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

**Re: Notice of Kingsport Power Company, d/b/a AEP Appalachian
Power, Relative to Changes in its Purchased Power
Adjustment Rider**

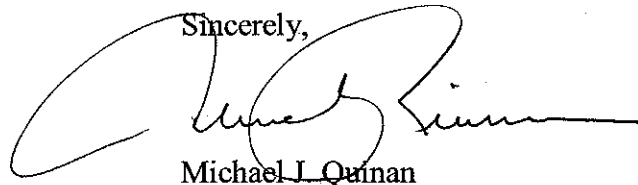
TRA Docket No. 08-00213

Dear Chairman Hargett:

Enclosed for filing in the above matter is the *Petition to Intervene of East Tennessee Energy Consumers*.

Please contact me if you have any questions. Thank you for your assistance.

Sincerely,



Michael J. Quinan

Enclosure

#913269

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

**NOTICE OF KINGSFORT POWER COMPANY,
D/B/A AEP APPALACHIAN POWER,
RELATIVE TO CHANGES IN ITS
PURCHASED POWER ADJUSTMENT RIDER**

**Docket No.
08-00213**

**PETITION TO INTERVENE OF
EAST TENNESSEE ENERGY CONSUMERS**

East Tennessee Energy Consumers ("ETEC"), pursuant to Rule 1220-1-2-08 of the Rules of Practice and Procedures of the Tennessee Regulatory Authority ("Authority") and T.C.A. §§ 4-5-310 and 65-2-107, by counsel, hereby petitions to intervene in this proceeding and states as follows.

On November 14, 2008, Kingsport Power Company ("Kingsport") filed its Notice of Kingsport Power Company, d/b/a/ AEP Appalachian Power Company relative to changes in its Purchased Power Adjustment Rider ("Notice."). In the Notice, Kingsport provides the Authority with notice of Kingsport's intention to pass through to its customers certain anticipated increases in its non-fuel purchased power expense. Kingsport also proposes in its Notice certain changes in its Purchased Power Adjustment Rider ("PPAR"). The proposed changes are set forth in Exhibit 6 of the Notice.

ETEC is an unincorporated association of large industrial customers of Kingsport.¹ As customers of Kingsport, ETEC's members have a vital interest in this proceeding, which will affect the rates they pay for electric service from Kingsport.

¹ The members of ETEC include Eastman Chemical Company; Domtar Paper Company, LLC; Air Products and Chemicals, Inc.; BAE Systems Ordnance Systems, Inc.; Wellmont Health System, and AGC Flat Glass North America. Each has facilities within Kingsport's service territory.

Background

As the Notice states, ETEC filed a Protest with the Federal Energy Regulatory Commission ("FERC") in response to a formula rate agreement ("Formula Rate Agreement") filed by Kingsport and its parent, Appalachian Power Company ("APCo"), with the FERC on March 28, 2008. The Formula Rate Agreement provided for the sale of full requirements electric service by APCo to Kingsport over a 20-year period, commencing July 1, 2008, based on a formula that included annual rate adjustments tied largely to APCo's booked costs.

On May 9, 2008, subsequent to the filing of ETEC's Protest, APCo filed a letter with the FERC requesting withdrawal of that filing. The FERC issued a Letter Order, dated July 2, 2008, accepting that request.

Following extensive discussions, ETEC, APCo, and Kingsport entered into a Settlement Agreement, dated November 13, 2008, reflecting their agreement on certain rates and terms under which APCo would provide wholesale electric service to Kingsport. On the same date, November 13, 2008, APCo and Kingsport filed with FERC an amended and restated agreement ("Amended Agreement") between APCo and Kingsport for the sale of electric service by APCo to Kingsport that reflects rates and terms included in the Settlement Agreement. Both the Settlement Agreement and the Amended Agreement are included in Schedule 4 of Kingsport's instant Notice. Both agreements provide for three annual stepped increases, commencing January 1, 2009, in APCo's demand, energy and back-up service charges for Kingsport.

Kingsport's Proposed Changes to the PPAR

In the Notice, Kingsport proposes two changes to its currently approved PPAR. First, Kingsport proposes to update the demand and energy allocation factors in Section 2 of the PPAR

to reflect more current data. Such demand and energy allocation factors allocate changes in Kingsport's non-fuel purchased power expense among each of Kingsport's customer rate classes.

Second, Kingsport proposes to modify the rate design of the provisions in the PPAR applicable to the two customer rate classes whose tariffs include demand-related rates, *i.e.*, Kingsport's Large General Service ("LGS") and its Industrial Power ("IP") rate classes. The current PPAR collects changes in Kingsport's non-fuel purchased power expenses only through energy (cents/kWh) charges or credits. For the LGS and IP classes, *i.e.*, the two classes of customers served under tariffs that include both demand as well as energy charges, Kingsport now proposes to collect for changes in such expenses through *both* demand and energy charges or credits. No other class of customers is affected by this proposal.

Both of Kingsport's proposals are reasonable, and ETEC supports them. The current allocation factors are based on 1991 load data, so updating them to reflect 2007 data is reasonable. Further, using both demand and energy charges to collect for changes in non-fuel purchased power expenses from the two classes of customers with demand meters (*i.e.*, customers served under LGS and IP tariffs) is more reasonable than collecting for such expenses solely through energy charges. The vast majority of the increase in such expenses is demand-related, so such a modification to the rate design more closely reflects the types of costs being collected through the PPAR surcharges. Moreover, the proposed use of demand charges for the LGS and IP classes moderates the significant variation in rate impact between high and low load factor customers *within* those two classes that otherwise would occur if only energy charges were imposed. Such a moderating impact is especially timely and important in view of the significantly increased amount of Kingsport's non-fuel purchased power costs being passed through the PPAR to Kingsport's customers. The proposed use of demand charges, if approved,

would reduce the severe impact on high load factor customers within those classes that otherwise would occur if only energy charges were imposed.

All communications to ETEC concerning this docket should be addressed to:

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Conclusion

Based on the facts and circumstances of this case, Kingsport's proposals are reasonable, and ETEC recommends their adoption.

Wherefore, for the reasons stated, ETEC requests that the Commission grant ETEC's intervention and status as a full party.

Respectfully submitted,

East Tennessee Energy Consumers:

By Counsel

A handwritten signature in black ink, appearing to read "Michael J. Quinan", written over a horizontal line.

Michael J. Quinan, Esq. (BPR#011104)

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Date: December 8, 2008

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Petition to Intervene of East Tennessee Energy Consumers* was mailed, first-class postage prepaid, or sent electronically this 8th day of December, 2008, to each person listed below:



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