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PLEASE RESPOND TO:
KINGSPORT OFFICE

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KPOW.89998

September 9, 2013

VIA EMAIL & FEDEX

Docket No. 13-00121

Sharla Dillon, Dockets & Records Manager
James Allison, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Petition of Kingsport Power Company d/b/a
AEP Appalachian Power for Approval of
Deferred Accounting

Dear Chairman Allison:

Please find enclosed the original and four (4) copies of the Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Approval of Deferred Accounting. Please return a filed copy to our office in the enclosed envelope. Also enclosed is a check in the amount of \$25.00 to cover the filing fee.

If you have any questions, please do not hesitate to contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

A handwritten signature in black ink, appearing to read 'W. C. Bovender', is written over the printed name. The signature is fluid and stylized, with the first and last names being most prominent.

William C. Bovender

Sharla Dillon, Dockets & Records Manager

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September 9, 2013

Enclosures

cc: Cynthia E. Kinser (Mills) (via mail)
Jean A. Stone, General Counsel (via mail)
William A. Bosta (via email w/enc.)
Hector Garcia, Esq. (via email w/enc.)
Cynthia L. Frazier-Keller (via email w/enc.)
David Foster (via email w/enc.)

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF KINGSPORT POWER
COMPANY d/b/a AEP APPALACHIAN
POWER FOR APPROVAL OF DEFERRED
ACCOUNTING

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DOCKET NO.: _____

APPLICATION FOR APPROVAL OF DEFERRED ACCOUNTING

Comes Kingsport Power Company, d/b/a AEP Appalachian Power, (herein, "Kingsport") and respectfully requests that the Tennessee Regulatory Authority (herein, "TRA") approve the deferral of certain incremental storm costs incurred by Kingsport as a result of severe winter storms in January, 2013. In support hereof, Kingsport would respectfully show the following:

1. It is represented that any notices or other communications with respect to this application be sent to the following individuals on behalf of Kingsport:

- A. William A. Bosta
American Electric Power Service Corp.
Three James Center, Suite 1100
1051 E. Cary Street
Richmond, VA 23219-4029
Ph: (804) 698-5511; Fax: (804) 698-5526
- B. James R. Bacha, Esq.
Assistant General Counsel
American Electric Power Service Corp.
One Riverside Plaza, 29th Floor
Columbus, Ohio 43215
Ph: (614) 716-1615; Fax: (614) 716-2950

C. Hector Garcia, Esq.
Senior Counsel
American Electric Power Service Corp.
One Riverside Plaza, 29th Floor
Columbus, Ohio 43215
Ph: (614) 716-3410; Fax: (614) 716-2950

D. William C. Bovender, Esq.
Hunter, Smith & Davis, LLP
PO Box 3740
Kingsport, TN 37665
Ph: (423) 378-8858; Fax: (423) 378-8801

2. Kingsport is a public utility with its principal office located in Kingsport, Tennessee, and is engaged in the business of distributing electric power to retail customers in its service area which includes parts of Sullivan, Washington and Hawkins Counties, Tennessee, the City of Kingsport, Tennessee, and the Town of Mt. Carmel, Tennessee. As a public utility operating in the electricity distribution business in Tennessee, Kingsport is subject to the regulation and supervision of the TRA.

3. Kingsport purchases all of its electric power requirements from Appalachian Power Company, whose rates and charges are subject to the jurisdiction of the Federal Energy Regulatory Commission.

4. In January, 2013, specifically commencing on January 15, 2013, Kingsport's service area was struck by a severe ice storm which caused power outages to Kingsport's customers and damage to the property and equipment of Kingsport.

5. As much as a quarter inch to half inch of ice coated roadway and power lines across Tennessee. In the aftermath of the storm, which dumped anywhere from 5 to 12 inches of snow in Northeast Tennessee and Southwest Virginia, nearly 14,500 customers in Kingsport lost power, and 5,500 in Scott County.

6. Approximately 1,000 Appalachian employees and contractors worked on addressing outages in the utility's Kingsport District. The Company was able to get resources into town as the storm was just beginning. However, the road conditions kept crews from commencing work until the following morning. The crews were able to earnestly begin restoring power on Friday, January 18. The pace of restoration was impressive given the amount of damage to the Company's infrastructure attributable to the snowfall.

7. As a result of these winter storms, Kingsport incurred operating and maintenance incremental 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. Kingsport, in the course of same, was required to pay overtime to its employees and bring in outside contractors to assist in the power restoration and repair/replacement activities. The majority of the expenses incurred were for wages, food, lodging and transportation for contractors and workers which assisted from other companies. The following is a breakdown of said January, 2013, operating and maintenance incremental storm costs:

Kingsport Incremental O&M Costs January 2013 Storms	
Category of Expenses	January 2013
Internal Overtime Labor	\$138,019
Outside Services	\$1,624,102
Material	\$1,764
Other	\$185,177
Total	\$1,949,062

8. To put this \$1.9 million of Incremental O&M Expense in perspective, Kingsport's net operating income for the 12 month period ending December 31, 2012 (prior to the storms), as reported on Form 3.05 to the TRA, was \$3,799,966. A one-time O&M Expense in the order of \$1.9 million would essentially eliminate over half of the net operating income for the entire year.

9. Unless the TRA grants appropriate relief, Kingsport will be required to absorb these substantial costs that are not being recovered in the currently allowed rates. These excessive expenses are obviously outside the norm and were not caused by the actions and/or inaction of Kingsport. Kingsport asserts that it would be unfair to require it to absorb these incremental storm costs when the excessive expenses arose because of acts of nature.

10. For the reasons set forth hereinabove, Kingsport respectfully requests that the TRA permit it to defer said incremental storm costs. The fiscal year for Kingsport ends on December 31, 2013. Unless the TRA approves the requested deferral accounting treatment, Kingsport's reported earnings and its ability to raise capital may be adversely affected.

11. It is the intention of Kingsport to request from the TRA authorization to recover said incremental storm costs at a later date, assuming the TRA grants the relief sought herein.

WHEREFORE, Kingsport respectfully prays that the TRA issue an Order approving the accounting treatment in the manner set forth above.

Respectfully submitted this the 9th day of September, 2013.

**KINGSPORT POWER COMPANY d/b/a
AEP APPALACHIAN POWER**

By: 

William C. Bovender, Esq.

HUNTER, SMITH & DAVIS, LLP
PO Box 3740
Kingsport, TN 37665
Ph: (423) 378-8858

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing **Application for Approval of Deferred Accounting** has been served by mailing a copy of same by United States mail, postage prepaid, to below on this the 9th day of September, 2013, as follows:

Cynthia W. Kinser (Mills)
Consumer Advocate Division
Office of the Attorney General
P.O. Box 30207
Nashville, TN 37243

Jean A. Stone, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

HUNTER, SMITH & DAVIS, LLP

By: _____

William C. Bovender, Esquire

Kingsport Power Company
Customer Restoration