

**DIRECT TESTIMONY OF
GARRY H. SIMMONS
ON BEHALF OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 17- 00143**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND PRESENT**
2 **POSITION.**

3 A. My name is Garry H. Simmons. My business address is Three James Center, 1051 E.
4 Cary Street, Suite 1100, Richmond Virginia 23219. I am employed by Appalachian
5 Power Company (APCo) as a Regulatory Consultant of Regulatory Services VA/TN.
6 APCo and Kingsport Power Company (Kingsport, KgPCo, or the Company) are wholly
7 owned subsidiaries of American Electric Power Company, Inc. (AEP).

8 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
9 **EDUCATIONAL BACKGROUND.**

10 A. I am a Certified Public Accountant in Virginia. I have a Bachelor of Business
11 Administration Degree in Accounting from North Georgia College. In 1979, I was
12 employed by Advance Stores, Inc. as a financial accountant in their Corporate
13 Accounting Department. In May 1982, I joined APCo as a Statistical Clerk in the
14 Regulatory and Special Reports Section of the Accounting Department. In 1984, I was
15 promoted to Associate Staff Accountant in the Tax Department and over the following 16
16 years was promoted to various positions of increasing responsibility. In 2001, I
17 transferred to Regulatory Services in Richmond and in April, 2013 was promoted to my
18 current position.

19 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

1 A. I am responsible for the facilitation and administration of compliance filings, regulatory
2 case filings, discovery and testimony for APCo's Virginia/Tennessee Regulatory Services
3 Department, which has responsibility for all rate and regulatory matters affecting APCo's
4 Virginia jurisdiction and KgPCo.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. The purpose of my testimony is to support the development of the proposed Storm
7 Damage Rider (Rider SDR) Tariff to recover the restoration costs associated with the
8 January 2013 storm incurred by the Company, as well as the remaining unrecovered costs
9 from the December 2009 storms. I will show the assignment of the above costs to the
10 applicable customer rate classes, the development of the Rider rates, and sponsor the
11 proposed tariff sheet utilizing the existing Storm Damage Rider.

12 Since all future storm restoration costs will be recovered using the recently approved
13 Targeted Reliability Plan and Major Storm (TRP&MS) Rider, this will be the last
14 application of Rider SDR.

15 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

16 A. I am sponsoring the following exhibits:

- 17 • KgPCo Exhibit No. 1 (GHS) is the supporting work paper for the development of
18 Rider SDR;
- 19 • KgPCo Exhibit No. 2 (GHS) is the Tariff;
- 20 • KgPCo Exhibit No. 3 (GHS) is the Typical Bill comparison; and
- 21 • KgPCo Exhibit No. 4 (GHS) is the required public notice.

22 **Q. PLEASE PROVIDE AN OVERVIEW OF RIDER SDR.**

1 A. The proposed Rider SDR seeks to recover the costs from the January 2013 and December
2 2009 winter storms. On September 13, 2013, Kingsport petitioned the then Tennessee
3 Regulatory Authority, now the Tennessee Public Utility Commission (Commission or
4 TPUC) for approval to defer the incremental O&M expenses incurred in restoring service
5 from a winter storm that began on January 17, 2013. Said approval was granted by the
6 Commission on November 13, 2013, in Docket No. 13-00121. In addition, on April 14,
7 2014, Kingsport petitioned the Commission to add the unrecovered balance from the
8 December 2009 storms to the expenses associated with the January 2013 storm deferred
9 in Docket No. 13-00121.

10 The Company is currently seeking recovery of \$1,415,021 of restoration costs
11 related to the January 2013 storm, as described by Company witness Wright, plus the
12 unrecovered balance of \$90,333 from the December 2009 storms, as described by
13 Company witness Allen, or a total of \$1,505,354.

14 The Company is proposing that Rider SDR become effective on a service
15 rendered basis on and after the first billing cycle 30 days following its approval. To
16 lessen the impact on customers, the Company is also proposing that Rider SDR remain in
17 effect for a twenty-four month period. Any resulting over/under collection would be
18 reported to the Commission Staff, and addressed at the end of the twenty-four month
19 recovery period with the TPUC, if a material amount remains to be refunded to customers
20 or recovered by the Company.

21 **Q. TO WHICH RATE CLASSES AND APPLICABLE RATE SCHEDULES WOULD**
22 **THE RIDER APPLY?**

1 A. Rider SDR would only apply to those customer rate classes served at secondary or
2 primary voltages. Those customers served at transmission voltage levels would not be
3 assigned any of these costs. The 2009 and 2013 storm costs for Kingsport were all
4 distribution related as described by Company witness Wright. In Docket No. 12-00051,
5 the Commission approved as "distribution related" the recovery of \$1,629,352 related to
6 the December 2009 storms. The \$90,333 currently being sought is the residual,
7 unrecovered balance. The 2013 storm cost of \$1,415,021 uses the same allocation
8 methodology approved by the Commission in Docket No. 12-00051.

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

11 A. Rider SDR would result in an overall annual increase to Kingsport's revenues of
12 approximately 0.48%. However, because Rider SDR will not apply to customers served
13 at the transmission voltage level, the annual percentage increase to all other customers
14 would be approximately 0.71%. As of November 10, 2017, the bill for a residential
15 customer using 1,000 kWh per month was \$91.88 and would increase by \$0.77. This
16 represents a 0.84% increase. KgPCo Exhibit No. 3 (GHS) provides typical monthly bill
17 increases by comparing the presently effective rates (November 2017) to those including
18 the proposed Rider.

19 **Q. PLEASE DESCRIBE THE DEVELOPMENT OF THE RIDER.**

20 A. The total costs of \$1,505,354 were first allocated to the applicable rate classes based upon
21 the demand allocators set forth in KgPCo Exhibit No. 1 (GHS). These demand allocation
22 factors were developed utilizing the average of twelve non-coincident peak demands by
23 applicable class for 2013. The year 2013 was used in order to match the year in which

1 the majority of the storm related operation and maintenance costs were incurred. The
2 total \$1,505,354 cost was then allocated to each class by multiplying the demand
3 allocation factors times the total cost to derive each class's share of costs. For all classes
4 except Large General Service, Industrial Power Primary and Outdoor Lights (OL), the
5 allocated cost to each class was divided by the energy sales (kWh) for that class for a
6 twelve month period ending December 31, 2013, to determine the energy Rate for that
7 class.

8 The rate for Large General Service and Industrial Power-Primary customer
9 classes were determined in the same manner, except that each of the class's share of costs
10 were divided by the class demand (kW) for a twelve-month period ending December 31,
11 2013.

12 The rate for Outdoor Lights was developed by taking the class's share of costs
13 divided by the number of lamps.

14 **Q. WHY DID THE COMPANY ALLOCATE COSTS TO CLASSES BASED ON**
15 **DEMAND?**

16 A. These costs were incurred to repair the Company's distribution facilities in Tennessee
17 and, with the exception of meters and service drops, are allocated on the basis of demand.
18 Traditional cost allocation rationale requires that the cost incurred to repair facilities such
19 as distribution facilities should be allocated on a demand basis, as the distribution
20 facilities are designed to meet peak demand rather than energy consumption.

21 **Q. HAS THE COMPANY PREPARED A REVISED TARIFF SHEET TO REFLECT**
22 **THE PROPOSED CHANGES TO ITS RATES?**

1 A. Yes. KgPCo Exhibit No. 2 (GHS), Page 1 contains the Rider SDR Tariff Sheet with the
2 proposed rates.

3 **Q. HOW WILL THE COMPANY ADDRESS ANY OVER OR UNDER-RECOVERY**
4 **OF RIDER COSTS?**

5 A. The Company will monitor the balance on a monthly basis. Based upon the level of
6 over/under collection at the end of the twenty-four month recovery period, the Company
7 will address the issue with the TPUC at that time.

8 **Q. PLEASE DESCRIBE ANY REPORTING PROVISIONS ASSOCIATED WITH**
9 **RIDER SDR.**

10 A. The Company will provide a report to the TPUC at the end of twenty-four months, which
11 details the amounts collected from each class.

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

13 A. Yes, it does.