

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE: PETITION OF KINGSFORT POWER)
COMPANY d/b/a AEP APPALACHIAN POWER)
FOR ANNUAL RECOVERY UNDER THE) DOCKET NO. 18-00125
TARGETED RELIABILITY PLAN AND MAJOR)
STORM RIDER ("TRP&MS"), ALTERNATIVE RATE)
MECHANISMS APPROVED IN DOCKET NO. 17-00032)

STIPULATION AND SETTLEMENT AGREEMENT

In compromise and settlement of this matter, Tennessee Public Utility Commission ("TPUC") Docket No. 18-00125, Herbert H. Slatery III, the Tennessee Attorney General and Reporter, by and through the Consumer Advocate Unit in the Financial Division ("Consumer Advocate") and Kingsport Power Company, d/b/a AEP Appalachian Power ("Kingsport," "KgPCo" or "Company") respectfully submit this Stipulation and Settlement Agreement ("Settlement Agreement"). Subject to TPUC's approval, the Consumer Advocate and Kingsport (sometimes herein, the "Parties") stipulate and agree to the following:

1. Kingsport is a public utility regulated by TPUC which provides electric service to approximately 51,000 customers in Tennessee. All of Kingsport's electric power requirements are purchased from Appalachian Power Company. Kingsport's principal office is located in Kingsport, Sullivan County, Tennessee.

2. Kingsport's public utility operations are subject to the jurisdiction of TPUC, pursuant to Chapter 4 of Title 65 of Tennessee Code Annotated.

3. On April 19, 2017, in Docket No. 17-00032, Kingsport sought approval of two alternative rate mechanisms, under T.C.A. § 65-5-103(d), which specifically addressed two

Company initiatives: (1) the Targeted Reliability Plan ("TRP") which consists of the Vegetation Management Program and the System Improvement Plan, and (2) the Major Storm ("MS") recovery mechanism. The Consumer Advocate moved to intervene in that Docket, same being granted.

4. Following discovery, on August 15, 2017, a hearing on the petition in Docket No. 17-00032 was held in said Docket. TPUC issued its Order Approving Petition, on November 9, 2017, granting Kingsport's petition and approving the two alternative rate mechanisms, specifically, the TRP and MS riders (hereafter, "TRP&MS Rider"). TPUC, citing T.C.A. § 65-5-103(d), found that the proposed "...ten year TRP consisting of Vegetation Management and System Improvement [program] should improve service and the reliability of Kingsport's infrastructure at reasonable costs to consumers." (Order, Docket No. 17-00032, page 10). In addition, TPUC "...further found the MS recovery mechanism to be a reasonable approach to account for and recover future costs related to storm damages." (*Id.*).

5. As a result of the Order of TPUC in Docket No. 17-00032, Kingsport is required to make annual filings wherein Kingsport seeks to recover incremental TRP costs and MS expenses incurred during a twelve month period. In the first such annual filing, in this Docket No. 18-00125, Kingsport seeks to recover said incremental TRP costs and MS expenses, for the period October 2017 – September 2018, not reflected in base rates. In Kingsport's last base rate case, Docket No. 16-00001, TPUC set base rates to include \$903,372.00 in distribution reliability Operation and Maintenance ("O&M") expenses and \$392,381.00 for MS related O&M costs. The TRP&MS Rider, thus, permits Kingsport to seek recovery of, or return to customers, any costs above or below the set base rate amounts.

6. As such, Kingsport sought in this proceeding an annual recovery of incremental TRP costs and MS O&M expenses, totaling \$2,330,677 of deferred TRP&MS under-recovered costs, as of September 30, 2018, recorded on Kingsport's books in Account 1823426: The components being an under-recovery of \$2,224,484 for TRP costs and an under-recovery of \$106,193 for MS O&M expenses. These under-recovery balances as of September 30, 2018, are net of the annual level of costs recovered through base rates.¹

7. After grossing up the combined TRP&MS costs to include the Prompt Payment Discount, the Company's requested revenue requirement in this case totaled \$2,366,170. Kingsport allocated this requested revenue requirement to its customer classes, and designed rates, in the same manner as it proposed in its petition in Docket No. 17-00032.²

8. In support of its Petition in this Docket No. 18-00125, Kingsport submitted the direct, Pre-Filed Testimony, supported by exhibits, of Philip A. Wright, A. Wayne Allen, and Eleanor K. Keeton.

9. On February 1, 2019, the Hearing Office granted the Petition to Intervene filed by the Consumer Advocate. Thereafter, on February 26, 2019, the Consumer Advocate filed the direct Pre-Filed Testimony of William H. Novak. Among other things, Consumer Advocate witness Novak's testimony raised concerns about, or made recommendations related to, the following: 1) the inclusion of additional information in future TRP&MS filings regarding external and internal costs; 2) the exclusion of the prompt payment discount from the Company's revenue requirement; 3) revenue allocation; 4) rate design; and 5) the inclusion of a definition of Major Storms in Kingsport's TRP&MS Rider.³

10. On March 15, 2019, Kingsport filed rebuttal testimony of Philip A. Wright, A.

¹ Company witness Allen's Direct Testimony, pg. 4, lines 3-14.

² Company witness Keeton's Direct Testimony, pg. 4, lines 1-10.

³ Consumer Advocate witness Novak's Direct Testimony.

Wayne Allen, and Eleanor K. Keeton.

11. The Parties to the Settlement Agreement have engaged in discovery and have undertaken extensive discussions and "give and take" negotiations to resolve all known disputed issues in this Docket. As a result of the information obtained during informal and formal discovery and the discussions between the Parties, and for the purposes of avoiding further litigation and resolving this matter upon acceptable terms, the Parties have reached this Settlement Agreement.

SETTLEMENT TERMS

Subject to TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below, as supported by the attachments hereto:

12. Per Consumer Advocate witness Novak's recommendation,⁴ KgPCo agrees to provide, as part of each initial filing in all future TRP&MS Rider proceedings, the type of information provided to the Consumer Advocate in KgPCo's response to CPAD Informal 1-2, Attachment 1, as explained in Company witness Allen's rebuttal testimony.⁵ Settlement Attachment 1, which is the same as KgPCo Rebuttal Exhibit No. 1 (AWA), reflects a summary of the type of information provided in KgPCo's response to CPAD Informal 1-2, Attachment 1. Settlement Attachment 1, along with the supporting workpapers of invoices paid and details of other incurred TRP&MS costs, provide a fuller explanation of internal and external costs that are recovered through the TRP&MS Rider.

13. The Parties agree that IEEE Standard 1366-2012 was used in this proceeding to determine if a weather event qualified as a Major Storm for purposes of recovering eligible Major

⁴ Consumer Advocate witness Novak's Direct Testimony, pg. 3, lines 22-24, and pg. 11, lines 14-16.

⁵ Company witness Allen's Rebuttal Testimony, pg. 6, lines 1-13.

Storm costs under KgPCo's TRP&MS Rider. The Parties further agree that IEEE Standard 1366-2012, or any successor thereto, will be used in future TRP&MS Rider proceedings to determine which weather events, if any, qualify as Major Storms. In lieu of including the definition of Major Storm in KgPCo's TRP&MS Rider tariff, as recommended by Consumer Advocate witness Novak, the Parties have agreed that the description of the process of categorizing weather events as Major Storms, which is patterned after the description contained in Company witness Wright's rebuttal testimony,⁶ satisfies Consumer Advocate witness Novak's stated goal, which is to "help avoid confusion in future filings over when it is appropriate to seek recovery of costs related to weather events."⁷ To be clear, the IEEE Standard 1366-2012 uses a statistical methodology to define Major Event Days (MEDs) and differentiates between normal operations and those during major events. The daily System Average Interruption Duration Index (SAIDI) values for the prior five years are statistically evaluated to determine a daily SAIDI threshold for the upcoming year. If the daily SAIDI for a calendar day exceeds the pre-determined threshold, it is considered a statistical outlier and that day is categorized as an MED. Days below the daily threshold are categorized as days of normal operation. The SAIDI minute threshold is converted to Customer Minutes of Interruption or CMI using the formula $SAIDI = CMI / Customers Served$. While both Kingsport's CMI and the number of Customers Served will change from year-to-year, in this proceeding with respect to the MS in question, the MED Threshold for Kingsport of $818,815 \text{ CMI} / 48,077 \text{ Customers Served}$ equaled a 17 SAIDI minute Threshold. This was the equivalent of power being off, for 17 minutes, for every customer in KgPCo's service territory. The Company equates Major Storm with Major Event Day.

⁶ Company witness Wright's Rebuttal Testimony, pg. 2, lines 6-21.

⁷ Consumer Advocate witness Novak's Direct Testimony, pg. 20, lines 1-8.

14. The Parties agree that the Company should be allowed to recover in this case, through surcharges to its customers, a revenue requirement of \$2,330,677, as the appropriate amount of eligible TRP&MS Rider costs for the twelve months ended September 2018, and that this revenue requirement excludes, per Consumer Advocate witness Novak's recommendation,⁸ \$35,493 of prompt payment discounts originally included in KgPCo's request in this proceeding. The calculation of the agreed upon revenue requirement is shown on Settlement Attachment 2, which is supported by Company witness Allen,⁹ as referenced in, and summarized on Table 3 of, Consumer Advocate witness Novak's Direct Testimony.¹⁰

15. The Parties agree that the agreed upon revenue requirement in this case, \$2,330,677, should be allocated to the Company's tariff subclasses using the percentages shown in column (1) of Settlement Attachment 3, which the Parties agree reflect the same allocation percentages used in the Company's most recent base rate case (Docket No. 16-00001), as derived from Attachment A, Schedule 13, and Attachment C, to the TPUC-approved Settlement Agreement in that Docket. These allocation percentages are supported by Company witness Keeton.¹¹ The Parties further agree that the tariff subclass allocation percentages shown in Column (1) of Settlement Attachment 3 should be used to allocate TRP&MS Rider revenue requirements in future TRP&MS Rider filings, until such time as the TPUC authorizes Kingsport to change its base rates.

16. The Parties agree that the recovery calculation methodology (rate design) shown on Settlement Attachment 3 (*i.e.*, allocated revenue requirement divided by billing units equals rate) is the same as was contained in KgPCo's petition in Docket No. 17-00032, and was used to

⁸ Consumer Advocate witness Novak's Direct Testimony, pg. 1, line 18 through pg. 14, line 9.

⁹ Company witness Allen's Direct Testimony, p. 4, line 3 through pg. 7, line 7, and KgPCo Exhibit No. 1 (AWA).

¹⁰ Consumer Advocate witness Novak's Direct Testimony, pg. 12, line 4 through pg. 13, line 3.

¹¹ Company witness Keeton's Direct Testimony, pg. 4, lines 5-10, and KgPCo Exhibit No. 1 (EKK).

develop the applicable placeholder rates (*i.e.* energy or demand or customer/service charge) shown in the Company's TRP&MS Rider on file with the TPUC as a result of its November 9, 2017 Order Granting Petition in Docket No. 17-00032. The Parties further agree that it is appropriate to use that rate design in this case and future TRP&MS cases, as it uses the appropriate billing determinants or billing units, as determined in the Company's most recent base rate case, to develop the applicable energy or demand or customer/service charge rates as shown on Settlement Attachment 3.

17. The agreements of the Parties regarding the appropriate revenue requirement, revenue allocation percentages, and rate design in this case, are reflected in the TRP&MS Rider contained in Settlement Attachment 4, which the Parties recommend that TPUC authorize KgPCo to implement, effective June 1, 2019, on a service rendered basis.

GENERAL TERMS AND CONDITIONS OF SETTLEMENT

18. All pre-filed discovery (formal and informal), testimony and exhibits of the Parties will be introduced into evidence without objection.

19. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the TPUC and in any hearing, proposed order, or brief conducted or filed in this Docket. The provisions of this Settlement Agreement are agreements reached in compromise, and are solely for the purpose of settlement of this Docket and for use in future TRP&MS Rider filings, per the terms of this Settlement Agreement. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. Except to the limited extent necessary for the enforcement and implementation of the provisions herein, none of the Parties to this Settlement Agreement shall be deemed to have acquiesced in or agreed

to any ratemaking or accounting methodology or procedural principle.

20. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to enforcement and implementation of the provisions hereof.

21. The Parties agree and request that the TPUC order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other non-TRP&MS Rider proceeding before the TPUC, or any court, state or federal, except to the limited extent necessary to implement the provisions hereof and for the limited purpose of enforcement should it become necessary.

22. The terms of this Settlement Agreement have resulted from extensive negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that the TPUC issue an order adopting this Settlement Agreement in its entirety without modification.

23. If the TPUC does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the TPUC does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by the TPUC; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the TPUC within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories to this Settlement

Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

24. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by the TPUC in whole or in part.

25. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this Docket or any other docket.

26. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy and completeness of the information provided by Kingsport to the TPUC and the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

27. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of Kingsport's acts or practices.

28. Each signatory to this Settlement Agreement represents and warrants that it/he/she has informed, advised and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Settlement Agreement and has obtained authority to sign on behalf of such Party, and based upon those communications, each signatory represents and warrants that it/he/she is authorized to execute this Settlement Agreement on behalf of its/his/her respective Party.

29. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, Tennessee choice of law rules notwithstanding.

30. Nothing herein limits or alters the Sovereign Immunity of the State of Tennessee or any of its entities or subdivisions.

The foregoing is agreed and stipulated to this 25th day of April, 2019.

[signature pages follow - remainder of page intentionally left blank]

Stipulation and Settlement Agreement

Tennessee Public Utility Commission
Docket No. 18-00125

Signature Page

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

By: _____



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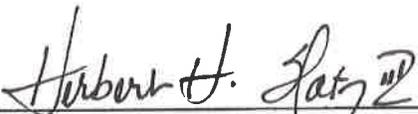
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Stipulation and Settlement Agreement

Tennessee Public Utility Commission
Docket No. 18-00125

Signature Page

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**KINGSPORT POWER COMPANY
TRP&MS O&M EXPENSES
OCTOBER 2017-SEPTEMBER 2018**

<u>Description</u>	<u>Sum of Amount</u>
Accounts Payable Accrual	\$ 2,255,081.92
Accounts Payable Payments	(296.66)
AEPSC Bill - Services Rendered	4,280.88
Allocate cell phone & pager expenses	254.64
Billing Journals	(1,248.50)
Clear Costs For Cancelled Work Orders	1,391.55
Clear misc charges in Fleet accounts	(2,808.97)
Compatible Unit Allocations	63,315.22
Fleet Vehicle Allocations	16,772.37
Indus Work Management	6,932.17
Intercompany Billing	185,180.33
Labor Overheads	8,861.19
MMS Use Tax Accruals/Reversals	(295.01)
Non-labor Compatible Unit allocation	384,807.21
Non-time and labor allocations	0.17
Reallocate Compatible Units	(1,146.22)
Reallocate Labor Overheads	82.06
Record Unvouchered Liability Accruals	4,734,133.44
Reverse Unvouchered Liability Accruals	(4,152,621.84)
Stores Expense Clearing	1,630.79
Time and Labor-Balanced Actuals	6,531.51
Vertex Use Tax Accrual	656.03
Grand Total	\$ 3,511,494.28

**KINGSPORT POWER COMPANY
SETTLEMENT TARGETED RELIABILITY PLAN AND MAJOR STORM (TRPBMS) COSTS
OVER/UNDER RECOVERY COMPARED TO LEVEL OF TRPBMS COSTS IN BASE RATES
FOR THE PERIOD OCTOBER 2017 THRU SEPTEMBER 2018
\$s**

	Targeted Reliability Plan										Major Storms			Net TRPBMS Over/(Under) Recovery (n)	
	Monthly O&M (a)	Cumulative Capital Additions (b)	Accum Depr (c)	Accum Del Income Taxes (d)	Net TRP Capital Additions (e)	Monthly Carrying Charge Rate (f)	Pre-tax Return on Capital (g)	Monthly Depreciation Expense (h)	Monthly Total TRP Costs (i)	Monthly TRP Costs in Base Rates (j)	TRP Over/(Under) Recovery (k)	Monthly O&M (l)	Major Storm Expenses in Base Rates (m)		Major Storm Over/(Under) Recovery (n)
Oct-17	66,048								66,048	75,281	9,233	0	32,688	32,688	41,931
Nov-17	42,378	48,668		2,945	45,722	0.72617%	333	199	49,470	75,281	41,044	0	32,688	68,396	106,440
Dec-17	41,591	114,194	159	10,821	103,214	0.72617%	752	334	42,701	75,281	73,624	0	32,688	98,094	171,718
Jan-18	153,850	230,243	517	24,973	204,752	0.63175%	1,294	492	157,816	75,281	(8,911)	0	32,688	130,792	121,881
Feb-18	240,385	381,816	1,209	25,073	355,533	0.63175%	2,246	1,226	249,857	75,281	(177,487)	0	32,688	163,490	(11,907)
Mar-18	283,826	444,495	2,435	25,143	416,917	0.63175%	2,634	1,470	288,090	75,281	(390,236)	0	32,688	196,188	(194,048)
Apr-18	347,712	917,834	3,308	26,052	887,877	0.63175%	5,609	2,728	356,063	75,281	(671,018)	0	32,688	228,886	(443,132)
May-18	239,743	1,050,451	6,634	26,424	1,017,394	0.63175%	6,427	3,105	249,273	75,281	(645,010)	0	32,688	261,584	(581,428)
Jun-18	190,894	1,640,622	9,739	28,524	1,642,559	0.63175%	10,377	4,708	205,954	75,281	(1,075,683)	0	32,688	294,282	(781,401)
Jul-18	964,833	2,217,809	14,449	30,786	2,182,174	0.63175%	13,788	6,257	984,679	75,281	(1,985,081)	0	32,688	328,980	(1,656,101)
Aug-18	(226,808)	2,643,821	20,706	32,839	2,590,278	0.63175%	16,364	7,255	(203,341)	75,281	(1,706,459)	0	32,688	359,678	(1,346,781)
Sep-18	565,972	3,072,874	27,961	35,055	3,009,658	0.63175%	19,014	8,408	533,106	75,281	(2,224,484)	496,569 *	32,688	(106,193)	(2,330,677)
								3,127,858	903,972			496,569	392,376		

* The \$496,569 of major storm O&M costs included in the TRPBMS over/under recovery calculation in Sept. 2018 business consists of costs incurred and recorded on the Company's books in July, August and September 2018 of \$235,081, \$329,270 and \$34,218, respectively, related to a severe thunderstorm that occurred on July 20, 2018.

Kingsport Power Company
TRP & MS Rider
Settlement Revenue Allocation and Rate Calculation

Settlement Revenue Allocation Factor by Tariff Subclass (a)	Revenue (b) Requirement	Billing (c) Determinants	Energy (e)/kWh	Rate/Charge Demand (S)/KW or KVA (4) = (2 / 3)	Customer/Service (S)/Customer
(1)	(2)	(3)			
Residential - 011, 015, 018, 030, 051	28.30%	\$ 658,980	495,438		\$ 1.33
Small General Service (SGS) - 231, 232, 233	3.12%	\$ 72,818	43,489		\$ 1.67
Medium General Service (MGS) Secondary - 235	14.26%	\$ 332,596	425,067	\$ 0.78	
General Service Time-of-Day (GS-TOD) - 229	0.02%	\$ 365	477,775	0.07636	
Medium General Service (MGS) Primary - 237	0.17%	\$ 4,057	5,381	\$ 0.75	
Large General Service (LGS) Secondary - 240, 242	24.26%	\$ 565,615	667,906	\$ 0.85	
Large General Service (LGS) Primary - 244, 246	1.48%	\$ 34,547	52,670	\$ 0.66	
LGS Subtransmission/Transmission - 248	0.00%	\$ -	0	\$ 0.65	
Industrial Power (IP) Secondary - 327	0.00%	\$ -	0	\$ 0.31	
Industrial Power (IP) Primary - 322	1.88%	\$ 43,753	145,875	\$ 0.30	
Industrial Power (IP) Subtransmission/Transmission - 323, 324	15.88%	\$ 370,350	1,314,816	\$ 0.28	
Church Service (CS) - 221	1.24%	\$ 28,903	9,850,982	0.29340	
Public Schools (PS) - 640, 641, 642	2.78%	\$ 64,713	27,413,429	0.23606	
Electric Heating General (EHG) - 208, 209	3.24%	\$ 75,469	96,863	\$ 0.78	
Outdoor Lighting (OL) - 094 - 126	0.97%	\$ 22,533	65,663		\$ 0.34
(d) Non-Tariff Class (SL)	2.40%	\$ 55,977	N/A	N/A	N/A
Total	100.00%	\$ 2,330,677			

(a) Allocation factors derived from Attachment A, Schedule 13, and Attachment C of the Settlement Agreement in Docket No. 16-00001 (see page 2 of 2)

(b) Excludes Prompt Payment discount per Consumer Advocates Witness Novak's recommendation

(c) 12 months billing determinants from Docket No. 16-00001, Settlement Attachment C, Schedules 1 - 10

(d) Street Lighting (SL) rates determined by contract

Kingsport Power Company
TRP & MS Rider
Tariff Subclass Allocation Development

Tariff Subclass	Total Current Margin* (a)	Total Proposed Margin* (b)	Difference** (b - a = c)	Prompt Pay TRA Insp Fee Rounding*** (d)	Subtotal (c - d = e)	Revenue Allocation Factor (e / f)	Schedule Total
Residential (RS) - 011, 015	\$ 3,608,273	\$ 6,242,807	\$ 2,634,534	\$ (208,291)	\$ 2,426,242	28.15%	
Residential Employee (RS EMP) - 018, 051	1,390	13,981	12,592	(996)	11,596	0.13%	
Residential Time of Day (RS TOD) - 030, 031	1,769	2,389	620	(49)	571	0.01%	28.29%
Small General Service (SGS) Fixed - 231	908,977	1,167,216	258,239	(10,476)	247,763	2.87%	
Small General Service (SGS) Measured - 232	81,803	100,102	18,299	(742)	17,556	0.30%	
Small General Service (SGS) Non Measured - 233	8,409	12,376	3,967	(161)	3,806	0.04%	3.12%
Medium General Service (MGS) Secondary - 235	2,914,202	4,194,639	1,280,437	(51,853)	1,228,583	14.26%	
Medium General Service Time of Day (MGS TOD) - 329	13,193	16,706	3,513	(61)	1,452	0.02%	
Medium General Service (MGS) Primary - 237	87,753	104,034	16,281	(658)	15,622	0.18%	14.45%
Large General Service (LGS) Secondary - 240, 242	4,366,926	6,745,759	2,378,832	(87,945)	2,090,887	24.26%	
Large General Service (LGS) Primary - 242	321,142	454,208	133,067	(5,371)	127,696	1.48%	25.74%
Industrial Power (IP) Primary - 322	479,748	660,084	180,336	(20,092)	160,244	1.86%	
Industrial Power (IP) Transmission - 324	1,934,299	3,466,241	1,542,542	(171,863)	1,370,679	15.90%	17.76%
Church Service (CS) - 221	259,613	370,937	111,324	(4,382)	106,942	1.24%	1.24%
Public Schools (PS) - 640	79,135	143,591	66,156	(2,665)	63,491	0.74%	
Public Schools (PS) - 641	(880)	7,472	8,353	(338)	8,015	0.09%	
Public Schools (PS) - 642	(66,476)	108,381	174,856	(7,072)	167,784	1.95%	2.78%
Electric Heating General (EHG) - 308, 309	786,199	1,077,236	290,737	(11,718)	279,039	3.24%	3.24%
Outdoor Lighting (OL) - 094 - 126	349,402	636,200	286,799	(3,338)	83,261	0.97%	0.97%
Non-Tariff Class (SL)	1,309,602	1,724,194	414,592	(7,739)	206,853	2.40%	2.40%
Total	\$ 18,037,078	\$ 27,251,172	\$ 9,214,095	\$ (596,010)	\$ 8,618,085 (f)	100.00%	100.00%

*Current and Proposed Margins from Attachment C of the Settlement Agreement in Docket No. 16-00001

**Net Base Margin by Sub-class, Includes Inspection Surcharge and Prompt Payment Discount

*** Rounded on the basis of margin

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-1
T.P.U.C. Tariff Number 2

TRP & MS RIDER

In accordance with Tennessee Code Annotated § 65-5-103 (d) (2) (A) (ii) and (iii), Kingsport Power is authorized under the terms of this rider to apply a charge to all customer bills on a service rendered basis to recover actually incurred TRP & MS (Targeted Reliability Plan & Major Storm) Rider costs.

1. Calculation of Targeted Reliability Program and Major Storm Rider Recovery

At least annually the Company will file information regarding actual Targeted Reliability Plan (TRP) costs and Major Storm (MS) expenses. The annual change in the Company's TRP & MS Rider recovery amount shall be calculated according to the following formula:

$$\text{TRP \& MSa} - \text{TRP \& MSr}$$

Where

TRP & MSa is the Company's Targeted Reliability Plan and Major Storm actual costs incurred by the Company for the period. The costs will be net of the reliability expenses and major storm expenses approved in the Company's most recent base case (an annual amount of \$1,295,753). In developing the Targeted Reliability Plan return on capital, the Company will use the most recent base case authorized rate of return.

TRP & MSr is the actual revenues received as a result of TRP & MS Rider rates in effect for the same period.

2. Updates to TRP & MS Rider Costs

TRP & MS Rider rates shall remain in effect until such time as new TRP & MS Rider rates are approved by the Tennessee Public Utility Commission.

3. Determination of Adjustments to Surcharges by Tariff

The Company will adjust the level of revenue recovery (positive or negative) under the TRP & MS Rider by the amount of the Calculation described in Section 1 and any remaining prior period over/under recovery balance. Prior period over/under recovery balances result from differences between the Company's actual costs as calculated in Section 1 and actual billing under the Rider in prior reporting periods. The Company will allocate the revenue requirement to the individual tariff class by application of the revenue allocation factors used in the Company's most recent base case, and will use the appropriate billing determinants, as determined in the Company's most recent base case, to develop the TRP & MS Rider tariff charges.

4. Notification of Change in Charge by the Company

The Company will provide no less than a 30-day notice of the proposed effective date in any change in the Rider charge to its customers. The Company will also provide the calculations and other information supporting the Rider charges to the Staff of the Tennessee Public Utility Commission in advance of the effective date of such charge.

KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Sheet Number 21-2
T.P.U.C. Tariff Number 2

TRP & MS RIDER

5. Charge

Pursuant to the provisions of this Rider, a TRP & MS Rider charge will be applied to each account under the Company's filed tariffs.

The TRP & MS Rider charge applicable to each tariff is set below:

<u>Tariff</u>	<u>Energy Rate</u> (¢) / kWh	<u>Demand Rate</u> (\$) / KW or *KVA	<u>Service Charge</u> (\$) /Customer
<u>Residential</u>			\$1.33
<u>Residential Employee</u>			\$1.33
<u>Residential Time-of-Day</u>			\$1.33
<u>Small General Service (SGS)</u>			\$1.67
<u>Medium General Service (MGS) Secondary</u>		\$0.78	
<u>General Service Time-of-Day (GS-TOD)</u>	0.07636		
<u>Medium General Service (MGS) Primary</u>		\$0.75	
<u>Large General Service (LGS) Secondary*</u>		\$0.85	
<u>Large General Service (LGS) Primary*</u>		\$0.66	
<u>LGS Subtransmission/Transmission*</u>		\$0.65	
<u>Industrial Power (IP) Secondary</u>		\$0.31	
<u>Industrial Power (IP) Primary</u>		\$0.30	
<u>Industrial Power (IP) Subtransmission/Transmission</u>		\$0.28	
<u>Church Service</u>	0.29340		
<u>Public Schools (PS)</u>	0.23606		
<u>Electric Heating General (EHG)**</u>		\$0.78	
<u>Outdoor Lighting (OL)- (per Lamp)</u>			\$0.34

**Demand is measured in accordance with tariff.