.
[43] *Id.* at Attached Schedule 1, at Corrected Page 17.
[44] *Id.* at 31-32, Attached Schedule 1, at Corrected Page 17.
[45] *Id.* at 32, Attached Schedule 1, at Corrected Page 17.
[46] *Id.* at Corrected Page 33, Attached Schedule 1, at Corrected Page 17.
[47] *Id.* a Corrected Page 33.

calendar year Subsection A 4 costs and revenues intended to recover Subsection A 4 costs are trued up."[48] Mr. Wilkinson stated the Company uses the same FERC-approved rates for the Update Period as it uses for Rate Year.[49] Mr. Wilkinson calculated the expected under-recovery of Subsection A 4 costs for the Update Period to be $55,254,512.[50] Mr. Wilkinson noted that these total costs are derived from (i) increases in the Annual Transmission Revenue Requirement ("ATRR") resulting from the NITS tariff effective January 1, 2019; and (ii) increases in the amounts necessary to recover the current net credit level of Transmission Enhancement Charges/Credits for the Update Period.[51]

In summary, Mr. Wilkinson compared the increase in Dominion Energy's transmission revenue requirement from the 2018 to the 2019 Rate Year as follows:[52]

(Dollars in Millions)

Primary Components of the Revenue Requirement	**Rate Year Beginning Sept. 1, 2019**	**Rate Year Beginning Sept. 1, 2018**	**Change**
Projected Subsection A 4 Rate Year Cost of Service	$738.3	$609.5	$128.8
True-Up Adjustment	128.7	18.6	110.1
Update Adjustment	55.3	0.4	54.9
Total Revenue Requirement	**$922.3**	**$628.5**	**$293.8**

James D. Jackson (i) provided an overview of PJM; (ii) described the Subsection A 4 services and programs provided and administered by PJM; and (iii) discussed how the Subsection A 4 services and programs are charged to the Company by PJM under FERC-approved rates and tariffs.[53] In addition, he sponsored the Company's Filing Schedule 46B, which he affirmed was organized in the same manner as it was in Dominion Energy's previous Rider T1 proceedings and contains a list of all the dockets pertaining to FERC-approved tariffs forming a basis for cost recovery under Subsection A 4.[54]

Among other things, Mr. Jackson testified the Company was integrated into PJM in May 2005 at which time PJM began providing services to Dominion Energy pursuant to, and in accordance with, the charges and credits authorized by the FERC-approved PJM OATT.[55] Furthermore, he explained the Company has four different primary accounts with PJM: Load

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[48] *Id.*
[49] *Id.* at 34.
[50] *Id.*, Attached Schedule 1, at 18.
[51] *Id.* at 34.
[52] *Id.* at Corrected Page 37.
[53] Exhibit No. 5, at 3.
[54] *Id.* at 2.
[55] *Id.* at 5-6.

Servicing Entity ("DOMLSE"), Generation Owner ("DOMGEN"), Electric Distribution Company ("DOMEDC"), and Curtailment Service Provider ("DOMCSP").[56] Mr. Jackson also described the PJM billing process for transmission service costs and RTEP transmission facilities.[57] Mr. Jackson pointed out on October 1, 2018, the FERC granted the Company's waiver request to reflect the reduction in the federal corporate income tax rate effective January 1, 2018, and other effects related to the Tax Cuts and Jobs Act of 2017 ("TCJA").[58] Mr. Jackson reported DOMLSE received refunds for the period January 2018, through October 2018, related to the TCJA of approximately $69.6 million.[59]

Mr. Jackson explained the changes to the PJM Transmission Enhancement Adjustment charge to DOMLSE due to the East/West Settlement approved on May 31, 2018, by FERC in its Settlement Order in Docket No. EL05-121-009.[60] Mr. Jackson stated for January 2019, the DOMLSE was charged a Transmission Enhancement Adjustment of $8,653,548,[61] and a Transmission Enhancement Settlement (EL05-121-009) of $7,857,182.[62]

According to Mr. Jackson, Dominion Energy projected approximately $845 million of additions to transmission plant in-service when calculating its 2019 NITS rate.[63] The Company then offset this amount by retirements and other adjustments, resulting in $812.5 million of projected net additions to transmission plant in-service for 2019.[64] He also described PJM's additional generator owner compensation charge.[65] Mr. Jackson noted that consistent with the Commission's *2018 Rider T1 Orders*, Dominion Energy included the Virginia jurisdictional allocation of the compensation it received for delaying deactivation of the Yorktown Unit 1 and Yorktown Unit 2 generation facilities.[66] In addition, he identified FERC orders pertaining to PJM-related regional compliance filings and the dockets of interregional compliance filings resulting from FERC Order No. 1000.[67] Mr. Jackson also described PJM's Dominion Energy Virginia Settlement Charge, incremental undergrounding costs, and PJM's administrative charges.[68]

Mr. Jackson next described PJM's DR programs and the billing for such programs.[69] He discussed charges for the Economic, and Emergency and Pre-Emergency Load Response

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[56] *Id.* at 6.
[57] *Id.* at 12-19.
[58] *Id.* at 15.
[59] *Id.*
[60] *Id.* at 20-24.
[61] *Id.* at 23.
[62] *Id.* at 24.
[63] *Id.*
[64] *Id.*
[65] *Id.* at 25-26.
[66] *Id.* at 26.
[67] *Id.* at 27-30.
[68] *Id.* at 30-37.
[69] *Id.* at 37-41.

Programs – DR programs approved by FERC and administered by PJM.[70] He explained the Economic Load Response Program provides a mechanism for participants to receive payments for reducing load.[71] He also testified the Emergency and Pre-Emergency Load Response Program allows qualifying entities to participate in PJM markets to reduce demand and to receive payments for their voluntary load reductions during emergency or pre-emergency events.[72]

Lastly, Mr. Jackson discussed an interconnection agreement between the Company and Potomac Electric Power Company ("PEPCO") that allows PEPCO and Dominion Energy to serve some of their retail loads by using the transmission facilities of the other.[73] He testified this arrangement resulted in the establishment of the PEPDVP account including certain Subsection A 4 costs.[74]

J. Clayton Crouch addressed the allocation of the Company's proposed Rider T1 revenue requirement among customer classes and Dominion Energy's proposed rate design for usage on and after September 1, 2019.[75] He also explained Dominion Energy is requesting a rate effective date for usage on or after the first day of the month that is at least fifteen days after the date of a Commission Order approving Rider T1.[76] In addition, Mr. Crouch provided the revenue breakdown between the Subsection A 4 component of base rates and Rider T1.[77] Mr. Crouch sponsored the Company's Filing Schedule 46C, Statement 1, which details Dominion Energy's methodology for allocating the revenue requirement among the rate classes and rate design.[78]

Mr. Crouch affirmed that Dominion Energy calculated its proposed Rider T1 rates using the methodology the Commission approved in its *2018 Rider T1 Orders*.[79] Nonetheless, Mr. Crouch noted (i) the Virginia Special Contract Customer Class has been eliminated for allocation purposes because there are not customers in this class; (ii) as requested in Case No. PUR-2018-00192, the new Market Based Rate ("MBR") for Large General Service customers has been added; and (iii) the elimination of the load and kWh usage of customers receiving electric supply service from competitive service providers ("CSPs").[80] Mr. Crouch explained, for purposes of Rate Schedule MBR, "transmission rate design is based on recovering costs using the customer's [Network Service Peak Load ('NSPL')] and energy consumption."[81] He

[70] *Id.*
[71] *Id.* at 37-38.
[72] *Id.* at 38-41.
[73] *Id.* at 41.
[74] *Id.*
[75] Exhibit No. 6, at 1.
[76] *Id.*
[77] *Id.* at Attached Schedule 4.
[78] *Id.* at 2.
[79] *Id.*
[80] *Id.*
[81] *Id.* at 3.

also advised there are no customers on proposed Rate Schedule MBR, but it is available for future customers, if approved by the Commission.[82]

Mr. Crouch testified the total Subsection A 4 revenue requirement, as noticed, was $919,682,244, with $474,192,919 collected through the Subsection A 4 component of base rates and $445,489,325 collected through Rider T1.[83] Mr. Crouch calculated the Rider T1 rates as follows:[84]

Rate Schedule	A 4 Cost of Service	A 4 in Base Rates	A 4 Rider T1
1	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
1, Standby	$2.846/kW	$1.400/kW	$1.446/kW
1P	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
1S	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
1T	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
1W	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
DP-R	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
1EV	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
EV	$0.019717/kWh	$0.00970/kWh	$0.010017/kWh
GS-1	$0.012765/kWh	$0.00582/kWh	$0.006945/kWh
DP-1	$0.012765/kWh	$0.00582/kWh	$0.006945/kWh
GS-2 (Non-Demand)	$0.029548/kWh	$0.01476/kWh	$0.014788/kWh
GS-2 (Demand)	$3.799/kW	$1.971/kW	$1.828/kW
GS-2T	$4.576/kW	$2.313/kW	$2.263/kW
DP-2	$0.010835/kWh	$0.00548/kWh	$0.005355/kWh
GS-3	$4.191/kW	$2.277/kW	$1.914/kW
GS-4 (Primary)	$3.776/kW	$2.371/kW	$1.405/kW
GS-4 (Transmission)	$3.679/kW	$2.310/kW	$1.369/kW
8 (Primary)	$3.776/kW	$2.371/kW	$1.405/kW
8 (Transmission)	$3.679/kW	$2.310/kW	$1.369/kW
10 (Secondary)	$1.922/kW	$1.094/kW	$0.828/kW
10 (Primary)	$1.337/kW	$0.646/kW	$0.691/kW
5	$0.010835/kWh	$0.00542/kWh	$0.005415/kWh
5C	$0.019225/kWh	$0.00887/kWh	$0.010355/kWh
5P	$0.019225/kWh	$0.00887/kWh	$0.010355/kWh
6	$0.008654/kWh	$0.00482/kWh	$0.003834/kWh
6TS	$0.008654/kWh	$0.00477/kWh	$0.003884/kWh
7	$0.012765/kWh	$0.00603/kWh	$0.006735/kWh
24	$0.000285/kWh	$0.00019/kWh	$0.000095/kWh
25	$0.000285/kWh	$0.00019/kWh	$0.000095/kWh
27	$0.000285/kWh	$0.00019/kWh	$0.000095/kWh

[82] *Id.*

[83] *Id.* at 6.

[84] *Id.* at Attached Schedule 4.

Rate Schedule	A 4 Cost of Service	A 4 in Base Rates	A 4 Rider T1
28	$0.000285/kWh	$0.00019/kWh	$0.000095/kWh
29	$0.000285/kWh	$0.00019/kWh	$0.000095/kWh

Mr. Crouch provided typical bill comparisons (base and fuel) for customers taking service under Rate Schedules 1, GS-1, GS-2, GS-3, GS-4, and 5C.[85] A residential customer using 1,000 kWh per month would see an increase of $6.71 per month.[86]

Mr. Crouch testified the Dom Zone peak for 2018 occurred on a Sunday morning during the winter and had a dramatic impact on the Virginia Residential Class allocation factor.[87] He noted "[t]his higher allocation factor coupled with a significant increase in the revenue requirement . . . resulted in a significant Rider T1 increase for all customer classes, and in particular the Residential Class."[88]

Staff's Direct Testimony

On June 6, 2019, Staff submitted the testimony of Patrick W. Carr, deputy director with the Commission's Division of Utility Accounting and Finance; and Ruben S. Blevins, assistant utilities analyst in the Commission's Division of Public Utility Regulation.

Patrick W. Carr provided an overview of the components of Dominion Energy's total transmission revenue requirement to be recovered in the Rate Year through a combination of base rates and Rider T1, and reported on Staff's audit of transmission costs invoiced to the Company by PJM in 2018.[89] Mr. Carr confirmed in its Application, the Company overstated its Virginia retail transmission revenue during the 2018 true-up period by $2,586,041.[90] Mr. Carr noted Dominion Energy acknowledged it is limited to the amount requested in its Application and is not seeking to recover the additional true-up amount at this time.[91] Mr. Carr recommended a total transmission revenue requirement equal to the amount requested by the Company in its Application.[92]

Mr. Carr stated the Company's Application complies with the Commission's *2018 Rider T1 Orders* including using the current federal income tax rate of 21 percent and incorporating both generation deactivation charges and credits in its revenue requirement.[93]

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[85] *Id.* at 7, Attached Schedule 6.
[86] *Id.*
[87] *Id.* at 7.
[88] *Id.* at 8.
[89] Exhibit No. 10, at 1.
[90] *Id.*
[91] *Id.* at 2.
[92] *Id.*
[93] *Id.* at 5.

Mr. Carr discussed Staff's audit of the actual transmission costs invoiced to the Company by PJM in 2018 and the Company's actual retail transmission revenue.[94] He testified Staff also conducted audits to verify underlying transmission plant balances, accumulated depreciation balances, and depreciation expense.[95]

Ruben S. Blevins provided an overview of the Company's Application, the requirements of Subsection A 4, Dominion Energy's relationship with PJM, and the types of costs to be recovered by the Company pursuant to Subsection A 4.[96] He also analyzed the impact of the Company's proposed Rider T1 rates on customer bills as well as the total impact of Dominion Energy's other RACs on customer bills.[97] Among other things, Mr. Blevins reported the Company's proposed Rider T1 is based upon the same cost allocation and rate design methodology approved by the Commission in its *2018 Rider T1 Orders*, with the exception of (i) removing the Special Contract customer class because there are no customers served in that class; and (ii) the creation of a new permanent MBR customer class for Large General Service Customers.[98] Mr. Blevins testified Staff believes the Company's approaches to rate design "are appropriate and that there have been no recent developments that would require further modification of those approaches."[99]

Mr. Blevins confirmed a residential customer using 1,000 kWh of electricity per month would see an increase of approximately $6.71 a month during the Rate Year, if the Commission approves the Company's requested rates.[100]

Finally, Mr. Blevins recommended, should the Commission approve a revenue requirement that differs from the Company's requested amount of $919,682,244, the Rider T1 rates should be adjusted in accordance with the revenue apportionment and rate design methodology proposed by the Company.[101]

The Company's Rebuttal

On June 10, 2019, Dominion Energy filed a letter stating the following:

> The Company agrees with the findings and recommendations offered in the Staff Report. Accordingly, the Company is not filing rebuttal witness testimony, and respectfully requests the Commission approve its Application in this proceeding.[102]

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[94] *Id.* at 6-7.
[95] *Id.* at 7-8.
[96] Exhibit No. 9, at 2.
[97] *Id.* at 2, 11-12.
[98] *Id.* at 7-8.
[99] *Id.* at 10.
[100] *Id.*
[101] *Id.* at 12.
[102] Exhibit No. 11, at 2.

In addition, the Company provided corrections to the Direct Testimony of J. Clayton Crouch. Specifically, the Company corrected Schedules 1 and 6 to reflect certain dates as 2019 instead of 2018.[103]

DISCUSSION

Subsection A 4 provides that certain costs incurred by Dominion Energy are deemed to be reasonable and prudent, stating in pertinent part:

> The following costs incurred by the utility shall be deemed reasonable and prudent: (i) costs for transmission services provided to the utility by the regional transmission entity of which the utility is a member, as determined under applicable rates, terms and conditions approved by [FERC], and (ii) costs charged to the utility that are associated with [DR] programs approved by [FERC] and administered by the regional transmission entity of which the utility is a member.

Subsection A 4 also provides for the Commission's approval of a yearly, updated rate adjustment clause ensuring the Company's recovery of transmission-related costs on a "timely and current basis." Furthermore, Subsection A 4 directs the rate design for the recovery of transmission-related costs shall use "the appropriate billing determinants in the retail rate schedules."

In this case, Dominion Energy maintained its total Subsection A 4 revenue requirement for the Rate Year is $922,268,285, with $474,192,919 collected in base rates.[104] Because the Company provided public notice for a Subsection A 4 revenue requirement of $919,682,244, at this time Dominion Energy seeks recovery of $445,489,325 through Rider T1.[105] During the hearing, counsel for the Company affirmed Dominion Energy seeks Commission approval of its corrected total Subsection A 4 revenue requirement of $922,268,285, even though it is requesting recovery of $919,682,244 in this case.[106]

Staff agreed with the Company's corrected Subsection A 4 total revenue requirement and agreed with the Company's proposed Rate Year recovery amounts.[107] Furthermore, Staff proposed no changes to Dominion Energy's cost allocation or rate design.[108]

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[103] *Id.*
[104] Exhibit No. 2, at Corrected Page 6.
[105] *Id.*
[106] Crabtree, Tr. at 44.
[107] Exhibit No. 10, at 2; Macgill, Tr. at 12-13.
[108] Exhibit No. 9, at 12; Macgill, Tr. at 12.

Consumer Counsel did not object to approval of Dominion Energy's Application and did not offer an alternative proposal.[109] Nonetheless, Consumer Counsel expressed concern that "this is a very significant rate increase."[110] Consumer Counsel further stated:

> I don't recall any cases with this Company where in a single case the residential bill of 1,000 kilowatt hours is going up almost $7 in a single filing. And as we heard from Mr. Jackson, the . . . [$]845 million plant additions this year is not an aberration. He testified he expected about that much next year.[111]

During the hearing, Company witness Jackson confirmed that the $845 million of additions to transmission plant in-service used to calculate the 2019 NITS rate and he anticipated in next year's case, the amount could be "somewhere around this level, maybe [$]900 million."[112]

In addition, Company witness Crouch confirmed if the Dom Zone peak for 2018 had been measured on at 12 coincident peak ("12 CP") basis instead of the single or 1 CP basis, it would reduce the monthly bill of an average residential customer using 1,000 kilowatt hours per month by $2.95 per month.[113] In closing statements, Consumer Counsel stated:

> [W]e're not offering an alternative proposal. We're not objecting to the [A]pplication. We think we have put some information into the record for the Commission's consideration, whether it wishes to address the issues in this case or a future case.[114]

I find the Company has supported its Subsection A 4 total revenue requirement of $922,268,285, and agree recovery in this proceeding should be limited to the amount noticed to the public of $919,682,244. No issues or alternative amounts or calculations have been proposed by Staff or the parties. Therefore, I find that the Company's Application, as corrected, should be approved by the Commission.

<u>FINDINGS AND RECOMMENDATIONS</u>

Based upon the evidence presented in this case, and for the reasons set forth above, I find that the Commission should approve a total Subsection A 4 revenue requirement of $922,268,285, with recovery limited to a total Subsection A 4 revenue requirement of $919,682,244, of which $474,192,919 is to be collected in base rates and $445,489,325 through

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[109] Browder, Tr. at 43.
[110] *Id.*
[111] *Id.*
[112] Jackson, Tr. at 24; Exhibit No. 5, at 24.
[113] Crouch, Tr. at 37-39; Exhibit No. 6, Attached Schedule 6, at 10. $2.95 equals $19.72 minus $16.77.
[114] Browder, Tr. at 43-44.

Rider T1 during the Rate Year. In addition, I find that the Commission should approve Dominion Energy's proposed cost allocation and rate design.

Accordingly, **I RECOMMEND** the Commission enter an order:

1. ***ADOPTING*** the findings of this Report; and

2. ***APPROVING*** the updated Rider T1 consistent with the recommendations in this Report.

<u>**COMMENTS**</u>

The parties are advised that, pursuant to Rule 5 VAC 5-20-120 C of the Commission's Rules of Practice and Procedure and § 12.1-31 of the Code, any comments to this Report must be filed within five (5) business days from the date hereof. If not filed electronically, an original and fifteen (15) copies must be submitted in writing to the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all counsel of record and any such party not represented by counsel.

Respectfully submitted,

Alexander F. Skirpan, Jr.

Alexander F. Skirpan, Jr.
Chief Hearing Examiner

The Commission's Document Control Center is requested to mail or deliver a copy of the above Report to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, Tyler Building, First Floor, Richmond, VA 23219.