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Appalachian Power
Three James Center
1051 E Cary Street, Suite 702
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www.apcocustomer.com

October 18, 2005

Mrs. Darlene Standley, Chief
Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

06-00010

Re: New PURPA Section 111 standards created by the Energy Policy Act of 2005

Dear Mrs. Standley:

On behalf of Kingsport Power Company, (KPC) please allow me to respond to your letter of September 29, 2005 to Mr. Isaac J. Webb seeking responses to certain questions concerning new PURPA Section 111 standards. Kingsport Power appreciates the opportunity of responding to these questions relating to the new standards and would be willing to participate in additional discussions and exchange of information concerning the Authority's review of these issues.

1. Does Kingsport Power have in place any net metering programs? If yes, to which classes of customers are such programs available?

Answer:

KPC does not have a net metering program available to its Tennessee retail customers.

2. Does Kingsport Power have time differentiated rates? If yes, what types (i.e., time-of-use, real-time pricing, demand response credits) and to which classes of customers are such rates available?

Answer:

KPC has a number of time-differentiated rates applicable to its residential, commercial and industrial classes of retail customers. The specific tariff schedules are identified in the KPC tariff currently on file with the Authority. In part, the form of these prices include time differentiated energy pricing, load management water heating provisions, and Off-peak excess demand charges for large industrials.

3. Does Kingsport Power own any of its own generation? If yes, describe the fuel - source and capacity of each plant.

Answer:

KPC owns no generation.

4. Does Kingsport Power have any unit specific contracts with Appalachian Power, AEP, or other generation suppliers? If yes, please list the fuel sources for such generation and estimate the percentage of load served through such contracts.

Answer:

KPC does not have any specific unit power contracts with Appalachian or any other entity. Kingsport obtains all of its power requirements from Appalachian Power Company under a FERC approved full requirements power supply agreement.

5. Does Kingsport Power currently allow customers with on-site generation to connect that generation to the distribution network? If yes, are there any limitations to interconnection based on customer class?

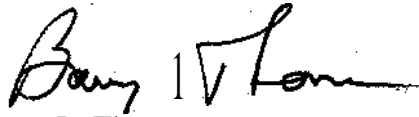
Answer:

KPC's Terms and Conditions of Service at Original Sheet Number 2-4 provide that a customer will be permitted to operate his own generating equipment in parallel with the Company's service only with written permission of the Company. Generally, such parallel operations involve larger capacity generating facilities owned by industrial customers interconnected to higher voltage transmission facilities.

While Kingsport Power does not have explicit tariff provisions such as net metering or CoGeneration tariffs which address interconnection of distributed generation to the Company's distribution system, Kingsport's parent, AEP and several of its affiliated utility Companies have such tariff provisions. As a result of these tariffs and AEP's pro-active involvement with National organizations assisting in the development of such interconnection standards, AEP has established procedures and processes for reviewing and evaluating customer requests for interconnection of DG facilities.

Any interconnections to either transmission or distribution facilities would be evaluated based upon a number of critical factors including safety, costs, operating conditions, impacts on other customers, requirements of federal and state statutes and appropriate interconnection standards adopted by PJM.

Again, Kingsport appreciates the opportunity to work with the Authority as these standards are reviewed in Tennessee.

A handwritten signature in black ink, appearing to read "Barry L. Thomas". The signature is stylized with a large "B" and a prominent "L".

Barry L. Thomas
Director, Regulatory Services VA/TN

cc: James C. Bacha
William C Bovender

BLT/cde