

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 28, 2012

IN RE:

PETITION OF KINGSFORT POWER COMPANY D/B/A)	DOCKET NO.
AEP APPALACHIAN POWER TO IMPLEMENT A)	12-00051
STORM DAMAGE RIDER TARIFF FOR RECOVERY)	
OF STORM COSTS)	

ORDER APPROVING PROPOSED TARIFF

This matter came before Chairman Kenneth C. Hill, Director Sara Kyle and Director Herbert H. Hilliard of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at regularly scheduled Authority Conferences held on September 10, 2012 and October 15, 2012 to consider the *Petition for Approval of A Storm Damage Rider Tariff* (“*Petition*”) filed by Kingsport Power Company d/b/a AEP Appalachian Power (“Company” or “Kingsport”).

Background

On July 15, 2010, Kingsport petitioned the TRA for Deferred Accounting in Docket No. 10-00144 to defer operating and maintenance expense resulting from the December 8, 2009 and December 15, 2009 winter storms.¹ The Order in Docket No. 10-00144 stated that “the panel found that the proposed treatment of the storm costs is an accepted regulatory accounting treatment and is

¹ See *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*, Docket No. 10-00144 (July 15, 2010).

consistent with previous Authority's rulings."² Accordingly, the Company booked a regulatory asset for the invoiced cost of storm repair and clean-up of \$1,629,352 in September 2010.

The Petition

On June 11, 2012, the Company filed its *Petition* in this docket to recover the \$1,629,352 regulatory asset. The *Petition* states the first storm occurred on December 8, 2009 and at the height of the storm more than 5,500 Kingsport customers were without service.³ The snowstorm that began on December 18, 2009 was the more severe of the two storms and crippled not only the Kingsport, Tri-Cities, Tennessee area, but also the entire three-state region served by AEP and Kingsport.⁴ According to the *Petition*, this was the largest amount of snowfall experienced in the Kingsport service territory since the blizzard of January, 1996, and Kingsport was severely impacted because of the high moisture content of the snow.⁵

The Company's Witness, Isaac Webb, testified that outages continued to increase until 1 p.m. on December 19, 2009, peaking with outages of 222,000 customers and that the restoration efforts lasted until December 24, 2009.⁶ According to Mr. Webb's testimony, over 60% of Tennessee's customers suffered interruptions at some point.⁷ During the restoration effort in Tennessee, 24 poles, 40 cross-arms and over 21,000 feet of conductor were replaced. Kingsport called contract line and tree trimming resources from both inside and outside the Appalachian Power and the Kingsport District.⁸ A record number of 227,165 calls came into the Customer Solutions Center, and 228,518 additional calls were routed to Appalachian Power's High Volume Answering Service, where customers could report their outages via a voice response system.⁹

² *Id.* at Order Granting Request for Deferred Accounting, p. 2.

³ *Petition*, p. 2 (June 11, 2012).

⁴ *Id.* at 3.

⁵ *Id.*

⁶ Isaac J. Webb, Pre-filed Direct Testimony, pp. 4-6 (June 8, 2012).

⁷ *Id.* at 5.

⁸ *Id.* at 6.

⁹ *Id.* at 4.

The Company states it incurred \$1,629,352 in that, “[a]s a result of these winter storms, Kingsport incurred incremental operating and maintenance costs directly related to the restoration of power to its customers and the repair/replacement of damaged property and equipment which were not anticipated nor previously budgeted.”¹⁰ The *Petition* states, “the majority of the expenses incurred were for wages, food, lodging and transportation for contractors and workers who assisted from other companies.”¹¹

The Company requests implementation of a Storm Damage Rider Tariff (“SDR Tariff”), which will allow Kingsport to recover the incremental Operation and Maintenance (“O&M”) expense attributable to the 2009 storms.¹² The tariff proposes to recover the storm costs over a twelve-month period, effective the first month after Authority approval. If approved, the SDR Tariff will apply to the volumetric usage in all retail customer rate classes, except for Industrial Power Transmission.¹³ According to the Company, these customers will not receive a charge because Kingsport did not receive any damage at the transmission voltage level and that all Kingsport’s costs were distribution related.¹⁴ At the end of the twelve-month recovery period, the Company proposes to true-up the amount that is over or under collected from customers.¹⁵

The SDR rate will result in a 1.6% average increase for all customer classes with the exception for Industrial Power Transmission. The increase applied is based on demand allocation factors applicable for each class, approved in 2009, and multiplied by \$1,629,352 to reach the rate class’s share of the costs. This cost is then divided by kWh energy sales or class demand depending on the rate class. Based upon existing demand allocation factors, the bill for a residential customer

¹⁰ *Petition*, p. 3 (June 8, 2012).

¹¹ *Id.* at 3-4.

¹² *Id.* at 1.

¹³ *Id.* at 5.

¹⁴ Cynthia L. Frazier-Keller, Pre-filed Direct Testimony, p. 4 (June 8, 2012).

¹⁵ *Id.* at 6.

using 1,000 kWh per month will increase by \$1.59 monthly, from \$82.55 to \$84.14 (a 1.9% increase).¹⁶

Findings and Conclusions

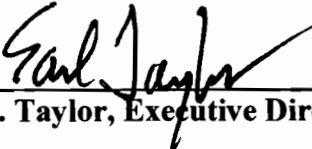
The Hearing in this matter was held on September 10, 2012 and reconvened on October 15, 2012.¹⁷ The panel found that the Company should be allowed to assess its customers for the storm costs incurred by the Company because the costs were the result of extraordinary forces of nature beyond the Company's control. Such non-recurring costs, such as these storm costs, are not included in the Company's base rates and there is no other mechanism in place for recovery. Thereafter, based on these findings and on the record, the panel voted unanimously to approve the *Petition* as filed and that Kingsport be allowed to recover \$1,629,352 in storm damage costs. The panel also voted unanimously that the Company be required to maintain detailed records of recoveries from customers and file this information with the Authority.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Approval of A Storm Damage Rider Tariff* filed by Kingsport Power Company d/b/a AEP Appalachian Power is approved.
2. The Company is directed to maintain detailed records of recoveries from customers and to file this information with the Authority.

Chairman Kenneth C. Hill, Director Sara Kyle and Director Herbert H. Hilliard concur.

ATTEST:



Earl R. Taylor, Executive Director

¹⁶ *Petition*, p. 5 (June 8, 2012).

¹⁷ The Company failed to provide adequate public notice of the September 10, 2012 Hearing. Therefore, only the evidentiary hearing was held at the September 10, 2012 Authority Conference. Public comment and deliberations were postponed until the October 15, 2012 Authority Conference to allow time for adequate notice to be published. Proof of such notice was filed with the Authority on September 20, 2012.