

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, DECEMBER 21, 2016

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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUE-2016-00090

For approval of a rate adjustment clause pursuant
to § 56-585.1 A 5 f of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On November 17, 2016, Appalachian Power Company ("Appalachian" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia ("Code") and the Rules Governing Utility Rate Applications and Annual Informational Filings ("Rate Case Rules")¹ of the State Corporation Commission ("Commission"), filed with the Commission its petition ("Petition")² for approval of an Accelerated Vegetation Management Program ("AVMP") and, pursuant to Code § 56-585.1 A 5 f, the establishment of a rate adjustment clause ("VM-RAC") to recover the costs of the AVMP not currently in rates. On December 9, 2016, Appalachian filed a Motion for Protective Ruling seeking protection for confidential information in this proceeding.

In its Petition, the Company seeks approval of the AVMP, which Appalachian indicates will allow it to increase the amount of vegetation management it performs so that the Company can transition the distribution circuits in its Virginia service territory to a four-year ongoing vegetation management cycle, following an implementation period of approximately six and a half years.³ The Company states that the AVMP grew out of the reliability improvements that

¹ 20 VAC 5-201-10 *et seq.*

² Supporting testimony and other documents also were filed with the Petition.

³ Petition at 2.

resulted from Appalachian's Virginia vegetation pilot program, which ran from 2013 through 2015 and covered 30 circuits.⁴

The Company proposes to implement the AVMP in stages to reduce the rate impact on customers. Appalachian states that it plans to spend approximately \$22.4 million in the first year, consisting of incremental operations and maintenance and capital, producing a Virginia retail revenue requirement of \$13.8 million in the first year.⁵ The Company proposes to increase AVMP expenditures in the second year to approximately \$44.8 million.⁶ To calculate the return on associated rate base, Appalachian indicates that it used the 9.4% return on common equity ("ROE") approved by the Commission in Case No. PUE-2016-00038, and its capital structure as of June 30, 2016.⁷

Appalachian proposes that the VM-RAC be applied to customers' bills sixty days after the Commission's order approving the Petition.⁸ According to the Company, implementation of the proposed VM-RAC would increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by \$1.68.⁹ For customers taking service on Residential, Sanctuary Worship Service, General Service – Time of Day, Small General Service, and Outdoor Lighting rate schedules, the Company proposes to implement a flat, per-customer charge. For eligible customers that are taking service on demand-metered tariffs, the Company proposes to collect

⁴ *Id.* at 2-3.

⁵ *Id.* at 3-4.

⁶ *Id.* at 4.

⁷ *Id.* See *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).

⁸ Petition at 4.

⁹ *Id.*

the AVMP costs through a demand charge; the Company asserts that a flat per-customer charge would result in disproportionately large charges for demand-metered customers.¹⁰

Appalachian requests a waiver of Rules 20 VAC 5-201-60 ("Rule 60") and 20 VAC 5-201-90 ("Rule 90") of the Rate Case Rules with respect to Schedule 45. Rule 60 of the Rate Case Rules requires that an application filed pursuant to Code § 56-585.1 A 5 include Schedule 45, "Return on Equity Peer Group Benchmark," with the utility's direct testimony. Rule 90 of the Rate Case Rules states that Schedule 45 must include, "documentation supporting the return on equity benchmark proposed pursuant to § 56-585.1 A 2 a and b of the Code" In support of its request for waiver of Schedule 45, the Company states that the Commission has already determined the ROE that will apply to the VM-RAC in Case No. PUE 2016-00038, and thus Schedule 45 is unnecessary.¹¹

The Company also requests waiver of the Commission's Rate Case Rules and its Rules of Practice and Procedure ("Rules of Practice")¹² to the extent that they would require Appalachian to file an original paper version and 15 copies of the contents of Schedule 46B with the Commission's Clerk. According to the Company, because this information is both confidential and exceedingly voluminous, the Company requests the Commission's permission to provide this information directly to the Commission's Staff ("Staff") on a compact disk, accompanied by one printout of all documents.¹³ The Staff has indicated that it does not object to the Company's proposal regarding Schedule 46B.

¹⁰ *Id.* at 4-5.

¹¹ *Id.* at 5.

¹² 5 VAC 5-20-10 *et seq.*

¹³ Petition at 5-6.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that Appalachian should provide public notice of its Petition; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Petition; a procedural schedule should be established to allow interested persons an opportunity to file comments on the Company's Petition or to participate in this proceeding as a respondent; and the Staff should be directed to investigate the Petition and file testimony and exhibits containing its findings and recommendations thereon.

Additionally, the Commission finds that the Company's request for a partial waiver of the requirements of Rule 60 and Rule 90 of the Rate Case Rules regarding the filing of Schedule 45 should be granted for purposes of making the Petition complete and commencing this proceeding. The Commission further finds that the Company's request for partial waiver with respect to Schedule 46B should be granted. However, the Company should provide a copy of Schedule 46B to any interested party upon request, subject to any protective order that may be issued in this proceeding.

Finally, the Commission finds that a Hearing Examiner should be assigned to rule on the Company's Motion for Protective Ruling and on any discovery matters that may arise in this proceeding.

Accordingly, IT IS ORDERED THAT:

- (1) This matter is docketed and assigned Case No. PUE-2016-00090.
- (2) As provided by § 12.1-31 of the Code and Rule 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 Order as well as any discovery matters that may arise in this proceeding.

(3) A public hearing on the Petition shall be convened on May 9, 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 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 obtained by submitting a written request to counsel for the Company, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 East 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 also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before January 24, 2017, the Company 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 OF A RATE ADJUSTMENT CLAUSE
 PURSUANT TO § 56-585.1 A 5 F OF THE CODE OF
 VIRGINIA
CASE NO. PUE-2016-00090

- **Appalachian Power Company ("Appalachian") has filed a petition for approval of an Accelerated Vegetation Management Program ("AVMP") and a rate adjustment clause ("VM-RAC") to recover the costs of the AVMP.**
- **Appalachian requests a first-year VM-RAC revenue requirement of \$13,800,000. The average monthly residential customer's bill would increase by approximately \$1.68.**
- **The Commission will hear the case on May 9, 2017, at 10 a.m.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On November 17, 2016, Appalachian Power Company ("Appalachian" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia ("Code") and the Rules Governing Utility Rate Applications and Annual Informational Filings of the State Corporation Commission ("Commission"), filed with the Commission its petition ("Petition") for approval of an Accelerated Vegetation Management Program ("AVMP") and, pursuant to Code § 56-585.1 A 5 f, the establishment of a rate adjustment clause ("VM-RAC") to recover the costs of the AVMP not currently in rates.

In its Petition, the Company seeks approval of the AVMP, which Appalachian indicates will allow it to increase the amount of vegetation management it performs so that the Company can transition the distribution circuits in its Virginia service territory to a four-year ongoing vegetation management cycle, following an implementation period of approximately six and a half years. The Company states that the AVMP grew out of the reliability improvements that resulted from Appalachian's Virginia vegetation pilot program, which ran from 2013 through 2015 and covered 30 circuits.

The Company proposes to implement the AVMP in stages to reduce the rate impact on customers. Appalachian states that it plans to spend approximately \$22.4 million in the first year, consisting of incremental operations and maintenance and capital, producing a Virginia retail revenue requirement of \$13.8 million in the first year. The Company proposes to increase AVMP expenditures in the second year to approximately \$44.8 million. To calculate the return on associated rate base, Appalachian indicates that it used the 9.4% return on common equity approved by the Commission in Case No. PUE-2016-00038, and its capital structure as of June 30, 2016.

Appalachian proposes that the VM-RAC be applied to customers' bills sixty days after the Commission's order approving the Petition. For customers taking service on Residential, Sanctuary Worship Service, General Service – Time of Day, Small General Service, and Outdoor Lighting rate schedules, the Company proposes to implement a flat, per-customer charge. For eligible customers that are taking service on demand-metered tariffs, the Company proposes to collect the AVMP costs through a demand charge; the Company asserts that a flat per-customer charge would result in disproportionately large charges for demand-metered customers.

Interested persons are encouraged to review the Petition 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 public hearing on May 9, 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 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 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 also may be obtained by submitting a written request to counsel for the Company, Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Interested persons may also review copies of the public version of all documents filed in Case No. PUE-2016-00090 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 of these documents from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before May 2, 2017, any interested person wishing to comment on the Company's Petition may 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 May 2, 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 shall refer to Case No. PUE-2016-00090.

On or before February 21, 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 Appalachian 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.

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 January 24, 2017, 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 February 7, 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 May 2, 2017, any interested person may file written comments on the Petition 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 submit comments electronically may do so on or before May 2, 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 shall refer to Case No. PUE-2016-00090.

(9) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before February 21, 2017. 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 (8). Any person or entity simultaneously shall serve a copy of the notice of participation on counsel to Appalachian at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's 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 filed papers shall refer to Case No. PUE-2016-00090.

(10) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon such 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 March 21, 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, the respondent 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 April 4, 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 Appalachian and all respondents.

(13) On or before April 20, 2017, Appalachian 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 Company's request for waiver of the requirements of 20 VAC 5-201-60 and 20 VAC 5-201-90 regarding the filing of Schedule 45 is granted to the extent discussed herein. The Company's request for waiver regarding the treatment of Schedule 46B is granted to the extent discussed herein.

(15) 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 the Staff.¹⁴ Except as modified above,

¹⁴ 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-2016-00090, in the appropriate box.

discovery shall be in accordance with Part IV of the Commission's Rules of Practice,

5 VAC 5-20-240 *et seq.*

(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 East Cary Street, Suite 1100, Richmond, Virginia 23219; James R. Bacha, 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. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.