

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, JULY 3, 2024

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APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUR-2023-00172

For revision of a rate adjustment clause:
Rider U, new underground distribution facilities,
for the rate year commencing August 1, 2024

FINAL ORDER

On October 3, 2023, pursuant to Code § 56-585.1 A 6, Virginia Electric and Power Company ("Dominion" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") for an annual update of the Company's rate adjustment clause ("RAC") designated Rider U. Through its Application, the Company seeks to recover costs associated with its Strategic Undergrounding Program ("SUP").¹ Specifically, the Company seeks cost recovery associated with the previously approved Phase One, Phase Two, Phase Three, Phase Four, Phase Five, and Phase Six, and further requests Commission approval to recover costs associated with proposed Phase Seven of the SUP through Rider U, for the rate year commencing August 1, 2024 through July 31, 2025 ("Rate Year").²

In this proceeding, Dominion has asked the Commission to extend the current rate year by an additional month.³ In the Company's most recent application in Case No. PUR-2022-00089, the Commission approved Rider U for an April 1, 2023 through

¹ Ex. 2 (Application) at 1.

² *Id.*

³ *Id.* at 4.

March 31, 2024 rate year.⁴ On August 4, 2023, the Commission extended these Rider U rates until June 30, 2024.⁵ In this Application, the Company requests that the Commission further extend the existing rates until July 31, 2024 and approve the new rates for Rider U with an effective date of August 1, 2024.⁶

Dominion states that proposed Phase Seven of the SUP is designed to convert approximately 383 miles of overhead tap lines to underground facilities at a capital investment of approximately \$258 million.⁷ Dominion states that Phase Seven actual expenditures through July 31, 2023, are approximately \$213 million, and projected expenditures for the period of August 1, 2023 through July 31, 2024, are approximately \$45 million.⁸ The Company states that, in this Application, it is requesting to recover costs of Phase Seven through Rider U for only those projects that will be completed prior to the beginning of the proposed Rate Year, August 1, 2024.⁹

On November 13, 2023, the Commission issued an Order for Notice and Hearing in this case that, among other things, docketed the Application; scheduled public witness and evidentiary hearings on the Application; required Dominion to publish notice of its Application; gave interested persons the opportunity to comment on, or participate in, the case; and appointed

⁴ *Application of Virginia Electric and Power Company, For revision of a rate adjustment clause: Rider U, new underground distribution facilities, for the rate year commencing April 1, 2023*, Case No. PUR-2022-00089, Doc. Con. Cen. No. 230240085, Final Order (Feb. 27, 2023).

⁵ *Application of Virginia Electric and Power Company, For revision of a rate adjustment clause: Rider U, new underground distribution facilities, for the rate year commencing April 1, 2023*, Case No. PUR-2022-00089, Doc. Con. Cen. No. 230810164, Order on Motion (Aug. 4, 2023).

⁶ Ex. 2 (Application) at 4.

⁷ *Id.*

⁸ *Id.* at 4-5.

⁹ *Id.* at 5.

a Hearing Examiner to conduct all further proceedings in this matter on behalf of the Commission.

The Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") filed a notice of participation in the case. On March 15, 2024, Commission Staff ("Staff") filed testimony. On March 29, 2024, Dominion filed its rebuttal testimony. On April 15, 2024, Staff filed corrections to its testimony. The evidentiary hearing was convened as scheduled on April 17, 2024. Dominion, Consumer Counsel, and Staff participated in the hearing.

On May 10, 2024, the Hearing Examiner issued the Report of Bryan D. Stogdale, Hearing Examiner ("Report"). In the Report, the Hearing Examiner made the following findings:¹⁰

- (1) An updated Rider U RAC with a total Rate Year revenue requirement of \$149.546 million, consisting of a Projected Factor of \$149.820 million and a True-Up Factor of (\$274,000), is supported by the evidence and should be approved;¹¹
- (2) The Company's proposed cost allocation and rate design methodologies are supported by the evidence and should be approved; and
- (3) Existing Rider U rates should be extended until July 31, 2024, as requested by the Company.

On May 31, 2024, Dominion and Consumer Counsel filed comments on the Report.

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

¹⁰ Report at 18-19.

¹¹ The Hearing Examiner recommended a revenue requirement inclusive of Phase Seven costs, stating "[t]he undisputed evidence shows that Dominion's proposed Phase Seven SUP projects have an average cost per mile of approximately \$674,526; an average cost per total customer of \$8,047; and have experienced an average of 15.0 events per mile over a preceding 10-year period. Accordingly, I conclude that Dominion's proposed Phase Seven SUP is within the cost limitations, and above the event metric, set forth in [Code § 56-585.1 A 6]. Further, the

Hearing Examiner's Report

After analyzing the law and weighing the evidence – and providing a thorough and detailed analysis thereof – the Hearing Examiner recommended the Commission enter an order:¹²

- (1) ADOPTING the findings of the Report; and
- (2) APPROVING an updated Rider U consistent with the recommendations in this Report.

Upon consideration of this matter, the Commission concludes that the Hearing Examiner's findings and recommendations are supported by law and evidence, have a rational basis, and are adopted herein. In so doing, the Commission approves Phase Seven of the SUP and finds that a total revenue requirement of \$149.546 million for the Rate Year, consisting of a Projected Cost Recovery Factor of \$149.820 million and an Actual Cost True-Up Factor credit of \$274,000, should be approved for Rider U.

Accordingly, IT IS ORDERED THAT:

- (1) The Commission adopts the Hearing Examiner's findings and recommendations.
- (2) The Hearing Examiner's recommendations, set forth herein, are hereby ordered.
- (3) Rider U, as approved herein with an updated revenue requirement in the amount of \$149.546 million, shall become effective for usage on and after August 1, 2024.
- (4) The Company forthwith shall file a revised Rider U and supporting workpapers with the Clerk of the Commission and with 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

Company's actual annual incremental investment in the SUP replacements is less than five percent of the Company's 2022 test year distribution rate base, as required by [Code § 56-585.1 A 6]." *Id.* at 17-18.

¹² *Id.* at 19.

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) 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.