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**PUBLIC VERSION**

October 5, 2021

**BY HAND DELIVERY**

Bernard Logan, Clerk  
State Corporation Commission  
Document Control Center  
Tyler Building, First Floor  
1300 East Main Street  
Richmond, Virginia 23219

*Petition of Virginia Electric and Power Company for approval of a rate adjustment clause  
designated Rider SNA under § 56-585.1 A 6 of the Code of Virginia*  
Case No. PUR-2021-00229

Dear Mr. Logan:

Enclosed for filing in the above-captioned proceeding, please find an original and one (1) copy of the Public Version of *Virginia Electric and Power Company's Petition and Request for Waiver*. A confidential and extraordinarily sensitive version is also being filed under seal under separate cover.

Please do not hesitate to contact me if you have any questions in regard to this filing.

Highest regards,

/s/ Lisa R. Crabtree

Lisa R. Crabtree

enc.

cc: William H. Chambliss, Esq.  
C. Meade Browder, Jr., Esq.  
Paul E Pfeffer., Esq.  
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Dan Bumpus, Esq.



**Dominion  
Energy®**

**Petition, Direct Testimony,  
and Schedules of Virginia  
Electric and Power  
Company**

**Before the State Corporation  
Commission of Virginia**

**For approval of a rate adjustment  
clause designated Rider SNA  
under § 56-585.1 A 6 of the Code  
of Virginia**

**Volume 1 of 2  
PUBLIC VERSION**

**Case No. PUR-2021-00229**

**Filed: October 5, 2021**

**Petition of Virginia Electric and Power Company  
For approval of rate adjustment clause designated Rider SNA,  
under § 56-585.1 A 6 of the Code of Virginia**

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COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

PETITION OF )  
)  
VIRGINIA ELECTRIC AND POWER COMPANY )  
) Case No. PUR-2021-00229  
For approval of a rate adjustment clause )  
designated Rider SNA under § 56-585.1 A 6 )  
of the Code of Virginia )

**VIRGINIA ELECTRIC AND POWER COMPANY'S  
PETITION AND REQUEST FOR WAIVER**

Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), petitions for approval of a rate adjustment clause (“RAC”) for the costs associated with the preparation of the applications for Subsequent License Renewal (“SLR”) to the Nuclear Regulatory Commission (“NRC”) to extend the operating licenses of (the “SLR Component”), and the projects reasonably appropriate to upgrade or replace systems and equipment deemed to be necessary to operate safely and reliably, Dominion Energy Virginia’s Surry Units 1 and 2 and North Anna Units 1 and 2 in the extended period of operation (the “Capital Upgrade Component”) (collectively, the SLR Component and the Capital Upgrade Component comprise the “Nuclear Life Extension Program” or the “Program”)<sup>1</sup> pursuant to § 56-585.1 A 6 of the Code of Virginia (“Va. Code” or “Code”) and the Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Electric Utilities (the “Rate Case Rules”)<sup>2</sup> of the State Corporation Commission (“Commission”). Specifically, the Company seeks (i) a determination that it is reasonable and prudent for the Company to pursue the nuclear license

<sup>1</sup> Old Dominion Electric Cooperative (“ODEC”) has an 11.6% ownership interest in North Anna Units 1 and 2. For purposes of this Application filing, all references to North Anna are for Dominion Energy’s ownership portion only (such as costs and capacity), unless otherwise noted. The Company has met, and continues to meet regularly with ODEC to discuss the Program and associated cumulative cashflows, and ODEC is aware of this filing with the Commission.

<sup>2</sup> 20 VAC 5-204-10 *et seq.*



extensions and related projects, with a current cost projection of up to \$3.9 billion; and (ii) approval of cost recovery through Rider SNA for Phase I of the Program, which includes those investments to date and for the following three calendar years 2022-2024, totaling approximately \$1.2 billion. In support of this Petition, the Company respectfully shows as follows:

### I. GENERAL INFORMATION

1. The Company 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 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 FERC. The Company is an operating subsidiary of Dominion Energy, Inc. The Company's name and address is:

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

2. The addresses and telephone numbers of the attorneys for the Company are:

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## II. BACKGROUND

3. Nuclear energy is the largest source of clean carbon-free electricity in the country. For almost 50 years, the Company's four nuclear units— Surry Units 1 and 2 and North Anna Units 1 and 2—have demonstrated a proven track record of providing affordable and clean electricity when needed by our Virginia and North Carolina customers in a safe, reliable manner that also protects the environment.

4. Currently, the Company's nuclear fleet provides about a third of its customers' electricity needs—enough to power almost 900,000 homes. Indeed, over the last several decades, the Company's nuclear facilities have been a critical component of its generation portfolio, representing about 33% of the Company's overall generation requirements and 90% of the Company's carbon-free generation.

5. Surry Unit 1 (838 MW) (nameplate) and Surry Unit 2 (838 MW) (nameplate), located in Surry, Virginia, received initial operating licenses in May 1972 and January 1973, respectively. Unit 1 was licensed for its initial 40-year period through 2012. The NRC renewed this unit's license in 2003, extending the Surry Unit 1 license for 20 years through 2032. Unit 2 was licensed for its initial 40-year period through 2013. The NRC renewed this unit's license in 2003, extending the Surry Unit 2 license for 20 years through 2033.

6. North Anna Unit 1 (838 MW) (nameplate) and North Anna Unit 2 (834 MW) (nameplate), located in Louisa County, Virginia, received initial operating licenses in April 1978 and August 1980, respectively. Unit 1 was licensed for its initial 40-year period through 2018. The NRC renewed this unit's license in 2003, extending the North Anna Unit 1 license for 20 years through 2038. Unit 2 was licensed for its initial 40-year period through 2020. The NRC renewed this unit's license in 2003, extending the North Anna Unit 2 license for 20 year through 2040.

### III. NUCLEAR LIFE EXTENSION PROGRAM

#### A. SLR COMPONENT

7. A nuclear plant is eligible to apply for an SLR when it enters its first period of extended operation—*i. e.*, between the 40-60 range of a nuclear plant's service life. Surry Units 1 and 2 became eligible in 2012 and 2013, respectively; North Anna Units 1 and 2 became eligible in 2018 and 2020, respectively. The Company submitted its SLR Application ("SLRA") for Surry Units 1 and 2 to the NRC on October 15, 2018. The NRC Director of Nuclear Reactor Regulation issued a decision for renewed licenses for Surry Units 1 and 2 on May 4, 2021. On August 24, 2020, the Company submitted the North Anna SLRA. The Company expects the outcome on its North Anna SLRA will be similar to Surry. Company Witness Mark D. Sartain provides additional details regarding the SLRA process.

#### B. CAPITAL UPGRADE COMPONENT

8. In order to maintain the safety, reliability, and efficiency of the Surry and North Anna units up to 80 years of operation, the Company has identified 33 Capital Upgrade Component projects that must be undertaken, in addition to the SLRAs. The Company created

an extensive screening process in determining whether a project was necessary and eligible for the Capital Upgrade Component of the SLR.

9. Of the total 33 projects, the Company identified 18 projects at Surry, and 15 projects at North Anna (with 12 projects common to both plants). The projects identified are essential to reduce risk and ensure the units are operated in a safe and reliable manner during the extended period from 60 to 80 years. Company Witness Paul A. Phelps provides additional details concerning the Company's screening process and results.

10. A majority of the projects will be implemented at the Surry units first and learnings will be applied to improve the efficiency of the implementation of the projects for the North Anna units. Since Surry and North Anna are of similar design and construction, the design, procurement, and installation for the Program will be performed ideally by the same vendor or group of vendors, providing additional efficiencies.

#### IV. APPLICABLE LAW

11. Section 56-585.1 A 6 of the Code ("Subsection A 6") provides in relevant part:

To ensure the generation and delivery of a reliable and adequate supply of electricity, to meet the utility's projected native load obligations and to promote economic development, a utility may at any time, after the expiration or termination of capped rates, petition the Commission for approval of a rate adjustment clause for recovery on a timely and current basis from customers of the costs of ... (iii) one or more major unit modifications of generation facilities, *including the costs of any system or equipment upgrade, system or equipment replacement, or other cost reasonably appropriate to extend the combined operating license for or the operating life of one or more generation facilities utilizing nuclear power, ...* (emphasis added)

12. Additionally, Subsection A 6 states that any such utility:

... shall have the right to recover the costs of the facility, as accrued against income, through its rates, including projected construction work in progress, and any associated allowance for funds used during construction, planning, development and construction or

acquisition costs, life-cycle costs, costs related to assessing the feasibility of potential sites for new underground facilities, and costs of infrastructure associated therewith . . . .

## V. NEED FOR AND BENEFITS OF THE PROGRAM

13. The Program will provide clean, carbon-free baseload nuclear power, with a proven track record of low operating costs and around the clock availability to customers and the Commonwealth for another 20 years. In addition, since the Program is already permitted and operating, it is a low-risk option.

14. Over the last several decades, the Company's nuclear facilities have been a critical component of its generation portfolio, representing about 33% of the Company's overall generation requirements. The nuclear units provide reliable energy and capacity without any reliance on the wind or sun. The nuclear base load generation becomes even more important as more and more fossil generating units retire especially if other PJM members follow a similar low carbon path. Without the nuclear units the system will rely more heavily on market purchases and sales for both reliability and to lower overall fuel costs. As the quantity of renewables increases the more amounts of energy storage and or additional renewable curtailments may be required.

15. As discussed by Company Witness Glenn A. Kelly, the Program is projected to save customers approximately \$7.6 billion. These savings result from avoiding (i) the need to build additional renewable resources, (ii) market energy and capacity purchases, (iii) renewable energy credit purchases, and (iv) some Renewable Portfolio Standard deficiency payments. In addition, the net present value includes the societal benefit of reducing carbon. Company Witness Kelly provides a detailed discussion of the modeling used to calculate the Program's

NPV to customers over the 20-year operating extension under a cost of service methodology.

Company Witness Kyle Thomas addresses reliability benefits to the transmission system.

## VI. PROPOSED PHASE I

16. The total costs associated with the Nuclear Life Extension Program over the full lifespan of the Program are projected to be \$3.9 billion, excluding financing costs. Those projected costs are based upon a combination of historical cost data for similar projects on the Company's units and in the industry; budgetary estimates from vendors; station input; and existing vendor contracts, which have been and will continue to be validated using third-party estimates. To date, more than 300 contracts are in place directly supporting the projects in the Capital Upgrade Component, with negotiated terms and conditions that maximize value and minimize risk to both the Company and its customers. In some cases, based on the complexity of the scope of work, additional contractual terms, such as limited notices to proceed, increased warranty obligations, retainage, letters of credit, parent company guarantees and liquidated damages, are included. In addition, the Company has a rigorous vendor surveillance program that provides supplier oversight.

17. In this Petition, the Company seeks approval of cost recovery through Rider SNA for "Phase I" of the Program, which includes those investments to date and for the following three calendar years, 2022-2024, totaling approximately \$1.2 billion.

18. While the Company has conducted significant due diligence for the overall Nuclear Life Extension Program costs, it recognizes that the Program includes long-lived projects that will be conducted over approximately 15 years. A phased approach to cost recovery allows the Commission the ability to review and approve the projected costs for a more immediate time frame, and for the Company to continue to provide updates and any refinements

to those cost projections to the Commission and other stakeholders on an ongoing basis. The Company has confidence in its total Program cost estimates and has allowed for potential contingencies in developing these projections, there will naturally be an even higher level of precision to the cost projections on a shorter term—here three year—basis.

19. In connection with the cost recovery of Phase I of Rider SNA, Company seeks a determination that it is reasonable and prudent for the Company to move forward with the Program. In addition to the legal authority under Subsection A 6, § 56-585.1 D, of the Code authorizes the Commission to determine the reasonableness or prudence of any cost projected to be incurred in connection with this proceeding.

20. Subject to Commission approval, the Company would plan to present a “Phase II” cost recovery proposal prior to the conclusion of the Phase I period. At this time, a three-year period appears to be a reasonable interval for cost recovery approval given the nature and status of this Project. Should the Company determine that it believes a shorter or longer term phase duration is more reasonable, the Company will of course bear the burden of demonstrating the reasonableness and prudence of such a proposal, and the costs sought for recovery thereunder.

## **VII. RIDER SNA**

### **A. RATE OF RETURN ON COMMON EQUITY**

21. The Company has used a return on equity (“ROE”) of 9.2% for purposes of calculating the Rider SNA revenue requirement over the rate year in this case. The ROE of 9.2% was approved in 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.

## B. REVENUE REQUIREMENT

22. The proposed rate year for this proceeding is September 1, 2022 through August 31, 2023 (“Rate Year”).

23. The three key components of the revenue requirement are the Projected Cost Recovery Factor, the Allowance for Funds Used During Construction (“AFUDC”) Cost Recovery Factor, and the Actual Cost True-Up Factor.

24. The Projected Cost Recovery Factor consists of projected net plant balances as of the month-end immediately preceding the Rate Year (i.e., as of August 31, 2022) in determination of the rate base and the calculation of financing costs on rate base.

25. The AFUDC Cost Recovery Factor consists of the amortization over the Rate Year beginning September 1, 2022, of the actual and projected AFUDC through August 31, 2022 – i.e., the day immediately prior to the date (September 1, 2022) when Rider SNA rates initially go into effect.

26. Finally, the Actual Cost True-Up Factor will credit to, or recover from, customers any over-/under-recovery of costs from the most recently completed calendar year. Since this filing represents the initial request for cost recovery under Subsection A 6, no true-up is included in this initial proceeding.

27. The Company is deferring depreciation expense, property taxes, and AFUDC calculated up to the beginning of the initial Rate Year, and is proposing to recover them over the Rate Year in this current filing consistent with how the Company is currently deferring and recovering deferred costs in various other Company riders filed pursuant to Va. Code § 56-585.1 A 5 and Subsection A 6. The Company is likewise requesting to recover these reasonable and prudently incurred costs (including financing costs) over the proposed Rate Year.



28. The total revenue requirement requested for recovery in this initial Rider SNA for the Rate Year beginning September 1, 2022, is \$108,852,000. Company Witness C. Alan Givens provides details regarding the revenue requirement.

C. COST ALLOCATION AND RATE DESIGN UPDATE

29. Sponsored by Company Witness Timothy P. Stuller, Rider SNA identifies the rates in cents per kWh or dollars per kW, that will apply to each Company rate schedule. The Company proposes for billing purposes, a rate effective date for usage on and after September 1, 2022, or the first day of the month which is at least 15 days following the date of any Commission order approving Rider SNA (whichever is later).

30. The Company has allocated costs to the Virginia Jurisdiction and customer classes using its 2020 Production Demand Allocation Factor (Factor 1/61), consistent with the way production plant costs for the Surry and North Anna facilities are allocated in the Cost of Service. Factor 1 is used to allocate the production plant costs for Surry, and Factor 61 is used to allocate production plant costs for North Anna. Factors 1 and 61 are the same.

31. The implementation of the proposed Rider SNA on September 1, 2022, will increase the residential customer's monthly bill, based on 1,000 kWh per month, by \$2.11. Typical monthly bill impacts for customers receiving service on Residential Schedule 1, General Service Schedules GS-1, GS-2, GS-3, and GS-4, and Church Schedule 5C are provided to present proposed Rider SNA at several representative levels of consumption or demand.

**VIII. DIRECT TESTIMONY, FILING SCHEDULES AND REQUEST FOR WAIVER**

32. In support of this Petition, the Company presents the following:

- Mark D. Sartain, Vice President, Nuclear Engineering & Fleet Support, provides an overview of the nuclear units, the license renewal process, and the need for the Program. Mr. Sartain also introduces the other witnesses.

- Paul A. Phelps, Director, Nuclear Project Technical Support (Subsequent License Renewal), discusses the planned system and equipment upgrades at Surry Units 1 and 2 and North Anna Units 1 and 2, including the need for those upgrades to extend the life of the units to 80 years and the planned timeline to complete the upgrades. In addition, Mr. Phelps discusses the reasonableness and prudence of the Program costs.
- Glenn A. Kelly, Director, Integrated Strategic Planning, discusses the Company's forecasted need for and benefits of the Program, presents the economic modeling and resource planning analysis supporting the Program, and discusses some of the additional benefits the Program is expected to provide the Company's customers.
- M. Kyle Thomas, Manager of Electric Transmission Planning & Strategic Initiatives, discusses the Company's transmission planning process and system reliability as they pertain to the Surry and North Anna units and the Nuclear Life Extension Program.
- C. Alan Givens, Regulatory Consultant, Regulatory Accounting Department, supports the Company's request for a Subsection A 6 RAC, designated Rider SNA, for timely and current recovery of the costs of the Program, and the development of the revenue requirement for Rider SNA.
- Timothy P. Stuller, Regulatory Specialist, discusses and sponsors Rider SNA and presents the impact that the Rider SNA rates will have on typical customer bills at representative levels of consumption.

33. Rule 60 of the Rate Case Rules require the Company to include Filing Schedules 3, 4, 5, and 8. These filing schedules are sponsored by Company Witness Givens. Filing Schedules 3 and 3A provide the capital structure and cost of capital statements applicable to Rider SNA. 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 SNA.

34. Rules 60 and 90 of the Rate Case Rules require the Company to include Filing Schedule 46 with an application for approval of a Subsection A 6 RAC. Specifically, Schedule 46 requires the following information for initial RAC applications:

- i. A schedule of all projected and actual costs by type of cost and year, and by month to the extent available. The applicant shall provide such information by project if applicable for the specific rate adjustment clause.
- ii. Within five business days of the application filing date, the applicant shall provide transaction-level details to facilitate the sampling and audit of actual costs electronically to the Division to Utility Accounting and Finance in an electronic spreadsheet with all underlying formulas and assumptions. The applicant shall provide the information based on most current actual costs available to-date.
- iii. A detailed explanation of the justification for the proposed costs.
- iv. Key documents supporting the projected and actual costs that the applicant seeks to recover through the rate adjustment clause, such as economic analyses, contracts, studies, investigations, results from requests for proposals, cost benefit analyses, or other items supporting the costs.
- v. Key materials used by senior management in approving or recommending the proposed costs as determined by the applicant.
- vi. The annual revenue requirement over the duration of the proposed rate adjustment clause by year and by class on a total company and Virginia jurisdictional basis, including all supporting calculations and assumptions. The applicant shall provide such information by project if applicable for the specific rate adjustment clause.
- vii. Detailed information relative to the applicant's methodology for allocating the revenue requirement among rate classes and the design of class rates.

35. Company Witness Phelps sponsors information responsive to subparts (i), (iii)-  
 (v). Company Witness Kelly sponsors information responsive to subpart (iii). Company  
 Witness Givens sponsors information responsive to subpart (vi). Company Witness Stuller  
 sponsors information responsive to subpart (vii). The Company will provide information  
 responsive to subpart (ii) at the appropriate time.

36. The Company requests that the Commission waive, in part, the requirements under Rule 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 the key documents supporting the projected and actual costs that the applicant seeks to recover through the rate adjustment clause, such as economic analyses, contracts, studies, investigations, results from requests for proposals, cost benefit analyses, or other items supporting the costs. The supporting documentation responsive to this requirement is voluminous and, often, not easily reviewed in hard copy (paper) format. Accordingly, and consistent with previous waivers 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. The requested waiver is substantially similar to the waivers granted by the Commission in the Company's recent 2021 rider updates.<sup>3</sup>

#### **IX. REQUEST FOR CONFIDENTIAL AND EXTRAORDINARILY SENSITIVE TREATMENT**

37. The Company's Petition and accompanying schedules contain confidential and extraordinarily sensitive information as designated therein. A non-public version of this filing is being made under seal. Because portions of the Company's filing contain such confidential

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<sup>3</sup> E.g., *Application of Virginia Electric and Power Company, For revision of a rate adjustment clause: Rider W, Warren County Power Station*, Case No. PUR-2021-00115, Order for Notice and Hearing, Ordering Paragraph (5) (July 2, 2021).

and/or redacted information, in compliance with Rule 10 F of the Rate Case Rules and Rule 170 of the Procedural Rules, 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 Petition.

#### **X. COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES**

38. The Company's Petition for approval of Rider SNA complies with the requirements contained in Rule 10 of the Rate Case Rules. In accordance with Rule 10 A, Dominion Energy Virginia filed with the Commission on August 3, 2021, the Company's notice of intent to file this Petition under Va. Code § 56-585.1 A 6.

39. The Company has included all information required by Rule 10 B in this Petition, including a table of contents, direct testimonies with one-page summaries, and properly labeled exhibits and schedules.

40. In accordance with Rule 10 H, the Company will make a searchable PDF version of this Petition, direct testimonies, and Filing Schedules available via an eRoom contemporaneously with this filing, with immediate access available to (i) Commission Staff, including identified members of the Divisions of Utility Accounting and Finance and Public Utility Regulation; and (ii) identified members of the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel").<sup>4</sup>

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<sup>4</sup> Rule 10 J 3 requires the Company to provide a copy of the complete public version of the filing to Consumer Counsel at the same time it is filed with the Commission. As noted, pursuant to Rule 10 H, the Company will make a searchable PDF of the public version of the Petition, direct testimonies, and Filing Schedules available via an eRoom contemporaneously with this filing, with immediate access available to Consumer Counsel. The Company can provide a hard copy of the Update to Consumer Counsel upon request to counsel.

**WHEREFORE**, Dominion Energy Virginia respectfully requests that the Commission enter an order in this proceeding that:

- (1) Determines that it is reasonable and prudent for the Company to pursue the nuclear license extensions and related projects, with a current cost projection of up to \$3.9 billion;
- (2) Approves cost recovery through Rider SNA for Phase I of the Program, which includes those investments to date and for the following three calendar years 2022-2024, totaling approximately \$1.2 billion;
- (3) Approves the revenue requirement, cost allocation, and rate design, as proposed by the Company;
- (4) Grants the Company's requested waiver; and
- (5) Grants any such other and further relief as it deems just and proper.

Respectfully submitted,

**VIRGINIA ELECTRIC AND POWER COMPANY**

By:  \_\_\_\_\_

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