

# Public Service Commission of West Virginia

201 Brooks Street, P.O. Box 812  
Charleston, West Virginia 25323



Phone: (304) 340-0300  
Fax: (304) 340-0325

October 31, 2017

04:54 PM OCT 31 2017 EXEC SEC DIV

Ingrid Ferrell, Executive Secretary  
PO Box 812  
Charleston, WV 25323

Re: **CASE NO. 17-0894-E-PC**  
**APPALACHIAN POWER COMPANY**  
**and**  
**WHEELING POWER COMPANY**

Dear Ms. Ferrell:

Enclosed is an original and twelve (12) copies of "Commission Staff's Motion to Require Notice of Companies' Requested Level, Methodology, and Rate Recovery of Costs Associated With Wind Facilities" and an attached Form of Notice in the above-referenced proceedings. Counsel for the Consumer Advocate and West Virginia Energy Users Group have authorized Staff to represent that they support the Form of Notice.

A copy has been served upon all parties of record.

Very truly yours,

*Wendy Braswell / Cayn Watson Skel*

WENDY BRASWELL  
Staff Attorney  
State Bar No. 9406

WB/cs  
Enclosures

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**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

**CASE NO. 17-0894-E-PC**

**APPALACHIAN POWER COMPANY and  
WHEELING POWER COMPANY**

Petition for consent and approval of acquisition of wind facilities (Hardin Wind Facility, Hardin County, Ohio; and Beech Ridge II Wind Facility, Greenbrier County, WV)

**COMMISSION STAFF'S MOTION TO REQUIRE NOTICE OF COMPANIES'  
REQUESTED LEVEL, METHODOLOGY, AND RATE RECOVERY OF COSTS  
ASSOCIATED WITH WIND FACILITIES**

Comes now the Staff of the West Virginia Public Service Commission (“Staff”) by Wendy Braswell, Counsel, and respectfully submits its request that the Commission require a form of notice. Staff asks that Appalachian Power Company (“APCo”) and Wheeling Power Company (“WPCo”) (collectively “the Companies”) be required to provide notice which clearly advises the public of the rate impact associated with this petition, the requested methodology and level of extraordinary rate recovery associated with the Wind Facilities, and the requested duration of extraordinary rate recovery associated with the Wind Facilities. Although Staff attempted to reach agreement with the Companies and other parties on a form of proposed notice, Staff cannot agree to notice that does not at least show the Companies’ proposed amount of extraordinary rate recovery.

Staff asserts that the Companies should be required to provide notice that shows the requested level, methodology, and timing on the Company's proposed extraordinary rate recovery associated with the ownership and operation of the Wind Facilities. The Companies are proposing to purchase two generating assets, but have sought protective treatment for the purchase costs so that ratepayers cannot know the costs of the facilities.

In this filing, the Companies are seeking Commission consent and approval to purchase the Hardin Wind Energy LLC and the Beech Ridge Energy II LLC ("Wind Facilities"). The Companies are also seeking permission for Construction Surcharge rate recovery associated with the facilities over the duration of ten years, with a proposed Year 1 revenue requirement of \$10.2 million. Staff cannot agree to a form of notice that does not at least show this number.

If the sole dollar figure noticed to ratepayers is the \$0.93 increase for a residential customer then meaningful notice has not been accomplished to customers. Request for approval of this transaction includes Companies' projections for a maximum net increase associated with ownership and operation of the facilities. The Companies proposed notice is too scant on the potential customer impacts. At the outset, this \$0.93 rate increase projection is based on the Companies' calculations and projections of market costs and the rate benefits of owning the facilities. The accuracy of this number lies in the accuracy of the Companies' projections. Unlike the notice required by W. Va. Code § 24-2-4a, the maximum rate recovery associated with the Wind Facilities will not be capped at the maximum noticed amount. The cautious approach to notice should not solely rely on rate projections which are not a ceiling, but should also notice the details of the Companies'

requested extraordinary ratemaking treatment. Staff believes that adequate notice should show ratepayers that the Companies are requesting a Construction Surcharge recovery beginning with the 2019 ENEC, likely in the amount of \$10.2 million in Year 1, and continuing over the course of 10 years.

This type of notice is possible and was provided in a recent petition to acquire an electric generating asset. In pending Case No. 17-0296-E-PC, Monongahela Power Company (“Mon Power”) and The Potomac Edison Company (“PE”) are seeking Commission approval and consent to purchase an electric generating asset, the Pleasants Power Station. In the agreed Notice of Filing for that case, Mon Power and PE provided notice of the proposed \$195 million price of the Pleasants Plant, the proposed annual revenue requirement associated with ownership of Pleasants of \$111,415,681, and 7.7% surcharge revenue requirement associated with the transaction absent ENEC decreases. Mon Power and PE provided notice of the proposed price and revenue requirement even though they projected, as APCo and WPCo do in this case, that ownership and acquisition of Pleasants would result in a decrease. On April 14, 2017, the Commission entered an order requiring publication of that notice. The Pleasants notice demonstrates that an electric utility may provide notice of the level of revenue requirement associated with an asset while also showing the Companies’ projected level of increase.

Staff is also mindful of the Commission’s order requiring notice in Case No. 17-0466-W-CN. In that case, West Virginia-American Water Company (“WVAWC”) filed a proposed notice that did not show the rate impacts associated with project costs of the Weston to Webster Springs Interconnect. WVAWC was then seeking extraordinary

rate recovery of the Interconnect Costs in its pending DSIC case, Case No. 17-0787-W-DSIC, rather than traditional certificate rate recovery in the certificate filing, Case No. 17-0466-W-CN. The Commission ordered WVAWC to provide notice that showed rate information, stating, “Therefore, rate recovery is an issue in this proceeding and the notice must more clearly advise the public of the total ultimate rate impact of the project as well as the possibility of alternate rate recovery timing and methodologies.” Like WVAWC, these Companies are seeking authorization of a specific type of extraordinary rate recovery in this case and should be required to provide notice of their request.

Staff is providing an attached Form of Proposed Notice which shows the requested Construction Surcharge methodology, timing, and level, although Staff would rely on the accuracy of the exact numbers shown in the attachments to Mr. Scalzo’s testimony.

Staff is authorized to indicate that Counsel for the Consumer Advocate Division and Counsel for the West Virginia Energy Users Group are in agreement with the proposed form of notice.

Respectfully submitted this the 31<sup>st</sup> day of October 2017.

STAFF OF THE PUBLIC SERVICE  
COMMISSION OF WEST VIRGINIA

By Counsel,

Handwritten signature of Wendy Braswell in cursive script.

Wendy Braswell  
Staff Attorney  
WV State Bar No. 9406

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

**CASE NO. 17-0894-E-PC**

**APPALACHIAN POWER COMPANY and  
WHEELING POWER COMPANY,**  
public utilities.

Petition for Consent and Approval of  
Acquisition of Wind Facilities (Hardin Wind  
Facility, Hardin County, Ohio; and Beech  
Ridge II Wind Facility, Greenbrier County,  
WV).

**NOTICE OF FILING AND HEARING**

On July 5, 2017, Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) (collectively, Companies) filed a Petition with the Public Service Commission of West Virginia for consent and approval for APCo to enter into certain transactions and to acquire, after completion of construction, the Hardin wind generation facility, which is under development in Hardin County, Ohio, and the Beech Ridge II wind generation facility, which is under development in Greenbrier County, West Virginia. The Companies' Petition is on file and available for public inspection at the Commission's offices at 201 Brooks Street, in Charleston, West Virginia, and may be viewed on the Commission's website, [www.psc.state.wv.us](http://www.psc.state.wv.us).

The Companies propose to recover approximately \$84.6 million in costs associated with the Wind Facilities through a Construction Surcharge over the course of ten years, with revenue requirements as follows: (Year 1) \$10,237,452, (Year 2) \$10,403,070, (Year 3) \$9,257,962, (Year 4) \$9,081,044, (Year 5) \$8,145,569, (Year 6) \$8,099,418, (Year 7) \$7,973,510, (Year 8) \$7,829,579, (Year 9) \$7,083,640, and (Year 10) \$6,528,044. The Companies propose to request Construction Surcharge costs be placed into rates in the first year after the Wind Facilities are placed in service, likely to be effective July 1, 2019 as part of the Companies 2019 ENEC rates.

The Companies filed their direct testimony in support of their Petition on July 5, 2017. The Commission has established December 1, 2017 as the deadline for the filing of direct testimony by other parties and December 22, 2017 as the deadline for the filing of rebuttal testimony by all parties. The Commission has established a two-day schedule for an evidentiary hearing starting at 9:30 a.m. on January 17, 2018 and continuing through January 18, 2018 in the Howard M. Cunningham Hearing Room of the Commission's headquarters at 201 Brooks Street in Charleston, West Virginia. Interested persons may attend the hearing and there will be an opportunity to make public comment.

The Companies have not sought any change in their rates in this proceeding. However, the acquisition of the generating assets for which approval has been sought (the Wind Facilities) will be recovered from and expected to have an ultimate impact on West Virginia retail rates at some point in the future. The Companies' contend in their filing based upon their projections

that the costs of Wind Facilities will, over time, be offset by reductions in purchased power costs and increased off-system sales. In any particular year, however, the acquisition of the Wind Facilities may lead to increases or decreases in West Virginia retail rates. In the first year after the Wind Facilities are placed into service (expected to be mid-2019), because of the tax advantage provided to such facilities, the net rate effect of the acquisition is projected by the Companies to be an increase of less than \$0.01 per month for a residential customer using 1,000 kWh per month. The greatest rate increase, if any, associated with the acquisition of the Wind Facilities is expected to occur in the 11<sup>th</sup> year following the acquisition of the Wind Facilities, when the tax advantages expire, as follows:

<u>Greatest anticipated net increase</u>	\$ Increase	% Increase	Average Usage
Residential	\$ 0.93	---%	1,000 kWh per month
Commercial	\$----	---%	---- per month
Industrial	\$	---%	---- per month

Individual customers may receive increases that are greater than or less than the amounts shown here, depending on usage. The requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing and future rate filings.

Anyone desiring to protest in Case No. 17-0894-E-PC should file a written protest that briefly states the reason for the protest at any time during the pendency of this case. Anyone desiring to intervene should file a written request that briefly states the reason for the request to intervene within the later of thirty days of this publication or December 1, 2017, unless otherwise modified by Commission Order. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and requests to intervene should state the case name and number and be addressed to Ingrid Ferrell, Executive Secretary, Post Office Box 812, Charleston, West Virginia 25323. Public comments may also be filed online at <http://www.psc.state.wv.us/scripts/onlinecomments/default.cfm> by clicking the "Formal Case" link.

APPALACHIAN POWER COMPANY  
WHEELING POWER COMPANY

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
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**CASE NO. 17-0894-E-PC**

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**CERTIFICATE OF SERVICE**

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I, WENDY BRASWELL, Staff Counsel for the Public Service Commission of West Virginia, hereby certify that I have served a copy of the foregoing "Commission Staff's Motion to Require Notice Of Companies' Requested Level, Methodology, And Rate Recovery Of Costs Associated With Wind Facilities" and Form of Notice upon all parties of record by First Class United States Mail, postage prepaid this the 31<sup>st</sup> day of October 2017.

William C. Porth, Esq.  
Counsel, Appalachian Power & Wheeling  
Power  
Robinson & McElwee PLLC  
PO Box 1791  
Charleston, WV 25326

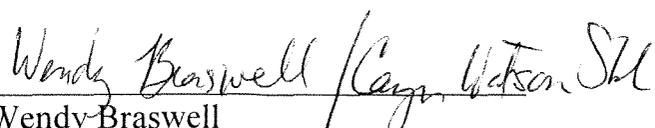
Brian E. Calabrese, Esq.  
Counsel, Appalachian Power & Wheeling  
Power  
Robinson & McElwee, PLLC  
PO Box 1791  
Charleston, WV 25326

Heather B. Osborn, Esq.  
Consumer Advocate Division  
700 Union Building  
723 Kanawha Boulevard, East  
Charleston, WV 25301

Barry A. Naum, Esq.  
Counsel, WVEUG  
Spilman Thomas & Battle, PLLC  
1100 Bent Creek Boulevard, Suite 101  
Mechanicsburg, PA 17050

Derrick P. Williamson, Esq.  
Counsel, WVEUG  
Spilman Thomas & Battle, PLLC  
1100 Bent Creek Blvd., Suite 101  
Mechanicsburg, PA 17050

Lara R. Brandfass, Esq.  
Counsel, WVEUG  
SPILMAN THOMAS & BATTLE,  
PLLC  
300 Kanawha Boulevard, East  
Charleston, WV 25301

  
Wendy Braswell  
Staff Attorney  
WV State Bar No. 9406