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September 19, 2022

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KPOW-10725

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

Dr. Kenneth C. Hill, Chairman
c/o Ectory Lawless, Dockets & Records Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: 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”),
ALTERNATIVE RATE MECHANISMS APPROVED IN
DOCKET NO. 17-00032
DOCKET NO.: 21-00142

Dear Chairman Hill:

On behalf of Kingsfort Power Company d/b/a AEP Appalachian Power, we transmit herewith the following:

Rebuttal Testimony of William K. Castle
Rebuttal Testimony of A. Wayne Allen

The attachment is being provided in both PDF and Excel format. The original and four (4) copies are being sent via Federal Express.

Very Sincerely Yours

HUNTER, SMITH & DAVIS, LLP


William C. Bovender

Enclosure

cc: Kelly Grams, General Counsel (w/enc.) *Via U.S. Mail and Email: Kelly.Grams@tn.gov*
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**REBUTTAL TESTIMONY OF
WILLIAM K. CASTLE
ON BEHALF OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 21-00142**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2 A. My name is William K. Castle. My business address is 1051 E. Cary St, Suite 1100,
3 Richmond, VA. I am the Director of Regulatory Services VA/TN for Kingsport Power
4 Company d/b/a AEP Appalachian Power (Kingsport, KgPCo, or the Company).

5 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
6 **BUSINESS EXPERIENCE.**

7 A. I earned a Bachelor of Science degree in Mechanical Engineering from Tulane University
8 in 1988, and a Masters of Business Administration degree from the University of Texas –
9 Austin in 1998. I hold the Chartered Financial Analyst (CFA) designation. From 1988-
10 1996, I was a United States Naval Officer. I have worked in the utility industry since
11 1998, beginning with the Columbia Energy Group, Herndon, Virginia, where I held
12 positions in financial planning and corporate finance. Subsequent to the acquisition of
13 Columbia Energy Group by Merrillville, Indiana based NiSource in 2000, I performed
14 financial planning and analysis functions. Since 2004, and prior to my current position, I
15 was employed by American Electric Power Service Corporation (AEPSC) in the
16 Corporate Planning and Budgeting department. I have been in my current position since
17 July 2014.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY AS A WITNESS**
2 **BEFORE ANY REGULATORY COMMISSION?**

3 A. Yes. I presented testimony on behalf of Kingsport Power in Docket Nos. 16-0001,17-
4 00032, 18-00038, 21-00107 and on behalf of APCo before the Virginia State Corporation
5 Commission, most recently in Case Nos. PUR-2020-00015, PUR-2020-00117, PUR-
6 2020-00135 and PUR-2021-00047. I have also presented testimony in the states of Ohio,
7 Oklahoma, Indiana, West Virginia, and Arkansas.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A. I address two aspects of Consumer Advocate witness Novak's testimony: the
10 recommendation to reduce the revenue requirement by an amount that reflects revenue
11 that are apportioned to the streetlighting (SL) segment and his recommendation to
12 evaluate the Targeted Reliability Plan at this time.

13 **Q. DO YOU SPONSOR ANY EXHIBITS?**

14 A. Yes. I sponsor:

- 15 • WKC Rebuttal Exhibit 1 – Revenue Apportionment and TRP&MS Surcharge

16 **Q. DO YOU AGREE WITH MR. NOVAK'S RECOMMENDATION TO REDUCE**
17 **THE REVENUE REQUIREMENT BY THE AMOUNT OF COSTS**
18 **APPRORTIONED TO THE STREETLIGHTING SEGMENT?**

19 A. In principle. Mr. Novak correctly points out that the Company had been collecting from
20 all other customers amounts of the TRP&MS rider that were not collected from the Street
21 Lighting segment. The Company agrees that was in error, but does not agree with Mr.
22 Novak's calculation. In short, Mr. Novak's calculation is based off of the Company's
23 annual revenue requirements, not actual revenues. The revenue that the Company should

forego is 2.4% of actual revenues, grossed up to include the SL segment as shown in Figure 1 below. The Company expects that in the 2022 TRP & MS filing, a similar adjustment will be made to account for the period October 1, 2021 – August 8th, 2022, when the Company will no longer be foregoing SL segment revenues.

Using the revenue requirement, which reflects cumulative under-recovery balances, artificially inflates the amount of costs (and foregone revenues) attributable to the SL segment.

Figure 1 - Foregone Revenues Attributable to SL Segment

	Total TRP&MS Costs	Net (Actual) TRP &MS Revenues	Cumulative Over/(Under) Recovery	Foregone SL Revenues (2.4% of Grossed-up Revenues)	(Restated) Cumulative Under/(over) recovery	(Restated) TRP&MS Revenue Requirement
Oct 17 - Sep 18	2,330,677	-	2,330,677		2,330,677	
Oct 18 - Sep 19	5,093,841	(740,736)	6,683,782	(18,204)	6,665,578	
Oct 19 - Sep 20	5,182,768	(3,377,813)	8,488,738	(83,013)	8,387,520	
Oct 20 - Sep 21	3,543,034	(6,035,757)	5,996,014	(148,335)	5,746,462	
Cumulative	12,607,286	(4,118,549)	5,996,014	(249,552)	5,746,462	5,746,462

Q. WHAT IS THE RESULTANT REVENUE REQUIREMENT?

A. The resultant revenue requirement is the Company's requested \$5,996,014 less the \$249,552 of actual foregone revenues attributable to the SL, or \$5,746,462. Rebuttal Exhibit 1 shows the revenues by customer segment and resultant surcharges.

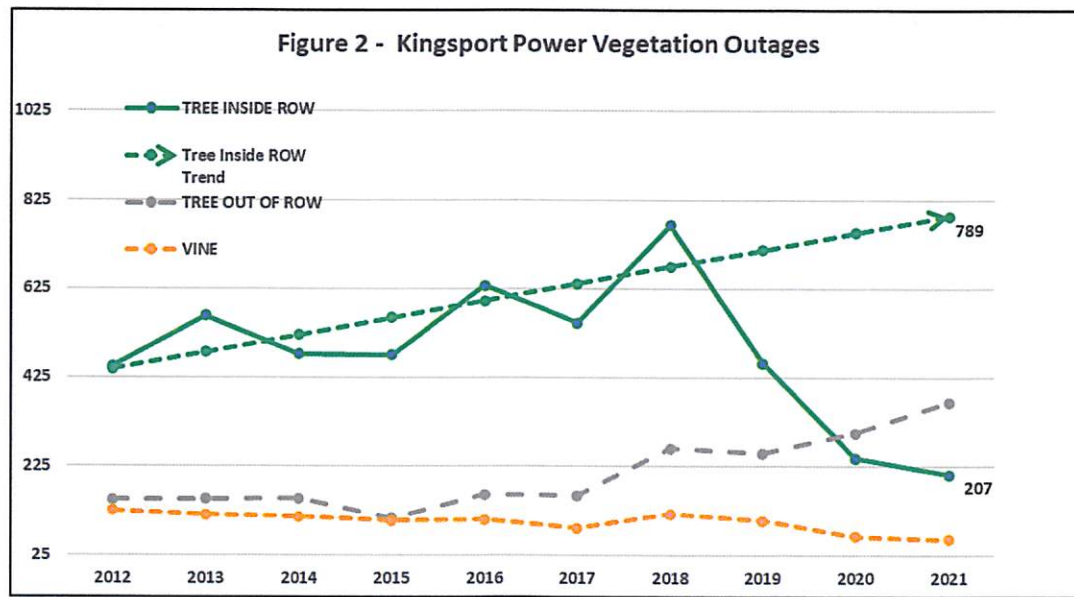
Q. MR. NOVAK DECLARES THAT THE TRP PROGRAM HAS NOT PROVEN EFFECTIVE IN DECREASING SERVICES OUTAGES AND AS A RESULT RECOMMENDS THAT THE COMMISSION RE-EVALUATE THE PROGRAM. PLEASE COMMENT.

A. While the Commission is, of course, at liberty to re-evaluate the program at any point, the Company offers that it is simply too early to draw any conclusions about the

1 effectiveness of the program. It should be noted that the original TRP was proposed
2 through a staged process over a 10-year period. Initially the Company will focus on
3 vegetation management, circuit inspections and maintenance and sectionalizing activities
4 under the circuit improvement program. The remaining circuit improvement and station
5 improvement will begin in year five. Any earlier evaluation would be relying on
6 incomplete information and any conclusion drawn from that analysis would naturally
7 suffer.

8 **Q. MR. NOVAK PROVIDED STATISTICS COVERING A FOUR-YEAR PERIOD,**
9 **ISN'T THAT ENOUGH TO DETERMINE WHETHER THE PROGRAM IS**
10 **WORKING AS DESIGNED?**

11 A. Given the localized and random nature of weather events, any four-year period could
12 provide misleading information. Moreover, the Company's program began in November
13 2017 and did not get fully going until nearly a year later. It is simply premature to look
14 at, effectively only two years of data, for a program that was designed to address all
15 circuits over a four-year period and decide that the program is not working. But if one
16 cared to, they would notice that the Company's SAIDI Index improved from 303 in 2018
17 to 269 in 2020, while the peer group average deteriorated from 141 to 167. Similarly, the
18 SAIFI index improved from 1.94 in 2018 to 1.51 in 2020 versus peer group deterioration
19 in the index from 1.83 to 1.85. Thus, the statistics are moving in the right direction, and
20 counter to the trend of the peer group. This is evident from the number of outages
21 caused by vegetation in Kingsport shown in Figure 2. It's clear that the program appears
22 to be making a difference.



1 **Q. ARE THERE ANY OTHER CONCLUSIONS THE COMMISSION SHOULD**
 2 **DRAW FROM THE ANALYSIS PROVIDED BY MR. NOVAK?**

3 A. Yes. The Company's SAIDI and SAIFI numbers show room for improvement. We do
 4 know that the reliability statistics will not magically improve (random weather effects
 5 aside), and in all likelihood only get worse if the program is ended prematurely.

6 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 A. Yes.

Kingsport Power Company
TRP & MS Rider
Revenue Allocation and Rate Calculation

Revenue Allocation Factor by Tariff Subclass (a) (1)	Revenue (b) Requirement (2)	Billing (c) Determinants (3)	Energy (e)/kWh (4)	Rate/Charge Demand (\$)/KW or KVA (5) = (2 / 3)	Customer/Service (\$)/Customer (6)
<u>Residential</u> - 011, 015, 018, 030, 051	28.29%	\$ 1,625,507			\$ 3.28
<u>Small General Service (SGS)</u> - 231, 232, 233	3.12%	\$ 179,414			\$ 4.13
<u>Medium General Service (MGS) Secondary</u> - 235	14.27%	\$ 819,743		\$ 1.93	
<u>General Service Time-of-Day (GS-TOD)</u> - 229	0.02%	\$ 1,024	0.21441		
<u>Medium General Service (MGS) Primary</u> - 237	0.17%	\$ 9,886		\$ 1.84	
<u>Large General Service (LGS) Secondary</u> - 240, 242	24.26%	\$ 1,394,329		\$ 2.09	
<u>Large General Service (LGS) Primary</u> - 244, 246	1.48%	\$ 85,113		\$ 1.62	
<u>LGS Subtransmission/Transmission</u> - 248	0.00%	\$ -	0	\$ 1.58	
<u>Industrial Power (IP) Secondary</u> - 327	0.00%	\$ -	0	\$ 0.76	
<u>Industrial Power (IP) Primary</u> - 322	1.88%	\$ 107,955		\$ 0.74	
<u>Industrial Power (IP) Subtransmission/Transmission</u> - 323, 324	15.89%	\$ 912,832		\$ 0.69	
<u>Church Service (CS)</u> - 221	1.24%	\$ 71,259	0.72337		
<u>Public Schools (PS)</u> - 640, 641, 642	2.78%	\$ 159,653	0.58239		
<u>Electric Heating General (EHG)</u> - 208, 209	3.24%	\$ 186,130		\$ 1.92	
<u>Outdoor Lighting (OL)</u> - 094 - 126	0.97%	\$ 55,649			\$ 0.85
(d) <u>Non-Tariff Class (SL)</u>	2.40%	\$ 137,966	N/A	N/A	N/A
Total	100.00%	\$ 5,746,462			

(a) Allocation factors derived from Attachment A, Schedule 13, and Attachment C of the Settlement Agreement in Docket No. 16-00001

(b) Excludes Prompt Payment discount per Consumer Advocate Witness Novak's recommendation

(c) 12 months billing determinants from Docket No. 16-00001, Settlement Attachment C, Schedules 1-10

(d) Street Lighting (SL) rates determined by contract