

**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 8th day of August 2013.

CASE NO. 12-1655-E-PC

APPALACHIAN POWER COMPANY,
dba AMERICAN ELECTRIC POWER,

Petition for consent and approval of Appalachian Power Company consummating an arrangement for the transfer to it of 1647 MW of generating capacity presently owned by Ohio Power Company, an affiliate, pursuant to W.Va. Code §24-2-12, and associated agreements.

CASE NO. 11-1775-E-P

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY both dba
AMERICAN ELECTRIC POWER,

Petition for merger.

COMMISSION ORDER

The Commission requires additional information in light of recent proceedings and developments, particularly the Order of the Virginia State Corporation Commission addressing some of the same matters at issue before this Commission.

BACKGROUND

On December 18, 2012, Appalachian Power Company (APCo) filed a Petition for Commission consent in advance, pursuant to W.Va. Code §24-2-12, of (i) an arrangement for the transfer of 1647 MW of generating capacity (specifically, a two-thirds interest in Unit No. 3 of the John E. Amos Plant and one-half interest in the Mitchell Plant) presently owned by Ohio Power Company, an affiliate and (ii) associated affiliated agreements. This filing was docketed as Case No. 12-1655-E-PC.

On December 16, 2011, APCo and Wheeling Power Company (WPCo) (collectively Companies) filed a petition for an evaluation of a possible merger. That filing was docketed as Case No. 11-1775-E-P.

On June 6, 2013, the Commission issued an order (i) consolidating Case Nos. 11-1775-E-P and 12-1655-E-PC, (ii) retaining the current procedural schedule in Case No. 12-1655-E-PC, including the July 16-18, 2013 hearing, for use in both cases, and (iii) requiring the Companies to provide public notice of the consolidation and expanded scope of the hearing.

On July 16, 17, and 18, 2013, the Commission convened a hearing in these cases. At the close of the hearing the Commission established a procedural schedule requiring simultaneous initial briefs by 4:00 p.m., August 20, 2013, and simultaneous reply briefs by 4:00 p.m., August 30, 2013. Transcripts from the hearing were filed July 29 and 30, 2013.

DISCUSSION

On December 18, 2012, APCo filed an application before the Commonwealth of Virginia, State Corporation Commission (VSCC), requesting approval to enter into transactions substantially similar to those filed in the two cases currently before this Commission. See, the docket for VSCC Case No. PUE-2012-00141, for additional details regarding the APCo filing before the VSCC.

On July 31, 2013, the VSCC filed an Order (i) approving the transfer of Unit No. 3 of the John E. Amos Plant and the merger of APCo and WPCo but (ii) denying transfer of the Mitchell Plant.

With its decision, the VSCC substantially altered the potential future capacity position of APCo as compared to the projections provided by the parties in the evidentiary record to date.

APCo exhibits indicate that it can currently meet its PJM capacity obligation from existing generation capacity, purchased power contracts, and demand response/conservation/efficiency programs. APCo projects that the Wheeling merger and projected growth will add 639 MW to its PJM capacity obligation by 2014, placing it in a deficit position. This deficit is more than offset by the proposed acquisition of one-half of the Mitchell generation capacity and the remaining two-thirds of the Amos Unit 3 generation capacity. That proposed acquisition would result in an immediate excess capacity over its PJM obligation of approximately 1,400 MW. This is a short-lived surplus, however. APCo projects retirements of older sub-critical generation units by 2015, thereby reducing its surplus relative to its PJM obligation to less than 300 MW. Other witnesses presented similar, although not identical scenarios. CAD witness

Hornby, for example, based his recommendation to reject the Mitchell acquisition on a denial or significant delay in the Wheeling merger. JRH-D at 14.

All of the scenarios projected in this proceeding are potentially impacted by the VSCC decision. The APCo projections for sufficient capacity are based on the merger, the acquisition of Amos and Mitchell capacity, and the retirement of older generation plants. These projections are not possible under the VSCC Order. The VSCC decision to approve the merger, but deny the proposed acquisition of one-half of Mitchell, results in a deficit of more than 400 MW for APCo, relative to its PJM capacity obligation, after retirement of the older generation plants. The CAD projections are based on the acquisition of Amos capacity, but denial or delay of the merger. This scenario is also inconsistent with the VSCC Order.

The Commission believes it requires more information from APCo about its options under the VSCC Order and whether the options modify any of the scenarios and projections presented in this proceeding.¹

The Commission will require that APCo, and other parties that may wish to do so, to file a status report addressing whether the Commission should reopen the evidentiary record in these cases.

The Commission will extend the briefing schedule to accommodate the filing of the status report.

FINDING OF FACT

The decision by the Virginia State Corporation Commission has substantially modified the factual and legal bases for the proceedings before the Commission in these cases.

CONCLUSIONS OF LAW

1. The Commission requires a status update in consideration of recent events before the VSCC.
2. It is reasonable to extend the briefing deadlines in this case.

¹ In Case No. 13-0467-E-GI, we have a proceeding regarding the APCo ENEC rates that includes projections of ENEC costs based on the Wheeling merger, cancellation of the Wheeling power supply contract, and acquisition of both Amos and Mitchell capacity. It is likely that the VSCC order will have an impact on those ENEC projections, and it is necessary that the parties in that proceeding address how their projections are impacted if the VSCC order precludes the APCo purchase of the Mitchell capacity necessary to meet its PJM obligations after the Wheeling merger. In the alternative, the parties in the ENEC proceeding should consider whether the present uncertainty requires further discussion among the parties regarding a reasonable level of ENEC rates that could be used pending the outcome of the acquisition and merger proceedings.

ORDER

IT IS THEREFORE ORDERED that Appalachian Power Company file a status update on or before 4:00 p.m., August 12, 2013. Other parties to these cases may file a status update pursuant to the same filing deadline.

IT IS FURTHER ORDERED that the briefing schedule is extended. Simultaneous initial briefs are due on or before 4:00 p.m., Tuesday, September 3, 2013 and simultaneous reply briefs are due on or before 4:00 p.m., Friday, September 13, 2013.

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 who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

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