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October 25, 2022

KPOW-10725

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

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

Electronically Filed in TPUC Docket
Room on October 25, 2022 at 1:00 p.m

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

Dear Chairman Hilliard:

On behalf of Kingsport Power Company d/b/a AEP Appalachian Power, we transmit herewith Post Hearing Brief for the above docket.

The original and four copies are being sent by overnight delivery.

Should you have any questions, please do not hesitate to contact the undersigned.

Very Sincerely Yours

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

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BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

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

POST HEARING BRIEF ON BEHALF OF PETITIONER

KINGSFORT POWER COMPANY d/b/a AEP APPALACHIAN POWER

Comes Petitioner, Kingsport Power Company d/b/a AEP APPALACHIAN POWER (herein, "Kingsport" or "Company") and submits this Post Hearing Brief in support of its case relative to the October, 2020 – September, 2021 Annual Recovery Under the Targeted Reliability Plan and Major Storm Rider ("TRP&MS") Alternative Rate Mechanism approved in Docket No. 17-00032.

PRELIMINARY STATEMENT

In TPUC Docket No. 17-00032, the Tennessee Public Utility Commission (herein, "TPUC" or "Commission") granted the Company's request to implement an annual recovery of defined actual Targeted Reliability Plan ("TRP") costs and Major Storm ("MS") expenses that are not offset by cumulative TRP&MS revenues and have not been recovered through base rates. This Alternative Rate Mechanism envisions an annual recovery. This Docket, No. 21-00142, requests recovery for the period October, 2020 – September 2021. Reference is hereby made to the Order Granting the Petition in Docket No. 17-00032.

In Docket No. 17-00032, TPUC, citing T.C.A. § 65-5-103(d), found that the proposed "...ten-year TRP consisting of a Vegetation Management and Systems Improvement should

improve service and the reliability of Kingsport's infrastructure at reasonable costs to consumers.” (Order, Docket No. 17-00032, p. 10) (emphasis added). In addition, TPUC “...further found the MS recovery mechanism to be a reasonable approach to account for and recover future costs related to storm damage...” (*Id.*)

Pursuant to the Order in Docket No. 17-00032, Kingsport has previously sought annual recovery under TRP&MS, pursuant to the Alternative Rate Mechanism, in Dockets No. 18-00125, No. 19-00106, and No. 20-00127, the Commission being referred to its Orders arising in those dockets, same being incorporated herein by reference.

The Petition in this Docket, No. 21-00142, requested a recovery of \$6,001,424 of deferred actual TRP&MS costs as of September 30, 2021, recorded on Kingsport books in Account 182426, TRP&MS Under Recovery. The net under-recovery of \$6,011,424 is comprised of an under recovery of \$14,369,662 for TRP costs and an under-recovery of \$1,796,067 for major storm expenses offset by cumulative TRP&MS Rider revenues of \$10,154,305 recovered through September, 2021. The \$14,369,662 and \$1,796,067 under-recovery balances as of September 30, 2021 are also net of the annual level of TRP costs and MS expenses recovered through base rates of \$903,372 and \$392,376 respectively. The annual level of TRP&MS costs/expenses included in base rates relative to this Docket were determined by Order in Docket No. 16-00001.

In support of the Petition in this Docket, Kingsport submitted the Direct Testimony of Eleanor K. Keeton (with EXHIBITS) (Ms. Keeton no longer being employed by the Company, her Testimony and Exhibits having been adopted and summarized by Mr. William Castle), the Direct and Rebuttal Testimony of A. Wayne Allen (with EXHIBITS), and the Rebuttal Testimony of Mr. William Castle.

The Consumer Advocate Division of the Office of the Attorney General (herein, “CAD”) filed an intervening Petition which was granted. The CAD submitted the Direct Testimony of

William H. Novak (herein, “Witness Novak”) which disputed certain aspects of Kingsport’s Petition.

On October 10, 2022, a hearing was held on Docket No. 21-000142. By prior agreement among the Hearing Officer, Kingsport and CAD, the witnesses summarized their testimonies, there being no opening or closing arguments. The Commission permitted Kingsport and the CAD to submit post-hearing briefs, this being the Brief on behalf of Kingsport, to be filed two weeks from the receipt of the Transcript. The Transcript was received on October 11, 2022 making the Brief due on October 25, 2022.

RESPONSES OF KINGSFORT TO THE ISSUES RAISE BY CAD WITNESS NOVAK

Kingsport submits the following Responses to Witness Novak’s “concerns”:

1. While the Commission is obviously empowered to re-evaluate if the TRP portion of the TRP&MS Rider is still in the best interest of Kingsport customers, it has been effective in decreasing service outages in the Kingsport service territory and it is too early to draw any conclusion about the effectiveness of the 10-year, staged process, which includes vegetation management, circuit inspections and maintenance, and sectionalizing activities under the current improvement program. The CAD fails to recognize that weather events during any four-year period may well produce uneven and misleading information. Moreover, the TRP program actually began in November, 2017 and did not get up to fully running for a year. There are only two years of data for the Commission to consider; and, those data establish the Company’s SAIDI Index improved particularly against the peer group and the SAIFI Index improved versus the peer groups’ deterioration. The program is making a difference and will continue to improve its performance going forward,

particularly as more than just two years of data are considered. To terminate this program would prematurely cut short the expected benefits to come and would result in significant reliability issues going forward.

2. The calculation for under-recovery of costs on the Street Lighting Surcharge should be based on the Company's actual revenues as recorded on its books, not the less accurate annual revenue requirements which do not account for when the under-recovery balance will be collected, as recommended by Witness Novak.
3. Kingsport has provided sufficient information to support its Repair Allowance calculation and the CAD's recommendation is not at issue in this case. Kingsport's proposal to provide additional information per the rebuttal testimony of Company Witness A. Wayne Allen is sufficient to support the company's Repair Allowance calculation in subsequent dockets.

DISCUSSION OF KINGSPORT'S RESPONSES

1. Re-Evaluation of the Effectiveness of the TRP&MS Rider

Relative to Witness Novak's concern about the TRP portion of the TRP&MS Rider approved unanimously by the TPUC panel on November 9, 2017, as stated in the summary above, the Commission is free to re-evaluate the TRP program at any time. However, the evidence provided in this Docket substantiates what Kingsport said the TRP portion of the program would do, even though the time sample size is less than from four years at this point. Any evaluation of the TRP portion of the Rider, given the relatively short time-frame and other considerations during the 2019-2021 period discussed below, would be based on incomplete information.

Kingsport's Petition, as summarized in the Order in Docket No. 17-00032, stated that it uses the System Average Interruption Frequency Index ("SAIFI") and the System Average

Interruption Duration Index (“SAIDI”) to gauge system reliability. (Order, page 3). “The lower the index the better reliability.” (*Id.*) Kingsport asserted that for the period 2010 – 2016, its “...customers have experienced an increase in the number of service interruptions and time without power.” Also “...data for the same time period demonstrates that vegetation growth is the leading cause of power outages...” (*Id.*)

Kingsport sought a full four years of vegetation management which would require “...an accelerated effort of right of way clearing....” (Order, page 4). In his Rebuttal Testimony, addressing Witness Novak’s observation that Vegetation Management was not producing results, Company Witness William K. Castle pointed out “...the Company’s program began in November, 2017 and did not get fully going until nearly a year later...” It is simply premature to look at, effectively, only two years of data, for a program that was designed to address all circuits over a four-year period and decide that the program is not working.” (Castle Rebuttal, page 4 and 5).

Witness Novak also failed to take into account the upward trend of the length and number of outages which were adversely affecting Kingsport’s customers in the period 2010 – 2016. (Order, page 3). From whence Kingsport came must be considered in any evaluation of whether spending \$14.4 million in Vegetation Management should be merely kicked to the roadside and discarded.

There are two factors which should be considered in evaluating the efficacy of the TRP component: 1.) Data from, at a minimum, four full years of Vegetation Management is necessary; 2.) Does the existing data available since the Vegetation Management program was initiated show the trends are positive?

Relative to the first factor, we do not have a full four (4) years of data. Indeed, as pointed out in Ms. Keeton’s Direct Testimony, the Vegetation Management activities were designed to

achieve a 4-year cycle, with completion of the initial cycle expected in 2021.¹ However, those Vegetation Management activities “...are performed exclusively with contract labor. Current disruptions in the labor pool resulting from the pandemic necessitated the extension of the vegetation management cycle past the planned 4-year cycle; as a result, the Company is still in the initial cycle. It is unknown at this time whether or how quickly, these imbalances will be resolved. In the interim, it is the Company’s intention to adhere as much as practicable to the ten-year forecast of costs approved in Docket No. 17-00032.” (Keeton Direct Testimony, page 4). Not only has Witness Novak failed to take into account the upward trend of the length and number of outages in the period 2010 – 2016, he ignored the problems which have adversely affected every single utility over the past three years: COVID-19. Combine these variables with the fickle nature of non-major storms that affect the annual statistics, and his conclusion that the program is not effective is not only hasty but wrong.²

The numbers for the less than four-year period the Company has been engaged in implementing the TRP portion of the Rider reveal Kingsport’s “...SAIDI index improved from 303 in 2018 to 269 in 2020, while the peer group average deteriorated from 141 to 167. Similarly, the SAIFI index improved from 1.94 in 2018 to 1.51 in 2020 versus peer group deterioration in the index from 1.83 to 1.85.” (Castle Rebuttal, page 4). The numbers are moving in the right direction, “...and counter to the trend of the peer group.” (*Id.*). Mr. Castle also sponsored Figure 2 in his Rebuttal testimony on page 5: “...the number of outages caused by vegetation...” establish “...the program appears to be making a difference...” (*Id.*). (Figure 2, at page 5).

¹ Moreover, Phil Wright’s 2017 testimony describes the evaluation of the West Virginia and Virginia pilot circuits as taking place after they were completed, which is distinguishable from statistics related to the whole system, and not just the circuits that are complete.

² Healthy trees, like the majority of the trees identified in the review of tree caused outages in West Virginia in late 2020, do not normally fail without some outside influence. Often, the outside influence is some sort of weather event like heavy rain, higher than “normal” wind speeds, or winds from “abnormal” directions.

Additionally, CAD Witness Novak references the Company's 2017 filing where the Company referred to improvement in SAIDI and SAIFI statistics of between 35% and 46% for the circuits that have been managed from end-to-end. The system statistics that Witness Novak quotes for Kingsport are not comparable, as they are not solely the individual circuits that *had been managed end-to-end* to-date, but rather all of the circuits, including ones that have not yet been managed.

Additionally, the Commission should take note that the Company did not experience any major storms for the period of October 2020 – September 2021. (Allen Direct, p. 11.) While one cannot conclusively determine that the reduction in “major storms” is due to the effectiveness of the program, it is the purpose of the program to lessen the effects of weather on customers reliability, turning what would have been major events into non-major events. Because the SAIDI and SAIFI statistics exclude major events, this benefit is not obvious to someone without an operational background.

The path to improved reliability is not a straight one. Abnormal weather can and will affect the statistics positively or negatively in any year and any conclusions inferred from less than a handful of datapoints is not remotely conclusive. Accordingly, the Commission should not order any re-evaluation of the Company's TRP at this time.

2. Use of Actual Revenues to Calculate Street Lighting Surcharge Under-Recovery

The Commission's decisions should be based on the most accurate numbers and information. CAD Witness Novak recognized this in his prefiled testimony when he testified that the “purpose of [his] review was to determine whether [Kingsport's] TRP&MS Rider reconciliation was based on actual amounts recorded on its books.” (See Prefiled Testimony of Witness Novak, p.12.) Obviously, relying on “actual amounts recorded on [the Company's]

books” results in a more accurate decision than basing calculations on estimated or cumulative amounts which do not account for when the under-recovery balance will be collected.

Witness Novak testified in this matter that the Company had not applied the appropriate TRP&MS surcharge to Street Lighting customers which resulted in an under-recovery of costs that were then spread to other customer classes. (*See* Prefiled Testimony of Witness Novak, p.13.) Company Witness Castle agreed with Witness Novak in principle that the revenues associated with the TRP&MS rider attributable to the Street Lighting segment should be foregone and not part of the balance to be recovered, but did not agree with Witness Novak’s calculation. (*See* Rebuttal Testimony of Witness Castle, p. 2.)

The only remaining disagreement is whether the calculation for the under-recovery of costs should be based on the Company’s *annual revenue requirements*, or based on the Company’s *actual revenues as recorded on its books*. In this case, Witness Novak’s calculation of Kingsport’s under-recovery used the Company’s annual revenue requirements, which do not represent the revenues the Company actually received and do not account for when the under-recovery balance will be collected. Thus, Witness Novak’s calculation does not account for what has been actually billed and collected from customers. Using the revenue requirements, which reflect cumulative under-recovery balances from year-to-year, artificially inflates the amount of annual costs (and foregone revenues) attributable to the Street Lighting segment.

While Kingsport agrees with the Consumer Advocate that the under-recovery for the Street Lighting surcharge should be excluded from the calculation for periods prior to August 8, 2022, the goal should be determining the most accurate calculation of the under-recovery amount. The most accurate calculation is to use the Company’s actual revenues, not the revenue requirement amounts used by Witness Novak. Accordingly, the Commission should adopt the calculation presented by Witness Castle in Figure 1 of his Rebuttal Testimony, which is based on actual

revenues, and reduces the Company's requested revenue requirement by \$249,552. (Rebuttal Testimony of Witness Castle, p.3.)

3. Providing Adequate Support for Kingsport's Repair Allowance Percentage

In Docket No. 17-00032, Witness Novak recommended "that the Commission require KgPCo to provide the information contained in Attachment WHN-2 when it submits its annual TRP & MS Rider filing" (See Prefiled Testimony of Witness Novak in TPUC Docket No. 17-00032, p.17.) In response, Kingsport agreed to provide, with each of its annual TRP&MS filings, the information requested by the Consumer Advocate. (See Rebuttal Testimony of William K. Castle in TPUC Docket No. 17-00032, p.7.) Kingsport provided the required information, in the form suggested by the Consumer Advocate, in its filings in Docket Nos. 18-00125, 19-00106, 20-00127, and with the Petition in this matter, Docket No. 21-00142.

There is no dispute that Kingsport provided the information metrics in this matter that it agreed to provide and has provided in previous cases. In support of its Petition, the information Kingsport has supplied includes voluminous general ledger detail of all TRP&MS O&M expenses incurred during the Review Period, and an attestation stating that Rider revenues, costs and expenses reflect actual amounts recorded on Kingsport's books and records for the applicable period.

In Docket No. 20-00127, CAD Witness Craig Cox did not assert that the data Kingsport provided to support its Repair Allowance was insufficient. But, for the first time in this matter, CAD Witness Novak "recommend[ed] that the Commission require the Company to produce adequate documentation supporting the Repair Allowance percentage calculations in future filings." (See Testimony of Witness Novak, p. 4.)

In rebuttal testimony, Company Witness Allen expressed the Company's willingness to cooperate and agreed to provide additional information to support the Repair Allowances. (*See* Rebuttal testimony of A. Wayne Allen, p. 2.) Specifically, Witness Allen agreed to provide support for Repair Allowances using the ratio of: REPAIRS DEDUCTION divided by ADDITIONS. The source of the REPAIRS DEDUCTION would be a report from Power Plan, Kingsport's tax subledger system. The source of the ADDITIONS would be a Power Tax additions report that outlines General Ledger accounts. (*Id.*)

The only remaining dispute is whether Kingsport's proposal is adequate.³ But this is not an issue that the Commission needs to decide to approve Kingsport's Petition. If Witness Novak believed that the information Kingsport submitted in this case is insufficient to support its request, that issue should be addressed in this case. But Witness Novak accepted the data Kingsport submitted to support its calculation in this matter. In his prefiled testimony Witness Novak "recommend[s] that the Commission accept the Company's revised Repair Allowance percentage calculations without source data verification." (Prefiled Testimony of Witness Novak, p. 18 (emphasis added).) Accordingly, the Commission can approve Kingsport's Petition in this matter without addressing this issue.

But, instead of seeking a resolution of the issue in this matter, Witness Novak recommended that the Commission require the Company to provide "source data" for future TRP&MS dockets. (Prefiled Testimony of Witness Novak, p. 18.) The Commission should reject Witness Novak's recommendation because Company Witness Allen has already agreed to provide the available source data for the Repair Allowance calculations in future TRP&MS rider dockets.

³ At the October 10, 2022, hearing of this matter, during Witness Novak's summary of his prefiled testimony, which amounted to sur-rebuttal because he addressed matters not contained in his prefiled testimony, Witness Novak indicated that the Company's agreement to provide additional information supporting its calculation of the Repair Allowance percentage was not sufficient. As Witness Novak's summary went beyond his prefiled testimony, any remarks not included in his prefiled testimony should not be considered.

(Allen Rebuttal, p.2.) The Commission should also reject Witness Novak's recommendation because his prefiled testimony does not define "source data" or provide any explanation of what "source data" would be required in future dockets, or even whether that "source data" is information the Company maintains. (*See* Novak Direct, p.17-18.) Adopting Witness Novak's recommendation in this case would result in a vague and ambiguous Order potentially requiring Kingsport to provide unspecified information that might not be available to the Company. Such an Order would only create more work and unnecessary conflict in the next TRP&MS filing, which is imminent. Accordingly, the Commission should reject Witness Novak's ill-defined recommendation.

The Commission should approve the reasonable and well-defined approach proposed in Witness Allen's testimony. Witness Allen explained that the Company is agreeable to providing additional information to support the Company's Repair Allowance percentage, and explains precisely the information the Company can provide and that adequately verifies the Company's calculations. (Allen Rebuttal, p.2.) Indeed, the information described in Witness Allen's testimony is adequate documentation and satisfies Witness Novak's recommendation that the Commission require the Company to produce "adequate documentation supporting the Repair Allowance percentage calculation." (Novak Direct, p.18.) Accordingly, if the Commission does accept Witness Novak's recommendation that the Company provide additional information, the Commission should adopt the proposal presented by Witness Allen on page 2 of his Rebuttal Testimony. (Rebuttal Testimony of Witness Allen, p.2.)

CONCLUSION

Kingsport urges the Commission to issue an order approving a revenue requirement of \$5,746,462 in this case, authorizing rates to collect that revenue requirement and rejecting the recommendations of Witness Novak except where Witness Novak and Kingsport are in agreement.

Respectfully submitted,

KINGSPORT POWER COMPANY
d/b/a AEP APPALACHIAN POWER

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing **POST HEARING BRIEF ON BEHALF OF PETITIONER KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER** has been served upon the following by emailing a copy of same as follows, on this the 25th day of October, 2022.

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