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KINGSPORT OFFICE

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April 9, 2012

VIA EMAIL & FEDERAL EXPRESS

KPOW.86949

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

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

Dear Ms. Dillon:

Please find enclosed the following documents for filing in the captioned Dockets:

1. Petition of Kingsport Power Company d/b/a AEP Appalachian Power to Intervene in Docket No.: 12-00026;
2. Statement of Position of Kingsport Power Company d/b/a AEP Appalachian Power to Notice of Convening Panel and Joint Petition of Eastman Chemical Company and Air Products and Chemicals, Inc., in Docket No.: 12-00026;
3. Statement of Position of Kingsport Power Company d/b/a AEP Appalachian Power to Notice of Convening Panel and Joint Petition to Intervene of Eastman Chemical Company and Air Products and Chemicals, Inc., in Docket No.: 12-00012.

We are sending the originals and copies overnight via FedEx. We are forwarding copies of these documents via email, as well as U.S. Mail, in accordance with the Certificate of Service. If you have any questions, please do not hesitate to contact me.

Ms. Sharla Dillon, Docket Room Manager

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April 9, 2012

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

Bill Bovender

William C. Bovender
Counsel for Appalachian Power Company

Enclosures

c: David Foster, Chief – Utilities Division (via email & US Mail)
Jean Stone, General Counsel (via email & US Mail)
Cynthia Kinser, Consumer Advocate Division (via email & US Mail)
Michael J. Quinan, Esq. (via email & US Mail)
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BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re:

PETITION FOR APPROVAL OF DEMAND
RESPONSE PROGRAMS AND ASSOCIATED
DEMAND RESPONSE TARIFFS

Docket No.: 12-00012

STATEMENT OF POSITION OF KINGSPORT POWER COMPANY d/b/a AEP
APPALACHIAN POWER TO NOTICE OF CONVENING PANEL AND JOINT
PETITION TO INTERVENE OF EASTMAN CHEMICAL COMPANY AND AIR
PRODUCTS AND CHEMICALS, INC.

Comes Kingsport Power Company d/b/a AEP Appalachian Power (herein "KgPCo"),
and, submits the following Statement of Position to be filed in the respective Dockets listed
herein below:

A. Docket No. 12-00012, Petition of Kingsport Power Company for Approval of
Demand Response Programs and Associated Demand Response Tariffs.

B. Docket No. 12-00026, 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.

PRELIMINARY STATEMENT

1. On March 30, 2011, a voting panel of the Tennessee Regulatory Authority
(herein, "TRA") issued and approved a CONSENT ORDER which permitted certain customers
of KgPCo, including Eastman Chemical Company (herein, "Eastman") to participate in PJM's

Demand Response Programs for the period June 1, 2011 – May 31, 2012. A copy of that CONSENT ORDER is provided as Exhibit 1 (Docket No. 11-00039).

2. Provisions of that CONSENT ORDER included the agreement of the parties that nothing in the Order would be construed as a waiver of rights with respect to participation in PJM Demand Response Programs after May 31, 2012, and all rights and arguments were reserved. (EXHIBIT 1, p. 4, ¶ 10).

3. The CONSENT ORDER also recognized that, at that time, KgPCo was not offering a demand response program but that KgPCo intended to seek approval of one or more demand response programs/tariffs thereafter. (EXHIBIT 1, p. 4, ¶ 8).

4. On February 7, 2012, KgPCo filed its Petition for Approval of Demand Response Programs and Associated Demand Response Tariffs. (Docket No. 12-00012).

5. Between the entry of the CONSENT ORDER in Docket No. 11-00039 on March 30, 2011, and the filings made by Eastman and Co-Petitioner Air Products and Chemicals, Inc., (herein, “Air Products”) in Docket No. 12-00026 and Docket No. 12-00012 on March 30, 2012, neither Eastman, nor Air Products, nor any other KgPCo customer, nor any other party to the proceeding in Docket No. 11-00039, nor any Curtailable Service Provider (herein “CSP”), made any filings with respect to participation in Demand Response Programs after May 31, 2012, except KgPCo in Docket No. 12-00012.

6. Having failed to make any filings relative to TRA approval to participate in any Demand Response program after May 31, 2012, Eastman and Air Products now request expedited approval of their participation in PJM Interconnection, LLC (herein “PJM”) Demand Response Programs in 2012 and beyond (even as far out as 2015) (see, Joint Petition, Docket No.

12-00026, p. 6), and permission to intervene in Docket No. 12-00012 so as to oppose KgPCo's Petition for Approval of Demand Response Programs and Associated Tariffs.

7. The TRA has now issued a NOTICE OF CONVENING PANEL to determine whether to convene a contested case and appoint a Hearing Officer in both Dockets (NOTICES of April 3, 2012); and, also, NOTICES OF STATUS CONFERENCE (April 4, 2012), have been issued which set forth potential filing dates for direct and rebuttal testimony and a hearing date of May 7, 2012. (See, NOTICES).

POSITION STATEMENT

8. KgPCo does not oppose the convening of contested cases and appointment of a Hearing Officer in the two Dockets, 12-00012 and 12-00026. In addition, KgPCo submits the two Dockets should be combined for all purposes.

9. However, KgPCo does not believe that the current procedural posture in either Docket provides even minimal due process to KgPCo in terms of discovery, development of testimony or hearing preparation. For example, at page 6 of the Joint Petition in Docket No. 12-00026, Eastman alleges it has committed demand response capacity to PJM through the 2014-2015 program years (i.e. May 31, 2015). The nature and extent of this commitment remains unknown at this time, as Eastman has not revealed any information beyond that statement. Is this a contract with PJM? Or is it a contract between Eastman and a CSP? Was this commitment entered into before or after the date of the CONSENT ORDER? KgPCo, in order to intelligently prepare testimony and participate in a hearing, must have the right to take discovery about this issue and several others arising from the Joint Petitions filed in both Dockets. Indeed, the TRA itself must have information of this nature before it, in order to render reasoned decisions in these cases.

10. Under the schedule contained in the NOTICES OF STATUS CONFERENCE, there would not be adequate time allotted for preparation of testimony or a hearing on either Docket, in addition to discovery effectively being denied. KgPCo and its customers deserve the opportunity to be able to develop both cases in an orderly fashion. This is especially the case given that the participation of any KgPCo customers in PJM Demand Response Programs provides no generation capacity benefit to KgPCo's other customers because the AEP-East companies are Fixed Resource Requirement entities that do not participate in PJM's RPM capacity market, as explained in the pre-filed direct testimony of Company witness Martin in Docket No. 12-00012.

11. Eastman's and Air Products' filings have created an atmosphere and potential timeline which is not conducive to reasoned regulatory decision-making, through no fault of the TRA or KgPCo. Other KgPCo customers could well be adversely affected by the current schedules.

12. As a means of resolving these matters, KgPCo proposes that the TRA consider the entry of an Interim Order which grants certain relief and rights to Eastman, Air Products and KgPCo and its other customers for the period June 1, 2012 to May 31, 2013. Said proposed Interim Order would include the following elements:

A. Both Dockets would be converted to Contested Cases, and combined for all purposes;

B. A Hearing Officer would be appointed;

C. Eastman, Air Products and any other KgPCo customers, who timely intervene in Docket No.: 12-00012, would be granted authority to participate in demand response programs offered by PJM for the period, June 1, 2012 to May 31, 2013, so long as Eastman, Air Products

and those qualifying customers can demonstrate they made a binding contractual commitment to participate in PJM programs for the period, June 1, 2012 to May 31, 2013, prior to the March 30, 2011 CONSENT ORDER (EXHIBIT 1);

D. Whether said authority would continue past May 31, 2013, (and if so, under what conditions), would be litigated in Docket No. 12-00026;

E. KgPCo's proposed Demand Response Programs and Tariffs would be approved except for the issue of exclusivity which would be litigated in Docket No. 12-00012; and,

F. A reasonable Scheduling Order would be entered which would permit adequate time for all parties and any intervenors to conduct discovery, develop and file direct testimony, develop and file rebuttal testimony, and provide adequate time to prepare for and conduct hearings in each Docket.

13. As a result of adopting such a proposed Interim Order, the serious due process issues that would exist under the schedules contained in the NOTICE OF STATUS CONFERENCE would be eliminated and the TRA would be afforded adequate and proper decision-making time.

14. KgPCo does not consider this "interim" proposal to be optimal. It does, however, offer a better alternative than do the schedules contained in the NOTICE OF STATUS CONFERENCE, given that Eastman and Air Products waited until March 30, 2012, to raise issues that each has known would need to be addressed since the TRA issued its March 30, 2011 CONSENT ORDER.

PREMISES CONSIDERED, Kingsport Power Company d/b/a AEP Appalachian Power respectfully requests the TRA take notice of the problems created by the proposed

schedules and adopt the interim solution proposed herein, which will protect all parties, intervenors, other KgPCo customers, and the integrity of the processes of the TRA.

Respectfully submitted,

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

By Counsel:

A handwritten signature in black ink, appearing to read 'W. Bovender', is written over a horizontal line.

William C. Bovender, Esq.
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(614) 716-3410
(614) 716-1613 (Fax)

Counsel for Kingsport Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of the foregoing **STATEMENT OF POSITION OF KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER TO NOTICE OF CONVENING PANEL AND JOINT PETITION OF EASTMAN CHEMICAL COMPANY AND AIR PRODUCTS AND CHEMICALS, INC.**, has been served upon the following:

David Foster, Chief-Utilities Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Jean Stone, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

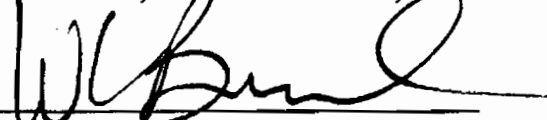
Cynthia Kinser
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Christian & Barton LLP
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Richmond, Virginia 23219

Edward Petrini, Esq.
Christian & Barton LLP
909 East Main Street, Suite 1200
Richmond, Virginia 23219

by mailing a true and accurate copy via U.S. Mail, postage prepaid, this the 9th day of April, 2012.

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 30, 2011

IN RE:

**PETITION FOR EXPEDITED REVIEW TO ALLOW
END USE CUSTOMER OF KINGSPORT POWER
CO. TO CONTINUE THEIR PARTICIPATION IN
THE PJM INTERCONNECTION'S DEMAND
RESPONSE PROGRAM**

**DOCKET NO.
11-00039**

CONSENT ORDER

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Sara Kyle 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 to consider the *Joint Petition to Intervene and Joint Request for Entry of Consent Order ("Joint Petition")* which was filed on March 23, 2011 by Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), Eastman Chemical Company ("ECC") and Demand Response Partners, Inc. ("DRP").

FINDINGS AND CONCLUSIONS

1. KgPCo is a public utility corporation organized and existing under the laws of the Commonwealth of Virginia whose principal place of business is located at 420 Riverport Road, Kingsport, Sullivan County, Tennessee.

2. KgPCo is the electric distribution company ("EDC") to approximately 47,000 customers in its service territory, which consists of portions of Sullivan and Hawkins Counties, Tennessee, including the City of Kingsport, Tennessee. KgPCo represents that it distributed 4

million MWh or less in its service territory in the previous fiscal year. KgPCo is subject to the jurisdiction of the TRA as to its retail rates and services.

3. ECC owns and operates facilities located in Kingsport, Tennessee, and is a customer of KgPCo. ECC has participated in PJM Demand Response programs, specifically in the Emergency Load Response Program as an Interruptible Load for Reliability, since May, 2009. ECC's current curtailment service provider is Tenaska Power Services Co.

4. DRP, the original Petitioner in this Docket, is a curtailment service provider ("CSP") authorized to conduct the demand response program in the PJM Interconnection and seeks in this Docket an Order that allows it and its current customers as of the filing of its *Petition for Expedited Review of Continued Participation in PJM Program* ("Petition") to continue to participate in the PJM programs known as Demand Response. Reference is hereby made to the *Petition* filed by DRP in this Docket.

5. All correspondence and communications with respect to this Consent Order should be sent to the following:

A. As to KgPCo:

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B. As to DRP:

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C. As to ECC:

Michael J. Quinan, Esq.
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6. Under current FERC rules and the Open Access Transmission Tariff ("OATT") of PJM Interconnection, LLC ("PJM"), PJM offers certain Demand Response programs. Such programs offer advantages to certain customers willing to subscribe to the programs and comply with program rules established by PJM. One of the requirements for participation in PJM's Demand Response programs is that in the case of end-use customers which are served by EDCs which deliver less than 4 million MWh per fiscal year, the Relevant Electrical Retail Regulatory Authority ("RERRA"), which in the case of DRP and ECC is the TRA, must permit such customer's demand response to be submitted into a PJM Demand Response program by a CSP.

7. The TRA has not previously authorized the provisions of such programs in KgPCo's service territory.

8. KgPCo currently does not offer a demand response program, but intends in the near future to seek approval of one or more demand response tariff schedules that would offer advantages to certain customers willing to receive service under the terms of the tariff schedules as established by KgPCo and approved by TRA.

9. The parties to the *Joint Petition* and DRP are willing to enter into this Consent Order to permit participation by DRP, its current customers as of the filing of its *Petition*, ECC and other qualified end-use customers of KgPCo (who join in the Consent Order on or before March 31, 2011) during said one year period (June 1, 2011 – May 31, 2012) in the PJM program. KgPCo also anticipates it will be filing with the TRA for approval, during said year, its own demand response tariff schedule.

10. KgPCo, DRP, and ECC have agreed that the *Joint Petition* and this Consent Order shall not be construed as a waiver of any rights of the parties with respect to PJM Demand Response programs in effect after the expiration of the June 1, 2011 – May 31, 2012 program participation period, and that the parties reserve all their rights and arguments in connection with the permissibility of offering or participating in any such programs in the future.

IT IS THEREFORE ORDERED THAT:

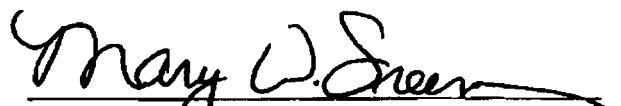
1. Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo") and Eastman Chemical Company ("ECC") are permitted to intervene in this TRA Docket No. 11-00039.

2. Demand Response Partners, Inc. ("DRP"), and the customers of DRP as of the date of the filing of DRP's *Petition*, and ECC are hereby granted permission to participate in PJM's Demand Response Programs for the period June 1, 2011 – May 31, 2012, as requested in the *Petition* filed by DRP in this Docket on March 14, 2011, and in the *Joint Petition* filed by KgPCo, ECC and DRP on March 23, 2011.

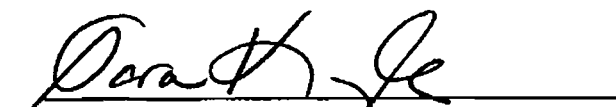
3. Any and all other qualified end-use customers located within the service territory of KgPCo are hereby permitted to make filings in this Docket to become parties to this Consent Order up to and including March 31, 2011, so as to be considered for participation in said PJM Demand Response Programs for the period June 1, 2011 – May 31, 2012, assuming said end-use customers of KgPCo are otherwise qualified to so participate under applicable Federal laws and regulations and in accordance with and with any necessary approval of KgPCo and PJM.

4. End-use customers within KgPCo's service territory not parties to this Consent Order are not authorized to subscribe to, or offer subscription to, the PJM Programs for the June 1, 2011 – May 31, 2012 program participation period, except for those having filed with the TRA on or before March 31, 2011, a request to join in and be subject to the Consent Order.

5. The *Petition* and this Consent Order shall not be construed as a waiver of any rights of the parties to the extent that TRA permission to participate is not required or with respect to PJM Demand Response programs in effect after the expiration of the June 1, 2011 – May 31, 2012 program participation period, and the parties have preserved all their rights and arguments in connection with the permissibility of offering or participating in any such programs.


Mary W. Freeman, Chairman


Eddie Roberson, Director


Sara Kyle, Director