

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, OCTOBER 21, 2021

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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

FINAL ORDER

On January 28, 2021, Appalachian Power Company ("APCo" or "Company"), pursuant to §§ 56-585.1 A 6 and 56-585.1:9 of the Code of Virginia ("Code") filed with the State Corporation Commission ("Commission") its petition ("Petition") for approval of a rate adjustment clause – the "BC-RAC" – to recover the incremental costs of broadband capacity ("BC") under the Company's broadband capacity pilot project in Grayson County, Virginia ("Grayson Broadband Project").<sup>1</sup> The proposed BC-RAC is to recover the incremental costs of providing broadband capacity in areas of Grayson County that currently are unserved by broadband.<sup>2</sup> The Company proposed basing its BC-RAC on a revenue requirement of approximately \$4.9 million during the rate year beginning December 1, 2021, and ending November 30, 2022.<sup>3</sup> The proposed revenue requirement consists of a Forecast Revenue Component of \$4.9 million plus a True-Up Revenue Component set at \$0.0.<sup>4</sup> According to the

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<sup>1</sup> Ex. 2 (Petition) at 1.

<sup>2</sup> *Id.* at 1, 5. The Grayson Broadband Project was approved as a pilot under Code § 56-585.1:9. *See 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, 2020 S.C.C. Ann. Rept. 311, Final Order (Mar. 5, 2020).

<sup>3</sup> Ex. 2 (Petition) at 1-2, 5.

<sup>4</sup> *Id.*

Company, implementing the proposed BC-RAC will increase a residential customer's monthly bill, based on 1,000 kilowatt hours of usage per month, by \$0.54.<sup>5</sup>

On February 26, 2021, the Commission issued an Order for Notice and Hearing ("Procedural Order"), which, among other things, docketed the proceeding; directed the Company to provide notice of its Petition to the public; provided interested persons the opportunity to comment on the Petition or to participate as a respondent in the proceeding; scheduled public hearings; and directed the Commission's Staff ("Staff") to investigate the Petition and to file testimony containing Staff's findings and recommendations.

On April 14, 2021, the Company filed proof of notice and service in accordance with the Procedural Order. On April 16, 2021, the Old Dominion Committee for Fair Utility Rates ("Committee") filed a notice of participation.

On May 28, 2021, Staff filed its testimony as directed by the Commission's Procedural Order, in which Staff documented its findings and recommendations resulting from its investigation of the Petition.<sup>6</sup> Staff's testimony, in part, recommended that the capital investment and operations and maintenance expense associated with APCo's advanced metering infrastructure ("AMI") and distribution automation and circuit reconfiguration ("DACR") facilities not be considered incremental costs of providing broadband capacity, and so be removed from calculating the revenue requirement for the BC-RAC.<sup>7</sup> With the removal of the AMI and DACR related costs, along with other adjustments, Staff calculated a revenue requirement for the BC-RAC of \$4,834,562, which was \$54,361 less than the Company's

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<sup>5</sup> *Id.* at 7.

<sup>6</sup> *See* Ex. 6 (Clayton); Ex. 7 (LaBrie); Ex.8 (Morris).

<sup>7</sup> *See, e.g.*, Ex. 6 (Clayton) at 2-3, 5-7, 13.

proposed revenue requirement for the Rate Year.<sup>8</sup> Staff also recommended that the Commission direct the Company to recalculate the lifetime revenue requirement excluding the AMI and DACR costs as non-incremental costs in its next BC-RAC filing.<sup>9</sup>

The Company filed rebuttal testimony on June 21, 2021, in which it, in part, acknowledged that as the definition of "incremental" is subject to interpretation, the methodology proposed by Staff was not unreasonable solely for the purpose of calculating the revenue requirement in this proceeding.<sup>10</sup> APCo witness Sebastian also stated that the Company is not opposed to providing, for illustrative purposes only, the recalculated lifetime revenue requirement recommended by Staff witness Clayton in the Company's next BC-RAC filing.<sup>11</sup>

Public comments were filed on June 8, 2021, jointly, by General Assembly members Delegate Terry Kilgore, Delegate Jeff Campbell, Delegate William Wampler, Delegate Israel O'Quinn, and Senator Todd Pillion, in which they, in part, asked that the Commission allow for full cost recovery, as originally intended by the legislature. On June 30, 2021, public comments were filed by Stephen Legge, who, in part, asked that the Commission reject any and all proposed rate increases by APCo.

Due to the public health issues caused by COVID-19, a Hearing Examiner's Ruling dated June 9, 2021, advised the hearing scheduled for July 8, 2021, would be conducted virtually, via Microsoft Teams and adopted special procedures for the virtual hearing. A Hearing Examiner's Ruling issued on July 6, 2021, cancelled the public witness hearing after no members of the

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<sup>8</sup> See, e.g., *id.* at 7-10, 13.

<sup>9</sup> See, e.g., *id.* at 11, 13.

<sup>10</sup> See, e.g., Ex 10 (Sebastian Rebuttal) at 3.

<sup>11</sup> See, e.g., *id.* at 5.

public signed up to testify. On July 8, 2021, the evidentiary hearing was conducted, as scheduled, in which the prefiled testimony of the Company and Staff were entered into the record. During the evidentiary hearing, APCo witness Sebastian presented a revised rate design for the proposed BC-RAC, which, provided for demand-based rates for the APCo's Large Power Service ("LPS") customer class.<sup>12</sup>

On July 21, 2021, the Report of D. Mathias Roussy, Jr., Hearing Examiner ("Report") was filed, in which the Hearing Examiner thoroughly reviewed the testimony, exhibits, and presentations at the evidentiary hearing. In the Report, the Hearing Examiner made the following findings:

- (1) For the December 1, 2021, through November 30, 2022, rate year, a BC-RAC Projected Cost Recovery Factor of \$4,834,562 and an Actual Cost True-Up Factor of \$0 are uncontested and supported by the record;
- (2) Approval of a BC-RAC revenue requirement of \$4,834,562 is reasonable, subject to true-up in future proceedings;
- (3) APCo's proposed cost allocation and rate design, including the alternative rate design for its LPS Rate Schedules, is reasonable; and
- (4) In future BC-RAC petitions, the estimated lifetime revenue requirement APCo presents should incorporate Staff's recommendations in the instant proceeding.<sup>13</sup>

The Hearing Examiner recommended that the Commission enter an order that adopts the findings of the Report; approves the BC-RAC rates, effective for service rendered on and after December 1, 2021, that are consistent with the Report; directs APCo to incorporate, in future

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<sup>12</sup> See, e.g., Tr. 9, 16-19.

<sup>13</sup> Report at 14.

BC-RAC petitions, Staff's recommendations on the estimated lifetime revenue requirement calculations; and dismisses this case from the Commission's docket of active cases.<sup>14</sup>

On August 4, 2021, comments on the Report were filed by the Company and the Committee, respectively, and Staff filed a letter in lieu of comments. The Company, in its comments, supported the Report's recommendations, with the exception of the recommendation that in future BC-RAC petitions, the Company incorporate Staff's recommendations on the estimated lifetime revenue requirement.<sup>15</sup> Instead, APCo reiterated that it has agreed to incorporate that information in its next BC-RAC petition, and for illustrative purposes only.<sup>16</sup> In its comments, the Committee requested that, if the Commission approves the BC-RAC, it does so by Order (i) specifically approving APCo's tariff sheets as amended and endorsed by the Report; or (ii) otherwise specifying and requiring that BC-RAC-related costs be recovered from LPS customers on the basis of demand and not on the basis of energy or consumption.<sup>17</sup>

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Hearing Examiner's findings and recommendations contained in the Report should be adopted as set forth herein. The Commission approves a revenue requirement in the amount recommended by Staff of \$4,834,562 for recovery through the BC-RAC during the Rate Year of December 1, 2021, through November 30, 2022. The Commission notes its awareness of the ongoing COVID-19 public health issues, which has had negative economic effects that impact all utility customers. We are sensitive to the effects of rate increases, especially in times such as

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<sup>14</sup> *Id.* at 15.

<sup>15</sup> APCo Comments on the Hearing Examiner's Report at 1.

<sup>16</sup> *Id.*

<sup>17</sup> Committee Comments on the Hearing Examiner's Report at 2.

these. The Commission, however, must follow the law applicable to any rate case, as well as the findings of fact supported by the evidence in the record. This is what we have done herein.

Accordingly, IT IS ORDERED THAT:

(1) The Hearing Examiner's findings and recommendations contained in the Report are adopted as set forth herein.

(2) The Company's Petition for approval of a RAC, designated BC-RAC, is approved as discussed herein, with a revenue requirement of \$4,834,562.

(3) The BC-RAC shall be effective for usage on and after December 1, 2021.

(4) The Company forthwith shall file a revised BC-RAC and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as is necessary to comply with the directives set forth in this Final Order. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website: [scc.virginia.gov/pages/Case-Information](http://scc.virginia.gov/pages/Case-Information).

(5) APCo shall include in its next BC-RAC filing a recalculation of the estimated lifetime revenue requirement excluding the AMI and DACR costs as recommended by Staff.

(6) This case is dismissed.

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.