

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF KINGSPORT POWER)	
COMPANY d/b/a AEP APPALACHIAN)	
POWER FOR ANNUAL RECOVERY)	
UNDER THE TARGETED RELIABILITY)	DOCKET NO. 20-00127
PLAN AND MAJOR STORM RIDER)	
(“TRP&MS”), ALTERNATIVE RATE)	
MECHANISM APPROVED IN DOCKET)	
NO. 17-00032)	
)	

**DIRECT TESTIMONY OF
CRAIG C. COX**

April 16, 2021

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

3 **A1.** My name is Craig C. Cox. My business address is Office of the Tennessee Attorney
4 General, John Sevier Building, 500 Dr. Martin L. King, Jr. Boulevard, Nashville, TN
5 37243. I am a Financial Analyst employed by the Consumer Advocate Unit in the Financial
6 Division of the Tennessee Attorney General's Office ("Consumer Advocate").

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

9 **A2.** I earned a bachelor's degree (B.B.A.) in Finance from Middle Tennessee State University.
10 I am also a Certified Public Accountant (CPA) actively licensed in the state of Tennessee.
11 I have twenty-seven years of professional experience, twenty-two of which are in private
12 industry and five of which are in government service. Nearly all those years have been in
13 analytical roles (financial and operational) at the senior level. Some of the responsibilities
14 I have had during those years are as follows: leading the corporate budget and quarterly
15 projections processes, along with all associated reporting, for a \$500 million global
16 company; financial lead for multiple business units; project and process management to
17 include implementation of new and complex accounting pronouncements; manager of an
18 accounts payable operation; and instructor of corporate finance & accounting.

19 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
20 **TENNESSEE PUBLIC UTILITY COMMISSION (TPUC OR THE**
21 **"COMMISSION")?**

22 **A3.** No, I have not previously submitted testimony before the Commission.

23 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 **A4.** The purpose of my testimony is to provide the Consumer Advocate’s recommendation in
2 TPUC Docket No. 20-00127, the Petition of Kingsport Power Company d/b/a AEP
3 Appalachian Power (“Company”) to update its Targeted Reliability Plan and Major Storm
4 (TRP&MS) Rider. The Company is requesting recovery of \$8,488,738 net under-
5 recovered TRP&MS costs as of September 30, 2020.¹

6 **Q5. WHAT PORTION OF THE PROPOSED TRP&MS RECOVERIES ARE**
7 **RELATED TO THE TARGETED RELIABILITY PLAN AND WHAT PORTION**
8 **RELATES TO THE MAJOR STORM COSTS?**

9 **A5.** Exclusive of \$4,118,548 in TRP&MS revenues collected by surcharge through September
10 2020, the TRP&MS expenditure recovery request is comprised of \$10,355,252 in Targeted
11 Reliability Plan costs and \$2,252,034 in Major Storm costs.²

12 **Q6. WHAT ARE YOUR RECOMMENDATIONS IN THIS PROCEEDING?**

13 **A6.** I have reviewed the submitted TRP&MS files, methodologies, and calculations as
14 submitted by the Company in this petition for TPS&MS cost recovery. I have found them
15 to be reasonable.³ However, I have a couple of points to briefly discuss:

16 I. A proposal for the Company to provide an annual comparison of actual life-to-date
17 TRP costs (both capital expenditures and O&M expenses) and the original 10-year
18 projections of such costs as provided by the Company in TPUC Docket No. 17-00032.⁴

19 II. Overview of reliability metrics.

20 **I. COMPARISON OF LIFE-TO-DATE ACTUAL AND PROJECTED**
21 **TRP EXPENDITURES**

¹ *Petition* at 3:19-22.

² *Id.* at pp. 5-6.

³ This does not foreclose the possibility of identifying issues in future filings that were not identified within this case.

⁴ Direct Testimony of Philip A. Wright on Behalf of Kingsport Power Company d/b/a AEP Appalachian Power at 16:3-5, Figure 7, TPUC Docket No. 17-00032 (April 19, 2017).

1 **Q7. DO YOU THINK EVALUATING HOW ACTUAL TRP EXPENDITURES**
2 **COMPARE WITH THE COMPANY'S TEN-YEAR PROJECTIONS MADE IN**
3 **TPUC DOCKET NO. 17-00032 WOULD BE OF VALUE TO THIS COMMISSION?**

4 **A7.** Yes. Since this rider was initially approved based on the Company's ten-year projection
5 of expected costs for systems improvement and vegetation management (two major
6 components of the Company's TRP), monitoring how actual costs compare with
7 projections would be valuable from a consumer perspective and would provide an
8 additional measure of accountability for the Company. Since all costs included for
9 recovery as a part of this rider will ultimately be borne by customers, ensuring there are
10 adequate explanations for costs exceeding \$54.5 million in ten-year cumulative capital
11 expenditures and \$36.3 million in ten-year cumulative O&M expenses is important.

12 **Q8. WHAT DO YOU RECOMMEND FOR SUCH A COMPARISON?**

13 **A8.** I recommend the Company provide a running life-to-date comparison of TRP expenditures
14 each year similar, in format, to Figure 1 below when making its annual TRP&MS filing
15 with the Commission. I recommend the Company provide detailed explanations for the
16 years when expenditures are greater than or substantially less than original projections.

[Intentionally blank to fit chart on one page]

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Figure 1

Year	Actual TRP Capital Expenditures	Projected TRP Capital Expenditures	Difference	Actual TRP O&M Expenses	Projected TRP O&M Expenses	Difference
1		\$2,977,919			\$3,927,221	
2		\$3,039,155			\$4,001,200	
3		\$3,086,828			\$4,076,617	
4		\$3,136,783			\$4,153,545	
5		\$7,076,257			\$3,223,612	
6		\$7,093,020			\$3,273,900	
7		\$7,110,117			\$3,325,193	
8		\$7,127,557			\$3,377,512	
9		\$6,908,632			\$3,430,877	
10		\$6,922,042			\$3,485,310	
Total		\$54,478,310			\$36,274,987	

2

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5

As a point of clarity, the amounts to be shown for actual TRP O&M expenses each year should include amounts covered by the \$903,372 allotted for TRP expenses included in base rates along with any additional TRP expenses included for recovery via this rider.

6

II. RELIABILITY METRICS

7

Q9. WHICH RELIABILITY METRICS DO YOU BELIEVE ARE MOST IMPORTANT TO MONITOR FOR ASSESSING THE SUCCESS OF THE PROGRAM?

8

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A9. I agree with Mr. Novak's testimony in TPUC Docket No. 18-00125 that the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI) are the two most relevant measures of the benefits derived from

10

11

1 the TRP&MS mechanism.⁵ The SAIDI index measures the duration (in minutes) of the
2 average service interruption, excluding major weather events. The SAIFI measures the
3 frequency per year that such interruptions occur, excluding major weather events.

4 **Q10. HAVE THE COMPANY'S RELIABILITY METRICS IMPROVED SINCE THE**
5 **IMPLEMENTATION OF THE TRP&MS?**

6 **A10.** There have been improvements in these performance metrics over the reporting period
7 ending September 30, 2020, compared with results for the corresponding period ending
8 September 30, 2019.⁶ SAIDI (excluding major storms) improved to 252.0 minutes from
9 272.4 minutes over the same period in the 2019 report. The total SAIFI (excluding major
10 storms) as of September 30, 2020, was 1.601, which was a modest improvement compared
11 with 1.603 interruptions for the same period ending 2019. When compared to the reporting
12 period ending September 30, 2017, SAIDI (excluding major storms) has improved slightly
13 to 252.0 minutes from 253.4, and SAIFI (excluding major storms) has improved to 1.601
14 interruptions from 1.715.

15 **Q11. DO YOU RECOMMEND CONTINUING TO CLOSELY MONITOR THESE**
16 **COMPANY INDICES?**

17 **A11.** Yes. The underlying justification for implementation of this program, now resulting in a
18 revenue requirement that exceeds \$8 million, was the need to improve Company
19 reliability.⁷ I recommend the Commission continue to be vigilant concerning the

⁵ Direct Testimony of Hal Novak on behalf of the Consumer Advocate at 6:1-11, TPUC Docket No. 18-00125 (February 26, 2019).

⁶ Direct Testimony of Eleanor K. Keeton on Behalf of Kingsport Power Company d/b/a AEP Appalachian Power at 4:1-4, Exhibit EKK-1, TPUC Docket No. 20-00127 (November 24, 2020); Direct Testimony of Eleanor K. Keeton, on Behalf of Kingsport Power Company d/b/a AEP Appalachian Power at 4:1-4, Exhibit EKK-1, TPUC Docket No. 19-00106 (November 22, 2019); and the Company's Response to CA DR No. 1-9 (January 15, 2021).

⁷ Direct Testimony of William K. Castle on Behalf of Kingsport Power Company d/b/a AEP Appalachian Power at p. 3:15, TPUC Docket No. 17-00032 (April 19, 2017).

1 Company's reliability metrics in its ongoing assessment of whether this mechanism is in
2 the public's interest.

3 **Q12. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A12.** Yes. However, I reserve the right to incorporate any new and relevant data that may
5 subsequently become available.



20-00127 CCC affidavit - needs notarized.pdf

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NO. 17-00032

DOCKET NO. 20-00127

AFFIDAVIT

I, Craig C. Cox, on behalf of the Consumer Advocate Unit of the Attorney
General's Office, hereby certify that the attached Direct Testimony represents my opinion in the
above-referenced case and the opinion of the Consumer Advocate Unit.

Craig C. Cox
CRAIG C. COX

Sworn to and subscribed before me
This _____ day of _____, 2021 04/16/2021

Jenna Allen
NOTARY PUBLIC

My Commission Expires: _____

TERRA ALLEN
Tennessee Notary Public
Online Notary Public
Hickman County, State Of Tennessee
My Commission Expires Sep 28, 2022

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