

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 18, 2018

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2018-00048

For the determination of the
fair rate of return on common equity
to be applied to its rate adjustment clauses

ORDER FOR NOTICE AND HEARING

On March 29, 2018, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") for the determination of the fair rate of return on common equity ("ROE") to be applied to its rate adjustment clauses ("RACs") pursuant to § 56-585.1:1 of the Code of Virginia ("Code").¹

Enacted in 2015, § 56-585.1:1 C 1 of the Code requires that:

Commencing in 2016 and concluding in 2018, the State Corporation Commission, after notice and opportunity for a hearing, shall conduct a proceeding every two years to determine the fair rate of return on common equity to be used by a Phase I Utility as the general rate of return applicable to rate adjustment clauses under subdivisions A 5 or A 6 of § 56-585.1. A Phase I Utility's filing in such proceedings shall be made on or before March 31 of 2016, and 2018.²

The Company requests that the Commission approve an ROE of 10.22% for APCo's rate adjustment clauses approved under Subdivision A 5 or A 6 of § 56-585.1 of the Code, to be applied prospectively, effective with the date of the Commission's final order in this proceeding. In addition, the ROE determined in this proceeding will be used in APCo's base rate case in

¹ Application at 2.

² APCo is a Phase I utility. See Code § 56-585.1.

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2020, pursuant to § 56-585.1:1 C 3 of the Code.³ APCo currently has two RACs subject to the ROE to be determined in this proceeding:⁴ its Generation Rate Adjustment Clause, last approved by the Commission in 2016,⁵ and its Energy Efficiency Rate Adjustment Clause, approved by the Commission in 2015.⁶

APCo asserts that 10.22% is a fair ROE for the Company based on an evaluation of the returns on common equity for a majority of the regional peer group, as specified in § 56-585.1 A 2 a of the Code, and that 10.22% represents a fair ROE for the Company given the current conditions in the capital markets, including increased volatility and the enactment of the Tax Cuts and Jobs Act.⁷

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that APCo should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the Company's Application or to participate in this proceeding as a respondent; and the Commission's Staff ("Staff") should be directed to investigate the

³ *Id.*

⁴ *Id.*

⁵ *Petition of Appalachian Power Company, For revision of a rate adjustment clause pursuant to § 56-585.1 A 6 of the Code of Virginia with respect to the Dresden Generating Plant*, Case No. PUE-2016-00024, 2016 S.C.C. Ann. Rept. 382, Final Order (Dec. 30, 2016).

⁶ *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). On September 29, 2017, APCo requested approval to continue and expand the Company's energy efficiency offerings, which is currently pending before the Commission. *Petition of Appalachian Power Company For approval of a rate adjustment clause, the EE-RAC, pursuant to § 56-585.1 A 5 c of the Code of Virginia and for approval of new energy efficiency programs*, Case No. PUR-2017-00126.

⁷ *Id.* at 3.



Application and file testimony and exhibits containing its findings and recommendations thereon. We find that a Hearing Examiner should be appointed to rule on all discovery matters that arise during the course of this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2018-00048.

(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 and Procedure ("Rules of Practice"),⁸ a Hearing Examiner shall be appointed to rule on any discovery issues that may arise during the course of this proceeding.

(3) A public hearing on the Application shall be convened on August 28, 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 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.

(4) The Company forthwith shall make copies of its Application, 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 request a copy of the same, at no charge, by written request to counsel for APCo, 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

⁸ 5 VAC 5-20-10 *et seq.*

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>.

(5) On or before May 8, 2018, 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 in Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
 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. PUR-2018-00048

On March 29, 2018, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") for the determination of the fair rate of return on common equity ("ROE") to be applied to its rate adjustment clauses ("RACs") pursuant to § 56-585.1:1 of the Code of Virginia ("Code"). Enacted in 2015, § 56-585.1:1 C 1 of the Code requires that:

Commencing in 2016 and concluding in 2018, the State Corporation Commission, after notice and opportunity for a hearing, shall conduct a proceeding every two years to determine the fair rate of return on common equity to be used by a Phase I Utility as the general rate of return applicable to rate adjustment clauses under subdivisions A 5 or A 6 of § 56-585.1. A Phase I Utility's filing in such proceedings shall be made on or before March 31 of 2016, and 2018.

The Company requests that the Commission approve an ROE of 10.22% for APCo's rate adjustment clauses approved under Subdivision A 5 or A 6 of § 56-585.1 of the Code, to be

applied prospectively, effective with the date of the Commission's final order in this proceeding. In addition, the ROE determined in this proceeding will be used in APCo's base rate case in 2020, pursuant to § 56-585.1:1 C 3 of the Code. APCo currently has two RACs subject to the ROE to be determined in this proceeding: its Generation Rate Adjustment Clause, last approved by the Commission in 2016, and its Energy Efficiency Rate Adjustment Clause, approved by the Commission in 2015.

APCo asserts that 10.22% is a fair ROE for the Company based on an evaluation of the returns on common equity for a majority of the regional peer group, as specified in § 56-585.1 A 2 a of the Code, and that 10.22% represents a fair ROE for the Company given the current conditions in the capital markets, including increased volatility and the enactment of the Tax Cuts and Jobs Act.

The Commission entered an Order for Notice and Hearing that, among other things, scheduled a public hearing on August 28, 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 fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

The Company's Application and the Commission's Order for Notice and Hearing are 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 documents by electronic means.

Copies of the public version of all documents filed in this case also are 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>.

Any person or entity may participate as a respondent in this proceeding by filing, on or before June 19, 2018, 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, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. A copy of the notice of participation as a respondent also must be sent to counsel for 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 ("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-2018-00048. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing.

On or before July 17, 2018, 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. Respondents also shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00048.

On or before August 21, 2018, any interested person wishing to comment on the Company's Application shall 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 Application. Any interested person desiring to file comments electronically may do so on or before August 21, 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-2018-00048.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements

of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at 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 for Notice and Hearing 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.

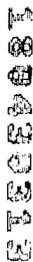
APPALACHIAN POWER COMPANY

(6) On or before May 8, 2018, the Company shall serve a copy of this Order for Notice and Hearing on the following officials, to the extent the position exists, in each county, city, and town in which APCo provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. 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 May 29, 2018, the Company shall file proof of the notice and service required by Ordering Paragraphs (5) and (6) herein, 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.

(8) On or before August 21, 2018, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (7). Any interested person desiring to submit comments electronically may do so on or before August 21, 2018, 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 shall refer to Case No. PUR-2018-00048.





(9) Any person or entity may participate as a respondent in this proceeding by filing, on or before June 19, 2018, 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 in Ordering Paragraph (7), and the respondent shall simultaneously serve a copy of the notice of participation on counsel to the Company 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 Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2018-00048.

(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 for Notice and Hearing, a copy of the Application, and all materials filed by the Company with the Commission, unless these materials have already been provided to the respondent.

(11) On or before July 17, 2018, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (7), 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. In all filings, the respondent shall comply with the Commission's Rules of Practice, including: Rule 5 VAC 5-20-140, *Filing and*

service, and Rule 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00048.

(12) The Staff shall investigate the Application. On or before July 31, 2018, 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.

(13) On or before August 14, 2018, the Company shall 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 set forth in Ordering Paragraph (7).

(14) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(15) Responses and objections to written 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 Rule 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, 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.⁹ 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:
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, 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 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424; 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.

⁹ The assigned Staff attorney is identified on the Commission website: <http://www.scc.virginia.gov/case> by clicking "Docket Search," then "Search Cases" and entering the case number, PUR-2018-00048, in the appropriate box.