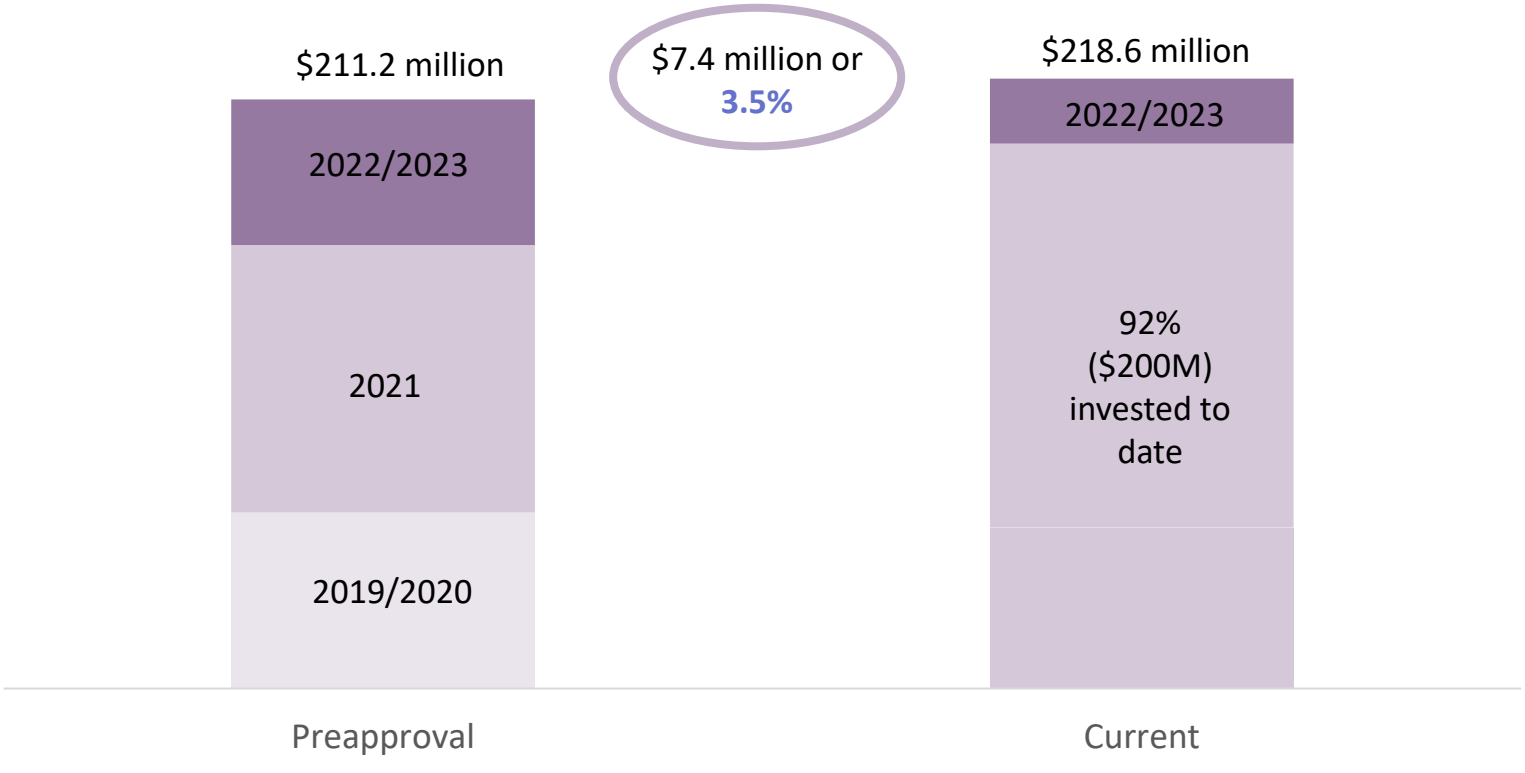
General Rate Case Technical Conference
June 1, 2022

Dominion Energy®

1. Please discuss the cost increase for the LNG facility.



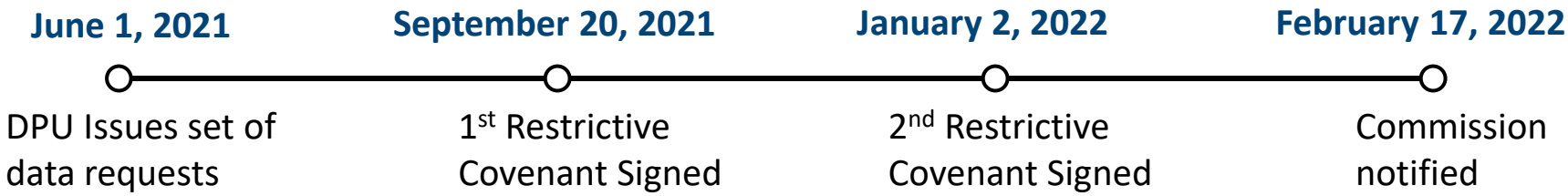
A detailed discussion of the project variance can be found on lines 230-348 of Mendenhall Testimony 1.0

2. Did the $211,157,307 that was originally approved by the Commission include any allowance for cost overrun or contingency? If so, please identify the amount that was included.

	Docket 19-057-13 Feb 2019 Estimate (Approved)	Contractor Chosen May 2020	Today
Project Total	$211.2 Million	$211.2 Million	$218.6 Million
Contingency	$24.1 Million	$4.3 Million	$3.7 Million

Use of contingency and subsequent project increases were driven by extraordinary and unforeseen material cost increases and supply chain delays caused by the pandemic

3. The increase in the thermal expansion zone was identified in the 4th quarter of 2020. Please explain why the requirement change and the potential cost increase were not presented to the Commission until this filing.



Detailed Costs of the restrictive covenants can be found on lines 349-374 of Mendenhall Testimony 1.0

4. Has there been any change in the estimated O & M expense for the LNG facility since the original approval?

No. The $5.2 Million O&M expense remains the same

5. Please discuss and identify the amount of O & M cost that would be removed from the GRC if the electricity cost for the LNG facility is approved to be included in the 191 filing.

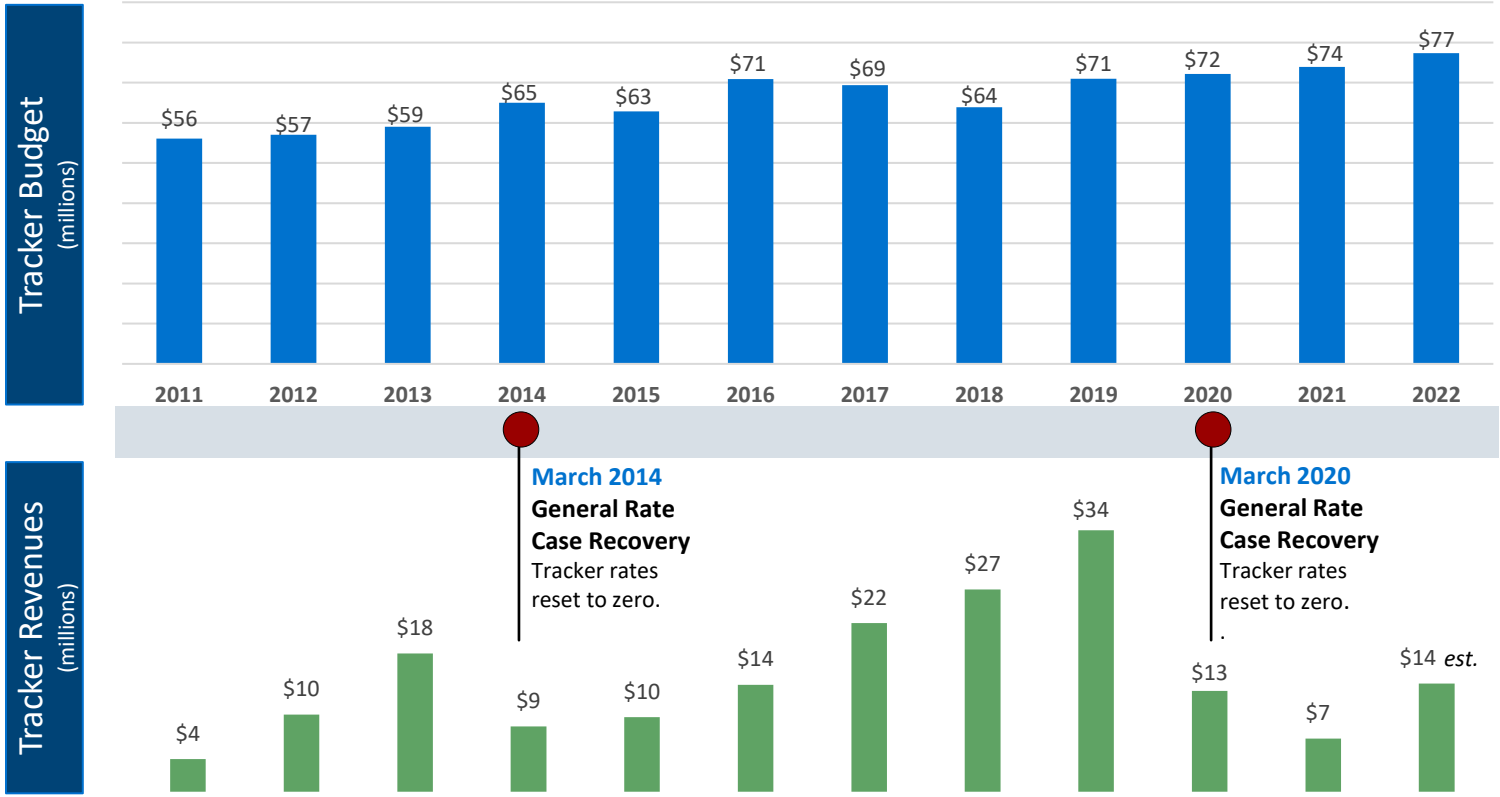
- DEU has proposed that the estimated $2.1 million annual electric costs for liquefaction at the LNG facility be included in the pass through.
  - The annual liquefaction is expected to be variable from year to year
  - Electric rates could be variable from year to year
  - The treatment of injection costs as a supplier non gas cost is similar to the treatment of other injection costs in rates
  - DEU affiliates with LNG facilities recover these electric costs through their PGA mechanisms

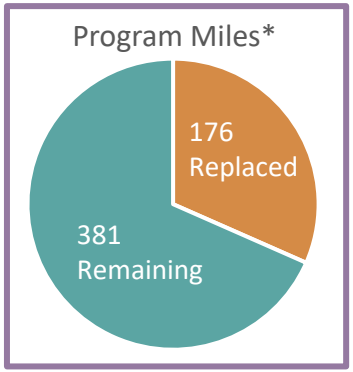
6. Please describe how the LNG facility is anticipated to be used once completed? Is the anticipated usage of the LNG facility different than other storage resources?

Storage Source	Supply	Location	Benefits	Control	Capacity
Clay Basin	Baseload Supply Peak Day Supply	Off System	Summer/Winter Stability Large Supply	Third Party	13.4 Million Dth 111,826 Dth/Day
Aquifers	High Demand Day Supply	Close to City Gate	Can be cycled quickly Price hedging	Third Party	1.9 Million Dth 184,625 Dth/Day
LNG	Backup Supply High Demand Day Supply	On System	Supply Reliability Selective price hedging	DEU	1.2 Million Dth 150,000 Dth/Day

Infrastructure Tracker

Program Overview



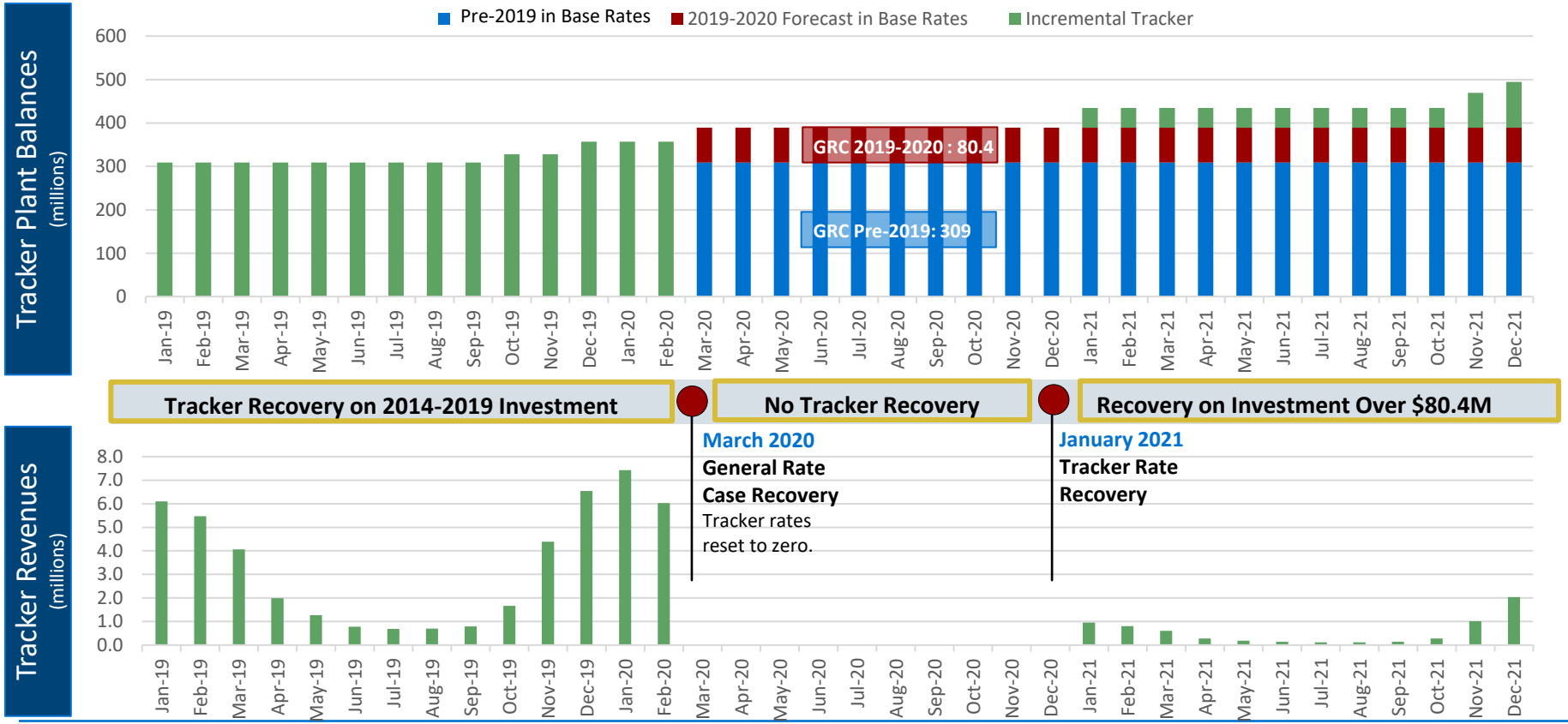


Estimated Program Completion in 2037

*Includes pre-1970 high-pressure and intermediate high-pressure pipe activity through 2020.

Infrastructure Tracker (DPU 7-10)

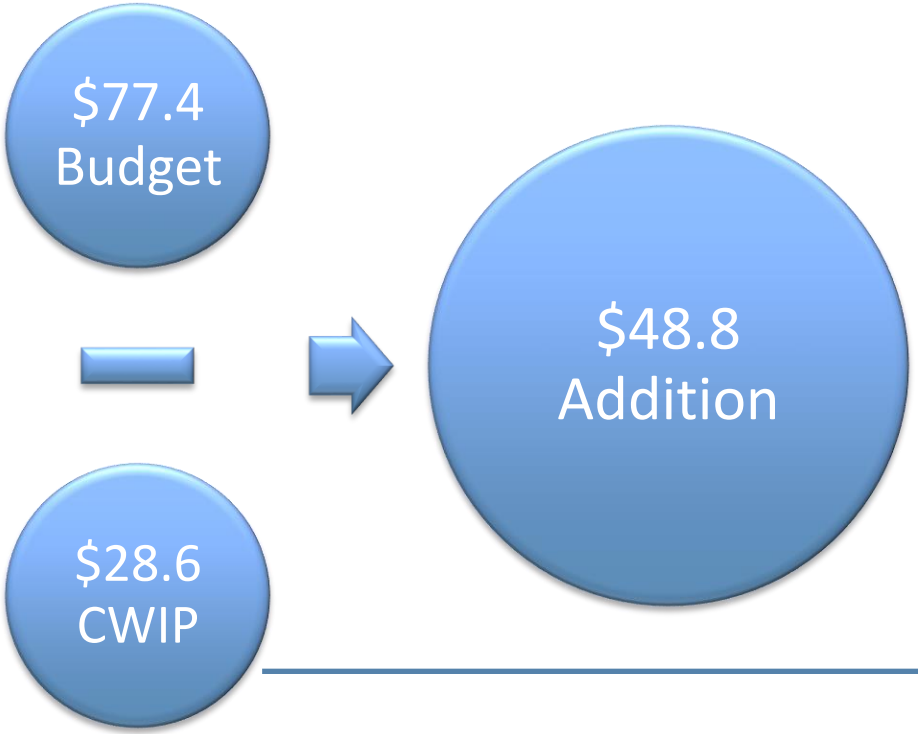
2019 – 2021 Investment Balances and Tracker Revenues



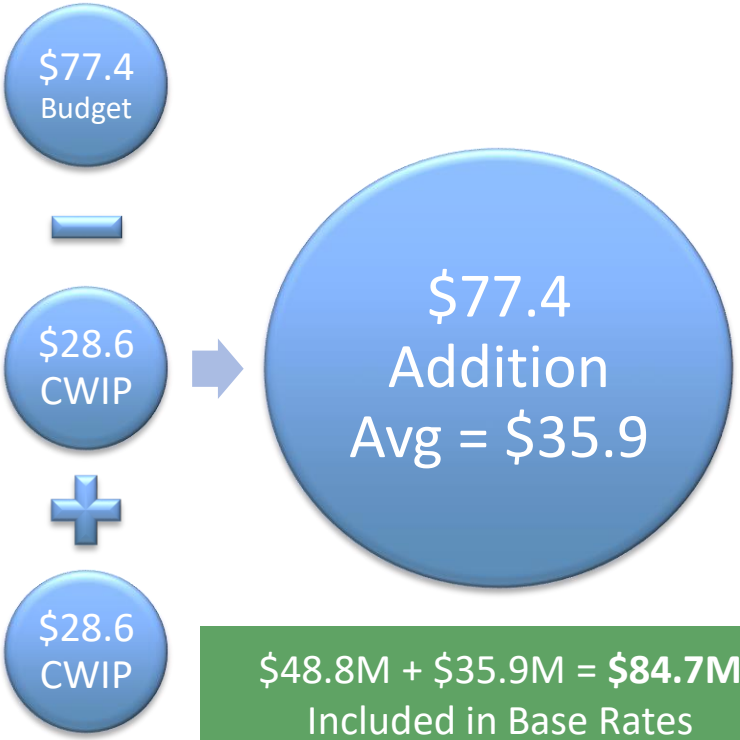
Tracker Addition to Rate Base: 2022-2023 (DPU 11)

Understanding DEU Exhibit 1.6

2022 Tracker Additions in Millions



2023 Tracker Additions in Millions



$48.8M + $35.9M = **$84.7M**
Included in Base Rates

Base and Test Period Expense Questions (DPU 12-14)

COVID 19 Impacts to Base/Test Period

- The Company experienced cost increases and decreases as a result of the pandemic.
  - $96k increase for materials and software configuration in 2021.
  - $384k decrease in travel and training expenses in 2021.
  - **Net 2021 pandemic related reduction: $288k. This impact carried forward into the 2023 test period.**

- $409k was expensed in 2021 for a one-time vaccination incentive program but was not included in the 2023 test period forecast.

Test Period Savings - $250,000

- The rate case model (DEU Exibit 4.20) includes an adjustment that reduces O&M expense by $250,000. This reduction is the result of the Company's efforts to improve efficiency.

2020 Capital Budget (DPU 15)

2020 Capital Budget Comparison

2020 Budget Comparison	Order 2020 Adjustments (19-057-03 Order)	DEU 2020 Actual Adjustments and Spend
Beginning Budget	$277.7 million	$277.7 million
LESS Tracker Request	-$7.8 million	-$7.8 million
LESS Other Projects	-$16.9 million	$0
Adjusted Budget	**$253.0 million**	**$270 million**
Actual 2020 Spend		$272 million
Difference		$2 million (.7%)

2020 Capital Budget

- In Docket 19-057-02, the Division believed the Company's budget was overstated by $24.7M (including a proposed $7.8 million infrastructure tracker increase).
- The Commission Order approved a $24.7M reduction to $253M – in part because the Company's budget included unspecified blanket/bucket activities, and in part because it denied the requested infrastructure tracker increase.
- Blankets/buckets are ongoing capital programs that cannot easily be "turned off" or halted, including:
  - New and replacement meters
  - New and replacement mains
  - New and replacement service
- The difference has been born by shareholders to date.

Lead Lag Study (DPU 16-17)

Lead-Lag Study

- No change to approved 19-057-02 methodologies except for calculating collection lag days using a 3-year average (2019-2021).

- Revenue lag is calculated in Section 2 of Lead Lag Study (DEU Exhibit 3.29, pages 5 – 21)
  - Service lag: midpoint of service period to point of meter read.
  - Billing lag: Point of meter read to point of billing.
  - Collection Lag: Point of billing to point of cash received.

- Collection lag is calculated by dividing average accounts receivable balance by average daily revenues. Several factors have contributed to the increase in the collection lag since the last study:
  - Bill print moved from Utah to Arizona.
  - Remittance center relocated from SLC to Virginia following merger.
  - Increased number of customers on autopay – which defaults to charging customers on the due date.
  - Because of potential pandemic impacts, the Company calculated a three-year average collection lag using 2019, 2020, and 2021 in its proposed lead-lag study (see DEU Exhibit 3.29, page 15).