

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, NOVEMBER 10, 2016

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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUE-2016-00089

For approval to continue a rate adjustment clause, the EE-RAC, pursuant to § 56-585.1 A 5 c of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On August 31, 2016, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") a Petition and Request for Waiver ("Petition") pursuant to § 56-585.1 A 5 c of the Code of Virginia ("Code") and the Rules Governing Utility Rate Applications and Annual Informational Filings<sup>1</sup> ("Rate Case Rules"), seeking approval to continue a rate adjustment clause ("EE-RAC") that recovers the costs of five energy efficiency programs ("EE Programs") previously approved by the Commission.<sup>2</sup> APCo requests approval to continue the current EE-RAC without any changes to its annual revenue requirement of \$5,257,843, the recovery factor rate, or cost allocation and assignment.<sup>3</sup> APCo further states that it is not requesting any changes to the approved EE Programs, nor is it requesting any recovery of lost revenues related to the EE Programs.<sup>4</sup>

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<sup>1</sup> 20 VAC 5-201-10 *et seq.*

<sup>2</sup> *Petition of Appalachian Power Company, For approval to implement a portfolio of energy efficiency programs and for approval of a rate adjustment clause pursuant to § 56-585.1 A 5 c of the Code of Virginia, Case No. PUE-2014-00039, 2015 S.C.C. Ann. Rept. 215, Final Order (June 24, 2015).*

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

<sup>4</sup> *Id.*; Direct Testimony of William K. Castle at 3.

The Company explains that planning and implementation of EE Programs began in June 2015 and that the EE-RAC was implemented in January 2016.<sup>5</sup> The Company states that because the EE Programs were recently deployed, spending is expected to increase up to \$2.6 million during the forecast period of July 2016 – December 2016 compared to the \$1.3 million spent during January 2016 – June 2016.<sup>6</sup> The Company states it is not seeking a change to the EE-RAC because of, among other things, the relatively small difference between projected cumulative costs and projected cumulative revenues; the early stage of the programs; and the ability to adjust the factor in the future once participation rates and revenues solidify.<sup>7</sup>

The Company states that it has currently recovered approximately \$1.1 million in revenues from customers in excess of costs through June 30, 2016.<sup>8</sup> APCo represents that a calculation of the revenue requirement necessary (i) to return to customers the over-recovered costs and (ii) to recover the projected costs of the EE Programs for the period of July 2016 through June 2017 ("Rate Year") would produce a Rate Year revenue requirement of \$4,541,512, which would result in a monthly bill reduction of approximately \$0.06 per month for a residential customer using 1,000 kilowatt hours.<sup>9</sup> This calculation includes an update to certain projected program costs based on the Commission's Final Order in Case No. PUE-2016-00038 establishing the Company's return on equity at 9.4%.<sup>10</sup>

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<sup>5</sup> Direct Testimony of William K. Castle at 2-3.

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

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

<sup>8</sup> Direct Testimony of Willian K. Castle at 6.

<sup>9</sup> Second Supplemental Direct Testimony of William K. Castle at 3; WKC-4 Schedule 46C at 1.

<sup>10</sup> *Application of Appalachian Power Company, For the determination of the fair rate of return on common equity to be applied to its rate adjustment clauses*, Case No. PUE-2016-00038, Doc. Con. Cen. No. 161010109, Final Order (Oct. 6, 2016).

In connection with its Petition, APCo requested that the Commission waive certain requirements of the Rate Case Rules. First, the Company requested a waiver from the requirement to submit Filing Schedule 46 regarding, among other things, the costs of the EE Programs and revenue requirement; information about the Company's accounting procedures and internal controls; and information regarding allocation of the revenue requirement and rate design. The Company also requested a waiver from the requirement to submit Filing Schedule 45, the Return on Equity Peer Group.

On September 9, 2016, the Commission issued a Preliminary Order that granted the Company's requested waiver from submitting Filing Schedule 45 and invited comments on the Company's request for waiver from submitting Filing Schedule 46.<sup>11</sup> On September 16, 2016, the Staff of the Commission ("Staff") filed a response opposing APCo's request for waiver from filing Schedule 46. On September 21, 2016, APCo filed a letter stating that it would provide Schedule 46 on or before October 17, 2016. On October 14, 2016, APCo filed Schedule 46, with the exception of Schedule 46B,<sup>12</sup> along with the Supplemental Direct Testimony of William K. Castle. On October 27, 2016, APCo filed the Second Supplemental Direct Testimony of William K. Castle.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that public notice and an opportunity for participation in this proceeding should be given; that a

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<sup>11</sup> The Commission found the petition incomplete for purposes of commencing the Commission's eight-month review period provided for under Code § 56-585.1 A 7 and stated the statutory review period would commence either: (i) upon granting the requested waiver related to Filing Schedule 46; or (ii) if not granted, the filing of a completed Petition.

<sup>12</sup> On October 28, 2016, APCo filed a Request for Waiver requesting a waiver from the requirement to file Confidential Schedule 46B on the basis that the information "is both confidential and exceedingly voluminous." APCo represents that it has provided the information directly to Staff and that granting of such waiver will not preclude Staff or any other party from reviewing the information, subject to entry of a protective ruling in this proceeding.

public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Petition; and that the Staff should be directed to investigate APCo's Petition and file testimony and exhibits regarding its recommendations and findings on the Petition. Further, we find that a Hearing Examiner should be assigned to conduct all further proceedings on behalf of the Commission including filing a final report containing the Hearing Examiner's findings and recommendations.<sup>13</sup>

Accordingly, IT IS ORDERED THAT:

(1) This matter is hereby docketed and assigned Case No. PUE-2016-00089.

(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 conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

(3) A public hearing shall be convened on April 6, 2017, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff. Any person desiring to offer testimony as a public witness at this public hearing need only appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) The Company shall make copies of its Petition, as well as a copy of this Order for Notice and Hearing ("Order"), 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

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<sup>13</sup> The Commission also will grant a limited waiver to Rule 5 VAC 5-20-150 of the Commission's Rules of Practice and Procedure ("Rules of Practice"), 5 VAC 5-20-10 *et seq.*, to permit APCo to provide a compact disk and one paper copy directly to Staff in lieu of filing paper copies of the information contained in Schedule 46B.

obtained by submitting a written request to counsel for the Company, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 E. Cary Street, Suite 1100, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the copies by electronic means. Copies of public versions of all documents filed in this case 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 may also download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before December 12, 2016, the Company shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF A PETITION BY  
APPALACHIAN POWER COMPANY FOR APPROVAL TO  
CONTINUE A RATE ADJUSTMENT CLAUSE,  
THE EE-RAC, PURSUANT TO  
§ 56-585.1 A 5 C OF THE CODE OF VIRGINIA  
CASE NO. PUE-2016-00089

- **Appalachian Power Company (APCo) has filed a petition to continue a rate adjustment clause ("EE-RAC") to recover the costs of five previously approved energy efficiency programs.**
- **APCo requests to continue the current EE-RAC without changes to the annual revenue requirement of \$5,257,843. No change to customers' bills is expected.**
- **The Commission will hear the case on April 6, 2017, at 9 a.m.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On August 31, 2016, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") a Petition and Request for Waiver ("Petition") pursuant to § 56-585.1 A 5 c of the Code of Virginia and the Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules"), seeking approval to continue a rate adjustment clause ("EE-RAC") that recovers the costs of five energy efficiency programs ("EE Programs") previously approved by the Commission. APCo requests approval to continue the current EE-RAC without any changes to its annual revenue requirement of \$5,257,843, the recovery factor rate, or cost allocation and assignment. APCo further states that it is not requesting any changes to the approved EE Programs, nor is it requesting any recovery of lost revenues related to the EE Programs.

The Company explains that planning and implementation of EE Programs began in June 2015 and that the EE-RAC was implemented in January 2016. The Company states that because the EE Programs were recently deployed, spending is expected to increase up to \$2.6 million during the forecast period of July 2016 – December 2016 compared to the \$1.3 million spent during January 2016 – June 2016. The Company states it is not seeking a change to the EE-RAC because of, among other things, the relatively small difference between projected cumulative costs and projected cumulative revenues; the early stage of the programs; and the ability to adjust the factor in the future once participation rates and revenues solidify.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other 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 Petition and supporting documents and thus may adopt rates that differ from those appearing in the Company's Petition and supporting documents.

The Commission entered an Order for Notice and Hearing ("Order") that, among other things, scheduled a hearing on April 6, 2017, beginning at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, for the purpose of receiving testimony from members of the public and evidence related to the Petition from the Company, any respondents, and the

Commission's Staff. Any person desiring to testify as a public witness at this public hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

A copy of the Company's Petition and the Commission's Order are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. A copy may also be obtained, at no cost, by written request to counsel for the Company, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 E. Cary Street, Suite 1100, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the copies by electronic means.

Interested persons may also review copies of the public version of all documents filed in Case No. PUE-2016-00089 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 may also download unofficial copies of these documents from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before March 30, 2017, any interested person wishing to comment on the Company's Petition shall file written comments with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to file comments electronically may do so on or before March 30, 2017, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments should refer to Case No. PUE-2016-00089.

On or before January 19, 2017, any person or entity 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 the Clerk of the Commission at the address set forth above. A copy of the notice of participation as a respondent simultaneously shall be sent to counsel for APCo 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 ("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. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order.

On or before February 23, 2017, each respondent may file with the Clerk of the Commission, and serve on the Commission's Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address above. Respondents also shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2016-00089.

The Commission's Rules of Practice may be viewed at: <http://www.scc.virginia.gov/case>. A printed copy of the Rules of Practice and an official copy of the Commission's Order in this proceeding may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

APPALACHIAN POWER COMPANY

(6) On or before December 12, 2016, the Company shall serve a copy of this Order on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or equivalent official) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.

(7) On or before January 12, 2017, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6) herein, including the name, title, and address of each official served.

(8) On or before March 30, 2017, any interested person may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Petition. Any interested person desiring to submit comments electronically may do so on or before March 30, 2017, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments should refer to Case No. PUE-2016-00089.

(9) Any person or entity may participate as a respondent in this proceeding by filing, on or before January 19, 2017, a notice of participation. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be submitted to the Clerk of the Commission at the address in Ordering Paragraph (8). Any person or entity simultaneously shall serve a copy of the notice of participation on counsel to APCo at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, 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 Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filed papers shall refer to Case No. PUE-2016-00089.

(10) 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 Petition, and all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(11) On or before February 23, 2017, each respondent may file with the Clerk of the Commission and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address in Ordering Paragraph (8). In all filings, respondents shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*; 5 VAC 5-20-150, *Copies and format*; and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

(12) The Staff shall investigate the Petition. On or before March 9, 2017, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy on counsel to the Company and all respondents.

(13) On or before March 23, 2017, APCo may file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. 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 testimony and exhibits shall be submitted to the Clerk of the Commission at the address in Ordering Paragraph (8).

(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>14</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) The Company's Request for Waiver filed October 28, 2016, is granted to the extent discussed herein.

(16) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 E. 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, 202 North Ninth Street, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Public Utility Regulation.

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<sup>14</sup> The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUE-2016-00089, in the appropriate box.