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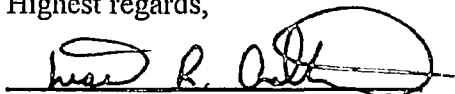
*Application of Virginia Electric and Power Company, For revision of rate adjustment clause:
Rider S, Virginia City Hybrid Energy Center for the Rate Years Commencing April 1, 2022 and
April 1, 2023*
Case No. PUR-2021-00114

Dear Mr. Logan:

Please find enclosed for filing, an unbound original and one (1) copy of Virginia Electric and Power Company's Application, Direct Testimony, Exhibits, and Schedules in the above-captioned proceeding (consisting of a Public Volume 1). A confidential version is also being filed under seal under separate cover.

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.
C. Meade Browder, Jr., Esq.
Paul E. Pfeffer, Esq.
Timothy D. Patterson, Esq.
Nicole M. Allaband, Esq.



**Dominion
Energy®**

**Application, Direct
Testimony, Exhibits and
Schedules of Virginia
Electric and Power
Company**

**Before the State Corporation
Commission of Virginia**

**For revision of rate adjustment
clause: Rider S, Virginia City
Hybrid Energy Center, for the
Rate Years Commencing April 1,
2022 and April 1, 2023**

**Volume 1 of 1
PUBLIC VERSION**

Case No. PUR-2021-00114

Filed: June 8, 2021

**Application of Virginia Electric and Power Company
For revision of rate adjustment clause: Rider S,
Virginia City Hybrid Energy Center
For the Rate Years Commencing April 1, 2022
and Commencing April 1, 2023**

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210610207 Application

210610207

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2021-00114
For revision of rate adjustment clause: Rider S,)
Virginia City Hybrid Energy Center)
For the Rate Years Commencing April 1, 2022)
and April 1, 2023)

**VIRGINIA ELECTRIC AND POWER COMPANY'S
RIDER S BIENNIAL UPDATE FILING AND REQUEST FOR LIMITED WAIVER**

Pursuant to § 56-585.1 A 6 of the Code of Virginia (“Va. Code”) and the directive contained in Ordering Paragraph (3) of the Final Order issued by the State Corporation Commission of Virginia (“Commission”) on February 24, 2021 in Case No. PUR-2020-00102,¹ Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), by counsel, hereby submits this biennial update filing with respect to its Rider S (“2021 Biennial Update” or “Update”) for the Virginia City Hybrid Energy Center, a coal-fueled generating plant and associated transmission interconnection facilities in Wise County, Virginia (collectively, the “VCHEC Project” or the “Project”). In support of this 2021 Biennial Update, the Company respectfully shows as follows:

GENERAL INFORMATION

1. Dominion Energy Virginia is a public service corporation organized under the laws of the Commonwealth of Virginia furnishing electric service to the public within its certificated service territory. The Company also supplies electric service to non-jurisdictional

¹ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider S, Virginia City Hybrid Energy Center, Case No. PUR-2020-00102, Final Order (Feb. 24, 2021) (“2020 RAC Order”). Hereinafter referred to as the “2020 Annual Update.”*

customers in Virginia and to the public in portions of North Carolina. The Company is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation. The Company is also a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is an operating subsidiary of Dominion Energy, Inc.

- 2. The Company's name and post office address are:

Virginia Electric and Power Company
120 Tredegar Street
Richmond, Virginia 23219

- 3. The names, post office addresses, and telephone numbers of the attorneys for the Company are:

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(804) 775-1069 (TDP)
(804) 775-4364 (NMA)

BACKGROUND

- 4. On March 31, 2008, the Commission approved and granted a certificate of public convenience and necessity for the VCHEC Project in Case No. PUE-2007-00066 by its Final

Order (“CPCN Order”),² finding that the VCHEC Project is in the public interest and has met the requirements of Va. Code §§ 56-580 D and 56-46.1. The CPCN Order also authorizes the Company to recover in a timely manner costs associated with the development of the VCHEC Project, including projected construction work in progress and associated allowance for funds used during construction.³ For this purpose, the Commission approved a rate adjustment clause (“RAC”), designated Rider S, pursuant to Va. Code § 56-585.1 A 6 (“Subsection A 6”).

5. The CPCN Order states as follows with respect to Rider S:

Rider S will be set to recover the Company’s projected costs for the upcoming year and is subject to annual cost true-ups beginning in 2010 ... there will be an annual proceeding in which the Commission will set the rate for Rider S.⁴

6. The CPCN Order also states:

Based on the findings in this Final Order, we approve the Company’s proposed rate adjustment clause as set forth in the Stipulation -i.e., Rider S- which also reflects Virginia Power’s proposed cost allocation, rate design, and accounting treatment. Rider S shall be based on the 12.12% return on common equity approved herein. Rider S shall become effective for service rendered on and after January 1, 2009 and shall be subject to annual cost true-up proceedings beginning in 2010. Virginia Power shall file its annual Rider S application on or before March 15 of every year.⁵

7. On March 31, 2009, the Company submitted its application in Case No. PUE-2009-00011, requesting approval of an update to its RAC, designated Rider S, pursuant to

² *Application of Virginia Electric and Power Company, For a certificate of public convenience and necessity to construct and operate an electric generation facility in Wise County, Virginia, and for approval of a rate adjustment clause under §§ 56-585.1, 56-580 D, and 56-46.1 of the Code of Virginia*, Case No. PUE-2007-00066, Final Order, 2008 S.C.C. Ann. Rept. 385 (Mar. 31, 2008), *aff’d*, *Appalachian Voices, et al. v. State Corp. Comm’n., et al.*, 277 Va. 509, 675 S.E.2d 458 (2009).

³ CPCN Order, 2008 S.C.C. Ann. Rept. 385, 389.

⁴ CPCN Order, 2008 S.C.C. Ann. Rept. 385, 391.

⁵ CPCN Order, 2008 S.C.C. Ann. Rept. 385, 395.

Subsection A 6 with respect to the VCHEC Project. In its Order Approving Rate Adjustment Clause issued on December 16, 2009 (“2009 RAC Order”),⁶ the Commission directed the Company to file its annual update filing with respect to its Rider S “on or before March 31 of each year.”⁷ Subsequently, on March 11, 2010, the Commission issued its Order Approving Stipulation and Addendum (“Stipulation Order”) in that same proceeding, in which the Commission stated:

The filing date for Riders S and R applications is extended from March 31, 2010 to on or before June 30, 2010, and on or before June 30 of each year thereafter, and the currently approved terms of Riders S and R are extended at the existing rate of recovery through March 31, 2011.⁸

8. The Company has since annually updated its Rider S RAC in 2010 (Case No. PUE-2010-00054), 2011 (Case No. PUE-2011-00067), 2012 (Case No. PUE-2012-00071), 2013 (Case No. PUE-2013-00061), 2014 (Case No. PUE-2014-00051), 2015 (Case No. PUE-2015-00060), 2016 (Case No. PUE-2016-00062), 2017 (Case No. PUR-2017-00073), 2018 (Case No. PUR-2018-00086), 2019 (Case No. PUR-2019-00088), and 2020 (Case No. PUR-2020-00102).

9. In its Final Order in the 2020 Annual Update proceeding, the Commission approved the annual update to Rider S and directed the Company to file an annual update with respect to Rider S “[o]n or before June 30, 2021.”⁹

⁶ *Application of Virginia Electric and Power Company, For approval of the Annual Filing as required by Final Order of the State Corporation Commission in Case No. PUE-2007-00066 granting approval of a rate adjustment clause, Rider S, with respect to the Virginia City Hybrid Energy Center generation and transmission facilities located in Wise County, Virginia, Case No. PUE-2009-00011, Order Approving Rate Adjustment Clause, 2009 S.C.C. Ann. Rept. 398 (Dec. 16, 2009).*

⁷ 2009 RAC Order, 2009 S.C.C. Ann. Rept. 398, 400.

⁸ Stipulation Order, 2010 S.C.C. Ann. Rept. 301, 304.

⁹ 2020 RAC Order at 3, Ordering Paragraph (1), (3).

10. Pursuant to the provisions of the Commission's previous Rider S RAC Orders, the Company files this 2021 Biennial Update to: (i) inform the Commission of the status of the VCHEC Project and its actual and projected expenditures; and (ii) present the Company's proposed revenue requirements, proposed cost allocation, rate design, and accounting treatment for service rendered during two proposed rate years commencing on April 1, 2022, and extending through March 31, 2023 ("Rate Year 1") and commencing on April 1, 2023 and extending through March 31, 2024 ("Rate Year 2") (collectively, the "Rate Years"), as related to Rider S and the VCHEC Project.

VCHEC PROJECT AND EXPENDITURES UPDATE

A. Status of the VCHEC Project

11. VCHEC became fully operational on July 10, 2012, and commissioning on biomass was successfully completed in 2013. The Company is not presenting any construction-related testimony or updates as part of this 2021 Biennial Update filing.

B. Operation and Maintenance and Capital Expenditures

12. The Company maintains a five-year budget plan based on expected operating and maintenance ("O&M") expenditures, including costs for operating levels, staffing, and planned outages. The Company also maintains a five-year budget plan for expected capital expenditures associated with station operations. Company Witness Christopher D. Dibble's pre-filed direct testimony describes these expenditures in detail and provides the current Five-Year O&M Budget Plan and the current Five-Year Capital Budget Plan for the VCHEC Project.

13. Mr. Dibble's testimony details the actual and projected O&M expenses for the Project. The actual O&M expenses for the period beginning January 1, 2020 through December 31, 2020, were \$44,327,356. The projected O&M expenses for the period beginning January 1,

2021 through March 31, 2022, are \$69,344,982. The projected O&M expenses for Rate Year 1 are \$58,836,664. The projected O&M expenses for Rate Year 2 are \$60,815,482.

14. Mr. Dibble's testimony also details the actual and projected capital expenditures for the VCHEC Project. The actual capital expenditures for the period beginning January 1, 2020 through December 31, 2020, were \$9,492,665. The Company has projected \$11,261,005 in capital expenditures for the period beginning January 1, 2021 and ending March 31, 2022. The projected capital expenditures for Rate Year 1 are \$10,391,393. The projected capital expenditures for Rate Year 2 are \$14,890,428. This information has been provided to Company Witness Christopher J. Lee for use in calculating the revenue requirements in this proceeding.

15. As part of this 2021 Biennial Update, the Company respectfully requests that the Commission approve the updated expenditures on the VCHEC Project, subject to subsequent true-ups, and find that such expenditures are reasonable and prudent in order to fulfill the Company's service obligations as a public electric utility.

VCHEC PROJECT ACCOUNTING UPDATE

A. Rate of Return on Common Equity

16. For purposes of this Application, the Company calculated the revenue requirement using a 9.2% ROE, which is the Company's currently-authorized ROE as set by the Commission in Case No. PUR-2019-00050. The Company acknowledges that the Commission will set a new ROE in the Company's Triennial Review, Case No. PUR-2021-00058, and the Commission-approved ROE will be applicable for use in the Projected Cost Recovery Factor component of the revenue requirement ultimately approved as part of this proceeding.

17. Accordingly, for purposes of calculating the Projected Cost Recovery Factor revenue requirements over the Rate Years in this case and for purposes of calculating the Actual

Cost True-Up Factor for the period of January 31, 2019 through December 31, 2019 in this case, the Company has utilized an enhanced ROE of 10.2%. This includes a general rate of return on common equity of 9.2%, as discussed above, with an ROE adder of 100 basis points. The 100 basis points equity adder was approved by the Commission in its Final Order approving Rider S in Case No. PUE-2007-00066, the initial VCHEC Project RAC case, through the first 12 years of the VCHEC Project's service life.

B. Revenue Requirement Update

18. The Company is proposing a biennial update procedure for Rider S with two consecutive Rate Years. The proposed Rate Years for this proceeding are from April 1, 2022 through March 31, 2023, and from April 1, 2023 through March 31, 2024. Company Witness Lee's pre-filed direct testimony introduces the biennial update procedure, which was designed in coordination with Staff to reduce the administrative burden of annual rider filings.

19. The two key components of the revenue requirement for Rate Year 1 are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor. The revenue requirement for Rate Year 2 is comprised only of the Projected Cost Recovery Factor.

20. The Projected Cost Recovery Factors in this 2021 Biennial Update consist of the projected financing costs on invested capital, plus income taxes on the equity component of the return and projected operating costs of the plant during the Rate Years. As shown in Mr. Lee's testimony, the Projected Cost Recovery Factor revenue requirement totals \$193,125,000 for Rate Year 1 and \$191,292,000 for Rate Year 2, for Virginia Jurisdictional customers in this case.

21. The Actual Cost True-Up Factor for Rate Year 1 will credit to, or recover from, customers any over/under recovery of costs from the most recently completed calendar year. In this 2021 Biennial Update, actual revenues recovered during 2020 are compared to actual costs

incurred during 2020 including the enhanced ROE. Any difference in these amounts becomes the basis for the Actual Cost True-up Factor credited to, or recovered from, customers through the total revenue requirement requested in this Update. The 2020 Actual True-up Factor also includes an adjustment to the 2019 True-up Factor to account for under-collections of \$2,434,000. Inclusive of financing costs, the Actual Cost True-Up Factor revenue requirement is (\$1,593,000). The calculation of the Actual Cost True-Up Factor is described in detail in the testimony of Company Witness Lee.

22. The total revenue requirements requested for recovery in this 2021 Biennial Update are \$191,532,000 for Rate Year 1, and \$191,292,000 for Rate Year 2.

RIDER S RATE DESIGN UPDATE

A. Revised Rider S Tariff

23. The Company is proposing an updated Rider S tariff, which is sponsored by Company Witness Estafña M. Davis. Ms. Davis identifies the rates, in either cents per kilowatt-hour or dollars per kilowatt, that will apply to each Company Rate Schedule. If approved as proposed, the revised Rider S will be effective for usage on and after April 1, 2022 for Rate Year 1, and on and after April 1, 2023 for Rate Year 2.

B. Revised Rider S Calculation

24. The Company has calculated the Rider S rates in accordance with the same methodology used for those rates approved by the Commission with respect to the most recent revision to Rider S (Case No. PUR-2020-00102) for the Virginia City Hybrid Energy Center.

C. Rider S Impact on Customer Bills

25. For Rate Year 1 the implementation of the proposed Rider S on April 1, 2022, will increase the typical residential customer's monthly bill by \$0.09, based on 1,000 kWh per

month. Ms. Davis’s testimony provides typical bill comparisons for Residential Schedule 1, General Service Schedules GS-1, GS-2, GS-3, and GS-4, and Church Schedule 5C, at several representative levels of consumption or demand for each of the Rate Years. Ms. Davis further provides a tariff sheet for Rate Year 2.

D. Request for Rate Effective Date

26. As Ms. Davis explains, the Company respectfully requests for billing purposes, a rate effective date for usage on and after April 1, 2022, or the first day of the month that is at least 15 days following the date of any Commission order approving Rider S, whichever is later for Rate Year 1. Additionally, the Company respectfully requests for billing purposes, a rate effective date for usage on and after April 1, 2023 for Rate Year 2.

**PRE-FILED DIRECT TESTIMONY AND EXHIBITS SUPPORTING
FILING SCHEDULES 3, 4, 5, 8, and 46 AND LIMITED REQUEST FOR
WAIVER OF FILING SCHEDULE 46 REQUIREMENTS**

27. In support of this 2021 Biennial Update, Dominion Energy Virginia presents herewith the pre-filed direct testimony and exhibits of the following witnesses: Christopher D. Dibble, Christopher J. Lee, and Estafña M. Davis.

A. Filing Schedules 3, 4, 5, and 8

28. Rule 60 of the Rate Case Rules provides that rate adjustment clause “applications requiring an overall cost of capital shall include Schedules 3, 4, 5, and 8.” The Company is filing with this Petition, Filing Schedules 3, 4, 5, and 8, as follows. These filing schedules are sponsored by Company Witness Lee.

29. Filing Schedules 3 and 3A provide the capital structure and cost of capital statements applicable to Rider S. Filing Schedule 4 provides schedules of long-term debt, preferred stock, investment tax credits, and other components of ratemaking capital for the filing.

Filing Schedule 5 provides the schedule of short-term debt, revolving credit agreements, and similar short-term financing arrangements. Filing Schedule 8 provides the proposed cost of capital statement for Rider S.

B. Filing Schedule 46

30. Filing Schedule 46A, Statement 1, sponsored by Company Witness Christopher D. Dibble, provides schedules of the actual and projected O&M and capital expenditures by type of cost and year associated with Rider S. In addition, Schedule 46A, Statement 2, provides the key documents supporting the projected and actual costs recovered through the rate adjustment clause, such as: economic analyses, support used by senior management for major cost decisions as determined by the applicant, contracts, studies, investigations, results from requests for proposals, cost-benefit analyses, and other items supporting the costs that have not been provided in previous applications. However, consistent with the Company's request for waiver below, the Company has provided the Statement 2 documents in electronic format only.

31. Filing Schedule 46B, Statement 1, sponsored by Company Witness Christopher J. Lee, provides the annual revenue requirement for the Rate Years ending March 31, 2023 and March 31, 2024. In addition, Filing Schedule 46B, Statement 2, provides the annual revenue requirement over the duration of the RAC, and Statement 3 provides documentation supporting Statement 2. Lastly, Filing Schedule 46B, Statement 4, provides a detailed description of all significant accounting procedures and internal controls that the Company has instituted to identify all costs associated with the Subsection A 6 RAC.

32. Filing Schedule 46C, Statement 1, sponsored by Company Witness Estafña M. Davis, provides the allocation of the revenue requirement and the rate design for the Rate Years

ending March 31, 2023 and March 31, 2024. In addition, Filing Schedule 46C, Statement 2, provides the annual revenue requirements by class over the duration of the RAC.

C. Request for Limited Waiver of Filing Schedule 46 Requirements

33. The Company, for good cause shown and pursuant to 20 VAC 5-204-10 E, additionally respectfully requests that the Commission waive, in part, the requirements under Rules 60 and 90 of the Rate Case Rules with respect to paper copies of certain Filing Schedule 46 materials. Specifically, the Rate Case Rules require the Company provide key documents supporting the projected and actual costs recovered through the rate adjustment clause, such as: economic analyses, support used by senior management for major cost decisions as determined by the applicant, contracts, studies, investigations, results from requests for proposals, cost-benefit analyses, and other items supporting the costs that have not been provided in previous applications. The supporting documentation responsive to this requirement is voluminous and, often, not easily reviewed in hard copy (paper) format. Accordingly, and consistent with waivers previously granted by this Commission, the Company seeks waiver of the requirement to file this information in hard copy. Instead, the Company proposes to provide this documentation to Commission Staff and any other future case participant in electronic format only. The Company will make these documents available via an e-room contemporaneously with this filing, with immediate access available to Commission Staff. Should the Commission deny this request, the Company asks for a reasonable allowance of time to print the requisite filing copies of this material and submit it the Commission prior to the Company's application being deemed incomplete.

34. The requested waiver is substantially similar to the waiver granted by the

Commission in the Company's 2020 Annual Update to Rider S.¹⁰

REQUEST FOR CONFIDENTIAL TREATMENT

35. The Company's 2021 Biennial Update contains, at points so designated therein, confidential and/or redacted information, and the non-public version of this filing is being made under seal. Because portions of the Company's Update contain such confidential and/or redacted information, in compliance with Rule 10 F and Rule 170, 20 VAC 5-204-10 F and 5 VAC 5-20-170, this filing is accompanied by a separate Motion for Entry of a Protective Ruling, including a form of Proposed Protective Ruling, filed by the Company under separate cover but contemporaneously with this 2021 Biennial Update.

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

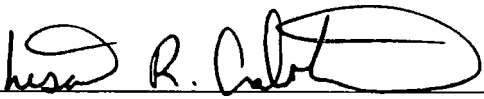
36. The Company's 2021 Biennial Update for approval of Rider S complies with the requirements contained in Rule 10 of the Rate Case Rules. In accordance with Rule 10 A, the Company filed with the Commission on April 1, 2021, the Company's notice of intent to file this Update under Va. Code § 56-585.1 A 6. Copies of the Public Version of this Update, to the extent required by Rule 10 J, along with the additional information required by Rule 10 J, have been served upon the persons addressed in that Rule. A complete copy of the Public Version of this Update has been served upon the Office of the Attorney General's Division of Consumer Counsel, in conformity with Rule 10 J. Also included with and following this Update, pursuant to Rule 10, is a table of contents of this filing, including exhibits and schedules.

¹⁰ *Application of Virginia Electric and Power Company, For revision of a rate adjustment clause: Rider S, Virginia City Hybrid Energy Center, Case No. PUR-2020-00102, Order for Notice and Hearing, Ordering Paragraph (5) (June 16, 2020).*

CONCLUSION

WHEREFORE, the Company respectfully requests that the Commission: (1) approve the proposed revenue requirements, cost allocation, rate design, and accounting for service rendered on and after April 1, 2022 through March 31, 2023, and April 1, 2023 through March 31, 2024, for operation of the VCHEC Project; (2) approve the Company's proposed Rider S, to be effective on and after April 1, 2022 for Rate Year 1 and on and after April 1, 2023 for Rate Year 2; (3) grant the Company's requested waiver as to the filing requirements; and (4) grant such other relief as deemed appropriate and necessary.

Respectfully submitted,

By: 
Counsel

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June 8, 2021