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December 18, 2006
VIA EMAIL and FEDERAL EXPRESS

PLEASE RESPOND TO:
KINGSPORT OFFICE

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

Re: Docket No. 06-00301 – Joint Petition of Kingsport Power Company
d/b/a AEP Appalachian Power and Weyerhaeuser Company for
Approval of a Special Contract; Response to Staff Data Request

Dear Ms. Standley:

In response to your 12/06/06 letter requesting information from Kingsport Power Company d/b/a AEP Appalachian Power relative to the proposed Special Contract with the Weyerhaeuser Company, Kingsport submits the following responses:

1. Please describe any conditions that could occur as a result of this contract that would impact retail rates of other Kingsport customers?

Response: As a result of this contract, Kingsport Power Company (Kingsport) will be serving Weyerhaeuser's full load requirements under its TRA approved retail tariffs. Therefore, APCo will supply more power under its wholesale contract to Kingsport. APCo could file with the FERC to update its contract with Kingsport to reflect the market cost of serving this increased supply in order to avoid passing any higher costs that result from Weyerhaeuser's actions on to APCo's other customers. In such an event, unless the TRA approves the assignment of these market costs directly to Weyerhaeuser, the result would be an increase in costs to other Kingsport customers.

2. Will PJM pay Weyerhaeuser directly for power sold to the wholesale market or will the payments be passed through Kingsport Power Company?

Response: Weyerhaeuser will not receive payment for its generation from Kingsport or any of its affiliates.

3. Paragraph 7 of the Supplement states that AEP operating companies reserve the right to request FERC and TRA tariff changes to address issues related to Turbine Generator #1, including but not limited to differentials between embedded cost rates and market prices. Please provide an example of such a differential and the effect on Kingsport's wholesale and retail rates.

Response: Market prices may well reflect the Locational Marginal Price (LMP) that PJM determines for the Weyerhaeuser and/or Kingsport load. While it is not possible to know the extent of such a differential in advance, Kingsport would seek TRA approval to recover any such incremental costs it incurs through its rates, as discussed in Kingsport's response to question 1.

4. What, if any, filings and approvals will Kingsport, AEP, Weyerhaeuser, and/or PJM need to make before or receive from the Federal Energy Regulatory Commission before the contract can be fully executed.

Response: The Company is unaware of any FERC filings or approvals that would be required prior to this contract becoming operational. Currently, an Interim Interconnection Service Agreement (ISA) has been executed by the Customer, the Company and PJM, and once the interconnection studies have been completed a final ISA would be executed by the parties.

5. What is Weyerhaeuser's current contract capacity?

Response: Under the existing contract, since October 2006, the Tariff IP contract capacity for Weyerhaeuser's Kingsport TN paper mill is 5,000 kW. Weyerhaeuser also currently contracts for back-up service with a back-up capacity reservation of 45,000 kW at Reliability Level C.

6. Please provide Weyerhaeuser's monthly kW and kWh for the past 12 months.

Response: Weyerhaeuser's monthly kW and kWh data for the past 12 months, as measured at Kingsport Power Company's delivery point to

Weyerhaeuser, is set forth in the table below. Note that Turbine Generator #1 began operation in October 2006.

Month - Year	Metered On-Peak Demand (kW)	Metered Off-Peak Demand (kW)	On-Peak Demand Adjusted for Backup (kW)	Off-Peak Demand Adjusted for Backup (kW)	Billing kWh
Dec-05	36,317	39,264	36,317	38,678	22,028,138
Jan-06	36,912	39,082	33,610	32,976	18,667,389
Feb-06	42,499	39,446	31,978	32,957	18,358,801
Mar-06	38,045	35,808	34,042	35,808	20,795,533
Apr-06	41,040	32,381	34,063	32,381	18,209,299
May-06	40,474	40,454	40,474	40,454	14,926,312
Jun-06	35,722	36,874	33,994	33,965	20,136,182
Jul-06	32,659	40,867	32,659	36,989	17,683,748
Aug-06	41,078	40,464	34,822	33,964	18,049,423
Sep-06	42,710	42,586	33,535	32,726	18,258,883
Oct-06	43,978	43,622	18,586	6,298	3,862,053
Nov-06	42,548	42,165	11,152	4,587	5,267,392

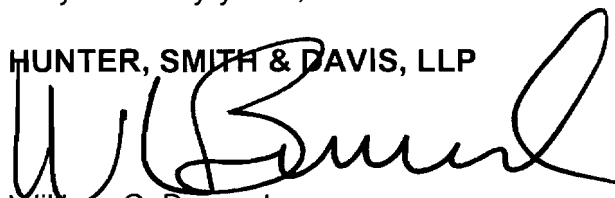
7. Please provide 12 months of Weyerhaeuser's projected kW and kWh under the new Special Contract.

Response: Since Weyerhaeuser is currently utilizing Turbine Generator #1 to meet internal mill load requirements, and since Kingsport's existing service delivery point only measures net load, Kingsport can only estimate the projected kW and kWh under the new special contract. However, based on an estimated monthly load 43,000 kW and an estimated 80% load factor, the monthly kWhs are estimated to be 25,112,000 kWh.

If you should have any questions regarding this information or if you require any additional information, please contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



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AEP Appalachian Power

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