

VIRGINIA ELECTRIC AND POWER COMPANY

**2023 ATRR with True-Up Adjustment
(September 15, 2022)**

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

2023 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 (“2023 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, 2022. 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>.

Incorporated in the 2023 Projection are the formula rate revisions proposed by VEPCO in FERC Docket No. ER22-2443 (the “ER22-2443 Revisions”). Specifically, on July 20, 2022, VEPCO proposed a discrete revision to Attachment 3 (Revenue Credit Workpaper) to incorporate: (1) an additional line item under the “Account 454 - Rent from Electric Property” header for certain revenues associated with rent received from leasing office space so that Customers may receive the associated benefit of a revenue credit; and (2) a related, instructive footnote (Note 5) describing the nature of the rental revenues. Additionally, VEPCO sought to amend Appendix A, Line 149 of its formula rate template to specifically delineate revenue requirement adjustments often associated with collaborative resolutions between VEPCO and its customers throughout the formula rate protocol process. The resolution of such issues typically involves an adjustment to the annual transmission revenue requirement, and the proposed amendment to Line 149 formalizes those adjustments within the formula rate template. Therefore, Dominion proposed to title Line 149 “One-Time Adjustment” and include an adjacent input cell highlighted in yellow to provide a more detailed description regarding the nature of the adjustment. The ER22-2443 Revisions, which remain pending before the Commission as of the date of this posting, are the result of discussions between VEPCO and its customers as part of the 2021 Annual Update process; thus, the requested effective date for these revisions is January 1, 2021.

Furthermore, as reflected on Attachment 9 in italics, the 2023 Projection includes updated depreciation rates submitted to the Virginia State Corporation Commission (“VA SCC”) on May 11, 2022 based on a completed 2021 depreciation study for Generation, Transmission, Distribution, and general plant (“2022 Depreciation Rates”). The proposed 2022 Depreciation Rates to be effective January 1, 2022 presently await approval by the VA SCC, and VEPCO intends to file the 2022 Depreciation Rates with the FERC once approved by the VA SCC.

2021 True-Up (Revision 1)

In accordance with Section 2.a. of the Formula Rate Implementation Protocols, VEPCO provided the following information¹ which was posted on the www.pjm.com website on June 15, 2022:

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2021), calculated by applying the methodology set out in Attachment H-16A, Appendix A to VEPCO’s actual costs for that calendar year; and

¹ Please note that in this instance, the 2021 information being provided herein will not affect transmission rates until January 1, 2023.

- (ii) the 2021 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

Through VEPCO's ongoing review of its formula rate, and in light of the August 1, 2022 filing of VEPCO's 2021 FERC Form 1,² additional updates have been identified necessitating certain revisions to the adjusted ATRR for the previous calendar year ("2021 True-Up") that was posted on PJM's Formula Rates webpage on June 15, 2022. The 2021 True-Up revisions, as included in the attached document as "Revision 1" and posted concurrently with the instant 2023 Projection, are as follows:

1. All preliminary values used to populate the 2021 True-Up have been updated utilizing the FERC Form 1 values as filed by VEPCO on August 1, 2022.
2. The ER22-2443 Revisions incorporated in the 2023 Projection as described above were also incorporated in the 2021 True-Up, as the requested effective date for such revisions is January 1, 2021.

As of the date of this posting, the order regarding VEPCO's August 11, 2022 filing in FERC Docket No. ER22-2635 to incorporate the actual 2021 Other Post-Employment Benefits ("OPEB") expense in the transmission formula rate remains pending. However, the approximately (\$55.4M) OPEB expense reflected in that filing is reflected in this 2021 True-Up posting.

Lastly, to align with the values filed in VEPCO's 2021 FERC Form 1, VEPCO is also reposting with Revision 1 the related workpapers supporting the revised 2021 True-Up.

² In the June 15, 2022 posting of VEPCO's 2021 True-Up, VEPCO noted:

As of the posting date of the instant 2021 True-Up, VEPCO's 2021 FERC Form 1 remains unfiled at FERC in light of the order issued by the Commission in Docket No. AC22-28 extending the filing deadline to August 1, 2022. As such, the values used to populate the 2021 True-Up are preliminary in nature; however, subsequent to the filing of VEPCO's 2021 FERC Form 1, the Company intends to update the 2021 True-Up utilizing the FERC Form 1 values as filed.

Revision 1 of the 2021 True-Up is hereby provided in accordance with that statement.