

**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 Labor and Commerce,
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 18, 2020

MARK C. CHRISTIE
COMMISSIONER

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COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION

August 18, 2020

The Honorable Ralph S. Northam
Governor, Commonwealth of Virginia

The Honorable Richard L. Saslaw
Chairman, Senate Committee on Commerce and Labor

The Honorable Jeion A. Ward
Chairman, House Committee on Labor and Commerce

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,

Handwritten signature of Mark C. Christie in black ink.

Mark C. Christie, Chairman

Handwritten signature of Judith Williams Jagdmann in black ink.

Judith Williams Jagdmann, Commissioner

Handwritten signature of Jehmal T. Hudson in black ink.

Jehmal T. Hudson, 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 the implementation of the Virginia Electric Utility Regulation Act, Code §§ 56-576 through 56-596.3 ("Regulation Act").

Key highlights from the report include:

- Dominion Energy Virginia's ("DEV" or "Dominion") typical¹ residential bill has increased \$26.10 (28.81%) from July 1, 2007, to July 1, 2020, to \$116.69.
- Appalachian Power Company's ("APCo") typical residential bill has increased \$42.42 (63.68%) from July 1, 2007, to July 1, 2020, to \$109.03.
- In response to a Commission directive in Dominion's 2020 Integrated Resource Plan ("2020 IRP") proceeding, Dominion quantified the typical residential bill impact of the Virginia Clean Economy Act ("VCEA") and additional legislation passed by the 2020 General Assembly to be between \$52.40 and \$55.02 per month by 2030 (or an estimated annual increase of \$628.80 to \$660.24).
- In a presentation to investors in May 2020, Dominion Energy, Inc., identified total potential DEV capital investments of \$50 to \$59 billion through 2035, including investments in solar, wind, energy storage, nuclear relicensing, transmission, distribution undergrounding, distribution grid modernization, and renewable-enabling quick start generation. Dominion's rate base is \$24 billion on a total system basis as of December 31, 2019.
- As reported by Dominion, DEV's base rate financial results for calendar year 2019 reflect an actual earned return on equity ("ROE") of 8.03%, combined for generation and distribution. This earned ROE is below the 9.20% base ROE approved to apply to the earnings test in DEV's 2021 triennial review, as shown in the following table in percentage points and revenue dollars:

¹ For purposes of this report, a typical residential bill is based on usage of 1,000 kilowatt-hours ("kWh") per month.

2019 Earnings Above Authorized Levels

<u>Percentage Points</u>	<u>Revenues</u>
-1.17%	-\$75.4 million ²

- As reported by Dominion, DEV's combined base rate financial results for calendar years 2017 through 2019 reflect an actual earned ROE of 11.79%. This earned ROE is above the 9.20% base ROE approved to apply to the earnings test in DEV's 2021 triennial review, as shown in the following table in percentage points and revenue dollars:

2017–2019 Earnings Above Authorized Levels

	<u>Earned ROE</u>	<u>Revenues in Excess of a 9.20% ROE</u>
2017	13.84%	\$300.8 million
2018	13.47%	\$277.3 million
2019	8.03%	<u>-\$75.4 million</u>
Combined 2017-2019	11.79%	\$502.7 million

- As of June 30, 2020, DEV has made \$199.9 million of Virginia jurisdictional investments in wind and distribution grid transformation projects that it states are eligible for use as a potential customer credit reinvestment offset pursuant to Code § 56-585.1 A 8.
- While Dominion's 2020 base rate financial results are not yet known, DEV recorded significant costs totaling \$630.7 million on a Virginia jurisdictional basis in the first quarter of 2020 associated with the announced early retirement of Chesterfield Power Station Units 5 and 6 and Yorktown Power Station Unit 3. These significant charges could reduce DEV's 2020 earned ROE by more than 9 percentage points and the combined earned ROE for 2017-2020 by more than 2 percentage points.

² Dominion earned a positive return on equity of 8.03% during 2019; however, this earned return was below the 9.20% ROE authorized by the Commission by 1.17 percentage points or \$75.4 million in revenues.

I.
INTRODUCTION

COVID-19

Like all government agencies, the Commission has been impacted by the coronavirus national health emergency. The Commission has continued operations with changes to operating procedures to protect the public and Commission employees, including increased employee teleworking and increased use of electronic filings and electronic hearings in Commission proceedings.

To ensure continued operations of critical services to residential, business, and government customers during the health emergency, the Commission certified providers in the electric, gas, telecommunications, water, and sewer industries in Virginia as critical infrastructure industry workers.³ This designation means that utility service providers and their workers receive priority status to obtain resources necessary to continue uninterrupted delivery of vital services to Virginians.

The Commission also provided relief for customers financially impacted by the health emergency. On March 16, 2020, the Commission directed regulated electric, natural gas and water companies in Virginia to suspend service disconnections for 60 days.⁴ On April 9, 2020, the Commission extended the suspension of service disconnections for an additional 30 days and clarified that late payment fees shall not be

³ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: Certification of Critical Infrastructure Industry Workers*, Case No. PUR-2020-00052, Doc. Con. Cen. No. 200330095, Order Certifying Critical Infrastructure Workers (Mar. 23, 2020) and Doc. Con. Cen. No. 200330125, Order Certifying Additional Critical Infrastructure Workers (Mar. 24, 2020).

⁴ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: Temporary Suspension of Tariff Requirements*, Case No. PUR-2020-00048, Doc. Con. Cen. No. 200320175, Order Suspending Disconnection of Service and Suspending Tariff Provisions Regarding Utility Disconnections of Service (Mar. 16, 2020).

assessed during the suspension.⁵ On June 12, 2020, the moratorium on disconnections was extended a third time until August 31, 2020, to give the Virginia General Assembly ("General Assembly") and the Governor an opportunity to address the economic impact of the crisis on utility customers.⁶

The Commission remains very sensitive to the effects of proposed rate increases on customers, especially in times such as these. The Commission, however, must and will follow the laws applicable to each case, as well as the findings of fact supported by evidence in the record.

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 the laws enacted by the 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.⁷ The number of Virginia jurisdictional customers by utility is shown below:⁸

⁵ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: Temporary Suspension of Tariff Requirements*, Case No. PUR-2020-00048, Doc. Con. Cen. No. 200410196, Order Extending Suspension of Service Disconnections (Apr. 9, 2020).

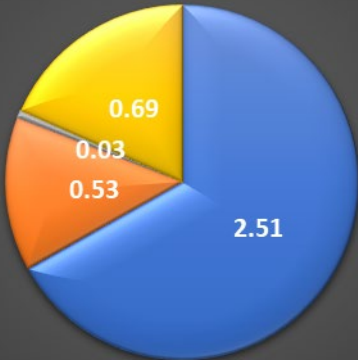
⁶ *Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: Temporary Suspension of Tariff Requirements*, Case No. PUR-2020-00048, Doc. Con. Cen. No. 200630135, Order on Suspension of Service Disconnections (June 12, 2020).

⁷ Non-jurisdictional utilities, such as municipal electric utilities, also provide service in Virginia.

⁸ 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.

Number of Customers

in millions

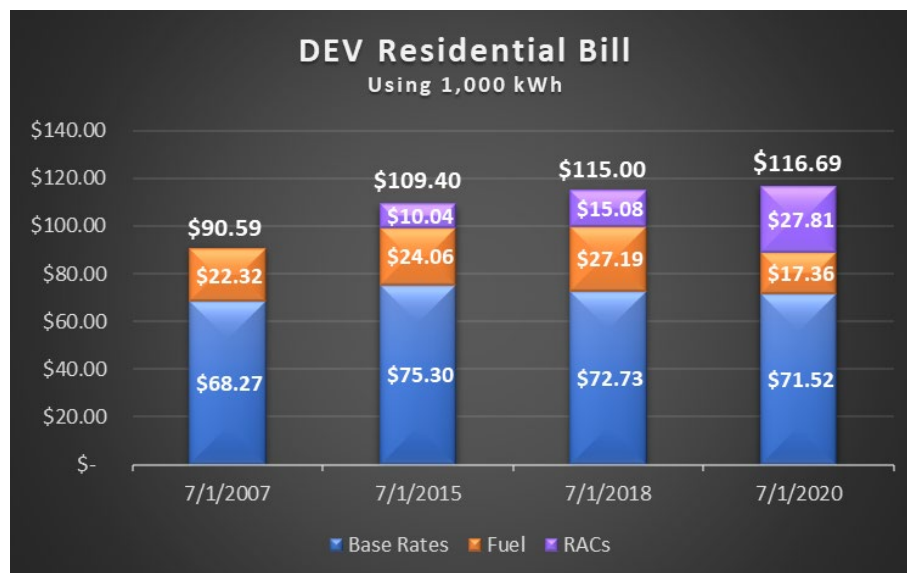


DEV APCo KU/ODP Cooperatives

II. RATE IMPACT

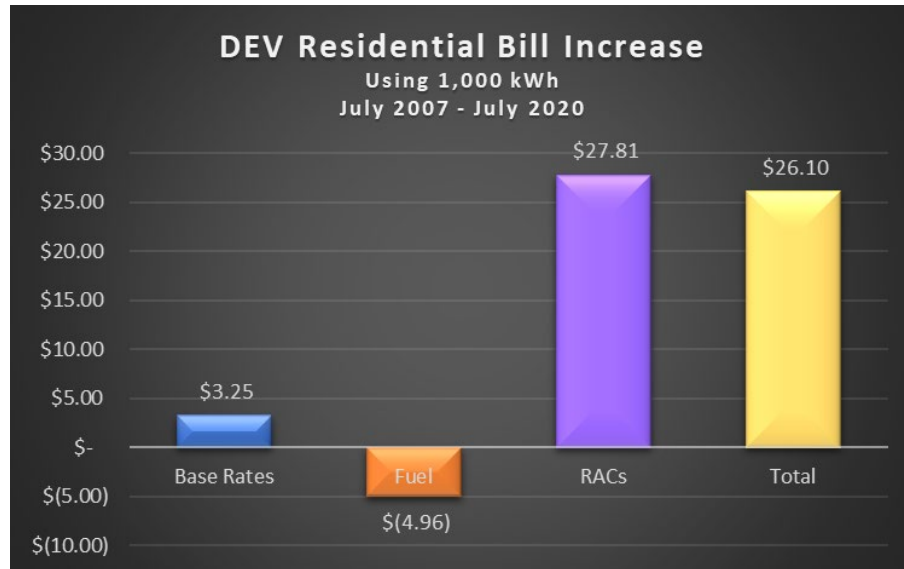
DEV Typical Residential Bill

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 Grid Transformation and Security Act (July 1, 2018),⁹ and the current year (July 1, 2020) for a typical residential customer using 1,000 kWh per month.



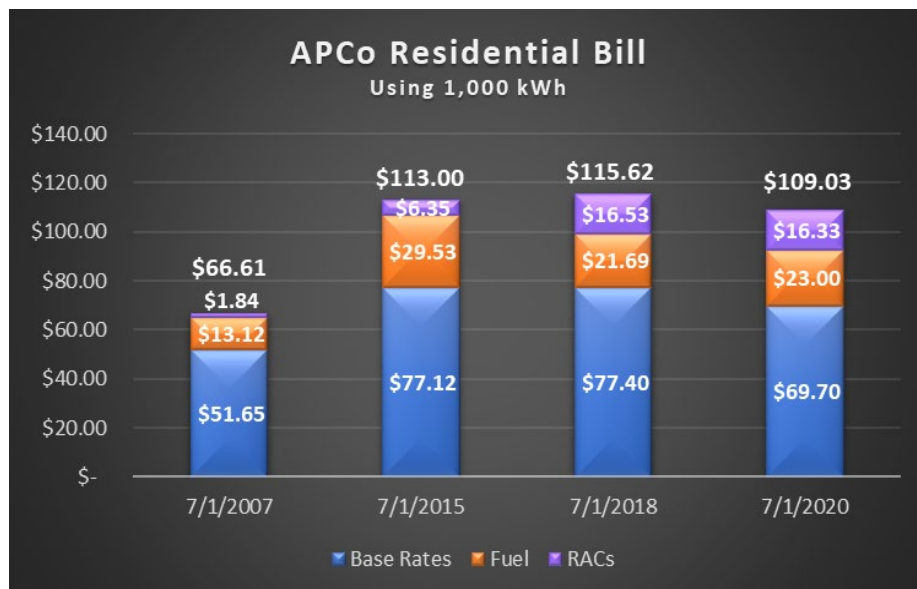
As the chart above indicates, DEV's monthly residential bill was \$90.59 as of July 1, 2007. The bill has increased \$26.10 (28.81%) to \$116.69 per month as of July 1, 2020. As reflected on the chart below, the RAC component of the bill experienced the largest increase during this time.

⁹ Senate Bill 966, 2018 Virginia Acts of Assembly Chapter 296 ("GTSA," "Senate Bill 966," or "SB 966").

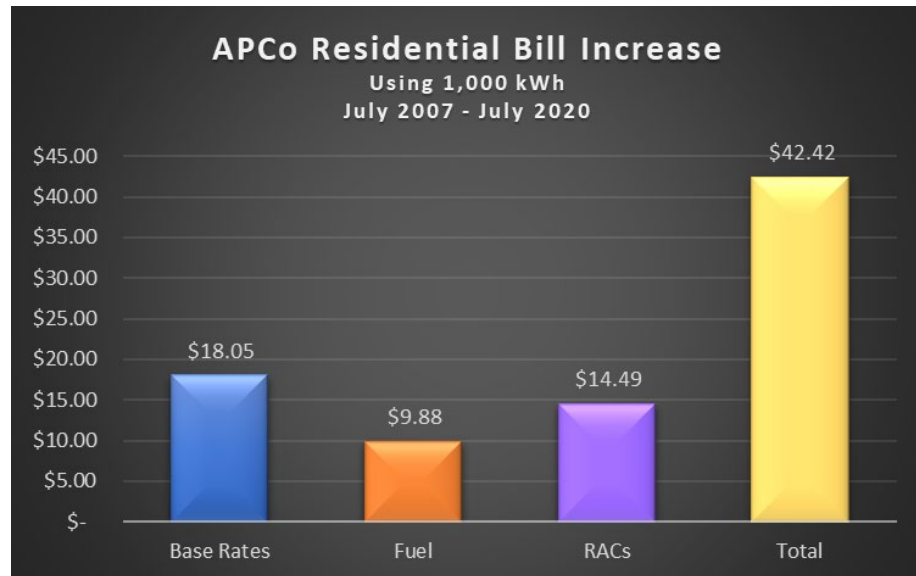


APCo Typical Residential Bill

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, 2020) 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 \$42.42 (63.68%) to \$109.03 per month as of July 1, 2020. As reflected on the chart below, the base rate component of the bill experienced the largest increase during this time.



DEV Rate and Capital Outlook

The 2020 General Assembly enacted the VCEA and other significant legislation.¹⁰ In addition to establishing certain new requirements and mandates, the VCEA and other legislation modified some, but not all, of the legislative mandates included in the GTSA. Among other things, the VCEA establishes a mandatory renewable portfolio standard program, a carbon trading program, a percentage of income payment program for low-income customers, and an energy efficiency resource

¹⁰ Senate Bill 851, 2020 Virginia Acts of Assembly Chapter 1194, and House Bill 1526, Virginia Acts of Assembly Chapter 1193.

standard.¹¹ For DEV, the VCEA also declares the construction or purchase of 16,100 megawatts ("MW") of solar and onshore wind, 5,200 MW of offshore wind, and 2,700 MW of energy storage resources to be in the public interest and requires the retirement of all carbon-emitting resources by 2045. Additionally, the VCEA states that nothing in the VCEA requires the Commission to take any action that threatens the reliability or security of electric service.

2020 Integrated Resource Plan

In an Order issued in Dominion's 2020 IRP proceeding on March 9, 2020, the Commission directed DEV to model the costs and reliability impacts of the VCEA and other relevant legislation in its 2020 IRP.¹² Specifically, the Commission directed that DEV's 2020 IRP shall do the following, among other things:

Model the mandates and requirements of the VCEA and other relevant legislation based on the best available information, using reasonable and appropriately documented assumptions if necessary;

The Commission also directed DEV to:

Calculate separately the annual bill impacts of the least cost plan, the VCEA, and additional legislation over each of the next ten years as compared to the bill of a residential customer using 1,000 kilowatt-hours per month as of May 1, 2020, including not only generation costs but also transmission and distribution costs;

¹¹ The 2020 General Assembly also enacted the Clean Energy and Community Flood Preparedness Act which authorizes Virginia to join the Regional Greenhouse Gas Initiative, a multi-state cap and trade agreement that applies to carbon dioxide emissions from certain electric power plants. Senate Bill 1027, 2020 Virginia Acts of Assembly Chapter 1280, and House Bill 981, 2020 Virginia Acts of Assembly Chapter 1219.

¹² *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-2020-00035, Doc. Con. Cen. No. 200320013, Order (Mar. 9, 2020).

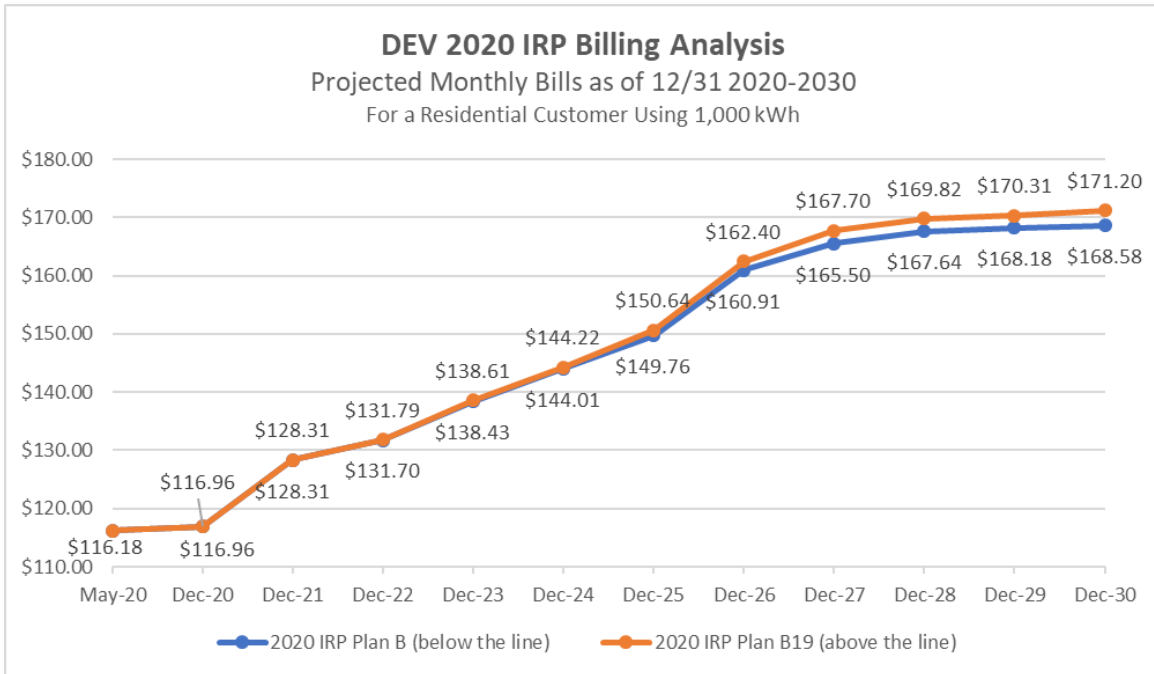
As required by the Commission's March 9, 2020, Order, DEV's 2020 IRP included a Virginia residential bill analysis ("Billing Analysis") showing projected annual impacts to a residential bill over the next ten years, as compared to the bill of a residential customer using 1,000 kWh per month as of May 1, 2020, of \$116.18. Based on DEV's Billing Analysis, the monthly bill of a Virginia residential customer using 1,000 kWh per month is projected to be between \$168.58 and \$171.20 by 2030, an increase of between \$52.40 and \$55.02 per month over the May 1, 2020, typical residential bill (or an estimated annual increase of \$628.80 to \$660.24).^{13 14} The following chart shows the projected monthly residential bills for each year from 2020 through 2030 as presented in DEV's Billing Analysis.^{15 16}

¹³ See 2020 IRP May 14, 2020 Supplement at page 5.

¹⁴ The projected monthly bill increases of \$52.40 and \$55.02 are based on the 2020 IRP Alternative Plans B and B₁₉, respectively. Plans B and B₁₉ assume solar capacity factors of 25% and 19%, respectively, but otherwise use the same assumptions. See 2020 IRP Supplement at page 1 (May 14, 2020).

¹⁵ See 2020 IRP Revised Public Version of Virginia Addendum 1 (June 3, 2020) and Supplement, Plan B at page 2 of 2, and Plan B₁₉ at page 2 of 2 (May 14, 2020).

¹⁶ The results of DEV's Billing Analysis provided in this report are subject to investigation and litigation in the Company's pending 2020 IRP proceeding and have not yet been ruled on by the Commission.



2020 Investor Presentations

In addition to the information presented in its 2020 IRP, Dominion Energy, Inc., made a presentation to investors on May 4, 2020.¹⁷ As summarized in the following table, this May 4, 2020, investors presentation identified total potential DEV capital investments of \$50 to \$59 billion through 2035, which could increase DEV's total system net rate base by as much as 246% based on net rate base on December 31, 2019 of \$24 billion.^{18 19}

¹⁷ https://s2.q4cdn.com/510812146/files/doc_financials/2020/q1/2020-05-05-DE-IR-Q1-2020-earnings-call-slides-vTCIII.pdf. Dominion Energy, Inc., is the parent company of DEV.

¹⁸ The Virginia jurisdictional portion of DEV's total system net rate base is approximately \$19.2 billion, or 80%.

¹⁹ Investments identified in the May 4, 2020, investors presentation appear to be consistent with the Billing Analysis presented in DEV's 2020 IRP.

**May 4, 2020 Investor Presentation
Potential DEV Capital Investments
2020 through 2035**

	<u>Potential Investment 2020-2035</u>
Solar and Onshore Wind	\$19 Billion
Offshore Wind	\$8 - \$17 Billion
Energy Storage	<u>\$7 Billion</u>
 Subtotal	 \$34 - \$43 Billion ²⁰
 Transmission, nuclear relicensing, undergrounding, grid modernization, renewable-enabling quick start generation	 <u>Up to \$16 Billion</u> ²¹
 Total Potential Investment 2020-2035	 \$50 to \$59 Billion
 DEV System Net Rate Base as of 12/31/2019	 <u>\$24 Billion</u>
 Potential Increase of DEV System Net Rate Base	 208% to 246%

On July 5, 2020, Dominion Energy, Inc., made an additional investor update presentation identifying estimated growth capital investment from 2020 through 2035 of up to \$55 billion, including \$47 billion of investment in zero-carbon generation and storage resources.^{22 23}

²⁰ Of this amount, the May 4, 2020, investors presentation identified \$9.9 billion of investments to be made in the shorter-term from 2020 through 2024, composed of \$5.5 billion of solar and onshore wind, \$3.5 billion of offshore wind, and \$0.9 billion of energy storage.

²¹ The up to \$16 billion included in the investors presentation only includes potential investments from 2020 through 2030.

²² Zero-carbon generation and storage resources are defined in the July 5, 2020, investor update presentation to include wind, solar, battery, and nuclear re-licensing projects.

²³ https://s2.q4cdn.com/510812146/files/doc_presentations/2020/06/2020-07-05-DE-IR-investor-update-presentation-vTC.pdf

III.
BASE RATE FINANCIAL RESULTS

DEV 2019 Base Rate Financial Results

During 2020, in response to requests from Commission Staff ("Staff") pursuant to Code § 56-36, DEV provided certain analyses of its combined generation and distribution base rate financial results for calendar year 2019 on a regulatory accounting basis.

Pursuant to Senate Bill 966, calendar year 2019 is the third test period of DEV's first triennial review to be filed with the Commission in 2021.²⁴

DEV's analysis reflects a combined base rate generation and distribution ROE of 8.03% for 2019.²⁵ ²⁶ The following table provides a breakdown of DEV's 2019 generation and distribution base rate earnings:

DEV 2019 Earned Return on Equity

<u>Generation</u>	<u>Distribution</u>	<u>Combined</u>
14.56%	1.38%	8.03%

²⁴ 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."

²⁵ A 0.01 percentage point of ROE is worth approximately \$644,000 in combined generation and distribution annual revenues for DEV in 2019 provided by its customers through payment of their electric bills.

²⁶ This 2019 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 2019 earnings in its first triennial review. Interested parties will have an opportunity to participate in that proceeding. The 2019 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 2019 combined generation and distribution earned ROE is below the 9.20% base ROE approved by the Commission in Case No. PUR-2019-00050 to be used to measure earnings in DEV's first triennial review.²⁷ The following table provides a breakdown of DEV's 2019 earnings in both percentage points and revenues:

**DEV 2019 Earnings in Excess of or Below a 9.20% ROE
(Revenues in Millions of Dollars)**

	<u>Generation</u>	<u>Distribution</u>	<u>Combined</u>
Percentage Points	+5.36%	-7.82%	-1.17%
Revenues	+\$174.4	-\$249.8	-\$75.4 ²⁸

Section 56-585.1 A 8 of the Code, as amended by the GTSA, states that 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 ("AMR") electric distribution service meters;²⁹

²⁷ *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, 2019 S.C.C. Ann. Rept. 400, Final Order (Nov. 21, 2019).

²⁸ Dominion earned a positive return on equity of 8.03% during 2019; however, this earned return was below the 9.20% ROE authorized by the Commission by 1.17 percentage points or \$75.4 million in revenues.

²⁹ The 2020 General Assembly, however, enacted legislation requiring the Commission to determine the amortization period for recovery of any appropriate costs due to the early retirement of electric generation facilities owned or operated by DEV or APCo. House Bill 528, 2020 Virginia Acts of Assembly Chapter 662. Specifically, House Bill 528 provides:

Notwithstanding any other provision of law, the [Commission] shall determine the amortization period for recovery of any appropriate costs due to the early retirement of any electric generation facilities owned or operated by any Phase I Utility or Phase II Utility, as such terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia. In making such determination, the [Commission] shall (i) perform an independent analysis of the remaining undepreciated capital costs; (ii) establish a recovery period that best serves ratepayers; and (iii) allow for the recovery of any carrying costs that the Commission deems appropriate.

- 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 2019, DEV recorded costs in base rate cost of service related to the early retirement of generation facilities and AMR electric distribution meters as well as costs related to coal combustion by-product management, as summarized in the following table and described in greater detail below.

**2019 DEV Per Books Expenses
Pursuant to Code § 56-585.1 A 8
(In Millions of Dollars)**

	Virginia Jurisdictional <u>Amount</u>	Impact to 2019 <u>Earned ROE</u>
Early Retirement of Generation Facilities	\$263.7	-4.09%
Early Retirement of AMR Meters	\$144.8	-2.25%
Coal Combustion By-Product Management	<u>-\$89.8</u>	<u>1.39%</u>
Total Per Books Expenses	<u>\$318.7</u>	<u>-4.95%</u>

On March 25, 2019, DEV announced immediate retirement of 11 fossil fuel-fired generating units as well as the retirement of an additional fossil fuel-fired generating unit in 2021.³⁰ As a result of these early retirement determinations, DEV recognized the

³⁰ Specifically, DEV announced the immediate retirement of Possum Point Units 3 and 4 (natural gas); Brems Units 3 and 4 (natural gas); Chesterfield Units 3 and 4 (coal); Mecklenburg Units 1 and 2 (coal);

remaining value of the generating units as period costs on its books in 2019 in the amount of \$263.7 million on a Virginia jurisdictional basis.³¹ This cost reduced DEV's 2019 earned ROE by 4.09 percentage points.³² During 2019, DEV also recognized approximately \$144.8 million as period costs on a Virginia jurisdictional basis associated with the early retirement of its AMR electric distribution service meters, which served to reduce DEV's 2019 earned ROE by 2.25 percentage points.³³

During 2019, DEV recognized a reduction to expense in base rate cost of service of \$89.8 million on a Virginia jurisdictional basis associated with coal combustion by-product management, which increased DEV's 2019 earned ROE by approximately 1.39 percentage points.³⁴ Dominion stated that, in March 2019, the Governor signed into law legislation ("Senate Bill 1355") that requires any coal combustion residuals ("CCR") unit located at the Company's Bremo, Chesapeake, Chesterfield, and Possum Point power stations that stopped accepting CCR prior to July 2019 be closed by removing the CCR to an approved landfill or through recycling for beneficial reuse.³⁵ DEV previously

Bellemeade Units 1 and 2 (natural gas); and Pittsylvania Unit 1 (wood). DEV also announced the early retirement of Possum Point Unit 5 (oil) to occur in 2021.

³¹ This type of cost is referred to in § 56-585.1 A 8 of the Code as an asset impairment. By recognizing the remaining value of these units in 2019, the cost of such units is no longer on DEV's books going-forward.

³² House Bill 528 may impact how much of the \$263.7 million DEV will be permitted to recognize as a period cost in the 2019 earnings test and may impact the earnings presented herein.

³³ By recognizing the remaining value of these units in 2019, the cost of such AMR meters is no longer on DEV's books going-forward.

³⁴ The \$89.8 million reduction to Virginia jurisdictional expense is composed of a \$96 million downward adjustment to certain asset retirement obligations included in base rate cost of service, offset in part by the recognition of \$6 million of on-going base rate asset retirement obligation accretion and depreciation costs.

³⁵ 2019 Virginia Acts of Assembly Chapter 651.

recorded costs in base rate cost of service beginning in 2015 associated with closure in place plans for CCR at its Bremo, Chesapeake, and Possum Point power stations pursuant to the Environmental Protection Agency's ("EPA") Coal Combustion Residual Rule.³⁶ As a result of Senate Bill 1355, DEV made downward revisions to base rate cost of service in 2019 to remove the costs recognized under prior closure in place plans. DEV also recorded new costs associated with its Bremo, Chesapeake, and Possum Point power stations to be recovered through a future rate adjustment clause pursuant to Senate Bill 1355.

DEV Combined 2017-2019 Base Rate Financial Results

Section 56-585.1 A 8 (b) of the Code, as amended by the GTSA, requires the Commission to measure earnings for the four combined test periods of 2017 through 2020 in DEV's first triennial review to be filed in 2021. The following table presents a summary of DEV's combined earnings for the first three test periods of 2017 through 2019.^{37 38}

³⁶ EPA's Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities; Final Rule. 80 Fed. Reg. 20,301 (Apr. 17, 2015).

³⁷ The 2017-2019 earned ROE is based on information provided by DEV in response to requests from Staff during 2018, 2019, and 2020. 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 earnings in its first triennial review. Interested parties will have an opportunity to participate in that proceeding. The earned ROE determined by the Commission in the first triennial review may differ from the information provided by DEV and included in this report.

³⁸ A 0.01 percentage point of ROE for the combined period of 2017-2019 is worth approximately \$1.94 million in combined generation and distribution revenues for the combined three-year period of 2017-2019.

**DEV 2017-2019 Generation and Distribution
Earned Return on Equity
(Revenues in Millions of Dollars)**

	<u>Earned ROE</u>	<u>Revenues in Excess of 9.20% ROE</u>
2017	13.84%	\$300.8
2018	13.47%	\$277.3
2019	8.03%	-\$75.4 ³⁹
Combined 2017-2019	11.79%	\$502.7

As explained above, this section of the Code, as amended by the GTSA, states that certain early retirement,⁴⁰ coal combustion by-product management, severe weather event, and natural disaster costs are deemed to be fully recovered in the test period in which they were recorded per books by DEV for financial reporting purposes. The following table summarizes these costs and their impact on the combined earned ROE for 2017 through 2019.

³⁹ Dominion earned a positive return on equity of 8.03% during 2019; however, this earned return was below the 9.20% ROE authorized by the Commission by 1.17 percentage points or \$75.4 million in revenues.

⁴⁰ As previously noted, legislation passed by the 2020 General Assembly (House Bill 528) directs the Commission to determine the amortization period for certain early retirement costs, which may impact the results presented herein.

2017-2019 DEV Per Books Expenses

Pursuant to Code § 56-585.1 A 8

Virginia Jurisdictional

(In Millions of Dollars)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	Total 2017-2019 <u>Amount</u>	Impact to 2017-2019 <u>Earned ROE</u>
Severe Weather Events	\$0.0	\$43.5	\$0.0	\$43.5	-0.22%
Early Retirement of Generation Facilities	\$0.0	\$0.0	\$263.7	\$263.7 ⁴¹	-1.36%
Early Retirement of AMR Meters	\$0.0	\$0.0	\$144.8	\$144.8	-0.75%
Coal Combustion By-Product Management	<u>\$10.8</u>	<u>\$77.2</u>	<u>-\$89.8</u>	<u>-\$1.8</u>	<u>+0.02%</u>
Total Per Books Expenses 2017-2019	<u>\$10.8</u>	<u>\$120.7</u>	<u>\$318.7</u>	<u>\$450.2</u>	<u>-2.31%</u>

This section of the Code also requires the Commission 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. Using this statutory calculation, the following table shows potential customer refunds based on combined 2017 through 2019 earnings and an ROE of 9.90% (9.20% authorized by the Commission plus 70 basis points).⁴²

⁴¹ As explained in greater detail below, Dominion recorded significant additional costs in the first quarter of 2020 of \$630.7 million associated with the announced early retirement of Chesterfield Units 5 and 6 and Yorktown Unit 3. In total, Dominion has recorded costs associated with early generation retirements over 2019-2020 of \$894.4 million.

⁴² Prior reports of the status of the Regulation Act have assumed a 35% federal corporate income tax rate to present 2017 earnings on a revenue basis. However, the federal corporate income tax rate was reduced to 21% effective January 1, 2018. All combined 2017-2019 revenue and refund amounts calculated and presented herein assume a 21% federal corporate income tax rate.

**DEV Potential Customer Refunds
Based on 2017 - 2019 Combined Earnings
(In Millions of Dollars)**

Revenues in Excess of 9.90% ROE (9.20% plus 70 basis points)	\$366.8
30% Retained by DEV	<u>-\$110.0</u>
70% Customer Refund	<u>\$256.8</u>

Pursuant to §§ 56-585.1 A 6 and 56-585.1 A 8 (d) of the Code, the Commission, at the request of DEV, shall determine the amount by which customer refunds are to be offset due to certain capital investments in solar, wind, energy storage, and distribution grid transformation projects.⁴³ This is referred to in the Code as the "customer credit reinvestment offset." As shown in the following chart as of June 30, 2020, DEV made \$199.9 million of investments in wind and distribution grid transformation projects on a Virginia jurisdictional basis that it states are eligible for use as a potential customer credit reinvestment offset.⁴⁴

⁴³ Under Code § 56-585.1 A 8 (d), to the extent Dominion has excess earnings above 9.90% after application of any customer credit reinvestment offsets, "70 percent of the amount of such excess shall be credited to customer bills as provided in subdivision 8 b in connection with the triennial review proceeding."

⁴⁴ The \$199.9 million customer credit reinvestment offset balance as of June 30, 2020 only includes investments that have been approved by the Commission.

**Eligible Customer Credit Reinvestment Offsets
Virginia Jurisdictional as of June 30, 2020
(In Millions of Dollars)**

Coastal Virginia Offshore Wind Project	\$182.6
Grid Transformation Projects	<u>\$17.3</u>
Total as of June 30, 2020	<u>\$199.9</u>

DEV 2020 Base Rate Financial Outlook

With regard to expected distribution function earnings for calendar year 2020, the final test period of DEV's first triennial review to be filed in 2021, DEV stated that it is difficult to predict the earned return given the unpredictability of major storm activity and certain other components of the cost of service. For the generation function, DEV stated that it is difficult to predict the 2020 earned return given the unpredictability of legislation and environmental regulations impacting operations, among other things. DEV also stated that it has recorded significant additional costs associated with early retirements of fossil fuel-fired generating facilities in the first quarter of 2020. Specifically, these costs total \$630.7 million on a Virginia jurisdictional basis and are associated with the announced early retirement of Chesterfield Power Station Units 5 and 6 (coal) and Yorktown Power Station Unit 3 (oil).⁴⁵ These significant charges could reduce DEV's 2020 earned ROE by more than 9 percentage points and the combined earned ROE for 2017-2020 by more than 2 percentage points.⁴⁶

⁴⁵ By recognizing the remaining value of these units in 2020, the cost of such generating units is no longer on DEV's books going-forward.

⁴⁶ As previously noted, House Bill 528 may further impact these results.

APCo 2017-2019 Base Rate Financial Results

In its 2018 and 2019 reports on the status of implementation of the Regulation Act, the Commission reported earned ROEs for APCo of 11.31% for 2017 and 9.89% for 2018, based on analysis provided by APCo in response to requests from Staff. Calendar years 2017 and 2018 are the first two test periods of APCo's first triennial review.⁴⁷ The Commission noted in the prior reports that it had not conducted an audit or investigation of these earned returns provided by APCo, and that an audit would occur as part of APCo's first triennial review.

On March 31, 2020, APCo filed with the Commission its first triennial review, docketed as Case No. PUR-2020-00015, which is currently pending before the Commission.⁴⁸ APCo presented a generation and distribution base rate earned ROE of 8.24% for the combined test periods of 2017 through 2019, which is below the 9.42% ROE approved by the Commission in Case No. PUR-2018-00048 to be used to measure earnings in APCo's first triennial review.⁴⁹ On July 30, 2020, Appalachian Voices; Sierra Club; the Kroger Co.; the Old Dominion Committee for Fair Utility Rates; Walmart, Inc.; Steel Dynamics, Inc.; and the Office of the Attorney General, Division of Consumer Counsel filed testimony in the proceeding. Staff filed testimony on August 13, 2020.

The testimonies of Staff and other parties raised various issues and presented alternative

⁴⁷ 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."

⁴⁸ *Application of Appalachian Power Company, For a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia*, Case No. PUR-2020-00015.

⁴⁹ *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, Doc. Con. Cen. No. 181120212, Final Order (Nov. 7, 2018).

earned ROEs for 2017 through 2019 that differ from the 8.24% earned ROE reported by APCo. APCo's rebuttal testimony is expected to be filed on August 28, 2020. A public hearing is scheduled to convene on September 14, 2020. A Final Order is due from the Commission on or before November 30, 2020 in which it will make a determination on APCo's earned ROE for the combined test periods of 2017 through 2019. The Commission will report on its determinations resulting from APCo's first triennial review in next year's report.

IV.
CURRENT STATUS OF THE REGULATION ACT

Since the Commission's August 29, 2019 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, 2019, or pending at the time of this report.⁵⁰

Renewable Energy Cases

Below is a table summarizing the renewable energy cases decided or pending at the time of this report.⁵¹ A description of each proceeding follows the table.

<u>Company</u>	<u>Topic</u>	<u>Approved?</u>	<u>Code Section</u>	<u>Case No.</u>
DEV	US-4 Solar Project	Yes	§ 56-585.1 A 6	PUR-2019-00105
DEV	Westmoreland Solar PPA	Yes	§ 56-585.1:4 F	PUR-2019-00133
DEV	US-3 Solar Projects (Update)	Pending	§ 56-585.1 A 6	PUR-2020-00122
DEV	US-4 Solar Project (Update)	Pending	§ 56-585.1 A 6	PUR-2020-00123
DEV, KU/ODP	Regulations for a multi-family shared solar program	Pending	§ 56-585.1:12	PUR-2020-00124
DEV	Regulations for a shared solar program	Pending	§ 56-594.3	PUR-2020-00125

⁵⁰ Copies of the Commission's full orders, as well as access to publicly-filed case documents, are available at the Commission's website: <https://scc.virginia.gov/pages/Case-Information>, by clicking "Docket Search," and clicking "Search By Case Information," and entering the case number in the appropriate box.

⁵¹ Retail access cases involving renewable energy are addressed in the "Retail Access" section of this report.

Decisions

- DEV US-4 Solar Project and Associated RAC: DEV sought approval of the US-4 Solar Project and associated cost recovery. Recognizing that the US-4 Project is not needed to serve load growth in the short-term, the Commission found the facilities will assist DEV's compliance with future carbon regulations and provide environmental attributes. Because customers bear the risk of excessive costs with a self-build project, the Commission's approval was subject to a performance guarantee. (Order Granting Certificate, Jan. 22, 2020; Order Approving Rate Adjustment Clause, Apr. 13, 2020).
- DEV Westmoreland Solar PPA: Dominion sought a prudence determination with respect to the Company's proposed Westmoreland Solar Power Purchase 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 prudence determination. (Final Order, Nov. 6, 2019).

Pending Cases

- DEV US-3 Solar Projects and Associated RAC: DEV is seeking approval of an annual update to its RAC for cost recovery associated with its US-3 Solar Projects. (Filed July 1, 2020).
- DEV US-4 Solar Project and Associated RAC: DEV is seeking approval of an annual update to its RAC for cost recovery associated with its US-4 Solar Project. (Filed July 1, 2020).
- Regulations for a multi-family shared solar program (DEV and KU/ODP): As required by legislation passed by the 2020 General Assembly,⁵² the Commission established a proceeding for the consideration of regulations affording DEV and KU/ODP customers the opportunity to participate in a subscription-based multi-family shared solar program. (Order Directing Comment, July 1, 2020).
- Regulations for a shared solar program (DEV): As required by legislation passed by the 2020 General Assembly,⁵³ the Commission established a proceeding for the consideration of a regulation affording DEV customers the opportunity to participate in a subscription-based shared solar project. (Order Directing Comment, July 1, 2020).

⁵² House Bill 572, 2020 Virginia Acts of Assembly Chapter 1188, House Bill 1184, 2020 Virginia Acts of Assembly Chapter 1189, House Bill 1647, 2020 Virginia Acts of Assembly Chapter 1239, and Senate Bill 710, 2020 Virginia Acts of Assembly Chapter 1187.

⁵³ House Bill 1634, 2020 Virginia Acts of Assembly Chapter 1238 and Senate Bill 629, 2020 Virginia Acts of Assembly Chapter 1264.

Energy Storage Cases

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

<u>Company</u>	<u>Topic</u>	<u>Approved?</u>	<u>Code Section</u>	<u>Case No.</u>
DEV	Battery Storage Pilot Program	Yes	§ 56-585.1:6	PUR-2019-00124
DEV, APCo	Energy Storage Regulations	Pending	§ 56-585.5 E 5	PUR-2020-00120

Decisions

- DEV Battery Storage Pilot Program: The Commission approved DEV's request for three battery energy storage systems to participate in Dominion's battery storage pilot program established under the GTSA. (Final Order, Feb. 14, 2020).

Pending Cases

- DEV/APCo Energy Storage Regulations: As required by the VCEA, the Commission established a proceeding for the consideration of regulations related to recently-adopted energy storage targets. (Order Establishing Proceeding, June 29, 2020).

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.

<u>Company</u>	<u>Topic</u>	<u>Approved?</u>	<u>Code Section</u>	<u>Case No.</u>
DEV	Updated Rider E	Pending	§ 56-585.1 A 5	PUR-2020-00003

Pending Cases

- DEV Rider E: DEV filed a request for approval of an updated Rider E to recover certain coal ash-related environmental costs. (Filed Jan. 8, 2020).

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.

<u>Company</u>	<u>Topic</u>	<u>Approved?</u>	<u>Code Section</u>	<u>Case No.</u>
Wal-Mart	Aggregation	No	§ 56-577 A 4	PUR-2017-00173; PUR-2017-00174
DEV	100% Renewable Tariff	Yes	§ 56-577 A 5	PUR-2019-00094
Multiple	Third Party Power Purchase Agreements Pilot	Pending	n/a	PUR-2020-00081
DEV	Aggregation Pilot	Pending	n/a	PUR-2020-00114

Decisions

- Wal-mart/Sam's Aggregation (Case No. PUR-2017-00173 (Dominion territory), PUR-2017-00174 (APCo territory): The Supreme Court of Virginia affirmed the Commission's decision to deny Walmart's request to aggregate its demand to obtain service from a competitive service provider. (*Wal-mart Stores East, LP v. State Corp. Comm'n.*, 844 S.E.2d 676 (July 9, 2020)).
- DEV 100% Renewable Tariff (Rider TRG): The Commission approved Dominion's proposed 100% renewable tariff. Approval limits the ability of customers in DEV's service territory to purchase renewable energy from competitive suppliers under Code § 56-577 A 5. (Order Approving Tariff, July 2, 2020) (on appeal).

Pending Cases

- Third Party PPA Pilot: Pursuant to the VCEA, existing pilot programs for third party sales of electricity from certain renewable facilities to utility customers through PPAs were expanded in both Dominion and APCo's service territories. The legislation also expanded the pilot programs to be applicable to KU/ODP's service territory. The Commission authorized pre-registration of participants up to certain caps and provided for such pre-registrations to become effective on and after July 1, 2020, concurrent with the effective date of the legislation. (Order Authorizing Pilot Capacity Pre-Registrations, May 7, 2020).

- **DEV Aggregation Pilot:** Pursuant to legislation passed by the 2020 General Assembly,⁵⁴ the Commission established a pilot program through which nonresidential customers that had previously sought to aggregate their load pursuant to Code § 56-577 A 4 in Dominion's service territory would be permitted to purchase electric energy from a competitive supplier, subject to an overall cap of 200 MW of load participating in the Pilot. (Order on Pilot Program, June 9, 2020).⁵⁵

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-2019-00201
APCo	Energy Efficiency RAC	Yes	§ 56-585.1 A 5	PUR-2019-00122

Decisions

- **DEV Energy Efficiency RAC:** DEV sought, and was granted, approval of 11 new programs and cost recovery associated with new and existing programs. Among other things, the Commission approved one of the programs under House Bill 2789, passed during the 2019 General Assembly Session, that required Dominion to implement a program targeting low income, elderly and disabled individuals in an amount not to exceed \$25 million. The Commission found that proposed spending of \$173.5 million on the approved programs would count towards the \$870 million of spending referenced in Code § 56-596.2. The Commission also indicated it would subsequently initiate a new proceeding, specific to Dominion,

⁵⁴ House Bill 889, 2020 Virginia Acts of Assembly Chapter 796.

⁵⁵ The Commission has also issued decisions in several declaratory judgment proceedings involving the implementation of retail access under Code § 56-577. *Petition of Constellation NewEnergy, Inc., For a declaratory judgment*, Case No. PUR-2020-00072, Doc. Con. Cen. No. 200550191, Final Order (May 29, 2020); *Petition of Direct Energy Business LLC, For a declaratory judgment and injunctive relief against Virginia Electric and Power Company d/b/a Dominion Energy Virginia*, Case Nos. PUR-2020-00013, PUR-2020-00044, Doc. Con. Cen. No. 200710057, Order (July 2, 2020); *Petition of Pilgrim's Pride Corporation, For a declaratory judgment*, Case No. PUR-2019-00216, Doc. Con. Cen. No. 200420064, Final Order (Apr. 16, 2020); *Petition of Virginia Electric and Power Company, For a declaratory judgment*, Case Nos. PUR-2019-00117, PUR-2019-00118, 2019 S.C.C. Ann. Rept. 469, Final Order (Sept. 18, 2019).

to consider issues related to the Dominion's evaluation, measurement and verification of realized savings from its energy efficiency programs. (Final Order, July 30, 2020).

- APCo Energy Efficiency RAC: APCo sought, and was granted, approval of three new programs and cost recovery associated with the new and existing programs. The Commission found that the spending for the new programs should be applied towards meeting statutory targets for energy efficiency spending. The Commission also directed APCo to perform additional sampling and statistical analysis to support its claimed energy savings and to file evidence of actual energy savings achieved as a result of each specific program in future proceedings. (Order Approving Rate Adjustment Clause, May 21, 2020).

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	Rider U (Update)	Yes	§ 56-585.1 A 6	PUR-2019-00046
APCo	Broadband Pilot	Yes	§ 56-585.1:9	PUR-2019-00145
DEV	Grid Transformation Plan	Yes, in part	§ 56-585.1 A 6	PUR-2019-00154
DEV	Rider U (Update)	Pending	§ 56-585.1 A 6	PUR-2020-00096

Decisions

- DEV Rider U Strategic Undergrounding Program: The Commission approved DEV's fifth Rider U-related Petition. Although continuing to find that the costs of the program would not be considered reasonable and prudent under a standard analysis, or cost-beneficial for residential customers in particular, the Commission recognized that Code § 56-585.1 A 6 requires the Commission to find the proposal cost-beneficial where certain statutory criteria are met. (Final Order, Oct. 31, 2019).
- APCo Broadband Pilot: The Commission considered and approved the first application brought under Code § 56-585.1:9 that establishes the framework for

broadband capacity pilot programs in unserved areas of the Commonwealth. (Final Order, Mar. 5, 2020).

- DEV Grid Transformation Plan: In response to DEV's second grid modernization proposal, the Commission approved additional incremental grid transformation-related costs of approximately \$212 million. While approving cyber security, stakeholder engagement and customer education, the customer information platform, certain pilot programs and hosting capacity analysis, and certain components of grid hardening, the Commission found the remaining costs had not been shown by DEV to be reasonable and prudent. (Final Order, Mar. 26, 2020).

Pending Cases

- DEV Rider U Strategic Undergrounding Program: DEV is seeking approval of its sixth Rider U-related Petition. (Filed June 1, 2020).

Integrated Resource Plan Cases

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

<u>Company</u>	<u>Topic</u>	<u>Approved?</u>	<u>Code Section</u>	<u>Case No.</u>
APCo	Integrated Resource Plan	Yes	§ 56-597 <i>et seq.</i>	PUR-2019-00058
DEV	Integrated Resource Plan	Pending	§ 56-597 <i>et seq.</i>	PUR-2020-00035

Decisions

- APCo 2019 IRP: The Commission found APCo's 2019 IRP reasonable and in the public interest for the specific and limited purpose of filing the planning document as mandated by Va. Code § 56-597. The Commission found that additional analysis should be required in future IRP proceedings, including providing an estimate of customer bill impacts of the least cost and preferred plans. (Final Order, Jan. 28, 2020).

Pending Cases

- DEV 2020 IRP: DEV's 2020 IRP is currently pending before the Commission. (Filed May 1, 2020).

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.

<u>Company</u>	<u>Topic</u>	<u>Code Section</u>	<u>Case No.</u>
DEV	Return on Equity	§ 56-585.1:1 C	PUR-2019-00050
APCo	Triennial Review	§ 56-585.1 A	PUR-2020-00015

Decisions

- DEV Return on Equity: The Commission rejected DEV's requested ROE of 10.75%, finding a 9.2% ROE to be fair and reasonable as a factual matter. This ROE will be applicable to rate adjustment clauses (before any statutory adders) and to measure earnings in the first triennial review. (Final Order, Nov. 21, 2019).

Pending Cases

- APCo Triennial Review: APCo's first triennial review is currently pending before the Commission. APCo reports that, for the combined 2017, 2018 and 2019 test years, the Company earned an 8.24% ROE on its generation and distribution operations relative to the allowed ROE of 9.42% previously approved by the Commission. Based on the Company's rate year analysis, APCo requests an increase in its annual revenue requirement in the amount of \$65 million, which is a 5% increase to overall revenues. The Company bases its requested increase on, among other things, a requested increase in authorized ROE to 9.90%. A hearing is scheduled for September 14, 2020. (Filed Mar. 31, 2020).

Miscellaneous Cases

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

<u>Company</u>	<u>Topic</u>	<u>Code Section</u>	<u>Case No.</u>
DEV	Universal Service Fee	§ 56-585.6	PUR-2020-00109
APCo	Universal Service Fee	§ 56-585.6	PUR-2020-00117

Pending Cases

- DEV Universal Service Fee: The Commission established a proceeding to determine the rates, terms and conditions of a "non-bypassable universal service fee" to be charged by DEV to fund the Percentage of Income Payment Program created by the VCEA to limit the electric utility payments of persons or households participating in certain, specified public assistance programs, based on a percentage of their income. (Filed July 21, 2020).
- APCo Universal Service Fee: The Commission also established a proceeding to determine the rates, terms and conditions of a "non-bypassable universal service fee" to be charged by APCo to fund the Percentage of Income Payment Program. (Filed July 21, 2020).

V. STAKEHOLDER MEETINGS

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:

- Energy Efficiency Meeting: (required by SB 966 and SB 1605) held on January 30, 2020, and March 5, 2020, for APCo; and, September 5, 2019, October 28, 2019, and February 6, 2020, for DEV.⁵⁶ An additional virtual meeting for DEV is scheduled for August 27, 2020.
- Data Privacy and Data Access: (required by HB 2332) held on October 9, 2019, December 10, 2019, and February 13, 2020.⁵⁷
- Time-of-Use Rate Meeting: (required by Senate Bill 1769) held on October 15, 2019.⁵⁸

⁵⁶ House Bill 1605, 2019 Virginia Acts of Assembly Chapter 398.

⁵⁷ House Bill 2332, 2019 Virginia Acts of Assembly Chapter 399.

⁵⁸ Senate Bill 1769, 2019 Virginia Acts of Assembly Chapter 763.

VI. PJM / FERC STATUS

DEV and APCo are members of the PJM Interconnection, LLC, regional transmission entity ("PJM") that coordinates the movement of wholesale electricity across all or parts of the District of Columbia and 13 states.⁵⁹ Below is a list of recent matters involving PJM and 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.⁶⁰ In October 2018, PJM proposed a set of reforms to address FERC's capacity market design ruling including an administratively-adjusted pricing mechanism. In December 2019, FERC ruled on PJM's capacity market design, placing new restrictions on participation in PJM's capacity market. The final resolution remains pending; however, the new rules will likely prevent new, intermittent resources from clearing future PJM capacity auctions.
- In March 2019, PJM filed a proposal with FERC to invalidate its current energy market design and approve reforms it developed to the pricing of reserves in its energy markets.⁶¹ 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. In May 2020, FERC approved PJM's proposed reforms to its current energy market design.⁶² PJM proposed tariff revisions to comply with this order on July 6, 2020; a second compliance filing was made on August 5, 2020.
- On March 19, 2020, FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to revise its electric transmission incentive policy under Federal Power Act Section 219 "to stimulate the development of transmission infrastructure needed to support the nation's evolving generation resource mix, technological innovation and shifts in load patterns."⁶³ The NOPR intends to replace the current policy of limiting incentives to the base ROE zone of reasonableness with a 250-basis-point cap on total ROE incentives.

⁵⁹ Specifically, the 13 states consist of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.

⁶⁰ *Calpine Corp. v. PJM Interconnection, LLC*, 163 FERC ¶ 61,236 (2018).

⁶¹ *PJM Interconnection, L.L.C.*, FERC Docket Nos. EL19-58-000 and ER19-1486-000 (Mar. 29, 2019).

⁶² *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153 (May 21, 2020).

⁶³ *Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act*, 170 FERC ¶ 61,204 (Mar. 19, 2020).

- In November 2019, PJM announced Manu Asthana as its new President and CEO, effective on January 1, 2020.
- In July 2020, PJM reported to the states that regional reliability has not been impacted by the COVID-19 public health emergency.

VII. 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 eleventh year of building awareness of the value of energy efficiency.

VES program highlights in the last year are as follows:

- VES website redesign and launch created an enhanced user experience and achieved over 112,000 site visits in 2019, an all-time high;
- Facebook and Twitter follower growth remained strong with 5.8 million video impressions on Facebook and 5.4 million video impressions on Google in 2019;
- VES television advertising campaign featuring "Jack," an animated electrical outlet, was seen on cable channels in eight Virginia markets, generating over 12.3 million impressions;
- A third-grade energy efficiency curriculum developed by VES in cooperation with the Virginia Department of Education was distributed to 250 schools around the state, reaching over 14,000 students;
- VES representatives attended more than 17 community events and festivals across the Commonwealth in 2019, generating 215,450 impressions of program material;
- Due to the COVID pandemic, VES had to cancel community outreach activities beginning in April 2020, including 15 community festivals and events around the state; and,
- VES has also cancelled several in-person media interviews and substituted online interviews with media outlets.

VIII.
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 or Dominion	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 or SB 966	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
MW	Megawatt
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 56-596.3
ROE	Return on Equity
Staff	State Corporation Commission Staff
VCEA	Virginia Clean Economy Act, Chapters 1193 and 1194 of the 2020 Acts of Assembly
VES	Virginia Energy Sense, a State Corporation Commission consumer education program