COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 18, 2021

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY CASE NO. PUR-2021-00058

For a 2021 triennial review of the rates, terms and conditions for the provision of generation, distribution and transmission services pursuant to § 56-585.1 A of the Code of Virginia

FINAL ORDER

On March 31, 2021, Virginia Electric and Power Company ("Dominion" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission"), pursuant to Code § 56-585.1 A, for a triennial review of Dominion's rates, terms and conditions for the provision of generation, distribution and transmission services. Pursuant to Code § 56-585.1 A 8, the "Commission's final order regarding such triennial review shall be entered not more than eight months after the date of filing, and any revisions in rates or credits so ordered shall take effect not more than 60 days after the date of the order."

On April 16, 2021, the Commission issued an Order for Notice and Hearing that, among other things, established a procedural schedule, directed the Company to provide public notice of its Application, and permitted interested persons to file comments on the Application or to participate in this proceeding as a respondent.

On May 18, 2021, Dominion filed a Motion for Leave to File Supplemental Direct Testimony and Filing Schedules and to Modify the Procedural Schedule, which sought to correct and replace certain filing schedules and to file supplemental direct testimony explaining the corrections ("Corrected Filing"). On June 4, 2021, the Commission issued an Order Modifying Procedural Schedule and For Supplemental Notice that, among other things, accepted the

Corrected Filing, modified the procedural schedule, and found that the filing of the Application was complete as of May 18, 2021.[1]

The following filed notices of intent to participate in this proceeding as a respondent: Apartment and Office Building Association of Metropolitan Washington ("AOBA"); Appalachian Voices; Calpine Energy Solutions, LLC ("Calpine"); Chaparral (Virginia) Inc. ("Chaparral"); Constellation NewEnergy, Inc. ("Constellation"); Costco Wholesale Corporation ("Costco"); Department of the Navy, on behalf of all Federal Executive Agencies ("Navy"); Direct Energy Business, LLC and Direct Energy Services, LLC (collectively, "Direct Energy"); Kroger Limited Partnership I and Harris Teeter, LLC (collectively, "Kroger"); Microsoft Corporation ("Microsoft"); PJM Power Providers Group ("P3"); Shell Energy North America (US), L.P. ("Shell"); Virginia Committee for Fair Utility Rates ("Committee"); Virginia Poverty Law Center ("VPLC"); Walmart Inc. ("Walmart"); and Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel").

On October 18, 2021, Dominion filed a Proposed Stipulation and Recommendation ("Stipulation"). The following participants joined in the Stipulation: Dominion; Commission Staff ("Staff"); Consumer Counsel; AOBA; Costco; Direct Energy; Navy; Kroger; Committee;[2] and Walmart (collectively, "Stipulating Participants").[3] The following participants did not join, but did not oppose, the Stipulation: Appalachian Voices; Calpine; Chaparral; Constellation;

[1] As a result, the eight-month statutory deadline began as of the date of the Corrected Filing, resulting in a Final Order being due on or before January 18, 2022. Order Modifying Procedural Schedule and For Supplemental Notice at 3 n.8.

[2] The Committee joined the Stipulation with the qualification that it takes no position as to Paragraph (7) of the Stipulation.

[3] Ex. 3 (Stipulation) at 13-16. On October 19, 2021, Dominion filed replacement pages to the Stipulation to reflect that the Navy joined and supported the Stipulation.

Microsoft; P3; and Shell.[4] The Stipulating Participants recommended that the Commission adopt the Stipulation and approve the Application as modified thereby.[5]

The hearing in this matter was convened as scheduled. On October 22, 2021, the Commission received testimony from public witnesses; the Commission also received written public comments in this proceeding. On October 25, 2021, the Commission held the evidentiary hearing, wherein the participants addressed the Stipulation and the Commission admitted evidence into the record. All of the parties and Staff participated in the hearing.[6]

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows.

Through this Final Order, the Commission today approves the Stipulation.[7] In so doing, the Commission approves customer refunds totaling $330 million[8] and the statutory maximum annual rate reduction of $50 million.[9] The Company calculates that for a residential customer using 1,000 kilowatt hours ("kWh") per month, this rate reduction will result in a decrease of approximately $0.90 per month commencing within 60 days of this Final Order.[10] In addition, a residential customer using 1,000 kWh per month will receive refunds totaling approximately

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[4] *Id.* at 17-19.

[5] *Id.* at 2.

[6] The only participant that did not sign the Stipulation document in some fashion, VPLC, did not take a position on, and did not ask the Commission to reject, the Stipulation. Tr. 86, 164-168.

[7] Consistent with the provisions of the Stipulation, the Commission does not rule on specific adjustments, except as specified in Paragraph (1) thereof. Ex. 3 (Stipulation) at 2. Likewise, the Commission does not rule on legal issues raised in the Company's legal memorandum dated October 1, 2021.

[8] This total includes $255 million in refunds under Code § 56-585.1 A 8 and $75 million in voluntary customer refunds.

[9] Code § 56-585.1 A 8 c.

[10] Tr. 115-116.

$67.00 over the 2022-2023 period.[11] The Commission addresses below the terms of the Stipulation as such apply to the requirements of this proceeding.

<u>EARNED RETURN</u>

The instant earnings review encompasses the four-year period of 2017-2020.[12] There is evidence and argument in this record on earned return that would support implementation under Code § 56-585.1 A 8 of the $255 million bill credits and $309 million customer credit reinvestment offsets set forth in the Stipulation.[13] There is additional evidence and argument in this record that would likewise support the going-forward "reduction to the utility's rates" pursuant to Code § 56-585.1 A 8 c, capped at $50 million.[14] In addition, the Commission notes that the Company's $75 million voluntary customer refund ("VCR") is not a going-forward rate reduction under Code § 56-585.1 A 8 c; it is a refund to customers that is separate from, and not violative of, Code § 56-585.1 A 8.[15]

<u>FAIR RATE OF RETURN ON COMMON EQUITY</u>

The Commission must approve an authorized rate of return on common equity ("ROE"). This ROE will be used for rate adjustment clauses under Code §§ 56-585.1 A 5 and A 6, and for Dominion's next triennial review.[16] There is evidence and argument in this record that would

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[11] Tr. 105-106.

[12] Code § 56-585.1 A 1.

[13] Ex. 3 (Stipulation) at 2-3.

[14] *Id.* at 3. In this manner, the Stipulation implements the rate provisions of Code § 56-585.1 A 8 c for purposes of the instant triennial review.

[15] As provided for in the Stipulation, no VCR amounts will be included in any future earnings test. *Id.*

[16] *See, e.g.*, Code §§ 56-585.1 A 2 and A 8 a.

support the capital structure ratios, cost of debt, and 9.35% ROE set forth in the Stipulation.[17] There is additional evidence and argument in this record that would likewise support an ROE peer group floor below 9.35%.[18]

TARIFF ADJUSTMENTS

There is evidence and argument in this record that would support the specific tariff adjustments and clarifications contained in the Stipulation.[19] In addition, the Commission notes that the Stipulation implements a revenue reduction, with the rate design and revenue rebalancing provisions taking effect as of January 1, 2024.[20]

CONCLUSION

The Commission has thoroughly considered and evaluated the particular issues associated with, and specifically addressed by, the terms of the proposed Stipulation. The Commission finds that the Stipulation, taken as a whole, is in the public interest, comports with statutory requirements, and shall be adopted herein. Finally, consistent with the provisions of the Stipulation, the factual and legal findings attendant to this Final Order shall have no precedential effect.[21]

Accordingly, IT IS ORDERED THAT:

(1) The Stipulation is approved and adopted by the Commission.

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[17] Ex. 3 (Stipulation) at 3.

[18] *Id.* at 3-4.

[19] *Id.* at 4-8.

[20] The Commission adopts the delayed implementation of tariff adjustments (set forth in Ex. 48 (Haynes Rebuttal)) where necessary to avoid statutory restrictions prohibiting more than one tariff adjustment within a twelve-month period. *See, e.g.*, Tr. 122-123, 126.

[21] Ex. 3 (Stipulation) at 11.

(2) The Company's Application is approved as modified by the Stipulation as set forth herein.

(3) The Company shall forthwith file revised tariffs and terms and conditions of service and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as necessary to comply with the Stipulation and this Final Order. The credits required herein shall begin to take effect within sixty (60) days after the date of this Final Order. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(4) For approved tariff changes effective January 1, 2024, the Company shall file revised tariffs and terms and conditions of service and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, at least forty-five (45) days in advance of such effective date. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(5) The Company shall bear all costs incurred in effecting the credits to customers' bills set forth in this Final Order.

(6) Within sixty (60) days of completing the credits to customers' bills ordered herein, the Company shall file with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance a report verifying that all credits have been completed.

(7) The Stipulation, and this Final Order approving the Company's Application as modified by the Stipulation, shall have no precedential effect.

(8) This case is dismissed.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.