

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 14, 2019

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PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2019-00038

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

ORDER FOR NOTICE AND HEARING

On May 31, 2019, pursuant to § 56-585.1 A 6 of the Code of Virginia ("Code"), Appalachian Power Company ("APCo" or "Company") filed a petition ("Petition") with the State Corporation Commission ("Commission") for approval to recover costs associated with APCo's Dresden Generating Plant ("Dresden"), a 613 megawatt natural gas-fired, combined-cycle generating plant located in Dresden, Ohio.¹

APCo acquired Dresden from AEP Generating Company, an affiliate of APCo, in 2011.² On January 3, 2012, the Commission approved the Company's request for approval of a rate adjustment clause ("G-RAC"), which allowed APCo to recover its costs associated with the Company's acquisition and operation of Dresden.³ Dresden was placed into service on January 31, 2012, and the Company implemented the initial G-RAC effective March 1, 2012.⁴

¹ Petition at 1-2.

² *Application of Appalachian Power Company, AEP Generating Company, and American Electric Power Company, Inc., For authority to enter into affiliate transactions under Title 56, Chapter 4 of the Code of Virginia*, Case No. PUE-2011-00023, 2011 S.C.C. Ann. Rept. 452, Order Granting Authority (July 20, 2011).

³ *Petition of Appalachian Power Company, For approval of a rate adjustment clause pursuant to § 56-585.1 A 6 of the Code of Virginia to recover the costs of the Dresden Generating Plant*, Case No. PUE-2011-00036, 2012 S.C.C. Ann. Rept. 254, Final Order (Jan. 3, 2012).

⁴ Petition at 3.

In this proceeding, APCo has filed for approval of a revised G-RAC. The Company seeks approval of a total revenue requirement of \$29.9 million for the period May 1, 2020, through April 30, 2021.⁵ This total revenue requirement is composed of: (i) an actual under-recovery of \$9.7 million for the period ended February 28, 2019; (ii) the projected over-recovery of \$8.1 million for the period of March 1, 2019, through April 30, 2020; and (iii) the projected base annual revenue requirement of \$28.3 million for the period of May 1, 2020, through April 30, 2021.⁶

APCo proposes to recover the \$29.9 million total revenue requirement through two separate factors. A base factor would reflect the \$28.3 million projected base annual revenue requirement and would remain in effect on an ongoing basis. A true-up factor would reflect the true-up revenue requirement of \$1.6 million (the total of the \$9.7 million actual under-recovery and the \$8.1 million projected over-recovery described above) and would remain in place for one year.⁷

⁵ *Id.* at 4-5. The rate of return on common equity ("ROE") for the G-RAC changed on November 8, 2018, from 10.4% to 10.42%. The 10.4% ROE comprises a base ROE of 9.4% approved in Case No. PUE-2016-00038, plus a 100 basis point enhanced return applicable to a combined-cycle generating facility as described in § 56-585.1 A 6 of the Code. The 10.42% ROE comprises a base ROE of 9.42% approved in Case No. PUR-2018-00048, plus the 100 basis point adder. Direct Testimony of Jennifer B. Sebastian at 8; *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. 181120212, Final Order (Nov. 7, 2018); *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, Final Order (Oct. 6, 2016). Further, when developing the cost of capital in this proceeding, the Company excluded debt, effective January 1, 2018, associated with securitized bonds that are the obligation of non-Virginia jurisdictional customers. Direct Testimony of Jennifer B. Sebastian at 9.

⁶ Petition at 4-5.

⁷ *Id.* at 5.

Approval of the proposed revenue requirement would slightly decrease the monthly bill for a residential customer using 1,000 kilowatt-hours per month by \$0.73, or about 0.7%, when compared to rates effective April 1, 2019.⁸

The Company also seeks approval to file its next G-RAC petition no later than May 31, 2021, though the Company would file earlier if, after March 1, 2020, the cumulative over-/under-recovery level exceeds \$5 million for each month of two consecutive quarterly reporting periods.⁹

Further, APCo 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 Filings ("Rate Case Rules") with respect to Schedule 45. Rule 60 of the Rate Case Rules requires that an application filed pursuant to § 56-585.1 A 6 of the Code 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 Commission has already approved a prospective general ROE applicable to the G-RAC in Case No. PUR-2018-00048.¹⁰

APCo also seeks a limited waiver of Schedule 46 of the Rate Case Rules. Schedule 46, in part, requires electric utilities to provide a schedule of all projected costs associated with a rate adjustment clause proposed pursuant to § 56-585.1 A 6 of the Code. Schedule 46 also requires a

⁸ Petition at 5; Direct Testimony of Katharine I. Walsh at 7-8.

⁹ Petition at 6; Direct Testimony of Jennifer B. Sebastian at 8.

¹⁰ Petition at 6. *See also 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. 181120212, Final Order (Nov. 7, 2018).

utility, among other things, to provide "all documents, contracts, studies, investigations or correspondence that support projected costs proposed to be recovered via a rate adjustment clause." APCo proposes to provide the information required in Schedule 46 to the extent it relates to any new or changed contracts relating to Dresden with a value greater than \$75,000, along with a list of contracts with a value of less than \$75,000.¹¹ In addition, the Company requests permission to provide such information directly to the Commission's Staff ("Staff") on a compact disc, accompanied by only one printout of all documents, on the basis that the information is "both confidential and exceedingly voluminous."¹²

Finally, in conjunction with the filing of its Petition on May 31, 2019, 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 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 Application or participate as a respondent in this proceeding; and Staff should be directed to investigate the Petition and file testimony and exhibits containing its findings and recommendations thereon.

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. We also grant APCo's request for a

¹¹ Petition at 6.

¹² *Id.* at 7. The Company notes that the Commission granted a similar request in Case No. PUR-2018-00018. *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. PUR-2018-00018, Doc. Con. Cen. No. 180440078, Order for Notice and Hearing (Apr. 20, 2018).

limited waiver of the Schedule 46 filing requirement. The Commission also will grant a limited waiver to Rule 5 VAC 5-20-150 of the Commission's Rules of Practice and Procedure ("Rules of Practice"), 5 VAC 5-20-10 *et seq.*, to permit APCo to provide a compact disc directly to Staff in lieu of paper copies of the information required by Schedule 46, as modified by our waiver.

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.

Accordingly, IT IS ORDERED THAT:

(1) As provided by Rate Case Rule 20 VAC 5-201-10 E and the Commission's Rules of Practice, the Company's request for waivers is granted to the extent discussed and otherwise denied.

(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, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

(3) A public hearing shall be convened at 10 a.m. on December 18, 2019, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive into the record the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff.

(4) The Company shall make copies of its Petition, as well as a copy of this Order for Notice and Hearing, 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 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 26, 2019, the Company shall publish the following notice once as display advertising (not classified) in newspapers of general circulation throughout the Company's Virginia service territory.

NOTICE TO THE PUBLIC OF THE
 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. PUR-2019-00038

- **Appalachian Power Company ("Company") has applied to update its rate adjustment clause ("G-RAC") by which it recovers the costs of its Dresden Generating Plant.**
- **The Company requests a revenue requirement of \$29.9 million for its 2020 G-RAC. According to the Company, this amount would decrease the bill of a residential customer using 1,000 kilowatt-hours per month by \$0.73, when compared to the rates effective April 1, 2019.**
- **A Hearing Examiner appointed by the Commission will hear the case on December 18, 2019.**
- **Further information about this case is available on the SCC website at: <http://www.scc.virginia.gov/case>.**

On May 31, 2019, pursuant to § 56-585.1 A 6 of the Code of Virginia, Appalachian Power Company ("APCo" or "Company") filed a petition ("Petition") with the State Corporation Commission ("Commission") for approval to recover costs associated with APCo's Dresden Generating Plant ("Dresden"), a 613 megawatt natural gas-fired, combined-cycle generating plant located in Dresden, Ohio.

APCo acquired Dresden from AEP Generating Company, an affiliate of APCo, in 2011. On January 3, 2012, the Commission approved the Company's request for approval of a rate adjustment clause ("G-RAC"), which allowed APCo to recover its costs associated with the Company's acquisition and operation of Dresden. Dresden was placed into service on January 31, 2012, and the Company implemented the initial G-RAC effective March 1, 2012.

In this proceeding, APCo has filed for approval of a revised G-RAC. The Company seeks approval of a total revenue requirement of \$29.9 million for the period May 1, 2020, through April 30, 2021. This total revenue requirement is composed of: (i) an actual under-recovery of \$9.7 million for the period ended February 28, 2019; (ii) the projected over-recovery of \$8.1 million for the period of March 1, 2019, through April 30, 2020; and (iii) the projected base annual revenue requirement of \$28.3 million for the period of May 1, 2020, through April 30, 2021.

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Approval of the proposed revenue requirement would slightly decrease the monthly bill for a residential customer using 1,000 kilowatt-hours per month by \$0.73, or about 0.7%, when compared to rates effective April 1, 2019.

The Company also seeks approval to file its next G-RAC petition no later than May 31, 2021, though the Company would file earlier if, after March 1, 2020, the cumulative over-/under-recovery level exceeds \$5 million for each month of two consecutive quarterly reporting periods.

Interested persons are encouraged to review the Petition and supporting documents for the details of these and other proposals.

TAKE NOTICE that the actual amounts approved by the Commission could be different than the amounts proposed by the Company's Petition and 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 in this case that, among other things, scheduled a public hearing on December 18, 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 APCo, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes before the starting time on the day of the hearing and contact the Commission's Bailiff.

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

Copies of the Petition and other supporting materials also may be inspected during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Interested persons also may obtain a copy of the Petition 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.

On or before December 11, 2019, any interested person may 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.

Interested persons desiring to submit comments electronically may do so on or before December 11, 2019, by following the instructions found on the Commission's website, <http://www.scc.virginia.gov/case>. Compact disc or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2019-00038.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before September 20, 2019. 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 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. 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-2019-00038. 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.

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 set forth above.

APPALACHIAN POWER COMPANY

(6) On or before July 26, 2019, 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 August 30, 2019, the Company shall file proof of the notice and service required by Ordering Paragraphs (5) and (6) above, 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 September 20, 2019, 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 (7), and the respondent simultaneously shall serve a copy of the notice of participation on counsel to APCo at the address set forth 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-2019-00038.

(9) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of the Petition and supporting materials, unless these materials have already been provided to the respondent.

(10) On or before October 21, 2019, 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 (7). In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to, 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-2019-00038.

(11) The Staff shall investigate the Petition. On or before November 4, 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.

(12) On or before November 25, 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 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).

(13) On or before December 11, 2019, any interested person may file written comments on the Petition 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 December 11, 2019, 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 correspondence and comments shall refer to Case No. PUR-2019-00038.

(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 Company and respondents shall respond to interrogatories and requests for production of documents within seven (7) calendar days after receipt of the same. In addition to the service requirements of Rule 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 the Staff.¹³ 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,

¹³ 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-2019-00038, in the appropriate box.

1051 East Cary Street, Suite 1100, Richmond, Virginia 23219; James R. Bacha, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215; Cassandra C. Collins, Esquire, Timothy E. Biller, Esquire, and A. Christopher Alderman, Esquire, Hunton Andrews Kurth LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219; 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. A copy also shall be sent to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.