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Sep 23 2019

September 23, 2019

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Docket No. E-22 Sub 562
Docket No. E-22 Sub 566

Dear Ms. Campbell:

Enclosed for filing in the above-referenced docket on behalf of Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, is Late-Filed Exhibit No. 3.

The Late-Filed Exhibit No. 3 responds to Waste Coal Ash Question No. 1 pursuant to the Commission's September 16, 2019 Order Providing Notice of Commission Questions in the above-captioned matter.

Thank you for your assistance with this matter. Feel free to contact me should you have any questions.

Very truly yours,

/s/Mary Lynne Grigg

MLG:mth

Enclosure

Dominion Energy North Carolina
Docket No. E-22, Sub 562
Response to Order Providing Notice of Commission Questions

Waste Coal Ash Question No. 1:

Provide a witness who can testify, with respect to each of the Company's presently or formerly operating (either now decommissioned or in cold start status) coal-fired generating units, whether or not for purposes of depreciation of such units DENC historically included in terminal net salvage values any costs for permanent closure (i.e., as cost of removal) for associated (i) on-site or off-site coal waste impoundments, dry stacks or piles, landfills, (ii) removal and off-site disposal of ash wastes at third-party sites, or (iii) costs related to beneficial reuse. (Hereafter, each of (i), (ii), and (iii) shall be referred to as "waste ash facilities.") If the Company has not historically included such costs in terminal net salvage values, the witness should be prepared to testify concerning the rationale for the Company's position and should be prepared to offer as late-filed exhibits any internal documents and any third-party studies or analyses discussing, explaining or supporting such rationale. If the Company has historically included such costs in terminal net salvage values, then for each such generating unit, the witness should be prepared to provide the following information:

- (a) the date DENC began including the costs of removal of waste ash facilities in its calculation of terminal net salvage values;
- (b) the amount of costs so included and the aggregate amounts collected through depreciation rates on account of such costs of removal; and
- (c) the amounts expended for permanent closure of waste ash facilities that have been offset against or are available for offset against accumulated depreciation as disclosed in item (b).

Response:

Terminal net salvage values represent costs associated with the permanent decommissioning and dismantlement of the entire plant or generating unit including ash pond closure activities, net of salvage if any. When the Company has a legal obligation to perform such decommissioning, dismantlement or disposal activities associated with these assets, the Company records an asset retirement obligation liability ("ARO") on its books, based on cost studies and estimates. Closure activities captured by AROs are not included in the cost of removal/net salvage values included in depreciation rates. The Company began recognizing CCR-related AROs and associated expenses at issue in this proceeding for financial reporting purposes beginning in 2015. In preparing its cost of service and revenue requirement, the Company removes 'per books' AROs and expenses and capture actual cash expenditures for recovery.

In cases where a legal obligation does not exist regarding a stations decommissioning and an ARO is not recognized, the Company has not yet included such final decommissioning costs, if any, in its net salvage values. This is appropriate as the Company has not yet identified the nature and timing of such activities and therefore the projected costs have not been reasonably known and measurable. This treatment is assessed by the Company's accountants, depreciation consultant and generation management as part of preparing each depreciation study.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing *Late-Filed Exhibit No. 3*, as filed in Docket No. E-22 Sub 562 and E-22 Sub 566, were served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 23rd day of September, 2019.

/s/Mary Lynne Grigg

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