

VIRGINIA ELECTRIC AND POWER COMPANY

Adjusted ATRR and the True-Up Adjustment Before Interest for 2018

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

2018 True-Up:

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

- (i) the adjusted annual transmission revenue requirement (“ATRR”) for the previous calendar year (2018), 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 2018 True-Up adjustment before interest, calculated pursuant to Attachment H-16A, Attachment 6.

The adjusted ATRR for the previous calendar year (2018) is provided on line 168 of Appendix A within the provided Excel file. The 2018 True-Up adjustment before interest is provided on Line E of Attachment 6 within the provided Excel file. A separate Excel file provides related work papers.

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 2018 True-Up incorporates the following changes for calendar year 2018:

1. Line 131 on Appendix A of the Formula Rate reflects the reduction in the corporate federal income tax rate pursuant to the 2017 Tax Cuts and Jobs Act, effective January 1, 2018.
2. In Docket No. ER19-839-001, VEPCO submitted a compliance filing in accordance with the order issued by the Federal Energy Regulatory Commission (“FERC”) in Docket No. EL18-167-000 instructing VEPCO to eliminate from its Formula Rate the two-step averaging methodology used to calculate the Accumulated Deferred Income Tax

component of rate base. VEPCO modified Attachments 1B¹ and 1C of its Formula Rate to comply with FERC's directive, and FERC approved these changes by order dated May 16, 2019.

3. VEPCO filed changes to its Formula Rate in Docket No. ER19-1569-000 to address the recovery of certain Materials and Supplies inventory costs resulting from revisions to the reflection of these costs found in Dominion's FERC Form 1, Page 227, beginning with reporting year 2018. The changes to VEPCO's Formula Rate were approved by FERC by letter order dated May 7, 2019.

Please note that in this instance, the 2018 information being provided herein will not affect transmission rates until January 1, 2020.

¹ While Attachment 1B of the Formula Rate Template as approved by FERC inadvertently states, "Applicable to the Projections of 2019 and Later and True-ups of 2019 and Later," the Attachment has been populated and utilized in the calculation of the ATRR for the previous calendar year, 2018.