

## **MEMORANDUM**

TO: The VML/VACo APCo Steering Committee

FROM: Counsel to the Committee

DATE: April 24, 2019

RE: Update on APCo Cases in the State Corporation Commission

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Since our last report on April 30, 2018, nine APCo cases related to rates for electricity in the State Corporation Commission ("Commission") have been completed. In addition, there is one case that is pending.

### **COMPLETED CASES**

#### **I. EE-RAC (Energy Efficiency Programs), Case no. PUR-2017-00126**

On September 29, 2017, APCo filed a Petition for approval of a rate adjustment clause to recover the cost of new energy efficiency programs seeking to recover \$6.9 million for the 2018 Rate Year. The Staff opposed some aspects of the programs and some environmental groups intervened to advocate for different or more expansive energy efficiency programs. APCo was seeking approval of 4 residential energy efficiency programs and 3 non-residential programs. After filing its Petition, APCo withdrew one residential program.

On May 16, 2018, the Commission entered a Final Order. The Commission denied one residential program for not being in the public interest. All the non-residential programs were approved. The Commission approved an EE-RAC revenue requirement of \$5.72 million for the rate year commencing July 1, 2018 and ordered APCo to file revised tariffs

Comment. These programs are required by law, but the cost of the programs is relatively modest. Nevertheless, APCo has a history of proposing energy efficiency programs that receive very little response from ratepayers and do not justify the expense.

## **II. Integrated Resource Plan (IRP), Case no. PUR-2018-0005.**

Pursuant to Va. Code § 56-597 *et seq.*, APCO must file an Integrated Resource Plan (IRP) with the Commission on a periodic basis. The IRP sets forth the Company's load obligations and its plans for meeting such by supply side and demand side resources over the next 15 years to promote reasonable prices, reliable service, energy independence, and environmental responsibility. The Commission determines whether to approve the IRP.

The Commission held a public hearing on October 1, 2018. On behalf of the Steering Committee we argued that APCo had not developed its proposed energy efficiency programs and that its load did not justify planned acquisition of additional generation resources.

The Commission issued a Final Order on December 18, 2018. The Commission noted that APCo's load has fallen about 7% in the past decade. The Commission approved the IRP, but ordered APCo to

(1) model \$140 million in energy efficiency programs mandated in Enactment Clause 15 of Senate Bill 966;

(2) for its "least cost plan" APCo is to avoid including any costs associated with carbon control regulations, force modeling to select any resource or exclude any reasonable resource; and

(3) include the AEP Zone PJM coincident peak load forecast produced by PJM Interconnection, LLC, scaled down to the APCo load serving entity level.

Comment. The Commission does not decide the need for additional generation resources in an IRP proceeding; however, the Commission's Final Order indicates that the Commission does not believe additional generation resources are needed in the near future which makes it less likely that APCo will attempt to add unnecessary generation facilities.

## **III. Dresden G-RAC (Rate Adjustment Clause with Respect to the Dresden Plant), Case no. PUR-2018-00018**

In 2013, the Commission allowed APCo to implement two separate Dresden G-RAC factors; one for a base revenue requirement and one to recover a true-up component. In this proceeding APCo sought a base rate adjustment clause in the amount of \$28.6 million for the period from 3-1-19 through 2-29-20 and a true up revenue requirement \$6.5 million for a 12-month period. Rates will increase between 0.3 % and 0.7% monthly

depending on the rate class. The total amount requested to be recovered over a 12-month period is \$35.1 million.

The Commission held a public hearing on September 11, 2018. On January 2, 2019, the Commission entered a Final Order approving a Stipulation for an agreed revenue requirement in the amount of \$35,089,090 which is less than the amount due APCo. APCo; however, can seek the unapproved revenue requirement in the next G-RAC to be filed on or before May 1, 2019. Note: The filing deadline has been extended to May 31, 2019, at the request of APCo.

#### **IV. Rider WWS (100% Renewable Energy Tariff), Case no. PUR-2017-00179**

On December 27, 2017, APCo filed an Application pursuant to Va. Code § 56-577 A 5 seeking approval of an 100% renewable energy tariff named “Rider WWS” (wind, water, sunlight). If approved, participation in the tariff will be voluntary and customers can exit from the tariff upon giving 30 days’ notice. APCo expects to be able to serve 30,000 residential customers or their commercial equivalent. The initial resources for the tariff will be wind farms, hydro facilities and one solar facility. Customers will pay a 4% premium over normal rates to participate in the Rider WWS tariff.

A Hearing Examiner held a public hearing on the Application on June 26, 2018, at which time we opposed the Application. The Commission’s Staff also opposed the Application. Following the hearing, the Hearing Examiner issued a report recommending denial of the Application. Despite the opposition and the Hearing Examiner’s recommendation, the Commission issued an Order Approving Tariff on January 7, 2019.

Comment. APCo was successful on its third attempt to establish a 100% renewable energy tariff. APCo’s two previous attempts to establish a 100% renewable tariff were denied by the Commission in 2008 and 2017, respectfully. In 2017, the Commission denied the tariff because APCo failed to establish that the rate to be charged was just and reasonable. Customers who decide to accept electricity under the approved 100% renewable energy tariff will be paying a premium for energy that is already provided at APCo’s regular tariff rates.

#### **V. RPS-RAC (Renewable Energy Portfolio Program), Case no. PUR-2018-00043**

In this rate adjustment clause case, APCo was seeking the recovery of incremental costs related to its participation in the Virginia Renewable Energy Portfolio Standard Program. Specifically, APCo sought recovery of certain incremental costs associated with wind purchased powered agreements, net proceeds from sales of renewable energy credits, projected Generation Attribute Tracking System volumetric fees and projected RPS-RAC payments for April 2018 through March 2019.

This proceeding resulted in a slight decrease in rates. For example, a residential customer using 1000 kilowatts of electricity per month will see a decrease of \$0.39 per

month. APCo sought to recover \$2.11 million from April 1, 2019 through March 31, 2020. For a residential customer using 1000 kwh per month this will be a charge of \$0.26 per month. The Staff of the Commission audited APCo's request the parties agreed that the correct amount is \$2,108,135. On January 31, 2019, the Commission entered a Final Order adopting the recommendation of a Hearing Examiner and approving the recovery of this amount effective April 1, 2019, through March 30, 2020.

#### **VI. ROE (Rate of Return on Common Equity), Case no. PUR-2018-00048**

APCo sought approval of an increased rate of return on equity (ROE) of 10.22 percent to be applied to the Dresden G-RAC and the EE-RAC (Energy Efficiency Rate Adjustment Clause). APCo also sought permission to have the ROE determined by the Commission to be used in the 2020 triennial review. The Commission held a public hearing on August 28, 2018.

We opposed APCo's rate of return and argued that the appropriate ROE based on the evidence was 9.2 %. The Commission agreed, but the applicable statute mandates the ROE cannot be less than the three-year average of the returns on common equity for the majority of a peer group of other similar investor-owned electric utilities. For this reason, the Commission set the approved ROE at 9.42%.

On December 7, 2018, the Attorney General, Division of Consumer Counsel, filed a Notice of Appeal from the decision of the Commission that it withdrew on February 21, 2019.

Comment. This decision was a very good result for ratepayers under the circumstances, but the applicable statute sets certain parameters that protect APCo. If the Commission's discretion was not limited by statute, the ROE would have been 9.2 %.

#### **VII. Rider A.T.R.R. (Accelerated Tax Rate Reduction Rider under Senate Bill 966). Case no. PUR-2018-00054**

On September 11, 2018, the Commission directed APCo to file certain information to enable the Commission to adjust rates downward as a result of the provisions of the federal Tax Cuts and Jobs Act of 2017 reducing corporate income taxes. On October 9, 2018, APCo made its filing. A public hearing was held on January 8, 2019, before a Hearing Examiner. Thereafter, the Hearing Examiner issued a Report and on March 8, 2019, the Commission approved the Report with one change and ordered that an annual rate reduction in the amount of \$39.85 million will be effective April 1, 2019.

Comment. This case was the direct result of the enactment of the federal Tax Cuts and Jobs Act of 2017 and the General Assembly's decision to make certain that electric

rates were lowered quickly after APCo's tax liability was reduced and before the next base rate case in 2020.

**VIII. Plan for Electric Distribution Grid Transformation Projects. Case no. PUR 2018-00198**

On December 14, 2018, APCo filed a Petition for approval of five projects that it contends are associated with electric distribution infrastructure pursuant to Va. Code § 56-585.1 A 6. The legislation permitting this Petition was the result of the 2018 General Assembly passing SB 966. APCo proposed five (5) different projects:

- (1) "Advanced Metering Infrastructure" for the replacement of electric meters with smart meters to be completed by the end of 2022;
- (2) "Asset Improvement Project" for the replacement of aging distribution line and substation equipment and the re-engineering of facilities to be less susceptible of weather;
- (3) "Grid Automation Project" to install automated control systems to reduce outages and the duration of outages;
- (4) "Vegetation Management" to clear vegetation from distribution lines.
- (5) "Distribution Grid Security and Cyber Security Projects" to enhance electric grid security.

A public hearing on the Plan was scheduled on April 23, 2019; however, on March 12, 2019, APCo filed a motion with the Commission to withdraw its Plan citing a need to better address the requirements established by the Commission for approval of projects in its case involving Dominion Energy's Plan. The Commission granted the Motion on March 13, 2018. This will allow APCo to refile its Plan at a later date.

**IX. 2018-2019 Fuel Factor Proceeding Case no. PUR-2018-00153**

On September 13, 2018, APCo filed an application seeking to increase its fuel factor from 2.169 cents per kilowatt to 2.547 cents per kilowatt effective November 1, 2018. APCo maintains that the approval of its Application would increase the monthly bill of a residential customer by \$3.78, or approximately 3.36 %. In the aggregate this is a 4% increase in current annual revenues.

The Commission allowed APCo's rate increase to go into effect on an interim basis on November 1, 2018. The parties in the case did not contest a fuel factor of \$2.547 cents per kWh effective for service on and after November 1, 2018, which a Hearing Examiner recommended following a public hearing on February 14, 2019. The Hearing Examiner also recommended removing revenues received from competitive service providers

from the fuel factor and including them in base rates. On March 25, 2019, the Commission approved the Hearing Examiner's Recommendation and findings.

### **PENDING CASES**

#### **X. EE-RAC (Energy Efficiency Programs), Case no. PUR-2018-00118**

On September 28, 2018, APCo filed a Petition seeking approval of the continued implementation of the rate adjustment clause to collect the costs of six energy efficiency programs, five of which were approved in Case no. PUR-2017-00126. APCo is seeking to recover \$5,836,933.

A public hearing was held on February 28, 2019, before a Hearing Examiner who has recommended a lower annual revenue requirement for the EE-RAC of \$5,681,269. The Staff filed Comments on the Hearing Examiner's Report asking for guidance on whether lost revenues should be considered as a part of evaluating the overall cost to ratepayers in order to determine if the Energy Efficiency Programs are in the public interest. The Commission has not entered its Final Order.

R.D.P. & J.L.W.,III