

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 3, 2015

IN RE:

**PETITION OF KINGSPORT POWER COMPANY D/B/A
APPALACHIAN POWER FOR APPROVAL OF HOME
WARRANTY PROGRAMS**

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**DOCKET NO.
15-00064**

**ORDER GRANTING PETITION FOR APPROVAL
OF HOME WARRANTY PROGRAMS**

This matter came before Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Morrison of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on October 19, 2015 for consideration of the *Petition for Approval of Home Warranty Programs* (“*Petition*”) filed on June 1, 2015 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”).

BACKGROUND AND PETITION

Kingsport is a Virginia corporation with its principal office in the City of Kingsport, Tennessee, and is engaged in the business of furnishing electric power service to approximately 47,000 retail customers in its service delivery area, which includes the City of Kingsport, Tennessee, and portions of the Town of Mt. Carmel, Tennessee and Sullivan, Washington and Hawkins Counties in Tennessee. Kingsport is a wholly-owned subsidiary of American Electric Power Company (“AEP”), a New York corporation. American Electric Power Service Corporation (“AEPSC”) is a wholly-owned subsidiary of AEP that provides managerial,

administrative, supervisory, accounting, financial, legal, technical and other services to Kingsport and other AEP public utility subsidiaries, pursuant to a service agreement.

On June 1, 2015, Kingsport filed the *Petition* seeking Authority approval to offer home warranty programs to its customers by HomeServe USA Corp. (“HomeServe”). According to the *Petition*, HomeServe is a Pennsylvania corporation which is not affiliated with Kingsport, AEP or AEPSC. HomeServe will offer Kingsport’s customers the opportunity to purchase optional home warranty programs which are designed to cover exterior and interior electrical lines, heating and cooling systems, water heaters, exterior water and sewer/septic tank service lines, interior plumbing and drainage systems, surge protection and other systems as appropriate. Kingsport, however, will not provide warranty or repair services to its customers in connection with the home warranty programs.¹

On June 25, 2015, the Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) filed a *Petition to Intervene*. At the regularly-scheduled Authority Conference held on June 29, 2015, the voting panel assigned to this docket voted unanimously to convene a contested case proceeding and appoint the Authority’s general counsel or her designee to act as Hearing Officer to prepare the matter for hearing before the panel on the merits.² The Hearing Officer granted the Consumer Advocate’s *Petition to Intervene* on August 14, 2015.³

On September 29, 2015, Kingsport made a supplemental filing of revised marketing materials related to the proposed home warranty program. According to the Company, these

¹ *Petition*, pp. 1-2 (June 1, 2015).

² See *Order Convening a Contested Case and Appointing a Hearing Officer* (July 6, 2015).

³ See *Order Granting Consumer Advocate’s Petition to Intervene* (August 14, 2015).

revisions grew out of discussions with the Consumer Advocate and were made in anticipation of the Consumer Advocate's agreement to not oppose Kingsport's *Petition*.⁴

On September 30, 2015, the Consumer Advocate filed a letter stating that it would not oppose Kingsport's *Petition*. In the letter, however, the Consumer Advocate states it disfavors such programs because they raise certain consumer protection concerns and notes that the Company is not absolved from potential liability under the Tennessee Consumer Protection Act and/or other state or federal laws.⁵

The panel conducted a Hearing in this matter at the regularly scheduled Authority Conference held on October 19, 2015. The Hearing was duly noticed by the Authority on October 9, 2015. At the Hearing, Kingsport presented its *Petition* and a potential witness was available for questions by the panel and Authority Staff. The Consumer Advocate affirmed that it did not oppose the *Petition*. No member of the public sought to comment on the *Petition*.

FINDINGS AND CONCLUSIONS

At the conclusion of the Hearing, based upon the administrative record, the panel voted unanimously to approve the proposed optional Home Warranty Programs to be offered to Kingsport customers by HomeServe USA Corporation as set forth in the *Petition*, subject to the following conditions:

1. The Company shall account for its financial activities related to the HomeServe warranty programs in accordance with the Uniform System of Accounts;
2. All charges billed to customers for HomeServe warranty programs shall be clearly identified as nonregulated charges and shall be set forth separately in a nonregulated services section of the customer's bill;

⁴ *Supplemental Filing of Revised Marketing Materials of Home Warranty Program*, p. 1 (September 28, 2015).

⁵ Letter from Erin Merrick to Chairman Herbert H. Hilliard, pp. 1, 3-4 (September 30, 2015).

3. Unless otherwise expressly stated by the customer, any partial payment of a total bill shall be applied first to the billed regulated electric charges, with the remaining portion, if any, applied to the billed nonregulated charges; and

4. The Company shall include a message on customers' bills stating that the HomeServe warranty programs are optional and do not have to be purchased in order to receive electric service; that HomeServe is not affiliated with the Company; that HomeServe is not regulated by the Tennessee Regulatory Authority; and that failure to pay the nonregulated charges for the HomeServe warranty programs will not affect the customer's electric service or cause the customer's electric service to be terminated.

The panel further clarified that the Authority's approval of the *Petition* shall not be construed as any endorsement or recommendation of the home warranty programs offered to Kingsport customers; that the Authority's approval does not constitute an invitation or permission to market the home warranty programs to Kingsport customers through telephone or fax solicitations; and that the Authority's approval is not intended and does not create a business relationship between HomeServe USA and Kingsport customers.

IT IS THEREFORE ORDERED THAT:

1. Kingsport Power Company d/b/a AEP Appalachian Power's *Petition for Approval of Home Warranty Programs* is approved, subject to the following conditions:
 - a. Kingsport Power Company shall account for its financial activities related to the HomeServe warranty programs in accordance with the Uniform System of Accounts;
 - b. All charges billed to customers for HomeServe warranty programs shall be clearly identified as nonregulated charges and shall be set forth separately in a nonregulated services section of the customer's bill;

c. Unless otherwise expressly stated by the customer, any partial payment of a total bill shall be applied first to the billed regulated electric charges, with the remaining portion, if any, applied to the billed nonregulated charges; and

d. Kingsport Power Company shall include a message on customers' bills stating that the HomeServe warranty programs are optional and do not have to be purchased in order to receive electric service; that HomeServe is not affiliated with Kingsport Power Company; that HomeServe is not regulated by the Tennessee Regulatory Authority; and that failure to pay the nonregulated charges for the HomeServe warranty programs will not affect the customer's electric service or cause the customer's electric service to be terminated.

2. The Authority's approval of the *Petition* shall not be construed as any endorsement or recommendation of the home warranty programs offered to Kingsport Power Company customers.

3. The Authority's approval of the *Petition* does not constitute an invitation or permission to market the home warranty programs to Kingsport Power Company customers through telephone or fax solicitations.

4. The Authority's approval is not intended and does not create a business relationship between HomeServe USA Corp. and Kingsport Power Company customers.

Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Morrison concur.

ATTEST:



Earl R. Taylor, Executive Director