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SINCE 1916

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KPOW.92585

Docket No. 17-00032

April 19, 2017

**VIA EMAIL & FEDEX:**

David Foster, Chief – Utilities Division  
ATTN: Sharla Dillon, Dockets & Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4th Floor  
Nashville, TN 37243

Re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power For Approval Of Its Targeted Reliability Plan, And Its TRP & MS Rider, An Alternative Rate Mechanism and Motion For Protective Order

Dear Sharla:

We are electronically filing the *Petition of Kingsport Power Company d/b/a AEP Appalachian Power For Approval Of Its Targeted Reliability Plan, And Its TRP & MS Rider, An Alternative Rate Mechanism and Motion For Protective Order; Protective Order; and Testimony and Exhibits* this morning.

By overnight delivery, we are providing the original plus four copies of the Petition, Protective Order, Testimony and Exhibits, along with the \$25.00 filing fee.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender



Enclosures

cc: William K. Castle  
Noelle J. Coates, Esq.  
Brian K. West  
James R. Bacha, Esq.  
Joseph B. Harvey, Esq.  
Wayne Irvin, Esq.  
Vance Broemel, Esq.  
Hal Novak  
Alex Bradley, Esq.  
Emily Knight



**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

IN RE:

PETITION OF KINGSPORT POWER COMPANY  
d/b/a AEP APPALACHIAN POWER FOR  
APPROVAL OF ITS TARGETED RELIABILITY  
PLAN, AND ITS TRP & MS RIDER, AN  
ALTERNATIVE RATE MECHANISM AND  
MOTION FOR PROTECTIVE ORDER

DOCKET NO.: 17-\_\_\_\_\_

Comes Petitioner, Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”), and, pursuant to T.C.A. § § 65-5-102 - 65-5-103, and the Rules and Regulations of the Tennessee Public Utility Commission (“TPUC”), requests that the TPUC approve the relief requested in this Petition, as follows:

- (a) Approve the Company’s proposed distribution reliability program the, Targeted Reliability Plan (“TRP”), which consists of a Vegetation Management Program (“VMP”) component and a System Improvement Program (“SIP”) component;
- (b) Approve an Alternative Rate Mechanism (“ARM”), in the form of a Rider, to recover from, or refund to, the Company’s customers the costs associated with the proposed TRP, which are not included in base rates, as well as operations and maintenance (“O&M”) expense associated with major storm (“MS”) recovery efforts, which are not included in base rates (“TRP & MS Rider”).
- (c) Approve the calculation of TRP and MS costs, revenue allocation, rate, design, and the “true-up” mechanism reflected in the proposed TRP and MS Rider; and



- (d) Authorize over/under recovery accounting of the Company's TRP and MS costs, beginning the month after TPUC approval of this Petition.

In support hereof, Kingsport would show the following:

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

- A. William K. Castle, Director, Regulatory Services VA/TN  
**Appalachian Power Company**  
Noelle J. Coates, Esq.  
**American Electric Power Service Corporation**  
Three James Center  
Suite 1100 1051 E. Cary Street  
Richmond, VA 23219-4029  
Ph: (804) 698-5540  
Email: [wkcastle@aep.com](mailto:wkcastle@aep.com)  
Email: [njcoates@aep.com](mailto:njcoates@aep.com)
- B. James R. Bacha, Esq.  
**American Electric Power Service Corporation**  
P. O. Box 16637  
Columbus, Ohio 43216  
Ph: (614) 716-1615  
Email: [jrbacha@aep.com](mailto:jrbacha@aep.com)
- C. William C. Bovender, Esq.  
Joseph B. Harvey, Esq.  
**Hunter, Smith & Davis, LLP**  
PO Box 3704  
Kingsport, TN 37664  
Ph: (423) 378-8800  
Email: [bovender@hdsdlaw.com](mailto:bovender@hdsdlaw.com)  
Email: [jharvey@hdsdlaw.com](mailto:jharvey@hdsdlaw.com)

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. Kingsport 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. The Company's proposed TRP is designed to improve reliability for Kingsport's distribution customers and consists of two components: the VMP and the SIP. The VMP component of the proposed TRP would transition Kingsport to, and subsequently maintain, a four-year cycle vegetation management schedule. Thereafter, the VMP would systematically address each circuit, end-to-end, every four years. The SIP component of the proposed TRP would focus on various distribution system improvements to improve reliability and better protect Kingsport's distribution system from storms and other events.

4. Pursuant to T.C.A. §65-5-103(d), Kingsport seeks approval of its proposed TRP & MS Rider, an alternative regulatory method, or ARM, which provides for rate reviews by the TPUC, and cost recovery by the Company, of certain reliability and weather-related natural disaster costs, in lieu of a general rate case. Under the proposed TRP & MS Rider, Kingsport would recover TRP costs (both O&M expense and capital costs) and MS costs (O&M expense only) not currently included in the Company's base rates, as permitted by T.C.A. 65-5-103(d)(2)(A)(ii) and (iii). In accordance with T.C.A. §65-5-103(d)(2)(B), the proposed TRP & MS Rider provides that the return on the Company's TRP reliability investments would be at the rate of return approved by the TPUC in the Company's most recent general rate case. Kingsport's proposed TRP & MS Rider sets forth the method for calculating TRP & MS costs, allocating revenues, designing rates and trueing-up costs in subsequent proceedings. The Company requests that the TPUC find that implementation of the TRP & MS Rider is in the public interest.







5. TPUC approval of Kingsport's proposed TRP and its TRP & MS Rider would not immediately change customer rates. The rates in the TRP & MS Rider would initially be set at zero. Kingsport is requesting authority to implement over/under recovery accounting for TRP and MS costs beginning the month after TPUC approval of this Petition. Thereafter, the Company will track and defer costs associated with the TRP and MS using unique identifiers. Once the Company incurs approximately a year's worth of actual TRP costs, it will submit a "true-up" filing, to be reviewed by the TPUC, with a rate or factor designed to recover the previously incurred actual TRP and MS costs, not recovered through base rates, over a specified period. In the Company's subsequent "true-up" filings, the balance of what was ultimately collected or returned to customers through the previous rate will be combined with costs incurred in the interim, and a new rate or factor would be set.

6. In support of this Petition, Kingsport submits the pre-filed testimony and EXHIBITS of the following witnesses:

- (A) William K. Castle
- (B) Philip A. Wright; and
- (C) A. Wayne Allen

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

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

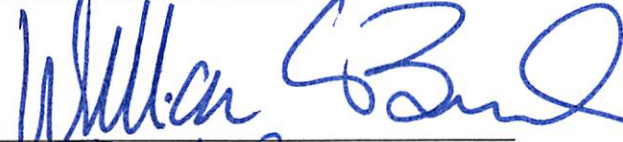
- 1. Docket the matter and schedule the proceeding for hearing;
- 2. Grant and enter the Protective Order submitted herewith;

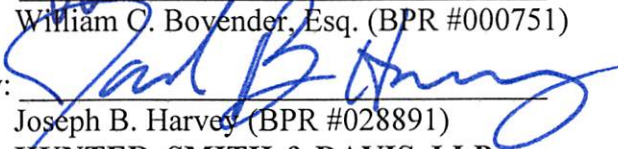


3. Grant Kingsport's Petition and (a) approve its Targeted Reliability Plan, (b) find the Company's proposed TRP &MS Rider to be in the public interest and allow the Company to implement it, and (c) authorize Kingsport to use over-under recovery accounting, beginning the month after TPUC approval of this Petition;
4. Resolve issues set forth in this Petition; and
5. Grant such further and other relief, and General Relief, as the TPUC 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)  
**HUNTER, SMITH & DAVIS, LLP**  
1212 N. Eastman Road  
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(423) 378-8858; Fax: (423) 378-8801  
Email: [bovender@hsdlaw.com](mailto:bovender@hsdlaw.com)  
Email: [jharvey@hsdlaw.com](mailto:jharvey@hsdlaw.com)



OF COUNSEL:

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**American Electric Power Service Corporation**

1 Riverside Plaza

Columbus, OH 43215

(615) 716-1615; Fax: (614) 716-2950

Email: [jrbacha@aep.com](mailto:jrbacha@aep.com)

Noelle J. Coates, Esq.

American Electric Power Service Corporation

Three James Center

Suite 1100 1051 E. Cary Street

Richmond, VA 23219-4029

(804) 698-5540

Email: [njcoates@aep.com](mailto:njcoates@aep.com)

*Attorneys for Kingsport Power Company*

*d/b/a AEP Appalachian Power*



**VERIFICATION**

I, William K. Castle, on behalf of Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport"), being duly sworn, state that: I am Director Regulatory Services VA/TN of Kingsport; the facts and allegations contained in the foregoing application are true, except so far as they are therein stated to be upon information, and that so far as they are therein stated to be upon information, I believe them to be true; and, as representative of Kingsport, I am signing on behalf thereof.



STATE OF VIRGINIA

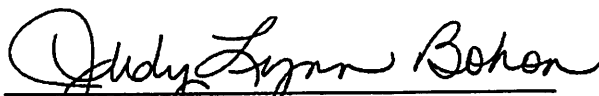
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CITY OF RICHMOND

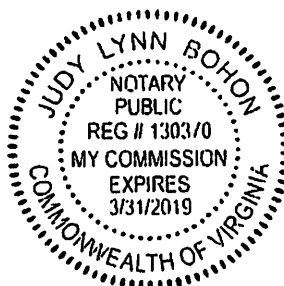
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Before me, a Notary Public in and for the aforesaid jurisdiction, personally appeared William K. Castle, who, being by me first duly sworn, did depose and say that he is Director Regulatory Services VA/TN of Kingsport Power Company d/b/a AEP Appalachian Power, that he has read the foregoing Application and knows the contents thereof and that the facts therein stated are true to the best of his knowledge and belief. Subscribed and sworn to before me this 17<sup>th</sup> day of April, 2017.

  
Notary Public

My Commission Expires: March 31, 2019





DECLARATION

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County of [ ] State of [ ] and that the same has been compared with the original and found to be a true and correct copy.

*[Signature]*

ATTEST:

CLERK OF COUNTY

Witness my hand and the seal of the County of [ ] State of [ ] this [ ] day of [ ] 19[ ]

ATTEST:

*[Signature]*

NOTARY PUBLIC



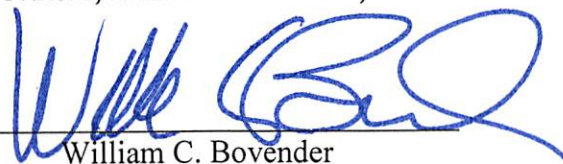
**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the foregoing **PETITION OF KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER FOR APPROVAL OF ITS TARGETED RELIABILITY PLAN, AND ITS TRP & MS RIDER, AN ALTERNATIVE RATE MECHANISM AND MOTION FOR PROTECTIVE ORDER, PROTECTIVE ORDER, TESTIMONY AND EXHIBITS** have been served by mailing a copy of same by United States mail, postage prepaid, to below on this the 19<sup>th</sup> day of April, 2017, as follows:

David Foster, Chief – Utilities Division  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

**HUNTER, SMITH & DAVIS, LLP**

By: \_\_\_\_\_

  
William C. Bovender