

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**October 17, 2008**

**IN RE:**

**PETITION OF KINGSFORT POWER COMPANY d/b/a  
AEP APPALACHIAN POWER FOR APPROVAL OF A  
SPECIAL CONTRACT WITH THE TENNESSEE ARMY  
NATIONAL GUARD**

**DOCKET NO.  
08-00173**

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**ORDER GRANTING APPROVAL OF SPECIAL CONTRACT**

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This matter came before Director Eddie Roberson, Director Sara Kyle and Director Mary W. Freeman of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on October 6, 2008, for consideration of the *Petition for Approval of Special Contract* (“*Petition*”) filed on September 12, 2008 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”) for approval of a special contract.

**BACKGROUND**

Kingsport, a public utility with its principal office in Kingsport, Tennessee, 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, under rates and charges that are subject to the jurisdiction of the Federal Energy Regulatory Commission.

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. Kingsport's *Petition*, filed pursuant to TRA Rule 1220-4-1-.07, seeks Authority approval of a special contract which will provide for net metering and interconnection. Net metering is a method of crediting customers for electricity that they generate on site in excess of their own electricity consumption. The Renewable Fuel Generator will be interconnected with Kingsport's distribution system so that electricity can be added to the grid at times when the facility is generating more power than the Armed Forces Reserve Center and Field Maintenance Shop are consuming. The Tennessee National Guard will be charged for the electricity it consumes net of the electricity added to the grid.

#### **FINDINGS AND CONCLUSIONS**

TRA Rule 1220-4-1-.07, states:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, scheduled, or rules filed by such utilities are subject to supervision, regulation, and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

The Energy Policy Act of 2005 amended Section 111(d) of the Public Utility Regulatory Policies Act ("PURPA") of 1978 (16 U.S.C. Section 2621(d)). The amendment added five standards<sup>1</sup> for which the Authority considered the feasibility and appropriateness of implementation with respect to Kingsport.<sup>2</sup>

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<sup>1</sup> The five new PURPA standards were Net Metering, Fuel Sources, Fossil Fuel Generation Efficiency, Time-based Metering and Communications, and Interconnection.

<sup>2</sup> See *In Re: Appropriateness of Implementation 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*, Docket No. 06-00010, *Initial Order*, p. 4 (August 10, 2008) (hereinafter "*PURPA Standards Order*").

With respect to net metering,<sup>3</sup> the Authority declined to adopt the standard. At that time, none of Kingsport's customers had expressed an interest in net metering. Rather than expending the time, money, and resources to design a one size fits all tariff without any expected customers, Kingsport committed to work with residential and small commercial customers interested in net metering to put a special contract into place. The TRA found this to be an efficient and sufficient method for addressing the Net Metering Standard.<sup>4</sup>

The Net Metering and Interconnection Agreement before the Authority specifies that the Tennessee National Guard will pay standard tariff rates for the net energy consumed, to the extent that the net energy exceeds zero. If energy consumption is a net negative for the billing period, the negative amount will be carried forward and credited against positive consumption in subsequent billing periods. The contract also specifies that all equipment and installations associated with interconnection to Kingsport's distribution system will be done in compliance with the Institute of Electrical and Electronic Engineers ("IEEE") Standard 1547 as well as safety and performance standards established by the National Electrical Safety Code, Underwriters Laboratories, and the IEEE.

At a regularly scheduled Authority Conference held on October 6, 2008, the voting Panel assigned to this docket voted unanimously to approve the *Petition* after finding that this request was consistent with the commitment Kingsport made in Docket No. 06-00010 to work with customers interested in net metering, that the contract contained provisions to ensure safe and proper

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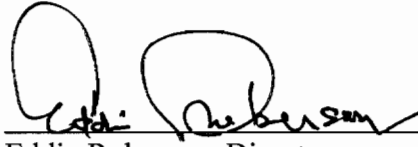
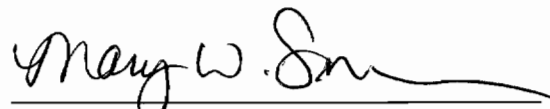
<sup>3</sup> Standard 11 - Net Metering: Each electric utility shall make available upon request net metering to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "net metering service" means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.

<sup>4</sup> *PURPA Standards Order*, p. 4.

interconnection with the distribution system, and that the contract helps advance the use of renewable energy resources.

**IT IS THEREFORE ORDERED THAT:**

The Special Contract by and between Kingsport Power Company d/b/a AEP Appalachian Power and the Tennessee Army National Guard is approved.

  
Eddie Roberson, Director  
Sara Kyle, Director  
Mary W. Freeman, Director