

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 21, 2020

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2020-00163

To reduce its fuel factor
pursuant to Va. Code § 56-249.6

ORDER ESTABLISHING 2020-2021 FUEL FACTOR PROCEEDING

On September 4, 2020, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") an application ("Application") pursuant to § 56-249.6 of the Code of Virginia ("Code") seeking a decrease in its fuel factor. The Company proposes to reduce the current factor of 2.300 cents per kilowatt-hour ("¢/kWh") to 1.999¢/kWh, effective for service rendered November 1, 2020, through October 31, 2021 ("Fuel Year").¹

The Company's proposed fuel factor consists of both an in-period component and a prior-period component.² APCo's proposed in-period component is designed to recover its estimated Virginia jurisdictional fuel expenses during the Fuel Year of approximately \$266.5 million, including estimated purchased power expenses, and a credit for 75% of projected off-system sales margins.³ The Company proposes an in-period factor component of 2.020¢/kWh.⁴

¹ Application at 1.

² Direct Testimony of Eleanor K. Keeton ("Keeton Direct") at 4-5.

³ *Id.* 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, and Green Power revenue credits. *See Id.*

⁴ *Id.* at 5.

The prior-period component is a true-up component designed to return to customers over the Fuel Year an estimated over-recovered deferred fuel balance as of October 31, 2020.⁵ The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the Fuel Year to obtain the prior period over-recovery component of (0.021)¢/kWh.⁶

The Company represents that the net impact of the Company's proposed fuel factor over the Fuel Year is an annual revenue decrease of approximately \$40 million.⁷ APCo maintains that this proposal would decrease the monthly bill of a residential customer using 1,000 kWh of electricity by \$3.01, or approximately 2.8%.⁸

Finally, in conjunction with the filing of its Application, the Company 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 this matter should be docketed; the Company should place its proposed fuel factor into effect on an interim basis for service rendered on and after November 1, 2020; 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; and the Commission's Staff ("Staff") should be directed to investigate the

⁵ *Id.*

⁶ *Id.*

⁷ Application at 1.

⁸ Keeton Direct at 7.

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 ruling on the Company's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

The Commission further takes judicial notice of the ongoing public health emergency related to the spread of the coronavirus, or COVID-19, and the declarations of emergency issued at both the state and federal levels.⁹ The Commission has taken certain actions, and may take additional actions going forward, that could impact the procedures in this proceeding.¹⁰ Consistent with these actions, in regard to the terms of the procedural framework established below, the Commission will, among other things, direct the electronic filing of testimony and

⁹ See, e.g., Executive Order No. 51, Declaration of a State of Emergency Due to Novel Coronavirus, COVID-19, issued March 12, 2020, by Governor Ralph S. Northam. See also Executive Order No. 53, Temporary Restrictions on Restaurants, Recreational, Entertainment, Gatherings, Non-Essential Retail Businesses, and Closure of K-12 Schools Due to Novel Coronavirus (COVID-19), issued March 23, 2020, by Governor Ralph S. Northam, and Executive Order No. 55, Temporary Stay at Home Order Due to Novel Coronavirus (COVID-19), issued March 30, 2020, by Governor Ralph S. Northam. These and subsequent Executive Orders related to COVID-19 may be found at: <https://www.governor.virginia.gov/executive-actions/>.

¹⁰ See, e.g., *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: Electronic Service of Commission Orders*, Case No. CLK-2020-00004, Doc. Con. Cen. No. 200330035, Order Concerning Electronic Service of Commission Orders (Mar. 19, 2020); *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: Revised Operating Procedures During COVID-19 Emergency*, Case No. CLK-2020-00005, Doc. Con. Cen. No. 200330042, Order Regarding the State Corporation Commission's Revised Operating Procedures During COVID-19 Emergency (Mar. 19, 2020) ("Revised Operating Procedures Order"); *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: Revised Operating Procedures During COVID-19 Emergency*, Case Nos. CLK-2020-00004 and CLK-2020-00005, Doc. Con. Cen. No. 200520101, Order Regarding the State Corporation Commission's Revised Operating Procedures During COVID-19 Emergency (May 11, 2020); *Commonwealth of Virginia, ex rel., State Corporation Commission, Ex Parte: Electronic service among parties during COVID-19 emergency*, Case No. CLK-2020-00007, Doc. Con. Cen. No. 200410009, Order Requiring Electronic Service (Apr. 1, 2020).

pleadings, unless they contain confidential information, and require electronic service on parties to this proceeding.

We finally note that the proposed fuel factor to be placed into effect on an interim basis for service rendered on and after November 1, 2020, represents a 2.8% decrease in the monthly bill of a residential customer using 1,000 kWh.¹¹

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2020-00163.

(2) The Company's proposed fuel factor of 1.999¢/kWh shall be placed into effect on an interim basis for service rendered on and after November 1, 2020.

(3) All pleadings in this matter shall be submitted electronically to the extent authorized by Rule 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice and Procedure ("Rules of Practice").¹² 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. For the duration of the COVID-19 emergency, any person seeking to hand deliver and physically file or submit any pleading or other document shall contact the Clerk's Office Document Control Center at (804) 371-9838 to arrange the delivery.¹³

(4) Pursuant to 5 VAC 5-20-140, *Filing and service*, of the Commission's Rules of Practice, the Commission directs that service on parties and the Staff in this matter shall be accomplished by electronic means. Concerning Confidential or Extraordinarily Sensitive

¹¹ Keeton Direct at 7.

¹² 5 VAC 5-20-10 *et seq.*

¹³ As noted in the Revised Operating Procedures Order, submissions to the Commission's Clerk's Office via U.S. mail or commercial mail equivalents may not be processed for an indefinite period of time due to the COVID-19 emergency. *See* n.10, *supra*.

Information, parties and the 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 the Staff is impeded from preparing its case.

(5) 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, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(6) A public hearing on the Application shall be convened at 10 a.m. on February 10, 2021, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and the Staff. Further details on the hearing will be provided by subsequent Commission Order or Hearing Examiner's Ruling.

(7) An electronic copy of the Application 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, or njcoates@aep.com. Interested persons also may download unofficial copies from the Commission's website: <https://scc.virginia.gov/pages/Case-Information>.

(8) On or before October 23, 2020, 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 DECREASE ITS FUEL FACTOR
PURSUANT TO VA CODE § 56-249.6
CASE NO. PUR-2020-00163

On September 4, 2020, Appalachian Power Company
("APCo" or "Company") filed with the State Corporation

Commission ("Commission") an application ("Application") pursuant to § 56-249.6 of the Code of Virginia seeking a decrease in its fuel factor. The Company proposes to reduce the current factor of 2.300 cents per kilowatt-hour (" $\text{¢}/\text{kWh}$ ") to 1.999 $\text{¢}/\text{kWh}$, effective for service rendered November 1, 2020, through October 31, 2021 ("Fuel Year").

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 \$266.5 million, including estimated purchased power expenses, and a credit for 75% of projected off-system sales margins. The Company proposes an in-period factor component of 2.020 $\text{¢}/\text{kWh}$.

The prior-period component is a true-up component designed to return to customers over the Fuel Year an estimated over-recovered deferred fuel balance as of October 31, 2020. The Company states that it divided the projected deferred fuel cost balance by the projected Virginia jurisdictional energy sales for the Fuel Year to obtain the prior period over-recovery component of (0.021) $\text{¢}/\text{kWh}$.

The Company represents that the net impact of the Company's proposed fuel factor over the Fuel Year is an annual revenue decrease of approximately \$40 million. APCo maintains that this proposal would decrease the monthly bill of a residential customer using 1,000 kWh of electricity by \$3.01, or approximately 2.8%.

The Commission entered an Order Establishing 2020-2021 Fuel Factor Proceeding ("Order") that, among other things, scheduled a public hearing to be held on February 10, 2021, at 10 a.m. to receive testimony from public witnesses and the evidence of the Company, any respondents, and the Commission's Staff. Further details on this hearing will be provided by subsequent Commission Order or Hearing Examiner's Ruling.

In its Order, the Commission required the Company to place its proposed fuel factor of 1.999 $\text{¢}/\text{kWh}$ into effect on an interim basis for service rendered on and after November 1, 2020.

The Commission has taken judicial notice of the ongoing public health emergency related to the spread of the coronavirus,

or COVID-19, and the declarations of emergency issued at both the state and federal levels. In accordance therewith, all pleadings, briefs, or other documents required to be served in this matter should 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"). 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. For the duration of the COVID-19 emergency, any person seeking to hand deliver and physically file or submit any pleading or other document shall contact the Clerk's Office Document Control Center at (804) 371-9838 to arrange the delivery.

Pursuant to 5 VAC 5-20-140, *Filing and service*, of the Commission's Rules of Practice, the Commission has directed that service on parties and the Commission's Staff in this matter shall be accomplished by electronic means.

An electronic copy of the Company's Application 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, or njcoates@aep.com. Interested persons also may download unofficial copies from the Commission's website: <https://scc.virginia.gov/pages/Case-Information>.

On or before February 3, 2021, any interested person may file comments on the Application by following the instructions on the Commission's website: <http://www.scc.virginia.gov/casecomments/Submit-Public-Comments>. All comments shall refer to Case No. PUR-2020-00163.

On or before November 20, 2020, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. Such notice of participation shall include the email addresses of such parties or their counsel. The respondent simultaneously shall serve a copy of the notice of participation on counsel to the Company. 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-2020-00163.

On or before December 11, 2020, 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. In all filings, respondents 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-2020-00163.

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, 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 Company's Application, the Commission's Rules of Practice and the Commission's Order for Notice and Hearing may be viewed at: <https://scc.virginia.gov/pages/Case-Information>.

APPALACHIAN POWER COMPANY

(9) On or before October 23, 2020, 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 electronically where possible; if electronic service is not possible, service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.¹⁴

¹⁴ See the Commission's April 1, 2020 Order in Case No. CLK-2020-00007. See n.10, *supra*.

(10) On or before November 6, 2020, the Company shall provide proof of the notice and service required by Ordering Paragraphs (8) and (9), including the name, title, and address of each official served, with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, or by filing electronically at <https://scc.virginia.gov/clk/efiling/>.

(11) On or before February 3, 2021, any interested person may file written comments on the Application by following the instructions found on the Commission's website: <https://scc.virginia.gov/casecomments/Submit-Public-Comments>. All comments shall refer to Case No. PUR-2020-00163.

(12) On or before November 20, 2020, any person or entity may participate as a respondent in this proceeding by filing a notice of participation with the Clerk of the Commission at <https://scc.virginia.gov/clk/efiling/>. Such notice of participation shall include the email addresses of such parties or their counsel. 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-2020-00163.

(13) Within three (3) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent 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.

(14) On or before December 11, 2020, 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. In all filings, respondents shall comply with the Commission's 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-2020-00163.

(15) The Staff shall investigate the Application. On or before January 8, 2021, the 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. A copy thereof shall be served on counsel to the Company and all respondents.

(16) On or before January 27, 2020, the Company 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 the Staff and all respondents.

(17) 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, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(18) 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 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 the Staff.¹⁵ 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.*

(19) 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, njcoates@aep.com; James R. Bacha, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215, jrbacha@aep.com; 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, MBrowder@oag.state.va.us.

¹⁵ The assigned Staff attorney is identified on the Commission's website, <https://scc.virginia.gov/pages/Case-Information>, by clicking "Docket Search," then clicking "Search by Case Information," and entering the case number, PUR-2020-00163 in the appropriate box.