BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION

PETITION OF KINGSPORT POWER COMPANY D/B/A AEP APPALACHIAN POWER FOR ANNUAL RECOVERY UNDER THE TARGETED RELIABILITY PLAN AND MAJOR STORM RIDER ("TRP&MS"), ALTERNATIVE RATE MECHANISMS APPROVED IN DOCKET NO. 17-00032	)	Docket No. 18-00125

DIRECT TESTIMONY
of
WILLIAM H. NOVAK

ON BEHALF OF

THE CONSUMER PROTECTION UNIT
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL

February 26, 2019

BEFORE THE TENNESSEE PUBLIC UTILTY COMMISSION
NASHVILLE, TENNESSEE

IN RE: PETITION OF KINGSPORT	)	
POWER COMPANY d/b/a AEP	)	
APPALACHIAN POWERFOR ANNUAL	)	**Docket No. 18-00125**
RECOVERY UNDER THE TARGETED	)	
RELIABILITY PLAN AND MAJOR	)	
STORM RIDER ("TRP&MS"),	)	
ALTERNATIVE RATEMECHANISMS	)	
APPROVED IN DOCKET NO. 17-00032	)	

AFFIDAVIT

I have reviewed the Protective Order entered in the above-captioned matter and agree to abide and be bound by its terms. I understand that unauthorized disclosure of documents labeled "CONFIDENTIAL" will be a violation of the Order.

WILLIAM H. NOVAK

STATE OF Tennessee)
COUNTY OF Davidson)

EMILY KNIGHT NOTARY PUBLIC STATE OF TENNESSEE DAVIDSON COUNTY My Commission Expires MAY 6, 2019

Personally appeared before me, Emily Knight, a Notary Public, William Hal Novak with whom I am personally acquainted, who acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this 17th day of December, 2018.

Emily Knight
NOTARY PUBLIC

My Commission Expires: May 6, 2019

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ATTACHMENTS

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.

A1. My name is William H. Novak. My business address is 19 Morning Arbor Place, The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility consulting and expert witness services company.[1]

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. A detailed description of my educational and professional background is provided in Attachment WHN-1 to my testimony. Briefly, I have both a Bachelor's degree in Business Administration with a major in Accounting, and a Master's degree in Business Administration from Middle Tennessee State University. I am a Certified Management Accountant, and am also licensed to practice as a Certified Public Accountant.

My work experience has centered on regulated utilities for over 35 years. Before establishing WHN Consulting, I was Chief of the Energy & Water Division of the Tennessee Public Utility Commission (the Commission) where I had either presented testimony or advised the Commission on a host of regulatory issues for over 19 years. In addition, I was previously the Director of Rates & Regulatory Analysis for two years with Atlanta Gas Light Company, a natural gas distribution utility with operations in Georgia and Tennessee. I also served for

[1] State of Tennessee, Registered Accounting Firm ID 3682.

two years as the Vice President of Regulatory Compliance for Sequent Energy Management, a natural gas trading and optimization entity in Texas, where I was responsible for ensuring the firm's compliance with state and federal regulatory requirements.

In 2004, I established WHN Consulting as a utility consulting and expert witness services company. Since 2004 WHN Consulting has provided testimony or consulting services to state public utility commissions and state consumer advocates in at least ten state jurisdictions as shown in Attachment WHN-1.

Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?

A3. I am testifying on behalf of the Consumer Advocate Unit (Consumer Advocate) of the Office of the Tennessee Attorney General.

Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS DOCKETS REGARDING KINGSPORT POWER COMPANY?

A4. Yes. I presented testimony in Dockets U-86-7472, 89-02126, 90-05735, 92-04425, 15-00024 and 16-00001 concerning Kingsport Power Company d/b/a AEP Appalachian Power (KgPCo or Kingsport). In addition, I previously presented testimony concerning KgPCo's Targeted Reliability Plan & Major Storm Rider (TRP&MS Rider or the Rider) that is the subject of this proceeding in TPUC Docket No. 17-00032.

Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A5. My testimony will address several issues and concerns with respect to KgPCo's proposed TRP&MS reconciliation in this Docket with its books and records, including the calculations supporting that reconciliation and the resulting surcharge.

Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF YOUR TESTIMONY?

A6. I have reviewed the Company's Petition filed on November 30, 2018, along with the accompanying schedules. I have also reviewed KgPCo's responses to the data requests submitted by the Consumer Advocate in this Docket. In addition, I reviewed the Commission's Order in Docket No. 17-00032 that approved the TRP&MS Rider.

Q7. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS IN THIS DOCKET.

A7. My recommendations and concerns are summarized as follows:

- I recommend that the TRP&MS rider be continued – although it has yet to quantify any benefits.
- I recommend that the Commission require the Company to fully distinguish between internal and external costs that are recovered through the TRP&MS Rider in future filings.
- I recommend that the Commission accept KgPCo's TRP&MS Rider reconciliation deficiency for the twelve months ended September 30, 2018 in

the amount of $2,330,677 that excludes any adjustment for the prompt payment discount proposed by the Company.

- I recommend that the Commission adopt the same methodology for allocating the $2,330,677 to the different customer classes that was used in the Company's last rate case as calculated in Table 4.

- I recommend that the Commission compute the TRP&MS Rider surcharges for each customer class based on the energy usage and outdoor lamps adopted in the Company's last rate case as calculated in Table 5.

- I recommend that the Commission require KgPCo to include language within the TRP&MS Rider tariff that appropriately defines the term "Major Storm" and when it is appropriate to seek recovery of these costs.

I. BACKGROUND

Q8. PLEASE EXPLAIN THE OVERALL STRUCTURE OF THE TARGETED RELIABILITY PLAN & MAJOR STORM RIDER.

A8. The overall structure for the TRP&MS Rider was authorized by the Commission in Docket No. 17-00032 and contains two separate components. The Targeted Reliability Plan (TRP) component of the TRP&MS Rider consists of a Vegetation Management Program (VMP) and a System Improvement Program (SIP).[2] The VMP is intended to address the Company's system-wide vegetation issues on a recurring four-year cycle.[3] The SIP provides an enhanced means for circuit inspection, maintenance, replacement and improvement in order to address equipment failures and outages.[4]

The Major Storm (MS) component of the TRP&MS Rider allows the Company to defer and recover the operating and maintenance costs associated with restoring utility service after a major interruption that is due to weather. Prior to the implementation of the MS component of the TRP&MS Rider, KgPCo was required to separately petition the Commission for recovery of the costs from major storms.

[2] The term "Vegetation Management" has historically been referred to as "tree trimming" in prior cases.
[3] Direct testimony of KgPCo witness Castle in TPUC Docket No. 17-00032, Page 3.
[4] Direct testimony of KgPCo witness Wright in TPUC Docket No. 17-00032, Pages 13-14.

Q9. HAS THE TARGETED RELIABILITY PLAN COMPONENT OF THE TRP&MS RIDER BEEN EFFECTIVE IN DECREASING THE SERVICE OUTAGES IN THE KINGSPORT SERVICE AREA?

A9. At this point, it is too early to fully assess the TRP component of the Rider's effectiveness since it has only been in effect since October 2017. However, I believe that two of the best gauges for assessing the Rider's impact on service outages are the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI).[5] The SAIDI index measures how long (in minutes) that the average service interruption lasts exclusive of major weather events. The SAIFI index measures how often (per year) customer service is interrupted by these same outages.

In Docket No. 17-00032, I first identified 14 electric distribution utilities that are similarly situated to Kingsport Power which I referred to as the Kingsport Power Tennessee Peer Group (Peer Group).[6] The SAIDI and SAIFI index for KgPCo and the peer group are presented below in Table 1 for calendar year 2017.[7]

[5] A comprehensive listing of the different components of Kingsport Power's Annual Reliability Profile for 2013 through 2017 is contained in Attachment WHN-2 to this testimony.
[6] Direct testimony of Consumer Advocate witness Novak in TPUC Docket No 17-00032, Pages 8-10.
[7] Company response to Consumer Advocate Discovery Request Nos. 1-6 and 1-7.

TABLE 1 – Kingsport Power Tennessee Peer Group 2017 SAIDI and SAIFI Indices		
Distribution Utility	**2017 SAIDI (Minutes)**	**2017 SAIFI (Occurrences)**
Bristol	42	1.16
Cleveland	49	0.87
Clinton	115	1.27
Duck River	108	1.36
Fort Loudoun	7	3.18
Greeneville	62	1.28
Johnson City	29	0.32
Kingsport Power	**231**	**1.35**
Knoxville	156	1.44
LaFollette	228	3.72
Powell Valley	146	3.12
Pulaski	155	1.70
Rockwood	101	1.49
Sequachee Valley	121	0.81
Tri-County	213	2.72
Average	**118**	**1.72**

As shown on Table 1, the KgPCo 2017 SAIDI index was 231 minutes. This means that the average service interruption (exclusive of major weather events) for KgPCo lasted for 231 minutes which is the highest in the Peer Group. Likewise, the KgPCo 2017 SAIFI index was 1.35 service interruptions. This means that customers of KgPCo experienced on average 1.35 service interruptions during 2017 (exclusive of major weather events) which is below the average for the Peer Group.

Q10. WHAT CONCLUSIONS SHOULD THE COMMISSION MAKE FROM THE SAIDI AND SAIFI INFORMATION PRESENTED IN TABLE 1?

A10. I believe that the SAIDI and SAIFI data reveal that it was appropriate for the Commission to address the service outages for the Company through the

TRP&MS Rider. I am particularly concerned that the SAIDI index reveals that KgPCo is experiencing longer outages than any other distribution utility within the Peer Group. However, it should be kept in mind that the Company only began to implement the TRP&MS Rider in October 2017. Therefore, the 2017 SAIDI and SAIFI indexes presented in Table 1 should serve more as a baseline for the Commission to assess the performance of the Rider in future periods.

Q11. HAS THE MAJOR STORM COMPONENT OF THE RIDER BEEN EFFECTIVE IN ADDRESSING THE TIMELY RECOVERY OF COSTS FOR SERVICE RESTORATION?

A11. Yes. In the past when significant major storms occurred, KgPCo was required to petition the Commission to defer and separately recover the associated costs.[8] The MS component of the TRP&MS Rider allows the Company to identify and accumulate the operating and maintenance expenses associated with service restoration after a major storm and then include these costs for recovery within the Rider. During the current review period, the Company identified a single major weather event for which they are now seeking cost recovery through the Rider. As a result of the TRP&MS Rider, there is no need for the Commission to open a separate docket for this consideration.

I continue to believe that the TRP&MS Rider will be an effective tool for the Commission to timely address service outages and storm restoration costs, even

[8] See Commission Docket Nos. 10-00144, 12-00051, 13-00121 and 15-00024.

though the benefits from the Rider cannot be quantified at this time. As a result, I recommend that the Commission continue the TRP&MS Rider.

II. CURRENT REVIEW PERIOD COST RECOVERY

Q12. WHAT WERE KINGSPORT POWER'S EXPENDITURES DURING THE REVIEW PERIOD FOR THE TRP&MS RIDER?

A12. For the twelve months ended September 30, 2018, the Company spent approximately $6.6 million in eligible costs for recovery through the TRP&MS Rider. As shown in Table 2 below, approximately $3.1 million of this total were capital expenditures with the remainder charged to operating and maintenance expense.

TABLE 2 – TRP&MS 2017-2018 Review Period Expenditures[9]	
Expenditure Type	**Amount**
Targeted Reliability Plan – Capital Expenditures	$3,072,674
Targeted Reliability Plan – O&M Expenditures	3,012,924
Major Storms – O&M Expenditures	498,569
Total Expenditures	**$6,584,167**

Q13. WHAT FACTORS DISTINGUISHED WHETHER THE TARGETED RELIABILITY PLAN EXPENDITURES ARE CAPITALIZED OR EXPENSED?

A13. According to the Company, the classification of Targeted Reliability Plan expenditures as either an O&M expense or capital is determined by the specific work being performed. In general, trimming trees and clearing brush from previously cleared rights-of-way is charged to O&M expense as maintenance costs while the initial clearing of land and rights-of-way as well as the removal of

[9] Company response to Consumer Advocate Discovery Request 1-9.

large diameter trees from previously cleared rights-of-way is charged to capital accounts.[10]

Q14. WERE ALL OF THE REVIEW PERIOD EXPENDITURES PAID TO THIRD-PARTY VENDORS?

A14. No. Of the approximate $3.5 million in TRP&MS O&M expenditures, only $2.3 million or approximately 66% was paid to third-party vendors.[11] The remaining balance of approximately $1.2 million is related to allocations of internal costs.

Q15. IS IT SURPRISING THAT ONLY 66% OF THE O&M EXPENDITURES WERE PAID TO THIRD-PARTY VENDORS?

A15. Yes. While I would naturally expect some amount of internal planning costs to be charged to TRP&MS Rider, I expected a much larger proportion of the costs to be from third-party vendors. As a result, I would recommend that the Commission direct the Company to provide a full accounting of KgPCo's internal costs that are assigned to the TRP&MS Rider in future filings.

Q16. EXPLAIN THE COST RECOVERY RELIEF THAT THE COMPANY IS ASKING FROM THE COMMISSION THROUGH ITS FILING.

A16. In the current filing, KgPCo is asking the Commission to allow it to recover through surcharges to its customers $2,330,677 as the appropriate amount of

[10] Company response to Consumer Advocate Discovery Request 2-3.
[11] Company responses to Consumer Advocate Discovery Requests 1-2 and 2-1. Although requested, the Company did not provide the third-party expenditures related to capitalized TRP costs.

TRP&MS Rider costs for the twelve months ended September 2018. KgPCo then increases this base amount by approximately $35,493 for a total of a $2,366,170 surcharge in order to adjust for prompt payment discounts that are included in their tariff. The details for this requested recovery are shown below in Table 3.

TABLE 3 – TRP&MS 2017-2018 Recovery Request[12]			
Item	**TRP**	**MS**	**Total**
Capital Recovery & Return	$114,931	$0	$114,931
O&M Expense	3,012,925	498,569	3,511,494
Total	**$3,127,856**	**$498,569**	**$3,626,425**
Less Base Rates	-903,372	-392,376	-1,295,748
Net Recovery	**$2,224,484**	**$106,193**	**$2,330,677**
Prompt Payment[13]			35,493
Requested Recovery			**$2,366,170**

Q17. HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE PROPOSED RATE ADJUSTMENT IN KINGSPORT'S TRP&MS RECONCILIATION FILING?

A17. Yes. I reviewed the KgPCo's filing. I also prepared discovery requests for supplemental supporting information that was not contained in the filing. The purpose of my review was to determine whether KgPCo's TRP&MS Rider reconciliation was based on actual amounts recorded on its books.

Q18. WHAT WERE THE RESULTS OF YOUR REVIEW?

A18. Overall, I found that Kingsport's filing appropriately reconciled the actual expenses and net investment to the amounts recorded on the Company's ledger.

[12] Company Exhibit No. 1 (AWA) and response to Consumer Advocate Discovery Request 1-9. Note that Company manually makes an adjustment of $274 within the formulas to its calculation in Column (i) without explanation.

[13] Direct testimony of KgPCo witness Keeton, Page 4.

Likewise, other than as noted within my testimony, I also found that the reconciliation generally reflected the methodologies established in Docket No. 17-00032.

Q19. WERE THERE ANY PORTIONS OF THE COMPANY'S TRP&MS RECOVERY REQUEST FOR $2,366,170 THAT YOU DISAGREE WITH?

A19. Yes. I disagree with the Company's proposal to include the impact of the prompt payment discount of $35,493 within the TRP&MS Rider recovery request calculation. As a result, I am recommending that the Company's 2017-2018 TRP&MS recovery be limited to the net recovery amount of $2,330,677 as shown above on Table 3.

Q19. WHAT IS THE COMPANY'S PURPOSE FOR INCLUDING THE IMPACT OF THE PROMPT PAYMENT DISCOUNT IN THE TRP&MS 2017-2018 RECOVERY REQUEST?

A19. The Company provides no rationale for the inclusion of a prompt payment discount within their filing.[14] In addition, no adjustment for a prompt payment discount was mentioned in the Company's application for the TRP&MS Rider in Docket No. 17-00032.

[14] See Direct testimony of KgPCo witness Keeton, Page 4 where she mentions that she "…grossed up the resultant combined TRP and MS costs, $2,330,677, to include the Prompt Payment Discount." She omits any rationale in her testimony for exactly why this adjustment was appropriate.

The provision for the Prompt Payment Discount in the Company's tariff allows KgPCo's customers to reduce their electric bill by 1.5% by remitting payment before a specified due date, and a majority of these customers do take advantage of this discount. However, the Company's filing in Docket No. 17-00132 specifically noted that any net under- or over-recovered TRP&MS Rider cost will be tracked for each customer class and then trued-up and included with the cost for that particular customer class the following year.[15] Since the under- or over-recovered cost is trued-up in a subsequent period, it is inappropriate to include any adjustment for the prompt payment discount within the current filing.

[15] Direct testimony of KgPCo witness Wright in TPUC Docket No. 17-00032, Page 10. See also direct testimony of CA witness Novak in TPUC Docket No. 17-00032, Page 23.

III. TRP&MS COST ALLOCATION AND RATE DESIGN

Q20. HOW SHOULD THE 2017-2018 TRP&MS RIDER RECOVERY COSTS BE ALLOCATED TO THE DIFFERENT CUSTOMER CLASSES?

A20. The Commission Order approving the TRP&MS Rider provides that the net Rider costs are to be allocated to the customer rate classes in the same manner that was used in the Company's last rate case.[16] Applying the Net Recovery balance from the TRP&MS Rider of $2,330,677 to the rate allocation from KgPCo's last rate case in Docket No. 16-00001, produces the TRP&MS cost allocation to each customer rate class as shown below in Table 4. I recommend that the Commission adopt this allocation methodology to distribute the TRP&MS Rider recovery balance of $2,330,677 to the different customer classes.

TABLE 4 – TRP&MS 2017-2018 Cost Allocation[17]

Tariff	16-00001 Rate Increase	Percentage Allocation	TRP&MS Allocation
Residential Service	$2,438,410	28.30%	$659,582
Small General Service	269,125	3.12%	72,717
Medium General Service	1,245,658	14.45%	336,783
Large General Service	2,218,583	25.74%	599,916
Industrial Power Service	1,530,923	17.76%	413,928
Church Service	106,881	1.24%	28,900
Public School Service	239,319	2.78%	64,793
Electric Heating General Service	278,999	3.24%	75,514
Outdoor Lighting Service	83,275	0.97%	22,608
Street Lighting Service	206,912	2.40%	55,936
Total	**$8,618,085**	**100.00%**	**$2,330,677**

[16] Commission Order in Docket No. 17-00032, Page 3.

[17] Commission Order Approving Stipulation and Settlement Agreement in Docket No. 16-00001, Exhibit A, Attachment A – Revenue Deficiency Settlement, Schedules 12 and 13.

Q21. HOW SHOULD THE TRP&MS RIDER SURCHARGE RATE BE CALCULATED FOR EACH CUSTOMER CLASS SHOWN IN TABLE 4?

A21. The individual surcharge for each customer class is also based on the billing determinants from the Company's most recent rate case. Specifically, the TRP&MS tariff approved by the Commission provides for the following:

> *"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."*[18] [Emphasis added.]

Q22. HAVE YOU PREPARED A TRP&MS RATE SURCHARGE THAT CONFORMS TO THE TARIFF LANGUAGE?

A22. Yes. I am recommending that the individual surcharge for each customer class be based on the energy usage (kilowatt hours) for each customer class from the Company's most recent rate case except for Outdoor Lighting and Street Lighting which should be based on the number of outdoor lamps adopted as the billing determinant in the last rate case. These billing determinants as well as the resulting TRP&MS rate surcharge by customer class are shown below in Table 5.

[18] Submission of Tariff Provisions, Docket No. 17-00032, Sheet Number 21-1, Item 3 – Determination of Adjustments by Tariff, September 15, 2017.

TABLE 5 – TRP&MS Rate Surcharge			
Tariff	**TRP&MS Allocation**	**Billing[19] Determinants**	**TRP&MS Rate Surcharge**
Residential Service (Usage)	$659,582	680,836,392	$0.00097
Small General Service (Usage)	72,717	22,662,165	0.00321
Medium General Service (Usage)	336,783	118,885,433	0.00283
Large General Service (Usage)	599,916	244,121,179	0.00246
Industrial Power Service (Usage)	413,928	969,398,673	0.00043
Church Service (Usage)	28,900	9,850,982	0.00293
Public School Service (Usage)	64,793	27,413,429	0.00236
Electric Heating Service (Usage)	75,514	24,742,277	0.00305
Outdoor Lighting Service (Lamps)	22,608	65,663	0.34000
Street Lighting Service (Lamps)	55,936	126,962	0.44000
Total	**$2,330,677**		

Q23. WHY HAVE YOU CALCULATED THE INDIVIDUAL TRP&MS RATE SURCHARGES RATE BASED ON ENERGY USAGE AND OUTDOOR LAMPS INSTEAD OF BILLING DEMAND OR BILLS RENDERED?

A23. Basing the TRP&MS Rider surcharge on energy usage results in a similar surcharge billing rate for each customer class.

Q24. DID THE COMPANY ALSO BASE THEIR TRP&MS RATE DESIGN SURCHARGES ON ENERGY USAGE AND NUMBER OF OUTDOOR LAMPS?

A24. No. The Company selected the billing determinant from either bills rendered, billing demand, energy usage or outdoor lamps to calculate the individual TRP&MS Rider surcharge for each customer class.[20] In addition, the Company calculated the TRP&MS Rider billing rate to the sub-tariffs for the different

[19] Commission Order Approving Stipulation and Settlement Agreement in Docket No. 16-00001, Exhibit A, Attachment C – Rate Design Settlement, Schedules 1-10.
[20] Company Exhibit No. 1 (EKK).

customer billing classes.[21] In my opinion, calculating the TRP&MS Rider surcharge in this manner needlessly complicates the rate calculation and only minimally alters the individual billed surcharge amount to each customer. As a result, I recommend that the Commission adopt the TRP&MS Rider surcharge based on energy usage and outdoor lamps as shown on Table 5.

[21] For example, the Company individually calculated the rate surcharge for the Primary, Secondary and Time-of-Day rate schedules within the Medium General Service tariff.

IV. DEFINITION OF THE TERM "MAJOR STORM"

Q25. WERE THERE ANY UNUSUAL ISSUES INVOLVED WITH THE IMPLEMENTATION OF THE MAJOR STORM COMPONENT OF THE TRP&MS RIDER?

A25. Yes. During the TRP&MS Rider review period, the Company experienced a weather event on July 20, 2018 that it would later classify as a "Major Storm". While I do agree that this particular weather event should be classified as a major storm, my review indicated that KgPCo had never specifically defined the term "Major Storm" within the TRP&MS Rider tariff. This omission created some confusion over the proper classification of a weather event and when any related service restoration costs are appropriate to recover through the TRP&MS Rider.

Q26. HOW DID THE COMPANY DETERMINE THAT THE WEATHER EVENT ON JULY 20, 2018 WAS A "MAJOR STORM"?

A26. According to the Company, the weather event on July 20, 2018 resulted in approximately 11 million Customer Minutes of Interruption (CMI) and approximately another 1 million CMI the following day.[22] The Company goes on to state that these service interruption minutes significantly exceeded the threshold of 818,815 CMI for KgPCo's classification of a major event.

[22] Company response to Consumer Advocate Discovery Request 1-11.

Q27. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING HOW "MAJOR STORMS" ARE DETERMINED?

A27. I recommend that the Commission require the Company to develop appropriate language for inclusion within the TRP&MS Rider tariff that defines the term "Major Storms" and when it is appropriate to seek recovery for service restoration costs from these weather events. Such language within the TRP&MS Rider could help avoid confusion in future filings over when it is appropriate to seek recovery of costs related to weather events.

V. CONCLUSION AND RECOMMENDATIONS

Q28. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION ON THE 2017-2018 TRP&MS RIDER RECOVERY.

A28. My recommendations are as follows:

- I recommend that the TRP&MS rider be continued – although it has yet to quantify any benefits.

- I recommend that the Commission require the Company to fully distinguish between internal and external costs that are recovered through the TRP&MS Rider in future filings.

- I recommend that the Commission accept KgPCo's TRP&MS reconciliation deficiency for the twelve months ended September 30, 2018 in the amount of $2,330,677 that excludes any adjustment for the prompt payment discount proposed by the Company.

- I recommend that the Commission adopt the same methodology for allocating the $2,330,677 to the different customer classes that was used in the Company's last rate case as calculated in Table 4.

- I recommend that the Commission compute the TRP&MS Rider surcharges for each customer class based on the energy usage and outdoor lamps adopted in the Company's last rate case as calculated in Table 5.

- I recommend that the Commission require KgPCo to include language within the TRP&MS Rider that appropriately defines the term "Major Storm" and when it is appropriate to seek recovery of these costs.

Q29. DOES THIS COMPLETE YOUR TESTIMONY?

A29. Yes, it does. However, I reserve the right to incorporate any new information that may subsequently become available.

ATTACHMENT WHN-1

William H. Novak Vitae

William H. Novak
19 Morning Arbor Place
The Woodlands, TX 77381

Phone: 713-298-1760
Email: halnovak@whnconsulting.com

Areas of Specialization

Over thirty-five years of experience in regulatory affairs and forecasting of financial information in the rate setting process for electric, gas, water and wastewater utilities. Presented testimony and analysis for state commissions on regulatory issues in four states and has presented testimony before the FERC on electric issues.

Relevant Experience

WHN Consulting – September 2004 to Present
In 2004, established WHN Consulting to provide utility consulting and expert testimony for energy and water utilities. WHN Consulting is a "complete needs" utility regulation firm able to provide clients with assistance in all areas of utility rate analysis. Since 2004, WHN Consulting has provided assistance to public utility commissions and state consumer advocates in over ten state jurisdictions. Some of the topics and issues that WHN Consulting has presented testimony for include net metering, alternative rate regulation, revenue requirement calculations in rate cases, class cost of service studies, rate design, deferred income tax calculations, purchased gas costs, purchased power costs, and weather normalization studies.

Sequent Energy Management – February 2001 to July 2003
Vice-President of Regulatory Compliance for approximately two years with Sequent Energy Management, a gas trading and optimization affiliate of AGL Resources. In that capacity, directed the duties of the regulatory compliance department, and reviewed and analyzed all regulatory filings and controls to ensure compliance with federal and state regulatory guidelines. Engaged and oversaw the work of a number of regulatory consultants and attorneys in various states where Sequent has operations. Identified asset management opportunities and regulatory issues for Sequent in various states. Presented regulatory proposals and testimony to eliminate wholesale gas rate fluctuations through hedging of all wholesale gas purchases for utilities. Also prepared testimony to allow gas marketers to compete with utilities for the transportation of wholesale gas to industrial users.

Atlanta Gas Light Company – April 1999 to February 2001
Director of Rates and Regulatory Analysis for approximately two years with AGL Resources, a public utility holding company serving approximately 1.9 million customers in Georgia, Tennessee, and Virginia. In that capacity, was instrumental in leading

Atlanta Gas Light Company through the most complete and comprehensive gas deregulation process in the country that involved terminating the utility's traditional gas recovery mechanism and instead allowing all 1.5 million AGL Resources customers in Georgia to choose their own gas marketer. Also responsible for all gas deregulation filings, as well as preparing and defending gas cost recovery and rate filings. Initiated a weather normalization adjustment in Virginia to track adjustments to company's revenues based on departures from normal weather. Analyzed the regulatory impacts of potential acquisition targets.

Tennessee Regulatory Authority – Aug. 1982 to Apr 1999; Jul 2003 to Sep 2004

Employed by the Tennessee Regulatory Authority (formerly the Tennessee Public Service Commission) for approximately 19 years, culminating as Chief of the Energy and Water Division. Responsible for directing the division's compliance and rate setting process for all gas, electric, and water utilities. Either presented analysis and testimony or advised the Commissioners/Directors on policy setting issues, including utility rate cases, electric and gas deregulation, gas cost recovery, weather normalization recovery, and various accounting related issues. Responsible for leading and supervising the purchased gas adjustment (PGA) and gas cost recovery calculation for all gas utilities. Responsible for overseeing the work of all energy and water consultants hired by the TRA for management audits of gas, electric and water utilities. Implemented a weather normalization process for water utilities that was adopted by the Commission and adopted by American Water Works Company in regulatory proceedings outside of Tennessee.

Education

B.A, Accounting, Middle Tennessee State University, 1981
MBA, Middle Tennessee State University, 1997

Professional

Certified Public Accountant (CPA), Tennessee Certificate # 7388
Certified Management Accountant (CMA), Certificate # 7880
Former Vice-Chairman of National Association of Regulatory Utility Commission's Subcommittee on Natural Gas

WHN CONSULTING

Witness History for William H. Novak, CPA

Selected Cases

State	Company/Sponsor	Year	Assignment	Docket
Louisiana	CenterPoint Energy/Louisiana PSC	2011	Audit of PGA Filings from 2002 - 2008 of CenterPoint Arkla	S-32534
	CenterPoint Energy/Louisiana PSC	2011	Audit of PGA Filings from 2002 - 2008 of CenterPoint Entex	S-32537
	Louisiana Electric Utilities/Louisiana PSC	2012	Technical Consultant for Impact of Net Meter Subsidy on other Electric Customers	R-31417
Tennessee	Aqua Utilities/Aqua Utilities	2006	Presentation of Rate Case on behal of Aqua Utilities	06-00187
	Atmos Energy Corporation/Atmos Intervention Group	2007	Rate design for Industrial Intervenor Group	07-00105
	Bristol TN Essential Services/BTES	2009	Audit of Cost Allocation Manual	05-00251
	Chattanooga Manufacturers Association/CMA	2009	Spokesperson for Industrial Natural Gas Users before the Tennessee State Legislature	HB-1349
	Piedmont Natural Gas Company/Tennessee AG	2011	Rate Case Audit - Revenue, Class Cost of Service Study & Rate Design	11-00144
	Tennessee-American Water Company/Tennessee AG	2012	Rate Case Audit - Revenues, Rate Base, Class Cost of Service Study and Rate Design	12-00049
	Tennessee-American Water Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00126
	Piedmont Natural Gas Company/Tennessee AG	2013-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00140
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Recovery of Compressed Natural Gas Infrastructure Costs	14-00086
	Piedmont Natural Gas Company/Tennessee AG	2014	Audit of Accumulated Deferred Federal Income Tax	14-00017
	Atmos Energy Corporation/Tennessee AG	2014	Rate Case Audit - Revenues, O&M Expenses, Rate Base and Rate Design	14-00146
	Atmos Energy Corporation/Tennessee AG	2015-2017	Alternative Regulation - Audit of Budget & True-up Filings, Rate Design	16-00105
	B&W Gas Company/B&W	2015	Presentation of Rate Case on behalf of B&W Gas Company	15-00042
	AEP & Kingsport Power/Tennessee AG	2015	Audit of Storm Costs and Rate Recovery	15-00024
	AEP & Kingsport Power/Tennessee AG	2016	Rate Case Audit - Revenue, Rate Base, Class Cost of Service Study & Rate Design	16-00001
Alabama	Jefferson County (Birmingham) Wastewater/Alabama AG	2013	Bankruptcy Filing - Allowable Costs and Rate Design	2009-2318
Illinois	Peoples & North Shore Gas Cos./Illinois Commerce Comm.	2007	Management Audit of Gas Purchasing Practices	06-0556
New Mexico	Southwestern Public Service Co./New Mexico PRC	2010	Financial Audit of Fuel Costs for 2009 and 2010	09-00351-UT
New York	National Grid/New York PSC	2011	Audit of Affiliate Relationships and Transactions	10-M-0451
Ohio	Ohio-American Water Company/Ohio Consumers' Counsel	2010	Rate Case Audit - Class Cost of Service and Rate Design	09-0391-WS-AIR
	Vectren Energy Delivery of Ohio/Ohio Consumers' Counsel	2008	Rate Case Audit - Class Cost of Service and Rate Design	07-1080-GA-AIR
	Duke Energy-Ohio/Public Utilities Commission of Ohio	2009	Focused Management Audit of Fuel & Purchased Power (FPP Riders)	07-0723-EL-UNC
Texas	Center Point Energy/Texas AG	2009	Rate Case Audit - Class Cost of Service and Rate Design	GUD 9902
	Sharyland Utilities/St. Lawrence Cotton Growers Assn.	2017	Rate Case Audit - Class Cost of Service and Rate Design	PUC 45414
North Carolina	Aqua Utilities/PSS Legal Fund	2011	Rate Case Audit - Class Cost of Service and Rate Design	W-218, Sub-319
Washington DC	Washington Gas Light Co./Public Service Comm of DC	2011	Audit of Tariff Rider for Infrastructure Replacement Costs	1027
NARUC	National Association of Regulatory Utility Commissioners	2015	Presentation of Regulatory Issues with Net Metering Customers on Rates of Electric Utilities	

NOTE: *Click on Docket Number to view testimony/report for each case where available.*

ATTACHMENT WHN-2

Kingsport Power Company
Service Reliability Profile
2013 - 2017

KINGSPORT POWER COMPANY
Service Reliability Profile - Selected Data

Attachment WHN-2

SOURCE: Company Response to Consumer Advocate Discovery Request 1-8.

	2013	2014	2015	2016	2017
OUTAGES (Including Major Storms):					
Major Storms	4	2	0	1	0
Major Storms Impacting > 100,000 Customers	0	0	0	0	0
Number of Outage Events	2,309	2,129	2,201	2,226	1,871
Minimum Time for an Outage Event to Qualify as a Sustained Outage (min.)	6	6	6	6	6
Average Number of Hours For Full Restoration Per Event	6	3	3	4	3
Total Customer Hours Out	496,264	235,273	157,527	267,017	186,388
Customer Hours Out – Trees	214,263	86,603	63,048	119,039	87,120
Customer Hours Out – Weather	141,918	17,764	7,056	43,228	6,749
Customer Hours Out – OH Mat'l	45,334	76,691	44,770	48,402	27,130
Customer Hours Out – Misc.	6,164	7,533	4,028	6,498	12,198
Customer Hours Out – Public	22,933	12,961	18,325	16,183	16,183
Customer Hours Out – Bulk Pwr.	10,592	6,431	0	4,944	12,517
Customer Hours Out – Company	55,060	27,290	20,300	28,724	23,468
Number of Customers with greater than 10 Outages	22	29	157	10	5
Number of Customers with 7-10 Outages	1,186	1,380	803	653	523
Number of Customers with 4-6 Outages	8,661	5,071	4,513	8,921	3,849
Number of Customers with 1-3 Outages	28,726	27,980	24,757	30,134	27,675
Number of Customers with 0 Outages	8,648	12,756	17,072	7,927	16,034
1st Major Cause of Outages	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW
2nd Major Cause of Outages	Equipment	Equipment	Scheduled	Equipment	Equipment
3rd Major Cause of Outages	Scheduled	Scheduled	Equipment	Scheduled	Animal
4th Major Cause of Outages	Animal	Animal	Animal	Animal	Scheduled
5th Major Cause of Outages	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW
OUTAGES (Excluding Major Storms):					
Number of Outage Events	2,005	2,067	2,201	2,129	1,871
Average Number of Hours For Full Restoration Per Event	6	3	3	4	3
Total Customer Hours Out	496,264	235,273	157,527	267,017	186,388
Customer Hours Out – Trees	54,884	70,753	63,048	84,396	87,120
Customer Hours Out – Weather	12,289	2,878	7,056	23,545	6,749
Customer Hours Out – OH Mat'l	35,498	42,564	44,770	47,788	27,130
Customer Hours Out – Misc.	5,650	7,458	4,028	6,498	12,198
Customer Hours Out – Public	17,459	12,442	18,325	16,183	17,207
Customer Hours Out – Bulk Pwr.	7,790	6,431	0	4,944	12,517
Customer Hours Out – Company	41,773	27,290	20,300	28,642	23,468
Number of Customers with greater than 10 outages	9	29	157	8	5
Number of Customers with 7-10 Outages	331	1,329	803	473	523
Number of Customers with 4-6 Outages	5,507	4,024	4,513	7,918	3,849
Number of Customers with 1-3 Outages	27,536	28,193	24,757	30,082	27,675
Number of Customers with 0 Outages	13,860	13,641	17,072	9,164	16,034
1st Major Cause of Outages	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW	Veg Inside RoW
2nd Major Cause of Outages	Equipment	Equipment	Scheduled	Equipment	Equipment
3rd Major Cause of Outages	Scheduled	Scheduled	Equipment	Scheduled	Animal
4th Major Cause of Outages	Animal	Animal	Animal	Animal	Scheduled
5th Major Cause of Outages	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW	Veg Outside RoW

KINGSPORT POWER COMPANY
Service Reliability Profile - Selected Data

Attachment WHN-2

SOURCE: Company Response to Consumer Advocate Discovery Request 1-8.

	2013	2014	2015	2016	2017
INDICES EXCLUDING MAJOR STORMS: (Distribution only):					
SAIDI Actual (minutes, excl. major storms)	196	199	193	248	211
SAIFI Actual (interruptions, excl. major storms)	1	1	1	2	1
CAIDI Actual (minutes, excl. major storms)	136	144	148	151	169
CTAIDI Actual (minutes, excl. major storms)	277	279	302	307	317
Actual Service Availability (%, excl. major storms)	1	1	1	1	1
INDICES WITH NO EXCLUSIONS: (Distribution only):					
SAIDI Actual (minutes, incl. major storms)	599	240	193	317	211
SAIFI Actual (interruptions, incl. major storms)	2	2	1	2	1
CAIDI Actual (minutes, incl. major storms)	317	157	148	182	169
CTAIDI Actual (minutes, incl. major storms)	734	328	302	381	317
Actual Service Availability (%, incl. major storms)	1	1	1	1	1
INDICES EXCLUDING MAJOR STORMS: (Total Distribution and Bulk Power):					
SAIDI Actual (minutes, excl. major storms)	223	216	200	267	233
SAIFI Actual (interruptions, excl. major storms)	2	2	1	2	1
CAIDI Actual (minutes, excl. major storms)	137	144	145	138	172
CTAIDI Actual (minutes, excl. major storms)	315	304	313	331	349
Actual Service Availability (%, excl. major storms)	1	1	1	1	1
INDICES WITH NO EXCLUSIONS: (Total Distribution and Bulk Power)					
SAIDI Actual (minutes, incl. major storms)	630	299	200	336	233
SAIFI Actual (interruptions, incl. major storms)	2	2	1	2	1
CAIDI Actual (minutes, incl. major storms)	289	178	145	165	172
CTAIDI Actual (minutes, incl. major storms)	772	410	313	403	349
Actual Service Availability (%, incl. major storms)	1	1	1	1	1
TREE-RELATED DATA (Excluding Major Storms):					
Tree Outage Events	657	716	687	820	790
Average Number of Hours For Full Restoration Per Tree Event	3	4	4	4	4
Range for Full Restoration (shortest, longest)	6 to 1572	7 to 1422	8 to 1381	6 to 2172	8 to 1350
Tree SAIFI Actual	0	1	0	1	1
Tree SAIDI Actual (minutes)	70	90	80	106	109
Total Tree Trimming Complaints (Trimming Report to TPUC)	0	0	2	1	1