

**DIRECT TESTIMONY OF
ELEANOR K. KEETON
ON BEHALF OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 18-00125**

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

2 A. My name is Eleanor K. Keeton. My business address is Three James Center, Suite
3 1100, 1051 East Cary Street Richmond, Virginia 23219. I am employed by
4 Appalachian Power Company (APCo) as a Regulatory Consultant Senior VA/TN.

5 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND**
6 **AND PROFESSIONAL EXPERIENCE.**

7 A. I received my Master of Public Administration from Virginia Commonwealth
8 University in 2015, with a concentration in Public Policy. From 2013 to 2015 I
9 worked as a graduate research fellow at the Virginia Department of Corrections where
10 my primary responsibilities were to support operations of the Research Unit, including
11 data extraction, collection, and collation for federal grant reporting purposes and
12 compliance to agency procedure. In 2015 I was hired by the Virginia Department of
13 Corrections as a Senior Research Analyst in the Program Fidelity and Evaluation Unit.
14 My primary duties included designing and maintaining various research studies for
15 program evaluation and policy analysis, and making recommendations based on the
16 outcomes of the analyses. In August 2017, I accepted the position of Regulatory
17 Consultant Senior with APCo.

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

3 A. Yes. I have submitted testimony to the Virginia State Corporation Commission on
4 behalf of APCo in Case Nos. PUR-2017-00160, and PUR-2018-00043.

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

6 A. The purpose of my testimony is to provide an overview of the elements of
7 Kingsport Power Company's (KgPCo or the Company) filing to implement new
8 rates under its Targeted Reliability Plan and Major Storm Alternative Rate
9 Mechanism (TRP & MS ARM). I also explain the method used to allocate the
10 revenue requirement to the customer classes, as approved in the Company's base
11 rate case (Docket No. 16-00001), support the development of the associated rates for
12 the various customer classes, and sponsor the TRP & MS tariff sheets.

13 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

14 A. Yes, I am sponsoring the following exhibits:

- 15 • KgPCo Exhibit No. 1 (EKK): TRP & MS Rider Revenue Allocation and Rate
- 16 Calculations
- 17 • KgPCo Exhibit No. 2 (EKK): TRP & MS Rider (clean and redline)
- 18 • KgPCo Exhibit No. 3 (EKK): Typical Bill Comparison

19 **Q. PLEASE BRIEFLY DESCRIBE THE TRP & MS ARM AS APPROVED IN**
20 **CASE NO. 17-00032.**

21 A. The TRP & MS ARM recovers costs incurred under the Targeted Reliability Plan
22 (TRP) and costs associated with Major Storm (MS) restoration efforts. The TRP is
23 designed to improve reliability for Kingsport's distribution customers through two

1 components: a vegetation management program (VMP) and a system improvement
2 program (SIP). The VMP is transitioning KgPCo to a four-year, ongoing vegetation
3 management cycle, which requires an initial accelerated focus on rights-of-way
4 clearing, followed by a vegetation management program that addresses each circuit
5 every four years. The system improvement program, which is being phased in over
6 a 10-year period, encompasses three features that improve reliability and protect the
7 distribution system from storms and other events: circuit improvements, circuit
8 inspections, and station improvements. Company witness Wright provides a status
9 of the TRP and describes the major storm that KgPCo experienced in July 2018.
10 Pursuant to the Order in Docket No. 17-00032, the Company is seeking to recover
11 TRP costs and Major Storm expenses incurred during the period October 2017 –
12 September 2018 that are not reflected in base rates. In the Company's last base rate
13 case, Docket No. 16-00001, the Commission set base rates to include \$903,372 in
14 distribution and reliability Operation and Maintenance (O&M) expenses and
15 \$392,381 for major storm related O&M costs. The TRP & MS ARM is designed to
16 recover or return any costs above or below these amounts.

17 **Q. PLEASE DESCRIBE THE COSTS ASSOCIATED WITH THE TRP AND**
18 **THE MAJOR STORM THAT OCCURRED DURING THE PERIOD**
19 **OCTOBER 2017 – SEPTEMBER 2018.**

20 **A.** As supported by Company witness Allen, KgPCo incurred \$3,127,856 of costs
21 associated with the Targeted Reliability Plan, an amount \$2,224,484 above the
22 amount recovered through base rates. The Company also incurred \$498,569 of
23 O&M expense related to the major storm that occurred during the same period,

1 \$106,193 more than the amount recovered through base rates. I grossed up the
2 resultant combined TRP and MS costs, \$2,330, 677, to include the Prompt Payment
3 Discount. As a result, the revenue requirement the Company is seeking to recover in
4 this case is \$2,366,170.

5 **Q. HOW DID YOU ALLOCATE THE CALCULATED REVENUE**
6 **REQUIREMENT OF \$2,366,170 TO THE CLASSES?**

7 A. I allocated the revenue requirement to KgPCo's customer classes consistent with the
8 methodology approved in its most recent base rate case, Docket No. 16-00001, and
9 prescribed in Docket No. 17-00032. The resultant revenue allocation by rate
10 schedule is shown on KgPCo Exhibit 1 (EKK).

11 **Q. HOW DID YOU DETERMINE THE IMPACT TO INDIVIDUAL RATES?**

12 A. Using August 2018 billing determinants, I updated the demand, energy, and
13 customer charge components of each rate schedule, as appropriate. The resultant
14 TRP & MS Rider rate schedule, in both red-line and clean formats, is included as
15 KgPCo Exhibit No 2 (EKK).

16 **Q. WHAT IS THE IMPACT ON A RESIDENTIAL CUSTOMER'S BILL?**

17 A. A residential customer will see an increase of \$1.33 in the service charge component
18 on their monthly bill. This amount is below the projected first year TRP & MS
19 Rider surcharge, \$1.90 per month, cited by the Commission in its Order in Docket
20 No. 17-00032.

1 **Q. WHAT IS THE IMPACT TO THE OTHER RATE CLASSES?**

2 A. KgPCo Exhibit No. 3 (EKK) provides the typical monthly bill increases for all
3 customer classes by comparing the rates effective November 1, 2018 to those with
4 the TRP & MS increase.

5 **Q. WHEN WILL THE PROPOSED TRP & MS RATES BE IMPLEMENTED?**

6 A. KgPCo is seeking an effective date of March 1, 2019, on a service rendered basis.

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

8 A. Yes, it does.

Kingsport Power Company
TRP & MS Rider
Revenue Allocation and Rate Calculations

Revenue Allocation Factor by Tariff (a)		Revenue (b) Requirement	Billing Units	Energy (¢)/kWh	Rate/Charge Demand (\$)/KW or KVA (4) = (2 / 3)	Customer (\$)/Customer
(1)		(2)	(3)			
<u>Residential</u>	28.30%	\$ 669,016	502,764			\$ 1.33
<u>Small General Service (SGS)</u>	3.12%	\$ 73,927	45,720			\$ 1.62
<u>Medium General Service (MGS) Secondary</u>	14.26%	\$ 337,661	402,481		\$ 0.84	
<u>General Service Time-of-Day (GS-TOD)</u>	0.02%	\$ 370	497,134	0.07450		
<u>Medium General Service (MGS) Primary</u>	0.17%	\$ 4,119	2,377		\$ 1.73	
<u>Large General Service (LGS) Secondary</u>	24.26%	\$ 574,228	597,251		\$ 0.96	
<u>Large General Service (LGS) Primary</u>	1.48%	\$ 35,073	120,936		\$ 0.29	
<u>LGS Subtransmission/Transmission</u>	0.00%	\$ -	0		\$ 0.28	
<u>Industrial Power (IP) Secondary</u>	0.00%	\$ -	0		\$ 0.48	
<u>Industrial Power (IP) Primary</u>	1.88%	\$ 44,420	93,825		\$ 0.47	
<u>Industrial Power (IP) Subtransmission/Transmission</u>	15.88%	\$ 375,990	1,306,765		\$ 0.29	
<u>Church Service (CS)</u>	1.24%	\$ 29,343	10,116,300	0.29006		
<u>Public Schools (PS)</u>	2.78%	\$ 65,699	26,039,584	0.25230		
<u>Electric Heating General (EHG)</u>	3.24%	\$ 76,618	113,916		\$ 0.67	
<u>Outdoor Lighting (OL)</u>	0.97%	\$ 22,876	65,520			\$ 0.35
(c) <u>Non-Tariff Class (SL)</u>	2.40%	\$ 56,830	N/A	N/A	N/A	N/A
Total	100.00%	\$ 2,366,170				

(a) Allocation rates as determined in Docket No. 16-00001

(b) Includes Prompt Payment discount

(c) Street Lighting (SL) rates determined by contract

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-1
T.P.U.C. Tariff Number 2

TRP & MS RIDER

In accordance with Tennessee Code Annotated § 65-5-103 (d) (2) (A) (ii) and (iii), Kingsport Power is authorized under the terms of this rider to apply a charge to all customer bills on a service rendered basis to recover actually incurred TRP & MS (Targeted Reliability Plan & Major Storm) Rider costs.

1. Calculation of Targeted Reliability Program and Major Storm Rider Recovery

At least annually the Company will file information regarding actual Targeted Reliability Plan (TRP) costs and Major Storm (MS) expenses. The annual change in the Company's TRP & MS Rider recovery amount shall be calculated according to the following formula:

TRP & MSa-TRP & MSr

Where

TRP & MSa is the Company's Targeted Reliability Plan and Major Storm actual costs incurred by the Company for the period. The costs will be net of the reliability expenses and major storm expenses approved in the Company's most recent base case (an annual amount of \$1,295,753) . In developing the Targeted Reliability Plan return on capital, the Company will use the most recent base case authorized rate of return.

TRP & MSr is the actual revenues received as a result of TRP & MS Rider rates in effect for the same period.

2. Updates to TRP & MS Rider Costs

TRP & MS Rider rates shall remain in effect until such time as new TRP & MS Rider rates are approved by the Tennessee Public Utility Commission.

3. Determination of Adjustments to Surcharges by Tariff

The Company will adjust the level of revenue recovery (positive or negative) under the TRP & MS Rider by the amount of the Calculation described in Section 1 and any remaining prior period over/under recovery balance. Prior period over/under recovery balances result from differences between the Company's actual costs as calculated in Section 1 and actual billing under the Rider in prior reporting periods. The Company will allocate the revenue requirement to the individual tariff class by application of the revenue allocation factors used in the Company's most recent base case, and will use the appropriate billing determinants, as determined in the Company's most recent base case, to develop the TRP & MS Rider tariff charges.

4. Notification of Change in Charge by the Company

The Company will provide no less than a 30-day notice of the proposed effective date in any change in the Rider charge to its customers. The Company will also provide the calculations and other information supporting the Rider charges to the Staff of the Tennessee Public Utility Commission in advance of the effective date of such charge.

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-2
T.P.U.C. Tariff Number 2

TRP & MS RIDER

5. Charge

Pursuant to the provisions of this Rider, a TRP & MS Rider charge will be applied to each account under the Company's filed tariffs.

The TRP & MS Rider charge applicable to each tariff is set below:

<u>Tariff</u>	<u>Energy Rate</u>	<u>Demand Rate</u>	<u>Service Charge</u>
	(¢) / kWh	(\$)/ KW or *KVA	(\$)/Customer
<u>Residential</u>			\$1.33
<u>Residential Employee</u>			\$1.33
<u>Residential Time-of-Day</u>			\$1.33
<u>Small General Service (SGS)</u>			\$1.62
<u>Medium General Service (MGS) Secondary</u>		\$0.84	
<u>General Service Time-of-Day (GS-TOD)</u>	0.07450		
<u>Medium General Service (MGS) Primary</u>		\$1.73	
<u>Large General Service (LGS) Secondary*</u>		\$0.96	
<u>Large General Service (LGS) Primary*</u>		\$0.29	
<u>LGS Subtransmission/Transmission*</u>		\$0.28	
<u>Industrial Power (IP) Secondary</u>		\$0.48	
<u>Industrial Power (IP) Primary</u>		\$0.47	
<u>Industrial Power (IP) Subtransmission/Transmission</u>		\$0.29	
<u>Church Service</u>	0.29006		
<u>Public Schools (PS)</u>	0.25230		
<u>Electric Heating General (EHG)**</u>		\$0.67	
<u>Outdoor Lighting (OL)- (per Lamp)</u>			\$0.35

**Demand is measured in accordance with tariff.

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-1
T.P.U.C. Tariff Number 2

TRP & MS RIDER

In accordance with Tennessee Code Annotated § 65-5-103 (d) (2) (A) (ii) and (iii), Kingsport Power is authorized under the terms of this rider to apply a charge to all customer bills on a service rendered basis to recover actually incurred TRP & MS (Targeted Reliability Plan & Major Storm) Rider costs.

1. Calculation of Targeted Reliability Program and Major Storm Rider Recovery

At least annually the Company will file information regarding actual Targeted Reliability Plan (TRP) costs and Major Storm (MS) expenses. The annual change in the Company's TRP & MS Rider recovery amount shall be calculated according to the following formula:

$$\text{TRP \& MSa} - \text{TRP \& MSr}$$

Where

TRP & MSa is the Company's Targeted Reliability Plan and Major Storm actual costs incurred by the Company for the period. The costs will be net of the reliability expenses and major storm expenses approved in the Company's most recent base case (an annual amount of \$1,295,753). In developing the Targeted Reliability Plan return on capital, the Company will use the most recent base case authorized rate of return.

TRP & MSr is the actual revenues received as a result of TRP & MS Rider rates in effect for the same period.

2. Updates to TRP & MS Rider Costs

TRP & MS Rider rates shall remain in effect until such time as new TRP & MS Rider rates are approved by the Tennessee Public Utility Commission.

3. Determination of Adjustments to Surcharges by Tariff

The Company will adjust the level of revenue recovery (positive or negative) under the TRP & MS Rider by the amount of the Calculation described in Section 1 and any remaining prior period over/under recovery balance. Prior period over/under recovery balances result from differences between the Company's actual costs as calculated in Section 1 and actual billing under the Rider in prior reporting periods. The Company will allocate the revenue requirement to the individual tariff class by application of the revenue allocation factors used in the Company's most recent base case, and will use the appropriate billing determinants, as determined in the Company's most recent base case, to develop the TRP & MS Rider tariff charges.

4. Notification of Change in Charge by the Company

The Company will provide no less than a 30-day notice of the proposed effective date in any change in the Rider charge to its customers. The Company will also provide the calculations and other information supporting the Rider charges to the Staff of the Tennessee Public Utility Commission in advance of the effective date of such charge.

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-2
T.P.U.C. Tariff Number 2

TRP & MS RIDER

5. Charge

Pursuant to the provisions of this Rider, a TRP & MS Rider charge will be applied to each account under the Company's filed tariffs.

The TRP & MS Rider charge applicable to each tariff is set below:

<u>Tariff</u>	<u>Energy Rate</u>	<u>Demand Rate</u>	<u>Customer RateService Charge</u>
	(¢) / kWh	(\$)/ KW or *KVA	(\$)/Customer
<u>Residential</u>			\$1.330.00
<u>Residential Employee</u>			\$1.330.00
<u>Residential Time-of-Day</u>			\$1.330.00
<u>Small General Service (SGS)</u>			\$1.620.00
<u>Medium General Service (MGS) Secondary</u>		\$0. 84.00	
<u>General Service Time-of-Day (GS-TOD)</u>	0.0 7450000		
<u>Medium General Service (MGS) Primary</u>		\$1. 730.00	
<u>Large General Service (LGS) Secondary*</u>		\$0. 9600	
<u>Large General Service (LGS) Primary*</u>		\$0. 2900	
<u>LGS Subtransmission/Transmission*</u>		\$0. 2800	
<u>Industrial Power (IP) Secondary</u>		\$0. 4800	
<u>Industrial Power (IP) Primary</u>		\$0. 4700	
<u>Industrial Power (IP) Subtransmission/Transmission</u>		\$0. 2900	
<u>Church Service</u>	0. 2900600000		
<u>Public Schools (PS)</u>	0. 2523000000		
<u>Electric Heating General (EHG)**</u>		\$0. 6700	
<u>Outdoor Lighting (OL)- (per Lamp)</u>			\$0. 3500

**Demand is measured in accordance with tariff.

KINGSPORT POWER COMPANY
Typical Bill Comparison

		Bill Amount (a)	Bill Amount (a)			
		Under	Under			
		Current Rates	Proposed TRP MS			
Tariff	Energy / Demand	T.P.U.C. Tariff No. 2	T.P.U.C. Tariff No. 2	Dollar	Percent	
<u>Schedule</u>	<u>Consumption</u>	<u>Effective 11/1/2018</u>	<u>Effective 03/1/2019</u>	<u>Increase</u>	<u>Increase</u>	
		\$	\$	\$	%	
RS	100 kWh	20.24	21.55	1.31	6.5%	
RS	250 kWh	31.91	33.22	1.31	4.1%	
RS	500 kWh	51.41	52.72	1.31	2.5%	
RS	750 kWh	70.88	72.19	1.31	1.8%	
RS	1,000 kWh	90.35	91.66	1.31	1.4%	
RS	1,500 kWh	129.32	130.63	1.31	1.0%	
RS	2,000 kWh	168.27	169.58	1.31	0.8%	
RS	3,000 kWh	246.18	247.49	1.31	0.5%	
RS	5,000 kWh	402.01	403.32	1.31	0.3%	
RS	7,500 kWh	596.80	598.11	1.31	0.2%	
SGS	375 kWh	49.62	51.22	1.60	3.2%	
SGS	750 kWh	82.54	84.14	1.60	1.9%	
SGS	1,500 kWh	143.28	144.87	1.59	1.1%	
SGS	2,000 kWh	183.76	185.36	1.60	0.9%	
MGS	Secondary	30 kW / 6,000 kWh	714.74	739.56	24.82	3.5%
	Secondary	50 kW / 12,500 kWh	1,325.42	1,366.79	41.37	3.1%
	Secondary	75 kW / 50,000 kWh	3,997.28	4,059.33	62.05	1.6%
MGS	Primary	250 kW / 50,000 kWh	8,577.38	8,784.23	206.85	2.4%
	Primary	500 kW / 200,000 kWh	16,967.61	16,977.54	9.93	0.1%
LGS	Secondary	150 kW / 30,000 kWh	3,738.67	3,905.09	166.42	4.5%
	Secondary	300 kW / 60,000 kWh	7,334.75	7,668.55	333.80	4.6%
	Secondary	500 kW / 325,000 kWh	24,378.75	24,934.76	556.01	2.3%
LGS	Primary	1000 kW / 200,000 kWh	22,468.09	22,804.01	335.92	1.5%
	Primary	1000 kW / 400,000 kWh	32,459.93	32,795.85	335.92	1.0%
IP	Sub/Tran	5,000 kW / 2,500,000 kWh	159,825.36	161,253.61	1,428.25	0.9%
	Sub/Tran	10,000 kW / 6,500,000 kWh	371,106.38	373,962.88	2,856.50	0.8%
	Sub/Tran	20,000 kW / 10,000,000 kWh	627,894.41	633,607.41	5,713.00	0.9%
	Sub/Tran	50,000 kW / 25,000,000 kWh	1,564,032.50	1,578,315.00	14,282.50	0.9%

(a) Includes Prompt Pay discount