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May 11, 2022

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c/o Document Control Center
State Corporation Commission
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Application of Virginia Electric and Power Company for approval and certification of the Coastal Virginia Offshore Wind Commercial Project and Rider Offshore Wind, pursuant to § 56-585.1:11, § 56-46.1, § 56-265.1 et seq., and § 56-585.1 A 6 of the Code of Virginia
Case No. PUR-2021-00142

Dear Mr. Logan:

Please find enclosed for electronic filing in the above-captioned proceeding the *Proposed Stipulation and Recommendation* of the Company, Commission Staff, Nansemond Indian Nation, and the Sierra Club.

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

Very truly yours,

/s/ Joseph K. Reid, III

Joseph K. Reid, III

Enclosures

cc: The Honorable D. Mathias Roussy, Jr., Hearing Examiner
Paul E. Pfeffer, Esq.
David J. DePippo, Esq.
Lisa R. Crabtree, Esq.
Vishwa B. Link, Esq.
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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF)
)
 VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2021-00142
 For approval and certification of the Coastal Virginia)
 Offshore Wind Commercial Project and Rider Offshore)
 Wind, pursuant to § 56-585.1:11, § 56-46.1, § 56-265.1 *et*)
seq., and § 56-585.1 A 6 of the Code of Virginia)

PROPOSED STIPULATION AND RECOMMENDATION

This Proposed Stipulation and Recommendation (“Stipulation”) represents the agreement among Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), the Staff of the State Corporation Commission (“Staff”), the Sierra Club, and the Nansemond Indian Nation (“Nansemond”), (collectively, the “Stipulating Participants”)¹ resolving all issues raised by the Stipulating Participants relating to the application, direct testimony, exhibits and schedules filed by Dominion Energy Virginia on November 5, 2021, as updated on November 24, 2021, December 21, 2021, January 7, 2022, February 11, 2022, March 2, 2022, and March 22, 2022, (collectively, the “Application”) in support of the Coastal Virginia Offshore Wind Commercial Project (the “CVOW Commercial Project” or the “Project”).

The Stipulating Participants, by their undersigned counsel, stipulate, agree and recommend that this Stipulation be adopted and that the Application be approved as modified below:

1. Project and Rate Adjustment Clause Approval: Subject to the terms and findings below, the Company’s CVOW Commercial Project (“Project”), as described in the Application,

¹ The Virginia Committee for Fair Utility Rates has authorized the Stipulating Participants to represent that the Committee takes no position on the Proposed Stipulation and Recommendation, and has been excused from the hearing in this matter.

complies with the requirements for an offshore wind project set forth in § 56-585.1:11 of the Code of Virginia and, as necessary, is approved. The Company's request for a rate adjustment clause pursuant to subdivision A 6 of § 56-585.1 of the Code of Virginia, designated Rider OSW, to recover the costs of the Project likewise meets all statutory requirements and presumptions and should be approved.

2. Need for the Project: Construction and operation of the Project will contribute to the capacity and energy requirements of the Company over its resource planning period, and will significantly contribute to meeting the Company's renewable energy portfolio standard ("RPS") program requirements under the Virginia Clean Economy Act ("VCEA"). This finding of need is subject to the Company obtaining the necessary federal approvals for the Project, as well as other necessary permits to implement the Project.

3. Levelized Cost of Energy ("LCOE") Comparison: For purposes of the LCOE comparison prescribed in § 56-585.1:11 C 1 of the Code of Virginia, the LCOE of the benchmark simple cycle combustion turbine generating facility, multiplied by 1.4 as directed by statute, is \$125/MWh. The record contains evidence of a variety of input assumptions that could be utilized in order to calculate the LCOE for the Project. Using a range of assumptions, the total LCOE for the Project is less than the comparable cost of the benchmark facility. In approving this Stipulation, the Commission is making no further specific findings as to the calculation of the LCOE for the Project or the comparison directed by statute.

4. Project Cost: The Company's estimated total capital costs of construction of the Project, including the costs of its Foreign Currency Risk Mitigation Plan and contingency allowances, of \$9.65 billion, is reasonable and prudent pursuant to governing law. No construction costs in excess of this \$9.65 billion estimate are approved in connection with this proceeding. Approval of cost recovery for any incremental costs to construct the Project above

this estimate will be subject to a Commission finding of reasonableness and prudence in a future proceeding.

5. Project Reporting: The Company will report to all parties to this proceeding subject to appropriate confidentiality protections on the status of the Project and any material changes to the Project's timeline for construction and operation or cost estimates on a semi-annual basis in the format approved in Case No. PUE-2007-00066 beginning on February 1, 2023 and continuing through the Project's commercial operations date. Each Rider OSW update will also include: (i) the most recently filed biannual update as ordered in Case No. PUR-2021-00292 as recommended by Staff witness Welsh; (ii) an updated LCOE calculation, for informational purposes, with the most current assumptions, including the Company's LCOE model in executable Microsoft Excel format with formulae intact; and (iii) a written explanation as to the reason for any overruns and the reasonableness and prudence of the additional costs. The Company will file a notice with the Commission within thirty (30) calendar days if it determines that the total project capital costs are expected to exceed the current estimate of \$9.65 billion, or if the last turbine installation for the Project is expected to be delayed beyond February 4, 2027. The Stipulating Participants recommend that this docket remain open for the receipt of any such notices. The Company will further inform all parties to this proceeding, subject to appropriate confidentiality protections, of any other material events impacting the Project throughout its construction period within thirty (30) calendar days of the event occurring.

6. Performance Provisions: For the first ten years of the Project's commercial operation, the Company will report average availability and capacity factors for the Project on an annual basis in its Rider OSW update proceeding. To the extent the average annual turbine availability of the Project is less than 97% or the Project's net capacity factor is less than 37% on a three-year rolling average basis, the Company will provide a detailed explanation of the factors

contributing to any deficiency. To the extent the Commission determines that any deficiency has resulted from the unreasonable or imprudent actions of the Company as developer, owner or operator of the Project, the Commission may determine an appropriate remedy at that time.

7. Foreign Currency Risk Mitigation Plan: The Company's Foreign Currency Risk Mitigation Plan in connection with the Project, as described in the Application and supporting testimony, is reasonable, subject to continuing audit.

8. Revenue Requirement: The approved revenue requirement for the initial rate year of Rider OSW commencing September 1, 2022, is \$78.702 million, as noticed in the Company's Application. Staff's actual revenue requirement calculation of \$79.700 million is accepted, and the excess of the actual revenue requirement above the noticed revenue requirement of \$998,000 may be included, as necessary, in a future true-up factor for Rider OSW.

9. Rate of Return on Common Equity and Capital Structure: The rate of return on common equity of 9.35% approved in Case No. PUR-2021-00058 shall apply to the Rider OSW cost recovery approved herein, as provided by statute. The Company's proposed capital structures and costs of capital for calculating the Rider OSW AFUDC factor are approved. For the Rider OSW projected cost recovery factor, the Company's actual December 31, 2020 capital structure and cost of capital approved in Case No. PUR-2021-00058 shall be utilized.

10. Cost Allocation and Rate Design: The cost allocation and rate design methodologies used by the Company to develop the revenue requirement for Rider OSW are approved. If the Commission adopts a cost allocation methodology in Case No. PUR-2021-00156 that differs from what is approved herein, the allocation methodology approved in Case No. PUR-2021-00156 will be applied to Rider OSW in future proceedings.

11. Economic Development Plan: The Company will update its Economic Development Plan semi-annually in connection with the reporting in paragraph 5, including

reports with respect to Dominion Energy Virginia employees associated with the Project on their aggregated racial demographics (broken out by racial or ethnic group and based on self-reporting), aggregated veteran status (based on self-reporting), geographic location of hires (aggregated and based on locality, state, region, nation), and annual DEI training for managers. To the extent Dominion Energy Virginia is hiring employees, it will follow the targets set forth in the Dominion Energy, Inc. 2020 Diversity, Equity & Inclusion Report, which states that the Company is committed to increasing diverse workforce representation 1 percentage point each year with a goal of reaching at least 40% diverse workforce representation by the end of 2026.

With respect to contractors and suppliers for the Project, the Company will report on diverse supplier metrics of major equipment suppliers collected through the Supplier Diversity Requirements included in the Company's DEI Report. The Company will also provide dates and organization names for meetings with Minority Serving Institutions and those grassroots organizations that collaborate to meet the DEI goals and objectives of the Company and the VCEA. The Company agrees to establish an advisory committee to discuss and make recommendations related to supplier diversity and access-to-capital strategies, including for Tier 2 and Tier 3 suppliers. This advisory committee will meet at least semi-annually beginning Q4 2022 until the Project achieves commercial operation. The advisory committee will be directed to review and consider the testimony of Sierra Club Witness Mark Little filed in this proceeding.

The Company will report in aggregate fashion supply chain employee demographic data as provided in voluntary surveys.

The Company will hold and participate in at least ten business opportunity expositions with no fewer than five to be held in collaboration with diverse or small business/trade organizations.

The Company will hold and participate in at least ten clean energy career events with no fewer than five to be held in collaboration with Minority Serving Institutions.

12. Certificate of Public Convenience and Necessity (“CPCN”): The Company has satisfied the requirements of Va. Code § 56-46.1 and the Utility Facilities Act, Va. Code § 56-265.1 *et seq.*, for the construction and operation of the Virginia Facilities required for the Project, and therefore, a CPCN authorizing the Virginia Facilities is issued. The Stipulating Participants do not oppose approval of the proposed route for the Onshore Export Circuits, which is the Cable Landing to Harpers Proposed Route, or the proposed route of the Overhead Transmission Circuits, which is Harpers to Fentress Proposed Route 1.

13. Coordination with the Nansemond Nation: The Company shall continue to coordinate with the Nansemond Nation regarding its historical and cultural concerns, including in currently pending federal permitting proceedings regarding the Project.

14. Virginia Department of Environmental Quality (“DEQ”) Report: The DEQ Report is admitted to the record and its recommendations accepted, with the exceptions and clarifications contained in the Rebuttal Testimony of Company Witness Rachel M. Studebaker. Staff takes no position regarding the issues addressed in this stipulation term.

15. Environmental Justice: The Company reasonably considered the requirements of the Virginia Environmental Justice Act.

16. The Stipulating Participants further agree as follows with respect to the evidentiary record:²

- a. Dominion Energy Virginia’s Application, which includes the pre-filed direct testimony, exhibits, and filing schedules of Company Witnesses Mark D. Mitchell, Joshua Bennett,

² To the extent any of the witnesses identified in this paragraph are cross-examined by a party to the proceeding that is not a party to this Stipulation and Recommendation, the parties to the Stipulation reserve the right to participate in such cross-examination.

Glenn A. Kelly, Grant T. Hollett, Lauren V. Adkins, Scott Lawton, John Larson, J. Kevin Curtis, Peter Nedwick, Sherrill A. Crenshaw, Shane A. Moulton, Thomas A. Dorsey, Lane E. Carr, Rachel M. Studebaker, Robert E. Richardson, Jon M. Berkin, Christopher J. Lee, J. Scott Gaskill, and Timothy P. Stuller filed on November 5, 2021, and as updated on November 24, 2021, December 21, 2021, January 7, 2022, February 11, 2022, March 2, 2022, and March 22, 2022, shall be made a part of the record without cross examination.

- b. The pre-filed direct testimony and exhibits of Nansemond Witness Elizabeth T. Horton, filed on March 25, 2022, shall be made part of the record without cross examination.
- c. The pre-filed direct testimony and exhibits of Sierra Club Witness Mark Little, filed on March 25, 2022, shall be made part of the record without cross examination.
- d. The pre-filed testimony, schedules, and exhibits of Staff Witnesses Katya Kuleshova, Mark K. Carsley, Sean M. Welsh, Phillip M. Gereaux, Kelli B. Gravely, and Neil P. Joshipura, filed on April 8, 2022, shall be made part of the record without cross examination.
- e. The pre-filed rebuttal testimony, schedules, and exhibits of Company Witnesses Mark D. Mitchell, Joshua Bennett, Glenn A. Kelly, John Larson, Timothy P. Stuller, Peter Nedwick, Sherrill A. Crenshaw, Shane A. Moulton, Lane E. Carr, Rachel M. Studebaker, Robert E. Richardson, Matthew Robinson, David C. Lennhoff, Gabor Mezei, and Jon M. Berkin, filed on April 22, 2022, shall be made part of the record without cross examination.

17. No Precedential Effect: The Stipulating Participants agree that this Stipulation represents a compromise for purposes of settlement of this case and for resolution of issues raised in this proceeding and shall have no precedential effect. None of the signatories to this

Stipulation necessarily agree with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Stipulation other than as specified herein, except that the Stipulating Participants agree that the resolution of the issues herein and the disposition of all other matters set forth in this Stipulation, taken as a whole, are in the public interest.

18. This Stipulation is conditioned upon and subject to acceptance by the Commission and is non-severable and of no force or effect and may not be used for any other purpose unless accepted in its entirety by the Commission. In the event that the Commission does not accept the Stipulation in its entirety, including the issuance of a recommendation to approve the Stipulation, each of the signatories herein retain the right to withdraw support for the Stipulation. In the event of such action by the Commission, any of the signatories to the Stipulation will be entitled to give notice exercising its right to withdraw support for the Stipulation; provided, however, that the signatories to the Stipulation may, by unanimous consent, elect to modify the Stipulation to address any modifications required, or issues raised, by the Commission. Should the Stipulation not be approved, it will be considered void and have no precedential effect, and the signatories to the Stipulation reserve their rights to participate in all relevant proceedings in the captioned case notwithstanding their agreement to the terms of the Stipulation. If the Commission chooses to reject the Stipulation, the Stipulating Participants may request that an *ore tenus* hearing be convened at which time testimony and evidence may be presented by the case participants and cross-examination may occur on any issues arising in this proceeding.

The following parties join the Stipulation as accepted and agreed to this 11th day of May

2022:

VIRGINIA ELECTRIC AND POWER COMPANY

By: /s/ Joseph K. Reid, III
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CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of May 2022, a true and accurate copy of the foregoing filed in Case No. PUR-2021-00142 was hand delivered, electronically mailed, and/or mailed first class postage pre-paid to the following:

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