Virginia State Corporation Commission
eFiling CASE Document Cover Sheet

Case Number (if already assigned)	PUR-2021-00018
Case Name (if known)	Application of Appalachian Power Company for approval of a rate adjustment clause
Document Type	APLA
Document Description Summary	Application of Appalachian Power Company for approval of a rate adjustment clause (Part 1 of 2)
Total Number of Pages	54
Submission ID	21199
eFiling Date Stamp	3/5/2021 4:18:52PM

AMERICAN ELECTRIC POWER

BOUNDLESS ENERGY

American Electric Power
1051 E Cary Street, Suite 1100
Richmond, Virginia 23219
AEP.com

March 5, 2021

Noelle J. Coates
Senior Counsel - Regulatory Services
(804) 698-5541 (P)
(804) 698-5526 (F)
njcoates@aep.com

By Electronic Filing

The Honorable Bernard J. Logan, Clerk
State Corporation Commission
Document Control Center
1300 East Main Street, First Floor
Richmond, Virginia 23219

Re: **Application of Appalachian Power Company for approval of a rate adjustment clause under Va. Code § 56-585.1 A 4**
Case No. PUR-2021-00018

Dear Mr. Logan:

Attached for filing in the above-referenced case is Appalachian Power Company's Application for approval to implement factors to recover its actual and forecast transmission-related costs through its transmission rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia.

The Company is also filing today under separate cover a Motion for Protective Ruling.

Sincerely,

Noelle J. Coates

Attachment
cc: William H. Chambliss, Esq.
C. Meade Browder, Jr., Esq.

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF

APPALACHIAN POWER COMPANY | Case No. PUR-2021-00018

For Approval of a Rate Adjustment Clause
under Va. Code § 56-585.1 A 4

APPLICATION

March 5, 2021

Noelle J. Coates (VSB #73578)
AMERICAN ELECTRIC POWER SERVICE CORPORATION
3 James Center
1051 East Cary Street, Suite 1100
Richmond, Virginia 23219
Tel: 804-698-5541
njcoates@aep.com

James R. Bacha (VSB #74536)
AMERICAN ELECTRIC POWER SERVICE CORPORATION
1 Riverside Plaza
Columbus, Ohio 43215
Tel: 614-716-1615
jrbacha@aep.com

Counsel for Appalachian Power Company

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF

APPALACHIAN POWER COMPANY Case No. PUR-2021-00018

For Approval of a Rate Adjustment Clause
under Va. Code § 56-585.1 A 4

INDEX

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF

APPALACHIAN POWER COMPANY **Case No. PUR-2021-00018**

**For Approval of a Rate Adjustment Clause
under Va. Code § 56-585.1 A 4**

INDEX

SCHEDULE 46

APPLICATION

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF
APPALACHIAN POWER COMPANY CASE NO. PUR-2021-00018

For Approval of a Rate Adjustment Clause
under Va. Code § 56-585.1 A 4

APPLICATION FOR APPROVAL OF RATE ADJUSTMENT CLAUSE

Pursuant to Va. Code § 56-585.1 A 4 and the Commission's Rules Governing Utility Rate Case Applications and Annual Informational Filings ("Rate Case Rules"), Appalachian Power Company ("Appalachian," "APCo," or the "Company") files this Application for the State Corporation Commission's approval to implement factors to recover its actual and forecast transmission-related costs through its transmission rate adjustment clause ("T-RAC"). By separate motion, the Company is requesting a protective ruling for purposes of expediting disclosure of any confidential information that might be requested in discovery.

I. INTRODUCTION AND BACKGROUND

Appalachian is a Virginia public service corporation serving approximately 535,000 customers in Virginia and maintaining an office at 1051 East Cary Street, Suite 1100, Richmond, Virginia 23219. The Company is an incumbent electric utility as defined in Section 56-576 of the Virginia Electric Utility Regulation Act. The contact information for Appalachian's attorneys is stated at the end of the Application.

Subsection A 4 of § 56-585.1 of the Code of Virginia (the "T-RAC Statute") provides, in relevant parts, that:

> [t]he following costs incurred by the utility shall be deemed reasonable and prudent: (i) costs for transmission services provided to the utility by the regional transmission entity of which the utility is a member, as determined under applicable rates, terms and conditions approved by the Federal Energy Regulatory Commission; ... Upon petition of a utility at

> any time after the expiration or termination of capped rates, but not more than once in any 12-month period, the Commission shall approve a rate adjustment clause under which such costs, including, without limitation, costs for transmission service; charges for new and existing transmission facilities, including costs incurred by the utility to construct, operate, and maintain transmission lines and substations installed in order to provide service to a business park; administrative charges; and ancillary service charges designed to recover transmission costs, shall be recovered on a timely and current basis from customers. Retail rates to recover these costs shall be designed using the appropriate billing determinants in the retail rate schedules.

In 2009, the Commission authorized Appalachian to establish the T-RAC and to recover through it $91.1 million in annual revenue.[1] In 2014, the Commission authorized the Company to recover $134.5 million annually.[2] In 2015, the Commission authorized the Company to recover $213.4 million annually.[3] In the Company's most recent case, decided in 2018, the Commission authorized the Company to recover $225.1 million annually.[4]

In this Application, the Company requests permission to recover a proposed total revenue requirement for the rate year of July 2021 through June 2022 (the "Rate Year") of $337.7 million.

---

[1] Final Order, *Petition of Appalachian Power Company for approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUE-2009-00031, 2009 S.C.C. Ann. Rep. 450 (Oct. 6, 2009).

[2] Final Order, *Application of Appalachian Power Company for approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUE-2013-00111, 2014 S.C.C. Ann. Rep. 322 (March 18, 2014) (the "2014 Order").

[3] Final Order, *Application of Appalachian Power Company for approval of rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUE-2015-00086, 2015 S.C.C. Ann. Rep. 370 (Nov. 4, 2015).

[4] Final Order, *Application of Appalachian Power Company for approval of a rate adjustment clause pursuant to § 56-585.1 A 4 of the Code of Virginia*, Case No. PUR-2017-00164, Doc. Con. Cen. No. 180310010 (Feb. 28, 2018) (the "2018 Order").

The transmission costs sought in this Application fall within the definition of costs deemed reasonable and prudent by the T-RAC Statute, as supported by the testimony of the following witnesses:

- ***Brian J. Frantz,*** Director, Corporate Accounting, for American Electric Power Service Corporation (AEPSC). Mr. Frantz describes the PJM billing to AEP and subsequent allocation to APCo of net costs for transmission services, which supports the calculations for the T-RAC and its cumulative over- or under-recovery balance of $21.6 million, as of January 31, 2021. He also describes the continued use of over/under accounting for the T-RAC.
- ***Michelle M. Howell,*** Director of Transmission Settlements and Investments (AEPSC). Ms. Howell presents the forecasts of the Company's monthly Open Access Transmission Tariff ("OATT") expenses for the period February 2021 through June 2022 and annual OATT expenses for the years 2022 through 2025 and describes the methodologies employed to calculate APCo's total estimated OATT expenses.
- ***Jennifer B. Sebastian***, Regulatory Analysis and Case Manager VA/TN (APCo). Ms. Sebastian calculates the revenue requirement of $337.7 million for the Rate Year and discusses the jurisdictional allocation factors used to allocate the T-RAC revenue requirement to the Virginia retail jurisdiction and the calculation of the proposed T-RAC rates that have been designed to recover the revenue requirement being requested in this filing. Ms. Sebastian also sponsors the proposed T-RAC tariff sheets that were developed to include the transmission element of base rates from the Company's rate schedules and instead collect 100% of transmission revenues through the T-RAC as described in the stipulation[5] reached in Appalachian's 2020 triennial proceeding.[6]

II. THE REQUESTED REVENUE REQUIREMENT, RATE IMPACT AND COST ALLOCATION

With this Application, Appalachian requests a total Virginia jurisdictional transmission annual Rate Year revenue requirement of approximately $337.7 million. As Ms. Sebastian explains, the total revenue requirement consists of the following three components:

---

[5] Partial Stipulation at 3, *Application of Appalachian Power Company for a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia*, Case No. PUR-2020-00015, Doc. Con. Cen. No. 200920023 (filed Sept. 14, 2020) (the "2020 Stipulation").

[6] *Application of Appalachian Power Company for a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia*, Case No. PUR-2020-00015 (filed March 31, 2020) (the "2020 Triennial Proceeding").

a. A forecast Virginia jurisdictional current-period revenue requirement of $287.7 million for the Rate Year, which is based on FERC-approved PJM rates for transmission service that went into effect January 1, 2021;

b. A cumulative Virginia jurisdictional actual under-recovery, or true-up, balance, through January 2021 of $21.6 million; and

c. A forecast Virginia jurisdictional under-recovery amount of $28.4 million for the period February 2021 –June 2021.

The total proposed revenue requirement is an increase of about $122 million from the expected revenue requirement using rates approved in the 2018 Order. If approved by the Commission, the Company's proposed T-RAC rates would increase the monthly bill for a residential customer using 1,000 kWh by $11.52, which would be a 10.9% increase from current rates.

As Company witness Sebastian explains, two components serve as the main drivers contributing to the increase in the cost of service: Network Integration Transmission Service ("NITS") Charges, which increased as part of the annual transmission formula rate update for January 2021; and the decline in expected revenues based on the changes in the Company's billing determinants per the 2020 Triennial Proceeding.

As Ms. Sebastian explains, to recover the proposed revenue requirements, the Company proposes to use the billing determinants that were prepared for the 2020 Triennial Proceeding. Ms. Sebastian adjusted these billing units for the Company's OAD tariff customers that are not subject to the T-RAC rates.

Note that the proposed T-RAC tariff sheets sponsored by Ms. Sebastian were developed to reflect the elimination of the transmission element of base rates from the Company's base rate schedules. Previously, the Company collected transmission costs through a combination of base rates and the T-RAC. As set out in the 2020 Stipulation and as approved by the Commission,[7] the Company will now collect 100% of transmission revenues through the T-RAC as described in the 2020 Stipulation. This change will provide greater transparency and simplicity for Appalachian's customers.

The class cost allocation methodology in this Application replicates the method approved by the Commission in the 2014 Order. The allocators used to develop class revenue requirements have been updated using class allocation factors provided in the 2020 Triennial Proceeding. Consistent with the Company's other rate adjustment clauses and base rates, the Company developed the class demand allocation factors using a six coincident peak methodology and developed the energy allocation factors using annual energy usage by class. The Company did not develop rates for the LGS schedules, which were eliminated in the 2020 Triennial Proceeding.[8]

The Company respectfully requests for billing purposes, a rate effective date for usage on July 1, 2021, or the first day of the month that is at least 15 calendar days following the date of the Commission's order on this Application.

II. COMPLIANCE WITH RATE CASE RULES

As required by the Commission's Rate Case Rule 20VAC5-204-90, the Company provides Schedule 46 with this Application.

- A schedule of all projected and actual costs, by type of cost and year.

---

[7] Final Order at 36, *Application of Appalachian Power Company for a 2020 triennial review of its base rates, terms and conditions pursuant to § 56-585.1 of the Code of Virginia,* Case No. PUR-2020-00015, Doc. Con. Cen. No. 201140127 (Nov. 24, 2020) (the "2020 Triennial Order").

[8] 2020 Stipulation at 3; 2020 Triennial Order at 36.

- The annual revenue requirement over the duration of the proposed rate adjustment clause by year and by class on a total company and Virginia jurisdictional basis, including all supporting calculations and assumptions.[9]
- Detailed information relative to Appalachian's methodology for allocating the revenue requirement among rate classes and the design of class rates.
- The docket or case number and Federal Energy Regulatory Commission ruling approving the wholesale transmission formula, rate, or cost for which the applicant is seeking recovery approval.

Also in compliance with Rule 90, the Company will, within five business days of the application filing date, "provide transaction-level details to facilitate the sampling and audit of such actual costs electronically to the Division to Utility Accounting and Finance in an electronic spreadsheet with all underlying formulas and assumptions."

Pursuant to Rule 20 VAC 5-201-10 J, the Company will serve copies of this Application on local government officials in the Virginia jurisdictions in which the Company provides service, and will serve copies of the Application, testimony and Schedule 46 on the Division of Consumer Counsel of the Office of the Attorney General.

[9] The Company has provided only five years of the annual revenue requirement because it expects to update the T-RAC on an annual basis.

WHEREFORE Appalachian Power Company respectfully requests the Commission grant approval to implement the T-RAC to recover its annual Rate Year revenue requirement of approximately $337.7 million.

Respectfully submitted,

APPALACHIAN POWER COMPANY

By ______________________
Counsel

March 5, 2021

Noelle J. Coates (VSB #73578)
AMERICAN ELECTRIC POWER SERVICE CORPORATION
3 James Center
1051 E Cary St., Suite 1100
Richmond, Virginia 23219
Tel: 804-698-5541
njcoates@aep.com

James R. Bacha (VSB #74536)
AMERICAN ELECTRIC POWER SERVICE CORPORATION
1 Riverside Plaza
Columbus, Ohio 43215
Tel: 614-716-3410
jrbacha@aep.com

Counsel for Appalachian Power Company

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Application of Appalachian Power Company was served by electronic mail on this 5th day of March 2021 to:

William H. Chambliss, Esq.
Office of General Counsel
State Corporation Commission
Tyler Building - 10th Floor
1300 East Main Street
Richmond, VA 23219

C. Meade Browder, Jr., Esq.
Senior Assistant Attorney General
Division of Consumer Counsel
Office of the Attorney General
202 N. 9th Street
Richmond, VA 23219

BRIAN J. FRANTZ
Direct Testimony

APCo Exhibit No. ____
Witness: BJF

DIRECT TESTIMONY OF
BRIAN J. FRANTZ
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018

APCo Exhibit No. ____
Witness: BJF

Summary of Direct Testimony of
BRIAN J. FRANTZ

My direct testimony addresses:

- PJM billings to AEP and subsequent allocations to APCo
- APCo's continued use of over/under accounting for the T-RAC
- The T-RAC's cumulative under-recovery balance of $21.6 million as of January 31, 2021

APCo Exhibit No. ____
Witness: BJF

**DIRECT TESTIMONY OF
BRIAN J. FRANTZ
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018**

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Brian J. Frantz. My business address is 1 Riverside Plaza, Columbus, Ohio 43215. I am currently Director, Corporate Accounting, for American Electric Power Service Corporation (AEPSC), a wholly-owned subsidiary of American Electric Power Company, Inc. (AEP). AEP is the parent company of Appalachian Power Company (APCo or Company).

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I attended Ohio University and received a Bachelor of Business Administration degree, with an emphasis in Accounting in 1999. I have been employed by AEPSC since March 2005, when I was hired as a Staff Accountant in the Wholesale Commodity Accounting group. In May 2010, I was promoted to Supervisor of the Fuel and Contract Accounting group. In August 2013, I was promoted to Administrator of Regulated Accounting. In December 2013, I was promoted to Manager Regulated Accounting where I was responsible for the books and records for four operating companies (Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company and AEP Generating Company). In November 2014, I moved to become Manager Regulated Accounting, where I was responsible for AEPSC, until being promoted to my current position of Director in December 2018. Prior to my employment with AEP, I spent approximately one year in a financial reporting role and five years in various roles in public accounting.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes. I testified before the Corporation Commission of the State of Oklahoma (OCC) in Cause No. PUD 201500208. In addition, I submitted written testimony with the OCC in other causes, and in several dockets with the Public Utility Commission of Texas.

Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS POSITION?

A. I am responsible for AEP's transmission accounting operations and associated internal controls as well as its related external financial report filings with the FERC and the state commissions.

I. <u>PURPOSE</u>

Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING.

A. In my testimony, I describe the PJM billing to AEP and subsequent allocation to APCo of net costs for transmission services which supports the calculations for the Transmission Rate Adjustment Clause Rider (T-RAC) and its cumulative over- or under-recovery balance of $21.6 million, as of January 31, 2021. I also describe the continued use of over/under accounting for the T-RAC.

Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

A. Yes, I am sponsoring the following exhibit:

Schedule 46, Section a(1) – Over/Under Recovery (Actual costs)

II. ACCOUNTING FOR PJM CHARGES AND CREDIT

Q. WOULD YOU PLEASE DESCRIBE THE INVOICES THAT AEP RECEIVES FROM PJM?

A. PJM invoices provide AEP with Billing Line items that detail the charges and credits in accordance with the PJM Open Access Transmission Tariff (PJM OATT). As described by Company witness Howell, PJM applies the tariff rates to the various generation, load, and transmission billing determinants specified in the PJM OATT to determine an amount for each billing line item.

Q. PLEASE DESCRIBE THE TIMING OF THE PJM INVOICES AND EFFECT ON APCO'S GENERAL LEDGER.

A. As the actual month-end PJM invoices are received after APCo's month-end settlement and closing have been completed, an estimate of PJM OATT charges and credits for the current month is recorded based on preliminary information received from PJM. The following month, the estimate is reversed and the actual invoice is recorded.

Q. DOES AEPSC HAVE A PROCESS FOR REVIEWING PJM BILLS AND RESOLVING ANY BILLING DISCREPANCIES?

A. Yes. AEPSC reviews the PJM bills and verifies the calculations using data supplied by PJM that relates to the charges and credits identified on the PJM invoice. In the event of a discrepancy, AEPSC will contact PJM's market settlement operations group. PJM will make any appropriate adjustments to the bill in the current or subsequent month, depending on the timing of when the bill is issued.

Q. HOW ARE THE CHARGES AND CREDITS ALLOCATED TO APCO?

A. Once AEPSC receives the bills from PJM, it performs a monthly settlement process which allocates each PJM charge and credit to the AEP East Operating Companies. Within an operating company, charges are allocated to the load serving entity and/or Off-System Sales. For the purposes of the T-RAC, the charges and credits other than direct bill items are allocated to APCo in accordance with Appendix 1 of the Transmission Agreement approved by the FERC on October 29, 2010 (Docket ER09-1279-000) as shown in Schedule 46, Section a(1). The Transmission Agreement requires allocation of costs using two primary allocators, 12 Coincident Peaks (CPs) and Megawatt Hours (MWhs). PJM Administrative Fees and certain other items are directly billed by PJM to each operating company.

Q. HOW ARE THE JURISDICTIONAL RETAIL CHARGES AND CREDITS DETERMINED?

A. Monthly Virginia retail jurisdictional allocation factors are applied to the charges and credits allocated to APCo to determine the jurisdictional retail amounts to be recovered through the T-RAC. The monthly Virginia retail jurisdictional allocation factors are determined using the same methodology as was used in the Company's last triennial review and T-RAC proceedings.

Q. WILL APCo CONTINUE TO USE OVER/UNDER ACCOUNTING FOR THE EXISTING T-RAC?

A. Yes. To ensure customers pay no more or less than actual costs, APCo will continue to use over/under accounting as approved for the T-RAC.

Q. **PLEASE DESCRIBE THE CURRENT ACCOUNTING THAT APCO USES IN THE T-RAC TO RECORD OVER OR UNDER RECOVERIES.**

A. APCo records any over/under recovery, on a monthly basis, as a debit/credit to Account 566, Miscellaneous Transmission Expense and a corresponding credit/debit to either Account 254, Other Regulatory Liabilities or Account 182.3, Other Regulatory Assets based on the cumulative balance of the T-RAC Regulatory Asset or Liability.

Q. **WHAT IS THE BALANCE OF THE T-RAC OVER OR UNDER RECOVERY?**

A. As of January 31, 2021, APCo has an under-recovery of $21,555,560 in the T-RAC, as shown in Schedule 46, Section a(1).

Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes.

MICHELLE M. HOWELL
Direct Testimony

APCo Exhibit No. ____
Witness: MMH

DIRECT TESTIMONY OF
MICHELLE M. HOWELL
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018

APCo Exhibit No. ____
Witness: MMH

SUMMARY OF DIRECT TESTIMONY OF
MICHELLE M. HOWELL

In my testimony, I

- Present the forecasts of the Company's monthly Open Access Transmission Tariff (OATT) expenses for the period February 2021 through June 2022 and annual OATT expenses for the years 2022 through 2025.
- Describe the methodologies employed to calculate APCo's total estimated OATT expenses.

APCo Exhibit No. ____
Witness: MMH

**DIRECT TESTIMONY OF
MICHELLE M. HOWELL
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Michelle M. Howell. I am Director of Transmission Settlements and Investments for American Electric Power Service Corporation (AEPSC), and my business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. In 2001, I graduated from Ohio Northern University with a Bachelor of Science degree in Business Administration, concentration in Accounting. I earned a Master of Business Administration degree from Ohio University in 2010. In 2007, I completed the New Mexico State Rate Fundamentals Course.

In 2003, I joined AEPSC as an Accountant in the Utility, General, and Regulated Accounting department. I accepted a position in the Regulated Pricing and Analysis department as a Regulatory Analyst II in 2007. In 2012, I was promoted to Regulatory Consultant. I accepted a position as a Financial Analyst Principal in the Transmission Settlements and Investments department in 2013 where I focused on settlements and forecasting in the PJM RTO. In 2016, I became manager of Transmission Business Policy and Strategy. My primary responsibilities were Transmission labor budgeting and variance reporting, O&M budgeting and Transmission financial reporting. I accepted my current position as Director – Transmission Settlements and Investments in January 2021.

Prior to joining AEPSC, I was employed as a consultant by PricewaterhouseCoopers, L.L.P and IBM Corp. I provided consulting services to the Defense Finance Accounting Service –

Columbus Center in Columbus, Ohio and the Drug Enforcement Administration in Arlington, Virginia.

I am responsible for overseeing the forecasting of transmission revenue and expenses, Regional Transmission Organization (RTO) transmission settlements reconciliations, and other third party transmission settlement activities. I also review actuals as compared to the forecast.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS BEFORE ANY REGULATORY COMMISSION?

A. Yes. I submitted testimony on behalf of Indiana Michigan Power Company before the Michigan Public Service Commission in support of revenue allocation and rate design and the Indiana Utility Regulatory Commission in support of rider rate design.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

- Present the forecasts of the Company's monthly Open Access Transmission Tariff (OATT) expenses for the period February 2021 through June 2022 and annual OATT expenses for the years 2022 through 2025.
- Describe the methodologies employed to calculate APCo's total estimated OATT expenses.

Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?

A. I am sponsoring the following schedules:

- Schedule 46, Section 1(a), Statement 3 – Calculation of PJM Charges
- Schedule 46, Section 1(a), Statement 4 – PJM RTEP
- Schedule 46, Section 1(a), Statement 5 – PJM Admin Fees
- Schedule 46, Section 1(a), Statement 6 – RTO & ECRC

I am co-sponsoring the following schedules:

- Schedule 46, Section 1(a), Statement 2 – Cost of Service
- Schedule 46, Section 1(a), Statement 7 – Updated Cost Calculation
- Schedule 46, Section 1(a), Statement 8 – Forecasted 2022 – 2025

Q. PLEASE DESCRIBE THE OATT CHARGES AND CREDITS INCLUDED IN THE 2021 TRANSMISSION RATE ADJUSTMENT CLAUSE.

A. Charges and credits which constitute APCo's OATT expenses are:

1. Network Integration Transmission Service (NITS);
2. Firm and Non-Firm Point-to-Point (PTP) Transmission Credits;
3. Schedule 1A Ancillary Service Charges;
4. PJM Transmission Enhancement Charges;
5. PJM Administration Charges; and
6. RTO Start-up Cost Recovery Charges (SCRC).

Q. PLEASE PROVIDE A GENERAL DESCRIPTION OF THE OATT CHARGES AND CREDITS AND THE METHODOLOGIES UTILIZED IN THE DEVELOPMENT OF APCO'S FORECASTED OATT EXPENSES FOR THE PERIOD FEBRUARY 1, 2021 THROUGH JUNE 30, 2022.

A. A discussion of the specific methodologies and assumptions used in the calculation of each of these items by category follows.

<u>NETWORK INTEGRATED TRANSMISSION SERVICE</u>

<u>(Schedule 46, Section 1(a), Statement 3)</u>

Q. WHAT ARE NETWORK INTEGRATED TRANSMISSION SERVICE CHARGES?

A. Network Integrated Transmission Service (NITS) are wholesale transmission expenses allocated to APCo for the Company's use of the AEP transmission system in PJM.

Additionally, APCo incurs additional nonaffiliated charges related to transmission facilities of AEP zonal customer that have been integrated into the operations of the Transmission Provider- PJM. PJM allocates a portion of the total costs required to provide reliable network transmission service to each load serving entity (LSE) in the AEP transmission zone. As an LSE, AEP is allocated a portion of the NITS costs, which it further allocates to its operating companies.

The AEP East Companies' charges are computed by applying the zonal NITS rate to the total AEP LSE Network Service Peak Load (NSPL) of the prior calendar year, coincident with the prior calendar year NSPL of the entire AEP zone. The NITS rates are calculated using the formula rates specified in Attachments H-14, H-20 and H-32A of the PJM OATT. The NITS rates are updated annually effective January 1. Pursuant to Appendix 1 of the Transmission Agreement, approved by the Federal Energy Regulatory Commission (FERC) on October 29, 2010, (FERC Docket No. ER09-1279-000), the NITS charges incurred by the AEP East Companies to serve load in the AEP Zone of PJM are further allocated to APCo based on its contribution to the AEP LSE average 12 month coincident peak (12CP) transmission load through October 31 of the prior year.

Q. HOW WAS THE PROJECTION OF NITS EXPENSES DEVELOPED?

A. To forecast the NITS expenses beyond the effective period of the FERC approved billing determinants, transmission revenue requirement projections are forecasted. Load forecasts received from AEP's Economic Forecasting group are used to estimate future peak loads. The 2021 projected NITS rates are held consistent through the rate year. The NITS rate is applied to the prior year collective NSPL of the AEP East Operating Companies to project

NITS charges. The NITS charges are then allocated to APCo based on its projected 12CP load share.

<u>**FIRM AND NON-FIRM POINT-TO-POINT TRANSMISSION CREDITS**</u>

(Schedule 46, Section 1(a), Statement 3)

Q. WHAT ARE FIRM AND NON-FIRM POINT-TO-POINT (PTP) TRANSMISSION CREDITS?

A. Each month, PJM allocates Firm PTP transmission service revenues to the various PJM Transmission Zones, proportionate to the revenue requirements for NITS in each zone. Non-Firm PTP is allocated proportionately to the monthly demand charges. PJM further allocates the AEP Zone share of PJM PTP revenues directly to AEP and other NITS customers in the AEP Zone. APCo is then allocated a portion of AEP's PTP credits based on its 12CP load share.

Q. HOW DID YOU FORECAST FIRM AND NON-FIRM PTP TRANSMISSION CREDITS?

A. PTP transmission credits for 2021 are forecasted using the latest available actual credits appearing on the PJM Settlement statement based on recent transmission service reservations. These same monthly numbers were also held constant as a reasonable forecast for years beyond 2021 because demand for PTP transmission reservations is less reasonably predictable over the long term.

<u>**SCHEDULE 1A ANCILLARY SERVICE CHARGES**</u>

(Schedule 46, Section 1(a), Statement 3)

Q. WHAT ARE SCHEDULE 1A ANCILLARY SERVICE CHARGES?

A. These are charges AEP paid to PJM for transmission scheduling and dispatch services provided by AEP East Operating Companies and AEP East Transmission Companies. PJM

OATT Schedule 1A includes a rate, specified in $/MWh, for Scheduling, System Control and Dispatch Service provided by PJM Transmission Owners in each PJM Zone. The rate for that service is updated annually with the FERC formula rate filing.

Q. HOW WAS THE PROJECTION OF SCHEDULE 1A ANCILLARY SERVICE CHARGES DEVELOPED?

A. A forecasted Schedule 1A rate was developed based on forecasted scheduling and dispatching services costs for AEP East Operating Companies and AEP East Transmission Companies. To forecast APCo's Schedule 1A charge for July 1, 2021 through June 30, 2022, the forecasted Schedule 1A rate for AEP East Operating Companies plus the forecasted Schedule 1A rate for AEP East Transmission Companies is multiplied by the total AEP LSE energy (MWh) forecasted for each calendar year to derive the total AEP Schedule 1A charge. APCo's share of the total AEP Schedule 1A charge is calculated by applying the forecasted Schedule 1A rate to APCo's share of the forecasted load.

PJM TRANSMISSION ENHANCEMENT CHARGES

(Schedule 46, Section 1(a), Statement 4)

Q. WHAT ARE PJM TRANSMISSION ENHANCEMENT CHARGES?

A. The Transmission Enhancement expenses are paid by AEP to PJM to help fund investment in extra-high voltage transmission projects that are determined to be needed to maintain reliability throughout the entire PJM footprint (regional projects). The costs resulting from Regional Projects are allocated to the PJM Zones that are deemed to benefit from each project. The cost responsibility allocated to each zone for all Regional Transmission Expansion Plan (RTEP) projects is charged to NITS customers based on their respective NSPL shares. AEP then allocates a portion of its assigned transmission enhancement costs of the AEP LSE to APCo based on its 12CP load share.

Q. HOW WAS THE PROJECTION OF PJM TRANSMISSION ENHANCEMENT CHARGES DEVELOPED?

A. The latest transmission project information published by PJM is used to estimate transmission revenue requirements for regional projects with costs approved to be allocated to the AEP Zone. The latest FERC approved PJM regional cost allocation policy, at the time of the forecast, is used to estimate the portion of each project that can be expected to be allocated to the AEP Zone for the period 2021 -2025. Of the total forecasted AEP LSE Transmission Enhancement charge, APCo is allocated a percentage based on its forecasted share of the average 12CP. The forecast also reflects the cost allocation settlement approved by FERC (Docket No. EL05-121-009) on May 31, 2018.

PJM ADMINISTRATIVE CHARGES

(Schedule 46, Section 1(a), Statement 5)

Q. WHAT ARE PJM ADMINISTRATIVE CHARGES?

A. PJM charges each market participant on a monthly basis a number of fees to recover its operating and administration costs. PJM also charges fees to transmission customers and other market participants to fund the operation of the FERC and certain other organizations that are involved in management of transmission reliability and regulation. These fees are defined in PJM OATT Schedules 9 and 10 and are approved by the FERC. Administrative costs incurred by the PJM RTO are passed on to member LSEs and generation owners through an energy based rate ($/MWh). PJM directly assigns the Administrative charges to the operating companies based on usage.

Q. **HOW WAS THE PROJECTION OF PJM ADMINISTRATIVE CHARGES DEVELOPED?**

A. The available projected administrative fee stated rate information for 2020 - 2023 released by PJM is used to project charges for the entire forecast period. Historical actual charges were adjusted proportionally using the projected stated rates for 2020 - 2023. An annual estimated growth rate of 1.5% is applied for the period 2024 – 2025. APCo's projected share of the total PJM administrative charge is determined by APCo's historical expense allocation.

RTO START-UP COST RECOVERY CHARGES

(Schedule 46, Section 1(a), Statement 6)

Q. **WHAT ARE RTO START-UP COST RECOVERY CHARGES?**

A. The RTO Start-Up Cost Recovery Charges (SCRC) recover the AEP East Companies' direct costs for RTO development and start-up. The charge is only billed to customers in the AEP Zone in PJM. The SCRC rate collects the costs associated with the AEP East Operating Companies joining PJM and FERC-approved carrying costs over a fifteen-year amortization period, which ended in May 2020.

Q. **HOW WAS THE PROJECTION OF RTO START-UP COST RECOVERY CHARGES DEVELOPED?**

A. The amortization period ended in May 2020 and, therefore, there are zero costs in this account for the remainder of 2020, 2021-2025.

Default Fees

Q. **WHAT ARE THE DEFAULT ALLOCATION ASSESSMENTS?**

A. Default allocation assessments result in charges that occur when PJM has uncollectible accounts; these amounts are allocated under Section 15.2 of the PJM operating agreement.

When PJM allocates such costs to AEP, recovery of APCo's share of those costs allocated to the Virginia jurisdiction through the T-RAC is appropriate. However, because these charges are infrequent and unpredictable, the Company did not include such costs related to default allocation charges within the forecast of the Cost of Service.

Q. HOW WERE THESE OATT COSTS INCLUDED IN APCO'S PROJECTED COST OF SERVICE?

A. The OATT costs are incorporated in the development of the Cost of Service as described by Company witness Sebastian.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

JENNIFER B. SEBASTIAN
Direct Testimony

APCo Exhibit No. ____
Witness: JBS

DIRECT TESTIMONY OF
JENNIFER B. SEBASTIAN
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018

APCo Exhibit No. ____
Witness: JBS

SUMMARY OF DIRECT TESTIMONY OF
JENNIFER B. SEBASTIAN

In my testimony, I

- Calculate a revenue requirement of $337.7 million for the rate year of July 2021 through June 2022 (Rate Year) comprised of the following three components:

    a. A forecast Virginia jurisdictional current-period (Current) revenue requirement of $287.7 million for the Rate Year. The revenue requirement is based on FERC-approved PJM rates for transmission service that went into effect January 1, 2021.
    b. A cumulative Virginia jurisdictional actual under-recovery balance, through January 2021 (the True-up) of $21.6 million.
    c. A forecast Virginia jurisdictional under-recovery amount of $28.4 million for the period February 2021 –June 2021 (Update).

- Discuss the jurisdictional allocation factors used to allocate the T-RAC revenue requirement to the Virginia retail jurisdiction and the calculation of the proposed T-RAC rates that have been designed to recover the revenue requirement being requested in this filing.
- Sponsor the proposed T-RAC tariff sheets that have been developed to include the transmission element of base rates from the Company's rate schedules and instead collect 100% of transmission revenues through the T-RAC as described in the stipulation reached regarding terms and conditions with participants in Case No. PUR-2020-00015 (the 2020 Triennial Proceeding).

APCo Exhibit No. ____
Witness: JBS

DIRECT TESTIMONY OF
JENNIFER B. SEBASTIAN
FOR APPALACHIAN POWER COMPANY
IN VIRGINIA S.C.C. CASE NO. PUR-2021-00018

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Jennifer B. Sebastian. My business address is Three James Center, Suite 1100, 1051 East Cary Street Richmond, Virginia 23219. I am employed by APCo as Regulatory Analysis and Case Manager VA/TN.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received my Bachelor of Science degree in Economics from St. Bonaventure University in 1991. In 1991, my professional career began as a Research Assistant for Moody's Investors Services in New York, New York. In 1994, I accepted the position of Cash Management Analyst at Resource Mortgage Capital, Inc. located in Glen Allen, Virginia. I was primarily responsible for the daily reconciliation of cash accounts and daily borrowing activity for the real estate investment trust. In 1996, I accepted the position of Cash Manager for the mortgage operating division which was later sold to Dominion Capital, Inc. In 1999, I was promoted to Assistant Treasurer where my primary duties included bank facility negotiation, documentation, and bank facility compliance. In 2001, I assisted in the treasury responsibilities necessary for the mortgage operating division to become a publicly traded corporation. In 2002, I was promoted to Treasurer of Saxon Capital, Inc. and was accountable for liquidity reporting, cash forecasting, treasury controls, corporate capital requirements and cash account reconciliations. In 2008, Saxon Capital was acquired and as a result, I oversaw the treasury activities necessary to facilitate this transition. In 2008, I accepted the position of Regulatory

Consultant with the Company. In 2018, I was promoted to Regulatory Consultant Staff VA/TN. In 2020, I was promoted to Regulatory Case Manager – APCo, my current position.

Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY?

A. My principal areas of responsibility include implementing approved rates and coordinating new rate designs, quantitative analysis of regulatory matters, preparation of specific Commission case filings, and investigation of regulatory matters.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS BEFORE ANY REGULATORY COMMISSION?

A. Yes. Since 2011, I have testified on behalf of APCo in numerous Virginia base rate and rate adjustment clause cases.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

- Calculate a revenue requirement of $337.7 million for the rate year of July 2021 through June 2022 (Rate Year).
- Discuss the jurisdictional allocation factors used to allocate the T-RAC revenue requirement to the Virginia retail jurisdiction and the calculation of the proposed T-RAC rates that have been designed to recover the revenue requirement being requested in this filing.
- Sponsor the proposed T-RAC tariff sheets that have been developed to include the transmission element of base rates from the Company's rate schedules and instead collect 100% of transmission revenues through the T-RAC as described in the 2020 Triennial Stipulation.

Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

- APCo Exhibit No. ___ (JBS) Schedule 1 T-RAC Riders effective July 1, 2021
- APCo Exhibit No. ___ (JBS) Schedule 2 Typical Bill Comparison

Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?

- <u>Schedule 46 Section a (1), Statement 1</u>–Cost of Service Summary

210230230

- <u>Schedule 46 Section a (3)</u> - Annual revenue requirement over a five year period by year and by class
- <u>Schedule 46 Section a (4)</u> - Methodology for allocating the revenue requirement among rate classes and the design of class rates

I am co-sponsoring the following schedules:

- Schedule 46, Section 1(a), Statement 2 – Cost of Service
- Schedule 46, Section 1(a), Statement 7 – Updated Cost Calculation
- Schedule 46, Section 1(a), Statement 8 – Forecasted 2022 – 2025

Q. WHAT IS THE BACKGROUND OF THE COMPANY'S RECENT TRANSMISSION RECOVERY?

A. The Company received approval to establish a transmission rate adjustment clause pursuant to §56-585.1 A 4 in Case No. PUE-2009-00031. In that case, the Company was authorized to recover $91.1 million in annual revenue. In Case No. PUE-2013-00111, the Company received authorization to recover $134.5 million annually. In Case No. PUE-2015-00086, the Commission authorized the Company to recover $213.4 million annually. The increase was designed to recover current ongoing annual costs of $159.8 million, and $71.5 million of unrecovered costs that had accrued since 2013. In the Company's most recent case, Case No. PUR-2017-00164, the Commission authorized the Company to recover $225.1 million annually. This revenue requirement had been adjusted by the Company during the course of that proceeding to include the estimated impact of the Tax Cuts and Jobs Act.

Q. ARE THERE ANY CHANGES TO THE METHODOLOGY OR THE INTRODUCTION OF NEW COST COMPONENTS IN THIS CASE COMPARED TO THE COMPANY'S LAST T-RAC FILING?

A. Although the Company is following the same methodology and including the same cost components approved in prior cases, it should be noted that the AMP Transmission LLC Formula Rates (Attachment H-32A) were accepted by FERC in 2019. AEP filed Network Integrated Transmission Service (NITS) at PJM for the AEP Zone to be in effect in January 2021.

Q. SINCE THE COMPANY'S LAST FILING, WHAT HAS BEEN THE COMPANY'S ACTUAL RECOVERY AND COSTS?

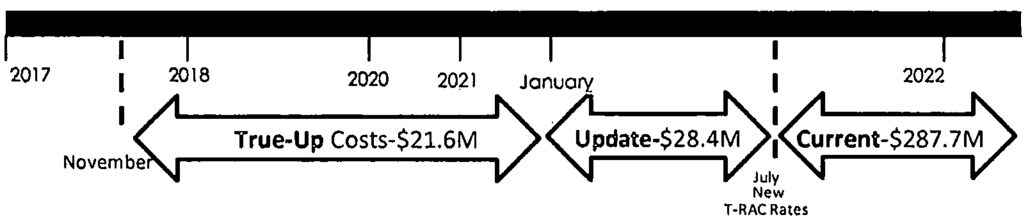
A. Since the Company's T-RAC rates went into effect in April 2018, for the period November 2017 through January 2021, the Company has collected $712.3 million in revenues and incurred expenses of $695.1 million. As a result, the Company has been able to reduce the October 2017 $38.8 million under-recovery balance by approximately $17.2 million. The Company expects, as a result of new FERC Transmission rates becoming effective in January 2021, to incur rate year costs of $287.7 million while collecting approximately $216.1 million in revenues. Additionally the Company's under-recovery balance is estimated to increase from $21.6 million at the end of January 2021 to $50.0 million at the end of June 2021.

I. <u>FORMULA REVENUE REQUIREMENT MECHANISM</u>

Q. WHAT ARE THE ELEMENTS OF RECOVERY TO BE CONSIDERED BY THE COMMISSION?

A. As has been established in the prior cases of both the Company and Virginia Electric and Power Company, and as detailed in the Company's Application,Va. Code § 56-585.1 A 4 provides dollar for dollar recovery of T-RAC costs. As the T-RAC protects both the customer and the Company from over-payment or under-recovery, the Company is including two pre-rate year components in the T-RAC revenue requirement computation: (1) the true-up between actual expense and actual revenue collections from November 2017 through January 2021 as recorded per the Company's books (True-Up Period of Subsection A-4 Costs); and (2) a comparison between the expected FERC costs incurred and expected transmission revenue collections to be received for the period Februrary 1, 2021 until the expected T-RAC implementation (Update Period-February 1, 2021 through June 30, 2021). The Company requests that the Commission approve recovery of the costs related to the two true up periods described above, in addition to the T-RAC "Rate Year" (Current Period Sub-Section A-4 Costs). This approach is consistent with the regulatory treatment in Dominion's T-RAC cases, the Company's most recent T-RAC case, and the Company's fuel cases. The True-Up Period commences on November 1, 2017 (the first month of the Update Period in Case No. PUR-2017-00164). A diagram showing each of these components is provided below:

Components of T-RAC Revenue Requirement



M=(In Millions)

Q. PLEASE IDENTIFY THE REVENUE REQUIREMENT APPROVED IN THE LAST CASE AND COMPARE THAT TO THE REVENUE REQUIREMENT IN SCHEDULE 46 (a1), STATEMENT 1.

	PUR-2017-00164 (Rebuttal Testimony)	Revenue Requirement Schedule 46 Section a(1) Statement 1
(A) True-Up Component	$33.6 million	$ 21.6 million
(B) Update Component	($12.6) million	$28.4 million
(C) Current Rate Year Cost Component	$ 204.1 million	$287.7 million
Total T-RAC Revenue Requirement	$225.1 million	$337.7 million

Q. WHAT IS THE TRUE-UP PERIOD COMPONENT?

A. I used the January 2021 cumulative under recovery position of $21.6 million provided to me by Company witness Frantz. Mr. Frantz provides the detail to support the formulation of this cumulative under recovery position.

Q. HOW DID YOU DETERMINE THE CURRENT PERIOD COMPONENT?

A. The Current Revenue Requirement Component can be broken down into four categories: NITS & 1A costs and Point to Point Transmission Service Credits (Schedule 46, Section a(1), Statement 3, page 1), RTEP Costs (Schedule 46, Section a(1), Statement 4 pages 1 - 13), PJM RTO Administration Costs (Schedule 46, Section a(1), Statement 5, page 1), and ECRC and RTO Formation Costs (Schedule 46, Section a(1), Statement 6, page 1). I received the projection of these costs from Company witness Howell.

Q. WHICH PJM-RELATED ITEMS WERE ALLOCATED TO THE VIRGINIA JURISDICTION ON DEMAND?

A. NITS Costs were allocated to the Virginia jurisdiction on demand as those costs are billed to AEP on a demand basis. Point-to-Point Transmission Service Credits are revenues allocated to AEP in proportion to the AEP NSPL, so I allocated them to the jurisdiction on a demand basis. PJM Transmission Enhancement Charges are associated with capital construction projects and are therefore allocated to the jurisdiction on a demand basis. PJM Administrative Charges were allocated on a production demand basis for the Rate Year as a reasonable means to reflect cost causation. I used the Company's December 2020 12-month demand study to perform these allocations. The allocation of these costs to the Virginia jurisdiction can be found on Schedule 46, Section a(1), Statement 2, page 1.

Q. WHICH PJM-RELATED ITEMS WERE ALLOCATED ON ENERGY?

A. The Ancillary Service Schedule 1A Charges were allocated on an energy basis because those costs are billed to AEP on an energy basis.

Q. WHAT IS THE VIRGINIA JURISDICTIONAL AMOUNT OF PJM-RELATED "CURRENT" TRANSMISSION COSTS INCLUDED IN THIS FILING?

A. The Virginia jurisdictional transmission cost is approximately $287.7 million and is shown on Schedule 46, Section a(1), Statement 2, page 1.

Q. CAN YOU PROVIDE A BRIEF EXPLANATION OF THE MAIN DRIVERS CONTRIBUTING TO AN INCREASE IN THE TOTAL REQUESTED REVENUE REQUIREMENT IN THIS CASE?

A. Yes, two components serve as the main drivers contributing to the increase in the cost of service. The two components are the Network Integration Transmission Service Charges and the decline in expected revenues based on the changes in the Company's billing determinants. As presented in the table below, 2021 NITS service charges have increased as part of the annual transmission formula rate update for January 2021.

Anticipated revenues using the Company's 2020 Triennial Proceeding billing determinants have decreased.

Select Virginia jurisdictional Tranmission Costs & Revenues

	PUR-2017-00064 Level in 2017 Approved Cost of Service*	PUR-2021-00018 Proposed Current Cost of Service*	% Change of Current levels relative to Approved Levels
Network Integration Transmission Service Charges	$ 173,266	$ 263,485	52%
Estimated Revenues based on respective case billing determinants	$ 225,109	$ 216,109	-4%

*In thousands

Q. HOW DID YOU DETERMINE THE UPDATE PERIOD COMPONENT EXPENSES FOR THE T-RAC?

A. I used the same methodology described above to forecast all T-RAC charges for the Update period as I did for the Current period. Both the development of Company transmission charges and allocation of transmission charges to the Virginia jurisdiction employed the same methodology as used for the development of Current transmission revenue requirement. The calculation of the Company's Virginia jurisdictional T-RAC Expenses on a monthly basis can be found on Schedule 46, Section a(1), Statement 7 page 1-Line 36 (A).

Q. HOW DID YOU DETERMINE THE COMPANY'S VIRGINIA T-RAC RIDER REVENUE RECOVERY FOR THE UPDATE PERIOD?

A. I obtained the monthly Virginia retail demand and energy billing determinants by rate schedule using the determinants provided in the 2020 Triennial Proceeding. I then obtained the transmission rates for each rate schedule from the Company's Standard Tariff 25 and the transmission rates by schedule for the T-RAC Rider. I was able to calculate each rate schedule's monthly transmission revenue recovery by utilizing the billing determinants mentioned above. The summation of these rate schedule revenues (adjusted to exclude Open Access Distribution customers who do not pay T-RAC rider rates) on a monthly basis can be found in Schedule 46, Section a(1), Statement 7 page 1-Line 37 (A).

Q. WHAT IS THE UPDATE PERIOD REVENUE REQUIREMENT THAT IS CALCULATED AS A RESULT OF DEVELOPING BOTH VIRGINIA JURISDICTIONAL TRANSMISSION COSTS AND REVENUES FOR THE PERIOD FEBRUARY 2021 THROUGH JUNE 2021?

A. The difference between Schedule 46, Section a(1), Statement 7 page 1-Line 36 (A) and Schedule 46, Section a(1), Statement 7 page 1-Line 37 (A); produce an under-recovery for the Company of $28.4 million. The Company is requesting to include this "Update Period" amount in the Company Total Section A-4 Cost of Service of $337.7 million which can be found on Schedule 46, Section a(1), Statement 1, page 1-Line 14.

Q. PLEASE DESCRIBE THE ALLOCATION OF THE VIRGINIA JURISDICTIONAL COSTS TO THE CUSTOMER CLASSES.

A. The class cost allocation methodology replicates the method approved by the Commission in Case No. PUE-2013-00111. The allocators and billing determinants used to develop class revenue requirements have been updated using the 2020 Triennial Proceeding billing determinants. Consistent with the Company's other RACs and base rates, the class demand allocation factors were developed using a six coincident peak methodology. The energy allocation factors were developed using annual energy usage by class.

The class allocation factors are shown in Schedule 46, Section a(4), Statement 1. For each class, the demand- and energy-related costs are summed to derive the total class revenue requirement. In accordance with the Stipulation in Case No. PUR-2020-00015, the Company did not develop rates for the eliminated LGS schedules.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE CURRENT T-RAC RATE DESIGN?

A. No.

Q. WHAT BILLING DETERMINANTS DOES THE COMPANY PROPOSE TO USE FOR RATE DESIGN PURPOSES?

A. As discussed previously in my testimony, the Company proposes to use the billing determinants that were prepared for the 2020 Triennial Proceeding. These billing units have been adjusted for the Company's OAD tariff customers that do not pay the Standard Retail Tariff T-RAC rates.

Q. HOW DOES THE COMPANY PROPOSE TO COLLECT THE PROPOSED T-RAC ANNUAL REVENUE REQUIREMENT?

A. Since its second T-RAC filing in 2013, the Company has sought transmission recovery through a combination of: (a) the transmission charges previously combined in base rates as a result of the 2011 Biennial Review; and (b) the T-RAC, which recovers the difference between the Company's total transmission costs and the amount recovered through the base rate transmission charges. As described in the Stipulation in the 2020 Triennial Proceeding, the Company is proposing to eliminate the transmission element of base rates from the Company's rate schedules and instead collect 100% of transmission revenues through the T-RAC. This will provide greater transparency and simplicity for both customers and the Company by making it easier to identify the functional charges of generation, transmission and distribution. As a result of the proposal, only the generation and distribution charges appear on the Company's base rate schedules. To demonstrate this, I am providing Schedule 46, Section a(4), Statement 5, which shows that the T-RAC would simply consist of the T-RAC rates in effect at any given time inclusive of the transmission rates currently reflected in base rates. The transmission charges of $337.7 million would be easily located in the T-RAC rider revenue requirement.

Q. IF APPROVED, WHAT IS THE IMPACT ON A TYPICAL RESIDENTIAL CUSTOMER'S BILL?

A. If approved by the Commission, the Company's proposed rates would increase the monthly bill for a residential customer using 1,000 kWh by $11.52, which would be a 10.9% increase from the January 2021 typical bill.

Q. IF APPROVED, WHEN DOES THE COMPANY PROPOSE THE RATES GO INTO EFFECT?

A. The Company respectfully requests for billing purposes, a rate effective date for usage on July 1, 2021, or the first day of the month that is at least 15 calendar days following the date of any Order of the Commission.

Q. DO YOU HAVE ANY COMMENTS ABOUT THE COMPANY'S FUTURE TRANSMISSION RATE ADJUSTMENT CLAUSE FILINGS?

A. Yes, to the extent possible, and when appropriate, the Company would seek to file subject to a timeframe that would allow the T-RAC Rider rates to go in effect on or around the time that the companies' PJM OATT rates go into effect (January 1).

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Schedule 1 –
T-RAC Riders effective July 1, 2021

First Revision
Sheet No. 53

APPALACHIAN POWER COMPANY

VA. S.C.C. TARIFF NO. 26

RIDER T-R.A.C.
(Transmission Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

The Transmission Rate Adjustment Clause Rider (T-RAC) will be applied on a service rendered basis to all standard customer bills under the applicable Standard Schedules or special contracts. The T-RAC shall be calculated by multiplying the kWhs of energy and kWs of demand by the rates below.

Appalachian Power Company				
Summary of Demand and Energy Rates				
	Energy T-RAC per kWh		Demand T-RAC per kW	T-RAC Per Off-Peak Excess kW
Residential (011,012,013,014,015,019,020,051,054)	$0.03155~~2003~~			
Residential – TOD or TOU (030,031,032,036)	On-Peak: $0.07189~~4609~~			
	Off-Peak: $0.00522~~329~~			
SWS (222)	$0.03747~~2431~~			
SGS - (231,233,234,213,281)	$0.02589~~1647~~			
SGS - LMTOD (225,226)	On-Peak: $0.05308~~3257~~			
	Off- Peak:$0.00462~~303~~			
MGS - Secondary (215)	$0.01788~~1314~~		$~~0.96~~1.85	$0.52~~37~~
GS-TOD Secondary (229,230)	On-Peak: $0.05092~~2634~~			
	Off-Peak: $0.004~~56~~49			
MGS - Primary (217)	$0.01~~267~~705		$~~0.93~~1.79	$0.~~36~~50
GS-TOD Primary (227)	On-Peak: $0.0~~2540~~4856			
	Off-Peak: $0.004~~40~~28			
MGS - Subtransmission (236)	$0.01~~255~~698		$~~0.92~~1.78	$0.~~36~~50
MGS - Transmission (239)	$0.01~~236~~670		$~~0.91~~1.75	$0.~~35~~49
GS-Secondary (261)	Block 1 $0.01~~314~~788		$~~0.96~~1.85	$0.~~37~~52
	Block 2 $0.0~~0434~~1308			
GS-Primary (263)	Block 1 $0.01~~267~~705		$~~0.93~~1.79	$0.~~36~~50
	Block 2 $0.0~~0418~~1247			
GS-Subtransmission (265)	Block 1 $0.01~~255~~698		$~~0.92~~1.78	$0.~~36~~50
	Block 2 $0.0~~0414~~1242			
GS-Transmission (267)	Block 1 $0.01670~~1236~~		$~~0.91~~1.75	$0.~~35~~49
	Block 2 $0.~~00408~~01222			
LGS – TOD Secondary (337)	On-Peak $0.0~~2653~~5092			
	Off-Peak $0.00~~241~~449			
LGS – TOD Primary (339)	On-Peak $0.0~~2540~~4856			
	Off-Peak $0.004~~40~~28			
LPS - Secondary (302)	$0.000~~66~~14		$~~5.61~~8.77	$0.~~57~~88
LPS - Primary (306)	$0.000~~64~~13		$~~5.46~~8.50	$0.~~56~~85
LPS - Subtransmission (308) (309)	$0.000~~63~~13		$~~5.38~~8.44	$0.~~55~~85
LPS - Transmission (310)	$0.000~~62~~13		$~~5.30~~8.31	$0.~~54~~83
OL (093 to 143)	$0.00~~400~~558			

Issued:
Pursuant to Final Order
Dated:
Case No. PUR-2021-00018

Effective: July X, 2021

First Revision
Sheet No. 53F

APPALACHIAN POWER COMPANY

VA. S.C.C. TARIFF NO. 2~~6~~5

RIDER F.O.A.D-T-R.A.C.
(FRR Open Access Distribution Service - Transmission Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

The FRR Open Access Distribution Service Transmission Rate Adjustment Clause Rider (F.O.A.D.-T-RAC) will be applied on a service rendered basis to all standard customer bills under the applicable FRR Open Access Distribution Service or Standard Schedules or special contracts. The F.O.A.D.-T-RAC shall be calculated by multiplying the kWhs of energy and kWs of demand by the rates below.

Appalachian Power Company				
Summary of Demand and Energy Rates				
	Energy T-RAC per kWh		Demand T-RAC per kW	T-RAC Per Off-Peak Excess kW
SGS - (231F,233F,234F,213F,281F)	$0.0~~1647~~2589			
MGS - Secondary (215F)	$0.01~~314~~788		$~~0.96~~1.85	$0.~~37~~52
MGS - Primary (217F)	$0.01~~267~~705		$~~0.93~~1.79	$0.~~36~~50
MGS - Subtransmission (236F)	$0.01~~255~~698		$~~0.92~~1.78	$0.~~36~~50
MGS - Transmission (239F)	$0.01~~236~~670		$~~0.91~~1.75	$0.~~35~~49
GS-Secondary (261F)	Block 1 $0.01~~314~~788		$~~0.96~~1.85	$0.~~37~~52
	Block 2 $0.0~~0434~~1308			
GS-Primary (263F)	Block 1 $0.01~~267~~705		$~~0.93~~1.79	$0.~~36~~50
	Block 2 $0.0~~041~~1247~~8~~			
GS-Subtransmission (265F)	Block 1 $0.01~~255~~698		$1.78~~0.92~~	$0.~~36~~50
	Block 2 $0.0~~0414~~1242			
GS-Transmission (267F)	Block 1 $0.01~~236~~670		$~~0.91~~1.75	$0.~~35~~49
	Block 2 $0.0~~0408~~1222			
LPS - Secondary (302F)	$0.0006~~66~~14		$~~5.61~~8.77	$0.~~57~~88
LPS - Primary (306F)	$0.0006~~64~~13		$~~5.46~~8.50	$0.~~56~~85
LPS - Subtransmission (308F) (309F)	$0.0006~~63~~13		$~~5.38~~8.44	$0.~~55~~85
LPS - Transmission (310F)	$0.0006~~62~~13		$~~5.30~~8.31	$0.~~54~~83

Issued:
Pursuant to Final Order
Dated:
Case No. PUR-2021-00018

Effective: July X, 202~~1~~

First Revision
Sheet No. 53

APPALACHIAN POWER COMPANY

VA. S.C.C. TARIFF NO. 26

RIDER T-R.A.C.
(Transmission Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

The Transmission Rate Adjustment Clause Rider (T-RAC) will be applied on a service rendered basis to all standard customer bills under the applicable Standard Schedules or special contracts. The T-RAC shall be calculated by multiplying the kWhs of energy and kWs of demand by the rates below.

Appalachian Power Company			
Summary of Demand and Energy Rates			
	Energy T-RAC per kWh	**Demand T-RAC per kW**	**T-RAC Per Off-Peak Excess kW**
Residential (011,012,013,014,015,019,020,051,054)	$0.03155		
Residential – TOD or TOU (030,031,032,036)	On-Peak: $0.07189		
	Off-Peak: $0.00522		
SWS (222)	$0.03747		
SGS - (231,233,234,213,281)	$0.02589		
SGS - LMTOD (225,226)	On-Peak: $0.05308		
	Off- Peak:$0.00462		
MGS - Secondary (215)	$0.01788	$1.85	$0.52
GS-TOD Secondary (229,230)	On-Peak: $0.05092		
	Off-Peak: $0.00449		
MGS - Primary (217)	$0.01705	$1.79	$0.50
GS-TOD Primary (227)	On-Peak: $0.04856		
	Off-Peak: $0.00428		
MGS - Subtransmission (236)	$0.01698	$1.78	$0.50
MGS - Transmission (239)	$0.01670	$1.75	$0.49
GS-Secondary (261)	Block 1 $0.01788	$1.85	$0.52
	Block 2 $0.01308		
GS-Primary (263)	Block 1 $0.01705	$1.79	$0.50
	Block 2 $0.01247		
GS-Subtransmission (265)	Block 1 $0.01698	$1.78	$0.50
	Block 2 $0.01242		
GS-Transmission (267)	Block 1 $0.01670	$1.75	$0.49
	Block 2 $0.01222		
LGS – TOD Secondary (337)	On-Peak $0.05092		
	Off-Peak $0.00449		
LGS – TOD Primary (339)	On-Peak $0.04856		
	Off-Peak $0.00428		
LPS - Secondary (302)	$0.00014	$8.77	$0.88
LPS - Primary (306)	$0.00013	$8.50	$0.85
LPS - Subtransmission (308) (309)	$0.00013	$8.44	$0.85
LPS - Transmission (310)	$0.00013	$8.31	$0.83
OL (093 to 143)	$0.00558		

Issued:
Pursuant to Final Order
Dated:
Case No. PUR-2021-00018

Effective: July X, 2021

First Revision
Sheet No. 53F

APPALACHIAN POWER COMPANY

VA. S.C.C. TARIFF NO. 26

RIDER F.O.A.D-T-R.A.C.
(FRR Open Access Distribution Service - Transmission Rate Adjustment Clause Rider)

AVAILABILITY OF SERVICE

The FRR Open Access Distribution Service Transmission Rate Adjustment Clause Rider (F.O.A.D.-T-RAC) will be applied on a service rendered basis to all standard customer bills under the applicable FRR Open Access Distribution Service or Standard Schedules or special contracts. The F.O.A.D.-T-RAC shall be calculated by multiplying the kWhs of energy and kWs of demand by the rates below.

Appalachian Power Company				
Summary of Demand and Energy Rates				
	Energy T-RAC per kWh		Demand T-RAC per kW	T-RAC Per Off-Peak Excess kW
SGS - (231F,233F,234F,213F,281F)	$0.02589			
MGS - Secondary (215F)	$0.01788		$1.85	$0.52
MGS - Primary (217F)	$0.01705		$1.79	$0.50
MGS - Subtransmission (236F)	$0.01698		$1.78	$0.50
MGS - Transmission (239F)	$0.01670		$1.75	$0.49
GS-Secondary (261F)	Block 1 $0.01788		$1.85	$0.52
	Block 2 $0.01308			
GS-Primary (263F)	Block 1 $0.01705		$1.79	$0.50
	Block 2 $0.01247			
GS-Subtransmission (265F)	Block 1 $0.01698		$1.78	$0.50
	Block 2 $0.01242			
GS-Transmission (267F)	Block 1 $0.01670		$1.75	$0.49
	Block 2 $0.01222			
LPS - Secondary (302F)	$0.00014		$8.77	$0.88
LPS - Primary (306F)	$0.00013		$8.50	$0.85
LPS - Subtransmission (308F) (309F)	$0.00013		$8.44	$0.85
LPS - Transmission (310F)	$0.00013		$8.31	$0.83

Issued:
Pursuant to Final Order
Dated:
Case No. PUR-2021-00018

Effective: July X, 2021

Schedule 2 –
Typical Bill Comparison

APPALACHIAN POWER COMPANY
VIRGINIA JURISDICTION
SELECTED TYPICAL MONTHLY BILLS

	Tariff Schedule	Energy / Demand Consumption	Bill Amount (a) Under Current Rates VA SCC Tariff No. 25 Effective 1/1/2021 $	Bill Amount (a) Under Proposed T-RAC Rates VA SCC Tariff No. 25 Effective _/_/___ $	Dollar Increase/Decrease $	Percent Increase/Decrease %
RS		100 kWh	17.26	18.42	1.16	6.72%
RS		250 kWh	32.01	34.89	2.88	9.00%
RS		500 kWh	56.61	62.37	5.76	10.17%
RS		750 kWh	81.18	89.81	8.63	10.63%
RS		1,000 kWh	105.76	117.28	11.52	10.89%
RS		1,500 kWh	154.93	172.21	17.28	11.15%
RS		2,000 kWh	204.08	227.12	23.04	11.29%
RS		3,000 kWh	302.40	336.96	34.56	11.43%
RS		5,000 kWh	499.04	556.64	57.60	11.54%
RS		7,500 kWh	744.86	831.26	86.40	11.60%
SWS		1,500 kWh	164.97	184.71	19.74	11.97%
SWS		3,000 kWh	320.98	360.46	39.48	12.30%
SWS		5,000 kWh	529.04	594.84	65.80	12.44%
SWS		10,000 kWh	1,049.20	1,180.80	131.60	12.54%
SWS		30,000 kWh	3,129.80	3,524.60	394.80	12.61%
SWS		50,000 kWh	5,210.41	5,868.41	658.00	12.63%
SGS		375 kWh	42.18	45.71	3.53	8.37%
SGS		1,000 kWh	97.24	106.66	9.42	9.69%
SGS		2,000 kWh	185.37	204.21	18.84	10.16%
SGS		4,000 kWh	361.62	399.30	37.68	10.42%
MGS	Secondary	30 kW / 6,000 kWH	588.42	643.56	55.14	9.37%
	Secondary	50 kW / 12,500 kWH	1,164.10	1,267.84	103.74	8.91%
	Secondary	150 kW / 60,000 kWH	5,188.84	5,606.74	417.90	8.05%
MGS	Primary	250 kW / 50,000 kWH	4,489.35	4,923.35	434.00	9.67%
	Primary	500 kW / 200,000 kWH	15,973.49	17,279.49	1,306.00	8.18%
GS	Secondary	40 kW / 10,000 kWH	943.08	1,026.08	83.00	8.80%
	Secondary	75 kW / 30,000 kWH	2,289.05	2,535.51	246.46	10.77%
	Secondary	500 kW / 150,000 kWH	13,132.75	14,338.73	1,205.98	9.18%
GS	Primary	1,000 kW / 200,000 kWH	17,884.93	19,620.93	1,736.00	9.71%
	Primary	1,000 kW / 400,000 kWH	28,151.46	31,252.21	3,100.75	11.01%
LPS	Secondary	1,000 kW / 450,000 kWH	33,876.39	36,802.39	2,926.00	8.64%
	Secondary	2,000 kW / 1,000,000 kWH	70,208.22	76,008.22	5,800.00	8.26%
	Secondary	3,000 kW / 2,000,000 kWH	118,453.84	126,893.84	8,440.00	7.13%
LPS	Primary	3,500 kW / 2,000,000 kWH	121,140.45	130,760.45	9,620.00	7.94%
	Primary	5,000 kW / 3,000,000 kWH	176,745.74	190,415.74	13,670.00	7.73%
LPS	Subtransmission	10,000 kW / 5,000,000 kWH	289,514.45	317,614.45	28,100.00	9.71%
	Subtransmission	20,000 kW / 13,000,000 kWH	655,937.19	710,637.19	54,700.00	8.34%
LPS	Transmission	15,000 kW / 9,000,000 kWH	468,548.64	509,288.64	40,740.00	8.69%
	Transmission	30,000 kW / 19,000,000 kWH	962,377.63	1,043,367.63	80,990.00	8.42%

(a) Include Sales and Use Tax Rider, do not include Consumption taxes or Utility tax.