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**PLEASE RESPOND TO:**  
KINGSPORT OFFICE

July 22, 2013

*VIA EMAIL & FEDEX*

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

Dear Mr. Foster:

As you are aware, by Order dated December 22, 2008, in the above-listed Docket, the Tennessee Regulatory Authority ("TRA") approved changes in Kingsport Power Company's ("KgPCo's") Purchased Power Adjustment Rider ("PPAR"). KgPCo's current PPAR, which includes surcharges that became effective January 1, 2012, is located on sheets 2-8 to 2-10 of TRA TARIFF NUMBER 1 (EXHIBIT 1 hereto). The PPAR permits KgPCo to adjust the surcharge on its retail customers' bills when there are changes in KgPCo's non-fuel cost of purchased power from its wholesale power supplier, Appalachian Power Company ("APCo"), under FERC implemented rate schedules.

KgPCo and APCo are parties to the Amended and Restated Interconnection Agreement, dated November 13, 2008, designated as Appalachian Power Company First Revised FERC Rate Schedule No. 23 ("Revised Rate Schedule 23"), under which APCo currently supplies full requirements electric service to KgPCo. Revised Rate Schedule 23 resulted in increased generation costs charged to KgPCo by APCo in 2009, 2010, and 2011, and which resulted in corresponding adjustments in the rates KgPCo charged its customers under the PPAR in those three years. In addition to generation rate increases, Revised Rate Schedule 23 provides that KgPCo will pay for Network Integration Transmission Services ("NITS") and other applicable transmission-related services as arranged by the AEP East System, in accordance with the PJM Open Access Transmission Service Tariff ("OATT"), or other applicable FERC rate schedules,

July 22, 2013

as such rate schedules, which may be revised by FERC from time to time, apply to AEP East System Companies such as KgPCo.

On October 29, 2010, the FERC approved a Settlement Agreement in FERC Docket No. ER09-1279-000. The approved Settlement Agreement provided for a phase-in of charges under a Transmission Agreement, designated as First Revised Rate Schedule No. 34 ("Revised Rate Schedule 34"), in three steps, through July 31, 2013. As a result of discussions with a group of its larger industrial customers, East Tennessee Energy Consumers ("ETEC"), KgPCo agreed to levelize the FERC-approved phase-in of transmission costs over the period January 1, 2011 through July 31, 2013.

As shown on EXHIBIT 1, Section 4 of the current PPAR provides that tariff surcharges, as calculated by use of the formula contained in Section 3, shall become effective upon the same day as any change in KgPCo's wholesale supplier's tariff is implemented by the FERC. Under the terms of KgPCo's current PPAR, the changes in KgPCo's non-fuel cost of purchased power, including transmission costs, resulting from the FERC's implementation of Revised Rate Schedules 23 and 34 would be passed to KgPCo's customers upon 30 days' notice. The revised surcharges applicable to each of KgPCo's tariffs under this approach are set forth in black-line and clean copies of the PPAR (attached as EXHIBIT 2, hereto).

In accordance with Section 5 of the PPAR, this letter is submitted so as to provide no less than 30 days' notice of those changes to the current PPAR, and include the newly-calculated surcharges to become effective September 1, 2013. The new surcharges in Section 7 of the PPAR reflect the effects of the FERC-implemented changes in the transmission portion of KgPCo's non-fuel cost of purchased power, in accordance with the provisions of Revised Rate Schedules 23 and 34, coupled with the cessation of levelization of the FERC-approved phase-in of charges in transmission costs resulting from the agreement between KgPCo and ETEC. There is no change in the generation portion of the proposed surcharges.

The surcharges shown in EXHIBIT 2 reflect the decreased purchased power costs that KgPCo will incur effective September 1, 2013. The surcharges, revised on September 1, 2013 would reduce annual revenues by \$1,927,101. Supporting documentation showing the calculations of purchased power costs to be collected by the proposed surcharges is shown on EXHIBIT 3 (attached hereto). KgPCo proposes to utilize the same allocation factors for this 2013 PPAR adjustment that were utilized in its 2012 PPAR.

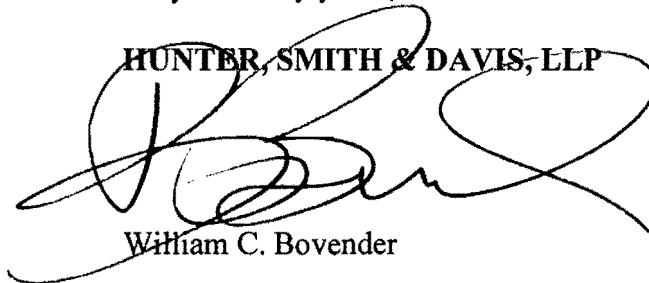
KgPCo will soon have published a "NOTICE TO PUBLIC" (EXHIBIT 4, attached hereto) regarding this tariff filing, one time in the Kingsport Times-News, a newspaper of general circulation within the service territory of KgPCo. The general form of KgPCo's "NOTICE TO PUBLIC" was approved by the TRA Legal Department in 2010. After publication of its "NOTICE TO PUBLIC", KgPCo will file a copy of the original newspaper notice and an Affidavit of Publication in this Docket.

July 22, 2013

Should there be any questions, please contact the writer.

Very sincerely yours,

**HUNTER, SMITH & DAVIS, LLP**

A large, stylized handwritten signature in black ink, appearing to read 'W. C. Bovender', is written over the firm name.

William C. Bovender

Enclosure

c: James R. Bacha, Esq. (w/enc. via email)  
William A. Bosta (w/enc. via email)  
Vance L. Broemel, Esq. (w/enc. via email)  
Hector Garcia, Esq. (w/enc. via email)  
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David M. Roush (w/enc. via email)  
Tiffany Underwood (w/enc. via email)

KINGSPORT POWER COMPANY  
d/b/a AEP Appalachian Power  
Kingsport, Tennessee

1<sup>ST</sup> Revised Sheet Number 2-8  
T.R.A. Tariff Number 1  
Cancels Original Sheet Number 2-8

### PURCHASED POWER ADJUSTMENT RIDER

Kingsport Power is authorized under the terms of this rider to apply a surcharge to all customer bills rendered by the Company to allow for changes in the non-fuel cost of purchased power from the Company's wholesale power supplier under the Federal Energy Regulatory Commission implemented rate schedules, including, but not limited to, all demand charges and energy charges which are paid by the Company to its wholesale power supplier in connection with the electric service provided to the Company.

1. Calculation of Change in Non-Fuel Purchased Power Expense

The change in the Company's non-fuel purchased power expense shall be calculated according to the following formula:

$$(D_p - D_c) + (E_p - E_c)$$

where "D" is the Company's demand-related purchased power expense and "E" is the Company's non-fuel energy-related purchased power expense as calculated for a 12-month test period based on the wholesale supplier's proposed ("p") and current ("c") rates.

2. Allocation of Change in Non-Fuel Purchased Power Expense to Tariffs

The change in the Company's demand and non-fuel energy-related purchased power expense as determined under Section 1 of this rider shall be allocated to individual tariffs by application of the following allocation factors:

<u>Tariff</u>	<u>Demand Allocation Factor</u> %	<u>Energy Allocation Factor</u> %
Residential Service (RS)	44.76	34.79
Small General Service (SGS)	1.00	0.99
Medium General Service (MGS)	5.11	4.20
Electric Heating General (EHG)	1.83	1.55
Church Service (CS)	0.61	0.47
Public Schools (PS)	1.62	1.52
Large General Service (LGS)	11.63	12.47
Industrial Power (IP)	33.33	43.81
Outdoor Lighting (OL)	0.11	0.20
Total	100.00	100.00

The above allocation factors are based on the demand and non-fuel energy-related purchased power expense allocators filed by the Company with the Tennessee Regulatory Authority in Docket Number 08-00213.

3. Determination of Surcharges by Tariff

The change in demand and non-fuel energy-related purchased power expense as allocated to each tariff under the terms of Section 2 of this rider shall be recovered by means of a demand, energy or lamp surcharge calculated according to the following formulas:

Tariffs RS, SGS, MGS, EHG, CS, and PS: (Energy only)

$$\frac{\Delta D + \Delta E}{\text{KWH}}$$

Issued: December 19, 2008  
By: Dana Waldo, President

Effective January 1, 2009  
Pursuant to an Order in  
Docket Number 08-00213

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**PURCHASED POWER ADJUSTMENT RIDER**

Tariffs LGS and IP: (Demand and Energy

Demand:

Energy:

	$\frac{1}{2} \Delta D$	$\frac{1}{2} \Delta D + \Delta E$
KW		KWH
Tariff OL (Lamp Only)	$\frac{\Delta D + \Delta E}{\text{Lamp months}}$	

where " $\Delta D$ " is the change in the Company's demand-related purchased power expense allocated to each tariff, " $\Delta E$ " is the change in the Company's non-fuel energy-related purchased power expense allocated to each tariff, "KWH" is the previous calendar year kilowatthour sales by tariff for all tariffs, "KW" is the previous calendar year kilowatt sales by tariff for all tariffs and lamp months is the lamp-months for the previous calendar year.

4. Effective Date of Surcharge

The tariff surcharges as calculated in Section 3 of this rider shall be effective upon the same date as any change in the Company's wholesale supplier's tariffs is implemented by the Federal Energy Regulatory Commission.

5. Notification of Change in Surcharge by the Company

The Company will provide no less than a 30-day notice of the proposed effective date in any change in the purchased power surcharge to its customers. The Company will also provide the calculations and other information supporting the proposed purchased power surcharges to the Staff of the Tennessee Regulatory Authority 30 days prior to the effective date of such surcharge.

6. Refund Procedure

Should the change in the Company's non-fuel related purchased power expense recovered through the application of this rider exceed the level of change in non-fuel related purchased power expense ultimately approved by the Federal Energy Regulatory Commission, then the Company shall promptly notify the Tennessee Regulatory Authority of such a final Federal Energy Regulatory Commission order, recalculate the appropriate purchased power surcharges, and refund any excess non-fuel related purchased power expense recovered through this rider following the receipt of a refund from its wholesale supplier.

**PURCHASED POWER ADJUSTMENT RIDER**

7. Surcharge

Pursuant to the provisions of this Rider, a Purchased Power Adjustment Rider surcharge will be applied to each kilowatt-hour, kilowatt or lamp as billed under the Company's filed tariffs.

The Purchased Power Adjustment Rider surcharge applicable to each tariff is set below:

<u>Tariff</u>	<u>Energy Rate</u> <u>(\$)/ KWH</u>	<u>Demand Rate</u> <u>(\$)/ KW</u>	<u>Lamp Rate</u> <u>(\$)/ Lamp</u>
RS	.02111	--	--
SGS	.01691	--	--
MGS	.02006	--	--
EHG	.01961	--	--
CS	.02106	--	--
PS	.01774	--	--
LGS	.00855	4.16	--
IP	.00690	3.95	--
OL	--	--	.64686

KINGSPORT POWER COMPANY  
d/b/a AEP Appalachian Power  
Kingsport, Tennessee

1<sup>ST</sup> Revised Sheet Number 2-8  
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2. Allocation of Change in Non-Fuel Purchased Power Expense to Tariffs

The change in the Company's demand and non-fuel energy-related purchased power expense as determined under Section 1 of this rider shall be allocated to individual tariffs by application of the following allocation factors:

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Residential Service (RS)	44.76	34.79
Small General Service (SGS)	1.00	0.99
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Total	100.00	100.00

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**PURCHASED POWER ADJUSTMENT RIDER**

Tariffs LGS and IP: (Demand and Energy)

	Demand:	Energy:
KW	$\frac{1}{2} \Delta D$	$\frac{1}{2} \Delta D + \Delta E$ KWH
Tariff OL (Lamp Only)	$\frac{\Delta D + \Delta E}{\text{Lamp months}}$	

where " $\Delta D$ " is the change in the Company's demand-related purchased power expense allocated to each tariff, " $\Delta E$ " is the change in the Company's non-fuel energy-related purchased power expense allocated to each tariff, "KWH" is the previous calendar year kilowatthour sales by tariff for all tariffs, "KW" is the previous calendar year kilowatt sales by tariff for all tariffs and lamp months is the lamp-months for the previous calendar year.

4. Effective Date of Surcharge

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6. Refund Procedure

Should the change in the Company's non-fuel related purchased power expense recovered through the application of this rider exceed the level of change in non-fuel related purchased power expense ultimately approved by the Federal Energy Regulatory Commission, then the Company shall promptly notify the Tennessee Regulatory Authority of such a final Federal Energy Regulatory Commission order, recalculate the appropriate purchased power surcharges, and refund any excess non-fuel related purchased power expense recovered through this rider following the receipt of a refund from its wholesale supplier.



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RS	.0211101994	--	--
SGS	.0169401600	--	--
MGS	.0200601896	--	--
EHG	.0196101853	--	--
CS	.0210601989	--	--
PS	.0177401677	--	--
LGS	.0085500816	4.463.90	--
IP	.0069000660	3.9570	--
OL	--	--	.6468661591

KINGSPORT POWER COMPANY  
d/b/a AEP Appalachian Power  
Kingsport, Tennessee

1<sup>ST</sup> Revised Sheet Number 2-8  
T.R.A. Tariff Number 1  
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	Demand:	Energy:
	$\frac{1}{2} \Delta D$	$\frac{1}{2} \Delta D + \Delta E$
KW		KWH
Tariff OL (Lamp Only)	$\frac{\Delta D + \Delta E}{\text{Lamp months}}$	

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RS	.01994	--	--
SGS	.01600	--	--
MGS	.01896	--	--
EHG	.01853	--	--
CS	.01989	--	--
PS	.01677	--	--
LGS	.00816	3.90	--
IP	.00660	3.70	--
OL	--	--	.61591

Kingsport Power Company 2013/2014 Purchased Power Adjustment Rider Surcharge  
Using 12 Months Ended April 30, 2013 for Transmission OATT Demand and Energy Charges - Using July 1 2013 NITS & Schedule 1a Rate  
Calculated Using New AEP Transmission Agreement 12 CP methodology - Using Forecasted Year Ended April 2013  
Reflects Cessation of Phase-in Agreement With ETEC

April 2013

### PPAR Revenue Requirement

	A	B	C=A x B	D	E = C+D	F = E / A	G	H = E - G
	2007 KGP Billing Determinants	2007 Rates	2007 KGP Expense (paid to APCo)	Proposed 2013 Increase / (Decrease) over 2007	Proposed 2013/2014 Gross PPAR Revenue Requirement	2013 FERC Rates Per 2008 Settlement Agreement	Less: KGP Embedded 2007 Revenues	PPAR 2013 Net Revenue Requirement
<b>Generation</b>								
Demand (kW)	4,214,944	4.480	18,882,949	34,061,719	52,944,668	12.561	21,036,786	31,907,883
Non-Fuel Energy (kWh)	2,233,440,877	0.0044275	9,888,559	1,800,000	11,688,559	0.0052334	10,000,008	1,688,551
Back-up Service Level A	21,000	0.347	87,444	70,827	158,271	0.628	87,444	70,827
Back-up Service Level B	10,000	0.694	83,280	67,454	150,734	1.256	83,280	67,454
Back-up Service Level B	45,000	0.694	31,230	0	0	0	0	0
<b>Generation Total</b>			<b>28,973,463</b>	<b>36,000,000</b>	<b>64,942,233</b>		<b>31,207,518</b>	<b>33,734,715</b>
<b>Transmission</b>								
Transmission Demand Revenues	4,214,944	2.272	9,576,353	1,983,318	11,559,671 (1)		9,576,353	1,983,318
2013/14 Transmission Owner's Revenue Credit				(3,362,378)	(3,362,378)		0	(3,362,378)
2013 Year 3 Phase-In Charge (Per ETEC Side Agreement- Ended 7/31/2013)				0	0		0	0
Total Transmission Demand Revenues	4,214,944		9,576,353	(1,379,060)	8,197,293		9,576,353	(1,379,060)
2013/2014 Transmission Energy Revenues	2,233,440,877	08/1/2013 Energy rate 0.000690533	1,542,264	1,542,264	1,542,264		0	1,542,264
<b>Transmission Total</b>			<b>9,576,353</b>	<b>163,204</b>	<b>9,739,557</b>		<b>9,576,353</b>	<b>163,204</b>
<b>Total G &amp; T</b>			<b>38,549,815</b>	<b>36,163,204</b>	<b>74,681,790</b>		<b>40,783,870</b>	<b>33,897,919</b>

Note (1)

2013/2014 Transmission Demand Revenues - New 12 CP Transmission Agreement Method

NOTES

Y/E April 2013 AEP Zone 1 CP Demand (kW)	I	20,978,853	Actual through Feb '13 plus estimated Mar & Apr
Kingsport 12 CP% of AEP Zone-Estimated Y/E Apr '13	J	1.717%	Uses actual through February 2013 plus estimated Mar. & Apr. 2013
OATT Demand rate (\$/kW-Month)- July 1, 2013	K	2.675	Per AEP OATT filing. To be in effect from July 1 2013 to June 30, 2014 when formula rate is updated.
Total Proposed 2012 Demand Revenues	= I x J x K x 12		11,559,671 (1)

Kingsport Power Company 2013/2014 Purchased Power Adjustment Rider Surcharge  
Using 12 Months Ended April 30, 2013 for Transmission OATT Demand and Energy Charges - Using July 1 2013 NITS & Schedule 1a Rate  
Calculated Using New AEP Transmission Agreement 12 CP methodology - Using Forecasted Year Ended April 2013  
Reflects Cessation of Phase-in Agreement With ETEC

Class Responsibility - 2013 PPAR with 2007 Demand and Energy Allocators

Generation	2007		2007		Total
	Demand Alloc.	Demand Revenues	Energy Alloc.	Non-Fuel Energy Revenues	Class Responsibility
Residential	44.76%	14,280,716	34.79%	587,460	14,868,176
SGS	1.00%	317,931	0.99%	16,634	334,565
MGS	5.11%	1,630,124	4.20%	70,861	1,700,985
LGS	11.63%	3,710,503	12.47%	210,633	3,921,136
IP	33.33%	10,635,402	43.81%	739,776	11,375,178
EHG	1.84%	585,626	1.54%	26,076	611,701
CS	0.61%	193,841	0.47%	7,995	201,836
PS	1.62%	518,235	1.52%	25,739	543,974
OL	0.11%	35,506	0.20%	3,377	38,883
Total (Excluding Backup Service)	100%	31,907,883	100%	1,688,551	33,596,434

Transmission	2007		2007		Class
	Demand Alloc.	Demand Revenues / (Credits)	Energy Alloc.	Energy Revenues	Responsibility / (Credit)
Residential	44.76%	(617,213)	34.79%	536,566	(80,647)
SGS	1.00%	(13,741)	0.99%	15,193	1,452
MGS	5.11%	(70,454)	4.20%	64,722	(5,732)
LGS	11.63%	(160,368)	12.47%	192,385	32,017
IP	33.33%	(459,662)	43.81%	675,686	216,024
EHG	1.84%	(25,311)	1.54%	23,817	(1,494)
CS	0.61%	(8,378)	0.47%	7,302	(1,075)
PS	1.62%	(22,398)	1.52%	23,509	1,111
OL	0.11%	(1,535)	0.20%	3,085	1,550
Total	100%	(1,379,060)	100%	1,542,264	163,204

Kingsport Power Company 2013/2014 Purchased Power Adjustment Rider Surcharge  
 Using 12 Months Ended April 30, 2013 for Transmission OATT Demand and Energy Charges - Using July 1 2013 NITS & Schedule 1a Rate  
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 Reflects Cessation of Phase-in Agreement With ETEC

### Class Responsibility - 2013 PPAR with 2012 Demand and Energy Allocators Compared to 2007 Allocators

Generation	With 2012 Allocators					With 2007 Allocators	Difference
	2012 Demand Alloc.	Demand Revenues	2012 Energy Alloc.	Non-Fuel Energy Revenues	Total Class Responsibility	Total Class Responsibility	
Residential	46.03%	14,688,793	32.66%	551,560	15,240,353	14,868,176	372,177
SGS	0.82%	260,611	1.04%	17,575	278,186	334,565	(56,379)
MGS	5.42%	1,727,922	5.41%	91,380	1,819,302	1,700,985	118,317
LGS	10.62%	3,390,127	11.85%	200,097	3,590,224	3,921,136	(330,912)
IP	33.12%	10,569,328	45.61%	770,214	11,339,541	11,375,178	(35,637)
EHG	1.43%	454,816	1.29%	21,820	476,636	611,701	(135,065)
CS	0.59%	187,143	0.46%	7,786	194,929	201,836	(6,907)
PS	1.71%	544,169	1.45%	24,479	568,647	543,974	24,674
OL	0.27%	84,975	0.22%	3,641	88,616	38,883	49,732
<b>Total (Excluding Backup Service)</b>	<b>100%</b>	<b>31,907,883</b>	<b>100%</b>	<b>1,688,551</b>	<b>33,596,434</b>	<b>33,596,434</b>	<b>0</b>
Transmission	2012 Demand Alloc.	Demand Revenues / (Credits)	2012 Energy Alloc.	Energy Revenues	Class Responsibility / (Credit)	Class Responsibility / (Credit)	Difference
Residential	46.03%	(634,850)	32.66%	503,776	(131,074)	(80,647)	(50,427)
SGS	0.82%	(11,264)	1.04%	16,052	4,788	1,452	3,337
MGS	5.42%	(74,681)	5.41%	83,463	8,782	(5,732)	14,514
LGS	10.62%	(146,521)	11.85%	182,761	36,240	32,017	4,223
IP	33.12%	(456,807)	45.61%	703,486	246,680	216,024	30,656
EHG	1.43%	(19,857)	1.29%	19,930	273	(1,494)	1,767
CS	0.59%	(8,088)	0.46%	7,112	(976)	(1,075)	99
PS	1.71%	(23,519)	1.45%	22,358	(1,161)	1,111	(2,272)
OL	0.27%	(3,673)	0.22%	3,325	(347)	1,550	(1,897)
<b>Total</b>	<b>100%</b>	<b>(1,379,060)</b>	<b>100%</b>	<b>1,542,264</b>	<b>163,204</b>	<b>163,204</b>	<b>0</b>

	(A) \$ Difference Between 2007 and 2012 Allocators	(B) Total 12 months Ended April 2013 Revenues	C = (A) / (B) % Difference in Annual Total Between 2007 and 2012 Allocators
<b>Total PPAR</b>			
Residential	321,750	58,673,588	0.5%
SGS	(53,042)	2,277,112	-2.3%
MGS	132,831	10,124,468	1.3%
LGS	(326,688)	18,682,723	-1.7%
IP	(4,981)	53,111,842	0.0%
EHG	(133,298)	2,447,700	-5.4%
CS	(6,808)	933,714	-0.7%
PS	22,402	2,256,858	1.0%
OL	47,835	717,796	6.7%
<b>Total</b>	<b>(0)</b>	<b>149,225,802</b>	

Kingsport Power Company 2013/2014 Purchased Power Adjustment Rider Surcharge  
Using 12 Months Ended April 30, 2013 for Transmission OATT Demand and Energy Charges - Using July 1 2013 NITS & Schedule 1a Rate  
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**Calculation of 2013/2014 Surcharge Rates**

Generation	Non-Fuel Energy Revenues	Demand Revenue	Total Net Revenues	Prompt Payment Discount 1.523% Gross up	2007 KWH/Lamp	Rate (\$/kWh)
Residential	587,480	14,280,716	14,868,196	15,094,818	752,889,720	0.02005
SGS	16,634	317,931	334,565	339,660	21,317,858	0.01593
MGS	70,861	1,830,124	1,700,985	1,728,891	90,815,583	0.01902
LGS	210,633	1,855,251	2,065,884	2,097,348	270,915,641	0.00774
IP	739,778	5,317,701	6,057,477	6,149,733	1,000,303,958	0.00615
EHG	26,076	585,626	611,701	621,018	33,418,766	0.01858
CS	7,995	193,841	201,836	204,910	10,246,488	0.02000
PS	25,739	518,235	543,974	552,259	32,987,176	0.01674
OL	3,377	35,506	38,883	39,476	66,648	0.59230
<b>Total</b>	<b>1,888,551</b>	<b>24,734,930</b>	<b>26,423,482</b>	<b>26,825,911</b>		
<b>LGS and IP Demand Calc</b>		<b>Demand Revenues</b>	<b>Total Net Revenues</b>	<b>Prompt Payment Discount 1.523% Gross up</b>	<b>2007 KW</b>	<b>Rate (\$/KW)</b>
LGS		1,855,251	1,855,251	1,883,507	481,209	4.08
IP		5,317,701	5,317,701	5,398,689	1,393,866	3.87
Total LGS and IP Backup Service		7,172,952	7,172,952	7,282,196		
		138,281	138,281	140,387		
<b>TOTAL GENERATION</b>	<b>1,888,551</b>	<b>32,948,164</b>	<b>33,734,715</b>	<b>34,248,495</b>		

Revenue Proof		
Revenue	Prompt Payment	Total Revenue
15,095,439	226,432	14,869,007
339,593	5,094	334,500
1,727,312	25,910	1,701,403
2,096,887	31,453	2,065,434
6,151,869	92,278	6,059,591
620,921	9,314	611,607
204,930	3,074	201,858
552,205	6,283	543,922
39,476	592	38,883
<b>26,828,633</b>	<b>402,429</b>	<b>26,426,203</b>
Revenue	Prompt Payment	Total Revenue
1,881,735	28,228	1,853,509
5,394,263	80,914	5,313,349
<b>7,275,998</b>	<b>109,140</b>	<b>7,168,858</b>
<b>34,104,630</b>	<b>\$11,569</b>	<b>33,993,061</b>

Transmission	Energy Revenues	Demand Revenue	Total Net Revenues	Prompt Payment Discount 1.523% Gross up	2007 KWH/Lamp	Rate (\$/kWh)
Residential	538,568	(617,213)	(80,647)	(81,876)	752,889,720	(0.00011)
SGS	15,193	(13,741)	1,452	1,474	21,317,858	0.00007
MGS	64,722	(70,454)	(5,732)	(5,819)	90,815,583	(0.00006)
LGS	192,385	(80,184)	112,201	113,909	270,915,641	0.00042
IP	675,688	(229,831)	445,855	452,845	1,000,303,958	0.00045
EHG	23,817	(25,311)	(1,494)	(1,517)	33,418,766	(0.00005)
CS	7,302	(8,378)	(1,075)	(1,082)	10,246,488	(0.00011)
PS	23,509	(22,398)	1,111	1,128	32,987,176	0.00003
OL	3,085	(1,535)	1,550	1,574	66,648	0.02381
<b>Total</b>	<b>1,542,264</b>	<b>(1,069,045)</b>	<b>473,220</b>	<b>480,427</b>		
<b>LGS and IP Demand Calc</b>		<b>Demand Revenues</b>	<b>Total Net Revenues</b>	<b>Prompt Payment Discount 1.523% Gross up</b>	<b>2007 KW</b>	<b>Rate (\$/KW)</b>
LGS		(80,184)	(80,184)	(81,405)	461,209	(0.18)
IP		(229,831)	(229,831)	(233,332)	1,393,866	(0.17)
<b>Total</b>		<b>(310,015)</b>	<b>(310,015)</b>	<b>(314,737)</b>	<b>1,855,076</b>	
<b>TOTAL TRANSMISSION</b>	<b>1,542,264</b>	<b>(1,379,060)</b>	<b>163,204</b>	<b>165,690</b>	<b>1,855,076</b>	
<b>TOTAL PP&amp;A T&amp;G</b>	<b>3,230,818</b>	<b>30,667,104</b>	<b>33,897,919</b>	<b>34,414,185</b>	<b>1,855,076</b>	

Revenue Proof		
Revenue	Prompt Payment	Total Revenue
(82,818)	(1,242)	(81,576)
1,492	22	1,470
(5,449)	(62)	(5,367)
113,785	1,707	112,078
450,137	6,752	443,385
(1,671)	(25)	(1,646)
(1,127)	(17)	(1,110)
990	15	975
1,574	24	1,550
<b>476,912</b>	<b>7,154</b>	<b>480,758</b>
Revenue	Prompt Payment	Total Revenue
(83,018)	(1,245)	(81,772)
(238,957)	(3,554)	(233,403)
<b>(319,975)</b>	<b>(4,800)</b>	<b>(315,175)</b>
<b>156,937</b>	<b>2,354</b>	<b>154,583</b>

Kingsport Power Company 2013/2014 Purchased Power Adjustment Rider Surcharge  
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**Combined 2013 PP&A Rate**

	Demand Rate	Energy Rate	Lamp rate
Residential		0.01984	
SGS		0.01600	
MGS		0.01896	
LGS	3.90	0.00818	
IP	3.70	0.00660	
EHG		0.01853	
CS		0.01989	
PS		0.01677	
OL		0.00000	0.81591



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Summary of Annual Class Impacts

Year 1 - 2009					
Class	2007 Revenues Includ. Fuel	2007 PP Adjustment Rider Credit	Y1 PP Adjustment Rider	Y1 Transmission Revenue	Y1 Revenues
Residential	39,406,210	(1,054,096)	9,588,841	(126,071)	49,823,078
SGS	1,699,144	(24,300)	215,650	(1,470)	1,837,624
MGS	5,784,946	(104,438)	1,096,898	(12,523)	6,873,559
LGS	13,235,766	(290,244)	2,528,377	(10,738)	16,041,650
IP	34,239,975	(828,910)	7,334,182	24,229	42,427,295
EHG	2,040,552	(41,105)	394,351	(4,279)	2,471,730
CS	662,509	(11,988)	130,098	(1,718)	802,877
PS	1,613,912	(45,178)	350,593	(2,924)	2,006,757
OL	665,084	(696)	25,072	412	691,263
Total	99,348,099	(2,400,953)	21,661,660	(135,082)	123,275,831

Year 2 - 2010							
Class	2007 Revenues Includ. Fuel	2007 PP Adjustment Rider Credit	Y2 PP Adjustment Rider	Y2 Transmission Revenue	Y2 Revenues with 2007 billing determinants	Difference Y1 to Y2	% Impact
Residential	39,406,210	(1,054,096)	10,908,883	1,698,256	53,067,444	3,144,369	6.30%
SGS	1,699,144	(24,300)	245,468	39,686	2,008,598	70,974	3.66%
MGS	5,784,946	(104,438)	1,247,874	195,903	7,333,182	359,602	5.16%
LGS	13,235,766	(290,244)	2,878,593	472,585	18,877,189	835,539	5.21%
IP	34,239,975	(828,910)	8,342,902	1,428,200	44,839,987	2,412,692	5.69%
EHG	2,040,552	(41,105)	448,665	70,773	2,601,095	129,386	5.23%
CS	662,509	(11,988)	148,061	23,112	845,671	42,793	5.33%
PS	1,613,912	(45,178)	399,006	64,010	2,122,105	115,348	5.75%
OL	665,084	(696)	28,524	5,241	899,545	8,262	1.20%
Total	99,348,099	(2,400,953)	24,847,977	3,997,765	130,384,785	7,118,964	5.77%

Year 3 - 2011							
Class	2007 Revenues Includ. Fuel	2007 PP Adjustment Rider Credit	Y3 PPAR Generation	Y3 PPAR Transmission	Y3 Revenues with 2007 billing determinants	Difference Y2 to Y3	% Impact
Residential	39,406,210	(1,054,096)	14,869,007	(148,319)	55,160,984	2,113,550	3.98%
SGS	1,699,144	(24,300)	334,500	(1,050)	2,058,893	48,296	2.40%
MGS	5,784,946	(104,438)	1,701,403	(14,313)	7,578,475	243,313	3.32%
LGS	13,235,766	(290,244)	3,918,942	(1,431)	17,443,522	566,334	3.36%
IP	34,239,975	(828,910)	11,372,940	83,670	46,525,485	1,685,508	3.76%
EHG	2,040,552	(41,105)	811,607	(4,938)	2,688,327	87,231	3.35%
CS	662,509	(11,988)	201,856	(2,019)	874,334	28,664	3.39%
PS	1,613,912	(45,178)	543,922	(2,598)	2,200,411	78,307	3.69%
OL	665,084	(696)	38,883	850	705,514	5,989	0.85%
Total	99,348,099	(2,400,953)	33,593,061	(90,148)	135,251,665	4,857,171	3.72%

Year 4 - 2012							
Class	2007 Revenues Includ. Fuel	2007 PP Adjustment Rider Credit	2012 PPAR Generation	2012 PPAR Transmission	Y4 Revenues with 2007 billing determinants	Difference Y3 to Y4	% Impact
Residential	39,406,210	(1,054,096)	14,869,007	786,062	56,115,405	934,411	1.69%
SGS	1,699,144	(24,300)	334,500	20,578	2,078,521	21,628	1.05%
MGS	5,784,946	(104,438)	1,701,403	93,031	7,683,819	107,344	1.42%
LGS	13,235,766	(290,244)	3,918,942	252,493	17,697,447	253,924	1.46%
IP	34,239,975	(828,910)	11,372,940	848,811	47,290,637	765,142	1.64%
EHG	2,040,552	(41,105)	811,607	33,905	2,727,189	38,843	1.44%
CS	662,509	(11,988)	201,856	10,698	887,051	12,717	1.45%
PS	1,613,912	(45,178)	543,922	32,492	2,235,503	35,092	1.59%
OL	665,084	(696)	38,883	3,582	708,245	2,732	0.39%
Total	99,348,099	(2,400,953)	33,593,061	2,081,684	137,423,797	2,171,832	1.61%

Year 5 - 2013							
Class	2007 Revenues Includ. Fuel	2007 PP Adjustment Rider Credit	2013 PPAR Generation	2013 PPAR Transmission	2013 Revenues with 2007 billing determinants	Difference 2012 to 2013	
Residential	39,406,210	(1,054,096)	14,869,007	(81,576)	55,247,736	(867,668)	
SGS	1,699,144	(24,300)	334,500	1,470	2,059,413	(19,108)	
MGS	5,784,946	(104,438)	1,701,403	(5,367)	7,585,420	(98,399)	
LGS	13,235,766	(290,244)	3,918,942	30,305	17,475,259	(222,188)	
IP	34,239,975	(828,910)	11,372,940	209,982	46,851,807	(638,829)	
EHG	2,040,552	(41,105)	811,607	(1,646)	2,891,819	(35,551)	
CS	662,509	(11,988)	201,856	(1,110)	875,242	(11,809)	
PS	1,613,912	(45,178)	543,922	975	2,203,985	(31,518)	
OL	665,084	(696)	38,883	1,550	706,213	(2,032)	
Total	99,348,099	(2,400,953)	33,593,061	154,583	135,496,696	(1,927,101)	

Actual Revenues - 12 Months Ended April 2013	% Impact Compared to actual 2012 Revenue
58,673,588.31	-1.48%
2,277,112.42	-0.84%
10,124,467.70	-0.97%
16,682,722.99	-1.19%
53,111,842.08	-1.20%
2,447,700.35	-1.45%
933,714.47	-1.26%
2,256,858.27	-1.40%
717,795.71	-0.28%
149,225,802	-1.29%

2013/2014 Purchased Power Adjustment Rider  
Kingsport Power Company  
Transmission Demand and Energy Rate Computation

Billing Month	Year 1-2009		Year 2-2010	Year 3-2011	Year 4-2012	Year 5-2013/2014
	Jan & Feb	Mar - Dec	Jan - Dec	Jan-Dec	Jan-Dec	Aug-July
Cost Based Upon	2007		TME Sept 2009	TME Sept 2010	TME Sept 2011	TME April 2013
PJM Administration Service Fees	701,724	701,724	753,735	592,879	654,425	598,017
Point-to-Point Transmission Revenues	(240,632)	(240,632)	(319,751)	(247,080)	(162,162)	(152,963)
PJM Transmission Enhancement Charges	5,026	5,026	257,784	456,815	711,673	795,423
RTO Formation Charges	40,189	40,189	45,930	31,766	(5,251)	30,319
<b>Total</b>	<b>506,306</b>	<b>506,306</b>	<b>737,699</b>	<b>834,381</b>	<b>1,198,685</b>	<b>1,270,797</b>
<b>Metered KWH</b>	<b>2,233,440,877</b>	<b>2,233,440,877</b>	<b>2,237,120,399</b>	<b>2,201,508,325</b>	<b>2,191,273,432</b>	<b>2,074,779,635</b>
Composite Energy Rate	0.000226693	0.000226693	0.000329754	0.000379004	0.000547026	0.000612497
Schedule 1a	0.000068600	0.000055000	0.000071100	0.000101900	0.000091794	0.000078036
<b>Total Energy Rate (\$/kWh)</b>	<b>0.000295293</b>	<b>0.000281693</b>	<b>0.000400854</b>	<b>0.000480904</b>	<b>0.000638820</b>	<b>0.000690533</b>
Network Integration Transmission Service (NITS)	1.757400000	1.971000000	2.112000000	1.965670000	2.385392900	2.669604100
Expansion Cost Recovery Charge (ECRC)	0.005200000	0.005200000	0.005200000	0.005250000	0.005270000	0.005100000
<b>Total Demand Rate (\$/kW)</b>	<b>1.762600000</b>	<b>1.976200000</b>	<b>2.117200000</b>	<b>1.970920000</b>	<b>2.390662900</b>	<b>2.674704100</b>

Kingsport Power Company  
2013 Purchased Power Adjustment Rider Adjustment  
Calculation of Kingsport's Allocation of Transmission Expense  
Twelve Months Ended April 30, 2013

Line No.	(A) Description	(B) AEP System Transmission Expense	(C) KgPCo 12CP	(D) Allocator Description	(E) (B) * (C) Kingsport's Transmission Expense
1	Point to Point Transmission Service Credits	\$ (8,910,041.47)	1.72%	Demand	(\$162,963.02)
2	PJM Transmission Enhancement Charges (Schedule 12)	\$ 46,333,094.32	1.72%	Demand	\$795,422.80
3	PJM Administrative Charges				
4	PJM Admin - SSC & DS - Internal	\$ 15,193,311.50	1.72%	Demand	\$260,830.98
5	PJM Admin - RP & SDS - Internal	\$ 3,459,154.71	1.72%	Demand	\$59,384.99
6	PJM Admin - MAM & SC - Internal	\$ 15,880,185.68	1.72%	Demand	\$272,622.88
7	PJM Admin - Defaults LSE	\$ 301,653.35	1.72%	Demand	\$5,178.63
8	PJM Administrative Charges (Line 4 - 7)	\$ 34,834,306.24			\$ 598,017.49
9	AEP RTO Formation Cost Recovery Charges	\$ 1,766,087.71	1.72%	Demand	\$30,319.29
10	Demand Response Program Cost Recovery	\$0.00	1.72%	Demand	\$0.00
11	Total (Line 1 + 2 + 8 + 9 + 10)	\$ 74,023,445.80			\$ 1,270,796.55

	Actual May 12	Actual Jun 12	Actual Jul 12	Actual Aug 12	Actual Sep 12	Actual Oct 12	Actual Nov 12	Actual Dec 12	Actual Jan 13	Actual Feb 13	Estimated Mar 13	Estimated Apr 13	12 GP Average	Transmission Load (State Total) 12 CP Avg. Share
<b>Company</b>														
APCo Virginia	2,349	2,975	2,732	2,767	2,417	2,441	2,913	2,784	2,885	2,905	3,101	2,459	2,727	APCo Virginia 2,727 15.63%
APCo West Virginia	2,085	2,682	2,485	2,564	2,422	2,404	2,638	2,673	2,352	3,024	2,962	2,550	2,571	APCo West Virginia 2,571 14.74%
Kingsport	318	325	277	316	289	263	334	296	307	371	376	299	316	Kingsport 316 1.81%
ISM Indiana	2,484	2,698	3,040	2,868	2,674	2,232	2,283	2,316	2,234	2,554	2,401	2,106	2,491	ISM Indiana 2,491 14.28%
ISM Michigan	451	469	644	555	478	373	373	373	432	398	441	374	398	ISM Michigan 398 2.33%
KPCo	975	1,139	1,059	1,064	964	1,037	1,185	1,171	1,161	1,295	1,274	1,113	1,121	KPCo 1,121 6.43%
AEP Ohio	7,761	9,348	9,144	8,665	8,247	6,542	6,587	6,720	6,302	7,194	6,496	6,346	7,448	AEP Ohio 7,448 42.69%
WPCo	347	289	327	303	354	336	327	287	325	355	333	357	332	WPCo 332 1.91%
Sub-Total Company LSE	16,768	19,924	19,718	19,791	17,843	15,648	16,644	16,619	15,939	18,130	17,342	15,905	17,448	Total 12 CP Formula Rate 17,448 100%
														Formula Rate = FR 18,394
<b>Total Company LSE</b>	<b>16,768</b>	<b>19,924</b>	<b>19,718</b>	<b>18,181</b>	<b>17,843</b>	<b>15,648</b>	<b>16,644</b>	<b>16,619</b>	<b>15,939</b>	<b>18,130</b>	<b>17,342</b>	<b>15,905</b>	<b>17,448</b>	<b>Kingsport 12 CP Share 1.717%</b>
<b>Formula Rate Customers:</b>														
<b>APCo</b>														
Radford	26	42	39	43	43	42	41	46	37	46	51	44	42	
Salem	66	85	82	82	73	52	56	56	52	62	59	53	65	
Craig Betsworth	10	12	10	11	9	10	12	10	9	11	11	10	11	
ER Power - Musser	10	11	11	11	11	11	12	12	10	13	13	10	11	
DOEC	32	40	36	37	26	27	36	31	28	37	39	30	33	
Virginia Tech	47	60	56	54	56	49	50	47	44	55	52	46	51	
APCo Formula Rate	191	251	234	238	219	190	208	202	181	224	225	193	213	
<b>WPCo</b>														
Vanoverburg-Olive Hill	14	20	18	17	17	13	18	17	14	20	19	18	17	
<b>ISM</b>														
WVPA - Form. Rate* (7030) IN	148	159	177	159	139	120	117	131	114	133	130	117	137	
WVPA - Form. Rate* (7030) MI	63	68	78	68	60	51	50	56	49	57	56	50	59	
WVPA Cities IN	175	190	226	187	142	145	143	148	145	149	146	140	168	
ISMMDA Cities MI	54	56	77	65	58	40	42	43	40	45	43	40	50	
Auburn	42	62	80	72	53	82	62	51	56	68	63	61	61	
Sturgis	28	41	50	47	42	30	32	27	28	32	29	30	35	
Dowagiac	8	11	18	11	11	9	11	7	8	10	10	10	10	
ISM Formula Rate	186	196	196	186	156	136	136	136	136	196	196	186	186	
Total ISM Formula Rate	715	784	907	828	747	551	657	659	634	897	873	643	718	
<b>Total Formula Rate</b>	<b>910</b>	<b>1,065</b>	<b>1,158</b>	<b>1,064</b>	<b>982</b>	<b>855</b>	<b>882</b>	<b>877</b>	<b>829</b>	<b>941</b>	<b>917</b>	<b>852</b>	<b>948</b>	
* MI includes Niles / Paw Paw / South Haven														
<b>TOTAL RETAIL PLUS FORMULA RATE</b>	<b>17,683</b>	<b>20,978</b>	<b>20,876</b>	<b>20,776</b>	<b>18,825</b>	<b>16,503</b>	<b>17,526</b>	<b>17,496</b>	<b>16,768</b>	<b>19,071</b>	<b>18,259</b>	<b>16,457</b>	<b>18,394</b>	
<b>Maximum Peak - 1 CP</b>	<b>20,978</b>													

AEP East System  
PJM Administrative Charges  
12 Months Ended 4/30/12

Line No.	Schedule	Account	Notes	May	June	July	August	September	October	November	December	January	February	March	April	Total
1	Point to Point Transmission Revenue	4561005		\$ (991,409)	\$ (825,580)	\$ (769,674)	\$ (803,917)	\$ (827,876)	\$ (877,826)	\$ (709,078)	\$ (856,702)	\$ (707,539)	\$ (678,870)	\$ (527,569)	\$ (532,869)	\$ (6,910,041)
2	PJM Enhancement Charges	5650012		\$ 3,059,465	\$ 3,846,070	\$ 3,814,982	\$ 3,746,721	\$ 4,049,383	\$ 3,253,819	\$ 3,417,331	\$ 3,510,345	\$ 3,389,080	\$ 1,541,970	\$ 5,899,154	\$ 3,559,819	\$ 42,668,217
3	PJM Admin - SSC & DS - Interim	5614001	(A)	\$ 1,803,489	\$ 1,303,262	\$ 1,609,883	\$ 1,518,108	\$ 1,311,251	\$ 1,299,453	\$ 1,145,962	\$ 1,368,140	\$ 1,610,310	\$ 1,580,448	\$ (182,449)	\$ 1,027,877	\$ 15,183,312
4	PJM Admin - RP & SDS - Interim	5618001	(B)	\$ 300,023	\$ 289,566	\$ 332,861	\$ 315,029	\$ 298,952	\$ 297,297	\$ 262,356	\$ 293,510	\$ 916,821	\$ 309,779	\$ 10,343	\$ 204,698	\$ 3,459,155
5	PJM Admin - MAM & SC - Interim	5757001	(C)	\$ 1,555,811	\$ 1,363,197	\$ 1,603,814	\$ 1,857,913	\$ 1,486,492	\$ 1,479,826	\$ 1,301,338	\$ 1,348,672	\$ 1,446,003	\$ 1,569,336	\$ 87,269	\$ 676,862	\$ 15,880,186
6	PJM Admin - Defaults LSE	5614007		\$ -	\$ -	\$ -	\$ 301,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301,853
7	AEP RTO Formation Cost Recovery Charges	4561002		\$ 158,524	\$ 147,400	\$ 156,823	\$ 180,419	\$ 146,403	\$ 155,546	\$ 138,252	\$ 127,802	\$ 158,601	\$ 139,242	\$ 128,290	\$ 145,989	\$ 1,786,086
8	PJM Transmission Enhancement Cost	4561060	(D)	\$ 278,737	\$ 274,520	\$ 240,800	\$ 244,753	\$ 240,424	\$ 234,529	\$ 227,487	\$ 224,101	\$ 221,958	\$ 217,877	\$ 213,674	\$ 212,346	\$ 2,828,785
9	PJM Transmission Enhancement Expense	5650019	(E)	\$ 8,413	\$ 8,833	\$ 86,143	\$ 80,788	\$ 80,183	\$ 80,237	\$ 81,074	\$ 81,395	\$ 81,337	\$ 81,836	\$ 82,001	\$ 81,833	\$ 836,093
10	PJM Administrative Charges (Line 1 - 9)			\$ 5,870,853	\$ 6,637,285	\$ 6,876,812	\$ 7,221,463	\$ 8,755,181	\$ 5,888,780	\$ 5,864,703	\$ 6,085,003	\$ 6,800,851	\$ 4,757,419	\$ 5,490,741	\$ 5,678,545	\$ 74,023,446

Notes

- (A) PJM Administrative Service Fees for Scheduling, System Control and Dispatching Service  
(B) PJM Administrative Service Fees for Reliability Planning and Standards Development Service  
(C) PJM Administrative Service Fees for Market Administration, Monitoring and Compliance Service  
(D) Affiliated PJM Transmission Enhancement Cost (RTEP)  
(E) Affiliated PJM Transmission Enhancement Expense (RTEP)

07/17/13

**Kingsport Power Company**  
**Typical Monthly Bills**  
**Impacts of PPAR Rider-With Fuel Rates Issued July 3, 2013**

RESIDENTIAL					
	100	250	500	750	1,000
	kWh	kWh	kWh	kWh	kWh
Difference	-\$0.12	-\$0.29	-\$0.58	-\$0.86	-\$1.16
% Difference	-0.78%	-1.05%	-1.21%	-1.25%	-1.30%

SMALL GENERAL SERVICE					
	kW	3	3	6	6
	kWh	375	1,000	750	2,000
Difference		-\$0.34	-\$0.90	-\$0.67	-\$1.80
% Difference		-0.76%	-0.89%	-0.84%	-0.97%

MEDIUM GENERAL SERVICE - Sec						
	kW	12	12	30	30	40
	kWh	1,500	4,000	6,000	10,000	10,000
Difference		-\$1.62	-\$4.34	-\$6.52	-\$10.86	-\$10.85
% Difference		-0.91%	-1.14%	-1.00%	-1.18%	-1.09%

LARGE GENERAL SERVICE - Sec					
	kVA	118	118	176	176
	kW	100	100	150	150
	kWh	30,000	36,000	30,000	60,000
Difference		-\$37.21	-\$39.51	-\$50.04	-\$61.60
% Difference		-1.38%	-1.30%	-1.60%	-1.27%

LARGE GENERAL SERVICE - Pri					
	kVA	1,176	1,176	1,176	1,176
	kW	1,000	1,000	1,000	1,000
	kWh	200,000	300,000	360,000	400,000
Difference		-\$333.59	-\$372.09	-\$395.18	-\$410.59
% Difference		-1.72%	-1.50%	-1.41%	-1.36%

INDUSTRIAL POWER - Pri						
	kW	5,000	5,000	5,000	10,000	10,000
	kWh	1,500,000	2,500,000	3,250,000	3,000,000	5,000,000
Difference		-\$1,677.85	-\$1,973.94	-\$2,196.00	-\$3,355.70	-\$3,947.88
% Difference		-1.34%	-1.19%	-1.11%	-1.34%	-1.19%

KINGSPORT POWER COMPANY

NOTICE TO PUBLIC

Kingsport Power Company, d/b/a AEP Appalachian Power ("Kingsport"), hereby gives notice that on July \_\_\_\_\_, 2013 it made a tariff filing with the Tennessee Regulatory Authority ("TRA") relative to changes in Kingsport's Purchased Power Adjustment Rider ("PPAR") surcharges. 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 surcharges, are on file with the TRA at 460 James Robertson Parkway, Nashville, Tennessee, and are available for public inspection.

On December 2, 2008, the FERC accepted for filing, effective January 1, 2009, an Amended and Restated Interconnection Agreement ("Agreement") between Appalachian Power Company ("APCo") and Kingsport, which APCo designated as Appalachian Power Company First Revised Rate Schedule 23 ("Revised Rate Schedule 23"). Among other things, Revised Rate Schedule 23 provides for changes in the transmission portion of non-fuel purchased power costs to be billed to KgPCo by APCo. Following a public hearing on December 15, 2008, the TRA approved changes to Kingsport's PPAR which permitted future increases in PPAR rates to reflect increases in Kingsport's non-fuel purchased power charges, including transmission costs, which had been approved by the FERC. Thereafter, Kingsport made filings in November, 2009,

2010, and 2011 which were reviewed by the TRA's Staff, and found to be compliant with the TRA's rules and its December 15, 2008 Order.

Pursuant to Revised Rate Schedule 23, Kingsport will incur decreased purchased power costs related to transmission in 2013. In its July \_\_\_\_, 2013 tariff filing with the TRA, Kingsport provided new PPAR surcharges, calculated in accordance with the provisions of its PPAR, to reflect such decreased costs. The surcharges, to be applied to customer bills beginning September 1, 2013, would result in about a 1.3% decrease for Kingsport residential customers and large general service and industrial customers.

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