COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 26, 2024

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY CASE NO. PUR-2023-00217

For approval of its 2023 DSM Update
pursuant to § 56-585.1 A 5 of the Code of Virginia

FINAL ORDER

On December 11, 2023, Virginia Electric and Power Company ("Dominion" or "Company") made a filing pursuant to § 56-585.1 A 5 of the Code of Virginia ("Code"), the Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Electric Utilities[1] of the State Corporation Commission ("Commission"), the Commission's Rules Governing Utility Promotional Allowances,[2] the Commission's Rules Governing Cost/Benefit Measures Required for Demand-Side Management Programs,[3] the Commission's Rules Governing the Evaluation, Measurement, and Verification of the Effects of Utility-Sponsored Demand-Side Management Programs,[4] and the directive contained in Ordering Paragraph (4) of the Commission's August 4, 2023 Final Order in Case No. PUR-2022-00210.[5] Specifically, Dominion filed with the Commission an application requesting: (1) approval to implement new demand-side management programs (individually, "DSM Program" or

[1] 20 VAC 5-204-5 *et seq.*

[2] 20 VAC 5-303-10 *et seq.*

[3] 20 VAC 5-304-10 *et seq.*

[4] 20 VAC 5-318-10 *et seq.*

[5] *Application of Virginia Electric and Power Company, For approval of its 2022 DSM Update pursuant to § 56-585.1 A 5 of the Code of Virginia*, Case No. PUR-2022-00210, 2023 S.C.C. Ann. Rept. 330 (Aug. 4, 2023) ("2022 DSM Order").

"programs" and collectively with other DSM Programs, the "DSM Portfolio") as "Phase XII," which includes new DSM Programs to supplement the overall DSM Portfolio;[6] and (2) approval of an annual update to continue the rate adjustment clauses designated Riders C1A, C2A, and C4A (collectively, the "Application").[7]

In its Application, the Company requested approval to implement the following new DSM Programs as the Company's "Phase XII" programs, which include "energy efficiency" ("EE") and "demand response" ("DR") DSM Programs, as these terms are defined by Code § 56-576:[8]

- Residential New Construction (EE)
- Residential Smart Thermostat Purchase (EE)
- Residential Smart Thermostat (DR)
- Non-residential New Construction (EE)

Dominion requested authorization to operate the Phase XII DSM Programs without predetermined closure dates.[9] Dominion proposed an aggregate total cost cap for the Phase XII programs in the amount of approximately $102.4 million.[10] Additionally, the Company requested the ability to exceed the spending cap by no more than 15%.[11]

[6] Ex. 2 (Application) at 2.

[7] *Id.*

[8] *Id.* at 8.

[9] *Id.* at 9.

[10] *Id.* at 10.

[11] *Id.*

The Company asserted that the total amount of spending proposed in this Application on EE programs, when combined with the Company's prior requests for EE spending since the passage of the 2018 Grid Transformation and Security Act ("GTSA"),[12] consisted of a proposal for approximately $797 million of the required $870 million, excluding any amount of projected lost revenues.[13] Further, the Company asserted that the total amount of spending proposed in this Application on EE programs targeting low-income individuals, when combined with the Company's prior requests for EE spending since the passage of the GTSA and the Virginia Clean Economy Act,[14] consists of a proposal for approximately $110 million of the proposed $797 million, excluding any amount of projected lost revenues.[15]

Additionally, Dominion proposed modifications to existing DSM Phase VIII Programs, including updated eligibility requirements for the Phase VIII Small Business Improvement Enhanced Program. Specifically, the Company proposed to remove the locations cap that limits the Phase VIII Small Business Improvement Enhanced Program participation to privately-owned businesses with five or fewer qualifying locations within the Company's service territory.[16] In addition, Dominion proposed additional program measure offerings for the Phase VIII Non-residential Energy Efficiency Midstream Program.[17] The Company asserted that the DSM

[12] 2018 Va. Acts ch. 296.

[13] Ex. 6 (Bates Direct) at 9.

[14] 2020 Va. Acts chs. 1193, 1194.

[15] Ex. 6 (Bates Direct) at 10.

[16] Ex. 2 (Application) at 10-11.

[17] *Id.* at 11.

Phase II Non-residential Distributed Generation ("DG" or "DG Program") Program is no longer cost effective and proposes to explore options to wind down the program.[18]

The Company sought Commission approval of the use of the gross savings metric to measure the Company's actual and projected compliance or noncompliance with the total energy savings requirements of Code § 56-596.2.[19] Contemporaneously with the Application, the Company filed a legal memorandum addressing this issue ("Legal Memorandum").

The Company requested, through revised Riders C1A, C2A, and C4A, recovery of projected costs for September 1, 2024 through August 31, 2025 ("2024 Rate Year") associated with the Phases II through XII programs.[20]

The two key components of the proposed Riders C1A, C2A, and C4A are the Projected Revenue Requirement, which incorporates operating expenses for all programs and capital costs (including amortization expense related to the Phase X - Voltage Optimization Program) that are projected to be incurred during the 2024 Rate Year, and a Monthly True-up Adjustment, which compares actual costs for the calendar year 2022 True-up period to the actual revenues collected during the same period.[21] In the Application, Dominion requested the following:[22]

Rider	Total Revenue Requirement	Projected Revenue Requirement	Monthly True-up Adjustment
C1A	$7,875,404	$9,870,090	($1,994,686)
C2A	($1,934,282)	($56,946)	($1,877,336)
C4A	$86,681,623	$106,743,020	($20,061,397)
Combined	$92,622,744		

[18] *Id.* at 11-12.

[19] *Id.* at 11.

[20] *See* Case Nos. PUE-2011-00093, PUE-2013-00072, PUE-2014-00071, PUE-2015-00089, PUE-2016-00111, PUR-2018-00168, PUR-2019-00201, PUR-2020-00274, and PUR-2021-00247.

[21] Ex. 7 (Woolridge Direct) at 5-6.

[22] Ex. 2 (Application) at 15.

Dominion stated that the implementation of the proposed Riders CIA, C2A, and C4A effective September 1, 2024, would decrease the monthly bill of a residential customer using 1,000 kilowatt hours of electricity per month by $0.16.[23]

On January 20, 2024, the Commission entered an Order for Notice and Hearing that, among other things, docketed this case; required the Company to provide notice of the Application; established a schedule for the submission of notices of participation and prefiled testimony; scheduled a public hearing on the Application; directed the Staff of the Commission ("Staff") to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon; and appointed a Hearing Examiner to conduct all further proceedings in this matter and to file a final report.

Notices of participation were filed by Appalachian Voices, the Virginia Energy Efficiency Council ("VAEEC"), and the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel"). Public comments were filed on the Petition. Appalachian Voices and VAEEC each filed testimony and exhibits on March 26, 2024. Staff filed its testimony and exhibits on April 9, 2024. Consumer Counsel, Appalachian Voices, and Staff each filed responses to Dominion's Legal Memorandum. Dominion filed rebuttal testimony on April 23, 2024. The evidentiary hearing was convened on May 21, 2024.[24] Counsel for Dominion, Appalachian Voices, VAEEC, Consumer Counsel, and Staff appeared at the hearing.

On June 26, 2024, the Report of M. Renae Carter, Hearing Examiner ("Report"), was issued. In the Report, the Hearing Examiner made the following findings:[25]

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[23] *Id.* at 16.

[24] One public witness appeared at the hearing to provide testimony on the Application. *See* Tr. 12-19.

[25] Report at 109-112.

1. There is evidence to support approval of the proposed Phase XII Programs, the proposal to update the eligibility requirements for the Phase VIII Small Business Improvement Enhanced Program, and the addition of ice maker and dishwasher measures to the Phase VIII Non-residential Midstream EE Products Program.

2. The Company's proposed cost caps, including an aggregate cap of $102.4 million, or $117.8 million inclusive of a 15% variance allowance, are supported by the evidence.

3. The Company's request to operate the proposed Phase XII Programs without predetermined closure dates is supported by the evidence and consistent with Commission precedent.

4. There is evidence in the record to support continuation of the DG Program on a year-by-year basis and to allow Dominion to request funding therefor as necessary as it seeks an alternative program.

5. There is support in the record to approve an $800,000 increase in the [DG] Program's cost cap.

6. The net energy savings described by the Company and detailed in the [2022] Evaluation, Measurement and Verification ("EM&V") Report[26] factually represent the total annual energy savings achieved by Dominion's energy efficiency programs and measures and are appropriate for determining compliance with the 2022 Savings Target listed in Code § 56-596.2.

7. To the extent the Commission agrees net savings is the appropriate measure for compliance with the Savings Targets and to the extent the Commission desires to give guidance on how it will measure compliance with the Savings Targets in the future, the Commission could consider adopting the three parameters set forth in Part 3 of this Report.

8. To the extent the Commission uses a net savings metric to determine whether the Company has met the 2022 Savings Target of 1.25% of 2019 jurisdictional retail sales, the record evidence indicates:

    - Dominion fell short of the 2022 Savings Target, achieving 1.23% savings;
    - Dominion is not entitled to a total performance incentive associated with its 2022 Savings Target;

[26] The Hearing Examiner's Report refers to the June 15, 2023 EM&V Report as the "2023 EM&V Report." For clarity, this Order refers to it as the "2022 EM&V Report" since it addresses the energy savings for calendar year 2022.

- The resulting revenue requirement supported by the evidence in this case is $85,550,138, inclusive of a Projected Revenue Requirement of $116,345,356 and a True-up Adjustment of $(30,795,218);
- The corresponding rate adjustment clauses are: a charge of $7,884,001 for Rider C1A, a credit of $1,995,409 for Rider C2A, and a charge of $79,661,545 for Rider C4A.

9. The better statutory interpretation of Code § 56-585.1 A 5 c is that the 10% performance incentive cap applies to the sum of the margin on operating expenses plus the additional basis point adder.

10. To the extent the Commission uses a gross savings metric to determine whether the Company has met the 2022 Savings Target of 1.25% of 2019 jurisdictional retail sales, the record evidence indicates:

    - Dominion met and exceeded the 2022 Savings Target, achieving 1.9% savings;
    - Dominion is entitled to a total performance incentive associated with its 2022 Savings Target;
    - If the Commission decides the 10% total performance incentive cap applies to both the margin on operating expenses and the additional basis point adder, Dominion's total performance incentive is limited to $6.32 million. The resulting revenue requirement is $92,253,989, inclusive of a Projected Revenue Requirement of $116,545,172 and a True-up Adjustment of $(24,291,183). The corresponding rate adjustment clauses are: a charge of $7,875,812 for Rider C1A, a credit of $1,937,469 for Rider C2A, and a charge of $86,315,645 for Rider C4A.
    - If the Commission decides the 10% total performance incentive cap applies only to the additional basis point adder, Dominion did not reach the 10% performance incentive cap, and is entitled to a total performance incentive of $6.67 million. The resulting revenue requirement is $92,622,744, inclusive of a Projected Revenue Requirement of $116,556,164 and a True-up Adjustment of $(23,933,420). The corresponding rate adjustment clauses are: a charge of $7,875,404 for Rider C1A, a credit of $1,934,282 for Rider C2A, and a charge of $86,681,623 for Rider C4A.

11. There is evidence in the record to support a 2024 Rate Year of September 1, 2024, through August 31, 2025.

12. The Commission should approve the withdrawal of Rider C3A.

13. The Commission should approve the Company's recovery of the Phase VII and Phase VIII Program-related true-up calculated in this proceeding and

related financing costs, as well as any ongoing financing costs related to previous over/under deferral balances pertaining to these programs, in Rider C4A.

14. There is evidence in the record for the Commission to approve the capital structures and cost of capital agreed upon by the Company and Staff.

15. There is evidence in the record for the Commission to approve Dominion's proposed cost allocation and rate design methodologies used to develop Riders C1A, C2A, and C4A.

16. The Commission should approve, for billing purposes, a rate effective date for usage on or after the latter of September 1, 2024, or the first day of the month that is at least 15 days after the date of a Commission Order approving Riders C1A, C2A, and C4A.

17. There is evidence in the record for the Commission to approve the Company's EM&V plans for the proposed Phase XII Programs and the updated EM&V plan for the Non-residential Midstream EE Products Program.

18. There is evidence in the record to support a finding that the Company has spent approximately $797 million toward its $870 million energy efficiency program spending requirement. The Commission should adopt the Company's commitment to continue providing, in future DSM updates, a chart identifying its progress toward fulfilling the $870 million spending requirement.

19. The Commission should defer making any finding on whether the Company has met the 15% target for spending on programs benefitting low-income, elderly, or disabled individuals or veterans.

20. There is evidence in the record permitting the Commission to take into consideration the goals of economic development, energy efficiency and environmental protection in the Commonwealth.

21. The Company should continue to provide a Long-term Plan Project Management Report in future DSM filings until the Commission determines otherwise. Such report should incorporate quantifiable data sets where feasible.

22. The Commission should require the Company to continue its commitment to using the Stakeholder Group to develop the implementation plans for the Four Stakeholder Group Issues. The Company should report on the progress in developing such plans both (i) by no later than

September 1, 2024, to Staff in the Commission's Division of Public Utility Regulation; and (ii) as part of the Company's next DSM update filing.

23. If the Commission approves the Phase XII Non-residential New Construction Program, the Company should report, as part of its annual DSM update filings, on the number of projects in the program; the type of project (industrial, commercial, or data center); the projected energy savings of the projects; and each project's stage.

24. The Commission should approve the following two additions to the EM&V Dashboard: (i) the year's projected cost per kWh, in terms of total projected costs, divided by total projected net energy savings; and (ii) the actual total costs, divided by the actual total net energy savings.

25. The Commission should adopt the Company's commitment to continue monitoring its cost per participant for active DSM programs included in future true-ups and provide updates to this analysis in its annual DSM filings.

26. The Company has complied with the Commission's internal audit directive.

On July 12, 2024, Dominion, Staff, Appalachian Voices, VAEEC, and Consumer Counsel filed comments on the Report ("Comments").

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds as follows.

<u>Hearing Examiner's Report</u>

After analyzing the law and weighing the evidence – and providing a thorough and detailed analysis thereof – the Hearing Examiner recommended the issuance of an order that:[27]

1. ***ADOPTS*** the findings and recommendations of this Report;

2. ***APPROVES*** a total revenue requirement of $85,550,138, inclusive of a Projected Revenue Requirement of $116,345,356 and a True-up Adjustment of $(30,795,218), and which incorporates no performance incentive pursuant to Code § 56-585.1 A 5 c;

[27] Report at 112.

3. ***APPROVES*** a charge of $7,884,001 for Rider C1A, a credit of $1,995,409 for Rider C2A, and a charge of $79,661,545 for Rider C4A; and

4. ***DISMISSES*** this case from the Commission's docket of active cases.

Upon consideration of this matter, the Commission concludes that the Hearing Examiner's findings and recommendations are supported by the law and evidence, have a rational basis, and are adopted subject to the modifications and additional findings herein.[28]

<u>Finding Nos. 1, 3, 4, 5</u>

The Commission approves the proposed Phase XII Programs, the proposal to update the eligibility requirements for the Phase VIII Smart Business Improvement Enhanced Program, and the addition of ice maker and dishwasher measures to the Phase VIII Non-residential Midstream EE Products Program, as well as the Company's proposal to operate the Phase XII Programs without predetermined closure dates. We also agree with the Hearing Examiner that the DG Program should be continued on a year-by-year basis and will permit Dominion to request funding therefore as necessary as it seeks an alternative program.[29]

<u>Finding No. 2</u>

The Commission adopts Finding No. 2 and approves the Company's proposed cost caps, including an aggregate cap of $102.4 million, or $117.8 million inclusive of a 15 percent

[28] As discussed in more detail below, the Commission rejects Finding No. 10 and adopts the alternative recommendation contained in Finding No. 6. As such, the Commission finds it unnecessary to rule on the legal issue contained in Finding No. 9. The Commission also declines to adopt Finding No. 7 and accepts certain clarifications submitted by Dominion discussed further below.

[29] The Commission finds persuasive in this regard evidence that this program has passed all four cost/benefit tests in the past and has fallen to passing just two tests for only one year. Ex. 21 (Smith) at 20-21.

variance allowance.[30] By Program, the cost caps are shown below in the Total column, inclusive of the 15 percent variance allowance:[31]

Program Cost Caps for Phase XII Programs $ 000s (inclusive of 15% variance allowance)						
Phase XII	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Residential New Construction Program	6,929	6,971	7,504	8,040	8,497	37,936
Residential Smart Thermostat Program (EE)	860	731	750	760	770	3,871
Residential Smart Thermostat Program (DR)	3,534	3,647	4,139	4,674	5,086	21,080
Non-Residential New Construction Program	9,381	8,703	10,828	12,956	13,015	54,882
Grand Total	20,704	20,051	23,221	26,431	27,368	117,770

The Commission further takes this opportunity, as it has in other recent cases,[32] to emphasize the cost caps established herein are based on the utility's estimated costs and the programs' benefits. To the extent the facts underlying the Commission's approval change significantly, including the associated cost, reevaluation of a particular program or measure may be needed to determine if it continues to be reasonable and prudent. A cost cap is not a blanket authorization to spend up to an identified level. Instead, a cost cap signals only that costs up to the cap in pursuit of the program or measure are presumed to be reasonable and prudent based on the record herein. Importantly, a cost cap does not relieve the Company of its obligation to prudently manage costs.

[30] Report at 53.

[31] Ex. 17 (Mangalam Direct) at 13; Ex. 2 (Application), Schedule 46A, Statement 7.

[32] *Application of Washington Gas Light Company, For approval of a biogas supply investment plan and for a rate adjustment clause designated RNG Rider and related tariff provisions pursuant to Chapters 10.1 and 30 of Title 56 of the Code of Virginia*, Case No. PUR-2023-00220, Doc. Con. Cen. No. 240560079, Final Order at 10-11 (May 30, 2024); *Petition of Virginia Electric and Power Company, For revision of a rate adjustment clause, designated Rider GT, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2023-00136, Doc. Con. Cen. No. 240510023, Final Order at 13 (May 1, 2024).

Finding Nos. 6, 7, 8, 9 and 10

Code § 56-585.1 A 5 c requires the Commission to "annually monitor and report to the General Assembly the performance of all programs approved pursuant to this subdivision, including each utility's compliance with the total annual savings required by § 56-596.2 . . . ." This case presents the first instance involving a year (2022) where the Commission must report the Company's total annual energy savings pursuant to Code § 56-585.1 A 5. In order to determine the proper amount to be reported, the Commission must determine the proper calculation of the Company's total annual energy savings for purposes of the energy savings requirements contained in Code § 56-596.2 B.

Once DSM programs have been approved, the Company is required to submit annual EM&V reports of the approved programs to the Commission including evidence of actual energy savings achieved as a result of each specific program along with revised cost-benefit test results that incorporate actual Virginia energy savings and cost data. Dominion's 2022 EM&V Report includes data regarding both the "gross" and "net" savings of Dominion's programs for calendar year 2022.[33] Dominion's 2022 EM&V Report defines "net savings" to be "[t]he total change in load that is attributable to an energy efficiency program. This change in load may include, implicitly or explicitly, the effects of free drivers, free-riders, energy efficiency standards, changes in the level of energy service, and other causes of changes in energy consumption or demand."[34] "Gross savings" is defined as "[t]he change in energy consumption and/or demand

[33] The 2022 EM&V Report is included in the record of this proceeding as Appendix C to Ex. 10 (Feng Direct).

[34] 2022 EM&V Report at Appendix C: Glossary of Terms.

that results directly from program-related actions taken by participants in an efficiency program, regardless of why they participated."[35]

While initially arguing in favor of a gross metric, in its Comments to the Hearing Examiner's Report, Dominion stated it did not oppose finding and recommendation No. 6[36] wherein the Hearing Examiner found that "net energy savings described by the Company and detailed in the 2022 EM&V Report factually represent the total annual energy savings achieved by Dominion's energy efficiency programs and measures . . . ."[37] Staff, Consumer Counsel, and Appalachian Voices supported calculating the total annual energy savings on a net basis, which would remove the impacts of free ridership.[38] Staff and Appalachian Voices also posit that spillover energy savings can be attributed to net savings,[39] as Dominion presented with respect to certain programs in its EM&V Report.[40]

The energy savings requirements at issue are contained in Code § 56-596.2 B, which states, in part (emphasis added):

> Notwithstanding any other provision of law, each investor-owned incumbent electric utility shall implement energy efficiency

[35] *Id.*

[36] Dominion's Comments at 6.

[37] Report at 109.

[38] Consumer Counsel Comments at 1-3; Appalachian Voices Comments at 2-4; Tr. 201, 206 (Boehnlein); Ex. 12 (Grevatt Direct) at 119-120.

[39] As defined by the 2022 EM&V Report, "spillover" means "[r]eductions in energy consumption and/or demand caused by the presence of an energy efficiency program, beyond the program-related gross savings of the participants and without financial or technical assistance from the program." EM&V Report at Appendix C – Glossary of Terms.

[40] Report at 55 ("DNV has calculated spillover effects for the Phase VI Non-residential Prescriptive Program, since 2020, and 'the nonresidential lighting measures across a number of nonresidential programs' starting with the EM&V for calendar year 2022, results for which are in the [2022] EM&V Report."); Tr. 201, 206 (Boehnlein); Tr. 119-120 (Grevatt).

> programs and measures to achieve the *following total annual energy savings*:
>
> 2. For Phase II electric utilities:
>
> a. In calendar year 2022, at least 1.25 percent of the average annual energy jurisdictional retail sales by that utility in 2019;
> b. In calendar year 2023, at least 2.5 percent of the average annual energy jurisdictional retail sales by that utility in 2019;
> c. In calendar year 2024, at least 3.75 percent of the average annual energy jurisdictional retail sales by that utility in 2019; and
> d. In calendar year 2025, at least 5.0 percent of the average annual energy jurisdictional retail sales by that utility in 2019;

In turn, Code § 56-576 defines "[t]otal annual energy savings" as follows (emphasis added):

> (i) the total combined kilowatt-hour savings *achieved* by electric utility energy efficiency and demand response programs and measures installed in that program year, as well as savings still being achieved by measures and programs implemented in prior years, or (ii) savings attributable to newly installed combined heat and power facilities, including waste heat-to-power facilities, and any associated reduction in transmission line losses, provided that biomass is not a fuel and the total efficiency, including the use of thermal energy, for eligible combined heat and power facilitates must meet or exceed 65 percent and have a nameplate capacity rating of less than 25 megawatts.

In its Final Order in Case No. PUR-2021-00247, the Commission explained that:

> Determining whether [a utility] has achieved the 2022 total annual savings percentage in Code § 56-596.2 B will require a factual analysis based on a separate record, which has yet to be developed and which is not yet before us for such purpose. Under the statute, that required factual analysis is not articulated in terms of "gross" or "net" savings, which are neither referenced nor defined therein. Rather, [the utility] has the burden to establish, on a factual basis, the "total combined kilowatt-hour savings achieved by" its energy efficiency and demand response programs and measures.
>
> In this regard, the definition of "achieved" is: "1 a : to bring to a successful conclusion : carry out successfully : accomplish ... 2 : to get as the result of exertion : succeed in obtaining or gaining :

> win, reach, attain." Accordingly, based on the plain language thereof, when [the utility] seeks findings on the savings achieved for purposes of this statute, the Company must factually establish the amount of savings that occurred *as the result* of its programs and measures.[41]

The Commission further noted therein that: "[f]or example, to the extent the term 'free riders' factually represents specific savings that can be reasonably identified, and that were *not* achieved as a result of [the utility's] programs and measures, such savings do not fall within the plain language of this statute."[42] Accordingly, the Commission concludes that "net" savings, which removes free ridership from total gross savings, is the appropriate measurement of the total annual savings required by § 56-596.2. Based on the record in this case, Dominion has provided sufficient justification to include additional energy savings from certain program participant spillover effects, which increases net savings.

The Commission concludes that the evidence supports a factual finding that the net savings presented by the Company and supported by its 2022 EM&V Report are appropriately used to determine the "total combined kilowatt-hour savings achieved by" Dominion's energy efficiency and demand response programs and measures, consistent with the Hearing Examiner's recommendation.[43] These amounts exclude savings that have been reasonably identified as not achieved by Dominion's programs and measures. This conclusion is supported by, among other things, the analysis contained in Dominion's 2022 EM&V Report, which states among other things that "the amount of energy savings and demand reductions that can be attributed to the

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[41] *Petition of Virginia Electric and Power Company, For approval of its 2021 DSM Update pursuant to § 56-585.1 A 5 of the Code of Virginia*, Case No. PUR-2021-00247, 2022 S.C.C. Ann. Rept. 384, 387 (Aug. 10, 2022) (internal footnotes omitted).

[42] *Id.* at 387 n.33.

[43] Report at 109. As such, the Commission declines to adopt alternative Finding No. 10 which addresses the gross savings metric.

program is referred to as net savings, which is the magnitude of the impact of the program's intended outcomes."[44]

Using the net impacts figures from the 2022 EM&V Report, the Commission finds that Dominion fell short of the 2022 Savings Target, achieving 1.23 percent savings, which is below the 1.25 percent savings requirement. According to the record established in this proceeding, Dominion's target for 2022 was 852,892 MWh, it achieved 780,489 MWh from its programs and measures and had 58,754 MWh of energy savings associated with Large General Service customers that opted-out of paying for the Company's energy efficiency programs because they have installed their own energy efficiency measures.[45]

The Commission therefore approves a total revenue requirement of $85,550,138, inclusive of a Projected Revenue Requirement of $116,345,356 and a True-up Adjustment of $(30,795,218), and which incorporates no performance incentive pursuant to Code § 56-585.1 A 5 c.[46]

Finding No. 7

Dominion opposes the Hearing Examiner's Finding No. 7 that the Commission consider adopting three parameters to provide guidance on how it will measure compliance with the energy efficiency targets on a net basis in the future.[47] Dominion asserts "no additional parameters on measuring net savings are needed at this time as sufficient guidance is provided in

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[44] Report at 75 (quoting 2022 EM&V Report, Appendix D at § 3.1.6).

[45] Ex. 21 (Smith Direct) at 11, SES-1; Report at 50-51. Pursuant to Code § 56-585.1 A 5 c, "[s]avings from large general service customers shall be accounted for in utility reporting in the standards in § 56-596.2."

[46] *See* Report at 112. As the Commission finds Dominion is not entitled to a performance incentive under these circumstances, the Commission finds it unnecessary to reach the legal issue raised in Finding No. 9.

[47] Dominion Comments at 7.

the existing EM&V framework approved in the EM&V Proceeding, Case No. PUR-2020-00156 and Chapter 318 Rules Governing the Evaluation, Measurement, and Verification of the Effects of Utility-Sponsored Demand-Side Management Programs . . . ."[48] Dominion further asserts that the record was not fully developed on the content of these parameters to support Commission adoption of them.[49]

The Commission agrees that additional parameters are unnecessary at this time beyond the determinations of this Order. Staff or any party may raise issues related to assessing net savings in a future appropriate proceeding. Accordingly, the Commission declines to adopt Finding No. 7.

Finding No. 18

The Commission accepts Dominion's clarification regarding Finding No. 18 that it has *proposed*, not spent, approximately $797 million of projected costs for the utility to design, implement, and operate energy efficiency programs since July 1, 2018.[50] Dominion asserts that "[a]ctual spending on approved programs can and will vary from projections."[51]

Finding No. 22

The Commission accepts Dominion's clarification that it intends to provide a "progress report" as opposed to "implementation plans" in upcoming filings "as stakeholder discussions are

[48] *Id.* (citing 20 VAC 5-318-10 *et seq.*)

[49] *Id.*

[50] *Id.* at 11.

[51] *Id.*

still ongoing with some variables, subject to and dependent upon input and action by the Virginia Department of Energy, as it relates to the Inflation Reduction Act."[52]

Accordingly, IT IS ORDERED THAT:

(1) The Commission adopts the findings and recommendations of the Hearing Examiner, subject to the modifications and additional findings herein.

(2) The Hearing Examiner's recommendations, set forth and modified herein, are hereby ordered.

(3) The Company forthwith shall file revised Riders C1A, C2A and C4A 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.

(4) The Company shall file its next DSM update on or before January 2, 2025.

(5) 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.

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[52] *Id.*