COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 24, 2023

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY — CASE NO. PUR-2023-00065

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

FINAL ORDER

On May 1, 2023, Virginia Electric and Power Company d/b/a Dominion Energy Virginia ("Dominion" or "Company"), pursuant to § 56-585.1 A 4 ("Subsection A 4") of the Code of Virginia ("Code"), filed an application ("Application") with the State Corporation Commission ("Commission") for approval of a revised increment/decrement rate adjustment clause designated as Rider T1. Pursuant to § 56-585.1 A 7 of the Code, "the Commission's final order regarding any petition filed pursuant to [Subsection A 4] . . . shall be entered not more than three months . . . after the date of filing of such petition."

Subsection A 4 deems to be prudent, among other things, 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 programs approved by the Federal Energy Regulatory Commission [("FERC")] and administered by the regional transmission entity of which the utility is a member."

The Company has been a member of PJM Interconnection, L.L.C. ("PJM"), a regional transmission entity that has been approved by FERC as a regional transmission organization, since 2005.[1] Dominion, as an integrated electric utility member of PJM, obtains transmission

[1] Ex. 2 (Application) at 4.

service from PJM and pays PJM charges for such service at the rates contained in PJM's Open Access Transmission Tariff approved by FERC.[2] The Company states that it also pays PJM charges for costs associated with demand response programs approved by FERC and administered by PJM.[3]

In this proceeding, Dominion seeks approval of a revenue requirement for the rate year September 1, 2023, through August 31, 2024 ("Rate Year").[4] This revenue requirement would be recovered through a combination of base rates and a revised increment/decrement Rider T1. Rider T1 is designed to recover the increment/decrement between the revenues produced from the Subsection A 4 component of base rates and the new revenue requirement developed from the Company's Subsection A 4 costs for the Rate Year.[5]

The total proposed revenue requirement to be recovered over the Rate Year is $878,758,118, comprising an increment Rider T1 of $368,484,898, and forecast collections of $510,273,220 through the transmission component of base rates.[6] This total revenue requirement represents an increase of $124,774,775, compared to the revenues projected to be produced during the Rate Year by the combination of the base rate component of Subsection A 4 (the Company's former Rider T) and the Rider T1 rates currently in effect.[7] Implementation of the

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[2] *Id.*

[3] *Id.* at 5.

[4] *Id.* at 1.

[5] *Id.* at 6.

[6] *Id.* at 6-7; Ex. 3 (Wilkinson) at 2.

[7] Ex. 3 (Wilkinson) at 2.

proposed Rider T1 on September 1, 2023 would increase the total monthly bill of a typical residential customer using 1,000 kilowatt-hours per month by $2.67.[8]

On May 10, 2023, the Commission issued an Order for Notice and Hearing that, among other things, established a procedural schedule for this case; directed the Company to provide public notice of its Application; provided interested persons an opportunity to file comments on the Application or to participate as respondents in this proceeding; scheduled an evidentiary hearing; scheduled a separate hearing to receive public witness testimony; and directed the Commission's Staff ("Staff") to investigate the Application. The Commission also assigned a Hearing Examiner to conduct further proceedings in this matter on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations.

On May 16, 2023, the Virginia Committee for Fair Utility Rates ("Committee") filed a notice of participation in this proceeding.

On June 9, 2023, Staff filed its testimony and exhibits. Staff supported the Company's proposed revenue requirement of $878,758,118, of which $368,484,898 would be collected through the revised Rider T1 rates.[9] Staff noted that the Commission's Final Order in Case No. PUR-2021-00102[10] ("2021 Final Order") approved the Company's plan for moving from the 1-coincident peak ("1-CP") cost allocation methodology towards the 12-coincident peak ("12-CP") methodology. Specifically, Staff states that the 2021 Final Order approved the Company's plan to transition from using the 1-CP method to the 12-CP method by moving one-

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[8] Ex. 5 (Haynes) at 11-12.

[9] Ex. 6 (Watkins) at 7.

[10] *See Application of Virginia Electric and Power Company, For approval of a rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUR-2021-00102, 2021 S.C.C Ann. Rept. 483, Final Order (Aug. 16, 2021).

third of the way between the factors each year over a three-year period and this proceeding represents the third year of this transition. Accordingly, certain demand-related transmission costs have been allocated to the customer classes based entirely on the 12-CP methodology.[11] Staff further did not oppose the Company's proposed Standby Charge Revenue Adjustment.[12] Staff found the Company's proposed cost allocation and rate design methodology to be reasonable and did not oppose the calculation of Rider T1 energy and demand billing rates.[13]

On June 14, 2023, Dominion, by counsel, filed a letter in lieu of rebuttal testimony. Dominion's letter, among other things, indicated that the Company agreed with Staff's findings and recommendations.

No public witnesses signed up to testify at the hearing scheduled for June 21, 2023, and the public witness hearing was accordingly canceled.[14] The Company and Staff participated in the evidentiary hearing on June 22, 2023.

On June 28, 2023, the Report of Michael D. Thomas, Senior Hearing Examiner ("Report") was filed. In the Report, the Senior Hearing Examiner summarized the record and made the following findings and recommendations:[15]

- The Company's proposed Code § 56-585.1 A 4 total revenue requirement of $878,758,118, comprising an increment Rider T1 RAC of $368,484,898 and forecasted collections of $510,273,220 through the transmission component of base rates for service rendered on and after September 1, 2023, is supported by the record;

[11] *See* Ex. 7 (Knight) at 6-8.

[12] *Id.* at 13.

[13] *See id.* at 9-13.

[14] The Commission received two written public comments on the Company's Application, expressing concern over rate increases to consumers.

[15] Report at 10.

- The Company's proposed cost allocation, including the on-going phase-in of a 12-CP methodology, is reasonable and consistent with the Final Order in the 2021 Rider T1 Case; and

- The Company's proposed rate design change for the Rider T1 RAC, to recognize revenue from transmission standby charges for the residential class and an adjustment for such revenue when calculating the residential Rider T1 energy charge, is reasonable and should be adopted by the Commission.

The parties and Staff agreed to waive comments to the Report so that the Commission would have sufficient time to enter a Final Order in this case.[16]

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows. We agree with the Senior Hearing Examiner that the record in this case supports a revenue requirement of $878,758,118, of which $368,484,898 is to be collected through Rider T1 during the Rate Year. The Commission further approves Dominion's proposed cost allocation and rate design as set forth in its Application. In approving the Company's rate design and cost allocation proposals, we agree with the Senior Hearing Examiner that these proposals are supported by the record in this case.

In granting this approval which will result in a rate increase, the Commission notes its awareness of the economic pressures that are impacting all utility customers. We are sensitive to the effects of rate increases, especially in times such as these. Pursuant to the language of Subsection A 4, the costs that are the subject of this Application are "deemed reasonable and prudent," including the Company's return on investment, which is set by FERC; the Commission is without discretion to add to or subtract from these costs. Accordingly, we apply the law as given to us; this is what we have done herein.

[16] Report at 11; Tr. 15-16.

Accordingly, IT IS ORDERED THAT:

(1) The Senior Hearing Examiner's findings and recommendations are adopted as set forth herein.

(2) Rider T1, as approved herein, shall become effective for service rendered on and after September 1, 2023.

(3) The Company forthwith shall file a revised Rider T1 and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as is necessary to comply with the directives set forth in this Order. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(4) This matter is dismissed.

Commissioner Patricia L. West participated in this matter.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.