

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

April 30, 2010

IN RE:)	
)	
PETITION OF KINGSPORT POWER COMPANY D/B/A)	DOCKET NO.
AEP APPALACHIAN POWER FOR PERMISSION TO)	10-00037
RECOVER INCREASED INSPECTION FEES)	

ORDER GRANTING APPROVAL TO RECOVER INCREASED INSPECTION FEES

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Mary W. Freeman of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this Docket, at a Hearing held on April 12, 2010 for consideration of the *Petition for Permission to Recoup Increased Inspection Fees* (“*Petition*”) filed on March 12, 2010 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”).

BACKGROUND

Subsequent to the filing of the *Petition*, Kingsport filed a Revised Exhibit C on March 15, 2010. On April 1, 2010, the Authority issued a *Notice of Hearing*. On April 6, 2010, Kingsport filed an *Affidavit of Publication* and a copy of the Notice to the public which was published in the Kingsport Times-News on March 12, 2010. On April 9, 2010, the East Tennessee Energy Consumers filed comments in the docket.

In its *Petition*, Kingsport seeks Authority approval for recovery of its incremental increase in inspection fees by means of a line item surcharge on customers’ bills. Kingsport proposes to clearly identify the surcharge on the bill as “Tennessee Inspection Fee Surcharge.”

Based on its calculations of the increased fees, the Company proposes to assess customers a surcharge of 0.2% of the customers' regulated charges.¹ A proposed tariff memorializing the surcharge was included with the *Petition*, with an effective date of April 15, 2010.²

FINDINGS AND CONCLUSIONS

The panel convened a Hearing in this matter on April 12, 2010. Mr. William A. Bosta, Kingsport's Director of Regulatory Services for Virginia-Tennessee, participated telephonically and was subject to examination by the panel. No person sought intervention prior to or during the Hearing. The Company was represented by Mr. William Bovender, Esq.

Tenn. Code Ann. § 65-4-301(a)(1) requires every public utility doing business in Tennessee and subject to the control and jurisdiction of Authority to pay to the State of Tennessee "on or before April 1 of each year, a fee for the inspection, control and supervision of the business, service and rates of such public utility." Tenn. Code Ann. § 65-4-303, in turn, sets forth the methodology and rates used to assess and calculate the amount of inspection fees for said utilities.

During the 2009 legislative session, the Tennessee General Assembly amended Tenn. Code Ann. § 65-4-303 by increasing the amount of inspection fees owed by utilities under the Authority's jurisdiction.³ The newly enacted statutory language also provides for the recovery of inspection fees. Specifically, Tenn. Code Ann. § 65-4-303(d) states that a public utility operating under rate of return regulation can recover the fees through a rate case or a separate mechanism determined by the Authority. The statute further provides that "[a] public utility may recoup its inspection fees by including a line item charge on its subscribers' bills."

¹ *Petition*, Exhibit A.

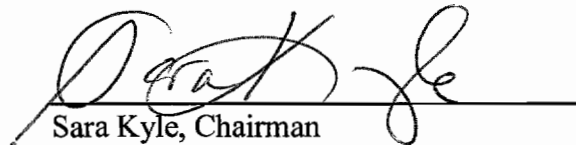
² *Petition*, Exhibit B.

³ 2009 Tenn. Pub. Acts 531.

Based on the statements of counsel and the entire record, the panel found that the Company's calculations regarding its increase in inspection fees were accurate and its methodology for recouping the incremental increase was reasonable. Thereafter, the panel voted unanimously to approve the *Petition* and the tariff to recover the incremental difference in inspection fees through a line item surcharge.

IT IS THEREFORE ORDERED THAT:

The *Petition for Permission to Recoup Increased Inspection Fees* filed by Kingsport Power Company d/b/a AEP Appalachian Power is granted, and the tariff to recover the incremental difference in inspection fees through a line item surcharge is approved.



Sara Kyle, Chairman



Eddie Roberson, Director



Mary W. Freeman, Director