

VIRGINIA ELECTRIC AND POWER COMPANY
2017 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 web site:

- (i) VEPCO’s Annual Transmission Revenue Requirement (“ATRR”), rate for Network Integration 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 (“2017 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, 2016. Interested Parties may review VEPCO’s Form 10-Q and Form 10-K filings, which are consolidated with the Dominion Resources, Inc. and Dominion Gas Holdings, LLC filings, at <https://www.dom.com/investors/sec-filings-and-reports>.

Line 149 of the 2017 Projection, which is normally blank, includes an entry denoted as “One-time Credit to Reflect Application to 2014 of Final Rates from FERC Docket No. ER14-1831.” This entry is explained below.

The 2014 true-up included in the Informational Filing of January 15, 2016 in FERC Docket No. ER09-545 calculated ADIT using the method that, pursuant to Docket No. ER14-1831, became effective on May 1, 2014, subject-to-refund. On October 30, 2015, VEPCO filed a modified formula rate using a revised ADIT calculation method based on guidance in the July 6, 2015 Private Letter Ruling issued to VEPCO from the Internal Revenue Service (“Compliance Rate”). On February 23, 2016, FERC accepted the Compliance Rate effective May 1, 2014. VEPCO applied the Compliance Rate using 2014 actual data to produce a revised True-up Adjustment for 2014, without interest (“Revised 2014 True-up”). The Revised 2014 True-up (including the Excel file), is included with the true-up posting made on PJM’s Formula Rates web page on June 15, 2016.

When compared to the 2014 true-up used in the January 15, 2016 Informational Filing, the Revised 2014 True-up based on the Compliance Rate shows an ATRR that is lower by \$2,801 (in thousands). Three years of interest has been added based on 18 C.F.R. § 35.19a, resulting in a total one-time credit of \$3,207 (in thousands). This one-time credit is included on Line 149 of the 2017 Projection. Additional detail is provided in the table below.

CALCULATION OF LINE 149 AMOUNT INCLUDED IN 2017 PROJECTION			
(Dollars in Thousands)			
Line No.	Item		Amount
1	2014 Actual ATRR Used to Calculate True-up Adjustment for 2014	Note A	\$676,068
2	Revised 2014 Actual ATRR Used to Calculate True-up Adjustment for 2014	Note B	\$673,267
3	Change in 2014 Actual ATRR due to ADIT Methodology Change	Line 2 – Line 1	\$(2,801)
4	Interest, Three Years	Note C	\$(406)
5	One-time Credit to True-up Adjustment due to ADIT Compliance Rate	Line 3 + Line 4	\$(3,207)

Notes:

A The “2014 Actual ATRR” (un-revised) shown here is from Line 168 of the VEPCO Attachment H-16A Formula Rate – Appendix A that was used to calculate the 2014 True-Up of the January 15, 2016 VEPCO Informational Filing of 2016 Annual Update Docket No. ER09-545.

B The “Revised 2014 Actual ATRR” shown here is from Line 168 of the Compliance Rate version of the VEPCO Attachment H-16A Formula Rate – Appendix A for 2014.

C Interest based on FERC’s regulations at 18 C.F.R. § 35.19a applied to the period of July 2014 through June 2017. For October 2016 through June 2017, the September 2016 rate is used.

2015 True-up

Regarding the adjusted annual transmission revenue requirement for the previous calendar year, (“2015 True-up”) that was posted on PJM’s Formula Rates web page on June 15, 2016, a few updates have been identified since that posting. The updated 2015 True-up is included with this document. The updates are:

1. The total ITC balance shown in the table at the bottom of Attachment 1 is corrected from \$572 to \$886 (in thousands). The ITC amortization amount of \$137 (in thousands) that is also transferred to Line 136 of Appendix A is unchanged. Accordingly, there is no resulting effect on the ATRR.

2. The plant and labor allocators in the table at the top of Attachment 1A have been corrected to reflect the 2014 allocation factors. The Gross Plant allocator is revised from 15.1925% to 16.9019% and the Wages & Salaries allocator has been revised from 6.9545% to 6.7628%. The net effect is a higher 2015 True-up ATRR of \$177 (in thousands).
3. Attachment 1A included an ITC table at the bottom; however, this table is not part of the formula. The information in that table was not applied in calculating the 2015 True-up. Accordingly, it is removed and there is no resulting effect on the 2015 True-up ATRR.
4. In Attachment 7, the Investment amount for Project AV-1 has been re-stated from \$452,465 to zero. That Investment amount is properly attributed to Project CA-1, which has been increased by \$452,465.