COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

Report to the Governor of the Commonwealth of Virginia,
the Chairman of the Senate Committee on Commerce and Labor,
the Chairman of the House Committee on Commerce and Labor,
and the Commission on Electric Utility Regulation
of the Virginia General Assembly

Status Report: Implementation of the Virginia Electric Utility Regulation Act Pursuant to § 56-596 B of the Code of Virginia

August 29, 2019

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STATE CORPORATION COMMISSION

August 29, 2019

The Honorable Ralph S. Northam
Governor, Commonwealth of Virginia

The Honorable Glen H. Sturtevant, Jr.
Acting Chairman, Senate Committee on Commerce and Labor

The Honorable Terry G. Kilgore
Chairman, House Committee on Commerce and Labor

The Honorable Thomas K. Norment, Jr.
Member, Senate of Virginia
Chairman, Commission on Electric Utility Regulation

Members of the Commission on Electric Utility Regulation

Ladies and Gentlemen:

Please find enclosed the Virginia State Corporation Commission's Status Report on the Implementation of the Virginia Electric Utility Regulation Act pursuant to § 56-596 B of the Code of Virginia.

Please let us know if we may be of further assistance.

Respectfully submitted,

Judith Williams Jagdmann

Judith Williams Jagdmann, Chairman

Mark C. Christie

Mark C. Christie, Commissioner

Patricia L. West

Patricia L. West, Commissioner

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EXECUTIVE SUMMARY

This document contains the report of the Virginia State Corporation Commission ("Commission") pursuant to § 56-596 B of the Code of Virginia ("Code"), which directs the Commission to provide an update by September 1 of each year on the status of implementation of the Virginia Electric Utility Regulation Act, Code §§ 56-576 through 56-596 ("Regulation Act").[1]

Key highlights from the report include:

- Dominion Energy Virginia's ("DEV" or "Dominion") typical[2] residential bill has increased $23.17 (25.58%) from July 1, 2007, to July 1, 2019, to $113.76.
- Appalachian Power Company's ("APCo") typical residential bill has increased $41.28 (61.97%) from July 1, 2007, to July 1, 2019, to $107.89.
- On March 25, 2019, DEV made a presentation to investors that announced plans to move forward with approximately $16 billion of capital investment from 2019 through 2023. DEV's analysis shows that this additional capital spending results in an increase to Virginia jurisdictional net rate base of $12.1 billion and an increase to a typical residential bill of $29.37 per month by December 31, 2023. This increase does not include the costs to customers of coal ash removal required by 2019 legislation or the costs to customers of participating in the Regional Greenhouse Gas Initiative ("RGGI") under the regulation promulgated by the Department of Environmental Quality ("DEQ").[3]
- DEV's base rate financial results for calendar year 2018 reflect an actual earned return on equity ("ROE") of 13.47%, combined for generation and

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[1] Last year, the Commission filed a combined report on August 29, 2018, that also included reports required under (i) Chapter 771 of the 2011 Virginia Acts of Assembly related to distributed solar generation; (ii) Chapter 382 of the 2013 Virginia Acts of Assembly and Chapter 803 of the 2017 Virginia Acts of Assembly related to third-party power purchase agreements; and (iii) Chapter 6 of the 2015 Virginia Acts of Assembly related to integrated resource plan filings. The Commission intends to file the reports related to solar generation and third-party power purchase agreements by December 1, 2019, as part of other related reports required under the Grid Transformation and Security Act, Chapter 296 of the 2018 Virginia Acts of Assembly ("GTSA," "Senate Bill 966," or "SB 966"). The requirement to file a report related to integrated resource plans has expired.

[2] For purposes of this report, a typical residential bill includes usage of 1,000 kilowatt-hours ("kWh").

[3] As discussed below, Dominion projects that certain factors will mitigate the rate increase foreseen by 2023. The Commission believes that some of these mitigating factors may be likely to happen, but some are speculative.

distribution. This earned ROE exceeds the 9.20% base ROE currently approved for DEV's rate adjustment clauses ("RACs"), as shown in the following table in percentage points and revenue dollars:[4]

2018 Earnings Above Authorized Levels

Percentage Points	Revenues
+4.27%	+$277.3 million

- APCo's base rate financial results for calendar year 2018 reflect an actual earned ROE of 9.89%, combined for generation and distribution. This earned ROE exceeds the 9.42% currently approved by the Commission in Case No. PUR-2018-00048 to be used to measure earnings in APCo's triennial review, as shown in the following table in percentage points and revenue dollars.

2018 Earnings Above Authorized Levels

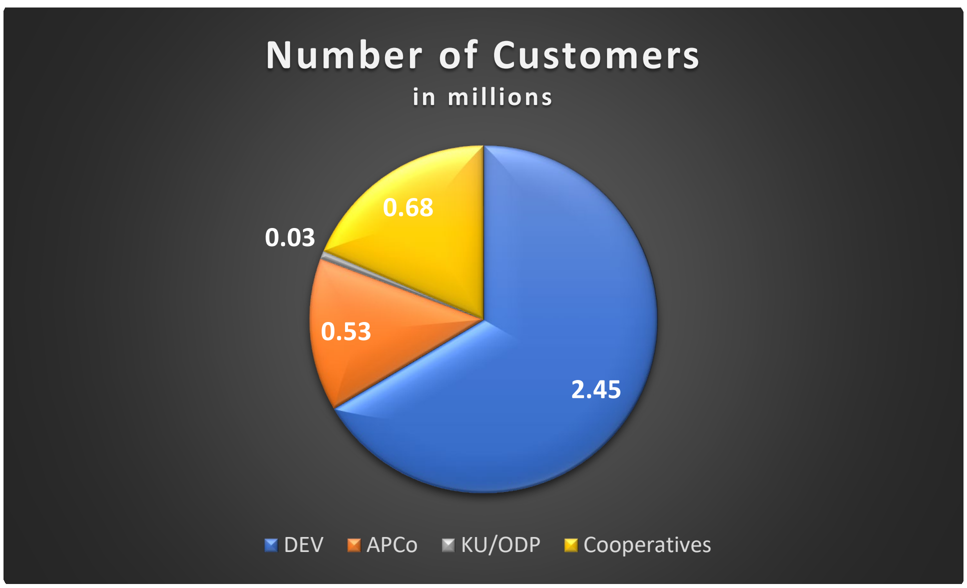
Percentage Points	Revenues
+0.47%	+$7.0 million

[4] As discussed below, in 2013 the Commission set an ROE of 10.0% to apply to 2013 and 2014 earnings. This ROE is no longer applicable in any Dominion proceeding.

I.
INTRODUCTION

Composition of the Electric Industry in Virginia

The responsibilities of the Commission include the regulation of a diverse electric industry pursuant to the Virginia Constitution and laws enacted by the Virginia General Assembly ("General Assembly"). Virginia's electric industry, for which the Commission regulates the rates and services to customers, consists of three investor-owned utilities and 13 member-owned electric cooperatives.[5] The number of Virginia jurisdictional customers by utility is shown below:[6]



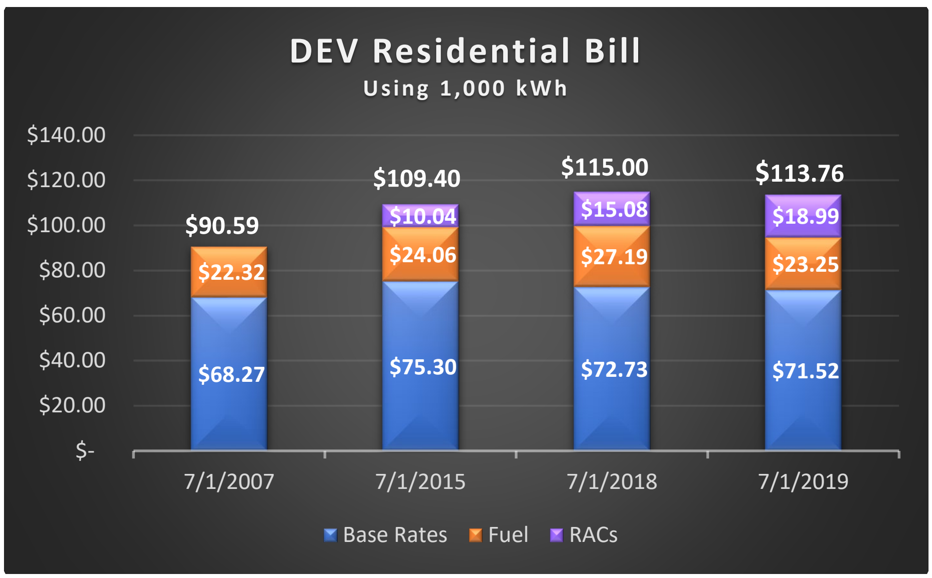
[5] Non-jurisdictional utilities, such as municipal electric utilities, also provide service in Virginia.

[6] Total Virginia customer numbers were reported in Federal Energy Regulatory Commission ("FERC") Form 1 and Annual Operating Reports. "KU/ODP" refers to Kentucky Utilities d/b/a Old Dominion Power Company.

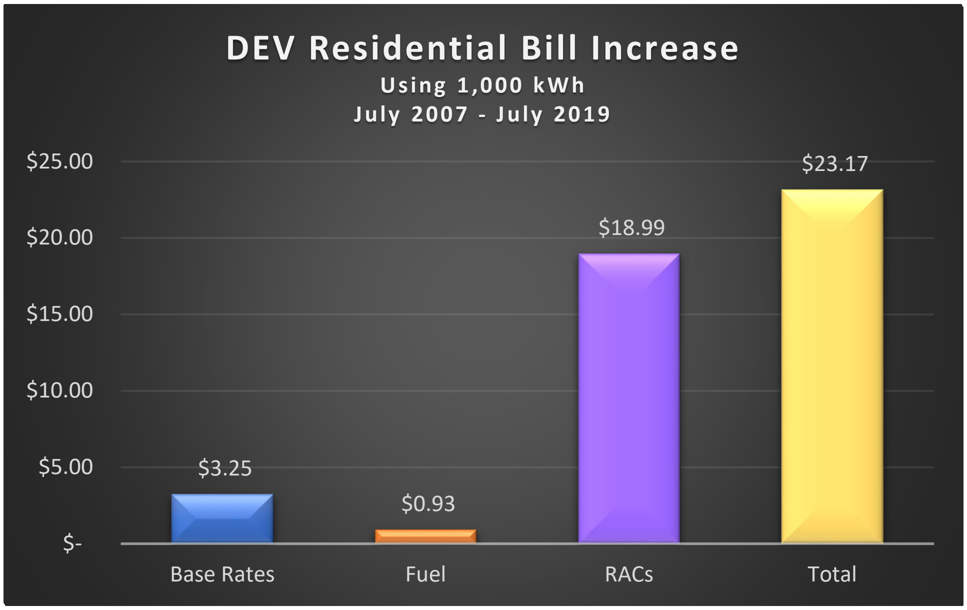
II.
RATE IMPACT

DEV Typical Residential Bill

Below is a chart that reflects the magnitude of the three components of DEV customer bills as of the effective dates of the Regulation Act (July 1, 2007), the Transitional Rate Period (July 1, 2015), the GTSA (July 1, 2018), and the current year (July 1, 2019) for a typical residential customer using 1,000 kWh per month.

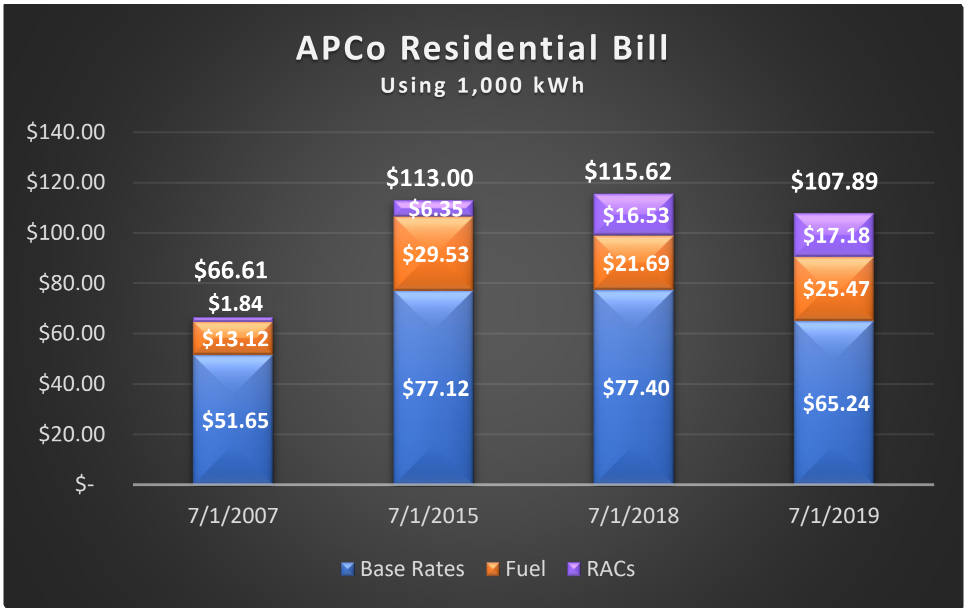


As the chart above indicates, DEV's monthly residential bill was $90.59 as of July 1, 2007. The bill has increased $23.17 (25.58%) to $113.76 per month as of July 1, 2019. As reflected on the chart below, the RAC component of the bill experienced the largest increase during this time.

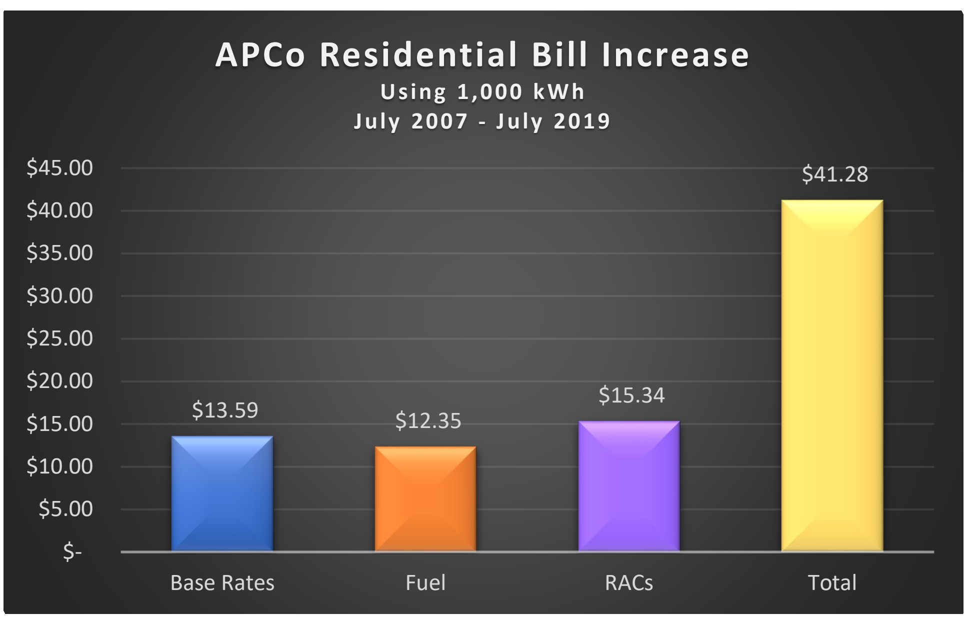


APCo Typical Residential Bill

Below is a chart that reflects the magnitude of the three components of APCo customer bills as of the effective dates of the Regulation Act (July 1, 2007), the Transitional Rate Period (July 1, 2015), the GTSA (July 1, 2018), and the current year (July 1, 2019) for a typical residential customer using 1,000 kWh per month.



As the chart indicates, APCo's monthly residential bill was $66.61 as of July 1, 2007. The bill has increased $41.28 (61.97%) to $107.89 per month as of July 1, 2019. As reflected on the chart below, the RAC component of the bill experienced the largest increase during this time.



Both DEV and APCo have experienced reduced base rates over the last year pursuant to Enactment Clauses 6 and 7 of SB 966, that implemented reductions in federal corporate income tax expense. Further, DEV experienced reduced fuel factor rates over the last year.[7]

DEV Five Year Capital and Rate Outlook

On March 25, 2019, DEV made a presentation to investors that announced plans to move forward with approximately $16 billion of capital investment from 2019 through 2023.[8] In response to a Commission directive at the May 8, 2019 hearing on DEV's 2018 Integrated Resource Plan ("2018 IRP"), DEV quantified the projected impact of the $16 billion of capital investment on its rates and net investment in rate base.[9] DEV's analysis shows that this additional capital spending results in an increase to Virginia jurisdictional net investment in rate base of $12.1 billion and an increase to a typical residential bill of $29.37 per month by December 31, 2023. This is an increase of 67% above the Virginia jurisdictional net investment in rate base of $18 billion as of December 31, 2018 and an increase of 26% above the typical residential bill of $114.42 per month as of December 31, 2018. This projected increase in investment is shown in the following table, by investment type:[10]

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[7] Fuel costs are recovered through the fuel factor on a dollar-for-dollar basis without a profit component.

[8] This presentation is commonly referred to as the Investors Day Presentation.

[9] *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, Doc. Con. Cen. No. 190640049, Final Order (June 27, 2019) ("2018 IRP Final Order").

[10] *See* Exhibit 73 of the 2018 IRP.

DEV Five Year Capital Outlook
Increase to Virginia Jurisdictional Net Investment
From 2019 to 2023
(In Billions of Dollars)

Transmission	$	3.0
Solar	$	1.9
Customer Growth	$	1.4
Grid Transformation	$	1.4
Nuclear Relicensing	$	1.0
Offshore Wind	$	0.9
Pumped Storage	$	0.8
Strategic Undergrounding	$	0.7
Environmental	$	0.4
Renewable-enabling CTs	$	0.4
Broadband	$	0.2
Total	**$**	**12.1**
Typical Monthly Residential Bill Increase (In Dollars)	**$**	**29.37**

This projected rate increase does not include the cost to customers of the coal ash removal required by 2019 legislation,[11] which is projected to be approximately $3.23 per month for a typical residential customer beginning in 2021.[12] This projected rate increase also does not include the cost to customers of

[11] Senate Bill 1355, 2019 Virginia Acts of Assembly Chapter 651.

[12] *See* Exhibit 73 of the 2018 IRP. The increase to a typical monthly residential bill including both the $29.37 increase discussed above and the $3.23 increase related to coal ash removal is projected to be $32.60 by December 31, 2023.

the regulation requiring participation by DEV and other Virginia utilities in RGGI.[13]

DEV projects that certain factors will mitigate the projected rate increase by 2023, citing to: (1) projected offsetting decreases due to declines in rate base resulting from recovery of previously approved projects; and (2) projected significant decreases to fuel costs driven by natural gas and renewable generation, projected decreases to commodity prices, and fossil fuel plant retirements. The Commission believes that some of these mitigating factors may be likely to happen but some are speculative.[14]

An even more detailed analysis of the various cost drivers producing this projected bill increase for Dominion customers may be found in the Commission's Final Order in Dominion's 2018 IRP case.[15] In that order, the Commission stated:

> In sum, we approve Dominion's IRP as legally sufficient, and we recognize the appropriateness of spending on capital projects when need is proven by factual evidence in actual cases. We do not, however, express approval in this Final Order of the magnitude or specifics of Dominion's future spending plans, the costs of which will significantly impact millions of residential and business customers in the monthly bills they must pay for power.[16]

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[13] As promulgated by the DEQ, the RGGI regulation (Regulation for Emissions Trading Programs [9 VAC 5 - 140], 35:20 VA.R., May 27, 2019) is effectively a carbon tax and as such the costs will be paid by customers in their monthly bills.

[14] As noted in the 2018 IRP Final Order, fuel costs are uncertain due to a variety of factors that are independent of DEV's capital cost recovery amounts. While wind and solar have no fuel costs, needed back-up generation, primarily gas, does.

[15] 2018 IRP Final Order at 4-8.

[16] *Id.* at 4.

III.
BASE RATE FINANCIAL RESULTS

DEV 2018 Base Rate Financial Results

During 2019, DEV responded to requests from Commission Staff ("Staff"), pursuant to Code § 56-36, by providing certain analyses of DEV's combined generation and distribution base rate financial results for calendar year 2018 on a regulatory accounting basis. Pursuant to Senate Bill 966, calendar year 2018 is the second test period of DEV's first triennial review to be filed with the Commission in 2021.[17]

DEV's analysis reflects a combined base rate generation and distribution ROE of 13.47% for 2018.[18] [19] The following table provides a breakdown of DEV's 2018 generation and distribution base rate earnings:

DEV 2018 Earned Return on Equity

Generation	Distribution	Combined
20.19%	5.97%	13.47%

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[17] In accordance with changes to Code §§ 56-585.1 and 56-585.1:1 made by SB 966, after the conclusion of the transitional rate period on December 31, 2016, reviews of DEV's rates for generation and distribution services shall resume in 2021, "utilizing the four successive 12-month test periods beginning January 1, 2017, and ending December 31, 2020." All other reviews that will occur after the end of the transitional rate period encompass three test periods. While four successive test periods compose the DEV 2021 review, Code § 56-585.1 as amended by SB 966 requires, "All such reviews occurring after December 31, 2017, shall be referred to as triennial reviews."

[18] A 0.01 percentage point of ROE is worth approximately $649,000 in combined generation and distribution revenues annually for DEV in 2018.

[19] This 2018 earned ROE is based on information provided by DEV. The Commission did not conduct an audit or investigation of the financial information provided by DEV. The Commission will conduct an audit of DEV's 2018 earnings in its first triennial review. Interested parties will have an opportunity to participate in that proceeding. The 2018 earned ROE determined by the Commission in the first triennial review may differ from the information provided by DEV and included in this report.

DEV's 2018 earned ROE exceeds the 9.20% base ROE most recently approved by the Commission for DEV's RACs.[20] [21] The following table provides a breakdown of DEV's 2018 excess earnings in both percentage points and revenues:[22] [23]

DEV 2018 Earnings in Excess of or Below a 9.20% ROE
(Revenues in Millions of Dollars)

	Generation	Distribution	Combined
Percentage Points	+10.99%	-3.23%	+4.27%
Revenues	+$376.3	-$99.0	+$277.3

Section 56-585.1 A 8 (b) of the Code, as amended by the GTSA, requires the Commission, for the four combined test periods in DEV's first triennial review, to order refunds to customers' bills equal to 70% of DEV's earnings that are more than 70 basis points above the ROE determined by the Commission.[24] Using this statutory calculation,

[20] The Commission approved this ROE in *Application of Virginia Electric and Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2017-00038, 2017 S.C.C. Ann. Rept. 475, Final Order (Nov. 29, 2017). This ROE was effective for Dominion's RACs as of the November 29, 2017 Final Order in that proceeding.

[21] The Commission approved an ROE of 10.0% in Case No. PUE-2013-00020 to be applicable to DEV's base rates during calendar years 2013 and 2014 and to be applicable to DEV's RACs effective November 30, 2013. This ROE is no longer applicable in any DEV proceeding. *Application of Virginia Electric and Power Company, For a 2013 biennial 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. PUE-2013-00020, 2013 S.C.C. Ann. Rept. 371, Final Order (Nov. 26, 2013).

[22] Later this year, the Commission will determine the fair ROE to be used to measure earnings in DEV's first triennial review, pursuant to Code § 56-585.1:1 C 3. *See Application of Virginia Electric and Power Company, For the determination of the fair rate of return on common equity pursuant to § 56-585.1:1 C of the Code of Virginia*, Case No. PUR-2019-00050.

[23] Last year, DEV provided similar analysis of its base rate financial results for calendar year 2017, the first test period in DEV's first triennial review. That analysis reflected an earned ROE of 13.84% for calendar year 2017, which exceeds the 9.20% base ROE discussed above by 4.64 percentage points.

[24] Pursuant to § 56-585.1 A 8 (d) of the Code, the Commission, at the request of DEV, shall determine the amount by which these customer refunds are to be offset due to certain capital investments in solar, wind, and distribution grid transformation projects. This is referred to in the Code as the "customer credit reinvestment offset."

the following table shows potential customer refunds based on combined 2017 and 2018 earnings and an ROE of 9.20%:

DEV Potential Customer Refunds
Based on 2017 and 2018 Combined Earnings
(In Millions of Dollars)

Based on earnings above:	
9.20% ROE + 70 basis points	$379.7

This amended Code provision also requires that, for purposes of reviewing DEV's earnings in triennial reviews, certain costs are deemed to be fully recovered in the test period in which they were recorded per books by DEV for financial reporting purposes. These costs include:

- Asset impairments related to early retirement determinations made for generation facilities fueled by coal, natural gas, or oil, or for automated meter reading electric distribution service meters;
- Costs associated with projects necessary to comply with state or federal environmental laws, regulations, or judicial or administrative orders relating to coal combustion by-product management that are not otherwise recovered through a RAC;
- Costs associated with severe weather events; and
- Costs associated with natural disasters.

During 2018, DEV expensed $120.7 million as period costs on a Virginia jurisdictional basis associated with severe weather events and coal combustion by-product management, which served to reduce DEV's 2018 earned return on equity by approximately 1.86 percentage points, as shown in the following table.

2018 DEV Per Books Expenses
Pursuant to Code § 56-585.1 A 8
(In Millions of Dollars)

	Virginia Jurisdictional Amount	Reduction to 2018 Earned ROE
Severe Weather Events	$43.5	0.67%
Coal Combustion By-Product Management	$77.2	1.19%
Total Per Books Expenses	**$120.7**	**1.86%**

APCo 2018 Base Rate Financial Results

During 2019, APCo responded to a request from Staff, pursuant to Code § 56-36, by providing certain analyses of its combined generation and distribution base rate financial results for calendar year 2018 on a regulatory accounting basis. Pursuant to the GTSA, calendar year 2018 represents the second test period of APCo's triennial review to be filed with the Commission in 2020.[25]

APCo's analysis reflects a combined base rate generation and distribution ROE of 9.89% for 2018.[26] [27] The following table provides a breakdown of APCo's 2018 generation and distribution base rate earnings:

[25] In accordance with changes to Code §§ 56-585.1 and 56-585.1:1 made by SB 966, after the conclusion of the transitional rate period on December 31, 2016, reviews of APCo's rates for generation and distribution services shall resume in 2020, "utilizing the three successive 12-month test periods beginning January 1, 2017, and ending December 31, 2019."

[26] A 0.01 percentage point of ROE is worth approximately $157,000 in combined generation and distribution revenues annually for APCo in 2018.

[27] This 2018 earned ROE is based on information provided by APCo. The Commission did not conduct an audit or investigation of the financial information provided by APCo. The Commission will conduct an

APCo 2018 Earned Return on Equity

Generation	Distribution	Combined
19.73%	-2.01%	9.89%

APCo's 2018 earned ROE exceeds the 9.42% ROE approved by the Commission in Case No. PUR-2018-00048 to be used to measure earnings in APCo's triennial review.[28] The following table provides a breakdown of APCo's 2018 excess earnings in both percentage points and revenues:[29]

APCo 2018 Earnings in Excess of or Below a 9.42% ROE
(Revenues in Millions of Dollars)

	Generation	Distribution	Combined
Percentage Points	+10.31%	-11.43%	+0.47%
Revenues	+$88.2	-$81.2	+$7.0

Section 56-585.1 A 8 (b) of the Code, as amended by the GTSA, requires the Commission, for the three combined test periods in APCo's first triennial review, to order refunds to customers' bills equal to 70% of APCo's earnings that are more than 70 basis points above the ROE determined by the Commission.[30] Using this statutory calculation,

audit of APCo's 2018 earnings in its first triennial review. Interested parties will have an opportunity to participate in that proceeding. The 2018 earned ROE determined by the Commission in the first triennial review may differ from the information provided by APCo and included in this report.

[28] *Application of Appalachian Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUR-2018-00048, S.C.C. Doc. Con. Cen. No. 181120212, Final Order (Nov. 7, 2018).

[29] Last year, APCo provided similar analysis of its base rate financial results for calendar year 2017, the first test period in APCo's first triennial review. That analysis reflected an earned ROE of 11.31% for calendar year 2017, which exceeds the 9.42% ROE discussed above by 1.89 percentage points.

[30] Pursuant to § 56-585.1 A 8 (d) of the Code, the Commission, at the request of APCo, shall determine the amount by which these customer refunds are to be offset due to certain capital investments in solar, wind,

the following table shows potential customer refunds based on combined 2017 and 2018 earnings and the ROE of 9.42% that will be used to measure earnings in APCo's triennial review:[31]

APCo Potential Customer Refunds
Based on 2017 and 2018 Combined Earnings
(In Millions of Dollars)

Based on earnings above:	
9.42% ROE + 70 basis points	$10.6

As detailed above, this amended Code provision also requires that, for purposes of reviewing APCo's earnings in triennial reviews, certain costs are deemed to be fully recovered in the test period in which they were recorded per books by APCo for financial reporting purposes. These costs include, among other things, severe weather events and costs associated coal combustion by-product management that are not otherwise recovered through a RAC.

During 2018, APCo expensed $33.9 million as period costs on a Virginia jurisdictional basis associated with severe weather events and coal combustion by-product management, which served to reduce APCo's 2018 earned return on equity by approximately 2.18 percentage points, as shown in the following table.

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and distribution grid transformation projects. This is referred to in the Code as the "customer credit reinvestment offset."

[31] APCo's analysis did not include all the regulatory accounting adjustments previously approved by the Commission in the Company's 2014 biennial review (for calendar years 2012 and 2013). .

2018 APCo Per Books Expenses
Pursuant to Code § 56-585.1 A 8
(In Millions of Dollars)

	Virginia Jurisdictional Amount	Reduction to 2018 Earned ROE
Severe Weather Events	$23.0	1.48%
Coal Combustion By-Product Management	$10.9	0.70%
Total Per Books Expenses	**$33.9**	**2.18%**

IV.
CURRENT STATUS OF THE REGULATION ACT

Since the Commission's August 29, 2018 report on the status of the Regulation Act, the Commission has conducted additional proceedings brought pursuant to the Regulation Act. This Report provides a high-level summary of important proceedings decided by the Commission since August 29, 2018, or pending at the time of this report.[32]

Renewable Energy Cases

Below is a table summarizing the renewable energy cases decided or pending at the time of this report. [33] A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
DEV	Water Strider Solar PPA	Yes	§ 56-585.1:4 F	PUR-2018-00135
DEV	Coastal Virginia Offshore Wind Project	Yes	§ 56-585.1:4 F	PUR-2018-00121
DEV	Community Solar	Yes	§ 56-585.1:3	PUR-2018-00009
DEV	US-3 Solar Projects	Yes	§ 56-585.1 A 6	PUR-2018-00101
DEV	US-4 Solar Projects	Pending	§ 56-585.1 A 6	PUR-2019-00105
DEV	Westmoreland Solar PPA	Pending	§ 56-585.1:4 F	PUR-2019-00133

[32] Copies of the Commission's full orders, as well as access to publicly-filed case documents, are available at the Commission's website: http://www.scc.virginia.gov/case, by clicking "Docket Search," and clicking "Search Cases," and entering the case number in the appropriate box.

[33] Retail access cases involving renewable energy are addressed in the "Retail Access" section of this report.

Decisions

- DEV Water Strider Solar PPA: DEV sought the first prudency determination for a solar purchase power agreement ("PPA"). Recognizing that the General Assembly had determined the solar PPA to be in the public interest, the Commission found the factual evidence in the record supported a prudency determination. (Final Order, Nov. 2, 2018).

- DEV Coastal Virginia Offshore Wind Project: DEV sought the first prudency determination for a Company-build project. Specifically, DEV sought approval of a 12 megawatt Company-build offshore wind demonstration project costing $300 million. The Commission initially found, as a factual matter based on the record, that the proposed project would not be deemed prudent as that term has been applied by the Commission over its long history of public utility regulation or under any common application of the term. The Commission, however, approved the offshore wind demonstration project finding that as a matter of law, the new statutes governing this case subordinate the factual analysis to the legislative intent and public policy set forth in the applicable statutes. (Final Order, Nov. 2, 2018).

- DEV Community Solar Pilot Program (Rider VCS): The Commission approved the Company's proposed community solar pilot program and associated cost recovery, subject to certain modifications. (Final Order, Sept. 11, 2018).

- DEV US-3 Solar Projects and Associated RAC: Dominion sought and obtained approval of the US-3 Solar Projects and associated cost recovery, subject to a performance guarantee provided by DEV. (Order Granting Certificates, Jan. 9, 2019 and Order Approving Rate Adjustment Clause, Apr. 15, 2019).

Pending Cases

- DEV US-4 Solar Projects and Associated RAC: Dominion seeks approval of the US-4 Solar Projects and associated cost recovery. (Filed July 23, 2019).

- DEV Westmoreland Solar PPA: Dominion seeks a prudency determination with respect to the Company's proposed Westmoreland Solar PPA. (Filed Aug. 16, 2019).

Environmental Cases

Below is a table summarizing the environmental cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
DEV	Rider E	Yes, in part	§ 56-585.1 A 5	PUR-2018-00195

Decisions

- DEV Rider E: The Commission considered DEV's first proposed Rider E to recover certain coal ash-related environmental costs. These costs did not include any coal ash pond closure costs addressed by Senate Bill 1355. The Commission approved in part, and denied in part, the Company's application. While approving the majority of the costs for recovery, the Commission found DEV had not established that certain costs related to retired Units 3 and 4 at the Chesterfield Power Station were reasonably and prudently incurred. (Final Order, Aug. 5, 2019).

Retail Access Cases

Below is a table summarizing the retail access cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
Wal-Mart	Aggregation	No	§ 56-577 A 4	PUR-2017-00173; PUR-2017-00174
Costco	Aggregation	No	§ 56-577 A 4	PUR-2018-00088
APCo	100% Renewable Tariff	Yes	§ 56-577 A 5	PUR-2017-00179
Kroger	Aggregation	Pending	§ 56-577 A 4	PUR-2018-00150
Harris Teeter	Aggregation	Pending	§ 56-577 A 4	PUR-2018-00151
Target	Aggregation	Pending	§ 56-577 A 4	PUR-2018-00158
New Albertsons	Aggregation	Pending	§ 56-577 A 4	PUR-2018-00164
DEV	100% Renewable Tariff	Pending	§ 56-577 A 5	PUR-2019-00094

Decisions

- Walmart/Sam's Aggregation (Case No. PUR-2017-00173 (Dominion territory), PUR-2017-00174 (APCo territory): The Commission denied Walmart's request to aggregate its demand to obtain service from a competitive service provider. The Commission found that, given the context of rising rates, it is not in the public interest for captive customers, who do not have the ability to obtain lower rates, to suffer from cost-shifting that will result from a large-demand customer seeking its power supply elsewhere through aggregation. (Final Order, Feb. 25, 2019) (on appeal).

- Costco Aggregation: The Commission denied Costco's request to aggregate its demand to obtain service from a competitive service provider for the same reasons it articulated in rejecting Walmart's request in Case Nos. PUR-2017-00173, PUR-2017-00174 (Final Order, May 30, 2019) (on appeal).

- APCo 100% Renewable Tariff (Rider WWS): APCo received the first Commission approval of a 100% renewable tariff to be offered to all customers. This approval impacts the ability of customers in APCo's service territory to purchase renewable energy from competitive suppliers under Code § 56-577 A 5. (Order Approving Tariff, Jan. 7, 2019).

Pending Cases

- Kroger Aggregation: Kroger is seeking approval to aggregate demand to obtain service from a competitive service provider. (Filed Sept. 11, 2018).

- Harris Teeter Aggregation: Harris Teeter is seeking approval to aggregate demand to obtain service from a competitive service provider. (Filed Sept. 11, 2018).

- Target Aggregation: Target is seeking approval to aggregate demand to obtain service from a competitive service provider. (Filed Sept. 17, 2018).

- New Albertsons Aggregation: New Albertsons is seeking approval to aggregate demand to obtain service from a competitive service provider. (Filed Sept. 26, 2018).

- DEV 100% Renewable Tariff (Rider TRG): DEV is seeking approval of a 100% renewable tariff. Approval would impact the ability of customers in DEV's service territory to purchase renewable energy from competitive suppliers under Code § 56-577 A 5. (Filed May 31, 2019).

Energy Efficiency Cases

Below is a table summarizing the energy efficiency cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
DEV	Energy Efficiency RAC	Yes	§ 56-585.1 A 5	PUR-2018-00168
APCo	Energy Efficiency RAC	Yes	§ 56-585.1 A 5	PUR-2018-00118

Decisions

- DEV Energy Efficiency RAC: Dominion sought approval of 11 new programs and cost recovery associated with the new and existing programs. Recognizing that Senate Bill 966 pre-determined that the proposed programs are in the public interest and shall be approved, the Commission approved the new programs and the requested cost recovery. The Commission also directed DEV to file evidence of actual energy saving achieved as a result of each specific program in future proceedings. (Order Approving Programs and Rate Adjustment Clauses, May 2, 2019).

- APCo Energy Efficiency RAC: Although not seeking approval of any new programs, APCo sought and was granted approval of an update to its energy efficiency-related RAC. The Commission also directed APCo to file evidence of actual energy saving achieved as a result of each specific program in future proceedings. (Order Approving Rate Adjustment Clause, May 2, 2019).

Distribution Cases

Below is a table summarizing the distribution cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
DEV	Grid Transformation Plan	Yes, in part	§ 56-585.1 A 6	PUR-2018-00100
DEV	Rider U (Update)	Yes	§ 56-585.1 A 6	PUR-2018-00042
APCo	Grid Transformation Plan	Withdrawn	§ 56-585.1 A 6	PUR-2018-00198
DEV	Rider U (Update)	Pending	§ 56-585.1 A 6	PUR-2019-00046
DEV	Battery Storage Pilot Program	Pending	§ 56-585.1:6	PUR-2019-00124

Decisions

- DEV Grid Transformation Plan: The Commission considered the Company's first proposed Grid Transformation Plan. While approving proposed cyber and physical security elements and certain related telecommunications elements, the Commission found the remaining costs had not been shown by Dominion to be reasonable and prudent. (Final Order, Jan. 17, 2019).

- DEV Rider U Strategic Undergrounding Program: The Commission considered the Company's fourth Rider U-related Petition. The Commission found, based on the evidentiary record, the costs of the proposed Strategic Undergrounding Program ("SUP") would not be considered reasonable and prudent under a standard analysis, nor cost-beneficial for residential customers in particular. However, recognizing that Senate Bill 966 mandates Commission approval of SUP costs meeting certain statutory requirements, which were met, the Commission approved the Petition. (Final Order, Dec. 19, 2018).

Withdrawn Cases

- APCo Grid Transformation Plan: APCo filed its first proposed Grid Transformation Plan on December 14, 2018. The Commission granted APCo's Motion for Leave to Withdraw Petition on March 13, 2019 with the understanding that APCo will re-file its Grid Transformation Plan in the future. (Order Granting Motion to Withdraw Petition, Mar. 13, 2019).

Pending Cases

- DEV Rider U Strategic Undergrounding Program: DEV is seeking approval of its fifth Rider U-related Petition. (Filed Mar. 25, 2019).

- DEV Battery Storage Pilot Program: DEV seeks approval for three battery energy storage systems to participate in Dominion's battery storage pilot program established under the GTSA. (Filed Aug. 2, 2019).

Integrated Resource Plan Cases

Below is a table summarizing the Integrated Resource Plan ("IRP") cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Approved?	Code Section	Case No.
DEV	Integrated Resource Plan	Yes	§ 56-597 *et seq*.	PUR-2018-00065
APCo	Integrated Resource Plan	Yes	§ 56-597 *et seq*.	PUR-2018-00051
Kentucky Utilities	Integrated Resource Plan	Yes	§ 56-597 *et seq*.	PUR-2018-00069
APCo	Integrated Resource Plan	Pending	§ 56-597 *et seq*.	PUR-2019-00058

Decisions

- DEV 2018 IRP: The Commission found DEV had failed to establish that its 2018 IRP satisfied applicable requirements and directed DEV to correct and refile its 2018 Plan. (Order, Dec. 7, 2018). After additional proceedings, the Commission approved the 2018 IRP, as amended, for purposes of filing the planning document mandated by the Code. However, the Commission found the 2018 IRP may significantly understate the costs facing DEV's customers. (Final Order, Jun. 27, 2019).

- APCo 2018 IRP and Kentucky Utilities 2018 IRP: The Commission approved APCo's (Final Order, Dec. 18, 2018) and Kentucky Utilities' 2018 IRPs (Final Order, Jan. 9, 2019), respectively.

Pending Cases

- APCo 2019 IRP: APCo's 2019 IRP is currently pending before the Commission. (Filed May 1, 2019).

Financial Cases

Below is a table summarizing the financial cases decided or pending at the time of this report. A description of each proceeding follows the table.

Company	Topic	Code Section	Case No.
APCo	Return on Equity	§ 56-585.1:1 C	PUR-2018-00048
APCo	Rate Reduction	SB 966 Enactment Clauses 6&7	PUR-2018-00054
DEV	Rate Reduction	SB 966 Enactment Clauses 6&7	PUR-2018-00055

DEV	Return on Equity	§ 56-585.1:1 C	PUR-2019-00050

Decisions

- APCo Return on Equity: The Commission rejected APCo's requested ROE of 10.22%, finding a 9.2% ROE to be fair and reasonable as a factual matter. However, applying the statutory peer group floor analysis, the Commission approved, as a legal matter, a 9.42% ROE for APCo to be applicable to RACs (before any statutory adders) and to measure earnings in the first triennial review. (Final Order, Nov. 7, 2018).

- APCo Rate Reduction: Pursuant to Enactment Clauses 6 and 7 of SB 966, the Commission approved an annual tax expense reduction of $40.2 million as a result of the federal Tax Cuts and Jobs Act of 2017 ("TCJA"). (Final Order, Mar. 8, 2019).

- DEV Rate Reduction: Pursuant to Enactment Clauses 6 and 7 of SB 966, the Commission approved an annual revenue reduction of $182.6 million resulting from the TCJA. (Final Order, Mar. 8, 2019).

Pending Cases

- DEV Return on Equity: DEV seeks approval of an ROE of 10.75% to be applicable to RACs (before any adders) and to measure earnings in its first triennial review. (Filed Mar. 29, 2019).

V.
LEGISLATION

The 2019 General Assembly enacted legislation addressing the handling of certain coal ash pond closure costs.[34] Pursuant to that legislation, Dominion is permitted to recover closure costs up to an annual revenue requirement of $225 million, subject to certain conditions that permit the Company to recover costs exceeding that amount over a period of time. The legislation permits the Company to begin accruing these costs on July 1, 2019, and to begin recovering these amounts from customers through a RAC under the Code § 56-585.1 A 5 beginning July 1, 2021. Based on the 15-year window provided in the legislation, the $225 million annual figure could equate to a lifetime revenue requirement of approximately $3.4 billion.

The 2019 General Assembly also enacted solar legislation applicable to electric cooperatives that initially raises the cap on net metering participation from 1% to 5% of total annual peak load and permits each cooperative to raise the cap to 7%.[35] The legislation also permits electric cooperatives to establish demand-based charges for net metering customers and legalizes third-party partial requirements power purchase agreements for certain customers that are exempt from federal income taxation.

[34] Senate Bill 1355, 2019 Virginia Acts of Assembly Chapter 651.

[35] House Bill 2547, 2019 Virginia Acts of Assembly Chapter 742.

<u>VI.</u>
<u>STAKEHOLDER MEETINGS</u>

The Staff has been involved in multiple stakeholder meetings over the last year as required by recent legislation. In these meetings, Staff has attended as a resource to provide technical information or background on Commission procedures and proceedings. The following is a list of meetings the Staff has attended:

- <u>Energy Efficiency Meeting</u>: (required by SB 966 and SB 1605) held on January 3, 2019, February 1, 2019, and May 29, 2019, for DEV; and, January 18, 2019, February 13, 2019, April 30, 2019, and August 1, 2019 for APCo.

- <u>Low Income Energy Efficiency Solar Meeting</u>: (required by HB 2789) held on May 29, 2019, June 18, 2019, July 17, 2019, and August 29, 2019, for DEV.

- <u>Time of Use Meeting</u>: (required by HB 2547) held on May 30, 2019, and June 18, 2019.

VII.
PJM / FERC STATUS

DEV and APCo are members of PJM Interconnection, LLC ("PJM"), a regional transmission entity that coordinates the movement of wholesale electricity across all or parts of the District of Columbia and 13 states.[36] Below is a list of recent matters involving PJM and the FERC that may impact Virginia:

- In June 2018, FERC invalidated PJM's capacity market design. FERC ruled that state-subsidized resources were artificially and improperly suppressing market prices.[37]

- In October 2018, PJM proposed a set of reforms to address FERC's capacity market design ruling including an administratively-adjusted pricing mechanism. These proposals remain pending.

- In July 2019, FERC rejected PJM's request to conduct the 2023/2024 capacity auction, previously deferred until August 2019, under the existing but invalid rules. It is unclear when the auction will take place.

- In March 2019, PJM filed a proposal with the FERC to invalidate its current energy market design and approve reforms it developed to the way reserves are priced in its markets.[38] PJM argued that the reforms, which have been demonstrated to increase energy revenues paid to generators, will result in energy prices that better reflect the costs to serve customers. This proposal remains pending.

- In May 2019, PJM announced the retirement of its president and CEO, Andy Ott, effective on June 30, 2019. Susan J. Riley is currently serving as the interim president and CEO.

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[36] Specifically, the 13 states consist of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.

[37] *Calpine Corp. v. PJM Interconnection, LLC,* 163 FERC ¶ 61,236 (2018).

[38] *PJM Interconnection, L.L.C.,* FERC Docket Nos. EL19-58-000 and ER19-1486-000 (Mar. 29, 2019).

VIII.
CONSUMER EDUCATION

The Regulation Act, specifically § 56-592 of the Code, directs the Commission to establish, implement, and maintain a consumer education program to provide retail customers with information regarding energy conservation and efficiency, DSM, demand response, and renewable energy. The Virginia Energy Sense ("VES") consumer education program is in its tenth year of building awareness of the value of energy efficiency.

VES program highlights in the last year:

- A year-over-year VES website visit growth of 33%;
- Facebook and Twitter follower growth remained strong with 1.6 million video impressions on Facebook and 9.2 million video impressions on Google in 2018;
- VES television advertising campaign featuring "Jack," an animated electrical outlet, was seen on cable channels in eight Virginia markets, generating over 5.2 million impressions;
- VES secured 12 live radio and television interview segments around the state featuring energy saving tips;
- A third-grade energy efficiency curriculum developed by VES in cooperation with the Virginia Department of Education was distributed around the state; and,
- VES representatives attended more than 20 community events and festivals across the Commonwealth, generating 147,000 impressions of program material.

IX.
CLOSING

The Commission continues to execute its responsibilities under the Regulation Act. The Commission does not offer any legislative recommendations at this time but stands ready to provide additional information or assistance if requested.

APPENDIX 1

GLOSSARY OF TERMS

APCo	Appalachian Power Company
Code	Code of Virginia
Commission	Virginia State Corporation Commission
DEV	Virginia Electric and Power Company d/b/a Dominion Energy Virginia
DSM	Demand Side Management
FERC	Federal Energy Regulatory Commission
General Assembly	Virginia General Assembly
GTSA	Grid Transformation and Security Act, Chapter 296 of the 2018 Acts of Assembly
IRP	Integrated Resource Plan
KU/ODP	Kentucky Utilities Company d/b/a Old Dominion Power Company
kWh	Kilowatt-hour
PJM	PJM Interconnection, LLC
PPA	Power Purchase Agreement
RAC	Rate Adjustment Clause
Regulation Act	Virginia Electric Utility Regulation Act, codified at Code §§ 56-576 through 56-596
ROE	Return on Equity
Staff	State Corporation Commission Staff
SUP	Strategic Undergrounding Program
TCJA	Federal Tax Cuts and Jobs Act
VES	Virginia Energy Sense, a State Corporation Commission consumer education program