

VIRGINIA ELECTRIC AND POWER COMPANY

**Adjusted ATRR and the True-Up Adjustment Before Interest for 2017
(Revised October 4, 2018)
(Revision 2)**

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

2017 True-Up (Revision 2):

In accordance with Section 2.a. of the Formula Rate Implementation Protocols, Virginia Electric and Power Company (“VEPCO”) provided the following information which was posted on the www.pjm.com website on June 14, 2018 and subsequently posted on August 3, 2018 as Revision 1 as explained below:

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2017), calculated by applying the methodology set out in Attachment H-16A, Appendix A to VEPCO’s actual costs for that calendar year; and
- (ii) the 2017 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

Regarding the adjusted ATRR for the previous calendar year (“2017 True-Up”) that was posted on PJM’s Formula Rates website on June 14, 2018, a few updates had been identified since that posting; therefore, the 2017 True-Up was revised and posted on PJM’s website as “Revision 1” on August 3, 2018. As an ongoing review of the 2017 True-Up formula rate process, additional updates have been identified necessitating further revisions to the 2017 True-Up. VEPCO informed interested parties at its annual public meeting held on September 26, 2018 of the first two following revisions and its intent to make a revised posting of the 2017 True-Up on PJM’s website. The revisions which are included in the attached document as “Revision 2” are as follows:

1. The original ADIT balances used to populate the 2017 True-Up for certain non-plant items was based off the new 21% tax rate resulting from the Tax Cut and Jobs Act, effective January 1, 2018. These non-plant items have been adjusted so that all balances in 2017 are reflected at the pre-2018 tax rate of 35%, resulting in an increase of \$2,002,586 in the ATRR located on Line 168 of Appendix A.
2. In addition, the monthly Electric Plant Acquisition Adjustments Amounts on Attachment 5 and reflected on Line 60A of Appendix A were not properly recorded, i.e., the gross amount was being reduced each month by the prior month’s amortization expense. Revision 2 of the 2017 True-Up now reflects an update to Attachment 5 in which the

Acquisition Adjustments Amounts are consistent for each applicable month (located on Line 60A of Appendix A). Moreover, the beginning balance for the ADIT Attributable to Acquisition Adjustments was corrected to reflect a zero balance, while the year-end balance was slightly reduced by approximately \$3,800 (located on Line 45A of Attachment 5). These changes resulted in an increase to the ATRR of \$5,848.

3. Lastly, the Virginia portion of the Dominion Zone Network Service Peak Load (“NSPL”) was erroneously calculated in Attachment 10 of the 2017 True-Up, which has since been revised to reflect the correct NSPL input on Line 6 of Attachment 10. The correction had no bearing on the ATRR.

VEPCO is also reposting with Revision 2 of the 2017 True-Up the supporting workpapers for the 2017 True-Up, although no changes were made to workpapers since the June 14, 2018 posting. Please note that in this instance, the revised 2017 True-Up (Revision 2) information being provided herein will not affect transmission rates until January 1, 2019.