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PUBLIC VERSION

October 3, 2023

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Mr. Bernard Logan, Clerk
State Corporation Commission
Document Control Center
Tyler Building, First Floor
1300 East Main Street
Richmond, Virginia 23219

*Application of Virginia Electric and Power Company, For revision of a rate adjustment clause:
Rider U, new underground distribution facilities, for the Rate Year Commencing August 1, 2024*
Case No. PUR-2023-00172

Dear Mr. Logan:

Please find enclosed for filing in the above-captioned proceeding, an unbound original and one (1) copy of the **public version** of Virginia Electric and Power Company's Application, Direct Testimony, Exhibits, and Schedules in the above-captioned proceeding. 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.

Highest regards,

/s/ Jontille D. Ray

Jontille D. Ray

Enclosures

Cc: William H. Chambliss, Esq.
C. Meade Browder, Jr., Esq.
Paul E. Pfeffer, Esq.
Lisa R. Crabtree, Esq.
Briana M. Jackson, Esq.



**Dominion
Energy®**

**Application, Direct
Testimony, and Schedules
of Virginia Electric and
Power Company**

**Before the State Corporation
Commission of Virginia**

**For revision of a rate adjustment clause:
Rider U, new underground distribution
facilities for the Rate Year Commencing
August 1, 2024**

**Volume 1 of 1
PUBLIC VERSION**

Case No. PUR-2023-00172

Filed: October 3, 2023

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For revision of a rate adjustment clause: Rider U, new underground distribution facilities,
for the Rate Year Commencing August 1, 2024**

Case No. PUR-2023-00172

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Application

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- Company Exhibit No. __, SAE, Schedule 1 – Tap Line Reliability Performance Prior to/Subsequent to Conversion
- Company Exhibit No. __, SAE, Schedule 2 – Grid Map of SUP Projects
- Company Exhibit No. __, SAE, Schedule 3 – Phase Seven Contractor Assignments

Direct Testimony of Leslie M. Carter

- Company Exhibit No. __, LMC, Schedule 1 – Phase Seven Actual and Projected Capital Expenses (Contains Confidential Information)
- Company Exhibit No. __, LMC, Schedule 2 – Phase Seven Projected Capital Expenses Month-to-Month (Contains Confidential Information)
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Direct Testimony of Elizabeth B. Lecky

- Company Exhibit No. __, EBL, Schedule 1 – Revenue Requirement for Rider U for the Rate Year

Direct Testimony of Casey R. Lawson

- Company Exhibit No. __, CRL, Schedule 1 – Virginia Jurisdiction Allocation Factor
- Company Exhibit No. __, CRL, Schedule 2 – Class Allocation Factors
- Company Exhibit No. __, CRL, Schedule 3 – Rate Design
- Company Exhibit No. __, CRL, Schedule 4 – Rider U Rate Schedule (Tariff Sheet)
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2023-00172
For revision of a rate adjustment clause: Rider U,)
new underground distribution facilities,)
for the Rate Year Commencing August 1, 2024)

**VIRGINIA ELECTRIC AND POWER COMPANY'S
RIDER U UPDATE FILING AND WAIVER REQUEST**

Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company"), by counsel, pursuant to clause (iv) of § 56-585.1 A 6 ("Subsection A 6") of the Code of Virginia ("Va. Code"), and Rules 10 (20 VAC 5-204-10) and 60 (20 VAC 5-204-60) of the Virginia State Corporation Commission's ("Commission") Rules Governing Utility Rate Case Applications and Annual Informational Filings of Investor-Owned Electric Utilities (20 VAC 5-204-10 *et seq.*) ("Rate Case Rules"), hereby submits its update filing with respect to rate adjustment clause ("RAC"), Rider U, for cost recovery associated with Phase One, Phase Two, Phase Three, Phase Four, Phase Five, and Phase Six (collectively, the "Previously Approved Phases") of the Company's Strategic Underground Program ("SUP"), and its request for Commission approval to recover costs associated with Phase Seven of the SUP through Rider U, for the rate year commencing August 1, 2024 through July 31, 2025 ("Rate Year") (the "Application"). In support of this Application, the Company respectfully states as follows:

GENERAL INFORMATION

1. Dominion Energy Virginia is a public service corporation organized under the laws of the Commonwealth of Virginia furnishing electric service to the public within its certificated service territory. The Company also supplies electric service to non-jurisdictional

customers in Virginia and the public in portions of North Carolina. The Company is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation. The Company is also a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is an operating subsidiary of Dominion Energy, Inc.

2. The Company's name and post office address is:

Virginia Electric and Power Company
120 Tredegar Street
Richmond, Virginia 23219

3. The names, post office addresses, and telephone numbers of the attorneys for the Company are:

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APPLICABLE VIRGINIA CODE

4. Va. Code § 56-585.1 A 6 ("Subsection A 6"), provides that the annual incremental increase in investment level pursuant to a petition under clause (iv) of this

subdivision shall not exceed five percent of the Company's distribution rate base, as such rate base was determined for the most recently ended 12-month test period in the Company's latest triennial review proceeding. The statute provides that the replacement of any subset of a utility's existing overhead distribution tap lines that have, in the aggregate, an average of nine or more total unplanned outage events-per-mile over a preceding 10-year period with new underground facilities in order to improve electric service reliability is in the public interest.

5. The statute further provides that the conversion of any such facilities on or after September 1, 2016, is deemed to provide local and system-wide benefits and to be cost beneficial, and that the costs associated with such new underground facilities are deemed to be reasonably and prudently incurred.

6. Lastly, so long as the aggregated costs associated with the replacement of overhead distribution tap lines with underground facilities do not exceed an average cost per customer of \$20,000, including customers served directly by or down line of the tap lines proposed for conversion, exclusive of financing costs, and an average cost per mile of \$750,000, exclusive of financing costs, the Commission shall approve such costs.

PHASE SIX UPDATE

7. As indicated in the pre-filed direct testimony of Company Witnesses Steven A. Eisenrauch and Leslie M. Carter, there are no further updates to the Phase Six information previously provided in Case No. PUR-2022-00089.

PROPOSED PHASE SEVEN

8. As discussed by Company Witness Eisenrauch, the Company has worked to secure supplies of transformers and manufacturing slots which has resulted in an uptick of additional transformers delivered in the second half of 2023. Moreover, several of the

transformer manufacturers utilized by the Company have recently made efficiency improvements, added equipment, and increased shifts to help alleviate these transformer shortages faster than originally anticipated. The Company has recently been offered a significant number of additional transformers from three of its manufacturers starting in 2024. Given the increase in the supply of transformers, the Company now will effectively be able to eliminate the backlog of SUP cable in the ground locations waiting for transformers by the end of 2024. While supply chain issues still persist, the Company is very encouraged with the recent uptick in delivery of transformers and believes that its manufacturers will continue to meet their delivery schedules.

9. As a result of the increased availability of transformers and to allow time for additional overhead to underground conversions as part of Phase Seven, the Company seeks to extend the rate year by an additional month. In the Company's most recent application in Case No. PUR-2022-00089 ("2022 Rider U proceeding"), the Commission approved Rider U for implementation for an April 1, 2023 through March 31, 2024 rate year. On August 4, 2023, the Commission extended these Rider U rates until June 30, 2024.¹ In this current application, the Company requests that the Commission further extend the existing rates until July 31, 2024 and approve the new rates for Rider U with an effective date of August 1, 2024 (for a rate year of August 1, 2024 through July 31, 2025).

10. Phase Seven is designed to convert approximately 383 miles of overhead tap lines to underground facilities at a capital investment of approximately \$258 million. Phase Seven actual expenditures through July 31, 2023, are approximately \$213 million, and projected

¹ *Application of Virginia Electric and Power Company, For revision of a rate adjustment clause: Rider U, new underground distribution facilities, for the rate year commencing April 1, 2023*, Case No. PUR-2022-00089, Order on Motion at 2 (Aug. 4, 2023).

expenditures for the period August 1, 2023 through July 31, 2024, are approximately \$45 million. For Phase Seven underground conversions, the Company estimates an average cost per mile of \$674,526 an average cost per customer of \$8,047 and an events per mile of 15.0. Company Witness Carter describes the process to develop the Phase Seven budget and calculate the average cost per mile of underground conversions. As stated by Company Witness Eisenrauch, the Phase Seven tap lines meet the statutory requirements in Subsection A 6 for cost recovery.

11. The Company is requesting to recover costs of Phase Seven through Rider U for only those projects that will be completed prior to the beginning of the proposed Rate Year or August 1, 2024.

12. The Company respectfully requests that the Commission approve recovery of these Phase Seven capital investments through Rider U, subject to subsequent true-ups, and find that such expenditures are consistent with Subsection A 6.

PHASES ONE THROUGH SIX ACCOUNTING UPDATE AND PHASE SEVEN ACCOUNTING

A. Rate of Return on Common Equity

13. Consistent with the Commission's November 18, 2021 Final Order in the Company's 2021 Triennial Review Proceeding in Case No. PUR-2021-00058, the Company is utilizing the approved rate of return on common equity ("ROE") of 9.35% for the period subsequent to the date of that Final Order. In addition, the capital structure used in the calculation of the revenue requirement reflects the methodology proposed by Staff and approved by the Commission in that Final Order. For the period beyond February 29, 2024, the Company is using a 9.7% ROE as set forth in the 2023 Acts of the Virginia General Assembly Chapter 757 (Senate Bill 1265).

14. For the time periods prior to the Final Order in Case No. PUR-2021-00058, the Company is utilizing a ROE of 9.2% as approved by the Commission in its November 21, 2019 Final Order in the Company's 2019 ROE Proceeding, Case No. PUR-2019-00050.

B. Revenue Requirement

15. The proposed rate year for this 2023 Update for Rider U is August 1, 2024 through July 31, 2025.

16. The two key components of the revenue requirement for each phase in this filing are the Projected Cost Recovery Factor and the Actual Cost True-up Factor. To calculate the Projected Cost Recovery Factor, the Company is proposing to only include actual and projected capital expenditures up until the beginning of the Rate Year in determination of the rate base and the calculation of financing costs on rate base. The projected rate base as of July 31, 2024, will be utilized separately for each phase of the current filing. Additionally, similar to costs deferred as part of the Company's previous Rider U applications, the Company has identified certain costs incurred related to Phase Seven that have been deferred and will be amortized over the Rate Year in this case.

17. As Company Witness Elizabeth B. Lecky explains, the Actual Cost True-Up Factor will credit to, or recover from, customers any over- or under-collection of costs from the most recently completed calendar year, 2022. For the current Rider U filing, the Company is proposing to true-up Phases One through Six for the period of January 1, 2022 through December 31, 2022.

18. Consistent with the Company's treatment of costs incurred for previously approved phases of the SUP, the Company is proposing to defer depreciation expense, property

taxes, and financing costs on rate base incurred up through the beginning of the Rate Year for Phase Seven of the SUP and recover them over the Rate Year ending July 31, 2025.

19. For the Rate Year beginning August 1, 2024, the Company is requesting recovery of a total revenue requirement of \$71.409 million for the previously approved Phases One through Phase Six, and a revenue requirement of \$78.137 million for proposed Phase Seven, for a combined Rider U revenue requirement of \$149,546,072 million.

RIDER U COST ALLOCATION AND RATE DESIGN UPDATE

20. Sponsored by Company Witness Casey R. Lawson, the updated Rider U identifies the rates in either cents per kilowatt-hour (“kWh”) or dollars per kilowatt (“kW”) that will apply to each applicable Company Rate Schedule for Rider U. The Company proposes, for billing purposes, that Rider U have an effective date for usage on and after the latter of August 1, 2024, or the first day of the month which is at least 15 calendar days following the date of any Commission order approving Rider U.

21. The Company has calculated the Rider U rates in accordance with the same methodology used for those rates approved by the Commission with respect to the most recent revision to Rider U, Case No. PUR-2022-00089 with the only change being that the FERC account plant balances are, for this case, based on a 2022 end of period cost of service study.

22. The implementation of the proposed Rider U on August 1, 2024, is calculated to incrementally increase the typical residential customer’s monthly bill using 1,000 kWh by \$2.18 compared to the current Rider U. Company Witness Lawson provides monthly bill impacts for customers subject to Rider U receiving service on Residential Schedule 1, General Service Schedules GS-1, GS-2, and Church Schedule 5C, at several representative levels of consumption or demand.

**PRE-FILED DIRECT TESTIMONY AND EXHIBITS
SUPPORTING FILING SCHEDULES AND REQUEST FOR PARTIAL
WAIVER OF THE RATE CASE RULES FILING REQUIREMENTS**

23. In support of this Application, Dominion Energy Virginia presents the pre-filed direct testimony and exhibits of the following witnesses: Steven A. Eisenrauch, Leslie M. Carter, Elizabeth B. Lecky, and Casey R. Lawson.

A. Filing Schedules

24. Rule 60 of the Rate Case Rules provides that an application filed pursuant to Subsection A 6 “shall include Schedule 46 as identified and described in 20 VAC 5-204-90, which shall be submitted with the utility’s direct testimony. Additionally, applications requiring an overall cost of capital shall include Schedules 3, 4, 5 and 8.” With this Application, the Company files the following filing schedules:

25. Filing Schedules 3 through 5 and Filing Schedule 8, sponsored by Company Witness Lecky, provide information regarding the Company’s cost of capital.

26. Filing Schedule 46A, Statement 1, sponsored by Company Witness Carter, provides actual Rider U costs through July 31, 2023. Statement 2 contains the SAP backup for actual costs incurred during the true-up period. Filing Schedule 46A, Statement 3 is the same as in the Company’s initial filing and provides documentation supporting these costs to the extent that such information has changed since the Company’s most recent Rider U update. However, consistent with the Company’s request for waiver below, Statements 2 and 3 documents are available in electronic format only.

27. Filing Schedule 46B, Statement 1, sponsored by Company Witness Lecky, provides the combined total revenue requirement for the Previously Approved Phases and Phase Seven for the Rate Year ending July 31, 2025. Filing Schedule 46B, Statement 2 provides the

annual revenue requirement over the duration of the RAC for the Previously Approved Phases and Phase Seven. Filing Schedule 46B, Statement 3 provides documentation supporting Statement 2.

28. Filing Schedule 46C, Statement 1 sponsored by Company Witness Lawson, provides the allocation of the revenue requirement and the rate design for the Rate Year ending July 31, 2025. In addition, Filing Schedule 46C, Statement 2, provides the annual revenue requirement by customer class over the duration of the RAC.

B. Request for Limited Waiver of Filing Schedule 46 Requirements

29. The Company, for good cause shown and pursuant to 20 VAC 5-204-10 E, respectfully requests that the Commission waive, in part, the requirements under Rules 60 and 90 of the Rate Case Rules with respect to paper copies of certain Filing Schedule 46 materials. Specifically, the Rate Case Rules require the Company provide key documents supporting the projected and actual costs recovered through the rate adjustment clause, such as: economic analyses, support used by senior management for major cost decisions as determined by the applicant, contracts, studies, investigations, results from requests for proposals, cost-benefit analyses, and other items supporting the costs that have not been provided in previous applications. The supporting documentation responsive to this requirement is voluminous and, often, not easily reviewed in hard copy (paper) format. Accordingly, and consistent with waivers previously granted by this Commission, the Company seeks waiver of the requirement to file 12 hard copies of this information. Instead, the Company proposes to provide this documentation to Commission Staff and any other future case participant in electronic format and provide the Commission with one hard copy and three electronic copies on compact discs. The Company will make these documents available via an e-room contemporaneously with this filing, with

immediate access available to Commission Staff. This request is consistent with the Commission's recent orders granting similar limited waivers.² Should the Commission deny this request, the Company asks for a reasonable allowance of time to print the requisite filing copies of this material and submit it the Commission prior to the Company's application being deemed incomplete.

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

30. The Company's Application for revision of Rider U complies with the requirements contained in Rule 10 of the Rate Case Rules. In accordance with Rule 10 A, the Company filed with the Commission on June 30, 2023, the Company's notice of intent to file this Application under Va. Code § 56-585.1 A 6. Copies of the Public Version of this Application, to the extent required by Rule 10 J, along with the additional information required by Rule 10 J, have been served upon the persons addressed in that Rule. A complete copy of the Public Version of this Application has been served upon the Office of the Attorney General's Division of Consumer Counsel, in accordance with Rule 10 J. Also included with this Application, pursuant to Rule 10, is a table of contents of this filing, direct testimonies with one-page summaries, and properly labeled exhibits, and schedules.

31. In accordance with Rule 10 H, the Company will make a searchable PDF version of the Application, direct testimonies, and filing schedules available via an eRoom contemporaneously with this filing, with immediate access available to (i) Commission Staff, including identified members of the Divisions of Utility Accounting and Financing and Public

² See e.g., *Petition of Virginia Electric and Power Company, For revision of a rate adjustment clause, designated Rider GT, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2023-00136, Order for Notice and Hearing at 19 (Aug. 30, 2023); *Petition of Virginia Electric and Power Company, For approval of its 2023 RPS Development Plan under § 56-585.5 D 4 of the Code of Virginia and related requests*, Case No. PUR-2023-00142 Order on Waiver Requests at 6 (Aug. 29, 2023).

Utility Regulation and (ii) identified members of the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel"). Also in accordance with Rule 10 H, the Company will make electronic spreadsheets supporting the schedules that contain calculations available via an eRoom contemporaneously with this filing, with immediate access available to Commission Staff.

CONCLUSION

WHEREFORE, the Company respectfully requests that the Commission: (1) extend the existing Rider U rates until July 31, 2024; (2) approve the proposed revenue requirement, cost allocation, rate design, and accounting treatment for costs associated with the Previously Approved Phases and Phase Seven of the SUP over the rate year of August 1, 2024 through July 31, 2025; (3) approve the Company's proposed Rider U, effective for usage on and after August 1, 2024; (4) grant the Company's requested limited waiver as to certain Filing Schedule 46 requirements; and (5) grant such other relief as deemed appropriate and necessary.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

By: /s/ Jontille D. Ray
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October 3, 2023