

**VIRGINIA ELECTRIC AND POWER COMPANY**

**2021 ATRR with True-Up Adjustment  
(September 15, 2020)**

**To: Interested Parties (as defined in Section 1.b. of the Formula Rate Implementation Protocols)**

**2021 Projection**

In accordance with Section 1.a. of the Formula Rate Implementation Protocols, Virginia Electric and Power Company (“VEPCO”) is providing the following information to be posted on the [www.pjm.com](http://www.pjm.com) website:

- (i) VEPCO’s Annual Transmission Revenue Requirement (“ATRR”), rate for Network Integrated Transmission Service (“NITS”), based on applying its projected costs, revenues and credits, other than those credits that will be distributed to customers pursuant to Section 2 of Attachment H-16, for the next calendar year, plus its True-Up Adjustment calculated pursuant to the Formula Rate set out in Attachment H-16A;
- (ii) an estimate of the Network Service Peak Load of the Dominion Zone that will be used by the Transmission Provider to determine each Network Customer’s Zone Network Load pursuant to Section 34.1 and Attachment H-16 for the next calendar year; and
- (iii) an explanation of any change in VEPCO’s accounting policies and practices that took effect in the preceding twelve months ending August 31 that is reported in Notes 3 and 4 of VEPCO’s Securities and Exchange Commission Form 10-Q (“Material Accounting Changes”). To the extent there are Material Accounting Changes, VEPCO’s Form 10-Q will be posted on PJM’s website at the time of the Annual Update.

Regarding item (i) above, the information (“2021 Projection”) is provided in the form of an Excel file posted along with this document on [www.pjm.com](http://www.pjm.com).

Regarding item (ii) above, VEPCO has estimated the Network Service Peak Load of the Dominion Zone that will be used by the Transmission Provider to determine each Network Customer’s Zone Network Load pursuant to Section 34.1 and Attachment H-16 for the next calendar year. The estimated value is included in the Excel file provided pursuant to item (i) above, in the Appendix A tab at line number (*not* Excel row number) 169.

Regarding item (iii) above, there were no Material Accounting Changes during the twelve months ending August 31, 2020. Interested Parties may review VEPCO’s Form 10-Q and Form

10-K filings, which are consolidated with the Dominion Energy, Inc. and Dominion Energy Gas Holding, LLC filings, at <https://investors.dominionenergy.com/financials-and-reports/sec-filings/default.aspx>.

Incorporated into the 2021 Projection are the new Attachments 11 and 11A as filed in Docket No. ER19-2714-000, to allocate the capital costs associated with certain transmission facilities in which VEPCO acquired Allegheny Generating Company's 40 percent undivided ownership in the Bath Transmission Facilities. Attachment 11 determines the appropriate amount of revenue requirement to be assigned to the Allegheny Power transmission zone to recover the return, income taxes, depreciation and property taxes attributed to the Bath Transmission Facilities that were acquired by VEPCO. Attachment 11A supports Attachment 11 by providing the cost-of-service elements associated with the Bath Transmission Facilities, including depreciation, return on capital investment, income taxes, ADIT, and property taxes. These new attachments to the formula rate were approved by Commission letter order dated October 28, 2019, and the transaction was consummated on November 15, 2019.

To comply with the Commission's requirements in Order No. 864 issued on November 21, 2019, VEPCO filed changes to its formula rate on February 26, 2020 to include the Excess and Deficient ADIT Worksheet in the form of a new Attachment 5A, and VEPCO also proposed some minor corresponding changes to Appendix A and Attachment 5 – Cost Support to reflect inputs derived from Attachment 5A. On July 8, 2020, VEPCO supplemented the February 26, 2020 filing (as supplemented on March 11, 2020)<sup>1</sup> to include a new worksheet identified as the "EDIT Worksheet" which details the source of protected and unprotected transmission-related ADIT, and the FERC accounts to which they have been assigned. Additionally, VEPCO proposed incorporating a new Attachment 1B, starting with the 2021 Projection, showing additional detail regarding the projected calculation of excess/deficient ADIT associated with pro rata liberalized depreciation. While VEPCO's original Attachment 5A as filed on February 26, 2020 met the requirements of Order No. 864, VEPCO, based on discussions with customers, provided additional information to heighten the transparency of this worksheet by (1) tracking excess and deficient ADIT together rather than calculating them in separate parts of the worksheet; (2) adding tags to the lines on Attachment 5A identifying which of the five categories required by Order No. 864 the specified information satisfies, and then feeding the information tracked on Attachment 5A into the income tax adjustment calculations on Attachment 5; and (3) detailing on Attachment 5A how the balance of excess or deficient ADIT rolls forward from year to year. The formula rate changes proposed by VEPCO on February 26, 2020 and further supplemented on July 8, 2020 are included in the 2021 Projection and currently await Commission approval as of the date of this posting; however, if there is no action taken by the

---

<sup>1</sup> On March 11, 2020, Dominion supplemented the information provided in the February 26, 2020 filing with a workable Excel spreadsheet version of its formula rate populated with 2018 costs.

Commission or any further changes directed by the Commission are required on compliance, VEPCO commits to updating the 2021 Projection accordingly.

### **2019 True-Up (Revision 1)**

In accordance with Section 2.a. of the Formula Rate Implementation Protocols, VEPCO provided the following information which was posted on the [www.pjm.com](http://www.pjm.com) website on June 12, 2020:

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2019), calculated by applying the methodology set out in Attachment H-16A, Appendix A to VEPCO’s actual costs for that calendar year; and
- (ii) the 2019 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

Regarding the adjusted ATRR for the previous calendar year (“2019 True-Up”) that was posted on PJM’s Formula Rates webpage on June 12, 2020, a few updates have been identified since that posting; therefore, the 2019 True-Up was revised and is being reposted on PJM’s website as “Revision 1” as of the date of this posting. As an ongoing review of VEPCO’s formula rate process, additional updates have been identified necessitating further revisions to the 2019 True-Up. The revisions which are included in the attached document as “Revision 1” are as follows:

1. The incremental excess ADIT balances were updated to appropriately reflect the unprotected excess ADIT balances and related amortization in 2019;
2. It was discovered that the Revenues from Directly Assigned Transmission Facility Charges on Attachment 3 were incompletely populated and are hereby updated appropriately;
3. An incorrect value was included as the Previous Year Ending Balance for Accumulated Deferred Income Taxes Attributable to Acquisition Adjustments found on Attachment 5 and has hereby been updated appropriately; and
4. Lastly, the Virginia portion of the Dominion Zone Network Service Peak Load (“NSPL”) was erroneously calculated in Attachment 10 of the 2019 True-Up, which has since been revised to reflect the correct NSPL input on Line 6 of Attachment 10.

VEPCO is also reposting with the revised 2019 True-Up the workpapers supporting the revised 2019 True-Up. No changes were made to the workpapers since the June 12, 2020 posting. Please note that in this instance, the revised 2019 True-Up information being provided herein will not affect transmission rates until January 1, 2021.