

IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF KINGSFORT POWER	)	
COMPANY d/b/a AEP APPALACHIAN	)	DOCKET NO. 15-00093
POWER GENERAL RATE CASE	)	
	)	

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PETITION TO INTERVENE

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Herbert H. Slatery III, Attorney General and Reporter for the State of Tennessee, by and through the Consumer Protection and Advocate Division of the Office of the Attorney General (“Consumer Advocate” or “Petitioner”), pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions the Tennessee Regulatory Authority (“TRA” or “Authority”) to grant the Consumer Advocate’s intervention into this proceeding because consumers’ interests, rights, duties or privileges may be determined or affected by the *Petition of Kingsport Power Company d/b/a AEP Appalachian Power General Rate Case* (“*Petition*”) filed in this TRA Docket by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Utility”). For cause, Petitioner would show as follows:

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers of public utilities services by initiating and intervening as a party in any matter or proceeding before the Authority in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 *et seq.*, and Authority rules.

2. Kingsport is a public utility regulated by the Authority and provides electric power distribution service to approximately 47,000 customers in Tennessee.<sup>1</sup> All of Kingsport's electric power requirements are purchased from Appalachian Power Company.<sup>2</sup> The Utility's principal office is located in Kingsport, Sullivan County, Tennessee.<sup>3</sup>

3. On September 28, 2015, Kingsport filed the *Petition*, in which Kingsport "requests an increase in its base rates to reflect, among other items, current levels of capital investment and expenses, increased spending for forestry to improve customer reliability, recovery of costs for the current and proposed Demand Side Management [ . . . ] programs, inclusion of an average level of major storm expenses, and updates to certain other costs."<sup>4</sup> Generally, Kingsport is requesting approval of a rate increase of approximately \$12.1 million,<sup>5</sup> or approximately 7.76%.<sup>6</sup> Kingsport states that the increase to the bill of a typical residential customer using 1,500 kWh/month would be approximately \$17.21 per month in the first year, or 13.2%.<sup>7</sup> The requested rate increase, according to Kingsport, would provide a projected rate of return of 6.69% on an adjusted total rate base of \$71.5 million, and a rate of return on projected common equity of 10.66%.<sup>8</sup> Kingsport asserts that its "per books total company rate of return, as of June, 2015, was 1.11%" and that "it is not achieving a fair return on its investment with the rates currently in effect."<sup>9</sup>

4. Kingsport also requests, in the *Petition*, what it characterizes as revenue-neutral rate adjustments through a rate realignment surcharge to annually adjust rates, over a five-year

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<sup>1</sup> *Petition*, page 2, paragraph 2.

<sup>2</sup> Appalachian Power Company's rates and charges are subject to the jurisdiction of the Federal Energy Regulatory Commission. *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Petition*, page 2, paragraph 3.

<sup>5</sup> *Petition*, page 4, paragraph 7.

<sup>6</sup> Direct Testimony of Isaac J. Webb ("Webb Direct Testimony"), filed in TRA Docket 15-00093, page 4, lines 2-3.

<sup>7</sup> *Petition*, page 4, paragraph 9.

<sup>8</sup> *Petition*, page 4, paragraph 10.

<sup>9</sup> *Petition*, page 4, paragraph 8.

period, to continue the gradual process toward cost alignment among tariffs.<sup>10</sup> One of Kingsport's witnesses states, in testimony filed with the *Petition*, that "[e]ach customer class has been allocated a share of the increase. The [Utility] is proposing a 6-year transition period to equalize the rates of return among the classes as more fully described in the testimonies of [other Kingsport witnesses]."<sup>11</sup> Kingsport asserts that this "approach is designed to ease the hardship of those classes receiving the largest increases and better align rates with the [Utility's] cost-of-service."<sup>12</sup>

5. Kingsport further advises, in the *Petition*, of its intent to file a separate petition, under Tenn. Code Ann. § 65-5-103(d), that will request approval of a deferred accounting mechanism for certain costs and the subsequent recovery of those costs through a single, consolidated variable cost rider ("VCR"), which Kingsport asserts fits within the definition of an alternative regulatory method as envisioned by Tenn. Code Ann. § 65-5-103(d) as an annual review mechanism.<sup>13</sup> Kingsport states that to "coordinate the implementation of rates under the [general rate case filing and the VCR filing], Kingsport will not file its petition for approval of the VCR until 120 days prior to the anticipated completion date of the base rate case, which [Kingsport] assumes will be nine months from the date of [this general rate case filing]."<sup>14</sup> With respect to the content of the VCR filing, Kingsport "will propose that the difference between actual costs for the following items, and the level embedded in base rates, be tracked and subject to deferred accounting, for future recovery through a VCR designed to collect from or credit to customers, under – or over – recovered balances, respectively, for: (a) fuel (currently in base

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<sup>10</sup> *Petition*, page 2, paragraph 4.

<sup>11</sup> Webb Direct Testimony, page 4, lines 2-5, referring to the direct testimonies of Douglas R. Buck and William K. Castle filed in this TRA Docket 15-00093.

<sup>12</sup> Webb Direct Testimony, page 4, lines 5-7.

<sup>13</sup> *Petition*, page 2, paragraph 4, and page 4, paragraph 12.

<sup>14</sup> *Petition*, page 3, paragraph 5.

rates and FAC [(as defined below)]; (b) purchased power costs (currently in base rates and PPAR [(as defined below)]); (c) transmission costs (currently in base rates and PPAR); (d) demand-side management; (e) distribution reliability costs; (f) major storm recovery costs; and (g) emerging costs, such as cyber and physical security.”<sup>15</sup>

6. In connection with the implementation of the above-mentioned annual review mechanism that Kingsport indicates is described in the *Petition*, Kingsport states that it will eliminate its current fuel adjustment clause (“FAC”) and purchased power adjustment rider (“PPAR”) in view of the establishment of a “going level of FAC and PPAR costs in the base rate case to be established in this case, to be followed by the simultaneous establishment of . . . the VCR.”<sup>16</sup> The Utility adds that the VCR would be set initially at zero and would be designed to collect or credit incremental amounts above or below what is actually recovered through base rates<sup>17</sup> and would include an annual true-up for the items included in the VCR, with exceptions for more frequent filings under extraordinary circumstances.<sup>18</sup>

7. The interests of consumers, including without limitation the proposed increase in rates to be paid by the Utility’s consumers under the *Petition*, and its interrelationship with and the potential for increases in rates under the VCR petition that the Utility has advised that it will file under Tenn. Code Ann. § 65-5-103(d), may be affected by determinations and orders made by the Authority with respect to (i) the interpretation, application, and implementation of Tenn. Code Ann. § 65-5-103(a), Tenn. Code Ann. § 65-5-103(d), and other relevant statutory and regulatory provisions and (ii) the review and analysis of the documentation, financial spreadsheets, and materials provided by the Utility.

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<sup>15</sup> *Petition*, page 5, paragraph 14.

<sup>16</sup> *Petition*, page 5, paragraph 12.


<sup>17</sup> *Id.*


<sup>18</sup> *Petition*, page 5, paragraph 13.

8. Only by participating as a party in this proceeding can the Consumer Advocate adequately carry out its statutory duty to represent the interests of Tennessee consumers.

WHEREFORE, Petitioner respectfully asks the Authority to grant this Petition to Intervene.

RESPECTFULLY SUBMITTED,

  
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 23<sup>rd</sup> day of October, 2015.

  
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Wayne M. Irvin