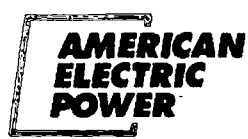


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Case Number (if already assigned)	PUR-2023-00227
Case Name (if known)	Ex Parte: In the matter of establishing energy efficiency savings targets pursuant to Code §§ 56-596.2 B 3 and 56-596.2:2
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Document Description Summary	Appalachian Power Company Petition for approval of energy efficiency savings targets pursuant to Code §56-596.2
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BOUNDLESS ENERGY

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Legal Department

June 12, 2024

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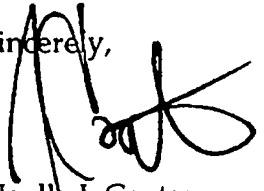
Hon. Bernard J. Logan, Clerk
State Corporation Commission
Document Control Center
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**Re: Commonwealth of Virginia, *ex rel.* State Corporation Commission
Ex Parte: In the matter of establishing energy efficiency savings
targets pursuant to Code §§ 56-596.2 B 3 and 56-596.2:2
Case No. PUR-2023-00227**

Dear Mr. Logan:

Pursuant to the Commission's January 5, 2024 Order Establishing Proceeding, as modified by Ordering Paragraph (1) of its February 14, 2024 Order Granting Motion, attached for filing in the above-referenced proceeding is Appalachian Power Company's Petition for Approval of Energy Efficiency Savings Targets Pursuant to Code § 56-596.2.

Sincerely,

Noelle J. Coates

Attachment
cc: Mary Beth Adams, Esq.
Kiva Bland Pierce, Esq.
Michael Zielinski, Esq.
Service List

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

CASE NO. PUR-2023-00227

Ex Parte: In the matter of establishing energy efficiency savings targets pursuant to Code §§ 56-596.2 B 3 and 56-596.2:2

**PETITION FOR APPROVAL OF ENERGY EFFICIENCY SAVINGS TARGETS
PURSUANT TO VIRGINIA CODE § 56-596.2
OF APPALACHIAN POWER COMPANY**

Pursuant to Virginia Code § 56-596.2 B 3, the State Corporation Commission of Virginia's ("Commission") Order Establishing Proceeding ("Order") issued on January 5, 2024, and the Commission's Order Granting Motion issued on February 14, 2024, Appalachian Power Company ("Appalachian" or the "Company") petitions the Commission for approval of its proposed energy efficiency savings targets to be applicable for the period 2026 to 2028. In support of this Petition, the Company respectfully states as follows.

I. BACKGROUND

Appalachian, a Phase I Utility under Chapter 23 of Title 56 of the Code of Virginia, is a Virginia public service corporation serving approximately 542,000 customers in Virginia with offices at Three James Center, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. The names and addresses of the Company's legal counsel are listed at the foot of this Petition.

The Virginia Clean Economy Act ("VCEA") established, in relevant part, energy savings amounts for Phase I electric utilities through 2025.¹ Virginia Code § 56-596.2 B 3 provides that

¹ Va. Code § 56-596.2 B 1.

“[f]or the time period 2026 through 2028, and for every successive three-year period thereafter, the [Commission] shall establish new energy efficiency savings targets.” It further specifies that:

[i]n advance of the effective date of such targets, the Commission shall, after notice and opportunity for hearing, initiate proceedings to establish such targets. As part of such proceeding, the Commission shall consider the feasibility of achieving energy efficiency goals and future energy efficiency savings through cost-effective programs and measures.

On January 5, 2024, the Commission issued the Order docketing this proceeding and, among other things, requiring Appalachian and Virginia Electric and Power Company (“Dominion”) to each file their proposed savings targets on or before March 12, 2024, and setting a procedural schedule for this matter.

On February 2, 2024, Dominion filed a Motion to Modify Procedural Schedule and for Expedited Consideration seeking to modify the procedural schedule. The Commission’s Order Granting Motion revised the procedural schedule, and extended the date by which Appalachian and Dominion must submit their proposed energy efficiency savings targets to June 12, 2024.

II. PROPOSED ENERGY EFFICIENCY SAVINGS TARGETS

Appalachian proposes that the Commission establish energy efficiency savings targets for the period 2026 to 2028 to remain at 2.0% of the Company’s 2019 average annual energy jurisdictional retail sales, which is equivalent to Appalachian’s total annual energy savings amount for calendar year 2025.² Maintaining Appalachian’s energy efficiency savings targets at 2.0% for the period 2026 to 2028 will allow the Company to maintain its current level of annual investment budgeted for its energy efficiency programs. The proposed targets will also allow the Company to replace energy efficiency measures that have reached the end of their effective lives.

² See Va. Code § 56-596.2 B 1 d.

For the purposes of this Petition, Appalachian defines total annual energy savings as the gross energy savings achieved by the utility, which is consistent with how that term is defined in Va. Code § 56-576.³ If the Commission orders the Company to report annual energy savings as net kilowatt-hour savings in Case No. PUR-2023-00169,⁴ Appalachian proposes that the Commission establish energy efficiency savings targets for the period 2026 to 2028 at 1.6% of the Company's 2019 average annual energy jurisdictional retail sales. The 1.6% net savings is the equivalent of 2.0% of gross savings, assuming a net to gross ratio of 80%.

III. FEASIBILITY OF THE PROPOSED TARGETS

In establishing the 2026-2028 energy efficiency savings targets, the Commission must “consider the feasibility of achieving energy efficiency goals and future energy efficiency savings through cost-effective programs and measures.”⁵ The energy efficiency savings targets proposed herein satisfy these criteria for multiple reasons.

First, Appalachian's proposed energy efficiency savings targets rely on several cost-effective energy efficiency programs that will be implemented between 2025 and 2029, and that are currently pending before the Commission. Specifically, in Case No. PUR-2023-00169, Appalachian petitioned the Commission for approval to implement two new energy efficiency programs and to continue and enhance several existing programs. Appalachian is currently on

³ “‘Total annual energy savings’ means (i) the total combined kilowatt-hour savings achieved by electric utility energy efficiency and demand response programs and measures installed in that program year, as well as savings still being achieved by measures and programs implemented in prior years, or (ii) savings attributable to newly installed combined heat and power facilities, including waste heat-to-power facilities, and any associated reduction in transmission line losses, provided that biomass is not a fuel and the total efficiency, including the use of thermal energy, for eligible combined heat and power facilities must meet or exceed 65 percent and have a nameplate capacity rating of less than 25 megawatts.”

⁴ *Petition of Appalachian Power Company for Approval to Continue a Rate Adjustment Clause, the EE-RAC, and for Approval of New Energy Efficiency Programs Pursuant to §§ 56-585.1 A 5 c and 56-596.2 of the Code of Virginia*, Case No. PUR-2023-00169.

⁵ Va. Code § 56-596.2 B 3.

track to achieve its 2025 savings amount of 2.0% of the Company's 2019 average annual energy jurisdictional retail sales with an annual budget of approximately \$24 million.

Second, the cost to implement additional energy efficiency programs to meet higher savings targets is not linear. For example, to meet an energy efficiency savings target of 3.0% – just one percent more than the targets proposed herein – Appalachian must increase its annual budget by an *additional approximately \$30 million*. In other words, the Company would have to *more than double* its current 2025 energy efficiency program budget to achieve an additional 1.0% in gross savings.⁶ This would impose significant additional costs on Appalachian's customers.

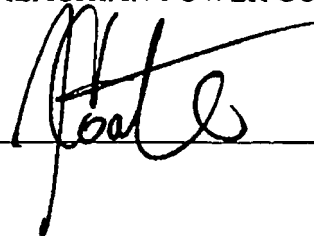
Third, certain limitations affect the Company's ability to implement cost-effective energy efficiency programs. For example, the federal Energy Independence and Security Act of 2007 severely limited the number of cost-effective residential lighting offerings available to the Company, which have historically provided significant electricity savings at a low cost. Relatedly, minimum energy efficiency standards for appliances and equipment are constantly changing, which reduces the electricity savings that the Company can cost-effectively achieve. Furthermore, although the Company complies with all applicable requirements of the VCEA for approval to design, implement, and operate energy efficiency programs, including participation in a robust stakeholder process, the number and type of programs on which the Company can rely depends on the Commission's approval of those programs. The Company has implemented, or has petitioned the Commission for approval to implement, energy efficiency programs that address the majority of currently available low-cost and cost-effective electricity savings measures.

⁶ A spreadsheet with the calculations provided by two nationally recognized program implementation contractors is provided in **Appendix A**.

Finally, Appalachian has not yet completed its assessment of the potential impacts of the federal Bipartisan Infrastructure Law and the Inflation Reduction Act on its operations. The Virginia Department of Energy (“Department”) is currently gathering stakeholder input to design the programs authorized by the legislation. Once the stakeholder process is complete, the Department will complete the draft design, issue a request for procurement, and then finalize the program design. Once these steps are complete, the Department can formally launch the programs. Until the Company can analyze how its programs interact with the federally authorized programs managed by the Department, Appalachian will be unable to ascertain the potential impacts of the federally authorized programs on its ability to achieve cost-effective electricity savings.

WHEREFORE, Appalachian respectfully requests that the Commission establish energy efficiency savings targets of 2.0% for the period 2026 to 2028 of the Company’s 2019 average annual energy jurisdictional retail sales. If the Commission orders the Company to report annual energy savings as net kilowatt-hour savings in Case No. PUR-2023-00169, however, Appalachian respectfully requests that the Commission establish energy efficiency savings targets for the period 2026 to 2028 at 1.6% of the Company’s 2019 average annual energy jurisdictional retail sales.

Respectfully submitted,
APPALACHIAN POWER COMPANY

By  _____

June 12, 2024

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Counsel for Appalachian Power Company

24362985

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of June 2024, a true copy of the foregoing Petition of Appalachian Power Company was emailed to the following:

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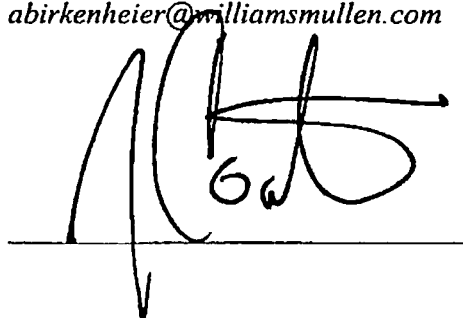
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A handwritten signature in black ink, appearing to be "John L. Walker, III", written over a horizontal line.

Programs- Expand Existing and New	2027		2028	
	Incremental Gross kWh	Incremental Budget	Incremental Gross kWh	Incremental Budget
Residential New Construction/Major Renovation	1,079,000	\$1,239,066	1,079,000	\$1,239,066
Small Business	4,855,000	\$1,874,475	4,855,000	\$1,874,475
Prescriptive C&I	21,196,000	\$11,117,552	21,196,000	\$11,117,552
Custom C&I	17,050,000	\$5,999,779	17,050,000	\$5,999,779
Strategic Energy Management/RetroCommissioning	6,196,000	\$1,689,754	6,196,000	\$1,689,754
Combined Heat and Power	1,768,000	\$465,700	1,768,000	\$465,700
Midstream C&I	25,496,000	\$4,993,910	25,496,000	\$4,993,910
Total	77,640,000	\$27,380,235	77,640,000	\$27,380,235
2 Year Total			155,280,000	\$54,760,469

Programs- Expand Existing and New	2027		2028	
	Incremental Gross kWh	Incremental Budget	Incremental Gross kWh	Incremental Budget
Efficient Products	5,209,593	\$1,522,038	9,242,508	\$2,726,879
Business Energy Solutions	6,078,485	\$17,952,263	22,825,715	\$25,750,888
Energy Efficiency Kits	1,651,543	\$470,163	2,684,087	\$743,814
Home Energy Reports	722,605	\$303,494	722,605	\$303,494
Bring Your Own Thermostat	1,746,121	\$4,975,403	5,479,929	\$7,164,361
C&I Custom	10,784,285	\$8,693,999	18,119,915	\$12,550,588
Volt Var	2,337,571	\$7,101,983	4,888,479	\$11,107,663
Low Income Single Family	1,384,038	\$2,855,850	2,951,592	\$5,641,984
Low Income Multifamily	1,322,053	\$2,913,341	3,013,577	\$6,190,982
School EE Kits	946,071	\$410,903	1,944,349	\$803,073
In Unit Multifamily	577,547	\$317,189	2,312,873	\$896,787
New Construction	15,355,356	\$5,159,400	20,774,894	\$6,980,364
Workforce Development	867,126	\$1,092,579	578,084	\$728,386
Total	48,982,394	\$53,769,105	95,538,607	\$81,589,263
2 Year Total			144,521,001	\$135,358,368