

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, OCTOBER 26, 2018

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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2018-00118

For revision of 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 September 28, 2018, Appalachian Power Company ("APCo" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia ("Code") and the Final Order of the State Corporation Commission ("Commission") in Case No. PUR-2017-00126,¹ filed with the Commission its Petition for approval of an updated rate adjustment clause – the "EE-RAC" – to recover the costs of its proposed energy efficiency ("EE")/demand response ("DR") portfolio ("EE/DR Portfolio").²

The Company is not requesting the Commission's approval of any new EE/DR programs with its current Petition. APCo estimates that it will spend approximately \$6,194,789 on its current EE/DR Portfolio for the rate year July 1, 2019, through June 30, 2020 ("2019 Rate Year").³ Specifically, the Company requests approval to continue the EE-RAC for the 2019 Rate Year to recover: (i) 2019 Rate Year costs associated with the Company's current EE/DR programs ("Projected Factor"); and (ii) any (over)/under recovery of costs associated with the

¹ *Petition of 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 and for approval of new energy efficiency programs, Case No. PUR-2017-00126, Doc. Con. Cen. No. 180540050, Final Order (May 16, 2018).*

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

³ Petition at 3-4; Pre-filed Direct Testimony of Zachary L. Bacon ("Bacon Direct") at 5-6.

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EE/DR Portfolio as of June 30, 2019 ("True-Up Factor").⁴ APCo calculated the margin on operating expenses for the Projected Factor based on a return on common equity ("ROE") of 9.4%, authorized by the Commission in Case No. PUE-2016-00038.⁵ The Company proposes a total EE-RAC revenue requirement of \$5,836,933 for the 2019 Rate Year, which consists of a Projected Factor in the amount of \$6,194,789, and a True-Up Factor credit of \$357,856.⁶ APCo is not seeking recovery of lost revenues in this proceeding.⁷

If the proposed EE-RAC for the 2018 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to the Company, implementation of the proposed EE-RAC would increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.03.⁸ For calculating the proposed EE-RAC rates, the Company has allocated the costs of the proposed EE/DR Portfolio to the Virginia tariff classes in accordance with the methodology approved in the 2015 EE-RAC Order,⁹ and has updated the allocators and billing determinants used to develop class revenue requirements for the year ending December 31, 2016, per the 2017 EE-RAC Order.¹⁰

⁴ See Petition at 4, Schedule 46C; Bacon Direct at 5-6, Schedule 2.

⁵ Petition at 4. 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, 2016 S.C.C. Ann. Rept. 393, 396, Final Order (Oct. 6, 2016) ("2016 ROE Order").

⁶ Petition at 4; Bacon Direct at 6, Schedule 2; Schedule 46C.

⁷ Petition at 4; Bacon Direct at 6.

⁸ See, e.g., *id.*

⁹ See, e.g., Petition at 4. *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, 220, Final Order (June 24, 2015), corrected *nunc pro tunc*, Doc. Con. Cen. No. 150630185 (June 26, 2015).

¹⁰ See, e.g., Petition at 4. See *Petition of 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, 2017 S.C.C. Ann. Rept. 365, 366, Final Order (May 11, 2017).

APCo also requests a waiver of Rules 20 VAC 5-201-60 ("Rule 60") and 20 VAC 5-201-90 ("Rule 90") of the Rules Governing Utility Rate Applications and Annual Informational Filings¹¹ with respect to Schedule 45.¹² 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, APCo states that the ROE applicable to this Petition already has been determined in Case No. PUE-2016-00038.¹³ APCo asserts that the ROE used to calculate the revenue requirement will be updated for true-up purposes in the next filing to reflect the Commission's decision in Case No. PUR-2018-00048.¹⁴

In conjunction with the filing of its Petition on September 28, 2018, the Company also filed a Motion for Protective Ruling and a proposed protective ruling 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; APCo should provide public notice of its Petition; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Petition; interested persons should have an opportunity to file comments on the Petition or participate as a

¹¹ 20 VAC 5-201-10 *et seq.* ("Rate Case Rules").

¹² Petition at 5.

¹³ *See* 2016 ROE Order at 393, 396.

¹⁴ Petition at 5. *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. PUR-2018-00048, Doc. Con. Cen. No. 180340290, Application (filed March 29, 2018).

respondent in this proceeding; and the Commission's Staff ("Staff") should be directed to investigate the Petition and file testimony and exhibits containing its findings and recommendations thereon. We also find that a Hearing Examiner should be assigned to conduct all further proceedings in this matter 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. Additionally, we grant APCo's request to waive the filing of Schedule 45 for purposes of making the Petition complete and commencing this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2018-00118.

(2) As provided by Code § 12.1-31 and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),¹⁵ 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 February 26, 2019, 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 should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

(4) The Company shall make copies of the public version of its Petition, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular

¹⁵ 5 VAC 5-20-10 *et seq.*

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 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 November 20, 2018, 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 REVISION OF RATE
ADJUSTMENT CLAUSE, THE EE-RAC,
PURSUANT TO § 56-585.1 A 5 c OF THE CODE
OF VIRGINIA
CASE NO. PUR-2018-00118

- **Appalachian Power Company ("APCo") requests a total of \$5,836,933 for its 2019 EE-RAC. According to APCo, this amount would increase the bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.03.**
- **A Hearing Examiner appointed by the Commission will hear the case on February 26, 2019, at 10 a.m.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On September 28, 2018, Appalachian Power Company ("APCo" or "Company"), pursuant to § 56-585.1 A 5 of the Code of Virginia and the Final Order of the State Corporation Commission ("Commission") in Case No. PUR-2017-00126, filed with the Commission its Petition for approval of an updated rate adjustment clause – the "EE-RAC" – to recover the costs of its proposed energy efficiency ("EE")/demand response ("DR") portfolio ("EE/DR Portfolio").

The Company is not requesting the Commission's approval of any new EE/DR programs with its current Petition. APCo estimates that it will spend approximately \$6,194,789 on its current EE/DR Portfolio for the rate year July 1, 2019, through June 30, 2020 ("2019 Rate Year"). Specifically, the Company requests approval to continue the EE-RAC for the 2019 Rate Year to recover: (i) 2019 Rate Year costs associated with the Company's current EE/DR programs ("Projected Factor"); and (ii) any (over)/under recovery of costs associated with the EE/DR Portfolio as of June 30, 2019 ("True-Up Factor"). APCo calculated the margin on operating expenses for the Projected Factor based on a return on common equity of 9.4%, authorized by the Commission in Case No. PUE-2016-00038. The Company proposes a total EE-RAC revenue requirement of \$5,836,933 for the 2019 Rate Year, which consists of a Projected Factor in the amount of \$6,194,789, and a True-Up Factor credit of \$357,856. APCo is not seeking recovery of lost revenues in this proceeding.

If the proposed EE-RAC for the 2019 Rate Year is approved, the impact on customer bills would depend on the customer's rate schedule and usage. According to the Company, implementation of the proposed EE-RAC would increase the monthly bill of a residential customer using 1,000 kilowatt hours per month by approximately \$0.03. For calculating the proposed EE-RAC rates, the Company has allocated the costs of the proposed EE/DR Portfolio to the Virginia tariff classes in accordance with the methodology approved in the Commission's Final Order in Case No. PUE-2014-00039, and has updated the allocators and billing determinants used to develop class revenue requirements for the year ending December 31, 2016, per the Commission's Final Order in Case No. PUE-2016-00089.

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 that, among other things, scheduled a public hearing on February 26, 2019, 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 on the Company's Petition. At this public hearing, evidence related to the Petition also will be received 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.

The public version of the Company's Petition, as well as 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, 3 James Center, American Electric Power Service Corporation, 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 the Petition and other 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>.

On or before February 19, 2019, any interested person wishing to comment on the Company's Petition shall 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 file comments electronically may do so on or before February 19, 2019, 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 such comments shall refer to Case No. PUR-2018-00118.

On or before December 18, 2018, any person or entity wishing to participate as a respondent in this proceeding may do so 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 above. 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 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-2018-00118. 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 January 8, 2019, 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*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2018-00118.

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 <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 the Clerk of the Commission at the address above.

APPALACHIAN POWER COMPANY

(6) On or before November 20, 2018, the Company shall serve a copy of this Order for Notice and Hearing on the following local officials, to the extent the position exists, in each county, city, and town in which the Company 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 December 18, 2018, 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), including the name, title, and address of each official served.

(8) On or before February 19, 2019, 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 on or before February 19, 2019, 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. PUR-2018-00118.

(9) On or before December 18, 2018, any person or entity wishing to participate as a respondent in this proceeding may do so 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 in Ordering Paragraph (7). The respondent simultaneously shall serve a copy of the notice of participation on counsel to the

Company at the address in Ordering Paragraph (4). Pursuant to 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-2018-00118.

(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 public version of the Petition, and a copy of the public version of all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(11) On or before January 8, 2019, 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 at the address in Ordering Paragraph (7). In all filings, the respondent 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-2018-00118.

(12) On or before January 29, 2019, the Staff shall investigate the Petition and shall file with the Clerk of the Commission an original and fifteen (15) copies of its testimony and

exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to APCo and all respondents.

(13) On or before February 12, 2019, APCo 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 simultaneously serve a copy of the testimony and exhibits 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) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, shall be modified for this proceeding as follows: 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 5 VAC 5-20-260, 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.¹⁶

¹⁶ 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-2018-00118, in the appropriate box.

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) The Company's request for waiver of the requirements of 20 VAC 5-201-60 and 20 VAC 5-201-90 with respect to Schedule 45 is granted as set forth in this Order.

(17) 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; Timothy E. Biller, Esquire, Hunton Andrews Kurth, 951 East Byrd Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, Floor 8, 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.