At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 9th day of October 2019.

CASE NO. 19-0396-E-PC

APPALACHIAN POWER COMPANY and WHEELING POWER COMPANY, public utilities.

Petition for review of EE/DR programs, approval of new EE/DR programs, termination of an existing EE/DR program, modifications to EE/DR cost calculation methodology and cost recovery allocations, and an increase in EE/DR rider rates.

COMMISSION ORDER

The Commission approves a Joint Stipulation and Agreement for Settlement including approval of several Energy Efficiency and Demand Response (EE/DR) programs offered by Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) (collectively the Companies) and recovery of certain costs and net lost revenues relating to the Companies’ EE/DR programs, as well as other matters set forth in the Joint Stipulation and Agreement for Settlement (Joint Stipulation) attached hereto as Appendix A.

BACKGROUND

On April 1, 2019, the Companies filed a petition to initiate the Companies’ 2019 Energy Efficiency and Demand Response (EE/DR) review proceeding. The Petition was supported by the direct testimony of James D. Fawcett, Tammy C. Stafford, Kevin C. Brown, and Ruby A. Greenhowe.

The Companies provided in their filing the actual costs and recoveries experienced with respect to the EE/DR programs through December 31, 2018; projections of costs, revenues, and resultant over-/under-recoveries through December 31, 2021; Evaluation, Measurement & Verification reports for 2018; and information mandated specifically in Case No. 17-0401-E-P regarding new program proposals and benefit/cost determination tests, among other things.
The Companies proposed two new EE/DR programs: the Low Income Multifamily Program and the Small Business Direct Install Program. The costs of these programs would be recovered through the Investment Recovery Mechanism. The Companies proposed to terminate the Efficient Products Program and to modify the eScore™ Program by carrying the cost-effective appliance rebates currently offered through the Efficient Products Program over into the eScore™ Program. The Companies also propose a reduction in the overall Residential Peak Reduction Program and a budget increase in the Commercial and Industrial Standard Program. If accepted, the Companies’ proposal would necessitate an increase in the EE/DR rider rates to $0.0011 for residential customers and $0.0006 for commercial customers.

On June 17, 2019, the Commission entered an Order granting intervenor status to Consumer Advocate Division (CAD), Energy Efficient West Virginia (EEWV) and West Virginia Citizens Action Group (WVCAG) (collectively EEWV/CAG), West Virginia Energy Users Group (WVEUG) and the Sierra Club. The Commission also set a procedural schedule and required publication of notice of the filing and the evidentiary hearing.

On June 26, 2019, Commission Staff filed a Motion to Modify the Procedural Schedule. Staff proposed a schedule that would retain the current evidentiary hearing date but alter testimony dates and the discovery deadline. The other parties to the case agreed to the proposed schedule modification.

On June 27, 2019, the Commission issued an Order granting the Staff Motion to Modify the Procedural Schedule.

On July 10, 2019, WVEUG filed the direct testimony of Stephen J. Baron. Sierra Club filed the direct testimony of Andy Holzhauser. EEWV/CAG filed the direct testimony of Jim Grevatt. Staff filed the direct testimonies of Randall R. Short, David L. Pauley, and Donald E. Walker.


On August 13, 2019, the Companies filed the rebuttal testimonies of James D. Fawcett, Tammy C. Stafford, Kevin C. Brown, and John J. Scalzo. The Sierra Club filed
the rebuttal testimonies of Andy Hozhauser and Nachy Kanfer. EEWV/CAG filed the rebuttal testimony of Jim Grevatt.

On August 14, 2019, the Companies filed, on behalf of all parties, an Agreed Order of Witnesses.

The Commission held an evidentiary hearing on August 21, 2019. The Commission excused, without objection, WVEIJG witness Stephen Barron and EEWV/CAG witness Jim Grevatt from testifying in the case. The parties advised the Commission that they had settled all contested issues in the case. The hearing proceeded with the testimony of all witnesses except Mr. Barron and Mr. Grevatt. After the Stipulating Parties completed the testimony of their respective witnesses, the Companies’ witness, John Scalzo, sponsored the Settlement Term Sheet filed with the Commission at the evidentiary hearing, and answered questions from the Commission relating to the settlement. After Mr. Scalzo, Staff witness Randall Short took the stand to answer additional questions from the Commission regarding, and in support of, the Settlement Term Sheet. Counsel for each of the Stipulating Parties then respectively provided statements indicating their clients’ support for the terms of the settlement, as encapsulated by the Settlement Term Sheet. Also at hearing, the Commission requested that the Companies file two “Commission-Requested Exhibits” by August 28, 2019. As requested, the Companies did so on that date.

On August 29, 2019, the parties filed the Joint Stipulation.

DISCUSSION

At the hearing, the Companies offered John Scalzo, Managing Director of Regulatory Services and Finance for APCo, as principal sponsor of the Settlement Term Sheet. The terms contained in the Settlement Term Sheet correspond with and are directly reflected in the Joint Stipulation. Mr. Scalzo provided a detailed summary of the Stipulating Parties’ agreement, and explained why it constituted a reasonable resolution of this proceeding in the best interest of the public. Transcript of Evidentiary Hearing held on August 21, 2019 (Tr. at 119-135).

Staff Witness Randall R. Short also testified as a witness in support of the Settlement Term Sheet. When asked by the Commission, Mr. Short stated that, although the Staff had initially proposed complete termination of the Companies’ EE/DR programs, the Staff was of the opinion that the settlement agreement represented a compromise by the Parties which gave the Companies the opportunity to recover costs and lost revenues that they were owed while simultaneously helping the low-income beneficiaries of the existing EE/DR programs and working toward helping increase load in the service territory through potential implementation of beneficial electrification programs. Tr. at 137-141. All of the other Stipulating Parties supported the Settlement Term Sheet by statements of counsel.
The Commission has reviewed the Joint Stipulation in detail. In arriving at the Joint Stipulation, the Stipulating Parties have made substantial compromises and have moved from the positions that they had taken in their direct and rebuttal testimony and exhibits in order to reach common ground. The Joint Stipulation supports EE/DR Rider Rates that are projected to produce annual revenue of approximately $8.6 million in 2020 and 2021, which constitutes a $3.1 million reduction from what was originally proposed by the Companies in their petition. The resolution of all the issues presented in the Joint Stipulation reflects a moderation of the Stipulating Parties' positions and constitutes a just and reasonable resolution of the disputed issues in these proceedings.

**FINDINGS OF FACT**

1. The Joint Stipulation filed on August 29, 2019 was executed on behalf of all the parties to these proceedings. Joint Exhibit No. 1.

2. At the August 21, 2019 hearing, all parties expressed their support for the elements of the Joint Stipulation. Tr. at 143-149.

3. On August 28, 2019, the Commission received Commission-Requested Exhibits Nos. 1 and 2.

**CONCLUSIONS OF LAW**

1. The provisions of the Joint Stipulation reflect significant compromises of the positions of the parties to this proceeding.


3. The Joint Stipulation properly balances the interests of the Companies, their customers, and the State, as required under W.Va. Code § 24-1-1(b).

4. The testimony and statements of counsel offered in support of the Settlement Term Sheet support the reasonableness of the Joint Stipulation.

5. The EE/DR programs that will be offered pursuant to the Joint Stipulation are reasonable.

6. The allocations and rates set forth in the Joint Stipulation are just and reasonable.
ORDER

IT IS THEREFORE ORDERED that the Joint Stipulation (attached hereto as Appendix A) is approved and adopted in full as a reasonable resolution of this proceeding.

IT IS FURTHER ORDERED that, within thirty days of the date of this Order, Appalachian Power Company and Wheeling Power Company shall file revised tariff sheets setting forth the rates hereby approved, as set forth in the Joint Stipulation.

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, 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,

Connie Graley, Executive Secretary

SMS/tk
190396cb.sca
PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 19-0396-E-P

APPALACHIAN POWER COMPANY and
WHEELING POWER COMPANY,
public utilities.

Petition for Review of EE/DR programs,
Approval of New EE/DR Programs,
Termination of an Existing EE/DR Program,
Modifications to EE/DR Cost Calculation
Methodology and Cost and Recovery Allocations,
and an Increase in EE/DR Rider Rates.

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, 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”), Sierra Club, Inc. (the “Sierra Club”), Energy Efficient West Virginia and the West Virginia Citizen Action Group (“EEWV/ CAG”), and the West Virginia Energy Users Group (“WVEUG”) join in this Joint Stipulation and Agreement for Settlement (this “Agreement”), and request that the Public Service Commission of West Virginia (the “Commission”) approve and adopt the Agreement, in its entirety and without modification. If adopted, the Agreement would enable the above-referenced proceeding to be resolved efficiently. In support of the Agreement, the Stipulating Parties make the following representations:

1 For purposes of this Agreement, WVEUG’s membership consists of The Chemours Company; Constellium Rolled Products Ravenswood, LLC; Covestro LLC; Eagle Natrium (Westlake); Marathon Petroleum Company LP (Mark West); and WVA Manufacturing, LLC.
PROCEDURAL HISTORY

1. On April 1, 2019, the Companies filed a Petition for review of their Energy Efficiency and Demand Response ("EE/DR") programs, approval of new EE/DR programs (the "Low Income Multifamily" and "Small Business Direct Install" programs) (hereinafter collectively, the "Proposed Programs"), termination of an Existing EE/DR Program (the "Efficient Products Program"), modifications to the EE/DR cost-calculation methodology as well as cost allocations, and an increase in EE/DR Rider rates. The Petition was supported by the pre-filed direct testimony of four witnesses: James D. Fawcett, Tammy C. Stafford, Kevin C. Brown, and Ruby A. Greenhowe.

2. In satisfaction of Commission Orders in past EE/DR cases, the Companies provided in their filing the actual costs and recoveries experienced with respect to the EE/DR programs through December 31, 2018; projections of costs, revenues, and resultant over-/under-recoveries through December 31, 2021; Evaluation, Measurement & Verification reports for 2018; and information mandated specifically in Case No. 17-0401-E-P regarding new program proposals and benefit/cost determination tests, among other things.

3. Thereafter, on various dates, the CAD, the Sierra Club, WVEUG, and "EEWV/CAG" (collectively, the "Intervenors") each filed petitions to intervene.

4. On June 17, 2019, the Commission entered an Order in this proceeding which, among other things, granted intervenor status to the Intervenors and established dates for the filing of testimony and the timing of discovery requests, required the Companies to publish a prescribed Notice of Hearing, and scheduled an evidentiary hearing in this matter to commence at 9:30 am on August 21, 2019.

5. On June 27, 2019, upon motion of the Staff, the Commission issued an order
modifying the procedural schedule in this proceeding, which postponed by approximately one week the deadlines for filing testimony and discovery requests, but which did not alter the scheduled date for the evidentiary hearing.

6. On July 10, 2019, WVEUG filed the direct testimony of Stephen J. Baron; the Sierra Club filed the direct testimony of Andy Holzhauser; EEWV/CAG filed the direct testimony of Jim Grevatt; and the Staff filed the direct testimonies of Randall R. Short, David L. Pauley, and Donald E. Walker.

7. On July 30, 2019, the Companies filed an affidavit of publication evidencing compliance with the notice provisions of the Commission's June 17, 2019 Order.

8. On August 13, 2019, the Companies filed the rebuttal testimonies of James D. Fawcett, Tammy C. Stafford, Kevin C. Brown, and John J. Scalzo; the Sierra Club filed the rebuttal testimonies of Andy Holzhauser and Nachy Kanfer; and EEWV/CAG filed the rebuttal testimony of Jim Grevatt.

9. On August 14, 2019, the Stipulating Parties' Agreed Order of Witnesses at Hearing was filed by counsel for the Companies.

10. On August 12, 2019, all of the Stipulating Parties met in person and by telephone conference to begin discussion of the possibility of reaching settlement on the issues in this proceeding. Further settlement exchanges occurred thereafter, and on August 20, 2019, the Stipulating Parties reached an agreement in principle, which was memorialized in a Settlement Term Sheet and filed with Commission on August 21, 2019.

11. At the August 21, 2019 scheduled hearing in this case, the prefiled direct and rebuttal testimonies of the Stipulating Parties were admitted into the record; many of the witnesses were asked questions by the Commission, and counsel for the Stipulating Parties were
given an opportunity to ask clarifying questions. The Settlement Term Sheet was also admitted into evidence as Joint Exhibit 1, and Company witness Scalzo and Staff witness Short took the stand to support and answer questions from the Commission about the proposed settlement. Counsel for the other Stipulating Parties stated their clients' support for the terms of the proposed settlement.

12. During the August 21, 2019 hearing, the Commission directed the Companies to file two Commission Requested Exhibits by August 28, 2019. The Companies made the required filings.

13. At the conclusion of the August 21, 2019 hearing, the Commission directed the Stipulating Parties to submit a Joint Stipulation and Agreement for Settlement by August 28, 2019. This Agreement, which formalizes the Stipulating Parties' Settlement Term Sheet, is being submitted in response to that directive.

**SUBSTANTIVE TERMS**

14. The Stipulating Parties propose to the Commission the elements set out below as a fair and just resolution of all of the contested issues in this proceeding.

15. The Stipulating Parties agree that the Residential EE/DR programs listed below should be offered by the Companies in 2020 and 2021; that the Commission should approve the budgets listed for each program; and that the Commission should approve the use of the Concurrent Recovery mechanism to recover the 2020/2021 program costs incurred by the Companies in offering the programs:
16. As part of the eScore Program, the Companies agree to work through their implementation contractor to identify, and then, as part of the Companies’ program promotion, to inform customers about, potential financing option(s) for rebated eScore measures through one or more third-party financing companies, starting in 2020. The Companies also agree to require eScore energy assessors to become certified by the Building Performance Institute.

17. The Stipulating Parties agree that the EE/DR Rider rates set forth in the tariff sheets attached as Exhibit 1 hereto have been designed as follows:

A. The agreed upon EE/DR Rider Rates are projected to produce annual revenue of approximately $8.6 million in 2020 and 2021.

B. The agreed upon EE/DR Rider rates are designed to recover the following: the costs related to the EE/DR programs in place through the end of 2019 (approximately $213,000 annually for 2020 and 2021, which reflects the net of the Companies’ over-recovery at July 31, 2019, and their 2020 and 2021 revenue requirement associated with energy efficiency costs being recovered through the Investment Recovery mechanism); the costs of the EE/DR
programs that the Stipulating Parties have agreed should be offered by the Companies in 2020 and 2021 (approximately $3.225 million each of those years); and the Companies’ estimated net lost revenues related to their 2018/2019 EE/DR programs (approximately $5.154 million annually for 2020 and 2021, as shown on Staff Exhibit DRL-2, and subject to true-up as noted below).

C. The agreed upon EE/DR Rider rates reflect the following allocation of costs: the projected 2020 and 2021 EE/DR program costs (i.e. budgeted costs), and the net lost revenue associated with each program, will be allocated to the classes intended to be targeted by each program as proposed by the Companies; and the Companies’ projected EE/DR deferral balance at December 31, 2019, their projected “Company Funded EE Investment Deferral” balance at December 31, 2019, and a return “on” and “of” the “Company Funded EE Investment Deferral” balance at December 31, 2019, will be allocated 51% to the residential classes and 49% to the Commercial and Industrial classes.

18. The Stipulating Parties agree that the revenues collected pursuant to the agreed upon EE/DR Rider rates, including those collected to recover the net lost revenues caused by the Companies’ 2018/2019 EE/DR programs, should be trued-up in a future case, to reflect the Companies’ actual costs and net lost revenues.

19. The Stipulating Parties agree that the Companies should use approximately $1.63 million of the Residential class’s remaining Excess Unprotected Accumulated Deferred Federal Income Tax balance (ADFIT) to increase residential customers’ Tax Reform Rider (TRR) credits
for the period January 1, 2020 through June 30, 2020. The Stipulating Parties further agree that
the TRR credits shown on Exhibit 2 hereto reflect this agreement.

20. The Stipulating Parties agree that the “Company Funded EE Investment Deferral”
balance on the Companies’ books at December 31, 2021, and the estimated net lost revenues
caused by the EE/DR programs in place after 2019, should be recovered in the EE/DR Rider
rates established in the Companies’ next EE/DR case, or in an ENEC proceeding, if EE/DR
programs are ended and there are no longer EE/DR Rider rates.

21. Regarding the Industrial opt-out, the Stipulating Parties agree that the
Commission should approve the agreed upon language, which is shown as red-line changes to
the Companies’ EE/DR Rider tariff attached hereto as Exhibit 1. The Companies further agree
to address with WVEUG and other parties the specific issues identified by WVEUG in this
proceeding, regarding the availability of the opt-out for new customers and for existing
customers with new facilities, in a future EE/DR proceeding as needed.

22. The Stipulating Parties agree that the Commission should permit the Companies
to defer any reasonable costs incurred to close EE/DR programs that do not continue after 2019
and recover those costs in a future EE/DR case or ENEC case.

23. The Stipulating Parties agree that the Commission should not require the
Companies to perform either an updated market potential study, or any analyses of kilowatt-hour
(kWh) savings, by month, for any of the Companies’ residential energy block rates.

24. The Stipulating Parties agree to meet over the next year to develop a Beneficial
Electrification (“BE”) pilot, to be agreed upon by the Stipulating Parties by July 1, 2020, and to
be implemented by the Companies by January 1, 2021.

25. BE involves replacing direct fuel use (e.g. propane, heating oil, gasoline, diesel)
with electricity. BE focuses on switching to electricity in order to increase sales for the utility. BE should create increased utility revenues to offset net lost revenues, particularly in situations where there are no or limited costs associated with beneficial electrification (such as additional utility investment for transmission or increases in on-peak usage). BE could provide benefits to individual participants, for example decreased energy costs.

26. The Stipulating Parties further agree as follows: the Commission should authorize the Company to defer the costs of the BE pilot program, for recovery of reasonable costs in future EE/DR cases, so long as the BE pilot program continues, or in the Companies’ ENEC, if the BE pilot program is ended; the costs of the BE pilot program should be allocated to, and recovered from, the specific customer classes targeted by the BE pilot program; and, if any Excess Unprotected ADFIT dollars are still available at the time the Companies file to recover any BE pilot program costs, the Stipulating Parties will be free to consider utilizing such funds to offset any deferred costs on the Companies’ books. The Stipulating Parties also agree that, if the Companies propose to continue any BE programs beyond the end of the agreed upon BE pilot program, the Companies shall be free to file a petition seeking to continue such BE programs and requesting associated cost recovery.

27. The Stipulating Parties agree that the Commission should direct the Companies to file their next EE/DR review proceeding on or before March 1, 2021.

GENERAL PROVISIONS

28. The substantive terms of the settlement set forth above reflect substantial compromises by the Stipulating Parties of their original positions and constitute a fair and reasonable resolution of all the contested issues in the proceeding, taking into consideration the interest of the Companies and their customers and the public interest of West Virginia.
29. 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 Stipulating Parties’ testimony and exhibits, and thorough discovery and discussion. It 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 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, in toto and without modification, all of the elements of the negotiated settlement arrived at by the Stipulating Parties as set forth in this Agreement. The Stipulating Parties file as Exhibit 3 hereto a Proposed Order for the Commission’s consideration.

Respectfully submitted this 29th day of August, 2019.

APPALACHIAN POWER COMPANY and WHEELING POWER COMPANY
By: ____________________________
Name: William C. Bolen
Their: Counsel
STAFF OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA
By: \[\text{Signatures}\]
Name: Wendy Braswell
Its: Staff Attorney

CONSUMER ADVOCATE DIVISION OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA
By: \[\text{Signatures}\]
Name: 
Its: 

SIERRA CLUB, INC.
By: 
Name: 
Its: 

ENERGY EFFICIENT WEST VIRGINIA and WEST VIRGINIA CITIZEN ACTION GROUP
By: 
Name: 
Their: 

WEST VIRGINIA ENERGY USERS GROUP
By: 
Name: 
Its: 

{R1457421:1}
STAFF OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

By: ________________________________
Name: ______________________________
Its: ________________________________

CONSUMER ADVOCATE DIVISION OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

By: Heather Osborn / sep
Name: Heather Osborn
Its: Counsel

SIERRA CLUB, INC.

By: ________________________________
Name: ______________________________
Its: ________________________________

ENERGY EFFICIENT WEST VIRGINIA and WEST VIRGINIA CITIZEN ACTION GROUP

By: Susan Stevens Miller / sep
Name: Susan Stevens Miller
Their: Counsel

WEST VIRGINIA ENERGY USERS GROUP

By: ________________________________
Name: ______________________________
Its: ________________________________
CONSUMER ADVOCATE DIVISION OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

By: __________________________________________________________
Name: _______________________________________________________
Its: _________________________________________________________

SIERRA CLUB, INC.

By: [Signature]
Name: J. Michael Becher
Its: Attorney

ENERGY EFFICIENT WEST VIRGINIA and WEST VIRGINIA CITIZEN ACTION GROUP

By: _________________________________________________________
Name: _______________________________________________________
Their: _______________________________________________________

WEST VIRGINIA ENERGY USERS GROUP

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: ________________________________

SIERRA CLUB, INC.

By: ________________________________
Name: ______________________________
Its: ________________________________

ENERGY EFFICIENT WEST VIRGINIA and WEST VIRGINIA CITIZEN ACTION GROUP

By: ________________________________
Name: ______________________________
Their: ______________________________

WEST VIRGINIA ENERGY USERS GROUP

By: ________________________________
Name: Barry A. Naum
Its: Counsel