

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**September 22, 2025**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF KINGSPORT POWER COMPANY</b>	)	<b>DOCKET NO.</b>
<b>D/B/A AEP APPALACHIAN POWER FOR JANUARY</b>	)	<b>25-00022</b>
<b>2024 THROUGH DECEMBER 2024 ANNUAL</b>	)	
<b>RECOVERY UNDER THE TARGETED</b>	)	
<b>RELIABILITY PLAN AND MAJOR STORM RIDER</b>	)	
<b>("TRP&amp;MS"), ALTERNATIVE RATE MECHANISMS</b>	)	
<b>APPROVED IN DOCKET NO. 17-00032</b>	)	

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**ORDER GRANTING PETITION AS AMENDED**

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This matter came before Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Clay R. Good, Commissioner Kenneth C. Hill, and Commissioner David Crowell of the Tennessee Public Utility Commission (the "Commission" or "TPUC"), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on August 18, 2025. The panel convened to consider the *Petition of Kingsport Power Company d/b/a AEP Appalachian Power for January 2024 – December 2024 Annual Recovery Under the Targeted Reliability Plan and Major Storm ("TRP&MS"), Alternative Rate Mechanisms Approved in Docket No. 17-00032 ("Petition")* filed on March 28, 2025 by Kingsport Power Company d/b/a AEP Appalachian Power ("KPC," "Kingsport," or the "Company").

**BACKGROUND**

Kingsport is a public utility, subject to Commission jurisdiction, engaged in the business of distributing electric power service to approximately 50,000 customers in its service area, which includes portions of Sullivan, Washington, and Hawkins Counties, Tennessee; the City of

Kingsport, Tennessee; and the Town of Mount Carmel, Tennessee. Kingsport’s service area consists of 297 square miles, and its distribution system includes approximately 1,570 circuit miles of line.<sup>1</sup> In TPUC Docket No. 17-00032, the Commission approved two alternative regulatory mechanisms for the Company. First, the Targeted Reliability Plan (“TRP”) and, second, its Major Storm (“MS”) Rider (collectively “TRP&MS Rider”).<sup>2</sup> The TRP consists of the Vegetation Management Program (“VMP”) and System Improvement Program (“SIP”), and the MS consists of costs associated with major storm damage.

Under the approved riders, Kingsport must track and defer the costs associated with these two mechanisms and then file annually to recover those costs in excess of what has been included in base rates or refund any costs recovered in excess of the amount included in base rates.<sup>3</sup> The annual filing requires the metrics proposed by the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”), approved by the Commission in TPUC Docket No. 17-00032, and an attestation stating that the costs and expenses included in the alternative mechanisms are complete, accurate, and reflect amounts on the Company’s books and records. In addition, pre-filed testimony is required to support the annual filing.<sup>4</sup>

### **THE PETITION**

On March 28, 2025, the Company filed the *Petition*, which sought to recover eligible TRP and MS expenses incurred during the period of January 1, 2024, to December 30, 2024. Kingsport is requesting that the Commission grant recovery of \$13,006,130 of deferred TRP&MS costs, which exceed cumulative TRP&MS Rider revenues.<sup>5</sup> The net under-recovery is comprised of

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<sup>1</sup> *Petition*, p. 2 (March 28, 2025).

<sup>2</sup> See *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. 17-00032, *Order Granting Petition* (November 9, 2017) (hereinafter *Kingsport Initial Rider Order*).

<sup>3</sup> *Kingsport Initial Rider Order*, p. 5 (November 9, 2017).

<sup>4</sup> *Id.* at 11.

<sup>5</sup> *Petition*, p. 4 (March 28, 2025).

\$31,888,986 of TRP costs and \$10,758,895 in major storm-related expenses, offset by cumulative revenues of \$29,641,751 recorded through December 2024.<sup>6</sup> Because the Company incurred nearly \$5 million in MS expenses related to Hurricane Helene during 2024, Kingsport proposed to recover half of this amount in this filing and the remaining half in next year's filing. Approval of the Company's proposal would result in a monthly increase of \$2.99 for residential customers.<sup>7</sup>

In support of the *Petition*, the Company filed the pre-filed testimony of Mr. Jason E. Baker. Mr. Baker testified that under TRP, Kingsport completed vegetation activities on 251 miles of right-of-way ("ROW") during 2024. Additionally, the Company completed 66% of vegetation management work on targeted distribution circuits since the program's inception.<sup>8</sup> During 2024, the Company completed inspection of 4,439 wooden poles, 286 overhead circuit miles, and 1,601 underground structures. Based on these inspections, the Company replaced 194 poles, 145 cross arms, 15 reclosers, 241 cutouts, 114 switches, and 16 URD enclosures, along with performing 2,130 feet of underground small-wire replacements and 4,888 feet of overhead small-wire replacements. Additionally, the Company replaced 2,144 feet of underground conductor and 51,824 feet of overhead conductor.<sup>9</sup>

The Company applied the System Average Interruption Duration Index ("SAIDI") and the System Average Interruption Frequency Index ("SAIFI") to measure service reliability and provide information on how Kingsport is minimizing service interruptions, with lower values indicating better reliability. Minor weather events are included in these indices, while major events

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<sup>6</sup> *Id.* at 6.

<sup>7</sup> *Company Response to Staff Data Request 1-4* (June 13, 2025).

<sup>8</sup> Jason E. Baker, Pre-Filed Direct Testimony, p. 4 (March 28, 2025).

<sup>9</sup> *Id.* at 5.

are excluded.<sup>10</sup> According to Mr. Baker, a review of the data indicates a significant improvement since 2018.<sup>11</sup>

In 2024, Hurricane Helene resulted in 64 broken poles, 147 cutouts, 41 transformers replaced, and 261 crew jobs necessary to make repairs. Mr. Baker testified that 29,247 Tennessee customers experienced a sustained outage.<sup>12</sup> The Emergency Response Plan (“ERP”) is the Company’s plan for restoring power in a safe and efficient manner after major weather events. Pursuant to the ERP, the Company personnel clear all known public hazards, conduct a detailed assessment of the damage, and restore service to the most customers in the shortest time while keeping a focus on service restoration to all customers.<sup>13</sup> The ERP also utilizes other resources outside of Kingsport Power. During major events, the Company may request assistance from other AEP operating companies and the four members of the Regional Mutual Assistance Group (“RMAG”).

Mr. Baker testified that the Company used over 7,000 personnel, including personnel from 27 different states, in the restoration efforts in West Virginia, Tennessee, and Virginia after Hurricane Helene.<sup>14</sup> According to Mr. Baker, the Company’s total cost estimate for Hurricane Helene was \$7,601,908 through December 31, 2024.<sup>15</sup> This total cost includes \$217,173 in removal costs, \$2,385,290 in capital costs, and \$4,999,37 in operating and maintenance (“O&M”) expenses.<sup>16</sup>

Ms. Malinda L. Dielman filed pre-filed testimony in support of the *Petition* outlining the TRP costs of \$31,888,986, MS costs of \$10,758,895, and cumulative revenues of \$29,641,751,

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<sup>10</sup> *Id.* at 5-6.

<sup>11</sup> *Id.* at 7.

<sup>12</sup> *Id.* at 8.

<sup>13</sup> *Id.* at 9-10.

<sup>14</sup> *Id.* at 10-11.

<sup>15</sup> *Id.* at 17.

<sup>16</sup> *Id.*

resulting in the proposed \$13,006,130 under-recovery.<sup>17</sup> Mr. John A. Stevens filed testimony explaining the Company's proposal to recover the costs associated with Hurricane Helene over a two-year period.<sup>18</sup> In order to mitigate the impact on customers, the Company proposed to recover \$2,499,685 in this filing and the other half of the Hurricane Helene costs in its next TRP&MS filing. Approval would reduce the level of deferred actual TRP&MS costs to be recovered in the present docket to \$10,506,444.<sup>19</sup> Mr. Stevens testified that if one-half of the hurricane costs are approved in this filing, the average residential customer would experience a monthly increase of \$2.99. If, however, the total Helene-related costs are recovered by the rates in this filing, the average residential customer would have a monthly increase of \$4.61.<sup>20</sup>

### **POSITION OF THE CONSUMER ADVOCATE**

On behalf of the Consumer Advocate, Mr. Clark D. Kaml filed pre-filed direct testimony on May 20, 2025. Mr. Kaml recommended approval of the Company's proposed revenue request of \$13,006,130 and its proposal to recover the MS costs associated with Hurricane Helene over a two-year period.<sup>21</sup>

Mr. Kaml concluded that the evidence does not suggest the TRP has been effective in decreasing the power outages in the Company's service area.<sup>22</sup> In his analyses of SAIDI and SAIFI, Mr. Kaml's most recent data point is from 2023—the most recent year available from the Energy Information Administration. According to Mr. Kaml, the usefulness of the Company's 2024 data is limited because each metric is a single data point associated with a volatile index in an observation period with an abnormal event. In summary, Mr. Kaml asserted it is premature and

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<sup>17</sup> Malinda L. Dielman, Pre-Filed Testimony, p. 4 (March 28, 2025).

<sup>18</sup> John A. Stevens, Pre-Filed Direct Testimony, p. 3 (March 28, 2025).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 6-7.

<sup>21</sup> Clark D. Kaml, Pre-Filed Direct Testimony, pp. 2-3, 16 (May 20, 2025).

<sup>22</sup> *Id.* at 5.

speculative to draw conclusions based upon the 2024 SAIDI and SAIFI until more data is gathered.<sup>23</sup>

Mr. Kaml testified that it would be beneficial to have more granular information regarding the cause of service outages and how the Company responded to such events. Referencing the Company's filing in Docket No. 17-00032 that included a report identifying outages by cause, Mr. Kaml testified that reporting of outages by cause would be valuable.<sup>24</sup> Based on the \$31.9 million cumulative investment and the SAIFI and SAIDI values, Mr. Kaml testified that he does not have confidence that the TRP investments have had a favorable impact on reducing the number of customer outages. Mr. Kaml did conclude that the MS has been effective in addressing timely cost recovery when significant major storms occur.<sup>25</sup> Although Mr. Kaml did not question the capital investments, he recommended that the Company be required to continue providing notice of the cost of anticipated capital projects, which is in accordance with Commission rules.<sup>26</sup>

Mr. Kaml concluded that the request of the Company to recover one-half of the O&M expenses associated with Hurricane Helene was reasonable and recommended that the Commission approve the recovery of \$2,499,685 in this filing and \$2,499,685 in the next year's filing.<sup>27</sup> Mr. Kaml further recommended that the Commission direct the recovery of this amount be based on the historic billing determinants from the Company's last rate case.<sup>28</sup> He also recommended that the Company highlight changes to those customer classes where none previously existed in the Company's future filings.<sup>29</sup>

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<sup>23</sup> *Id.* at 7-11.

<sup>24</sup> *Id.* at 12-13.

<sup>25</sup> *Id.* at 14-15.

<sup>26</sup> *Id.* at 16-17.

<sup>27</sup> *Id.* at 18.

<sup>28</sup> *Id.* at 18-19.

<sup>29</sup> *Id.* at 20-21.

## **REBUTTAL TESTIMONY OF THE COMPANY**

On behalf of the Company, Mr. Jason E. Baker filed pre-filed rebuttal testimony. Mr. Baker testified that the Company did not oppose providing a report that identifies outages by associated cause in its next filing. According to Mr. Baker, the Company is unable to provide a report with the exact subcategories as recommended by the Consumer Advocate; nevertheless, Kingsport is capable of providing some outage-related subcategories if ordered to do so by the Commission.<sup>30</sup>

Mr. Baker indicated that the Company disagreed with the Consumer Advocate's assertions that the TRP has not been effective in decreasing service outages. According to Mr. Baker, the Consumer Advocate excludes the 2024 reliability measures, as provided by the Company, because they represent single data points associated with a volatile index, yet the Consumer Advocate uses the 2017 measures as its starting points for evaluating the effectiveness of the TRP. Mr. Baker asserts that 2017 is an anomalous year when assessing the trends. Further, Mr. Baker states that using 2018—the first year of the program's implementation—is a better starting point for assessing improvement in reliability.<sup>31</sup>

## **PRE-HEARING FILING BY THE COMPANY AND THE CONSUMER ADVOCATE**

On July 22, 2025, the Company and the Consumer Advocate jointly filed a letter in the docket file, which stated that there were no longer any outstanding or contested issues with respect to the *Petition*. The Company and the Consumer Advocate jointly agreed to a revenue requirement of \$13,006,130, with \$4,999,371 of O&M costs associated with Hurricane Helene to be recovered over a two-year period, and \$10,506,444 recovered through the TRP&MS Rider.<sup>32</sup> The Company and the Consumer Advocate further agreed to utilize the Consumer Advocate's proposed rate

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<sup>30</sup> Jason E. Baker, Pre-Filed Rebuttal Testimony, pp. 3-4 (June 13, 2025).

<sup>31</sup> *Id.* at 4-5.

<sup>32</sup> *Letter to Chairman David F. Jones by the Company and Consumer Advocate*, p. 1 (July 22, 2025).

design and revenue allocation. In future filings, the Company agreed to provide all supporting workpapers concurrently with its TRP&MS filings and include a report in the next filing that details outages by cause according to the sub-categories listed in Mr. Baker's pre-filed rebuttal testimony of June 13, 2025.<sup>33</sup>

The Company and the Consumer Advocate informed the Commission that the matter was ripe for consideration and that there were no contested issues between the parties.<sup>34</sup> The Parties waived opening statements and cross-examination.

### **THE HEARING**

The Hearing on the *Petition* was held before the voting panel assigned to this docket on August 18, 2025, as noticed by the Commission on August 8, 2025. Participating in the Hearing were:

Kingsport Power Company d/b/a AEP Appalachian Power – Joe Harvey, Esq., Hunter, Smith & Davis LLP, Post Office Box 3740, Kingsport, Tennessee 37664.

Consumer Advocate Division – Shilina Brown, Esq., Post Office Box 20207, Nashville, Tennessee 37202-4015.

During the Hearing, Mr. John Stevens testified via Webex in support of the *Petition* as amended by the agreement of the parties.<sup>35</sup> Company witnesses, Malinda L. Dielman and Jason E. Baker, were available via Webex to answer any questions.<sup>36</sup> Mr. Clark Kaml was available in person on behalf of the Consumer Advocate to answer questions. The Parties waived cross-examination. Members of the public were given an opportunity during the hearing to offer comments, but no one sought recognition to do so.

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<sup>33</sup> *Id.*

<sup>34</sup> *Id.* at 1-2.

<sup>35</sup> *Order Granting Electronic Participation in Hearing*, pp. 2-4 (August 12, 2025).

<sup>36</sup> *Id.*

## **FINDINGS AND CONCLUSIONS**

Upon review of the evidentiary record in this matter, the panel found the methodologies and procedures utilized in Kingsport's annual recovery under its TRP&MS Rider for the period January 2024 through December 2024 to be consistent with prior Commission Orders and the Company's approved tariff. The panel voted unanimously to approve the Parties' proposed \$13,006,130 in under-recovered costs, consisting of \$31,888,986 in TRP costs and \$10,758,895 for major storm-related expenses, offset by collected rider surcharge revenues of \$29,641,751.

The panel voted unanimously to approve the recovery of \$4,999,371 of operating costs associated with Hurricane Helene over a two-year period, with \$2,499,685 of the costs being recovered in this proceeding and the remaining half to be recovered in next year's filing. This adjustment brings the total revenue to be recovered in this filing to \$10,506,444, with revised rates to become effective September 1, 2025. The panel also unanimously approved the rate design proposed by the Company and reflected in the Company's Exhibit No. 1 (JAS), as filed with this docket on July 25, 2025. The panel ordered the Company to file revised tariff sheets consistent with its decision.

Further, in its future filings, the panel directed Kingsport to (1) clearly highlight any newly active or inactive customer classes as compared to those included in its most recent rate case and (2) provide a report identifying the cause for each service outage during the reporting period using the subcategories provided in Figure 1 of Mr. Baker's rebuttal testimony.

Finally, the panel concluded that the mechanism has shown general improvement in service reliability to customers while allowing Kingsport to recover legitimate costs associated with its Targeted Reliability Plan and major storms without the need for costly rate cases, and remains in the public interest.

**IT IS THEREFORE ORDERED THAT:**

1. The *Petition of Kingsport Power Company d/b/a AEP Appalachian Power for January 2024 – December 2024 Annual Recovery Under the Targeted Reliability Plan and Major Storm (“TRP&MS”), Alternative Rate Mechanisms Approved in Docket No. 17-00032* filed on March 28, 2025, by Kingsport Power Company d/b/a AEP Appalachian Power and amended by the Pre-Filed Rebuttal Testimony of Mr. John A. Stevens filed on June 13, 2025, and the JAS Exhibit No. 1 filed by the Company on July 25, 2025, is approved.

2. Any person aggrieved by the Commission’s decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

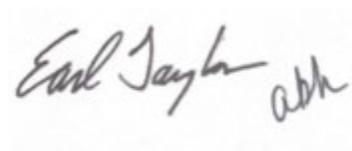
3. Any person aggrieved by the Commission’s decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Vice Chairman John Hie,  
Commissioner Herbert H. Hilliard,  
Commissioner Clay R. Good,  
Commissioner Kenneth C. Hill, and  
Commissioner David Crowell concurred.**

None dissented.

**ATTEST:**



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**Earl R. Taylor, Executive Director**