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State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

**RE: *Application of Appalachian Power Company To increase its fuel factor
pursuant to § 56-249.6 of the Code of Virginia***
Case No. PUR-2022-00139

Dear Mr. Logan:

Please accept this letter as the comments of the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel") to the January 18, 2023, Report of M. Renae Carter, Hearing Examiner ("Report"), in the above-referenced proceeding.

On September 15, 2022, Appalachian Power Company ("APCo" or "Company") filed an Application for approval to increase its fuel factor pursuant to Va. Code § 56-249.6. The Company requests approval to increase the fuel factor from 2.3 cents per kWh to 4.319 cents per kWh,¹ almost doubling the fuel rate charged to customers.

The Application results in a significant rate increase, and Consumer Counsel is mindful of the economic challenges many APCo customers are facing, including separate APCo increases in non-fuel rates. It is notable that the fuel factor increase would have been even higher, but for the Company's proposal to lessen the immediate impact through a two-year mitigation proposal. For a residential customer purchasing 1,000 kWh of electricity in a month, the mitigation proposal reduces what would have been a \$33 per month bill increase to an

¹ Report at 1.

increase of \$20 per month.² Even with the two-year mitigation approach, there will be rate shock to all classes of customers from the 88 percent increase to the fuel factor. There are no good options for customers in light of the substantial increases in the Company's fuel costs, and Consumer Counsel supports the mitigation proposal volunteered by the Company.

The Company's voluntary mitigation proposal necessarily increases the unrecovered fuel deferral balance that will be carried into future rate years. Consumer Counsel does not object to the Report's finding that the amount of carrying costs allowed on unrecovered fuel deferral balances "is a matter best left . . . to APCo's next Triennial Review."³ In the event that the Commission addresses carrying costs in this case, Consumer Counsel agrees with the appeal of permitting APCo to apply its weighted cost of debt to the deferral amount associated with the voluntary mitigation.⁴

In part due to an ongoing inquiry at the West Virginia Public Service Commission into the reasonableness APCo's coal procurement practices, the Report recommends that Staff conduct a reasonableness and prudence review of APCo's coal procurement practices at the earliest possible time.⁵ Through such an audit, stand-alone or otherwise, the Commission can ensure that the Company made every reasonable effort to minimize fuel costs incurred over the relevant period, consistent with requirements of law, and that there are no unreasonable fuel costs passed on to customers. Consumer Counsel endorses the Report's analysis as to the scope of the audit process and agrees that flexibility in the investigation is desirable.⁶

Consumer Counsel opposed the Company's proposal to add another bill rider (Rider DFCC) to collect carrying costs on unrecovered fuel balances. The Rider DFCC proposal runs the risk of unnecessarily increasing customers' future monthly bills.⁷ Consumer Counsel supports the Report's recommendation to "deny APCo's request to implement Rider DFCC in this limited-issue fuel factor proceeding."⁸

Respectfully,

/s/ R. Scott Herbert

R. Scott Herbert
Assistant Attorney General

² Report at 23.

³ Report at 26.

⁴ Report at 27.

⁵ Report at 27-30.

⁶ Report at 31.

⁷ Tr. 100.

⁸ Report at 32.

CERTIFICATE OF SERVICE

I hereby certify that on February 3, 2023, a true copy of the foregoing was delivered by electronic service to the following:

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