

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 8, 2016 SCC-CLERK'S OFFICE  
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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUE-2015-00118

For approval to implement two demand response programs and for approval of a rate adjustment clause pursuant to § 56-585.1 A 5 of the Code of Virginia

ORDER FOR NOTICE AND COMMENT

On December 16, 2015, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") a petition for approval of two new peak shaving demand response programs and, pursuant to § 56-585.1 A 5 b of the Code of Virginia ("Code"), for approval of a rate adjustment clause, designated DR-RAC, to recover costs related to the Company's existing peak shaving programs ("Application").

In support of its Application, the Company states that the Commission previously approved APCo's Peak Shaving Demand Response ("PSDR") Rider and Peak Shaving and Emergency Demand Response ("PSEDR") Rider (collectively, "2011 Riders") and that the Commission permitted the Company to defer costs associated with the 2011 Riders.<sup>1</sup> The Company further states that in 2013, the Commission approved the Company's request to terminate the PSDR Rider, and in 2014, the Commission approved the Company's request to close the PSEDR Rider to new entrants.<sup>2</sup>

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<sup>1</sup> Application at 2-3. *See Application of Appalachian Power Company, Pursuant to Chapters 752 and 855 of the 2009 Acts of the Virginia General Assembly, for approval of demand response programs to be offered to its retail customers*, Case No. PUE-2011-00001, 2011 S.C.C. Ann. Rept. 417, Final Order (Sept. 12, 2011).

<sup>2</sup> Application at 2. *See Application of Appalachian Power Company, For approval to terminate its Peak Shaving Demand Response Rider*, Case No. PUE-2013-00083, 2013 S.C.C. Ann. Rept. 441, Order (Sept. 24, 2013); *Application of Appalachian Power Company, For approval to close its Peak Shaving and Emergency Demand Response Rider to new customers*, Case No. PUE-2014-00014, 2014 S.C.C. Ann. Rept. 382, Order (Apr. 1, 2014). The PSEDR Rider will expire in 2017 when the existing contracts for grandfathered customers terminate. Application at 2.

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In its Application, the Company requests approval to recover its costs associated with the 2011 Riders through the proposed DR-RAC.<sup>3</sup> APCo indicates that as of October 31, 2015, it has deferred approximately \$2.4 million of costs associated with the PSDR Rider and \$9.4 million of costs associated with the PSEDR Rider.<sup>4</sup> The Company represents that it expects to incur approximately \$300,000 in monthly demand credits pursuant to the PSEDR Rider until it terminates in May 2017.<sup>5</sup> The Company states that the actual and forecasted costs associated with the 2011 Riders for which it seeks recovery in this proceeding are expected to total approximately \$17.5 million.<sup>6</sup>

APCo states that it is requesting to recover the costs of the 2011 Riders over four years to mitigate the impact on customers.<sup>7</sup> If the proposed DR-RAC is approved, the impact on customer bills would depend on the customer's rate schedule and usage. The Company asserts that implementation of the proposed DR-RAC will increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.37, which would be a 0.3% increase from current rates.<sup>8</sup>

In its Application, the Company also requests approval to replace the 2011 Riders with two new voluntary peak shaving riders: (i) Demand Response Service RTO Capacity Rider ("Rider D.R.S.-RTO Capacity"); and (ii) Rider D.R.S. ("Rider D.R.S.") (collectively, "Proposed

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<sup>3</sup> Application at 2.

<sup>4</sup> *Id.* at 3.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

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

<sup>8</sup> *Id.*

DR Riders").<sup>9</sup> APCo states that under proposed Rider D.R.S.-RTO Capacity, the Company would contract for capacity consistent with updated requirements for demand response established by the PJM Interconnection, LLC, regional transmission entity ("PJM").<sup>10</sup> The Company states that under the proposed Rider D.R.S.-RTO Capacity, interruptions are required when PJM declares an emergency or pre-emergency event.<sup>11</sup> The Company further states that the capacity associated with Rider D.R.S.-RTO Capacity qualifies as capacity within PJM and is designed to be included in the Company's fixed capacity resource requirement ("FRR") plans.<sup>12</sup> According to the Application, proposed Rider D.R.S. is a peak shaving rider designed to save system costs when energy prices in the PJM market are high.<sup>13</sup> The Company states that Rider D.R.S. is open to Rider D.R.S.-RTO Capacity participants but would not be subject to PJM emergency conditions or count as PJM capacity.<sup>14</sup>

APCo states that customers will not be eligible to participate in the Proposed DR Riders until 2017 and that participation rates are unknown.<sup>15</sup> Accordingly, the Company indicates that it is not seeking recovery of any projected costs associated with the Proposed DR Riders in its Application and will defer costs for future recovery.<sup>16</sup>

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<sup>9</sup> *Id.* at 4.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

The Company asserts that the Proposed DR Riders are in the public interest because they provide customers with an additional opportunity to participate in demand response programs.<sup>17</sup> In addition, APCo indicates that the Proposed DR Riders would benefit APCo and its customers through reduced energy and capacity costs.<sup>18</sup> The Company states that Rider D.R.S.-RTO Capacity is valuable because the Company can use the resources in its FRR plan towards meeting PJM capacity obligations.<sup>19</sup> APCo indicates that Rider D.R.S. will help the Company avoid market purchases of energy when demand, and therefore prices, are high.<sup>20</sup>

In its Application, APCo requests a waiver of Rule 20 VAC 5-201-60 of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.*, to the extent this rule requires the submission of Schedule 45 (Return on Equity Peer Group Benchmark) with all petitions for approval of a rate adjustment clause.<sup>21</sup> The Company asserts that the Commission has granted similar waivers in the past for purposes of commencing the proceeding in petitions for rate adjustments that do not include a return on investment.<sup>22</sup>

In addition, APCo also filed a Motion for Protective Ruling and a proposed protective ruling pursuant to Rules 110 and 170 of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.* ("Rules of Practice").

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<sup>17</sup> *Id.* at 4-5.

<sup>18</sup> *Id.* at 5.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 5-6.

<sup>22</sup> *Id.* at 6.

NOW THE COMMISSION, having considered the Company's Application and the applicable law, is of the opinion and finds that it should docket this matter; that APCo should provide public notice of its Application; that a procedural schedule should be established to allow interested persons an opportunity to file comments on the Company's Application; that interested persons should be afforded an opportunity to participate in this proceeding as a respondent and to request a hearing on the Application; and that the Commission's Staff ("Staff") should investigate the Application and file a report containing its findings and recommendations.

Further, we find that a Hearing Examiner should be assigned to rule on the Company's Motion for Protective Ruling as well as any discovery matters that may arise in this proceeding.

Finally, we grant APCo's request for waiver of Schedule 45 for purposes of commencing this proceeding as the Application does not request a return on investment. Our decision to waive the filing of Schedule 45 at this point in the proceeding does not, however, preclude any respondent, the Office of the Attorney General's Division of Consumer Counsel, or the Staff from raising the issue during the course of this proceeding.

Accordingly, IT IS ORDERED THAT:

- (1) This matter is docketed as Case No. PUE-2015-00118.
- (2) As provided by § 12.1-31 of the Code and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice, a Hearing Examiner is appointed to rule on the Company's Motion for Protective Ruling and to rule on any discovery matters that may arise in this proceeding.
- (3) On or before February 8, 2016, APCo shall cause the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territory in Virginia:

NOTICE TO THE PUBLIC OF A PETITION BY  
APPALACHIAN POWER COMPANY, FOR APPROVAL  
TO IMPLEMENT TWO DEMAND RESPONSE PROGRAMS  
AND FOR APPROVAL OF A RATE ADJUSTMENT CLAUSE  
PURSUANT TO § 56-585.1 A 5 OF THE CODE OF VIRGINIA  
CASE NO. PUE-2015-00118

On December 16, 2015, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") a petition for approval of two new peak shaving demand response programs and, pursuant to § 56-585.1 A 5 b of the Code of Virginia, for approval of a rate adjustment clause, designated DR-RAC, to recover costs related to the Company's existing peak shaving programs ("Application").

In support of its Application, the Company states that the Commission previously approved APCo's Peak Shaving Demand Response ("PSDR") Rider and Peak Shaving and Emergency Demand Response ("PSEDR") Rider (collectively, "2011 Riders") and that the Commission permitted the Company to defer costs associated with the 2011 Riders. The Company further states that in 2013, the Commission approved the Company's request to terminate the PSDR Rider, and in 2014, the Commission approved the Company's request to close the PSEDR Rider to new entrants.

In its Application, the Company requests approval to recover its costs associated with the 2011 Riders through the proposed DR-RAC. APCo indicates that as of October 31, 2015, it has deferred approximately \$2.4 million of costs associated with the PSDR Rider and \$9.4 million of costs associated with the PSEDR Rider. The Company represents that it expects to incur approximately \$300,000 in monthly demand credits pursuant to the PSEDR Rider until it terminates in May 2017. The Company states that the actual and forecasted costs associated with the 2011 Riders for which it seeks recovery in this proceeding are expected to total approximately \$17.5 million.

APCo states that it is requesting to recover the costs of the 2011 Riders over four years to mitigate the impact on customers. If the proposed DR-RAC is approved, the impact on customer bills would depend on the customer's rate schedule and usage. The Company asserts that implementation of the proposed DR-RAC will increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.37, which would be a 0.3% increase from current rates.

In its Application, the Company also requests approval to replace the 2011 Riders with two new voluntary peak shaving

riders: (i) Demand Response Service RTO Capacity Rider ("Rider D.R.S.-RTO Capacity"); and (ii) Rider D.R.S. ("Rider D.R.S.") (collectively, "Proposed DR Riders"). APCo states that under proposed Rider D.R.S.-RTO Capacity, the Company would contract for capacity consistent with updated requirements for demand response established by the PJM Interconnection, LLC, regional transmission entity ("PJM"). The Company states that under the proposed Rider D.R.S.-RTO Capacity, interruptions are required when PJM declares an emergency or pre-emergency event. The Company further states that the capacity associated with Rider D.R.S.-RTO Capacity qualifies as capacity within PJM and is designed to be included in the Company's fixed capacity resource requirement ("FRR") plans. According to the Application, proposed Rider D.R.S. is a peak shaving rider designed to save system costs when energy prices in the PJM market are high. The Company states that Rider D.R.S. is open to Rider D.R.S.-RTO Capacity participants but would not be subject to PJM emergency conditions or count as PJM capacity.

APCo states that customers will not be eligible to participate in the Proposed DR Riders until 2017 and that participation rates are unknown. Accordingly, the Company indicates that it is not seeking recovery of any projected costs associated with the Proposed DR Riders in its Application and will defer costs for future recovery.

The Company asserts that the Proposed DR Riders are in the public interest because they provide customers with an additional opportunity to participate in demand response programs. In addition, APCo indicates that the Proposed DR Riders would benefit APCo and its customers through reduced energy and capacity costs. The Company states that Rider D.R.S.-RTO Capacity is valuable because the Company can use the resources in its FRR plan towards meeting PJM capacity obligations. APCo indicates that Rider D.R.S. will help the Company avoid market purchases of energy when demand, and therefore prices, are high.

The details of these and other proposals are set forth in the Company's Application. Interested persons are encouraged to review the Company's Application and supporting exhibits for the details of these proposals. TAKE NOTICE that the Commission may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents and thus may adopt rates that differ from those appearing in the Company's Application and supporting documents.

The Commission entered an Order for Notice and Comment that, among other things, directed the Company to provide notice to the public and provided interested persons an opportunity to comment on the Company's Application.

A copy of the Company's Application may be obtained at no charge by requesting a copy from the Company's counsel, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. The Application and related documents also are available for review in the Commission's Document Control Center, Tyler Building, First Floor, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before February 23, 2016, interested persons may file written comments on APCo's Application with Joel H. Peck, Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case> on or before February 23, 2016. Comments shall refer to Case No. PUE-2015-00118.

On or before February 23, 2016, any person may participate as a respondent in this proceeding by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, at the address set forth above, and the respondent shall serve a copy of the notice of participation on counsel to the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent shall be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice and Procedure. All filings shall refer to Case No. PUE-2015-00118.

On or before February 23, 2016, any interested person may request that the Commission convene a hearing in this matter by filing an original and fifteen (15) copies of a request for hearing with Joel H. Peck, Clerk, State Corporation Commission, at the

address set forth above. Requests for hearing shall refer to Case No. PUE-2015-00118 and shall include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter. Copies of any such filings shall be served on counsel for the Company at the address set forth above.

APPALACHIAN POWER COMPANY

(4) On or before February 8, 2016, APCo shall serve a copy of this Order for Notice and Comment upon the chairman of the board of supervisors and county attorney of each county, and the mayor or manager (or equivalent officials) of every city and town in which it provides service in the Commonwealth of Virginia. Service shall be made by first class mail, postage prepaid, to the customary place of business or residence of the person served.

(5) On or before February 23, 2016, the Company shall file proof of the notice and service required by Ordering Paragraphs (3) and (4), including the name, title, and address of each official served with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(6) The Company shall make copies of the Application, as well as a copy of this Order for Notice and Comment, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons

also may download unofficial copies from the Commission's website:

<http://www.scc.virginia.gov/case>.

(7) On or before February 23, 2016, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (5). Interested persons desiring to submit comments electronically may do so on or before February 23, 2016, by following the instructions on the Commission's website:

<http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUE-2015-00118.

(8) On or before February 23, 2016, any interested person may participate as a respondent in this proceeding by filing a notice of participation in accordance with 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (5), and a copy of the notice of participation shall be sent to counsel to the Company at the address in Ordering Paragraph (6). Pursuant to 5 VAC 5-20-80 B, *Participation as a respondent*, of the Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUE-2015-00118.

(9) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon each respondent a copy of this Order, a copy of the Application,

and all public materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(10) On or before February 23, 2016, interested persons may request that the Commission convene a hearing on the Company's Application by filing a request for hearing with the Clerk of the Commission. If not filed electronically, an original and fifteen (15) copies of the request for hearing shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (5), and a copy of the request for hearing shall be sent to counsel to the Company at the address in Ordering Paragraph (6). Requests for hearing shall refer to Case No. PUE-2015-00118 and include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter.

(11) Upon the filing of a request for hearing, APCo may file with the Clerk of the Commission any response within seven (7) calendar days. If not filed electronically, an original and fifteen (15) copies of the response shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (5), and a copy shall be sent to the party requesting a hearing and any respondents.

(12) The Staff shall investigate the Company's Application. On or before April 7, 2016, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of a Staff Report containing its findings and recommendations and shall promptly serve a copy of the same on counsel to the Company and all respondents.

(13) On or before April 19, 2016, APCo may file with the Clerk of the Commission any response in rebuttal to the Staff Report and to any comments filed by interested persons in this proceeding. The Company shall serve a copy on the Staff and all respondents. If not filed

electronically, an original and fifteen (15) copies of such rebuttal shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (5).

(14) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: answers to interrogatories and requests for production of documents shall be served within seven (7) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260 of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to Staff.<sup>23</sup> Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(15) This matter is continued.

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<sup>23</sup> The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search" and entering the case number, PUE-2015-00118, in the appropriate box.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Noelle J. Coates, Esquire, American Electric Power Service Corporation, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219; James R. Bacha, Esquire, and Hector Garcia, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting and Finance and Energy Regulation.