

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 5, 2010

IN RE:

**PETITION OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER FOR APPROVAL
TO DEFER CERTAIN COSTS ASSOCIATED WITH
WINTER STORMS OCCURRING IN DECEMBER 2009**

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**DOCKET NO.
10-00144**

ORDER GRANTING REQUEST FOR DEFERRED ACCOUNTING

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Sara Kyle of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on August 23, 2010 for consideration of the *Petition for Approval of Deferred Accounting* (“*Petition*”) filed on July 15, 2010 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”).

BACKGROUND AND PETITION

Kingsport, a public utility with its principal office in Kingsport, Tennessee, is engaged in the business of furnishing electric power services to approximately 47,000 retail customers in its service delivery area, which includes parts of Sullivan, Washington and Hawkins County, Tennessee, the City of Kingsport, Tennessee, and the Town of Mt. Carmel, Tennessee. Kingsport’s *Petition* requests Authority approval to defer \$1,629,352 of operating and maintenance expense resulting from the December 8, 2009 and December 15, 2009 winter

storms, which according to the Company, caused over 5,500 customers to be without service at the height of the storm.

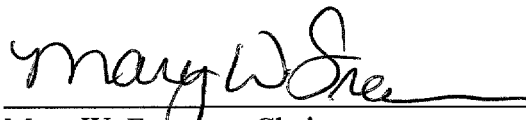
These storms caused severe power outages in Kingsport's service area and damage to the Company's property and equipment. While Kingsport has already booked the storm expenses, the Company requests to defer and seek recovery of these costs in a future proceeding.

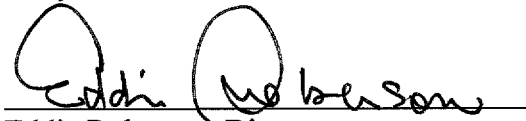
FINDINGS AND CONCLUSIONS

The panel found that the proposed treatment of the storm costs is an accepted regulatory accounting treatment and is consistent with previous Authority's rulings.¹ In addition, the panel also advised that the deferral of this expense does not guarantee future recovery – either in whole or part – if such is sought by the Company. Thereafter, based on the entire record, the panel voted unanimously to approve Kingsport's *Petition* to defer the storm costs for potential recovery in future periods.

IT IS THEREFORE ORDERED THAT:

Kingsport Power Company d/b/a AEP Appalachian Power's *Petition for Approval of Deferred Accounting* is approved.


Mary W. Freeman, Chairman


Eddie Roberson, Director


Sara Kyle, Director

¹See *In re: Petition of Lynwood Utility Corporation for Approval of a Cost Recovery Mechanism for Deferred Odor Elimination Costs*, Docket No. 08-00060, *Order Approving Settlement Agreement* (April 29, 2009).