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AMEP/z.84470

Mr. Tre Hargett, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

September 12, 2008
VIA EMAIL & US Mail

Re: AEP Appalachian Power / TN Army
National Guard – *Petition for Approval of
Special Contract*

Dear Chairman Hargett:

Enclosed are the original and five copies of the Petition for Approval of Special Contract, which has been electronically filed today. Please return one "stamped" copy to our office in the enclosed self-addressed, stamped envelope.

Also enclosed is a check in the amount of \$25.00 to cover the filing fees. If you have any questions, please feel free to contact our office.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

WCB/slb

Enc: As Stated

**Before the
Tennessee Regulatory Authority
Nashville, Tennessee**

**In Re: Petition of Kingsport
Power Company d/b/a
AEP Appalachian Power
For Approval of a Special
Contract with Tennessee
Army National Guard**

TRA Docket No.: 08-00173

PETITION FOR APPROVAL OF SPECIAL CONTRACT

Pursuant to TRA Rule 1220-4-1-.07, Petitioner, Kingsport Power Company d/b/a AEP Appalachian Power (herein, "Kingsport") requests approval by the Tennessee Regulatory Authority (herein, "TRA") of a Special Contract entered into between Kingsport and the Tennessee Army National Guard, Holston Army Ammunition Plant Reservation, Mt. Carmel, Hawkins County, Tennessee, subject to TRA approval, as more specifically described as follows:

1. Kingsport is a public utility with its principal office in Kingsport, Tennessee, and is engaged in the business of furnishing electric power services to retail customers in its service delivery area which includes parts of Sullivan, Washington and Hawkins County, Tennessee, the City of Kingsport, Tennessee, and the Town of Mt. 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.

2. The Tennessee Army National Guard is constructing a new Armed Forces Reserve Center and Field Maintenance Shop at the Holston Army Ammunition Plant Reservation in Mt. Carmel, Hawkins County, Tennessee.

3. Kingsport and the Tennessee Army National Guard, have agreed, subject to TRA approval, that Kingsport will install a Net Metering Facility ("Facility") consisting of a Renewable Fuel Generator ("RF Generator"), 30kW Photovoltaic Solar Panel Array, at said new Armed Forces Reserve Center and Field Maintenance Shop. In connection therewith, Kingsport and the Tennessee Army National Guard, have entered into a NET METERING and INTERCONNECTION AGREEMENT effective the 19th day of August, 2008, a copy of which is submitted herewith as Exhibit "A" hereto.

4. The Facility being constructed by the Tennessee Army National Guard would be designed and constructed to operate in parallel with Kingsport's electric transmission/distribution system without adversely affecting the operation of the equipment or service of Kingsport or the service of other Kingsport customers, and without presenting safety hazards to Kingsport or Kingsport's personnel. The Net Metering Facility is intended primarily to offset all or part of the Tennessee Army National Guard's own electrical requirements at its new Armed Forces Reserve Center and Field Maintenance Shop.

5. The other terms and conditions of the Special Contract which Kingsport seeks TRA approval of are set forth in Exhibit "A".

6. All monthly charges billed to the Tennessee Army National Guard shall be in accordance with the tariff schedule under which the Tennessee Army

National Guard takes service and shall be based on the Tennessee Army National Guard's net energy for the billing period, to the extent the net energy exceeds zero.

7. Kingsport deems it necessary to obtain the approval of the TRA for this NET METERING AND INTERCONNECTION AGREEMENT (Exhibit "A") under TRA Rule 1220-4-1-.07.


8. The execution of said AGREEMENT by representatives of the Tennessee Army National Guard evidences its support for this Petition.

9. The use of special contracts between Kingsport and certain customers has previously been authorized by the TRA (See, TRA Docket No. 06-00301, In Re: Joint Petition of Kingsport Power Company d/b/a AEP Appalachian Power and Weyerhaeuser Company for Approval of a Special Contract). Moreover, as recognized by Hearing Officer, Jean A. Stone, in TRA Docket No. 06-00010, [In Re: Appropriateness of Supplementation of PURPA Standard 11 (Net Metering), Standard 12 (Fuel Sources), Standard 13 (Fossil Fuel Generation Efficiency), Standard 14 (Time Based Metering and Communication) and Standard 15 (Interconnection) for Kingsport Power Company d/b/a AEP Appalachian Power], the use of special contracts is a preferred method for dealing with the particular needs of selected Kingsport retail customers.

PREMISES CONSIDERED, Petitioner, Kingsport Power Company, d/b/a AEP Appalachian Power, with the support and concurrence of its customer, Tennessee Army National Guard, prays:

1. That notice be issued pursuant to the Rules and Regulations of the TRA;
2. That the proposed NET METERING And INTERCONNECTION AGREEMENT (Exhibit "A") be reviewed and approved by the TRA; and
3. That Petitioner have such further specific and general relief as the TRA deems proper.

Respectfully submitted,

By: 
William C. Bovender, Esq. (BPR#000751)
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Kingsport, TN 37664
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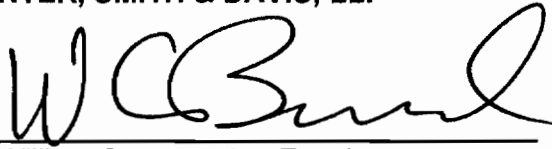
By: 
James R. Bacha, Esq.
American Electric Power Service
Corporation
1 Riverside Plaza
Columbus, OH 43215
(615) 716-1615; Fax: (614) 716-2950

**Attorneys for Kingsport Power Company
d/b/a AEP Appalachian Power**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Petition for Approval of Special Contract has been served upon Major Tim Steward of the Tennessee Army National Guard, by mailing a copy of same by United States mail, postage prepaid, to Procurement Office – Bldg 150, 300 Armory Drive, Nashville, TN 37204, below on this the 12th day of September, 2008.

HUNTER, SMITH & DAVIS, LLP

By: 
William C. Bovender, Esquire

NET METERING and INTERCONNECTION AGREEMENT

This Net Metering and Interconnection Agreement ("Agreement") is made and entered into this 19 day of August, 2008, by Kingsport Power Company ("Company") and the Tennessee Army National Guard ("Customer"), each hereinafter sometimes referred to individually as "Party" or collectively as the "Parties". In consideration of mutual covenants set forth herein, the Parties agree as follows:

Section 1. The Net Metering Facility

The Customer is planning on building a new Armed Forces Reserve Center and Field Maintenance Shop at the Holston Army Ammunition Plant Reservation in Mt. Carmel, Tennessee. As part of this Field Maintenance Shop the Customer plans on installing a Net Metering Facility ("Facility") consisting of a Renewable Fuel Generator ("RF Generator"), 30 kW Photovoltaic Solar Panel Array. The Customer maintains this Facility is designed and constructed to operate in parallel with the Company's electric transmission/distribution system ("System") without adversely affecting the operation of the equipment or service of the Company and its customers, and without presenting safety hazards to the Company or the Customer personnel, and is intended primarily to offset all or part of the Customer's own electricity requirements.

Section 2. Governing Provisions

The terms of this agreement shall be interpreted under and subject to Tennessee Law. The Parties shall be subject to the Tennessee Regulatory Authority's Regulations for Electric Companies, the terms and conditions set forth in this Agreement, and the Company's applicable tariffs.

Section 3. Interruption or Reduction of Deliveries

The Company shall not be obligated to accept energy from the Customers and may require Customer to interrupt or reduce delivery of energy, when necessary, in order to construct, install, repair, replace, remove, investigate, or inspect any of the Company's equipment or part of its System; or if it reasonably determines that curtailment, interruption, or reduction is necessary because of emergencies, forced outages, force majeure, or compliance with prudent electrical practices. Whenever possible, the Company shall give the Customer reasonable notice of the possibility that interruption or reduction of deliveries may be required. Notwithstanding any other provision of this Agreement, if at any time the Company reasonably determines that either the Facility may endanger the Company's personnel or other persons or property, or the continued operation of the Facility may endanger the integrity or safety of the Company's System, the Company shall have the right to disconnect and lock out the Facility from the Company's System. The Facility shall remain disconnected until such time as the Company is reasonably satisfied that the conditions referenced in this Section have been corrected.

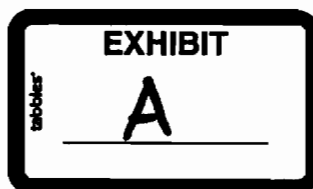
Section 4. Interconnection

Customer shall deliver the as-available energy to the Company at the Company's meter.

Company shall furnish and install a combination kilowatt demand and kilowatt-hour meter that can measure the flow of electricity in both directions. Customer shall provide and install a meter socket for the Company's meter and any related interconnection equipment per the Company's technical requirements, including safety and performance standards. Customer shall be responsible for all costs associated with installation of the standard kilowatt-hour meter and testing in conformity.

The RF Generator equipment and installations shall comply with the manufacturer's specifications, all applicable safety and performance standards of the National Electrical Code, the Institute of Electrical and Electronic Engineers Standard 1547 (Standard for Interconnecting Distributed Resources with Electric Power Systems), safety and performance standards established by local and national electrical codes including, the Institute of Electrical and Electronics Engineers, the National Electrical Safety Code, and Underwriters Laboratories. Customer's RF Generator equipment and installations shall also comply with the Company's Interconnection Guidelines. The Company shall provide a copy of its Interconnection Guidelines to the customer upon request.

The grounding scheme of the Customer's Facility shall comply with IEEE 1547, Standard for Interconnecting Distributed Resources with Electric Power Systems, July 2003, and shall be consistent with the grounding scheme used by the Company. If requested by the Customer, the Company shall assist the customer in selecting a grounding scheme that coordinates with the Company's System.



NET METERING and INTERCONNECTION AGREEMENT

The Customer shall submit a completed Interconnection Form to the Company at least sixty (60) days prior to the date the Customer intends to interconnect the Facility to the Company's facilities. The Company shall provide a copy of the Interconnection Form to the Customer upon request. Following notification by the Customer, the Company shall review the plans of the Facility and provide the results of its review to the Customer within 60 calendar days. Any items that would prevent parallel operation, due to violation of applicable safety standards and/or power generation limits, shall be explained along with a description of the modifications necessary to remedy the violations. Following a notification of disconnection of the Facility, the Customer must complete the notification process prior to any subsequent reconnection.

The Company shall have the right to inspect and test the Facility equipment and installation prior to interconnection. The nature and extent of these tests shall be determined solely by the Company. The Customer shall not commence parallel operation of the Facility until the Facility has been approved by the Company. Such approval shall not be unreasonably withheld or delayed. The Company reserves the right to conduct additional tests and inspections and to install additional equipment or meters at any time following interconnection of the Facility. Notwithstanding the foregoing, the Company's approval to operate the Customer's Facility in parallel with the Company's System should not be construed as an endorsement, confirmation, warranty, guarantee, or representation concerning the safety, operating characteristics, durability, or reliability of the Customer's Facility.

The Customer shall not be permitted to interconnect its Facility to the Company's System, if the interconnection would reasonably lead to damage of the Company's System or would reasonably lead to voltage regulation or power quality problems at other customer revenue meters, due to the incremental effect of the generator on the performance of the Company's System, unless the Customer reimburses the Company for its cost to modify any facilities needed to accommodate the interconnection.

If connection of the Customer's Facility would reasonably create an overload of the Company's transformer, or any transformer winding, beyond manufacturer or nameplate ratings, the Customer shall reimburse the Company the cost to modify any facilities needed to accommodate the interconnection.

To prevent a Customer from back-feeding a de-energized line, the Customer shall install a manual disconnect switch with lockout capability that is accessible to Company personnel at all hours.

Section 5. Modifications

The Customer shall notify the Company at least fourteen (14) days prior to making any material changes to the Facility, including, but not necessarily limited to, any modification to the equipment or protective equipment settings or disconnection of the Facility from the Company's System, excluding temporary disconnects for routine maintenance. Modifications or changes made to the Facility shall be evaluated by the Company prior to being made. The Customer shall provide detailed information describing the modifications or changes to the Company in writing prior to making the modifications to the Facility. The Company shall review the proposed changes to the Facility and provide the results of its evaluation to the Customer within sixty (60) calendar days of receipt of the Customer's proposal. Any items that would prevent parallel operation due to violation of applicable safety standards and/or power generation limits shall be explained along with a description of the modifications necessary to remedy the violations.

The Customer shall notify the Company immediately regarding either any damage to the Facility or any safety-related emergency disconnections.

Section 6. Maintenance and Permits

The Customer shall obtain any governmental authorizations and permits required for the construction and operation of the Facility and interconnection facilities.

The Customer shall periodically maintain and test the RF Generator in accordance with the manufacturer's specifications and all applicable safety and performance standards.

Section 7. Access to Premises

The Company may enter the Customer's premises to inspect the Customer's protective devices and read or test the meter. The Company may disconnect the interconnection facilities without notice if the Company reasonably believes a hazardous

NET METERING and INTERCONNECTION AGREEMENT

condition exists and such immediate action is necessary to protect persons, or the Company's facilities, or property of others from damage or interference caused by the Customer's facilities, or lack of properly operating protective devices.

Section 8. Limitation on Consequential, Incidental and Indirect Damages

To the fullest extent permitted by law, neither customer nor company, nor their respective officers, directors, agents, employees, members, parents or affiliates, successors or assigns, or their respective officers, directors, agents, nor employees, successors or assigns, shall be liable to the other party or their respective members, parents, subsidiaries, affiliates, officers, directors, agents, employees, successors or assigns, for claims, suits, actions or causes of action for incidental, indirect, special, punitive, multiple or consequential damages connected with or resulting from performance or non-performance of this agreement, or any actions undertaken in connection with or related to this agreement, including without limitation, any such damages which are based upon causes of action for breach of contract, tort (including negligence and misrepresentation), breach of warranty, strict liability, statute, operation of law, under any indemnity provision or any other theory of recovery. The obligor's liability shall be limited to direct damages only, and such direct damages shall be the sole and exclusive measure of damages and all other judicial remedies or damages are waived. The provisions of this section shall apply regardless of fault and shall survive termination, cancellation, suspension, completion or expiration of this agreement. Notwithstanding anything in this section to the contrary, any provision or provisions of this section will not apply to the extent it is finally determined by a court of competent jurisdiction, including appellate review if pursued, to violate the laws or Constitution of the State of Tennessee.

Section 9. Liability

Customer is part of the Tennessee Army National Guard and instrumentality of the State of Tennessee. The State of Tennessee and its instrumentalities may be held liable for monetary damages on account of damage to, or loss of, property or personal injury or death caused by the negligent or wrongful act or omission of any employee while acting within the scope of his employment under Tennessee's Governmental Tort Liability Act T.C.A. § 29-20-101, *et seq.* Nothing contained herein shall be deemed an express or implied waiver of the sovereign immunity of the Customer or the State of Tennessee.

The Customer shall provide a copy of its self-insured policy to the Company.

Neither Party assumes any responsibility of any kind with respect to the construction, maintenance, or operation of the system or other property owned or used by the other Party. The Customer agrees that the Company shall not be liable for any Claims, costs, losses, suits or judgments for damages to any Person or property in any way resulting from, growing out of, or arising in or in connection with the use of, or contact with, Energy delivered hereunder after it is delivered to Customer and while it is flowing through the lines of Customer, or is being distributed by Customer, or is being used by Retail Load.

Section 10. Facilities Charges

The Customer is responsible for all equipment and installation costs of the Facility.

The Company shall inspect the inverter settings of the RF Generator. The customer shall pay \$50 to the Company for each inspection.

The Customer shall pay to the Company any additional charges, as determined by the Company, for equipment, labor, metering, testing or inspections requested by the Customer.

Section 11. Monthly Charges

All monthly charges shall be in accordance with the tariff schedule under which the Customer takes service. Such charges shall be based on the Customer's net energy for the billing period, to the extent that the net energy exceeds zero. The Customer's net energy shall be calculated by subtracting the energy, if any, delivered by the Customer to the Company from the energy delivered by the Company to the Customer. To the extent that the Customer's net energy is zero or negative during the billing period, the Customer shall pay only the non-usage sensitive charges of the standard Schedule. The Customer shall receive no compensation from the Company for negative net energy during the billing period. The negative energy during the billing period shall be carried forward and credited against positive energy usage in subsequent billing periods.

NET METERING and INTERCONNECTION AGREEMENT

The Net Metering Period shall be defined as each successive 12-month period beginning with the first meter reading date following the date of interconnection of the renewable fuel generator with the Company's facilities. Any negative net energy at the end of a Net Metering Period shall be carried forward to the next Net Metering Period only to the extent that the negative net energy does not exceed the positive net consumption for the current net metering period.

Negative net energy is not transferable, and the Customer shall receive no compensation from the Company for any negative net energy upon termination of service from the Company.

Section 12. Term of Agreement

The term of this Agreement shall be the same as the term of the otherwise applicable standard rate schedule. This Agreement shall remain in effect until modified or terminated in accordance with its terms or applicable regulations or laws.

Section 13. Assignment

This Agreement and all provisions hereof shall inure to and be binding upon the respective parties hereto, their personal representatives, heirs, successors, and assigns. The Customer shall not assign this Agreement or any part hereof without the prior written consent of the Company, and such unauthorized assignment may result in termination of this Agreement.

Section 14. Notices

All written notices shall be directed as follows:

For the Company:

Appalachian Power Company
Customer Services
P.O. Box 2021
Roanoke, VA 24022-2121

For the Customer:

Name: Major Tim Stewart
Attention: Procurement Office - Building 150
Address: 300 Armory Drive
City: Nashville State: TN Zip Code: 37204

Customer notices to Company shall refer to the Customer's electric service account number.

NET METERING and INTERCONNECTION AGREEMENT

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

Dated this 22 day of August, 2008.

Kingsport Power Company:

By: Daniel M. Hauer

Title: Customer Services Manager

For: _____

State of Tennessee, Department of General Services

By: David L. Sims

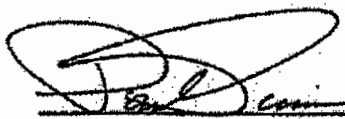
Title: Commissioner, State of Tennessee,
Department of General Services

For: _____

CERTIFICATE OF SELF INSURANCE

The State of Tennessee self insures its exposures in general liability, automobile liability, professional malpractice and workers' compensation. The limits of liability for general liability, professional malpractice and automobile liability are \$300,000 per person and \$1 million dollars per occurrence. The limits of liability under workers' compensation are those set forth in T.C.A. § 50-6-101 et seq. Copies of the statute which authorize actions against the State of Tennessee, establish the State's limit of liability, and authorize self insurance through the Claims Award Fund, are set forth in T.C.A. §9-8-101 et seq.

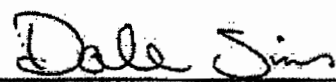
The State's self insurance program insures all liability created under Title 9, Chapter 8 of the Tennessee Code Annotated, for all State departments, agencies and institutions, including State institutions of higher education. This program is effective for any acts or omissions of the State or its employees which occur on or after January 1, 1985. Persons wishing to file a claim for damages against the State of Tennessee arising from an act or omission of the State or its employees should file such claim with the State Treasury Department, Division of Claims Administration, 9th Floor, Andrew Jackson State Office Building, Nashville, Tennessee 37243.



Paul G. Summers
Attorney General and Reporter

4/27/05

Date



Dale Sims, State Treasurer
Chairman, Board of Claims

4/29/05

Date