

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, MAY 18, 2021

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2021-00018

For approval of a rate adjustment clause
under Va. Code § 56-585.1 A 4

FINAL ORDER

On March 5, 2021, Appalachian Power Company ("APCo" or "Company"), pursuant to § 56-585.1 A 4 ("Subsection A 4") of the Code of Virginia ("Code"), filed with the State Corporation Commission ("Commission") its application ("Application") for approval to implement factors to recover its actual and projected transmission-related costs through its transmission rate adjustment clause ("T-RAC").¹ Specifically, APCo requests permission to recover a proposed total revenue requirement of \$337,737,356 through the T-RAC for the July 1, 2021, through June 30, 2022 rate year.²

Subsection A 4 allows an investor-owned electric utility to recover, with Commission approval, certain costs through a rate adjustment clause. Subsection A 4 deems to be reasonable and prudent the "costs for transmission services provided to the utility by the regional transmission entity of which the utility is a member" and "costs charged to the utility that are associated with demand response programs approved by the Federal Energy Regulatory Commission [(FERC)] and administered by the regional transmission entity of which the utility is a member."

¹ Ex. 2 (Application) at 1. Supporting testimony and other documents also were filed with the Application.

² *Id.* at 2.

In its Application, APCo states the transmission costs sought by the Company fall within the definition of costs deemed reasonable and prudent by Subsection A 4.³ APCo requests a total annual transmission revenue requirement of approximately \$337.7 million, which the Company explains consists of three parts: (1) \$287.7 million of costs that APCo projects will be incurred during the July 2021 through June 2022 rate year; (2) a cumulative Virginia jurisdictional actual under-recovery, or true-up, balance as of January 31, 2021, of \$21.6 million; and (3) a projected Virginia jurisdictional under-recovery of \$28.4 million for February 1, 2021, through June 30, 2021.⁴

APCo also states in its Application that, as approved by the Commission in Case No. PUR-2020-00015, the transmission element of base rates will be eliminated from the Company's base rate schedules, and the Company will collect 100% of transmission revenues through the T-RAC.⁵

APCo's proposed annual revenue requirement of \$337,737,356 results in a revenue increase of approximately \$122 million over the Company's expected revenue requirement using rates approved by the Commission in Case No. PUR-2017-00164.⁶ APCo's proposed T-RAC

³ *Id.* at 3.

⁴ *See, e.g., id.* at 3-4; Ex. 3 (Frantz Direct) at 5; Ex. 5 (Sebastian Direct) at 7, 9.

⁵ Ex. 2 (Application) at 4-5. *See 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, Doc. Con. Cen. No. 201140127, Final Order (Nov. 24, 2020) (approving the Partial Stipulation filed therein on September 14, 2020). Previously, the Company recovered its transmission costs through a combination of base rates and the T-RAC. Ex. 2 (Application) at 3-4.

⁶ *Id.* at 4. *See Application of Appalachian Power Company, For approval of a rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUR-2017-00164, 2018 S.C.C. Ann. Rept. 323, Final Order (Feb. 28, 2018).

rates would increase the monthly bill for a residential customer using 1,000 kilowatt-hours per month by \$11.52.⁷

On March 12, 2021, the Commission issued an Order for Notice and Hearing that, among other things, docketed the Application; directed the Company to publish notice of the Application; provided any interested person an opportunity to file comments on the Application or participate in this proceeding as a respondent by filing a notice of participation; directed the Commission's Staff ("Staff") to investigate the Application and file testimony and exhibits containing Staff's findings and recommendations; scheduled a public hearing for April 26, 2021, to receive the testimony of public witnesses and the evidence of the Company, any respondents, and Staff; and appointed a hearing examiner to conduct all further proceedings in this matter on behalf of the Commission, including filing a final report.

Notices of Participation were filed by the Office of the Attorney General's Division of Consumer Counsel ("Consumer Counsel"), Steel Dynamics, Inc., the VML/VACo APCo Steering Committee, and the Old Dominion Committee for Fair Utility Rates.

On April 9, 2021, Staff filed testimony recommending an annual T-RAC revenue requirement of \$337,737,356, as proposed by the Company.⁸

On April 16, 2021, APCo filed rebuttal testimony proposing an alternative rate design for the General Service ("GS") and Medium General Service ("MGS") classes, based on conversations with Staff, whereby the GS/MGS rates would be developed based on the combined revenue requirements of both the GS and MGS classes.⁹ The Company's rebuttal testimony

⁷ Ex. 2 (Application) at 4.

⁸ Ex. 6 (Kaufman) at 7.

⁹ Ex. 8 (Sebastian Rebuttal) at 3.

states this "produces a more consistent rate increase (as a percentage) between the two classes," and "the increase among high load factor customers and low load factor customers within the GS class is more consistent."¹⁰ The Company further states that this alternative rate design does not impact the proposed rates for customers in other classes.¹¹

Due to the ongoing public health emergency related to the spread of the coronavirus, or COVID-19, the evidentiary hearing was convened virtually on April 26, 2021, with no party present in the Commission's courtroom. No public witnesses appeared to testify at the hearing.¹² The Company, Staff and Consumer Counsel participated in the hearing. Staff indicated, through counsel, that Staff agreed to the revised revenue allocation for the GS and MGS classes as presented in the Company's rebuttal testimony.¹³

On April 30, 2021, the Report of Mary Beth Adams, Hearing Examiner ("Report"), was filed. In her Report, the Hearing Examiner summarized the record in this proceeding and recommended that the Commission approve a total annual T-RAC revenue requirement of \$337,737,356.¹⁴ The Hearing Examiner found that this revenue requirement "is consistent with § 56-585.1 A 4 of the Code as it is designed to recover the transmission costs for transmission services provided to the utility by PJM, as determined under applicable rates, terms and

¹⁰ *Id.* at 3-4.

¹¹ *Id.* at 4.

¹² The Commission received five written public comments as well as a letter in opposition to the proposed T-RAC increase, signed by Delegate Terry G. Kilgore (1st House District), Delegate William C. Wampler, III (4th House District), and Senator Todd Pillion (40th Senatorial District).

¹³ Tr. 12-13.

¹⁴ Report at 11.

conditions approved by FERC."¹⁵ The Hearing Examiner further recommended that the Company's uncontested alternative rate design for the GS and MGS classes, as proposed in the Company's rebuttal testimony, should be approved.¹⁶

On May 3, 2021, APCo filed a letter stating that the Company supports the Hearing Examiner's findings, and the Company would not be filing comments on the Report. Similarly, on May 5, 2021, Staff filed a letter requesting that the Commission adopt the Hearing Examiner's findings and recommendations. On May 6, 2021, Consumer Counsel filed comments stating it has no objection to the findings and recommendations in the Report, but reiterating "its concerns with the rising cost of the Company's transmission service."¹⁷

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the T-RAC revenue requirement of \$337,737,356, as proposed in the Application and uncontested by Staff and the respondents, is approved. We further approve the Company's alternative T-RAC rate design for the GS and MGS classes, as proposed in the Company's rebuttal testimony.

In approving this request for an increase in the T-RAC, the Commission notes its awareness of the ongoing COVID-19 public health crisis, 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 these. The Commission, however, must follow the laws 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.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Consumer Counsel Comments at 2.

Accordingly, IT IS ORDERED THAT:

(1) Rider T-RAC, as approved herein, shall become effective for service rendered on and after July 1, 2021.

(2) The Company shall forthwith file revised tariffs and terms and conditions of service 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 necessary to comply with the directives and findings set forth in this Final Order. The Clerk of the Commission shall retain such filing for public inspection in person and on the Commission's website: scc.virginia.gov/pages/Case-Information.

(3) This matter 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.