

**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 14th day of November, 2014.

CASE NO. 14-0345-E-PC

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY, dba
AMERICAN ELECTRIC POWER
a public utility,
Petition for consent and approval of
Energy Efficiency/Demand Response
(EE/DR) program rates.

COMMISSION ORDER

With certain clarifications, the Commission approves a Joint Stipulation and Agreement for Settlement filed in this matter.

BACKGROUND

Energy Efficiency and Demand Response (EE/DR) programs are designed to enable utility customers to better manage their electricity usage to both reduce their own consumption and the impact of their electricity usage on the environment. With implementation of EE/DR programs, Appalachian Power Company (APCo) and Wheeling Power Company (WPCo), both doing business as American Electric Power (collectively, APCo and WPCo are sometimes referred to as AEP or the Companies) seek to promote a more sustainable and prosperous energy future for West Virginians by lowering energy costs through reversal of the long-term trend of increased energy consumption.

On October 5, 2010, the Commission approved implementation of EE/DR programs for APCo and WPCo, as well as a specific, expedited cost recovery mechanism for such programs, subject to annual review and updates. The new EE/DR surcharge went into effect on March 31, 2011. APCo & WPCo, Case No. 10-0261-E-GI, Comm'n Order at 3-6, 10, 13-15 (Oct. 5, 2010). The Commission required filings annually by March 1 and held that EE/DR rates would be adjusted at the same time as yearly ENEC rate changes for AEP, generally on July 1. APCo and WPCo were directed to document and track EE/DR program costs and recoveries and to request prospective EE/DR rate increments, including consideration of any over- or under-recovery of costs incurred

through December 31 of the preceding year. On a two-year experimental basis, the Commission approved a mechanism for customers having electricity demands of more than one megawatt to opt-out of the EE/DR programs and adopted an allocation of EE/DR program costs among all customers except those who are permitted to opt-out. The Companies were ordered to petition the Commission, concurrent with their 2013 EE/DR filing, to evaluate the opt-out and cost allocation provisions. Id.

On April 1, 2013, APCo and WPCo filed for the second review of their EE/DR programs. On December 20, 2013, the Commission approved the continuation of EE/DR programs and authorized a \$2.1 million increase in the EE/DR surcharge, allowing the Companies to generate \$8.2 million in annual EE/DR revenues from customers. Further, the cost allocation and opt-out provision would continue for two years until the conclusion of the 2014 EE/DR review proceeding. The Commission also held that beginning after the 2015 EE/DR filing, the Commission would true-up program expenses and revenues and consider revising the EE/DR surcharge every other year. In the intervening years APCo and WPCo would file status reports on the preceding year's EE/DR program performance. APCo & WPCo, Case No. 13-0462-E-P, Comm'n Order at 17, 20-21 (Dec. 20, 2013); APCo & WPCo, Case No. 13-0463-E-P, Comm'n Order at 7 (June 6, 2013).

Case No. 14-0345-E-PC

On March 4, 2014, APCo and WPCo filed for the third review of their EE/DR programs and proposed to

- 1) add four programs -- i) Manufactured Home ENERGY START, ii) Appliance Recycling, iii) Residential Demand Reduction/Load Management and iv) Commercial Lighting,
- 2) expand the SMART Lighting program to include rebates on LEDs and Energy STAR appliances and rename it as the Efficient Products program,
- 3) add new construction rebates to the HomeSMART program,
- 4) continue current EE/DR rates, and
- 5) implement a financial incentive mechanism for EE/DR programs.

AEP provided actual costs and recoveries for the EE/DR programs through December 31, 2013, projections of over- or under-recoveries through June 30, 2014, and estimated annual costs and rate increments for July 1, 2014, through June 30, 2015. APCo & WPCo Petition at 1-3 (Mar. 4, 2014); prefiled Direct Testimonies of J. Fawcett, T. Stafford & R. Greenhowe (Mar. 4, 2014).

The hearing began on June 11, 2014. On June 12, 2014, APCo, WPCo, Commission Staff, the Commission Consumer Advocate Division and the West Virginia Energy Users Group, being all of the parties to the 2014 EE/DR proceeding, filed a proposed Joint Stipulation and Agreement for Settlement (Settlement or EE/DR Settlement) (attached to this Commission Order as Exhibit A).

The Settlement recited that the principal issue in this year's case was whether a financial incentive was appropriate to encourage AEP to develop and implement EE/DR programs and, if so, what the incentive should be. Various parties to the case offered different positions, and to reach a settlement all parties agreed to an incentive that combines features of some of the various proposals. Settlement ¶ 6.

The parties also agreed that the current EE/DR surcharge will continue initially and may be adjusted in future proceedings. *Id.* at ¶ 7. They noted that in the 2013 EE/DR case, the Commission required AEP to spend an over-recovery amount of \$1.8 million by December 31, 2014, for a total of \$10 million on EE/DR in 2014. If all of the \$10 million is not spent by the end of 2014, the parties to the Settlement agreed that AEP will continue to increase expenditures and make every effort to achieve a zero balance of customer-contributed funds by June 30, 2015. *Id.* at ¶ 8.

The Settlement also addressed EE/DR investments that may be funded by APCo and WPCo and the incentive for the Companies to make those investments:

9. The Stipulating Parties agree that the Companies may, at their discretion, make investments in the EE/DR programs that will displace some or all of the benchmark \$8.2 million of EE/DR Surcharge Revenues. Additionally, the Companies shall have the option, but not the obligation, to expend funds of the Companies above and beyond the \$8.2 million benchmark to provide additional EE/DR programs.

10. The Stipulating Parties agree that, if the Companies expend such funds of their own on EE/DR activities, such funds shall be treated as an investment by the Companies in EE/DR and deferred as a regulatory asset, and the Companies shall be allowed to earn a return on and of such investment at the rate of the Companies' weighted average cost of capital ("WACC"), as the WACC may change, from time to time, with the equity component of the WACC being the return on equity most recently authorized for the Companies by the Commission plus fifty (50) basis points.

11. The Stipulating Parties agree that the Companies shall declare prior to each calendar year any investments in EE/DR programs that the Companies intend to make in the upcoming year. As part of this declaration, the Companies will identify the projected costs for these programs.

12. The Stipulating Companies agree that EE/DR Surcharge Revenues will be applied each month first to cover the return “on” and “of” any EE/DR investments of the Companies and then to offset the costs of the customer-funded EE/DR activities. The amortization period of the Companies’ investment will initially be set at 10 years, with the amortization period being subject to future adjustment to reflect changes in the average expected useful life of the EE/DR programs. The Company shall continue to apply deferral accounting with respect to the customer funded EE/DR programs.

The Settlement also provides that the current allocation of the EE/DR surcharge among customer classes and special contract customers will continue until the final order in the 2017 EE/DR case. *Id.* at ¶ 13. The current opt-out provisions for customers having electricity demands of more than one megawatt will continue and be reviewed in the 2017 EE/DR proceeding, instead of the 2015 EE/DR proceeding. *Id.* at ¶ 14.

On June 26, 2014, the Sierra Club filed comments on the proposed Settlement, recognizing three positive elements: i) treating expenditures by APCo and WPCo in energy efficiency programs more akin to traditional capacity resources and allowing the Companies to recover a return on investment; ii) ensuring continuing funding for energy efficiency programs and requiring that all funding be spent and iii) allowing the Companies to spend more than the benchmarked \$8.2 million on energy efficiency programs. Sierra Club Comments at 1-2.

Case No. 14-0546-E-PC

In a separate proceeding, APCo and WPCo requested Commission consent and approval for WPCo to acquire a one-half interest, or 800 megawatts, in the Mitchell coal-fired generating plant in Marshall County.

On October 9, 2014, the Commission received a proposed stipulation and agreement for settlement in the Mitchell proceeding and part of the proposed settlement addressed EE/DR:

26. The Companies commit to the provisions set forth in the subparagraphs of this **Paragraph 26** regarding energy efficiency and demand response (“EE/DR”), provided that the costs associated with such provisions, including the costs of programs to be adopted, will be funded pursuant to the methodology described below.

Specifically, the Companies may, at their discretion, make investments in the EE/DR programs that will displace some or all of the benchmark amount of EE/DR Surcharge Revenues. The Companies shall have the option, but not the obligation, to expend funds of the Companies

above and beyond the benchmark to provide additional EE/DR programs. If the Companies expend such funds of their own on EE/DR activities, such funds shall be treated as an investment by the Companies in EE/DR and deferred as a regulatory asset, and the Companies shall be allowed to earn a return on and of such investment at the rate of the Companies' weighted average cost of capital ("WACC"), as the WACC may change, from time to time, with the equity component of the WACC being the return on equity most recently authorized for the Companies by the Commission plus fifty (50) basis points. The Companies shall declare prior to each calendar year any investments in EE/DR programs that the Companies intend to make in the upcoming year. As part of this declaration, the Companies will identify the projected costs for these programs. EE/DR Surcharge Revenues will be applied each month first to cover the return on and of any EE/DR investments of the Companies and then to offset the costs of the customer-funded EE/DR activities. The amortization period of the Companies' investment will initially be set at 10 years, with the amortization period being subject to future adjustment to reflect changes in the average expected useful life of the EE/DR programs. The Companies shall continue to apply deferral accounting with respect to the customer funded EE/DR programs.

a. The Companies commit to include in their 2015 EE/DR filing, a request to add or expand EE/DR programs at a cost of \$1.8 million. If approved, this will set the total program budget at \$10 million annually for the West Virginia programs in the APCo and WPCo service territories going forward. This additional amount of \$1.8 million shall be an investment by the Companies and shall be recovered under the terms set forth above.

b. The Companies commit to continue through the end of 2015 to provide customer usage data to Energy Efficient West Virginia for the purposes of neighborhood energy efficiency competitions. The information is to be used to facilitate awareness of energy usage and conservation through a competition between groups of neighbors. The goal is to determine which group can reduce energy usage by the greatest amount. The information will continue to be given only in a bulk format so that a single customer's information cannot be identified. The Companies understand that Energy Efficient West Virginia agrees to provide meter numbers for most of the participants to facilitate the search for information.

c. The Companies commit to develop for inclusion in their 2015 EE/DR programs a one-year pilot project to incentivize certain nonprofit groups that agree to promote the Companies' EE/DR home assessments. This one-year pilot project will include the following provisions as well as any other provisions that may be developed. A credit of \$10 will be provided to the nonprofit for each home that is signed up for and completes a home assessment as a result of the nonprofit's efforts. Additionally, the nonprofit that attains the most completed assessments during the year will receive a \$10,000 credit, provided that, as a result of such nonprofit's efforts, at least one hundred (100) home assessments are completed. The credits may be used for energy efficiency upgrades to the nonprofit's facilities, and the Companies will fund such upgrades as part of their EE/DR programs up to the level of the credits that the nonprofit has attained. The nonprofits that desire to participate in the promotion will be required to enter into a memorandum of understanding with APCo or WPCo to promote the programs and also receive adequate training from the Companies regarding the EE/DR programs they will promote.

d. The Companies commit to install and evaluate an Integrated Volt Var Control system on one of the Companies' distribution substations. The funding for the project would come from the approved EE/DR program budget, and the results of the installation would be provided with the annual EE/DR evaluation reports. The Companies will strive to choose a distribution substation that serves an area that has a significant number of customers that have incomes below the poverty standards.

e. All of the EE/DR Proposed Settlement Terms are contingent on the Commission approval of those terms as set forth herein.

Mitchell Joint Stipulation and Agreement for Settlement (Mitchell stipulation) at 8-10, filed October 9, 2014 in APCo & WPCo, Case No. 14-0546-E-PC (emphasis in original).

The parties in the Mitchell proceeding asked the Commission to issue a final Order in that case as expeditiously as possible and, if practicable, in time to accommodate closing on the transfer by November 30, 2014. Id. at 10.

DISCUSSION

The Commission's policy is to encourage settlement when settlement is a reasonable resolution of a dispute, and the Commission appreciates the efforts of all parties to reach agreement in this EE/DR proceeding, particularly because the initial positions were so disparate.

We have reviewed the proposed Settlement in considerable detail, and we note that the EE/DR language from the Mitchell stipulation relating to the ability of APCo and WPCo to use Company funds for EE/DR programs is generally consistent with the language that the parties presented in the Settlement in the pending case.

Although the parties have twice addressed EE/DR, the Commission decision has been made more difficult by poorly drafted language in both agreements and presentation of agreed EE/DR provisions in separate proceedings. For example, key provisions of the pending EE/DR Settlement refer to existing EE/DR programs and additional EE/DR programs, but no mention is made of Commission approval of additional EE/DR programs. Similarly, the Settlement is not clear about how utility dollars may "displace" EE/DR revenues that are generated from customers via the Commission-approved surcharge.

Furthermore, the Mitchell stipulation addressed Company funding of EE/DR programs and was not filed in the pending EE/DR case. In fact, no pleading was filed in the pending EE/DR case to give notice that additional agreement had been reached regarding EE/DR matters. Paragraph 26.e of the Mitchell stipulation provides that the "EE/DR Proposed Settlement Terms" are contingent upon Commission approval, but "EE/DR Proposed Settlement Terms" is not defined in the Mitchell stipulation. The "EE/DR Proposed Settlement Terms" in the Mitchell stipulation may refer to the terms contained in the proposed Settlement in the EE/DR proceeding.

Turning to the proposed Settlement in the pending EE/DR proceeding, the Companies propose to comply with the 2013 Commission requirement to increase spending on EE/DR programs by enhancing the 2014 SMART Lighting program to add incentives for LED lights and ENERGY STAR appliances and to add construction rebates to the 2014 HomeSMART programs. The Companies also plan to implement four new programs in 2014: Appliance Recycling, Residential Peak Reduction, Commercial Lighting Incentive and Manufactured Home ENERGY STAR.

The proposed EE/DR Settlement is not clear whether the Stipulating Parties are blessing the manner in which the Companies proposed to increase spending as required by the Commission in 2013. Moreover, the Stipulating Parties seem to have agreed to permit APCo and WPCo to spend Company funds above the amounts generated by customers through the Commission-approved EE/DR surcharge without any limits on the total amount of Company dollars or magnitude of the expansion of programs by APCo and WPCo.

Approval of 2014 new programs

To resolve the ambiguities in the EE/DR Settlement, the Commission must make certain clarifications. The Commission continues to conclude that the public interest is served when EE/DR programs are developed and enhanced in a steady and orderly manner so that residential, commercial and industrial customers continue to have benefit from, and have improved access to, increased efficiencies and additional savings. To meet the Commission-ordered increased spending level, it is reasonable for the Companies to enhance and add to the Commission-approved EE/DR programs in 2014 as they proposed in this case. The Commission will not mandate a specific allocation of additional dollars to any EE/DR program, but it is expected that expansion of existing programs or implementation of new programs will continue to provide a similar level of equivalent savings on a dollar cost basis while continuing the committed level of existing EE/DR programs.

2014 spending limit

Although the Settlement permits the Companies to make investments in EE/DR programs that will displace some or all of the \$8.2 million generated by customers via the Commission-approved surcharge and to spend Company funds beyond the \$8.2 million amount, the proposed Settlement does not establish any limits on EE/DR investments by the Companies. During 2014, the Commission will limit the total spend on EE/DR programs to \$10 million.

Company funds for Commission-approved programs

When the source of funds for EE/DR programs changes from revenues received only from customers via the Commission-approved surcharge to a combination of dollars invested by APCo and WPCo or generated by the Commission-approved surcharge, there can be an over-collection of funds in an EE/DR program year.¹ If the Companies wish to invest any of their own funds in any EE/DR programs that have been approved by the Commission, APCo and WPCo must inform the Commission in advance of investing those funds. The parties have agreed that the Companies will state the projected costs for the program(s) in which the Companies plan to invest and that such a filing would be made prior to each calendar year in which APCo and WPCo intend to invest company funds. The Commission finds this approach to be reasonable, provided that the Companies also state the projected energy savings.

Company funds for new programs

Research and technologies are advancing, and the Commission expects APCo and WPCo to continually consider improvements and expansions to their EE/DR offerings. If the Companies wish to invest their own funds in any new EE/DR program(s), APCo and

¹ For APCo and WPCo EE/DR offerings, "program year" is interchangeable with "calendar year."

WPCo must provide justification and data supporting the benefits of the proposed program(s) and obtain approval of the new program(s) from the Commission before recovery of the Company investment will be allowed.

Filing schedule

It is not clear whether the parties intended their agreement to modify the biennial schedule of EE/DR filings that the Commission established in Case Number 13-0462-E-P. In 2015, APCo and WPCo will file program expenses and revenues and the Commission will consider revising the EE/DR surcharge. In 2016, the Companies will file a status report and request a review of EE/DR program performance.

While any proceedings for approval of new Company-funded EE/DR programs may proceed separately from this biennial schedule, the Companies should consider whether there may be administrative efficiencies in presenting new Company-funded programs for review during the regular biennial reviews.

Settlement approval

With the clarifications contained in this Order, the Commission concludes that the proposed EE/DR Settlement is in the public interest and should be adopted.

As to the Mitchell stipulation, the Commission decision today only relates to the agreed terms that allow the Companies to begin investing their own funds in EE/DR programs, i.e., the first two paragraphs of Paragraph 26. The EE/DR proposals contained in subparts a-e will be reviewed in subsequent proceedings, as the terms of the Mitchell stipulation indicate that the parties intended.

FINDINGS OF FACT

1. On June 12, 2014, APCo, WPCo, Staff, CAD and the West Virginia Energy Users Group, being all of the parties to the 2014 EE/DR proceeding, filed a proposed Settlement. EE/DR Settlement at 1-5, APCo & WPCo, Case No. 14-0345-E-PC (June 12, 2014).

2. The EE/DR Settlement terms that allow the Companies to begin to fund EE/DR programs were also made part of the Mitchell stipulation. Mitchell stipulation at 8-10, APCo & WPCo, Case No. 14-0546-E-PC (Oct. 9, 2014).

CONCLUSIONS OF LAW

1. The public interest is served when EE/DR programs are developed and enhanced in a steady and orderly manner so that residential, commercial and industrial

customers continue to have benefit from, and have improved access to, increased efficiencies and additional savings.

2. The current EE/DR surcharge for APCo and WPCo should remain in effect. EE/DR Settlement at ¶ 7.

3. The current EE/DR surcharge may be adjusted in future proceedings. Id.

4. The current allocation of the EE/DR surcharge among customer classes and special contract customers should continue until the final order in the 2017 EE/DR case. Id. at ¶ 13.

5. The current opt-out provisions for customers having electricity demands of more than one megawatt should continue and be reviewed in the 2017 EE/DR proceeding. Id. at ¶ 14.

6. To meet the increased spending level that was required by the Commission in 2013 in Case Number 13-0462-E-P, in 2014 the Companies should enhance the SMART Lighting program to add incentives for LED lights and ENERGY STAR appliances; add construction rebates to the HomeSMART programs; implement four new programs -- Appliance Recycling, Residential Peak Reduction, Commercial Lighting Incentive and Manufactured Home ENERGY STAR; and rename the SMART Lighting program as the Efficient Products program.

7. During 2014, the Commission should limit the total amount to be spent on EE/DR programs to \$10 million.

8. If the Companies wish to invest any of their own funds in any EE/DR programs that have been approved by the Commission, APCo and WPCo must make a filing prior to each calendar year in which APCo and WPCo intend to invest company funds and state the projected costs and energy savings for the program(s) in which the Companies plan to invest.

9. If the Companies wish to invest their own funds in any new EE/DR program(s), APCo and WPCo must provide justification and data supporting the benefits of the proposed program(s) and obtain approval of the new program(s) from the Commission before recovery of the Company investment will be allowed.

10. With the clarifications contained in this Order, the proposed EE/DR Settlement is in the public interest and should be adopted.

11. As to the Mitchell stipulation, the Commission decision today only relates to the agreed terms that allow the Companies to begin investing their own funds in EE/DR programs, i.e., the first two paragraphs of Paragraph 26.

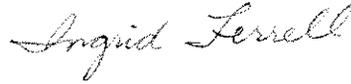
ORDER

IT IS THEREFORE ORDERED that, as clarified by this Order, the proposed EE/DR Settlement, attached as Exhibit A, is approved.

IT IS FURTHER ORDERED that upon entry of this Order this case shall be removed from the Commission's docket of open cases.

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

A True Copy, Teste,



Ingrid Ferrell
Executive Secretary

CLW/sek
140345c.doc

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Exhibit A

CASE NO. 14-0345-E-PC

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY,
public utilities.

Petition for consent and approval of
2014 Energy Efficiency/Demand
Response program rates.

JOINT STIPULATION AND AGREEMENT FOR SETTLEMENT

Pursuant to *W. Va. Code*, §24-1-9(f) 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 this proceeding (hereinafter the "Stipulating Parties"), Appalachian Power Company ("APCo") and Wheeling Power Company ("WPCo") (collectively "the Companies"), 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"), and the 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 disputed issues in this proceeding. In support of the Agreement, the Stipulating Parties make the following representations:

Procedural History

1. On March 4, 2014, the Companies filed a petition to initiate the annual review of the Companies' Energy Efficiency/Demand Response ("EE/DR") programs. This proceeding

has been docketed as Case No. 14-0345-E-PC. Included with the petition were the direct testimony of James D. Fawcett, Tammy C. Stafford, and Ruby A. Greenhowe.

2. On various dates, various entities filed petitions to intervene in this proceeding. The Commission granted these petitions.

3. On May 12, 2014, the Commission issued an Order in this proceeding, which, among other things, established dates for the filing of testimony, required the Companies to publish a prescribed Notice of Hearing, and scheduled an evidentiary hearing in this matter to commence at 9:30 a.m. on June 11, 2014.

4. On May 19, 2014, West Virginia Energy Users Group filed the direct testimony of Stephen J. Baron, the Consumer Advocate Division filed the direct testimony of Suzanne Akers, and the Staff of the Commission filed the direct testimony of Paul P. Stewart.

5. On May 28, 2014, the Companies filed the rebuttal testimony of James D. Fawcett.

Settlement

6. The principal disputed issue in this proceeding was whether a financial incentive was appropriate to encourage the Companies in the development and implementation of EE/DR programs and, if appropriate, what the incentive should be. Various parties offered distinctly different positions and different proposals for an incentive. In order to reach a settlement of this issue, the Stipulating Parties have agreed to an incentive mechanism which combines features of some of the various proposals, as particularized herein.

7. The Stipulating Parties agree that the current EE/DR Surcharge shall continue, initially, at a level designed to produce \$8.2 million in annual revenue, which amount may be adjusted in future proceedings.

8. The Stipulating Parties understand that according to the Commission order in case 13-0462-E-P the Companies are to spend the over recovery amount of \$1.8 million in the current program year ending December 31, 2014 for a total annual spend for that program year of \$10 million. The Stipulating Parties agree that if a zero balance is not achieved by the end of 2014, the Companies will continue to increase their expenditures and make every effort to achieve a zero balance of customer contributed funds by June 30, 2015.

9. The Stipulating Parties agree that the Companies may, at their discretion, make investments in the EE/DR programs that will displace some or all of the benchmark \$8.2 million of EE/DR Surcharge Revenues. Additionally, the Companies shall have the option, but not the obligation, to expend funds of the Companies above and beyond the \$8.2 million benchmark to provide additional EE/DR programs.

10. The Stipulating Parties agree that, if the Companies expend such funds of their own on EE/DR activities, such funds shall be treated as an investment by the Companies in EE/DR and deferred as a regulatory asset, and the Companies shall be allowed to earn a return on and of such investment at the rate of the Companies' weighted average cost of capital ("WACC"), as the WACC may change, from time to time, with the equity component of the WACC being the return on equity most recently authorized for the Companies by the Commission plus fifty (50) basis points.

11. The Stipulating Parties agree that the Companies shall declare prior to each calendar year any investments in EE/DR programs that the Companies intend to make in the upcoming year. As part of this declaration, the Companies will identify the projected costs for these programs.

~~12. The Stipulating Companies agree that EE/DR Surcharge Revenues will be applied~~
each month first to cover the return "on" and "of" any EE/DR investments of the Companies

and then to offset the costs of the customer-funded EE/DR activities. The amortization period of the Companies' investment will initially be set at 10 years, with the amortization period being subject to future adjustment to reflect changes in the average expected useful life of the EE/DR programs. The Company shall continue to apply deferral accounting with respect to the customer funded EE/DR programs.

13. The Stipulating Parties agree that the current allocation of the EE/DR surcharge among customer classes and special contract customers should continue in effect until the Commission issues a final order in the Companies' 2017 EE/DR proceeding.

14. The Stipulating Parties agree that the current opt-out provisions for customers above One Megawatt shall continue in effect and be reviewed in the 2017 EE/DR proceeding, instead of the 2015 EE/DR proceeding, as previously ordered by the Commission in Case No. 13-0463-E-P.

15. The Stipulating Parties agree that this Agreement fully resolves all of the disputed issues in this proceeding.

16. 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, the parties' prefiled testimony and exhibits, and thorough discovery and discussion. It reflects substantial compromises by the Stipulating Parties and the withdrawal of their respective positions asserted in this case, 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 ENEC proceedings, or other regulatory 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, on the basis of all the foregoing, respectfully request that the Commission make appropriate Findings of Fact and Conclusions of Law adopting and approving the Agreement in its entirety.

Respectfully submitted this 12th day of June, 2014.

**APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY**

By: Brian E. Calhoun

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

By: John D. Little

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

By: Heather B. Osborn

WEST VIRGINIA ENERGY USERS GROUP

By: [Signature]

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 14-0345-E-PC

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY,
public utilities.

Petition for consent and approval of 2014
Emergency Efficiency/Demand Response (EE/DR)
program rates.

CERTIFICATE OF SERVICE

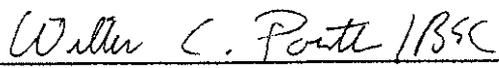
I, William C. Porth, counsel for Appalachian Power Company and Wheeling Power Company, do hereby certify that true copies of the foregoing **JOINT STIPULATION AND AGREEMENT FOR SETTLEMENT** were served by hand delivery or first-class mail this 12th day of June, 2014, addressed to the following:

John Little, Esquire
Public Service Commission
201 Brooks Street
Charleston, West Virginia 25301
*Counsel for Staff of West Virginia
Public Service Commission*

Heather B. Osborn, Esquire
Consumer Advocate Division
700 Union Building
723 Kanawha Blvd., East
Charleston, WV 25301
Counsel for Consumer Advocate Division

Susan J. Riggs, Esquire
Tai C. Shadrick, Esquire
Spilman Thomas & Battle, PLLC
PO Box 273
Charleston, WV 25321
Counsel for West Virginia Energy Users Group

Derrick Price Williamson, Esquire
Barry A. Naum, Esquire
Spilman Thomas & Battle, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
Counsel for West Virginia Energy Users Group


William C. Porth (WV State Bar ID No. 2943)