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**STATE CORPORATION COMMISSION
DIVISION OF UTILITY ACCOUNTING AND FINANCE**

January 14, 2022

The Honorable Ralph S. Northam
Governor
Commonwealth of Virginia

The Honorable Richard L. Saslaw
Chair, Committee on Commerce and Labor
Senate of Virginia

The Honorable Kathy J. Byron
Chair, Committee on Commerce and Energy
Virginia House of Delegates

RE: Report on qualifying investment pursuant to Enactment Clause 23 of the
Grid Transformation and Security Act

Dear Governor Northam, Senator Saslaw, and Delegate Byron:

On November 18, 2021, the State Corporation Commission ("Commission") issued an order in Virginia Electric and Power Company's ("Dominion" or "the Company") 2021 triennial review.¹ Chapter 296 of the 2018 Acts of Assembly ("Senate Bill 966") requires the Commission, within 60 days of the triennial review's conclusion, to submit a report describing and quantifying certain investments made by the utility during the test periods under review. Specifically, Enactment Clause 23 specifies:

That within 60 days after the conclusion of each triennial review proceeding conducted pursuant to § 56-585.1 of the Code of Virginia, the State Corporation Commission (the Commission) shall submit a report to the Governor and the General Assembly and the Chairmen of the House and Senate Commerce and Labor Committees describing and quantifying all investments made by the utility during the test period or periods under review in both (i) new utility-owned

¹ *Application of Virginia Electric and Power Company, For a 2021 triennial review of the rates, terms and conditions for the provision of generation, distribution and transmission services pursuant to § 56-585.1 A of the Code of Virginia*, Case No. PUR-2021-00058, Doc. Con. Cen. No. 211160097, Final Order (Nov. 18, 2021) ("Triennial Order").

generation facilities utilizing energy derived from sunlight or from onshore or offshore wind and (ii) electric distribution grid transformation projects, as determined by the utility's plant in service and construction work in progress balances related to such investments as recorded per books by the utility for financial reporting purposes as of the end of the most recent test period under review. The Commission's report shall include, but not be limited to, an analysis of the financial effects of such investments, including the effects on customer rates, customer bill credits, and the earnings and rate base of each utility subject to the triennial review provisions of § 56-585.1.

Introduction

The triennial review, in accordance with § 56-585.1 of the Code of Virginia ("Code"), is a review of Dominion's base rates. The triennial review case was ultimately resolved by a stipulation ("settlement agreement"), unopposed by any case participant, that the Commission approved in the Triennial Order on November 18, 2021.

The triennial review period in this proceeding covered the years 2017 through 2020. During that period, Dominion made a number of investments in solar, offshore wind, and grid transformation projects. Some of those projects are recovered through Dominion's base rates and others through rate adjustment clauses ("RACs") provided for in the Code.

Base Rates and Related Investment

Among the costs Dominion recovers through its base rates are those of the following offshore wind and grid transformation projects: the Coastal Virginia Offshore Wind ("CVOW") demonstration project,² advanced metering infrastructure ("AMI"), and a customer information platform ("CIP"). Dominion's investment in these projects during each year of the triennial review period were as follows (figures in millions)³:

Total System					
	2017	2018	2019	2020	Total
CVOW demonstration	\$0.5	\$77.1	\$50.7	\$143.3	\$271.7
AMI	\$0.0	\$0.0	\$13.9	\$47.6	\$61.5
CIP	\$0.0	\$0.4	\$2.2	\$33.0	\$35.5
Total	\$0.5	\$77.5	\$66.9	\$223.9	\$368.8

² The costs of the CVOW demonstration project phase are recovered through base rates.

³ Staff calculated these figures based upon Schedule 48b to Dominion's triennial review application and the supporting workpapers associated with this schedule.

Virginia-Jurisdictional					
	2017	2018	2019	2020	Total
CVOW demonstration	\$0.4	\$63.4	\$41.7	\$117.9	\$223.5
AMI	\$0.0	\$0.0	\$12.6	\$43.0	\$55.5
CIP	\$0.0	\$0.3	\$2.0	\$30.0	\$32.3
Total	\$0.4	\$63.8	\$56.3	\$190.9	\$311.3

These projects' cumulative rate base as of each year-end of the triennial review period are shown below (figures in millions)⁴:

Total System				
	12/31/17	12/31/18	12/31/19	12/31/20
CVOW demonstration	\$0.5	\$78.0	\$129.8	\$275.5
AMI	\$0.0	\$0.0	\$13.8	\$58.0
CIP	\$0.0	\$0.4	\$2.6	\$35.3
Total	\$0.5	\$78.4	\$146.2	\$368.9

Virginia-Jurisdictional				
	12/31/17	12/31/18	12/31/19	12/31/20
CVOW demonstration	\$0.4	\$62.6	\$104.9	\$226.5
AMI	\$0.0	\$0.0	\$12.6	\$52.9
CIP	\$0.0	\$0.4	\$2.3	\$32.2
Total	\$0.4	\$62.9	\$119.9	\$311.5

The Commission's Triennial Order approved the terms in the settlement agreement providing for a \$50 million annual base rate reduction for Dominion, the maximum rate reduction permitted by the Code for this triennial review.⁵ Dominion's base rates provide it an opportunity to recover the costs of these and future base rate solar, wind, and grid transformation projects through the triennial review framework provided for in the Code. These investments do not impact Dominion's earnings and customer rates in a straightforward manner due to the complexities of the triennial review process and its various potential outcomes including base rate changes, customer credit reinvestment offsets, and/or refunds. Dominion's base rate earnings with and without these investments, all else being held equal, were as follows for the triennial review period as measured by per book return on equity ("ROE"):

⁴ Staff also calculated these figures based upon Schedule 48b, its supporting workpapers, and interrogatory responses.

⁵ Triennial Order at 3, 4.

	2017	2018	2019	2020 ⁶
ROE Incl. Investments ⁷	16.27%	13.47%	9.07%	4.71%
CVOW Demonstration Impact on ROE ⁸	0.00%	0.06%	0.12%	0.33%
AMI Impact on ROE ⁹	0.00%	0.00%	0.01%	0.09%
CIP Impact on ROE ¹⁰	0.00%	0.00%	0.00%	0.01%
ROE Excl. Investments Above	16.27%	13.53%	9.20%	5.14%

The Commission's Triennial Order also approved the terms in the settlement agreement providing for \$330 million of customer refunds, composed of \$255 million of refunds under Code § 56-585.1 A 8 and \$75 million of voluntary customer refunds.¹¹

Rate Adjustment Clauses ("RACs") and Related Investment

Many of Dominion's solar, offshore wind,¹² and grid transformation¹³ investments during 2017 through 2020 are, or will be, recovered through RACs rather than through base rates. The following table quantifies these investments that were made during the triennial review period and are or will be recovered through RACs (figures in millions)¹⁴:

Total System					
	2017	2018	2019	2020	Total
Solar	\$3.1	\$2.0	\$292.5	\$252.7	\$550.3
Offshore Wind	\$0.0	\$0.0	\$0.0	\$82.7	\$82.7
Grid Transformation	\$0.0	\$0.0	\$7.7	\$27.0	\$34.6
Total	\$3.1	\$2.0	\$300.2	\$362.4	\$667.6

⁶ Dominion forgave \$206 million in customer arrearages in September and December 2020 in accordance with 2020 Va. Acts ch. 56, Special Session 1, and 2021 Va. Acts ch. 552, Special Session 1. *See, e.g.*, Ex. 11 (Ingram Direct) at 19.

⁷ These base rate returns are as presented by Dominion in its triennial review application on a per books basis. *See* Ex. 2 (Application) at Schedule 11.

⁸ These projects' rate base, depreciation expense, financing costs, and related income tax expense impact Dominion's ROE each year by the amounts shown in this table.

⁹ *Id.*

¹⁰ *Id.*

¹¹ Triennial Order at 3.

¹² RAC-related Offshore Wind costs include costs associated with the build-out of CVOW beyond the demonstration project phase.

¹³ Grid transformation investments recovered through RACs include rural broadband projects.

¹⁴ Rate adjustment clauses associated with solar investment include Riders US-2, US-3, US-4, and CE; rate adjustment clauses associated with Offshore Wind investments include Dominion's proposed Rider OSW; and rate adjustment clauses associated with Grid Transformation investments include Rider RBB and Dominion's proposed Rider GT.

Virginia-Jurisdictional					
	2017	2018	2019	2020	Total
Solar	\$2.5	\$1.6	\$236.6	\$207.9	\$448.5
Offshore Wind	\$0.0	\$0.0	\$0.0	\$68.5	\$68.5
Grid Transformation	\$0.0	\$0.0	\$6.9	\$24.1	\$31.0
Total	\$2.5	\$1.6	\$243.4	\$300.5	\$548.0

These projects' cumulative rate base as of each year-end of the triennial review period, including investments made prior to 2017, are shown below (figures in millions)¹⁵:

Total System				
	12/31/17	12/31/18	12/31/19	12/31/20
Solar	\$90.7	\$84.9	\$358.7	\$583.0
Offshore Wind	\$0.0	\$0.0	\$0.0	\$83.0
Grid Transformation	\$0.0	\$0.0	\$6.3	\$30.6
Total	\$90.7	\$84.9	\$365.0	\$696.6

Virginia-Jurisdictional				
	12/31/17	12/31/18	12/31/19	12/31/20
Solar	\$72.9	\$68.1	\$290.1	\$479.6
Offshore Wind	\$0.0	\$0.0	\$0.0	\$68.7
Grid Transformation	\$0.0	\$0.0	\$5.6	\$27.4
Total	\$72.9	\$68.1	\$295.7	\$575.7

The Virginia-jurisdictional portion of these investments are recovered through RACs. The RACs through which Dominion recovered investment costs during the triennial review period are Riders US-2, US-3, and US-4. Their rates per kilowatt-hour and effective dates were as follows for residential customers during the triennial review period:

¹⁵ These figures were derived from information provided by Dominion in response to an informal Staff data request.

	2017		2018		2019		2020	
	Rate	Date	Rate	Date	Rate	Date	Rate	Date
US-2	\$0.000191 ¹⁶	9/1/17	\$0.000234 ¹⁷	9/1/18	\$0.000280 ¹⁸	9/1/19	\$0.000188 ¹⁹	9/1/20
US-3	-	-	-	-	\$0.000197 ²⁰	3/1/19	\$0.000559 ²¹	6/1/20
US-4	-	-	-	-	-	-	\$0.000147 ²²	6/1/20
Total	\$0.000191		\$0.000234		\$0.000477		\$0.000894	

Please let me know if I may be of further assistance.

Sincerely,

Kimberly B. Pate

Kimberly Pate
Director - Utility Accounting and Finance

¹⁶ See Commission Case No. PUE-2016-00113.

¹⁷ See Commission Case No. PUR-2017-00127.

¹⁸ See Commission Case No. PUR-2018-00167.

¹⁹ See Commission Case No. PUR-2019-00159.

²⁰ See Commission Case No. PUR-2018-00101.

²¹ See Commission Case No. PUR-2019-00104.

²² See Commission Case No. PUR-2019-00105.