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**BY HAND DELIVERY**

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*Commonwealth of Virginia, ex rel. State Corporation Commission Ex parte: Establishing the rate, terms and conditions of a universal fee to be paid by the retail customers of the Virginia Electric and Power Company*
Case No. PUR-2020-00109

Dear Mr. Peck:

Please find enclosed for electronic filing in the above-captioned proceeding *Virginia Electric and Power Company's Proposal for Rates, Terms and Conditions for a Universal Service Fee to Fund a PIPP.*

Please do not hesitate to call if you have any questions in regard to the enclosed.

Highest regards,

Lisa R. Crabtree

Enclosures

cc: William H. Chambliss, Esq.
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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

Case No. PUR-2020-00109

*Ex parte:* Establishing the rates, terms and conditions of a universal fee to be paid by the retail customers of the Virginia Electric and Power Company

# CASE NO. PUR-2020-00109

# VIRGINIA ELECTRIC AND POWER COMPANY'S PROPOSAL FOR RATES, TERMS AND CONDITIONS FOR A UNIVERSAL SERVICE FEE TO FUND A PIPP

JULY 21, 2020

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## Executive Summary

Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") hereby presents its proposal for rates, terms and conditions for a non-bypassable universal service fee to fund a Percentage of Income Payment Program ("PIPP") ("Proposal"). The PIPP was established as part of the Virginia Clean Economy Act ("VCEA") as a mechanism designed to limit the electric utility payments of persons or households participating in certain specified public assistance programs, based upon a percentage of their income, for customers of Dominion Energy Virginia and Appalachian Power Company ("APCo").

The Company is filing its Proposal to comply with the directive in the State Corporation Commission of Virginia's (the "Commission") Order Establishing Proceeding dated June 11, 2020, in Case No. PUR-2020-00109 directing the Company to propose rates, terms and conditions applicable to the PIPP, as well as address certain enumerated issues.

This Proposal is a result of a multidisciplinary effort within the Company, and is being sponsored by Company Witnesses Lisa M. FaJohn, Michael T. Hubbard, and Paul B. Haynes. A detailed list of which portions of the Proposal each witness sponsors is included herewith.

The Company notes first and foremost that the PIPP is a novel program for the Commonwealth and one that will be administered not by the Company, but rather by state agencies with knowledge and expertise in the particular areas of concern targeted by the PIPP. The program itself has not been established and may be subject to further legislative guidance. Therefore, while the Company is complying with the Commission's requirements and the Commission, in turn, with the requirements of the statute, the Company recognizes that the rates, terms and conditions proposed herein could be subject to future revision before being implemented.

In addition, the primary challenge in developing this universal service fee to fund the PIPP is the unavailability of real data at this early stage in the process. The Company does not know which customers will choose to use the program. Even if that information was available, the Company does not solicit and does not have actual income data for individual customers. As a result, the Company must estimate key factors necessary for the analysis and make assumptions related to eligibility and participation levels.

Because the PIPP cost and expense projections presented herein are based on many assumptions related to eligibility and participation, the Company is presenting a range of options or sensitivities for the Commission to consider in determining an appropriate universal fee. The Company also proposes the Commission institute an annual true-up mechanism so that actual PIPP costs can be compared to revenue collected through the universal fee and any over or under-collection can be addressed.

The Company looks forward to collaborating with the Department of Housing and Community Development and the Department of Social Services through the stakeholder group process as well as, ultimately, in the administration of the PIPP. Dominion Energy Virginia stands ready to assist these agencies in any manner necessary or requested.

## I. Introduction

The Virginia Clean Economy Act or VCEA—Senate Bill No. 851 and House Bill No. 1526 from the 2020 Regular Session of the Virginia General Assembly—was signed into law on April 11, 2020, and became effective July 1, 2020.

The VCEA includes provisions that institute a mandatory renewable portfolio standard, enhance renewable generation and energy storage development, require the retirement of certain generation units, establish energy efficiency targets, and expand net metering. The VCEA also establishes a Percentage of Income Payment Program, or PIPP, a program designed to limit the electric utility payments of persons or households participating in certain, specified public assistance programs, based upon a percentage of their income, for customers of Dominion Energy Virginia and APCo.

The Code of Virginia ("Va. Code" or "Code") § 56-576 defines a PIPP eligible utility customer as,

> *[A]ny person or household participating in any of the following public assistance programs: the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Special Supplemental Nutrition Program for Women, Infants and Children, Virginia Low Income Home Energy Assistance Program, federal Low Income Home Energy Assistance Program, state plan for medical assistance, Medicaid, Housing Choice Voucher Program, or Family Access to Medical Insurance Security Plan.*

Va. Code § 56-585.6 A directs,

> *A. The Commission shall, after notice and opportunity for hearing, initiate a proceeding to establish the rates, terms, and conditions of a non-bypassable universal service fee to fund the Percentage of Income Payment Program (PIPP). Such universal service fee shall be allocated to retail electric customers of a Phase I and Phase II Utility on the basis of the amount of kilowatt-hours used and be established at such level to adequately address the PIPP's objectives to (i) reduce the energy burden of eligible participants by limiting electric bill payments directly to no more than six percent of the eligible participant's annual household income if the household's heating source is anything other than electricity, and to no more than 10 percent of an eligible participant's annual household income on electricity costs if the household's heating source is electricity, and (ii) reduce the amount of electricity used by the eligible participant's household through participation in weatherization or energy efficiency programs and energy conservation education programs.*

Va. Code § 56-585.6 B further directs,

> *B. The Commission shall determine the reasonable administrative costs for the investor-owned utility to collect the universal service fee and remit such funds to the Percentage of Income Payment Fund, and any other administrative costs the investor-owned utility may incur in complying with the PIPP, and shall determine the proper recovery mechanism for such costs. A Phase I and Phase II Utility shall not be eligible to earn a rate of return on any equity or costs incurred to comply with the program requirements or implementation.*

Additionally, pursuant to Va. Code § 56-585.1:11 C 3, PIPP eligible utility customers shall not be allocated costs proposed for recovery through a rate adjustment clause pursuant to Va. Code § 56-585.1 A 6 of one or more new utility-owned and utility-operated generating facilities utilizing energy derived from offshore wind and located off the Commonwealth's Atlantic shoreline, with an aggregate rated capacity of not less than 2,500 megawatts and not more than 3,000 megawatts, along with electrical transmission or distribution facilities associated therewith for interconnection.

Finally, Enactment Clause 12 of the VCEA instructs,

> *That the State Corporation Commission shall issue its final order in the Percentage of Income Payment Program (PIPP) proceeding established pursuant to § 56-585.6 of the Code of Virginia, as created by this act, by December 31, 2020, provided that the non-bypassable universal service fee shall not be collected from customers of a Phase I or a Phase II Utility, as those terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, as amended by this act, until such time as the PIPP is established. The Department of Housing and Community Development and the Department of Social Services shall convene a stakeholder working group and develop recommendations regarding the implementation of PIPP. Such recommendations shall allow for a utility to reimburse the administrative costs of the PIPP, not to exceed $3 million, and shall be submitted to the Chairs of the House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor by December 1, 2020.*

On June 11, 2020, the Commission issued its Order Establishing Proceeding in which the Commission directed the Company to propose rates, terms and conditions of a non-bypassable universal service fee to fund the PIPP. The Commission further directed that within the Company's Proposal the following issues should be addressed:

- The number of eligible customers assumed and the basis for that assumption, including data sources used to develop customer eligibility levels;
- How heating sources were determined for eligible customers;
- A calculation of the dollars assumed not to be recovered as a result of the program being implemented for eligible customers heating with electricity;
- A calculation of the dollars assumed not to be recovered as a result of the program being implemented for eligible customers heating with other sources;
- Costs proposed to be recovered related to arrearages and administrative costs incurred by Dominion and by state agencies involved in the program;
- How the objective of reducing usage through participation in weatherization, energy efficiency, and conservation will be accomplished; identify any costs associated with these programs that are proposed to be collected by the fee;
- Total costs proposed to be recovered by the universal service fee detailing the components previously identified and other costs proposed to be recovered;
- The billing determinants used and a calculation of the proposed fee;
- How customer eligibility will be monitored and the frequency of the monitoring;
- Whether program participants are statutorily exempted from being assessed the fee and, if they are, how such will be accomplished; and
- The amount of uncollectible expense in base rates associated with eligible customers. Include a credit in the calculation of the proposed fee to avoid double-recovery of this expense.

The Commission also established a procedural framework for the proceeding, including establishing deadlines for the Company to file its Proposal, for interested parties to join and participate in the proceeding or file comments, for Staff to complete an investigation and file testimony, and for the Company to file any rebuttal testimony. The Commission scheduled public and evidentiary hearings for the matter on October 13 and 14, 2020, respectively.

## II. Proposed Rates, Terms and Conditions

The Company proposes the filed Bundled Rate Schedules shall be increased by the applicable cents per kilowatt-hour as the initial PIPP universal service fee. As explained further in Sections III and IV below, the Company is presenting five options or sensitivities for the Commission's consideration associated with projected levels of participation in the PIPP.

| Assumed Participation Level | (1) PIPP first year expenses | (2) Total Estimated Virginia kWh sales | (3) Rate per kWh (Col 1 / Col 2) |
|---|---|---|---|
| 100% | $93,038,528 | 82,728,134,143 | $0.001125 |
| 80% | $75,370,822 | 82,728,134,143 | $0.000911 |
| 60% | $57,703,117 | 82,728,134,143 | $0.000698 |
| 40% | $40,035,411 | 82,728,134,143 | $0.000484 |
| 20% | $22,367,706 | 82,728,134,143 | $0.000270 |

The proposed rates are based on the estimated revenue requirement, data and assumptions as discussed in the later sections of this Proposal.

For purposes of the total estimated Virginia kilowatt hour ("kWh") sales, the Company used estimated total sales for the 2021 calendar year. The Company did not include estimated sales for its North Carolina service territory or FERC jurisdictional (wholesale) customers.

As shown above, the proposed universal service fee to fund the PIPP ranges between $0.000270/kWh and $0.001125. For a typical residential customer using 1,000 kWh per month, this would equate to an increase in the monthly bill of approximately $0.27 on the low end, and $1.13 on the high end.

The terms and conditions associated with the proposed rates are reflected in the tariff sheet included herewith as <u>Attachment 1</u>.

The rate calculation required the Company to use a particular test period over which sales are forecasted in order to develop the billing determinants. However, at this time, the Company does not possess any knowledge or information as to when PIPP will be implemented and available to eligible customers. As directed by the VCEA, the PIPP universal service fee will not be charged until such time as the program is implemented.

## III. Eligible Customers

*A. The number of eligible customers assumed and the basis for that assumption, including data sources used to develop customer eligibility levels.*

The Company does not in the normal course of business track, solicit, or maintain demographic information regarding individual customers or specific accounts, including income level or participation in federal- or state-sponsored public assistance programs. Accordingly, in order to determine a reasonable estimate of PIPP eligible customers, the Company reviewed certain publicly available data sources regarding public assistance program enrollment.

The information gathered for this purpose indicates the following with respect to Virginia enrollment in the public assistance programs that serve as pre-requisites for PIPP eligibility where such data was available:

| **Public Assistance Program** | **Enrollment** | **Source** |
|---|---|---|
| Supplemental Nutrition Assistance Program (SNAP) | 337,891 as of March 2020 (by county) | https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap |
| Temporary Assistance for Needy Families (TANF) | 32,540 Paid Cases for 2019 (by state) | https://www.acf.hhs.gov/ofa/resource/tanf-caseload-data-2019 |
| Special Supplemental Nutrition Program for Women, Infants and Children (WIC) | 117,735 Total Number of Participants for March 2020 | https://www.fns.usda.gov/pd/wic-program |
| Virginia Low Income Home Energy Assistance Program (LIHEAP) | 135,395 Households received Energy Assistace FFY2019 (by county) | https://www.dss.virginia.gov/geninfo/reports/ |
| Medicaid | 1,608,459 members[1] enrolled 6/1/2020 (by state) | http://www.dmas.virginia.gov/#/enrollmentdashboard |

[1] "Members" is reflective of individuals, not households and therefore includes members residing in the same premise and children.

Importantly, what these enrollment numbers do <u>not</u> indicate are (i) overlap between the respective programs, (ii) what portion of enrollees are Dominion Energy Virginia customers, (iii) whether an enrollee uses electricity for heating purposes within their home, or (iv) percentage of annual income enrollees typically spend on their electric bills.

Because of this information gap, the Company performed its own analysis to estimate the number of eligible PIPP customers and associated projected bill credits using Company-specific data and information, as available. An electronic workbook documenting this analysis and results will be provided contemporaneously with the filing of this Proposal to the Commission Staff via a web-based e-room. The e-room and workbook will also be made available to case participants upon request.

As will be discussed further herein, the total number of *eligible* customers does not necessarily—and likely does not—mean the same thing as *participating* customers. Without additional information regarding likely or anticipated program penetration rates, the Company is only able to estimate eligible customers and leaves it to the Commission's discretion to determine a reasonable participation or enrollment level.

Again, the Company does not solicit or maintain the individual customer information necessary to make these calculations. As a result the Company turned to external sources to estimate customer information. Specifically, the Company analyzed its entire residential customer base through its internal "DataMart", which contains a database of demographic information, including total estimated annual household income for a living unit, which is provided quarterly through updates from Experian (a fee-based service). Importantly, DataMart provides estimates and not actual customer data. Experian predicts the income estimate using multiple statistical methodologies and where insufficient data is available the will use the median income assigned to other living units in the same ZIP+4 area. This is the best data available to the Company to make these rate calculations.

Using the DataMart information, the Company was able to assign an assumed average income and household size to each active Dominion Energy Virginia residential customer based on the service address associated with the account. The Company then analyzed which accounts would meet the Virginia Low Income Home Energy Assistance Program ("LIHEAP") eligibility requirements based on the assumed household size and income. LIHEAP requirements are a sliding scale such that a household of one qualifies with a monthly gross income of $1,383, whereas a household of four qualifies with a monthly gross income of $2,839. For additional information, please see <u>*https://www.dss.virginia.gov/benefit/ea/*</u>. The Company believes the LIHEAP criteria serve as a good proxy at this time for determining threshold eligibility levels.

Please note, for the remainder of this discussion, one should reference the electronic spreadsheet provided on the Company's e-room for this proceeding.

Using LIHEAP eligibility criteria as compared against the DataMart assigned income and household size, the Company's analysis identified approximately 204,000 likely eligible accounts, which are shown in **Column A** of the electronic worksheet. For purposes of the provided worksheet, the Company has redacted customer account identification numbers and instead assigned customers sequential numbers. The assigned DataMart figures for household income and size that served to qualify the respective account are shown in **Columns B and C**.

The Company then analyzed those 204,000 accounts to determine their average electric bill from the past 12 months, based on actual data the Company maintains within its Customer Billing Management System ("CBMS"). The average bill amount is shown in **Column D**.

With respect to the 204,000 accounts, the Company also analyzed whether that account is identified, based on historic load profile information, as being a customer that likely uses electric versus another source of heat, if any, within the home. This information is shown in **Columns F and H**.

With this information, the Company was then able to determine the following:

- **Column G**: Average bill was multiplied by 12 months to get the total bill amount for the year
- **Column I**: For customers with primary electric heat type, calculation to determine how much PIPP would credit a customer based on a formula using the annual total bill and subtracting 10% of income the customer would pay for the year
- **Column J**: For customers with gas or other heat types, calculation to determine how much PIPP would credit a customer based on a formula using the annual total bill and subtracting 6% of income the customer would pay for the year
- **Column K**: Total PIPP recovery. If the amount in Column J or K was a negative amount, meaning the PIPP was higher than the actual Total Billing and the customer would not be eligible for PIPP credit and the amount was excluded in the total recovery.

Totaling **Column K** provides the potential amount of PIPP funds needed to credit eligible customers, assuming 100% enrollment. This amount is $88,338,528.

In sum, the Company identified approximately 204,000 customer accounts that would be projected to be eligible for PIPP based on predictive estimates of income and household size data. Of those accounts, 117,891 represent customers that currently spend more than six or ten percent of their estimated annual income, depending on heating source. The approximately $88.3 million figure represents the total dollar amount above those six and ten percent levels that would need to be funded by the PIPP universal service fee if all 117,891 customers participated in the program.

The Company acknowledges and readily agrees that this analysis is far from perfect. As can be seen above from the publically available agency information, participation in the enumerated public assistance programs ranges from approximately 32,000 (Temporary Assistance for Needy Families) to 1.6 million (Medicaid). Accordingly, the Company in no way intends to represent that it has specifically identified 204,000 Dominion Energy Virginia residential customers that would be eligible for the PIPP, nor that any of the assigned income and household size levels represented within the workbook are actually representative of a specific customer or account. Indeed, as noted above, income and household levels are predictive estimates of a living unit and, therefore, may not represent any individual customers within that predictive estimte. That said, the analysis provided herein does rely on analysis focused on Dominion Energy Virginia-specific data, as available, related to customer accounts, billing and heating source and, as such, the Company believes it is a reasonable estimate at this time of the total potential PIPP customer credit funds.

The Company also notes that it does not have sufficient information as to how quickly the program will be established or implemented and at what levels eligible customers will actually participate. Accordingly, the Company is presenting all projected costs associated with eligible customer benefits at a range of participating levels. For example, if only 20% of eligible PIPP customers participated in the first year of the program, the approximately $88.3 million cost would be approximately $17.7 million. Additional information is provided in Section IV.G, below.

As additional details and guidance are provided to the utilities and agencies through the stakeholder process and future legislative sessions, the Company anticipates this analysis can be refined and improved.

### *B. How heating sources were determined for eligible customers.*

As noted above, within the Company's analysis customer premises were assigned a specific fuel type (i.e., electric versus gas or other heating source) based on historic load profile information. The fuel type designation was calculated individually for each premise by analyzing a premise's usage and corresponding weather patterns over a five year period and running the data through a regression model. Results from the regression model were then used to assign a fuel type to a customer's premise based consumption patterns during cold peak periods.

Of the residential accounts identified, the Company's analysis indicated the following breakdown of heating source:

| Heating Fuel Type | Number of Customers |
|---|---|
| Electric | 96,479 |
| Gas | 78,837 |
| No Heating | 26,960 |
| Other[2] | 2,185 |
| **Grand Total** | **204,461** |

[2] Represents Customers with distributed generation, limited consumption, limited records, or other data abnormalities.

This breakdown appears reasonable based on other resources available to the Company. For instance, the Virginia Department of Social Services, Fuel Assistance Program served 33,823 Dominion Energy customers in 2018 (bill payment assistance applied to Dominion Energy indicates the customers heating source is primary electric), and the Company's low-income demand-side management programs have served 36,753 customers since inception, for a total of 70,576 customers, 66,426 of which were unique premises. The Company's records indicate that of those customers, approximately 50% were served by electric heat, 37% had gas heat, and 13% could be identified has having other or no heat.

Additionally, the Company's 2016 Appliance Saturation Study reviewed, among other things, residential heating types within the Company's Virginia and North Carolina service territories. This study found that in Virginia approximately 56% of households used electric heat, while 44% used gas or other heating.

*C. How customer eligibility will be monitored and the frequency of monitoring.*

It is the Company's assumption that the Department of Housing and Community Development and the Department of Social Services, which are the agencies responsible for administering the PIPP and who have the applicable knowledge and expertise, will be responsible for monitoring PIPP eligibility and will determine the process and frequency of such monitoring.

Moreover, as noted above, the Company does not have access to income data or information regarding whether customers participate or are eligible to participate in one or more public assistance programs.

## IV. Program Costs and Funding

Within this Section, the Company responds to the directives outlined by the Commission in its June 11, 2020 Order Initiating Proceeding related to PIPP costs and funding. The Company has calculated a total revenue requirement for one year of the PIPP, which would be recovered from retail customers at such time as the PIPP is initiated.

The Company proposes any revenue requirement approved in this proceeding and associated universal service fee, terms and conditions should be subject to future revision and an annual true-up process.

Through the true-up process, an Actual Cost True-Up Factor can be calculated and added to any future revenue requirement determined for the PIPP. The Actual Cost True-Up Factor would serve to credit, or recover from, customers any over- or under-collection of costs from the most recently completed twelve-month period. Actual revenues recovered during the prior period would be compared to actual costs incurred during that same time. Any difference in those amounts would become the Actual Cost True-Up Factor either credited to, or recovered from, customers through the total revenue requirement.

The Company believes this true-up process will be particularly important given the current, preliminary nature of PIPP and the number of assumptions and projections required for the revenue requirements and fees presented in this Proposal.

*A. A calculation of the dollars assumed not to be recovered as a result of the program being implemented for eligible customers heating with electricity.*

Assuming 100% participation of all eligible PIPP customers heating with electricity, the Company's analysis indicates that $36,155,993 would need to be funded through the PIPP universal service fee.

This figure is shown at the bottom of **Column I** within the electronic worksheet.

Said another way, the Company projects that approximately 48,373 residential customers heating with electricity will be eligible to receive bill assistance or benefits via PIPP with an average benefit of approximately $747/year or $62/month.

*B. A calculation of the dollars assumed not to be recovered as a result of the program being implemented for customers heating with other sources.*

Assuming 100% participation of all eligible PIPP customers heating with other sources, the Company's analysis indicates that $52,182,535 would need to be funded through the PIPP universal service fee.

This figure is shown at the bottom of **Column J** within the electronic worksheet.

Said another way, the Company projects that approximately 69,518 residential customers heating with other sources will be eligible to receive bill assistance or benefits via PIPP with an average benefit of approximately $751/year or $63/month.

C. *Costs proposed to be recovered related to arrearages and administrative costs incurred by Dominion and by state agencies involved in the program.*

Once enrolled in the PIPP, participating customers must pay their electric bills subject to the contribution cap. It is possible, however, that some proportion of PIPP participants will have an existing arrearage balance with the Company. The statute is currently silent on how such arrears balances should be treated within the program. Presumably PIPP payments may contribute to a reduction of those amounts in arrears, in addition to current charges, and this would appear to be consistent with the purpose of the PIPP. At the present time, though, there is no information available to connect arrears balances to potential PIPP participants. Therefore, no costs specifically associated with arrearages are currently included in the calculation of the proposed universal service fee.

With respect to state agency costs, the VCEA indicates that utilities are to reimburse the administrative costs of the PIPP in an amount not to exceed $3 million. The Company interprets this legislation to be a cap of $3 million between both Dominion Energy Virginia and APCo. Accordingly and without the benefit of additional projections at this time from the state agencies, the Company proposes the revenue requirement established in the proceeding include the full potential amount of these costs.

The Company assumes that, using a Virginia customer count basis, its retail customers would be responsible for approximately 80% of the $3 million figure – or $2.4 million.

Regarding the Company's own administrative costs, the Company projects three cost categories: (i) costs for system upgrades required for processing and billing of PIPP administration in the interim period between when the program begins and when the Company's new Customer Information System ("CIS") is available (projected in April of 2023); (ii) incremental CIS programming; and (iii) ongoing operations and maintenance ("O&M") costs.

With respect to category (i), the Company projects approximately $1.6-2.0 million of costs, which encompasses costs for the minimum necessary programming upgrades (estimated programming time of 13-16 months) within the Company's CBMS in order for billing to occur before the Company's new CIS is available.

Regarding category (ii), the Company projects an approximately $500,000 investment would be required for the analysis, design, build and testing of the enrollment and billing functionality and would be delivered with the new CIS.

Finally, as to category (iii), the Company projects additional annual O&M costs would be required to administer the program. These are anticipated costs of the labor required for support provided to the agencies, customer communication, customer service support and business administration of the program. At the present time, no costs specifically associated with O&M are yet included in the calculation of the universal service fee. As program details are developed and participation rates are refined, O&M costs can be estimated.

*D. Total costs proposed to be recovered by the universal service fee detailing the components previously identified and other costs proposed to be recovered.*

Thus, the Company projects the following cost components and resulting revenue requirements to be funded by the PIPP universal service fee. As noted previously, the Company is presenting a range of revenue requirements for the Commission's consideration depending on varying customer participation levels.

| **Cost Component** | **Revenue Requirement** |
|---|---|
| Customer Bill Subsidies | |
| *@ 100% participation* | $88,338,528 |
| *@ 80% participation* | $70,670,822 |
| *@ 60% participation* | $53,003,117 |
| *@ 40% participation* | $ 35,335,411 |
| *@ 20% participation* | $17,667,706 |
| State Agency Administrative Costs | $2,400,000 |
| Utility Administrative Costs | |
| *CBMS Programming* | $1,800,000[3] |
| *Incremental CIS Programming*[4] | $500,000 |
| *Ongoing O&M* | TBD |
| **Grand Total** | |
| *@ 100% participation* | $93,038,528 |
| *@ 80% participation* | $75,370,822 |
| *@ 60% participation* | $57,703,117 |
| *@ 40% participation* | $40,035,411 |
| *@ 20% participation* | $22,367,706 |

*E. The billing determinants used and a calculation of the proposed fee.*

The VCEA indicates that the universal service fee shall be allocated to retail electric customers of a Phase I and Phase II Utility on the basis of the amount of kilowatt-hours. Accordingly, the

[3] Midpoint of anticipated cost range.

[4] Incurred as expense in year incurred. For purposes of calculating the revenue requirements provided herein, the Company has assumed the expense is incurred in the first rate period of the program.

Company interprets this to mean that the universal service fee should be calculated on an energy only basis.

The Company has allocated the revenue requirement to recover the costs of the PIPP on the basis of forecasted kilowatt hour usage for the January 1, 2021 through December 31, 2021 period, for recovery from all retail customers in the Company's Virginia Jurisdiction and Virginia Non-jurisdiction classes. The universal service fee is to be non-bypassable and therefore no kilowatt hour usage for retail customers in these two jurisdictional classes has been excluded from determining the allocation. The Company has excluded the kilowatt hour usage of the wholesale customers in the FERC jurisdiction class and the kilowatt hour usage of retail customers in the North Carolina jurisdiction class.

The universal service fee will be applicable to all customers in the Company's Virginia Jurisdiction and Virginia Non-jurisdiction in the form of a uniform rate applied to kWh usage including the usage of any customers who elect to purchase Electricity Supply Service from a Competitive Service Provider. A range for the universal service fee rate assuming different levels of participation in the PIPP is presented in Section II above.

*F. Whether program participants are statutorily exempted from being assessed the fee and, if they are, how such will be accomplished.*

The Company does not believe the VCEA statutorily mandates exemption of PIPP participants from being assessed the fee. The Company's reading of the VCEA indicates that the rates, terms and conditions established by the Commission for purposes of funding the PIPP will be applicable on a non-bypassable, universal basis to all retail customers of Dominion Energy Virginia at such time as the PIPP is established.

With that said, ultimately any PIPP participant will—in essence or practice—have a monthly bill cap of six or ten percent of their income. Whether or not they are assessed the universal service fee, the maximum amount that customer is responsible for paying will not change.

*G. The amount of uncollectible expense in base rates associated with eligible customers. Include a credit in the calculation of the proposed fee to avoid double-recovery of this expense.*

The Company does not possess any information at this time as to what portion or percent of those customers' expenses would ultimately result in uncollectible expense, also known as "bad debt", write-offs within base rates. Accordingly, like with arrearages of PIPP participants, the Company does not propose a credit at this time. Instead the Company proposes to include a credit for the amount of uncollectible expense in base rates, if any, when the PIPP customers are identified and enrolled in the program.

## V. Reducing Usage through Weatherization, Energy Efficiency, and Conservation

### *A. How the objective of reducing usage through participation in weatherization, energy efficiency, and conservation will be accomplished.*

The Company proposes to use its existing and to-be-proposed DSM programs that assist low-income, elderly and disabled customers ("existing and future low-income programs") with weatherization, energy efficiency and energy conservation education to fulfill the PIPP's objectives. To accomplish this proposal, the state's Weatherization Assistance Providers who serve as the contractors within the Company's existing low-income programs can be instructed to target PIPP households for participation.

The Company believes the alternative of establishing new or separate low-income targeted weatherization and energy efficiency programs could result in confusion for customers due to unique eligibility, implementation efforts, and funding for each of those programs.

On the other hand, using existing and future low-income programs would appear have clear benefits, including:

- Existence of one, clear avenue to participate in weatherization and energy efficiency programs for eligible customers;
- Minimizes confusion for implementers such as the Weatherization Assistance Providers doing the field work at eligible households;
- Avoids competing programs targeting the same subset of customers;
- The programs will be subject to stakeholder input via the Commission-appointed independent mediator process;
- The programs will be subject to annual review within the Commission proceedings, which are fully noticed to the public and open to all interested stakeholders;
- Energy savings will be subject to rigorous evaluation, measurement and verification ("EM&V");
- The VCEA instructs that the Company must propose a minimum of $130.5 million of spending towards low-income energy efficiency programs by 2028, which, if approved, will already be funded by retail customers; and
- Costs of the existing programs are known and costs of future programs will be determined through market proposals and subject to Commission review.

For context, the Company has implemented two prior income qualifying energy efficiency programs and has one additional program currently pending approval before the Commission in Case No. PUR-2019-00201. The Company's "Phase I" Low Income Program was approved by the Commission in Case No. PUE-2009-00081 and operated between 2010-2014. The Company's "Phase IV" Income and Age Qualifying Home Improvement Program was approved by the Commission in Case No. PUE-2014-00071 for an initial period of three years and later extended, and it will begin closure at the end of 2020 into early 2021. Between these two regulated energy efficiency programs, the Company has served approximately 35,000 qualifying customers. Average weatherization project costs for the Phase I Program were $1,026 per household, with single-family homes making up the majority of participants. The Phase IV Program has served a combination of single-family and multi-family homes, though multi-family has been much more prevalent, and the average weatherization project cost has been approximately $605. These average project costs are exclusive of administrative and other costs of the programs, which would be in addition to the weatherization project costs. Beginning in 2015, the Company began utilizing the state's Weatherization Assistance Provider network, as well as the Local Energy Alliance Program in Charlottesville for the program field work.

While the Company believes using existing and future low-income programs is the appropriate path forward at this time, additional guidance from the agency stakeholder process or future legislation could direct otherwise, and the Company will use all reasonable means to support those efforts.

*B. Identify any costs associated with these programs that are proposed to be collected by the fee.*

With the proposal to use existing and future low-income programs, no additional funding via the PIPP universal service fee is required to fulfill the objective of reducing the amount of electricity used by eligible participants' households. Like with other items addressed herein, should costs outside of the Company's existing and future low-income programs arise, those costs can be addressed in future revisions of the PIPP revenue requirement and universal service fee.

## VI. Conclusion

In closing, the Company has provided this Proposal pursuant to the Commission's directives as set forth in the June 11, 2020 Order Initiating Proceeding. Dominion Energy Virginia stands ready to be an active partner in the PIPP under the direction of the Department of Housing and Community Development and the Department of Social Services, and subject to any future guidance provided by the General Assembly of Virginia. Due to uncertainties as to particular program implementation details and timing, as well as enrollment and participation levels, the Company has presented a range of potential first year revenue requirements and associated universal service fees for consideration by this Commission and stakeholders. As set forth herein, it is the Company's expectation that any universal service fee approved as part of this proceeding would be subject to future revision and true-up.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

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*Counsel for Virginia Electric and Power Company*

July 21, 2020

## RIDER PIPP

## UNIVERSAL SERVICE FEE

In accordance with the Code of Virginia § 56-585.6, a non-bypassable Percentage of Income Payment Program (PIPP) universal service fee represented as Rider PIPP, will be applied to all kilowatt-hours consumed under the following Virginia Electric and Power Company's Filed Rate Schedules. The charge for service under Virginia Electric and Power Company's Filed Rate Schedules 1, 1G, 1P, 1S, 1T, 1W, DP-R, 1EV, EV, 5, 5C, 5P, 6, GS-1, DP-1, GS-2, DP-2, GS-2T, GS-3, GS-4, MBR, 6TS, 7, 8, 10, 24, 25, 27, 28, 29, as well as any special rates, contracts or incentives, approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by XXXXXX cents per kilowatt-hour.

Customers who elect to purchase Electricity Supply Service from a Competitive Service Provider are not exempt from Rider PIPP.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRIGNIA, *ex rel.*

STATE CORPORATION COMMISSION

Case No. PUR-2020-00109

*Ex parte:* Establishing the rates, terms and conditions of a universal fee to be paid by the retail customers of the Virginia Electric and Power Company

## IDENTIFICATION AND SUMMARIES OF DIRECT WITNESSES OF VIRGINIA ELECTRIC AND POWER COMPANY

**Lisa M. FaJohn**

Witness Direct Testimony Summary and Portions of PIPP Proposal Adopted and Sponsored
Appendix A: Background and Qualifications

**Michael T. Hubbard**

Witness Direct Testimony Summary and Portions of PIPP Proposal Adopted and Sponsored
Appendix A: Background and Qualifications

**Paul B. Haynes**

Witness Direct Testimony Summary and Portions of PIPP Proposal Adopted and Sponsored
Appendix A: Background and Qualifications

**Witness Direct Testimony Summary**

Witness: Lisa M. FaJohn

Title: Supervisor – Energy Assistance & Customer Outreach

Summary:

Company Witness Lisa M. FaJohn will adopt the Executive Summary and the following portions of Dominion Energy Virginia's PIPP Proposal:

- Section I
- Section III
- Sections IV.A, IV.B, IV.C, IV.D, IV.F and IV.G
- Section VI

A statement of Ms. FaJohn's background and qualifications is attached to this summary as Appendix A.

## BACKGROUND AND QUALIFICATIONS
## OF
## LISA M. FAJOHN

Lisa FaJohn is Supervisor of Energy Assistance for Dominion Energy Virginia and North Carolina. In this role, she provides overall leadership for energy assistance programs that support the most vulnerable customers with education and direct customer outreach. Her responsibilities include the design, development and implementation of the company's energy-assistance-program strategy which embraces a constant focus on raising public awareness about available bill-payment-assistance programs. In this capacity, she provides support and resources to social workers, public-service agencies and different organizations throughout the Commonwealth.

Since beginning with Dominion Energy in 2000, Mrs. FaJohn has held various leadership and project-management positions within the Customer Service organization for both Gas and Electric. In 2011, Mrs. FaJohn received her Six Sigma Black Belt certification. Using Design for Six Sigma methods, she designed and developed training programs to support the implementation of new customer service platforms. In 2013, she developed a Customer Excellence Development program transforming the entire training experience for the customer-service centers. In 2015, she led the implementation efforts of the Company's expanded EnergyShare program including defining business expectations in order to comply with Senate Bill 1349. Since 2018, Mrs. FaJohn has been a member of the Board of Directors of Virginia Housing Alliance, where she provides guidance on initiatives focused on improving and coordinating assistance to families across the commonwealth.

Mrs. FaJohn has not previously presented testimony before the State Corporation Commission of Virginia or the North Carolina Utilities Commission.

## Witness Direct Testimony Summary

Witness: Michael T. Hubbard

Title: Manager – Energy Conservation

Summary:

Company Witness Hubbard will adopt and the following portions of Dominion Energy Virginia's PIPP Proposal:

- Section V

A statement of Mr. Hubbard's background and qualifications is attached to this summary as Appendix A.

## BACKGROUND AND QUALIFICATIONS
## OF
## MICHAEL T. HUBBARD

Michael T. Hubbard is Manager – Energy Conservation for Dominion Energy Virginia. Since 2008, his responsibilities have included oversight of the design and implementation of new DSM programs, including vendor retention and oversight. In 2010, he served on the Governor's Operational Review Taskforce to reduce costs and improve efficiencies for state government. He also served on the board of the Richmond Region Energy Alliance, and is currently on the board of the Virginia Energy Efficiency Council, working with stakeholders on key energy efficiency issues and the promotion of cost effective DSM programs. He is a certified Six Sigma Green Belt.

Mr. Hubbard joined Dominion Energy Virginia in 1996 and has served in a number of regulatory and customer service-related leadership roles in the Delivery and Service Company organizations.

While in the position of Underground Damage Prevention Manager, he was appointed to serve on the Commission's Advisory Committee for matters concerning the enforcement of the Virginia Underground Utility Line Damage Prevention Act, and also served on the board of directors that formed a new statewide Miss Utility call center.

Mr. Hubbard has a B.S. in History from Hampden-Sydney College and M.S.L.S. (Masters in Library Sciences) from the University of Kentucky, and is a member of the Phi Beta Kappa National Honor Society.

Mr. Hubbard has previously presented testimony before the State Corporation Commission of Virginia and the North Carolina Utilities Commission.

## Witness Direct Testimony Summary

Witness: Paul B. Haynes

Title: Director – Regulation

Summary:

Company Witness Paul B. Haynes will adopt and the following portions of Dominion Energy Virginia's PIPP Proposal:

- Section II
- Section IV.E

A statement of Mr. Haynes' background and qualifications is attached to this summary as Appendix A.

# BACKGROUND AND QUALIFICATIONS
# OF
# PAUL B. HAYNES

Paul B. Haynes received a Bachelor of Science degree in Business Administration from the University of Richmond in 1984 and a Master of Business Administration with a Concentration in Quantitative Methods from Virginia Commonwealth University in 1989.

Mr. Haynes started his career with the Company as a meter reader. He went through the Company's Customer Service Representative training program for three-and-a-half years, during which time he designed distribution facilities to serve residential and non-residential customers. In 1990, Mr. Haynes joined the Rate Department to work in the Rate Design section, where he assisted with regulatory filings and the design of rates, and performed analysis related to the Company's Virginia and North Carolina service territories. He has held various staff analyst positions within the Customer Rates Department, formerly the Cost Allocation and Pricing Department. In 2006, Mr. Haynes became Project Manager of Regulatory Research and Analysis, and then became Manager of Regulatory Analysis, Research and Support in 2007. On June 1, 2009, Mr. Haynes became Manager – Regulation with responsibility for cost allocation and cost of service studies, and on January 1, 2013, he assumed his current position as Director – Regulation with responsibility for Cost of Service and Rate Design.

Mr. Haynes has previously provided testimony before the State Corporation Commission of Virginia and the North Carolina Utilities Commission.