

VIRGINIA ELECTRIC AND POWER COMPANY

Adjusted ATRR and the True-Up Adjustment Before Interest for 2022

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

2022 True-Up:

In accordance with Section 2.a. of the Formula Rate Implementation Protocols, Virginia Electric and Power Company (“VEPCO” or “the Company”) is providing the following information¹ to be posted on the www.pjm.com website:

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2022), calculated by applying the methodology set out in Attachment H-16A, Appendix A to VEPCO’s actual costs for that calendar year; and
- (ii) the 2022 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

The adjusted ATRR for the previous calendar year (2022) is provided on Line 168 of Appendix A within the provided Excel file. The 2022 True-Up adjustment before interest is provided on Line E of Attachment 6 within the provided Excel file. A separate Excel file provides related workpapers.

In addition to the above, VEPCO is also providing the adjusted Annual Revenue Requirement for the previous calendar year and True-Up Adjustment before interest for each Annual Revenue Requirement included in Attachment 7 that is calculated in accordance with Attachment H-16A, Attachment 6A. This information is located in Attachment 7 of the provided Excel file.

The 2022 True-Up incorporates the following changes to the formula rate for calendar year 2022:

1. In FERC’s Order No. 864 issued on November 21, 2019, the Commission required revisions to transmission formula rates to address excess and deficient accumulated deferred income taxes (“ADIT”) (“EDIT” and “DDIT,” respectively) by incorporating: (1) a mechanism to deduct any EDIT from or add any DDIT to rate bases (Rate Base Adjustment Mechanism); (2) a mechanism to decrease or increase income tax allowances by any amortized excess or deficient ADIT, respectively (Income Tax Allowance Adjustment Mechanism); and (3) a new permanent ADIT worksheet that will annually track information related to EDIT or DDIT (ADIT Worksheet). Hence, VEPCO filed changes to its formula rate on February 26, 2020, twice supplemented the compliance filing on March 11, 2020 and July 8, 2020, and amended its compliance filing on February 16, 2021. The Commission found on April 27, 2022 that VEPCO’s compliance

¹ Please note that in this instance, the 2022 information being provided herein will not affect transmission rates until January 1, 2024.

filings partially complied with the directives of Order No. 864 and directed further revisions to the Company's formula rate.

In a filing submitted on June 24, 2022, as amended on December 15, 2022 and January 9, 2023, VEPCO proposed revisions to its formula rate to comply with FERC's April 27, 2022 order on compliance which the Commission accepted on March 21, 2023. The resulting changes to VEPCO's formula rate include a new Attachment 5A - EDIT_DDIT which lists the original account balances, demonstrates how each ADIT account was remeasured, and illustrates the resulting excess or deficient ADIT contained therein; a new Attachment 5B - EDIT_DDIT which details the source of protected and unprotected transmission-related ADIT and the FERC accounts to which they have been assigned and supports the remeasurement of amounts in FERC Accounts 190, 282, and 283 at a level of detail by which interested parties can identify the source and verify the EDIT or DDIT resulting from the Tax Cuts and Jobs Act of 2017 or other future tax changes; as well as certain corresponding changes to the existing Attachment 5 - Cost Support 1 referencing the new Attachment 5A and a note explaining the purpose of Attachment 5B. As indicated in the Commission's March 21, 2023 order accepting VEPCO's tariff revisions, these changes became effective January 27, 2020 and January 1, 2021.²

2. On May 11, 2022, VEPCO submitted to the Virginia State Corporation Commission ("VA SCC") Staff a new depreciation rate study performed during 2021 and 2022 for transmission, distribution, and general plant ("Depreciation Study"). The VA SCC Staff issued an acceptance letter for the Depreciation Study on November 30, 2022 which provided that the proposed depreciation rates are accepted for booking purposes and recommended that rates be incorporated effective as of January 1, 2022. Accordingly, in FERC Docket No. ER23-1646, VEPCO submitted to the Commission on April 14, 2023 revisions to its formula rate to update the depreciation rates stated in Attachment 9 as well as the associated transmission facility life input in Attachment 7 of the formula rate. The Commission accepted VEPCO's submittal on June 6, 2023, effective June 14, 2023 in order to ensure that the updated depreciation rates would be incorporated when VEPCO prepared its 2022 True-Up to be included in 2024 rates.

² The tariff revisions accepted by FERC on March 21, 2023 include changes unrelated to the Order No. 864 tariff revisions which became effective January 1, 2021 as part of FERC Docket No. ER22-2443.