

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 20, 2017

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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2017-00065

For approval of a rate adjustment clause,
RPS-RAC, to recover the incremental costs
of participation in the Virginia renewable energy
portfolio standard program pursuant to
Va. Code §§ 56-585.1 A 5 d and 56-585.2 E

ORDER FOR NOTICE AND HEARING

On June 1, 2017, Appalachian Power Company ("APCo" or "Company"), pursuant to §§ 56-585.1 A 5 d and 56-585.2 E of the Code of Virginia ("Code") and the Final Order issued in Case No. PUE-2016-00042,¹ filed with the State Corporation Commission ("Commission") a Petition asking the Commission to approve a rate adjustment clause, designated as the RPS-RAC, for recovery of the incremental costs related to the Company's participation in Virginia's Renewable Energy Portfolio Standard Program. APCo requests implementation of its proposed revenue factor effective April 1, 2018, through March 31, 2019 ("2018 Rate Year").

For the 2018 Rate Year, the Company states that it calculated a revenue requirement for the RPS-RAC of \$5.76 million, which takes into account: (1) actual and projected costs associated with wind purchased power agreements for the period April 2017 through March 2019; (2) an actual under-recovery balance as of March 31, 2017; (3) projected net proceeds

¹ *Petition of Appalachian Power Company. For approval of a rate adjustment clause, RPS-RAC, to recover the incremental costs of participation in the Virginia renewable energy portfolio standard program pursuant to Va. Code §§ 56-585.1 A 5 d and 56-585.2 E, Case No. PUE-2016-00042, Doc. Con. Cen. No. 170210015, Final Order (Feb. 1, 2017) ("2017 RPS Order").* On May 2, 2017, APCo filed a Motion for Waiver of Rate Case Rules requesting Commission waiver of Rule 20 VAC 5-201-10 A, which requires notice to the Commission 60 days prior to filing rate adjustment clause petitions. Due to an administrative oversight by the Company, APCo did not file notice of its June 1, 2017 petition until May 2, 2017. APCo indicates that the 2017 RPS Order required the Company to file the instant petition on or before June 1, 2017, and that granting its requested waiver would not harm any interested party.

associated with sales of renewable energy credits for April 2017 through March 2019; (4) projected Generation Attribute Tracking System volumetric fees for April 2017 through March 2019; and (5) the projected RPS-RAC payments for the period April 2017 through March 2018.²

If the proposed RPS-RAC is approved, the impact on customer bills would depend on a customer's rate schedule and usage. According to APCo, implementation of its proposed RPS-RAC on April 1, 2018, would increase the bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.65.³ While the proposed RPS-RAC would also affect non-residential customer bills, the Company indicates it has not allocated RPS-RAC costs to certain Large Power Service customers identified by Code § 56-585.2 E.⁴

In its Petition, the Company 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 because, according to the Company, there is no return on investment impacted by the request in the instant Petition.⁵

In addition, on June 2, 2017, APCo filed a Motion for Entry of a Protective Ruling and for Additional Protective Treatment for Extraordinarily Sensitive Information ("Motion for

² Pre-filed Direct Testimony of Jennifer B. Sebastian ("Sebastian Direct") at 4, Schedule 2. APCo projects zero RPS-RAC payments for the period April 2017 through March 2018 because the Commission approved a zero factor RPS-RAC in Case No. PUE-2016-00042, which remains in effect until modified by the Commission. *Id.* at 4.

³ Petition at 3.

⁴ *Id.* at 2; Sebastian Direct at 5.

⁵ Petition at 4-5.

Protective Ruling") pursuant to Rule 110 and Rule 170 of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.* ("Rules of Practice").

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 public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Petition; and that the Commission Staff ("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 ruling on the Company's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

Under the limited circumstances of this case, we grant APCo's request to waive the filing of Schedule 45 for purposes of commencing this proceeding.⁶

Accordingly, IT IS ORDERED THAT:

- (1) This matter is hereby docketed and assigned Case No. PUR-2017-00065.⁷
- (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.
- (3) A public hearing shall be convened on November 2, 2017, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street,

⁶ In granting this request, we are not ruling on the relevance, if any, that information related to return on equity required by Schedule 45 may have in this proceeding.

⁷ In docketing this proceeding, the Commission grants APCo's requested waiver of Rule 20 VAC 5-201-10 A under the limited circumstances of this case.

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 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 also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before July 21, 2017, 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 OF
 A RATE ADJUSTMENT CLAUSE, RPS-RAC, TO RECOVER
 THE INCREMENTAL COSTS OF PARTICIPATION IN THE
 VIRGINIA RENEWABLE ENERGY PORTFOLIO
 STANDARD PROGRAM PURSUANT TO
 VA. CODE §§ 56-585.1 A 5 D AND 56-585.2 E
CASE NO. PUR-2017-00065

- **Appalachian Power Company ("APCo") has applied for approval to revise its rate adjustment clause, RPS-RAC.**
- **APCo requests a total revenue requirement of \$5.76 million for its 2018 RPS-RAC.**
- **A Hearing Examiner appointed by the Commission will hear the case on November 2, 2017, at 10 a.m.**
- **Further information about this case is available on the SCC website at:
<http://www.scc.virginia.gov/case>.**

On June 1, 2017, Appalachian Power Company ("APCo" or "Company"), pursuant to §§ 56-585.1 A 5 d and 56-585.2 E of the Code of Virginia ("Code") and the Final Order issued in Case No. PUE-2016-00042, filed with the State Corporation Commission ("Commission") a Petition asking the Commission to approve a rate adjustment clause, designated as the RPS-RAC, for recovery of the incremental costs related to the Company's participation in Virginia's Renewable Energy Portfolio Standard Program. APCo requests implementation of its proposed revenue factor effective April 1, 2018, through March 31, 2019 ("2018 Rate Year").

For the 2018 Rate Year, the Company states that it calculated a revenue requirement for the RPS-RAC of \$5.76 million, which takes into account: (1) actual and projected costs associated with wind purchased power agreements for the period April 2017 through March 2019; (2) an actual under-recovery balance as of March 31, 2017; (3) projected net proceeds associated with sales of renewable energy credits for April 2017 through March 2019; (4) projected Generation Attribute Tracking System volumetric fees for April 2017 through March 2019; and

(5) the projected RPS-RAC payments for the period April 2017 through March 2018.

If the proposed RPS-RAC is approved, the impact on customer bills would depend on a customer's rate schedule and usage. According to APCo, implementation of its proposed RPS-RAC on April 1, 2018, would increase the bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.65. While the proposed RPS-RAC would also affect non-residential customer bills, the Company indicates it has not allocated RPS-RAC costs to certain Large Power Service customers identified by Code § 56-585.2 E.

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 adopt rates that differ from those appearing in the Company's Petition and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Petition and supporting documents.

The Commission entered an Order for Notice and Hearing ("Order") that, among other things, scheduled a hearing on November 2, 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 Company's 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 also may 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 also may review copies of the public version of all documents filed in Case No. PUR-2017-00065 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 October 26, 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 submit comments electronically may do so by following the instructions found 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 should refer to Case No. PUR-2017-00065.

On or before August 23, 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 September 19, 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. PUR-2017-00065.

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 the Clerk of the Commission at the address above.

APPALACHIAN POWER COMPANY

(6) On or before July 21, 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.

(7) On or before August 21, 2017, the Company shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, 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 October 26, 2017, any interested person may file written comments on the Petition with the Clerk of the Commission at the address shown in Ordering Paragraph (7). Any interested person desiring to submit comments electronically may do so by following the instructions found 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 should refer to Case No. PUR-2017-00065.

(9) Any person or entity may participate as a respondent in this proceeding by filing, on or before August 23, 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 (7). 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 filings shall refer to Case No. PUR-2017-00065.

(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 September 19, 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 (7). 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 September 29, 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 October 17, 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 (7).

(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.⁸ 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.*

⁸ 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-2017-00065, in the appropriate box.

(15) The Company's request for a waiver of the requirement of Rule 20 VAC 5-201-60 to file Schedule 45 is granted as set forth in this Order.

(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, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.