COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF

VIRGINIA ELECTRIC AND POWER COMPANY — CASE NO. PUR-2024-00013

For revision of rate adjustment clause: Rider E, for the recovery of costs incurred to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia

REPORT OF A. ANN BERKEBILE, CHIEF HEARING EXAMINER

July 19, 2024

This case involves the request of Virginia Electric and Power Company ("Dominion" or "Company") for the approval of an updated rate adjustment clause ("RAC"), designated Rider E, facilitating its recovery of costs incurred to comply with state and federal environmental regulations. The undisputed evidence in this case supports approval of an updated Rider E RAC with a revenue requirement of $71,992,470 for the rate year beginning November 1, 2024, and ending October 31, 2025 ("Rate Year").

HISTORY OF THE CASE

On January 24, 2024, pursuant to § 56-585.1 A 5 e of the Code of Virginia ("Code") and the directive contained in Ordering Paragraph (7) of the *2023 Rider E Order*,[1] the Company filed a petition ("Petition")[2] with the State Corporation Commission ("Commission") seeking approval of its annual update of Rider E RAC for the recovery of costs incurred to comply with state and federal environmental regulations at Dominion's Bremo, Chesterfield, Clover, and Mt. Storm Power Stations. Concurrent with its Petition, Dominion filed a Motion for Entry of a Protective Order and Additional Protective Treatment.

On February 16, 2024, the Commission issued an Order for Notice and Hearing wherein, among other things, the Commission: (i) docketed this matter; (ii) directed the Company to provide notice of the Petition;[3] (iii) established a schedule for the filing of notices of participation, prefiled testimony, and comments;[4] (iv) scheduled a public hearing for July 10, 2024; and (v) assigned this case to a Hearing Examiner to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

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[1] *Petition of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider E, for the recovery of costs incurred to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia,* Case No. PUR-2023-00005, Final Order (Sept. 11, 2023) ("*2023 Rider E Order*").

[2] The Petition was accepted into the record as an exhibit ("Ex.") at the hearing. *See* Ex. 2 and 2ES. While various exhibits were admitted into evidence in both public and extraordinary sensitive versions, only public information is specifically referenced herein.

[3] A copy of the Company's proof of notice and publication was accepted into the record. *See* Ex. 1.

[4] Although the Commission afforded an opportunity for members of the public to testify or submit written comments in this case, no such testimony or comments were provided.

On February 20, 2024, a Protective Ruling and Additional Protective Treatment for Extraordinarily Sensitive Information was entered establishing protections for confidential and extraordinarily sensitive information in this case.

The Virginia Committee for Fair Utility Rates ("Committee") filed a notice of participation on March 11, 2024.

Hearing

The hearing in this matter was convened on July 10, 2024, as scheduled, in the Commission's courtroom. Timothy D. Patterson, Esquire, Elaine S. Ryan, Esquire, and David J. DePippo, Esquire, appeared on behalf of the Company. Andrew F. Major, Esquire, and C. Austin Skeens, Esquire, appeared on behalf of Staff of the Commission ("Staff"). Furthermore, at the Committee's request, the Committee was excused from appearing at the hearing.

<u>SUMMARY OF THE RECORD</u>

Petition

As represented in the Petition, the Company filed its Petition to update the Commission on the status of the environmental compliance projects located at the Chesterfield and Mt. Storm Power Stations, including the Mt. Storm Lake Discharge Temperature Control System ("LDTCS") Project approved in the *2023 Rider E Order*, and associated projected expenditures.[5]

Relative to cost recovery, Dominion explained in the Petition that it seeks recovery of three general categories of costs incurred to comply with state and federal environmental laws and regulations: (i) asset retirement obligation ("ARO") expenses associated with existing assets that must be closed; (ii) newly constructed assets and associated expenses; and (iii) ARO expenses associated with the newly constructed assets.[6] Additionally, the Company represented that the three components of the revenue requirement requested herein are the Projected Cost Recovery Factor, the Allowance for Funds Used During Construction ("AFUDC") Cost Recovery Factor, and the Actual Cost True-Up Factor.[7] As proposed in the Petition, Dominion requested a Projected Cost Recovery Factor revenue requirement of $40,219,695, an AFUDC Cost Recovery Factor of $739,297, and an Actual Cost True-Up Factor revenue requirement of $31,033,479.[8] Thus, the Petition proposed a total revenue requirement of $71,992,470 for the Rate Year.[9]

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[5] Ex. 2 and 2ES (Petition), at 4.

[6] *Id.*

[7] *Id.* at 8. The Actual Cost True-Up Factor includes costs related to projects at the Company's Bremo, Chesterfield, Clover, and Mt. Storm Power Stations. *Id.* at 9.

[8] *Id.*

[9] *Id.*

With the Petition, the Company also provided its proposed cost allocation, rate design, and accounting treatment for service rendered during the Rate Year as related to the proposed Rider E.[10] As further reflected by the Petition, if the Commission approves the updated Rider E for the Rate Year as proposed, the impact on customer bills would depend on the customer's rate schedule and usage. The Company represented in the Petition that implementation of its proposed updated Rider E on November 1, 2024, would decrease the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately $0.68, compared to the current Rider E.[11]

Company Direct Testimony

Dominion presented the direct testimony of **Jeffrey G. Miscikowski**, Vice President, Project Construction for Dominion Energy Services, Inc.; **Rick D. Boyd**, Director of Generation Projects for the Company; **Elizabeth B. Lecky**, a Manager of Regulation in the Regulatory Accounting Department for the Company; and **Casey R. Lawson**, a Regulatory Analyst II for the Company.

Mr. Miscikowski explained that Dominion seeks to recover the following three general categories of costs: (1) ARO expenses associated with existing assets that must be closed; (2) newly constructed assets and associated expenses; and (3) ARO expenses associated with the newly constructed assets. He also provided the status and associated costs of the Chesterfield Power Station's Lower Ash Pond and Upper Ash Pond closures (collectively, "Chesterfield Environmental Projects") that the Commission previously approved for recovery.[12]

For the Chesterfield Lower Ash Pond closure, Mr. Miscikowski provided an overview of the Company's continued work to strengthen the southwest corner embankment and noted that the final components of such work have been extended into 2024 because of delays in certain engineering and procurement work. He also indicated that facing installation work was scheduled to begin in the first quarter of 2024. Furthermore, he testified that this was expected to be the Company's final construction update for the Lower Ash Pond closure because the project is expected to be completed in 2024.[13]

For the Chesterfield Upper Ash Pond closure, Mr. Miscikowski testified that work has been completed on the interceptor trench and represented that the project is currently operating to allow any waters from the pond to be intercepted and conveyed to an interior perimeter channel for management. Because work on this project has been completed, he indicated this was the Company's final construction update for the Upper Ash Pond.[14]

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[10] *Id.* at 4.
[11] *Id.* at 10.
[12] Ex. 3 and 3ES (Miscikowski Direct), at 1-2. As explained by Mr. Miscikowski, the Commission approved the Chesterfield Environmental Projects in Case No. PUE-2020-00003. *Id.* at 2. *See also Petition of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider E, for the recovery of costs incurred to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia*, Case No. PUR-2020-00003, 2020 S.C.C. Ann. Rep. 408 ("*2020 Rider E Order*").
[13] Ex. 3 and 3ES (Miscikowski Direct), at 3-4.
[14] *Id.* at 4-5 and ES Schedule 1.

Mr. Miscikowski also provided a reconciliation and explanation of any cost category variance for the Chesterfield Environmental Projects. Additionally, he affirmed that the expenditures for the Chesterfield Environmental Projects are reasonable and were prudently incurred.[15]

Mr. Boyd provided an update regarding the Mt. Storm Bottom Ash Water Transport ("BAWT") Project, approved in the Commission's *2022 Rider E Order*,[16] and the Mt. Storm LDTCS Project, approved by the Commission in the *2023 Rider E Order* (the Mt. Storm BAWT and LDTCS Projects are collectively referred to herein as the "Mt. Storm Environmental Projects").[17]

Mr. Boyd testified that the BAWT Project has been constructed and was placed into service in the fourth quarter of 2023. Because the BAWT Project is substantially complete (with only minor punch list items not yet finished), he represented that this will be Dominion's last construction update relative to the BAWT Project. He also provided photographs of the BAWT Project and Schedules pertaining to its costs.[18]

Regarding the Mt. Storm LDTCS Project, Mr. Boyd explained that the Company is required to comply with a National Pollutant Discharge Elimination System ("NPDES") permit and administrative orders (with amendments) of the West Virginia Department of Environmental Protection ("WVDEP") and WVDEP's Requirements Governing Water Quality Standards. Additionally, he explained that the Commission approved two categories of costs in the *2023 Rider E Order* concerning the LDTCS Project – that is, Temporary System costs (incurred to rent air chiller equipment necessary to achieve temporary compliance with environmental requirements) and Permanent System costs (incurred to design, engineer, fabricate, deliver, and purchase permanent air chiller equipment necessary to achieve permanent compliance with environmental requirements). He explained that the Temporary System was placed into service on October 31, 2022, is in full compliance with environmental requirements, and will remain in place until the Permanent System is employed. Furthermore, he testified that Dominion entered into a contract to purchase Permanent System components in the first quarter of 2023, and expects these components to be delivered in the third quarter of 2024. He also indicated that the Company received the results to its Permanent System construction and installation request for proposals ("RFP") in the fourth quarter of 2023, was in the process of awarding a contract, and expects the Permanent System to be in service in the first quarter of 2025. He then identified the types of Permanent System costs sought for recovery in this case (engineering and construction/installation). He testified that Dominion seeks recovery of LDTCS Permanent System construction and installation costs in this case in the approximate amount $45.4 million.

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[15] *Id.*

[16] *Petition of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider E, for the recovery of costs incurred to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia*, Case No. PUR-2022-00006, 2022 S.C.C. Ann. Rep. 464 ("*2022 Rider E Order*").

[17] Ex. 4 and 4ES (Boyd Direct), at 1-2.

[18] *Id.* at 3-4 and ES Schedule 2 (cost report for the Mt. Storm Environmental Projects); ES Schedule 3 (detailed expenditure description); and ES Schedule 4 (summary of expected operations and maintenance ("O&M") costs associated with operating the BAWT Project).

In addition, he presented a Schedule summarizing the O&M LDTCS costs sought for recovery in this case.[19]

Mr. Boyd opined that cost estimates presented by Dominion in this case are reliable and maintained the costs he has identified for recovery are reasonable and were prudently incurred.[20]

Ms. Lecky developed the Rate Year revenue requirement for Rider E. She explained that the Company calculated its proposed revenue requirement using a 9.2% return on equity ("ROE") for the period prior to November 17, 2021; a 9.35% ROE for the period of November 18, 2021, to February 29, 2024; and a 9.7% ROE for the period beyond February 29, 2024.[21]

Ms. Lecky testified that Dominion calculated its proposed revenue requirement consistently with the method used in its 2023 Rider E case except for its use of an updated lead/lag study based on 2021 data. She also indicated that the issues related to the updated lead/lag study were litigated in its 2023 Rider GV proceeding (Case No. PUR-2023-00094). Furthermore, she identified the key components of the Company's Rider E revenue requirement as the Projected Cost Recovery Factor, the AFUDC Cost Recovery Factor, and the Actual Cost True-Up Factor.[22]

For the Projected Cost Recovery Factor, Ms. Lecky projected net plant balances as of the month-end immediately preceding the Rate Year (*i.e.*, as of October 31, 2024) for the determination of rate base and the calculation of financing costs on rate base. Similarly, she testified that her proposed revenue requirement reflects plant related depreciation expense, asset retirement cost ("ARC") depreciation expense, and ARO accretion expense incurred over the 12-month period leading up to the Rate Year. In addition, Ms. Lecky testified that the Company's proposed Projected Cost Recovery Factor includes certain ongoing O&M costs related to associated environmental projects/facilities. She also represented that the Projected Cost Recovery Factor includes amortization of certain deferred costs related to the new LDTCS Project.[23]

For the AFUDC Cost Recovery Factor, Ms. Lecky calculated the Rate Year amortization of the actual and projected AFUDC related to the Mt. Storm LDTCS Project through October 31, 2024.[24]

For the Actual Cost True-Up Factor, Ms. Lecky calculated the difference between actual revenues during calendar year 2022 and actual costs incurred during 2022.[25]

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[19] *Id.* at 4-6 and ES Schedule 4 (LDTCS Project O&M costs). Mr. Boyd's Schedule 5 also provides a timeline for the construction, testing, and commercialization of the LDTCS Project.
[20] *Id.* at 7.
[21] Ex. 5 and 5ES (Lecky Direct), at 1-3. As explained by Ms. Lecky, the ROEs utilized for the relevant periods are consistent with prior Commission ROE directives and, for the period beyond February 29, 2024, is consistent with Senate Bill 1265. *Id.* at 2-3.
[22] Ex. 5 and 5ES (Lecky Direct), at 3.
[23] *Id.* at 4. *See also id.* at 5-6 (further explaining the Company's calculation of the Projected Cost Recovery Factor).
[24] *Id.* at 4.
[25] *Id.* *See also id.* at 7-8 (further detailing the Company's calculation of the Actual Cost Recovery Factor).

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Ms. Lecky identified her Rate Year Rider E revenue requirement calculations as follows:[26]

Projected Cost Recovery Factor	$40,219,695
AFUDC Cost Recovery Factor	$739,297
Actual Cost True-Up Factor	$31,033,479
Total Revenue Requirement	$71,992,470

Ms. Lecky also confirmed that the Company will not seek recovery of the expenses requested in this case in any of its other Virginia rate proceedings.[27]

Ms. Lawson sponsored the Rider E RAC for the Rate Year. She calculated Factor 1 using the Average and Excess methodology to allocate Rider E costs to the Virginia jurisdiction using the same methodology adopted in the Commission's *2023 Rider E Order*. She also allocated the total Virginia jurisdictional Rider E revenue requirement to the customer classes. Additionally, she explained that Dominion requests the Commission's approval of a rate, for billing purposes, effective for usage on and after the first day of the month which is at least fifteen (15) days following the date of the Commission's order approving the Company's updated Rider E. [28]

Ms. Lawson calculated: (i) a Baseline 2022 Factor 1 of 82.8043% by removing load and usage for customers that had enrolled and were taking service from a competitive service provider ("CSP") as of the end of December 2022; (ii) an Adjusted 2022 Factor 1 of 82.8340% by including load and usage for customers that enrolled and began taking service from a CSP during 2022 and were taking service from the CSP as of the end of December 2022 in addition to the customers included in the calculation of the Baseline 2022 Factor 1; and (iii) an Average Baseline Factor 1 for 2022 of 82.8192% by averaging the Baseline 2022 Factor 1 and the Adjusted 2022 Factor 1. Furthermore, she explained that the Average Factor 1 for 2022 will be applied to the 2022 true-up costs, and the Baseline 2022 Factor 1 will be used for the Rate Year projected cost recovery.[29]

According to Ms. Lawson, Dominion proposes similar treatment for allocation of its updated Rider E revenue requirement to customers through the Projected Cost Recovery Factor, Actual Cost True-Up Factor, and the AFUDC Cost Recovery Factor. Ms. Lawson also affirmed the Company calculated Rider E rates in accordance with the methodology adopted by the Commission in its *2023 Rider E Order*. Moreover, she explained that she developed the proposed Rider E rates for the Rate Year, by first forecasting kilowatts per hour ("kWh") sales for each rate level of each customer class. Next, she allocated the revenue requirement to each customer class using (i) the Baseline Factor 1 for the Projected Cost Recovery Factor and the

[26] *Id.* at 9. Ms. Lecky also described the components of the rate base associated with Rider E. *Id.* at 6-7.
[27] *Id.* at 9. Additionally, Ms. Lecky explained that any incremental sales and use taxes incurred as part of Rider E will be recovered through Dominion's annual sales and use tax surcharge rider. *Id.*
[28] Ex. 6 (Lawson Direct), at 1-2.
[29] *Id.* at 3.

AFUDC Cost Recovery Factor; and (ii) the Average 2022 Factor 1 for the Actual Cost True-Up Factor. Ms. Lawson calculated the proposed Rider E rates for most customer classes by dividing the total class revenue requirements by their respective customer class forecasted kWh sales. She also explained that the Rider E pricing for Rate Schedule 10 has been differentiated based upon voltage levels that correspond to the GS-3 Secondary or GS-4 Primary customer classes. Furthermore, Ms. Lawson testified that Rate Schedule GS-3, GS-4 (Primary), and GS-4 (Transmission), are billed on a demand basis rather than an energy basis; and Rate Schedules GS-2 and GS-2T are billed on a demand basis when their monthly load factor exceeds 50% and on an energy basis when their load factor is 50% or less.[30]

Ms. Lawson determined that the proposed Rider E for the Rate Year will decrease a residential customer's monthly bill by $0.68, based on monthly usage of 1,000 kWh, as compared to current Rider E rates. Her Schedule 3 also provides the typical monthly bill impacts to Rate Schedules GS-1, GS-2, GS-3, and GS-4, and Church Schedule 5C.[31]

Staff Testimony

Staff provided the testimony of **Carol B. Myers**, Deputy Director of the Commission's Division of Utility Accounting and Finance ("UAF"); **Phillip M. Gereaux,** a Principal Utility Supervisor in UAF; and **Gabriel N. Knight**, Public Utility Regulation Analyst with the Commission's Division of Public Utility Regulation.

Ms. Myers addressed the Company's proposed revenue requirement for the Rider E update for the Rate Year. She also discussed the status of Rider E projects and Staff's audit of Rider E actual costs for 2022 and 2023. Among other things, she confirmed that Staff supports a total Rider E revenue requirement of $71.99 million, comprised of a Projected Cost Recovery Factor in the amount of $40.22 million, an AFUDC Cost Recover Factor of $0.74 million, and an Actual Cost True-Up Factor of $31.03 million.[32]

Regarding the status of Rider E projects, Ms. Myers noted that work associated with the closure of the Upper Ash Pond at the Chesterfield Power Station has been completed and indicated that work at the Chesterfield Power Station's Lower Ash Pond is expected to be completed during 2024. She also testified that the Mt. Storm Power Station's BAWT Project was placed into service in the third quarter of 2023, with minimal punch list items to be completed in 2024. Furthermore, she provided an overview of Dominion's on-going Mt. Storm LDTCS Project, which the Commission found to be reasonable and prudent in the *2023 Rider E Order*. Ms. Myers testified that while the Company did not previously submit costs associated with the Mt. Storm LDTCS Project, it now estimates the permanent system's installation and construction will cost $45.4 million.[33]

[30] *Id.* at 4-7. Ms. Lawson also provided a Schedule detailing her calculation of Rider E rates. *Id.* at Schedule 1.
[31] *Id.* at 7 and Schedule 3. Ms. Lawson also provided a schedule reflecting Dominion's proposed Rider E tariff. *Id.* at Schedule 2.
[32] Ex. 7 and 7ES (Myers Direct), at 1-2.
[33] *Id.* at 3-5.

Ms. Myers provided the following table detailing Staff's recommended revenue requirement (which, according to Ms. Myers, is "materially equal" to the amount presented by Dominion):

Rider E Staff Revenue Requirement
For the Rate Year November 1, 2024 through October 31, 2025
In Thousands of Dollars

	Bremo	Chesterfield	Clover	Mount Storm	Total
Projected Cost Recovery Factor	$30	$12,155	$590	$27,444	$40,220
AFUDC Cost Recovery Factor	$0	$0	$0	$739	$739
Actual Cost True-Up Factor	$587	$29,857	$30	$560	$31,033
Total Revenue Requirement	**$618**	**$42,012**	**$620**	**$28,743**	**$71,992**

Furthermore, she described Staff's audit of the Company's actual costs incurred for Rider E projects. Among other things, she explained that Staff investigated a significant under-recovery of costs during 2022 associated with the Chesterfield Environmental Projects and identified the addition of an interceptor trench as the primary driver of such under-recovery. Additionally, she indicated the early retirement of certain environmental assets at the Chesterfield Power Station, the implementation timing of new depreciation rates for remaining environmental assets at the Chesterfield Power Station, and the variance between projected and actual kWh sales as drivers of the Chesterfield Power Station under-recovery. Ms. Myers also described Staff's review of costs underlying Dominion's Projected Cost Recovery Factor revenue requirement and confirmed that Staff does not take issue with such costs.[34]

Mr. Gereaux addressed the appropriate capital structure and costs of capital to be used in the development of the Rider E RAC. He identified the capital structures and costs of capital utilized by Dominion in determining its proposed Rider E revenue requirement. He also provided the following chart summarizing Staff's proposed capital structures and costs of capital:

	Capital Structure	WACC	ROE	Effective Date
True-Up Factor	12/31/2022	6.775%	9.35%	Jan. 1, 2022 - Dec. 31, 2022
AFUDC Factor	12/31/2022	6.775%	9.35%	Jan. 1, 2024 – Feb. 28, 2024
AFUDC Factor	Hypothetical	7.052%	9.70%	Feb. 29, 2024 – Oct. 31, 2024
Projected Factor	Hypothetical	7.052%	9.70%	Nov. 1, 2024 – Oct. 31, 2025

Furthermore, he provided the following chart summarizing the weighted costs of capital applicable to carrying charges on deferred costs over the relevant periods:

[34] *Id.* at 5-7.

Deferred Cost	Capital Structure	WACC	ROE	Effective Date
2019	12/31/2019	6.876%	9.20%[5]	Jul. 1, 2019 – Dec. 31, 2019
2020	12/31/2020	6.806%	9.20%	Jan. 1, 2020 – Dec. 31, 2020
2021	12/31/2021	6.744%	9.20%	Jan. 1, 2021 – Nov. 17, 2021
2021	12/31/2021	6.833%	9.35%	Nov. 18, 2021 – Dec 31, 2021
2022	12/31/2022	6.775%	9.35%	Jan. 1, 2022 – Dec. 31,2022

As reflected above, Staff does not dispute Dominion's use of a 6.775% overall weighted cost of capital for the Actual Cost True-Up Factor and deferred costs; the Company's use of a hypothetical capital structure for the Projected Cost Recovery Factor resulting in a weighted average cost of capital of 7.052%; and Dominion's use of both the 6.775% and 7.052% weighted average cost of capital in the AFUDC Cost Recovery Factor.[35]

Mr. Knight provided an overview of Dominion's Petition, focusing on the Company's proposed cost allocation and monthly bill impacts.[36]

Mr. Knight explained that the Company calculated its proposed Rider E surcharges based on the same general methodology that the Commission approved in its *2023 Rider E Order.* He summarized Dominion's use of its production demand allocation factor (Factor 1, both Baseline and Adjusted) to allocate total Rider E costs to the Virginia jurisdiction and among customer classes and represented that Staff does not oppose the Company's calculation of its proposed allocated factors or their use in calculating the jurisdictional and customer class revenue requirements in this case. Similarly, he detailed Dominion's rate design methodology for its updated Rider E rates, opined that such methodology reasonably assesses Rider E charges to all customer classes, and represented that Staff does not oppose it.[37]

Additionally, Mr. Knight discussed the impacts of the Company's proposed Rider E surcharges on customer bills. Among other things, he testified that approval of the Company's proposed Rider E would decrease the bill of a residential customer using 1,000 kWh a month by $0.68 per month.[38]

[35] Ex. 8 (Gereaux Direct), at 1-4.
[36] Ex. 9 (Knight Direct), at 1-2.
[37] *Id.* at 3-7. Relative to cost allocation, Mr. Knight stated: "Staff believes the Company's hybrid approach (*i.e.*, the utilization of both the Baseline Factor 1 and Adjusted Factor 1), which is consistent with the methodology approved in the 2023 Rider E Proceeding, reasonably approximates the level of load and usage for customers taking service from a CSP during both the Rate Year and the true-up period." *Id.* at 5.
[38] *Id.* at 7.

Finally, Mr. Knight recommended that corresponding Rider E surcharges be adjusted proportionately, using the Company's cost allocation and rate design methodologies which are unopposed by Staff, should the Commission approve a revenue requirement differing from the amount proposed by Dominion.[39]

Company Rebuttal Letter

In lieu of rebuttal testimony, Dominion provided a letter wherein, among other things, the Company emphasized that Staff's recommended revenue requirement is "materially equal" to the amount supported by Dominion.[40] Additionally, Dominion summarized its requested relief in this case as follows:

> [T]he Company respectfully requests that the Commission: (1) approve the proposed Rider E under Va. Code § 56-585.1 A 5 e subject to future Rider E proceedings and true-ups, effective for usage on and after November 1, 2024; (2) approve the proposed revenue requirement, cost allocation, rate design, and accounting treatment for the Environmental Projects for the Rate Year November 1, 2024, through October 31, 2025; and (3) grant such further relief as it deems just and proper.[41]

DISCUSSION

Dominion filed its Petition pursuant to § 56-585.1 A 5 of the Code which provides in pertinent part:

> 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 the following costs:
> . . .
> Projected 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, . . . The Commission shall approve such a petition if it finds that such costs are necessary to comply with such environmental laws or regulations.

Furthermore, § 56-585.1 D of the Code provides in part:

> The Commission may determine, during any proceeding authorized or required by this section, the reasonableness or prudence of any cost incurred or projected to be incurred, by a utility in connection with the subject of the proceeding. A determination of the Commission regarding

[39] *Id.*
[40] Ex. 10 (Dominion Rebuttal Letter), at 1.
[41] *Id.*

> the reasonableness or prudence of any such cost shall be consistent with the Commission's authority to determine the reasonableness or prudence of costs in proceedings pursuant to the provisions of Chapter 10 (§ 56-232 *et seq.*)....

As reflected above, the Company and Staff agree that the Commission should approve updated Rider E rates based on a revenue requirement of $71,992,470.[42] The evidence also reflects that Staff audited the actual costs associated with the Rider E Projects (undertaken for environmental regulatory compliance) and did not identify any discrepancies.[43] Similarly, Staff reviewed the Company's projected costs supporting the Projected Cost Recovery Factor and "does not take issue with them."[44] Furthermore, Dominion's proposed cost allocation and rate design are supported by the evidence and not disputed herein.[45]

FINDINGS AND RECOMMENDATIONS

Based upon the evidence received in this case and the applicable law, I find:

(1) The record supports a total updated Rider E revenue requirement of $71,992,470, consisting of a Projected Cost Recovery Factor of $40,219,695, an AFUDC Cost Recovery Factor of $739,297, and an Actual Cost True-Up Factor of $31,033,479; and

(2) The updated Rider E rates should be designed to recover the approved revenue requirement based on the allocation and rate design methodology supported by Company witness Lawson.

Accordingly, I ***RECOMMEND*** the Commission enter an order that:

(1) ***ADOPTS*** the findings of this Report;

(2) ***APPROVES*** the Company's Petition; and

(3) ***DISMISSES*** this case.

COMMENTS

The parties are advised that, pursuant to Rule 5 VAC 5-20-120 C of the Commission's Rules of Practice and Procedure ("Rules")[46] and § 12.1-31 of the Code, any comments to this Report must be filed on or before August 9, 2024. To promote administrative efficiency, the parties are encouraged to file electronically in accordance with Rule 5 VAC 5-20-140 of the Commission's Rules. If not filed electronically, an original and fifteen (15) copies must be submitted in writing to the Clerk of the Commission, c/o Document Control Center, P.O. Box

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[42] *See, e.g.*, Ex. 5 and 5ES (Lecky Direct), at 9; Ex. 7 and 7ES (Myers Direct), at 5.

[43] Ex. 7 and 7ES (Myers Direct), at 6.

[44] *Id.* at 7.

[45] *See, e.g.*, Ex. 6 (Lawson Direct), at 1-7; Ex. 9 (Knight Direct), at 3-7.

[46] 5 VAC 5-20-10 *et seq.*

2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been served by electronic mail to all counsel of record and any such party not represented by counsel.

Respectfully submitted,

A. Ann Berkebile

A. Ann Berkebile
Chief Hearing Examiner

The Clerk of the Commission is requested to send a copy of this Report to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, VA 23219.