

167 FERC ¶ 61,134  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Cheryl A. LaFleur and Richard Glick.

Virginia Electric and Power Company  
PJM Interconnection, L.L.C.

Docket Nos. EL18-167-000  
ER19-839-001

ORDER ACCEPTING COMPLIANCE FILING AND TERMINATING SECTION 206  
PROCEEDING

(Issued May 16, 2019)

1. On January 22, 2019, as amended on March 21, 2019, Virginia Electric and Power Company (Virginia Electric) submitted a compliance filing in Docket No. ER19-839, to eliminate from Virginia Electric's transmission formula rate template the two-step averaging methodology it had used to calculate the Accumulated Deferred Income Tax (ADIT) component of rate base,<sup>1</sup> in accordance with the Commission's order issued on December 20, 2018, in Docket No. EL18-167-000.<sup>2</sup> In this order, we accept the amended compliance filing, effective June 27, 2018, and terminate the proceeding in Docket No. EL18-167-000 that was initiated pursuant to section 206 of the Federal Power Act.<sup>3</sup>

**I. December 2018 Order**

2. In the December 2018 Order, the Commission found that the two-step averaging methodology used in Virginia Electric's transmission formula rate to calculate the ADIT

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<sup>1</sup> ADIT arises from timing differences between the method of computing taxable income for reporting to the Internal Revenue Service and the method of computing income for regulatory accounting and ratemaking purposes.

<sup>2</sup> *Va. Elec. and Power Co.*, 165 FERC ¶ 61,239 (2018) (December 2018 Order).

<sup>3</sup> 16 U.S.C. § 824e (2012).

component of rate base was unjust and unreasonable and unduly discriminatory or preferential.<sup>4</sup> The Commission found that Virginia Electric's proposal in its initial brief in Docket No. EL18-167-000 to revise its transmission formula rate to eliminate the use of the two-step averaging methodology in its projected test year and annual true-up calculations adequately addresses the Commission's concerns that use of a two-step averaging methodology understates ADIT balances relative to the value of other rate base items increases rate base and results in unreasonably higher rates. Accordingly, the Commission directed Virginia Electric to submit a compliance filing revising its transmission formula rate to eliminate the use of the two-step averaging methodology, with such revisions to be effective June 27, 2018, the refund effective date established by the order instituting this proceeding.<sup>5</sup>

## II. Compliance Filing

3. Virginia Electric states that its compliance filing includes proposed revisions to its formula transmission rate under Attachment H to the PJM Interconnection, L.L.C. Open Access Transmission Tariff that eliminate the use of the two-step averaging methodology used to calculate the ADIT component of rate base.<sup>6</sup> Virginia Electric states that for the projected calculation in its transmission formula rate, Virginia Electric has prorated the previously identified ADIT amounts and used the ending balance only (instead of an average of the beginning and ending balances). Virginia Electric states that as to the true-up calculation, Virginia Electric has eliminated the two-step averaging but preserved proration in order to comply with the tax law.<sup>7</sup>

4. On March 21, 2019, Virginia Electric filed an errata to its compliance filing to correct a ministerial error.<sup>8</sup> Virginia Electric requests that the Commission issue an order no later than June 1, 2019 accepting the amended compliance filing. Virginia Electric states that this will allow it to implement the change in ADIT in preparation for its 2018 true-up, which must be posted no later than June 15, 2019.<sup>9</sup>

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<sup>4</sup> December 2018 Order, 165 FERC ¶ 61,239 at P 37 (citation omitted).

<sup>5</sup> *Ameren Illinois Co.*, 163 FERC ¶ 61,200 (2018) (June 2018 Order).

<sup>6</sup> Filing at 3.

<sup>7</sup> *Id.* at 4.

<sup>8</sup> Errata at 1-2.

<sup>9</sup> *Id.* at 2 (citation omitted).

### **III. Notice and Responsive Pleadings**

5. Notice of Virginia Electric's compliance filing in Docket No. ER19-839-000 was published in the *Federal Register*, 84 Fed. Reg. 708 (2019), with interventions and protests due on or before February 12, 2019. None was filed.

6. Notice of the errata in Docket No. ER19-839-001 was published in the *Federal Register*, 84 Fed. Reg. 11,758 (2019), with interventions and protests due on or before April 11, 2019. Old Dominion Electric Cooperative filed a timely motion to intervene.

### **IV. Discussion**

#### **A. Procedural Matters**

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), Old Dominion Electric Cooperative's timely, unopposed motion to intervene serves to make it a party to the proceeding in Docket No. ER19-839-001.

#### **B. Substantive Matters**

8. We find that Virginia Electric's filing complies with the December 2018 Order and addresses the concerns identified in the June 2018 Order by eliminating the use of the two-step averaging methodology in the calculation of ADIT balances for Virginia Electric's projected test year and annual true-up calculations.<sup>10</sup> Accordingly, we accept the compliance filing, effective June 27, 2018, and terminate the captioned section 206 proceeding.

#### **The Commission orders:**

(A) Virginia Electric's amended compliance filing in Docket No. ER19-839-001 is hereby accepted, effective June 27, 2018, as discussed in the body of this order.

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<sup>10</sup> June 2018 Order, 163 FERC ¶ 61,200 at PP 13-14.

(B) The section 206 proceeding in Docket No. EL18-167-000 is hereby terminated, as discussed in the body of this order.

By the Commission. Commissioner McNamee is not participating.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.