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PLEASE RESPOND TO:
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October 16, 2015

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VIA EMAIL & FEDEX

AMEP/z.91261

Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power for
Approval of Home Warranty Programs; **Docket No.: 15-00064**

Dear Ms. Dillon

Please find enclosed the following Orders for filing in the captioned docket:

1. Order Granting Approval from the Commonwealth of Virginia, and
2. Commission Order from the Public Service Commission of West Virginia.

We are shipping the original and four (4) copies via FedEx for Monday delivery. If you have any questions, please feel free to contact our office.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

A handwritten signature in black ink, appearing to be 'W. Bovender', is written over the firm name. Below the signature, the name 'William C. Bovender' is printed in a sans-serif font.

Enclosures

c: Kelly Cashman-Grams, Esq. (via email)
Erin Merrick, Esq. (via email)
David Foster (via email)

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 24, 2015 SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

APPLICATION OF

2015 APR 24 P 2:48

APPALACHIAN POWER COMPANY
and
AMERICAN ELECTRIC POWER
SERVICE CORPORATION

CASE NO. PUE-2015-00032

For authority to enter into an affiliate transaction
under Title 56, Chapter 4 of the Code of Virginia

ORDER GRANTING APPROVAL

On March 10, 2015, Appalachian Power Company ("APCo") and American Electric Power Service Corporation ("AEPSC") (collectively, the "Applicants") filed an application ("Application") with the State Corporation Commission ("Commission") that requests approval, pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Code"),¹ of a HomeServe Service Agreement ("Support Agreement") by which AEPSC will provide certain business, accounting, and customer services ("Support Services") to APCo. The Support Services will facilitate a HomeServe USA Corp. Master Services Agreement ("HomeServe Agreement") that various American Electric Power Company, Inc. ("AEP"), affiliates, including APCo and AEPSC, have entered, or plan to enter into, with HomeServe USA Corp. ("HomeServe USA"). The Applicants also filed a Motion for Protective Order ("Motion") to prevent public disclosure of confidential information contained in the Application, in accordance with 5 VAC 5-20-170 of the Commission's Rules of Practice and Procedure.

APCo is a Virginia public service corporation that provides electric generation, transmission, and distribution service to approximately 959,000 retail customers in the

¹ Va. Code § 56-76 *et seq.* ("Affiliates Act").

southwestern portion of Virginia and southern West Virginia. AEPSC is a centralized service company that provides managerial, administrative, supervisory, accounting, financial, legal, technical, and other services to AEP and its affiliates.

HomeServe USA is the U.S. subsidiary of HomeServe plc, a home protection service company headquartered in the U.K. HomeServe USA plans to partner with APCo to market by direct mail several programs for the repair of residential customers' domestic infrastructure and related systems ("Home Warranty Programs") in Virginia and West Virginia.² The Home Warranty Programs will cover any or all of the following systems: (1) exterior electrical line; (2) interior electrical line; (3) heating system; (4) cooling system; (5) water heater; (6) exterior water service line; (7) exterior sewer/septic line; (8) interior plumbing and drainage system; (9) surge protection; and (10) other systems as appropriate.³

The Applicants represent that the HomeServe Agreement between AEPSC and HomeServe USA is not subject to the Affiliates Act. However, the Applicants request approval of the Support Services that AEPSC plans to provide to APCo to facilitate the HomeServe Agreement. The Support Services are not covered by the existing AEPSC-APCo service agreement approved by the Commission and, therefore, such additional affiliate services require separate Affiliates Act review and approval before they may be undertaken.⁴

² The Home Warranty Programs will be offered to residential customers only. There are no plans to market the Home Warranty Programs to commercial or industrial customers.

³ The monthly charges for each type of service are shown in confidential Exhibit A to the HomeServe Agreement.

⁴ *Application of Appalachian Power Company and American Electric Power Service Corporation, For authority to enter into an affiliate transaction under Title 56, Chapter 4 of the Code of Virginia*, Case No. PUE-2012-00089, Doc. Con. Cen. No. 121030127, Correcting Order at Ordering Paragraph 3 (Oct. 22, 2012) ("The authority granted herein shall be limited to Centralized Services specifically identified in the Proposed Agreement. Should APCo wish to obtain additional services from AEPSC, further Commission approval shall be required.").

Under the Support Agreement, AEPSC will provide to APCo the following Support Services to facilitate the HomeServe Agreement:

- 1) Provide support in compiling residential customer information pursuant to the HomeServe Agreement;
- 2) Provide support in applying charges to bills of customers subscribing to the HomeServe Agreement home warranty programs;
- 3) Review HomeServe USA marketing materials;
- 4) Collect, account for and remit payments from customers to and receive payments from HomeServe USA under the HomeServe Agreement;
- 5) Maintain the books and records of APCo with regard to the HomeServe Agreement and prepare all monthly entries to the ledgers and develop and maintain any accounting and business systems that support APCo in fulfilling its obligations under the HomeServe Agreement; and
- 6) Supervise, manage, and support APCo personnel providing customer service assistance to and/or train APCo personnel to provide customer service assistance to APCo customers who subscribe to HomeServe Agreement home warranty programs.

The Support Services will be provided at cost, and the Support Agreement has a term of five years. The Applicants represent that the proposed Support Agreement is more economical than if APCo were to contract with an unaffiliated third party or to provide the Support Services itself.

NOW THE COMMISSION, upon consideration of the Application and comments of the Applicants, and having been advised by its Staff, is of the opinion and finds that the proposed Support Agreement is in the public interest and should be approved subject to certain requirements set forth in Staff's Action Brief. For the only condition recommended in Staff's Action Brief with which the Applicants do not agree, the Commission finds the form of verification recommended by the Applicants to be appropriate and further directs APCo to regularly update and provide such verification as part of APCo's Annual Report of Affiliate

Transactions ("ARAT"). The Commission also finds that the Applicants' Motion is no longer necessary; therefore, the Motion should be denied.⁵

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 56-77 of the Code, the Applicants are hereby granted approval of the proposed Support Agreement subject to the requirements set forth herein.

(2) The approval granted herein is conditioned on the Applicants' verification, as required herein, that any home protection services provided to APCo's customers pursuant to the HomeServe Agreement and Support Agreement shall be in compliance with any and all applicable provisions of the Code regarding the establishment, licensing, operation, or marketing of home protection companies in the Commonwealth of Virginia.

(3) The approval granted herein shall be limited to five years from the effective date of the Order Granting Approval in this case.

(4) The approval granted herein shall be limited to the Support Services specifically identified and described in the Application. Should APCo wish to receive additional services from AEPSC other than those described in the Application, separate Commission approval shall be required.

(5) Any marketing material sent to APCo's Virginia customers shall clearly indicate that (a) HomeServe USA is providing the Home Warranty Programs and is unaffiliated with APCo; (b) any such programs offered by HomeServe USA are optional; and (c) APCo has no direct involvement in, and bears no legal responsibility for, the Home Warranty Programs.

⁵ The Commission held the Applicants' Motion in abeyance and has not received a request for leave to review the confidential information contained in the Application in this proceeding. Accordingly, we deny the Motion as moot but direct the Clerk of the Commission to retain the confidential information, to which the Motion pertains, under seal.

(6) The approval granted herein shall have no ratemaking implications. Specifically, it shall not guarantee the recovery of any costs directly or indirectly related to the Support Agreement.

(7) Separate Affiliates Act approval shall be required for any changes in the terms and conditions of the Support Agreement, including changes in allocation methodologies and successors and assigns.

(8) APCo shall maintain records to demonstrate any services provided by AEPSC to APCo are cost beneficial to Virginia customers and that, for all services provided to APCo where a market and market price may exist, APCo shall bear the burden of showing that APCo paid the lower of cost or market for such services.

(9) The approval granted herein shall not preclude the Commission from exercising the provisions of § 56-78 and § 56-80 of the Code hereafter.

(10) The Commission reserves the right to examine the books and records of any affiliate, whether or not such affiliate is regulated by the Commission, in connection with the approval granted herein.

(11) APCo shall file a signed and executed copy of the Support Agreement, within thirty (30) days of the effective date of the Order Granting Approval in this case, which deadline may be extended administratively by the Commission's Director of the Division of Utility Accounting and Finance ("UAF Director").

(12) APCo shall be required to include all transactions associated with the Support Agreement in its ARAT submitted to the UAF Director by May 1 of each year, which deadline may be extended administratively by the UAF Director. In addition to the information that

APCo currently provides, APCo shall include in the ARAT the following Support Agreement information:

- (a) The case number in which the transactions were approved;
- (b) Identification of the APCo affiliate(s) involved in each transaction;
- (c) Description of each transaction and the specific service provided;
- (d) Transactions by month; and
- (e) Dollar amount either paid to, or received by, APCo for each transaction per month.

APCo shall also include in the ARAT verification, which shall be affirmed or updated as appropriate, regarding the establishment, licensing, operation, or marketing of any home protection companies, producers, or obligors relevant to the approval granted herein.

(13) In the event that APCo's annual informational filings or base rate proceedings are not based on a calendar year, then APCo shall include the affiliate information contained in its ARAT in such filings.

(14) There appearing nothing further to be done in this matter, it hereby is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: H. Allen Glover Jr., Esquire, and John K. Byrum, Jr., Esquire, Woods Rogers PLC, Riverfront Plaza, West Tower, Suite 1550, Richmond, VA 23219; James R. Bacha, Esquire, and Hector Garcia, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 34215; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219. A copy hereof also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting and Finance and Energy Regulation.