

**BEFORE  
THE TENNESSEE PUBLIC UTILITY COMMISSION**

PETITION OF KINGSPORT POWER	)	
COMPANY D/B/A AEP	)	
APPALACHIAN POWER FOR	)	
OCTOBER, 2021 – DECEMBER, 2022	)	Docket No. 23-00019
ANNUAL RECOVERY UNDER THE	)	
TARGETED RELIABILITY PLAN AND	)	
MAJOR STORM RIDER (“TRP&MS”),	)	
ALTERNATIVE RATE MECHANISMS	)	
APPROVED IN DOCKET NO. 17-00032	)	

**DIRECT TESTIMONY  
of  
WILLIAM H. NOVAK**

**ON BEHALF OF  
  
THE CONSUMER ADVOCATE DIVISION  
OF THE  
OFFICE OF THE TENNESSEE ATTORNEY GENERAL**

*May 4, 2023*

## **TABLE OF CONTENTS**

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I.	BACKGROUND .....	5
II.	CURRENT REVIEW PERIOD COST RECOVERY .....	11
III.	TRP&MS COST ALLOCATION AND RATE DESIGN.....	16
IV.	CONCLUSION AND RECOMMENDATIONS .....	20

## **ATTACHMENTS**

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Attachment WHN-1	Proposed TRP&MS Rider Surcharge Calculation
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## **TABLES**

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Table 1	Net TRP&MS Cost and Recovery
Table 2	SAIDI Without Major Event Days (MED) Index (Minutes)
Table 3	SAIFI Without Major Event Days (MED) Index (Occurrences)
Table 4	TRP&MS 2021-2022 Recovery Request
Table 5	2021 – 2022 Billed TRP&MS Surcharge
Table 6	Adjusted TRP&MS Rider Recovery for Omission of Street Lighting Surcharges
Table 7	Adjusted TRP&MS Surcharge Allocation
Table 8	Proposed TRP&MS Rate Surcharge

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.<sup>1</sup>

6

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

9    ***A2.***    Briefly, I have both a Bachelor's degree in Business Administration with a major  
10          in Accounting, and a Master's degree in Business Administration from Middle  
11          Tennessee State University. I am a Certified Management Accountant, and am  
12          also licensed to practice as a Certified Public Accountant.

13

14          My work experience has centered on regulated utilities for over 40 years. Before  
15          establishing WHN Consulting, I was Chief of the Energy & Water Division of the  
16          Tennessee Public Utility Commission ("the Commission") where I had either  
17          presented testimony or advised the Commission on a host of regulatory issues for  
18          over 19 years. In addition, I was previously the Director of Rates & Regulatory  
19          Analysis for two years with Atlanta Gas Light Company, a natural gas  
20          distribution utility with operations in Georgia and Tennessee. I also served for  
21          two years as the Vice President of Regulatory Compliance for Sequent Energy  
22          Management, a natural gas trading and optimization entity in Texas, where I was

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<sup>1</sup> State of Tennessee, Registered Accounting Firm ID 3682.

1 responsible for ensuring the firm's compliance with state and federal regulatory  
2 requirements.

3

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

8

9 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

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

12

13 ***Q4. HAVE YOU PRESENTED TESTIMONY IN ANY PREVIOUS DOCKETS***  
14 ***REGARDING KINGSPORT POWER COMPANY?***

15 ***A4.*** Yes. I presented testimony in Dockets U-86-7472, 89-02126, 90-05735, 92-  
16 04425, 15-00024, 16-00001, and 21-00107 concerning Kingsport Power  
17 Company d/b/a AEP Appalachian Power ("KgPCo" or the "Company"). In  
18 addition, I previously presented testimony concerning KgPCo's Targeted  
19 Reliability Plan & Major Storm Rider (TRP&MS Rider or the Rider) that is the  
20 subject of this proceeding in TPUC Docket Nos. 17-00032, 18-00125 and 21-  
21 00142.

22

1    ***Q5.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***  
2           ***PROCEEDING?***

3    ***A5.***    My testimony will address issues and concerns of the Consumer Advocate with  
4           respect to KgPCo's proposed TRP&MS reconciliation in this Docket with its  
5           books and records, including the calculations supporting that reconciliation and  
6           the resulting surcharge.

7  
8    ***Q6.    WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***  
9           ***YOUR TESTIMONY?***

10   ***A6.***    I have reviewed the Company's Petition filed on March 10, 2023, along with the  
11           accompanying testimony and schedules. I have also reviewed KgPCo's responses  
12           to the data requests submitted by the Consumer Advocate in this Docket. In  
13           addition, I reviewed the Commission's Order in TPUC Docket No. 17-00032 that  
14           approved the TRP&MS Rider as well as subsequent reconciliations in TPUC  
15           Docket Nos. 18-00125, 19-00106, 20-00127 and 21-00142.

16  
17   ***Q7.    PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCERNS***  
18           ***IN THIS DOCKET.***

19   ***A7.***    My recommendations and concerns are summarized as follows:

- 20           • I recommend that the TRP&MS rider be continued since it appears to be in the  
21           best interest of the KgPCo customers in decreasing service outages in the  
22           Kingsport service territory.  
23  
24           • I recommend that the Commission require the Company to include all  
25           supporting workpapers in future TRP&MS filings.  
26

- I recommend that the Commission require the Company to submit a structured set of workpapers for each monthly calculation demonstrating how the calculation was carried out as a stand-alone workpaper in future TRP&MS filings.
- I recommend that the Company's requested TRP&MS Rider recovery of \$3,674,241 be reduced by \$144,177 to \$3,530,064 as shown on Table 6, to properly adjust for the Company's failure to apply the TRP&MS Rider surcharge to Street Lighting customers.
- I recommend that the Commission adopt the customer class allocation factors used in Docket 21-00107 to allocate TRP&MS Rider costs as shown on Table 7.
- I recommend that the Commission adopt the rate design presented on Table 8 for the TRP&MS surcharges.

*{Testimony Continues on Next Page}*

1 I. BACKGROUND

2

3 ***Q8. PLEASE EXPLAIN THE OVERALL STRUCTURE OF THE TARGETED***

4 ***RELIABILITY PLAN & MAJOR STORM RIDER.***

5 A8. The overall structure for the TRP&MS Rider was authorized by the Commission

6 in TPUC Docket No. 17-00032 and contains two separate components. The

7 Targeted Reliability Plan (TRP) component of the TRP&MS Rider consists of a

8 Vegetation Management Program (VMP) and a System Improvement Program

9 (SIP).<sup>2</sup> The VMP is intended to address the Company's system-wide vegetation

10 issues on a recurring four-year cycle.<sup>3</sup> The SIP provides an enhanced means for

11 circuit inspection, maintenance, replacement, and improvement in order to

12 address equipment failures and outages.<sup>4</sup>

13

14 The Major Storm (MS) component of the TRP&MS Rider allows the Company to

15 defer and recover the operating and maintenance costs associated with restoring

16 utility service after a major interruption that is due to weather. Prior to the

17 implementation of the MS component of the TRP&MS Rider, KgPCo was

18 required to separately petition the Commission for recovery of the costs from

19 major storms.

20

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<sup>2</sup> The term "Vegetation Management" has historically been referred to as "tree trimming" in prior cases.

<sup>3</sup> Direct testimony of KgPCo witness Castle in TPUC Docket No. 17-00032, Page 3.

<sup>4</sup> Direct testimony of KgPCo witness Wright in TPUC Docket No. 17-00032, Pages 13-14.

1 As shown on Table 1 below, the total costs invested in the TRP&MS since its  
2 inception in October 2017 are approximately \$23.7 million with approximately  
3 \$20.0 million already recovered from KgPCo's customers.

<b>TABLE 1 – Net TRP&amp;MS Cost and Recovery<sup>5</sup></b>				
<b>Docket</b>	<b>Net TRP Costs</b>	<b>Net MS Costs</b>	<b>Revenue Recovery</b>	<b>Net Total Cost</b>
18-00125	\$2,224,484	\$106,193	\$0	\$2,330,677
19-00106	3,388,540	1,705,301	-740,736	4,353,105
20-00127	4,742,228	440,540	-3,377,813	1,804,955
21-00142	4,014,410	-455,968	-6,035,757	-2,477,315
23-00019	6,023,676	1,532,453	-9,893,310	-2,337,181
<b>Total</b>	<b>\$20,393,338</b>	<b>\$3,328,519</b>	<b>\$-20,047,616</b>	<b>\$3,674,241</b>

4

5 ***Q9. HAS THE TARGETED RELIABILITY PLAN COMPONENT OF THE***  
6 ***TRP&MS RIDER BEEN EFFECTIVE IN DECREASING THE SERVICE***  
7 ***OUTAGES IN THE KINGSPORT SERVICE AREA?***

8 A9. It appears that the TRP&MS Rider performance during the 2021 – 2022 review  
9 period was effective in decreasing service outages for KgPCo's customers from  
10 what the Company has previously experienced. To make this determination of  
11 the Rider's effectiveness, I observed the System Average Interruption Duration  
12 Index ("SAIDI") and the System Average Interruption Frequency Index  
13 ("SAIFI") for KgPCo and its peer group for the last four years. The SAIDI index  
14 measures how long (in minutes per year) that the average service interruption lasts  
15 exclusive of major weather events. The SAIFI index measures how often (per  
16 year) customer service is interrupted by these same outages.

17

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<sup>5</sup> Exhibit No. 1 (AWA or MLD) included in the Company's filings for each of the docket numbers listed above.



1 In TPUC Docket No. 17-00032, I first identified 14 electric distribution utilities  
2 that are similarly situated to KgPCo which I referred to as the Kingsport Power  
3 Tennessee Peer Group (“Peer Group”).<sup>6</sup> The SAIDI index values for KgPCo and  
4 this peer group are presented below in Table 2 for calendar years 2017 through  
5 2021.<sup>7</sup>

<b>TABLE 2 – Kingsport Power Tennessee Peer Group SAIDI Without Major Event Days (MED) Index (Minutes)</b>					
<b>Distribution Utility</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Bristol	42	52	57	70	55
Cleveland	49	43	51	68	64
Clinton	115	77	104	103	101
Duck River	108	91	133	114	132
Fort Loudoun	430	266	342	400	271
Greeneville	62	105	92	81	77
Johnson City	29	24	22	28	20
<b>Kingsport Power</b>	<b>231</b>	<b>303</b>	<b>262</b>	<b>269</b>	<b>226</b>
Knoxville	156	126	156	128	116
LaFollette	228	207	290	338	314
Powell Valley	146	123	205		229
Pulaski	155	137	123	148	101
Rockwood	101	130	190	187	173
Sequachee Valley	121	180	232	172	272
Tri-County	213	247	237	227	276
<b>Average</b>	<b>146</b>	<b>141</b>	<b>166</b>	<b>167</b>	<b>162</b>
<b>KPC Ratio</b>	<b>158%</b>	<b>215%</b>	<b>158%</b>	<b>161%</b>	<b>140%</b>

6  
7 As shown on Table 2, the KgPCo 2020 SAIDI index was 226 minutes. This  
8 means that the average service interruption (exclusive of major weather events)  
9 for KgPCo lasted for 226 minutes which is one of the higher values in the Peer

<sup>6</sup> Direct testimony of Consumer Advocate witness Novak in TPUC Docket No 17-00032, Pages 8-10.

<sup>7</sup> This data comes from the Energy Information Administration website at <https://www.eia.gov/electricity/data/eia861/>. Of special note, one member of the peer group (Powell Valley) did not report SAIDI or SAIFI values for 2020. In addition, another member of the peer group (Knoxville Utilities Board) did not report SAIFI values for 2021.

1 Group. Further, the KgPCo SAIDI ratio to the peer group average for 2021 was  
2 140%, which represents its best performance over this five-year period.

3

4 The SAIFI index values for KgPCo and this same Peer Group are presented below  
5 in Table 3 for calendar years 2017 through 2021.<sup>8</sup>

<b>TABLE 3 – Kingsport Power Tennessee Peer Group SAIFI Without Major Event Days (MED) Index (Occurrences)</b>					
<b>Distribution Utility</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Bristol	1.16	1.38	0.94	1.01	1.20
Cleveland	0.87	0.75	1.06	0.98	1.10
Clinton	1.27	1.51	1.47	1.28	1.32
Duck River	1.36	1.29	1.73	1.49	1.59
Fort Loudoun	3.18	2.48	2.65	2.82	2.56
Greeneville	1.28	1.70	1.53	1.00	1.32
Johnson City	0.32	0.26	0.33	0.33	0.25
<b>Kingsport Power</b>	<b>1.35</b>	<b>1.94</b>	<b>1.65</b>	<b>1.51</b>	<b>1.29</b>
Knoxville	1.44	1.49	1.65	1.65	
LaFollette	3.72	3.08	4.19	4.90	4.00
Powell Valley	3.12	2.01	3.10		2.72
Pulaski	1.70	1.96	1.61	1.83	1.73
Rockwood	1.49	1.25	1.70	1.80	2.07
Sequachee Valley	0.81	2.51	3.57	2.50	3.34
Tri-County	2.72	3.81	3.34	2.87	2.78
<b>Average</b>	<b>1.72</b>	<b>1.83</b>	<b>2.03</b>	<b>1.85</b>	<b>1.95</b>
<b>KPC Ratio</b>	<b>78%</b>	<b>106%</b>	<b>81%</b>	<b>81%</b>	<b>66%</b>

6

7 As shown on Table 3, the KgPCo 2021 SAIFI index was 1.29 service  
8 interruptions, which represents its best performance over this five-year period.

9 This means that customers of KgPCo experienced on average 1.29 service  
10 interruptions during 2021 (exclusive of major weather events) which is below the  
11 average for the Peer Group. Further, the KgPCo SAIFI ratio to the peer group for

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<sup>8</sup> *Id.*

1 2021 was 66%, again representing the Company's best performance over this  
2 five-year period.

3

4 ***Q10. WHAT CONCLUSIONS SHOULD THE COMMISSION MAKE FROM***  
5 ***THE SAIDI AND SAIFI INFORMATION PRESENTED IN TABLES 2***  
6 ***AND 3?***

7 A10. Both the SAIDI and SAIFI results for the 2021 – 2022 review period represent a  
8 clear improvement from what was reported for prior periods. I am particularly  
9 encouraged by the improvement in the SAIDI index results going from 269  
10 minutes to 226 minutes during this period. Although KgPCo's SAIDI ratio to the  
11 peer group remains high at 140%, the one-year trend is certainly pointing in the  
12 right direction. Likewise, the Company's improvement in SAIFI minutes and the  
13 peer group ratio for 2021 deserve recognition. As a result, I'm pleased to  
14 recommend that the Commission allow the Company to continue with the TRP  
15 program.

16

17 ***Q11. HAS THE MAJOR STORM COMPONENT OF THE RIDER BEEN***  
18 ***EFFECTIVE IN ADDRESSING THE TIMELY RECOVERY OF COSTS***  
19 ***FOR SERVICE RESTORATION?***

20 A11. Yes. In the past when significant major storms occurred, KgPCo was required to  
21 petition the Commission to defer and separately recover the associated costs.<sup>9</sup>

22 The MS component of the TRP&MS Rider allows the Company to identify and

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<sup>9</sup> See Commission Docket Nos. 10-00144, 12-00051, 13-00121 and 15-00024.

accumulate the operating and maintenance expenses associated with service restoration after a major storm and then include these costs for timely recovery within the Rider.

*{Testimony Continues on Next Page}*

1                    **II.        CURRENT REVIEW PERIOD COST RECOVERY**

2

3    ***Q12.   MR. NOVAK, PLEASE EXPLAIN THE COST RECOVERY RELIEF***

4                    ***THAT THE COMPANY IS ASKING FROM THE COMMISSION***

5                    ***THROUGH ITS TRP&MS FILING.***

6    A12.   KgPCo is asking the Commission to allow it to recover through surcharges to its

7                    customers \$3,674,241 as the appropriate amount of TRP&MS Rider costs for the

8                    fifteen months ended December 2022. The details for this requested recovery are

9                    shown below in Table 4.

10

<b>TABLE 4 – TRP&amp;MS 2021-2022 Recovery Request<sup>10</sup></b>			
<b>Item</b>	<b>TRP</b>	<b>MS</b>	<b>Total</b>
Beginning Balance	\$14,369,662	\$1,796,067	\$16,165,729
Return on Capital Investment	1,017,390	0	1,017,390
O&M Expense	5,709,956	1,859,432	7,569,388
Depreciation Expense	493,908	0	493,908
<b>Total</b>	<b>\$21,590,916</b>	<b>\$3,655,499</b>	<b>\$25,246,415</b>
Less Base Rate Amounts	-777,192	-326,980	-1,104,172
Less TPUC Adjustments	-420,386	0	-420,386
<b>Net Amount</b>	<b>\$20,393,338</b>	<b>\$3,328,519</b>	<b>\$23,721,857</b>
Less Rider Surcharges			-20,047,616
<b>KgPCo Requested Recovery</b>			<b>\$3,674,241</b>

11

12    ***Q13.   HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE***

13                    ***PROPOSED RATE ADJUSTMENT IN KINGSPORT'S TRP&MS***

14                    ***RECONCILIATION FILING?***

15    A13.   Yes. I reviewed the KgPCo's filing. I also prepared discovery requests for

16                    supplemental supporting information that was not contained in the filing. The

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<sup>10</sup> Company Exhibit No. 1 (MLD).

1 purpose of my review was to determine whether KgPCo's TRP&MS Rider  
2 reconciliation was based on actual amounts recorded on its books.

3

4 ***Q14. WHAT WERE THE RESULTS OF YOUR REVIEW?***

5 A14. Overall, I found that Kingsport's filing appropriately reconciled the actual  
6 expenses and net investment to the amounts recorded on the Company's ledger.  
7 Likewise, other than as noted within my testimony, I also found that the  
8 reconciliation generally reflected the methodologies established in TPUC Docket  
9 No. 17-00032.

10

11 ***Q15. WERE THERE ANY PORTIONS OF THE COMPANY'S TRP&MS***  
12 ***RECOVERY REQUEST THAT YOU DISAGREE WITH?***

13 A15. Yes. To begin with, the Company did not include a copy of its workpapers  
14 supporting the exhibits that were included with the TRP&MS filing. This  
15 omission required the Consumer Advocate to request these supporting  
16 workpapers through discovery which then delayed our review.<sup>11</sup> I would  
17 therefore recommend that the Commission require the Company to include all  
18 supporting workpapers in future TRP&MS filings.

19

20 Next, there were several errors in the Company's monthly TRP&MS calculations  
21 – mostly related to the deferred tax adjustments – that were later corrected

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<sup>11</sup> Company responses to Consumer Advocate Discovery Requests 1-1, 1-2, 1-3, 1-4, 1-5, 1-11, 1-12, and 1-13.

1 through the use of a single comprehensive adjustment in the Company's filing.<sup>12</sup>  
2 This type of comprehensive adjustment required the Consumer Advocate to  
3 recreate the monthly calculations with correct data in order to confirm that the  
4 comprehensive adjustment was correct. This recreation of monthly calculations  
5 further delayed our review of the Company's filing. Therefore, I recommend that  
6 the Commission require the Company to submit a structured set of workpapers for  
7 each monthly TRP&MS Rider calculation demonstrating how the calculation was  
8 carried out as a stand-alone workpaper in TRP&MS future filings.

9  
10 Finally, I discovered that the Company had never applied the appropriate  
11 TRP&MS Surcharge to Street Lighting customers during a portion of the current  
12 review period. I estimate that this omission overstates the Company's requested  
13 recovery by \$144,177.

14

15 ***Q16. PLEASE EXPLAIN HOW THE COMPANY HAS EXCLUDED THE***  
16 ***TRP&MS SURCHARGE TO STREET LIGHTING CUSTOMERS.***

17 A16. As part of the annual TRP&MS Rider reconciliation, KgPCo has always allocated  
18 a portion of the requested TRP&MS Rider recovery to Street Lighting  
19 customers.<sup>13</sup> However, even though a portion of the Rider reconciliation costs  
20 were allocated to Street Lighting customers, the Company never applied a  
21 surcharge to this customer class until September 2022. The Company's failure to

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<sup>12</sup> Company responses to Consumer Advocate Discovery Requests 2-6 through 2-24. In addition, refer to footnote "\*" on KgPCo Exhibit No. 1 (MLD).

<sup>13</sup> See Direct Testimony of KgPCo witness Keeton, Exhibit EKK-2 in Docket Nos. 18-00125, 19-00106, 20-00127, and 21-00142.

1 apply an appropriate TRP&MS Rider surcharge to Street Lighting customers  
2 resulted in an under-collection of surcharge revenues during the 2021 – 2022  
3 review period of \$144,177 as shown below in Table 5.

<b>Table 5 – 2021 – 2022 Billed TRP&amp;MS Surcharge<sup>14</sup></b>			
<b>Month</b>	<b>Street Lighting</b>	<b>All Other Classes</b>	<b>Total</b>
October 2021	\$0	\$588,744	\$588,744
November	0	589,489	589,489
December	0	614,912	614,912
January 2022	0	600,622	600,622
February	0	660,522	660,522
March	0	743,555	743,555
April	0	694,862	694,862
May	0	588,828	588,828
June	0	662,640	662,640
July	0	677,717	677,717
August	0	636,393	636,393
September	22,903	667,834	690,737
October	12,950	656,245	669,195
November	13,218	606,170	619,388
December	13,153	703,230	716,383
<b>Total</b>	<b>\$62,224</b>	<b>\$9,691,763</b>	<b>\$9,753,987</b>
4 <sup>th</sup> Qtr 2022 Avg	\$13,107		
Months	11		
<b>Adjustment</b>	<b>\$144,177</b>		

4

5 ***Q17. HOW DO YOU RECOMMEND THAT THE COMMISSION ADJUST FOR***  
6 ***OMITTING THE TRP&MS RIDER SURCHARGE TO STREET***  
7 ***LIGHTING CUSTOMERS FROM OCTOBER 2021 TO AUGUST 2022?***

8 A17. I recommend that the \$144,177 amount that should have been surcharged to Street  
9 Lighting customers be deducted from the Company's requested recovery,  
10 resulting in a Net Adjusted Recovery of \$3,530,064 as shown below on Table 6.

11

<sup>14</sup> Company response to Consumer Advocate Discovery Request 2-26.



<b>TABLE 6 – Adjusted TRP&amp;MS Rider Recovery for Omission of Street Lighting Surcharges</b>	
<b>Item</b>	<b>Under-Recovery Amount</b>
KgPCo Requested Recovery	\$3,674,241
Street Lighting TRP&MS Allocation	-144,177
<b>Net Adjusted Recovery</b>	<b>\$3,530,064</b>

*{Testimony Continues on Next Page}*

1 **III. TRP&MS COST ALLOCATION AND RATE DESIGN**

2

3 ***Q18. MR. NOVAK, HOW SHOULD THE 2021-2022 TRP&MS RIDER***

4 ***RECOVERY COSTS BE ALLOCATED TO THE DIFFERENT***

5 ***CUSTOMER CLASSES?***

6 A18. The Commission Order approving the TRP&MS Rider provides that the net Rider

7 costs are to be allocated to the customer rate classes in the same manner that was

8 used in the Company's last rate case.<sup>15</sup> As shown in Table 7 below, I have

9 applied these rate percentages to the Net Adjusted Recovery of \$3,530,064 from

10 Table 6 to compute the TRP&MS cost allocation to each customer rate class.

<b>Table 7 – Adjusted TRP&amp;MS Rider Surcharge Allocation</b>		
<b>Tariff</b>	<b>21-00107 Percentage Allocation</b>	<b>Net TRP&amp;MS Allocation</b>
Residential Service	33.21%	\$1,172,174
Small General Service	5.52%	194,881
Medium Service-Sec.	15.12%	533,810
General Service-TOD	0.02%	672
Large Service-Secondary	20.19%	712,917
Large Service-Primary	3.96%	139,722
Industrial Power-Primary	1.92%	67,865
Industrial Power-Trans.	10.20%	359,936
Church Service	1.39%	49,217
Public School Service	1.03%	36,336
Electric Heating Service	3.48%	122,971
Outdoor Lighting Service	3.14%	110,697
Street Lighting Service	0.82%	28,866
<b>Total</b>	<b>100.00%</b>	<b>\$3,530,064</b>

11 ***Q19. DID THE COMPANY USE THE ALLOCATION FACTORS SHOWN IN***

12 ***TABLE 7 TO ALLOCATE THE TRP&MS SURCHARGES TO THE***

13 ***DIFFERENT CUSTOMER CLASSES?***

<sup>15</sup> Commission Order in Docket No. 17-00032, Page 3.

1 A19. Not entirely. Although not mentioned in any testimony, the Company adjusted  
2 the allocation percentages for Outdoor Lighting and Street Lighting from 3.14%  
3 and 0.82% shown in Table 7 above to 1.27% and 2.69%.<sup>16</sup> Through discovery,  
4 the Company explained that “utilizing the specific allocation factors shown in the  
5 Commission’s Order...will result in an unreasonable allocation of the TRP&MS  
6 revenues and inequitable rate impacts to these customers.”<sup>17</sup>

7  
8 ***Q20. DO YOU AGREE WITH THE COMPANY’S ASSESSMENT OF***  
9 ***ALLOCATION FACTORS FOR OUTDOOR LIGHTING AND STREET***  
10 ***LIGHTING CUSTOMERS?***

11 A20. No. The allocation factors for Outdoor Lighting and Street Lighting customers  
12 that were used in the Commission’s Order from Docket 21-00107 represent the  
13 base rate percentage increases and I see no reason to deviate from that  
14 methodology for allocating TRP&MS Rider costs. Further, the Company  
15 proposed allocation methodology appears arbitrary and is unsupported by any  
16 testimony. I would therefore recommend that the Commission adopt the customer  
17 class allocation factors used in Docket 21-00107 to allocate TRP&MS Rider  
18 costs.

19  
20 ***Q21. HOW SHOULD THE TRP&MS RIDER SURCHARGE RATE BE***  
21 ***CALCULATED FOR EACH CUSTOMER CLASS SHOWN IN TABLE 7?***

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<sup>16</sup> KgPCo Exhibit 1 (JAS) and Company response to Consumer Advocate Discovery Request 1-4.

<sup>17</sup> Company response to Consumer Advocate Discovery Request 2-28.

1 A21. The individual surcharge for each customer class is also based on the billing  
2 determinants from the Company's most recent rate case. Specifically, the  
3 TRP&MS tariff approved by the Commission provides for the following:

4 *The Company will allocate the revenue requirement to the*  
5 *individual tariff class by application of the revenue allocation*  
6 *factors used in the Company's most recent base case, and will use*  
7 *the appropriate billing determinants, as determined in the*  
8 *Company's most recent base case, to develop the TRP&MS Rider*  
9 *tariff charges.*<sup>18</sup> [Emphasis added.]  
10

11 The specific TRP&MS surcharges are based upon these historic billing  
12 determinants from the last rate case and may be applied as either energy  
13 surcharges, demand surcharges, or bill surcharges as best fits each customer class.  
14

15 ***Q22. HAVE YOU PREPARED A TRP&MS RATE SURCHARGE THAT***  
16 ***CONFORMS TO THE TARIFF LANGUAGE?***

17 A22. Yes. As shown on Attachment WHN-1 and summarized in Table 8 below, the net  
18 TRP&MS allocation by rate schedule is divided by the appropriate billing  
19 determinants from the Company's last rate case to produce the new TRP&MS rate  
20 surcharge for each customer class.<sup>19</sup> As such, I recommend that the Commission  
21 adopt the rate design presented in Table 8 for this Docket.  
22  
23

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<sup>18</sup> Submission of Tariff Provisions, Docket No. 17-00032, Sheet Number 21-1, Item 3 – Determination of Adjustments by Tariff, September 15, 2017.

<sup>19</sup> As mentioned in the Company's response to CA 2-27, the billing determinants used for the EHG customer class of 122,463 kW do not match the 20,046 kW. Specifically, base rates are only applied to billing demand in excess of 30 kW per month (20,046 kW), while the TRP&MS surcharge is applied to all billing demand (122,463 kW). The Consumer Advocate is not opposed to this change in billing determinants for the EHG customer class.

<b>TABLE 8 – Proposed TRP&amp;MS Rate Surcharge</b>			
<b>Tariff</b>	<b>Net TRP&amp;MS Allocation</b>	<b>Billing<sup>20</sup> Determinants</b>	<b>TRP&amp;MS Rate Surcharge</b>
Residential Service	\$1,172,174	510,383	\$2.3000000
Small General Service	194,881	47,523	4.1000000
Medium Service-Sec.	533,810	366,712	1.4600000
General Service-TOD	672	332,419	0.0020200
Large Service-Secondary	712,917	471,876	1.5100000
Large Service-Primary	139,722	104,679	1.3300000
Industrial Power-Primary	67,865	91,299	0.7400000
Industrial Power-Trans.	359,936	834,537	0.4300000
Church Service	49,217	8,549,481	0.0057567
Public School Service	36,336	26,732,113	0.0013593
Electric Heating Service	122,971	122,463	1.0000000
Outdoor Lighting Service	110,697	66,868	1.6600000
Street Lighting Service	28,866	127,025	0.2300000
<b>Total</b>	<b>\$3,530,064</b>		

*{Testimony Continues on Next Page}*

<sup>20</sup> Commission Order Approving Stipulation and Settlement Agreement in Docket No. 21-00107, Exhibit A, Attachment C – Rate Design Settlement, Schedules 1-10. Billing determinants are in the form of bills, billing demand or energy usage. For further details on billing determinants, please see Attachment WHN-1.

1                                    **IV.      CONCLUSION AND RECOMMENDATIONS**

2

3    ***Q23.   PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE***

4                                    ***COMMISSION ON THE 2020-2021 TRP&MS RIDER RECOVERY.***

5    A23.   My recommendations are as follows:

- 6                                    • I recommend that the TRP&MS rider be continued since it appears to be in the
- 7                                    best interest of the KgPCo customers in decreasing service outages in the
- 8                                    Kingsport service territory.
- 9
- 10                                  • I recommend that the Commission require the Company to include all
- 11                                  supporting workpapers in future TRP&MS filings.
- 12
- 13                                  • I recommend that the Commission require the Company to submit a structured
- 14                                  set of workpapers for each monthly TRP&MS Rider calculation
- 15                                  demonstrating how the calculation was carried out as a stand-alone workpaper
- 16                                  in future TRP&MS filings.
- 17
- 18                                  • I recommend that the Company's requested TRP&MS Rider recovery of
- 19                                  \$3,674,241 be reduced by \$144,177 to \$3,530,064 as shown on Table 6, to
- 20                                  properly adjust for the Company's failure to apply the TRP&MS Rider
- 21                                  surcharge to Street Lighting customers.
- 22
- 23                                  • I recommend that the Commission adopt the customer class allocation factors
- 24                                  used in Docket 21-00107 to allocate TRP&MS Rider costs as shown on Table
- 25                                  7.
- 26
- 27                                  • I recommend that the Commission adopt the rate design presented on Table 8
- 28                                  for the TRP&MS surcharges.
- 29

30    ***Q24.   DOES THIS COMPLETE YOUR TESTIMONY?***

31    A24.   Yes, it does. However, I reserve the right to incorporate any new information that

32                                  may subsequently become available.

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

**IN RE:**

**PETITION OF KINGSPORT POWER  
COMPANY D/B/A AEP APPALACHIAN  
POWER FOR OCTOBER, 2021 THROUGH  
DECEMBER, 2022 ANNUAL RECOVERY  
UNDER THE TARGETED RELIABILITY  
PLAN AND MAJOR STORM RIDER  
("TRP&MS"), ALTERNATIVE RATE  
MECHANISMS APPROVED IN DOCKET  
NO. 17-00032**

**DOCKET NO. 23-00019**

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**AFFIDAVIT**

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I, William H. Novak, on behalf of the Consumer Advocate Division 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 Division.



WILLIAM H. NOVAK

Sworn to and subscribed before me  
This 17<sup>th</sup> day of March, 2023.

  
NOTARY PUBLIC

My Commission Expires:

January 31, 2027.

**ATTACHMENT WHN-1**  
**TRP&MS Rider Rate Design**



Tariff	Allocation Percentage	TRP&MS Allocation	Billing Determinant			Rate
			Bills	Demand	Usage	
Residential Service (RS) - 011, 015, 018, 030 051	33.21%	\$1,172,174	510,383			\$2.3000000
Small General Service (SGS) - 231, 232, 233	5.52%	194,881	47,523			4.1000000
Medium General Service (MGS) Secondary - 235	15.12%	533,810		366,712		1.4600000
General Service Time-of-Day (GS-TOD) - 229	0.02%	672			332,419	0.0020200
Large General Service (LGS) Secondary - 240, 242	20.20%	712,917		471,876		1.5100000
Large General Service (LGS) Primary - 244, 246	3.96%	139,722		104,679		1.3300000
Industrial Power Service (IP) Primary - 322	1.92%	67,865		91,299		0.7400000
Industrial Power Service (IP) Transmission - 323, 324	10.20%	359,936		834,537		0.4300000
Church Service (CS) - 221	1.39%	49,217			8,549,481	0.0057567
Public School Service (PS) - 640, 641, 642	1.03%	36,336			26,732,113	0.0013593
Electric Heating General Service (EHG) - 208, 209	3.48%	122,971		122,463		1.0000000
Outdoor Lighting Service (OL) - 094-126	3.14%	110,697	66,868			1.6600000
Street Lighting Service (SL)	0.82%	28,866	127,025			0.2300000
<b>Total</b>	<b>100.00%</b>	<b>\$3,530,064</b>				
		<b>\$3,530,064</b>				