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PLEASE RESPOND TO:
KINGSPORT OFFICE

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August 27, 2014

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KPOW.86949

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

**Re: PETITION OF KINGSPORT POWER COMPANY FOR APPROVAL OF
DEMAND RESPONSE PROGRAMS AND ASSOCIATED DEMAND RESPONSE
TARIFFS; TRA Docket No. 12-00012**

and

**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; TRA Docket No.: 12-00026**

Dear Ms. Dillon:

Enclosed please find the Annual Demand Response Report of Kingsport Power Company d/b/a AEP Appalachian Power for filing in the captioned dockets.

Sincerely yours,

HUNTER, SMITH & DAVIS, LLP

A handwritten signature in dark ink, appearing to read 'W. Bovender', is written over the firm's name.

William C. Bovender

Ms. Sharla Dillon, Docket Room Manager
Page 2
August 27, 2014

Enclosure

c: David Foster (via email)
Tiffany Underwood (via email)
William A. Bosta (via email)
William K. Castle (via email)
James R. Bacha, Esq. (via email)
Brian K. West (via email)
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BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

August 29, 2014

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)	

ANNUAL DEMAND RESPONSE REPORT OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER

Comes Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), and submits its Annual Demand Response Report to the Utilities Division Staff of the Tennessee Regulatory Authority ("TRA"). All correspondence and communications with respect to this report should be sent to the following on behalf of KgPCo:

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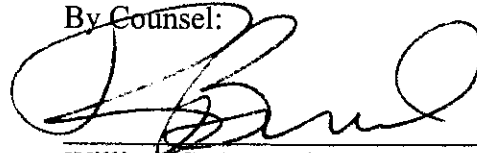
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Respectfully submitted,
**Kingsport Power Company, d/b/a
AEP Appalachian Power**

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**Kingsport Power Company d/b/a AEP Appalachian Power
Annual Demand Response Report to the Utilities Division Staff of the Tennessee
Regulatory Authority**

Pursuant to the TRA's March 4, 2013 Order in Docket Nos. 12-00012 and 12-00026, KgPCo provides the following information for the PJM Delivery Year ending May 31, 2014 ("2013/14 PJM Delivery Year"):

- (1) A list of participating KgPCo customers and the demand response programs they are enrolled in.

Response: Several of KgPCo's industrial customers, utilizing the services of Curtailment Service Providers ("CSP"), were enrolled in PJM demand response programs for the 2013/14 PJM Delivery Year. These enrollments pre-dated the Settlement Agreement and Tariff RTODR in these dockets and are listed in the table below as not part of Tariff RTODR.

PJM Delivery Year	Customer	DR Program	Part of Tariff RTODR?
2013/14	Air Products and Chemical, Inc.	Emergency DR Full	No
2013/14	Air Products and Chemical, Inc.	Economic	No
2013/14	Eastman Chemical Co.	Emergency DR Full	No

Also, several KgPCo customers were enrolled in PJM demand response programs, through a CSP participating in Tariff RTODR, for the 2013/14 PJM Delivery Year and are listed in the table below as being a part of Tariff RTODR.

PJM Delivery Year	Customer	DR Program	Part of Tariff RTODR?
2013/14	Hillcrest Pump Station	Emergency DR Full	Yes
2013/14	Wastewater Treatment Plant	Emergency DR Full	Yes
2013/14	Portola Packaging	Emergency DR Full	Yes
2013/14	Water Treatment Plant	Emergency DR Full	Yes
2013/14	Aggregates USA LLC - 2 Sites	Emergency DR Full	Yes
2013/14	Aggregates USA LLC - 2 Sites	Emergency DR Full	Yes
2013/14	Raw Water Intake	Emergency DR Full	Yes
2013/14	BAE Systems - Holston Army Ammunition Plant	Emergency DR Full	Yes

- (2) The Number of curtailments called.

Response: Only one PJM Emergency Mandatory Load Management Event for the full AEP zone was called during the compliance season and it occurred on September 11, 2013, from 13:30 through 19:30.

(3) A detailed calculation of the costs incurred and non-compliance payments received.

Response: KgPCo incurred approximately \$58,870 in costs during the 2013/14 PJM Delivery Year related to Tariff RTODR. There were no non-compliance payments during this period. For the applicable demand response product registered by the CSP, the price is determined to 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 Deliverability Area from each RPM auction (Base Residual Auction, First Incremental Auction, Second Incremental Auction and Third Incremental Auction) for the relevant PJM Delivery Year.

(4) A cost/benefit analysis of the Demand Response programs.

Response: A formal cost/benefit analysis of the Demand Response programs has not been performed. For a portion of the 2013/14 PJM Delivery Year, from January 31, 2014, through May 31, 2014, AEP included 5 MW from Tariff RTODR in its Fixed Resource Requirement ("FRR") Alternative with PJM. KgPCo benefits from Tariff RTODR by providing an alternative capacity resource to satisfy PJM reserve margin requirements.