

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**January 5, 2010**

**IN RE:**

**PETITION OF AEP APPALACHIAN POWER/CITY OF  
KINGSPORT FOR APPROVAL OF SPECIAL  
CONTRACT**

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**DOCKET NO.  
09-00193**

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**ORDER GRANTING APPROVAL OF SPECIAL CONTRACT**

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This matter came before Director Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on December 14, 2009 for consideration of the *Petition for Approval of Special Contract* (“*Petition*”) filed on December 4, 2009 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”).

**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 City of Kingsport (“City”) is a retail customer and purchases its power requirements from Kingsport. The City has recently completed a new Higher Education Building in downtown. In conjunction with the building, the City will install a Net Metering Facility (“Facility”) for the purpose of offsetting all or part of the City’s electricity requirements. Net metering is a method of crediting customers for electricity that they generate on site in excess of their own electricity consumption. Kingsport seeks approval to enter into a special contract with the City which will provide for net metering and interconnection.

The special contract provides that the Facility is 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 to other customers, and without presenting safety hazards to Kingsport or City employees. The City is responsible for all equipment and installation costs. Kingsport is not obligated to accept energy from the City and may interrupt or reduce delivery of energy when necessary. The monthly charge to the City will be calculated based on the net energy consumed by the City. Should there be a negative net energy usage, the credit will be carried forward and credited against a positive energy usage in a subsequent billing period.<sup>1</sup>

#### **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, schedules, 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

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<sup>1</sup> *Petition*, Exhibit 1, pp. 1-2.

standards<sup>2</sup> for which the Authority considered the feasibility and appropriateness of implementation with respect to Kingsport.<sup>3</sup>

With respect to net metering,<sup>4</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>5</sup> In 2008, the TRA approved Kingsport's special contract with the Tennessee National Guard regarding net metering.<sup>6</sup>

The voting panel assigned to this docket voted unanimously to approve the *Petition*. The panel based its approval on the following findings: that this request is consistent with the commitment Kingsport made in Docket No. 06-00010 to work with customers interested in net metering; that the contract contains provisions to ensure safe and proper interconnection with the distribution system; and that the contract is beneficial to the City and in no way detrimental to Kingsport or its other customers.

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<sup>2</sup> The five new PURPA standards were Net Metering, Fuel Sources, Fossil Fuel Generation Efficiency, Time-based Metering and Communications, and Interconnection.

<sup>3</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, 2006) (hereinafter "*PURPA Standards Order*").

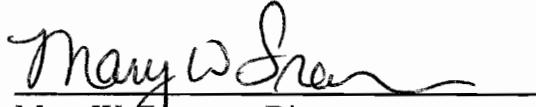
<sup>4</sup> Standard 11 - Net Metering: Each electric utility shall make available upon request net metering to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "net metering service" means service to an electric consumer under which electric energy generated 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>5</sup> *PURPA Standards Order*, p. 4.

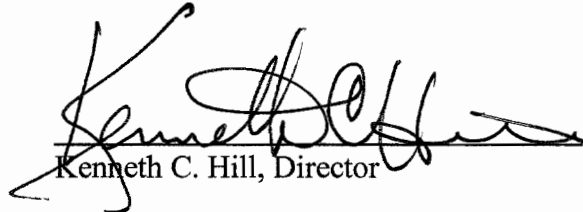
<sup>6</sup> See *In re: Petition for Approval of Special Contract for AEP Appalachian Power and Tennessee Army National Guard*, Docket No. 08-00173.

**IT IS THEREFORE ORDERED THAT:**

The Special Contract by and between Kingsport Power Company d/b/a AEP Appalachian Power and the City of Kingsport, Tennessee, is approved.

  
Mary W. Freeman, Director

  
Eddie Roberson, Director

  
Kenneth C. Hill, Director