

## **MEMORANDUM**

TO: The VML/VACo APCo Steering Committee

FROM: Counsel to the Committee

DATE: April 30, 2018

RE: Update on APCo Rate Cases

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Since our last report in October 2017, six (6) APCo cases in the State Corporation Commission have been completed. In addition, there are five (5) cases that are pending.

### **COMPLETED CASES**

#### **IRP (Integrated Resource Plan), PUR-2017-00045**

Pursuant to Va. Code § 56-597 *et seq.*, APCO must file an integrated resource plan (IRP) with the Commission that forecasts 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.

We monitored this proceeding. The 2017 IRP forecasts that APCo will have adequate resources to meet its capacity requirements through 2025 and that only minimal additional capacity will be needed. During this time APCo will add generation resources if the cost is less than the cost of purchasing energy. It is APCo's plan to add solar and wind resources as well as energy efficiency, combined heat and power ("CHP"), battery storage and grid voltage regulation.

A hearing before the Commission was held on September 28, 2017. On March 12, 2018, the Commission entered a Final Order that found the IRP reasonable and in the public interest for the specific purpose of complying with Va. Code § 56-597 *et seq.* In addition, the Commission ordered APCo to "implement the mandates in [the Grid Transformation and Security Act]," as well as comply with all other legal requirements for its next IRP that is due by May 1, 2019.

### **RPS-RAC (Renewable Energy Portfolio Program), PUR-2017-00065**

As previously reported, APCo filed a Petition seeking to recover revenues of \$5.76 million for April 2018 through March 2019 for the incremental costs of the Camp Grove, Fowler Ridge and Bluff Point wind farm renewable energy purchase agreements (“REPAs”). The Staff recommended approval of a slightly lower amount which is \$58,361.00 less than APCo requested.

APCo, the Staff and various respondents, including the Steering Committee, entered into a Stipulation based on a reduced amount of \$5,701,380 which the Commission accepted. The new RPS-RAC will be effective April 1, 2018. The RPS-RAC is not applicable to Large Power Service tariff customers. A 1000 kWh residential customer will have an increased bill of \$0.65 per month. The Commission ordered the next RPS-RAC to be filed on or before June 1, 2018.

### **Fuel Factor, PUR-2017-000120**

On December 19, 2017, APCo filed an Application to revise its fuel factor by reducing its current fuel factor of 2.301 cents per kilowatt hour to \$2.169 cents per kilowatt hour. The change is to be effective on and after November 1, 2017.

The Staff filed testimony stating that APCo’s proposed fuel factor is reasonable. None of the other Respondents appearing in the case contested APCo’s proposed rate. Subsequently the Staff and APCo entered into a Stipulation agreeing to a *reduction* in the fuel factor to \$2.169 cents per kilowatt hour. On March 6, 2018, the Commission entered an Order approving the Stipulation.

### **Wind G-RAC (Acquisition of Beech Ridge II and Hardin Wind Facilities), PUR-2017-00031**

APCo filed a Petition seeking approval for the implementation of a rate adjustment clause for its proposed acquisition of the Beech Ridge II and Hardin wind facilities. Beech Ridge II is in West Virginia, and Hardin is in Hardin County, Ohio. APCo proposes to acquire ownership of both wind farms. Approval of the State Corporation Commission and the Public Service Commission of West Virginia are needed to permit APCo to acquire the wind farms.

Approval of the Wind G-RAC would raise the electric rates for the Public Authorities and we opposed approval. We argued that APCo cannot recover the cost of purchasing the wind facilities because (1) the statute allows a rate adjustment clause (“RAC”) only for the “construction” of the wind facilities, (2) the wind facilities are not needed by APCo to provide capacity for Virginia residents and (3) APCo has not met the statutory requirements for a RAC.

On April 2, 2018, the Commission entered a Final Order denying APCo's Petition holding that APCo does not have a current need to add capacity ("We agree with Consumer Counsel and the Steering Committee that the evidence demonstrates that APCo does not have a current need for capacity and is expected to continue to have sufficient capacity to serve its native load until 2026."). The Commission also found that APCo does not have an energy deficiency because it can purchase power from PJM, that APCo relied on inflated forecasted energy and natural gas prices and that APCo failed to produce evidence to show acquisition of the Wind Facilities are needed as a hedge against market volatility. The Commission deliberately did not rule on whether the statute allows a rate adjustment clause ("RAC") only for the "construction" of the wind facilities and does not apply to purchases.

On April 9, 2018, APCo filed a Petition for Reconsideration asking the Commission to reconsider its decision, permit new evidence on the cost of the Hardin Wind Facility and approve the Wind G-RAC.

**Application for Approval of Affiliates Transaction (Approval of Mergers Related to Acquisition of Beech Ridge II and Hardin Wind Facilities), PUR-2018-0008**

On January 10, 2018, APCo filed an Application seeking approval of the mergers related to its proposed acquisition of the Beech Ridge II and Hardin wind farms (PUR-2017-00033). Approval of these transactions was dependent on the Commission approving the acquisition of the wind facilities as requested in PUR-2017-00031. On April 10, 2018, the Commission entered an Order declaring the Application moot because the acquisition of the wind facilities had been denied in PUR-2017-00031 and in a subsequent Order, refused to reconsider its decision.

**PENDING CASES**

**EE-RAC (Energy Efficiency Programs), 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. These programs are required by law, but the cost of the programs is relatively modest.

The Staff has opposed some aspects of the programs and some environmental groups have intervened to advocate for different or more expansive energy efficiency programs. The Commission held a public hearing on March 15, 2018, to consider the Petition. The Commission has not entered final order.

**Rider WWS (100% Renewable Energy Tariff), 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 will hold a public hearing on the Application on June 26, 2018.

This is APCo's 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.

**Dresden G-RAC (Rate Adjustment Clause with Respect to the Dresden Plant), 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 is seeking 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 Commission has scheduled a public hearing on September 11, 2018.

**ROE (Rate of Return on Common Equity), PUR-2018-00048**

APCo is seeking approval of an increased rate of return on equity of 10.22 percent to be applied to the Dresden G-RAC and the EE-RAC (Energy Efficiency Rate Adjustment Clause). APCo also seeks permission to have the ROE determined by the Commission to be used in the 2020 triennial review.

The Commission has scheduled a public hearing on August 28, 2018.

**RPS-RAC (Renewable Energy Portfolio Program), PUR-2018-00043**

This case has been established on the Commission's docket, but APCo has not filed its Petition. A public hearing will be scheduled after APCo files its Petition.

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