

**Preliminary Challenges of  
Old Dominion Electric Cooperative,  
North Carolina Electric Membership Corporation, and  
Northern Virginia Electric Cooperative  
Regarding Virginia Electric and Power Company’s  
Electric Transmission Formula Rate  
2024 Annual Update and 2022 True-Up Adjustment**

**December 12, 2023**

Pursuant to Virginia Electric and Power Company’s (“VEPCo” or “the Company”) Formula Rate Implementation Protocols set forth in PJM’s Open Access Transmission Tariff (“OATT”), Old Dominion Electric Cooperative (“ODEC”), North Carolina Electric Membership Corporation (“NCEMC”) and Northern Virginia Electric Cooperative (“NOVEC”) (together, the “Joint Customers”) hereby submit their Preliminary Challenges list pertaining to the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up.

The Joint Customers sent VEPCo on December 8, 2023 a list of Resolved Issues and Preliminary Challenges associated with the 2024 Annual Update and 2022 True-Up of the formula rate. Because only the Preliminary Challenges are to be posted under the Formula Rate Implementation Protocols, this version reflects only the Preliminary Challenges submitted on December 8<sup>th</sup>. Nevertheless, to the extent VEPCo disagrees with the Joint Customer’s assertion that a certain issue has been resolved, such issue will be considered a Preliminary Challenge and a Second Revised List of Preliminary Challenges will be submitted including the items moved from the Resolved List to the Preliminary Challenge list.

**A. OUTSTANDING PRELIMINARY CHALLENGE ISSUES**

**1. Renewable Energy Credits Recorded to FERC Account No. 303.**

VEPCo in 2022 recorded additional transfers of \$42,524,701.06 in Renewable Energy Credits (“RECs”), (NC & VA Renewable Energy Credits), which the Company had purchased in compliance with the state regulations and recorded those RECs as intangible assets in FERC Account No. 303. The Company had RECs balances in the amounts of \$34,162,984.32 and \$76,687,685.38 as of 12/31/2021, and 12/31/2022, respectively. (See ODEC/NCEMC/NOVEC-VEPCO 1.54) The level of RECs balances in FERC Account No. 303 has increased from \$12,681,437.90 as of 12/31/2020 to \$76,687,685.38 as of 12/31/2022.

In response to ODEC/NCEMC/NOVEC-VEPCO 1.54.a., VEPCo stated:

“VEPCo has included NC & VA Renewable Energy Credits (RECs) purchased or generated for compliance with state regulations as an intangible asset in FERC

Account303 – Miscellaneous Intangible Plant in the 2021 and 2022 FERC Form 1s.”

In response to ODEC/NCEMC/NOVEC-VEPCO 1.54.d., VEPCo stated:

“The Company has not requested FERC authority to record the RECs in subpart (a) as intangible assets in FERC Account 303.”

In response to ODEC/NCEMC/NOVEC-VEPCO 1.54.e., VEPCo stated:

“The Company determined that the Ameren decision referenced by the Customers did not represent codified accounting guidance requiring the Company to request FERC approval prior to utilizing FERC account 303 rather than FERC account 158.1. Rather the ruling represented a specific instance in which FERC assessed whether Ameren had appropriately accounted for its retired RECs as prepayments in FERC Account 165.

As the Customers acknowledge, this is reflected in the Commission’s FERC Order No.898, in which it states that “although the Commission stated in 2020 that RECs are analogous to the sulfur dioxide emission allowances addressed in Order No. 552, not all utilities follow this approach. As such, codifying the treatment of RECs would promote their consistent treatment in Commission accounting and reporting”. In Order No. 898, which will be effective for periods beginning after 1/1/2025, the Commission recognized that the USofA as codified previously, was insufficient to address the current diversity in accounting practice and acknowledged the need to formalize the accounting treatment for RECs prospectively. The new changes are not effective until January 1, 2025, the required implementation date of the ruling.

The Commission’s clarification of REC accounting (FERC Order No. 898) is a direct response to the diversity in industry practices that existed prior to implementation. The Commission did not require the changes until the January 1, 2025, required implementation date.

However, VEPCo appears to be ignoring FERC’s Order addressing RECs in 170 FERC ¶ 61,267, P52, (“*Ameren*,” issued March 27, 2020) which stated:

“With respect to the costs associated with RECs, we note that the Commission has not provided specific accounting guidance for the purchase, generation, and use of RECs. **However, in Order No. 552**, the Commission provided detailed accounting guidance for emission allowances related to sulfur dioxide following Title IV of the Clean Air Act Amendments of 1990, which are **analogous to the operation and use of RECs**.<sup>88</sup> Order No. 552 concluded that emission allowances are appropriately classified as inventoriable items and established new inventory and

expense accounts to record the allowances. **Here, we find it appropriate to remain consistent with the accounting construct established in Order No. 552 for emission allowances when considering the costs for similar items such as RECs. Accordingly, we find that RECs are more appropriately classified as inventory**, rather than a prepaid expense in Account 165 as Ameren proposes. **Account 158.1 (Allowance Inventory), established under Order No. 552, states that this account shall include the cost of allowances owned by the utility and we find that RECs fall within the meaning and intent of the account.**<sup>89</sup> As such, we clarify that **Account 158.1 is the most appropriate account to record RECs that are purchased or generated.** Additionally, the instructions to Account 158.1 provide for allowances to be expensed to Account 509 as allowances are used.<sup>90</sup> **Therefore, we direct Ameren Illinois to reclassify the amounts related to RECs from Account 165 to Account 158.1 and to expense these amounts through Account 509 as they are utilized.”** [emphasis added]

<sup>88</sup> See *Revisions to Uniform Systems of Accounts to Account for Allowances under the Clean Air Act Amendments of 1990 and Regulatory-Created Assets and Liabilities and to Form Nos. 1, 1-F, 2 and 2-A*, Order No. 552, FERC Stats. and Regs. ¶ 30,967 (1993) (cross-referenced at 62 FERC ¶ 61,299).

<sup>89</sup> See 18 C.F.R. pt. 101, Account 158.1 (2019).

<sup>90</sup> See 18 C.F.R. pt. 101, General Instruction 21 (2019).

As stated above, the Commission’s determination, in P 52, was that: (1) emission allowances related to sulfur dioxide are analogous to the operation and use of RECs; (2) it is appropriate and consistent with the accounting construct established in Order No. 552 for emission allowances when considering the costs for similar items such as RECs; (3) RECs are more appropriately classified as inventory; (4) RECs fall within the meaning and intent of FERC Account 158.1; and (5) Commission clarified that **Account 158.1 is the most appropriate account to record RECs that were purchased or generated.** The above mentioned Order is not ambiguous regarding how the Commission views RECs. It specifically stated: “**Account 158.1 (Allowance Inventory), established under Order No. 552, states that this account shall include the cost of allowances owned by the utility and we find that RECs fall within the meaning and intent of the account.**<sup>89</sup> As such, we clarify that **Account 158.1 is the most appropriate account to record RECs that are purchased or generated.”**

Joint Customers challenge VEPCo’s recording of the RECs to FERC Account No. 303, and the inclusion of those RECs in the calculation of rate base for the following reasons: (1) Dominion has not requested approval of its Accounting Treatment for RECs and has recorded them as Intangible Plant since September 1, 2009, without any FERC approval; (2) the Company did not request approval of its Accounting Treatment for RECs after *Ameren*, (3) Dominion’s failure to appropriately address FERC’s Order in 170 FERC ¶ 61,267, P52, where the Commission stated: “**As such, we clarify that Account 158.1 is the most appropriate account to record**

**RECs that are purchased or generated.”** and (4) VEPCo’s treatment of the RECs as intangible plant is “inequitable” and artificially inflates the Company’s rate base and the Return component of the revenue requirements. The Company’s treatment of RECs has been questioned in prior Annual Updates and the balances and formula rate impacts have been increasing dramatically. VEPCo should remove all the RECs balances from Intangible Plant, reflect such RECs balances in FERC Account 158.1 – Allowance Inventory, and should make a one-time credit adjustment using Line 149 of Appendix A within the 2024 Annual Update. The Company should also apply the appropriate amount of interest in accordance with the Future Value Factor found on Attachment 6 to the Formula Rate,” for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up.

Furthermore, VEPCo should remove all RECs which the Company had recorded to FERC Account No. 303 for all prior Annual Updates for the period March 27, 2020 to date, and determine the impact of the prior periods’ overstatements in the calculation of the Company’s rate base and should make a one-time credit adjustment using Line 149 of Appendix A within the 2024 Annual Update. The Company should also apply the appropriate amount of interest in accordance with the Future Value Factor found on Attachment 6 to the Formula Rate,” for any year in which RECs were included in FERC Account No. 303, for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up.

## **2. Electrification WBS Reclass Expenses Recorded to FERC Account No. 923.**

VEPCo recorded \$4,881,935.00 of Electrification WBS Reclass expenses to FERC Account No. 923 without providing any support or description of what the services were and why they were recorded to this specific A&G account. In the Company’s response to ODEC/NCEMC/NOVEC-VEPCO 2.14.a, which asked for the provision of: “A detailed comprehensive description and listing of the items which comprise the Excel row 1613, “Electrification WBS Reclass” in the amount of \$4,881,935.00, the Company responded:

Part A - The \$4,881,935 is comprised of the following vendor invoices:

Vendor	\$
Accenture	\$4,576,000
Guidehouse	\$ 255,025
Modular LNG Holdings	\$ 50,910

VEPCo did not provide the requested “comprehensive description” of the listing of the items nor did the Company provide copies of the invoices, which it referenced comprised the \$4,881,935. The Joint Customers are not able to independently verify that these Electrification WBS Reclass expenses have been properly recorded to FERC Account 923, and therefore, challenge the inclusion of these costs, until VEPCo provides supporting documentation that these “Electrification WBS Reclass” costs at issue are properly included in Account 923 and are not

costs related to a “specific function.” (See also Information Request No. ODEC/NCEMC/NOVEC-VEPCO 1.29 and Attachments ODEC\_NCEMC\_NOVEC-VEPCO Set 1.29 (1) (MC).xlsx and ODEC\_NCEMC\_NOVEC-VEPCO Set 1.29 (2) (MC).xlsx)

### **3. Electrification Support Consulting Services Recorded to FERC Account No. 923.**

VEPCo recorded \$4.6 million related to EV Contractors and development of a marketing, education and outreach plan in 2022. In response to ODEC/NCEMC/NOVEC-VEPCO 2.14.b, the Company stated: “The \$4.6M increase in consulting services for Electrification support is **primarily due to support the standing up of the company’s Charging as a Service program from building out business requirements to support operations, identifying and onboarding a network of EV Contractors and development of a marketing, education and outreach plan including support for developing outreach/communication strategy to public schools for our electric school bus program.**” [emphasis added] These costs are not general in nature and as stated above they pertain to the “building out business requirements to support operations, identifying and onboarding a network of EV Contractors and development of a marketing, education and outreach plan including support for developing outreach/communication strategy to public schools for our electric school bus program.”

All these \$4.6 million in costs appear to be related to EV for the retail/distribution function: (1) building out business requirements to support operations; (2) identifying and onboarding a network of EV Contractors; and (3) development of a marketing, education and outreach plan including support for developing outreach/communication strategy to public schools for our electric school bus program.

Joint Customers, therefore, challenge the inclusion of these “Electrification support” costs related to the EV retail/distribution function in the amount of \$4.6 million, and any additional Electrification support costs that are EV retail/distribution function related, which VEPCo has included in FERC Account 923, until VEPCo provides supporting documentation that these “Electrification support” costs at issue are not related to the EV retail/distribution function. If Dominion cannot provide such supporting documentation, then the Joint Customers believe that these Electrification support charges should be recorded to either “Customer Service and Informational Expenses” (Account Nos. 906 – 910) or potentially “Selling Expenses” (Account Nos. 911 – 917), and excluded from the transmission formula rates. (See also Information Request No. ODEC/NCEMC/NOVEC-VEPCO 1.29 and Attachments ODEC\_NCEMC\_NOVEC-VEPCO Set 1.29 (1) (MC).xlsx and ODEC\_NCEMC\_NOVEC-VEPCO Set 1.29 (2) (MC).xlsx)

### **4. Certain DES Expenses Recorded to FERC Account No. 923.**

VEPCo has recorded certain DES Expenses related to the following categories (a) Customer Service, (b) Environmental Compliance, (c) Energy Marketing, (d) External Affairs, and (e) Operations, to FERC Account No. 923. VEPCo in response to ODEC/NCEMC/NOVEC-VEPCO 2.15, DES Service items, specifically for the following: Customer Service, DES

Environmental Compliance, Energy Marketing, External Affairs, and Operations only partially responded with only the three largest charges and related items of each category, including generic descriptions on what the services provided pertained. Joint Customers requested a detailed description of each of the above referenced categories of DES costs in ODEC/NCEMC/NOVEC-VEPCO 1.92, and VEPCo responded with the following:

7. Operations. Advise and assist Dominion Companies in the following matters relating to operational capacity: (i) the preparation and coordination of studying, consulting, planning, designing, managing, inspecting, engineering and construction of facilities of the Dominion Companies, (ii) the planning, engineering (including maps and records), and operations of the Dominion Companies, (iii) the performance of operations support services for generation, transmission, and nuclear functions, plant and facilities operation, compression, outage support, and maintenance and management services, (iv) the planning, formulation and implementation of load retention, load shaping and conservation and efficiency programs, and integrated resource planning for supply-side plans and demand-side management programs, (v) the provision and management of a training program for employees and/or contractors, including the management and maintenance of training records, (vi) the provision of land services, including the drafting, management and maintenance of maps and land records; and the procurement, management and enforcement of land interests including easements, site agreements, and real property purchases/leases, (vii) develop long-range operational programs for Dominion Companies and advise and assist such Dominion Companies in the coordination of such programs with the programs of the other Dominion Companies, subject to federal and state codes and standards of conduct, as applicable, and (viii) manage Dominion Companies' purchase, movement, transfer, and accounting of nuclear fuel and gas volumes.

17. Environmental Compliance. Provide consulting, cleanup, environmental permitting, environmental compliance support, biological and chemical services, environmental reporting, and environmental compliance plan preparation as required by Dominion Companies to ensure full compliance with applicable environmental statutes and regulations. Track state and federal environmental regulations. Provide summaries and guidance for Dominion Company personnel to ensure ongoing compliance.

18. Customer Services. Provide services and systems dedicated to customer service, billing, remittance, credit, collections, customer relations, call centers, energy conservation support and metering.

19. Energy Marketing. Provide services and systems dedicated to energy marketing and trading of energy commodities, specifically the provision of all services related

to emissions products, renewable energy products, environmental commodities (commodities derived from environmental attributes associated with qualifying types of generation that are required for compliance with applicable federal, state and local laws, as well as any voluntary additional reductions that the Company has elected to complete). Provide market, credit and operational risk management services and development of marketing and sales programs in physical and financial markets.

21. External Affairs & Corporate Communications. Provide services in support of corporate strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.

VEPCo's above responses do not resolve the Joint Customers' concerns related to each category of DES costs which follows:

- a. Customer Service – VEPCo, in 2022, recorded a net \$579,068 in Customer Service expenses in FERC Account 923 from DES. Based on the above responses from the Company, Joint Customers are unable to determine whether these Customer Service expenses are properly recorded to FERC Account No. 923. The description of item 18 Customer Services above appear to be for expenses that are properly recorded to Customers Accounts Expenses (Account Nos. 901 – 910). The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.15 (MC) redacted.xlsx, that the three largest amounts were “Primarily related consultant services related to NPC Prism Platform subscription” which is not very descriptive of the services provided and whether that description was representative and pertained to “all” the total \$579,068 in Customer Service expenses at issue.

VEPCo has not provided what utility function these \$579,068 in Customer Service expenses pertain. The net \$579,068 in Customer Service expenses recorded to Account No. 923 should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

- b. DES Environmental Compliance - VEPCo recorded a net \$853,119 in Environmental Compliance expenses in FERC Account 923 from DES. Based on the above generic description of “Environmental Compliance” services provided by DES, from the Company, Joint Customers are unable to determine to what utility function these net \$853,119 in Environmental Compliance expenses pertain. The description of item 17

Environmental Compliance above appears to be providing “**consulting, cleanup, environmental permitting, environmental compliance support, biological and chemical services, environmental reporting, and environmental compliance plan preparation**” as required by Dominion Companies to ensure full compliance with applicable environmental statutes and regulations. Track state and federal environmental regulations. Provide summaries and guidance for Dominion Company personnel to ensure ongoing compliance.” These appear to be mostly, if not entirely, related to the generation/production function. The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.15 (MC) redacted.xlsx, that the three largest amounts were “Primarily related to environmental consulting provided by ICF Resources LLC, Environmental Resources Management, Aegis Environmental, Inc. and contractor labor provided by Pinnacle Technical Resources, Inc,” which is not very descriptive of the services provided and whether such description was representative and pertained to “all” the total \$853,119 in DES Environmental Compliance expenses at issue.

The net \$853,119 in DES Environmental Compliance expenses recorded to Account No. 923 should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

- c. Energy Marketing – VEPCo recorded a net \$33,015 in Energy Marketing expenses in FERC Account 923 from DES. Based on the above responses from the Company, Joint Customers are unable to determine whether these Energy Marketing expenses are properly recorded to FERC Account No. 923. VEPCo states in the description of Item 17: “**Provide services and systems dedicated to energy marketing and trading of energy commodities, specifically the provision of all services related to emissions products, renewable energy products, environmental commodities (commodities derived from environmental attributes associated with qualifying types of generation** that are required for compliance with applicable federal, state and local laws, as well as any voluntary additional reductions that the Company has elected to complete). Provide market, credit and operational risk management services and **development of marketing and sales programs in physical and financial markets.**” [emphasis added] The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.15 (MC) redacted.xlsx, that the three largest amounts were related to “Subscription for Dunn & Bradstreet Analytics,” which is not very descriptive of the services provided and whether such description was representative and pertained to “all” the total \$33,015 Energy Marketing expenses at issue. The Energy Marketing services appear to be related to the “marketing, trading, sales programs, and the provision of all services related to emissions products, renewable energy

products, environmental commodities, and the voluntary additional reductions by the Company. VEPCo has not provided what utility function the \$33,015 in Energy Marketing expenses pertain. The net \$33,015 in Energy Marketing expenses recorded to Account No. 923 should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

- d. External Affairs - VEPCo recorded a net \$970,923 in External Affairs expenses in FERC Account 923 from DES. Based on the above responses from the Company, Joint Customers are unable to determine to what utility function these net \$970,923 in External Affairs expenses pertain. VEPCo states in the description of Item 21: Provide services in **support of corporate strategies for managing relationships** with federal, state and local governments, agencies and legislative bodies. **Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.** [emphasis added] The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.15 (MC) redacted.xlsx, that the three largest amounts were “Primarily related to membership investment for the Hampton Roads Chamber and audio & visual support from Boitnott Visual Communications for the **Strong Men & Women 2022 conference**” [emphasis added] and the Company additionally stated that it was “Primarily related to contractor labor provided by Pinnacle Technical Resources, Inc, **outside services provided by Brandito for volunteer t-shirts** and consulting services provided by Mary Eckerson, Schexnider & Associates, Stetson Cove Partners, LLC, Charles Ryan Associates and JLK Strategies, LLC” [emphasis added] which both appear to be improperly recorded to FERC Account No. 923, however, the Company did not state whether these descriptions were representative of all the services provided for the total \$970,923 External Affairs expenses at issue.

The External Affairs appear to be related to items which should be recorded to FERC Account Nos. 426.1 - Donations; 426.4 – Expenditures for Certain Civic, Political and Related Activities and/or 426.5 – Other Deductions. The net \$970,923 in External Affairs expenses recorded to Account No. 923 should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

- e. Operations - VEPCo recorded a net \$2,750,096 in Operations expenses in FERC Account 923 from DES. Based on the above responses from the Company, Joint Customers are

unable to determine to what utility function these net \$2,750,096 in Operations expenses pertain. However, based on the description of Item 7, it would appear that DES provides services related to **“operations support services for generation, transmission, and nuclear functions, plant and facilities operation, compression, outage support, and maintenance and management services.”** [emphasis added] DES should be able to provide supporting documentation to which function(s) the components of the \$2,750,096 pertain. The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.15 (MC) redacted.xlsx, that the three largest amounts were related to “North Anna external hazard review accrual” and additionally stated services were related to: “Accounting to adjust capital project balance,” and whether such descriptions were representative and pertained to “all” the total \$2,750,096 in Operations expenses at issue. Some of these appear to be related to the production function.

The net \$2,750,096 in Operations expenses recorded to Account No. 923 should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

#### **5. Damages – Property Recorded to FERC Account No. 925.**

VEPCo has recorded \$1,222,544.55 of Damages – Property to FERC Account No. 925. The Company, in response to ODEC/NCEMC/NOVEC-VEPCO 2.16, which requested VEPCo to provide “A detailed comprehensive description, as well as the nature/purpose of the individual items which comprise the Category “Damages - Property” amount of \$1,222,544.55, stated “The transactional level details that make up the \$1,222,544.55 can be seen on the second tab of the original “Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.32(NG).xlsx” from Set 1 – These charges represent cost incurred related to damages and injuries activities.” The Company’s response is non-responsive in that the referenced attachment and tab did not provide either “a detailed comprehensive description” or “the nature/purpose of the individual items” which comprise the Category “Damages – Property.”

The Joint Customers challenge the Company’s inclusion of the \$1,222,544.55 of expenses for Damages – Property recorded to FERC Account No. 925. VEPCo has not provided the necessary detailed comprehensive description, as well as the nature/purpose of the individual items to demonstrate whether any of these certain expenses should have been recorded to the Accumulated Provision for Injuries and Damages reserves in FERC Account No. 228.2, in lieu of A&G expenses being included in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.32 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.32 (NG))

## 6. Certain DES Expenses Recorded to FERC Account No. 930.2.

VEPCo has recorded certain DES Expenses related to the following categories (a) External Affairs, and (b) Environmental Compliance, to FERC Account No. 930.2. VEPCo in response to ODEC/NCEMC/NOVEC-VEPCO 2.40, DES Service items, specifically for the following: External Affairs, and DES Environmental Compliance only partially responded with generic descriptions on what the services provided pertained. Joint Customers, requested a detailed description of each of the above referenced categories of DES costs in ODEC/NCEMC/NOVEC-VEPCO 1.92, and VEPCo responded with the following:

17. Environmental Compliance. Provide consulting, cleanup, environmental permitting, environmental compliance support, biological and chemical services, environmental reporting, and environmental compliance plan preparation as required by Dominion Companies to ensure full compliance with applicable environmental statutes and regulations. Track state and federal environmental regulations. Provide summaries and guidance for Dominion Company personnel to ensure ongoing compliance.

21. External Affairs & Corporate Communications. Provide services in support of corporate strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.

VEPCo's above responses do not resolve the Joint Customers' concerns related to each category of DES costs which follows:

- a. External Affairs - VEPCo recorded a net \$204,818.63 in External Affairs expenses in FERC Account 930.2 from DES. Based on the above responses from the Company, Joint Customers are unable to determine to what utility function these net \$204,818.63 in External Affairs expenses pertain. VEPCo states in the description of Item 21: Provide services in **support of corporate strategies for managing relationships** with federal, state and local governments, agencies and legislative bodies. **Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.** [emphasis added] The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.35-2.40.xlsx, the amount "Includes expenses incurred in connection with general management of DES not provided for elsewhere," which is not very descriptive of the services provided.

Joint Customers were not able to independently verify that these External Affairs expenses should be recorded to FERC Account No. 930.2 in lieu of being recorded to

FERC Account Nos. 426.1 - Donations; 426.4 – Expenditures for Certain Civic, Political and Related Activities and/or 426.5 – Other Deductions. Therefore, Joint Customers challenge the net \$204,818.63 in External Affairs expenses recorded to Account No. 930.2 and their stance is that these expenses should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92; Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS).xlsx; ODEC/NCEMC/NOVEC-VEPCO 1.38; and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.38 (CS).xlsx)

- b. DES Environmental Compliance - VEPCo recorded a net \$117,349.37 in Environmental Compliance expenses in FERC Account 930.2 from DES. Based on the above generic description of “Environmental Compliance” services provided by DES, from the Company, Joint Customers are unable to determine to what utility function these net \$117,349.37 in Environmental Compliance expenses pertain. The description of item 17 Environmental Compliance above appears to be providing **consulting, cleanup, environmental permitting, environmental compliance support, biological and chemical services, environmental reporting, and environmental compliance plan preparation** as required by Dominion Companies to ensure full compliance with applicable environmental statutes and regulations. Track state and federal environmental regulations. Provide summaries and guidance for Dominion Company personnel to ensure ongoing compliance. These appear to be mostly, if not entirely, related to the generation/production function. The Company further stated in Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.35-2.40.xlsx, the amount “Includes expenses incurred in connection with general management of DES not provided for elsewhere,” which is not very descriptive of the services provided.

Joint Customers challenge the net \$117,349.37 in DES Environmental Compliance expenses recorded to Account No. 930.2 and their stance is that these expenses should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (See also ODEC/NCEMC/NOVEC-VEPCO 1.92 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.92 (CS))

**7. Virginia Department of Emergency Management (“VDEM”) Fees Included in Account No. 165 and Allocated to VEPCo Formula Rate.**

VEPCo has included \$1,632,258.00 in VDEM Fees, (Regulatory Fees) in FERC Account No. 165 and in the VEPCo Formula Rate, 2024 Annual Update and 2022 True-Up. (ODEC/NCEMC/NOVEC-VEPCO 2.26.a) The Company has excluded all VDEM Fees amortization from the VEPCo Formula Rate by recording them to FERC Account No. 524 – Miscellaneous Nuclear Power Expenses and therefore, the prepaid VDEM Fees recorded in FERC Account No. 165 should also be excluded. This prepaid item is not currently excluded in the “Fixed Prepayments Exclusion Amount” of \$3,980,000 to prepaid expenses and it is “inequitable” for VEPCo to include this prepaid item as a component of the Prepaid Expenses in rate base when the monthly amortization is “excluded” from the VEPCo Formula Rate. The Company in responding to Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.26 (KG).xlsx, tab 2.26 a PPD FEES, reflected that \$1,632,258.00 for the VDEM Fees was included.

Joint Customers challenge the inclusion of the prepaid VDEM Fees as a component of rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.50, Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.50 (DMW).xlsx, and ODEC/NCEMC/NOVEC-VEPCO 1.45)

#### **8. Prepaid Interest on Commercial Paper Included in Account No. 165 and Allocated to VEPCo Formula.**

VEPCo has included \$3,449,059.72 in Prepaid Interest on Commercial Paper in FERC Account No. 165 and in the VEPCo Formula Rate, 2024 Annual Update and 2022 True-Up. (ODEC/NCEMC/NOVEC-VEPCO 2.26.b) The Commercial Paper interest expense is not included in the VEPCo Formula Rate as it is considered short-term debt having a maturity of one year or less therefore, the Prepaid Interest on Commercial Paper recorded in FERC Account No. 165 should also be excluded. This prepaid item is not currently excluded in the “Fixed Prepayments Exclusion Amount” of \$3,980,000 to prepaid expenses and it is “inequitable” for VEPCo to include this prepaid item as a component of the Prepaid Expenses in rate base when the monthly Commercial Paper interest expense is “excluded” from the VEPCo Formula Rate. The Company in responding to Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.26 (KG).xlsx, tab 2.26 b PPD Interest, reflected that \$3,449,059.72 for the Prepaid Interest on Commercial Paper was included.

Joint Customers challenge the inclusion of the Prepaid Interest on Commercial Paper as a component of rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.50 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.50 (DMW).xlsx)

#### **9. Cameco Prepaid Nuclear Fuel Included in Account No. 165 and Allocated to VEPCo Formula.**

VEPCo has included \$7,962,500.00 in Cameco Nuclear Fuel in FERC Account No. 165 and in the VEPCo Formula Rate, 2024 Annual Update and 2022 True-Up. (ODEC/NCEMC/NOVEC-VEPCO 2.26.d) The Cameco Nuclear Fuel amortization/expense is not included in the VEPCo Formula Rate as it is considered production related, therefore the Cameco Nuclear Fuel recorded in FERC Account No. 165 should also be excluded. This prepaid item is not currently excluded in the “Fixed Prepayments Exclusion Amount” of \$3,980,000 to prepaid expenses and it is “inequitable” for VEPCo to include this prepaid item as a component of the Prepaid Expenses in rate base when the Nuclear Fuel amortization/expense is “excluded” from the VEPCo Formula Rate. The Company in responding to Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 2.26 (KG).xlsx, tab 2.26 d Misc NonCurrent PPD, reflected that \$7,962,500.00 for the Cameco Nuclear Fuel was included.

Joint Customers challenge the inclusion of the Cameco Nuclear Fuel as a component of rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.50 and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.50 (DMW).xlsx)

#### **10. Transmission Plant Additions, FERC Account 350, Land and Land Rights – Discovery Request Outstanding.**

VEPCo has not provided a response to ODEC/NCEMC/NOVEC-VEPCO 2.28, Transmission Plant Additions, FERC Account 350, Land and Land Rights related to the following four Work Orders totaling \$9,360,180:

- a. Work Order No: 949254.4, Land Purchase in the amount of \$2,053,701;
- b. Work Order No: 992527.4.1, Land & Land Rights in the amount of \$1,172,250;
- c. Work Order No: 992605.4.3, Land & Land Rights 3 in the amount of \$651,050; and
- d. Work Order No: 992729.4, Land and Land Rights in the amount of \$5,483,179.

Joint Customers challenge the inclusion of these four Work Orders in the transmission rate base, until the Company provides the response to ODEC/NCEMC/NOVEC-VEPCO 2.28 and the Joint Customers have sufficient time to review and analyze the responses to independently verify that they should be included in the transmission rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.55, and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.55 (EG).xlsx)

**11. Transmission Plant Additions, FERC Account 352, Structures and Improvements – Discovery Request Outstanding.**

VEPCo has not provided a response to ODEC/NCEMC/NOVEC-VEPCO 2.29, Transmission Plant Additions, FERC Account 352, Structures and Improvements related to the following seventy-one Work Orders totaling \$219,719,178:

- a. Work Order No: 76475.V1, SUBSTRUCTURE in the amount of \$216,491;
- b. Work Order No: 944685.V2, South Anna – I/S INFRASTRUCTURE in the amount of \$1,594,441;
- c. Work Order No: 944711.V2, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$494,529;
- d. Work Order No: 944915.V1, FENCE in the amount of \$8,537,128;
- e. Work Order No: 944915.V1, FENCE in the amount of \$733,225;
- f. Work Order No: 944916.V1, FENCE in the amount of \$7,564,695;
- g. Work Order No: 944916.V2, Front Royal- Infrastructure Installation in the amount of \$2,223,412;
- h. Work Order No: 944918.V2, FUEL TANK in the amount of \$166,806;
- i. Work Order No: 944918.V2, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$719,897;
- j. Work Order No: 945003.V1, Cunningham-I/S Communications Network-VP in the amount of \$286,045;
- k. Work Order No: 946226.V1, Rawlings – I/S Physical Security Barrier in the amount of \$8,524,690;
- l. Work Order No: 946226.V1, Rawlings – I/S Physical Security Barrier in the amount of \$967,400;
- m. Work Order No: 946226.V1, Rawlings – I/S Physical Security Barrier in the amount of \$717,827;
- n. Work Order No: 946226.V2, Rawlings – Infrastructure Installation in the amount of \$3,522,305;
- o. Work Order No: 948097.V1, BATTERY WITH RACK, SET OF in the amount of \$313,768;
- p. Work Order No: 948097.V1, MICROWAVE RADIO in the amount of \$1,367,134;

- q. Work Order No: 948097.V1, Microwave Tower in the amount of \$537,889;
- r. Work Order No: 948098.V1, MICROWAVE RADIO in the amount of \$272,828;
- s. Work Order No: 948145.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$2,176,221;
- t. Work Order No: 948201.V, Locks – ET Mobile Storage Facility in the amount of \$9,073,212;
- u. Work Order No: 948201.V, Locks – ET Mobile Storage Facility in the amount of \$960,905;
- v. Work Order No: 948243.V1, BATTERY WITH RACK, SET OF in the amount of \$242,895;
- w. Work Order No: 948243.V1, EMERGENCY GENERATOR in the amount of \$350,848;
- x. Work Order No: 948243.V1, MICROWAVE RADIO in the amount of \$1,079,532;
- y. Work Order No: 948243.V1, Microwave Tower in the amount of \$971,579;
- z. Work Order No: 948383.V1, General Construction Costs in the amount of \$212,735;
- aa. Work Order No: 948620.V1, I/S Security Fence at Churchland Sub in the amount of \$5,336,161;
- bb. Work Order No: 948620.V1, I/S Security Fence at Churchland Sub in the amount of \$409,227;
- cc. Work Order No: 948620.V2, Infrastructure at Churchland Sub in the amount of \$2,287,943;
- dd. Work Order No: 948621.V1, Northeast Sub - I/S Security Fence in the amount of \$5,786,625;
- ee. Work Order No: 948621.V1, Northeast Sub - I/S Security Fence in the amount of \$533,802;
- ff. Work Order No: 948670.V1, CABLES, EACH CONTINUOUS CIRCUIT RUN in the amount of \$399,315;
- gg. Work Order No: 948703.V1, ROOF-EACH LEVEL & EACH LATERAL EXT in the amount of \$830,494;
- hh. Work Order No: 948706.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$222,698;

- ii. Work Order No: 948791.V1, Surry – R/P G1 & G2 MW Mtr in the amount of \$1,047,988;
- jj. Work Order No: 948793.V10, Fentress Sub – Sightlogix Camera in the amount of \$208,401;
- kk. Work Order No: 948793.V12, Suffolk Sub – Sightlogix Camera in the amount of \$266,250;
- ll. Work Order No: 948793.V14, Yadkin Sub – Sightlogix Camera in the amount of \$309,294;
- mm. Work Order No: 948793.V15, Mt. Storm – Sightlogix Camera in the amount of \$707,193;
- nn. Work Order No: 948793.V16, Dooms Sub – Sightlogix Camera in the amount of \$261,757;
- oo. Work Order No: 948793.V21, Valley Sub – Sightlogix Camera in the amount of \$247,185;
- pp. Work Order No: 948793.V3, Carson Sub – Sightlogix Camera in the amount of \$240,268;
- qq. Work Order No: 948793.V6, Cunningham Sub – Sightlogix Camera in the amount of \$328,971;
- rr. Work Order No: 948793.V7, Elmont Sub – Sightlogix Camera in the amount of \$238,889;
- ss. Work Order No: 948793.V9, Midlothian Sub – Sightlogix Camera in the amount of \$230,079;
- tt. Work Order No: 948839.V1, Northern Neck ? Install Oil Containment in the amount of \$185,637;
- uu. Work Order No: 948845.V1, Bearskin ? Install Oil Containment in the amount of \$422,733;
- vv. Work Order No: 948848.V1, North Anna Office Expansion in the amount of \$1,163,506;
- ww. Work Order No: 992436.V1, POLE, WOOD, STEEL OR CONCRETE in the amount of \$277,463;
- xx. Work Order No: 992436.V1, POLE, WOOD, STEEL OR CONCRETE in the amount of \$277,463;

- yy. Work Order No: 992466.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$10,606,921;
- zz. Work Order No: 992593.V1, SUBSTRUCTURE in the amount of \$4,845,561;
- aaa. Work Order No: 992634.V1, SUBSTRUCTURE in the amount of \$1,572,768;
- bbb. Work Order No: 992634.V1, SUBSTRUCTURE in the amount of \$1,572,769;
- ccc. Work Order No: 992672.V1, FENCE in the amount of \$494,507;
- ddd. Work Order No: 992672.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$735,421;
- eee. Work Order No: 992683.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$963,408;
- fff. Work Order No: 992690.V1, MNR STRCT/BLD'G-COMplete in the amount of \$1,290,796;
- ggg. Work Order No: 992690.V4, FENCE in the amount of \$1,842,091;
- hhh. Work Order No: 992708.V5, 08978 RETAINING WALL, DIKE BULKHEAD or Wind Wall in the amount of \$383,617;
- iii. Work Order No: 992736.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$3,106,349;
- jjj. Work Order No: 992736.V3, SUBSTRUCTURE in the amount of \$4,484,850;
- kkk. Work Order No: 992746.V1, FENCE in the amount of \$304,812;
- lll. Work Order No: 992746.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$2,583,589;
- mmm. Work Order No: 992785.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$1,150,636;
- nnn. Work Order No: INNSLAB.1.1, Design\* in the amount of \$34,483,131;
- ooo. Work Order No: INNSLAB.1.1, Design\* in the amount of \$3,823,153;
- ppp. Work Order No: INNSLAB.1.2, Electrical\* in the amount of \$4,376,683;
- qqq. Work Order No: INNSLAB.1.3, Finishes, Furniture, Etc.\* in the amount of \$2,440,530;
- rrr. Work Order No: INNSWESTRENO.1, Renovation Project at Innsbrook in the amount of \$61,511,298; and
- sss. Work Order No: Conversion, 5371010-0000-1000 in the amount of \$1,098,512.

Joint Customers challenge the inclusion of these seventy-one Work Orders in the transmission rate base, until the Company provides the response to ODEC/NCEMC/NOVEC-VEPCO 2.29 and the Joint Customers have sufficient time to review and analyze the responses to independently verify that they should be included in the transmission rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.55, and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.55 (EG).xlsx)

**12. Transmission Plant Additions, FERC Account 353, Station Equipment – Discovery Request Outstanding.**

VEPCo has not provided a response to ODEC/NCEMC/NOVEC-VEPCO 2.30, Transmission Plant Additions, FERC Account 352, Structures and Improvements related to the following ninety-seven Work Orders totaling \$168,835,181:

- a. Work Order No: 06-3552-A.V1, White Oak Substation - VP in the amount of \$853,329;
- b. Work Order No: 06-3622-A.V1, White Oak Sub- 2A in the amount of \$770,824;
- c. Work Order No: 62588.V27, R/P FIBER 551/2 ? 3 in the amount of \$179,884;
- d. Work Order No: 62588.V28, R/P FIBER 535/360 ? 362 in the amount of \$149,479;
- e. Work Order No: 76474.V1, POLE (FOR SUBSTATION STRUCTURE) in the amount of \$1,129,127;
- f. Work Order No: 79995.V1, POLE, STEEL in the amount of \$730,017;
- g. Work Order No: 80681.V1, POLE, STEEL in the amount of \$426,187;
- h. Work Order No: 83434.V1, DISCONNECT SWITCH in the amount of \$457,703;
- i. Work Order No: 83443.V1, DISCONNECT SWITCH in the amount of \$313,773;
- j. Work Order No: 85978.V1, Ln 230 #3 & 69 #4 RP Pmp Plnt Pentagon in the amount of \$2,853,683;
- k. Work Order No: 85978.V2, Pentagon Sub in the amount of \$688,716;
- l. Work Order No: 944342.V1, MULTI-FNCT PRTCT'N UNIT/MOD CNTRL U in the amount of \$511,350;
- m. Work Order No: 944442.V1, CABLES, EACH CONTINUOUS CIRCUIT RUN in the amount of \$1,206,147;
- n. Work Order No: 944442.V1, CABLE TROUGH OR CABLE TRENCH in the amount of \$325,871;

- o. Work Order No: 944711.V2, POTENTIAL TRANSFORMER in the amount of \$811,629;
- p. Work Order No: 944713.V2, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$738,405;
- q. Work Order No: 944916.V10, Front Royal Station Service Upgrade - VP in the amount of \$799,771;
- r. Work Order No: 945021.V1.5, Fentress – R/P Bushings Tx #1 & Spare in the amount of \$1,716,368;
- s. Work Order No: 945024.V1.6, Bath Co 500 – Redundant Communications in the amount of \$1,241,197;
- t. Work Order No: 945179.V3, Oakwood Sub – Security Package in the amount of \$408,374;
- u. Work Order No: 945207.V2, Taussig Sub – Internal Improvements in the amount of \$706,729;
- v. Work Order No: 945224.V1, Cushaw Sub – E-Spare Tx Purchase - VP in the amount of \$616,723;
- w. Work Order No: 945224.V1, Cushaw Sub – E-Spare Tx Purchase - VP in the amount of \$381,311;
- x. Work Order No: 945225.V2, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$687,275;
- y. Work Order No: 946227.V1, Rogers Rd-I/S Physical Security Barrier in the amount of \$5,902,269;
- z. Work Order No: 948078.V1, Ox – R/P Bushings 500kV TX #2 - VP in the amount of \$2,156,520;
- aa. Work Order No: 948083.V1, Everetts – R/P Bushings 500kV SR #1- VP in the amount of \$546,276;
- bb. Work Order No: 948131.V1, FUSE ASSEMBLY in the amount of \$347,629;
- cc. Work Order No: 948131.V1, CIRCUIT SWITCHER in the amount of \$410,888;
- dd. Work Order No: 948145.V3, MULTI-FNCT PRTCT'N UNIT/MOD CNTRL U in the amount of \$197,851;
- ee. Work Order No: 948215.V1, Bull Run – Upgrade LN 134 Relays - VP in the amount of \$578,287;

- ff. Work Order No: 948258.V1, Rocky Mountain – Security Upgrade - VP in the amount of \$352,226;
- gg. Work Order No: 948294.V1, Thrasher – R/P Switch 211035 - VP in the amount of \$434,593;
- hh. Work Order No: 948345.V4, TRANSFORMER, POWER in the amount of \$3,572,865;
- ii. Work Order No: 948369.V1, Clifton – Purchase Spare Transformer - VP in the amount of \$887,194;
- jj. Work Order No: 948379.V2, GIS Bus#2&Bus#4 Ext. (Closing Element) in the amount of \$54,595,497;
- kk. Work Order No: 948440.V1, TRANSFORMER, POWER in the amount of \$3,597,074;
- ll. Work Order No: 948442.V1, Harrisonburg – R/P TX #4 - VP in the amount of \$4,475,927;
- mm. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$2,271,121;
- nn. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$1,105,218;
- oo. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$831,782;
- pp. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$798,172;
- qq. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$317,854;
- rr. Work Order No: 948443.V1, Peninsula – R/P TX #4 – VP in the amount of \$310,024;
- ss. Work Order No: 948509.V1, CIRCUIT BREAKER in the amount of \$981,642;
- tt. Work Order No: 948541.V1, AIR CIRCUIT BREAKER in the amount of \$1,347,764;
- uu. Work Order No: 948547.V1, Pentagon – R/P ABB Breakers in the amount of \$4,429,189;
- vv. Work Order No: 948547.V1, Pentagon – R/P ABB Breakers in the amount of \$354,760;
- ww. Work Order No: 948551.V1, Northern Neck – R/P TX #4 in the amount of \$2,917,800;
- xx. Work Order No: 948552.V1, Altavista – R/P TX #4 in the amount of \$4,332,923;
- yy. Work Order No: 948552.V1, Altavista – R/P TX #4 in the amount of \$324,358;
- zz. Work Order No: 948552.V1, Altavista – R/P TX #4 in the amount of \$203,963;

- aaa. Work Order No: 948588.V1, R/P E-Spare Bushing at Suffolk Sub in the amount of \$751,520;
- bbb. Work Order No: 948589.V1, Northeast – R/P TX#9 Bushing in the amount of \$876,258;
- ccc. Work Order No: 948604.V1, Altavista Upgrade Station Service in the amount of \$641,613
- ddd. Work Order No: 948621.V2, Northeast Sub – I/S Infrastructure in the amount of \$1,138,028;
- eee. Work Order No: 948632.V1, AIR CIRCUIT BREAKER in the amount of \$3,374,531;
- fff. Work Order No: 948635.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$573,498;
- ggg. Work Order No: 948639.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$651,815;
- hhh. Work Order No: 948640.V1, CABINET in the amount of \$1,079,596;
- iii. Work Order No: 948641.V1, CABINET in the amount of \$732,096;
- jjj. Work Order No: 948644.V1, Ladysmith Sub-I/S EMP Enclosure in the amount of \$551,598;
- kkk. Work Order No: 948646.V1, Septa Sub-I/S EMP Enclosure in the amount of \$392,811;
- lll. Work Order No: 948651.V1, R/P 230kV Spare Tx Bushing Elmont Sub in the amount of \$1,061,940;
- mmm. Work Order No: 948652.V1, R/P TX#3 Bushing at Gainesville Sub in the amount of \$651,625;
- nnn. Work Order No: 948659.V1, FAULT REC, MAGNETIC TAPE OR OSCILLO in the amount of \$373,753;
- ooo. Work Order No: 948686.V1, CIRCUIT BREAKER in the amount of \$2,903,623;
- ppp. Work Order No: 948686.V1, CIRCUIT BREAKER in the amount of \$1,219,348;
- qqq. Work Order No: 948692.V1, North Anna R/P 500kV Brkrs 57502 & XT573 in the amount of \$1,923,402;
- rrr. Work Order No: 948692.V2, North Anna – R/P 500kV Breaker XT573 in the amount of \$2,251,974;

- sss. Work Order No: 948694.V1, Clover – I/S SS PVTs & R/M 480 in the amount of \$2,885,982;
- ttt. Work Order No: 948695.V1, Septa ? R/P QMBs & TOs in the amount of \$1,054,545;
- uuu. Work Order No: 948700.V1, BATTERY CHARGER/BAT CHARGING SET in the amount of \$347,457;
- vvv. Work Order No: 948713.V1, Surry Sub – R/P Breaker 56702 in the amount of \$1,894,076;
- www. Work Order No: 948713.V1, Surry Sub – R/P Breaker 56702 in the amount of \$397,081;
- xxx. Work Order No: 948714.V1, Surry Sub – R/P Breaker 53102 in the amount of \$1,491,112;
- yyy. Work Order No: 948714.V2, Surry Sub – R/P CB 531T582 and CT'S in the amount of \$1,609,876;
- zzz. Work Order No: 948721.V1, R/P Switch at Tarboro Sub in the amount of \$521,306;
- aaaa. Work Order No: 948724.V1, CIRCUIT BREAKER in the amount of \$1,302,671;
- bbbb. Work Order No: 948781.V1, Mackeys – R/P TX#9 Bushing in the amount of \$1,487,932;
- cccc. Work Order No: 948784.V1, Ox – R/P TX#3 Bushing in the amount of \$553,670;
- dddd. Work Order No: 948811.V1, CIRCUIT BREAKER in the amount of \$1,169,277;
- eeee. Work Order No: 948832.V1, DISCONNECT SWITCH in the amount of \$663,894;
- ffff. Work Order No: 948897.V3, Locks Purchase Mob Satcom 3rd TX in the amount of \$2,382,573;
- gggg. Work Order No: 949011.V1, Hopewell Sub – R/P H734M Switch in the amount of \$888,568;
- hhhh. Work Order No: 949038.V1, Sewells Point Sub in the amount of \$788,756;
- iiii. Work Order No: 949084.V1, North Anna Sub – R/P Arresters in the amount of \$576,513;
- jjjj. Work Order No: 949119.V1, South Anna NUG Sub in the amount of \$472,501;
- kkkk. Work Order No: 949150.V1, Northern Neck Sub – I/S Circuit Switcher in the amount of \$864,889;

- llll. Work Order No: 992466.V1, EQUIP ENCL/CABINET-NOT PART OF STRU in the amount of \$550,588;
- mmmm. Work Order No: 992510.V1, CIRCUIT SWITCHER in the amount of \$1,796,650;
- nnnn. Work Order No: 992648.V1, Plaza Sub in the amount of \$960,695 (Excel row 5344);Work Order No: 992668.V1, MINOR STRUCTURE/ BUILDING - CMPLT in the amount of \$1,683,592;
- oooo. Work Order No: 992765.V4, Line 2201 Clubhouse ? Dry Bread in the amount of \$3,043,655;
- pppp. Work Order No: 992765.V4, Line 2201 Clubhouse ? Dry Bread in the amount of \$349,636;
- qqqq. Work Order No: 992785.V1, CABLE TROUGH OR CABLE TRENCH in the amount of \$463,835;
- rrrr. Work Order No: INNSLAB.1.4, IT\* in the amount of \$798,904; and
- ssss. Work Order No: INNSLAB.1.4, IT\* in the amount of \$361,076.

Joint Customers challenge the inclusion of these ninety-seven Work Orders in the transmission rate base, until the Company provides the response to ODEC/NCEMC/NOVEC-VEPCO 2.30 and the Joint Customers have sufficient time to review and analyze the responses to independently verify that they should be included in the transmission rate base in the transmission formula rates for both the VEPCo Formula Rate 2024 Annual Update and 2022 True-Up. (See also ODEC/NCEMC/NOVEC-VEPCO 1.55, and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.55 (EG).xlsx)

**13. Manual Idylwood 992379.V2 Transfer from Distribution Account No. 362 to Transmission Account No. 353.**

VEPCo made a Manual Transfer of \$41,682,725.83 related to a transmission capital project placed into service during October 2022 as a Distribution project. The Company also made a Manual Transfer of \$2,138,664.10 related to Sales and Use Tax. (ODEC/NCEMC/NOVEC-VEPCO 2.31) VEPCo did not provide any supporting documentation to support the transfer from Distribution to Transmission.

Joint Customers challenge the Manual Transfers until the Company provides supporting documentation, including a “one-line diagram” for the capital project and the Joint Customers have sufficient time to review and analyze the such supporting documentation and “one-line diagram” to independently verify that they should be included in transmission plant. (See also Attachment

ODEC\_NCEMC\_NOVEC-VEPCO Set 2.31 (EG).xlsx, ODEC/NCEMC/NOVEC-VEPCO 1.55, and Attachment ODEC\_NCEMC\_NOVEC-VEPCO Set 1.55 (EG).xlsx)

#### **14. Federal Consolidated Tax Returns – Failure to reflect Consolidated Tax Benefits.**

The Company stated in response to ODEC/NCEMC/NOVEC-VEPCO 2.43.c “VEPCO follows the FERC standalone methodology provided in the Response to Question 17 of FERC Docket AI93-5-000 issued in April 1993; therefore, VEPCO’s ADIT is based solely on the temporary differences between the book and tax basis of its assets and liabilities.” The Company in response to ODEC/NCEMC/NOVEC-VEPCO 1.98(a&b) “Consolidated Tax Returns for Federal Income Taxes”, stated: “VEPCO calculates its income tax liability on a **stand-alone basis and is precluded from including any tax benefits or burdens from its affiliates in the calculation of ratemaking income tax expense which is consistent with the FERC standalone methodology provided in the Response to Question 17 of FERC Docket AI93-5-000 issued in April 1993.**” [emphasis added]

The Joint Customers position is that VEPCo has mis-interpreted FERC Docket AI93-5-000 in the Response to Question 17. The response to Question 17 states:

The FERC has issued several decisions rejecting the use of the separate return method for determining income tax expense when an entity files as part of a consolidated group. Instead, the FERC relies on the standalone method of allocating income taxes between members of a consolidated group. **Under the standalone method the consolidated tax expense is allocated to individual members through recognition of the benefits/burdens contributed by each member of the consolidated group to the consolidated return. Under the standalone method, the sum of amounts allocated to individual members equal the consolidated amount.** [emphasis added]

As stated above, FERC’s “standalone method” for the consolidated tax expense is allocated to the individual members through recognition of the benefits/burdens contributed by each member of the consolidated group to the consolidated return. Therefore, The FERC’s “standalone method” **does include the tax benefits or burdens from the consolidated tax return.** VEPCo appears to actually be using the “separate return method” which **does not recognize the consolidated federal tax returns “benefits/burdens” which result from the participation in consolidated federal tax returns.**

Therefore, Joint Customers challenge VEPCo’s usage of what is actually a “separate return method” which **does not** allow the tax benefits or burdens to be allocated to the individual members in lieu of the FERC “standalone method.”