

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 3, 2011

IN RE:

**PETITION FOR APPROVAL OF A NET METERING
AND INTERCONNECTION AGREEMENT BETWEEN
KINGSPORT POWER COMPANY D/B/A AEP
APPALACHIAN POWER AND THE CITY OF
KINGSPORT, TN**

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**DOCKET NO.
11-00001**

ORDER GRANTING APPROVAL OF SPECIAL CONTRACT

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Kenneth C. Hill of the Tennessee Regulatory Authority ("TRA" or "Authority"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on March 28, 2011 for consideration of the *Petition for Approval of Special Contract* ("Petition") filed on January 4, 2011 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 intends to install a Net Metering Facility ("Facility"), located at Dobyons-Bennett High School Vocational Building, for the purpose of offsetting all or part of the City's electricity requirements. The Special Contract details the terms and conditions of the agreement reached between Kingsport and the City regarding the operation of this Facility.

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 the City. The City is responsible for all equipment and installation costs.

The Company is not obligated to accept energy from the City and may interrupt or reduce delivery of energy when necessary. The meter that will be installed on the City's premises will measure the flow of electricity in "both directions." The monthly charge¹ to the City will be calculated based on the positive net energy² consumed by the City. Should there be a negative net energy, the credit will be carried forward and credited against a positive energy usage in a subsequent billing period.

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.

¹ The Agreement specifies that the City will pay standard tariff rates for the net energy consumed, to the extent that the net energy exceeds zero.

² Consumption is greater than electricity generated by the City.

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 standards³ for which the Authority considered the feasibility and appropriateness of implementation with respect to Kingsport.⁴

With respect to net metering,⁵ 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.⁶

The panel found that the proposed contract furthers the public interest because the contract is beneficial to the City and is in no way detrimental to Kingsport or its other customers. Based on the record and these findings, the voting panel assigned to this docket voted unanimously to approve the *Petition*.

³ The five new PURPA standards were Net Metering, Fuel Sources, Fossil Fuel Generation Efficiency, Time-based Metering and Communications, and Interconnection.

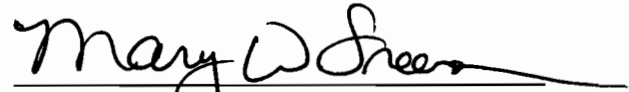
⁴ See *In re: Appropriateness of Implementation of PURPA Standard 11 (Net Metering), Standard 12 (Fuel Sources), Standard 13 (Fossil Fuel Generation Efficiency), Standard 14 (Time Based Metering and Communication) and Standard 15 (Interconnection) for Kingsport Power Company d/b/a AEP Appalachian Power*, Docket No. 06-00010, *Initial Order*, p. 4 (August 10, 2006) (hereinafter "*PURPA Standards Order*").

⁵ 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.

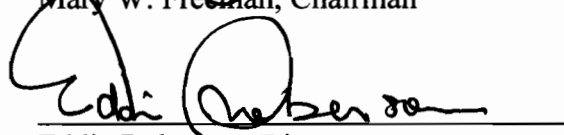
⁶ *PURPA Standards Order*, p. 4.

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, Chairman



Eddie Roberson, Director



Kenneth C. Hill, Director