

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, OCTOBER 12, 2017

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2017-00120

To revise its fuel factor

ORDER ESTABLISHING 2017-2018 FUEL FACTOR PROCEEDING

On September 15, 2017, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") its application ("Application") pursuant to § 56-249.6 of the Code of Virginia ("Code") seeking a decrease in its fuel factor.<sup>1</sup> The Company proposes to reduce the current factor of 2.301 cents per kilowatt-hour ("¢/kWh") to 2.169¢/kWh, effective for service rendered on and after November 1, 2017.<sup>2</sup> As part of its Application, APCo filed the direct testimony of several witnesses.

The Company's proposed fuel factor consists of both an in-period and a prior-period factor. The Company's proposed in-period factor is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses and a credit for 75% of projected off-system sales margins, of approximately \$303 million for the period of November 1, 2017, to October 31, 2018.<sup>3</sup> The Company proposes to reduce the in-period factor component from the current 2.301¢/kWh to 2.129¢/kWh, effective for service rendered on and after November 1, 2017.<sup>4</sup>

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<sup>1</sup> The Company filed its Application in both confidential and public versions.

<sup>2</sup> Application at 1.

<sup>3</sup> Direct Testimony of Garry H. Simmons at 4.

<sup>4</sup> Application at 2, 4.

The prior-period component is designed to recover the deferred fuel balance, which the Company projects will be approximately \$5.9 million by the end of October 2017.<sup>5</sup> The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the period November 1, 2017 - October 31, 2018, to obtain the prior-period under-recovery component of 0.040¢/kWh.<sup>6</sup>

The Company represents that the net impact of using the Company's proposed fuel factor over the November 1, 2017, through October 31, 2018 period is an annual revenue decrease of \$24.5 million, or an approximately 1.9% decrease to current revenues.<sup>7</sup> According to the Company, the Company's proposal would decrease the monthly bill of a residential customer using 1,000 kWh of electricity by \$1.32, or approximately 1.13%.<sup>8</sup>

Finally, in conjunction with the filing of its Application, on September 15, 2017, the Company filed a Motion for Protective Order ("Motion for Protective Order") and a proposed protective order that establishes procedures governing the use of confidential information in this proceeding.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter should be docketed; the Company should place its proposed fuel factor into effect on an interim basis; APCo should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Application; interested persons should have an opportunity to file comments on the Application or to participate as a respondent in this proceeding; the Commission's Staff ("Staff") should be

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<sup>5</sup> Application at 3.

<sup>6</sup> Direct Testimony of Garry H. Simmons at 5.

<sup>7</sup> *Id.* at 6.

<sup>8</sup> *Id.* at 7.

directed to investigate the Application and file testimony and exhibits containing its findings and recommendations thereon; and a Hearing Examiner should be appointed to conduct all further proceedings in this matter.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2017-00120.

(2) The Company's proposed fuel factor of 2.169¢/kWh shall be placed into effect on an interim basis for service rendered on and after November 1, 2017.

(3) 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 and Procedure ("Rules of Practice"),<sup>9</sup> a Hearing Examiner is appointed to conduct all further proceedings in this matter, including ruling on the Company's Motion for Protective Order, and to file a final report.

(4) A public hearing on the Application shall be convened on January 23, 2018, at 10 a.m. in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and evidence offered by the Company, respondents, and the Staff on the Company's Application. Any person desiring to offer testimony as a public witness need only appear at the hearing location fifteen (15) minutes before the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(5) The Company forthwith shall make copies of the public versions of its Application, pre-filed testimony, and exhibits, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at all Company offices in the Commonwealth of Virginia. Interested persons also may review a copy of the public version of the Company's Application in the Commission's Document Control Center, located on the first floor of the

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<sup>9</sup> 5 VAC 5-20-10 *et seq.*

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 request a copy of the same, at no charge, by written request to counsel for APCo, Timothy E. Biller, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means. In addition, unofficial copies of the public version of the Company's Application, Commission orders entered in this docket, the Commission's Rules of Practice, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before October 30, 2017, APCo shall cause a copy of 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 in the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF  
APPALACHIAN POWER COMPANY'S  
REQUEST TO REVISE ITS FUEL FACTOR  
CASE NO. PUR-2017-00120

On September 15, 2017, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") its application ("Application") pursuant to § 56-249.6 of the Code of Virginia seeking a decrease in its fuel factor. The Company proposes to reduce the current factor of 2.301 cents per kilowatt hour ("¢/kWh") to 2.169¢/kWh, effective for service rendered on and after November 1, 2017.

APCo's proposed fuel factor consists of both an in-period and a prior period factor. The Company's proposed in-period factor is designed to recover the Company's estimated Virginia jurisdictional fuel expenses, including purchased power expenses and a credit for 75% of projected off-system sales margins, of approximately \$303 million for the period of November 1, 2017, to October 31, 2018. The Company proposes to reduce the in-period

factor component from the current 2.301¢/kWh to 2.129¢/kWh, effective for service rendered on and after November 1, 2017.

The prior period component is designed to recover the deferred fuel balance, which the Company projects will be approximately \$5.9 million by the end of October 2017. The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the period November 1, 2017 - October 31, 2018, to obtain the prior-period under-recovery component of 0.040¢/kWh.

APCo represents that the net impact of using the Company's proposed fuel factor over the November 1, 2017, through October 31, 2018 period is an annual revenue decrease of \$24.5 million, or an approximately 1.9% decrease to current revenues. According to the Company, the Company's proposal would decrease the monthly bill of a residential customer using 1,000 kWh of electricity by \$1.32, or approximately 1.13%.

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 approve revenues and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Company's Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Company's Application and supporting documents.

The Commission entered an Order Establishing 2017-2018 Fuel Factor Proceeding ("Order") that, among other things, scheduled a public hearing on January 23, 2018, 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 Application from the Company, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear 15 minutes before the starting time of the hearing and contact the Commission's Bailiff.

In its Order, the Commission also allowed the Company to place its proposed fuel factor of 2.169¢/kWh into effect for service rendered on and after November 1, 2017, on an interim basis.

The public version of the Company's Application, pre-filed testimony, and exhibits are available for public inspection during

regular business hours at all of the Company's offices in the Commonwealth of Virginia. A copy of the public version of the Company's Application also may be obtained, at no cost, by written request to counsel for APCo, Timothy E. Biller, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Interested persons also may review a copy of the public version of the Company's Application 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. In addition, unofficial copies of the public version of the Company's Application, Commission orders entered in this docket, the Commission's Rules of Practice and Procedure ("Rules of Practice"), as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website: <http://www.scc.virginia.gov/case>.

On or before January 16, 2018, any interested person wishing to comment on the Company's Application 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 January 16, 2018, 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 such comments shall refer to Case No. PUR-2017-00120.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before November 21, 2017. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be filed with the Clerk of the Commission at the address set forth above. A copy of the notice of participation as a respondent also must be sent to counsel for the Company at counsel's address set forth above. 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. All filings shall refer to Case No. PUR-2017-00120.

Interested persons should obtain a copy of the Commission's Order for further details on participation as a respondent.

On or before December 5, 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 set forth above. 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*. All filings shall refer to Case No. PUR-2017-00120.

The Commission's Rules of Practice may be viewed at the Commission's website: <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

#### APPALACHIAN POWER COMPANY

(7) On or before October 30, 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) and city or town attorney 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.

(8) On or before November 10, 2017, the Company shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (6) and (7) herein.

(9) On or before January 16, 2018, any interested person wishing to comment on the Company's Application 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

January 16, 2018, 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 such comments shall refer to Case No. PUR-2017-00120.

(10) On or before November 21, 2017, any person or entity 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 Rules of Practice. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (9). A copy of the notice of participation as a respondent also must be sent to counsel for the Company at counsel's address set forth in Ordering Paragraph (5). 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 filings shall refer to Case No. PUR-2017-00120.

(11) Within three (3) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of this Order for Notice and Hearing, the Application, and the Company's supporting materials filed in this proceeding, unless these materials already have been provided to the respondent.



(12) On or before December 5, 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 set forth in Ordering Paragraph (9). 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*. All filings shall refer to Case No. PUR-2017-00120.

(13) The Staff shall investigate the Application. On or before December 19, 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. A copy thereof shall be served on counsel to the Company and all respondents.

(14) On or before January 9, 2018, the Company shall file with the Clerk of the Commission: (a) 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; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Company shall serve a copy thereof 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 set forth in Ordering Paragraph (9).

(15) The Commission's Rules 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 and objections to interrogatories and requests for production of documents shall be

served within five (5) 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>10</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.*

(16) *This matter is continued.*

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Timothy E. Biller, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219; James R. Bacha, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215; Noelle J. Coates, Esquire, American Electric Power Service Corporation, 3 James Center, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 North 9<sup>th</sup> Street, 8th Floor, Richmond, Virginia 23219; and a copy also shall be delivered to the Commission's Office of General Counsel and the Divisions of Public Utility Regulation and Utility Accounting and Finance.

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<sup>10</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, PUR-2017-00120, in the appropriate box.