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April 9, 2010

Sara Kyle, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

filed electronically in docket office on 04/09/10

**ATTENTION:** Sharla Dillon, Dockets &  
Records Manager

**Re: Petition of Kingsport Power Company  
d/b/a AEP Appalachian Power for  
Permission to Recoup Increased Inspection Fees  
TRA Docket No. 1000037**

Dear Chairman Kyle:

East Tennessee Energy Consumers ("ETEC") hereby submits these comments for consideration by the Tennessee Regulatory Authority ("TRA") in the above matter and states as follows.

ETEC consists of large industrial customers of Kingsport Power Company ("Kingsport"). Its members include Eastman Chemical Company; Domtar Paper Company, LLC; Air Products and Chemicals, Inc.; Wellmont Health System; and AGC Flat Glass North America. Each has facilities within Kingsport's service territory.

On March 12, 2010, Kingsport submitted a Petition for Permission to Recoup Increased Inspection Fees ("Petition") pursuant to T.C.A. § 85-4-303. Kingsport's Petition seeks the TRA's approval of a "Tennessee Inspection Fee Rider" ("Rider") that would authorize Kingsport to increase each of its customer's bills by 0.2%. The rider would take effect on April 15, 2010.

According to the Petition, the Rider is designed to produce additional revenues of approximately \$291,000, which, according to Kingsport in its Petition, represents the difference between the amount to be paid by Kingsport for such fees (\$471,000) pursuant to the formula in T.C.A. § 85-4-303(c) (as amended) and the amount being collected for such fees (\$180,000) in Kingsport's current base rates.

ETEC takes no position on whether the TRA should approve the requested Rider. ETEC wishes, however, to express its concern that the Petition seeks approval of a separate tariff that

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provides for ongoing increases in Kingsport's rates based on a single cost element, *i.e.*, inspection fees. While the General Assembly, through enactment of T.C.A. §65-4-303(d), appears to offer Kingsport the opportunity to seek such a single-issue rate increase, the General Assembly also has granted the TRA the authority, pursuant to that provision, to determine whether such fees should be recovered through such a "separate recovery mechanism," such as the proposed Rider, or through a "rate case proceeding pursuant to [T.C.A.] section 65-5-109." As a general matter of public policy, ETEC is concerned about the fairness and wisdom of single-issue rate increases and, accordingly, assumes that, if the TRA determines to grant the Petition and approve the Rider, the TRA will have determined that the resulting rate increase is fully justified and in the interest of both Kingsport and its customers. Such a determination is especially critical in the current economic environment.

ETEC appreciates the opportunity to submit these comments and looks forward to working with Kingsport and the TRA concerning future regulatory matters of interest to its members.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael J. Quinan", with a long horizontal flourish extending to the right.

Michael J. Quinan, Esq.  
Counsel for East Tennessee Energy Consumers

cc Edward L. Petrini, Esq.  
James R. Bacha, Esq.  
William C. Bovender, Esq.  
J. Richard Collier, Esq.