

PUBLIC VERSION

November 1, 2022

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Richmond, Virginia 23219

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*Application of Virginia Electric and Power Company for revision of rate adjustment clause:
Rider OSW, Coastal Virginia Offshore Wind Commercial Project,
for the Rate Year commencing September 1, 2023*

Case No. PUR-2022-00187

Dear Mr. Logan:

Enclosed for electronic filing in the above-captioned proceeding, please find an unbound original and one (1) copy of the **PUBLIC VERSION** of Virginia Electric and Power Company's Application, Direct Testimony, and Schedules in the above-captioned proceeding. An extraordinarily sensitive version is also being filed under seal under separate cover.

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

Highest regards,

/s/ Vishwa B. Link

Vishwa B. Link

enc.

cc: William H. Chambliss, Esq.
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**Application, Direct
Testimony, and Schedules of
Virginia Electric and Power
Company**

**Before the State Corporation
Commission of Virginia**

**For revision of rate adjustment
clause: Rider OSW, Coastal Virginia
Offshore Wind Commercial Project,
for the Rate Year commencing
September 1, 2023**

**Volume 1 of 1
PUBLIC VERSION**

Case No. PUR-2022-00187

Filed: November 1, 2022

**Application of Virginia Electric and Power Company,
For revision of rate adjustment clause: Rider OSW,
Coastal Virginia Offshore Wind Commercial Project,
for the Rate Year Commencing September 1, 2023**

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Application

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2022-00187
For revision of rate adjustment clause: Rider OSW,)
Coastal Virginia Offshore Wind Commercial Project,)
for the Rate Year commencing September 1, 2023)

**VIRGINIA ELECTRIC AND POWER COMPANY’S RIDER OSW
ANNUAL UPDATE FILING AND REQUEST FOR LIMITED WAIVER**

Pursuant to § 56-585.1 A 6 (“Subsection A 6”) of the Code of Virginia (“Va. Code”) and the directive contained on page 12 and in Ordering Paragraph (2) of the Final Order issued by the State Corporation Commission of Virginia (“Commission”) on August 5, 2022, in Case No. PUR-2021-00142,¹ Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), by counsel, hereby submits its annual update filing with respect to its Rider OSW (“2022 Annual Update” or “Update”) for the Coastal Virginia Offshore Wind Commercial Project (“CVOW Commercial Project,” “CVOW,” or the “Project”).² In support of this 2022 Annual Update, the Company respectfully shows as follows:

¹ *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, Final Order (Aug. 5, 2022) (“Final Order”).*

² On August 22, 2022, the Company filed its Petition for Limited Reconsideration challenging certain components of the Final Order unrelated to the approved Rider OSW. In its August 24, 2022 Order Granting Reconsideration, the Commission suspended the Final Order, but authorized the Company to “implement Rider OSW, as approved in the August 5, 2022 Final Order, on an interim basis pending further order of the Commission.” Order Granting Reconsideration at Ordering Paragraph (3). On October 28, 2022, a Motion to Receive and Consider Second Proposed Stipulation and Recommendation, and for Expedited Consideration, was submitted to the Commission, but has not been accepted as of the date of this filing. Accordingly, in making this filing, the Company complies with the portions of the Final Order that pertain to the implemented Rider OSW and were not contested in the Company’s Petition for Limited Reconsideration.

GENERAL INFORMATION

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 is engaged in the business of generating, transmitting, distributing, and selling electric power and energy to the public for compensation. The Company is also a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company is an operating subsidiary of Dominion Energy, Inc.

2. The Company's address is:

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

3. The names, addresses, and telephone numbers of the attorneys for the Company are:

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BACKGROUND

4. Code § 56-585.1:11 (“Subsection 11”) finds that certain utility-owned and utility-operated offshore wind projects are in the public interest:

[C]onstruction by a Phase II Utility of one or more new utility-owned and utility-operated generation facilities utilizing energy derived from offshore wind and located off the Commonwealth’s Atlantic shoreline, with an aggregate rated capacity of not less than 2,500 megawatts and not more than 3,000 megawatts, along with electrical transmission or distribution facilities associated therewith for interconnection is in the public interest.

5. Along with determining that certain offshore wind facilities are in the public interest, Subsection 11 contemplates cost recovery via a rate adjustment clause (“RAC”) to be filed pursuant to Code § 56-585.1 A 6, with costs presumed to be reasonably and prudently incurred if certain competitive solicitation, levelized cost of energy, and constructive timeline benchmarks are met:

In acting upon any request for cost recovery by a Phase II Utility for costs associated with such a facility, the Commission shall determine the reasonableness and prudence of any such costs, provided that such costs shall be presumed to be reasonably and prudently incurred if the Commission determines that (i) the utility has complied with the competitive solicitation and procurement requirements pursuant to subsection E; (ii) the project’s projected total levelized cost of energy, including any tax credit, on a cost per megawatt hour basis, inclusive of the costs of transmission and distribution facilities associated with the facility’s interconnection, does not exceed 1.4 times the comparable cost, on an unweighted average basis, of a conventional simple cycle combustion turbine generating facility as estimated by the U.S. Energy Information Administration in its Annual Energy Outlook 2019; and (iii) the utility has commenced construction of such facilities for U.S. income tax purposes

prior to January 1, 2024, or has a plan for such facility or facilities to be in service prior to January 1, 2028.

The Code further instructs that “[t]he Commission shall disallow costs, or any portion thereof, only if they are otherwise unreasonably and imprudently incurred” and directs the Commission to “give due consideration to (a) the Commonwealth’s renewable portfolio standards and carbon reduction requirements, (b) the promotion of new renewable generation resources, and (c) the economic development benefits of the project for the Commonwealth, including capital investments and job creation.”³

6. On August 5, 2022, by its Final Order in Case No. PUR-2021-00142, the Commission, among other things, approved the Company’s request for approval of a rate adjustment clause, designated Rider OSW, pursuant to Code § 56-585.1 A 6, for the recovery of costs associated with the CVOW Commercial Project. The Final Order directed the Company to “file annual Rider OSW update proceedings on or before November 1 of each year.”⁴

7. Pursuant to the provisions of the Final Order, the Company files this first annual Rider OSW Update to inform the Commission of the status of the CVOW Commercial Project and to provide the proposed cost allocation, rate design, and accounting treatment for service rendered during a proposed rate year commencing September 1, 2023 and extending through August 31, 2024 (“Rate Year”) as related to proposed Rider OSW. The Company also presents certain Project information in this Update as directed in the Commission’s August 5, 2022 Final Order.

³ Code § 56-585.1:11 C 1.

⁴ Final Order at 12.

CVOW COMMERCIAL PROJECT AND EXPENDITURES UPDATE

A. Status of CVOW Commercial Project

8. Company Witnesses Joshua Bennett and Grant T. Hollett provide the status of construction for the Project. The CVOW Commercial Project is proceeding on time and on budget, consistent with the timelines and estimates the Company provided in its original filing. The total Project cost forecast remains \$9.8 billion, including approximately \$1.4 billion of combined transmission costs. There have been no material changes to the Project since the Company's filing in Case No. PUR-2021-00142.

9. With respect to construction status, the Company is continuing to work on site preparation, engineering, and procurement activities. This work includes: (i) completion of nearshore geotechnical and geophysical surveys, (ii) surveying for unexploded ordinance, (iii) onshore survey activities pertaining to wetlands delineation and right-of-way activities, (iv) engineering and design of all major offshore and onshore components, (v) manufacturing of offshore export cables, (vi) fabrication of offshore substations, and (vii) continued work towards Bureau of Ocean Energy Management ("BOEM") milestones for project approval.

B. Operation and Maintenance and Capital Expenditures

10. Company Witness Grant T. Hollett's testimony details the Company's actual capital expenses for the Project to date, as well as budget plans for the Project's capital expenditures up until the Project begins commercial operation, projected lifetime operations and maintenance ("O&M") costs, and expected lifetime capital expenditures.

11. Company Witness Hollett's testimony also identifies and explains variances for cost categories exhibiting a variance of greater than 5% from budget. The Construction & Equipment category was approximately 6.1% below budget primarily due to hedging of the

exchange rate for euro-based contracts. The Contingency category, therefore, experienced a corresponding increase in budget.

12. As part of this Update proceeding, the Company respectfully requests that the Commission approve the updated expenditures for the CVOW Commercial Project, subject to subsequent true-ups, and find that such expenditures are reasonable and prudent in order to fulfill the Company's service obligations as a public electric utility.

C. LCOE Update

13. As directed by the Final Order, the Company provides an update to the Levelized Cost of Energy ("LCOE") calculation with the most current financing and REC price assumptions, consistent with the recently filed 2022 IRP financing assumptions. Although the Company understands that this LCOE calculation is initially being provided for informational purposes in this proceeding, the LCOE calculation remains well below the benchmark established in Va. Code § 56-585.1:11 C 1 underlying the statutory presumption that Project costs are reasonable and prudent.

14. The CVOW Commercial Project's updated LCOE is \$82 per megawatt hour ("MWh") in 2027 dollars, inclusive of the 30% investment tax credit. The LCOE for the Project in 2018 dollars is \$69 per MWh.

D. Other Requirements of Final Order

15. In the Final Order, the Commission requires the Company in its annual update filings to provide certain Project-specific information or analysis. These requirements include advising of any material changes to the Project, including reports filed regarding Project-related affiliate matters, describing cost overruns, and providing projected lifetime bill impacts for the

Project, among others. Company Witness Joshua Bennett's testimony addresses these requirements and refers to the testimony of other Company Witnesses where appropriate.

ACCOUNTING UPDATE

A. Rate of Return on Common Equity

16. For purposes of this Application and consistent with the Commission's November 18, 2021 Final Order in the Company's 2021 Triennial Review proceeding in Case No. PUR-2021-00058, the Company is utilizing the approved ROE of 9.35%. In addition, the capital structure used in the calculation of the revenue requirement reflects the methodology proposed by Staff and approved by the Commission in that Final Order.

B. Revenue Requirement Update

17. The revenue requirement calculation for the continuation of the Rider OSW RAC is described in detail in the testimony of Company Witness Elizabeth B. Lecky.

18. The proposed rate year for this proceeding is from September 1, 2023, through August 31, 2024 ("Rate Year"). The two key components of the revenue requirement in this proceeding are the Projected Cost Recovery Factor and the Actual Cost True-Up Factor.

19. The Projected Cost Recovery Factor includes financing costs for rate base during the Rate Year. When it is implemented, the Actual Cost True-Up Factor will credit to, or recover from, customers any over/under recovery of costs from the most recently completed calendar year. Actual revenues during the test year are compared to actual costs incurred during the test year. Any difference in these amounts becomes the Actual Cost True-Up Factor credited to, or recovered from, customers through the total revenue requirement requested for recovery during the Rate Year.

20. The total revenue requirement requested for recovery in this 2022 Annual Update is \$271 million.

RATE DESIGN UPDATE

A. Revised Rider OSW Tariff

21. The Company is proposing an updated Rider OSW tariff, which is sponsored by Company Witness Timothy Stuller. Mr. Stuller identifies the rates, in either cents per kilowatt-hour or dollars per kilowatt-hour, that will apply to each Company Rate Schedule. If approved as proposed, the revised Rider OSW will be effective for usage on and after September 1, 2023.

B. Rider OSW Impact on Customer Bills

22. The implementation of the proposed Rider OSW on September 1, 2023, will increase the residential customer's monthly bill, based on 1,000 kWh per month, by \$3.29. Mr. Stuller's testimony provides typical bill charges for Residential Schedule 1, General Service Schedules GS-1, GS-2, GS-3, and GS-4, and Church Schedule 5C at several representative levels of consumption and demand.

23. Company Witness Stuller also provides the projected bill impact of Rider OSW, by year, over the life of the rider for a residential customer's monthly bill, as well as examples of projected bill impacts for small general service customers and large general service customers, as directed in the Final Order.

C. Request for Rate Effective Date

24. As Mr. Stuller explains, the Company respectfully requests for billing purposes, a rate effective date for usage on and after the latter of September 1, 2023, or the first day of the month which is at least fifteen (15) days following the date of any Commission Order approving Rider OSW.

PRE-FILED DIRECT TESTIMONY AND EXHIBITS, FILING SCHEDULES 3-5, 8, and 46, AND REQUEST FOR LIMITED WAIVER

25. In support of this Application, the Company presents the pre-filed direct testimony and exhibits of the following witnesses: Joshua Bennett, Grant T. Hollett, Victoria A. Drummond, Elizabeth B. Lecky, and Timothy P. Stuller.

A. Filing Schedules

26. Rule 60 of the Rate Case Rules, 20 VAC 5-204-5 et seq., provides that a rate adjustment clause application "shall include Schedule 46" and that, additionally, those "applications requiring an overall cost of capital shall include Schedules 3, 4, 5, and 8."

27. With this Petition, the Company files the following Filing Schedules:

- a. Filing Schedules 3 through 5 and Filing Schedule 8, sponsored by Company Witness Elizabeth B. Lecky, provide information regarding the Company's cost of capital.
- b. Filing Schedule 46A, sponsored by Company Witness Grant. T. Hollett, consists of Statements 1 and 2. Filing Schedule 46A Statement 1 provides the projected and actual costs sought for recovery by type of cost and year, for the Project. Filing Schedule 46A Statement 2 provides key documents supporting the incremental costs for the Project.
- c. Filing Schedule 46B, sponsored by Company Witness Elizabeth B. Lecky, consists of Statements 1 through 3. Filing Schedule 46B, Statement 1, provides the estimated annual revenue requirement for the rate year ending August 31, 2024. Filing Schedule 46B, Statement 2, provides the estimated annual revenue requirement over the duration of the project, by year on a total company basis and a Virginia jurisdictional basis. Filing Schedule 46B, Statement 3, provides the workpapers showing all supporting calculations and assumptions for the estimated annual revenue requirement.
- d. Filing Schedule 46C, sponsored by Company Witness Timothy P. Stuller, consists of Statements 1 and 2. Filing Schedule 46C, Statement 1, provides the Company's methodology for allocating the proposed revenue requirement among the rate classes and the design of the class rates. Filing Schedule 46C, Statement 2, provides the annual revenue requirement for Rider OSW by customer class over the duration of the RAC.

B. Request for Waiver of Filing Schedule 46 Requirements

28. The Company, for good cause shown and pursuant to Rate Case Rule 10 E, respectfully requests that the Commission waive, in part, the requirements under Rule 60 and Rule 90 of the Rate Case Rules with respect to paper copies of certain Filing Schedule 46 materials. Specifically, the Rate Case Rules require the Company to provide key documents supporting the projected and actual costs of the Project, such as: economic analyses, support used by senior management for major cost decisions as determined by the applicant, contracts, results from requests for proposals, cost-benefit analyses, and other items supporting the costs that have not been provided in previous applications. The supporting documentation responsive to this requirement is voluminous and, often, not easily viewed in hard copy (*i.e.*, paper) format. Accordingly, the Company seeks waiver of the requirement to file 15 hard copies of this information. Instead, the Company proposes to provide this documentation to Commission Staff and any other future case participant in electronic format, and to provide the Commission with one hard copy and three electronic copies on compact discs. The Company will make these documents available via an electronic discovery site (“eRoom”) contemporaneously with the filing of the Petition, with immediate access available to Staff. This request for waiver is consistent with recent Commission orders granting similar limited waivers.⁵ Should the Commission deny this request, the Company asks for a reasonable allowance of time to print the requisite filing copies of this material and submit it to the Commission prior to the Company’s Application being deemed incomplete.

⁵ *Application of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider B, Biomass Conversions of the Altavista, Hopewell, and Southampton Power Stations for the Rate Years Commencing April 1, 2023 and April 1, 2024*, Case No. PUR-2022-00088, Order for Notice and Hearing at 5, 7 (July 11, 2022); *Application of Virginia Electric and Power Company, For revision of rate adjustment clause designated Rider GT, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2022-00140, Order for Notice and Hearing at 5, 7 (September 8, 2022).

**REQUEST FOR CONFIDENTIAL TREATMENT AND ADDITIONAL PROTECTIVE
TREATMENT FOR EXTRAORDINARILY SENSITIVE INFORMATION**

29. The Company's Application, including supporting documents, contains confidential and extraordinarily sensitive information as designated. Accordingly, in compliance with Rate Case Rule 10 F and Rule 170 of the Commission's Rules of Practice and Procedure,⁶ this filing is accompanied by a contemporaneously-filed Motion for Entry of a Protective Order and Additional Protective Treatment, including a Proposed Protective Order.

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

30. The Company's 2022 Annual Update complies with the requirements contained in Rule 10 of the Rate Case Rules.

31. In accordance with Rule 10 A, the Company filed with the Commission its notice of intent to file this Application on August 31, 2022, and provided that notice to those listed in Rule 10 J 1, as required by that subsection.

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

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

⁶ 20 VAC 5-204-10 F; 5 VAC 5-20-170.

of Consumer Counsel (“Consumer Counsel”).⁷ Also, in accordance with Rule 10 H, the Company will make electronic spreadsheets supporting the schedules that contain calculations available via an eRoom contemporaneously with this filing, with immediate access available to Commission Staff.

CONCLUSION

WHEREFORE, Dominion Energy Virginia respectfully requests that the Commission (i) find that the costs presented in this Rider OSW Annual Update are reasonable and prudent; (ii) approve the proposed revenue requirement, cost allocation, rate design, and accounting treatment for service rendered on or after September 1, 2023; (iii) approve the Company’s proposed Rider OSW effective for usage on or after September 1, 2023 or the first day of the month which is at least fifteen (15) days following the date of any Commission order approving Rider OSW; (iv) grant the Company’s requested limited waiver; and (v) grant such other relief as deemed appropriate and necessary.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

By: /s/ Vishwa B. Link

Counsel

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⁷ Rule 10 J 3 requires the Company to provide a copy of the complete public version of the filing to Consumer Counsel at the same time it is filed with the Commission. As noted, pursuant to Rule 10 H, the Company will make a searchable PDF version of the Petition, direct testimonies, and Filing Schedules available via an eRoom contemporaneously with this filing, with immediate access available to Consumer Counsel.

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