

VIRGINIA ELECTRIC AND POWER COMPANY

Adjusted ATRR and the True-Up Adjustment Before Interest for 2019

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

2019 True-Up:

In accordance with Section 2.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 website:

- (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.

The adjusted ATRR for the previous calendar year (2019) is provided on line 168 of Appendix A within the provided Excel file. The 2019 True-Up adjustment before interest is provided on Line E of Attachment 6 within the provided Excel file. A separate Excel file provides related work papers.

In addition to the above, VEPCO is also providing the adjusted Annual Revenue Requirement for the previous calendar year and True-Up Adjustment before interest for each Annual Revenue Requirement included in Attachment 7 that is calculated in accordance with Attachment H-16A, Attachment 6A. This information is located in Attachment 7 of the provided Excel file.

The 2019 True-Up incorporates the following changes for calendar year 2019:

1. Beginning with reporting year 2018, VEPCO revised the reflection of its Materials & Supplies (“M&S”) inventory costs as they appear on Page 227 of VEPCO’s FERC Form 1. As a result, in Docket No. ER19-1569, Appendix A and Attachment 5 of VEPCO’s Formula Rate were updated to properly incorporate these costs: the total amount of Materials & Supplies inventory assigned to Construction found on Line 5 of Page 227 of VEPCO’s FERC Form 1, in addition to the Transmission Plant (Estimated) assigned to Operations and Maintenance (“O&M”) located on Line 8 of Page 227 of the FERC Form 1. These Formula Rate changes were approved by Commission letter order dated May 7, 2019.

2. In Docket No. ER19-2714-000, VEPCO revised its Formula Rate to incorporate new Attachments 11 and 11A 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.

Please note that in this instance, the 2019 information being provided herein will not affect transmission rates until January 1, 2021.