

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**March 4, 2013**

IN RE:	)	
	)	
PETITION FOR APPROVAL OF DEMAND RESPONSE	)	
PROGRAM AND ASSOCIATED DEMAND RESPONSE	)	DOCKET NO.
TARIFFS ON BEHALF OF KINGSPORT POWER COMPANY	)	12-00012
D/B/A AEP APPALACHIAN POWER	)	
	)	
IN RE:	)	
	)	
JOINT PETITION OF EASTMAN CHEMICAL COMPANY	)	
AND AIR PRODUCTS AND CHEMICALS, INC. FOR	)	DOCKET NO.
EXPEDITED REVIEW TO ALLOW CERTAIN END USE	)	12-00026
CUSTOMERS OF KINGSPORT POWER COMPANY TO	)	
PARTICIPATE IN PJM INTERCONNECTION DEMAND	)	
RESPONSE PROGRAMS	)	

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**ORDER APPROVING SETTLEMENT AGREEMENT**

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This matter came before Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 17, 2012 for consideration of the *Settlement Agreement* filed on November 21, 2012 by Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), Eastman Chemical Company ("Eastman Chemical"), Air Products and Chemicals, Inc. ("Air Products") and EnerNOC, Inc., ("EnerNOC") (collectively, the "Parties").

**TRAVEL OF THE CASE**

On February 7, 2012, Kingsport filed its *Petition for Approval of Demand Response Programs and Associated Demand Response Tariffs* ("Petition") in Docket No. 12-00012. KgPCo is an electric distribution company for approximately 47,000 customers in its service territory, consisting of portions of Sullivan and Hamlin Counties, including the City of Kingsport, Tennessee.

The *Petition* included the Peak Shaving Demand Response Rider (“PSDR”) Tariff and the Peak Shaving and Emergency Demand Response Rider (“PSEDR”) Tariff, which designated Kingsport as the sole provider of PJM’s DR programs. In response to this restricted access to PJM DR programs, Eastman Chemical Company and Air Products and Chemicals, Inc., (collectively, “Industrial Customers”) and EnerNOC, Inc. and Demand Response Partners, Inc., (collectively, “Curtailement Service Providers (“CSPs”)”) filed petitions to intervene. With the exception of EnerNOC, these parties were already operating under a temporary agreement which allowed them to directly participate in the PJM DR programs pursuant to the Consent Order issued by the TRA in Docket No. 11-00039, from June 1, 2011 to May 31, 2012.

On March 30, 2012, the Industrial Customers filed a *Joint Petition of Eastman Chemical Company and Air Products and Chemicals, Inc. for Expedited Review to Allow Certain End Use Customers of Kingsport Power Company to Participate in PJM Interconnection Demand Response Programs* (“*Joint Petition*”) assigned to Docket No. 12-00026. During a regularly scheduled Authority Conference held on April 10, 2012, the panel voted to convene a contested case proceeding and appoint General Counsel or her designee to act as Hearing Officer to prepare the matter for hearing before the panel.<sup>1</sup> Following the Authority Conference, the Hearing Officer held a status conference on April 10, 2012, wherein the Hearing Officer granted a petition by KgPCo to intervene in Docket No. 12-00026 and also granted the Industrial Customers’ and the CSPs’ petitions to intervene in Docket No. 12-00012. In addition, the Hearing Officer granted the parties’ request to consolidate Docket Nos. 12-00012 and 12-00026 because the two dockets were closely related and any ruling in one affected the other.

On April 12, 2012, KgPCo, the Industrial Customers and CSPs filed a *Joint Request for Entry of Consent Order* (“*Joint Request*”). At a regularly scheduled Authority Conference on April 23, 2012, the Authority approved the *Joint Request* and issued a *Consent Order* on May 8, 2012 granting

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<sup>1</sup> *Order Convening a Contested Case Proceeding and Appointing a Hearing Officer* (April 18, 2012).

permission for the Industrial Customers and CSPs to participate in PJM's DR programs for the twelve-month period ending May 31, 2013, approved KgPCo's DR tariffs on a temporary basis during the same period, and determined that all issues properly raised with regard to the implementation and terms of KgPCo's DR programs and related tariffs would be litigated in the combined dockets. Thereafter, the Hearing Officer entered a procedural schedule on May 17, 2012. Numerous interrogatories and requests for production followed. The Hearing Officer granted several modifications of the procedural schedule, at the request of the parties, on August 22, 2012, September 11, 2012, September 21, 2012, October 25, 2012, and November 13, 2012 in order to allow the parties to conduct settlement discussions. On November 21, 2012, the parties jointly filed a *Settlement Agreement* and related Regional Transmission Organization Demand Response ("RTODR") Tariff<sup>2</sup> and Tennessee Regulatory Authority Curtailment Service Provider – Application for Registration for consideration by the Authority.

#### **SETTLEMENT AGREEMENT**

The proposed *Settlement Agreement*, which is fully set forth in Exhibit A to this Order, provides for a full resolution of all issues raised in the combined dockets.<sup>3</sup> The parties agree that the Authority is authorized to determine the eligibility of Kingsport's retail customers to participate in PJM wholesale market DR programs. Also, the Settlement provides that when the Authority approves the Settlement, Kingsport will provide PJM with a copy of the Order to allow CSPs and end-user customers to participate in PJM DR programs as proof of authorization by the Authority. The *Settlement Agreement* contains the following additional terms:<sup>4</sup>

1. Retail customers may participate, either directly or through a CSP, in all PJM DR programs including but not limited to all emergency, economic and ancillary programs;
2. Kingsport will cancel and withdraw its PSEDR Tariff effective December 31, 2012, and withdraw its request for final approval of the PSEDR Tariff;

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<sup>2</sup> Effective date of January 1, 2013.

<sup>3</sup> *Settlement Agreement*, p. 6 (November 21, 2012).

<sup>4</sup> *Settlement Agreement*, pp. 2-6 (November 21, 2012).

3. The parties agree not to oppose Kingsport's request to continue to offer its PSDR Tariff beyond May 31, 2013;
4. Kingsport may file with the Authority requests for the review and approval of other proposed DR tariffs in the future. Any such filing will not seek to preclude customers from electing to participate in PJM DR programs either directly or through a CSP;
5. All commitments by Kingsport customers or CSPs on behalf of Kingsport customers made after the date of this Settlement to a PJM DR program (that meets PJM's requirements to be considered a capacity resource) will be committed to satisfy the capacity obligations of Kingsport under the FRR Alternative of the PJM Reliability Pricing Model ("RPM"). This requirement will continue for the time period that Kingsport is part of the FRR Alternative;<sup>5</sup>
6. Kingsport shall compensate Kingsport customers or CSPs on behalf of Kingsport customers for capacity commitments at the PJM-determined Weighted Daily Revenue Rate;
7. The parties request the approval of the new RTODR Tariff, with an effective date of January 1, 2013;
8. CSPs shall comply with any registration requirements established by the Authority and shall enter into a contract with Kingsport if required to do so under the RTODR Tariff; and
9. Finally, the parties recommend that the Authority adopt the registration and certification form attached to the Settlement as Exhibit 2 and state that the Settlement contemplates a full resolution of all issues raised by the parties in these proceedings.

The *Settlement Agreement* also provides that if the Authority does not approve the agreement in its entirety, it shall terminate within fifteen business days, unless the parties agree to accept TRA modifications.<sup>6</sup>

### **THE HEARING**

The Hearing in this matter was held before the voting panel to hear and consider the *Settlement Agreement* during a regularly scheduled Authority Conference held on December 17, 2012, as noticed by the Authority on September 13, 2012. The parties in attendance were as follows:

**KgPCo** – William C. Bovender, Esq., Hunter, Smith & Davis, 1212 North Eastman Road, P.O. Box 3740, Kingsport, TN 37664, and David M. Roush, AEP Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215;

**AEP Appalachian Power Company** – by telephone, Bill Johnson and Mark Reitter, 1 Riverside Plaza, Columbus, Ohio 43215;

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<sup>5</sup> Exceptions are customers and CSPs that had commitments in existence as of the date of the Settlement Agreement for delivery years ending no later than May 31, 2016.

<sup>6</sup> *Settlement Agreement*, p. 7 (November 21, 2012).

**Eastman Chemical Company & Air Products & Chemicals, Inc.** – by telephone, **Michael Quinan, Esq.**, Christian & Barton, LLP, 909 East Main Street, Suite 1200, Richmond, VA 23219; and

**EnerNOC, Inc.** – **Greg Poulos, Esq.** and by telephone, **Ken Schisler**, Representative, 101 Federal Street, Suite 1100, Boston, MA 02110.

During the Hearing, the *Settlement Agreement* was presented to the panel, and all parties indicated they were in agreement. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

#### **FINDINGS AND CONCLUSIONS**

Following the Hearing and presentation of the proposed *Settlement Agreement*, the panel deliberated the merits of the *Settlement Agreement* and found, based on the information contained in the record and the testimony presented, the terms and conditions set forth in the *Settlement Agreement* were just and reasonable and in the public interest. Therefore, the panel unanimously voted to approve the *Settlement Agreement*. Also, the panel instructed the Company to immediately file the RTODR Tariff with the Authority, with an effective date of January 1, 2013 and a tariff filing to terminate the PSEDR Tariff effective December 31, 2012. Further, consistent with the action taken by the panel at the April 23, 2012 Authority Conference allowing deferral of net costs associated with the demand response programs, the panel instructed the Company to file a demand response report annually with the Utilities Division Staff showing: (1) a list of participating KgPCo customers and the demand response programs they are enrolled in; (2) the number of curtailments called; (3) a detailed calculation of the costs incurred and non-compliance payments received; and (4) a cost/benefit analysis of the DR programs. This information should be submitted within ninety (90) days of the end of each PJM delivery year, which is June 1 through May 31.

#### **IT IS THEREFORE ORDERED THAT:**

1. The *Settlement Agreement*, a copy of which is attached to this Order as Exhibit A, is approved, adopted and incorporated in this Order as if fully rewritten herein.

2. KgPCo shall file the RTODR Tariff with an effective date of January 1, 2013 and a tariff to terminate the PSEDR Tariff effective December 31, 2012.

3. KgPCo shall be permitted to defer the net costs associated with the demand response programs and shall file a Demand Response Report annually with the Utilities Division of the Tennessee Regulatory Authority within ninety (90) days of the end of each PJM delivery year, which is June 1 through May 31.

**Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill, and Director Sara Kyle concur.**

**ATTEST:**

  
\_\_\_\_\_  
**Earl R. Taylor, Executive Director**

# EXHIBIT A

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

**In Re:**

**PETITION OF KINGSPORT POWER COMPANY  
FOR APPROVAL OF DEMAND RESPONSE  
PROGRAMS AND ASSOCIATED DEMAND  
RESPONSE TARIFFS**

**DOCKET No.: 12-00012**

**In Re:**

**PETITION OF EASTMAN CHEMICAL  
COMPANY AND AIR PRODUCTS AND  
CHEMICALS, INC., FOR EXPEDITED REVIEW  
TO ALLOW CERTAIN END USE CUSTOMERS  
OF KINGSPORT POWER COMPANY TO  
PARTICIPATE IN PJM INTERCONNECTION  
DEMAND RESPONSE PROGRAMS**

**DOCKET No.: 12-00026**

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**SETTLEMENT AGREEMENT**

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This Settlement Agreement is entered into as of the 20<sup>th</sup> day of November, 2012, by and between Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), Eastman Chemical Company ("Eastman"), Air Products and Chemicals, Inc. ("Air Products"), and EnerNOC, Inc. ("EnerNOC"), collectively referred to as the "Parties" or individually referred to as a "Party".

**WITNESSETH:**

**WHEREAS**, KgPCo filed its Petition for Approval of Demand Response Programs and Associated Demand Response Tariffs on February 7, 2012; and



**WHEREAS**, Eastman and Air Products filed their Petition for Expedited Review to Allow Certain End Use Customers of Kingsport Power Company to Participate in PJM Interconnection Demand Response Programs on March 30, 2012; and

**WHEREAS**, multiple settlement discussions were held during August, September and October 2012; and

**WHEREAS**, the settlement discussions culminated in the Parties reaching an agreement on certain issues in these proceedings, which agreement is set forth below.

**NOW, THEREFORE**, for and in consideration of the premises and conditions set forth herein, the Parties hereby agree as follows:

1. Pursuant to FERC Order 719, the Tennessee Regulatory Authority ("TRA") is the Relevant Electric Regulatory Authority ("RERRA") for the Kingsport Power Company, d/b/a AEP Appalachian Power, ("KgPCo") service area. As the RERRA, the TRA is authorized to determine the eligibility of retail customers served by KgPCo to participate in PJM Interconnection LLC ("PJM") wholesale market demand response programs. An Order issued by the TRA approving this Settlement Agreement will be provided by KgPCo to PJM as authorization by the TRA to allow CSPs and customers to participate in PJM demand response programs as provided herein.

2. An Order issued by the TRA approving this Settlement Agreement will permit retail customers in the KgPCo service territory to participate in PJM demand response programs, including, but not limited to, all emergency, economic and ancillary programs. Retail customers may participate as or through a Curtailment Service Provider ("CSP") for all such programs.

However, for the PJM Emergency Demand Response Program, or its successors, non-residential customers may only be registered with PJM for purposes of satisfying the Fixed Resource Requirement ("FRR") Alternative of the PJM Reliability Pricing Model ("RPM") obligation of KgPCo, for such period of time that KgPCo is part of the FRR Alternative. The only exceptions to this requirement are KgPCo customers and CSPs (on behalf of KgPCo customers) that had commitments in existence as of the date of this Settlement Agreement that provided for the sale of Emergency Demand Response in the RPM Auction for delivery years ending no later than May 31, 2016. An Order issued by the TRA approving this Settlement Agreement permits such retail customers to participate in the PJM Emergency Demand Response programs in order to fulfill those commitments and for KgPCo to provide any necessary approvals to PJM. An Order issued by the TRA approving this Settlement Agreement also permits retail customers to participate in all PJM Demand Response Programs, including the PJM Emergency Demand Response programs, for any delivery years beginning on or after June 1, 2016 for which the FRR Alternative of the PJM RPM is not applicable to KgPCo.

3. Any commitments by KgPCo customers or CSPs on behalf of KgPCo customers in existence as of the date of this Settlement Agreement that provide for the sale of emergency demand response into the PJM RPM auction for delivery years ending no later than May 31, 2016 shall be allowed and shall not be modified by this Settlement Agreement. Any agreements which include such commitments ("Grandfathered Agreements") shall be provided to the TRA, upon request, with appropriate confidentiality.

4. KgPCo Customers may participate in all PJM demand response programs through a CSP. Consistent with current PJM rules, customers may qualify to act as their own CSP. Participation in certain programs may be limited by requirements established by PJM.

5. KgPCo will cancel and withdraw its current Peak Shaving and Emergency Demand Response Tariff ("PSEDR Tariff") effective December 31, 2012, and withdraw its request, in this proceeding, for approval of the PSEDR Tariff. No customers are adversely impacted by this withdrawal, since there are no customers participating in the PSEDR Tariff.

6. The Parties hereto agree not to oppose KgPCo's request to continue to offer its current Peak Shaving Demand Response Tariff ("PSDR Tariff") beyond May 31, 2013. However, this Settlement Agreement does not require KgPCo to offer Tariff PSDR. Customers of KgPCo and their CSPs may participate directly in all PJM demand response programs, as otherwise provided in this Settlement Agreement, notwithstanding the availability of the PSDR Tariff.

7. KgPCo may file with the TRA requests for the review and approval of other proposed demand response tariffs in the future. Any such filing will not seek to preclude customers from electing to participate in PJM demand response programs either directly or through a CSP.

8. Subject to Paragraph 11, all commitments by KgPCo customers or CSPs on behalf of KgPCo customers made after the date of this Settlement Agreement to a PJM

emergency demand response program, or successor program, that meets PJM's requirements to be considered a capacity resource will be committed to meet the capacity obligations related to KgPCo customer load under the Fixed Resource Requirement Alternative of the PJM RPM. This requirement shall not limit the ability of KgPCo customers and their CSPs to participate directly in any PJM demand response programs other than the PJM emergency demand response program, and its successor programs.

9. Subject to Paragraph 11, KgPCo shall compensate KgPCo customers or CSPs on behalf of KgPCo customers for capacity commitments under Paragraph 8 at the PJM-determined Weighted Daily Revenue Rate. Weighted Daily Revenue Rate shall be defined as the average rate in \$/MW-day for all cleared MW, weighted by the megawatts cleared at each clearing price. Cleared MW shall include all cleared sell offers in the applicable Locational Delivery Area from each RPM auction (Base Residual Auction, First Incremental Auction, Second Incremental Auction and Third Incremental Auction) for the relevant PJM delivery year.

10. Consistent with the terms of this Settlement Agreement, the Parties request that the TRA approve a new Regional Transmission Organization Demand Response Tariff ("Tariff RTODR"), which is incorporated by reference and attached hereto as Exhibit 1, consisting of 3 pages, to be effective January 1, 2013.

11. The obligations under Paragraphs 8, 9 and 10 shall only apply during delivery years for which the FRR Alternative of the PJM RPM is applicable to KgPCo. Should KgPCo not be a part of the FRR Alternative of the PJM RPM for any delivery years beginning on or

after June 1, 2016, then the obligations under Paragraphs 8, 9 and 10 shall no longer apply, and customers and CSPs shall be permitted to participate in all PJM demand response programs, including the PJM emergency demand response program. KgPCo will notify all TRA-registered CSPs within 5 business days of any change in its status as part of the FRR Alternative.

12. CSPs shall comply with any registration requirements established by the TRA. The Parties recommend that the TRA adopt the registration and certification form attached hereto as Exhibit 2.

13. CSPs shall enter into a contract with KgPCo if required to do so under Tariff RTODR.

14. This Settlement Agreement contemplates a full resolution of all issues raised by the Parties in these proceedings.

15. The making of this Settlement Agreement shall not be deemed in any respect to constitute any precedent for the future or an admission by any Party hereto that any computations, formula, allegations or contentions made or legal positions taken by any other Party in these proceedings is true or valid. Moreover, this Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation, and the Parties preserve all their rights and arguments in connection with the permissibility of participating in PJM Demand Response Programs except to the extent relinquished by the express terms of this Settlement Agreement.

16. If this Settlement Agreement is not approved in its entirety by the TRA, without additions, deletions or revisions, then it shall terminate within 15 business days of such action by the TRA unless the Parties notify the TRA either that they have reached a modified Settlement Agreement or that they agree to accept the TRA's modification of the Settlement Agreement. If the Settlement Agreement terminates, then it (i) shall immediately be null and void in all respects for all Parties; (ii) shall not constitute any part of the record in these proceedings; and (iii) shall not be used by any Party for any purpose whatsoever. If the Settlement Agreement is terminated, each Party reserves the right to continue litigating the issues in these proceedings for ultimate determination by the TRA.

17. The Parties to this Settlement Agreement will not appeal, challenge or contest an Order of the TRA that accepts and approves this Settlement Agreement without modification and without imposing additional terms or requirements.

18. The Parties have arrived at this Settlement Agreement after full and fair consideration of all of the evidence filed in these proceedings, as well as the positions of the various parties as to the technical issues raised in these proceedings. It is the further position of the Parties that the TRA's approval of this Settlement Agreement will promote the public interest, will aid the expeditious conclusion of these proceedings, and will minimize the additional time and expense which otherwise would have to be devoted to this matter by the TRA and the Parties.

19. This Settlement Agreement may be executed and submitted to the TRA with any number of counterparty signature pages, all of which together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures.

Dated: 11/21/12

Kingsport Power Company, d/b/a  
AEP Appalachian Power

By: William C. Bovenick  
Attorney for Kingsport Power  
Company

Eastman Chemical Company

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Air Products and Chemicals, Inc.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

EnerNOC, Inc.

Dated: \_\_\_\_\_

By: \_\_\_\_\_



IN WITNESS WHEREOF, the parties hereto have affixed their signatures.

**Kingsport Power Company, d/b/a  
AEP Appalachian Power**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

**Eastman Chemical Company**

Dated: 11/21/12

By: [Signature]  
BY COUNSEL

**Air Products and Chemicals, Inc.**

Dated: 11/21/12

By: [Signature]  
BY COUNSEL

**EnerNOC, Inc.**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

**IN WITNESS WHEREOF**, the parties hereto have affixed their signatures.

**Kingsport Power Company, d/b/a  
AEP Appalachian Power**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

**Eastman Chemical Company**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

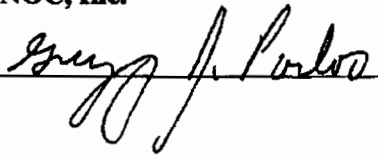
**Air Products and Chemicals, Inc.**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

**EnerNOC, Inc.**

Dated: November 20, 2012

By: 

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

Original Sheet No. 20-1  
T.R.A. Tariff Number 1

**TARIFF RTODR**  
**(Regional Transmission Organization Demand Response Rider)**

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**AVAILABILITY OF SERVICE**

Non-residential customers may participate in any regional transmission organization (RTO) demand response programs directly or through a third party Curtailment Service Provider (CSP), including all emergency, economic and ancillary programs, except as specifically provided herein. PJM Interconnection, LLC (PJM) is the Company's RTO. Consistent with current RTO rules, customers may qualify to act as their own CSP.

This Tariff shall apply to customers and CSPs that qualify for the RTO emergency (capacity) demand response program, and any successors to that program. This Tariff shall only apply during RTO delivery years for which the Fixed Resource Requirement (FRR) Alternative of the RTO Reliability Pricing Model (RPM) is applicable to the Company. RTO delivery years begin on June 1 and end on May 31. The Company shall notify all registered CSPs within 5 business days of any change in the Company's status as part of the FRR Alternative.

This Tariff is available for at least 35 MWs of emergency demand response from customers in the Company's Tennessee service territory that qualify for the RTO emergency demand response program, on a first-nominated by March 1 of each year, first-served basis. The Company reserves the right, but is not required, to purchase MWs of emergency demand response in excess of 35 MW. There is no limitation on the amount of demand response that can participate in economic, ancillary or other RTO demand response programs.

**CONDITIONS OF SERVICE**

- (1) The Terms and Conditions of RTO demand response programs are subject to change, from time to time, as approved by the Federal Energy Regulatory Commission.
- (2) The customer is ultimately responsible for compliance with the terms and conditions of the RTO demand response program and the terms of any contract(s) between the customer and a CSP.
- (3) All notifications to customer regarding the demand response program will be directly from the RTO or CSP.
- (4) All charges, credits and payments to customer under the demand response program will be directly from the CSP.
- (5) The customer or CSP shall provide advance notice to the Company of any test scheduled for purposes of compliance with the RTO demand response program of which it has received advance notice.
- (6) The customer must provide written authorization to the Company before any customer specific information will be released to a CSP.
- (7) Upon request of the customer or CSP, the Company will provide interval and/or pulse metering. The Company will work with customers and CSPs to install interval and/or pulse metering in a timely fashion. The incremental cost of any such metering shall be borne by the customer or CSP, and will be based upon the Company's costs of such metering.
- (8) CSP's must comply with all requirements of the RTO and have on file with the Tennessee Regulatory Authority a current CSP registration form.
- (9) **NO RESPONSIBILITY OR LIABILITY OF ANY KIND SHALL ATTACH TO OR BE INCURRED BY THE COMPANY OR THE AEP SYSTEM FOR, OR ON ACCOUNT OF, ANY LOSS, COST, EXPENSE, OR DAMAGE CAUSED BY OR RESULTING FROM, EITHER DIRECTLY OR INDIRECTLY, ANY DEMAND RESPONSE UNDER THE PROVISIONS OF THIS TARIFF.**

Issued: \_\_\_\_\_  
By: Charles Patton, President

Effective: \_\_\_\_\_  
Pursuant to an Order in  
Docket Numbers 12-00012  
and 12-00026

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

**Original Sheet No. 20-2**  
**T.R.A. Tariff Number 1**

**TARIFF RTODR**  
**(Regional Transmission Organization Demand Response Rider)**

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**CSP CONTRACT FOR EMERGENCY DEMAND RESPONSE CAPACITY (Contract)**

CSPs and customers acting as their own CSP that participate in an RTO emergency demand response program shall enter into a Contract with the Company. A CSP will have a single Contract with the Company for the aggregate emergency demand response capacity associated with customers of the Company. Such Contract will provide for the transfer/assignment of the nominated amount of RTO emergency demand response capacity to the Company so that the Company may use such capacity to meet its RTO FRR obligations. For purposes of this Tariff, an RTO emergency demand response program shall be any RTO demand response program that meets the RTO's requirements to be considered a capacity resource under the RTO Reliability Pricing Model.

By January 15 of each year, such CSPs and customers acting as their own CSP shall provide a non binding forecast of the amount of emergency demand response capacity expected to be provided for each of the following four (4) RTO delivery years. Such forecast shall be prepared on a good faith basis to be as accurate as reasonably possible to allow the Company to rely upon the projected resources to meet its FRR commitment and incorporate such capacity in its FRR capacity plan.

By March 1 of each year, such CSPs and customers acting as their own CSP shall nominate to the Company the amount of emergency demand response capacity to be provided for the upcoming June 1 through May 31 RTO delivery year.

**COMPANY PAYMENT FOR EMERGENCY DEMAND RESPONSE CAPACITY**

The Company will pay the CSPs and customers acting as their own CSP that participate in an RTO emergency demand response program for the amount of RTO emergency demand response capacity nominated to the Company as of March 1 for each upcoming delivery year. CSPs and customers acting as their own CSP shall, prior to the applicable RTO deadline, transfer/assign capacity to the Company's FRR obligation according to the RTO's requirements in an amount not less than the amount nominated as of March 1. Payments will be made monthly and shall be calculated as the product of the MWs of capacity transferred/assigned, the Company's Weighted Daily Revenue Rate, and the number of days in the month.

The Weighted Daily Revenue Rate shall be the average rate in \$/MW-day for all cleared MW, weighted by the megawatts cleared at each clearing price. Cleared MW shall include all cleared sell offers in the applicable Locational Delivery Area from each RPM auction (Base Residual Auction, First Incremental Auction, Second Incremental Auction and Third Incremental Auction) for the relevant PJM delivery year.

Any non-compliance charges, deficiency charges (should the amount of capacity registered with the RTO by the CSP or customers acting as their own CSP, be less than the amount nominated as of March 1), test failure charges or other charges assessed to the Company by the RTO related to the capacity transferred/assigned by a CSP to the Company shall be the responsibility of that particular CSP or customer acting as its own CSP. For billing and payment purposes, the Company may net any such charges against payments due to such CSP or customer under this Tariff.

**Issued: \_\_\_\_\_**  
**By: Charles Patton, President**

**Effective: \_\_\_\_\_**  
**Pursuant to an Order in**  
**Docket Numbers 12-00012**  
**and 12-00026**

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

**Original Sheet No. 20-3**  
**T.R.A. Tariff Number 1**

**TARIFF RTODR**  
**(Regional Transmission Organization Demand Response Rider)**

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**SPECIAL TERMS AND CONDITIONS**

Participation in the RTO Emergency Demand Response Program in order to satisfy any commitments by customers or CSPs on behalf of customers in existence as of November 21, 2012 that provided for the sale of emergency demand response capacity in the RTO RPM auction for delivery years ending no later than May 31, 2016 shall be allowed, in lieu of use of the emergency demand response capacity to meet the Company's FRR obligations.

Customer specific information shall remain confidential unless specified in writing by the customer. Customers and CSPs agree to work with the Company to provide any information related to service under this Tariff necessary to satisfy any RTO or regulatory requirements.

**Issued: \_\_\_\_\_**  
**By: Charles Patton, President**

**Effective: \_\_\_\_\_**  
**Pursuant to an Order in**  
**Docket Numbers 12-00012**  
**and 12-00026**

# Tennessee Regulatory Authority

**Curtailment Service Provider – Application for Registration.** Pursuant to the Order of the Tennessee Regulatory Authority (TRA) approving the settlement agreement in Docket Nos. 12-00012 and 12-00026, this document shall be completed and submitted to the TRA by Curtailment Service Providers (CSPs) prior to registering the demand response capability of Kingsport Power Company d/b/a AEP Appalachian Power end-use customers for participation in the PJM market. The registration must be submitted to:

Chairman, Tennessee Regulatory Authority  
c/o Sharla Dillon, Dockets and Records Manager  
460 James Robertson Parkway  
Nashville, Tennessee 37243

## **Curtailment Service Provider Information**

CSP Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_  
Zip Code: \_\_\_\_\_

## **CSP Authorized Contact:**

Title: \_\_\_\_\_  
Name: \_\_\_\_\_  
Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_

## **CSP Emergency Contact**

Title: \_\_\_\_\_  
Name: \_\_\_\_\_  
Office Phone: \_\_\_\_\_  
24 Hour Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_

## Certification

I, \_\_\_\_\_ certify that I am a duly authorized officer of \_\_\_\_\_ and that (i) this CSP is in good standing with PJM; (ii) that the CSP has executed all necessary PJM documents; (iii) that this CSP has met all PJM requirements for participation in PJM's Demand Response Programs; and (iv) that this CSP will enter into a contract with Kingsport Power Company, d/b/a AEP Appalachian Power, if required to do so under Kingsport Power Company's Tariff RTODR on file with the TRA.

The CSP shall update information in its application by January 31 of each year, and as necessary throughout the year, so that the information contained in the application remains accurate and complete.

I certify that all information contained in this CSP application submitted in accordance with these procedures is true, accurate and complete.

\_\_\_\_\_  
(Company Officer Signature)

\_\_\_\_\_  
(Title)

Subscribed and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
(Notary Public)

My Commission expires: