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
2022 Annual Update and 2020 True-Up Adjustment

December 16, 2021

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 2022 Annual Update and 2020 True-Up.

A. OUTSTANDING PRELIMINARY CHALLENGE ISSUES

1. Impairments and Abandonment of Certain Coal- and Oil-Fired Generating Units and the charge to Transmission Plant FERC Account No. 403 – Depreciation Expense for the associated transmission plant facilities.

VEPCo recorded approximately $13.378 million in transmission depreciation expenses associated with the Abandonment of certain coal- and oil-fired generating units during 2020. (Information Request No. ODEC/NCEMC/NOVEC-VEPCO 1.8) It is Joint Customers' understanding that VEPCo did not request permission from FERC to reflect the 100% write-off of the Plant Abandonment of certain coal- and oil-fired generating units assets and the associated transmission assets to depreciation expense, to be allocated to transmission customers in the OATT annual formula rate update. The impairments and abandonment of the associated transmission assets along with the certain coal- and oil-fired generating units to depreciation expense in the current year may be appropriate for GAAP purposes and for the Virginia State Corporation Commission ("SCC") and the North Carolina Utilities Commission, but prior to inclusion of the 100% write-off of these Plant Abandonment of both the certain coal- and oil-fired generating units and the associated transmission assets to depreciation expense and the inclusion of these abandonment charges potentially impacting the GP and NP allocators in the transmission formula rates, VEPCo must first seek FERC's approval.

VEPCo in response to Information Request No. ODEC/NCEMC/NOVEC-VEPCO Set 1.95.(a-d) stated:

> "The Company's accounting treatment is the result of application of FERC regulations to the unusual circumstances at play, including market factors, Virginia legislation regarding the retirement of fossil fuel-fired generating plants and environmental regulations. The generation units in question have not been retired

and are still operating. In anticipation of their retirement, Virginia legislation provides that the unamortized plant balances were deemed recovered in the period charged.

Electric Plant Instruction No. 10 requires the cost of retired plant and the related accumulated depreciation to be removed from the plant accounts and the undepreciated balance of such plant to be charged to accumulated depreciation when the plant is retired - *i.e.*, FERC requires impairment losses to be credited to accumulated depreciation. In terms of the FERC income statement, Section D of the FERC description of account 182.2 notes: "In the event that the recovery of costs included herein is disallowed in the rate proceedings, the disallowed costs shall be charged to account 426.5, Other Deductions, or account 435, Extraordinary Deductions, in the year of such disallowance." Note that the Company did not in fact reclassify any related plant costs to 182.2, because as noted above, such costs were deemed fully recovered.

The Commission's accounting regulations provide that Depreciation, as applied to depreciable electric plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and *requirements of public authorities*." (emphasis added). Considering these factors, VEPCO concluded that the debit for plant in service items being abandoned should be recorded to 403-Depreciation, since the abandoned facilities lost value/became obsolete as a result of market factors, new environmental regulations and legislation.

The Company ruled out Account 426.5 (Other Deductions) because this account is generally used for disallowed costs and losses on securities write-downs or losses on investment sales but the costs at issue are specifically deemed recovered in the period charged to income under Virginia legislation, not recovered in future periods.

The Company did not request FERC authorization to record the plant retirements in this manner because the Company did not employ Account 182.2."

VEPCo when quoting the FERC Uniform System of Accounts ("USOA") description of Account 182.2 failed to include Sections A through C where it states:

A. This account shall include: (1) Nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants in service, transferred from account 183, Preliminary Survey and Investigation Charges, and not resulting in construction; and (2) when **authorized by the Commission**, **significant unrecovered costs of plant facilities** where construction has been cancelled or which have been **prematurely retired**. [**bold added**]

B. This **account shall be credited and account 407, Amortization of Property Losses**, **Unrecovered Plant** and Regulatory Study Costs, shall be debited over the period specified by the **Commission**. [**bold added**]

C. Any additional costs incurred, relative to the cancellation or **premature retirement**, may be included in this account and **amortized over the remaining period of the original amortization period**. Should any gains or recoveries be realized relative to the cancelled or **prematurely retired plant**, such amounts shall be used to reduce the unamortized amount of the costs recorded herein.

To be clear, the "Commission" referred to above in Sections A and B is FERC and not any other regulatory body or bodies. The unrecovered costs of plant facilities in this instance are the certain coal- and oil-fired generating units and the associated transmission facility assets. The net costs of associated transmission facility assets that are unrecovered are approximately $13.378 million which would be considered "significant" unrecovered costs of the transmission plant facilities.

VEPCo erred by not following FERC guidelines on "Unrecovered Plant" as discussed in Sections A through C of FERC Account 182.2 – Unrecovered plant and regulatory study costs.

The Joint Customers believe that FERC's precedent under Order No. 618 provides that companies may change depreciation estimates for accounting purposes without prior FERC approval. However, for ratemaking purposes FERC approval is necessary prior to including changes in depreciation estimates in wholesale rates.

The Joint Customers are concerned that VEPCo failed to request authority from FERC prior to including the 100% write-off of the Plant Abandonment or Impairment costs of these certain coal- and oil-fired generating units and associated transmission facility assets in depreciation expense in the 2020 Transmission Formula Annual Update. FERC has jurisdiction over the wholesale transmission formula rate recovery of the transmission facility assets depreciation expense associated with the Plant Abandonment or Impairment costs of these certain coal- and oil-fired generating units. VEPCo, for the transmission formula rates, should reverse the recording of all the charges for impairments or reductions to the net book value of assets included in both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up and refund to the transmission customers the impact of such reversal, plus interest. (*See* also Information Request Nos. ODEC/NCEMC/NOVEC-VEPCO 1.96, 1.97, and 2.4)

2. Impairments and Abandonment of AMR meters to FERC Account No. 403 – General Plant Depreciation Expense.

VEPCo recorded approximately $2.859 million in general plant depreciation expenses associated with the Abandonment of AMR meters during 2020. (Information Request No. ODEC/NCEMC/NOVEC-VEPCO 1.8) It is Joint Customers' understanding that VEPCo did not request permission from FERC to reflect the 100% write-off of the Abandonment of AMR meters in the general plant depreciation expense allocated to transmission customers in the OATT annual formula rate update. The abandonment of these AMR meters to depreciation expense in the current year may be appropriate for GAAP purposes and for the Virginia State Corporation Commission ("SCC") and the North Carolina Utilities Commission, but prior to inclusion of the 100% write-off of the Plant Abandonment of these related General Plant assets (AMR meters) as abandoned plant to general plant depreciation expense and the inclusion of these abandonment charges in transmission formula rates, VEPCo must first seek FERC's approval. (See Outstanding Preliminary Challenge Issue B.1.)

The Joint Customers believe that FERC's precedent under Order No. 618 provides that companies may change depreciation estimates for accounting purposes without prior FERC approval. However, for ratemaking purposes FERC approval is necessary prior to including changes in depreciation estimates in wholesale rates.

The Joint Customers are concerned that VEPCo failed to request authority from FERC prior to including the 100% write-off of the Plant Abandonment of the AMR meters in general plant depreciation expense included in the 2020 Transmission Formula Annual Update. FERC has jurisdiction over the wholesale transmission formula rate recovery of General Plant assets depreciation expense associated with the allocation of such Plant Abandonment costs for these AMR meters. VEPCo, for the transmission formula rates, should reverse the recording of all the charges for the AMR meters abandonment charges included in the wholesale transmission formula rate for 2020 and refund to the transmission customers the impact of such reversal, plus interest for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. (*See* also Information Request Nos. ODEC/NCEMC/NOVEC-VEPCO 1.95, 1.96, 1.97, and 2.4)

3. DES Interest Expense recorded to FERC Account 921.

VEPCo recorded $836,473 in interest expenses allocated from DES in FERC Account 921 which related to interest associated with borrowings related to the consolidated Dominion System Money Pool (Pool). VEPCo in response to ODEC/NCEMC/NOVEC-VEPCO 2.15.e, stated:

> "The expenses allocated by DES to DEV in FERC 921 relate to interest associated with borrowings related to the consolidated Dominion System Money Pool (Pool). This internal Pool is used for short-term cash flow requirements. Per the FERC Uniform System of Accounts (USOA) (eCFR :: 18 CFR Part 101 -- Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act), interest associated with the Pool does [not] meet the definition of FERC 430 and 431. The DES allocated interest expenses incurred are in connection with the general administration of the DEV's operations and such costs are not specifically provided for in other FERC accounts, thus in accordance with the USOA these costs have been recorded in FERC 921."

The Joint Customers believe that VEPCo appears to have failed to fully read the USOA definition of FERC Account 430, Interest on Debt to Associated Companies, Section A where it states:

> "This account shall include the interest accrued on amounts included in account 223, Advances from Associated Companies, **and on all other obligations to associated companies**." [bold added]

The Joint Customers also believe that VEPCo appears to have failed to fully read the USOA definition of FERC Account 223, Advances from Associated Companies, Section A where it states:

"This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. **It does not include notes and open accounts representing indebtedness subject to current settlement which are includible in account 233, Notes Payable to Associated Companies, or account 234, Accounts Payable to Associated Companies.**" [bold added]

It is the Joint Customers opinion that the internal Pool would be classified by FERC as either being includible in either FERC Account 234, Accounts Payable to Associated Companies, or Account 233, Notes Payable to Associated Companies and that the internal Pool obligations are properly included in "all other obligations to associated companies" as defined in FERC Account 430. Therefore, the DES interest expense for the internal Pool (short-term) should be recorded in FERC Account 430. The internal Pool interest expense would then be excluded from the formula rate as reflected in ATT5 – Cost Support 1, at Excel row 191. Furthermore, VEPCo should reclassify all the internal Pool interest expense which the Company had recorded to FERC Account No. 921 for prior periods and determine the impact of the prior periods' overstatements in the calculation of the Company's revenue requirements and provide refunds, plus interest, for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up and any prior year, in which, VEPCo recorded the internal Pool interest expense to FERC Account No. 921, to the transmission customers. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.29)

4. Software and Hardware Purchases in FERC Account 921

VEPCo in response to ODEC/NCEMC/NOVEC-VEPCO 1.29 stated that the 16.8% decrease in Account 921 included: "$4.5 million decrease in software and hardware purchases in 2020 as compared to 2019." The Company appears to be recording certain software and hardware purchases in FERC Account 921, in lieu of capitalizing them and recording them in FERC Account 303, Miscellaneous Intangible Plant. VEPCo has not provided any supporting documentation for the Company's position to record the certain software and hardware purchases in FERC Account 921. Joint Customers were unable to determine the amount of software and hardware that is at issue.

The certain software and hardware costs should be capitalized and should be excluded from FERC Account 921 in both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included.

5. **Environmental Remediation Plan for a VEPCo-owned Site Recorded to Account 923.**

VEPCo recorded $9.941 million in Environmental Remediation Plan expenses in FERC Account 923 from DES. (*See* ODEC/NCEMC/NOVEC-VEPCO 1.31) VEPCo has stated multiple times in responses to Joint Customers related to the provision of detailed listing of the types of services/products, by function, and amount, provided by DES:

> "SAP is Dominion's transactional general ledger system. Initial transactions are in a GAAP general ledger. SAP uses an integrated FERC module to transfer GAAP activity into a FERC general ledger. The transactions feed into the FERC module and post into FERC accounts at a summarized level. Service Type is maintained within the GAAP module of SAP and does not carry over to the FERC module of SAP. Therefore, a breakdown of categories within FERC Account 923 by services or function is not available."

Joint Customers are unable to determine to what utility function the $9.941 million in Environmental Remediation Plan expenses pertain, or if they are properly recorded in FERC Account 923 as defined in the USOA, in Section A:

> "This account shall include the fees and expenses of professional consultants and others **for general services which are not applicable to a particular operating function or to other accounts**…"

The $9.941 million in Environmental Remediation Plan expenses should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.30 and Attachment ODEC_NCEMC_NOVEC-VEPCO Set 1.30 (SM))

6. **DES Billings for $16.024 million recorded to FERC Account 923.**

VEPCo recorded approximately $16.024 million of expenses from DES Billings to FERC Account 923. When asked to provide the detailed description by types of services/products, by function, and amount, (ODEC/NCEMC/NOVEC-VEPCO 2.17), VEPCo responded:

> "SAP is Dominion's transactional general ledger system. Initial transactions are in a GAAP general ledger. SAP uses an integrated FERC module to transfer GAAP activity into a FERC general ledger. The transactions feed into the FERC module and post into FERC accounts at a summarized level. Service Type is maintained within the GAAP module of SAP and does not carry over to the FERC module of SAP. Therefore, a breakdown of categories within FERC Account 923 by services or function is not available."

Joint Customers are unable to determine that these transactions are properly recorded in FERC Account 923, (*i.e.*, if they are for **general services**, or if they pertain to a specific utility operating function and therefore should be recorded to other FERC functional Accounts).

The approximate $16.024 million in DES Billings for which the Company was unable to provide the requested supporting documentation should be excluded from the transmission formula rates for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up until such time that VEPCo provides the supporting documentation that such expenses should be included. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.31)

7. **Industry Association Dues Recorded to FERC Account 930.2.**

VEPCo recorded $16,112,772 in Industry Association Dues, which the Company recorded to FERC Account 930.2. When asked to provide the detailed descriptions and copies of invoices for the thirty-one (31) largest Industry Association Dues, which total approximately $11.811 million, (ODEC/NCEMC/NOVEC-VEPCO 2.19), VEPCo responded:

> "A detailed description and copies of invoices that comprise of the amounts categorized as Industry Association Dues is not readily available by FERC Account as the Company's current system is not configured to get this information easily. The Company does not include vendor information in its FERC ledger and therefore the requested information would require a significant amount of original work and research and analysis encompassing multiple groups and departments within the Company to possibly obtain all the records and invoices associated with these line items of the Company's response to 1.36. As such, the Company is unable to provide the requested information."

Joint Customers are unable to determine whether these transactions are Industry Association Dues, whether they are properly recorded in FERC Account 930.2, or whether they include "lobbying" expenses which should be recorded in FERC Account 426.4.

The approximate $11.811 million in Industry Association Dues expenses for which the Company was unable to provide the requested supporting documentation should be excluded from the transmission formula rates until such time that VEPCo provides the supporting documentation that such expenses should be included for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.36 and Attachment ODEC_NCEMC_NOVEC-VEPCO Set 1.36-1.39 (NF))

8. **Legal Notices Recorded to Account 930.2.**

Based on the Company's responses to Information Request Nos. ODEC/NCEMC/NOVEC-VEPCO 1.40.a and 2.22, Joint Customers submit that VEPCo has included the costs of Legal Notices primarily for legal, advertising and miscellaneous outside services in the amount of $1,138,276 paid to Virginia Press Services in FERC Account 930.2 in error. Those legal notices should have been recorded to FERC Account 928 Regulatory Commission Expenses and then excluded from the transmission formula rates because they are due State Regulatory Jurisdictional matters and **not** related to FERC jurisdictional rates. The FERC Uniform System of Accounts definition of FERC Account 928 states in Section A:

> "This account shall include **all** expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party…" [bold added]

Therefore, Legal Notices for formal cases before the State Commissions would be appropriately recorded to FERC Account 928, as they are expenses related to such formal cases and then excluded from the transmission formula rates, because transmission customers should not bear "**any**" of the costs that are unrelated to FERC jurisdictional wholesale rates. The Joint Customers believe that VEPCo should exclude these Legal Notices for legal, advertising and miscellaneous outside services from the 2020 True-up Adjustment and the 2022 Annual Update. This adjustment would result in a reduction to both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. VEPCO also should include interest on this adjustment. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.40(a&b) and Attachment ODEC_NCEMC_NOVEC-VEPCO Set 1.40(a) (SM))

9. Affiliate Support Costs Recorded to FERC Account 935.

VEPCo recorded over $21.028 million of affiliate support costs from Dominion Energy Services, Inc. to FERC Account 935 during 2020. VEPCo failed to provide any supporting documentation for the description of the type of support costs were recorded in response to ODEC/NCEMC/NOVEC-VEPCO 2.23(a-c) and Attachment ODEC_NCEMC_NOVEC-VEPCO Set 2.23 (RC).

Joint Customers are unable to determine whether these transactions are properly recorded in FERC Account 935, Maintenance of General Plant, (the book cost of which is includible in FERC Account Nos. 390 – Structures and Improvements, 391 – Office Furniture and Equipment, 397 – Communication Equipment, and 398 – Miscellaneous Equipment), or if they pertain to a utility plant which was recorded to a specific utility operating function and therefore should be recorded to those specific FERC functional Accounts.

The approximate $21.028 million in DES Billings for which the Company was unable to provide the requested supporting documentation should be excluded from the transmission formula rates until such time that VEPCo provides the supporting documentation that such expenses should be included for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.42)

10. Chesterfield/Yorktown Write Offs to FERC Account 403 – Depreciation Expense.

VEPCo recorded approximately $3.000 million in general plant depreciation expenses associated with the Chesterfield/Yorktown write offs during 2020. (Information Request No. ODEC/NCEMC/NOVEC-VEPCO 1.43) It is Joint Customers' understanding that VEPCo did not request permission from FERC to reflect the 100% write-off of the Chesterfield/Yorktown write offs in the general plant depreciation expense allocated to transmission customers in the OATT annual formula rate update. The Chesterfield/Yorktown write offs to depreciation expense in the current year may be appropriate for GAAP purposes and for the Virginia State Corporation Commission ("SCC") and the North Carolina Utilities Commission, but prior to inclusion of the 100% Chesterfield/Yorktown write offs to general plant depreciation expense and the inclusion of these charges in transmission formula rates, VEPCo must first seek FERC's approval. (See Outstanding Preliminary Challenge Issue B.1.)

The Joint Customers believe that FERC's precedent under Order No. 618 provides that companies may change depreciation estimates for accounting purposes without prior FERC approval. However, for ratemaking purposes FERC approval is necessary prior to including changes in depreciation estimates in wholesale rates.

The Joint Customers are concerned that VEPCo failed to request authority from FERC prior to including the 100% Chesterfield/Yorktown write offs in general plant depreciation expense included in the 2020 Transmission Formula Annual Update. FERC has jurisdiction over the wholesale transmission formula rate recovery of General Plant asset depreciation expense associated with the allocation of such write off costs for these Chesterfield/Yorktown assets. VEPCo, for the transmission formula rates, should reverse the recording of all the charges for the Chesterfield/Yorktown write offs charges included in the wholesale transmission formula rate for 2020 and refund to the transmission customers the impact of such reversal, plus interest for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up.

11. Renewable Energy Credits Recorded to FERC Account 303.

VEPCo recorded $4,825,356 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. (*See* ODEC/NCEMC/NOVEC-VEPCO 1.62, Attachment ODEC_NCEMC_NOVEC-VEPCO Set 1.62 (EIG) and ODEC/NCEMC/NOVEC-VEPCO 2.28) VEPCo provided the guidance that the Company follows, which is a redacted "Draft" Memorandum. That "Draft" Memorandum does not provide any supporting "cites" from FERC or third-parties guidance but appears to be only Dominion's position. The Dominion Corporate Accounting Research and Manager, DVP Accounting Services concurred with the Memorandum's conclusion. Therefore, Dominion appears to have not requested approval of its Accounting Treatment for RECs and has recorded them as Intangible Plant since September 1, 2009, without any FERC approval. FERC addressed RECs in 170 FERC ¶ 61,267, P52, and 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**.[88]" [bold added]

The Commission Order went on to state:

> "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.[89] 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.[90] 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."
>
> [88] *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).
> [89] *See* 18 C.F.R. pt. 101, Account 158.1 (2019).
> [90] *See* 18 C.F.R. pt. 101, General Instruction 21 (2019).

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. VEPCo should reclassify the $4,825,356 in RECs to inventory in FERC Account 158.1, along with any unamortized balance of RECs from prior years. Furthermore, VEPCo should reclassify all RECs which the Company had recorded to FERC Account No. 303 for prior periods and determine the impact of the prior periods' overstatements in the calculation of the Company's rate base and provide refunds, plus interest, for any year in which RECs were included in FERC Account No. 303, to the transmission customers for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up.

12. Transmission Plant GSU Additions.

VEPCo recorded approximately $1.413 million of transmission plant additions which appear to be GSU related. The Company did not state that the following assets were included in the GSU Transmission Input Sheet: (a) Work Order No. 85432.1, WC1B GSU H3 BushingReplacement for $250,948.14, and (b) Work Order No. 85434.1, WC1C GSU Removal – WC Spare GSU Replace for $1,161,656.16. (*See* ODEC/NCEMC/NOVEC-VEPCO 2.29(x&y))

These transmission plant additions should be included in the GSU Transmission Input Sheet for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.63 and Attachment ODEC_NCEMC_NOVEC- VEPCO Set 1.63(a) (EIG))

13. Distribution Plant in Transmission Plant Additions.

VEPCo recorded transmission plant additions for Work Order No. 003470.V1, Dupont Sub – I/S11.5kV Breakers for $1,546,874.22, which appeared to be Distribution related. The Company in response to ODEC/NCEMC/NOVEC-VEPCO 2.29(z) stated: "(1) Plant addition for project 003470 Dupont Sub - I/S 11.5kV Breakers, and (2) Plant addition transferred to distribution FERC 3620 in December 2020." The Company did not provide any supporting documentation to reflect that the transfer was completed.

When Joint Customers reviewed the ($2.506) million of Transmission Transfers in response to ODEC/NCEMC/NOVEC-VEPCO 1.65, and Attachment ODEC_NCEMC_NOVEC-VEPCO Set 1.65 (EIG), they were unable to verify VEPCo had completed the Dupont Sub Work Order transfer in 2020.

Joint Customers are concerned that VEPCo failed to complete the Dupont Sub Work Order transfer in 2020 and that the Company should remove the Dupont Sub Work Order from both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up and refund to the transmission customers the impact, plus interest. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.63 and Attachment ODEC_NCEMC_NOVEC- VEPCO Set 1.63(a) (EIG))

14. Distribution Plant in Transmission Plant Additions.

VEPCo recorded transmission plant additions for Work Order No. 403603.V1, VP Sandlot Sub for $7,875,399.86, which appeared to be Distribution related. The Company in response to ODEC/NCEMC/NOVEC-VEPCO 2.29(aa) stated: "(1) Plant addition for project 403603 Sandlot Sub - Two 84MVA Tx IDS 2564, and (2) Plant addition to be transferred to distribution FERC 3620 in 2021." VEPCo did not provide any statements that the Company has agreed to remove the VP Sandlot Sub Work Order from both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up.

VEPCo should remove the VP Sandlot Sub Work Order the Company states will be transferred to distribution FERC 3620 in 2021, in both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up and refund to the transmission customers the impact, plus interest. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.63 and Attachment ODEC_NCEMC_NOVEC- VEPCO Set 1.63(a) (EIG))

15. First Energy Line Purchase Gross Up.

VEPCo recorded transmission plant additions for Work Order Nos. (a) 483333A.V3, FE Line Purchase Gross Up – 483333.V3 for $382,564.91, recorded to FERC Account 353, (b) 483333A.V3, FE Line Purchase Gross Up – 483333.V3 for $135,954.14, recorded to FERC Account 354 and (c) 483333A.V3, FE Line Purchase Gross Up – 483333.V3 for $252,099.86, recorded to FERC Account 356. The Company did not provide a detailed description to support the inclusion of the FE Line Purchase **Gross Ups** amounts to transmission plant to be recovered through the transmission formula rates. (*See* ODEC/NCEMC/NOVEC-VEPCO 2.29(bb, xx, & eee))

The approximate $0.771 million in FE Line Purchase Gross Up amounts for which the Company failed to provide the supporting documentation should be excluded from the transmission formula rates until such time that VEPCo provides the supporting documentation that such expenses should be included for both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up. (*See* also ODEC/NCEMC/NOVEC-VEPCO 1.63 and Attachment ODEC_NCEMC_NOVEC- VEPCO Set 1.63(a) (EIG))

16. PP Landfill Bulkhead Replacement Recorded in General Plant Account 390.

VEPCo recorded approximately $11.535 million in project costs in PP Landfill Bulkhead Replacement additions for Work Order 54816.1, in General Plant 390 in 2020. (ODEC/NCEMC/NOVEC-VEPCO 1.66 and Attachment ODEC_NCEMC_NOVEC- VEPCO Set 1.66 (EIG)). The Company in response to ODEC/NCEMC/NOVEC-VEPCO 2.31(a) stated: "(1) Plant addition for project 54816.1 Possum Point North Shore Stabilization, relating to the installation of drainage system, retaining wall, and culvert, and (2) Plant addition recorded as general based on structures installed. Note, of the $11.5 million addition, $11.4 million was transferred to FERC account 341 – Structures and improvements(Other Production)." The Company did not provide any supporting documentation to reflect that the transfer was completed.

When Joint Customers reviewed the 2020 FERC Form 1, Page 207, Line 87, (390) Structures and Improvements, Column (g), there are no transfer amounts listed. Thus, Joint Customers were unable to verify that VEPCo had completed the Possum Point North Shore Work Order transfer in 2020.

Joint Customers are concerned that VEPCo had not completed the Possum Point North Shore Work Order transfer in 2020 and request that the Company remove the Possum Point North Shore Work Order from both the VEPCo Formula Rate 2022 Annual Update and 2020 True-Up and refund to the transmission customers the impact, plus interest.