

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 1, 2022

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PETITION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2021-00229

For approval of a rate adjustment clause,
designated Rider SNA under § 56-585.1 A 6
of the Code of Virginia

FINAL ORDER

On October 5, 2021, Virginia Electric and Power Company ("Dominion" or "Company") filed with the State Corporation Commission ("Commission") a petition ("Petition") for approval of a rate adjustment clause ("RAC"), designated Rider SNA, pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Electric Utilities, 20 VAC 5-204-5 *et seq.* Through its Petition, the Company seeks approval of a RAC for the costs associated with preparing Petitions for Subsequent License Renewal ("SLR") to the Nuclear Regulatory Commission ("NRC") to extend the operating licenses of (the "SLR Component"), and the projects reasonably appropriate to upgrade or replace systems and equipment deemed to be necessary to operate safely and reliably, Dominion's Surry Units 1 and 2 and North Anna Units 1 and 2 in an extended period of operation¹ (the "Capital Upgrade Component") (collectively, the SLR Component and the Capital Upgrade Component comprise the "Nuclear Life Extension

¹ The NRC has licensed each unit to run for 60 years. The "extended period of operation" is for another 20 years, up to 80 years. *See* Ex. 4 (Lawrence Direct) at 2 (Mr. Lawrence adopted the direct testimony prefiled by Mark D. Sartain. Ex. 24 (Lawrence Rebuttal) at 1).

Program" or the "Program").² Specifically, the Company seeks (1) a determination that it is reasonable and prudent for the Company to pursue the nuclear license extensions and related projects, with a current cost projection of up to \$3.9 billion; and (2) approval of cost recovery through Rider SNA for Phase I of the Program, which includes the investment to date and for the following three calendar years 2022-2024, totaling approximately \$1.2 billion.³

On October 26, 2021, the Commission issued an Order for Notice and Hearing in this case that, among other things, docketed the Petition; scheduled a public hearing on the Petition; required Dominion to publish notice of its Petition; gave interested persons the opportunity to comment on, or participate in, the case; and appointed a Hearing Examiner to conduct all further proceedings in this matter on behalf of the Commission.

The Commission did not receive any written comments in this case. Notices of participation were filed by the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") and the Virginia Committee for Fair Utility Rates (the "Committee"). On March 15, 2022, Consumer Counsel and the Committee filed testimony. On March 31, 2022, Staff filed testimony. On April 14, 2022, the Company filed rebuttal testimony.

On April 22, 2022, Dominion, Staff, and Consumer Counsel filed a Proposed Stipulation and Recommendation ("Stipulation") offering to resolve all issues raised in this proceeding. The

² Ex. 2 (Petition) at 1. Old Dominion Electric Cooperative ("ODEC") has an 11.6% ownership interest in North Anna Units 1 and 2. All references to North Anna are for Dominion's ownership portion only (such as costs and capacity) unless otherwise noted. The Company states that it has met and continues to meet regularly with ODEC to discuss the Program and associated cumulative cashflows, and ODEC is aware of this filing with the Commission. *Id.* at n.1.

³ *Id.* at 1-2. Subject to Commission approval, the Company would plan to present a "Phase II" cost recovery proposal prior to the conclusion of the Phase I period. *Id.* at 8.

Stipulation also represents that the Committee has no objection to the Stipulation.⁴ The proposed Stipulation provides in part as follows:

1. Program and [RAC] Approval: Subject to the terms and findings below, the Company's [Program] as described in the Petition, consisting of 33 Capital Upgrade Component projects for its four nuclear generation units at the North Anna and Surry Power Stations and subsequent license renewal applications to the [NRC], is reasonably necessary and appropriate to extend the life of these generating units from 60 to 80 years, and the Company's request for a [RAC] pursuant to subdivision A 6 of § 56-585.1 of the Code of Virginia, designated Rider SNA, to recover the costs of the Program meets all statutory requirements and shall be approved.
2. Need for the Program: The Company has reasonably justified the technical need for each of the projects in the Program, and the project timelines are reasonable. Extending the life of the nuclear units will contribute to the capacity and energy requirements of the Company over the extension period. Life extension will help to meet the Company's Renewable Portfolio Standard ["RPS"] program requirements under the Virginia Clean Economy Act ["VCEA"] by displacing the need for renewable energy certificate purchases from RPS eligible sources. The Program will also support system reliability as a dispatchable baseload generation resource. This finding of need is subject to the Company obtaining the necessary SLR approvals from the NRC, as well as other necessary permits to implement the proposed projects.
3. Program Costs and Benefits: While comparison data is limited, the Company has presented a reasonable estimate of the individual project and total costs associated with the Program in its Petition and supporting testimony and filing schedules. The evidence calculating net benefits of the Program to customers supports a finding that the Program is cost beneficial. This finding of reasonableness is subject to the Company obtaining the necessary SLR approvals from the NRC, as well as other necessary permits to implement the proposed projects. However, in approving this Stipulation the Commission is making no specific findings as to these cost benefit analyses.
4. Program Phasing and Cost Recovery: The Company's proposal to phase the cost recovery of the Program as described in the

⁴ Ex. 11 (Stipulation) at 1, n.1.

Petition is approved. The Commission's approval of cost recovery in this proceeding is limited to costs incurred during Phase I of the Program, including costs incurred to date and through the period 2022-2024. This finding of cost recovery is subject to the conditions agreed upon in paragraph (5) with respect to North Anna costs. The Commission's approval of cost recovery in this proceeding is not a "blank check" for the duration of the Program. The Company will submit any petition for cost recovery for Phase II of the Program prior to the conclusion of Phase I.

5. **Revenue Requirement:** The Company accepts Staff's recommendation to defer costs incurred after February 28, 2022, with respect to Phase I costs associated with the Program for the North Anna units as described in the pre-filed testimony of Staff Witness R. Chris Harris. Any such deferred costs may be requested for recovery and will be subject to further Commission approval in a subsequent Rider SNA annual update proceeding. The corrections to the initially proposed revenue requirement described in Company Witness Givens' rebuttal testimony shall be made. The approved revenue requirement for the initial rate year of Rider SNA commencing September 1, 2022 is \$106.664 million. With regard to the cost of removal incorporated in Allowance for Funds Used During Construction ("AFUDC"), the issue may be addressed in a future proceeding.
6. **Program Reporting:** In each annual update proceeding for Rider SNA, the Company will report on the status of the Program and any material changes to individual project or overall Program timelines or cost estimates. The Company will inform Commission Staff and the Office of the Attorney General's Division of Consumer Counsel of any material events impacting the Program.
7. **Return on Equity and Capital Structure:** The return on equity of 9.35% approved in Case No. PUR-2021-00058 shall apply to the Rider SNA cost recovery approved herein, as provided by statute. The Company's proposed capital structures and costs of capital for calculating the Rider SNA AFUDC factor are approved. For the Rider SNA 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.
8. **Cost Allocation and Rate Design:** The cost allocation and rate design methodologies used by the Company for Rider SNA are approved.

Due to the ongoing public health issues related to the spread of the virus that causes COVID-19, a telephonic public witness hearing was scheduled for April 26, 2022, but was canceled because no public witness signed up to testify at the hearing.⁵ The evidentiary hearing was convened virtually, with no party present in the Commission's courtroom, on April 27, 2022.⁶ The Company, Consumer Counsel, the Committee, and Staff participated at the hearing.⁷

On May 20, 2022, the Hearing Examiner issued his Report. In his Report, the Hearing Examiner found "that the unopposed Stipulation – including the recommended \$106.664 million revenue requirement for the rate year beginning September 1, 2022 – should be approved."⁸ The Hearing Examiner thus recommended that the Commission enter an order that (1) adopts the findings and recommendations set forth in the Report; (2) adopts the proposed Stipulation subject to the findings and recommendations in the Report; and (3) dismisses the case from the Commission's docket of active cases.⁹

Consumer Counsel and the Company filed comments supporting the Report's findings and recommendations.¹⁰

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Stipulation should be adopted and the Petition, as modified thereby, should be approved.

⁵ Report of D. Mathias Roussy, Jr., Hearing Examiner ("Report") at 3.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 79.

⁹ *Id.* at 80.

¹⁰ See Consumer Counsel Comments at 2, Dominion Comments at 3.

In approving the unopposed Stipulation, the Commission notes that, as set forth therein, approval of cost recovery in this proceeding is limited to costs incurred during Phase I of the Program, and the Commission's approval of cost recovery in this proceeding is not a "blank check" for the duration of the Program.¹¹ Further in this regard, we find the stipulated revenue requirement of approximately \$106.664 million for the September 1, 2022 through August 31, 2023 rate year ("2022 Rate Year") should be approved.

In addition, the Commission recognizes that the Stipulation requires the Company to report on the status of the Program and any material changes to individual project or overall Program timelines or cost estimates in each annual update proceeding for Rider SNA.¹² The Stipulation also requires the Company to inform Staff and Consumer Counsel of any material events impacting the Program.¹³ While the Commission finds this reporting sufficient at this time, the Commission may include additional reporting requirements in future cases as circumstances warrant.

Accordingly, IT IS ORDERED THAT:

- (1) The Stipulation is adopted and the Petition, as modified thereby, is approved.
- (2) Rider SNA is approved with a 2022 Rate Year revenue requirement of \$106.664 million.
- (3) Pursuant to Code § 56-585.1 A 7, the Company shall implement Rider SNA, as approved herein, effective for usage on and after September 1, 2022.

¹¹ As further set forth in the Stipulation adopted herein, the terms thereof represent a compromise for purposes of settlement and shall have no precedential effect. Ex. 11 (Stipulation) at ¶ 10.

¹² *Id.* at ¶ 6.

¹³ *Id.*

(4) The Company forthwith shall file Rider SNA and supporting workpapers with the Clerk of the Commission and submit the same to the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as is necessary to comply with the directives set forth in this Final Order. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(5) The Company shall file its next Rider SNA application on or before October 31, 2022.

(6) This case is dismissed.

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