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**BY ELECTRONIC DELIVERY**

Mr. Bernard Logan, Clerk  
State Corporation Commission  
c/o Document Control Center  
Tyler Building – First Floor  
1300 East Main Street  
Richmond, Virginia 23219

*Application of Virginia Electric and Power Company, To revise its fuel factor  
pursuant to Va. Code § 56-249.6  
Case No. PUR-2023-00067*

*Petition of Virginia Electric and Power Company, For a financing order authorizing  
the issuance of deferred fuel cost bonds pursuant to Va. Code § 56-249.6:1  
Case No. PUR-2023-00112*

Dear Mr. Logan:

Please find enclosed for electronic filing in the above-captioned proceedings the *Rebuttal Testimony of Virginia Electric and Power Company*.

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

Highest regards,

/s/ Elaine S. Ryan

Elaine S. Ryan

Enclosures

Cc: Hon. D. Mathias Roussy, Jr., Hearing Examiner  
Paul E. Pfeffer, Esq.  
Lisa R. Crabtree, Esq.  
Joseph K. Reid, III, Esq.  
Jontille D. Ray, Esq.  
Nicole M. Allaband, Esq.  
Service List

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: Darius A. Johnson  
Title: Vice President and Treasurer, Dominion Energy, Inc.  
Summary:

Company Witness Darius A. Johnson responds to testimony offered by Carol B. Myers and Jeremy E. Traska on behalf of Commission Staff ("Staff"); Ralph Smith on behalf of the Attorney General's Office, Division of Consumer Counsel ("Consumer Counsel"); John R. Lord on behalf of Virginia Energy Purchasing Governmental Association ("VEPGA"); and Ronald J. Binz on behalf of Appalachian Voices ("APV").

First, Mr. Johnson explains the three principal issues for the Virginia State Corporation Commission's ("Commission") determination in this combined fuel docket proceeding: (1) the reasonableness of the fuel expense recoveries requested by the Company and their underlying assumptions, which do not appear to be disputed; (2) the reasonableness, from a structural and process standpoint, of the Company's proposal to securitize the substantial fuel deferral balance, as well as its compliance with the enabling statute, as to which the Company and Staff appear to be materially in line; and (3) the policy decision by the Commission of whether to issue a financing order for securitization of the deferral balance as now authorized as an option by the General Assembly or, alternatively, to direct conventional recovery of the deferral amounts as prescribed by Va. Code § 56-249.6.

Mr. Johnson acknowledges that there appears to be agreement between the Company and Staff that the Company's securitization proposal complies with the provisions Va. Code § 56-249.6:2 and includes all of the key structural provisions necessary to meet the objective of securing low cost, AAA rated debt financing. Additionally, Mr. Johnson recognizes that there are not many areas of significant disagreement between the Company and Staff concerning the key aspects of the deferred fuel cost securitization structure and process.

Next, Mr. Johnson reiterates that given the magnitude of the deferral balance, and the corresponding immediate and significant rate increase that would result from current recovery, the Company continues to support the securitization option for a term of up to approximately ten years, which would substantially mitigate such an increase. Additionally, Mr. Johnson underscores the Company's position that the Commission has two options before it with respect to this cost recovery: current recovery through the July 1, 2023-June 30, 2024 period (with any under-recovery from this period recovered during the succeeding twelve-month period) pursuant to the historic fuel cost recovery statute; or external financing of this recovery through securitization over a reasonable and cost-effective period as determined in the Commission's discretion. Mr. Johnson also highlights that no party or Staff has expressly stated that it is opposed to the securitization option, with the exception of VEPGA, whose customers' fuel rates are set by contract.

Finally, Mr. Johnson introduces the rebuttal testimony of the remaining Company witnesses in this combined fuel docket proceeding.

**REBUTTAL TESTIMONY  
OF  
DARIUS A. JOHNSON  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

1   **Q.    Please state your name, business address, and position of employment.**

2    A.    My name is Darius A. Johnson and my business address is 120 Tredegar Street,  
3        Richmond, Virginia 23219. I am the Vice President and Treasurer of Dominion Energy,  
4        Inc.

5   **Q.    Have you previously submitted testimony in this proceeding?**

6    A.    Yes, my pre-filed direct testimony on behalf of the Virginia Electric and Power Company  
7        ("Dominion Energy Virginia" or the "Company") was submitted to the Virginia State  
8        Corporation Commission ("Commission") on July 3, 2023. By its July 14, 2023 Order  
9        for Notice in Hearing in Case No. PUR-2023-00112, the Commission found that the  
10       procedural schedules for these dockets (Case No. PUR-2023-00067 and Case No. PUR-  
11       2023-00112) should be combined for all purposes, and that all testimony shall refer to  
12       both cases.

13   **Q.    What is the purpose of your rebuttal testimony?**

14   A.    In the Company's view, there are three principal issues for the Commission's  
15       determination in this combined fuel docket proceeding: (1) the reasonableness of the fuel  
16       expense recoveries requested by the Company and their underlying assumptions, which  
17       do not appear to be disputed; (2) the reasonableness, from a structural and process  
18       standpoint, of the Company's proposal to securitize the substantial fuel deferral balance

1 through the issuance of deferred fuel cost bonds, as well as its compliance with the  
2 enabling statute, as to which the Company and Staff appear to be materially in line; and  
3 (3) the policy decision by the Commission of whether to issue a financing order for  
4 securitization of the deferral balance as now authorized as an option by the General  
5 Assembly or, alternatively, to direct conventional recovery of the deferral amounts as  
6 prescribed by Va. Code § 56-249.6.

7 The purpose of my rebuttal testimony is first to respond to the testimony and  
8 recommendations of Jeremy E. Traska on behalf of Commission Staff (“Staff”) with  
9 respect to the substance and process surrounding the Company’s securitization proposal.  
10 Then, at a general level, I will address the testimony of various Respondent and Staff  
11 witnesses on the policy question surrounding fuel cost recovery in these cases and  
12 reiterate the Company’s position on the proposal to issue deferred fuel cost bonds.  
13 Finally, I will introduce the rebuttal testimony of the remaining Company witnesses who  
14 will respond in greater detail to any disputed issues in the proceeding, including  
15 introduction of an alternative securitized bond tenor suggested in the Respondent  
16 testimony.

17 **Q. On the first question, what are your comments in response to the testimony of**  
18 **Commission Staff Witness Traska with respect to the proposed securitization**  
19 **structure and process?**

20 A. Based on a review of Staff Witness Traska’s testimony, we are pleased that the Company  
21 and Staff appear to be in agreement that the Company’s securitization proposal complies  
22 with the provisions of Va. Code § 56-249.6:2 and includes all of the key structural  
23 provisions necessary to meet the objective of securing low cost, AAA rated debt

1 financing. Staff Witness Traska also testifies that the Company's current bond pricing  
2 methodology and assumptions, its estimated fees and financing costs, and proposed pre-  
3 bond issuance review process appear reasonable, and that the deferred fuel cost  
4 securitization will be capable of achieving reasonable charges consistent with market  
5 conditions at the time the bonds are priced. Finally, Mr. Traska concludes that the  
6 Company's proposed pre-bond issuance process including the Issuance Advice Letter  
7 ("IAL") and True-up Adjustment Letter ("TUAL") reviews "meet the guidelines of  
8 previously successful securitizations in other jurisdictions and are generally viewed as a  
9 welcome addition to the process." (Traska at 19.) Taken as a whole, there do not appear  
10 to be any areas of significant disagreement between the Company and Staff concerning  
11 the key aspects of the DFC Securitization structure and process. And, along these lines, I  
12 would reiterate the Company's commitment to communicate with Staff and its advisor on  
13 a going-forward basis, should securitization be authorized, to support a transparent bond  
14 marketing, pricing and issuance process consistent with the terms of the financing order  
15 and the public interest.

16 **Q. Turning to your second subject, what comments do you have in response to the**  
17 **Respondent and Staff testimony on the question of securitization as an option to**  
18 **recover the deferred fuel expense balance in general?**

19 A. I have three basic areas of reply to this testimony.

20 First, I would like to confirm the Company's perspective that this is an important policy  
21 question for the Commission and we will respect its determination as to whether current  
22 or deferred recovery of the \$1.283 billion deferred fuel expense balance is consistent with  
23 customers' interest and the public interest generally. With that said, given the magnitude

1 of the deferral balance, and the corresponding immediate and significant rate increase  
2 that would result from current recovery, the Company continues to support the  
3 securitization option for a term of up to approximately ten years, which would  
4 substantially mitigate such an increase. While it is clear that the General Assembly left  
5 the ultimate decision on this point to the Commission, the Company on balance has  
6 determined that this option is best aligned with the public policy underlying the  
7 legislation in this unique cost recovery scenario. Company Witnesses Gaskill and Reed  
8 will further address this point.

9 Second, I would underscore the Company's position that the Commission has two  
10 options before it with respect to this cost recovery: current recovery through the July 1,  
11 2023-June 30, 2024 period (with any under-recovery from this period recovered during  
12 the succeeding twelve-month period) pursuant to the historic fuel cost recovery statute  
13 (the "status quo"); or external financing of this recovery through securitization over a  
14 reasonable and cost-effective period as determined in the Commission's discretion. Staff  
15 Witness Myers has suggested an alternative of internal financing of the deferral balance  
16 over a longer period (approximately three years), and certain Respondent witnesses have  
17 likewise proposed that the Commission consider various other alternative Company  
18 financing options.

19 As Company Witness Gaskill addresses, and with due respect to these witnesses and  
20 parties, these alternative scenarios are not viable options for the Commission to direct, in  
21 the Company's view, either from a legal or practical perspective. Upon the advice of  
22 counsel, absent a voluntary mitigation proposal from the Company, the Code directs a  
23 twelve-month recovery period for deferred and projected fuel expense. And while we are

1 currently in the midst of such a mitigation plan approved last year, the current  
2 circumstances cannot support such a plan. The General Assembly has presented an  
3 external financing option for the Commission to consider in lieu of current recovery, and  
4 the Company believes that these are the binary alternatives for its consideration.

5 Finally, I would note that no party or Staff has expressly stated that it is opposed to the  
6 securitization option, with the exception of VEPGA, whose customers' fuel rates are set  
7 by contract. Staff Witness Myers presents various "pros" and "cons" of securitization  
8 versus current recovery, Consumer Counsel Witness Smith encourages close scrutiny of  
9 the Company's securitization proposal, and other Respondent witnesses express a variety  
10 of concerns or questions about it. In a broad sense, this testimony all relates to the  
11 balancing of factors which the Commission must undertake in making its decision on  
12 securitization or current recovery of the fuel deferral balance.

13 And in that same broad sense, I would note that the Company believes that these parties  
14 in many instances have under-weighed, or failed to address at all, the principal benefit of  
15 securitization—which is the avoidance or significant mitigation of near-term, abrupt  
16 increases in customer rates. Other benefits, including the comparative net present value  
17 of various fuel expense recovery options, are not trivial, but in the Company's view they  
18 are secondary to this significant rate mitigation benefit, which is specifically called out in  
19 the enabling statute. At the end of the day, the paramount question for the Commission is  
20 whether an immediate, double-digit percentage increase in customer rates to recover the  
21 fuel deferral balance sooner rather than later, on the one hand, or a very modest increase  
22 in rates which would stretch that recovery out over a period of several years with a lower  
23 cost of capital, on the other, better serves the public interest.



1 **Q. How is the remainder of the Company's rebuttal testimony structured?**

2 A. Company Witness Gaskill will respond to suggestions on the alternative recovery  
3 proposal by Staff, as I have indicated, and will address other points raised with respect to  
4 securitization raised by Consumer Counsel Witness Smith, Appalachian Voices Witness  
5 Binz, Direct Energy Witness Lacey, and VEPGA Witness Lord. He will also confirm the  
6 apparent lack of dispute on the proposed fuel expenses themselves. Company Witness  
7 Reed will provide further response on the balancing factors that should be employed by  
8 the Commission, and their relative weights, when addressing the policy question of  
9 current recovery versus securitization of the fuel deferral balance. He will also reply to  
10 testimony regarding his net present value analyses. Company Witness Atkins will offer  
11 rebuttal testimony in response to suggestions regarding the marketing and pricing of the  
12 deferred fuel cost bonds and the processes and safeguards intended to protect the public  
13 interest throughout the process.

14 **Q. In addition to these issues, is the Company presenting a further deferred fuel cost**  
15 **bonds tenor option for the Commission's information?**

16 A Yes. Appalachian Voices' Witness Binz suggested that the Company and the  
17 Commission should consider a term for the bonds longer than up to approximately ten  
18 years—specifically, an approximate fifteen-year scheduled maturity option. While the  
19 Company is not supporting a term of longer than approximately ten years, in order to give  
20 the Commission more information concerning the impact of a longer time period for fuel  
21 cost recovery through external financing, such a scenario has been developed, as  
22 Company Witnesses Reed, Atkins, Lecky, and Stuller further address.

- 1 Q. Does this conclude your rebuttal testimony?
- 2 A. Yes, it does.

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: Scott Gaskill  
Title: General Manager – Regulatory Affairs

Summary:

Company Witness Scott Gaskill responds to testimony offered by Mark A. Tufaro and Carol B. Myers on behalf of Commission Staff (“Staff”); Ralph Smith on behalf of the Attorney General’s Office, Division of Consumer Counsel (“Consumer Counsel”); John R. Lord on behalf of Virginia Energy Purchasing Governmental Association (“VEPGA”); Frank Lacey on behalf of Direct Energy; and Ronald J. Binz on behalf of Appalachian Voices (“APV”).

First, Mr. Gaskill acknowledges Staff’s finding that the Company’s fuel projections and underlying assumptions are reasonable and consistent with the Definitional Framework and that the proposed fuel factors appear reasonable. Additionally, no party questioned the reasonableness of the June 30, 2023 fuel deferral balance, the projected fuel costs for the current period July 1, 2023 – June 30, 2024, or the resulting fuel rates proposed by the Company.

Next, Mr. Gaskill addresses the Company’s proposed change to the accounting of revenue received from market-based rate (“MBR”) customers in this proceeding. Staff did not formally take a position on this accounting change, but Staff Witness Myers does recognize that this change is a reasonable option for the Commission to consider.

Then, Mr. Gaskill explains the provisions governing the conventional fuel factor recovery governed by Va. Code § 56-249.6 and the alternative fuel factor recovery option under the new Va. Code § 56-249.6:2 (the “Securitization Statute”). Mr. Gaskill explains that the Securitization Statute recognizes the benefits of recovering deferred fuel costs through this alternative option including “the avoidance of or significant mitigation of abrupt and significant increases in rates to the electric utility’s customers for the applicable time period.” Under the conventional recovery, including the three-year mitigation plan approved in last year’s fuel factor proceeding the typical residential bill for a residential customer using 1,000 kWh per month would increase by close to \$15 per month. Whereas under the Securitization Statute, the typical bill would increase approximately \$2.31.

Mr. Gaskill also responds to Staff Witness Myers proposal for an alternative recovery option for the deferred fuel cost balance and Consumer Counsel Witness Smith’s similar suggestions. The Company does not believe Staff’s alternative proposal to further extend recovery of the current \$1.3 billion deferral balance through the fuel factor is a viable option for consideration in this proceeding. Nor is Consumer Counsel’s suggestion that the Company be required to forgo recovery of carrying costs associated with the deferred fuel balance consistent with the governing fuel factor provisions or Commission precedent.

Finally, Mr. Gaskill responds to Direct Energy Witness Lacey’s concerns regarding the Company’s treatment of retail access customers under the Securitization Statute. Mr. Gaskill explains that the Company calculates the pro-rata share, based on each customer’s usage, over the appropriate time period in accordance with the Securitization Statute. Additionally, Mr. Gaskill clarifies that only existing customers are eligible to opt out and not future customers.

**REBUTTAL TESTIMONY  
OF  
J. SCOTT GASKILL  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

1    **Q.    Please state your name, business address, and position of employment.**

2    A.    My name is J. Scott Gaskill and my business address is 120 Tredegar Street, Richmond,  
3        Virginia 23219. I am the General Manager – Regulatory Affairs on behalf of Virginia  
4        Electric and Power Company (the “Company”).

5    **Q.    Have you previously submitted testimony in these proceedings?**

6    A.    Yes, my pre-filed direct testimony on behalf of the Company was submitted to the  
7        Virginia State Corporation Commission (“Commission”) in Case No. PUR-2023-00067  
8        on May 1, 2023, and in Case No. PUR-2023-00112 on July 3, 2023 and supplemented on  
9        August 7, 2023. By its July 14, 2023 Order for Notice in Hearing in Case No. PUR-  
10       2023-00112, the Commission found that the procedural schedules for these dockets  
11       should be combined for all purposes, and that all testimony shall refer to both cases.

12   **Q.    What is the purpose of your rebuttal testimony in these proceedings?**

13   A.    I will respond to Staff witnesses concerning the Company’s fuel factor application and  
14        also respond to certain Staff and respondents’ testimony concerning aspects of the  
15        Company’s securitization proposal.

16   **Q.    How is your rebuttal testimony organized?**

17   A.    My rebuttal testimony is organized as follows:

- 1 I. Fuel Factor Application  
2 II. Deferred Fuel Cost Securitization  
3 III. Exempt Retail Access Customers

4 **I. FUEL FACTOR APPLICATION**

5 **Q. First, please comment on Staff's analysis of the Company's fuel factor application**  
6 **and the proposed fuel factors.**

7 A. As summarized on page 12 of Staff Witness Mark A. Tufaro's direct testimony, Staff  
8 finds the Company's fuel projections and underlying assumptions to be reasonable and  
9 consistent with the Definitional Framework. He also concludes that the Company's  
10 proposed fuel factors appear reasonable. While certain respondents weighed in  
11 separately on various topics related to the Company's fuel securitization proposal, no  
12 party questions in their pre-filed testimony the reasonableness of the June 30, 2023 fuel  
13 deferral balance,<sup>1</sup> the Company's projected fuel costs for the current period July 1, 2023  
14 – June 30, 2024, or the resulting fuel rates proposed by the Company.

15 **Q. Are there other aspects of the Company's fuel factor application you wish to**  
16 **address?**

17 A. Yes. The Company has also proposed a change to the accounting of revenues received  
18 from market-based rate ("MBR") customers in this proceeding. As I explained in my  
19 pre-filed direct testimony, under the proposed MBR construct, the generation revenue the  
20 Company receives would go to first fund (1) all approved generation riders and (2) cost-  
21 of-service base rates as measured by the Schedule GS-3 or Schedule GS-4 rate schedule.

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<sup>1</sup> As noted in my August 7, 2023 Supplemental Direct Testimony, the final June 30, 2023 deferral fuel balance is approximately \$1.283 billion.

1 The remaining revenues after the riders and base rates are funded would then be allocated  
2 to fuel.

3 While Staff does not formally take a position on this accounting change, Staff Witness  
4 Carol B. Myers does recognize on page 35 of her testimony that this change is a  
5 reasonable option for the Commission to consider. Importantly, Ms. Myers highlights  
6 that this change would promote stability in the fuel rates that non-MBR customers would  
7 pay due to the correlation between higher or lower purchased power expenses and higher  
8 or lower revenue from MBR customers. This is consistent with the hedge benefits I  
9 described in my direct testimony. In other words, as power prices in PJM rise or fall, the  
10 revenue received from MBR customers that is based on the same PJM pricing would  
11 increase or decrease accordingly. This increase or decrease of MBR revenue is highly  
12 correlated to the Company's fuel and purchased power costs; thus, this change will  
13 provide a natural hedge against increases to the Company's fuel and purchased power  
14 costs.

15 No other party opposed this accounting change and the Company continues to support  
16 this proposal as one that would provide long-term benefits to all customers.

## 17 II. DEFERRED FUEL COST SECURITIZATION

18 **Q. Before turning to Staff and respondents' comments on the Company's Deferred**  
19 **Fuel Cost ("DFC") Securitization Proposal, please address the provisions governing**  
20 **the conventional fuel factor recovery prescribed by statute.**

21 A. The conventional recovery of fuel costs is governed by Va. Code § 56-249.6.  
22 Specifically, Subsection C states that:

1 Each electric utility described in subsection B *shall submit annually*  
2 to the Commission its estimate of fuel costs, including the cost of  
3 purchased power, *for successive 12-month periods beginning on*  
4 *July 1, 2007, and each July 1 thereafter.* Upon investigation of such  
5 estimates and hearings in accordance with law, the Commission  
6 shall direct each such utility to place in effect tariff provisions  
7 designed to recover the fuel costs determined by the Commission to  
8 be appropriate *for such periods, adjusted for any over-recovery or*  
9 *under-recovery of fuel costs previously incurred.*<sup>2</sup>

10 Upon advice of counsel, I understand this to mean that the adjustment (*i.e.*, the prior  
11 period rate) for any over-recovery or under-recovery shall be recovered during the  
12 succeeding 12-month fuel period. In other words, notwithstanding a voluntary agreement  
13 otherwise, the Company is entitled to prompt, 12-month recovery of the incurred fuel  
14 deferral balance.

15 **Q. Recognizing the Company's significant fuel deferral balance and its short-term**  
16 **impact to customer rates, has the General Assembly offered another alternative to**  
17 **the typical 12-month fuel recovery?**

18 A. Yes. As I explained in my pre-filed direct testimony, the General Assembly has  
19 authorized an option under new Va. Code § 56-249.6:2 (the "Securitization Statute") to  
20 finance certain deferred fuel costs through deferred fuel cost bonds as an alternative to  
21 standard fuel factor recovery. The Securitization Statute recognizes the benefits of  
22 recovering deferred fuel costs through this alternative option including "the avoidance of  
23 or significant mitigation of abrupt and significant increases in rates to the electric utility's  
24 customers for the applicable time period."<sup>3</sup> Thus, recognizing the extraordinary increases  
25 to commodity prices over the past few years and the large under-recovered fuel cost

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<sup>2</sup> Va. Code § 56-249.6 C (emphasis added).

<sup>3</sup> Va. Code § 56-249.6:2 A 1.

1 balance, the General Assembly has authorized the option to recover the \$1.283 billion  
2 fuel deferral balance through external financing over a longer period of time and at a  
3 lower cost of capital, as opposed to the conventional one-year recovery through the fuel  
4 factor.

5 **Q. How does the Company's proposal further the enumerated benefit in the**  
6 **Securitization Statute of mitigating abrupt and significant increases in rates to**  
7 **customers?**

8 A. Under conventional recovery, including the three-year mitigation plan approved in last  
9 year's fuel factor proceeding (the "Status Quo" option) the Company would recover the  
10 approximately \$1.283 billion deferred fuel costs balance over the current July 1, 2023-  
11 June 30, 2024 period, with any under-recovery being recovered over the subsequent fuel  
12 year. This would translate to a Prior Period Factor of \$14.72 / MWh from December 1,  
13 2023 – June 30, 2024 and an estimated \$10.76 /MWh from July 1, 2024 – June 30, 2025.  
14 Compared to the interim rate that is currently in place today, this would result in an  
15 increase in a typical residential bill of close to \$15 per month beginning in December  
16 2023.

17 By comparison, under the DFC Securitization proposal, the typical bill for a residential  
18 customer using 1,000 kWh would increase approximately \$2.31 early next year. While  
19 the securitization process means that the charge will be on customers' bills for a longer  
20 period of time, this option clearly advances the presumed public policy underlying the  
21 securitization option to mitigate significant and abrupt fuel rate increases to customers.

22 Accordingly, the Company maintains that its DFC Securitization proposal is in the public



1 interest and supports its approval as an alternative to Status Quo recovery of these costs  
2 for the benefit of customers.

3 **Q. Staff Witness Myers discusses various pros and cons of the securitization option for**  
4 **customers<sup>4</sup> and proposes an alternative recovery mechanism for the deferred fuel**  
5 **cost balance. In addition, on page 18 of his testimony, Consumer Counsel Witness**  
6 **Ralph Smith also discusses further mitigation alternatives. Please briefly describe**  
7 **these proposals.**

8 A. Staff Witness Myers proposes an alternative option whereby recovery of the deferred fuel  
9 balance is spread over three fuel periods at a constant Prior Period rate of \$7.38 / MWh  
10 through June 30, 2025. Under Staff's alternative proposal, the Company would be  
11 entitled to recover carrying costs, at its weighted average cost of capital ("WACC"), on  
12 the mitigated balance throughout this period through base rates.

13 Mr. Smith on behalf of Consumer Counsel does not expressly support or oppose either  
14 conventional recovery or the securitization option. He states on page 18 of his testimony  
15 that "there could be significant merit to developing an alternative" to securitization. He  
16 does not provide any specific parameters for such an alternative, but presumably this  
17 would include some type of Company-financed further mitigation. He does suggest that  
18 the Company could finance the mitigation at its average cost of debt or at 50% of the  
19 Company's WACC.<sup>5</sup>

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<sup>4</sup> Staff Witness Myers also raises questions concerning the applicability of the Affiliates Act to the securitization proposal and expresses Staff's support for an exemption. (Myers at 26-30). The Company has submitted a petition for exemption from the Affiliates Act for the securitization process, to the extent deemed necessary, which is pending before the Commission in Case No. PUR-2023-00154.

<sup>5</sup> Direct Testimony of Ralph C. Smith at 18.

1 Q. Please respond to these alternative fuel factor recovery proposals.

2 A. Legally, the Company is entitled to recovery of these prudently incurred fuel expenses on  
3 a prompt (12-month) basis under Va. Code § 56-249.6, as I have previously discussed.  
4 The Company has in certain prior instances voluntarily proposed to spread recovery of  
5 large, one-time fuel balances over multiple years, including the three-year mitigation plan  
6 approved in last year's fuel factor proceeding. However, the Company does not believe  
7 under current circumstances that Staff's alternative proposal to further extend recovery of  
8 the current \$1.3 billion deferral balance through the fuel factor is a viable option for  
9 consideration in this proceeding. Nor is Consumer Counsel's suggestion that the  
10 Company be required to forgo recovery of carrying costs associated with the deferred  
11 fuel balance consistent with the governing fuel factor provisions or Commission  
12 precedent.

13 Q. Why not?

14 A. First, there is the legal constraint. The General Assembly recognized in this past session  
15 that there may be circumstances when deferred fuel costs should be recovered through an  
16 alternative to conventional fuel factor recovery and has established securitization as that  
17 option.<sup>6</sup> Absent that, the recovery should follow the provisions of Va. Code § 56-249.6,  
18 unless conceded otherwise.

19 Beyond this, as a practical matter, any voluntary mitigation proposal now would be on  
20 top of the voluntary mitigation already agreed to by the Company last year. All told, the

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<sup>6</sup> I would also note that Staff Witness Myers' alternative proposal would result in a monthly rate increase of \$7.38 for the typical residential customer using 1,000 kWh per month. (Myers at 9). This is a significant rate increase compared to the \$2.30 bill impact for the Company's approximate 10-year DFC bond option 1 discussed previously.

1 current fuel deferral balance is nearly 30% higher than the beginning deferral balance  
2 from 2022. In addition, the Company is simultaneously committing billions of dollars to  
3 capital investments on behalf of its customers over the next several years in new  
4 transmission, distribution, and renewable generation required to serve substantial load  
5 growth, maintain reliability, and to meet the objectives of the Commonwealth such as  
6 those requirements in the Virginia Clean Economy Act. These are in addition to the  
7 normal, day-to-day costs necessary to operate the utility and meet customer needs in a  
8 reliable and effective manner.

9 In sum, due to the combination of the significant deferral balance, which includes the  
10 impact of the current voluntary mitigation plan, along with the ongoing capital  
11 requirements of the Company, a further voluntary plan for internal financing of the  
12 deferral balance is not an option that the Company believes would be in the best interests  
13 of its customers. As Company Witness Johnson expressed, the Company submits,  
14 respectfully, that the Commission's alternatives here are "Status Quo" recovery that  
15 would recover the deferral balance over a shorter period of time but with major rate  
16 increases for customers in the immediate term, or external financing through  
17 securitization which would result in a longer period of recovery but with modest rate  
18 impacts and an overall lower cost to customers.

19 **Q. Appalachian Voices Witness Ronald Binz recommends that the Company explore a**  
20 **longer securitization tenor. Has the Company analyzed such a scenario?**

21 A. Yes. While the Company does not support a securitization length of more than  
22 approximately 10 years, in response to Mr. Binz and to further develop the record for the  
23 Commission, we have performed such an analysis. Company Witnesses Reed, Charles

1 N. Atkins II, Elizabeth B. Lecky, and Timothy P. Stuller provide additional information on  
2 an approximate 15-year financing structure as compared to the approximate 7-and 10-  
3 year options proposed by the Company.

4 **Q. Lastly, Witness John R. Lord on behalf of the Virginia Energy Purchasing**  
5 **Governmental Association (“VEPGA”) suggests that the Company should use a**  
6 **“pay as you go” approach to recover fuel costs. Please comment.**

7 A. Mr. Lord explains how VEPGA has negotiated more frequent fuel rate increases or  
8 decreases over the past few years in order to prevent a large deferral balance. In the  
9 abstract, I do not necessarily disagree with him that this is a good practice. This option is  
10 available, however, in part because the VEPGA fuel rates are established by contract and  
11 the parties are able to modify the fuel rate as often as necessary to effectuate such a  
12 notion.

13 By contrast, the fuel rate charged to Virginia jurisdictional customers generally may only  
14 be updated once per year under Va. Code § 56-249.6.<sup>7</sup> This limitation, combined with  
15 the increase in commodity prices and mitigation approved in the 2022 Fuel Factor  
16 proceeding, has led to the significant fuel deferral balance. Again, the General Assembly  
17 has established securitization as the alternative option to recover deferred fuel cost  
18 charges.

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<sup>7</sup> On limited occasions, the Company has filed to lower the fuel rate mid-year when a significant over-recovery was apparent. The Company is not aware of precedent for increasing the fuel rate mid-year.

III. EXEMPT CUSTOMER CALCULATIONS

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**Q. Direct Energy Witness Frank Lacey takes issue with two aspects of the Company’s treatment of exempt retail access customers under the Securitization Statute. First, he takes issue with the Company’s calculations for partially exempt customers. Second, he asserts that future customers of the utility should not be required to pay the Deferred Fuel Cost Charge. Do you agree with him?**

A. No. In both cases the Company’s proposal is necessary and consistent with the directives of the Securitization Statute. I will address each of these in turn.

**Q. As to the first issue, Mr. Lacey claims that the time period in which the deferred fuel costs were incurred should only include the two-year period starting July 1, 2021. The Company calculated the pro-rata share for partially exempt and opt out customers going back to July 1, 2020. Please explain.**

A. The Securitization Statute defines an “exempt retail access customer” as:  
  
a retail customer of an electric utility that, pursuant to the provisions of § 56-577 or 56-577.1, purchased electric energy exclusively from a supplier of electric energy licensed to sell retail electric energy exclusively within the Commonwealth other than the electric utility, or that purchased electric energy from the electric utility pursuant to a Commission-approved market-based tariff, *during the period when the deferred fuel costs to be financed were incurred*. Such exemption shall be prorated to the extent an otherwise exempt retail customer purchased electric energy from the electric utility, in which case the retail customer shall be responsible for its pro rata share of deferred fuel cost charges authorized under a financing order.<sup>8</sup>

Similarly, Enactment Clause 4 of House Bill 1770 provides for certain eligible customers to “opt out” of the deferred fuel cost charge and that:

<sup>8</sup> Va. Code § 56-249.6:2 O (emphasis added).

1           Upon such election, the eligible customer shall fully satisfy such  
2           customer's pro rata obligation for the deferred fuel cost charges  
3           subject to financing, *as determined based on such customer's*  
4           *electric usage over the period that such charges were incurred*, over  
5           the 12-month period prescribed by subsection C of § 56-249.6 of the  
6           Code of Virginia that is associated with such annual petition.

7           Therefore, for both the exempt retail access customers and opt out customers, it is  
8           important to calculate the pro-rata share, based on each customer's usage, over the  
9           appropriate time period in which the \$1.283 billion deferred fuel balance was incurred.

10          As the Commission is aware, the Company files a fuel case each year that includes the  
11          (1) projected fuel costs for the upcoming fuel year, which is used to set the Current  
12          Period rate; and (2) the over-recovery or under-recovery balance which is used to set the  
13          Prior Period rate. Any subsequent over- or under-recovery in either the Current Period or  
14          Prior Period rate contributes to the fuel deferral balance for the next year.

15          After the conclusion of the July 1, 2020 – June 30, 2021 fuel year, the Company had an  
16          under-recovery balance of approximately \$165 million. However, the Prior Period rate  
17          approved by the Commission for the July 1, 2021 – June 30, 2022 of \$1.005 / MWh only  
18          collected approximately \$71 million, leaving an uncollected balance of approximately  
19          \$94 million.<sup>9</sup> The \$94 million balance represents fuel costs that were incurred during the  
20          July 2020 - June 30, 2021 fuel year, and remained uncollected as of June 30, 2022.

21          In his pre-filed direct testimony, Company Witness Johnson describes the current deferral  
22          balance as “the sum of the projected June 30, 2023 under-recovery of expenses during the

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<sup>9</sup> The primary reason was due to the difference between projected and actual fuel costs for the months of May - June 2021. The prior period rate was based on a forecasted June 30, 2021 balance that was significantly lower than actuals.

1 July 1, 2022 – June 30, 2023 fuel period, and two-thirds of the remaining June 30, 2022  
2 fuel deferral balance under the three-year mitigation plan.” This is an accurate statement.  
3 However, because the June 30, 2022 fuel balance includes \$94 million of costs incurred  
4 during the July 1, 2020 – June 30, 2021 fuel period, the Company must include this  
5 period in its calculation for partially exempt and opt out customers consistent with the  
6 statute.

7 **Q. Relatedly, Mr. Lacey asserts that customers that may have switched to a competitive**  
8 **service provider (“CSP”) during the early months of the July 1, 2020 – June 30,**  
9 **2021 fuel period should they be owed a credit. Do you agree?**

10 A. No. It is true that the Company was not in an under-recovery position for the first five  
11 months of this period. Applying the directives of the statute, this customer would not  
12 have contributed to the \$1.283 million fuel deferral balance and therefore its pro-rata  
13 share would be zero. Paying a credit, as Mr. Lacey suggests, would be inconsistent with  
14 the statutory requirement that exempt retail customers “shall be responsible for its pro  
15 rata share of deferred fuel cost charges.” If the Commission adopted Mr. Lacey’s  
16 interpretation, the credits paid to these CSP customers would in turn increase the deferred  
17 fuel balance to be securitized and thereby increase the costs paid by all other customers.  
18 The Commission should reject this suggestion.

19 **Q. Turning to the second issue, Direct Energy Witness Lacey asserts that future**  
20 **customers should not be subject to the Deferred Fuel Cost Charge. Please respond.**

21 A. Mr. Lacey errs when he states that the Securitization Statute does not allow the Company  
22 to collect deferred fuel costs from future customers. The plain language of the statute  
23 explicitly states that, with certain narrow exceptions, all customers will be subject to the

1 Deferred Fuel Cost charge:

2 Deferred fuel cost charge means the *nonbypassable charges*  
3 authorized by the Commission to repay, finance, or refinance  
4 deferred fuel costs and financing costs (i) *imposed on and*  
5 *part of all retail customer bills, except those of exempt retail*  
6 *access customers*; (ii) collected by an electric utility or its  
7 successor or assignees, or a collection agent, in full, separate  
8 and apart from the electric utility's base rates; and (iii) *paid*  
9 *by all retail customers of the electric utility*, irrespective of  
10 the generation supplier of such customer, except for an  
11 exempt retail access customer.<sup>10</sup>

12 The fact that the deferred fuel cost charge is nonbypassable for **all** retail customers is  
13 unambiguous and clearly means that it is a charge that all customers – existing and future  
14 – would be required to pay. House Bill 1770 only provides for two specific, narrowly-  
15 defined exemptions: (i) exempt retail access customers, meaning those customers that  
16 were CSP or MBR customers during all or part of the time period in which the fuel costs  
17 were incurred; and (ii) certain eligible opt out customers provided for in Enactment  
18 Clause 4. In fact, one criteria to be eligible to opt out is that the customer is “receiving  
19 electric supply service from the utility and whose demand exceeded five megawatts  
20 *during the calendar year prior to such petition.*” Only existing customers are eligible to  
21 opt out —not future customers.

22 Lastly, from a practical standpoint, in order for the securitization financing to be viable,  
23 bondholders must have assurance that there will be future customer sales to support the  
24 repayment of the bond. It is critical that the Deferred Fuel Cost Charge be nonbypassable  
25 and apply to all customers with only a few, known exemptions. Excluding future  
26 customers from the repayment would prohibit the ability to even finance the Deferred

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<sup>10</sup> Va. Code § 56-249.6:2 O (emphasis added).



1 Fuel Costs bonds in the first place. Company Witnesses Reed and Atkins discuss the  
2 importance of this concept in their direct testimony.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A. Yes, it does.**

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: John J. Reed

Title: Chairman and Chief Executive Officer, Concentric Energy Advisors, Inc.

Summary:

Company Witness John J. Reed responds to testimony by Carol B. Myers and Laurence H. Wadler on behalf of the Staff of the State Corporation Commission of Virginia ("Staff"); Ronald J. Binz on behalf of Appalachian Voices ("APV"); Consumer Counsel Witness Ralph C. Smith; and John R. Lord on behalf of Virginia Energy Purchasing Governmental Association ("VEPGA").

First, Mr. Reed explains that the Company's proposal under the approximate 7- or 10-year scenarios would avoid or significantly mitigate an abrupt and significant increase in rates and result in a substantial reduction in the first- and second-year revenue requirements for the collection of deferred fuel costs.

Next, Mr. Reed summarizes Staff Witness Myers and VEPGA Witness Lord's position regarding the issue of intergenerational equity. Ms. Myers suggests that Staff's alternative fuel factor recovery scenario allows for rate smoothing since it would seek cost recovery over 31 months compared to 87 or 123 months in the approximate 7- and 10-year securitization scenarios. Mr. Reed summarizes VEPGA Witness Lord's concerns about the effects of a "pay as you go" approach, which could be moderated by spreading the costs over two or three years and notes that this approach was already being implemented for previous under-recovery balances. In response, Mr. Reed explains that while he agrees that the proposed securitization does shift the customer payment for the recovery of the extraordinary fuel balances over a longer period of time, he does not consider this level of cost shift to be overly burdensome or troublesome to the extent that it should deny customers the benefit of rate smoothing and avoided rate shock.

Finally, Mr. Reed responds to APV Witness Binz's recommendation that the Company prepare an alternative NPV scenario of a securitization proposal with a 15-year tenor. Specifically, Mr. Reed explains that when he performed an NPV analysis of the approximate 15-year scenario, the results produced a positive NPV to customers of securitization of an estimated \$53.20 million. This alternative, however, shifts customer payments for the recovery of the accumulated extraordinary fuel balances over a greater number of future years, which delinks the period of cost responsibility and the period of cost causation even further than the Company's two scenarios.

**BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NOS. PUR-2023-00067 & PUR-2023-00112**

**DOMINION ENERGY VIRGINIA SECURITIZATION**

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**REBUTTAL TESTIMONY OF  
JOHN J. REED**

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**Date: August 22, 2023**

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**REBUTTAL TESTIMONY  
OF  
JOHN J. REED  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. My name is John J. Reed. My business address is 293 Boston Post Road West, Suite 500,  
3 Marlborough, Massachusetts 01752.

4 **Q2. ARE YOU THE SAME JOHN J. REED WHO PROVIDED DIRECT**  
5 **TESTIMONY IN THIS CASE?**

6 A2. Yes. I provided Direct Testimony on July 3, 2023 in this case.

7 **Q3. WHAT WAS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

8 A3. The purpose of my Direct Testimony was to provide a discussion of securitization in the  
9 context of Virginia Electric and Power Company’s (“Dominion Energy Virginia” or the  
10 “Company”) deferred fuel costs. I provided an overview of securitization, where it is  
11 appropriately applied, and the benefits it can provide. I also explained the applicability of  
12 securitization to Dominion Energy Virginia’s deferred fuel costs, the role of the Virginia  
13 State Corporation Commission (the “SCC” or the “Commission”) in the securitization  
14 process, and provided an introduction to the various parties that would be involved in a  
15 securitization process. I addressed the requirements of Va. Code § 56-249.6:2 for the  
16 financing of deferred fuel costs, and the public interest considerations for a financing  
17 order. Finally, I conducted a net present value analysis (“NPV”) of two securitization  
18 options: the approximate 7-year and 10-year scenarios, which showed economic benefits  
19 to customers of securitization.

1 Ultimately, my analysis supported the Company's recommendation to securitize the  
2 deferred fuel cost balance with an amortization period of up to approximately ten years.  
3 The Company's securitization proposal will avoid near-term abrupt and significant  
4 increases in the Company's fuel cost recovery rate for its customers. While the primary  
5 benefit of the Company's proposal is the avoidance of near-term significant rate increases,  
6 there are additional benefits in that the securitization proposal will cost customers less over  
7 the life of the bonds.

8 **Q4. WHAT IS THE PURPOSE OF YOUR REBUTTAL EVIDENCE?**

9 A4. Dominion Energy Virginia is proposing to securitize its extraordinary deferred fuel cost  
10 balance to avoid a sharp increase in customer bills and to provide rate stability for  
11 customers. The purpose of my rebuttal testimony is to respond to Staff and Intervenor  
12 arguments for and against the Company's securitization proposal as they relate to these  
13 customer benefits. The customer benefit-related issues that I further examine in this rebuttal  
14 testimony are: 1) near-term rate impacts; 2) overall cost savings; 3) intergenerational  
15 equity; and 4) cost certainty. I respond specifically to Staff Witness Carol B. Myers, Staff  
16 Witness Laurence H. Wadler, Attorney General Division of Consumer Counsel  
17 ("Consumer Counsel") Witness Ralph C. Smith, Appalachian Voices ("APV") Witness  
18 Ronald J. Binz, and Virginia Energy Purchasing Governmental Association ("VEPGA")  
19 Witness John R. Lord.

20 In addition, I present an analysis of a third securitization scenario, one with a 15-year term  
21 for the securitization bonds.

22 **Q5. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

23 A5. My rebuttal testimony shows that Staff and Intervenor Witnesses are largely in agreement  
24 with the Company's calculation of its securitization scenarios and the resulting positive  
25 NPVs, despite varying views on cost uncertainty. There are differences of opinion with  
26 regards to which benefits are the most valuable from customers' perspective in light of cost  
27 certainty and intergenerational equity issues. I reiterate here that the most important  
28 securitization benefits implicit in the Company's proposal are those of rate smoothing and  
29 rate shock avoidance. These benefits outweigh the nominal risks associated with cost

1 uncertainty, and strike a reasonable balance in avoiding long-term cross-subsidization or  
2 intergenerational equity issues.

## II. CUSTOMER BENEFITS

3 **Q6. HOW DO STAFF AND INTERVENOR WITNESSES VIEW THE QUANTUM OF**  
4 **CUSTOMER SAVINGS THROUGH SECURITIZATION?**

5 A6. In terms of the cost savings possible through securitization, several witnesses commented  
6 on the estimated amount of those savings. Staff Witness Myers does not find the estimated  
7 \$50 million customer benefit<sup>1</sup> of the 10-year securitization scenario a compelling enough  
8 reason to approve the Company's proposal.<sup>2</sup>

9 Consumer Counsel Witness Ralph C. Smith finds that with regard to a comparison of the  
10 impact of issuing deferred fuel cost bonds versus conventional fuel factor recovery, the  
11 NPV benefits are "slim."<sup>3</sup> Mr. Ronald J. Binz, on behalf of APV, finds the benefits of the  
12 Company's deferred fuel cost bond proposal to be relatively small, especially compared to  
13 past securitizations across the country.<sup>4</sup>

14 **Q7. WHAT ARE YOUR COMMENTS ON COST SAVINGS WITH REGARD TO**  
15 **THE COMPANY'S PROPOSED SECURITIZATION SCENARIOS?**

16 A7. As I describe in my Direct Testimony, the benefits of securitization go far beyond the  
17 positive NPV and therefore the size of customer savings. While I would not agree that the  
18 customer savings benefit on an NPV basis is trivial, in any event these comments obscure  
19 the more valuable benefits of securitization, which are rate shock avoidance and rate  
20 smoothing. The Company's proposal under the approximate 7- or 10-year scenarios would  
21 avoid or significantly mitigate an abrupt and significant increase in rates and result in a  
22 substantial reduction in the first- and second-year revenue requirements for the collection  
23 of deferred fuel costs. Under a reinstatement of the traditional fuel charge recovery

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<sup>1</sup> \$50.54 million NPV benefit estimate as compared to Staff's Alternative Fuel Factor Proposal.

<sup>2</sup> Prefiled Staff Testimony of Carol B. Myers, at 25.

<sup>3</sup> Summary and Direct Testimony of Ralph C. Smith, at 13.

<sup>4</sup> Direct Testimony of Ronald J. Binz, at 8.

1 mechanism, customers would be required to pay \$873.7 million in deferred fuel costs in  
2 the first year, while under securitization they would pay either \$220.6 million or \$165.75  
3 million under an approximate 7-year or 10-year bond issuance, respectively. These lower  
4 revenue requirements result in significantly lower bills for customers in the early years of  
5 securitization. Avoiding what would otherwise be an immediate double-digit bill increases  
6 is clearly a benefit that can be achieved through securitization.

7 **Q8. STAFF WITNESS LAURENCE H. WADLER FINDS THAT “THE COMPANY'S**  
8 **RENDERING OF MONTHLY CASH FLOWS UNDER BOTH THE 7.25- AND**  
9 **10.25-YEAR SECURITIZATION SCENARIOS RESULTS IN THE COMPANY'S**  
10 **NPV ANALYSIS BEING UNDERSTATED FOR BOTH SCENARIOS.”<sup>5</sup> WHAT**  
11 **IS YOUR RESPONSE?**

12 **A8.** I agree that the NPV analyses presented in my direct testimony provided a simplified  
13 annualization of the securitization cash flows, and, as such, the NPV results presented in  
14 my direct testimony are conservative. If I were to apply the rendering of cash flows  
15 presented by Mr. Wadler to the approximate 15-year scenario, the estimated NPV benefit  
16 of securitization would be \$70.38 million.

17 **Q9. HOW DO STAFF AND INTERVENOR WITNESSES VIEW THE ISSUE OF**  
18 **INTERGENERATIONAL EQUITY?**

19 **A9.** Ms. Myers suggests that Staff's alternative fuel factor recovery scenario will provide rate  
20 smoothing, and when weighting the customer bill impacts against any intergenerational  
21 equity concerns, Staff's alternative option strikes more of a balance.<sup>6</sup> She argues this  
22 because the Alternative Fuel Factor proposal would seek cost recovery over 31 months  
23 compared to 87 or 123 months in the approximate 7- and 10-year securitization scenarios.  
24 However, as Company Witnesses Johnson and Gaskill discuss, I understand that this  
25 alternative scenario is neither legally nor practically viable in this instance.

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<sup>5</sup> Direct Testimony of Laurence H. Wadler, at 1, 6.

<sup>6</sup> Prefiled Staff Testimony of Carol B. Myers, at 15.



1 VEPGA Witness John R. Lord raises concerns about the effects of a “pay as you go”  
2 approach, which could be moderated by spreading the costs over two or three years and  
3 notes that this approach was already being implemented for previous under-recovery  
4 balances.<sup>7</sup> Again, I understand that the two options before the Commission are current  
5 recovery or external financing over a longer period through securitization. Mr. Lord also  
6 argues that intergenerational imbalances will unfairly burden some customers and benefit  
7 others.

8 **Q10. WHAT ARE YOUR FURTHER COMMENTS ON INTERGENERATIONAL**  
9 **EQUITY ISSUES WITH RESPECT TO CURRENT RECOVERY OF FUEL**  
10 **EXPENSES VERSUS SECURITIZATION OF THOSE COSTS?**

11 **A10.** While I agree that the proposed securitization does shift the customer payment for the  
12 recovery of the extraordinary fuel balances over a longer period of time, I do not consider  
13 this level of cost shift to be overly burdensome or troublesome to the extent that it should  
14 deny customers the benefit of rate smoothing and avoided rate shock. Importantly, the  
15 securitization legislation emphasizes the benefit of “the avoidance of or significant  
16 mitigation of abrupt and significant increases in rates to the electric utility's customers for  
17 the applicable time period.” While the determination to adopt a securitization proposal  
18 requires a balancing of factors by this Commission, in this instance I believe that those  
19 factors weigh in favor of the Company’s proposal. And while the primary benefit of the  
20 Company’s proposal is the avoidance of near-term significant rate increases, there are  
21 additional benefits in that the securitization proposal will cost customers less over the life  
22 of the bonds than the Status Quo. Rapid rate increases are burdensome for customers and  
23 the Company’s proposals provide customers with the assurance of rate consistency and  
24 predictability in light of an otherwise volatile rate environment.

25 Furthermore, there is seldom a perfect match between the periods of cost recovery and cost  
26 incurrence. Here there are demonstrable benefits to customers from the use of  
27 securitization that outweigh the concerns about the shift in certain customer payments for  
28 cost recovery to later years. As I note in my Direct Testimony, the use of generally level

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<sup>7</sup> Direct Testimony of John R. Lord at 5.

1 annual debt service, and the choice between approximately seven and ten year scheduled  
2 final payment dates for the bonds, also provides relief from concerns about unduly  
3 extended customer payments for cost recovery. With much of the Company's capital  
4 program for the next 15 years focused on meeting decarbonization objectives that will  
5 provide benefits for decades, traditional ratemaking will tend to front-end load the costs of  
6 those capital expenditures while the benefits are delivered at least as much in future  
7 decades. Regulators do not consider that approach to cost recovery to be problematic, and  
8 this significantly lesser degree of cost shifting to future customers in the proposed  
9 securitization should be even less of a concern.

10 **Q11. HOW DO STAFF AND INTERVENOR WITNESSES VIEW THE ISSUE OF**  
11 **COST CERTAINTY?**

12 A11. Ms. Myers acknowledges that “[i]t appears that both DFC Securitization options provide  
13 lower monthly bill impacts for customers compared to the fuel factor recovery options,”<sup>8</sup>  
14 but expresses concern about uncertainty in the pricing of deferred fuel cost bonds, and  
15 limited Commission oversight following the issuance of deferred fuel cost bonds.<sup>9</sup> Ms.  
16 Myers also raises concerns about future rate pancaking due to unknown and unforeseen  
17 future costs.<sup>10</sup> Consumer Counsel Witness Smith also raises concerns that the benefits of  
18 securitization to customers may not materialize.<sup>11</sup>

19 **Q12. WHAT ARE YOUR COMMENTS ON THE COST CERTAINTY ISSUES**  
20 **RAISED BY STAFF AND INTERVENOR WITNESSES?**

21 A12. On the issues of cost certainty, Company Witness Atkins speaks further about the  
22 safeguards in the proposed securitization pricing process. As to concerns over rate  
23 “pancaking,” I would say that those are always at issue in utility ratemaking. I would also  
24 note that the levelized securitization charges being proposed are relatively modest, and  
25 certainly so in the context of the alternative near-term rate impacts under traditional

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<sup>8</sup> Prefiled Staff Testimony of Carol B. Myers, at 18.

<sup>9</sup> Prefiled Staff Testimony of Carol B. Myers, at 19.

<sup>10</sup> Prefiled Staff Testimony of Carol B. Myers, at 23-24.

<sup>11</sup> Direct Testimony of Ralph C. Smith, at 11-12.

1 recovery as I have discussed. And while the future revenue requirements will require a  
2 true-up process, as a general matter the securitization process provides a high level of  
3 certainty and transparency with regard to costs being incurred by customers.

4 **Q13. ARE CONCERNS RELATED TO COMMISSION OVERSIGHT WARRANTED?**

5 A13. No. The securitization process will be closely monitored by the underwriters and the  
6 Commission to ensure that the bonds are structured and priced in a manner to result in  
7 transparent and tangible customer benefits, consistent with the requirements of the  
8 Securitization Act and the Financing Order. This Commission oversight process outlined  
9 in Company Witness Atkins' rebuttal testimony enhances cost certainty consistent with the  
10 Financing Order.

**III. ALTERNATIVE NPV SCENARIOS**

11 **Q14. APPALACHIAN VOICES WITNESS RONALD J. BINZ RECOMMENDS THAT**  
12 **THE COMPANY PREPARE A SECURITIZATION PROPOSAL WITH A 15-**  
13 **YEAR TENOR. HAS THE COMPANY PREPARED THAT ALTERNATIVE?**

14 A14. Yes.

15 **Q15. DID YOU PERFORM AN NPV ANALYSIS OF THIS ALTERNATIVE?**

16 A15. Yes. Similar to the analyses I performed in my direct testimony of the seven and ten-year  
17 scenarios, I also performed an NPV analysis of the approximate 15-year alternative. This  
18 analysis used the securitization revenue requirements inputs provided in Mr. Atkins'  
19 rebuttal testimony.

20 **Q16. WHAT WERE THE RESULTS OF THAT ANALYSIS?**

21 A16. Using the same approach I employed in my direct testimony, the approximate 15-year  
22 alternative produced a positive NPV to customers of securitization of an estimated \$53.20  
23 million.

1 **Q17. WHAT COMMENT DO YOU HAVE ABOUT THIS ALTERNATIVE?**

2 A17. As would be expected of an alternative that spreads the revenue requirement related to  
3 securitization over an even greater number of years, the approximate 15-year alternative  
4 produces greater NPV benefits than the approximate seven or ten-year scenarios. This  
5 alternative, however, shifts customer payments for the recovery of the accumulated  
6 extraordinary fuel balances over a greater number of future years, which delinks the period  
7 of cost responsibility and the period of cost causation even further than the Company's two  
8 scenarios. As such, to the extent the Commission is concerned about intergenerational  
9 inequities, this alternative would presumably heighten such concerns.

#### IV. CONCLUSIONS

10 **Q18. HAVE THERE BEEN ANY CHANGES IN YOUR RECOMMENDATIONS TO**  
11 **THE COMMISSION WITH REGARD TO RECOVERY OF THE COMPANY'S**  
12 **FUEL DEFERRAL BALANCE IN THESE CASES?**

13 A18. No, I continue to recommend that the Commission issue a Financing Order authorizing the  
14 issuance of deferred fuel cost bonds to recover the appropriate deferred fuel cost amounts,  
15 and in doing so direct that the bonds have a term up to and not to exceed approximately ten  
16 years, unless the Commission has a clear preference for a shorter term. A term of up to  
17 approximately ten years strikes a reasonable balance among rate shock mitigation,  
18 customer savings, and minimization of intergenerational equity issues, with the first factor  
19 of rate smoothing meriting the greatest weight in the analysis under these circumstances,  
20 in my opinion.

21 **Q19. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 A19. Yes, it does.

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: Charles N. Atkins II  
Title: Chief Executive Officer, Atkins Capital Strategies, LLC

Summary:

Company Witness Charles N. Atkins II responds to testimony offered by Carol B. Myers on behalf of Commission Staff (“Staff”); and Ronald J. Binz on behalf of Appalachian Voices (“APV”).

Mr. Atkins responds to certain concerns offered by Staff Witness Myers about the certainty of the actual bill impact to customers and the level of Commission oversight. Mr. Atkins explains the number of safeguards included in the process proposed by the Company and set forth in the proposed Financing Order. Specifically, he describes a key feature of the Company’s proposal, the Issuance Advice Letter (“IAL”). The IAL will include a certification from the Company that the structure, pricing, and Financing Costs of the Deferred Fuel Cost Bonds meet certain standards of the Financing Order. In addition to the IAL process, consistent with the Securitization Statute, the Commission will review the periodic mandatory true-up adjustment.

Mr. Atkins also responds to APV Binz’s suggestion that the Company and the Commission should consider a term for the bonds longer than up to ten years – specifically, a fifteen-year scheduled maturity option. Mr. Atkins explains that the Company does not support a term longer than approximately ten years and is presenting a 15.25-year securitization scenario in order to give the Commission more information concerning the impact of a longer time period for fuel cost recovery.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

APPLICATION OF )  
 )  
VIRGINIA ELECTRIC AND POWER COMPANY ) Case No. PUR-2023-00067  
 )  
To revise its fuel factor pursuant to Va. Code )  
§ 56-249.6 )

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

PETITION OF )  
 )  
VIRGINIA ELECTRIC AND POWER COMPANY ) Case No. PUR-2023-00112  
 )  
For a financing order authorizing the issuance of )  
deferred fuel cost bonds pursuant to Va. Code )  
§ 56-249.6:1 )

REBUTTAL TESTIMONY OF  
CHARLES N. ATKINS II  
FOR  
VIRGINIA ELECTRIC AND POWER COMPANY  
AUGUST 22, 2023

**REBUTTAL TESTIMONY  
OF  
CHARLES N. ATKINS II  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

**I. INTRODUCTION**

1

2 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

3 A. My name is Charles N. Atkins II. I am Chief Executive Officer of Atkins Capital  
4 Strategies LLC, a structured finance advisor to utilities, financial sponsors, and other  
5 businesses. My business address is 170 East End Avenue, New York, New York 10128.

6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS  
7 PROCEEDING?**

8 A. Yes, my pre-filed direct testimony on behalf of the Company was submitted to the  
9 Virginia State Corporation Commission (“Commission”) on July 3, 2023. By its July 14,  
10 2023 Order for Notice in Hearing in Case No. PUR-2023-00112, the Commission found  
11 that the procedural schedules for these dockets (Case No. PUR-2023-00067 and Case No.  
12 PUR-2023-00112) should be combined for all purposes, and that all testimony shall refer  
13 to both cases.

14

**II. PURPOSE OF TESTIMONY**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. The purpose of my rebuttal testimony is to respond to certain concerns raised by  
17 Commission Staff Witness Carol Myers concerning the post-financing order process with

1 respect to the marketing, pricing and issuance of the Deferred Fuel Cost Bonds as well as  
2 Commission oversight. In addition, I present a 15.25-year securitization scenario, based  
3 upon benchmark interest rates as of June 12, 2023, for purposes of comparison with the  
4 previously submitted 7.25 -year and 10.25-year scenarios.

5 **Q. DURING THE COURSE OF YOUR TESTIMONY, WILL YOU INTRODUCE AN**  
6 **EXHIBIT?**

7 A. Yes. Company Exhibit No. \_\_, CNA, consisting of Rebuttal Schedule 1, was prepared  
8 under my supervision and direction and is accurate and complete to the best of my  
9 knowledge and belief.

10 **Q. STAFF WITNESS MYERS RAISES CONCERNS ABOUT THE CERTAINTY OF THE**  
11 **ACTUAL BILL IMPACTS TO CUSTOMERS AND THE LEVEL OF COMMISSION**  
12 **OVERSIGHT. PLEASE RESPOND.**

13 A. The process prescribed by the Securitization Statute contemplates that the final structure  
14 and pricing of the bonds would be determined after the Commission has issued a  
15 Financing Order. Staff Witness Myers' concerns may be overstated because the statute  
16 as well as the Company's proposed Financing Order include safeguards to mitigate this  
17 concern. These safeguards are also highlighted by Staff Witness Traska in his testimony  
18 evaluation of the Company's Petition and proposed Financing Order.

19 A key feature of the Company's proposal is the Issuance Advice Letter ("IAL") process  
20 detailed on pages 12-13 of the Proposed Financing Order. An IAL process is frequently  
21 used in utility securitization bond issuances and recognizes that the actual structure and  
22 pricing of the Deferred Fuel Cost Bonds will be unknown when the Financing Order is



1 issued. Therefore, following determination of the final terms of the Deferred Fuel Cost  
2 Bonds and before issuance of the Deferred Fuel Cost Bonds, the Company will file with  
3 the Commission for each series of Deferred Fuel Cost Bonds, an IAL, as well as a form  
4 of True-Up Adjustment Letter ("TUAL," and together with the IAL, the "IAL/TUAL") in  
5 substantially the forms attached to the Proposed Financing Order as Appendices B and C.  
6 The IAL will include a certification from the Company that the structure, pricing and  
7 Financing Costs of the Deferred Fuel Cost Bonds meet the following standards of the  
8 Securitization Statute as well as the Financing Order:

- 9 1) the aggregate principal amount of Deferred Fuel Cost Bonds issued does not exceed  
10 the Securitizable Balance;
- 11 2) the Deferred Fuel Cost Bonds will be issued in one or more series comprised of one  
12 or more tranches having a scheduled final payment date of no longer than  
13 approximately 10 years;
- 14 3) the Deferred Fuel Cost Bonds have received a preliminary rating of Aaa(sf) /  
15 AAA(sf) from at least two of the three major rating agencies;
- 16 4) the Deferred Fuel Cost Bonds are structured to achieve substantially level debt  
17 service payments on an annual basis;
- 18 5) the issuance of the Deferred Fuel Cost Bonds has been structured in accordance with  
19 IRS Rev. Proc. 2005-62; and

1           6) the structuring and pricing of the Deferred Fuel Cost Bonds resulted in reasonable  
2           Deferred Fuel Cost Charges consistent with market conditions at the time the  
3           Deferred Fuel Cost Bonds are priced and the terms set forth in this Financing Order.<sup>1</sup>

4           In addition, the Company will submit a certification in connection with the IAL that  
5           “based on the statutory criteria and procedures, the record in this proceeding, and other  
6           provisions of the Financing Order, Dominion Energy Virginia certifies the statutory  
7           requirements for issuance of the Deferred Fuel Cost Bonds have been met.”

8           The Commission may issue an order stopping the transaction if it finds that the  
9           transaction does not comply with the standards of the financing order or if the Company  
10          does not submit the required certification. The Proposed Financing Order further states  
11          that prior the filing of the IAL/TUAL and through the issuance of the Deferred Fuel Cost  
12          Bonds, the Company will provide the Commission or its Staff with timely information on  
13          the material aspects relating to the structuring and pricing of, and Financing Costs  
14          relating to the Deferred Fuel Cost Bonds and participate as directed by the Commission.<sup>2</sup>

15   **Q.    WHAT OTHER CUSTOMER RATE SAFEGUARDS DOES THE COMPANY’S**  
16   **PROPOSED SECURITIZATION PROCESS PROVIDE?**

17   A.    In addition to the IAL process, consistent with the Securitization Statute, the Commission  
18          will review the periodic mandatory true-up adjustment. The Securitization Statute  
19          requires a formula-based true-up mechanism to correct for any under- or over-collection  
20          of the charges and ensure the timely payment of the Deferred Fuel Cost Bonds, Financing

---

<sup>1</sup> Proposed Financing Order at 13.

<sup>2</sup> Proposed Financing Order at 16-17.

1 Costs and other required amounts and charges payable in connection with the Deferred  
2 Fuel Cost Bonds throughout their lifetime. As detailed in the Proposed Financing Order  
3 and addressed in Company Witness Elizabeth B. Lecky's pre-filed direct testimony, the  
4 Company will file a TUAL at least semi-annually detailing any adjustment to the  
5 Deferred Fuel Cost Charges, which will be subject to review and administrative approval  
6 by the Commission, consistent with the Securitization Statute.

7 **Q. PLEASE ADDRESS THE 15.25-YEAR SCENARIO YOU PREVIOUSLY**  
8 **REFERENCED.**

9 A. Appalachian Voices' Witness Binz suggested that the Company and the Commission  
10 should consider a term for the bonds longer than up to ten years—specifically, a fifteen-  
11 year scheduled maturity option. As Company Witness Johnson testifies, the Company is  
12 not supporting a term of longer than approximately ten years and is presenting the  
13 additional scenario in order to give the Commission more information concerning the  
14 impact of a longer amortization period for fuel cost recovery through external financing.

15 The longer 15.25-year scenario, based upon the same June 12, 2023 benchmark interest  
16 rates as the prior scenarios, has two results. First this scenario extends the time the  
17 Company's existing and future customers must pay for the previous periods of deferred  
18 fuel costs. Second, based upon the assumptions used, the annual revenue requirement  
19 that must be paid by Company customers via deferred fuel cost charges is reduced to  
20 approximately \$124.3 million, compared to approximately \$165.8 million and  
21 approximately \$220.6 million in the 10.25-year and the 7.25-year securitization  
22 scenarios, respectively. As Company Witness Johnson explains, the Company is not  
23 supporting a term of longer than approximately ten years and is presenting a 15.25-year

1 securitization scenario in order to give the Commission more information concerning the  
2 impact of a longer time period for fuel cost recovery.

3 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

4 **A.** Yes, it does. Thank you.

\$12,000  
 \$10,000  
 \$2,058  
\$1,312,067

\$124.3mm

\$mm	Rating	WAL (yrs)	Sched. Mat (yrs)	Legal Mat. (yrs)	Benchmark	Bench Rate	Spread	Coupon (mid)
\$635.105	AAA	5.4	9.25	11.25	ICURVE	3.917%	0.90.%a	4.817%
\$635.105	AAA	12.6	15.75	17.75	ICURVE	3.850%	1.25%a	5.100%
<b>\$1,270.210</b>		<b>9.0</b>				<b>3.870%</b>	<b>1.15%</b>	<b>5.015%</b>

6/12/2023

**I-Curve**  
 4.243%  
 4.085%  
 3.931%  
 3.896%  
 3.863%  
 3.834%  
 3.805%  
 3.780%  
 4.048%  
 3.881%

**15.25yr Tot**  
 Recovery Ar  
 Upfront Cos  
 Total Bond /  
 Lifetime Anr  
 Total WAL  
 Bond Coupc  
 Upfront Cos  
 On-going C  
**Total All-in**

**Assumptions**

Initial Debt (\$mm): \$1,270.2  
 Maturity: 15.25  
 Initial Final. (yr): 17.25  
 Going Annual Expenses (\$mm): \$1.31  
 Payment Frequency: Semi-Annual  
 Payment period: 9

Revenue by Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revenue Requirement	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3	\$124.3
Expenses	\$1.6	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3	\$1.3
Cash Flow Available for Debt Service	\$122.6	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9	\$122.9

Debt Cashflows by Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Beg. Balance	\$635.1	\$590.9	\$528.1	\$462.2	\$393.0	\$320.6	\$244.5	\$164.8	\$81.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Interest	\$37.9	\$27.7	\$24.7	\$21.4	\$18.1	\$14.5	\$10.8	\$6.9	\$2.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Principal	\$44.2	\$62.8	\$65.9	\$69.1	\$72.5	\$76.0	\$79.7	\$83.6	\$81.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
End Balance	\$590.9	\$528.1	\$462.2	\$393.0	\$320.6	\$244.5	\$164.8	\$81.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Beg. Balance	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$628.6	\$536.6	\$439.8	\$338.0	\$231.0
Interest	\$40.5	\$32.4	\$32.4	\$32.4	\$32.4	\$32.4	\$32.4	\$32.4	\$32.4	\$30.9	\$26.1	\$21.1	\$15.9	\$10.4
Principal	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$6.5	\$92.0	\$96.8	\$101.8	\$107.0	\$112.6
End Balance	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$635.1	\$628.6	\$536.6	\$439.8	\$338.0	\$231.0	\$118.4

Initial Debt Service \$122.6 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9 \$122.9

3	\$0.66	\$10.31	\$34.97	\$393.04	\$16.20	\$0.00	\$635.11	\$26.50
3	\$0.66	\$9.47	\$35.81	\$357.23	\$16.20	\$0.00	\$635.11	\$25.66
3	\$0.66	\$8.60	\$36.67	\$320.56	\$16.20	\$0.00	\$635.11	\$24.80
3	\$0.66	\$7.72	\$37.55	\$283.01	\$16.20	\$0.00	\$635.11	\$23.92
3	\$0.66	\$6.82	\$38.46	\$244.55	\$16.20	\$0.00	\$635.11	\$23.01
3	\$0.66	\$5.89	\$39.39	\$205.16	\$16.20	\$0.00	\$635.11	\$22.09
3	\$0.66	\$4.94	\$40.33	\$164.83	\$16.20	\$0.00	\$635.11	\$21.14
3	\$0.66	\$3.97	\$41.31	\$123.52	\$16.20	\$0.00	\$635.11	\$20.17
3	\$0.66	\$2.98	\$42.30	\$81.22	\$16.20	\$0.00	\$635.11	\$19.17
3	\$0.66	\$1.96	\$43.32	\$37.90	\$16.20	\$0.00	\$635.11	\$18.15
3	\$0.66	\$0.91	\$37.90	\$0.00	\$16.20	\$6.46	\$628.65	\$17.11
3	\$0.66	\$0.00	\$0.00	\$0.00	\$16.03	\$45.44	\$583.21	\$16.03
3	\$0.66	\$0.00	\$0.00	\$0.00	\$14.87	\$46.60	\$536.61	\$14.87
3	\$0.66	\$0.00	\$0.00	\$0.00	\$13.68	\$47.79	\$488.82	\$13.68
3	\$0.66	\$0.00	\$0.00	\$0.00	\$12.46	\$49.01	\$439.82	\$12.46
3	\$0.66	\$0.00	\$0.00	\$0.00	\$11.22	\$50.26	\$389.56	\$11.22
3	\$0.66	\$0.00	\$0.00	\$0.00	\$9.93	\$51.54	\$338.02	\$9.93
3	\$0.66	\$0.00	\$0.00	\$0.00	\$8.62	\$52.85	\$285.17	\$8.62
3	\$0.66	\$0.00	\$0.00	\$0.00	\$7.27	\$54.20	\$230.97	\$7.27
3	\$0.66	\$0.00	\$0.00	\$0.00	\$5.89	\$55.58	\$175.39	\$5.89
3	\$0.66	\$0.00	\$0.00	\$0.00	\$4.47	\$57.00	\$118.40	\$4.47
3	\$0.66	\$0.00	\$0.00	\$0.00	\$3.02	\$58.45	\$59.94	\$3.02
3	\$0.66	\$0.00	\$0.00	\$0.00	\$1.53	\$59.94	\$0.00	\$1.53

6E20E80E2

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: Elizabeth B. Lecky

Title: Manager – Regulation in the Regulatory Accounting Department

Summary:

Company Witness Elizabeth B. Lecky supports the calculation of the revenue requirement of \$1.864 billion based upon an approximately fifteen-year final payment date for the Deferred Fuel Cost Bonds described in the Company's direct case.



**REBUTTAL TESTIMONY  
OF  
ELIZABETH B. LECKY  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

1   **Q.**    Please state your name, position with Virginia Electric and Power Company  
2           (“Dominion Energy Virginia” or the “Company”), and business address.

3    A.    My name is Elizabeth B. Lecky. I am a Manager of Regulation in the Regulatory  
4           Accounting Department for Dominion Energy Virginia. My business address is 120  
5           Tredegar Street, Richmond, Virginia 23219.

6   **Q.**    Have you previously submitted testimony in this proceeding?

7    A.    Yes, my pre-filed direct testimony on behalf of the Company was submitted to the  
8           Virginia State Corporation Commission (“Commission”) on July 3, 2023. By its July 14,  
9           2023 Order for Notice in Hearing in Case No. PUR-2023-00112, the Commission found  
10          that the procedural schedules for these dockets (Case No. PUR-2023-00067 and Case No.  
11          PUR-2023-00112) should be combined for all purposes, and that all testimony shall refer  
12          to both cases.

13   **Q.**    What is the purpose of your rebuttal testimony?

14   A.    The purpose of my rebuttal testimony is to support the calculation of the revenue  
15          requirement based upon an approximately fifteen-year final payment date for the  
16          Deferred Fuel Cost Bonds described in the Company’s direct case. In his rebuttal  
17          testimony, Company Witness Darius A. Johnson explains the introduction of an  
18          approximately fifteen-year scenario for the Deferred Fuel Cost Bonds in addition to the

1 approximately seven-and ten-year scenarios previously presented by the Company to give  
2 the Commission more information concerning the impact of a longer time period for fuel  
3 cost recovery through external financing in response to certain Respondent testimony.

4 **Q. During the course of your rebuttal testimony, will you introduce an exhibit?**

5 A. Yes. Company Exhibit No. \_\_\_\_, EBL, consisting of Rebuttal Schedules 1 and 2, was  
6 prepared under my supervision and direction, and is accurate and complete to the best of  
7 my knowledge and belief. Rebuttal Schedule 1 presents a total revenue requirement that  
8 utilizes an approximately fifteen-year final payment date for the Deferred Fuel Cost  
9 Bonds. Rebuttal Schedule 2 shows the revenue requirement by year for the  
10 approximately fifteen-year proposed amortization period.

11 **Q. What is the total revenue requirement for this bond structure?**

12 A. As presented in my Rebuttal Schedule 1, the estimated total revenue requirement for the  
13 approximately fifteen-year amortization period is \$1.864 billion. In the calculation of the  
14 initial Deferred Fuel Cost Charge based on the first two bond payments at approximately  
15 nine and fifteen months after the bond issuance date, Company Witness Timothy P.  
16 Stuller utilizes the Year 1 revenue requirement for the approximately fifteen-year  
17 amortization period in the amount of \$124.253 million, as presented in my Rebuttal  
18 Schedule 2. Company Witness Stuller also addresses the allocation of the revenue  
19 requirement among the customer classes.

20 **Q. Does this conclude your rebuttal testimony?**

21 A. Yes, it does.

Virginia Electric and Power Company  
Deferred Fuel Cost Charge  
Total Revenue Requirement - 15 Year Bond Amortization Period

(In Thousands)

<u>Line No.</u>	<u>Summary of Categories of Costs for Securitization<sup>1</sup></u>	<u>Total</u>
1	Deferred Fuel Costs	\$ 1,257,800
2	Upfront Financing Costs	<u>12,410</u>
3	Total Costs to be Financed with Deferred Fuel Cost Bonds	1,270,210
4	Interest Expense	573,578
5	Ongoing Financing Costs	<u>20,009</u>
6	Total Revenue Requirement	<u><u>\$ 1,863,797</u></u>

Notes

[1] Source: Witness Atkins testimony

230830239

Virginia Electric and Power Company  
Deferred Fuel Cost Charge  
Annual Revenue Requirement - 15 Year Bond Amortization Period

	Year 1 <sup>2</sup>	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
<b>Deffered Fuel Cost Bonds<sup>1</sup></b>															
1 Beginning Balance	\$ 1,270,210	\$ 1,225,991	\$ 1,163,156	\$ 1,097,258	\$ 1,028,147	\$ 955,666	\$ 879,653	\$ 799,933	\$ 716,328	\$ 628,646	\$ 536,608	\$ 439,815	\$ 338,023	\$ 230,974	\$ 118,395
2 Principal Payment	(44,219)	(62,835)	(65,898)	(69,111)	(72,480)	(76,014)	(79,719)	(83,606)	(87,681)	(92,039)	(96,793)	(101,792)	(107,049)	(112,579)	(118,395)
3 Ending Balance	1,225,991	1,163,156	1,097,258	1,028,147	955,666	879,653	799,933	716,328	628,646	536,608	439,815	338,023	230,974	118,395	-
<b>Deffered Fuel Cost Bonds<sup>1</sup></b>															
4 Principal Payment	44,219	62,835	65,898	69,111	72,480	76,014	79,719	83,606	87,681	92,039	96,793	101,792	107,049	112,579	118,395
5 Interest on Bonds	78,394	60,106	57,042	53,830	50,461	46,927	43,222	39,395	35,260	30,902	26,148	21,149	15,891	10,362	4,548
6 Ongoing Costs	1,640	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
7 Total Deffered Fuel Cost Charge	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253	\$ 124,253
8 Total Revenue Requirement - Deffered Fuel Cost Charge	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,862,797

Notes:

[1] Source: Witness Akins testimony

[2] Year 1 revenue requirement is based upon the first 2 bond payments at approximately 9 and 15 months after the bond issuance date.

WITNESS REBUTTAL TESTIMONY SUMMARY

Witness: Timothy P. Stuller  
Title: Regulatory Consultant – Customer Rates  
Summary:

Company Witness Timothy P. Stuller updates the rate calculations provided in his Direct Testimony and Testimony Schedules for a minor error found after filing, to update the Effective kWh in his Schedule 1 to account for better available information since his Direct Testimony was filed, and to present an updated tariffs for the Deferred Fuel Costs and the Pro Rata Share of Deferred Fuel Costs.

Additionally, Mr. Stuller incorporates the rates associated with the 15.25-year Deferred Fuel Cost bond tenor presented for informational purposes.

**REBUTTAL TESTIMONY  
OF  
TIMOTHY P. STULLER  
ON BEHALF OF  
VIRGINIA ELECTRIC AND POWER COMPANY  
BEFORE THE  
STATE CORPORATION COMMISSION OF VIRGINIA  
CASE NO. PUR-2023-00067  
CASE NO. PUR-2023-00112**

1   **Q.    Please state your name, business address, and position of employment.**

2   A.    My name is Timothy P. Stuller. My business address is 120 Tredegar Street, Richmond,  
3        Virginia 23219. My title is Manager - Regulation for Virginia Electric and Power  
4        Company (the "Company").

5   **Q.    Have you previously submitted testimony in this proceeding?**

6   A.    Yes, my pre-filed direct testimony on behalf of the Company was submitted to the  
7        Virginia State Corporation Commission ("Commission") in Case No. PUR-2023-00067  
8        on May 1, 2023, and in Case No. PUR-2023-00112 on July 3, 2023. By its July 14, 2023  
9        Order for Notice in Hearing in Case No. PUR-2023-00112, the Commission found that  
10       the procedural schedules for these dockets should be combined for all purposes, and that  
11       all testimony shall refer to both cases.

12   **Q.    What is the purpose of your rebuttal testimony?**

13   A.    The primary purpose of my rebuttal testimony is to update the rate calculations from my  
14        Direct testimony and Testimony Schedules for a minor error found after filing, to update  
15        the Effective kWh in my Schedule 1 to account for better available information since my  
16        Direct testimony was filed and to present an updated tariffs for the Deferred Fuel Costs  
17        and the Pro Rata Share of Deferred Fuel Costs. In addition, I incorporate the rates

1 associated with a 15.25-year Deferred Fuel Cost bond tenor presented for informational  
2 purposes.

3 **Q. During the course of your rebuttal testimony, will you introduce an exhibit?**

4 A. Yes. Company Exhibit No. \_\_\_\_\_, TPS, consisting of Rebuttal Schedules 1 through 6,  
5 was prepared under my supervision and direction, and is accurate and complete to the  
6 best of my knowledge and belief.

7 **Q. Please describe the error you identified and its impact.**

8 A. I identified a misstatement of the uncollectables rate in my Direct Schedule 1. The  
9 proper rate for uncollectable accounts is 0.55% rather than the 0.055% that I included in  
10 my direct testimony. The correction has a minimal impact on the rates, and the updated  
11 rates are included in my rebuttal testimony.

12 **Q. Please describe the update to the sales to exclude from Effective kWh.**

13 A. When the Company filed its application in May, complete data was not available for the  
14 period ending June 2023 due to billing lags, and the need to obtain May and June  
15 actuals. Since that time, bills were rendered for all usage in April, May, and June  
16 2023. The Company reran the queries for customers who were partially exempt which  
17 resulted in a small change to 2022 kWh usage to exclude from the Effective kWh  
18 calculation. This update process also revealed that one customer 's 2022 kWh usage was  
19 excluded twice, both as an "Exempt" and an "Opt-Out" customer. That customer's usage  
20 has been counted only as "Opt-out" in my Rebuttal Schedule 1.

1 Q. You mentioned incorporating rates associated with the approximate 15-year  
2 structure. Did you include the calculation of that rate in your Rebuttal Schedules?

3 A. Yes, the rate associated with an approximate 15-year structure is included in my Rebuttal  
4 Schedule 2.

5 Q. Please provide a summary of the potential initial Deferred Fuel Cost Charge rates in  
6 this case incorporating the updates you have made and the 15.25-year scenario.

7 A. A summary of the estimated initial Deferred Fuel Cost Charge rates is shown below

	(1) Estimated Initial Period Virginia Jurisdictional Revenue Requirement	(2) Total Estimated Initial Period Virginia Jurisdictional Effective kWh sales	(3) Estimated Initial Deferred Fuel Cost Charge Rate per kWh (Col 1 / Col 2)
<b>7.25 Year Tenor</b>	\$220,626,000	71,895,712,619	\$ 0.003069
<b>10.25 Year Tenor</b>	\$165,751,000	71,895,712,619	\$ 0.002305
<b>15.25 Year Tenor</b>	\$124,253,000	71,895,712,619	\$ 0.001728

8 Q. Have you prepared an estimate of the rates for the term of the Fuel Securitization?

9 A. Yes. Tables 1 and 2 below are updated from my direct testimony and Table 3 reflects the  
10 approximate 15-year structure.



1

Table 1:

7.25 Year Deferred Fuel Cost Charge Outlook							
Year	Revenue Req't for Charge Period	Sales for Period Adjusted Retail Lag (kWh)	Non-Securitization Customer Usage to Exclude (kWh)	Charge Period Effective kWh	Deferred Fuel		
					Cost Charge (\$/kWh)	1,000 kWh Bill Impact	
April 1, 2024	\$220,626,000	88,306,061,491	16,012,735,579	71,895,712,619	\$0.003069	\$3.07	
April 1, 2025	\$220,626,000	88,152,644,961	16,012,735,579	71,743,139,880	\$0.003075	\$3.08	
April 1, 2026	\$220,626,000	92,794,915,210	16,012,735,579	76,359,877,642	\$0.002889	\$2.89	
April 1, 2027	\$220,626,000	96,068,739,022	16,012,735,579	79,615,695,423	\$0.002771	\$2.77	
April 1, 2028	\$220,626,000	98,922,627,651	16,012,735,579	82,453,887,665	\$0.002676	\$2.68	
April 1, 2029	\$220,626,000	103,149,555,486	16,012,735,579	86,657,567,397	\$0.002546	\$2.55	
April 1, 2030	\$220,621,000	107,667,245,072	16,012,735,579	91,150,409,690	\$0.002420	\$2.42	

2

Table 2:

10.25 Year Deferred Fuel Cost Charge Outlook							
Year	Revenue Req't for Charge Period	Sales for Period Adjusted Retail Lag (kWh)	Non-Securitization Customer Usage to Exclude (kWh)	Charge Period Effective kWh	Deferred Fuel		
					Cost Charge (\$/kWh)	1,000 kWh Bill Impact	
April 1, 2024	\$165,751,000	88,306,061,491	16,012,735,579	71,895,712,619	\$0.002305	\$2.31	
April 1, 2025	\$165,751,000	88,152,644,961	16,012,735,579	71,743,139,880	\$0.002310	\$2.31	
April 1, 2026	\$165,751,000	92,794,915,210	16,012,735,579	76,359,877,642	\$0.002171	\$2.17	
April 1, 2027	\$165,751,000	96,068,739,022	16,012,735,579	79,615,695,423	\$0.002082	\$2.08	
April 1, 2028	\$165,751,000	98,922,627,651	16,012,735,579	82,453,887,665	\$0.002010	\$2.01	
April 1, 2029	\$165,751,000	103,149,555,486	16,012,735,579	86,657,567,397	\$0.001913	\$1.91	
April 1, 2030	\$165,751,000	107,667,245,072	16,012,735,579	91,150,409,690	\$0.001818	\$1.82	
April 1, 2031	\$165,751,000	113,579,289,861	16,012,735,579	97,029,938,233	\$0.001708	\$1.71	
April 1, 2032	\$165,751,000	119,444,206,589	16,012,735,579	102,862,597,919	\$0.001611	\$1.61	
April 1, 2033	\$165,743,000	125,914,504,623	16,012,735,579	109,297,309,313	\$0.001516	\$1.52	

1

**Table 3:**

15.25 Year Deferred Fuel Cost Charge Outlook						
Year	Revenue Req't for Charge Period	Sales for Period Adjusted Retail Lag (kWh)*	Non-Securitization Customer Usage to Exclude (kWh)	Charge Period Effective kWh	Deferred Fuel	
					Cost Charge (\$/kWh)	1,000 kWh Bill Impact
April 1, 2024	\$124,253,000	71,895,712,619	16,012,735,579	55,575,620,666	\$0.002236	\$2.24
April 1, 2025	\$124,253,000	88,152,644,961	16,012,735,579	71,743,139,880	\$0.001732	\$1.73
April 1, 2026	\$124,253,000	92,794,915,210	16,012,735,579	76,359,877,642	\$0.001627	\$1.63
April 1, 2027	\$124,253,000	96,068,739,022	16,012,735,579	79,615,695,423	\$0.001561	\$1.56
April 1, 2028	\$124,253,000	98,922,627,651	16,012,735,579	82,453,887,665	\$0.001507	\$1.51
April 1, 2029	\$124,253,000	103,149,555,486	16,012,735,579	86,657,567,397	\$0.001434	\$1.43
April 1, 2030	\$124,253,000	107,667,245,072	16,012,735,579	91,150,409,690	\$0.001363	\$1.36
April 1, 2031	\$124,253,000	113,579,289,861	16,012,735,579	97,029,938,233	\$0.001281	\$1.28
April 1, 2032	\$124,253,000	119,444,206,589	16,012,735,579	102,862,597,919	\$0.001208	\$1.21
April 1, 2033	\$124,253,000	125,914,504,623	16,012,735,579	109,297,309,313	\$0.001137	\$1.14
April 1, 2034	\$124,253,000	133,337,749,364	16,012,735,579	116,679,726,209	\$0.001065	\$1.07
April 1, 2035	\$124,253,000	141,796,498,083	16,012,735,579	125,091,951,810	\$0.000993	\$0.99
April 1, 2036	\$124,253,000	149,176,990,132	16,012,735,579	132,431,851,153	\$0.000938	\$0.94
April 1, 2037	\$124,253,000	158,261,845,810	16,012,735,579	141,466,740,124	\$0.000878	\$0.88
April 1, 2038	\$124,255,000	158,261,845,810	16,012,735,579	141,466,740,124	\$0.000878	\$0.88

2           \*The Sales for the 2038 rate year are fixed to the level of 2037 because data is not available beyond December 2038

3    **Q.    Does this conclude your rebuttal testimony?**

4    **A.    Yes, it does.**

VIRGINIA ELECTRIC AND POWER COMPANY  
 DEFERRED FUEL COST CHARGE - DERIVATION OF EFFECTIVE KWH  
 REBUTTAL SCHEDULE 1

	1	2	3	4	5	6	7
	4/1/2024	5/1/2024	6/1/2024	7/1/2024	8/1/2024	9/1/2024	10/1/2024
1 Initial Period Usage (kWh): (Includes Choice Customers and MBR/SCR)	6,226,285,465	6,568,773,412	7,393,689,628	8,288,074,635	7,955,604,619	6,918,842,767	6,188,723,612
2 Initial Period Usage (kWh): (Includes Choice Customers and MBR/SCR)	6,311,859,093	12/1/2024 7,336,240,721	1/1/2025 7,627,164,644	2/1/2025 7,096,874,479	3/1/2025 7,005,766,470	4/1/2025 6,352,803,645	5/1/2025 6,665,426,582
3 Usage 4/1/24 - 4/15/25 kWh <sup>(1)</sup> :	88,306,061,491	From ln 1 & 2					
Less Adjustments:							
2022 Non-Securitization Customer Usage	(kWh)						
4 Partially Exempt <sup>(2)</sup>	1,938,478,973						
5 Exempt (Choice & MBR/SCR) <sup>(3)</sup>	8,442,903,229						
6 Opt Out <sup>(4)</sup>	5,273,926,244						
7 Total Non-Securitization Customer Sales	15,655,308,446	ln 4 + ln 5 + ln 6					
8 Non-Securitization Sales over 14 months	18,264,526,520	ln 7 x 14/12 months					
9 Retail Lag for Non-Securitization Sales	16,012,735,579	ln 8 x (320/365)					
10 Adjusted VA Jurisdictional Sales Net of Non-Securitization Customers	72,293,325,911	ln 2 - ln 9					
11 Uncollectible Accounts Rate	0.550%						
12 Initial Rate Period Effective kWh	71,895,712,619	ln 10 x ln 11					

Footnotes:

- (1) Accounts for average retail lag of 45 days
- (2) Partially Exempt - Customers who were on Choice/MBR/SCR for a portion of the period in which the deferred fuel costs were incurred and have a pro-rata obligation
- (3) Exempt - Customers who were on Choice/MBR/SCR for the entire period in which the deferred fuel costs were incurred and therefore have no pro-rata obligation
- (4) Opt Out - Customers currently receiving electric supply service from the Company, 2022 demand exceeded 5 MW, and elected to opt out of the Deferred Fuel Cost Charge

VIRGINIA ELECTRIC AND POWER COMPANY  
DEFERRED FUEL COST CHARGE - DERIVATION KWH CHARGE  
REBUTTAL SCHEDULE 2

**Rate Derivation for 10.25 Year Bond Tenor**

1 Initial Period Revenue Requirement: \$ 165,751,000 Per Lecky Schedule 2  
2 Initial Period Effective kWh: 71,895,712,619 TPS Schedule 1 In 12  
3 Initial Period Rate: \$0.002305

**Rate Derivation for 7.25 Year Bond Tenor**

4 Initial Period Revenue Requirement: \$ 220,626,000 Per Lecky Schedule 2  
5 Initial Period Effective kWh: 71,895,712,619 TPS Schedule 1 In 12  
6 Initial Period Rate: \$0.003069

**Rate Derivation for 15.25 Year Bond Tenor**

1 Initial Period Revenue Requirement: \$ 124,253,000 Per Lecky Rebuttal Schedule 2  
2 Initial Period Effective kWh: 71,895,712,619 TPS Rebuttal Schedule 1 In 12  
3 Initial Period Rate: \$0.001728

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DEFERRED FUEL COST CHARGE

I. APPLICABILITY

The charge for service under Virginia Electric and Power Company's Filed Rate Schedules (such as, but not limited to 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, 6TS, 7, 8, 10, 24, 25, 27, 28, 29, MBR, and SCR) as well as applicable energy charges specified in any special rates, contracts or incentives approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2, shall be increased by a non-bypassable charge as set forth below, paid by all existing and future retail customers, irrespective of the generation supplier of such customer, unless such customer is not subject to the Deferred Fuel Cost Charge pursuant to HB 1770 of the 2023 Virginia Acts of Assembly (and thus is subject to the Pro-Rata Share of Fuel Deferral Charges Tariff).

II. DEFERRED FUEL COST CHARGE

The Deferred Fuel Cost Charge is applicable under the Company's Filed Rate Schedules and was approved in a Financing Order issued to the Company by the Virginia State Corporation Commission ("Commission") and will be subject to adjustment at least semi-annually to ensure timely payment of principle, interest, and financing costs of deferred fuel cost bonds from the effective date of the Deferred Fuel Cost Charge until the deferred fuel cost bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a special purpose entity ("SPE"), wholly owned by the Company, has been created and is the owner of the deferred fuel cost bonds which includes all rights to impose, bill, charge, collect, and receive relevant Deferred Fuel Cost Charge and obtain periodic adjustment to such charges. The Company, as servicer, shall act as SPE's collection agent for the relevant Deferred Fuel Cost Charge.

III. MONTHLY RATE

All kWh: 0.2305 cents/kWh

DEFERRED FUEL COST CHARGE

I. APPLICABILITY

The charge for service under Virginia Electric and Power Company's Filed Rate Schedules (such as, but not limited to 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, 6TS, 7, 8, 10, 24, 25, 27, 28, 29, MBR, and SCR) as well as applicable energy charges specified in any special rates, contracts or incentives approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2, shall be increased by a non-bypassable charge as set forth below, paid by all existing and future retail customers, irrespective of the generation supplier of such customer, unless such customer is not subject to the Deferred Fuel Cost Charge pursuant to HB 1770 of the 2023 Virginia Acts of Assembly (and thus is subject to the Pro-Rata Share of Fuel Deferral Charges Tariff).

II. DEFERRED FUEL COST CHARGE

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III. MONTHLY RATE

All kWh: 0.3069 cents/kWh

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DEFERRED FUEL COST CHARGE

I. APPLICABILITY

The charge for service under Virginia Electric and Power Company's Filed Rate Schedules (such as, but not limited to 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, 6TS, 7, 8, 10, 24, 25, 27, 28, 29, MBR, and SCR) as well as applicable energy charges specified in any special rates, contracts or incentives approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2, shall be increased by a non-bypassable charge as set forth below, paid by all existing and future retail customers, irrespective of the generation supplier of such customer, unless such customer is not subject to the Deferred Fuel Cost Charge pursuant to HB 1770 of the 2023 Virginia Acts of Assembly (and thus is subject to the Pro-Rata Share of Fuel Deferral Charges Tariff).

II. DEFERRED FUEL COST CHARGE

The Deferred Fuel Cost Charge is applicable under the Company's Filed Rate Schedules and was approved in a Financing Order issued to the Company by the Virginia State Corporation Commission ("Commission") and will be subject to adjustment at least semi-annually to ensure timely payment of principle, interest, and financing costs of deferred fuel cost bonds from the effective date of the Deferred Fuel Cost Charge until the deferred fuel cost bonds have been paid in full or legally discharged and the financing costs have been fully recovered. As approved by the Commission, a special purpose entity ("SPE"), wholly owned by the Company, has been created and is the owner of the deferred fuel cost bonds which includes all rights to impose, bill, charge, collect, and receive relevant Deferred Fuel Cost Charge and obtain periodic adjustment to such charges. The Company, as servicer, shall act as SPE's collection agent for the relevant Deferred Fuel Cost Charge.

III. MONTHLY RATE

All kWh: 0.1728 cents/kWh

PRO-RATA SHARE OF FUEL DEFERRAL CHARGES

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For retail customers who are not subject to the Deferred Fuel Cost Charge pursuant to the Financing Order, the charge for service under Virginia Electric and Power Company filed Rate Schedules and special contracts approved by the State Corporation Commission pursuant to Virginia Code § 56-235.2 shall be increased by greater of (a) the applicable cents per kilowatt-hour charge per month from the table below multiplied by the Customer's kilowatt-hours of Electricity Supply Service purchased from the Company for each applicable month for usage on and after July 1, 2020 through and including June 30, 2023 or (b) zero. Once such calculations have been completed, the billing of such customer pro-rata share of the fuel deferral charge will begin in December 2023 and will be amortized over a period of seven (7) months.

<u>Month</u>	<u>\$/kWh<sup>1</sup></u>	<u>Month</u>	<u>\$/kWh<sup>1</sup></u>	<u>Month</u>	<u>\$/kWh<sup>1</sup></u>
Jul-20	(\$0.000868)	Jul-21	\$0.002517	Jul-22	\$0.011867
Aug-20	(\$0.001821)	Aug-21	\$0.006615	Aug-22	\$0.035488
Sep-20	(\$0.003120)	Sep-21	\$0.007637	Sep-22	\$0.018266
Oct-20	(\$0.003496)	Oct-21	\$0.012994	Oct-22	(\$0.000426)
Nov-20	(\$0.001190)	Nov-21	\$0.022465	Nov-22	\$0.002881
Dec-20	\$0.002319	Dec-21	\$0.007397	Dec-22	\$0.022549
Jan-21	\$0.002139	Jan-22	\$0.022136	Jan-23	(\$0.006791)
Feb-21	\$0.007145	Feb-22	\$0.010664	Feb-23	(\$0.007691)
Mar-21	\$0.012424	Mar-22	\$0.011927	Mar-23	(\$0.015035)
Apr-21	\$0.006148	Apr-22	\$0.019748	Apr-23	(\$0.005475)
May-21	\$0.007098	May-22	\$0.036760	May-23	(\$0.008088)
Jun-21	\$0.004659	Jun-22	\$0.024934	Jun-23	(\$0.017612)

Notes:

1: Positive numbers represent an under-recovery of fuel cost



## CERTIFICATE OF SERVICE

I hereby certify that on this 22<sup>nd</sup> day of August 2023, a true and accurate copy of the foregoing filed in Case Nos. PUR-2023-00067 and PUR-2023-00112 was hand delivered, electronically mailed, and/or mailed first class postage pre-paid to the following:

William H. Chambliss, Esq.  
 Frederick D. Ochsenhirt, Esq.  
 K. Beth Clowers, Esq.  
 Arlen Bolstad, Esq.  
 Office of General Counsel  
 State Corporation Commission  
 1300 E. Main Street, Tyler Bldg., 10<sup>th</sup> Fl.  
 Richmond, VA 23219

Cliona M. Robb, Esq.  
 Michael J. Quinan, Esq.  
 Rachel W. Adams, Esq.  
 Sean Breit-Rupe, Esq.  
 Thompson McMullan, P.C.  
 100 Shockoe Slip, 3<sup>rd</sup> Fl.  
 Richmond, VA 23219

S. Perry Coburn, Esq.  
 Timothy G. McCormick, Esq.  
 Christian F. Tucker, Esq.  
 Christian & Barton, L.L.P.  
 901 E. Cary St, Suite 1800  
 Richmond, VA 23219-4037

Brian R. Greene, Esq.  
 Claire M. Gardner, Esq.  
 Victoria L. Howell, Esq.  
 Steven Skaist, Esq.  
 GreeneHurlocker, PLC  
 4908 Monument Ave., Suite 200  
 Richmond, VA 23230

Eric J. Wallace, Esq.  
 Eric W. Hurlocker, Esq.  
 Claire M. Gardner, Esq.  
 GreeneHurlocker, PLC  
 4908 Monument Ave., Suite 200  
 Richmond, VA 23230

C. Meade Browder, Jr., Esq.  
 John E. Farmer, Jr., Esq.  
 R. Scott Herbert, Esq.  
 Office of the Attorney General  
 Division of Consumer Counsel  
 202 N. Ninth Street  
 Richmond, VA 23219

E. Grayson Holmes, Esq.  
 William C. Cleveland, Esq.  
 Nate Benforado, Esq.  
 Josephus Allmond, Esq.  
 Rachel James, Esq.  
 Southern Environmental Law Center  
 120 Garrett St, Suite 400  
 Charlottesville, VA 22902

Eric M. Page, Esq.  
 Cody T. Murphey, Esq.  
 Eckert Seamans Cherin & Mellott, LLC  
 919 E. Main St, Suite 1300  
 Richmond, VA 23219

William T. Reisinger, Esq.  
 ReisingerGooch, PLC  
 1108 E. Main St, Suite 1102  
 Richmond, VA 23219

/s/ Elaine S. Ryan