UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Accounting and Reporting Treatment	)	
Of Certain Renewable Energy Assets	)	Docket No. RM21-11-000
	)	

COMMENTS OF DOMINION ENERGY, INC.

I. INTRODUCTION

Dominion Energy Services, Inc. ("DES"), Virginia Electric and Power Company ("DEV") and Dominion Energy South Carolina, Inc. ("DESC") (collectively "Dominion Energy" or the "Company"), respectfully submit the following initial comments in response to the Federal Energy Regulatory Commission's ("FERC" or "Commission") Notice of Proposed Rulemaking ("NOPR") issued on July 28, 2022 in the above-captioned proceeding seeking comments on the accounting and reporting changes proposed by the Commission and other topics requested by the NOPR.[1]Dominion Energy supports the Commission's efforts to revise the Uniform System of Accounts to incorporate changes needed for renewable and storage assets, hardware, software and communication equipment, and renewable energy credits. Dominion Energy submits these limited comments to offer some additional information for the Commission's consideration.

DES is the services company for Dominion Energy, Inc., a holding company under the Public Utility Holding Company Act of 2005.

DEV is a public service corporation organized under the laws of the Commonwealth of Virginia and a public utility subject to regulation by the Virginia State Corporation Commission ("VSCC") and by the North Carolina Utilities Commission ("NCUC"), and is a subsidiary of

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[1] *Accounting and Reporting Treatment of Certain Renewable Energy Assets*, Notice of Proposed Rulemaking, 180 FERC ¶ 61,050 (2022) ("Accounting NOPR").

Dominion Energy, Inc. DEV furnishes electric service to approximately 2.5 million retail customers in its approximately 30,000 square miles of certificated service territory covering parts of Virginia and North Carolina. It does so by operating a diverse fleet of natural gas, renewable, nuclear, oil, pumped storage, and coal fired power stations, which collectively provide over 23,000 MW of generation capacity. It also owns over 6,700 miles of electric transmission facilities.

DESC is a public utility subject to the jurisdiction of the Public Service Commission of South Carolina ("SCPSC"), and is a subsidiary of Dominion Energy, Inc. DESC owns or controls approximately 5,650 MW of generation, sells electric energy and capacity. DESC's electric service territory extends into 24 counties covering nearly 17,000 square miles in the central, southern, and southwestern portions of South Carolina. It also owns approximately 3,248 miles of electric transmission facilities. DESC supplies natural gas to retail customers in all or part of 35 counties in South Carolina covering more than 25,000 square miles and it purchases and distributes natural gas in support of its retail natural gas sales.

Dominion Energy notes that the Edison Electric Institute ("EEI") and the American Gas Association ("AGA") have submitted comments on behalf of its members, including Dominion Energy. Dominion Energy supports and endorses the comments submitted by EEI and AGA except as and only to the extent set forth in Dominion Energy's additional comments herein. In particular, Dominion Energy supports the EEI and AGA comments detailed in the "Accounting Transition to New Accounts" section regarding the use of four-digit accounts rather than five-digit accounts that will require utilities to modify their accounting software systems that are limited to four digits for FERC accounts, the prospective adoption of the accounting requirements, and the use of current depreciation rates for new accounts until new rates are approved.

II. COMMENTS

A. Non-Hydro Renewables

Dominion Energy supports the addition of new accounts for non-hydro renewable assets and opines that there should be enough maintenance accounts to allow for the segregation of costs in the most meaningful format. A more robust list of maintenance expense accounts will facilitate the classification of expenses into accounts with more specific account descriptions. This will minimize the need to place expenses in accounts with broad descriptions. Additionally, Dominion does not believe the miscellaneous expense account for each type of renewable energy should be eliminated. It is preferable to have a miscellaneous expense account to use for expenses that may not clearly fall into the other specified accounts.

B. Hardware, Software, Communication Equipment

Dominion Energy supports the proposed changes regarding hardware and communications equipment but believes software should remain in FERC Account 303. There may be some inconsistency in the accounting and reporting of computer software between functions, however, we do not believe a change in the classification of software is appropriate. Software by nature is an intangible asset and does not have a depreciable service life similar to production plant. As such, we do not believe that it would be appropriate to recognize the amortization of software in Account 403 Depreciation Expense. Amortizing software to Account 404 Limited Term Plant Amortization is more appropriate as software has various amortization periods given the unique facts for each software.

Additionally, this proposed guidance conflicts with the recent accounting guidance issued by the Commission regarding cloud computing.[2] Dominion Energy agrees with the accounting guidance included in that order. Lastly, we do not believe that one function having different instructions on how to handle software warrants a change to all other functions/subfunctions.

Regarding hardware, software, and communication equipment for centralized service companies, Dominion Energy proposes:

- As indicated above all software should remain classified in FERC Account 303; and
- If software is to be recorded to the different functions, Dominion Energy believes the Commission should issue guidance on how to account for software that supports more than one function. Specifically, whether the use of the General function would be appropriate or whether allocations to the functions are required.

C. Renewable Energy Credits ("RECs")

The NOPR proposes adding Account 411.11 and 411.12 with respect to gains or losses from the disposition of RECs. The EEI and AGA comments request that the Commission provide guidance on the accounting treatment for RECs that are no longer eligible to be used to comply with the applicable renewable energy standard for which they were initially created ("expired RECs") and suggests using Account 411.12. Dominion Energy notes that not all RECs are created or purchased to apply to a renewable energy standard; there may be other uses for RECs such as selling them. Consequently, any definition of an "expired REC" should be flexible as there may be benefit of a REC even if it cannot be applied to an applicable renewable energy standard. As such the accounting treatment for a REC can vary depending on what the REC owner intends to do with the REC. Dominion Energy requests that this be one of the

[2] *Guidance on Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, Docket No. AI20-1-000 (Dec. 20, 2019).

subjects to be addressed in the technical conference requested by EEI and AGA in their comments.

D. Effective Date of Rulemaking

The time and expense associated with implementing the requirements in the NOPR would be extensive. In Dominion Energy's case, and likely numerous other affected utilities: (1) internal personnel time would be required to change the system of records for property management, property unit catalogues, accounting system accounts, master data for maintenance costs, reporting software, and cost of service to ensure that they align with the new FERC accounting framework; (2) given the number of changes, additional third-party vendor services would also be required for certain systems for implementation which would increase the cost of implementation; (3) there would also be additional third-party costs associated with performing a new depreciation study outside of the normal schedule in order to obtain appropriate depreciation rates for the new production accounts, as well as ascertain any necessary adjustments to existing accounts; and (4) there would be additional third-party consultant costs associated with aligning current assets into the new accounts for solar, wind, and other non-hydro renewables sub-functions and energy storage function. Although some accounts are the same, further analysis would need to be performed for the new renewable related accounts to ensure assets are properly classified.

Given that the number of changes is incredibly significant and would require both internal and external involvement as discussed above, Dominion Energy suggests there be an appropriate length of time to implement the changes. Dominion Energy suggests a two-year implementation window between the issuance of a change in the rulemaking and the effective date.

III. COMMUNICATIONS

All communications regarding this filing should be forwarded to the person(s) listed below, whom the Commission should place on the service list in this proceeding:

Jacqulynn Hugee
Dominion Energy Services, Inc.
120 Tredegar Street, RS-5
Richmond, VA 23219
(804) 819-2794
jacqulynn.b.hugee@dominionenergy.com

Steven E. Speece
Stevens & Lee
620 Freedom Business Center, Suite 200
King of Prussia, PA 19406
(610) 205-6065
steven.speece@stevenslee.com

IV. CONCLUSION

Dominion Energy appreciates this opportunity to provide comments in response to the Accounting NOPR, and respectfully requests that the Commission consider these comments in developing any final rule issued in this proceeding.

Respectfully submitted,

/s/ Steven E. Speece
Steven E. Speece
Stevens & Lee
620 Freedom Business Center, Suite 200
King of Prussia, PA 19406
(610) 205-6065
steven.speece@stevenslee.com

/s/ Jacqulynn Hugee
Jacqulynn Hugee
Managing Counsel
Dominion Energy Services, Inc.
120 Tredegar St., RS-5
Richmond, VA 23219
(804) 819-2794
jacqulynn.b.hugee@dominionenergy.com

Counsel for Dominion Energy

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