

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 27, 2018

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2018-00153

To revise its fuel factor

ORDER ESTABLISHING 2018-2019 FUEL FACTOR PROCEEDING

On September 13, 2018, 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 an increase in its fuel factor.¹ The Company proposes to increase the current factor of 2.169 cents per kilowatt-hour (" ϕ /kWh") to 2.547 ϕ /kWh, effective for service rendered November 1, 2018, through October 31, 2019 ("Fuel Year").² 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 component and a prior-period component. APCo's proposed in-period component is designed to recover its estimated Virginia jurisdictional fuel expenses during the Fuel Year of approximately \$299 million, including purchased power expenses and a credit for 75% of projected off-system sales margins.³ The Company proposes an in-period factor component of 2.122 ϕ /kWh.⁴

¹ The Company filed its Application in both confidential and public versions.

² Application at 1.

³ Direct Testimony of William K. Castle at 5. The in-period component also includes recovery of non-incremental costs associated with APCo's wind contracts, PJM Interconnection, L.L.C. ("PJM") Load Serving Entity transmission losses, PJM congestion charges, 100% of incremental transmission line loss margins, Financial Transmission Right revenues, a credit for CSP Capacity sales, and Green Power revenue credits. *Id.*

⁴ *Id.*

The prior-period component is a true-up component designed to recover over the Fuel Year an estimated under-recovered deferred fuel balance as of October 31, 2018.⁵ The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the period November 1, 2018, through October 31, 2019, to obtain the prior period under-recovery component of 0.425¢/kWh.⁶

The Company represents that the net impact of using the Company's proposed fuel factor over the Fuel Year is an annual revenue increase of approximately \$53 million, or an approximately 4.0% increase to current revenues.⁷ APCo maintains that this proposal would increase the monthly bill of a residential customer using 1,000 kWh of electricity by \$3.78, or approximately 3.36%.⁸

Finally, in conjunction with the filing of its Application, the Company filed a 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

⁵ *Id.* at 5.

⁶ *Id.* at 5-6.

⁷ *Id.* at 7.

⁸ *Id.*

directed to investigate the Application 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 filing a final report containing the Hearing Examiner's findings and recommendations.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2018-00153.

(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 and Procedure ("Rules of Practice"),⁹ a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) The Company's proposed fuel factor of 2.547¢/kWh shall be placed into effect on an interim basis for service rendered on and after November 1, 2018.

(4) A public hearing shall be convened on February 14, 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 offered by the Company, any respondents, and Staff. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes before the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(5) The Company shall make copies of the public versions of its Application, pre-filed testimony, and exhibits 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

⁹ 5 VAC 5-20-10 *et seq.*

submitting a written request to counsel for APCo, 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 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 may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before November 8, 2018, APCo 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
APPALACHIAN POWER COMPANY'S
REQUEST TO REVISE ITS FUEL FACTOR
CASE NO. PUR-2018-00153

On September 13, 2018, 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 an increase in its fuel factor. The Company proposes to increase the current factor of 2.169 cents per kilowatt-hour (" ϕ /kWh") to 2.547 ϕ /kWh, effective for service rendered November 1, 2018, through October 31, 2019 ("Fuel Year"). 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 component and a prior-period component. APCo's proposed in-period component is designed to recover its estimated Virginia jurisdictional fuel expenses during the Fuel Year of approximately \$299 million, including purchased power expenses and a credit for 75% of projected off-system sales margins. The Company proposes an in-period factor component of 2.122 ϕ /kWh.

The prior-period component is a true-up component designed to recover over the Fuel Year an estimated under-recovered deferred fuel balance as of October 31, 2018. The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the period November 1, 2018, through October 31, 2019, to obtain the prior period under-recovery component of 0.425¢/kWh.

The Company represents that the net impact of using the Company's proposed fuel factor over the Fuel Year is an annual revenue increase of approximately \$53 million, or an approximately 4.0% increase to current revenues. APCo maintains that this proposal would increase the monthly bill of a residential customer using 1,000 kWh of electricity by \$3.78, or approximately 3.36%.

The Commission entered an Order Establishing 2018-2019 Fuel Factor Proceeding ("Order") that, among other things, scheduled a public hearing to be held on February 14, 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 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.

In its Order, the Commission allowed the Company to place its proposed fuel factor of 2.547¢/kWh into effect on an interim basis for service rendered on and after November 1, 2018.

The public version of the Company's Application, pre-filed testimony, and exhibits, as well as 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. Copies also may be obtained by submitting a written request to counsel for APCo, 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 the Application 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 7, 2019, 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 February 7, 2019, 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-2018-00153.

On or before November 29, 2018, 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 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 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-2018-00153. 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-2018-00153.

On or before December 20, 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. In all filings, respondents shall comply with the Commission's Rules of

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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-2018-00153.

All documents filed in 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 the Commission's website: <http://www.virginia.scc.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 November 8, 2018, the Company shall serve a copy of this Order on the following 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.

(8) On or before November 29, 2018, the Company shall provide proof of the notice and service required by Ordering Paragraphs (6) and (7), 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.

(9) On or before February 7, 2019, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). Any interested person desiring to file comments electronically may do so on or before February 7, 2019, 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-2018-00153.

(10) On or before November 29, 2018, 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 filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) above, and each respondent shall serve a copy of the notice of participation on counsel for the Company at the 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-2018-00153.

(11) Within three (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of this Order, a copy of the public version of the Application, and all materials filed by the Company with the Commission, unless these materials already have been provided to the respondent.

(12) On or before December 20, 2018, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8), 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 (8). 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-2018-00153.

(13) The Staff shall investigate the Application. On or before January 17, 2019, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of 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 the Company and all respondents.

(14) On or before January 31, 2019, 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 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 (8).

(15) All documents filed in 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.

(16) 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: responses and objections to written 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, 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.¹⁰ 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.*

(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; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 North 9th Street, 8th Floor, Richmond, Virginia 23219. 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.

¹⁰ The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," then "Search Cases," and entering the case number, PUR-2018-00153, in the appropriate box.