

VIRGINIA ELECTRIC AND POWER COMPANY
2019 ATRR with True-Up Adjustment

To: Interested Parties (as defined in Section 1.b. of the Formula Rate Implementation Protocols)

In accordance with Section 1.a. of the Formula Rate Implementation Protocols, Virginia Electric and Power Company (“VEPCO”) is providing the following information to be posted on the www.pjm.com website:

- (i) VEPCO’s Annual Transmission Revenue Requirement (“ATRR”), rate for Network Integrated Transmission Service (“NITS”), based on applying its projected costs, revenues and credits, other than those credits that will be distributed to customers pursuant to Section 2 of Attachment H-16, for the next calendar year, plus its True-Up Adjustment calculated pursuant to the Formula Rate set out in Attachment H-16A;
- (ii) an estimate of the Network Service Peak Load of the Dominion Zone that will be used by the Transmission Provider to determine each Network Customer’s Zone Network Load pursuant to Section 34.1 and Attachment H-16 for the next calendar year; and
- (iii) an explanation of any change in VEPCO’s accounting policies and practices that took effect in the preceding twelve months ending August 31 that is reported in Notes 3 and 4 of VEPCO’s Securities and Exchange Commission Form 10-Q (“Material Accounting Changes”). To the extent there are Material Accounting Changes, VEPCO’s Form 10-Q will be posted on PJM’s website at the time of the Annual Update.

Regarding item (i) above, the information (“2019 Projection”) is provided in the form of an Excel file posted along with this document on www.pjm.com.

Regarding item (ii) above, VEPCO has estimated the Network Service Peak Load of the Dominion Zone that will be used by the Transmission Provider to determine each Network Customer’s Zone Network Load pursuant to Section 34.1 and Attachment H-16 for the next calendar year. The estimate value is included in the Excel file provided pursuant to item (i) above, in the Appendix A tab at line number (*not* Excel row number) 169.

Regarding item (iii) above, there were no Material Accounting Changes during the twelve months ending August 31, 2018. Interested Parties may review VEPCO’s Form 10-Q and Form 10-K filings, which are consolidated with the Dominion Energy, Inc. and Dominion Energy Gas Holding, LLC filings, at <https://dominionenergy.com/investors/sec-filings-and-reports>.

In accordance with FERC directive in the Order on Rehearing and Compliance issued July 5, 2018 in Docket Nos. EL10-49-006, EL10-49-007, and ER18-318-001, Dominion has included in the 2019 Projection the FERC-approved Attachments 10, 10A, and 10B and revised Attachment 3, reflecting the incremental undergrounding cost calculations for the Garrisonville, Pleasant View, and NIVO projects to be allocated to each Network Customer for their Virginia loads in the Dominion Zone. The Total Incremental Undergrounding Costs Revenue Requirement includes a 2019 projection component as well as a 2017 true-up component with interest. For calculating the ATRR and rate for NITS in the 2019 Projection, the Total Incremental Undergrounding Costs Revenue Requirement amount has been included in the calculation of revenue credits in Attachment 3 pursuant to the guidelines in Attachment 3 and Attachment 10.

In addition, the 2019 Projection reflects the reduction in the federal corporate tax rate and other impacts related to the Tax Cuts and Jobs Act of 2017 (“TCJA”), effective January 1, 2018. The TCJA-related changes include: (1) a change to the input of the corporate federal income tax rate from 35 percent to 21 percent (as shown on Line 131 of Appendix A); (2) a revised calculation of projected accumulated deferred income tax balances that serve to offset rate base, which is separately derived and input based upon the appropriate income tax rate and tax depreciation schedule; and (3) a revised projection of excess deferred tax amortization.