

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

PETITION OF KINGSPORT POWER)
COMPANY D/B/A AEP)
APPALACHIAN POWER FOR)
JANUARY, 2023 – DECEMBER, 2023)
ANNUAL RECOVERY UNDER THE)
TARGETED RELIABILITY PLAN AND)
MAJOR STORM RIDER (“TRP&MS”),)
ALTERNATIVE RATE MECHANISMS)
APPROVED IN DOCKET NO. 17-00032)
)

Docket No. 24-00010

**DIRECT TESTIMONY
of
WILLIAM H. NOVAK**

**ON BEHALF OF

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

May 23, 2024

TABLE OF CONTENTS

II.	BACKGROUND	5
III.	EFFECTIVENESS OF THE TRP&MS RIDER.....	7
IV.	CURRENT REVIEW PERIOD COST RECOVERY	14
V.	REVISED TARGETED RELIABILITY PLAN O&M BUDGET	19
VI.	TRP&MS COST ALLOCATION AND RATE DESIGN.....	21
VII.	CONCLUSION AND RECOMMENDATIONS	23

ATTACHMENTS

Attachment WHN-1	Proposed TRP&MS Rider Surcharge Calculation
------------------	---

TABLES

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 2023 Recovery Request
Table 5	Deferred Tax Corrections
Table 6	TRP Capital Additions for 2023
Table 7	Original and Proposed TRP O&M Budgets
Table 8	Adjusted TRP&MS Surcharge Allocation
Table 9	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.¹

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

¹ 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 rate case testimony in Dockets U-86-7472, 89-02126, 90-05735,
16 92-04425, 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
20 the subject of this proceeding in TPUC Docket Nos. 17-00032, 18-00125, 21-
21 00142 and 23-00019.

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 5, 2024, 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, 21-00142 and 23-00019.

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 Commission repeat and stress its requirement that the
21 Company include all supporting workpapers, in both pdf and native formats,
22 in future TRP&MS filings.
- 23
- 24 • I recommend that the Commission accept the updated revenue request of
25 \$5,914,416 as the appropriate amount for TRP&MS Rider recovery.
- 26

- I recommend that the Commission require the Company to provide notice of the cost of its future anticipated capital projects in accordance with Commission rules.
- 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 8.
- I recommend that the Commission adopt the rate design presented on Table 9 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”).² The VMP is intended to address the Company’s system-wide vegetation

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

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

12 address equipment failures and outages.⁴

13

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

15 to 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

² The term “Vegetation Management” has historically been referred to as “tree trimming” in prior cases.

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

⁴ 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 \$30.9 million with approximately
3 \$25.0 million that has already been recovered from KgPCo's customers, leaving a
4 current net unrecovered balance of \$5,914,416.

TABLE 1 – Net TRP&MS Cost and Recovery⁵				
Docket	Net TRP Costs	Net MS Costs	Revenue Recovery	Net Total Cost
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
24-00010	4,739,934	2,391,640	-4,891,400	2,240,175
Total	\$25,133,272	\$5,720,159	\$-24,939,016	\$5,914,416

5
6
7
8
9
10
11
12
13
14
15
16

{Testimony Continues on Next Page}

⁵ Exhibit No. 1 (AWA, MLD or JDS) included in the Company's filings for each of the docket numbers listed above. In addition, refer to Company response to CA3-1 in Docket No. 24-00010 for an adjustment to the TRP Costs that is reflected in Table 1.

1 **II. EFFECTIVENESS OF THE TRP&MS RIDER**

2

3 ***Q9. HAS THE TARGETED RELIABILITY PLAN COMPONENT OF THE***

4 ***TRP&MS RIDER BEEN EFFECTIVE IN DECREASING THE SERVICE***

5 ***OUTAGES IN THE KINGSPORT SERVICE AREA?***

6 A9. At this time, it does not appear that the Targeted Reliability Plan component of

7 the of the TRP&MS Rider has been effective in decreasing the service outages for

8 KgPCo’s customers from what the Company has previously experienced. To

9 make this determination of the Rider’s effectiveness, I observed the System

10 Average Interruption Duration Index (“SAIDI”) and the System Average

11 Interruption Frequency Index (“SAIFI”) for KgPCo and its peer group for the last

12 four years. The SAIDI index measures how long (in minutes per year) that the

13 average service interruption lasts exclusive of major weather events. The SAIFI

14 index measures how often (per year) customer service is interrupted by these

15 same outages.

16

17 In TPUC Docket No. 17-00032, I first identified 14 electric distribution utilities

18 that are similarly situated to KgPCo which I referred to as the Kingsport Power

19 Tennessee Peer Group (“Peer Group”).⁶ The SAIDI index values for KgPCo and

20 this Peer Group are presented below in Table 2 for calendar years 2017 through

21 2022.⁷

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

⁷ 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

TABLE 2 – Kingsport Power Tennessee Peer Group SAIDI Without Major Event Days (MED) Index (Minutes)						
Distribution Utility	2017	2018	2019	2020	2021	2022
Bristol	42	52	57	70	55	111
Cleveland	49	43	51	68	64	43
Clinton	115	77	104	103	101	131
Duck River	108	91	133	114	132	147
Fort Loudoun	430	266	342	400	271	404
Greeneville	62	105	92	81	77	62
Johnson City	29	24	22	28	20	33
Kingsport Power	231	303	262	269	226	291
Knoxville	156	126	156	128	116	103
LaFollette	228	207	290	338	314	384
Powell Valley	146	123	205		229	206
Pulaski	155	137	123	148	101	142
Rockwood	101	130	190	187	173	220
Sequachee Valley	121	180	232	172	272	255
Tri-County	213	247	237	227	276	257
Average	146	141	166	167	162	186
KPC Ratio	158%	215%	158%	161%	140%	157%

1

2

3

4

5

6

7

8

9

10

As shown on Table 2, the KgPCo 2022 SAIDI index was 291 minutes. This means that the average service interruption (exclusive of major weather events) for KgPCo lasted for 291 minutes which is one of the higher values in the Peer Group. Further, the KgPCo SAIDI ratio to the Peer Group average for 2022 was 157%, which means that KgPCo's SAIDI score lags significantly behind the Peer Group average.

The SAIDI relationship between KgPCo and the Peer Group average can best be demonstrated graphically as shown in Figure 1 below.

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.

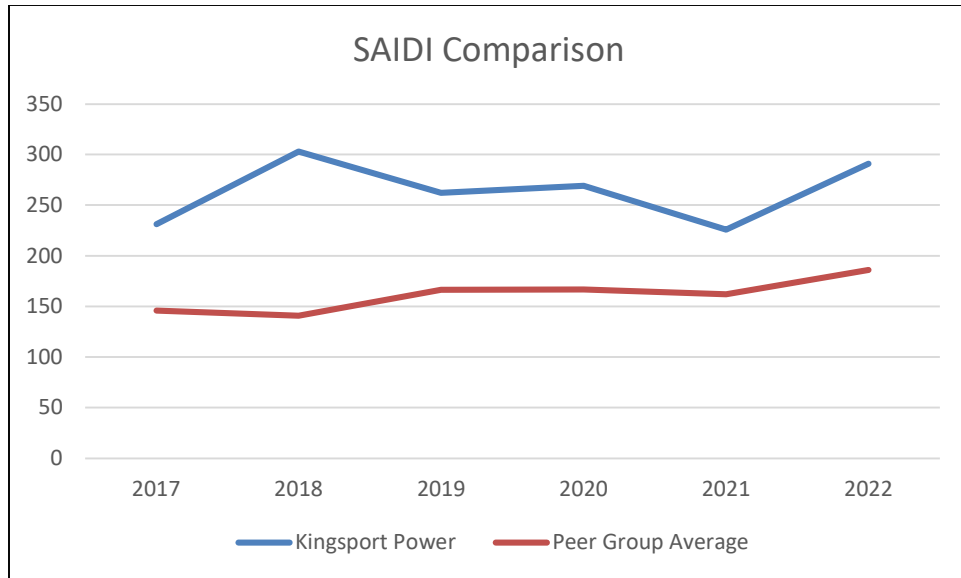


Figure 1- SAIDI Comparison

As can be seen in Figure 1, the SAIDI gap between KgPCo and the Peer Group average actually widened during 2022. Furthermore, the 2022 SAIDI values for KgPCo are worse than when the TRP&MS Rider began in 2017.

1 The SAIFI index values for KgPCo and this same Peer Group are presented below
2 in Table 3 for calendar years 2017 through 2022.⁸

3

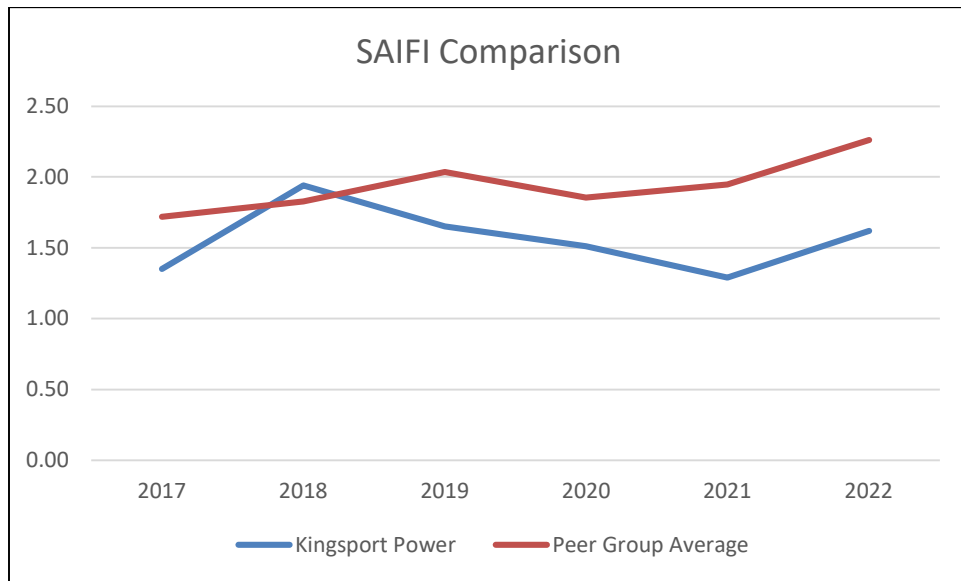
TABLE 3 – Kingsport Power Tennessee Peer Group SAIFI Without Major Event Days (MED) Index (Occurrences)						
Distribution Utility	2017	2018	2019	2020	2021	2022
Bristol	1.16	1.38	0.94	1.01	1.20	1.67
Cleveland	0.87	0.75	1.06	0.98	1.10	0.81
Clinton	1.27	1.51	1.47	1.28	1.32	2.63
Duck River	1.36	1.29	1.73	1.49	1.59	2.04
Fort Loudoun	3.18	2.48	2.65	2.82	2.56	3.25
Greeneville	1.28	1.70	1.53	1.00	1.32	1.00
Johnson City	0.32	0.26	0.33	0.33	0.25	0.34
Kingsport Power	1.35	1.94	1.65	1.51	1.29	1.62
Knoxville	1.44	1.49	1.65	1.65		1.31
LaFollette	3.72	3.08	4.19	4.90	4.00	5.00
Powell Valley	3.12	2.01	3.10		2.72	2.75
Pulaski	1.70	1.96	1.61	1.83	1.73	1.88
Rockwood	1.49	1.25	1.70	1.80	2.07	2.39
Sequachee Valley	0.81	2.51	3.57	2.50	3.34	3.19
Tri-County	2.72	3.81	3.34	2.87	2.78	4.03
Average	1.72	1.83	2.03	1.85	1.95	2.26
KPC Ratio	78%	106%	81%	81%	66%	72%

4
5 As shown on Table 3, the KgPCo 2022 SAIFI index was 1.62 service
6 interruptions. This means that customers of KgPCo experienced on average 1.62
7 service interruptions during 2022 (exclusive of major weather events) which is
8 below the average for the Peer Group. Further, the KgPCo SAIFI ratio to the Peer
9 Group for 2022 was 72%, which means that KgPCo's SAIFI score is significantly
10 better than the Peer Group average.

11

⁸ *Id.*

1 The SAIFI relationship between KgPCo and the Peer Group average can best be
2 demonstrated graphically as shown in Figure 2 below.



3
4 *Figure 2 - SAIFI Comparison*

5 As can be seen in Figure 2, the SAIFI gap between KgPCo and the Peer Group
6 average remained constant during 2022. However, the 2022 SAIFI values for
7 KgPCo are worse than when the TRP&MS Rider began in 2017.

8
9 ***Q10. WHAT CONCLUSIONS SHOULD THE COMMISSION MAKE FROM***
10 ***THE SAIDI AND SAIFI INFORMATION PRESENTED IN FIGURES 1***
11 ***AND 2?***

12 A10. The inescapable conclusion is that the cumulative \$25.1 million investment in the
13 Targeted Reliability Plan component of the TRP&MS Rider (shown in Table 1)
14 has not had an impact on reducing the number or duration of customer outages.
15 However, I am at a loss to explain the reason for these results. It may be that
16 KgPCo and the Peer Group do not self-report SAIDI and SAIFI data in a

1 consistent and comparable manner. It could also be that the Peer Group is not
2 representative of the same operating conditions in the KgPCo area. Whatever the
3 reason, the results are certainly not satisfactory.

4

5 The results in Figures 1 and 2 also lead me to consider what the SAIDI and SAIFI
6 results would be if the Commission had never approved the TRP&MS Rider –
7 they certainly would likely be much worse than what we have now. However, at
8 least to my knowledge, the Peer Group has been able to produce consistent SAIDI
9 and SAIFI results without the incremental spending that KgPCo has done through
10 the TRP&MS Rider over the last six years.

11

12 To be clear, these results do not lead me to a recommendation that KgPCo should
13 not be allowed to recover its prudently incurred costs spent on the TRP&MS
14 Rider – since these costs would certainly be recoverable in a rate case. Instead,
15 the results lead me to conclude that the TRP&MS Rider has not been effective in
16 decreasing service outages.

17

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

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

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

1 The MS component of the TRP&MS Rider allows the Company to identify and
2 accumulate the operating and maintenance expenses associated with service
3 restoration after a major storm and then include these costs for timely recovery
4 within the Rider.

5

6

7

8

9 *{Testimony Continues on Next Page}*

10

11

12

13

14

15

16

17

18

19

20

21

22

1 **III. 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 \$5,914,416, as shown on Table 1, as the appropriate reconciliation

8 amount of TRP&MS Rider costs for the twelve months ended December 2023.¹⁰

9 The Company is also asking the Commission to approve an increase in the annual

10 TRP budget to achieve an on-going four-year vegetation management cycle.¹¹

11

12 ***Q13. HOW IS THE COST RECOVERY REQUEST OF \$5,914,416***

13 ***CALCULATED?***

14 A13. The details for this requested recovery are shown below in Table 4.

15

TABLE 4 – TRP&MS 2023 Recovery Request¹²			
Item	TRP	MS	Total
Beginning Balance	\$20,393,338	\$3,328,519	\$23,721,857
Return on Capital Investment	291,172	0	291,172
O&M Expense	4,454,557	2,391,641	6,846,198
TPUC Adjustments	-134,538	0	-134,538
Depreciation Expense	128,741	0	128,741
Ending Balance	\$25,133,270	\$5,720,160	\$30,853,430
Less Rider Surcharges			-24,939,016
KgPCo Requested Recovery			\$5,914,416

16

¹⁰ In Company Exhibit No. 1 (JDS), KgPCo calculated a requested recovery for the TRP&MS Rider of \$5,917,276. This amount was later reduced to \$5,914,416 in response to Consumer Advocate Discovery Request 3-1 to correct for certain deferred tax errors as explained later in my testimony.

¹¹ Direct testimony of KgPCo witness Baker, Page 14:1-5.

¹² Company Exhibit No. 1 (JDS).

1 ***Q14. HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE***
2 ***PROPOSED RATE ADJUSTMENT IN KINGSPORT'S TRP&MS***
3 ***RECONCILIATION FILING?***

4 A14. Yes. I reviewed KgPCo's filing. I also prepared discovery requests for
5 supplemental supporting information that was not contained in the filing. The
6 purpose of my review was to determine whether KgPCo's TRP&MS Rider
7 reconciliation was based on actual amounts recorded in its books.

8
9 ***Q15. WHAT WERE THE RESULTS OF YOUR REVIEW?***

10 A15. Overall, I found that KgPCo's filing appropriately reconciled the actual expenses
11 and net investment to the amounts recorded on the Company's ledger. Likewise,
12 other than as noted within my testimony, I also found that the reconciliation
13 generally reflected the methodologies established in TPUC Docket No. 17-00032.

14
15 ***Q16. WERE THERE ANY PORTIONS OF THE COMPANY'S TRP&MS***
16 ***RECOVERY REQUEST THAT YOU DISAGREE WITH OR HAVE***
17 ***CONCERNS WITH?***

18 A16. Yes. To begin with, the Company did not include a copy of its workpapers in
19 native format supporting the exhibits that were included with the TRP&MS filing.
20 This omission required the Consumer Advocate to request these supporting
21 workpapers through discovery which then delayed our review.¹³ This is the same
22 type of omission that the Company made in Docket No. 23-00019, even though

¹³ Company responses to Consumer Advocate Discovery Requests 1-1 through 1-20.

1 the Commission Order in that Docket clearly “directed the Company to submit
2 workpapers in future rider filing which both fully support its filed exhibits and
3 provide the specifics and details underpinning its monthly calculations.”¹⁴ I
4 would therefore recommend that the Commission repeat and stress its requirement
5 that the Company include all supporting workpapers, in both pdf and native
6 formats, in future TRP&MS filings.

7
8 Next, there were certain errors in the Company’s monthly TRP&MS calculations
9 – related to the deferred tax adjustments – that were later corrected.¹⁵ Correcting
10 for these tax adjustments reduces KgPCo’s requested recovery by \$2,860 as
11 shown below in Table 5.

Table 5 – Deferred Tax Corrections	
Item	Amount
Original Revenue Request per KgPCo Exhibit 1 (JDS)	\$5,917,276
Revised Revenue Request per Response to CA3-1	5,914,416
Difference due to Deferred Tax Corrections	\$2,860

12 I recommend that the Commission accept this correction as well as the updated
13 revenue request of \$5,914,416 as shown on Tables 4 and 5.

14
15 Finally, I discovered that KgPCo had included approximately \$15.5 million in
16 new capital additions within the Targeted Reliability Plan component of the
17 TRP&MS Rider. This amount is significantly more than any previous capital
18 additions to the TRP&MS Rider. I am concerned with this level of capital

¹⁴ Commission Order in Docket No. 23-00019, Page 13.

¹⁵ Company responses to Consumer Advocate Discovery Requests 2-6 through 2-17.

1 additions since no prior notice was provided to the Commission.¹⁶ These capital
2 additions can be segregated by project as shown below on Table 6.

Table 6 – TRP Capital Additions for 2023¹⁷	
Project	Amount
Ds-KgPCo-Ai Pole Replacement	\$220,873
Ds-KgPCo-Ai Recloser Replacement	66,236
Ds-KgPCo-Ai Small Wire Replacement Underground	120,368
Ds-KgPCo-Small Wire Replacement Overhead	218,700
Ed-Ci-KgPCo-D Ast Imp	2,087,284
Forestry KgPCo-D Base R W	928,724
KgPCo-Cutout-Arrestor Program	11,116
KgPCo-Sectionalizing Program	249,528
Lovedale Station Work	11,566,206
Total	\$15,469,036

3 As can be seen in Table 6, most of the 2023 capital additions relate to the
4 Lovedale Station Work. According to the Company, “Lovedale Station was
5 rebuilt because of deterioration due to a fire several years ago, as well as with
6 structural upgrades to support future load growth in the area.”

7
8 ***Q17. DO THE LOVEDALE STATION CAPITAL ADDITIONS FALL WITHIN***
9 ***THE SCOPE OF THE TRP&MS RIDER?***

10 A17. They might. The Commission Order in Docket No. 17-00032 that established the
11 TRP&MS Rider includes the following paragraph:

12 *According to the Company, the System Improvement Program will*
13 *allow for additional circuit inspections and maintenance including*
14 *overhead facilities and underground structures. Wood poles will be*

¹⁶ TPUC Rule 1220-4-1-.01 requires all public utilities operating in the State of Tennessee to submit a copy of their projected expenditures on capital construction projects, both routine and specific, to the TPUC no later than ninety (90) days after the beginning of the current fiscal year.

¹⁷ Project Cost detail included with Company’s filing. In addition, capital project costs are recorded on the Company’s books in the month following the in-service date; therefore, the capital project costs included in the TRP&MS Rider represent the actual plant additions from December 2022 through November 2023.

reinforced and treated as necessary while others will be replaced with larger poles. **The System Improvement Program will facilitate the rebuilding of selected stations with structural upgrades.** The Company also plans on installing the Distribution Supervisory Control and Data Acquisition (“SCADA”) at all substations in the territory to allow operation of the systems in real time.¹⁸ [Emphasis added.]

However, while the Commission’s Order does mention “rebuilding of selected stations with structural upgrades”, there is no mention of the potential cost magnitude for these types of upgrades that we are now seeing with Lovedale Station.

Q18. WHAT IS YOUR RECOMMENDATION IN REGARD TO INCLUDING THE COST OF LOVEDALE STATION WITHIN THE TRP&MS RIDER?

A18. I do have concerns about including the unanticipated capital cost of Lovedale Station within the TRP&MS Rider since no notice was provided to the Commission for the impact of this capital project. However, these concerns do not lead me to oppose this cost recovery within the TRP&MS Rider – since these costs would certainly be recoverable within a rate case. Instead, I would recommend that the Commission require the Company to provide notice of the cost of its anticipated capital projects in accordance with Commission rules.

¹⁸ See In Re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Approval of Its Targeted Reliability Plan, and Its TRP&MS Rider, an Alternative Rate Mechanism and Motion for Protective Order, Docket No. 17-00032, Order Granting Petition, pp. 4-5 (November 9, 2017).

1 **IV. REVISED TARGETED RELIABILITY PLAN O&M BUDGET**

2

3 ***Q19. MR. NOVAK, EXPLAIN THE COMPANY’S PROPOSAL TO INCREASE***

4 ***THE OPERATIONS & MAINTENANCE (“O&M”)BUDGET FOR THE***

5 ***TARGETED RELIABILITY PLAN COMPONENT OF THE TRP&MS***

6 ***RIDER.***

7 A19. The Commission approved the TRP&MS Rider in Docket No. 17-00032 with

8 O&M Expense estimates over a ten-year period. The Company is now asking to

9 increase the budget for these original O&M cost estimates to transition to either a

10 4-year or 6-year vegetation management cycle. The final four years of the

11 original O&M budget as well as the Company’s proposed O&M budgets to

12 transition to a 4-year or 6-year vegetation management cycle are presented below

13 in Table 7.

Table 7 – Original and Proposed TRP O&M Budgets¹⁹			
Year	Original Budget	Proposed Four-Year Cycle Budget	Proposed Six-Year Cycle Budget
Year 7 – 2024	\$3,325,193	\$4,622,707	\$4,622,707
Year 8 – 2025	3,377,512	6,761,237	4,622,707
Year 9 – 2026	3,430,877	6,761,237	4,622,707
Year 10 – 2027	3,485,310	6,761,237	4,622,707

14 ***Q20. WHAT IS YOUR RECOMMENDATION FOR THE O&M BUDGET***

15 ***LEVEL THAT THE COMMISSION SHOULD ADOPT FOR THE***

16 ***TARGETED RELIABILITY PLAN COMPONENT OF THE TRP&MS***

17 ***RIDER?***

¹⁹ Direct testimony of KgPCo witness Baker, Pages 13 and 14.

1 A20. As stated earlier, the TRP&MS Rider does not appear to have had any meaningful
2 impact on electric system reliability in years 1 through 6. As a result, it is
3 difficult for me to make any recommendations to the Commission regarding the
4 Company's proposed increases to the O&M budget. However, if the Commission
5 desires to maintain the original plan for the continuing four-year vegetation
6 management cycle that was adopted in Docket No. 17-00032, then the Company's
7 proposed four-year cycle budget should be adopted.

8
9
10
11
12
13
14
15
16 *{Testimony Continues on Next Page}*
17
18
19
20
21
22

V. TRP&MS COST ALLOCATION AND RATE DESIGN

Q21. MR. NOVAK, HOW SHOULD THE 2023 TRP&MS RIDER RECOVERY COSTS BE ALLOCATED TO THE DIFFERENT CUSTOMER CLASSES?

A21. The Commission Order approving the TRP&MS Rider provides that the net Rider costs are to be allocated to the customer rate classes in the same manner that was used in the Company's last rate case.²⁰ As shown in Table 8 below, I have applied these rate percentages to the Net Adjusted Recovery of \$5,914,416 from Table 4 to compute the TRP&MS cost allocation to each customer rate class.

Table 8 – Adjusted TRP&MS Rider Surcharge Allocation		
Tariff	21-00107 Percentage Allocation	Net TRP&MS Allocation
Residential Service	33.21%	\$1,964,177
Small General Service	5.52%	326,476
Medium Service-Sec.	15.12%	894,260
General Service-TOD	0.02%	1,183
Large Service-Secondary	20.19%	1,194,121
Large Service-Primary	3.96%	234,211
Industrial Power-Primary	1.92%	113,557
Industrial Power-Trans.	10.20%	603,270
Church Service	1.39%	82,210
Public School Service	1.03%	60,918
Electric Heating Service	3.48%	205,822
Outdoor Lighting Service	3.14%	185,713
Street Lighting Service	0.82%	48,498
Total	100.00%	\$5,914,416

Q22. HOW SHOULD THE TRP&MS RIDER SURCHARGE RATE BE CALCULATED FOR EACH CUSTOMER CLASS SHOWN IN TABLE 8?

²⁰ Commission Order in Docket No. 21-00107, Page 4.

A22. The specific TRP&MS surcharges are based upon these historic billing determinants from the last rate case and may be applied as either energy surcharges, demand surcharges, or bill surcharges as best fits each customer class.

Q23. HAVE YOU PREPARED A TRP&MS RATE SURCHARGE THAT CONFORMS TO THE TARIFF LANGUAGE?

A23. Yes. As shown on Attachment WHN-1 and summarized in Table 9 below, the net TRP&MS allocation by rate schedule is divided by the appropriate billing determinants from the Company's last rate case to produce the new TRP&MS rate surcharge for each customer class. As such, I recommend that the Commission adopt the rate design presented in Table 9 for this Docket.

TABLE 9 – Proposed TRP&MS Rate Surcharge			
Tariff	Net TRP&MS Allocation	Billing²¹ Determinants	TRP&MS Rate Surcharge
Residential Service	\$1,964,177	510,383	\$3.8500000
Small General Service	326,476	47,523	6.8700000
Medium Service-Sec.	894,260	366,712	2.4400000
General Service-TOD	1,183	332,419	0.0035584
Large Service-Secondary	1,194,121	471,876	2.5300000
Large Service-Primary	234,211	104,679	2.2400000
Industrial Power-Primary	113,557	91,299	1.2400000
Industrial Power-Trans.	603,270	834,537	0.7200000
Church Service	82,210	8,549,481	0.0096158
Public School Service	60,918	26,732,113	0.0022788
Electric Heating Service	205,822	122,463	1.6800000
Outdoor Lighting Service	185,713	66,868	2.7800000
Street Lighting Service	48,498	127,025	0.3800000
Total	\$5,914,416		

²¹ 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 **VI. CONCLUSION AND RECOMMENDATIONS**

2

3 ***Q24. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE***

4 ***COMMISSION ON THE 2023 TRP&MS RIDER RECOVERY.***

5 A24. My recommendations are as follows:

- 6 • I recommend that the Commission repeat and stress its requirement that the
- 7 Company include all supporting workpapers, in both pdf and native formats,
- 8 in future TRP&MS filings.
- 9
- 10 • I recommend that the Commission accept the updated revenue request of
- 11 \$5,914,416 as the appropriate amount for TRP&MS Rider recovery.
- 12
- 13 • I recommend that the Commission require the Company to provide notice of
- 14 the cost of its anticipated capital projects in accordance with Commission
- 15 rules.
- 16
- 17 • I recommend that the Commission adopt the customer class allocation factors
- 18 used in Docket 21-00107 to allocate TRP&MS Rider costs as shown on Table
- 19 8.
- 20
- 21 • I recommend that the Commission adopt the rate design presented on Table 9
- 22 for the TRP&MS surcharges.
- 23

24 ***Q25. DOES THIS COMPLETE YOUR TESTIMONY?***

25 ***A25.*** Yes, it does. However, I reserve the right to incorporate any new information that

26 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 JANUARY, 2023 THROUGH
DECEMBER, 2023 ANNUAL RECOVERY
UNDER THE TARGETED RELIABILITY
PLAN AND MAJOR STORM RIDER
("TRP&MS"), ALTERNATIVE RATE
MECHANISMS APPROVED IN DOCKET
NO. 17-00032**

DOCKET NO. 24-00010

AFFIDAVIT

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 14 day of May, 2024.



NOTARY PUBLIC



My Commission Expires: 1/31/2027.

ATTACHMENT WHN-1
TRP&MS Rider Rate Design

WHN Consulting
KINGSPORT POWER COMPANY - TRP&MS - 24-00010
TRP&MS Overall Rate Design

Attachment WHN-1

Tariff	Allocation Percentage	TRP&MS Allocation	Billing Determinant			Rate
			Bills	Demand	Usage	
Residential Service (RS) - 011, 015, 018, 030 051	33.21%	\$1,964,178	510,383			\$3.8500000
Small General Service (SGS) - 231, 232, 233	5.52%	326,476	47,523			6.8700000
Medium General Service (MGS) Secondary - 235	15.12%	894,260		366,712		2.4400000
General Service Time-of-Day (GS-TOD) - 229	0.02%	1,183			332,419	0.0035600
Large General Service (LGS) Secondary - 240, 242	20.19%	1,194,121		471,876		2.5300000
Large General Service (LGS) Primary - 244, 246	3.96%	234,211		104,679		2.2400000
Industrial Power Service (IP) Primary - 322	1.92%	113,557		91,299		1.2400000
Industrial Power Service (IP) Transmission - 323, 324	10.20%	603,270		834,537		0.7200000
Church Service (CS) - 221	1.39%	82,210			8,549,481	0.0096158
Public School Service (PS) - 640, 641, 642	1.03%	60,918			26,732,113	0.0022789
Electric Heating General Service (EHG) - 208, 209	3.48%	205,822		122,463		1.6800000
Outdoor Lighting Service (OL) - 094-126	3.14%	185,713	66,868			2.7800000
Street Lighting Service (SL)	0.82%	48,498	127,025			0.3800000
Total	100.00%	\$5,914,416				
		\$5,914,416				