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KPOW.83302

December 2, 2008
VIA FEDERAL EXPRESS

Tre Hargett, Chairman
ATTN: Sharla Dillion, Dockets & Records Manager
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Notice of Kingsport Power Company d/b/a AEP
Appalachian Power
TRA Docket No.: **08-00213**

Dear Chairman Hargett:

Pursuant to our conversation with General Counsel Collier and TRA Rule 1220-4-1-.05, we submit herewith thirteen copies of the Notice that Kingsport Power Company caused to be printed in the Kingsport Times-News, a newspaper of general circulation located in Kingsport's service area, on Saturday, November 29, 2008.

Should there be questions, please contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

WCB/slb
Enclosures

cc: Richard Collier, Esq. (via email)
James R. Bacha, Esq. (via email)
William A. Bosta (via email)
Barry L. Thomas (via email)

08-00213

Saturday, November 29, 2008/ Kingsport Times-News 7 B

KINGSPORT POWER COMPANY NOTICE TO PUBLIC

Pursuant to Rule 1220-4-1-.05 of the Tennessee Regulatory Authority (TRA), Kingsport Power Company, d/b/a AEP Appalachian Power (Kingsport), hereby gives notice that on November 14, 2008, it filed a notice with the TRA relative to changes in Kingsport's Purchased Power Adjustment Rider (PPAR). The PPAR authorizes Kingsport, upon no less than 30-days notice, to apply a surcharge to all customer bills rendered by it to allow for changes in the non-fuel cost of purchased power from Kingsport's wholesale power supplier, under rate schedules implemented by the Federal Energy Regulatory Commission (FERC). Changes in fuel costs associated with power from Kingsport's wholesale supplier would continue to be reflected in Kingsport's fuel adjustment clause. Kingsport's current tariffs, and its filing regarding changes to its PPAR, are on file with the TRA at 460 James Robertson Parkway, Nashville, Tennessee, and in the office of Kingsport Power Company, 420 Riverport Road, Kingsport, Tennessee, and are available for public inspection.

On November 13, 2008, Kingsport's wholesale supplier, Appalachian Power Company (APCo), filed with the FERC an Amended and Restated Interconnection Agreement (Agreement) between APCo and Kingsport, which APCo designated as Appalachian Power Company First Revised FERC Rate Schedule No. 23 (Revised Rate Schedule 23). Revised Rate Schedule 23 provides for three annual step increases in APCo's generation rates to Kingsport that were negotiated with the only protestant in APCo's earlier FERC filing, which proposed to implement cost-based formula rates for Kingsport effective July 1, 2009. In its November 13, 2008, FERC filing, APCo proposes that Revised Rate Schedule 23, including the rates contained therein, be accepted for filing by FERC, effective January 1, 2009. Kingsport expects that Revised Rate Schedule 23 will be accepted for filing by FERC, and that the first year rates contained therein will begin to be charged to Kingsport by APCo on January 1, 2009.

If the change in Kingsport's non-fuel cost of purchased power resulting from the FERC's implementation of APCo's Revised Rate Schedule 23 were passed through to Kingsport's customers per the current PPAR, then the surcharges to be applied to customer bills during calendar year 2009 would result in class average increases ranging from 1% to 34%, as shown in Column 2 of the table below. While the TRA could decline it is required to pass the wholesale rate change through Kingsport's current PPAR, in its November 14, 2008, Notice to the TRA, Kingsport proposed to update the allocation factors contained in its PPAR, and to modify the calculation of PPAR surcharges applicable to Tariffs Large General Service (LGS) and Industrial Power (IP). The proposed modifications to the calculation of PPAR surcharges for the LGS and IP Tariffs would mitigate the variation in impacts among customers served under those tariffs. If Kingsport's PPAR proposals are adopted by the TRA, then the surcharges to be applied to customer bills during calendar year 2009 would result in class average increases ranging from 4% to 25%, as shown in Column 3 of the table below.

Column 1 CUSTOMER CLASS	Column 2 Electric Bill Percentage Increase from New Surcharges Under Current PPAR	Column 3 Electric Bill Percentage Increase from New Surcharges Under Modified PPAR
Residential Services	26%	25%
Small General Service (SGS)	11%	14%
Medium General Service (MGS)	16%	20%
Electric Heating General (EHG)	24%	20%
Church Service (CS)	14%	20%
Public Schools (PS)	34%	23%
Outdoor Lighting (OL)	1%	4%
Large General Service (LGS)	23%	20%
Industrial Power (IP)	21%	22%

The TRA could also adopt Kingsport's proposed allocation factors, but decline to adopt the Company's proposed modifications to the calculation of the surcharges applicable to the LGS and IP customer classes. In that event, the percentage increases shown for these customer classes in Column 3, above, would remain the same, but LGS and IP customers with higher usage relative to their demands would receive more of an increase than customers with lower usage relative to their demands.

The TRA will consider Kingsport's filing regarding its PPAR at a hearing to be held during the TRA's December 15, 2008, conference, at the TRA's offices at 460 James Robertson Parkway, Nashville, Tennessee.

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