

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 20th day of January 2017.

CASE NO. 16-1582-E-P

APPALACHIAN POWER COMPANY,
a public utility.

Petition for Nonstandard True-up.

COMMISSION ORDER

The Commission approves the Joint Stipulation and Agreement (Joint Stipulation) submitted by the parties and adopts an allocation of consumer rate relief charges as set forth in the Joint Stipulation.

BACKGROUND

Case No. 12-1188-E-PC

On September 20, 2013, the Commission issued an Order (Financing Order) in Case No. 12-1188-E-PC, a proceeding on a petition by Appalachian Power Company (APCo) and Wheeling Power Company for consent and approval of an application to securitize uncollected expanded net energy costs (ENEC) pursuant to W.Va. Code §24-2-4f.

The Financing Order, among other things, (i) approved the securitization of certain expanded net energy costs, (ii) authorized the issuance of consumer rate relief bonds, and (iii) approved and authorized the imposition, charging, and collection of consumer rate relief charges in an amount, calculated and adjusted from time to time as provided in the Financing Order, to be sufficient to pay the debt service on the consumer rate relief bonds, together with related ongoing financing costs, on a timely basis. The Financing Order incorporated the adjustment mechanisms of W.Va. Code §24-2-4f(k).

Present Case

On November 22, 2016, APCo filed a petition for a nonstandard true-up pursuant to W.Va. Code §24-2-4f(k)(4) to adjust the allocation of the periodic billing requirement (PBR) upon which the consumer rate relief (CRR) charges authorized under the Financing Order are based. APCo served a copy of its petition on all parties to Case

No. 12-1188-E-PC. APCo effected public notice by publication on November 22, 2016, as required by Finding of Fact 109(b) of the Financing Order.

On November 30, 2016, the Commission granted a petition to intervene by the West Virginia Energy Users Group (WVEUG) and adopted a procedural schedule, including a deadline for intervention and comments, and a hearing date of December 16, 2016. The Order provided that parties to Case No. 12-1188-E-PC would be made parties to the present case on request.

On December 5, 2016, the Consumer Advocate Division (CAD) filed a letter stating its intention to participate in this proceeding. On December 9, 2016, SWVA, Inc. (SWVA) filed a petition to intervene. Both entities were parties to Case No. 12-1188-E-PC.

On December 14, 2016, the Commission issued an Order granting intervenor status to the CAD and SWVA.

On December 15, 2016, the parties filed a Joint Stipulation by all parties as to all issues in this case.

On December 16, 2016, the Commission convened a hearing in this matter. All of the parties except SWVA appeared at the hearing. Steven H. Ferguson, Vice President of Regulatory/Finance for APCo testified regarding the Joint Stipulation. Terry Eads, Director of the Utilities Division of the Staff of the Commission, also testified regarding the Joint Stipulation. The CAD and WVEUG provided statements of counsel in support of the Joint Stipulation.

The Commission received no additional comments during the comment period established in the November 30, 2016 Order.

DISCUSSION

W.Va. Code §24-2-4f(k)(4) and the Financing Order provide for two types of adjustments to the consumer rate relief charges: a standard adjustment and, as requested by APCo in this proceeding, a nonstandard adjustment. The Commission is limited in its review and in the relief it can provide. Specifically, W.Va. Code §24-2-4f(k)(4) states in pertinent part,

If the commission authorizes a nonstandard adjustment procedure in the financing order, and the qualifying utility files for such an adjustment, the commission shall allow interested parties thirty days from the date the qualifying utility filed the calculation of a nonstandard adjustment to make comments. The commission's review of the total amount required for a

nonstandard adjustment shall be limited to the mathematical accuracy of the total adjustment needed to assure the full and timely payment of all debt service costs and related financing costs of the consumer rate relief bonds. The commission may also determine the proper allocation of those costs within and between classes of customers and to special contract customers, the proper design of the consumer rate relief charges and the appropriate application of those charges under the methodology set forth in the formula-based adjustment mechanism approved in the financing order. If the commission determines that a hearing is necessary, the commission shall hold a hearing on the comments within forty days of the date the qualifying utility filed the calculation of the nonstandard adjustment. The nonstandard adjustment, as modified by the commission, if necessary, shall be approved by the commission within sixty days and the commission may shorten the filing and hearing periods above in the financing order to ensure this result. Any procedure for a nonstandard adjustment must be consistent with assuring the full and timely payment of debt service of the consumer rate relief bonds and associated financing costs.

The Financing Order addressed and explained the Nonstandard True-Up Adjustment:

iii. Nonstandard True-Up Adjustment

108. APCo, as servicer, or a successor servicer must file for a nonstandard true-up adjustment if it determines that as a result of significant changes from historical conditions of operation, such as the loss of significant electric load or a merger of APCo with another utility and a resulting expansion of APCo's customer base, it is necessary to adjust the allocation percentages for any CRR Revenue Group determined pursuant to Finding of Fact No. 94. Specifically, if APCo experiences or projects a drop in the consumption of electricity for any CRR Revenue Group of 10% or more as calculated by comparing the difference between the revised forecasted load and the original projected load, then APCo will initiate a proceeding with the Commission to determine new allocation factors. APCo will also initiate a nonstandard true-up proceeding if APCo and WPCo merge in order to take into account the impact of the combined allocation of revenue groups.

109. Consistent with W.Va. Code §24-2-4f(k)(4), a proceeding for the purpose of approving a nonstandard true-up adjustment should be conducted in the following manner:

- (a) The servicer will make a nonstandard true-up adjustment filing with the Commission at least 60 days before the date of the proposed true-up

adjustment. The filing may contain proposed changes to the allocation percentages determined pursuant to Finding of Fact No. 94, the resulting changes to consumer rate relief charge rates, the justification for such changes as necessary to address the specific cause(s) of the proposed nonstandard true-up adjustment, and a statement of the proposed effective date;

(b) On the same day that APCo files for a true-up adjustment, but only if the true-up adjustment would result in an increase to the amount of the consumer rate relief charges, APCo will give public notice through the publication of a Class I legal advertisement in Kanawha County as required by W.Va. Code §24-2-4f(k)(2). APCo's failure to publish such notice, however, shall not affect the validity or collectibility of the consumer rate relief charges;

(c) The Commission will allow financing parties to comment on APCo's filing and will hold a hearing, if it deems necessary, within 30 days of the Applicants' filing, in accordance with W.Va. Code §24-2-4f(k)(4);

(d) The nonstandard true-up adjustment filing, as modified by the Commission if necessary, shall become effective within 60 days of APCo's filing; and

(e) Once a nonstandard true-up adjustment filing has become effective, the modified allocation percentages set forth therein shall remain effective for all future standard true-up adjustment filings unless and until a subsequent nonstandard true-up adjustment filing is initiated in accordance with this Finding of Fact No. 109.

110. The scope of the Commission's review of any nonstandard true-up adjustment filing must be consistent with W.Va. Code §24-2-4f(k)(4).

111. As required by W.Va. Code §24-2-4f(k)(4) any procedure for a nonstandard true-up adjustment must also be consistent with assuring the full and timely payment of the consumer rate relief bonds and the Ongoing Financing Costs.

Financing Order at 33-34.

This filing represents the first request for a nonstandard true-up of the consumer rate relief charges. We appreciate that the parties, under the limited timeframe of a nonstandard true-up, were able to negotiate the Joint Stipulation.

Chapter 24 of the West Virginia Code contemplates the use of joint stipulations in Commission proceedings. W.Va. Code §24-1-9(f). The Commission has stated repeatedly that it values stipulations and the efforts of parties to negotiate and reach stipulated results and that stipulations help to expedite and resolve the many cases that the Commission must decide.

Although the Joint Stipulation is evidence of what the parties believe is a reasonable resolution of the case (and is persuasive), when reviewing a proposed joint stipulation, the Commission is not bound by the terms of the joint stipulation. The Commission must reach a reasoned end result based on the record and a consideration of its statutory duties. The Commission reviews the available evidence to assure that adoption of a joint stipulation reaches a reasoned end result based on the record and a consideration of our statutory duties. We did that here as well.

APCo witness Mr. Ferguson testified that the original allocations developed in Case No. 12-1188-E-PC were based on the ENEC under-recovered revenue amounts by individual customer classes. Transcript, December 16, 2016 hearing (Tr.) at 17. Comparing those allocations to the 2016 energy forecast revealed an eighteen percent change to the Industrial Class, as well as changes in the other classes. Id. at 17-18. This significant change in energy usage of the Industrial Class triggered the requirement for a nonstandard adjustment to the allocation factors. Financing Order, Finding of Fact No. 108. The calculations agreed to by the parties establish new allocation factors for each revenue group (Industrial, Commercial, and Residential) and then allocate the revenue to the classes within each revenue group. Tr. at 18.

Specifically, the first level of allocation spreads the total periodic billing requirements among the Industrial, Commercial, and Residential groups, based on the forecasted energy usage for each of those groups. Id. at 19. The totals allocated to each CRR rate class are then allocated to the rate schedules and special contracts within each Class as set forth in Exhibit A to the Joint Stipulation. Id. at 20.

As explained by Mr. Ferguson, this resulted in a sharing across all of the customers in a group, so that those customers would see an equal amount of change; i.e., an equal amount of percentage change across members of each group. Tr. at 26.

Under the approach adopted by the stipulating parties, the allocation to rate classes within the Industrial group does not impact the Residential or Commercial group overall allocations, for example, nor do changes among the Commercial group have an impact on the other two revenue groups. Tr. at 34.

The methodology adopted by the parties in the Joint Stipulation reasonably first assigns the total dollars required to pay the debt service costs among the Residential,

Commercial and Industrial groups based on the most current forecast of sales for those particular groups. Id. at 41. The Commission will adopt this methodology for allocating the debt service costs to the grouped residential, commercial and industrial rate schedules. In adopting the allocation methodology of the Joint Stipulation, we are mindful of the requirements of W.Va. Code §24-2-4f(k)(4). To that end, our review of the total amount required for a nonstandard adjustment has been limited to the mathematical accuracy of the total adjustment needed to assure the full and timely payment of all debt service costs and related financing costs of the consumer rate relief bonds.

Within each group, the total allocated revenue requirement is spread to the individual rate schedules in the same proportion as the spread adopted in the original Financing Order. This approach tends to equalize the percentage impact of the reallocated revenue requirements among the rate schedules within each rate class. Thus, there are no disproportionate percentage increases and decreases to any rate schedule within a rate class.

Staff witness Eads stated that the allocations in the Joint Stipulation are reasonable, although not the only reasonable allocation. We agree. The original allocation proposed by APCo produced the statutorily required result of CRR charges that would cover the full payment of all debt service costs and related financing costs in a timely manner. It resulted, however, in disproportionate percentage increases and decreases to rate schedules within each rate class. The stipulated allocation adopted by the Commission, on the other hand, also results in CRR charges that cover the full payment of all debt service costs and related financing costs in a timely manner, but does so without widely different percentage increases and decreases for rate schedules within each rate class.

FINDINGS OF FACT

1. All parties to the case executed the Joint Stipulation filed on December 15, 2016. Joint Stipulation.
2. At the December 16, 2016 hearing, all parties present at the hearing expressed their support for the Joint Stipulation. Tr. generally.
3. The stipulating parties agreed that there should be a change in the consumer rate relief charge allocations and corresponding changes in consumer rate relief rates, as set forth in the Joint Stipulation. Joint Stipulation at Exhibit A and Exhibit B.

CONCLUSIONS OF LAW

1. The overall provisions of the Joint Stipulation and the allocations and rates reflected therein represent reasonable compromises and settlement of the various issues addressed in the Joint Stipulation presented in this case.
2. The Commission should adopt the Joint Stipulation, including the proposed allocations and rates reflected therein, as a reasonable resolution of this proceeding.

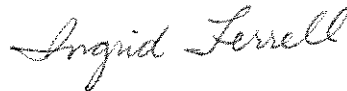
ORDER

IT IS THEREFORE ORDERED that the Joint Stipulation (Appendix A) and proposed allocations and rates reflected therein are adopted as a reasonable resolution of this case, as discussed herein.

IT IS FURTHER ORDERED that within fifteen days of the date of this Order, Appalachian Power Company file revised tariff sheets that contain the rates provided for in this Order, and those tariffs will be applicable for all service rendered as of January 20, 2017.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this Order by electronic service on all parties of record, **and all parties to Case No. 12-1188-E-PC**, who have filed an e-service agreement, and by United States First Class Mail on all parties of record, **and all parties to Case No. 12-1188-E-PC**, who have not filed an e-service agreement, and on Commission Staff by hand delivery.

A True Copy, Teste,



Ingrid Ferrell
Executive Secretary

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Execution Copy

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 16-1582-E-P

APPALACHIAN POWER COMPANY
a public utility.

Petition for nonstandard true-up.

JOINT STIPULATION AND AGREEMENT FOR SETTLEMENT

Pursuant to W.Va. Code §24-1-9(h) and Rule 13.4 of Title 150, Series 1, of the Public Service Commission of West Virginia's *Rules of Practice and Procedure*, all of the parties to these proceedings (hereinafter the "Stipulating Parties"), Appalachian Power Company ("APCo"), the Staff of the Public Service Commission of West Virginia (the "Staff"), the Consumer Advocate Division of the Public Service Commission of West Virginia (the "CAD"), SWVA, Inc. ("SWVA"), and West Virginia Energy Users Group ("WVEUG"), join in this Joint Stipulation and Agreement for Settlement ("Agreement"), and request that the Public Service Commission of West Virginia (the "Commission") approve and adopt it, in its entirety and without modification. If adopted, the Agreement would resolve all of the issues in the instant proceeding. In support of the Agreement, the Stipulating Parties make the following representations:

PROCEDURAL HISTORY

1. On November 22, 2016, APCo filed a Petition for Non-Standard True-Up. APCo requested an adjustment in the consumer rate relief changes authorized under the Commission's September 20, 2013 Financing Order in Case No. 12-1188-E-PC. Specifically, APCo requested an adjustment to the allocation of the periodic billing requirement (the "PBR") upon which consumer rate relief charges are based.

2. On November 29, 2016, WVEUG filed a petition to intervene. Among other things, WVEUG requested that an evidentiary hearing be scheduled in this case.

3. On November 30, 2016, the Commission issued a Commission Order, among other things, setting this case for hearing.

4. On December 5, 2016, the CAD filed a notice of intent to participate in the instant case. The CAD expressed the position that a hearing was needed in the instant case.

5. On December 9, 2016, SWVA filed a Petition to Intervene of SWVA, Inc. SWVA did not express a position on the holding of a hearing in the instant case.

SETTLEMENT

6. The Stipulating Parties agree that APCo's proposed allocation of the PBR among CRR Revenue Groups should be adopted.

7. The Stipulating Parties agree that APCo's proposed allocation of the PBR to the CRR Rate Classes within the commercial CRR Revenue Group and to the CRR Rate Classes within the industrial CRR Revenue Group should not be adopted.

8. The Stipulating Parties agree that the PBR should be allocated to the CRR Rate Classes within the commercial CRR Revenue Group and to the CRR Rate Classes within the industrial CRR Revenue Group as set forth in Exhibit A to this Agreement.

9. The Stipulating Parties agree that APCo's rates should be modified as set forth on Exhibit B to reflect this settlement.

10. If this Agreement is adopted in full and without modification as the final resolution of this case, the CAD will withdraw its request for a hearing in this case.

11. If this Agreement is adopted in full and without modification as the final resolution of this case, WVEUG will withdraw its request for a hearing in this case.

12. The Stipulating Parties agree that, if this Agreement is adopted in full and without modification as the final resolution of this case, no hearing is needed in this case.

13. Each of the Stipulating Parties waives any right to file comments in response to APCo's Petition for Non-Standard True-Up provided by law or the November 30, 2016 Commission Order in the instant case.

GENERAL PROVISIONS

14. This Agreement is entered into subject to the acceptance and approval of the Commission. It results from a review of any and all filings in this proceeding and thorough discovery and discussion. It reflects compromises by the Stipulating Parties and is being proposed to expedite and simplify the resolution of this proceeding. It is made without any admission or prejudice to any positions which any party might adopt during subsequent litigation. The Stipulating Parties adopt this Agreement as being in the public interest, without adopting any of the compromise positions set forth herein as ratemaking principles applicable to future proceedings, except as expressly provided herein. The Stipulating Parties acknowledge that it is the Commission's prerogative to accept, reject, or modify any stipulation; however, in the event that this Agreement is rejected or modified by the Commission, it is expressly understood by the Stipulating Parties that they are not bound to accept this Agreement as modified, and the Stipulating Parties may avail themselves of whatever rights are available to them under law and the Commission's Rules of Practice and Procedure.

WHEREFORE, the Stipulating Parties respectfully request that the Commission make appropriate Findings of Fact and Conclusions of Law adopting and approving the Agreement in its entirety.

Execution Copy

Respectfully submitted this 16th day of December, 2016.

[Signatures on Next Page]

Execution Copy

APPALACHIAN POWER COMPANY

By: _____
Name: _____
Its: _____

**STAFF OF THE PUBLIC SERVICE
COMMISSION OF WEST VIRGINIA**

By: Wendy Bill
Name: Wendy Braswell
Its: Staff Attorney

**CONSUMER ADVOCATE DIVISION OF THE
PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA**

By: Jackie Roberts by Wendy Bill
Name: Jacqueline Lake Roberts
Its: Consumer Advocate & Counsel

SWVA, INC.

By: _____
Name: _____
Its: _____

WEST VIRGINIA ENERGY USERS GROUP

By: _____
Name: _____
Its: _____

APCO CRR Allocation Comparison (Settlement)

CRR Rate Classes	Current Customer Rate Relief Charge Dec 2016 - Oct 2017		Settlement Customer Rate Relief Charge Jan 2017 - Oct 2017		Change in Customer Rate Relief Charge Jan 2017 - Oct 2017	
	¢/kWh	\$/kW	¢/kWh	\$/kW	¢/kWh	\$/kW
Residential (RS, RS- TOD)	0.254		0.270		0.015	
Commercial - Secondary (SWS, SGS, SS-Secondary, GS-Secondary)	0.235		0.272		0.038	
Commercial - Primary (SS & GS Primary)	0.218		0.253		0.035	
Commercial - Subtransmission (GS - Subtransmission)	0.172		0.200		0.028	
Commercial - Special Contract C (Spec Contract C)	-		-		-	
Commercial - Athletic Fields (GS- AF & SS -AF)	0.141		0.164		0.023	
Commercial - OL & SL (OL & SL)	0.157		0.186		0.029	
Industrial - Secondary (LCP & IP Secondary)	0.258	0.698	0.216	0.732	(0.042)	0.034
Industrial - Primary (LCP & IP Primary)	0.227	0.425	0.189	0.399	(0.038)	(0.026)
Industrial - Subtransmission (LCP & IP Subtransmission)	0.245	0.355	0.204	0.346	(0.041)	(0.009)
Industrial - Transmission (LCP & IP- Tran, Spec Contract K)	0.213	0.142	0.177	0.237	(0.036)	0.096
Industrial - Special Contract A (Spec Contract A)	0.619	0.572	0.371	1.285	(0.248)	0.714
Industrial - Special Contract B (Spec Contract B)	0.155	0.110	0.129	0.092	(0.026)	(0.018)
Industrial - Special Contract D (Spec Contract D)	0.094	-	0.077	-	(0.017)	-
Industrial - Special Contract I (Spec Contract I)	0.131	0.224	0.108	0.187	(0.023)	(0.037)
Total						

Execution Copy

APPALACHIAN POWER COMPANY

By: _____
Name: _____
Its: _____

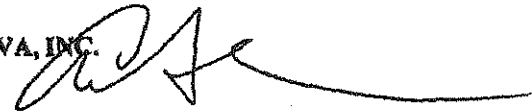
**STAFF OF THE PUBLIC SERVICE
COMMISSION OF WEST VIRGINIA**

By: _____
Name: _____
Its: _____


**CONSUMER ADVOCATE DIVISION OF THE
PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA**

By: _____
Name: _____
Its: _____

SWVA, INC.

By: 
Name: Charles K. Gould
Its: Counsel

WEST VIRGINIA ENERGY USERS GROUP

By: 
Name: Brady A. Naum
Its: Counsel

APCO CRR Allocation Comparison (Settlement)

CRR Rate Classes	Current Allocation Percentage	Settlement Allocation Percentage	Change in Allocation Percentage
Residential (RS, RS- TOD)	38.68%	40.99%	2.31%
Commercial - Secondary (SWS, SGS, SS-Secondary, GS-Secondary)	20.62%	24.17%	3.55%
Commercial - Primary (SS & GS Primary)	2.00%	2.34%	0.34%
Commercial - Subtransmission (GS - Subtransmission)	0.14%	0.16%	0.02%
Commercial - Special Contract C (Spec Contract C)	0.00%	0.00%	0.00%
Commercial - Athletic Fields (GS- AF & SS -AF)	0.03%	0.04%	0.01%
Commercial - OL & SL (OL & SL)	0.44%	0.52%	0.08%
Industrial - Secondary (LCP & IP Secondary)	1.56%	1.30%	-0.26%
Industrial - Primary (LCP & IP Primary)	10.27%	8.57%	-1.70%
Industrial - Subtransmission (LCP & IP Subtransmission)	11.89%	9.92%	-1.97%
Industrial - Transmission (LCP & IP- Tran, Spec Contract K)	8.16%	6.81%	-1.35%
Industrial - Special Contract A (Spec Contract A)	2.47%	2.06%	-0.41%
Industrial - Special Contract B (Spec Contract B)	2.13%	1.78%	-0.35%
Industrial - Special Contract D (Spec Contract D)	0.57%	0.48%	-0.09%
Industrial - Special Contract I (Spec Contract I)	1.04%	0.87%	-0.17%
Total	100.00%	100.00%	0.00%