

**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

**REBUTTAL TESTIMONY**  
of  
**WILLIAM H. NOVAK**

ON BEHALF OF

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

*June 9, 2022*

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.

6    ***Q2. ARE YOU THE SAME WILLIAM H. NOVAK WHO PRESENTED PRE-***  
7    ***FILED TESTIMONY IN THIS DOCKET?***

8    A2.   Yes.

10   ***Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?***

11   A3.   In accordance with the Hearing Officer's decision of June 7<sup>th</sup>, the purpose of my  
12       rebuttal testimony is to address the direct testimony of East Tennessee Energy  
13       Consumers' ("ETEC") witness Stephen J. Baron. Because Mr. Baron's direct  
14       testimony was filed on the same day as my direct testimony, this rebuttal testimony  
15       represents my first opportunity to address his remarks.

17   ***Q4. IN WHAT AREAS DOES MR. BARON PRESENT TESTIMONY TO THE***  
18   ***COMMISSION?***

19   A4.   Mr. Baron presents testimony on Kingsport Power Company's (the "Company" or  
20       "KgPCo") class cost of service study and the proposed Renewable Energy Choice  
21       Rider.

***Q5. PLEASE DESCRIBE MR. BARON’S POSITION ON THE COMPANY’S CLASS COST OF SERVICE STUDY.***

A5. Mr. Baron largely embraces KgPCo’s class cost of service study and uses it as the basis for his claim that “IP customers are currently paying \$1.2 million in subsidies in their rates.”<sup>1</sup> Mr. Baron then goes on to propose an increase in the rates to other customer classes in order to provide a rate decrease to his Industrial Power (“Rate IP”) clients.

***Q6. WHAT IS THE IMPACT OF MR. BARON’S RATE PROPOSAL?***

A6. As can be seen below in Table 1, the impact of Mr. Baron’s rate proposal is striking and results in a 74.62% increase in base rates for residential customers.

<b>Table 1 – Base Rate Impact of ETEC Proposal</b>			
<b>Customer Class</b>	<b>Current Base Revenue<sup>2</sup></b>	<b>ETEC Proposed Increase<sup>3</sup></b>	<b>Percentage Change</b>
Residential	\$7,103,260	\$5,300,215	74.62%
Small GS	1,248,808	64,135	5.14%
Medium GS	3,435,443	249,994	7.28%
Large GS	5,862,715	448,221	7.65%
Industrial	1,899,793	413,926	21.79%
Church Service	306,434	21,561	7.04%
Public School	186,207	198,366	106.53%
Electric Heating	758,746	62,440	8.23%
Outdoor Lights	656,876	0	0.00%
Street Lights	1,148,263	127,718	11.12%
<b>Total</b>	<b>\$22,606,545</b>	<b>\$6,886,576</b>	<b>30.46%</b>

<sup>1</sup> Direct Testimony of Stephen J. Baron at 7:20 -8:11, TPUC Docket No. 21-00107 (March 30, 2022).

<sup>2</sup> File <Revenue Summary.xlsx>, Tab “KPC Revenue”, Email providing link to shared files from Terra Allen, Consumer Advocate’s Legal Administrative Specialist, to William C. Bovender, KgPCo Attorney, *et al.* (March 31, 2022, 7:33am CST) (Email on file with Karen H. Stachowski). *See* Direct Testimony of Stephen J. Baron at 17:1, Table 2.

<sup>3</sup> Direct Testimony of Stephen J. Baron at 22:1, Table 5.

1 **Q7. WHY HAVE YOU CALCULATED THE CUSTOMER IMPACT IN TABLE**  
2 **1 ON BASE RATES INSTEAD OF TOTAL REVENUES AS MR. BARON**  
3 **HAS DONE ON TABLE 5 OF HIS TESTIMONY?**

4 A7. The Tennessee Commission regulates only the base-rate portion of the customer's  
5 bill, and the amount of this base rate increase is what is being considered in this  
6 Docket. The purchased power component of the customer's bill is regulated by  
7 other entities.

8  
9 **Q8. DO YOU AGREE WITH MR. BARON'S PROPOSAL TO ADJUST BASE**  
10 **RATES IN THIS DOCKET?**

11 A8. No. As I mentioned in my direct testimony, the assignment of individual allocation  
12 factors to each element of the Company's cost of service study is inherently  
13 judgmental, and the Company has not introduced any evidence to fully explain its  
14 rationale for each individual allocation assignment. Further, the determination of  
15 customer class "subsidies" that are based on such a class cost of service study are  
16 by extension also inherently judgmental.

17  
18 Instead, 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

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

3

4 ***Q9. PLEASE DESCRIBE MR. BARON'S POSITION ON THE COMPANY'S***  
5 ***RENEWABLE ENERGY CHOICE RIDER.***

6 A9. Mr. Baron suggests adapting KgPCo's proposed Renewable Energy Choice  
7 ("REC") Rider to larger customers albeit at much lower rates than what the  
8 Company has proposed for smaller customers.<sup>4</sup>

9

10 ***Q10. DO YOU AGREE WITH MR. BARON'S PROPOSAL TO EXPAND THE***  
11 ***SCOPE OF THE REC RIDER?***

12 A10. Not at this time. Mr. Baron's proposal is not properly before the Commission in  
13 this rate case. Specifically, no evidence has been presented to the Commission to  
14 evaluate the proper rate for such a service. While this REC Rider is optional and  
15 has no impact on the revenue deficiency in the rate case, the Commission must  
16 consider the appropriate rates to charge customers for such a service. Instead, I  
17 would recommend that the Company make a separate tariff filing for the  
18 Commission to properly consider any expansion to the REC Rider.

19

20 ***Q11. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?***

21 A11. Yes, it does. However, I reserve the right to incorporate any new data that may  
22 subsequently become available.

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<sup>4</sup> Direct Testimony of Stephen J. Baron at 26:18 - 27:6.

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

IN RE:

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

DOCKET NO. 21-00107

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**AFFIDAVIT**

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I, William H. Novak, on behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Rebuttal 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 9<sup>th</sup> day of June, 2022.



NOTARY PUBLIC



My commission expires: September 28, 2022.