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210140063

Case Number (if already assigned) PUR-2020-00259

Case Name (if known) Petition of Appalachian Power Company, For approval of a rate adjustment clause, BC-RAC, pursuant to 56-585.1 A 6 and 56-585.1:9 of the Code of Virginia

Document Type APLA

Document Description Summary Public Petition Part 1 of 2

Total Number of Pages 58

Submission ID 20903

eFiling Date Stamp 1/28/2021 3:41:22PM

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January 28, 2021

By Electronic Filing


Hon. Bernard Logan, Clerk
State Corporation Commission
Document Control Center
Tyler Building, First Floor
1300 East Main Street
Richmond, Virginia 23219

Re: *Petition of Appalachian Power Company, For approval of a rate adjustment clause, BC-RAC, pursuant to §§ 56-585.1 A 6 and 56-585.1:9 of the Code of Virginia*
Case No. PUR-2020-00259

Dear Mr. Logan:

Enclosed for filing is the Public Version of the Petition of Appalachian Power Company in the above-referenced proceeding. The Company is filing a Motion for Protective Ruling under separate cover.

Best regards,



James G. Ritter

Enclosure

cc: Service List

210149063

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2020-00259

For approval of a rate adjustment clause, BC-RAC,
pursuant to §§ 56-585.1 A 6 and 56-585.1:9
of the Code of Virginia

PETITION

PUBLIC (REDACTED) VERSION

January 28, 2021

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2020-00259

For approval of a rate adjustment clause, BC-RAC,
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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

PETITION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2020-00259

For approval of a rate adjustment clause, BC-RAC,
pursuant to §§ 56-585.1 A 6 and 56-585.1:9
of the Code of Virginia

PETITION AND REQUEST FOR WAIVER

Pursuant to §§ 56-585.1 A 6 and 56-585.1:9 of the Code of Virginia, Appalachian Power Company (“Appalachian” or “Company”) petitions the State Corporation Commission (“Commission”) for approval of a rate adjustment clause, designated as the BC-RAC, to recover the incremental costs of providing broadband capacity under the Company’s broadband capacity pilot project in Grayson County, Virginia (“Grayson Broadband Project” or “Project”). In support of this Petition, Appalachian states as follows.

I. INTRODUCTION

Appalachian is a Virginia public service corporation serving approximately 532,000 customers in Virginia and maintaining an office at 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. The Company is an incumbent electric utility as defined in § 56-576 of the Virginia Electric Utility Regulation Act. The names and contact information for Appalachian’s attorneys are listed at the end of the Petition.

With this Petition, Appalachian requests approval of its proposed BC-RAC to recover the incremental costs of providing broadband capacity to a nongovernmental Internet service provider (“ISP”) in areas of Grayson County that are unserved by broadband. As discussed below, the Company seeks to recover a revenue requirement of approximately \$4.9 million

during the rate year beginning December 1, 2021 and ending November 30, 2022 (“Rate Year”).

The following witnesses testify in support of the Petition:

- (1) *Kenneth L. Perdew, Jr.*, Director of Broadband Communications, American Electric Power Service Corporation (“AEPSC”). Mr. Perdew provides the estimated costs associated with the Grayson Broadband Project as well as the Project schedule. Mr. Perdew also presents the fiber lease agreement between Appalachian and GigaBeam Networks, LLC (“GigaBeam”), the nongovernmental ISP under the Project. Additionally, he explains why all of the Project costs are “incremental costs,” as that term is used in Virginia Code § 56-585.1:9.
- (2) *Jason M. Yoder*, Director of Regulatory Accounting Services, AEPSC. Mr. Yoder discusses the deferred costs associated with the Project and the accounting for the costs proposed for recovery in this case. Mr. Yoder also describes the future accounting for the over/under-recovery of Project costs approved for recovery through the BC-RAC.
- (3) *Jennifer B. Sebastian*, Regulatory Analysis and Case Manager VA/TN, Appalachian. Ms. Sebastian supports the revenue requirement of approximately \$4.9 million for the proposed BC-RAC during the Rate Year. She also explains the allocation factors used to allocate the revenue requirement to the Virginia retail jurisdiction and the calculation of the BC-RAC rates.

II. BACKGROUND

In 2019, the General Assembly enacted legislation allowing investor-owned electric utilities to petition for approval to provide broadband Internet capacity in unserved areas of the Commonwealth.¹ The legislation, codified as Virginia Code § 56-585.1:9 (“Pilot Statute”), states in part that:

[E]ach Phase I Utility ... may submit one or more petitions to provide or make available broadband capacity to nongovernmental Internet service providers in areas of the Commonwealth unserved by broadband.²

¹ 2019 Va. Acts ch. 619 (House Bill 2691).

² Va. Code § 56-585.1:9 A.

The statute defines “unserved by broadband” to mean “a designated area in which less than 10 percent of residential and commercial units are capable of receiving broadband service.”³ The term “broadband,” in turn, is defined as “Internet access at speeds greater than 10 [megabits per second (“Mbps”)] download speed and one Mbps upload speed.”⁴ As contemplated by the statute, in June of this year the Department of Housing and Community Development modified these speeds to 25 Mbps download speed and 3 Mbps upload speed, consistent with the Federal Communications Commission’s definition of broadband.⁵ The General Assembly included a public-policy declaration in the Pilot Statute, stating that a utility’s provision of broadband capacity to nongovernmental ISPs in unserved areas is in the public interest.⁶

Under a Commission-approved pilot program, a utility may own broadband capacity, lease it to a nongovernmental ISP, and provide access points outside the utility’s energized zone to allow the ISP’s system to connect to the utility’s system.⁷ The capacity that the utility provides to the nongovernmental ISP is commonly referred to in the broadband industry as “middle-mile” capacity, or the infrastructure that connects a larger, core network (and the greater Internet) to a provider’s local network. The nongovernmental ISP can use the capacity to provide “last-mile” connectivity, or the infrastructure that links the ISP’s network to end-use customers.

³ *Id.* § 56-585.1:9 F. The Department of Housing and Community Development may by guideline increase this percentage from time to time. *Id.*

⁴ *Id.* The Department of Housing and Community Development may by guideline modify these speeds from time to time. *Id.*

⁵ Department of Housing and Community Development, *2021 Virginia Telecommunication Initiative (VATI) Program Guidelines and Criteria*, <http://www.dhcd.virginia.gov/sites/default/files/Docx/vati/2021-vati-guidelines-and-criteria.pdf>.

⁶ Va. Code § 56-585.1:9 A.

⁷ *Id.* § 56-585.1:9 C.

The Pilot Statute provides that “[t]he incremental costs of providing broadband capacity pursuant to any such pilot program, net of revenue generated therefrom, shall be eligible for recovery from customers as an electric grid transformation project pursuant to clause (vi) of subdivision A 6 of § 56-585.1 filed on or after July 1, 2020.”⁸ Under the Pilot Statute, any petitions to provide broadband capacity that a utility submits “shall not exceed \$60 million in costs annually.”⁹

On March 5, 2020, in Case No. PUR-2019-00145, the Commission issued a Final Order approving the Grayson Broadband Project.¹⁰ Although it found that both of Appalachian’s fiber-deployment scenarios met the requirements of the Pilot Statute, the Commission granted approval for the Company to proceed with Scenario 1, noting that Scenario 1 will provide a higher level of service to customers.¹¹ The Commission approved the Project for an initial term of three years plus an extension of three additional years, for a total of six years.

In its Final Order, the Commission declined to make findings on the costs of the Grayson Broadband Project, including a determination of whether all Project costs qualify as “incremental” under the Pilot Statute or whether some portion of the costs should be treated as non-incremental.¹² On that point, the Commission directed Appalachian to include testimony on “the baseline costs to which the Pilot costs are considered incremental” in any future petition for recovery of incremental costs.¹³ The Commission also stated that it does not object to the

⁸ *Id.* § 56-585.1:9 B.

⁹ *Id.* § 56-585.1:9 A.

¹⁰ *Petition of Appalachian Power Company, For approval of a broadband capacity pilot program pursuant to § 56-585.1:9 of the Code of Virginia, Case No. PUR-2019-00145, Final Order (Mar. 5, 2020).*

¹¹ *Id.* at 6.

¹² *Id.* at 7.

¹³ *Id.* at 8.

Company deferring the incremental costs until the Commission addresses a separate petition for approval of a rate adjustment clause.¹⁴

III. REQUEST FOR APPROVAL

With this Petition, Appalachian is requesting approval of the BC-RAC to recover the incremental costs of providing broadband capacity under the Grayson Broadband Project, as approved by the Commission in Case No. PUR-2019-00145. As set out below, the Company seeks to recover an initial revenue requirement of approximately \$4.9 million during the Rate Year beginning December 1, 2021 and ending November 30, 2022.

A. Incremental Costs

In accordance with the Commission's Final Order in Case No. PUR-2019-00145, Company witness Perdeu's testimony discusses "the baseline costs to which the [Project] costs are considered incremental." As he explains, Appalachian is incurring the costs of the Grayson Broadband Project for one reason: because the Company seeks to provide broadband capacity to a nongovernmental ISP in unserved areas of Virginia, as authorized by the General Assembly in the Pilot Statute. But for the Project, the Company would not install a fiber-based communications platform in Grayson County, nor would it be capable of providing the broadband capacity that the Pilot Statute allows. Accordingly, the baseline costs in this proceeding are zero, and thus all of the costs of the Grayson Broadband Project are incremental.

B. Revenue Requirement

Appalachian seeks approval to recover a total revenue requirement of approximately \$4.9 million during the Rate Year. The revenue requirement consists of a Forecast Revenue Component of approximately \$4.9 million plus a True-Up Revenue Component set at \$0.0.

¹⁴ *Id.* at 7.

Consistent with the Pilot Statute, the proposed revenue requirement is net of the estimated revenues Appalachian expects to receive under its lease agreement with GigaBeam.

The Forecast Revenue Component includes approximately \$1.9 million in return on actual and projected capital expenditures and approximately \$3 million in projected operation and maintenance (“O&M”) expenses. Because this filing is Appalachian’s first request for cost recovery through the BC-RAC, the True-Up Revenue Component will be set at \$0.0 during the Rate Year. As Company witness Yoder explains, Appalachian plans to utilize over/under-recovery deferral accounting by comparing actual costs incurred, net of actual revenues received from leasing access to the fiber, with the eventual revenues recovered through the BC-RAC. In subsequent BC-RAC filings, the Company will use the True-Up Revenue Component to credit to, or recover from, customers any over- or under-recovery of costs.

In calculating the proposed revenue requirement, Appalachian used an after-tax rate of return on rate base of 7.073% based on the year ended December 31, 2019 capital structure. The components of the rate of return, including the 9.20% return on equity approved by the Commission in Appalachian’s 2020 triennial review proceeding (“Triennial Review”),¹⁵ are contained in Schedule 8.

Appalachian will defer depreciation expense, O&M costs, and financing costs on rate base calculated up to the beginning of the Rate Year and proposes to recover the deferred costs over the Rate Year. A calculation of the projected balance of deferred costs is found in Schedule 46, Section 1, Statement vi-g.

¹⁵ *Application of Appalachian Power Company, For a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia, Case No. PUR-2020-00015, Final Order at 28 (Nov. 24, 2020).*

C. Rate Design and Allocation

Company witness Sebastian's testimony provides information on the BC-RAC rate design, including the allocation of costs. Because the Project will provide broadband capacity in Grayson County, Appalachian proposes to assign the incremental costs to Virginia and allocate them between Virginia jurisdictional and non-jurisdictional customers based on the Company's distribution plant installed in the Commonwealth. Distribution assets are commonly assigned to the state in which they are located. Additionally, the Pilot Statute states that incremental costs of providing broadband capacity are eligible for recovery as an "electric grid transformation project," and those projects typically can be characterized as distribution-related. As a result, the Company will record the costs predominantly in general plant FERC account 397 but categorize them as distribution-related. The jurisdictional allocator used in developing the revenue requirement is provided in Schedule 46, Section 1, Statement vi-d and was provided in the Company's Triennial Review.

Following the same methodology, Appalachian will use the Virginia distribution plant allocator to allocate the incremental costs of the Project to the Company's Virginia jurisdictional customers. This information is detailed in Schedule 46, Section 1, Statement vii-a and was provided in the Triennial Review. To calculate the BC-RAC surcharge factors, the Company proposes to use the billing determinants provided in the Triennial Review, which are shown in Schedule 46, Section 1, Statements vii-f and vii-g. Because this is a distribution charge, the BC-RAC surcharge factors would apply to all Virginia jurisdictional customers.

Implementing the proposed BC-RAC will increase the residential customer's monthly bill, based on 1,000 kWh usage per month, by \$0.54, or 0.51%, as compared to rates in effect November 1, 2020. Company witness Sebastian provides typical monthly bill increases for

customers served under various rate schedules at several representative levels of consumption or demand.

IV. REQUEST FOR CONFIDENTIAL TREATMENT

The materials supporting this Petition included in Schedule 46 contain confidential information. In accordance with Rule 10 F of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Electric Utilities ("Rate Case Rules")¹⁶ and Rule 170 of the Commission's Rules of Practice and Procedure,¹⁷ Appalachian is submitting contemporaneously with this filing a Motion for Protective Ruling, including a proposed form of Protective Ruling. The proposed Protective Ruling recognizes that information included in this filing or requested through discovery may require heightened protection from disclosure.

V. COMPLIANCE WITH RATE CASE RULES AND REQUEST FOR WAIVER

Pursuant to Rule 10 E of the Rate Case Rules,¹⁸ Appalachian respectfully requests that the Commission waive, in part, the requirements of Rules 60 and 90. In particular, the rules require Appalachian to provide "[k]ey documents supporting the projected and actual costs that the applicant seeks to recover through the rate adjustment clause, such as economic analyses, contracts, studies, investigations, results from requests for proposals, cost benefit analyses, or other items supporting the costs."¹⁹ The Company expects that physically producing the supporting documentation responsive to this request would require the submission of voluminous additional bound volumes per set. Due to the size of these documents, as well as the remote

¹⁶ 20 VAC 5-204-10 F.

¹⁷ 5 VAC 5-20-170.

¹⁸ 20 VAC 5-204-10 E.

¹⁹ 20 VAC 5-204-90.

conditions under which many parties currently are working, producing them in hard copy would be unduly burdensome and impractical.

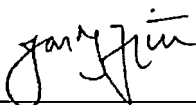
Further, much of the supporting documentation is confidential, and as such would not be posted to the Commission's online docket for public review. In lieu of a physical production, Appalachian has made electronic copies of these documents available to the Division of Utility Accounting & Finance and the Division of Public Utility Regulation, and will make them available to Staff and any respondents, subject to an appropriate protective ruling, through an iManage folder established for this proceeding. The Commission recently granted similar requests in Case Nos. PUR-2020-000258 and PUR-2020-00251.²⁰ Should the Commission deny this request, the Company asks for a reasonable allowance of time to print the requisite filing copies of this material and submit them to the Commission prior to the Company's Petition being deemed incomplete.

WHEREFORE, Appalachian respectfully requests that the Commission: (1) approve the proposed BC-RAC under Virginia Code §§ 56-585.1 A 6 and 56-585.1:9; and (2) grant the Company's request for waiver.

²⁰ *Petition of Appalachian Power Company, For approval of a rate adjustment clause, the E-RAC, for costs to comply with state and federal environmental regulations pursuant to § 56-585.1 A 5 e of the Code of Virginia*, Case No. PUR-2020-00258, Order for Notice and Hearing at 5, Doc. Con. Cen. No. 210120027 (Jan. 14, 2021); *Petition of Appalachian Power Company, For approval to continue 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-2020-00251, Order for Notice and Hearing at 5, Ordering Paragraph (19), Doc. Con. Cen. No. 201230062 (Dec. 21, 2020).

Respectfully submitted,

APPALACHIAN POWER COMPANY

By:  _____
Counsel

Dated: January 28, 2021

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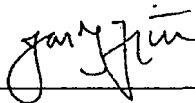
CERTIFICATE OF SERVICE

I certify that on January 28, 2021, a copy of this document was served by electronic mail

on:

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APCo Exhibit No. _____
Witness: KLP

21014063

**DIRECT TESTIMONY OF
KENNETH L. PERDEW, JR.
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

APCo Exhibit No. _____
Witness: KLP

210140053

**SUMMARY OF DIRECT TESTIMONY OF
KENNETH L. PERDEW, JR.**

In my testimony, I

- provide the estimated costs associated with the Grayson County broadband pilot project;
- provide the schedule for the project;
- present the fiber lease agreement between Appalachian Power Company and GigaBeam Networks, LLC; and
- discuss the incremental costs of the project.

**DIRECT TESTIMONY OF
KENNETH L. PERDEW, JR.
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

2 A. My name is Kenneth L. Perdeu, Jr. My business address is 850 Tech Center Drive,
3 Gahanna, Ohio 43230. I am employed by American Electric Power Service Corporation
4 (AEPSC) as Director of Broadband Communications. AEPSC, a wholly owned
5 subsidiary of American Electric Power Company, Inc. (AEP), provides engineering,
6 regulatory, financing, accounting, and planning and advisory services to subsidiaries of
7 AEP. AEP is the parent company of Appalachian Power Company (APCo or Company).

8 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
9 BUSINESS EXPERIENCE.

10 A. I hold a Master's Degree in Business Administration from the University of Dayton and a
11 Bachelor's in Electrical Engineering from West Virginia University. I have over thirty-
12 eight years of telecommunications and management experience. I served four years as
13 the Telecommunications Operations Manager for Battelle Memorial Institute, two years
14 as the AEP Telecommunication Design Supervisor, seven years as the AEP
15 Telecommunications Transport, Supervisory Control and Data Acquisition (SCADA) and
16 Carrier Services Manager, and four years as the AEP Telecommunications Wireless
17 Engineering Manager. I joined AEPSC in Canton, Ohio in 1981, left for Battelle
18 Memorial Institute in 1987 and returned to AEPSC in 1991. In July 2016, I was named
19 as the Director of Telecomm Engineering. In August 2019, I was promoted to my current
20 position.

1 Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF BROADBAND
2 COMMUNICATIONS?

3 A. I am responsible for AEP's broadband initiatives. I coordinate the Telecommunications
4 Teams to help design, construct, and maintain the rural fiber infrastructure and associated
5 electronics.

6 Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?

7 A. I am testifying on behalf of APCo.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS
9 BEFORE ANY REGULATORY COMMISSION?

10 A. Yes. I testified before the Commission in support of APCo's petition for approval of a
11 broadband capacity pilot program in unserved areas of Grayson County, Virginia, in Case
12 No. PUR-2019-00145 (Grayson Broadband Project or Project).

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

14 A. Under the Grayson Broadband Project, APCo will install fiber optic broadband capacity
15 and lease a portion to GigaBeam Networks, LLC (GigaBeam), a non-governmental
16 Internet service provider. GigaBeam will use the fiber to deliver high-speed Internet
17 service to unserved areas of Grayson County. I provide the Company's cost estimate for
18 the Grayson Broadband Project as well as the project schedule. I will also explain why
19 all of the Project costs are properly considered "incremental costs," as that term is used in
20 Virginia Code § 56-585.1:9 (Pilot Statute).

1 Q. ARE YOU SPONSORING ANY PORTIONS OF SCHEDULE 46 IN THIS
2 PROCEEDING?

3 A. I am sponsoring the following portions of Schedule 46:

- 4 • APCo Schedule 46, Section 1 Statement i – Capital Cost Estimate and O&M
5 Calculation
- 6 • APCo Schedule 46, Section 1 Statement i –CONFIDENTIAL Costs
- 7 • APCo Schedule 46, Section 1 Statement i –CONFIDENTIAL Fiber in Service
- 8 • APCo Schedule 46, Section 1 Statement iii – Justification of Proposed Costs
- 9 • APCo Schedule 46, Section 1 Statement iv – CONFIDENTIAL Fiber Lease
10 Agreement, CONFIDENTIAL Telecom Contract Releases, and CONFIDENTIAL
11 Telecom Purchase Orders
- 12 • APCo Schedule 46, Section 1 Statement v – CONFIDENTIAL CI

13 I. PROJECT COSTS

14 Q. WHAT ARE THE ESTIMATED CAPITAL COSTS OF THE GRAYSON
15 BROADBAND PROJECT?

16 A. The estimated capital investment for the Project is approximately \$27.5 million. This
17 cost estimate includes the construction of approximately 238 miles of 96-strand fiber
18 optic cable and all necessary hardware, right-of-way work, permitting, easements, pole
19 replacements (necessitated by fiber loading), telecommunications building to hub the ISP
20 electronics, engineering, and installation. A detailed cost estimate is contained in APCo
21 Schedule 46, Section 1 Statement i– Capital Cost Estimate. The estimate reflects the
22 detailed design and engineering that has taken place since the Commission approved the
23 Project in Case No. PUR-2019-00145.

1 Q. WHAT ARE THE ESTIMATED OPERATION AND MAINTENANCE COSTS OF
2 ASSOCIATED WITH THE PROJECT?

3 A. The estimated annual operation and maintenance (O&M) costs are approximately
4 \$723,000. The estimated annual O&M is based on a percentage of the capital project
5 costs. This amount includes costs associated with operations personnel; engineering and
6 design personnel; operations center personnel; contracts, ordering, billing, and invoicing
7 personnel; equipment, tools, and vehicles; training; and materials for repair.

8 Q. HAS THE COMPANY ENTERED INTO A FIBER LEASE AGREEMENT WITH
9 GIGABEAM?

10 A. Yes. A copy of the agreement between APCo and GigaBeam is contained in APCo
11 Schedule 46, Section 1 Statement iv – CONFIDENTIAL Fiber Lease Agreement. The
12 revenue that APCo will receive from GigaBeam under the agreement was provided to
13 Company witness Sebastian for use in calculating the revenue requirement.

14 II. PROJECT SCHEDULE

15 Q. WHAT IS THE CONSTRUCTION SCHEDULE FOR THE PROJECT?

16 A. APCo began construction on December 7, 2020 and completed approximately 12.5 miles
17 in December. Construction materials have been ordered for the first three segments of
18 the Project. This includes the telecommunications building, 25 miles of fiber, and
19 terminals. Construction is being be done in phases, thereby allowing GigaBeam to start
20 its connection process at the completion of each phase. The final phase is expected to be
21 placed in service by May of 2022.

1 **III. INCREMENTAL COSTS**

2 **Q. PLEASE EXPLAIN WHY IT IS NECESSARY TO DETERMINE WHICH COSTS**
3 **OF THE GRAYSON BROADBAND PROJECT ARE “INCREMENTAL.”**

4 A. Determining which costs are “incremental” is necessary because the Pilot Statute states
5 that “[t]he incremental costs” of providing broadband capacity pursuant to a pilot
6 program (net of revenue generated therefrom) shall be eligible for recovery from
7 customers as an electric grid transformation project pursuant to clause (vi) of § 56-585.1
8 A 6. In its Final Order in Case No. PUR-2019-00145, the Commission stated that in any
9 future petition for recovery of incremental Pilot costs, “the Company shall include
10 testimony on the baseline costs to which the Pilot costs are considered incremental.”

11 **Q. WHAT ARE THE “BASELINE COSTS” TO WHICH THE COSTS OF THE**
12 **PROJECT ARE CONSIDERED INCREMENTAL?**

13 A. The baseline costs in this proceeding are \$0. In other words, as APCo explained in Case
14 No. PUR-2019-00145, all of the costs of the Grayson Broadband Project are
15 “incremental.” This is for a simple reason: absent the Project, the Company would not
16 deploy fiber optic cable in Grayson County. Rather, but for the Pilot Statute, APCo
17 would have used a wireless-based platform to meet its communications needs in Grayson
18 County, and would not have installed any fiber optic cable. Indeed, a wireless-based
19 platform would not be capable of supporting reliable Internet service to the designated
20 areas of Grayson County, in terms of both speed and availability. As a result, all of the
21 costs of deploying fiber optic infrastructure under the Project are incremental.

- 1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
- 2 A. Yes.

APCo Exhibit No. _____
Witness: JMY

210140063

**DIRECT TESTIMONY OF
JASON M. YODER
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

APCo Exhibit No. _____
Witness: JMY

210140063

**SUMMARY OF DIRECT TESTIMONY OF
JASON M. YODER**

My direct testimony discusses the current deferred unrecovered costs of \$10,133 associated with the Commission approved Virginia Grayson County Broadband Project (Project) and the future accounting for the over/under recovery of the Project costs approved for recovery through a Broadband Capacity Rate Adjustment Clause (BC-RAC).

**DIRECT TESTIMONY OF
JASON M. YODER
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is Jason M. Yoder. My business address is 1 Riverside Plaza, Columbus, Ohio
3 43215. I am employed by American Electric Power Service Corporation (AEPSC) as
4 Director of Regulatory Accounting Services. AEPSC, a wholly owned subsidiary of
5 American Electric Power Company, Inc. (AEP), provides engineering, regulatory,
6 financing, accounting, and planning and advisory services to subsidiaries of AEP. AEP is
7 the parent company of Appalachian Power Company (APCo).

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
9 BUSINESS EXPERIENCE.**

10 A. I graduated with a Bachelor of Science Degree in Accounting from The Ohio State
11 University in 1998. I became a Certified Public Accountant (Inactive) in 2000 and I am
12 currently a member of the American Institute of CPAs (AICPA). I was employed by
13 PricewaterhouseCoopers (PwC) from 1998 through 2003 where I audited the books and
14 records of various companies, prepared and reviewed financial statements and evaluated
15 company controls. I joined AEPSC, in December 2003 as an Internal Auditor. I
16 transferred to the Regulatory Accounting Services organization in 2010 as a Staff
17 Accountant. In 2015, I was promoted to Pricing and Analysis Manager in the Regulatory
18 Services organization. In this role, I was responsible for supporting wholesale and retail
19 ratemaking including preparing filings and other projects related to regulatory issues and
20 proceedings. In 2018, I was promoted to my current role in the accounting organization.

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1 Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF REGULATORY
2 ACCOUNTING SERVICES?

3 A. My primary responsibilities include providing the AEP electric operating subsidiaries, such
4 as APCo, with regulatory and general accounting expertise in support of regulatory filings,
5 including the preparation of cost of service adjustments, accounting schedules, and
6 accounting testimony. Also, I monitor regulatory proceedings, settlements, orders, and
7 legislation for accounting implications, and I participate in determining the appropriate
8 regulatory accounting and financial reporting treatment of regulatory transactions.

9 Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?

10 A. I am testifying on behalf of APCo.

11 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS
12 BEFORE ANY REGULATORY COMMISSION?

13 A. Yes. I have filed testimony before the Public Utilities Commission of Ohio, the Indiana
14 Utility Regulatory Commission, the Kentucky Public Service Commission and the
15 Arkansas Public Service Commission.

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. The purpose of my testimony is to discuss the deferred unrecovered costs associated with
18 the Commission approved Virginia Grayson County Broadband Project (Project). In
19 addition, I describe the future accounting for the over/under-recovery of the Project costs
20 approved for recovery through the Broadband Capacity Rate Adjustment Clause BC-
21 RAC. Finally, I describe the accounting for the Project costs that the Company is

1 requesting recovery of in this case and discuss the Company's cost of capital and capital
2 structure.

3 **Q. ARE YOU SPONSORING ANY FILING SCHEDULES REQUIRED UNDER THE**
4 **COMMISSION'S RATE CASE FILING RULES?**

5 A. Yes. I am sponsoring the following:

- 6 o Schedule 3 – Capital Structure and Cost of Capital Statement
- 7 o Schedule 4 – Schedules of Long-term Debt, Preferred and Preference Stock, Job
- 8 Development Credits and Any Other Component of Ratemaking Capital
- 9 o Schedule 5 – Schedule of Short-Term Debt, Revolving Credit Agreements, and
- 10 similar Short-Term Financing Arrangements
- 11 o Schedule 8– Proposed Cost of Capital Statement
- 12 o Portions of Schedule 46
 - 13 ▪ Section 1 Statement i – Actual Costs
 - 14 ▪ Section 1 Confidential Statement ii – Transaction Level Detail for Actual.

15 Section 1 Confidential Statement ii will be provided electronically within five business
16 days of the application filing date to the Division to Utility Accounting and Finance.

17 **Q. PLEASE DESCRIBE THE PROJECT COSTS THAT THE COMPANY IS**
18 **REQUESTING TO RECOVER IN THIS PROCEEDING?**

19 A. As supported by Company witness Sebastian, the requested revenue requirement for the
20 Project includes the following costs that are not currently in base rates: 1) O&M costs;
21 and, 2) a return of (through depreciation) and a return on new capital investments.

22 **Q. HOW DOES THE COMPANY IDENTIFY AND ACCOUNT FOR COSTS**
23 **RELATED TO THE PROJECT?**

24 A. APCo currently uses a unique project and work order to identify and track the costs
25 associated with the Project. For the Project costs that are capitalized, the Company

1 records such expenditures initially in Account 107, Construction Work in Progress
2 (CWIP), before being classified to the appropriate Electric Plant Account, within
3 Account 101, Electric Plant in Service. The determination of the accounting
4 classification of the Project costs as expense or capital will be in accordance with the
5 Company's accounting procedures.

6 **Q. WHAT IS THE BALANCE OF DEFERRED PROJECT COSTS THROUGH**
7 **DECEMBER 31, 2020.**

8 A. The Company has deferred \$10,133 as of December 31, 2020 in account 1823610.

9 **Q. PLEASE DESCRIBE THE DEFERRED COSTS.**

10 A. Since the Commission's approval of the Project in March 2020, the Company has
11 deferred carrying costs on the monthly construction in work in progress recorded in
12 FERC account 107. The Company used its actual December 31, 2019 weighted average
13 cost of capital (WACC) carrying cost rate reflecting the authorized return on equity
14 (ROE) of 9.42% until November 2020 when the Commission approved a new ROE for
15 RACs of 9.20% effective on the November 24, 2020 issuance date of the order in APCo's
16 Triennial Review. The WACC details are provided in Schedules 3, 4, 5 and 8 of my
17 testimony. The WACC rate used to calculate the project carrying costs incurred in 2020
18 will be updated with the actual December 31, 2020 WACC carrying cost rate in the first
19 quarter of 2021 consistent with past Commission treatment. No other costs have been
20 deferred at this time. In the future, the Company expects to incur O&M and property
21 taxes in addition to the carrying costs of plant in service investments which will be
22 included in the monthly over/under deferral.

1 Q. **WHAT IS THE BASIS FOR THE COMPANY'S PLANNED DEFERRAL OF ANY**
2 **UNRECOVERED COSTS RELATED TO THE BROADBAND PROJECT?**

3 A. The basis for the Company's deferral is the Commission's order in Case Number PUR-
4 2019-00145, APCo's Grayson County Broadband Pilot Case and based on past deferral
5 accounting performed in othe APCO VA RACs.

6 Q. **ONCE THE CAPITALIZED PROJECT COSTS ARE PLACED IN SERVICE**
7 **HOW WILL THEY BE DEPRECIATED?**

8 A. The depreciation rates associated with where the asset is recorded to in the Electric Plant
9 Account in accordance with the FERC Uniform System of Accounts (USofA)
10 instructions will be applied to the gross investment to calculate the monthly depreciation
11 expense. The depreciation rates that will be applied to the Project in-service investments
12 will be those approved by the Commission in Case No. PUR-2020-00015.

13 Q. **HOW WILL THE RETURN ON IN-SERVICE ASSETS BE CALCULATED?**

14 A. Once the assets are place in service, APCo will cease calculation of the carrying charge
15 on the CWIP balance and calculate a monthly return on the plant-in service balance net of
16 accumulated depreciation and accumulated deferred income tax. This return will be a
17 component of the costs each month that are compared to revenues received from
18 customers.

19 Q. **DOES THE COMPANY PLAN TO USE UNIQUE ACCOUNTS TO TRACK THE**
20 **COSTS AND THE RELATED RECOVERY OF THE PROJECT COSTS?**

21 A. Yes. APCo has established unique regulatory asset and liability subaccounts within
22 Accounts 1823 and 2540, respectively, to be used in the monthly over/under recovery

1 deferral accounting with an offset generally to FERC account 403 for costs related to the
2 Project incurred after the March 2020 approval of the project.

3 **Q. IS THE COMPANY PROPOSING TO TRUE-UP THE RECOVERY OF COSTS**
4 **OF THE PROJECT THROUGH THE BC-RAC?**

5 A. Yes. APCo is proposing to true-up the costs and revenues associated with the requested
6 BC-RAC. In addition, rental revenues received from third party use of the fiber cable
7 will be used to offset the costs incurred. The Company plans to practice over/under
8 recovery deferral accounting by comparing the actual incurred costs associated with the
9 project to the recovery of such costs through the BC-RAC. Any net under-recovery
10 recorded as a regulatory asset or net over-recovery recorded as a regulatory liability of
11 BC-RAC costs will be included for future recovery or refund, respectively, through the
12 proposed true-up to actual costs in subsequent BC-RAC applications.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes, it does.

APCo Exhibit No. _____
Witness: JBS

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**DIRECT TESTIMONY OF
JENNIFER B. SEBASTIAN
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

SUMMARY OF DIRECT TESTIMONY OF JENNIFER B. SEBASTIAN

In my testimony, I

- Support the revenue requirement for the Company's proposed Broadband Capacity Rate Adjustment Clause (BC-RAC) Rider pursuant to Virginia Code § 56-585.1:9 and §56-585.1 A 6.
- Propose a rate year revenue requirement of \$4.9 million to be recovered through the BC-RAC factors.
- Provide detail to support the Company's requested Grayson County Broadband Project revenue requirement in this Petition.
- Discuss the jurisdictional allocation factors used to allocate the BC-RAC revenue requirement to the Virginia retail jurisdiction and the calculation of the proposed BC-RAC rates which have been designed to recover the revenue requirement being requested in this filing.
- Sponsor the proposed BC-RAC tariff sheets.

**DIRECT TESTIMONY OF
JENNIFER B. SEBASTIAN
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2020-00259**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is Jennifer B. Sebastian. My business address is Three James Center, Suite
3 1100, 1051 East Cary Street Richmond, Virginia 23219. I am employed by APCo as
4 Regulatory Analysis and Case Manager VA/TN.

5 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
6 BUSINESS EXPERIENCE.**

7 A. I received my Bachelor of Science degree in Economics from St. Bonaventure University
8 in 1991. In 1991, my professional career began as a Research Assistant for Moody's
9 Investors Services in New York, New York. In 1994, I accepted the position of Cash
10 Management Analyst at Resource Mortgage Capital, Inc. located in Glen Allen, Virginia.
11 I was primarily responsible for the daily reconciliation of cash accounts and daily
12 borrowing activity for the real estate investment trust. In 1996, I accepted the position of
13 Cash Manager for the mortgage operating division which was later sold to Dominion
14 Capital, Inc. In 1999, I was promoted to Assistant Treasurer where my primary duties
15 included bank facility negotiation, documentation, and bank facility compliance. In 2001,
16 I assisted in the treasury responsibilities necessary for the mortgage operating division to
17 become a publicly traded corporation. In 2002, I was promoted to Treasurer of Saxon
18 Capital, Inc. and was accountable for liquidity reporting, cash forecasting, treasury
19 controls, corporate capital requirements and cash account reconciliations. In 2008, Saxon
20 Capital was acquired and as a result, I oversaw the treasury activities necessary to
21 facilitate this transition. In 2008, I accepted the position of Regulatory Consultant with

1 the Company. In 2018, I was promoted to Regulatory Consultant Staff VA/TN. In 2020,
2 I was promoted to Regulatory Case Manager – APCo, my current position.

3 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?**

4 A. My principal areas of responsibility include implementing approved rates and
5 coordinating new rate designs, quantitative analysis of regulatory matters, preparation of
6 specific Commission case filings, and investigation of regulatory matters.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS
8 BEFORE ANY REGULATORY COMMISSION?**

9 A. Yes. Since 2011, I have testified on behalf of APCo in numerous Virginia base rate and
10 rate adjustment clause cases.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to:

- 13 • Support the revenue requirement for the Company’s proposed Broadband Capacity Rate
14 Adjustment Clause (BC- RAC) Rider pursuant to Virginia Code § 56-585.1:9 and §56-
15 585.1 A 6.
- 16 • Propose a rate year revenue requirement of \$4.9 million to be recovered through the BC-
17 RAC factors.
- 18 • Provide detail to support the Company’s requested Grayson County Broadband Project
19 (Grayson Broadband Project or Project) revenue requirement in this Petition.
- 20 • Discuss the jurisdictional allocation factors used to allocate the BC-RAC revenue
21 requirement to the Virginia retail jurisdiction and the calculation of the proposed BC-RAC
22 rates which have been designed to recover the revenue requirement being requested in this
23 filing.
- 24 • Sponsor the proposed BC-RAC tariff sheets.

25 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

26 A. Yes. I am sponsoring:

- 27 • APCo Exhibit No. ____ (JBS) Schedule 1 BC-RAC Riders effective December 1, 2021
- 28 • APCo Exhibit No. ____ (JBS) Schedule 2 Typical Bill Comparison

1 Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?

2 A. Yes. I am sponsoring:

3 Schedule 46 Section 1, Statement vi - Annual revenue requirement over the duration
4 of the proposed rate adjustment clause by year and by class

5 Schedule 46 Section 1, Statement vii - Methodology for allocating the revenue
6 requirement among rate classes and the design of class rates.

7 Q. WHAT IS THE PROPOSED RATE YEAR IN THIS PROCEEDING?

8 A. The proposed rate year in this proceeding is December 1, 2021 through November 30,
9 2022.

10 Q. WHAT COSTS WERE INCLUDED IN THE REVENUE REQUIREMENT?

11 A. Actual and projected capital expenditures and operating expenses included in the revenue
12 requirement calculation are supported by the direct testimony of Company witness
13 Perdew. The financing cost portion of the revenue requirement for the Grayson Broadband
14 Project is the result of multiplying projected 13 month average rate base at the month
15 ending November 30, 2022 by the Company's cost of capital. The operating cost portion
16 of the revenue requirement consists of depreciation expense, certain O&M costs, and the
17 amortization of deferred costs as described later in my testimony.

18 Q. PLEASE OUTLINE THE ELEMENTS OF THE COMPANY'S PROPOSED
19 REVENUE REQUIREMENT.

20 A. As detailed in the table below, the Company's proposed revenue requirement is
21 approximately \$4.9 million and is composed of two elements:

- 22
- 23 • A Forecast Revenue Component of \$4.9 million.
 - 24 • A True-up Revenue Component of \$0.0 million

24 The True-up Revenue Component is \$0.0 million because the Company does not currently
25 have existing rate factors approved for cost recovery through the BC-RAC. As a result, no

1 true-up is included in this initial proceeding. It is anticipated that any true-up will be
2 included in a 2022 update filing for implementation during the December 1, 2022 –
3 November 30, 2023 rate year. If approved, the BC-RAC surcharge factors would be
4 designed to collect the \$4.9 million revenue requirement for the 12 months following
5 implementation. This represents an increase to customers of about 0.4%.

6 **Q. PLEASE COMMENT ON THE COMPOSITION OF THE BROADBAND**
7 **FORECAST REVENUE COMPONENT.**

8 A. The Projected Cost Recovery Factor calculation for the Grayson Broadband Project results
9 in the operating income necessary for recovery of projected financing costs based on a
10 thirteen month average rate base through November 30, 2022, as well as recovery of
11 O&M costs, plant depreciation expense, in addition to the amortization of deferred costs
12 including financing costs incurred prior to the rate year.

13 **Q. HOW WAS THE RATE BASE DEVELOPED IN THE FORECAST REVENUE**
14 **COMPONENT?**

15 A. The rate base is comprised of the Virginia jurisdictional 13 month average projected
16 balances for CWIP, projected net plant in service, and accumulated deferred income taxes
17 through November 30, 2022.

18 **Q. WHAT DEFERRED COSTS ARE BEING PROPOSED FOR RECOVERY?**

19 A. The Company will defer depreciation expense, O&M costs and financing costs on rate
20 base calculated up to the beginning of the rate year. The Company proposes to recover
21 the deferred costs over the rate year. These costs are described in more detail by
22 Company witness Perdew. I have calculated the the projected balance of deferred costs in
23 Schedule 46, Section 1 Statement vi-g.

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1 Q. WHAT RATE OF RETURN IS BEING USED IN CALCULATING THE RATE
2 YEAR REVENUE REQUIREMENT?

3 A. The Company used an after tax rate of return on rate base of 7.073% based on the year
4 ended December 31, 2019 capital structure. The components of the rate of return,
5 including the 9.20% return on equity that was determined in the Company's most recent
6 base case proceeding, Case No. PUR-2020-00015 (the 2020 Triennial Review), are
7 contained in Schedule 8 as sponsored by Company witness Yoder. Certain revenue
8 components were grossed up in order to adjust for applicable state and federal income
9 taxes.

10 Q. DID YOU CONSIDER THE REVENUE TO BE GENERATED FROM THE
11 BROADBAND CAPACITY UNDER THE GRAYSON BROADBAND PROJECT IN
12 THE DEVELOPMENT OF THE REVENUE REQUIREMENT?

13 A. As shown in Schedule 46, Section 1, Statement vi-b, and in accordance with the
14 requirements of Virginia Code § 56-585.1:9, the annual revenue requirement is net of the
15 revenue estimated to be generated from broadband capacity in Grayson County. I
16 received the revenue estimates from Company witness Perdeu.

17 Q. HOW DO YOU PROPOSE COSTS BE ALLOCATED TO APCO'S VIRGINIA
18 JURISDICTION?

19 A. I propose the use of the Virginia-only Distribution Plant to allocate costs to the Virginia
20 jurisdiction. Because the Project will provide broadband capacity in Grayson County,
21 Appalachian proposes to assign the incremental costs to Virginia and allocate them
22 between Virginia jurisdictional and non-jurisdictional customers based on the Company's
23 distribution plant installed in the Commonwealth. Distribution assets are commonly
24 assigned to the state in which they are located. Additionally, the Pilot Statute states that

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1 incremental costs of providing broadband capacity are eligible for recovery as an “electric
2 grid transformation project,” and those projects typically can be characterized as
3 distribution-related. As a result, the Company will record the costs predominantly in
4 general plant FERC account 397 but categorize them as distribution-related.

5 The jurisdictional allocator used in developing the revenue requirement is provided
6 in Schedule 46, Section 1, Statement vi-d and was provided in the Company’s 2020
7 Triennial Review.

8 **Q. PLEASE DESCRIBE THE ALLOCATION OF THE VIRGINIA**
9 **JURISDICTIONAL COSTS TO THE CUSTOMER CLASSES.**

10 A. Following the methodology discussed above, I used the Virginia distribution plant
11 allocator to allocate costs to the customer classes. This information was filed in the
12 Company’s 2020 Triennial Review and is detailed in Schedule 46, Section 1, Statement
13 vii-a.

14 **Q. WHAT BILLING DETERMINANTS DOES THE COMPANY PROPOSE TO USE**
15 **FOR RATE DESIGN PURPOSES?**

16 A. The Company proposes to use the billing determinants provided in the 2020 Triennial
17 Review. These billing units are shown in Schedule 46, Section 1, Statements vii-f and g.
18 Because this is a distribution charge, the BC-RAC surcharge factors would apply to all
19 Virginia jurisdictional customers.

20 **Q. IF THE COMMISSION APPROVES APCO EXHIBIT NO. ___ (JBS) SCHEDULE**
21 **1 BC-RAC RIDERS EFFECTIVE DECEMBER 1, 2021, WHAT IS THE IMPACT**
22 **ON A RESIDENTIAL CUSTOMER’S BILL?**

23 A. As shown in APCo Exhibit No. ___ (JBS) Schedule 2 Typical Bill Comparison,
24 implementing the proposed BC-RAC will increase the residential customer's monthly bill,

1 based on 1,000 kWh usage per month, by \$0.54, or 0.51% when compared to rates in
2 effect through November 1, 2020.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes, it does.**

VA. S.C.C. TARIFF NO. 26
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EXHIBIT OF APPLICABLE RIDERS BY STANDARD SCHEDULE

The table below is provided solely for informational purposes. See the Company's website for an illustrative example of certain Standard Schedule charges and the applicable Rider charges.

RIDER APPLICABILITY TO STANDARD SCHEDULES							
Standard Schedule	Rider E.E.	Rider DR	Rider BC				
Residential - Standard (011,012,013,014,015,019)	App	App	App				
Residential - Employee (020,051,054)	App	App	App				
Residential - TOD or TOU (030,031,032,036)	App	App	App				
SWS (222)	App	App	App				
SGS - (231,233,234,213,281)	App	App	App				
SGS - LMTOD (226,226)	App	App	App				
MGS - Standard (215)	App	App	App				
GS-TOD-Secondary (229,230)	App	App	App				
MGS - Primary (217)	App	App	App				
GS-TOD-Primary (227)	App	App	App				
MGS - Subtransmission (236)	App	App	App				
MGS - Transmission (239)	App	App	App				
GS-Secondary-(261)-Block 1	App	App	App				
Block 2	App	App	App				
GS-Primary-(263)-Block 1	App	App	App				
Block 2	App	App	App				
GS-Subtrans.-(265)-Block 1	App	App	App				
Block 2	App	App	App				
GS-Transmission-(267)-Block 1	App	App	App				
Block 2	App	App	App				
LGS-TOD-Secondary (337)	App	App	App				
LGS-TOD-Primary (339)	App	App	App				
LPS - Secondary (302)	App	App	App				
LPS - Primary (306)	App	App	App				
LPS - Subtrans (308) excl. ATOD	App	App	App				
Schedule ATOD - (309)	App	App	App				
LPS - Transmission (310)	App	App	App				
OL (093 to 143)	Not App	App	App				

Key:App-The specific rider is applicable to the Standard Schedule listed.
 Not App- The specific rider is not applicable to the Standard Schedule listed.

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VA. S.C.C. TARIFF NO. 26

**RIDER B.C. – R.A.C.
 (Broadband Capacity Rate Adjustment Clause Rider)**

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard Schedules or Special Contracts.

The B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

Schedule	Energy Rate per kWh
Residential (011,012,013,014,015,019,020,051,054)	\$0.00054
Residential – TOD or TOU (030, 031, 032,036)	On-Peak-\$0.00124
	Off-Peak- \$0.00009
SWS (222)	\$0.00061
SGS (213,231,233,234,281)	\$0.00051
SGS – I.MTOD (225, 226)	On-Peak-\$0.00106
	Off-Peak- \$0.00009
MGS - Secondary (215)	\$0.00039
MGS - Primary (217)	\$0.00037
MGS - Subtransmission (236)	\$0.00037
MGS - Transmission (239)	\$0.00036
GS – Secondary (261)	Block 1 \$0.00039
	Block 2 \$0.00010
GS – Primary (263)	Block 1 \$0.00037
	Block 2 \$0.00010
GS – Subtransmission (265)	Block 1 \$0.00037
	Block 2 \$0.00010
GS – Transmission (267)	Block 1 \$0.00036
	Block 2 \$0.00010
GS-TOD - Secondary (229,230)	On-Peak-\$0.00050
	Off-Peak- \$0.00004
GS-TOD - Primary (227)	On-Peak-\$0.00048
	Off-Peak- \$0.00004
LGS-TOD - Secondary (337)	On-Peak-\$0.00050
	Off-Peak- \$0.00004
LGS-TOD - Primary (339)	On-Peak-\$0.00048
	Off-Peak-\$0.00004
LPS – Secondary (302)	\$0.00008
LPS - Primary (306)	\$0.00008
LPS - Subtransmission (308,309)	\$0.00007
LPS - Transmission (310)	\$0.00007
OL (093-143)	\$0.00166

This B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

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Effective: December 1, 2021

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Note: Open Access Distribution Tariff sheet numbering corresponds to Standard Tariff sheet numbering.

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CROSS REFERENCE
 OPEN ACCESS DISTRIBUTION SERVICE

Schedule Category	Standard Schedule	Sheet Number	Open Access Distribution Schedule	Sheet Number
Environmental Rate Adjustment Clause Rider	E-R.A.C.	54		
Renewable Portfolio Standard Rate Adjustment Clause Rider	R.P.S.-R.A.C.	55		
Generation Rate Adjustment Clause Rider	G-R.A.C.	56-58		
<u>Broadband Capacity Rate Adjustment Clause Rider</u>	<u>B.C.-R.A.C.</u>	<u>59</u>	<u>O.A.D.-B.C.-R.A.C.</u>	<u>59D</u>
Energy Efficiency Rate Adjustment Clause Rider)	EE-R.A.C.	60	O.A.D.-EE-R.A.C..	60D
Tax Rate Reduction Credit Rider	T.R.R	62	O.A.D. T.R.R	62D

* Note: Customer receives service under applicable Open Access Distribution Schedule.

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 Dated:
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Effective: December 1, 2021

VA. S.C.C. TARIFF NO. 26

RIDER O.A.D. B.C. – R.A.C.
(Broadband Capacity Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard and O.A.D. Schedules or Special Contracts.

The O.A.D. B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

Schedule	Energy Rate per kWh
Residential (820)	\$0.00054
SWS (890)	\$0.00061
SGS (830, 831, 833)	\$0.00051
MGS - Secondary (840)	\$0.00039
MGS - Primary (841)	\$0.00037
MGS - Subtransmission (842)	\$0.00037
MGS - Transmission (843)	\$0.00036
GS – Secondary (870)	Block 1 \$0.00039
	Block 2 \$0.00010
GS – Primary (871)	Block 1 \$0.00037
	Block 2 \$0.00010
GS – Subtransmission (872)	Block 1 \$0.00037
	Block 2 \$0.00010
GS – Transmission (873)	Block 1 \$0.00036
	Block 2 \$0.00010
LPS – Secondary (860)	\$0.00008
LPS - Primary (861)	\$0.00008
LPS - Subtransmission (862)	\$0.00007
LPS - Transmission (863)	\$0.00007
OL (912-954)	\$0.00166

This O.A.D. B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

Issued:
 Pursuant to
 Dated:
 Case PUR-2020-00259

Effective: December 1, 2021

VA. S.C.C. TARIFF NO. 26

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EFFECTIVE FOR CUSTOMERS SUBJECT TO § 56-577 A.6 OF THE CODE OF VIRGINIA

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Note: FRR Open Access Distribution Tariff sheet numbering corresponds to Standard Tariff sheet numbering.

Issued:
Pursuant to
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VA. S.C.C. TARIFF NO. 26

CROSS REFERENCE
 OPEN ACCESS DISTRIBUTION SERVICE

Schedule Category	Standard Schedule	Sheet Number	FRR Open Access Distribution Schedule	Sheet Number
Transmission Rate Adjustment Clause Rider	T-R.A.C.	53	F.O.A.D.-T-R.A.C.	53F
Environmental Rate Adjustment Clause Rider	E-R.A.C.	54	F.O.A.D.-E-R.A.C.	54F
Renewable Portfolio Standard Rate Adjustment Clause Rider	R.P.S.-R.A.C.	55	N/A	
Generation Rate Adjustment Clause Rider	G-R.A.C.	56-58	F.O.A.D. -G-R.A.C.	56F-58F
<u>Broadband Capacity Rate Adjustment Clause Rider</u>	<u>B.C.-R.A.C.</u>	<u>59</u>	<u>F.O.A.D.-B.C.-R.A.C.</u>	<u>59F</u>
Energy Efficiency Rate Adjustment Clause Rider)	EE-R.A.C.	60	F.O.A.D.-EE-R.A.C.	60F
Demand Response Adjustment Clause Rider	DR-R.A.C.	61	F.O.A.D.-DR-R.A.C.	61F
Tax Rate Reduction Credit Rider	T.R.R.	62	F.O.A.D. T.R.R.	62F

* Note: Customer receives service under applicable FRR Open Access Distribution Schedule.

Issued:
 Pursuant to
 Dated:
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Effective: December 1, 2021

VA. S.C.C. TARIFF NO. 26

RIDER F.O.A.D. B.C. – R.A.C.

(FRR Open Access Distribution Service – Broadband Capacity Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard and F.O.A.D. Schedules or Special Contracts.

The F.O.A.D. B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

<u>Schedule</u>	<u>Energy Rate per kWh</u>
<u>SGS - (231F,233F,234F,213F,281F)</u>	<u>\$0.00051</u>
<u>MGS – Standard (215F)</u>	<u>\$0.00039</u>
<u>MGS – Primary (217F)</u>	<u>\$0.00037</u>
<u>MGS - Subtransmission (236F)</u>	<u>\$0.00037</u>
<u>MGS - Transmission (239F)</u>	<u>\$0.00036</u>
<u>GS-Secondary (261F)</u>	<u>Block 1 \$0.00039</u> <u>Block 2 \$0.00010</u>
<u>GS-Primary(263F)</u>	<u>Block 1 \$0.00037</u> <u>Block 2 \$0.00010</u>
<u>GS-Subtransmission (265F)</u>	<u>Block 1 \$0.00037</u> <u>Block 2 \$0.00010</u>
<u>GS-Transmission (267F)</u>	<u>Block 1 \$0.00036</u> <u>Block 2 \$0.00010</u>
<u>LPS - Secondary (302F)</u>	<u>\$0.00008</u>
<u>LPS - Primary (306F)</u>	<u>\$0.00008</u>
<u>LPS - Subtransmission (308F) (309F)</u>	<u>\$0.00007</u>
<u>LPS - Transmission (310F)</u>	<u>\$0.00007</u>

This F.O.A.D. B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

Issued:
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EXHIBIT OF APPLICABLE RIDERS BY STANDARD SCHEDULE

The table below is provided solely for informational purposes. See the Company's website for an illustrative example of certain Standard Schedule charges and the applicable Rider charges.

RIDER APPLICABILITY TO STANDARD SCHEDULES								
Standard Schedule	Rider E.E.	Rider DR	Rider BC					
Residential - Standard (011,012,013,014,015,019)	App	App	App					
Residential - Employee (020,051,054)	App	App	App					
Residential - TOD or TOU (030,031,032,036)	App	App	App					
SWS (222)	App	App	App					
SGS - (231,233,234,213,281)	App	App	App					
SGS - LMTOD (226,226)	App	App	App					
MGS - Standard (215)	App	App	App					
GS-TOD-Secondary (229,230)	App	App	App					
MGS - Primary (217)	App	App	App					
GS-TOD-Primary (227)	App	App	App					
MGS - Subtransmission (236)	App	App	App					
MGS - Transmission (239)	App	App	App					
GS-Secondary-(261)-Block 1	App	App	App					
Block 2	App	App	App					
GS-Primary-(263)-Block 1	App	App	App					
Block 2	App	App	App					
GS-Subtrans.-(265)-Block 1	App	App	App					
Block 2	App	App	App					
GS-Transmission-(267)-Block 1	App	App	App					
Block 2	App	App	App					
LGS-TOD-Secondary (337)	App	App	App					
LGS-TOD-Primary (339)	App	App	App					
LPS - Secondary (302)	App	App	App					
LPS - Primary (306)	App	App	App					
LPS - Subtrans (308) excl. ATOD	App	App	App					
Schedule ATOD - (309)	App	App	App					
LPS - Transmission (310)	App	App	App					
OL (093 to 143)	Not App	App	App					

Key: App-The specific rider is applicable to the Standard Schedule listed.
 Not App- The specific rider is not applicable to the Standard Schedule listed.

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RIDER B.C. – R.A.C.
(Broadband Capacity Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard Schedules or Special Contracts.

The B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

Schedule	Energy Rate per kWh
Residential (011,012,013,014,015,019,020,051,054)	\$0.00054
Residential – TOD or TOU (030, 031, 032,036)	On-Peak-\$0.00124 Off-Peak- \$0.00009
SWS (222)	\$0.00061
SGS (213,231,233,234,281)	\$0.00051
SGS – LMTOD (225, 226)	On-Peak-\$0.00106 Off-Peak- \$0.00009
MGS - Secondary (215)	\$0.00039
MGS - Primary (217)	\$0.00037
MGS - Subtransmission (236)	\$0.00037
MGS - Transmission (239)	\$0.00036
GS – Secondary (261)	Block 1 \$0.00039 Block 2 \$0.00010
GS – Primary (263)	Block 1 \$0.00037 Block 2 \$0.00010
GS – Subtransmission (265)	Block 1 \$0.00037 Block 2 \$0.00010
GS – Transmission (267)	Block 1 \$0.00036 Block 2 \$0.00010
GS-TOD - Secondary (229,230)	On-Peak-\$0.00050 Off-Peak- \$0.00004
GS-TOD - Primary (227)	On-Peak-\$0.00048 Off-Peak- \$0.00004
LGS-TOD - Secondary (337)	On-Peak-\$0.00050 Off-Peak- \$0.00004
LGS-TOD - Primary (339)	On-Peak-\$0.00048 Off-Peak-\$0.00004
LPS – Secondary (302)	\$0.00008
LPS - Primary (306)	\$0.00008
LPS - Subtransmission (308,309)	\$0.00007
LPS - Transmission (310)	\$0.00007
OL (093-143)	\$0.00166

This B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

Issued:
 Pursuant to
 Dated:
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Effective: December 1, 2021

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VA. S.C.C. TARIFF NO. 26

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Note: Open Access Distribution Tariff sheet numbering corresponds to Standard Tariff sheet numbering.

Issued:
 Pursuant to
 Dated:
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Effective: December 1, 2021

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VA. S.C.C. TARIFF NO. 26

CROSS REFERENCE
 OPEN ACCESS DISTRIBUTION SERVICE

Schedule Category	Standard Schedule	Sheet Number	Open Access Distribution Schedule	Sheet Number
Environmental Rate Adjustment Clause Rider	E-R.A.C.	54		
Renewable Portfolio Standard Rate Adjustment Clause Rider	R.P.S.-R.A.C.	55		
Generation Rate Adjustment Clause Rider	G-R.A.C.	56-58		
Broadband Capacity Rate Adjustment Clause Rider	B.C.-R.A.C.	59	O.A.D.-B.C.-R.A.C.	59D
Energy Efficiency Rate Adjustment Clause Rider)	EE-R.A.C.	60	O.A.D.-EE-R.A.C..	60D
Tax Rate Reduction Credit Rider	T.R.R	62	O.A.D. T.R.R	62D

* Note: Customer receives service under applicable Open Access Distribution Schedule.

Issued:
 Pursuant to
 Dated:
 Case PUR-2020-00259

Effective: December 1, 2021

VA. S.C.C. TARIFF NO. 26

RIDER O.A.D. B.C. – R.A.C.
 (Broadband Capacity Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard and O.A.D. Schedules or Special Contracts.

The O.A.D. B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

Schedule	Energy Rate per kWh
Residential (820)	\$0.00054
SWS (890)	\$0.00061
SGS (830, 831, 833)	\$0.00051
MGS - Secondary (840)	\$0.00039
MGS - Primary (841)	\$0.00037
MGS - Subtransmission (842)	\$0.00037
MGS - Transmission (843)	\$0.00036
GS – Secondary (870)	Block 1 \$0.00039 Block 2 \$0.00010
GS – Primary (871)	Block 1 \$0.00037 Block 2 \$0.00010
GS – Subtransmission (872)	Block 1 \$0.00037 Block 2 \$0.00010
GS – Transmission (873)	Block 1 \$0.00036 Block 2 \$0.00010
LPS – Secondary (860)	\$0.00008
LPS - Primary (861)	\$0.00008
LPS - Subtransmission (862)	\$0.00007
LPS - Transmission (863)	\$0.00007
OL (912-954)	\$0.00166

This O.A.D. B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

Issued:
 Pursuant to
 Dated:
 Case PUR-2020-00259

Effective: December 1, 2021

210140063

VA. S.C.C. TARIFF NO. 26

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FRR OPEN ACCESS DISTRIBUTION SERVICE
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Rider E-R.A.C. Environmental Rate Adjustment Clause Rider	54F
Rider F.O.A.D.-G-R.A.C. Generation Rate Adjustment Clause Rider	56F thru 58F
Rider F.O.A.D.-B.C.-R.A.C. Broadband Capacity Rate Adjustment Clause Rider	59F
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Note: FRR Open Access Distribution Tariff sheet numbering corresponds to Standard Tariff sheet numbering.

Issued:
Pursuant to
Dated:
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Effective: December 1, 2021

VA. S.C.C. TARIFF NO. 26

CROSS REFERENCE
 OPEN ACCESS DISTRIBUTION SERVICE

Schedule Category	Standard Schedule	Sheet Number	FRR Open Access Distribution Schedule	Sheet Number
Transmission Rate Adjustment Clause Rider	T-R.A.C.	53	F.O.A.D.-T-R.A.C.	53F
Environmental Rate Adjustment Clause Rider	E-R.A.C.	54	F.O.A.D-E-R.A.C.	54F
Renewable Portfolio Standard Rate Adjustment Clause Rider	R.P.S.-R.A.C.	55	N/A	
Generation Rate Adjustment Clause Rider	G-R.A.C.	56-58	F.O.A.D. -G-R.A.C.	56F-58F
Broadband Capacity Rate Adjustment Clause Rider	B.C.-R.A.C.	59	F.O.A.D.-B.C.-R.A.C.	59F
Energy Efficiency Rate Adjustment Clause Rider)	EE-R.A.C.	60	F.O.A.D.-EE-R.A.C.	60F
Demand Response Adjustment Clause Rider	DR-R.A.C.	61	F.O.A.D.-DR-R.A.C.	61F
Tax Rate Reduction Credit Rider	T.R.R.	62	F.O.A.D. T.R.R.	62F

* Note: Customer receives service under applicable FRR Open Access Distribution Schedule.

Issued:
 Pursuant to
 Dated:
 Case PUR-2020-00259

Effective: December 1, 2021

APPALACHIAN POWER COMPANY

Sheet No. 59F

VA. S.C.C. TARIFF NO. 26

RIDER F.O.A.D. B.C. – R.A.C.

(FRR Open Access Distribution Service – Broadband Capacity Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

Effective with service rendered on or after December 1, 2021, the rates in this Broadband Capacity Rate Adjustment Clause (B.C.-RAC) Rider will be applied to all customer bills, rendered under the applicable Standard and F.O.A.D. Schedules or Special Contracts.

The F.O.A.D. B.C.-RAC shall be calculated by multiplying the kWh's of energy by the rates below:

Schedule	Energy Rate per kWh
SGS - (231F,233F,234F,213F,281F)	\$0.00051
MGS – Standard (215F)	\$0.00039
MGS – Primary (217F)	\$0.00037
MGS - Subtransmission (236F)	\$0.00037
MGS - Transmission (239F)	\$0.00036
GS-Secondary (261F)	Block 1 \$0.00039
	Block 2 \$0.00010
GS-Primary(263F)	Block 1 \$0.00037
	Block 2 \$0.00010
GS-Subtransmission (265F)	Block 1 \$0.00037
	Block 2 \$0.00010
GS-Transmission (267F)	Block 1 \$0.00036
	Block 2 \$0.00010
LPS - Secondary (302F)	\$0.00008
LPS - Primary (306F)	\$0.00008
LPS - Subtransmission (308F) (309F)	\$0.00007
LPS - Transmission (310F)	\$0.00007

This F.O.A.D. B.C.-RAC rider shall remain in effect until such time as modified by the Commission.

Issued:
 Pursuant to
 Dated:
 Case PUR-2020-00259

Effective: December 1, 2021