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March 15, 2019

VIA EMAIL (tpuc.docketroom@tn.gov) & FEDEX

Ms. Robin Morrison, Chairman
c/o Ectory Lawless, Dockets & Records Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: IN RE: PETITION OF KINGSFORT 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

Dear Chairman Morrison:

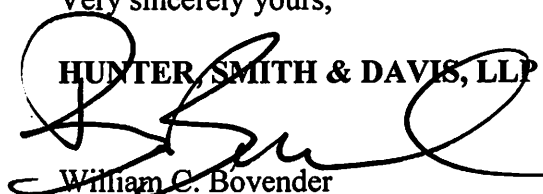
On behalf of Kingsport Power Company, we transmit herewith the following:

Rebuttal Testimony of Philip A. Wright
Rebuttal Testimony of A. Wayne Allen
Rebuttal Testimony of Eleanor K. Keeton

The originals and four (4) copies of each are being sent via Federal Express.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

Enclosures: As stated

Ms. Robin Morrison, Chairman

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March 15, 2019

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**REBUTTAL 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.**

2 **A. My name is Eleanor K. Keeton.**

3 **Q. ARE YOU THE SAME ELEANOR KEETON WHO SUBMITTED DIRECT**
4 **TESTIMONY ON BEHALF OF KINGSPORT POWER COMPANY (KGPCO,**
5 **THE COMPANY) IN THIS CASE?**

6 **A. Yes.**

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
8 **PROCEEDING?**

9 **A. I respond to the direct testimony of Office of the Tennessee Attorney General,**
10 **Consumer Protection and Advocate Division (CPAD) witness Novak's concerns with**
11 **cost allocation and rate design.**

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

13 **A. Yes, I am sponsoring the following exhibits:**

- 14 • KgPCo Rebuttal Exhibit No. 1 (EKK): Tariff Rates by Revenue Allocation –
15 Energy Usage
16 • KgPCo Rebuttal Exhibit No. 2 (EKK): Rate Comparison by Customer Class

1 **Q. CPAD WITNESS NOVAK RECOMMENDS THAT THE COMPANY**
2 **EXCLUDE THE \$35,493 IMPACT OF THE PROMPT PAYMENT**
3 **DISCOUNT FROM THE REQUESTED REVENUE REQUIREMENT. DO**
4 **YOU AGREE (NOVAK DIRECT AT 13)?**

5 **A. No. The TRP & MS ARM was designed to ensure that the exact costs of the**
6 **programs above or below the amounts included in base rates are recovered or**
7 **returned for the previous period. The prompt payment discount is available to all**
8 **customer classes served under the Tariff and is applied to all components of a**
9 **customer's bill. As such, the TRP & MS revenues that are collected from customers**
10 **will be less than the revenue requirement unless the discount for prompt payment is**
11 **factored in. Excluding a provision for the prompt payment of bills in this filing,**
12 **will, all things being equal, result in an under-recovery amount to be collected in a**
13 **subsequent filing, thus increasing the revenue requirement in the following year.**

14 **Q. WAS THE PROMPT PAYMENT DISCOUNT INCLUDED IN THE**
15 **COMPANY'S CALCULATIONS FOR THE TRP & MS RIDER, AS**
16 **APPROVED IN DOCKET NO. 17-00032?**

17 **A. Yes. The Company included the prompt payment discount in the calculations for the**
18 **proposed TRP & MS rate in the aforementioned case, as provided in response to**
19 **discovery requests from CPAD in Docket No. 17-00032.¹ In his direct testimony in**
20 **that case, CPAD witness Novak recommended that the Commission approve the**
21 **calculation procedures outlined by the Company.²**

¹ CPAD 1-15 in TPUC Docket No. 17-00032.

² Mr. Novak's Direct Testimony in Docket No. 17-00032, page 26, lines 5-6.

1 **Q. DOES THE TRP & MS CLASS COST ALLOCATION IN THE CURRENT**
2 **FILING DIFFER FROM THE COST ALLOCATION PRESCRIBED IN**
3 **DOCKET 16-00001?**

4 **A.** No, the Company used identical percentage allocations to distribute the revenue
5 requirement among the different customer classes as prescribed in Docket No. 16-
6 00001, and approved in No. 17-00032. CPAD witness Novak affirms the
7 Company's class cost allocation conformed with the Order in Docket N. 16-00001 in
8 his direct testimony.³

9 **Q. CPAD WITNESS NOVAK RECOMMENDS THAT THE COMPANY USE**
10 **THE BILLING DETERMINANTS APPROVED IN THE COMPANY'S LAST**
11 **BASE RATE CASE, BUT ONLY THE ENERGY AND LAMP BILLING**
12 **DETERMINANTS, OMITTING DEMAND AND CUSTOMER BILLING**
13 **DETERMINANTS (NOVAK DIRECT AT 16-18). IS THIS APPROPRIATE?**

14 **A.** No. The rate design the Company used in the current filing is identical to the rate
15 design approved in Docket No. 17-00032. Figure 1, below, is the rate structure
16 approved in the aforementioned case and included in the Company's Tariff. It
17 clearly illustrates how the recovery was designed, and approved, as an energy,
18 demand, or customer rate.

³ Mr. Novak's Direct Testimony in Docket No. 17-00032, page 22, lines 11-13.

1

Figure 1			
Tariff	Energy Rate	Demand Rate	Customer Rate
	(¢) / kWh	(\$)/ KW or *KVA	(\$)/Customer
<u>Residential</u>			\$0.00
<u>Residential Employee</u>			\$0.00
<u>Residential Time-of-Day</u>			\$0.00
<u>Small General Service (SGS)</u>			\$0.00
<u>Medium General Service (MGS) Secondary</u>		\$0.00	
<u>General Service Time-of-Day (GS-TOD)</u>	0.0000		
<u>Medium General Service (MGS) Primary</u>		\$0.00	
<u>Large General Service (LGS) Secondary*</u>		\$0.00	
<u>Large General Service (LGS) Primary*</u>		\$0.00	
<u>LGS Subtransmission/Transmission*</u>		\$0.00	
<u>Industrial Power (IP) Secondary</u>		\$0.00	
<u>Industrial Power (IP) Primary</u>		\$0.00	
<u>Industrial Power (IP) Subtransmission/Transmission</u>		\$0.00	
<u>Church Service</u>	0.00000		
<u>Public Schools (PS)</u>	0.00000		
<u>Electric Heating General (EHG)**</u>		\$0.00	
<u>Outdoor Lighting (OL)- (per Lamp)</u>			\$0.00

2

3 **Q. HOW WOULD MR. NOVAK'S PROPOSAL TO CALCULATE THE RATE**
4 **FOR EACH CUSTOMER CLASS BASED ON ENERGY USAGE IMPACT**
5 **CUSTOMERS?**

6 A. Calculating the rate for all customer classes based simply on energy usage can
7 disproportionately impact some commercial customers, which have flatter load
8 shapes, as demonstrated in KgPCo Rebuttal Exhibit No. 2 (EKK). The Company's
9 rate apportionment on the basis of bills, energy usage, and billing demand was
10 designed to result in a proportionate and equitable distribution of charges within the
11 customer classes. For residential customers, this included an equal charge, or flat
12 fee. In his 17-00032 testimony on behalf of CPAD, Mr. Novak concurred with the
13 Company's calculation and allocation methodology, as follows:

1 *The surcharge for a particular customer class may be formed on*
2 *the basis of bills, kWh energy, or billing demand.... By way of*
3 *example, the total TRP & MS Rider costs allocated to the*
4 *Residential customer class would be divided by 495,438 bills in*
5 *order to calculate the appropriate TRP & MS Rider surcharge*
6 *for the following year.*⁴
7

8 **Q. HOW DID THE COMPANY CALCULATE THE RATE FOR**
9 **OUTDOOR LIGHTING?**

10 A. The Company calculated the rate for Outdoor Lighting based on the number of
11 outdoor lamps in both the current filing and in Docket No. 17-00032. The rate for
12 Street Lighting for the City of Kingsport is determined by contract; however, the
13 percentage allocation is included in the total revenue requirement as prescribed in
14 the most recent base case.

15 **Q. MR. NOVAK STATES THAT THE TRP & MS RATE SHOULD BE**
16 **CALCULATED USING BILLING DETERMINANTS FROM THE MOST**
17 **RECENT BASE CASE. WHY IS IT PREFERABLE FOR THE COMPANY**
18 **TO USE CURRENT BILLING DETERMINANTS?**

19 A. The previously described cost allocation percentages were used to determine how
20 much of the total revenue requirement was the responsibility of the different
21 customer classes. The Company then distributed that total within the classes based
22 on current billing determinants (either customer count, demand, or energy used by
23 the individual customer in order to develop the charge applicable to each tariff. If
24 the Company were to use the same billing determinants from year-to-year it would
25 not reflect any changes in demand or load. For example, if the Company
26 experienced a period of load growth, but continued using billing determinants that

⁴ Novak pages 23 and 24, lines 11 and 1-6.

1 did not reflect this change, it would cause the Company to over-collect. The use of
2 updated or current billing determinates allows the Company to more accurately
3 collect the approved revenue requirement. Using old billing determinants sets up an
4 avoidable over or under-recovery balance that must be dealt with in a subsequent
5 period.

6 **Q. DOES THE USE OF CURRENT BILLING DETERMINANTS CONFORM TO**
7 **THE TARIFF LANGUAGE?**

8 A. Yes. The Tariff states:

9 *The Company will allocate the revenue requirement to the*
10 *individual tariff class by application of the revenue allocation*
11 *factors used in the Company's most recent base case, and will*
12 *use the appropriate billing determinants, as determined in the*
13 *Company's most recent base case, to develop the TRP & MS*
14 *Rider tariff charges.*
15

16 The term "appropriate billing determinants" is used to describe the type of billing
17 determinant: customer count, demand, or energy usage, rather than the exact
18 determinants used in the most recent base case.

19 **Q. DOES THE COMPANY UPDATE ITS BILLING DETERMINANTS FOR ALL**
20 **OF ITS OTHER RIDER CASES IN ORDER TO MORE PRECISELY**
21 **RECOVER THE APPROVED REVENUE REQUIREMENT?**

22 A. Yes, moreover other jurisdictions require that updated, or recent, billing
23 determinants be used in all rider cases.

24 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

25 A. Yes, it does.

Kingsport Power Company
TRP & MS Rider
Tariff Rates by Revenue Allocation - Energy

Revenue Allocation Factor by Tariff (a)		Revenue (b) Requirement	Billing Units kWh	Novak Rate/Charge Energy (¢)/kWh	
(1)		(2)	(3)	(4)	
<u>Residential</u>	28.30%	\$ 669,016	681,364,473	0.0982	
<u>Small General Service (SGS)</u>	3.12%	\$ 73,927	23,965,376	0.3085	
<u>Medium General Service (MGS) Secondary</u>	14.26%	\$ 337,661	108,039,960	0.3125	
<u>General Service Time-of-Day (GS-TOD)</u>	0.02%	\$ 370	497,134	0.0745	
<u>Medium General Service (MGS) Primary</u>	0.17%	\$ 4,119	1,160,187	0.3550	
<u>Large General Service (LGS) Secondary</u>	24.26%	\$ 574,228	209,185,587	0.2745	
<u>Large General Service (LGS) Primary</u>	1.48%	\$ 35,073	31,253,240	0.1122	
<u>LGS Subtransmission/Transmission</u>	0.00%	\$ -	0		
<u>Industrial Power (IP) Secondary</u>	0.00%	\$ -	0		
<u>Industrial Power (IP) Primary</u>	1.88%	\$ 44,420	56,591,779	0.0785	
<u>Industrial Power (IP) Subtransmission/Transmission</u>	15.88%	\$ 375,990	845,872,412	0.0444	
<u>Church Service (CS)</u>	1.24%	\$ 29,343	10,116,300	0.2901	
<u>Public Schools (PS)</u>	2.78%	\$ 65,699	26,039,584	0.2523	
<u>Electric Heating General (EHG)</u>	3.24%	\$ 76,618	23,805,253	0.3219	
<u>Outdoor Lighting (OL)</u>	0.97%	\$ 22,876	65,520	\$ 0.35	Per Unit Charge
(c) <u>Non-Tariff Class (SL)</u>	2.40%	\$ 56,830	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
TRP & MS Rider
Rate Comparison by Customer Class

Tariff Schedule		Energy / Demand Consumption	Novak Rate/Charge Energy (¢)/kWh	Amount \$	Approved 17-00032 Amount \$	Difference %
RS		500 kWh	0.0982	\$ 0.49	\$ 1.31	-63%
RS		1,000 kWh	0.0982	\$ 0.98	\$ 1.31	-25%
RS		2,000 kWh	0.0982	\$ 1.96	\$ 1.31	50%
SGS		1,000 kWh	0.3085	\$ 3.09	\$ 1.62	90%
SGS		1,500 kWh	0.3085	\$ 4.63	\$ 1.62	186%
SGS		2,000 kWh	0.3085	\$ 6.17	\$ 1.62	281%
MGS	Secondary	50 kW / 12,500 kWh	0.3125	\$ 39.06	\$ 42.00	-7%
MGS		75 kW / 50,000 kWh	0.3125	\$ 156.25	\$ 62.05	152%
MGS		100kW/36,000 kWh	0.3125	\$ 112.50	\$ 84.00	34%
MGS	Primary	250 kW / 50,000 kWh	0.3550	\$ 177.50	\$ 432.50	-59%
MGS		500 kW / 200,000 kWh	0.3550	\$ 710.00	\$ 865.00	-18%
LGS	Secondary	150kW / 60,000 kWh	0.2745	\$ 164.70	\$ 168.96	-3%
LGS		150kW / 100,000 kWh	0.2745	\$ 274.50	\$ 168.96	62%
LGS		500 kW / 325,000 kWh	0.2745	\$ 892.13	\$ 564.48	58%
LGS	Primary	1000 kW / 200,000 kWh	0.1122	\$ 224.40	\$ 335.92	-33%
LGS		1000 kW / 400,000 kWh	0.1122	\$ 448.80	\$ 335.92	34%
IP	Sub/Tran	5,000 kW / 3,250,000 kWh	0.0444	\$ 1,443.00	\$ 1,450.00	0%
IP		10,000 kW / 6,500,000 kWh	0.0444	\$ 2,886.00	\$ 2,856.50	1%
IP		20,000 kW / 13,000,000 kWh	0.0444	\$ 5,772.00	\$ 5,800.00	0%
IP		50,000 kW / 25,000,000 kWh	0.0444	\$ 11,100.00	\$ 14,500.00	-23%