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KPOW.92585

January 4, 2016

VIA EMAIL & FEDEX:

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

Docket No. 16-00001

Re: Petition of Kingsport Power Company d/b/a
AEP Appalachian Power General Rate Case

Dear Sharla:

We are electronically filing the Petition of Kingsport Power Company d/b/a AEP Appalachian Power, General Rate Case, this morning.

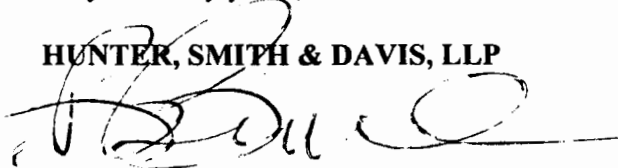
By overnight delivery, we are providing four copies of the pre-filed testimony along with four disks containing both the testimony and exhibits.

In addition, by separate delivery, we are providing General Counsel Grams with copies of the Petition, pre-filed testimony notebook, and the disk.

Please file these documents in a new docket. We also enclose a proposed Protective Order, a copy of which is being provided to the General Counsel.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

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Enclosures

c: Kelly Grams, Esq. (w/enc.)
David Foster (w/out enc.)

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

PETITION OF KINGSPORT POWER COMPANY
d/b/a AEP APPALACHIAN POWER
GENERAL RATE CASE AND MOTION FOR
PROTECTIVE ORDER

DOCKET NO.: 16-_____

Comes Petitioner, Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport" or "KgPCo"), and, pursuant to T.C.A. § 65-5-101 and § 65-5-103, and the Rules and Regulations of the Tennessee Regulatory Authority ("TRA"), requests that the TRA approve this Petition relative to adjustments to its rates and charges for the provision of electric service and to put into effect revised tariffs. In support hereof, KgPCo would show the following:

1. It is represented that any notice or communication with respect to this or any related Petition be sent to the following:

A. William K. Castle, Director, Regulatory Services VA/TN
Appalachian Power Company
Three James Center
Suite 1100 1051 E. Cary Street
Richmond, VA 23219-4029
Ph: (804) 698-5540
Email: wkcastle@aep.com

B. James R. Bacha, Esq.
Hector Garcia, Esq.
American Electric Power Service Corporation
P. O. Box 16637
Columbus, Ohio 43216
Ph: (614) 716-1615
Email: jrbacha@aep.com

C. William C. Bovender, Esq.
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PO Box 3704
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Ph: (423) 378-8800
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2. Kingsport is a Virginia corporation with its principal office located in Kingsport, Sullivan County, Tennessee. It is engaged in the business of distributing electric power to approximately 47,000 customers in its service area which includes parts of Sullivan, Washington and Hawkins Counties, Tennessee, the City of Kingsport, Tennessee, and the Town of Mount Carmel, Tennessee. KgPCo 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.

3. In this Petition, KgPCo 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 ("DSM") programs, inclusion of an average level of major storm expenses, and updates to certain other costs.

4. Kingsport is also requesting revenue neutral rate adjustments, through a Rate Realignment Surcharge, in order to annually adjust rates over a five- year period to continue the gradual progress toward cost alignment among tariffs.

5. KgPCo's current base rates were established in a proceeding before the Tennessee Public Service Commission, predecessor of the TRA, in 1992. Since that time, periodic adjustments to those rates have occurred pursuant to a Fuel Adjustment Clause ("FAC") and a

Purchased Power Adjustment Rider ("PPAR"). The FAC is adjusted monthly and the PPAR rate has, most recently, been adjusted annually.

6. KgPCo's existing rates are not adequate to permit it an opportunity to recover its reasonable operating costs and to earn a fair and reasonable rate of return on its investment. In order for KgPCo to maintain its facilities and provide services in accordance with the requirements of its customers and the requirements of the TRA, attract capital on terms which are reasonable, and to produce a reasonable rate of return, KgPCo must be granted a general increase in its rates. As supported by the information contained in this filing, Kingsport is requesting a rate increase of \$12,118,173.

7. KgPCo continues to operate very efficiently; yet, it is not achieving a fair return on its investment with the rates currently in effect. KgPCo's per books total company rate of return, as of June, 2015, was 1.11%. Such a return is not fair and reasonable.

8. KgPCo seeks approval of an increase in revenues of approximately \$12 million. The increase to the bill of an average residential customer (1500 Kwh/month) would be approximately \$17.20 per month in the first year, or 13.2%.

9. The requested rate increase would provide a projected rate of return of 6.69% on an adjusted total rate base of approximately \$71.5 million, and a 10.66% rate of return on common equity.

10. In support of the request for an increase in base rates, submitted herewith are EXHIBITS including KgPCo's consolidated income statement as reflected on KgPCo's books for the twelve months ending December 31, 2014, in EXHIBIT No. 1(AWA). KgPCo also submits its consolidated balance sheets, in EXHIBIT No. 2(AWA). KgPCo proposes setting rates based on a 2014 test year, with certain adjustments through the rate year ending 2016.

Each going level adjustment proposed by KgPCo is listed in EXHIBIT No. 3(AWA). The adjustments are grouped into revenue, expense, and rate base categories and further grouped into sub-categories such as operating revenues, operation and maintenance expenses, depreciation and amortization expenses, federal income taxes, and utility plant in service.

11. As mentioned, the FAC is adjusted monthly and the PPAR annually. The Company proposes that both riders will continue to operate as they currently do but will require an adjustment to reflect the respective level of these costs in base rates, approved in this proceeding. The usual monthly adjustment to the FAC will capture the new level of fuel in base rates relative to the fuel costs in the month new base rates go into effect. Since the PPAR has been historically updated annually, an interim adjustment to that rider will likely be needed during or after these proceedings.

In support of the Petition, KgPCo submits herewith the pre-filed testimony of the following witnesses:

- (A) Isaac J. Webb III
- (B) William K. Castle
- (C) Dr. Phillip R. Daves
- (D) Patrick M. Bourke
- (E) Phillip A. Wright
- (F) Jason A. Cash
- (G) A. Wayne Allen
- (H) Douglas R. Buck
- (I) Teresa A. Caudill
- (J) Garry H. Simmons

KgPCo, further, submits herewith a proposed Protective Order which would allow it to file un-redacted versions of confidential documents as necessary. KgPCo hereby moves for the entry of this Protective Order.

WHEREFORE, Petitioner Kingsport Power Company d/b/a AEP Appalachian Power requests that the TRA:

1. Docket the matter and schedule the proceeding for hearing;
2. Grant and enter the Protective Order submitted herewith;
3. Grant KgPCo's request to increase its base rates as discussed herein;
4. Approve KgPCo's Tariff No. 2, including its revised Terms and Conditions of Service, as filed;
5. Resolve issues set forth in this Petition; and
6. Grant such further and other relief as the TRA finds appropriate.

Respectfully submitted,

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

By: 

William C. Bovender, Esq. (BPR #000751)

By: 

Joseph B. Harvey (BPR #028891)

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