COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 25, 2024

SCC - CLERKE CYTGE DOCLMENT CUMTROL CENTER

APPLICATION OF

2024 APR 25 A 8: 26

APPALACHIAN POWER COMPANY

CASE NO. PUR-2024-00024

For a 2024 biennial review of its base rates, terms and conditions pursuant to § 56-585.8 of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On March 29, 2024, Appalachian Power Company ("APCo" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission"), pursuant to § 56-585.8 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings¹ ("Rate Case Rules"), for a biennial review of the Company's rates and terms and conditions for the provision of generation and distribution services.² Pursuant to Code § 56-585.8 D, the Commission must issue a final order regarding the Application by November 20, 2024, and any revisions in rates ordered by the Commission pursuant to the rate review shall take effect no later than January 1, 2025.³

The Application states that this proceeding entails, among other things, determinations regarding: (i) APCo's cost of service and earnings during the twelve-month period ending December 31, 2023; (ii) whether prospective changes to APCo's rates for generation and

¹ 20 VAC 5-204-5 et seq.

² On February 28, 2024, the Company, pursuant to 20 VAC 5-204-10 E of the Commission's Rate Case Rules, filed a Request for Waiver of certain information required by the Rate Case Rules in connection with the Company's Application. The Commission issued an Order Granting Waiver on March 7, 2024, docketing the case, granting the Company's request for waiver of the requirement in 20 VAC 5-204-90 that the Company file, as part of Schedule 33, information about the costs of individual outages, and requiring the Company to file Schedule 33 in accordance with the protocol developed by the Company and Commission Staff ("Staff") in Case No. PUE-2009-00030.

³ See Application at 1.

distribution services are necessary; and (iii) the Company's prospective fair rate of return on common equity ("ROE").4

APCo states that it files this Application under Code § 56-585.8, a new law enacted in 2023 that reinstated biennial reviews for APCo.⁵ The Company states that the statute requires APCo to file its first biennial review in 2024, and, in this initial review proceeding, the Commission must review APCo's earnings in 2023 only.⁶ The Company outlines the parameters for the Commission's review of APCo's earnings in a biennial review case, including the circumstances under which the Commission must order revisions to APCo's rates under Code § 56-585.8 F.⁷ APCo states that, if the Commission determines that APCo's existing rates will, on a going-forward basis, produce revenues above or below the Company's authorized rate of return, then the Commission "shall order any reductions or increases, as applicable and necessary, to such rates...that it deems appropriate to ensure the resulting rates for generation and distribution services (a) are just and reasonable and (b) provide the utility an opportunity to recover its costs of providing services" over the next biennial period and earn a fair rate of return as authorized by the Commission.⁸

⁴ Id.

⁵ Id. at 6. See 2023 Va. Acts ch. 749, 776.

⁶ Application at 6.

⁷ *Id.* at 6-7.

⁸ Id. at 7, quoting Code § 56-585.8 F.

APCo states that, for the purposes of the earnings test in this case, APCo's authorized ROE is the 9.5% that the Commission approved in the Company's 2023 triennial review. APCo asserts that it earned a return of 2.26% on its common equity during 2023, which is the equivalent of more than \$149.2 million in pre-tax earnings below the authorized return of 9.5%. 10

In this case, APCo requests approval to implement retail base generation and distribution rates that are designed to increase the Company's revenues by approximately \$95.1 million, which represents a 5.1% increase to overall revenues.¹¹ The requested increase includes a \$32.8 million increase to the generation function and a \$62.3 million increase to the distribution function.¹² The requested revenue increase reflects, among other things, APCo's requested authorization of a prospective ROE of 10.8%.¹³

APCo states that an increase to its rates is necessary to ensure the Company can continue providing safe and reliable service at just and reasonable rates to its customers over the coming years. According to APCo, the requested rate increase is the result of numerous factors, including the following: fuel-related carrying costs; increased capital costs, including a 10.8% market cost of equity and higher interest expense; incremental capital investment; increased

⁹ Application at 7. See also, Application of Appalachian Power Company, For a 2023 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia, Case No. PUR-2023-00002, Doc. Con. Cen. No. 231140010, Final Order (Nov. 30, 2023).

¹⁰ Application at 7.

¹¹ Id. at 7-8.

¹² Id. at 8.

¹³ Prefiled Direct Testimony of William K. Castle ("Castle Direct") at 5; Prefiled Direct Testimony of Adrien M. McKenzie at 4.

¹⁴ Application at 2.

operating expenses, including but not limited to costs associated with major storms; and fully incorporating in rates the costs of APCo's vegetation management program.¹⁵

Included in the Application are the Company's proposed changes to its terms and conditions of service, which include requests for approval of three additional rates schedules: Rider National REC, a voluntary rate schedule that provides customers with a lower-cost option to source renewable power than the Company's two existing options; Schedule LFEVC, a voluntary rate schedule for commercial and industrial customers with electric vehicle fleets; and Schedule PEVCFS, which is designed to accommodate public charging of electric vehicles. In addition, the Company requests approval of a new Customer Solutions EV Pilot Program, which is intended to provide a means to connect customers in need of EV charging infrastructure with qualified vendors to provide that infrastructure. Further, the Company proposes to increase the basic service charge for residential customers from \$7.96 to \$9.00 per month.

The overall impact of the Company's proposals would increase the monthly bill of a residential customer using 1,000 kilowatt hours of electricity per month by approximately \$10.22, or 6.0%.¹⁹

Simultaneously with the filing of its Application on March 29, 2024, the Company filed a Motion for Protective Ruling along with a proposed protective order requesting that the

¹⁵ Id.

¹⁶ See e.g., id. at 9 and Schedule 41; Castle Direct at 4.

¹⁷ Prefiled Direct Testimony of Hallie L. Long at 4-5.

¹⁸ See Application at Schedule 41; Prefiled Direct Testimony of Katherine L. Walsh at 9-10.

¹⁹ Castle Direct at 4; Application at Schedule 43, p.1.

Commission establish procedures designed to protect from public disclosure the Company's confidential and commercially sensitive information.

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Company should provide public notice of its Application; a hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons to file comments on the Company's Application or to participate in this proceeding as a respondent; and Staff should be directed to investigate the Application and to file testimony and exhibits containing its findings and recommendations on the Company's Application. Further, we find that a Hearing Examiner should be appointed to rule on all discovery matters or *pro hac vice* motions that arise during the course of this proceeding, including the Company's Motion for Protective Ruling.

To promote administrative efficiency and timely service of filings upon participants, the Commission will, among other things, direct the electronic filing of testimony and pleadings unless they contain confidential information, and require electronic service on parties to this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) All pleadings in this matter shall be submitted electronically to the extent authorized by 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice and Procedure ("Rules of Practice").²⁰ Confidential and Extraordinarily Sensitive Information shall not be submitted electronically and should comply with 5 VAC 5-20-170, *Confidential information*, of the Rules of Practice. Any person seeking to hand deliver and physically file or submit any

²⁰ 5 VAC 5-20-10 et seq.

pleading or other document shall contact the Clerk's Office Document Control Center at (804) 371-9838 to arrange the delivery.

- (2) Pursuant to 5 VAC 5-20-140, *Filing and service*, of the Rules of Practice, the Commission directs that service on parties and Staff in this matter shall be accomplished by electronic means. Concerning Confidential or Extraordinarily Sensitive Information, parties and Staff are instructed to work together to agree upon the manner in which documents containing such information shall be served upon one another, to the extent practicable, in an electronically protected manner, even if such information is unable to be filed in the Office of the Clerk, so that no party or Staff is impeded from preparing its case.
- (3) As provided by Code § 12.1-31 and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Rules of Practice, a Hearing Examiner is appointed to rule on any discovery matters or *pro hac vice* motions that may arise during the course of this proceeding, including the Company's Motion for Protective Ruling. A copy of each such filing made with the Office of the Clerk in this matter shall also be sent electronically to the Office of the Hearing Examiners.²¹
- (4) The Commission hereby schedules a telephonic hearing for the receipt of testimony from public witnesses on the Application, as follows:
 - (a) A hearing for the receipt of testimony from public witnesses on the Application shall be convened telephonically at 10 a.m. on September 9, 2024, with no witness present in the Commission's courtroom.²²
 - (b) To promote fairness for all public witnesses, each witness will be allotted five minutes to provide testimony.
 - (c) On or before September 4, 2024, any person desiring to offer testimony as a public witness shall provide to the Commission (a) your name, and (b) the

²¹ Such electronic copies shall be sent to: <u>OHEParalegals@scc.virginia.gov</u>.

²² The Commission will convene counsel of record in this proceeding to attend the public witness hearing virtually.

telephone number that you wish the Commission to call during the hearing to receive your testimony. This information may be provided to the Commission in three ways: (i) by filling out a form on the Commission's website at scc.virginia.gov/pages/Webcasting; (ii) by completing and emailing the PDF version of this form to SCCInfo@scc.virginia.gov; or (iii) by calling (804) 371-9141.

- (d) Beginning at 10 a.m. on September 9, 2024, the Commission will telephone sequentially each person who has signed up to testify as provided above. This hearing will not be convened, and the parties will be notified of such, if no person signs up to testify as a public witness.
- (e) This public witness hearing will be webcast at: scc.virginia.gov/pages/Webcasting.
- (5) A public evidentiary hearing on the Application shall be convened at 10:00 a.m. on September 10, 2024, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive testimony and evidence offered by the Company, respondents, and Staff on the Application.
- (6) An electronic copy of the public version of the Company's Application may be obtained by submitting a written request to counsel for the Company: James G. Ritter, Esquire, American Electric Power Service Corporation, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219, or jritter@aep.com. Interested persons also may download unofficial copies from the Commission's website: scc.virginia.gov/pages/Case-Information.
- (7) On or before May 22, 2024, the Company shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
APPALACHIAN POWER COMPANY
FOR A 2024 BIENNIAL REVIEW OF ITS
BASE RATES, TERMS AND CONDITIONS
PURSUANT TO § 56-585.8 OF THE CODE OF VIRGINIA
CASE NO. PUR-2024-00024

On March 29, 2024, Appalachian Power Company ("APCo" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission"), pursuant to § 56-585.8 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, for a biennial review of the Company's rates and terms and conditions for the provision of generation and distribution services. Pursuant to Code § 56-585.8 D, the Commission must issue a final order regarding the Application by November 20, 2024, and any revisions in rates ordered by the Commission pursuant to the rate review shall take effect no later than January 1, 2025.

The Application states that this proceeding entails, among other things, determinations regarding: (i) APCo's cost of service and earnings during the twelve-month period ending December 31, 2023; (ii) whether prospective changes to APCo's rates for generation and distribution services are necessary; and (iii) the Company's prospective fair rate of return on common equity ("ROE").

APCo states that it files this Application under Virginia Code § 56-585.8, a new law enacted in 2023 that reinstated biennial reviews for APCo. The Company states that the statute requires APCo to file its first biennial review in 2024, and, in this initial review proceeding, the Commission must review APCo's earnings in 2023 only. The Company outlines the parameters for the Commission's review of APCo's earnings in a biennial review case, including the circumstances under which the Commission must order revisions to APCo's rates under Code § 56-585.8 F. APCo states that, if the Commission determines that APCo's existing rates will, on a going-forward basis, produce revenues above or below the Company's authorized rate of return, then the Commission "shall order any reductions or increases, as applicable and necessary, to such rates...that it deems appropriate to ensure the resulting rates for generation and distribution services (a) are just and reasonable and (b) provide the utility an opportunity to recover its costs of providing services" over the next biennial

period and earn a fair rate of return as authorized by the Commission.

APCo states that, for the purposes of the earnings test in this case, APCo's authorized ROE is the 9.5% that the Commission approved in the Company's 2023 triennial review. APCo asserts that it earned a return of 2.26% on its common equity during 2023, which is the equivalent of more than \$149.2 million in pre-tax earnings below the authorized return of 9.5%.

In this case, APCo requests approval to implement retail base generation and distribution rates that are designed to increase the Company's revenues by approximately \$95.1 million, which represents a 5.1% increase to overall revenues. The requested increase includes a \$32.8 million increase to the generation function and a \$62.3 million increase to the distribution function. According to APCo, the requested revenue increase reflects, among other things, APCo's requested authorization of a prospective ROE of 10.8%.

APCo states that an increase to its rates is necessary to ensure the Company can continue providing safe and reliable service at just and reasonable rates to its customers over the coming years. The requested rate increase is the result of numerous factors, including the following: fuel-related carrying costs; increased capital costs, including a 10.8% market cost of equity and higher interest expense; incremental capital investment; increased operating expenses, including but not limited to costs associated with major storms; and fully incorporating in rates the costs of APCo's vegetation management program.

Included in the Application are the Company's proposed changes to its terms and conditions of service, which include requests for approval of three additional rates schedules: Rider National REC, a voluntary rate schedule that provides customers with a lower-cost option to source renewable power than the Company's two existing options; Schedule LFEVC, a voluntary rate schedule for commercial and industrial customers with electric vehicle fleets; and Schedule PEVCFS, which is designed to accommodate public charging of electric vehicles. In addition, the Company requests approval of a new Customer Solutions EV Pilot Program, which is intended to provide a means to connect customers in need of EV charging infrastructure with qualified vendors to provide that infrastructure. Further, the Company proposes to increase the basic service charge for residential customers from \$7.96 to \$9.00 per month.

The overall impact of the Company's proposals would increase the monthly bill of a residential customer using 1,000 kilowatt hours of electricity per month by approximately \$10.22, or 6.0%.

The foregoing is not an exhaustive list of all the proposals contained in the Company's Application. Interested persons are encouraged to review APCo's Application and supporting documents in full for details about 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 Application and supporting documents and thus may adopt rates that differ from those appearing in the Company's Application and supporting documents.

The Commission entered an Order for Notice and Hearing in this proceeding that, among other things, scheduled public hearings on APCo's Application. On September 9, 2024, at 10 a.m., the Commission will hold a telephonic hearing, with no witness present in the Commission's courtroom, for the purpose of receiving the testimony of public witnesses. On or before September 4, 2024, any person desiring to offer testimony as a public witness shall provide to the Commission (a) your name, and (b) the telephone number that you wish the Commission to call during the hearing to receive your testimony. This information may be provided to the Commission in three ways: (i) by filling out a form on the Commission's website at scc.virginia.gov/pages/Webcasting; (ii) by completing and emailing the PDF version of this form to SCCInfo@scc.virginia.gov; or (iii) by calling (804) 371-9141. This public witness hearing will be webcast at scc.virginia.gov/pages/Webcasting.

Beginning at 10 a.m. on September 9, 2024, the Commission will telephone sequentially each person who has signed up to testify as provided above.

On September 10, 2024, at 10:00 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, the Commission will convene a hearing to receive testimony and evidence related to the Application from the Company, any respondents, and the Commission's Staff.

To promote administrative efficiency and timely service of filings upon participants, the Commission has directed the electronic filing of testimony and pleadings, unless they contain confidential information, and required electronic service on parties to this proceeding.

An electronic copy of the public version of the Company's Application may be obtained by submitting a written request to counsel for the Company: James G. Ritter, Esquire, American Electric Power Service Corporation, 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219, or jritter@aep.com. Interested persons also may download unofficial copies of the public version of the Application and other documents filed in this case from the Commission's website: scc.virginia.gov/Case-Information.

On or before September 4, 2024, any interested person may submit comments on the Application by following the instructions found on the Commission's website: scc.virginia.gov/casecomments/Submit-Public-Comments. Those unable, as a practical matter, to submit comments electronically may file such comments by U.S. mail to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All such comments shall refer to Case No. PUR-2024-00024.

On or before June 21, 2024, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation at scc.virginia.gov/clk/efiling. Those unable, as a practical matter, to file a notice of participation electronically may file such notice at the address listed above. Such notice of participation shall include the email addresses of such parties or their counsel, if available. The respondent simultaneously shall serve a copy of the notice of participation on counsel to the Company. Pursuant to 5 VAC 5-20-80 B, Participation as a respondent, of the 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 5 VAC 5-20-30, Counsel, of the Rules of Practice. All filings shall refer to Case No. PUR-2024-00024. 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 July 19, 2024, each respondent may file with the Clerk of the Commission, at scc.virginia.gov/clk/efiling, any testimony and exhibits by which the respondent expects to establish its case. Any respondent unable, as a practical matter, to file testimony and exhibits electronically may file such by U.S. mail to the Clerk of the Commission at the address listed above. Each witness's testimony shall include a summary not to exceed one page. All testimony and exhibits shall be served on the Commission's Staff, the Company, and all other respondents simultaneous with its filing. In all filings, respondents shall comply with the Rules of Practice, as modified herein, 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-2024-00024.

Any documents filed in paper form with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, except as modified by the Commission's Order for Notice and Hearing, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Rules of Practice.

The public version of the Company's Application, the Commission's Rules of Practice, the Commission's Order for Notice and Hearing, and other documents filed in the case may be viewed at: scc.virginia.gov/pages/Case-Information.

APPALACHIAN POWER COMPANY

- (8) The Company shall serve each official listed in 20 VAC 5-204-10 J 1 as provided by 20 VAC 5-204-10 J 2.
- (9) On or before June 21, 2024, the Company shall file proof of the notice and service required by Ordering Paragraphs (7) and (8), including the name, title, address, and electronic mail address (if applicable) of each official served, with the Clerk of the Commission at scc.virginia.gov/clk/efiling.
- (10) On or before September 4, 2024, any interested person may submit comments on the Application by following the instructions found on the Commission's website:

scc.virginia.gov/casecomments/Submit-Public-Comments. Those unable, as a practical matter, to submit comments electronically may file such comments by U.S. mail to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments shall refer to Case No. PUR-2024-00024.

- (11) On or before June 21, 2024, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation with the Clerk of the Commission at scc.virginia.gov/clk/efiling. Those unable, as a practical matter, to file a notice of participation electronically may file such notice by U.S. mail to the Clerk of the Commission at the address listed in Ordering Paragraph (10). Such notice of participation shall include the email addresses of such parties or their counsel, if available. The respondent simultaneously shall serve a copy of the notice of participation on counsel to the Company. 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-2024-00024.
- (12) 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 Application and supporting materials, unless these materials already have been provided to the respondent.
- (13) On or before July 19, 2024, each respondent may file with the Clerk of the Commission, at scc.virginia.gov/clk/efiling, any testimony and exhibits by which the respondent expects to establish its case. Any respondent unable, as a practical matter, to file testimony and

exhibits electronically may file such by U.S. mail to the Clerk of the Commission at the address listed in Ordering Paragraph (10). Each witness's testimony shall include a summary not to exceed one page. A copy of all testimony and exhibits shall be served on Staff, the Company, and all other respondents. In all filings, respondents shall comply with the Rules of Practice, as modified herein, 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-2024-00024.

- (14) Staff shall investigate the Application. On or before August 2, 2024, Staff shall file with the Clerk of the Commission its testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. Staff shall serve a copy thereof on counsel to the Company and all respondents.
- (15) On or before August 16, 2024, APCo shall file with the Clerk of the Commission 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. The Company shall serve a copy of its rebuttal testimony and exhibits on Staff and all respondents.
- (16) Any documents filed in paper form with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, except as modified by Ordering Paragraph (1), all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.
- (17) 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 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 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.²³ Except as modified herein, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 et seq.

(18) This matter is continued.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

²³ The assigned Staff attorney is identified on the Commission's website, <u>scc.virginia.gov/pages/Case-Information</u>, by clicking "Docket Search," then clicking "Search by Case Information," and entering the case number, PUR-2024-00024, in the appropriate box.