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September 30, 2013

Hon. James M. Allison, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

*In Re: Application of Kingsport Power Company d/b/a AEP Appalachian Power  
for Approval of Deferred Accounting, TRA Docket No. 13-00121*

Dear Chairman Allison:

The Consumer Advocate and Protection Division has reviewed the Application for Approval of Deferred Accounting filed on September 9, 2013, by Kingsport Power Company d/b/a AEP Appalachian Power. Kingsport seeks the deferral of \$1.95 million in incremental costs related to the restoration of power to its customers and the repair and replacement of damaged property and equipment resulting from an extraordinary winter storm that hit its service area in January 2013. Kingsport intends to request recovery of these storm costs from ratepayers at a later date.

The Consumer Advocate is of the opinion that, under the particular circumstances set forth in the application, deferral of the storm costs is consistent with the accounting rules established by the Financial Accounting Standards Board in SFAS No. 71 and by the Federal Energy Regulatory Commission in 18 C.F.R. Part 101, Uniform System of Accounts. While these nonrecurring costs were unforeseen, they nonetheless benefitted ratepayers by ensuring the timely restoration of power during the winter storm and the continuation of power during the middle of the winter heating season. Thus, but for the extraordinary and unforeseeable nature of the storm costs, they generally would have been includable in the determination of net income for the period and recovered from ratepayers to the extent such costs were reasonably and prudently incurred.

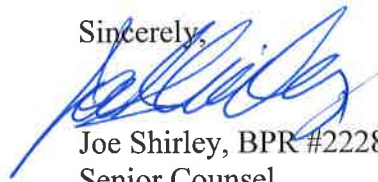
The Consumer Advocate, therefore, does not oppose Kingsport's application to defer the storm costs. But since the reasonableness and prudence of the storm costs are not being

Chairman James M. Allison  
September 30, 2013  
Page 2

reviewed at this time, the Consumer Advocate reserves its right to intervene in any future rate proceeding involving Kingsport's request to recover the deferred storm costs from ratepayers for the purpose of conducting such a review and, if necessary, challenging Kingsport's recovery of some or all of these costs on such grounds.

The Consumer Advocate requests that this letter be filed in this docket.

Sincerely,



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