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PUBLIC VERSION

May 5, 2022

BY HAND 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-2022-00064

Dear Mr. Logan:

Please find enclosed for filing in the above-captioned proceeding an unbound original and one (1) copy of the **public version** of the *Application of Virginia Electric and Power Company to revise its fuel factor pursuant to Va. Code § 56-249.6*. A confidential version of this filing is also being filed under seal under separate cover.

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: William H. Chambliss, Esq.
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May 5, 2022

Mr. Bernard Logan, Clerk
Virginia State Corporation Commission
c/o Document Control Center
1300 East Main Street
Richmond, VA 23219

Re: Case No. PUR-2022-00064

Dear Mr. Logan:

Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") hereby files with the Virginia State Corporation Commission ("Commission") its application to revise the fuel factor component of customer electric rates effective July 1, 2022 (the "Application"), pursuant to § 56-249.6 of the Code of Virginia. While in most years, this is a relatively routine filing, the dramatic increases in fuel prices as a result of the pandemic, inflation generally, and the war in Ukraine have created a significant fuel cost under-recovery and projections that fuel costs will remain elevated over the next year. The Company estimates that without steps to mitigate the effect of these costs, the fuel factor rate adjustment would result in an approximately 20% increase in the typical Dominion Energy Virginia residential customer's monthly bill for 1,000 kilowatt-hours of usage.

To avoid this outcome, the Company presents a voluntary mitigation proposal in the Application, including Two Year Mitigation and Three Year Mitigation alternatives. The Company recommends the latter option, which would reduce the impact to the typical residential customer to an approximately 12% bill increase due to the fuel factor rate adjustment. Taken together, the Three Year Mitigation proposal and separate rate revisions submitted to the Commission today would increase the typical residential customer's monthly bill by a net of approximately $9 or 7%, if approved as filed. This does not count a $1.98 savings from a filing previously approved by the Commission withdrawing a proposed increase for costs related to the Regional Greenhouse Gas Initiative. As always, the Company stands ready to work with customers to identify programs, services, and payment options that suit their particular needs.

The fuel factor rate is designed to recover purchased power costs and costs incurred to procure commodities, most notably natural gas and coal, needed to power the Company's traditional electric generating fleet and reliably serve its customers. The Company's current fuel factor rate, based on March 2021 commodity price projections, was set prior to significant increases in the price of purchased power, coal, and natural gas which have only been exacerbated by the war in Ukraine.

Differences between past projections and actual fuel costs are not unusual, and fuel factor rate revisions provide the opportunity to correct for any under- or over-recovery. However, the Company is mindful of the significant under-recovery which has accrued—the fuel deferral balance is expected to exceed $1 billion as of June 30, 2022. Additionally, current projections suggest that fuel commodity prices will remain at elevated levels for the medium term. This set of circumstances would ordinarily result in a significant customer impact from the fuel factor rate revision if the Commission were to approve a recovery rate over 12 months.

The Application therefore presents alternatives to instead spread recovery over either two or three years. Both the Two Year Mitigation and Three Year Mitigation options would reduce the effect of the fuel factor rate revision on customer electric bills. Between these two alternatives, the Company recommends the Three Year Mitigation proposal because it provides for the smallest near-term rate increase, rate stability over the next several years, and greater flexibility in the event commodity markets have improved when the Commission revisits the fuel factor rate next year.

Dominion Energy Virginia is sensitive to any proposed electric rate increase, as evidenced by its recent motion to withdraw the proposed update to the rate adjustment clause associated with Regional Greenhouse Gas Initiative compliance (Rider RGGI). The Commission's approval of this motion last month avoided what the Company expected would have been a $1.98 increase to the typical residential customer's monthly bill. Today, the Company has proposed to cease customer billing for Rider RGGI effective July 1, 2022 and recover unrecovered RGGI-related costs through July 31, 2022 in its base rates. This will reduce the typical residential customer's monthly bill by approximately $2.39, subject to Commission approval.

The proposed revision to Rider T1, the Company's recovery mechanism for certain transmission-related costs, would save the typical residential customer another $3.69 per month in electricity costs if approved. Dominion Energy Virginia has also petitioned for a revision to Rider RBB, which enables cost recovery for projects undertaken in partnership with internet service providers to expand broadband access in Virginia. If approved, the Rider RBB update would increase the typical residential customer's monthly bill by $0.14. Thus, the Company anticipates that the net impact of other applications filed today with the Commission will help to offset the customer rate increase attributable to the fuel factor.

The Company is taking significant action to reduce customers' exposure to future fuel cost fluctuations. The ongoing diversification of its electric generating fleet—specifically, the addition of solar and offshore wind resources including the Coastal Virginia Offshore Wind project which have no associated fuel costs—will mitigate the risk of commodity price upheavals. Additionally, the Company will continue its practice of entering into market transactions that act as a hedge against future price uncertainty.

Dominion Energy Virginia believes this Application exemplifies its focus on ensuring that its safe and reliable electric service also remains affordable. With the Commission's approval, the Three Year Mitigation proposal described herein will help shield customers from what would otherwise be a significant fuel factor rate adjustment. The Company looks forward to a constructive and customer-beneficial outcome in this proceeding.

Sincerely,

Edward H. Baine

Edward H. Baine
President, Dominion Energy Virginia

Dominion Energy®

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

Before the State Corporation Commission of Virginia

Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to Va. Code § 56-249.6

Volume 1 of 1
PUBLIC VERSION

Case No. PUR-2022-00064

Filed: May 5, 2022

Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to Va. Code § 56-249.6
Case No. PUR-2022-00064

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2205 Application

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF	)	
	)	
VIRGINIA ELECTRIC AND POWER COMPANY	)	Case No. PUR-2022-00064
	)	
To revise its fuel factor pursuant to Va. Code	)	
§ 56-249.6	)	

APPLICATION

Pursuant to § 56-249.6 of the Code of Virginia ("Va. Code"), Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company"), by counsel, files this application to revise its fuel factor effective July 1, 2022 (the "Application"). In support of its Application, the Company respectfully states the following:

1. Dominion Energy Virginia is a public service corporation organized under the laws of the Commonwealth of Virginia furnishing electric service to the public within its certificated service territory. The Company also supplies electric service to non-jurisdictional customers in Virginia and to the public in portions of North Carolina. The Company's electric system, consisting of facilities and associated facilities for the generation, transmission, and distribution of electric energy, is interconnected with the electric systems of neighboring utilities and is part of the interconnected network of electric systems serving the continental United States. Because of its operations in Virginia and North Carolina and its interconnections with other electric utilities, the Company engages in interstate commerce. The post office address of the Company is P.O. Box 26666, Richmond, Virginia 23261.

2. The facts supporting this Application are set forth in the accompanying testimony and exhibits of Gregory A. Workman, J. Scott Gaskill, Whitney W. Johnson, Katherine E.

Farmer, Dale E. Hinson, Tom A. Brookmire, Wesley A. Hudson, Ronnie T. Campbell, and Timothy P. Stuller.

3. The testimony and exhibits demonstrate that a revision to the Company's existing fuel factor rate is necessary to provide the Company with the appropriate level of fuel cost recovery pursuant to Va. Code § 56-249.6 over the period beginning July 1, 2022 through June 30, 2023.

4. The Company's total fuel factor, reflected in Fuel Charge Rider A, consists of both a current period and a prior period factor. As Company Witness Timothy P. Stuller discusses, for the July 1, 2022 through June 30, 2023 fuel year, the Company projects Virginia jurisdictional fuel expenses, including purchased power expenses, of approximately $2.278 billion, translating into a current period fuel factor rate of 3.0784 cents per kilowatt-hour ("¢/kWh"). The Company's projected June 30, 2022 fuel deferral balance is approximately $1.020 billion, translating into a prior period factor rate of 1.3784 ¢/kWh. Together, these components translate into a total proposed fuel factor rate of 4.4568 ¢/kWh for the period July 1, 2022 through June 30, 2023.

5. As explained by Company Witness Gregory A. Workman and others, the total projected fuel deferral balance attributable to the July 2021 – June 2022 is substantial, largely due to the increase in commodity prices over the past year. While significant, the under-recovery over the prior period was mitigated in part by the Company's comprehensive approach to fuel procurement and hedging, including the availability of a diverse generation portfolio, access to reliable fuel supply, and an effective commodity price hedging program. Comparing the July 2021 – March 2022 period with the similar period of July 2020 – March 2021, natural gas and coal fuel commodities experienced price increases of approximately 100% and 92%,

respectively, while the fuel component of the in-system generation output experienced only a 37% increase in $/MWh, as supported by Company Witness Dale E. Hinson.

6. While the Company is entitled to recovery of these prudently incurred fuel expenses on a prompt basis under Va. Code § 56-249.6, the Company recognizes the impact of such an increase in fuel rates on our customers. In order to mitigate the impact of an increase in the fuel factor rate on customers, the Company is voluntarily offering two alternative proposals to the full recovery rate, should the Commission find it to be in the public interest and so approve. Under the alternative proposals presented by Company Witness J. Scott Gaskill, the Company would waive its right to prompt recovery of the full deferral balance over the current period in favor of recovery of this balance equally over either two fuel periods ("Two Year Mitigation") or three fuel periods ("Three Year Mitigation"), at the Commission's discretion.

7. The Two Year Mitigation proposal would, if adopted, amortize the $1.020 billion projected June 30, 2022 fuel deferral balance for recovery equally over the fuel periods July 1, 2022 – June 30, 2023 *and* July 1, 2023 – June 30, 2024 (a total of 24 months). This would result in a prior period factor for the current fuel year of 0.6892 ¢/kWh and a total fuel factor rate of 3.7676 ¢/kWh for the current period—reducing the impact on the overall residential customer's monthly bill from 19.8% to 14.1%, compared to the full recovery rate during the current period.

8. The Three Year Mitigation proposal would, if adopted, amortize the $1.020 billion projected June 30, 2022 fuel deferral balance for recovery equally over the fuel periods July 1, 2022 – June 30, 2023, July 1, 2023 – June 30, 2024, and July 1, 2024 – June 30, 2025 (a total of 36 months). This would result in a prior period factor for the current fuel year of 0.4595 ¢/kWh and a total fuel factor rate of 3.5379 ¢/kWh for the current period—reducing the impact on the overall bill for the typical residential customer from 19.8% to 12.2%, compared to the full recovery rate during the current period. This represents a further 0.2297 ¢/kWh rate reduction,

or approximately $2.30 per month bill savings for a residential customer, over the Two Year Mitigation.

9. The Company believes that its voluntary fuel factor mitigation proposals recognize the interests of customers in avoiding abrupt rate increases, as referenced in Va. Code § 56-249.6, and are consistent with the public interest. While either mitigation proposal is preferable to the full recovery rate, the Three Year Mitigation offers the smallest near-term fuel rate increase, promotes rate stability across the next several years, and offers the Commission flexibility next year if circumstances around commodity markets have improved. For these reasons, the Company requests that the Commission approve the Three Year Mitigation proposal and set a fuel rate of 3.5379 ¢/kWh.

10. Further, to the extent that the Commission directs implementation of an interim fuel rate for usage on and after July 1, 2022, the Company requests that the proposed fuel factor rate of 3.5379 ¢/kWh based on the Three Year Mitigation proposal be implemented as the interim rate.

11. Concurrent with this filing, the Company has also filed a petition to suspend its rate adjustment clause designated Rider RGGI effective July 1, 2022, which, if approved by the Commission, would lower the typical residential bill by $2.39 per month at the same time the fuel factor increase would take place. Additionally, the Company has filed its annual update to Rider T1, which, if approved would result in a reduction in the typical residential customer bill of approximately $3.69 per month. Taken as a whole—the Three Year Mitigation, suspension of Rider RGGI, and the Rider T1 reduction—the increase to a typical residential customer bill is approximately $9.00 per month. While the Company does not take any such rate increase lightly, it is mindful of the impact to its customers and is taking meaningful steps to limit the impact felt from the current commodity market pressures.

12. In connection with this Application, the Company is also seeking approval of an accounting change as it relates to the funding of the fuel factor for customers taking service under the approved market-based rate ("MBR") schedules, Rate Schedule MBR, Rate Schedule MBR-GS-3, Rate Schedule MBR-GS-4, and the SCR Rate Schedule (collectively, the "MBR Customers"), to more timely align the timing of the fuel expense incurred by the Company and the revenues received through the market-based charges from these customers as presented by Company Witness Gaskill. This change holds both MBR and non-MBR customers harmless and is intended to resolve the timing mismatch between revenue and fuel expense that exists for customers taking service on these voluntary rate schedules.

13. Specifically, the Company is proposing a going-forward accounting change with respect to MBR revenues such that it will fund the Company's *actual* average system fuel costs on a month-by-month basis instead of the approved fuel rate. By making this accounting change, there will be better alignment between MBR revenue, and the fuel costs incurred to serve these customers. In other words, MBR-customer revenues would fund their share of actual fuel costs on a real-time basis instead of contributing to an over- or under-recovery of fuel costs. MBR revenue would be removed from the fuel deferral process. The Company proposes that this change take effect on July 1, 2022.

14. Fuel Charge Rider A specifies how MBR revenues are treated with respect to the fuel deferral. Therefore, Company Witness Timothy P. Stuller presents the revised Fuel Charge Rider A tariff sheet to incorporate this change.

WHEREFORE, Virginia Electric and Power Company respectfully files the proposed fuel factor of 3.5379 ¢/kWh, as set out herein, effective for usage on and after July 1, 2022, and requests that the Commission approve the revised Fuel Charge Rider A tariff incorporating the proposed accounting change for MBR customers effective July 1, 2022.

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Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

By: ______________________
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May 5, 2022