

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

In Re:

PETITION TO TERMINATE TARIFF PSDR (Peak
Shaving Demand Response Rider)

DOCKET No. 14-00002

**PETITION OF KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER
TO TERMINATE TARIFF PSDR (Peak Shaving Demand Response Rider)**

Comes Kingsport Power Company d/b/a AEP Appalachian Power (“KgPCo”), and pursuant to T.C.A. § 65-2-107 and Rule 1220-1-2-.02 of the Rules and Regulations of the Tennessee Regulatory Authority (“TRA”), seeks the approval of the TRA to terminate its TARIFF PSDR (Peak Shaving Demand Response Rider) for the reasons set forth herein below:

1. KgPCo, a subsidiary of American Electric Power Company, Inc., (“AEP”), is a public utility corporation organized and existing under the laws of the Commonwealth of Virginia, doing business in the State of Tennessee, with its principal place of business located at 420 Riverport Road, Kingsport, Sullivan County, Tennessee. KgPCo is the electric distribution company 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.
2. All correspondence and communications with respect to this Petition should be sent to the following on behalf of KgPCo:

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3. The purpose of the Petition on behalf of KgPCo is to obtain the permission of the TRA to terminate the currently existing TARIFF PSDR (Peak Shaving Demand Response Rider).

4. On February 7, 2012, KgPCo filed its PETITION FOR APPROVAL OF DEMAND RESPONSE PROGRAMS AND ASSOCIATED DEMAND RESPONSE TARIFFS in Docket No. 12-00012. That Petition sought the approval of TRA for KgPCo to offer two demand response programs, Peak Shaving Demand Response Rider (PSDR) and Peak Shaving and Emergency Demand Response Rider (PSEDR) and which requested KgPCo be designated as the sole provider of PJM Interconnection, LLC ("PJM") Demand Response Programs in its service territory.

5. In response to the KgPCo Petition of February 7, 2012, in Docket No. 12-00012, Eastman Chemical Company, Air Products and Chemicals, Inc., EnerNOC, Inc., and Demand Response Partners, Inc., filed petitions to intervene in said Docket. On March 30, 2012, Eastman Chemical Company and Air Products and Chemicals, Inc., filed a Joint Petition 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. KgPCo later moved to intervene in Docket No. 12-00026 (same being permitted) and the Hearing Officer assigned to Docket Nos. 12-00012 and 12-00026 granted the parties' request to consolidate the contested cases in Docket Nos. 12-00012 and 12-00026 because the two dockets were closely related and any ruling in one affected the other.

6. On April 12, 2012, KgPCo and the other parties to the consolidated Docket Nos. 12-00012 and 12-00026 filed a Joint Request for Entry of Consent Order. On April 23, 2012, the TRA approved the Joint Request and issued a Consent Order on May 8, 2012, which, among other actions, approved KgPCo's TARIFF PSDR and permitted KgPCo to offer said DR Program through May 31, 2013. A copy of said Consent Order is attached as EXHIBIT A.

7. Thereafter, the parties to the consolidated Docket Nos. 12-00012 and 12-00026 entered into a Settlement Agreement and petitioned the TRA to approve same. At a regularly scheduled TRA Conference held on December 17, 2012, the TRA approved the Settlement Agreement and an ORDER APPROVING SETTLEMENT AGREEMENT was issued on March 4, 2013. A copy of that ORDER and EXHIBITS thereto are attached as EXHIBIT B to this Petition.

8. One of the provisions of the Settlement Agreement which was approved, adopted and incorporated in the ORDER APPROVING SETTLEMENT AGREEMENT, as if fully rewritten therein, was that the parties agreed "...not to oppose Kingsport's request to continue to offer its PSDR Tariff beyond May 31, 2013. (EXHIBIT B, ORDER, p. 4; SETTLEMENT AGREEMENT, ¶ 6, p. 4). Neither the Settlement Agreement nor the ORDER required KgPCo to offer the PSDR tariff.

9. However, KgPCo continued to offer TARIFF PSDR beyond May 31, 2013.

10. Authority to offer TARIFF PSDR was sought by KgPCo to manage its peak load, its overall load shape, its contribution to Appalachian Power Company's ("APCo's") peak load, and its purchased power costs. KgPCo purchases all of its power from APCo, at rates approved by the Federal Energy Regulatory Commission ("FERC").

11. AEP, the parent company of both KgPCo and APCo, meets its PJM Interconnection, LLC ("PJM") capacity obligations through a fixed capacity resource requirement, the Fixed Resource Requirement ("FRR").

12. TARIFF PSDR was designed to help reduce the peak demand of KgPCo, and, thus, APCo, during the period December through March, the time period when KgPCo and APCo typically experience their annual peak loads. TARIFF PSDR was offered to non-residential customers that could commit to curtail load during the cold winter months. Reducing KgPCo's and APCO's winter peak has had the effect, all other things being equal, of lowering APCo's capacity equalization charges to other AEP-East operating companies pursuant to the operations of the AEP Interconnection Agreement (the "Pool").

13. The Pool members terminated their participation in the Pool, pursuant to its terms, effective January 1, 2014, and, as of that date, APCo is no longer incurring capacity equalization charges based, in part, on the Companies' winter peaks. Therefore, effective January 1, 2014, the Companies' winter peaks became much less relevant than PJM's system peaks, which typically occur during the summer. Accordingly, TARIFF PSDR will no longer serve a purpose that advances the public interest.

14. No contracts between KgPCo and any of its customers have been entered into pursuant to TARIFF PSDR. As such, there is no need to provide notice of the termination of any contracts made pursuant to TARIFF PSDR.

15. By ORDER filed September 24, 2013, the Virginia State Corporation Commission granted the Application of APCo to terminate its Peak Shaving Demand Response Rider in Virginia. A copy of that ORDER is attached as EXHIBIT C.

PREMISES CONSIDERED, KgPCo requests that the TRA grant this Petition to terminate TARIFF PSDR and further requests that any requirement of notice of this Petition by newspaper publication or otherwise be waived in view of the fact that there are, and have never been, any contracts between KgPCo and any customer pursuant to TARIFF PSDR.

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.

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Counsel for Kingsport Power Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and exact copy of the foregoing **PETITION OF KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER TO TERMINATE TARIFF PSDR** has been served upon the following:

David Foster, Chief-Utilities Division
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Jean Stone, General Counsel
Tennessee Regulatory Authority
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Cynthia Kinser
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Nashville, TN 37202-0207

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Richmond, Virginia 23219

Edward Petrini, Esq.
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Richmond, Virginia 23219

by mailing a true and accurate copy via U.S. Mail, postage prepaid, this the 8th day of January, 2014.

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 8, 2012

IN RE:

PETITION FOR APPROVAL OF DEMAND RESPONSE
 PROGRAM AND ASSOCIATED DEMAND RESPONSE
 TARIFFS ON BEHALF OF KINGSPORT POWER
 COMPANY D/B/A AEP APPALACHIAN POWER

DOCKET NO.
 12-00012

IN RE:

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

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" or "Authority"), 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 "Curtailement 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, 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. 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.¹

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

¹ See *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, p. 4 (March 30, 2011).

Intervene in TRA Docket No. 12-00012, and those petitions were granted on April 10, 2012 by the Hearing Officer 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 Officer 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 Officer 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* and are willing to enter in 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* 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* 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.

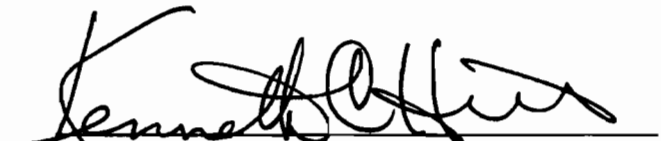
3. All issues properly raised with regard to the implementation and terms of KgPCo's Demand Response programs and tariffs after May 31, 2013 may be litigated in these combined dockets.

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.

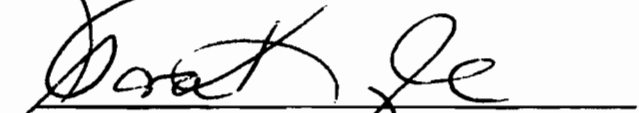
5. A Scheduling Order will be entered permitting adequate time for all parties and any interveners to conduct discovery, develop and file direct testimony, develop and file rebuttal testimony, and provide adequate time to prepare for and conduct a hearing in the instant Dockets.

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

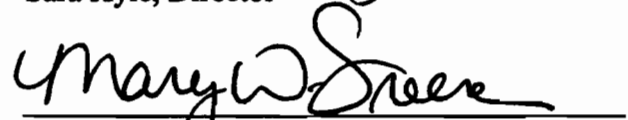
May 31, 2013; and (b) implementation of KgPCo's Demand Response programs and tariffs after May 31, 2013, and any TRA approvals, denials, or modifications of any such programs and tariffs after that date, and the parties have preserved all their rights and arguments in connection with any such PJM or KgPCo programs or tariffs after that date.



Kenneth C. Hill, Chairman



Sara Kyle, Director



Mary W. Freeman, Director

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)	

ORDER APPROVING SETTLEMENT AGREEMENT

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, “Curtailment 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.¹ 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

¹ *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") Tariff² 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.³ 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:⁴

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;

² Effective date of January 1, 2013.

³ *Settlement Agreement*, p. 6 (November 21, 2012).

⁴ *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;⁵
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.⁶

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;

⁵ 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.

⁶ *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

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of the 20th 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.

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

Dated: 11/21/12

By: William C. Bevenchick
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: _____

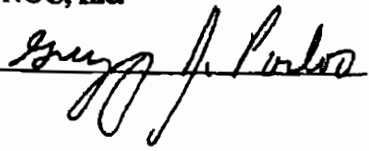
Air Products and Chemicals, Inc.

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)

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)

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)

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:



A Registered Limited Liability Partnership
Attorneys At Law
Established 1916
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P.O. Box 669
Gate City, VA 24251
Phone (276) 386-7701
Fax (276) 386-2377

November 21, 2012

VIA EMAIL

PLEASE RESPOND TO:
KINGSPORT OFFICE

filed electronically in docket office on
11/21/12

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:

We enclose herewith, for filing in the captioned combined Dockets, a Joint Submittal of Settlement and Tariff documents. We are shipping the original and four copies via FedEx for Monday delivery.

Should you have questions, please contact us.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender
Counsel for Kingsport Power Company

Enclosures

Ms. Sharla Dillon, Docket Room Manager

Page 2

November 21, 2012

c: Jean Stone, TRA General Counsel
Edward L. Petrini, Esq.
Michael Quinan, Esq.
Greg Geller
William A. Bosta
James R. Bacha, Esq.
Jennifer Sebastian
Greg Giesler
Greg Poulos

**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

JOINT SUBMITTAL OF SETTLEMENT AND TARIFF DOCUMENTS

Come the Parties to these combined Dockets, same being Kingsport Power Company, Eastman Chemical Company, Air Products and Chemicals, Inc. and EnerNOC, Inc., and jointly submit the following for consideration and approval by the Tennessee Regulatory Authority:

- (a) SETTLEMENT AGREEMENT,
- (b) Tariff RTODR (Regional Transmission Organization Demand Response Rider);
and
- (c) Tennessee Regulatory Authority Curtailment Service Provider – Application for Registration.

The Parties have agreed upon and executed the SETTLEMENT AGREEMENT and agreed upon the language of the Tariff and Application form. The Parties continue negotiations as to the form of a CAPACITY PURCHASE AND SALE AGREEMENT, which would be

entered into between Kingsport Power Company and the various curtailment service providers. There is currently substantial agreement on a majority of the terms and conditions of said CAPACITY PURCHASE AND SALE AGREEMENT. Said AGREEMENT, when finalized, will be submitted pursuant to the AMENDED AGREED PROTECTIVE ORDER received August 2, 2012 by the TRA. It is anticipated the final version can be filed the week of November 26, 2012.

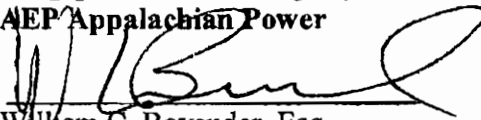
Kingsport Power Company reserves the right, subject to TRA approval, to file Rebuttal Testimony in these Combined Dockets should the Parties not be able to reach an agreement on the final terms and conditions of said CAPACITY PURCHASE AND SALE AGREEMENT. The remaining Parties to these Combined Dockets do not object to Kingsport's filing of Rebuttal Testimony should no final agreement be reached as to all outstanding issues.

The Parties hereto request the Tennessee Regulatory Authority maintain the Dockets on the December 17, 2012 Conference Agenda and request the filings submitted herewith be approved.

Counsel for Kingsport Power Company has been authorized by the Parties to make this Joint Submittal.

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

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



William C. Bovender, Esq.

HUNTER, SMITH & DAVIS, LLP
P. O. Box 3740
Kingsport, TN 37664
(423) 378-8858 (Telephone)
(423) 378-8801 (Fax)

James R. Bacha, Esq.
Hector Garcia, Esq.
American Electric Power Service Corp.
One Riverside Plaza, 29th Floor
Columbus, OH 43215
(614) 716-3410 (Telephone)
(614) 716-1613 (Fax)

Counsel for Kingsport Power Company

CERTIFICATE OF SERVICE

I hereby certify that, on November 21, 2012, the foregoing **JOINT SUBMITTAL OF SETTLEMENT AND TARIFF DOCUMENTS** was served via e-mail to all parties of record shown below.

Mr. David Foster Chief, Utilities Division Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37243-0505	Mr. William A. Bosta Director, Regulatory Services VA/TN Appalachian Power Company Three James Center Suite 1100, 1051 E. Cary St. Richmond, VA 23219-4029
Jean A. Stone General Counsel Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37243-0505	Cynthia Kinser Consumer Advocate Division Office of the Attorney General P.O. Box 30207 425 5 th Avenue North, 2 nd Floor Nashville, TN 37243-0500
Michael J. Quinan, Esq. CHRISTIAN & BARTON, LLP 909 East Main St., Suite 1200 Richmond, VA 23219	Greg Geller EnerNOC, Inc. 101 Federal Street, Suite 1100 Boston, MA 02110

This 21st day of November, 2012


William C. Bovender, Esq.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 24, 2013

EXHIBIT C

130920191

CLERK'S OFFICE
CONTROL CENTER
2013 SEP 24 P 3: 18

APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUE-2013-00083

For approval to terminate its Peak Shaving
Demand Response Rider

ORDER

On July 30, 2013, Appalachian Power Company ("APCo" or "Company") filed with the State Corporation Commission ("Commission") an Application ("Application") for approval to terminate its Peak Shaving Demand Response ("PSDR") Rider, which the Commission approved for implementation in Case No. PUE-2011-00001.¹ The Commission had approved the PSDR Rider pursuant to Section 3 of Chapters 752 and 855 of the 2009 Acts of the Virginia General Assembly, which empowers the Commission to approve demand response programs proposed by an electric utility that has elected to meet its capacity obligations of a regional transmission entity through a fixed capacity resource requirement if the Commission finds the proposed demand response programs to be "effective, reliable, and verifiable as a capacity resource" and "in the public interest."

American Electric Power, APCo's parent company, meets its PJM Interconnection, LLC ("PJM") capacity obligations through a fixed capacity resource requirement.² The PSDR Rider was designed to help reduce APCo's peak demand during the period from December through

¹ *Application of Appalachian Power Company, Pursuant to Chapters 752 and 855 of the 2009 Acts of the Virginia General Assembly, for approval of demand response programs to be offered to its retail customers*, Case No. PUE-2011-00001, 2011 S.C.C. Ann. Rept. 417, Final Order (Sept. 12, 2011).

² Application at 1-2.

March, which is the time period when the Company typically experienced its annual peak load.³ Reducing APCo's winter peak would help to lower APCo's capacity equalization obligation to other AEP-East operating companies pursuant to the operation of the AEP Interconnection Agreement (the "Pool").⁴ On December 17, 2010, the Pool members gave notice to each other to terminate the Pool effective January 1, 2014, and APCo will no longer incur capacity equalization charges that are based, in part, on the Company's winter peak.⁵ Accordingly, after that date, APCo's PJM capacity obligations will only be based on summer peaks, which the Company's Peak Shaving and Emergency Demand Response ("PSEDR") Rider is designed to address.⁶ The Company states that the PSDR Rider will, therefore, no longer serve a purpose that advances the public interest.⁷

APCo states that the contracts between the Company and participating customers made pursuant to the PSDR Rider were entered into for a minimum of one year.⁸ The terms of the Rider permit either party to discontinue participation in the program, as long as the party provides 90 days' written notice of its intention prior to December 1.⁹ There are currently four non-residential APCo customers participating in the PSDR Rider, and the Company states that it has notified each customer by letter of its intent to file this Application and of its intent to give

³ *Id.* at 2.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* The PSEDR Rider also was approved by the Commission in Case No. PUE-2011-00001.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 3. See also Appalachian Power Company VA S.C.C. Tariff No. 23, accepted for filing by the Commission's Division of Energy Regulation on October 6, 2011.

90 days' notice of the termination of the contracts on or around September 1, 2013.¹⁰ APCo also served copies of this Application on each of the customers.¹¹ APCo, therefore, requests that the Commission waive any requirement to provide notice of this Application by newspaper publication or otherwise.¹² In addition, prior to filing the Application, APCo confirmed that Staff does not object to termination of the PSDR Rider as requested in the Application.¹³

NOW THE COMMISSION, upon consideration of the foregoing, is of the opinion and finds that because APCo will no longer incur capacity equalization charges that are based, in part, on the Company's winter peak, the PSDR Rider will no longer serve a purpose that advances the public interest. The Commission further finds that the PSDR Rider provides for discontinuance of APCo's participation in the PSDR program, upon 90 days' written notice prior to December 1; APCo has provided such timely notice to the four customers currently participating in the PSDR program; and Staff does not oppose termination of the PSDR Rider. We also would note that the original order approving the PSDR Rider did not prescribe any public notice by the Company prior to termination of the program. Moreover, based on the circumstances and the Company's notice previously provided to participating customers, the Commission finds that no further notice of this Application is required.

Accordingly, IT IS ORDERED THAT:

- (1) The Company's Application to terminate the PSDR Rider hereby is approved.
- (2) This case is closed, and the papers filed herein shall be placed in the file for ended

causes.

¹⁰ Application at 3. Copies of the letters were attached to the Application.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Noelle J. Coates, Esquire, and Richard D. Gary, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; James R. Bacha, Esquire, and Hector Garcia, Esquire, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.