

**BEFORE
THE TENNESSEE PUBLIC UTILITY COMMISSION**

PETITION OF KINGSPORT POWER
COMPANY D/B/A AEP
APPALACHIAN POWER FOR A
GENERAL RATE CASE

Docket No. 21-00107

DIRECT TESTIMONY
of
WILLIAM H. NOVAK

ON BEHALF OF

**THE CONSUMER ADVOCATE UNIT
OF THE
FINANCIAL DIVISION
OF THE
OFFICE OF THE TENNESSEE ATTORNEY GENERAL**

March 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
I. ATTRITION PERIOD RATE BASE	6
II. ATTRITION PERIOD REVENUES & PURCHASED POWER EXPENSE	17
III. RATE DESIGN	24
IV. POLICY ISSUES	29
V. MISCELLANEOUS TARIFF CHANGES	33
VI. OTHER ISSUES AND CONCERNS	39

ATTACHMENTS

Attachment WHN-1	William H. Novak Vitae
Attachment WHN-2	Consumer Advocate Proposed Rate Design

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

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

6
7 ***Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

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

15
16 My work experience has centered on regulated utilities for over 35 years. Before
17 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
18 Tennessee Public Utility Commission where I had either presented testimony or
19 advised the Authority on a host of regulatory issues for over 19 years. In
20 addition, I was previously the Director of Rates & Regulatory Analysis for two
21 years with Atlanta Gas Light Company, a natural gas distribution utility with
22 operations in Georgia and Tennessee. I also served for two years as the Vice

¹ State of Tennessee, Registered Accounting Firm ID 3682.

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

4
5 In 2004, I established WHN Consulting as a utility consulting and expert witness
6 services company. Since 2004 WHN Consulting has provided testimony or
7 consulting services to state public utility commissions and state consumer
8 advocates in at least ten state jurisdictions as shown in Attachment WHN-1.

9
10 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?***

11 A3. I am testifying on behalf of the Consumer Advocate Unit ("Consumer Advocate"
12 or "CA") of the Office of the Tennessee Attorney General.

13
14 ***Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS RATE***
15 ***CASES CONCERNING KINGSFORT POWER COMPANY?***

16 A4. Yes. I've presented testimony in TPUC Dockets U-86-7472, 89-02126, 90-
17 05735, 92-04425 and 16-00001 concerning rate cases involving Kingsport Power
18 Company ("KgPCo" or "the Company") as well as dockets for other generic tariff
19 and rulemaking matters.

20
21 ***Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
22 ***PROCEEDING?***

1 A5. My testimony will support and address the Consumer Advocate's positions and
2 concerns with respect to the Company's Petition. Specifically, I will address the
3 following:

- 4 i. Consumer Advocate's proposed attrition period revenue calculations;
- 5 ii. Consumer Advocate's proposed attrition period rate base calculations;
- 6 iii. Consumer Advocate's proposal on various policy issues; and
- 7 iv. Consumer Advocate's proposed rate design.

8 In addition to my own testimony, Mr. Alex Bradley will testify to the Consumer
9 Advocate's calculation of operating expenses and taxes other than income taxes.

10 In addition, Mr. David Dittmore will testify to the Consumer Advocate's
11 calculation of various adjustments to Operation & Maintenance Expenses,
12 supporting calculations for Income Tax Expense and adjustments to the
13 Company's proposed Deferred Tax Asset balance. Finally, Mr. Aaron Rothschild
14 will testify to the Consumer Advocate's proposed cost of capital. As the
15 coordinator of the team conducting the investigation of this rate case on behalf of
16 the Consumer Advocate, I am also responsible for the theory of all adjustments
17 made in arriving at our estimate of the Company's rate of return under present
18 rates.

19

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

22 A6. I have reviewed the Company's Rate Case Application filed on November 17,
23 2021, along with the testimony and exhibits presented with its filing. In addition,

1 I have reviewed the Company's workpapers supporting its attrition period
2 revenues and rate base. I have also reviewed the Company's responses to the to
3 the Consumer Advocate's discovery requests (and documents filed in connection
4 with those requests and responses) in the areas directly relevant to my
5 responsibilities in this case.
6

7 ***Q7. MR. NOVAK, PLEASE SUMMARIZE YOUR SIGNIFICANT FINDINGS***
8 ***AND MAJOR RECOMMENDATIONS IN THIS CASE.***

9 A7. My most significant findings and recommendations are as follows:

- 10 • I recommend that the test period and attrition period of June 30, 2021 and
11 December 31, 2022 proposed by the Company be adopted by the
12 Commission.
- 13 • I recommend that the Commission adopt a revenue deficiency of \$3,169,097
14 as appropriate for the Company to earn a 4.97% overall return on rate base as
15 recommended by Mr. Rothschild.
- 16 • I recommend that the Commission recover this revenue deficiency from all
17 customer classes based on the current margin provided by each customer
18 class.

19

20 ***Q8. WHAT TEST PERIOD AND ATTRITION PERIOD HAS THE***
21 ***CONSUMER ADVOCATE ADOPTED FOR THIS CASE?***

22 A8. The Company has proposed the twelve months ended June 30, 2021 as its test
23 period with attrition adjustments through the twelve months ending December 31,
24 2022. I believe that these review periods are acceptable and recommend that they
25 be adopted by the Commission.
26

1 ***Q9. HAVE YOU CAUSED TO BE FILED A MULTI-PAGE EXHIBIT IN THIS***
2 ***CASE CONSISTING OF 12 SCHEDULES?***

3 A9. Yes. As shown on Consumer Advocate Exhibit, Schedule 1, our proposed
4 revenue deficiency calculation required to produce the 4.97% overall return
5 recommended by Mr. Rothschild results in a revenue increase of approximately
6 \$3.2 million. In contrast, the Company has requested an increase in rates of
7 approximately \$14.4 million in order to provide an overall return of 6.36%

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15 *[Testimony continues on next page]*

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1 **I. ATTRITION PERIOD RATE BASE**

2

3 ***Q10. MR. NOVAK, PLEASE SUMMARIZE YOUR CALCULATION OF***

4 ***ATTRITION PERIOD RATE BASE.***

5 A10. The development of my proposed Rate Base is shown on Consumer Advocate

6 Exhibit, Schedules 2 and 3. As shown on Consumer Advocate Exhibit, Schedule

7 2, I began with the test period balance for each of the components of Rate Base at

8 June 30, 2021, from the Company's books and records. I then made adjustments

9 to allocate transmission plant from Rate Base. I also made various adjustments

10 for known and reasonably anticipated events, producing an attrition year rate base

11 of \$128,541,218 as shown on CA Exhibit, Schedule 2. In my opinion, this Rate

12 Base represents the net investment upon which the Company should be allowed

13 the opportunity to earn a fair rate of return.

14

15 ***Q11. MR. NOVAK, PLEASE EXPLAIN THE COMPONENTS THAT MAKE UP***

16 ***YOUR TEST PERIOD AND ATTRITION PERIOD RATE BASE***

17 ***CALCULATIONS AS SHOWN ON CA EXHIBIT, SCHEDULE 2.***

18 A11. **Line 1, Utility Plant in Service \$227,003,925.** Utility Plant in Service is the

19 largest component of rate base and represents the average amount of utility assets

20 for the attrition year upon which the Company should be allowed the opportunity

21 to earn a return. To compute attrition year Utility Plant in Service, I began with

22 the test period balance for total utility plant of \$262,718,884² and then reduced

² Consumer Advocate Rate Base Workpaper RB-10.00.

1 this figure for transmission plant, leaving only the test period Tennessee
2 jurisdictional plant of \$216,863,307³.
3 Next, I adjusted the Tennessee test period jurisdictional plant for projected plant
4 additions and retirements, net of non-jurisdictional transmission plant, through
5 June 30, 2022, which is the mid-point of the attrition period. As shown on
6 Consumer Advocate Exhibit, Schedule 2, this process produced attrition period
7 plant in service of \$227,003,925.

8

9 ***Q12. MR. NOVAK, PLEASE EXPLAIN IN MORE DETAIL HOW YOU***
10 ***DETERMINED THE PROJECTED PLANT ADDITIONS AND***
11 ***RETIREMENTS.***

12 A12. Generally, I adopted the latest historical 3-year average of plant additions and
13 retirements to utility plant in service as shown on Table 1 below.

Table 1 – Jurisdictional Plant Additions & Retirements⁴		
Historical/Forecast Period	Additions	Retirements
2016 – 2021 (5 Year Average)	\$16,588,177	\$3,200,188
2017 – 2021 (4 Year Average)	18,249,956	3,607,115
2018 – 2021 (3 Year Average)	20,397,409	4,083,930
2019 – 2021 (2 Year Average)	16,758,179	4,453,648
2020 – 2021 (1 Year Average)	15,672,434	2,227,123

14

15 However, after adopting the three-year average of plant additions and retirements,
16 I discovered certain historical anomalies and extraordinary items for certain plant
17 accounts that would not be representative of the attrition period. I therefore made
18 adjustments to consider these out-of-period items which resulted in in net attrition

³ Consumer Advocate Rate Base Workpaper RB-10.00a.

⁴ Consumer Advocate Rate Base Workpaper RB-10.00c. All amounts are exclusive of transmission plant.

1 period annual plant additions of \$15,572,022 and net annual plant retirements of
2 \$2,081,113.⁵ Next, these annual amounts were compounded for 18 months in
3 order to provide a plant in service forecast at June 30, 2022, which is the mid-
4 point of the attrition period. Finally, a portion of the Company's intangible and
5 general plant additions were allocated to non-jurisdictional transmission plant by
6 using a ratio of transmission plant to distribution plant at June 30, 2021.⁶ By way
7 of example, this process is illustrated in Table 2 below for Account 36200 –
8 Station Equipment.

Table 2 – Plant Additions & Retirements Account 39700 – Communication Equipment ⁷		
Item	Additions	Retirements
2018 – 2021 (3 Year Average)	\$112,011	\$0
Compound Factor (18 Months)	1.50	1.50
Total Attrition Activity	\$168,017	\$0
Jurisdictional Allocation Factor	81.41%	81.41
Jurisdictional Attrition Activity	\$136,783	2,227,123

9
10 This same process was repeated for each of the Company's plant accounts. By
11 taking the adjustments described above for plant additions and retirements, I was
12 able to calculate my forecast for attrition period Plant in Service of \$227,003,925
13 as shown on CA Exhibit, Schedule 2.

14

15 ***Q13. HOW DID THE COMPANY CALCULATE PLANT ADDITIONS AND***
16 ***RETIREMENTS?***

⁵ Consumer Advocate Rate Base Workpaper RB-10.00c.

⁶ Consumer Advocate Rate Base Workpaper RB-30-1.00.

⁷ Consumer Advocate Rate Base Workpaper RB-10-35.00.

1 A13. For the July 2021 to December 2021 forecasted plant additions, the Company
2 increased the actual plant additions from January 2021 to June 2021 by 100%.⁸
3 For the 2022 forecasted plant additions, the Company used its internal
4 “forecasting system”.⁹ For forecasted plant retirements, the Company developed
5 a ratio of prior period plant retirements to plant additions and then applied this
6 ratio to the attrition period plant additions.¹⁰
7

8 ***Q14. MR. NOVAK, HAVE YOU ADJUSTED THE ATTRITION PERIOD***
9 ***PLANT TO TAKE INTO ACCOUNT THE CAPITAL ADDITIONS THAT***
10 ***WILL BE SEPARATELY BILLED THROUGH THE TARGETED***
11 ***RELIABILITY PLAN AND MAJOR STORM (TRP&MS) RIDER?***

12 A14. No. Instead, both the Company and I have included all our attrition period plant
13 additions into rate base with no allocations for any forecasted TRP&MS Rider
14 plant additions. This means that the Company will need to exclude the 2022
15 attrition period capital plant additions approved by the Commission from its 2022
16 and 2023 TRP&MS Rider filings since these amounts will already be included in
17 base rates.¹¹ This accounting treatment for capital additions does not impact the
18 Operation & Maintenance Expense component of the upcoming TRP&MS Rider
19 filings, which are discussed further in the direct testimony of Consumer Advocate
20 Witness Alex Bradley.

⁸ Company Response to Consumer Advocate Data Request No. 1-12b.

⁹ Company Response to Consumer Advocate Data Request No. 1-12c.

¹⁰ Direct Testimony of Company Witness Allen, Adjustment EP-37. See File “Adj EP-37.xlsx.”

¹¹ Alternatively, the Company could create new subaccounts in its ledger to segregate and track the capital additions to the TRP&MS Rider.

1
2 ***Q15 PLEASE CONTINUE WITH YOUR EXPLANATION OF THE***
3 ***REMAINING COMPONENTS OF THE RATE BASE CALCULATION AS***
4 ***SHOWN ON CA EXHIBIT, SCHEDULE 2.***

5 A15. **Line 2, Property Held for Future Use \$187,481.** This item represents currently
6 unused plant that the Company expects to eventually devote to providing utility
7 service. The Commission has traditionally allowed Property Held for Future Use
8 to be included in Rate Base when it is expected to be converted to utility plant
9 within a *reasonable* amount of time. However, the specific plant in question here
10 has a historical cost of \$187,481 and has been on the Company's books for at
11 least five years with some portions on the books for over twelve years. When
12 questioned about this, the Company replied that they expected construction to
13 start on this property by early 2022.¹² Since the Company's expected use of this
14 plant appears to be immediate, I have included the full test period balance
15 recorded in this account.

16 **Line 3, Construction Work in Progress \$5,102,613.** This item represents plant
17 currently under construction that will soon become used and useful in providing
18 utility service to the Company's customers. To project Construction Work in
19 Progress, I took the test period balance and then applied a two-year average rate
20 to allocate the non-jurisdictional transmission plant.¹³

21 **Line 4, Materials & Supplies \$300,612.** This item represents the carrying value
22 of miscellaneous materials and represents an investment on which the Company

¹² Company Response to Consumer Advocate Data Request No. 2-21.

¹³ Consumer Advocate Rate Base Workpaper RB-12-1.00.

1 should be allowed to earn a reasonable return. To project Materials & Supplies, I
2 took the test period balance and then applied a two-year average rate to allocate
3 the non-jurisdictional transmission plant.¹⁴

4 **Line 5, Prepayments \$2,082,431.** This item represents a variety of costs that the
5 Company has paid in advance for taxes, insurance, employee benefits and other
6 items. Because these costs are paid in advance of when they are actually required,
7 they represent a capitalized investment on which the Company should be allowed
8 to earn a reasonable return. As these Prepayments are used, their cost is
9 amortized to operating expense. A comparison of the Company's forecasted
10 Prepayments with my own forecast is shown below in Table 3.

Table 3 – Prepayments¹⁵		
Item	Kingsport Power	Consumer Advocate
Prepaid Insurance	\$0	\$39,197
Prepaid Carry Cost-Factored AR	6,353	10,491
Prepaid Pension	3,617,082	0
Prepaid Insurance – EIS	53,820	86,997
Prepaid Lease	0	3
Prepaid Employee Benefits	1,963,819	0
Prepaid Taxes	415,249	1,945,743
Total	\$6,056,323	\$2,082,431

11
12 To project Prepayments, I generally used a two-year historical average of the
13 annual balances in this account since it was most representative of the current cost
14 after excluding prepaid pension and employee benefits.¹⁶

¹⁴ Consumer Advocate Rate Base Workpaper RB-13-1.00.

¹⁵ Consumer Advocate Rate Base Workpaper RB-14-1.00.

¹⁶ Consumer Advocate Rate Base Workpaper RB-14-1-1.00.

1 ***Q16. PLEASE EXPLAIN WHY YOU HAVE EXCLUDED PREPAID PENSION***
2 ***AND PREPAID EMPLOYEE BENEFITS FROM THIS RATE BASE***
3 ***CATEGORY.***

4 A16. The Company has voluntarily over-funded its pension plan and its post-retirement
5 benefit plan for employees.¹⁷ The Company is then asking the Commission to
6 allow it to earn a return on these over-funded retirement plans by including them
7 as an addition to rate base. I disagree with the characterization for treating these
8 over-funded retirement plans as if they were utility assets and have excluded them
9 from the Prepayment calculation.

10
11 ***Q17 PLEASE CONTINUE WITH YOUR EXPLANATION OF THE***
12 ***REMAINING COMPONENTS OF THE RATE BASE CALCULATION***
13 ***SHOWN ON CA EXHIBIT, SCHEDULE 2.***

14 A17. **Line 7, Accumulated Depreciation \$81,108,803.** This item represents the
15 amount of depreciation which has accrued over the life of the various capital
16 assets included within Utility Plant in Service as described above. In this case,
17 the Company has proposed new depreciation rates to be effective July 1, 2022,
18 that annually decrease the depreciation expense on distribution plant by
19 \$192,781.¹⁸ According to the Company, these new depreciation rates "...are
20 necessary because of changes in average service lives and net salvage
21 estimates."¹⁹ I have reviewed the proposed depreciation rate from the Company's

¹⁷ Company Response to Consumer Advocate Discovery Request No. 1-118.

¹⁸ Company Response to Consumer Advocate Discovery Request No. 1-33.

¹⁹ Direct Testimony of Company Witness Cash at 5:3-5.

study and recommend that they be approved, subject to my concerns on transmission plant that are discussed below. As a result, I have reflected the Company's proposed depreciation rates within my own calculation of accumulated depreciation.²⁰ These depreciation rates also produced \$8,405,897 in depreciation expense that is reflected on the Income Statement in the Consumer Advocate Exhibit.²¹ All other differences between the Company and my attrition year Accumulated Depreciation primarily relate to the different projections of Utility Plant in Service as described above. However, I do have concerns regarding the Company's amortization rates and specific components of the proposed depreciation study.

Q18. MR. NOVAK PLEASE EXPLAIN YOUR CONCERNS REGARDING THE COMPANY'S AMORTIZATION RATES.

A18. The Company applies certain amortization rates to its intangible property as shown in Table 4 below.

Table 4 – Amortization Rates²²	
Item	Current Rate
30301 – Intangible Property – Oracle	10.00%
30302 – Intangible Property – Maximo	6.67%
30303 – Intangible Property - Other	20.00%

These amortization rates, which have never been approved by the Commission, are not included in the Company's proposed depreciation study. I have no

²⁰ Consumer Advocate Rate Base Workpaper RB-20.00.

²¹ Consumer Advocate Rate Base Workpaper RB-20.10.

²² Consumer Advocate Rate Base Workpaper RB-20.01.

1 objection to using these rates for calculating amortization expense on the
2 Company's books or in this rate case. However, I do recommend that the
3 Commission formally adopt these amortization rates and instruct the Company to
4 formally request approval before making any changes to them in the future.
5

6 ***Q19. MR. NOVAK PLEASE EXPLAIN YOUR CONCERNS REGARDING THE***
7 ***COMPANY'S DEPRECIATION STUDY.***

8 A19. From a strictly jurisdictional perspective, the Tennessee Commission only
9 regulates the distribution rates of the Company. However, the Company is asking
10 the Commission to approve its entire depreciation study, which also contains
11 depreciation rates related to transmission plant. Since this transmission plant is
12 regulated by other agencies, approval of the depreciation rates for transmission
13 plant by the Tennessee Commission could be misleading.²³ Therefore, I
14 recommend that the Commission limit its approval of the rates contained in the
15 Company's depreciation study to only the intangible, distribution and general
16 plant.
17

18 ***Q20 PLEASE CONTINUE WITH YOUR EXPLANATION OF THE***
19 ***REMAINING COMPONENTS OF THE RATE BASE CALCULATION AS***
20 ***SHOWN ON CA EXHIBIT, SCHEDULE 2.***

21 A20. **Line 8, Accumulated Deferred Income Taxes ("ADIT") \$18,632,760.** This
22 item represents the net amount of income tax that the Company has deferred

²³ Company Response to Consumer Advocate Discovery Request No. 2-5.

1 payment on primarily due to the use of accelerated depreciation methods to
2 compute tax depreciation expense. Since these tax payments have already been
3 paid by customers through rates, their deferral represents a reduction to rate base.
4 The separate components of ADIT are shown in Table 5 below.

Table 5 – Accumulated Deferred Income Taxes²⁴	
ADIT Component	Attrition Amount
ADIT Deferred Asset – Other (1901001)	112,050
ADIT Deferred Liability – Utility Property (2821001)	-24,817,585
ADIT Deferred Liability – Other (2831001)	-2,464,381
Net Operating Loss Carryforward	8,537,156
Total	-\$18,632,760

5
6 To compute ADIT, I calculated the average jurisdictional test period balances for
7 the Other Asset and Liability accounts (1901001 and 2831001).²⁵ For the Utility
8 property account, I calculated a linear regression of historical distribution ADIT
9 against historical distribution Plant in Service. I then applied the results of this
10 regression to the attrition period distribution Plant in Service described earlier.²⁶
11 The Net Operating Loss Carryforward component of ADIT was calculated by
12 Consumer Advocate witness Dittmore and is discussed in more detail in his
13 direct testimony.

14 **Line 9, Customer Advances \$702,253.** This item represents non-investor
15 supplied funds from customers for extending utility service that the Company has
16 used to finance a portion of its utility investment and should therefore be included
17 as a deduction in computing Rate Base. To project Customer Advances, I used a

²⁴ Consumer Advocate Rate Base Workpaper RB-21-1.00.

²⁵ Consumer Advocate Rate Base Workpaper RB-21-2.00.

²⁶ Consumer Advocate Rate Base Workpaper RB-21-3.00.

1 two-year historical average of the annual balances in this account since it was
2 most representative of the current cost.²⁷
3 **Line 10, Customer Deposits \$5,692,028.** This item represents amounts
4 advanced by customers to the Company for the privilege of obtaining utility
5 service as well as the unpaid interest that is accrued on these deposits and owed to
6 the customer when the deposit is refunded. These deposits therefore represent a
7 source of non-investor supplied funds which the Company has available to
8 finance a portion of its utility investment and should therefore be included as a
9 deduction in computing Rate Base. To compute Customer Deposits and the
10 associated accrued interest, I used a two-year average of the balances in both
11 accounts.²⁸
12

13 ***Q21. MR. NOVAK, PLEASE SUMMARIZE YOUR TOTAL RATE BASE***
14 ***CALCULATION.***

15 A21. The adjustments described above were netted with the test period balances to
16 produce an attrition period rate base of \$128,541,218 as shown on Consumer
17 Advocate Exhibit, Schedule 2. In my opinion, this Rate Base represents the net
18 investment upon which the Company should be allowed the opportunity to earn a
19 fair rate of return.
20

21 *[Testimony continues on next page]*
22

²⁷ Consumer Advocate Rate Base Workpaper RB-23-1.00.

²⁸ Consumer Advocate Rate Base Workpaper RB-24-1.00.

1 **II. ATTRITION PERIOD REVENUES & PURCHASED POWER EXPENSE**

2

3 ***Q22. MR. NOVAK, PLEASE DESCRIBE THE MAJOR AREAS OF DIFFERENCE***

4 ***BETWEEN THE COMPANY'S AND THE CONSUMER ADVOCATE'S***

5 ***CALCULATIONS OF ATTRITION PERIOD BILLING DETERMINANTS.***

6 A22. The primary differences are different forecasts for normal weather, annualized

7 customer usage and customer growth. As summarized below on Table 6, the

8 Consumer Advocate first began with the Company's test period billing

9 determinants for the twelve months ended June 30, 2021 of 1,595,781,389 KWH,

10 582,259 bills and 2,260,812 billing demand units. We then adjusted for normal

11 weather, annualized customer usage and annualized customer growth to arrive at

12 attrition billing determinants of 1,581,471,143 KWH, 585,427 bills and 2,224,266

13 billing demand units.

Table 6 – Consumer Advocate Attrition Period Billing Determinants²⁹				
	Test Period	Weather Adjustment	Customer Growth	Attrition Period
Bills	582,259	0	3,168	585,427
Billing Demand	2,260,812	0	-36,546	2,224,266
KWH	1,595,781,389	2,173,782	-16,484,028	1,581,471,143

14

15

²⁹ Consumer Advocate Revenue Workpaper R-1-3.00.

1 These attrition period billing determinants can then be compared with the
2 Company's forecasted attrition period and are presented below on Table 7.

Table 7 – Comparison of Company and Consumer Advocate Attrition Period Billing Determinants³⁰			
	Kingsport Power	Consumer Advocate	Difference
Bills	578,524	585,427	6,903
Billing Demand	2,126,001	2,224,266	98,265
KWH	1,612,582,810	1,581,471,143	-31,111,667

3
4 As can be seen, these billing determinants are relatively close and result in a
5 difference of only 1% to 5% difference between the forecasted amounts.
6

7 ***Q23. HOW HAVE YOU ADJUSTED THE ATTRITION PERIOD BILLING***
8 ***DETERMINANTS FOR EXISTING CUSTOMER USAGE?***

9 A23. I adjusted industrial customer usage by individually analyzing the usage for the
10 Company's 25 largest customers. These 25 customers represented over 95% of
11 the Company's test period volumes to the large commercial and industrial class.³¹
12

13 ***Q24. HOW WAS USAGE FOR ADDED CUSTOMERS COMPUTED?***

14 A24. A historical average of added customers was first calculated. These forecasted
15 customer additions were then multiplied by an average usage volume per
16 customer giving additional attrition period usage.
17

³⁰ Consumer Advocate Revenue Workpaper R-1-3.00.

³¹ Consumer Advocate Revenue Workpaper R-91.00.

**Q25. HOW WERE THE ATTRITION PERIOD BILLING DETERMINANTS
TRANSLATED INTO REVENUES?**

A25. The attrition period billing determinants as shown on Table 6 were multiplied by the existing base tariff rates along with the current fuel and purchased power adjustment rider for each tariff.³² I also made adjustments to take into account the prompt payment discount for all rate schedules. This gives total attrition period electric service revenues of \$143,711,352 as shown below in Table 8.

Table 8 – Comparison of Company and Consumer Advocate Attrition Period Revenues under Current Rates³³			
	Kingsport Power	Consumer Advocate	Difference
Residential Service	\$64,652,290	\$65,355,008	\$702,718
Small General Service	3,084,925	3,190,885	105,960
Medium General Service	11,886,168	11,688,459	-197,709
Large General Service	21,361,794	17,882,161	-3,479,633
Industrial Power Service	37,160,068	35,725,670	-1,434,398
Church Service	1,027,568	1,049,298	21,730
Public School Service	2,419,662	2,701,277	281,615
Electric Heating General Service	2,975,799	3,394,603	418,804
Outdoor Lighting Service	878,666	901,548	22,882
Street Lighting Service	1,557,913	1,822,443	264,530
Total Electric Service Revenue	\$147,004,853	\$143,711,352	\$-3,293,501

**Q26. HOW DOES YOUR BASE RATE REVENUE FORECAST COMPARE
WITH THE COMPANY'S CALCULATION?**

³² KgPCo MFR 5a, Attachment 1 (Pdf), pp. 14-17 of 75, Company's Fifth Revised Sheet Numbers 2-13, 2-14, 2-15 and 2-16.

³³ Consumer Advocate Revenue Workpapers R-1-1.00 and R-1-1.10.

1 A26. The base rate revenue forecast represents the net distribution margin on the
2 Company's sales of electricity. My forecast of this base rate revenue is shown
3 below on Table 9 along with the Company's calculation.

Table 9 – Comparison of Company and Consumer Advocate Attrition Period Base Rate Revenue under Current Rates³⁴			
	Kingsport Power	Consumer Advocate	Difference
Residential Service	\$7,103,260	\$7,624,973	\$521,713
Small General Service	1,248,808	1,336,808	88,000
Medium General Service	3,435,443	3,472,428	36,985
Large General Service	5,862,715	5,546,400	-316,315
Industrial Power Service	1,899,793	2,258,025	358,232
Church Service	306,434	320,156	13,722
Public School Service	186,207	236,367	50,160
Electric Heating General Service	758,746	1,094,546	335,800
Outdoor Lighting Service	656,876	698,669	41,793
Street Lighting Service	1,148,263	1,455,303	307,040
Total Base Rate Revenue	\$22,606,545	\$24,043,675	\$1,437,130

4
5 ***Q27. WHAT ARE THE PRIMARY DIFFERENCES BETWEEN YOUR BASE***
6 ***RATE FORECAST AND THE COMPANY CALCULATION?***

7 A27. As shown above on Table 9, the Company and I are approximately \$1.4 million
8 apart on our base rate forecast. The primary difference is due to the Company
9 reducing its base rate revenue forecast for tax rider revenue of \$1,369,540. The
10 Consumer Advocate disagrees with the Company's tax rider adjustment, and it is
11 discussed in more detail in the direct testimony of Consumer Advocate Witness
12 David Dittimore.
13

³⁴ Consumer Advocate Revenue Workpapers R-1-1.00 and R-1-1.10.

1 Another difference in base rate revenue is due to the calculation of current base
2 rates for Street Lighting. In Docket No. 16-00001, the Commission Ordered a pro
3 rata increase in rates to all customers of 13.71% including Street Lighting
4 customers.³⁵ However, the Company chose not to implement this increase to
5 Street Lighting customers to its own detriment. I have therefore made a pro
6 forma adjustment to increase the test period Street Lighting revenues by 13.71%
7 to reflect the Commission's previous decision.³⁶ This adjustment increased the
8 test period Street Lighting revenues by approximately \$215,000. The Company
9 has made no similar type of adjustment in its revenue forecast.

10

11 The remaining differences in base rate revenue are primarily due to the different
12 forecasting methodologies used by the Company and myself.

13

14 ***Q28. HOW DID YOU COMPUTE OTHER REVENUES?***

15 A28. Other Revenues primarily consist of forfeited discounts, reconnection charges,
16 miscellaneous service charges and rental income from utility property and are
17 summarized below on Table 10.

18

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³⁵ *Order Approving Stipulation and Settlement Agreement*, Exhibit A – Stipulation & Settlement Agreement, Attachment A, Schedule 13, TPUC Docket No. 16-00001 (October 19, 2016).

³⁶ Consumer Advocate Revenue Workpaper R-51-3.00.

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Table 10 – Comparison of Company and Consumer Advocate Attrition Other Revenues³⁷			
	Kingsport Power	Consumer Advocate	Difference
Forfeited Discounts	\$222,224	\$272,061	\$49,837
Miscellaneous Service Revenues	25,576	200,176	174,600
Rental Revenue	675,062	900,000	224,938
Other Electric Revenue	142,857	142,857	0
Total Other Revenue	\$1,065,719	\$1,515,094	\$449,375

2

3 To compute Other Revenues, I analyzed the test period amounts and adjusted for
4 growth where appropriate. Of note here, the Company is proposing to reduce the
5 current reconnect charge from \$50 to \$20 in order to reflect updated cost data
6 which accounts for the \$174,600 difference in Miscellaneous Service Revenues.³⁸
7 However, to properly calculate the current revenue deficiency, I have used the
8 current reconnect charge here. I then discuss the appropriateness of making this
9 rate change later in my testimony. In addition, the \$224,938 difference in rental
10 revenue noted on Table 10 reflects an updated rate to the Company's pole
11 attachment agreement.³⁹

12

13 ***Q29. HOW WAS PURCHASED POWER EXPENSE COMPUTED?***

14 A29. I began with the test period purchased power expense on the Company's books
15 for the twelve months ended June 30, 2021. I then made adjustments for changes
16 to the attrition period throughput described above and annualized the cost at the

³⁷ Consumer Advocate Revenue Workpapers R-90-1.00 and R-1-1.10.

³⁸ Company Response to Consumer Advocate Discovery Request No. 3-20.

³⁹ Consumer Advocate Revenue Workpaper R-90-4.03.

1 current fuel and purchased power adjustment rider rate.⁴⁰ This produced
2 \$119,667,677 in attrition period purchased power expense as shown on CA
3 Exhibit, Schedule 4.⁴¹
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⁴⁰ KgPCo MFR 5a, Attachment 1, pp. 14-17 of 75, Company's Fifth Revised Sheet Numbers 2-13, 2-14, 2-15 and 2-16.

⁴¹ Consumer Advocate Revenue Workpaper R-1-1.01.

1 **III. RATE DESIGN**

2 ***Q30. MR. NOVAK, PLEASE SUMMARIZE THE RATE DESIGN PROPOSALS***
3 ***MADE BY THE COMPANY TO RECOVER ITS REVENUE DEFICIENCY.***

4 A30. The Company has proposed using a Class Cost of Service Study to set rates for
5 each of its tariffs. The Company has also made other proposed policy changes
6 that could have an impact on rates which I discuss later in my testimony.

7
8 ***Q31. PLEASE BRIEFLY EXPLAIN THE PURPOSE OF THE ALLOCATION***
9 ***PROCESS IN THE COMPANY'S CLASS COST OF SERVICE STUDY.***

10 A31. The purpose of any Class Cost of Service Study ("CCOSS") is to arrive at the cost
11 of serving each customer class and present a systematic approach to allocating
12 this cost (or total revenue requirement) to the different classes of customers. The
13 CCOSS then provides a measure of guidance for the Commission to consider how
14 to best adjust individual rates for each customer class to produce the total revenue
15 requirement.

16
17 ***Q32. HAVE YOU REVIEWED THE COMPANY'S PROPOSED CLASS COST OF***
18 ***SERVICE STUDY IN THIS CASE?***

19 A32. Yes. The Company has developed a CCOSS that classifies each element of rate
20 base and income to its different tariffs using 48 separate allocation factors.⁴² The
21 result of the Company's CCOSS is to allocate 10.53% of its proposed \$14.3

⁴² Consumer Advocate Revenue Workpaper R-1-5.00.

1 million rate increase to industrial customers and allocate the remaining 89.47% to
2 all other customers.⁴³

3

4 ***Q33. DO YOU AGREE WITH THE COMPANY'S CCROSS METHODOLOGY IN***
5 ***THIS CASE?***

6 A33. No. The assignment of 48 individual allocation factors to each element of the
7 Company's cost of service is inherently judgmental, and the Company has not
8 introduced any evidence to fully explain its rationale for each individual
9 allocation assignment. For example, the Company has allocated a significant
10 portion of its costs based upon peak day consumption, meaning that almost all of
11 these costs will be allocated to residential and commercial customers without any
12 discussion or evidence as to why such an allocation is appropriate. I could easily
13 justify allocating many of these same costs based upon the total throughput of
14 each customer class which would then allocate a majority of the costs to industrial
15 customers. Since the Company has not provided any rationale for its individual
16 allocation choices it is impossible to determine its rationale for cost allocation.

17

18 Finally, other factors beyond just the cost of service need to also be considered in
19 allocating costs. These other factors include value of service, product
20 marketability, encouragement of efficient use of facilities, broad availability of
21 service functions, and a fair distribution of charges among users. Since it is
22 impossible to properly consider each of these other factors, it follows that no

⁴³ Consumer Advocate Revenue Workpaper R-1-6.00.

1 mechanical or mathematical formula can ever be applied to the cost of service that
2 would translate it directly into rates.

3

4 ***Q34. HAS THE COMMISSION EVER ADOPTED A CCROSS FOR THE***
5 ***PURPOSE OF SETTING RATES?***

6 A34. No. To my knowledge, the Commission has never adopted a CCROSS for any of
7 the utilities that it regulates.

8

9 ***Q35. HOW DO YOU PROPOSE THAT THE COMMISSION ALLOCATE THE***
10 ***COMPANY'S REVENUE REQUIREMENTS TO EACH CUSTOMER***
11 ***CLASS?***

12 A35. I would recommend that the Consumer Advocate's revenue deficiency of
13 \$3,169,097 as shown on CA Exhibit, Schedule 1, be allocated evenly across-the-
14 board to all customer classes based upon the ratio of each customer class's
15 attrition period margin to total attrition period margin. My complete revenue
16 deficiency allocation is presented on Consumer Advocate Exhibit, Schedule 12
17 and summarized below on Table 11.

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Table 11 – Consumer Advocate Proposed Attrition Period Revenue Deficiency Allocation				
Tariff	Current Margin	Revenue Increase	Proposed Margin	Percent Change
Residential	\$7,624,973	\$1,005,016	\$8,629,989	13.18%
Small General	1,336,808	176,199	1,513,007	13.18%
Medium General	3,472,428	457,686	3,930,114	13.18%
Large General	5,546,400	731,048	6,277,448	13.18%
Industrial Power	2,258,025	297,621	2,555,646	13.18%
Church Service	320,156	42,198	362,354	13.18%
Public School	236,367	31,155	267,522	13.18%
Electric Heating	1,094,546	144,268	1,238,814	13.18%
Outdoor Lighting	698,669	92,089	790,758	13.18%
Street Lighting	1,455,303	191,817	1,647,120	13.18%
Electric Margin	\$24,043,675	\$3,169,097	\$27,212,772	13.18%
Other Revenues	1,515,094	37,050	1,552,144	2.45%
Total Margin	\$25,558,769	\$3,206,146	\$28,764,915	12.54%

2

3 To summarize the results of Table 11, the Consumer Advocate would propose to
4 allocate a 13.18% increase to residential customers based upon an across-the-
5 board distribution of attrition period margin under current rates. The Consumer
6 Advocate believes that an across-the-board increase to all customer classes more
7 equitably spreads the burden of any increase in rates and is preferable to the
8 Company's CCOSS results.

9

10 ***Q36. WHAT SPECIFIC RATE DESIGN DO YOU PROPOSE?***

11 A36. As mentioned above, I recommend that the proposed revenue deficiency of
12 \$3,169,097 be allocated evenly across-the-board to all customer classes based
13 upon the ratio of each customer class's attrition period margin to total attrition
14 period margin. As to specific tariff rates, I recognize that the decline in customer
15 usage has impaired the Company's ability to earn a fair rate of return. For that

1 reason, I propose a gradual shift towards placing a higher margin on customer and
2 demand charges than through usage charges. Therefore, I propose that the entire
3 revenue deficiency in this case be recovered through increased customer and
4 demand charges only. In other words, I recommend that the existing base rate
5 commodity charges remain at their current levels.
6 My complete rate design is contained on Attachment WHN-2.

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1 **IV. POLICY ISSUES**

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3 ***Q37. MR. NOVAK, PLEASE SUMMARIZE THE POLICY PROPOSALS***

4 ***OFFERED BY THE COMPANY.***

5 A37. The Company has made a number of significant policy proposals in its rate case

6 filing. Among these policy changes are the following:

- 7 • The establishment of a new Residential Smart Time-of-Use Electric Service
- 8 tariff while simultaneously suspending the existing Residential Time-of-Day
- 9 Electric Service tariff to new customers;
- 10 • The insertion of new language regarding the Characteristics of Electric
- 11 Service supplied to customers;
- 12 • The deletion of the existing Regional Transmission Organization Demand
- 13 Response Rider;
- 14 • The deletion of the existing Storm Damage Rider;
- 15 • The establishment of a Residential Plug-In Electric Vehicle Charging (PEV)
- 16 tariff;
- 17 • The establishment of an Economic Development Rider; and
- 18 • The establishment of a Renewable Energy Choice Rider.
- 19

20 ***Q38. PLEASE DESCRIBE THE COMPANY'S PROPOSALS REGARDING THE***

21 ***NEW RESIDENTIAL SMART TIME-OF-USE ELECTRIC SERVICE AND***

22 ***THE EXISTING RESIDENTIAL TIME-OF DAY ELECTRIC SERVICE***

23 ***TARIFFS.***

1 A38. According to the Company, the existing residential time-of-day electric service is
2 only being used by two customers.⁴⁴ As a result, the Company has proposed to
3 close this tariff for any new customers.⁴⁵ In its place, the Company has proposed
4 to establish a new residential smart time-of-use electric service.⁴⁶ A
5 distinguishing feature of this new tariff is that the rate discount in the fuel and
6 purchased power adjustment rider is used instead of base rates. The Consumer
7 Advocate is not opposed to the Company's proposed changes in these two tariffs.

8
9 ***Q39. PLEASE DESCRIBE THE COMPANY'S NEW LANGUAGE REGARDING***
10 ***THE CHARACTERISTICS OF ELECTRIC SERVICE SUPPLIED TO***
11 ***CUSTOMERS.***

12 A39. The Company has included new language in the tariff that defines characteristics
13 of nominal voltage, maximum voltage, and minimum voltage.⁴⁷ The Consumer
14 Advocate is not opposed to this change in tariff language.

15
16 ***Q40. PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO DELETE THE***
17 ***REGIONAL TRANSMISSION ORGANIZATION (RTO) DEMAND***
18 ***RESPONSE RIDER FROM THE TARIFF.***

19 A40. The Company has chosen to delete the provisions of the RTO Demand Response
20 Rider from its tariff.⁴⁸ According to the Company, the new rules regarding

⁴⁴ Direct Testimony of Company Witness Walsh at 9:4-6.

⁴⁵ KgPCo MFR 5c, Attachment 1 (Pdf), p. 30 of 75.

⁴⁶ KgPCo MFR 5c, Attachment 1 (Pdf), p. 29 of 75.

⁴⁷ KgPCo MFR 5c, Attachment 1 (Pdf), p. 14 of 75.

⁴⁸ KgPCo MFR 5c, Attachment 1 (Pdf), p. 57 of 75.

1 significant penalties for non-compliance with RTO policies have now made
2 capacity planners reluctant to use demand response as a resource in their annual
3 plans.⁴⁹ As a result, the RTO Demand Response Rider is no longer effectively
4 used. The Consumer Advocate is not opposed to the deletion of this tariff rider.
5

6 ***Q41. PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO DELETE THE***
7 ***STORM DAMAGE RIDER FROM THE TARIFF.***

8 A41. As shown in the Company's tariff, this rider is not currently collecting any
9 revenue.⁵⁰ Further, the Company claims that this rider has now been made
10 redundant by the TRP&MS Rider.⁵¹ The Consumer Advocate is not opposed to
11 the discontinuance of this rider.
12

13 ***Q42. PLEASE DESCRIBE THE COMPANY'S PROPOSAL TO ESTABLISH A***
14 ***RESIDENTIAL PLUG-IN ELECTRIC VEHICLE (PEV) TARIFF.***

15 A42. According to the Company, the PEV tariff will allow customers opting for this
16 service the ability to charge electric vehicles at off-peak rates.⁵² Under the
17 Company's proposal, the PEV tariff would require a second meter charge of \$2.43
18 per month and would provide the customer with an off-peak usage credit of \$-
19 0.01938 per kWh.⁵³ The Consumer Advocate is not opposed to this optional
20 tariff.

⁴⁹ Direct Testimony of Company Witness Castle at 11:2-10.

⁵⁰ KgPCo MFR 5c, Attachment 1 (Pdf), p. 61 of 75.

⁵¹ Direct Testimony of Company Witness Castle at 13:3-7.

⁵² Direct Testimony of Company Witness Keeton at 7:6-9.

⁵³ KgPCo MFR 5c, Attachment 1 (Pdf), p. 72 of 75.

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***Q43. PLEASE DESCRIBE THE COMPANY’S PROPOSAL TO ESTABLISH AN
ECONOMIC DEVELOPMENT RIDER.***

A43. According to the Company, this tariff would encourage economic development by attracting new load to the Kingsport service area.⁵⁴ Under the Company’s proposal, eligible customers meeting specific criteria would be able to reduce their incremental billing demand charges by 40% for five years.⁵⁵ The Consumer Advocate is generally not opposed to this optional tariff; however, we do note that certain terms appear to be vague. For example, the tariff states that this service is limited to customers on a “first-come, first-served basis” without any definition of what that general term might be. We would therefore request that the Commission direct the Company to clarify the language in this proposed tariff.

[Testimony continues on next page]

⁵⁴ Direct Testimony of Company Witness Keeton at 12:8-10.
⁵⁵ KgPCo MFR 5c, Attachment 1 (Pdf), p. 74 of 75.

1 **V. MISCELLANEOUS TARIFF CHANGES**

2

3 ***Q44. MR. NOVAK, HAVE YOU REVIEWED THE MISCELLANEOUS TARIFF***

4 ***RATE CHANGES PROPOSED BY THE COMPANY?***

5 A44. Yes. In this case, the Company has proposed several changes to its existing tariff

6 for miscellaneous rates. Among these policy changes are the following:

- 7 • A rate reset of the TRP&MS Rider;
- 8 • A rate reset of the Federal Tax Adjustment Rider;
- 9 • A change in rates for the Underground Service Policy;
- 10 • A change in rates for the Net Metering Rider;
- 11 • A change in the Reconnect Charges;
- 12 • The establishment of new rates for LED service for the Outdoor Lighting and
- 13 Street Lighting tariffs;
- 14 • The establishment of Advanced Metering Infrastructure (AMI) Opt-out rates.
- 15

16 ***Q45. PLEASE DESCRIBE THE RATE RESET FOR THE TARGETED***

17 ***RELIABILITY PLAN & MAJOR STORM (TRP&MS) RIDER.***

18 A45. The Company has updated the TRP&MS rider to reflect the current expense

19 levels recognized in this rate case by resetting the current surcharge to zero.⁵⁶

20 The TRP&MS Rider is discussed in more detail in Consumer Advocate Witness

21 Alex Bradley's Direct Testimony.

22

⁵⁶ KgPCo MFR 5c, Attachment 1 (Pdf), p. 63 of 75.

1 ***Q46. PLEASE DESCRIBE THE RATE RESET FOR THE FEDERAL TAX***
2 ***ADJUSTMENT RIDER.***

3 A46. The Company has updated the Federal Tax Adjustment Rider to reflect the current
4 income tax expense levels recognized in this rate case by resetting the current
5 surcharge to zero.⁵⁷ The Federal Tax Adjustment Rider is discussed in more
6 detail in Consumer Advocate Witness David Dittmore's Direct Testimony.

7
8 ***Q47. PLEASE DESCRIBE THE CHANGE IN RATES FOR THE COMPANY'S***
9 ***UNDERGROUND SERVICE POLICY.***

10 A47. The Company has updated its underground service policy to include new
11 language and charge rates for Company provided trenching, conduit and
12 backfill.⁵⁸ The Consumer Advocate is not generally opposed to these changes
13 since it is the customer's option to use the Company to provide these services.
14 However, the Company's underground service policy is a separate document that
15 needs to be included within the tariff in order to provide customers with adequate
16 notice of these charges.⁵⁹ Therefore, the Consumer Advocate recommends that
17 the Commission require the Company to include a copy of the underground
18 service policy within its tariff.

19
20 ***Q48. PLEASE DESCRIBE THE CHANGE IN RATES FOR THE COMPANY'S***
21 ***NET METERING RIDER.***

⁵⁷ KgPCo MFR 5c, Attachment 1 (Pdf), p. 26 of 75.

⁵⁸ Direct Testimony of Company Witness Keeton at 14:16-17.

⁵⁹ *Id.* at KgPCo Exhibit EKK No. 8, Underground Service Policy.

1 A48. The Company has made a change in the definition of an RF Generator to include
2 electric vehicles with an alternating current capacity of 15kW⁶⁰ The Consumer
3 Advocate is not opposed to this change.
4

5 ***Q49. PLEASE DESCRIBE THE CHANGE IN RATES FOR THE COMPANY'S***
6 ***RECONNECT CHARGES.***

7 A49. The Company has proposed to change its service reconnect fees for standard and
8 non-standard meter customers to better reflect current costs.⁶¹ The Company's
9 current charge to reconnect service is \$50.00, and the Company is proposing to
10 reduce this charge to \$20.00 for advanced meters and increase it to \$75.00 for
11 traditional meters.⁶²
12

13 The Consumer Advocate agrees with the rate reduction to \$20.00 for reconnection
14 charges since it better reflects current costs. However, this reduction in the
15 reconnection charge will require an increase in the Company's revenue
16 deficiency. The Consumer Advocate's forecasted revenue deficiency for the
17 Company is \$3,234,784.⁶³ Reducing the Reconnect Charge from \$50.00 to
18 \$20.00 would require a further rate increase of \$120,600, bringing the total
19 revenue deficiency to \$3,355,384.⁶⁴
20

⁶⁰ KgPCo MFR 5c, Attachment 1 (Pdf), p. 52 of 75.

⁶¹ Direct Testimony of Company Witness Keeton at 6:4-5.

⁶² KgPCo MFR 5c, Attachment 1 (Pdf), p. 18 of 75.

⁶³ Consumer Advocate Exhibit, Schedule 1.

⁶⁴ Consumer Advocate Revenue Workpaper R-90-3.00.

1 The Consumer Advocate disagrees with the Company's proposal to increase
2 reconnect charges to \$75.00 for traditional meters. As mentioned later in my
3 testimony, there are only 25 customers remaining in the Company's service
4 territory with traditional meters.⁶⁵ Therefore, it would seem to be inappropriate to
5 have a separate reconnection charge that could only potentially be applied to so
6 few customers.

7
8 ***Q50. PLEASE DESCRIBE THE NEW PROPOSED RATES FOR THE LED***
9 ***SERVICE IN THE COMPANY'S OUTDOOR LIGHTING AND STREET***
10 ***LIGHTING TARIFFS.***

11 A50. The Company is proposing to add a number of new choices for LED service to its
12 Outdoor Lighting and Street Lighting tariffs.⁶⁶ According to the Company, LED
13 lamps are longer-lasting, more durable and offer comparable to better quality of
14 light than traditional outdoor and street lighting service at a fraction of the energy
15 usage.⁶⁷ The Company is also proposing new charges to convert traditional
16 outdoor and street lighting lamps to LED lamps for existing customers that wish
17 to do so.⁶⁸ The Consumer Advocate is not opposed to these changes.

18
19 However, the Consumer Advocate is still reviewing the development of the
20 Company's proposed rate charges for LED service as well as the assigned cost for
21 LEDs from the Fuel & Purchased Power Adjustment Rider. Since there are

⁶⁵ Direct Testimony of Company Witness Keeton at 4:7-10.

⁶⁶ KgPCo MFR 5c, Attachment 1 (Pdf), pp. 44-51 of 75.

⁶⁷ Direct testimony of Company Witness Walsh at 12:6-9.

⁶⁸ Company proposed conversion charges are \$31.00 for Outdoor Lighting and \$165.00 for Street Lighting.

1 currently no customers on these rate schedules for LED service, there is no impact
2 on the revenue requirement in this rate case. However, it is necessary for the
3 Commission to consider the appropriate rate for these new services for future
4 customers. Therefore, the Consumer Advocate intends to supplement its
5 testimony on these rates for LED lighting as we get closer to hearing.

6

7 ***Q51. PLEASE DESCRIBE THE NEW OPT-OUT RATES PROPOSED FOR THE***
8 ***COMPANY'S ADVANCED METERING INFRASTRUCTURE (AMI)***
9 ***TARIFF.***

10 A51. In 2019, the Company began installing advanced two-way meters for Kingsport
11 customers. This new meter installation has now been completed, but the
12 Company is claiming that 25 customers have requested a non-AMI meter.⁶⁹ In
13 order to accommodate these customers and recover the costs associated with
14 reading traditional meters, the Company has proposed an AMI Meter Opt-Out
15 provision in its tariff for residential customers.⁷⁰ Under the Company's proposed
16 Opt-Out tariff, these 25 customers would be required to pay for the installation of
17 special metering equipment (\$61.44 or \$277.01) along with additional monthly
18 service costs (\$37.92 or \$7.18).

19

20 The Consumer Advocate is opposed to the Company's proposed opt-out tariff.

21 While possibly misguided, some customers have genuine concerns regarding
22 privacy issues for AMI meters. Instead of relieving these concerns, the

⁶⁹ Direct Testimony of Company Witness Keeton at 4:7-10.

⁷⁰ KgPCo MFR 5c, Attachment 1 (Pdf), pp. 6-7 of 75.

1 Company's proposed opt-out rates appear to be designed to economically
2 disadvantage these customers to such a large degree in order to coerce them into
3 conceding to adapt to an AMI meter. The Consumer Advocate therefore
4 recommends that the Company's proposed AMI meter opt-out tariff be denied.

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10 *[Testimony continues on next page]*

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VI. OTHER ISSUES AND CONCERNS

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3 **Q52. MR. NOVAK, DO YOU HAVE ANY OTHER ISSUES AND CONCERNS**
4 **WHICH SHOULD BE BROUGHT TO THE COMMISSION'S**
5 **ATTENTION?**

6 A52. Yes, I do have concerns with the calculation that the Company uses to provide for
7 prompt payment discounts to its customers. Specifically, the Company's tariff
8 allows it to provide for a 1.50% prompt payment discount on the entire bill,
9 including the purchased power component of the bill which generally makes up
10 the largest portion. However, the entire prompt payment discount is then charged
11 against distribution rate of return. In other words, none of the prompt payment
12 discount is applied against the purchased power component of the bill.

13

14 **Q53. DON'T OTHER UTILITIES REGULATED BY THE COMMISSION**
15 **ALSO HAVE A PROMPT PAYMENT DISCOUNT?**

A53. Not exactly. In Tennessee, KgPCo is unique in offering a prompt payment discount to its customers if the account is paid in full within 15 days from the date of the bill. The other utilities regulated by the Commission instead impose a late payment fee. While these differences may appear subtle at first glance, they turn out to be quite glaring. Specifically, since KgPCo's prompt payment discount is applied to the total bill, the Commission is required to first increase the Company's base rates in order to provide for this discount even though it applies to charges that are not regulated by TPUC.

***Q54. CAN YOU PROVIDE AN EXAMPLE OF HOW THE 1.50% PROMPT
PAYMENT DISCOUNT IS APPLIED TO CUSTOMER'S BILLS?***

A54. Yes. Table 12 below contains a bill recalculation for an actual residential customer using 1,440 KWH in a single month that was provided by the Company.⁷¹

Table 12 – Sample Customer Bill Calculation⁷²			
Item	Determinant	Rate	Amount
TPUC Approved Charges:			
Bill Charge	1	\$12.63	\$12.63
Energy (KWH)	1,440	.00325	4.68
Subtotal			\$17.31
TRP&MS Rider	1	\$3.81	\$3.81
Tax Rider	\$17.31	-0.053953	-0.93
Total TPUC Charges			\$20.19
Non-TPUC Charges:			
Purchased Power	1,440	\$0.084708	\$121.98
Total Non-TPUC Charges			\$121.98
Bill Subtotal			\$142.17
Prompt Payment Discount	\$142.17	-0.0150	-2.13
Bill Total			\$140.04

As can be seen from Table 12, the prompt payment discount rate of -1.50% is applied to the bill subtotal (including purchased power cost) of \$142.17 to produce a discount of \$-2.13. However, the Commission's portion of this bill is

⁷¹ Company Response to Consumer Advocate Discovery Request No. 1-55 for Tariff Code 15.

⁷² Consumer Advocate Revenue Workpaper R-10-1.04.

1 only \$20.19. As a result, the Commission is effectively giving a discount of
2 10.55% on the rates that it regulates.⁷³

3

4 ***Q55. HAVE YOU CALCULATED THE TOTAL PROMPT PAYMENT***
5 ***DISCOUNT FOR ALL OF THE COMPANY'S TARIFFS?***

6 A55. Yes. The total prompt payment discount for all tariffs in this case is
7 approximately \$2.2 million.⁷⁴ As demonstrated, most of this discount is related to
8 the purchased power portion of the customer's bill that is not regulated by TPUC.
9 However, even though the Commission does not regulate the purchased power
10 portion of the customer's bill, under current practice TPUC is permitting an
11 increase in the rates that it does regulate in order to provide for the non-regulated
12 portion of the prompt payment discount.

13

14 ***Q56. WHAT ACTION DO YOU RECOMMEND THAT THE COMMISSION***
15 ***TAKE TO ADDRESS THE PROMPT PAYMENT DISCOUNT?***

16 A56. The nuances for this prompt payment issue are beyond the scope of this rate case.
17 As a result, I recommend that the Commission open a separate docket to properly
18 consider this issue.

19

20 ***Q57. DOES THIS COMPLETE YOUR TESTIMONY?***

21 A57. Yes, it does. However, I reserve the right to incorporate any new data that may
22 subsequently become available.

⁷³ Prompt Payment Discount of \$2.13 divided by Total TPUC Charges of \$20.19 = 10.55%

⁷⁴ Consumer Advocate Revenue Workpaper R-1-1.00.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF KINGSFORT POWER
COMPANY d/b/a AEP APPALACHIAN
POWER GENERAL RATE CASE

DOCKET NO. 21-00107

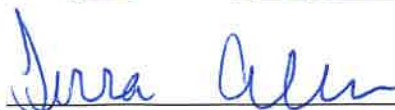
AFFIDAVIT

I, William H. Novak, 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.



WILLIAM H. NOVAK

Sworn to and subscribed before me
this 30th day of March, 2022.



NOTARY PUBLIC



My commission expires: September 28, 2022.

PETITION OF KINGSPORT POWER
COMPANY D/B/A AEP
APPALACHIAN POWER FOR A
GENERAL RATE CASE

March 30, 2022

KINGSPORT POWER COMPANY
INDEX TO SCHEDULES
For the 12 Months Ending December 31, 2022

	Schedule
Results of Operations	1
Average Rate Base	2
Comparative Rate Base	3
Income Statement at Current Rates	4
Comparative Income Statement at Current Rates	5
Consumer Advocate Comparative Margin Summary	6
Taxes Other than Income Taxes	7
Excise and Income Taxes	8
Income Statement at Proposed Rates	9
Rate of Return Summary	10
Revenue Conversion Factor	11
Consumer Advocate Proposed Margin Change	12

KINGSPORT POWER COMPANY
Results of Operations
For the 12 Months Ending December 31, 2022

Line No.		Kingsport Power	Consumer Advocate	Difference
1	Rate Base	\$ 147,057,926 A/	\$ 128,541,218 A/	\$ -18,516,708
2	Operating Income At Current Rates	-1,218,234 B/	4,016,810 B/	5,235,044
3	Earned Rate Of Return	-0.83%	3.12%	3.95%
4	Fair Rate Of Return	6.36% C/	4.97% D/	-1.40%
5	Required Operating Income	9,352,885	6,382,071	-2,970,814
6	Operating Income Deficiency (Surplus)	10,571,119	2,365,262	-8,205,858
7	Gross Revenue Conversion Factor	<u>1.359897 C/</u>	<u>1.339850 E/</u>	<u>0.020047</u>
8	Revenue Deficiency/(Surplus)	\$ <u>14,375,633</u>	\$ <u>3,169,097</u>	\$ <u>11,206,537</u>

A/ Consumer Advocate Exhibit, Schedule 3.
B/ Consumer Advocate Exhibit, Schedule 5.
C/ Company Filing, Exhibit KMJ-1a, "1-a IncrCalcSmry" tab.
D/ Consumer Advocate Exhibit, Schedule 10.
E/ Company Exhibit, 1-a (DRB).

KINGSPORT POWER COMPANY
Average Rate Base
For the 12 Months Ending December 31, 2022

Line No.		Test Period	Attrition Adjustments	Attrition Period
	Additions:			
1	Utility Plant in Service	\$ 262,718,884	\$ -35,714,959	\$ 227,003,925
2	Property Held for Future Use	187,481	0	187,481
3	Construction Work in Progress	7,892,893	-2,790,280	5,102,613
4	Materials & Supplies	404,696	-104,084	300,612
5	Prepayments	<u>6,877,867</u>	<u>-4,795,436</u>	<u>2,082,431</u>
6	Total Additions	\$ <u>278,081,821</u>	\$ <u>-43,404,759</u>	\$ <u>234,677,062</u>
	Deductions:			
7	Accumulated Depreciation	\$ 88,535,728	\$ -7,426,925	\$ 81,108,803
8	Accumulated Deferred Income Taxes	31,612,360	-12,979,600	18,632,760
9	Customer Advances for Construction	793,102	-90,849	702,253
11	Customer Deposits	<u>5,734,417</u>	<u>-42,389</u>	<u>5,692,028</u>
12	Total Deductions	\$ <u>126,675,607</u>	\$ <u>-20,539,763</u>	\$ <u>106,135,844</u>
14	Rate Base	\$ <u>151,406,214</u>	\$ <u>-22,864,996</u>	\$ <u>128,541,218</u>

SOURCE: Consumer Advocate Rate Base Workpaper RB-1.00.

KINGSPORT POWER COMPANY
Comparative Rate Base
For the 12 Months Ending December 31, 2022

Line No.		Kingsport Power A/	Consumer Advocate B/	Difference
	Additions:			
1	Utility Plant in Service	\$ 232,988,286	\$ 227,003,925	\$ -5,984,361
2	Property Held for Future Use	187,481	187,481	0
3	Construction Work in Progress	3,450,361	5,102,613	1,652,252
4	Materials & Supplies	326,490	300,612	-25,878
5	Prepayments	<u>6,056,323</u>	<u>2,082,431</u>	<u>-3,973,892</u>
6	Total Additions	\$ <u>243,008,941</u>	\$ <u>234,677,062</u>	\$ <u>-8,331,879</u>
	Deductions:			
7	Accumulated Depreciation	\$ 80,022,394	\$ 81,108,803	\$ 1,086,409
8	Accumulated Deferred Income Taxes	11,528,284	18,632,760	7,104,476
9	Customer Advances for Construction	130,128	702,253	572,125
10	Customer Deposits	<u>4,270,209</u>	<u>5,692,028</u>	<u>1,421,819</u>
11	Total Deductions	\$ <u>95,951,015</u>	\$ <u>106,135,844</u>	\$ <u>10,184,829</u>
12	Rate Base	\$ <u>147,057,926</u>	\$ <u>128,541,218</u>	\$ <u>-18,516,708</u>

A/ Company Filing, Exhibit KMJ-1a, "1-b JrsSumry" tab.
B/ Consumer Advocate Exhibit, Schedule 2.

KINGSPORT POWER COMPANY
Income Statement at Current Rates
For the 12 Months Ending December 31, 2022

Line No.		Test Period	Adjustments	Attrition Amount
	Operating Revenues:			
1	Sale of Electricity	\$ 150,383,784	\$ -6,672,432	\$ 143,711,352 <i>A/</i>
2	Other Revenues	7,347,856	-5,832,762	1,515,094 <i>B/</i>
3	Total Operating Revenue	\$ 157,731,640	\$ -12,505,194	\$ 145,226,446
	Operating Expenses:			
4	Purchased Power	\$ 117,746,450	\$ 1,921,227	\$ 119,667,677 <i>A/</i>
5	Transmission Expense	731,653	-731,653	0 <i>C/</i>
6	Distribution Expense	9,601,767	-6,349,981	3,251,786 <i>C/</i>
7	Customer Accounts Expense	1,299,530	-107,125	1,192,405 <i>C/</i>
8	Customer Service & Information Expense	281,701	-176,035	105,666 <i>C/</i>
9	Sales Expense	5,404	-136	5,268 <i>C/</i>
10	Administrative & General Expense	1,740,380	-755,221	985,159 <i>C/</i>
11	Other O&M Expense	468,170	-280,128	188,042 <i>C/</i>
12	Depreciation & Amortization Expense	8,898,343	-492,446	8,405,897 <i>D/</i>
13	Other Income/Expense (Includes AFUDC)	205,418	-48,302	157,116 <i>E/</i>
14	Taxes Other Than Income Taxes	11,033,842	-4,545,261	6,488,581 <i>F/</i>
15	State Excise Taxes	-35,854	231,763	195,909 <i>G/</i>
16	Federal Income Taxes	-267,310	833,440	566,130 <i>G/</i>
17	Total Operating Expenses	\$ 151,709,494	\$ -10,499,858	\$ 141,209,636
18	Utility Net Operating Income	\$ 6,022,146	\$ -2,005,336	\$ 4,016,810

- A/* Consumer Advocate Revenue Workpapers R-1-1.00 and R-1-2.00.
B/ Consumer Advocate Revenue Workpaper R-90-1.00.
C/ Consumer Advocate Expense Workpaper Schedule-1-O&M.
D/ Consumer Advocate Revenue Workpaper R-1-1.01.
E/ Consumer Advocate Rate Base Workpaper RB-50-1.00.
F/ Consumer Advocate Exhibit, Schedule 7.
G/ Consumer Advocate Exhibit, Schedule 8.

KINGSPORT POWER COMPANY
Comparative Income Statement at Current Rates
For the 12 Months Ending December 31, 2022

Line No.		Kingsport Power A/	Consumer Advocate B/	Difference
	Operating Revenues:			
1	Sale of Electricity	\$ 140,353,086	\$ 143,711,352	\$ 3,358,266
2	Other Revenues	1,065,719	1,515,094	449,375
3	Total Operating Revenue	\$ 141,418,805	\$ 145,226,446	\$ 3,807,641
	Operating Expenses:			
4	Purchased Power	\$ 117,746,450	\$ 119,667,677	\$ 1,921,227
5	Transmission Expense	0	0	0
6	Distribution Expense	7,997,543	3,251,786	-4,745,757
7	Customer Accounts Expense	1,313,158	1,192,405	-120,753
8	Customer Service & Information Expense	113,355	105,666	-7,689
9	Sales Expense	5,404	5,268	-136
10	Administrative & General Expense	1,674,020	985,159	-688,861
11	Other O&M Expense	468,170	188,042	-280,128
12	Depreciation Expense	8,191,433	8,405,897	214,464
13	Other Income/Expense (Includes AFUDC)	229,855	157,116	-72,739
14	Taxes Other Than Income Taxes	6,643,772	6,488,581	-155,191
15	State Excise Taxes	-229,590	195,909	425,499
16	Federal Income Taxes	-1,516,531	566,130	2,082,661
17	Total Operating Expenses	\$ 142,637,039	\$ 141,209,636	\$ -1,427,403
18	Utility Net Operating Income	\$ -1,218,234	\$ 4,016,810	\$ 5,235,044

A/ Company Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW), "JCOS Detail 2-a" tab.
B/ Consumer Advocate Exhibit, Schedule 4.

KINGSPORT POWER COMPANY
Consumer Advocate Comparative Margin Summary
For the 12 Months Ending December 31, 2022

Line No.	Customer Class	Revenues	Power Cost	Margin
1	Residential Service	\$ 65,355,008	\$ 57,730,035	\$ 7,624,973
2	Small General Service	3,190,885	1,854,077	1,336,808
3	Medium General Service	11,688,459	8,216,031	3,472,428
4	Large General Service	17,882,161	12,335,761	5,546,400
5	Industrial Power Service	35,725,670	33,467,645	2,258,025
6	Church Service	1,049,298	729,142	320,156
7	Public School Service	2,701,277	2,464,910	236,367
8	Electric Heating General Service	3,394,603	2,300,057	1,094,546
9	Outdoor Lighting Service	901,548	202,879	698,669
10	Street Lighting Service	<u>1,822,443</u>	<u>367,140</u>	<u>1,455,303</u>
11	Total Electric Sales Revenue	\$ 143,711,352	\$ 119,667,677	\$ 24,043,675
12	Other Revenues	<u>1,515,094</u>	<u>0</u>	<u>1,515,094</u>
13	Total Revenues	\$ <u>145,226,446</u>	\$ <u>119,667,677</u>	\$ <u>25,558,769</u>

SOURCE: Consumer Advocate Revenue Workpapers R-1-1.00 and R-90-1.00.

KINGSPORT POWER COMPANY
Taxes Other than Income Taxes
For the 12 Months Ending December 31, 2022

Line No.		Kingsport Power A/	Consumer Advocate A/	Difference
1	Property Taxes	\$ 1,375,722	\$ 1,310,046	\$ -65,676
2	TPUC Inspection Fee	533,862	533,862	0
3	Payroll Taxes	157,295	67,781	-89,514
4	Franchise Tax	364,122	364,122	0
5	Gross Receipts Tax	4,211,650	4,211,650	0
6	Allocated & Other Taxes	<u>1,120</u>	<u>1,120</u>	<u>0</u>
7	Total	\$ <u>6,643,771</u>	\$ <u>6,488,581</u>	\$ <u>-155,190</u>

A/ Consumer Advocate Other Tax Workpaper, Schedule 1.

KINGSPORT POWER COMPANY
Excise and Income Taxes
For the 12 Months Ending December 31, 2022

Line No.		Consumer Advocate
	Operating Revenues:	
1	Sale of Electricity	\$ 143,711,352 A/
2	Other Revenues	1,515,094 A/
3	Total Operating Revenue	\$ 145,226,446
	Expenses:	
4	Purchased Power	\$ 119,667,677 A/
5	Transmission Expense	0 A/
6	Distribution Expense	3,251,786 A/
7	Customer Accounts Expense	1,192,405 A/
8	Customer Service & Information Expense	105,666 A/
9	Sales Expense	5,268 A/
10	Administrative & General Expense	985,159 A/
11	Other Expense	188,042 A/
12	Depreciation Expense	8,405,897 A/
13	Other Income/Expense (Includes AFUDC)	157,116 A/
14	Taxes Other Than Income Taxes	6,488,581 A/
15	Total Operating Expenses	\$ 140,447,597
16	NOI Before Excise and Income Taxes	\$ 4,778,849
17	Interest Expense	1,764,871 B/
18	Pre-tax Book Income	\$ 3,013,978
	State Excise Tax:	
19	Pre-tax Book Income	\$ 3,013,978
20	Excise Tax Rate	6.50% C/
21	State Excise Tax Expense	\$ 195,909
	Federal Income Tax:	
22	Pre-tax Book Income	\$ 3,013,978
23	Excise Tax Expense	195,909
24	FIT Taxable Income	\$ 2,818,069
25	FIT Rate	28.00% C/
26	Gross Federal Income Tax Expense	789,059
27	Less Amortization of Protected Excess ADIT	-222,929 D/
28	Net Federal Income Tax Expense	\$ 566,130

A/ Consumer Advocate Exhibit, Schedule 4.

B/ CAPD Exhibit, Schedule 10.

C/ Statutory Rates.

D/ Company response to Consumer Advocate Discovery Request 1-36, Attachment 3, DFIT 1 tab, Line 107.

KINGSPORT POWER COMPANY
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2022

Line No.		Current Rates	A/	Rate Increase	B/	Proposed Rates
	Operating Revenues:					
1	Sale of Electricity	\$ 143,711,352		\$ 3,169,097		\$ 146,880,449
2	Other Revenues	1,515,094		37,050		1,552,144
3	Total Operating Revenue	\$ 145,226,446		\$ 3,206,146		\$ 148,432,592
	Operating Expenses:					
4	Purchased Power	\$ 119,667,677		\$		\$ 119,667,677
5	Transmission Expense	0				
6	Distribution Expense	3,251,786				3,251,786
7	Customer Accounts Expense	1,192,405		4,008		1,196,413
8	Customer Service & Information Expense	105,666				105,666
9	Sales Expense	5,268				5,268
10	Administrative & General Expense	985,159				985,159
11	Other O&M Expense	188,042				188,042
12	Depreciation & Amortization Expense	8,405,897				8,405,897
13	Other Income/Expense (Includes AFUDC)	157,116				157,116
14	Taxes Other Than Income Taxes	6,488,581				6,488,581
15	State Excise Taxes	195,909		208,139		404,048
16	Federal Income Taxes	566,130		628,737		1,194,867
17	Total Operating Expenses	\$ 141,209,636		\$ 840,884		\$ 142,050,520
18	Utility Net Utility Operating Income	\$ 4,016,810		\$ 2,365,263		\$ 6,382,073

A/ Consumer Advocate Exhibit, Schedule 4.

B/ Consumer Advocate Exhibit, Schedule 1 and 11.

KINGSPORT POWER COMPANY
Rate of Return Summary
For the 12 Months Ending December 31, 2022

Line No.	Class of Capital	Consumer Advocate ^{A/}		
		Percent of Total	Cost Rate	Weighted Cost Rate
1	Short-Term Debt	8.61%	0.45%	0.039%
2	Long-Term Debt	42.49%	3.14%	1.334%
3	Common Equity	48.90%	7.35%	3.592%
4	Total	100.00%		4.965%
5				
6				
Interest Expense Short-Term Debt:				
7	Rate Base			\$ 128,541,218 ^{B/}
8	Short-Term Weighted Debt Cost			0.04%
9	Short-Term Debt Interest Expense			\$ 50,131
Interest Expense Long-Term Debt:				
10	Rate Base			\$ 128,541,218 ^{B/}
11	Long-Term Weighted Debt Cost			1.33%
12	Long-Term Debt Interest Expense			\$ 1,714,740
13	Total Interest Expense			\$ 1,764,871

A/ Exhibit ALR-1

B/ Consumer Advocate Exhibit, Schedule 2.

KINGSPORT POWER COMPANY
Revenue Conversion Factor
For the 12 Months Ending December 31, 2022

<u>Line No.</u>		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.011691 A/	<u>0.011691</u>
3	Balance		1.011691
4	Uncollectible Ratio	0.001250 B/	<u>0.001265</u>
5	Balance		1.010426
6	State Excise Tax	0.065000 C/	<u>0.065678</u>
7	Balance		0.944749
8	Federal Income Tax	0.210000 C/	<u>0.198397</u>
9	Balance		<u>0.746351</u>
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.339850</u></u>

A/ Consumer Advocate Revenue Workpaper R-90-2.00.
B/ Consumer Advocate Expense Workpaper AB-3-UR.
C/ Statutory Rates.

KINGSPORT POWER COMPANY
Consumer Advocate Proposed Margin Change
For the 12 Months Ending December 31, 2022

Line No.	Customer Class	Current Margin A/	Margin Change B/	Proposed Margin	Percent Change
1	Residential Service	\$ 7,624,973	\$ 1,005,016	\$ 8,629,989	13.18%
2	Small General Service	1,336,808	176,199	1,513,007	13.18%
3	Medium General Service	3,472,428	457,686	3,930,114	13.18%
4	Large General Service	5,546,400	731,048	6,277,448	13.18%
5	Industrial Power Service	2,258,025	297,621	2,555,646	13.18%
6	Church Service	320,156	42,198	362,354	13.18%
7	Public School Service	236,367	31,155	267,522	13.18%
8	Electric Heating General Service	1,094,546	144,268	1,238,814	13.18%
9	Outdoor Lighting Service	698,669	92,089	790,758	13.18%
10	Street Lighting Service	<u>1,455,303</u>	<u>191,817</u>	<u>1,647,120</u>	<u>13.18%</u>
11	Total Electric Sales Margin	\$ 24,043,675	3,169,097	27,212,772	13.18%
12	Other Revenues	<u>1,515,094</u>	<u>37,050</u>	<u>1,552,144</u>	<u>2.45%</u>
13	Total Margin	\$ <u>25,558,769</u>	\$ <u>3,206,146</u>	\$ <u>28,764,915</u>	<u>12.54%</u>

A/ Consumer Advocate Exhibit, Schedule 6.
B/ Consumer Advocate Exhibit, Schedule 9.

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

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 behalf 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

Consumer Advocate

Proposed Rate Design

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Residential Service

Attachment WHN-2
Schedule 1

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Residential:							
Regular Residential (Tariff Code 15):							
Service Charge (Bills)	509,129	\$12.6300000	\$6,430,299	\$1,017,667	\$7,447,967	\$14.6300000	15.83%
Energy Charge (KWH)	666,758,266	0.0032500	2,166,964		2,166,964	0.0032500	0.00%
Total Regular Residential (Tariff Code 15)			\$8,597,264	\$1,017,667	\$9,614,931		11.84%
Employee Residential (Tariff Code 18)							
Service Charge (Bills)	882	12.6300000	\$11,140	\$1,763	\$12,903	\$14.6300000	15.83%
Energy Charge (KWH)	1,287,578	0.0000000	0		0	0.0000000	0.00%
Total Employee Residential (Tariff Code 18)			\$11,140	\$1,763	\$12,903		15.83%
Regular Load Management Residential (Tariff Code 11)							
Service Charge (Bills)	294	12.6300000	\$3,713	\$588	\$4,301	\$14.6300000	15.83%
Energy Charge (KWH)	306,795	0.0032500	997		997	0.0032500	0.00%
Energy Charge (Last 250 KWH per Month)	73,500	0.0000000	0		0	0.0000000	0.00%
Total Regular Load Management Residential (Tariff Code 11)			\$4,710	\$588	\$5,298		12.48%
Employee Load Management Residential (Tariff Code 51)							
Service Charge (Bills)	12	12.6300000	\$152	\$24	\$176	\$14.6300000	15.83%
Energy Charge (KWH)	22,369	0.0000000	0		0	0.0000000	0.00%
Energy Charge (Last 250 KWH per Month)	3,000	0.0000000	0		0	0.0000000	0.00%
Total Employee Load Management Residential (Tariff Code 51)			\$152	\$24	\$176		15.83%
Regular Time of Day Residential (Tariff Codes 30 and 31)							
Service Charge (Bills)	66	26.7000000	\$1,762	\$279	\$2,041	\$30.9300000	15.83%
Energy Charge - On Peak (KWH)	277,162	0.0187600	5,200		5,200	0.0187600	0.00%
Energy Charge - Off Peak (KWH)	170,664	0.0000000	0		0	0.0000000	0.00%
Total Regular Time of Day Residential (Tariff Codes 30 and 31)			\$6,962	\$279	\$7,241		4.01%
Total Base Residential Margin							
Prmort Payment Discount			-995,254	-15,305	-1,010,559		1.54%
Net Base Residential Margin	510,383		\$7,624,973	\$1,005,016	\$8,629,989		13.18%
	668,899,334						

SOURCE: Consumer Advocate Revenue Workpaper R-10-1.00 and Consumer Advocate Exhibit, Schedule 12.

**Kingsport Power Company
Consumer Advocate Proposed Rate Design
Small General Service**

Attachment WHN-2
Schedule 2

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Small General Service:							
Time of Day Small General Service (229)							
Service Charge (Bills)	50	\$50.0000000	\$2,500	\$615	\$3,115	\$62.3000000	24.60%
Energy Charge - On Peak KWH per Month	274,048	0.0442200	12,118		12,118	0.0442200	0.00%
Energy Charge - Off Peak KWH per Month	151,342	0.0000000	0		0	0.0000000	0.00%
Total TOD General Service			\$14,618	\$615	\$15,233		4.21%
SGS-Fixed (Tariff Code 231):							
Service Charge (Bills)	44,227	\$15.2500000	\$674,462	\$165,903	\$840,365	\$19.0000000	24.60%
Energy Charge - First 600 KWH per Month	12,240,456	0.0322500	394,755		394,755	0.0322500	0.00%
Energy Charge - Over 600 KWH per Month	9,550,254	0.0207600	198,263		198,263	0.0207600	0.00%
Total SGS-Fixed			\$1,267,480	\$165,903	\$1,433,383		13.09%
SGS-Measured (Tariff Code 232):							
Service Charge (Bills)	2,587	15.2500000	\$39,452	\$9,704	\$49,156	\$19.0000000	24.60%
Energy Charge - First 600 KWH per Month	901,202	0.0322500	29,064		29,064	0.0322500	0.00%
Energy Charge - Over 600 KWH per Month	909,428	0.0207600	18,880		18,880	0.0207600	0.00%
Total SGS-Measured			\$87,395	\$9,704	\$97,100		11.10%
SGS-Non Metered (Tariff Code 233):							
Service Charge (Bills)	709	15.2500000	\$10,812	\$2,660	\$13,472	\$19.0000000	24.60%
Energy Charge - First 600 KWH per Month	90,520	0.0322500	2,919		2,919	0.0322500	0.00%
Energy Charge - Over 600 KWH per Month	104,776	0.0207600	2,175		2,175	0.0207600	0.00%
Total SGS-Non Metered			\$15,907	\$2,660	\$18,566		16.72%
Total Base Small General Service Margin			\$1,385,400	\$178,882	\$1,564,282		12.91%
Prompt Payment Discount			-48,592	-2,683	-51,275		5.52%
Net Base Small General Service Margin	47,573		\$1,336,808	\$176,199	\$1,513,007		13.18%
	24,222,026						

SOURCE: Consumer Advocate Revenue Workpaper R-20-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Medium General Service

Attachment WHN-2
Schedule 3

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Medium General Service:							
MGS-Secondary (Tariff Code 235):							
Service Charge (Bills)	14,828	\$43.0000000	\$637,604	\$205,118	\$842,722	\$56.8300000	32.17%
Demand Charge	366,712	\$2.2000000	806,766	259,538	1,066,304	2.9077429	32.17%
Energy Charge - Step 1	64,166,820	0.0343800	2,206,055		2,206,055	0.0343800	0.00%
Energy Charge - Step 2	35,164,130	0.0000000	0		0	0.0000000	0.00%
Total MGS Secondary			\$3,650,426	\$464,656	\$4,115,082		12.73%
MGS-Primary (Tariff Code 237):							
Service Charge (Bills)	0	190.0000000	\$0	\$0	\$0	\$203.8300000	7.28%
Demand Charge	0	2.1500000	0	0	0	2.8577429	32.92%
Energy Charge - Step 1	0	0.0292700	0		0	0.0292700	0.00%
Energy Charge - Step 2	0	0.0000000	0		0	0.0000000	0.00%
MGS-Primary			\$0	\$0	\$0		
Total Base Medium General Service Margin			\$3,650,426	\$464,656	\$4,115,082		12.73%
Prompt Payment Discount			-177,997	-6,970	-184,967		3.92%
Net Base Medium General Service Margin	14,828		\$3,472,429	\$457,686	\$3,930,115		13.18%
	366,712						
	99,330,950						

SOURCE: Consumer Advocate Revenue Workpaper R-21-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Large General Service

Attachment WHN-2
Schedule 4

<u>Tariff</u>	<u>Billing Determinants</u>	<u>Current Base Rates</u>	<u>Current Margin</u>	<u>Margin Deficiency</u>	<u>Proposed Margin</u>	<u>Proposed Base Rates</u>	<u>Percent Increase</u>
Large General Service:							
LGS-Secondary (Tariff Code 240):							
Service Charge (Bills)	1,963	\$156.0000000	\$306,228	\$54,533	\$360,761	\$183.7800000	17.81%
Energy Charge (KWH)	161,541,124	0.0078700	1,271,329		1,271,329	0.0078700	0.00%
Demand Charge (KVA)	461,888	6.7200000	3,103,887	552,741	3,656,628	7.9166981	17.81%
Alternate Feed Service Demand Charge (KW)	18,000	2.4600000	44,280		44,280		0.00%
Alternate Feed Service Switch Charge	12	14.6900000	176		176		0.00%
Total LGS Secondary			\$4,725,900	\$607,274	\$5,333,174		12.85%
LGS-Multi-Secondary (Tariff Code 242):							
Service Charge (Bills)	48	156.0000000	\$7,488	\$1,333	\$8,821	\$183.7800000	17.81%
Energy Charge (KWH)	3,810,000	0.0078700	29,985		29,985	0.0078700	0.00%
Demand Charge (KVA)	9,988	6.7200000	67,119	11,953	79,072	7.9166981	17.81%
Total LGS-Multit-Secondary			\$104,592	\$13,286	\$117,878		12.70%
LGS-Primary (Tariff Code 244):							
Service Charge (Bills)	179	330.0000000	\$59,070	\$10,519	\$69,589	\$388.7700000	17.81%
Energy Charge (KWH)	30,647,450	0.0085100	260,810		260,810	0.0085100	0.00%
Demand Charge (KVA)	104,679	5.9600000	623,887	111,102	734,989	7.0213573	17.81%
Alternate Feed Service Demand Charge (KW)	18,000	2.4600000	44,280		44,280		0.00%
Alternate Feed Service Switch Charge	12	14.6900000	176		176		0.00%
Total LGS-Primary			\$988,223	\$121,621	\$1,109,844		12.31%
Total Base Large General Service Margin			\$5,818,715	\$742,181	\$6,560,896		12.76%
Prompt Payment Discount			-272,317	-11,133	-283,450		4.09%
Net Base Large General Service Margin	2,190		\$5,546,398	\$731,048	\$6,277,446		13.18%
	195,998,574						
	576,555						

SOURCE: Consumer Advocate Revenue Workpaper R-30-1.00 and Consumer Advocate Exhibit, Schedule 12.

**Kingsport Power Company
Consumer Advocate Proposed Rate Design
Industrial Power Service**

Attachment WHN-2
Schedule 5

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Industrial Power Service:							
IP-Primary (Tariff Code 322):							
Service Charge (Bills)	24	\$480.0000000	\$11,520	\$1,333	\$12,853	\$535.5500000	11.57%
Energy Charge (KWH)	54,928,900	0.0000000	0		0	0.0000000	0.00%
On-Peak Demand Charge (KW)	91,299	4.4100000	402,629	46,599	449,228	4.9204053	11.57%
Off-Peak Demand Charge (KW)	184	4.4100000	811		811	4.4100000	0.00%
Reactive Charge (KVAR)	4,562	0.7500000	3,422		3,422	0.7500000	0.00%
Total IP-Primary			\$418,382	\$47,933	\$466,314		11.46%
IP-Transmission (Tariff Code 324):							
Service Charge (Bills)	48	3,860.0000000	\$185,280	\$21,444	\$206,724	4,306.7500000	11.57%
Energy Charge (KWH)	476,012,071	0.0000000	0		0	0.0000000	0.00%
On-Peak Demand Charge (KW)	834,537	2.4100000	2,011,234	232,777	2,244,011	2.6889290	11.57%
Off-Peak Demand Charge (KW)	26,094	1.4200000	37,053		37,053	1.4200000	0.00%
Reactive Charge (KVAR)	200,166	0.7500000	150,125		150,125	0.7500000	0.00%
Backup Reservation Charge - Level A	252,000	0.0000000	0		0	0.0000000	0.00%
Backup Reservation Charge - Level B	120,000	0.0000000	0		0	0.0000000	0.00%
Backup Reservation Charge - Level C	96,000	0.0000000	0		0	0.0000000	0.00%
Total IP-Transmission			\$2,383,692	\$254,221	\$2,637,913		10.66%
Total Base Industrial Power Margin			\$2,802,074	\$302,153	\$3,104,227		10.78%
Prompt Payment Discount			-544,046	-4,532	-548,578		0.83%
Net Base Industrial Margin	72		\$2,258,028	\$297,621	\$2,555,649		13.18%
	530,940,971						
	925,836						
	26,278						
	204,728						

SOURCE: Consumer Advocate Revenue Workpaper R-31-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Church Service

Attachment WHN-2
Schedule 6

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Church Service:							
Church Service (Tariff Code 221):							
Service Charge (Bills)	2,315	\$34.0000000	\$78,710	\$42,841	\$121,551	\$52.5100000	54.43%
Energy Charge (KWH)	8,549,481	0.0301100	257,425		257,425	0.0301100	0.00%
Total Church Service (Tariff Code 221)			\$336,135	\$42,841	\$378,975		12.75%
Total Base Church Service Margin			\$336,135	\$42,841	\$378,975		12.75%
Prompt Payment Discount			-15,979	-643	-16,622		4.02%
Net Base Church Service Margin			\$320,156	\$42,198	\$362,354		13.18%

SOURCE: Consumer Advocate Revenue Workpaper R-40-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Public School Service

Attachment WHN-2
Schedule 7

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Public School:							
Public School - Regular (Tariff Code 640):							
Service Charge (Bills)	168	\$57.5000000	\$9,660	\$14,558	\$24,218	\$144.1600000	150.71%
Energy Charge (KWH)	8,365,603	0.0193200	161,623		161,623	0.0193200	0.00%
Total Public School - Regular			\$171,283	\$14,558	\$185,842		8.50%
Public School - Electric Heating Units (Tariff Code 641):							
Service Charge (Bills)	12	57.5000000	\$690	\$1,040	\$1,730	\$144.1600000	150.71%
Energy Charge - Block 1 (KWH)	150,000	0.0193200	2,898		2,898	0.0193200	0.00%
Energy Charge - Block 2 (KWH)	577,200	0.0050500	2,915		2,915	0.0050500	0.00%
Total Public School - Electric Heating Units			\$6,503	\$1,040	\$7,543		15.99%
Public School - Electric Heating (Tariff Code 642):							
Service Charge (Bills)	185	57.5000000	\$10,638	\$16,031	\$26,669	\$144.1600000	150.71%
Energy Charge (KWH)	17,639,310	0.0050500	89,079		89,079	0.0050500	0.00%
Total Public School - Electric Heating			\$99,716	\$16,031	\$115,747		16.08%
Total Base Public School Margin			\$277,502	\$31,629	\$309,132		11.40%
Prompt Payment Discount			-41,136	-474	-41,610		1.15%
Net Base Public School Margin	365		\$236,366	\$31,155	\$267,521		13.18%
	26,732,113						

SOURCE: Consumer Advocate Revenue Workpaper R-41-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Electric Heating General Service

Attachment WHN-2
Schedule 8

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Electric Heating General Service:							
Electric Heating General - Regular (Tariff Code 208):							
Service Charge (Bills)	6,068	\$50.1800000	\$304,492	\$115,407	\$419,899	\$69.2000000	37.90%
Energy Charge (KWH)	22,747,397	0.0156900	356,907		356,907	0.0156900	0.00%
Demand Charge (KW)	96,680	3.5100000	339,347		339,347	3.5100000	0.00%
Total Electric Heating General - Regular			\$1,000,746	\$115,407	\$1,116,153		11.53%
Electric Heating General - Minimum (Tariff Code 209):							
Service Charge (Bills)	1,633	50.1800000	\$81,944	\$31,058	\$113,002	\$69.2000000	37.90%
Energy Charge (KWH)	4,050,297	0.0156900	63,549		63,549	0.0156900	0.00%
Demand Charge (KW)	27,478	0.0000000	0		0	0.0000000	0.00%
Total Electric Heating General - Minimum			\$145,493	\$31,058	\$176,551		21.35%
Total Base Electric Heating General Service Margin			\$1,146,239	\$146,465	\$1,292,704		12.78%
Prompt Payment Discount			-51,694	-2,197	-53,891		4.25%
Net Base Electric Heating General Service Margin	7,701		\$1,094,545	\$144,268	\$1,238,813		13.18%
	26,797,694						
	124,158						

SOURCE: Consumer Advocate Revenue Workpaper R-42-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Outdoor Lighting Service

Attachment WHN-2
Schedule 9

Tariff	Billing Determinants	Current Base Rates	Current Margin	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Outdoor Lighting Service:							
Lamps Charges:							
7000 Mercury Vapor (93)	2,469	\$9.06	\$22,369	\$3,210	\$25,580	\$10.3600000	14.35%
9500 High Pressure Sodium (94)	34,493	7.26	250,419	35,940	286,359	8.3000000	14.35%
20000 Mercury Vapor (95)	264	14.89	3,931	564	4,495	17.0300000	14.35%
22000 High Pressure Sodium (97)	8,386	10.34	86,711	12,445	99,156	11.8200000	14.35%
27500 High Pressure Sodium Post Top (103)	49	39.73	1,947	279	2,226	45.4300000	14.35%
22000 High Pressure Sodium Floodlight(107)	4,700	11.02	51,794	7,433	59,227	12.6000000	14.35%
50000 High Pressure Sodium Floodlight (109)	1,290	14.27	18,408	2,642	21,050	16.3200000	14.35%
17000 Metal Halide Floodlight (110)	1,004	12.73	12,781	1,834	14,615	14.5600000	14.35%
9500 High Pressure Sodium Post Top (111)	3,880	12.36	47,957	6,883	54,840	14.1300000	14.35%
9500 High Pressure Sodium Floodlight (115)	1,103	9.47	10,445	1,499	11,945	10.8300000	14.35%
28800 Metal Halide Floodlight (116)	8,699	14.66	127,527	18,303	145,830	16.7600000	14.35%
50000 High Pressure Sodium Shoebox (120)	156	17.61	2,747	394	3,141	20.1400000	14.35%
16000 High Pressure Sodium Post Top (122)	253	37.85	9,576	1,374	10,950	43.2800000	14.35%
50000 High Pressure Post Top Floodlight (124)	48	35.54	1,706	245	1,951	40.6400000	14.35%
36000 Metal Halide Post Top Floodlight (126)	74	41.90	3,101	445	3,546	47.9100000	14.35%
Total Lamps	66,868		\$651,420	\$93,491	\$744,911		14.35%
Facility Charges:							
Poles	6,925	\$7.95	\$55,054		\$55,054	7.9500000	0.00%
Spans	1,728	1.40	2,419		2,419	1.4000000	0.00%
Conduits	3,503	1.00	3,503		3,503	1.0000000	0.00%
Total Facility Charges			\$60,976	\$0	\$60,976		0.00%
Total Base Outdoor Lighting Service Margin			\$712,396	\$93,491	\$805,887		13.12%
Prompt Payment Discount			-13,729	-1,402	-15,131		10.21%
Net Base Outdoor Lighting Service Margin			\$698,667	\$92,089	\$790,756		13.18%

SOURCE: Consumer Advocate Revenue Workpaper R-50-1.00 and Consumer Advocate Exhibit, Schedule 12.

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Street Lighting Service

Attachment WHN-2
Schedule 10

Lamp Type	Lamp Lumens	Billing Determinants	Pro Forma Net Base Rate	Pro Forma Current Base Rates	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
Street Lighting Service:								
SV	9500	108	\$3.05	\$329	\$43	\$372	\$3.45	13.13%
SV	9500	4,524	4.97	22,498	2,954	25,452	5.63	13.13%
SV	9500	27,935	5.37	150,146	19,716	169,861	6.08	13.13%
SV	22000	408	6.09	2,483	326	2,809	6.89	13.13%
SV	16000	3,252	6.28	20,419	2,681	23,101	7.10	13.13%
SV	9500	60	6.43	386	51	436	7.27	13.13%
SV	9500	1,104	6.46	7,135	937	8,072	7.31	13.13%
SV	9500	15,902	6.99	111,169	14,598	125,766	7.91	13.13%
MV	7000	1,368	7.25	9,918	1,302	11,221	8.20	13.13%
SV	22000	6,559	8.03	52,659	6,915	59,574	9.08	13.13%
SV	16000	6,000	8.17	49,027	6,438	55,465	9.24	13.13%
SV	28000	1,380	8.88	12,258	1,610	13,868	10.05	13.13%
SV	9500	13,500	10.20	137,662	18,076	155,738	11.54	13.13%
SV	22000	1,464	10.43	15,272	2,005	17,277	11.80	13.13%
SV	16000	324	10.98	3,556	467	4,023	12.42	13.13%
SV	16000	1,341	11.10	14,889	1,955	16,844	12.56	13.13%
SV	28000	1,176	11.54	13,567	1,782	15,349	13.05	13.13%
MV	7000	312	12.08	3,769	495	4,264	13.67	13.13%
SV	9500	72	12.10	871	114	985	13.69	13.13%
SV	50000	2,436	12.12	29,531	3,878	33,409	13.71	13.13%
MV	20000	144	12.23	1,761	231	1,993	13.84	13.13%
SV	22000	780	12.84	10,017	1,315	11,333	14.53	13.13%
SV	16000	9,348	12.93	120,837	15,867	136,704	14.62	13.13%
SV	9500	9,192	13.26	121,898	16,006	137,905	15.00	13.13%
SV	28000	276	13.70	3,780	496	4,277	15.50	13.13%
SV	16000	1,068	14.44	15,424	2,025	17,449	16.34	13.13%
SV	9500	132	15.03	1,984	260	2,244	17.00	13.13%
SV	9500	156	15.75	2,457	323	2,779	17.82	13.13%
SV	50000	780	15.76	12,290	1,614	13,904	17.83	13.13%
SV	22000	360	16.71	6,016	790	6,806	18.90	13.13%
SV	50000	504	16.95	8,540	1,121	9,662	19.17	13.13%
MV	20000	24	17.05	409	54	463	19.29	13.13%
SV	22000	12	17.68	212	28	240	20.00	13.13%
SV	28000	84	17.82	1,497	197	1,693	20.16	13.13%
SV	28000	1,920	18.54	35,589	4,673	40,262	20.97	13.13%

Kingsport Power Company
Consumer Advocate Proposed Rate Design
Street Lighting Service

Attachment WHN-2
Schedule 10

Lamp Type	Lamp Lumens	Billing Determinants	Pro Forma Net Base Rate	Pro Forma Current Base Rates	Margin Deficiency	Proposed Margin	Proposed Base Rates	Percent Increase
SV	50000	1,032	21.78	22,473	2,951	25,423	24.64	13.13%
MV	20000	156	21.88	3,414	448	3,862	24.76	13.13%
SV	50000	60	22.03	1,322	174	1,495	24.92	13.13%
SV	16000	468	22.31	10,442	1,371	11,813	25.24	13.13%
SV	140000	1,152	23.28	26,822	3,522	30,344	26.34	13.13%
SV	28000	204	24.09	4,915	645	5,561	27.26	13.13%
SV	28000	1788	24.57	43,935	5,769	49,704	27.80	13.13%
SV	28000	60	24.92	1,495	196	1,691	28.19	13.13%
SV	50000	516	28.31	14,610	1,918	16,529	32.03	13.13%
SV	28000	660	33.53	22,130	2,906	25,036	37.93	13.13%
SV	28000	252	34.00	8,568	1,125	9,693	38.46	13.13%
SV	50000	1,416	37.24	52,730	6,924	59,654	42.13	13.13%
SV	50000	204	37.75	7,701	1,011	8,712	42.71	13.13%
SV	22000	84	43.09	3,620	475	4,095	48.75	13.13%
SV	28000	1,800	44.19	79,538	10,444	89,982	49.99	13.13%
SV	50000	2,508	48.41	121,406	15,942	137,347	54.76	13.13%
SV	140000	660	87.37	57,665	7,572	65,237	98.84	13.13%
Total Street Lighting Service Margin		127,025		\$1,483,041	\$194,738	\$1,677,779		13.13%
Prompt Payment Discount				-27,753	-2,921	-30,674		10.53%
Net Street Lighting Margin				\$1,455,288	\$191,817	\$1,647,105		13.18%

SOURCE: Consumer Advocate Revenue Workpaper R-51-1.00, R-51-3.12 and Consumer Advocate Exhibit, Schedule 12.