

Dominion Energy Services, Inc.
Law Department
120 Tredegar Street, Richmond, VA 23219
DominionEnergy.com



November 10, 2020

**Petition of Virginia Electric and Power Company
For approval of a rate adjustment clause, designated Rider RGGI,
under § 56-585.1 A 5 e of the Code of Virginia
Case No. PUR-2020-00169**

To: Local Government Officials

Pursuant to 20 VAC 5-201-10 J, Virginia Electric and Power Company (“the Company”) is providing you a copy of its Petition in the above-referenced matter. Please take notice of its contents.

A copy of the complete Petition in this matter may be obtained from the Company at no cost by written request to Paul E. Pfeffer, Deputy General Counsel, Law Department, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219.

/s/ Paul E. Pfeffer
Paul E. Pfeffer
Deputy General Counsel

Attachment

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

PETITION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUR-2020-00169
For approval of a rate adjustment clause,)
designated Rider RGGI, under § 56-585.1 A 5 e)
of the Code of Virginia)

**PETITION OF VIRGINIA ELECTRIC AND POWER COMPANY
AND REQUEST FOR LIMITED WAIVERS**

Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”), by counsel, hereby files with the State Corporation Commission of Virginia (“Commission”) its petition for approval of a rate adjustment clause (“RAC”), designated Rider RGGI, under § 56-585.1 A 5 e of the Code of Virginia (“Va. Code”) to recover projected and actual costs related to the purchase of allowances through the Regional Greenhouse Gas Initiative (“RGGI”) market-based trading program for carbon dioxide (“CO₂”) emissions, a program in which the Company is required to participate. The Company further requests limited waivers of certain Rules Governing Utility Rate Applications and Annual Informational Filings (the “Rate Case Rules”). In support of its petitions and request for limited waivers (collectively, the “Petition”), the Company respectfully shows as follows:

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:

Paul E. Pfeffer
David J. DePippo
Dominion Energy Services, Inc.
120 Tredegar Street
Richmond, Virginia 23219
(804) 787-6033 (PEP)
(804) 819-2411 (DJD)

Joseph K. Reid, III
Elaine S. Ryan
Sarah R. Bennett
Dan Bumpus
McGuireWoods LLP
Gateway Plaza
800 East Canal Street
Richmond, Virginia 23219-3916
(804) 775-1198 (JKR)
(804) 775-1090 (ESR)
(804) 775-4730 (SRB)
(804) 775-1199 (DRB)

BACKGROUND

4. Initiated in 2009, RGGI is the first mandatory market-based program in the United States to reduce greenhouse gas emissions. RGGI is a collaborative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York,

Rhode Island, Vermont, and New Jersey to cap and reduce CO₂ emissions from the power sector. CO₂ allowances are obtained by RGGI participants through quarterly, regional auctions.

5. In May 2019, the Virginia Department of Environmental Quality (“DEQ”) issued a final rule establishing a state carbon regulation program linked to RGGI (the “DEQ Carbon Rule” or “Rule”). Although the DEQ Carbon Rule was finalized in 2019, language in the state budget bill prohibited DEQ from continued work on the Rule. During the 2020 Regular Session, the General Assembly passed the Clean Energy and Community Flood and Preparedness Act, Senate Bill No. 1027 and House Bill No. 981, which authorized Virginia to become a full participant of RGGI and authorized DEQ to implement the DEQ Carbon Rule. The legislation became effective July 1, 2020. With the passage of this legislation, DEQ revised the DEQ Carbon Rule to clarify that the Commonwealth will join RGGI in 2021. The revised Rule was signed by the DEQ on June 25, 2020, and became effective on July 10, 2020. DEQ held a meeting to inform stakeholders about the Rule revisions, including any near-term compliance submittals required of companies subject to the Rule, on August 12, 2020.

6. The DEQ Carbon Rule will cap CO₂ emissions for Virginia at 27.1 million short tons for calendar year 2021, and decrease the emissions cap annually by approximately 3% to achieve a 30% reduction from 2020 levels to a level of 19.6 million short tons in 2030. Emission sources subject to the Rule will be required to obtain and surrender a CO₂ emission allowance for every short ton of CO₂ emitted during a control period through participation in the RGGI allowance auction program.

7. The Company owns regulated emissions sources, so must comply with RGGI.

8. Va. Code § 56-585.1 A 5 e permits cost recovery related to compliance with RGGI and establishes the applicable standard of review:

A utility may at any time, after the expiration or termination of capped rates, but not more than once in any 12-month period, petition the Commission for approval of one or more rate adjustment clauses for the timely and current recovery from customers of . . . [p]rojected and actual costs of projects that the Commission finds to be necessary . . . to comply with state or federal environmental laws or regulations applicable to generation facilities used to serve the utility's native load obligations, including the costs of allowances purchased through a market-based trading program for carbon dioxide emissions. The Commission shall approve such a petition if it finds that such costs are necessary to comply with such environmental laws or regulations.

RIDER RGGI

9. The Company estimates it will initially require approximately 19,000,000 CO₂ allowances per year to cover CO₂ emissions from its Virginia-based generation fleet.

Accordingly, by July 31, 2022, the Company expects to need approximately 29,000,000 CO₂ allowances.

10. Generally, to meet its obligations under RGGI, the Company intends to follow a programmatic approach by purchasing most of the required allowances in the RGGI quarterly auctions and using the secondary market to fill any auction deficiencies. More specifically, Dominion Energy Virginia plans to acquire approximately 25% of the forecasted annual allowance requirement in each of the quarterly auctions. If the Company fails to secure approximately 25% in an auction, the Company will look to purchase allowances in the secondary market. Also, Dominion Energy Virginia will seek to maintain a bank of allowances equal to approximately 10% to 20% of the annual requirement. The purpose of the bank is to protect customers from short-term allowance price volatility. The Company's compliance strategy is not based on any price outlook. Instead, the Company intends to follow a programmatic, auction-based approach to compliance. The Company may adjust its compliance strategy as needed to adapt to changes in the structure of the RGGI program.

11. The Company has assumed a weighted average price of \$6.84 per allowance. This assumption is based on the actual clearing pricing in RGGI Auction 49 and actual transactions in the secondary market, combined with the ICF forward price curve.

12. The Company's RAC revenue requirement in this proceeding includes the Projected Cost Recovery Factor. Beginning with the next RAC filing expected to be made in 2021, the revenue requirement will also include the Actual Cost True-Up Factor. The Projected Cost Recovery Factor calculation results in the operating income necessary for recovery of amortization expense for CO₂ allowances as well as projected financing costs on the unamortized purchased CO₂ allowance balances. In addition, the Projected Cost Recovery Factor includes the amortization of deferred costs, including financing costs, incurred prior to this initial Rate Year. No Actual Cost True-Up Factor is included in this initial proceeding because this filing represents the initial request for cost recovery. It is anticipated that any true-up for calendar year 2020 will be included in a 2021 update filing for implementation during an August 1, 2022 to July 31, 2023 rate year. At that time, and for years beyond, the Actual Cost True-Up Factor will recover from, or credit to, customers any under- or over-recovery of costs from the most recently completed calendar year. Actual revenues recovered 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.

13. The total revenue requirement requested for recovery in this initial Rider RGGI Petition for the Rate Year beginning August 1, 2021, is \$168,260,000.

14. The Company proposes to use an energy allocation factor to allocate costs to the Virginia jurisdiction and that the costs be recovered through a uniform charge per kilowatt-hour (“kWh”) from all bundled service customers in the Virginia jurisdiction.

15. The implementation of the proposed Rider RGGI on August 1, 2021, will increase the residential customer’s monthly bill, based on 1,000 kWh per month, by \$2.39.

SUPPORTING TESTIMONY, FILING SCHEDULE 46, AND REQUEST FOR LIMITED WAIVERS OF RATE CASE RULES FILING REQUIREMENTS

16. The Company’s Petition is supported by the pre-filed direct testimonies of Company Witnesses C. Eric McMillan, Shane T. Compton, John C. Ingram, and Paul B. Haynes.

17. Section Rule 60 of the Rate Case Rules provides that an application filed pursuant to Subsection A 5 “shall include Schedules 45 and 46 as identified and described in 20 VAC 5-201-90, and which shall be submitted with the utility’s direct testimony.” The Company is filing with this Petition, Filing Schedule 46, as follows:

- a. Company Witnesses McMillan and Compton co-sponsor Schedule 46A, consisting of Statements 1 and 2. Schedule 46A, Statement 1, provides projected costs associated with Rider RGGI, while Schedule 46A, Statement 2, provides documentation supporting the projected costs.
- b. Company Witness Ingram sponsors Schedule 46B, consisting of Statements 1 and 2. These statements provide revenue requirement information for the proposed RAC and describe all significant accounting procedures and internal controls to identify costs related to RGGI allowances.
- c. Company Witness Haynes sponsors Schedule 46C, consisting of Statement 1, which provides details of the Company’s methodology for allocating the Rider RGGI revenue requirement.

18. The Company, for good cause shown and pursuant to 20 VAC 5-201-10 E of the Rate Case Rules, respectfully requests that the Commission waive, in part, the requirements under Rules 60 and 90 of the Rate Case Rules with respect to Filing Schedule 45 (Return on Equity Peer Group Benchmark). Pursuant to the provisions of Va. Code §§ 56-585.1 and 56-

585.1:1, and consistent with recent Commission orders granting similar limited waivers,¹ a return on equity determination is not to be made in this proceeding. Therefore, good cause exists, as required by Rule 10 E, for the Commission to waive in part the requirements of Rules 60 and 90 of the Rate Case Rules with respect to Filing Schedule 45.

19. The Company, for good cause shown and pursuant to 20 VAC 5-201-10 E, additionally respectfully requests that the Commission waive, in part, the requirement under Rules 60 and 90 of the Rate Case Rules to “[p]rovide the annual revenue requirement over the duration of the proposed rate adjustment clause by year and by class.” Specifically, the Company requests waiver of two portions of this requirement. First, the Company seeks waiver of this requirement related to information for the “duration of the proposed rate adjustment clause.” By statute, RGGI will continue indefinitely; Rider RGGI thus differs from other Company RACs approved by the Commission for assets that have a specific lifetime. Second, the Company seeks waiver of this requirement related to providing information on the revenue requirement “by class.” As explained by Company Witness Haynes, the Company has developed a uniform charge per kilowatt-hour applicable to all bundled service customers in the Virginia jurisdiction. Accordingly, the revenue requirement is not available “by class.” For these reasons, good cause exists, as required by Rule 10 E, for the Commission to waive in part the requirements of Rules 60 and 90 of the Rate Case Rules with respect to this limited portion of Schedule 46.

¹ See, e.g., *Petition of Virginia Electric and Power Company, For approval and certification of the proposed US-4 Solar Project pursuant to §§ 56-580 D and 56-46.1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider US-4, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2019-00105, Order for Notice and Hearing at 21, Ordering Paragraph (21) (Jul. 31, 2019).

COMPLIANCE WITH RULE 10 OF THE RATE CASE RULES

20. The Company's Petition for approval of Rider RGGI complies with the requirements contained in Rule 10 of the Rate Case Rules. In accordance with Rule 10 A, the Company filed with the Commission on September 8, 2020, the Company's notice of intent to file this Petition under Va. Code § 56-585.1 A 5.² Copies of the public version of this Petition, to the extent required by Rule 10 J, along with the additional information required by Rule 10 J, have been served upon the persons addressed in that Rule. A complete copy of the public version of this Petition has been served upon the Office of the Attorney General's Division of Consumer Counsel in conformity with Rule 10 J. Also included with and following this Petition, pursuant to Rule 10, is a table of contents of this filing, including testimony and schedules.

21. Beyond the initial Petition, Rate Case Rule 10 J requires the Company to serve copies of certain information related to Dominion Energy Virginia's rate proceedings upon local officials via first class mail or personal delivery. The Company has obtained a continuing waiver of Rule 10 J from the Commission to permit electronic delivery of rate application information to the localities in lieu of first class mail delivery upon request from the locality.³ Accordingly, the Company requests that any procedural order issued in this proceeding allow for electronic service of materials going forward on localities that request such service in writing.

² This notice dated September 8, 2020, indicated the Company's intent to file this Petition on or after October 5, 2020. On that same day, the Company filed a motion for limited waiver of the 60-day notice requirement of Rule 10 A. On September 23, 2020, the Commission denied the motion. Based on that order, on September 25, 2020, the Company filed an amended notice of intent to file this Petition under Va. Code § 56-585.1 A 5 on or after November 9, 2020.

³ *Petition of Virginia Electric and Power Company, For a continuing waiver of 20 VAC 5-201-10 J of the Rules Governing Utility Rate Applications and Annual Informational Filings to permit electronic service to local officials upon request*, Case No. PUE-2016-00039, Final Order at 2-3 (Apr. 19, 2016).

eryan@mcguirewoods.com
sbennett@mcguirewoods.com
dbumpus@mcguirewoods.com

Counsel for Virginia Electric and Power Company

November 9, 2020