

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

IN RE:)
)
PETITION OF KINGSPORT POWER COMPANY)
d/b/a AEP APPALACHIAN POWER FOR)
OCTOBER 2020 THROUGH SEPTEMBER 2021)
ANNUAL RECOVERY UNDER THE TARGETED) **Docket No. 21-00142**
RELIABILITY PLAN AND MAJOR STORM)
RIDER (“TRP&MS”), ALTERNATIVE RATE)
MECHANISMS APPROVED IN DOCKET)
NO. 17-00032)

CONSUMER ADVOCATE’S POST HEARING BRIEF

The Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) respectfully submits this Post-Hearing Brief in Tennessee Public Utility Commission (“TPUC” or “Commission”) Docket No. 21-00142 following the October 10, 2022, hearing in the matter.

INTRODUCTION

Kingsport, a public utility regulated by the Commission, distributes “electric power to approximately 50,000 retail customers in its service area which includes the City of Kingsport, Tennessee, the Town of Mt. Carmel, Tennessee, and parts of Sullivan County, Washington County and Hawkins County, Tennessee.”¹ All of Kingsport’s electric power requirements are purchased from Appalachian Power Company.²

The Commission authorized Kingsport Power’s Targeted Reliability Plan and Major Storm

¹ Petition, p. 2, TPUC Docket No. 21-00142 (Dec. 1, 2021).

² *Id.* at p. 3. The Company states that Appalachian Power Company’s rates and charges are subject to the jurisdiction of the Federal Energy Regulatory Commission. *Id.*

(“TRP&MS”) Rider in TPUC Docket No. 17-00032.³ In making its decision, the Commission held that

[the TPR] should improve service and the reliability of Kingsport's infrastructure at reasonable costs to consumers. The panel further found the MS recovery mechanism to be a reasonable approach to account for and recover future costs related to storm damages. The proposed ARMs allow Kingsport timely recovery of investment and related expenses while ensuring safe and reliable electric service, primarily through enhanced maintenance of its main distribution system - a system of utmost importance to any community.⁴

Under the Commission's order, Kingsport Power was authorized to implement deferral or over/under recovery accounting for TRP&MS Rider costs beginning the month after approval by the Commission. Initially, TRP&MS Rider rates were set at zero. Subsequently, Kingsport Power could track and defer recovery of costs associated with the TRP expenses and MS restoration efforts beyond the amounts recovered through base rates.⁵ After a year of accumulating actual costs, Kingsport Power would make a true-up filing that would be reviewed and result in a rate or factor to recover the incurred (but not recovered through base rates) costs over a specified period. In subsequent true-up filings, the balance of what is ultimately collected or refunded to customers through the previous rate or factor would be combined with interim period costs, and a new rate or factor would be set.

I. THE COMMISSION SHOULD REDUCE THE COMPANY'S REQUESTED TRP&MS RIDER RECOVERY TO PROPERLY ADJUST FOR THE COMPANY'S FAILURE TO APPLY THE TRP&MS RIDER SURCHARGE TO STREET LIGHTING CUSTOMERS

³ *Petition of Kingsport Power Company d/b/a Appalachian Power for Approval of its Targeted Reliability Plan, and its TRP&MS Rider, an Alternative Rate Mechanism, and Motion for Protective Order*, TPUC Docket No. 17-00032 (Nov. 9, 2017).

⁴ *Id.* at p. 10. “In the Company's last base rate case, Docket No. 16-00001, the Commission set base rates to include \$903,372 in distribution and reliability Operation and Maintenance (O&M) expenses and \$392,381 for MS related O&M costs. The TRP&MS ARM is designed to recover or return any costs above or below these amounts.” Direct Testimony of Eleanor K. Keeton at 3:20 – 4:2, TPUC Docket No. 21-00142 (Dec. 1, 2021).

⁵ Direct Testimony of Eleanor K. Keeton at 3:5-7.

The Consumer Advocate's priority in this matter is to ensure compliance with previous orders issued by the Commission. Through its review and analysis, the Consumer Advocate determined that the Company failed to collect a TRP&MS Rider surcharge from all its customers as contemplated by the Commission in its order in TPUC Docket No. 17-00032.⁶ More specifically, the tariff language approved by the Commission is as follows:

The Company will allocate the revenue requirement to the individual tariff class by application of the revenue allocation factors used in the Company's most recent base case, and will use the appropriate billing determinants, as determined in the Company's most recent base case to develop the TRP&MS Rider tariff charges. (Emphasis added).⁷

The Company admitted that it "had been collecting from all other customers amounts of the TRP&MS rider that were not collected from the Street Lighting segment."⁸ Although the Company agrees this was in error, it disagrees with the Consumer Advocate's calculation regarding the Company's under-collection of surcharge revenues.⁹ The Company proposed a reduction of the Company's revenue requirement by \$249,552, which is the "actual foregone revenue attributable"¹⁰ to Street Lighting customers. It is the Consumer Advocate's position that the Company's reliance on revenue realized is incorrect.¹¹ Rather, the appropriate calculation is the revenue surcharged to Kingsport customers. Therefore, the Consumer Advocate issued discovery regarding Kingsport Power's allocations to Street Lighting customers in previous

⁶ *Order Granting Petition*, TPUC Docket No. 17-00032 (Nov. 9, 2017).

⁷ Submission of Tariff Provisions Pursuant to Approval of Petition of Kingsport Power Company d/b/a Appalachian Power and Motion for Waiver of Thirty (30) Day Filing Requirement, Sheet Number 21-1, TPUC Docket No. 17-00032 (Sept. 15, 2017).

⁸ Rebuttal Testimony of Willian K. Castle at 2:19-21, TPUC Docket No. 21-00142 (Sept. 19, 2022). The Company explained it is now "charging Street Lighting customers as a result of the Commission's recent decision in Docket No. 21-00107." *Kingsport Power's Response to Consumer Advocate's Fourth Informal Discover Request*, DR No. 4-10 (Aug. 18, 2022).

⁹ Rebuttal Testimony of Willian K. Castle at 2:21-22.

¹⁰ *Id.* at 3:9-10.

¹¹ Transcript at 20:16-22.

dockets.¹² The Company provided the Street Lighting Allocation in three of its dockets as set out in the Table below.¹³

Table. TRP&MS Rider Allocations to Street Lighting Customers	
Docket	Street Lighting Allocation
Docket 18-00106	\$55,977
Docket 19-00125	160,529
Docket 20-00127	203,880
Total	\$420,386

The Consumer Advocate's calculation is appropriate because it recognizes that

not applying the TRP&MS Rider surcharge to Street Lighting customers mathematically results in an under-collection of these costs for the current period. This under-collection is then trued-up or reallocated to all customer classes in a subsequent filing period. As a result, the Company's omission has required all other customer classes to pay \$420,386 in additional TRP&MS Rider costs.¹⁴

As a result, the Consumer Advocate urges you to deny the Company's proposal to reduce the Consumer Advocate's proposed adjustment of \$420,386.

II. THE COMMISSION SHOULD REQUIRE THE COMPANY TO PRODUCE ADEQUATE DOCUMENTATION SUPPORTING THE REPAIR ALLOWANCE PERCENTAGE CALCULATIONS IN FUTURE FILINGS.

The Consumer Advocate is concerned about the lack of support for the Company's Repair Allowance calculation resulting in the inability for independent verification of the Company's proposed calculation. Once again, the Consumer Advocate looked to a previous Commission Order for guidance on this issue. The Repair Allowance component of deferred taxes, which was addressed by the Commission in TPUC Docket No. 19-00106.¹⁵ In that docket, the Commission recounted the Consumer Advocate's concern that "appropriate offset to TRP&MS Depreciation

¹² *Kingsport Power's Response to Consumer Advocate's Fourth Informal Discovery Request*, DR No. 4-9. See also Direct Testimony of William H. Novak at p. 14, Table 6, TPUC Docket No. 21-00142 (Sept. 6, 2022).

¹³ *Kingsport Power's Response to Consumer Advocate's Fourth Informal Discover Request*, DR No. 4-9.

¹⁴ Direct Testimony of William H. Novak at 14:8-12.

¹⁵ *Id.* at 17:4-12 and *Order Approving the Petition*, pp. 6-8, TPUC Docket No. 19-00106 (June 17, 2020).

Expense to quantify the reduction in expense associated with TRP&MS related plant retirements”¹⁶ that “recognition of the Repair Deduction is not matched with the underlying costs of the investment to which it pertains.”¹⁷ Therefore, the Consumer Advocate “recommended the Company evaluate this issue in its next TRP&MS Rider filing and indicate, with analytical support, whether such calculation would be material to the TRP&MS calculation.”¹⁸ [Emphasis added]. As a result of these concerns, the Company agreed to work with the Consumer Advocate to resolve the issue of “Accumulated Deferred Income Tax [‘ADIT’] as it relates to the recognition of the repair deduction.”¹⁹ In its “Findings and Conclusions,” the Commission found it reasonable for the parties to work to resolve the matter before the next TRP&MS filing.²⁰

Once again, the Consumer Advocate is concerned about the company’s analytical support regarding the Repair Allowance of deferred taxes in the Company’s previous TRP&MS filings.²¹ Since the Repair Allowance percentages impacts the amount of deferred taxes and ultimately the customer rate, it is important to verify the Company’s calculations. Therefore, the Consumer Advocate requested the source and support for the Repairs rate used in the ADIT calculation.²² Although the Company stated, in its rebuttal testimony, that it will provide support for these percentage calculations in future filings, it is not clear if the proposed support “will tie to the company’s trial balance. If not, we will be back at this same point in the next filing.”²³

As a result, the Consumer Advocate recommends the Commission require the Company

¹⁶ *Order Approving the Petition*, p. 7, TPUC Docket No. 19-00106.

¹⁷ *Id.* at p. 6.

¹⁸ *Id.* at p. 7.

¹⁹ *Id.* at pp. 10-11, TPUC Docket No. 19-00106. *See also* Direct Testimony of William H. Novak at 17:4-

11.

²⁰ *Order Approving the Petition*, pp. 10-11, TPUC Docket No. 19-00106.

²¹ Direct Testimony of William H. Novak at 17:18-19 and Transcript at 19:24 – 20:1.

²² *Kingsport Power’s Response to Consumer Advocate’s Fourth Informal Discover Request*, DR No. 3-8 (July 17, 2022).

²³ Transcript at 20:7-8.

to provide the source data for its Repair Allowance calculations that ties to the Kingsport Power trial balance.

III. THE COMMISSION SHOULD DETERMINE IF THE TRP PORTION OF THE TRP&MS RIDER IS STILL IN THE BEST INTEREST OF KINGSFORT POWER'S CUSTOMERS SINCE IT HAS NOT BEEN EFFECTIVE IN DECREASING SERVICE OUTAGES IN THE KINGSFORT SERVICE TERRITORY.

The Consumer Advocate questions the efficacy of the targeted reliability component in light of the Company's testimony in TPUC Docket No. 17-00032. Specifically, the Company's expert testified that Appalachian Power Company had seen "improvements in vegetation-related [System Average Interruption Duration Index ('SAIDI')] of approximately 46 percent and an average improvement in vegetation-related [System Average Interruption Frequency Index ('SAIFI')] of approximately 45 percent" in its West Virginia territory as early as the end of 2016 after implementation of its vegetation management cycle program in 2014.²⁴ In Virginia, Appalachian Power Company saw "significant vegetation-related improvements in SAIDI of 35 percent and in SAIFI of 44 percent after completion of its four-year cycle-based vegetation management pilot program on 30 circuits in its Virginia service territory."²⁵

In the Consumer Advocate's testimony, Mr. Novak set out a table of SAIDI index values for Kingsport Power and a peer group for the calendar years 2017 through 2020.²⁶ This review shows that Kingsport Power's SAIDI ratio to the peer group for 2017 was 158% and for 2020 it was 161%. Mr. Novak also provided a table of the SAIFI index values for Kingsport Power and a peer group for the same time period, 2017-2020.²⁷ This review shows Kingsport Power's SAIFI ratio to the peer group for 2017 was 78% and for 2020 it was 81%. Therefore, despite

²⁴ Direct Testimony of Phillip A. Wright at 11:6-11, TPUC Docket No. 17-00032 (Apr. 19, 2017).

²⁵ *Id.* at 11:13-21.

²⁶ Direct Testimony of William H. Novak at 7:1-4, Table 2.

²⁷ *Id.* at 8:1-4, Table 3.

approximately \$14.4 million for surcharges for the targeted reliability component of the TRP&MS rider, Kingsport Power's customers have not seen significant improvement in its SAIDI and SAIFI ratios as were seen in Appalachian Power Company's West Virginia and Virginia service territory.²⁸

Accordingly, the Consumer Advocate recommends the Commission review whether the continuation of the targeted reliability of the TRP&MS Rider is in the best interest of Kingsport Power's customers.

CONCLUSION

The Consumer Advocate asks the Commission to (1) Deny the Company's proposal to reduce the Consumer Advocate's proposed adjustment in the revenue requirement of \$420,386 related to the TRP&MS surcharge to Street Lighting customers; (2) Require the Company to provide the source data for its Repair Allowance calculations that ties to the Kingsport Power trial balance; and (3) Review whether the continuation of the targeted reliability component of this TRP&MS Rider is in the best interest of Kingsport Power's customers.

[Signatures on Following Page]

²⁸

Id. at 9:5-8.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with a courtesy copy by email, upon:


William C. Bovender
Joseph B. Harvey
Hunter, Smith & Davis, LLP
P.O. Box 3704
Kingsport, TN 37664
Phone: (423) 378-8800
Email: bovender@hsdlaw.com
Email: jharvey@hsdlaw.com

Noelle J. Coates
American Electric Power Service
Three James Center
Suite 1100 1051 E. Cary Street
Richmond, VA 23219-4029
Phone: (804) 698-5541
Email: njcoates@aep.com

William K. Castle
American Electric Power Service
Three James Center
1051 E. Cary Street – Suite 1100
Richmond, VA 23219-4029
Phone: (804) 698-5540
Email: wkcastle@aep.com

James R. Bacha
American Electric Power Service
1 Riverside Plaza
Columbus, OH 43215
Phone: (614) 716-1615
Email: jrbacha@aep.com

This the 25th day of October 2022.


KAREN H. STACHOWSKI
Senior Assistant Attorney General

RESPECTFULLY SUBMITTED,



KAREN H. STACHOWSKI (BPR No. 019607)

Senior Assistant Attorney General

MASON C. RUSH (BPR No. 039471)

Assistant Attorney General

Office of the Tennessee Attorney General

Consumer Advocate Division

P.O. Box 20207

Nashville, Tennessee 37202-0207

Phone: (615) 741-2357

Fax: (615) 741-8151

Email: Karen.Stachowski@ag.tn.gov

Email: Mason.Rush@ag.tn.gov