

VIRGINIA ELECTRIC AND POWER COMPANY

**2022 ATRR with True-Up Adjustment
(September 15, 2021)**

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

2022 Projection

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 (“2022 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 estimated 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, 2021. Interested Parties may review VEPCO’s Form 10-Q and Form

10-K filings, which are consolidated with the Dominion Energy, Inc. filings, at <https://investors.dominionenergy.com/financials-and-reports/sec-filings/default.aspx>.

Moreover, the following changes have been incorporated in the 2022 Projection:

1. To comply with the Commission's requirements in Order No. 864 issued on November 21, 2019, VEPCO filed changes to its formula rate on February 26, 2020 in FERC Docket No. ER20-1085-000 to include the Excess and Deficient ADIT ("EDIT" and "DDIT") Worksheet in the form of a new Attachment 5A, and VEPCO also proposed some minor corresponding changes to Appendix A and Attachment 5 – Cost Support to reflect inputs derived from Attachment 5A. On July 8, 2020, VEPCO supplemented the February 26, 2020 filing (which itself was supplemented on March 11, 2020) to include a new workpaper identified as the "EDIT Worksheets" (or "EDIT/DDIT Input Sheets") which details the source of protected and unprotected transmission-related ADIT and the FERC accounts to which they have been assigned. Additionally, VEPCO proposed incorporating a new Attachment 1B showing additional detail regarding the projected calculation of excess/deficient ADIT associated with pro rata liberalized depreciation. Based on discussions with customers, VEPCO also provided in the July 8, 2020 filing additional information to heighten the transparency of this worksheet by: (1) tracking excess and deficient ADIT together rather than calculating them in separate parts of the worksheet; (2) adding tags to the lines on Attachment 5A identifying which of the five categories required by Order No. 864 the specified information satisfies, and then feeding the information tracked on Attachment 5A into the income tax adjustment calculations on Attachment 5; and (3) detailing on Attachment 5A how the balance of excess or deficient ADIT rolls forward from year to year.

On February 16, 2021, VEPCO filed its response to FERC's December 16, 2020 deficiency letter and proposed additional changes to the EDIT/DDIT Input Sheets to demonstrate how it supports the FERC Order No. 864-compliant information reflected on the ADIT Worksheet included in Attachment 5A. Specifically, VEPCO added new columns H and I to show the Regulatory Liability FERC Accounts to which the EDIT has been recorded, and a cross reference to the cell on the ADIT Worksheet that incorporates this information. Additionally, VEPCO added a note to the proposed Attachment 5 template that explicitly states that the EDIT/DDIT Input Sheets will be provided annually as support for each year's annual update process, and that the information to be reflected in the EDIT/DDIT Input Sheets will be consistent with the information included in the EDIT Worksheets provided with the July 8, 2020 filing to ensure standardization in the information presented therein each year.

As indicated in the February 26, 2020 filing, VEPCO requested that FERC establish an effective date of January 27, 2020 for the proposed revisions to VEPCO's formula rate to comply with the Commission's directive in Order No. 864. As of the date of this posting of the 2022 Projection to PJM's website, the proposed tariff revisions remain pending and await a final decision by the Commission; however, the revisions are reflected in this instant 2022 Projection so that the changes are reflected during the applicable true-up period consistent with the requested effective date. Furthermore, as VEPCO committed in its February 16, 2021 filing, the EDIT/DDIT Input Sheets supplement this 2022 Projection as part of the separate Excel file providing the related workpapers referenced above.

As part of the proposed tariff revisions submitted by VEPCO in FERC Docket No. ER20-1085 on February 16, 2021 in response to FERC's deficiency letter, Attachments 1B and 1C of the formula rate (respectively representing the projection and true-up of "Accumulated Deferred Federal Income Taxes and Excess/Deficient Deferred Federal Income Taxes Associated with Pro-rata Liberalized Depreciation") were updated to remove the tax amortization of computer software section of the worksheets ("Part 4"). While Part 4 was removed from Attachments 1B and 1C of the formula rate, the tax amortization of computer software is being summed with the book amortization of computer software and reflected in Part 3 of the respective worksheets. This ministerial, presentational change has no bearing on the net computer software amortization values included in the formula rate.

2. After extensive discussions with certain of VEPCO's formula rate customers, VEPCO submitted to FERC tariff revisions to incorporate the agreed-upon scope of Transmission-Related Assets and Unfunded Reserves as rate base adjustments. The pertinent modifications to the formula rate are reflected in the 2022 Projection on Line 47 of Appendix A, where the "Transmission O&M Reserves" description is replaced with "Transmission-Related Assets/Unfunded Reserves Rate Base Adjustment", and on Attachment 5 where the "Transmission Related Account 242 Reserves" section has been relabeled and updated to list specific FERC accounts (182.3, 186, 228.1, 228.2, 228.3, 228.4, 253, and 254) that will serve as rate base adjustments, the amounts for which will be totaled on Attachment 5 and linked to Line 47 of Appendix A. The filing, as made on July 27, 2021 in FERC Docket No. ER21-2518-000, remains pending before the Commission to date.

2020 True-Up (Revision 1)

In accordance with Section 2.a. of the Formula Rate Implementation Protocols, VEPCO provided the following information which was posted on the www.pjm.com website on June 15, 2021:

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2020), 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 2020 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

As an ongoing review of VEPCO’s formula rate process, additional updates have been identified necessitating a few revisions to the adjusted ATRR for the previous calendar year (“2020 True-Up”) that was posted on PJM’s Formula Rates webpage on June 15, 2021. The 2020 True-Up revisions, as included in the attached document as “Revision 1” and posted concurrently with the instant 2022 Projection, are as follows:

1. The Accumulated Deferred Income Taxes (“ADIT”) for the Bath County Assets were adjusted on Line 3 of Attachment 11A to reflect the appropriate amounts.
2. In the Acquisition Adjustment section on Attachment 5, a correction was made to the ADIT beginning balance on Line 45A.

VEPCO is also reposting with the revised 2020 True-Up the workpapers supporting the revised 2020 True-Up. No changes were made to the workpapers since the June 15, 2021 posting. Please note that in this instance, the revised 2020 True-Up information being provided herein will not affect transmission rates until January 1, 2022.