

**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

CONSENT ORDER

This matter came before Chairman Kenneth C. Hill, Director Sara Kyle and Director Mary W. Freeman of the Tennessee Regulatory Authority ("TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 23, 2012, to consider the Joint Request for Entry of Consent Order ("Joint Request") which was filed on April 12, 2012, by Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), Eastman Chemical Company ("Eastman"), Air Products and Chemicals, Inc. ("Air Products"; collectively with Eastman, "Industrial Customers"), Demand Response Partners, Inc. ("DRP") and EnerNOC, Inc. ("EnerNOC"; collectively with DRP "Curtailment Service Providers" or "CSPs").

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. KgPCo is a subsidiary of American Electric Power Company, Inc. ("AEP").

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, including the City of Kingsport. 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. Both Industrial Customers own and operate facilities located in KgPCo's service territory; both are industrial customers of KgPCo; and both have the ability to respond to demand contingencies. Eastman has participated in Demand Response programs of PJM Interconnection, LLC ("PJM") since May, 2009.

4. CSPs are authorized to conduct demand response programs in the PJM Interconnection. DRP and EnerNOC have previously served as the CSP at PJM for customers of KgPCo and currently have customers under contract in the KgPCo territory.

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

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6. PJM is a regional transmission organization that coordinates the movement of electricity in all or parts of 13 states, including Tennessee, and the District of Columbia.

7. Under current FERC rules and PJM's Open Access Transmission Tariff ("OATT"), 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 end-users which are served by EDCs which deliver less than 4 million MWh per fiscal year must receive approval for participation in the PJM program from the Relevant Electrical Retail Regulatory Authority ("RERRA"), which in the case of the Industrial Customers and the KgPCo customers served by the CSPs is the TRA.

8. Last year, by Consent Order dated March 30, 2011, in TRA Docket No. 11-00039 ("Consent Order"), the Authority granted permission to certain customers of KgPCo, including Eastman, and certain CSPs and their customers, including DRP, to participate in PJM's Demand Response Programs for the period June 1, 2011 – May 31, 2012. KgPCo joined in the Joint Petition requesting entry of that Consent Order.

9. In the Consent Order, the parties agreed that the order would not be construed as a waiver of their rights with respect to PJM Demand Response programs in effect after expiration of the June 1, 2011 – May 31, 2012 program participation period, and they reserved all of their rights and arguments in connection with the permissibility of participating in any such programs in the future. Consent Order, p. 4, ¶

10. In the Joint Petition filed in TRA Docket No. 11-00039, KgPCo represented that, although it did not at that time offer a demand response program, it intended 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 such schedules as established by KgPCo and approved by TRA.

11. On February 7, 2012, KgPCo filed with the Authority a Petition for Approval of Demand Response Programs and Associated Demand Response Tariffs. That Petition has been assigned TRA Docket No. 12-00012. Industrial Customers and CSPs have filed Petitions to Intervene in TRA Docket No. 12-00012, and those petitions were granted on April 10, 2012 by the Hearing Examiner assigned to that docket.

12. On March 30, 2012, Industrial Customers filed a Petition seeking TRA permission to participate in the PJM Demand Response programs for the program year commencing June 1, 2012 and ending May 31, 2013, and thereafter. The deadline to register for the PJM programs for the June 1, 2012-May 31, 2013 PJM program year, and to submit the evidence of RERRA (here, TRA) approval, is May 16, 2012. Consequently, Industrial Customers requested expedited review of their petition. That petition has been assigned TRA Docket No. 12-00026. KgPCo filed a Petition to Intervene in TRA Docket No. 12-00026, and that petition was granted on April 10, 2012 by the Hearing Examiner assigned to that docket.

13. On April 10, 2012, the Authority converted both TRA Docket Nos. 12-00012 and 12-00026 to contested cases, and the Hearing Examiner assigned to both dockets granted the parties' joint motion to consolidate those dockets for all purposes.

14. All of the parties to both of these dockets joined in the Joint Request for Entry of Consent Order and are willing to enter into the CONSENT ORDER to permit participation in PJM Demand Response Programs, to the extent they are otherwise

qualified to do so, by Industrial Customers, directly or through their particular Curtailment Service Providers, and, by CSPs and the end-use customers of KgPCo which they represented as of the filing of their Petition to Intervene in Docket No.: 12-00012 on April 9, 2012, during the one year period, June 1, 2012 – May 31, 2013, and to take such action prior to June 1, 2012, as may be needed to facilitate such participation. The parties agree that as long as CSPs represented one or more sites of a KgPCo customer as of April 9, 2012, additional sites in the KgPCo territory that belong to that specific customer will be allowed to participate in PJM Demand Response programs, regardless of whether or not those additional sites were under contract as of April 9, 2012. The parties agree that all issues properly raised with regard to participation by KgPCo customers in PJM Demand Response Programs after May 31, 2013, may be litigated in these combined dockets.

15. All of the parties to both of these dockets joined in the Joint Request for Entry of Consent Order and are willing to enter into this CONSENT ORDER to permit KgPCo to put into effect, on a temporary basis during a one-year period (June 1, 2012 – May 31, 2013), the two Demand Response programs and tariffs as proposed by KgPCo in TRA Docket No. 12-00012, and to take such action prior to June 1, 2012, as may be needed to facilitate implementation of such programs, including, but not limited to, filing updated tariff sheets, as contemplated by the tariffs, with the TRA. The parties agree that all issues properly raised with regard to the implementation and terms of KgPCo's Demand Response programs and tariffs after May 31, 2013, may be litigated in these combined dockets. The parties are also in agreement that any action taken by the TRA during the period June 1, 2012 – May 31, 2013, which modifies, in any manner,

KgPCo's Demand Response Programs and Tariffs, would become effective no earlier than June 1, 2013.

16. All of the parties to both of these dockets agree that the Joint Request for Entry of Consent Order 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, 2012 – May 31, 2013 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. Eastman and Air Products, directly or through their Curtailment Service Providers, and the KgPCo customers of DRP and EnerNOC, as of the filing of the Petition to Intervene of DRP and EnerNOC in Docket No. 12-00012, on April 9, 2012, are hereby granted authority to participate, to the extent that they are otherwise qualified to do so pursuant to PJM program rules and tariffs, in demand response programs offered by PJM for the period June 1, 2012, through May 31, 2013, and to take such action, including action prior to June 1, 2012, as may be needed to facilitate such participation. As long as CSPs represented one or more sites of a KgPCo customer as of April 9, 2012, additional sites in the KgPCo territory that belong to that specific customer will be allowed to participate in PJM Demand Response programs, regardless of whether or not those additional sites were under contract as of April 9, 2012. All issues properly raised with regard to the participation of KgPCo customers in PJM Demand Response programs after May 31, 2013, may be litigated in these combined dockets.

2. KgPCo's proposed Demand Response Programs and Tariffs are hereby approved for implementation on a temporary basis for the period June 1, 2012, to May

31, 2013. KgPCo is authorized to take such action prior to June 1, 2012, as may be needed to facilitate such program implementation, including, but not limited to, filing updated tariff sheets, as contemplated by the tariffs, with the TRA.

3. All issues properly raised with regard to the implementation and terms of KgPCo's Demand Response programs and tariffs after May 31, 2013, may be litigated in these combined dockets.

4. Any action taken by the TRA during the period June 1, 2012 – May 31, 2013, which modifies, in any manner, KgPCo's Demand Response Programs and Tariffs, would become effective no earlier than June 1, 2013.

5. A Scheduling Order will be entered permitting adequate time for all parties and any interveners to conduct discovery, develop and file direct testimony, develop and file rebuttal testimony, and provide adequate time to prepare for and conduct a hearing in the instant Dockets.

6. The Joint Request and this Consent Order shall not be construed as a waiver of any rights of the parties regarding: (a) participation in PJM Demand Response programs after May 31, 2013; and (b) implementation of KgPCo's Demand Response programs and tariffs after May 31, 2013, and any TRA approvals, denials, or modifications of any such programs and tariffs after that date, and the parties have preserved all their rights and arguments in connection with any such PJM or KgPCo programs or tariffs after that date.

Director

Director

Director