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PLEASE RESPOND TO:
KINGSPORT OFFICE

April 27, 2012

VIA EMAIL

filed electronically in docket office on 04/27/12

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: **TRA Docket Nos. 12-00012 and 12-00026**

Dear Ms. Dillon:

As contemplated by the action of the Directors on April 23, 2012, approving the proposed Consent Order, we submit herewith the slightly modified Tariff PSDR and Tariff PSEDR (redline and clean versions) which would be implemented during the period June 1, 2012 to May 31, 2013. The text is unchanged. Some numbers had to be modified because they would only be effective for the twelve month period.

Should you have questions, please contact us.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender
Counsel for Appalachian Power Company

Enclosures

Ms. Sharla Dillon, Docket Room Manager

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April 27, 2012

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TARIFF PSDR
(Peak Shaving Demand Response Rider)

AVAILABILITY OF SERVICE

This demand response program is available on a voluntary basis to non-residential customers who are taking firm service from the Company. Program participants must have the ability to curtail load under the provisions under this Tariff. Each customer electing to participate in the program shall contract for a definite amount of PSDR capacity, not to exceed the customer's normal demand capable of being curtailed.

The Company reserves the right to limit the aggregate amount of PSDR capacity contracted for under this Tariff and the Peak Shaving and Emergency Demand Response Rider (PSEDR) to 60 MW. Program enrollment requests will be taken in the order received. Customers electing to participate in this program are not eligible to participate in the demand response program offered under Tariff PSEDR.

Customers participating in this Rider may elect to use the services of CSPs provided that such arrangements do not violate the terms and conditions of this Rider. The customer may designate a PJM-qualified CSP to facilitate all or some of the customer notifications and transactions under this Rider. The customer must provide written notice to the Company of any such designation. Such written notice shall specify the authority that the customer has granted to the CSP, including any authority to access customer data. The customer is ultimately responsible for compliance with the terms and conditions of this Rider, including any charges under this Rider, in which the customer has voluntarily elected to participate.

CONDITIONS OF SERVICE

- (1) The Company reserves the right to cancel or make changes to the terms, including the compensation calculation methods, of this Tariff, as appropriate.
- (2) The Company reserves the right to call for (request) customers to curtail their PSDR loads when, in the Company's sole judgment, a curtailment is necessary to reduce the Company's load. Curtailment requests can be made at any time of day and on any day of the week.
- (3) The Company will endeavor to provide as much advance notice as possible of curtailments under this Tariff including an estimate of the duration of such curtailments. However, the customer's PSDR capacity shall be curtailed within ninety (90) minutes if so requested.
- (4) In no event shall the customer be subject to load curtailment under the provisions of this Tariff for more than ten (10) interruptions during any December through March period. Each interruption shall last no more than six (6) hours. The customer must agree to be subject to curtailments of up to six (6) consecutive hours' duration for each curtailment event.
- (5) The Company will inform the customer regarding the communication process for notices to curtail. The customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company. The customer is not responsible in the event the Company fails to properly issue a curtailment notification.
- (6) During each December through March period the Company may conduct a test and verify the customer's ability to curtail. However, if a curtailment event is called prior to the test, then the event shall be considered the test for that period.
- (7) If the customer fails to comply with the provisions of curtailment under this Schedule, the Company and the customer will discuss methods to comply during future events. If the problem cannot be resolved to the Company's satisfaction, the Company reserves the right to terminate the customer's participation in the program.
- (8) The minimum PSDR capacity contracted for under this Tariff will be 250 kW. Entities with multiple electric service accounts may aggregate those individual accounts to meet the 250 kW minimum capacity requirement; however, the PSDR capacity committed for each individual account shall not be less than 50 kW.
- (9) An interval meter is required. If the customer does not have one, the Company will install one at no cost to the customer.
- (10) **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 CURTAILMENT OF SERVICE UNDER THE PROVISIONS OF THIS SCHEDULE.**

TARIFF PSDR
(Peak Shaving Demand Response Rider)

CUSTOMER BASELINE LOAD CALCULATION

A Customer Baseline Load (CBL) will be calculated for each hour corresponding to each curtailment event hour. Normally, the CBL will be calculated for each hour as the average corresponding hourly demands from the highest four (4) out of the five (5) most recent similar non-event days in the period preceding the relevant curtailment event. The highest load days are defined as the similar days (Weekday, Saturday, Sunday/Holiday as defined by PJM) with the highest energy consumption spanning the curtailment event hours. In cases where the normal calculation does not provide a reasonable representation of normal load conditions, the Company and the customer may develop an alternative CBL calculation that more accurately reflects the customer's normal consumption pattern.

CURTAILED DEMAND

The customer's Curtailed Demand shall be determined based upon the method of measurement chosen by the customer. The customer may choose one of two methods to measure the curtailed demand: 1) Guaranteed Load Drop (GLD) or 2) Firm Service Level (FSL). The method chosen shall remain in effect for the entire contract period.

(1) **GUARANTEED LOAD DROP METHOD**

- (a) Each customer must designate a Guaranteed Load Drop (GLD), which amount shall be the minimum demand reduction that the customer will provide for each hour during a curtailment event or during a curtailment test.
- (b) If the customer fails to fully comply with a request for curtailment under the provisions of this Tariff or does not reduce load to below the CBL by the full GLD, a non-compliance charge shall apply. For this purpose, Actual Load Drop (ALD) is defined as the difference between the customer's CBL and their actual hourly load. If in any hour of a curtailment event the ALD is less than the GLD, the Non-Compliance Demand shall be equal to the difference between the GLD and the ALD. Otherwise, the Non-Compliance Demand shall be zero (0).

(2) **FIRM SERVICE LEVEL (FSL) METHOD**

- (a) Firm Service Level Peak Load Contribution (PLC) – The customer's PLC will be calculated each year as the average of its load during the Company's five (5) highest daily peak loads during the previous December through March period, adjusted to add-back any load curtailments requested by the Company during those five (5) hours. The customer's PLC shall be adjusted for any material change in the customer's operations, including a change in the hours of operation that have occurred since the previous December through March period, and have increased or decreased the customer's load available for curtailment.
- (b) Available Curtailable Demand (ACD) - The customer must designate an ACD, defined as the difference between the PLC and the Firm Service Level (FSL). The FSL is the demand to which the customer agrees to reduce load to or below for each hour during a curtailment event.
- (c) If the customer fails to fully comply with a request for curtailment under the provisions of this Schedule, then the Non-Compliance Charge shall apply. If a customer is operating at or below their designated FSL during an event, it will be understood that they have no PSDR capacity available with which to comply and will not be charged a non-compliance penalty. If in any hour of a curtailment event the metered demand is above the FSL, the Non-Compliance Demand shall be equal to the difference between the customer's metered demand and the FSL. Otherwise the Non-Compliance Demand shall be zero (0).

TARIFF PSDR
(Peak Shaving Demand Response Rider)

CURTAILED ENERGY

The Curtailed Energy shall be determined for each curtailment event hour, defined as the difference between the customer's CBL for that hour and the customer's metered load for that hour.

CURTAILMENT CREDITS

The **Curtailment Energy Credit** shall be 90% of the AEP East Load Zone hourly Real-Time Locational Marginal Price (LMP) established by PJM (including congestion and marginal losses) for each curtailment event hour.

The **Curtailment Demand Credit** shall be calculated in \$/kW-year as the greater of (a) the four-year average PJM Reliability Pricing Model (RPM) Limited DR Base Residual Auction Clearing price for the applicable locational delivery area, calculated using the preceding delivery year, the current delivery year and the subsequent two (2) delivery years and (b) 35% of the applicable RPM Net Cost of New Entry (Net CONE) for the delivery year. Delivery years are from June 1 to May 31 as defined by PJM.

The Curtailment Demand Credit for the December 1, 2012 through March 31, 2013 contract period is as follows:

Delivery Year	RPM Clearing Price (\$/MW-day) (a)	2012/2013 Net CONE (\$/MW-day)	35% of Net CONE (\$/MW-day) (b)	Greater of (a) and (b) (\$/MW-day)	Annual Curtailment Demand Credit * (\$/kW-year)	Curtailment Demand Credit Paid Each of 4 Months **
June 1, 2011 to May 31, 2012	\$110.00					
June 1, 2012 to May 31, 2013	\$16.46					
June 1, 2013 to May 31, 2014	\$27.73					
June 1, 2014 to May 31, 2015	\$125.47					
Four-Year Average Price	\$69.92					
Amount		\$276.09	\$96.63	\$96.63	\$35.27	\$8.818

* Curtailment Demand Credit in \$/kW-year calculated as \$/MW-day times 365 divided by 1,000.

** Curtailment Demand Credit converted to be paid over 4 months = \$35.27 divided by 4.

TARIFF PSDR
(Peak Shaving Demand Response Rider)

MONTHLY DEMAND CREDIT

The Monthly Demand Credit shall be paid regardless of whether or not there are any curtailment events during the month, based on the method selected by the customer as follows:

1. GUARANTEED LOAD DROP METHOD - The Monthly Demand Credit shall be equal to the product of the GLD and the Curtailment Demand Credit.
2. FIRM SERVICE LEVEL METHOD – The Monthly Demand Credit shall be equal to the product of the ACD and the Curtailment Demand Credit.

MONTHLY EVENT CREDIT

An Event Credit shall be calculated for each event hour equal to the product of the Curtailed Energy for that hour and the Curtailment Energy Credit for that hour. The Monthly Event Credit shall be the sum of the hourly Event Credits for all events occurring in the calendar month, but shall not exceed the portion of the customer's monthly bill that is computed on a per kWh basis under the applicable firm service tariff for the same billing month. The customer shall not receive Event Credit for any curtailment events to the extent that the customer's PSDR capacity is already reduced due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, economic conditions, or any situation other than the customer's normal operating conditions. Event Credits will not be withheld if the customer's PSDR capacity is already reduced as a result of customer actions taken in anticipation of a curtailment.

NON-COMPLIANCE CHARGE

Charges for non-compliance will be based on the customer's Non-Compliance Demand which reflects any failure by the customer to fully comply with requests for curtailment under the provisions of this Schedule. The Non-Compliance Charge will be computed at the completion of the March delivery month each year and will be invoiced to the customer in May. The Non-Compliance Charge shall be equal to the average Non-Compliance Demand during all curtailment event hours times 110% of the Curtailment Demand Credit times 4.

CUSTOMER CREDIT

The net amount of the Monthly Demand Credit and Monthly Event Credit will be provided within 60 days after the end of the delivery month. A customer may request the aggregation of individual customer account credits into a single credit. The Company reserves the right to apply amounts owed to the customer to any unpaid balance owed to the Company for electric service provided.

TERM

Contracts under this Tariff shall be made for a minimum initial period of one (1) year and shall remain in effect until either party provides ninety (90) days' written notice prior to December 1 of its intention to discontinue participation in the program. The customer will earn the Customer Credit beginning in the December delivery month for contracts signed from March to November. For contracts executed from December through February, Customer credits will be earned beginning in the following delivery month.

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

**Original Sheet No. 19-5
T.R.A. Tariff Number 1**

**TARIFF PSDR
(Peak Shaving Demand Response Rider)**

SPECIAL TERMS AND CONDITIONS

Customer specific information, including, but not limited to PSDR contract capacity, shall remain confidential unless specified in writing by the customer.

If a new peak demand is set by the customer in the hour following a curtailment event due to the customer resuming the level of activity prior to the curtailment, the customer may request, in writing, that the customer's billing demand be adjusted to disregard that new peak. The Company will promptly evaluate all such requests and approve reasonable requests. In specific circumstances and subject to reasonable conditions, the Company may approve requests in advance.

**Issued: April 27, 2012
By: Charles Patton, President**

**Effective: June 1, 2012
Pursuant to an Order in
Docket Number 12-00012**

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

**Original Sheet No. 18-1
T.R.A. Tariff Number 1**

**TARIFF PSEDR
(Peak Shaving and Emergency Demand Response Rider)**

AVAILABILITY OF SERVICE

This demand response program is available on a voluntary basis to non-residential customers who are taking firm service from the Company and who are not participating in a demand response program either directly through PJM or through a Curtailment Service Provider (CSP). Program participants must have the ability to curtail load under the provisions under this Tariff. Each customer electing to participate in the program shall contract for a definite amount of PSEDR capacity, not to exceed the customer's normal demand capable of being curtailed.

The Company reserves the right to limit the aggregate amount of capacity contracted for under this Tariff and the Peak Shaving Demand Response Rider (PSDR) to 60 MW. Program enrollment requests will be taken in the order received. The customer's PSDR capacity under this Tariff will be enrolled in the PJM Interconnection, L.L.C. (PJM) Demand Response Program through the Company and subject to any PJM restriction. Customers electing to participate in this program are not eligible to participate in the demand response program offered under Tariff PSDR.

The customer's demand response service is not eligible for enrollment in any PJM demand response program either directly or through a PJM-qualified curtailment service provider (CSP). Customer's participating in this Rider may elect to use the services of CSPs provided that such arrangements do not violate the terms and conditions of this Rider. The customer may designate a PJM-qualified CSP to facilitate all or some of the customer notifications and transactions under this Rider. The customer must provide written notice to the Company of any such designation. Such written notice shall specify the authority that the customer has granted to the CSP, including any authority to access customer data. The customer is ultimately responsible for compliance with the terms and conditions of this Rider, including any charges under this Rider, in which the customer has voluntarily elected to participate.

CONDITIONS OF SERVICE

- (1) Capacity contracted under this Tariff qualifies for inclusion in the PJM Demand Response Program as of the effective date. The Company reserves the right to cancel or make changes to the terms, including the compensation calculation methods, of this Tariff in order to continue to qualify under the PJM Demand Response Program, as appropriate.
- (2) The Company reserves the right to call for (request) customers to curtail their PSDR load when an Emergency Mandatory Load Management Reduction Action has been issued by PJM.
- (3) The Company reserves the right to call for (request) customers to curtail their PSDR load when, in the sole judgment of the Company, conditions exist that require the Company to take steps to reduce load.
- (4) The Company will endeavor to provide as much advance notice as possible of curtailments under this Tariff including an estimate of the duration of such curtailments. However, the customer's PSDR load shall be curtailed within ninety (90) minutes if so requested.
- (5) The number of emergency interruptions under this tariff shall be consistent with the provisions set forth in the PJM Limited DR Program. As of the effective date, the number of emergency interruptions shall be no more than ten (10) interruptions resulting from PJM requests during any delivery year. A delivery year is defined as June 1 through May 31. Each interruption shall last no more than six (6) hours. The customer must agree to be subject to emergency PSDR curtailments of up to six (6) consecutive hours' duration for each curtailment event, on weekdays between 12 noon and 8 p.m., Eastern Time, for the months May through September and between 2 p.m. and 10 p.m., Eastern Time, for the months October through April.
- (6) The Company may not request more than ten (10) load management interruptions during any delivery year. Curtailment requests for load management purposes can be made at any time of day and on any day of the week. Each interruption shall last no more than six (6) hours. The customer must agree to be subject to curtailments of up to six (6) consecutive hours' duration for each curtailment event.
- (7) The Company will inform the customer regarding the communication process for notices to curtail. The customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company. The customer is not responsible in the event the Company fails to properly issue a curtailment notification.
- (8) An interval meter is required. If the customer does not have one, the Company will install one at no cost to the customer.

Issued: April 27, 2012

By: Charles Patton, President

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Pursuant to an Order in
Docket Number 12-00012

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

Original Sheet No. 18-2
T.R.A. Tariff Number 1

TARIFF PSEDR
(Peak Shaving and Emergency Demand Response Rider)

CONDITIONS OF SERVICE- (cont.)

- (9) During each delivery year the Company will conduct a test and verify the customer's ability to curtail as required by PJM. However, if a curtailment event is called by PJM prior to the test, then the event shall be considered the test for the delivery year. The Company reserves the right to re-test all customers if the Company does not achieve the minimum 75% compliance testing standards for all of the Company's PSEDR customers as required by PJM. Additionally, the Company reserves the right to re-test individual customers that fail to comply during a test. These tests must be conducted for one hour on a weekday between 12 noon and 8 p.m., Eastern Time, from June 1 through September 30 during the delivery year.
- (10) If the customer fails to comply with the provisions of curtailment under this Schedule, the Company and the customer will discuss methods to comply during future events. If the problem cannot be resolved to the Company's satisfaction, the Company reserves the right to terminate the customer's participation in the program.
- (11) The minimum PSEDR capacity contracted for under this Tariff will be 250 kW. Entities with multiple electric service accounts may aggregate those individual accounts to meet the 250 kW minimum capacity requirement; however, the PSEDR capacity committed for each individual account shall not be less than 50 kW.
- (12) **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 CURTAILMENT OF SERVICE UNDER THE PROVISIONS OF THIS SCHEDULE.**

CUSTOMER BASELINE LOAD CALCULATION

A Customer Baseline Load (CBL) will be calculated for each hour corresponding to each curtailment event hour. Normally, the CBL will be calculated for each hour as the average corresponding hourly demands from the highest four (4) out of the five (5) most recent similar non-event days in the period preceding the relevant curtailment event. The highest load days are defined as the similar days (Weekday, Saturday, Sunday/Holiday as defined by PJM) with the highest energy consumption spanning the curtailment event hours. In cases where the normal calculation does not provide a reasonable representation of normal load conditions, the Company and the customer may develop an alternative CBL calculation that more accurately reflects the customer's normal consumption pattern.

CURTAILED DEMAND

The customer's Curtailed Demand shall be determined based upon the method of measurement chosen by the customer. The customer may choose one of two methods to measure the curtailed demand: 1) Guaranteed Load Drop (GLD) or 2) Firm Service Level (FSL). The method chosen shall remain in effect for the entire contract period.

(1) **GUARANTEED LOAD DROP METHOD**

- (a) Each customer must designate a Guaranteed Load Drop (GLD), which amount shall be the minimum demand reduction that the customer will provide for each hour during a curtailment event or during a curtailment test.
- (b) If the customer fails to fully comply with a request for curtailment under the provisions of this Tariff or does not reduce load to below the CBL by the full GLD, a non-compliance charge shall apply. For this purpose, Actual Load Drop (ALD) is defined as the difference between the customer's CBL and their actual hourly load. If in any hour of a curtailment event the ALD is less than the GLD, the Non-

Issued: April 27, 2012

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Pursuant to an Order in
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KINGSPORT POWER COMPANY
d/b/a AEP Appalachian Power
Kingsport, Tennessee

Original Sheet No. 18-3
T.R.A. Tariff Number 1

TARIFF PSEDR
(Peak Shaving and Emergency Demand Response Rider)

Compliance Demand shall be equal to the difference between the GLD and the ALD. Otherwise, the Non-Compliance Demand shall be zero (0).

(2) FIRM SERVICE LEVEL (FSL) METHOD

- (a) Firm Service Level Peak Load Contribution (PLC) – The customer's PLC will be calculated each year as the average of its load during PJM's five (5) highest daily peak loads during the twelve (12) month period ended on the most recent October 31, adjusted to add-back any load curtailments requested by the Company during those five (5) hours. The customer's PLC shall be adjusted for any material change in the customer's operations, including a change in the hours of operation, that have occurred since the previous twelve (12) month period ended on the most recent October 31, and have increased or decreased the customer's load available for curtailment.
- (b) Available Curtailable Demand (ACD) - The customer must designate an ACD, defined as the difference between the PLC and the Firm Service Level (FSL). The FSL is the demand to which the customer agrees to reduce load to or below for each hour during a curtailment event.
- (c) If the customer fails to fully comply with a request for curtailment under the provisions of this Schedule, then the Non-Compliance Charge shall apply. If a customer is operating at or below their designated FSL during an event, it will be understood that they have no PSEDR capacity available with which to comply and will not be charged a non-compliance penalty. If in any hour of a curtailment event the metered demand is above the FSL, the Non-Compliance Demand shall be equal to the difference between the customer's metered demand and the FSL. Otherwise the Non-Compliance Demand shall be zero (0).

CURTAILED ENERGY

The Curtailed Energy shall be determined for each curtailment event hour, defined as the difference between the customer's CBL for that hour and the customer's metered load for that hour.

CURTAILMENT CREDITS

The **Curtailment Energy Credit** shall be 90% of the AEP East Load Zone hourly Real-Time Locational Marginal Price (LMP) established by PJM (including congestion and marginal losses) for each curtailment event hour.

The **Curtailment Demand Credit** shall be calculated in \$/kW-month as the greater of (a) the four-year average PJM Reliability Pricing Model (RPM) Limited DR Base Residual Auction Clearing price for the applicable locational delivery area, calculated using the preceding delivery year, the delivery year and the subsequent two (2) delivery years and (b) 70% of the applicable RPM Net Cost of New Entry (Net CONE) for the current delivery year.

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

Original Sheet No. 18-4
T.R.A. Tariff Number 1

TARIFF PSEDR
(Peak Shaving and Emergency Demand Response Rider)

The Curtailment Demand Credit for the June 1, 201~~24~~ through May 31, 201~~32~~ contract period is as follows:

<u>Delivery Year</u>	<u>RPM Clearing Price (\$/MW-day) (a)</u>	<u>2014/20123 Net CONE (\$/MW-day) (b)</u>	<u>70% of Net CONE (\$/MW-day) (b)</u>	<u>Greater of (a) and (b) (\$/MW-day)</u>	<u>Curtailment Demand Credit * (\$/kW-month)</u>
June 1, 2010 to May 31, 2011	\$174.29				
June 1, 2011 to May 31, 2012	\$110.00				
June 1, 2012 to May 31, 2013	\$16.46				
June 1, 2013 to May 31, 2014	\$27.73				
June 1, 2014 to May 31, 2015	\$125.47				
Four-Year Average	\$69.92 82.12				
Amount		\$171.40 276.09	\$193.26 119.98	\$193.26 119.98	\$5.87 83.649

* Curtailment Demand Credit in \$/kW-month calculated as \$/MW-day times 365 divided by 12,000.

MONTHLY DEMAND CREDIT

The Monthly Demand Credit shall be applicable to each month the customer is served under this Schedule, regardless of whether or not there are any curtailment events during the month.

1. GUARANTEED LOAD DROP METHOD - The Monthly Demand Credit shall be equal to the product of the GLD and the Curtailment Demand Credit.
2. FIRM SERVICE LEVEL METHOD – The Monthly Demand Credit shall be equal to the product of the ACD and the Curtailment Demand Credit.

MONTHLY EVENT CREDIT

An Event Credit shall be calculated for each event hour equal to the product of the Curtailed Energy for that hour and the Curtailment Energy Credit for that hour. The Monthly Event Credit shall be the sum of the hourly Event Credits for all events occurring in the calendar month, but shall not exceed the portion of the customer's monthly bill that is computed on a per kWh basis under the applicable firm service Tariff for the same billing month. The customer shall not receive Event Credit for any curtailment events to the extent that the customer's PSEDR capacity is already reduced due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, economic conditions, or any situation other than the customer's normal operating conditions. Event Credits will

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not be withheld if the customer's PSEDR capacity is already reduced as a result of customer actions taken in anticipation of a curtailment.

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ANNUAL NON-COMPLIANCE CHARGE

Charges for non-compliance will be based on the customer's Non-Compliance Demand which reflects any failure by the customer to fully comply with requests for curtailment under the provisions of this Tariff during the delivery year. The Annual Non-Compliance Charge will be computed at the completion of the March delivery month and will be invoiced to the customer in May. The Annual Non-Compliance Charge shall be equal to the average Non-Compliance Demand during all curtailment event hours times 110% of the Curtailment Demand Credit times 12. Customers that are non-compliant will be subject to termination from participation in this program.

CUSTOMER CREDIT

The net amount of the Monthly Demand Credit, Monthly Event Credit and Annual Non-Compliance Charge will be provided to the customer within 60 days after the end of the delivery month. A customer may request the aggregation of individual customer account credits into a single credit. The Company reserves the right to apply amounts owed to the customer to any unpaid balance owed to the Company for electric service provided.

TERM

Contracts under this Tariff shall be made for an initial period of four (4) delivery years and shall remain in effect until either party provides three (3) years' written notice prior to March 1 of its intention to discontinue participation in the program for the fourth delivery year beginning after the notice is provided. Written notice deadlines through March 1, 2015⁵⁶ are as follows:

<u>Written Notice Deadline</u>	<u>Effective Date of End of Participation</u>
March 1, 2012 ²³	June 1, 2015 ⁵⁶
March 1, 2013 ³⁴	June 1, 2016 ⁶⁷
March 1, 2014 ⁴⁵	June 1, 2017 ⁷⁸
March 1, 2015 ⁵⁶	June 1, 2018 ⁸⁹

SPECIAL TERMS AND CONDITIONS

Customer specific information, including, but not limited to PSEDR contract capacity, shall remain confidential unless specified in writing by the customer.

If a new peak demand is set by the customer in the hour following a curtailment event due to the customer resuming the level of activity prior to the curtailment, the customer may request, in writing, that the customer's billing demand be adjusted to disregard that new peak. The Company will promptly evaluate all such requests and approve reasonable requests. In specific circumstances and subject to reasonable conditions, the Company may approve requests in advance.

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TARIFF PSDR
(Peak Shaving Demand Response Rider)**AVAILABILITY OF SERVICE**

This demand response program is available on a voluntary basis to non-residential customers who are taking firm service from the Company. Program participants must have the ability to curtail load under the provisions under this Tariff. Each customer electing to participate in the program shall contract for a definite amount of PSDR capacity, not to exceed the customer's normal demand capable of being curtailed.

The Company reserves the right to limit the aggregate amount of PSDR capacity contracted for under this Tariff and the Peak Shaving and Emergency Demand Response Rider (PSEDR) to 60 MW. Program enrollment requests will be taken in the order received. Customers electing to participate in this program are not eligible to participate in the demand response program offered under Tariff PSEDR.

Customers participating in this Rider may elect to use the services of CSPs provided that such arrangements do not violate the terms and conditions of this Rider. The customer may designate a PJM-qualified CSP to facilitate all or some of the customer notifications and transactions under this Rider. The customer must provide written notice to the Company of any such designation. Such written notice shall specify the authority that the customer has granted to the CSP, including any authority to access customer data. The customer is ultimately responsible for compliance with the terms and conditions of this Rider, including any charges under this Rider, in which the customer has voluntarily elected to participate.

CONDITIONS OF SERVICE

- (1) The Company reserves the right to cancel or make changes to the terms, including the compensation calculation methods, of this Tariff, as appropriate.
- (2) The Company reserves the right to call for (request) customers to curtail their PSDR loads when, in the Company's sole judgment, a curtailment is necessary to reduce the Company's load. Curtailment requests can be made at any time of day and on any day of the week.
- (3) The Company will endeavor to provide as much advance notice as possible of curtailments under this Tariff including an estimate of the duration of such curtailments. However, the customer's PSDR capacity shall be curtailed within ninety (90) minutes if so requested.
- (4) In no event shall the customer be subject to load curtailment under the provisions of this Tariff for more than ten (10) interruptions during any December through March period. Each interruption shall last no more than six (6) hours. The customer must agree to be subject to curtailments of up to six (6) consecutive hours' duration for each curtailment event.
- (5) The Company will inform the customer regarding the communication process for notices to curtail. The customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company. The customer is not responsible in the event the Company fails to properly issue a curtailment notification.
- (6) During each December through March period the Company may conduct a test and verify the customer's ability to curtail. However, if a curtailment event is called prior to the test, then the event shall be considered the test for that period.
- (7) If the customer fails to comply with the provisions of curtailment under this Schedule, the Company and the customer will discuss methods to comply during future events. If the problem cannot be resolved to the Company's satisfaction, the Company reserves the right to terminate the customer's participation in the program.
- (8) The minimum PSDR capacity contracted for under this Tariff will be 250 kW. Entities with multiple electric service accounts may aggregate those individual accounts to meet the 250 kW minimum capacity requirement; however, the PSDR capacity committed for each individual account shall not be less than 50 kW.
- (9) An interval meter is required. If the customer does not have one, the Company will install one at no cost to the customer.
- (10) **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,**

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OR DAMAGE CAUSED BY OR RESULTING FROM, EITHER DIRECTLY OR INDIRECTLY, ANY CURTAILMENT OF SERVICE UNDER THE PROVISIONS OF THIS SCHEDULE.

CUSTOMER BASELINE LOAD CALCULATION

A Customer Baseline Load (CBL) will be calculated for each hour corresponding to each curtailment event hour. Normally, the CBL will be calculated for each hour as the average corresponding hourly demands from the highest four (4) out of the five (5) most recent similar non-event days in the period preceding the relevant curtailment event. The highest load days are defined as the similar days (Weekday, Saturday, Sunday/Holiday as defined by PJM) with the highest energy consumption spanning the curtailment event hours. In cases where the normal calculation does not provide a reasonable representation of normal load conditions, the Company and the customer may develop an alternative CBL calculation that more accurately reflects the customer's normal consumption pattern.

CURTAILED DEMAND

The customer's Curtailed Demand shall be determined based upon the method of measurement chosen by the customer. The customer may choose one of two methods to measure the curtailed demand: 1) Guaranteed Load Drop (GLD) or 2) Firm Service Level (FSL). The method chosen shall remain in effect for the entire contract period.

(1) GUARANTEED LOAD DROP METHOD

- (a) Each customer must designate a Guaranteed Load Drop (GLD), which amount shall be the minimum demand reduction that the customer will provide for each hour during a curtailment event or during a curtailment test.
- (b) If the customer fails to fully comply with a request for curtailment under the provisions of this Tariff or does not reduce load to below the CBL by the full GLD, a non-compliance charge shall apply. For this purpose, Actual Load Drop (ALD) is defined as the difference between the customer's CBL and their actual hourly load. If in any hour of a curtailment event the ALD is less than the GLD, the Non-Compliance Demand shall be equal to the difference between the GLD and the ALD. Otherwise, the Non-Compliance Demand shall be zero (0).

(2) FIRM SERVICE LEVEL (FSL) METHOD

- (a) Firm Service Level Peak Load Contribution (PLC) – The customer's PLC will be calculated each year as the average of its load during the Company's five (5) highest daily peak loads during the previous December through March period, adjusted to add-back any load curtailments requested by the Company during those five (5) hours. The customer's PLC shall be adjusted for any material change in the customer's operations, including a change in the hours of operation that have occurred since the previous December through March period, and have increased or decreased the customer's load available for curtailment.
- (b) Available Curtailable Demand (ACD) - The customer must designate an ACD, defined as the difference between the PLC and the Firm Service Level (FSL). The FSL is the demand to which the customer agrees to reduce load to or below for each hour during a curtailment event.
- (c) If the customer fails to fully comply with a request for curtailment under the provisions of this Schedule, then the Non-Compliance Charge shall apply. If a customer is operating at or below their designated FSL during an event, it will be understood that they have no PSDR capacity available with which to comply and will not be charged a non-compliance penalty. If in any hour of a curtailment event the metered demand is

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above the FSL, the Non-Compliance Demand shall be equal to the difference between the customer's metered demand and the FSL. Otherwise the Non-Compliance Demand shall be zero (0).

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CURTAILED ENERGY

The Curtailed Energy shall be determined for each curtailment event hour, defined as the difference between the customer's CBL for that hour and the customer's metered load for that hour.

CURTAILMENT CREDITS

The **Curtailment Energy Credit** shall be 90% of the AEP East Load Zone hourly Real-Time Locational Marginal Price (LMP) established by PJM (including congestion and marginal losses) for each curtailment event hour.

The **Curtailment Demand Credit** shall be calculated in \$/kW-year as the greater of (a) the four-year average PJM Reliability Pricing Model (RPM) Limited DR Base Residual Auction Clearing price for the applicable locational delivery area, calculated using the preceding delivery year, the current delivery year and the subsequent two (2) delivery years and (b) 35% of the applicable RPM Net Cost of New Entry (Net CONE) for the delivery year. Delivery years are from June 1 to May 31 as defined by PJM.

The Curtailment Demand Credit for the December 1, 201~~24~~ through March 31, 201~~23~~ contract period is as follows:

Delivery Year	RPM Clearing Price (\$/MW-day) (a)	201 24 /201 32 Net CONE (\$/MW-day)	35% of Net CONE (\$/MW-day) (b)	Greater of (a) and (b) (\$/MW-day)	Annual Curtailment Demand Credit * (\$/kW-year)	Curtailment Demand Credit Paid Each of 4 Months **
June 1, 2010 to May 31, 2011	\$174.29					
June 1, 2011 to May 31, 2012	\$110.00					
June 1, 2012 to May 31, 2013	\$16.46					
June 1, 2013 to May 31, 2014	\$27.73					
June 1, 2014 to May 31, 2015	\$125.47					
Four-Year Average Price	\$69.92 82.12					
Amount		\$276.09 171.40	\$96.63 59.99	\$96.63 82.12	\$35.27 29.974	\$8.81 87.493

* Curtailment Demand Credit in \$/kW-year calculated as \$/MW-day times 365 divided by 1,000.

** Curtailment Demand Credit converted to be paid over 4 months = ~~\$35.27~~~~29.974~~ divided by 4.

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MONTHLY DEMAND CREDIT

The Monthly Demand Credit shall be paid regardless of whether or not there are any curtailment events during the month, based on the method selected by the customer as follows:

1. GUARANTEED LOAD DROP METHOD - The Monthly Demand Credit shall be equal to the product of the GLD and the Curtailment Demand Credit.
2. FIRM SERVICE LEVEL METHOD – The Monthly Demand Credit shall be equal to the product of the ACD and the Curtailment Demand Credit.

MONTHLY EVENT CREDIT

An Event Credit shall be calculated for each event hour equal to the product of the Curtailed Energy for that hour and the Curtailment Energy Credit for that hour. The Monthly Event Credit shall be the sum of the hourly Event Credits for all events occurring in the calendar month, but shall not exceed the portion of the customer's monthly bill that is computed on a per kWh basis under the applicable firm service tariff for the same billing month. The customer shall not receive Event Credit for any curtailment events to the extent that the customer's PSDR capacity is already reduced due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, economic conditions, or any situation other than the customer's normal operating conditions. Event Credits will not be withheld if the customer's PSDR capacity is already reduced as a result of customer actions taken in anticipation of a curtailment.

NON-COMPLIANCE CHARGE

Charges for non-compliance will be based on the customer's Non-Compliance Demand which reflects any failure by the customer to fully comply with requests for curtailment under the provisions of this Schedule. The Non-Compliance Charge will be computed at the completion of the March delivery month each year and will be invoiced to the customer in May. The Non-Compliance Charge shall be equal to the average Non-Compliance Demand during all curtailment event hours times 110% of the Curtailment Demand Credit times 4.

CUSTOMER CREDIT

The net amount of the Monthly Demand Credit and Monthly Event Credit will be provided within 60 days after the end of the delivery month. A customer may request the aggregation of individual customer account credits into a single credit. The Company reserves the right to apply amounts owed to the customer to any unpaid balance owed to the Company for electric service provided.

TERM

Contracts under this Tariff shall be made for a minimum initial period of one (1) year and shall remain in effect until either party provides ninety (90) days' written notice prior to December 1 of its intention to discontinue participation in the program. The customer will earn the Customer Credit beginning in the December delivery month for contracts signed from March to November. For contracts executed from December through February, Customer credits will be earned beginning in the following delivery month.

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SPECIAL TERMS AND CONDITIONS

Customer specific information, including, but not limited to PSDR contract capacity, shall remain confidential unless specified in writing by the customer.

If a new peak demand is set by the customer in the hour following a curtailment event due to the customer resuming the level of activity prior to the curtailment, the customer may request, in writing, that the customer's billing demand be adjusted to disregard that new peak. The Company will promptly evaluate all such requests and approve reasonable requests. In specific circumstances and subject to reasonable conditions, the Company may approve requests in advance.

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