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January 9, 2007
VIA FEDERAL EXPRESS

PLEASE RESPOND TO:
KINGSPORT OFFICE

PAID T.R.A.	
Chk #	<u>063132</u>
Amount	<u>25.00</u>
Rcvd By	<u>SS</u>
Date	<u>1/10/06</u>

Sara Kyle, Chairman
ATTN: Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: **TRA Docket No. 07-00019**: *Application of Appalachian Power Company
Seeking Approval for 2007 Tax Exempt New Money*

Dear Chairman Kyle:

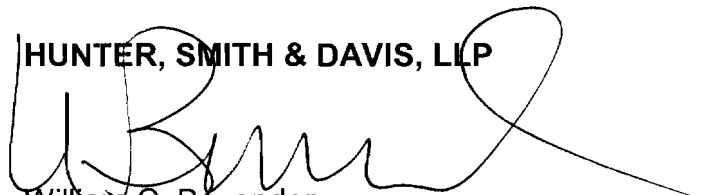
We submit herewith the original and thirteen copies of the Application of Appalachian Power Company seeking the approval of the Tennessee Regulatory Authority for 2007 Tax Exempt New Money.

Authorization for these credit facilities is requested pursuant to TCA § 65-4-109 and related regulations.

Should there be any questions, please direct same to the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP


William C. Bovender
Counsel for Appalachian Power Company

WCB/pl
Enclosures

cc: William E. Johnson, Esq. (via e-mail)
James R. Bacha, Esq. (via e-mail)
Barry L. Thomas (via e-mail)

In the Matter of the:

TO THE HONORABLE TENNESSEE REGULATORY AUTHORITY:

Doc #356998.v4 Date: 1/5/2007 10:44 AM

Appalachian a carry forward of \$49,220,000 of the state ceiling for private activity bonds from 2005 and \$85,195,350 of the state ceiling for private activity bonds from 2006 (collectively, the "Carry Forward"). This allows the portion of the cost of Appalachian's environmental and pollution control project that qualifies as solid waste disposal facilities to be financed on a tax-exempt basis, resulting in lower costs.

In order to preserve the availability of this lower cost financing, Appalachian is filing this Petition for amounts in excess of the Carry Forward even though the WVEDA has not yet awarded such amounts. Accordingly, the amounts in excess of the Carry Forward necessary to finance the subject environmental and pollution control facilities will not be actually financed pursuant to the authority requested herein until and unless such amounts have been allocated by the WVEDA.

3. Appalachian requests authorization to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$175 million in connection with the proposed issuance of one or more series of Solid Waste Disposal Facilities Bonds to be issued by the WVEDA on or prior to December 31, 2007. The proceeds of the Solid Waste Disposal Facilities Bonds would be loaned to Appalachian by the WVEDA to provide financing for a portion of the solid waste disposal facilities described herein.

In connection with the Solid Waste Disposal Facilities Bonds, Appalachian would assume certain obligations under one or more loan agreements with the WVEDA, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of any part of the obligations under one or more series of Solid Waste Disposal Facilities Bonds for the benefit of the holders of such bonds.

4. The WVEDA has the power, pursuant to the provisions of West Virginia Development Authority Act, Chapter 31, Article 15 of the West Virginia Code, to enter into the transactions contemplated by the Loan Agreement, as defined below, and to carry out its obligations thereunder by issuing and selling the Solid Waste Disposal Facilities Bonds and lending the proceeds from the sale of such Solid Waste Disposal Facilities Bonds to Appalachian to finance the acquisition and construction of certain environmental facilities, being within the corporate limits of Mason County, West Virginia and Putnam County, West Virginia. It is expected that proceeds exceeding previously spent qualified costs would be deposited into a trust account until disbursed for construction costs. In that instance, Appalachian will submit periodic disbursement requests for the reimbursement of qualified construction costs previously incurred and paid for by Appalachian.

5. The Solid Waste Disposal Facilities Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between the WVEDA and a Trustee. The proceeds from the sale of the Solid Waste Disposal Facilities Bonds would be loaned to Appalachian pursuant to one or more loan agreements between the WVEDA and Appalachian (collectively the "Loan Agreement"). The payments to be made by Appalachian under the Loan Agreement for one or more series of Solid Waste Disposal Facilities Bonds, together with other funds available for that purpose, would need to be sufficient to pay the principal, purchase price or premium, if any, and interest on such Solid Waste Disposal Facilities Bonds. The Loan Agreement and the payments to be made by Appalachian pursuant thereto will be assigned to the Trustee to secure the payment of the principal and interest on the related Solid Waste Disposal Facilities Bonds. Upon issuance of a series of Solid Waste Disposal Facilities Bonds, Appalachian may issue one or

more guarantees or similar agreements in favor of the Trustee guaranteeing repayment of all or any part of the obligations under such Solid Waste Disposal Facilities Bonds for the benefit of the holders of such Bonds. Additionally, if it is deemed advisable, any series of Solid Waste Disposal Facilities Bonds, as described herein, may be provided some form of credit enhancement, including, but not limited to, a letter of credit, bond insurance, standby purchase agreement or surety bond.

6. The Solid Waste Disposal Facilities Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the customary and appropriate documentation.

The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Solid Waste Disposal Facilities Bonds (including, in the event all or a portion of the Solid Waste Disposal Facilities Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between Appalachian, the WVEDA, and the purchasers of such bonds. However, Appalachian will not agree, without further Order of the Tennessee Regulatory Authority, to the issuance of any series of the Solid Waste Disposal Facilities Bonds if (i) the stated maturity of any such bonds shall be more than forty (40) years; (ii) the fixed rate of interest to be borne by any such bonds shall exceed 8% or the initial rate of interest to be borne by any such bonds bearing a variable rate of interest shall exceed 8%; (iii) the discount from the initial public offering price of any such bond shall exceed 5% of the principal amount thereof; or (iv) the initial public offering price of any such bond shall be less than 95% of the principal amount thereof. Based upon past experience with similar financings, Appalachian estimates that bond insurance costs (if prepaid

at closing) and other issuance costs, excluding underwriting fees, will be approximately \$3.6 million.

7. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Solid Waste Disposal Facilities Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by Appalachian, including the issuance of auction mode Solid Waste Disposal Facilities Bonds. Appalachian would reserve the option to convert any variable rate Solid Waste Disposal Facilities Bonds at a later date to other interest rate modes, including a fixed rate of interest. Solid Waste Disposal Facilities Bonds that bear interest at a variable rate (the “Variable Rate Bonds”) also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Bonds, Appalachian would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Bonds, which will be 100% of the par amount of such Variable Rate Bonds. Thus, to the extent Variable Rate Bonds are issued, the documentation will be similar to previous Solid Waste Disposal Facilities Bonds that were issued with a variable interest rate and it is expected that the fees of the remarketing agent will be approximately 25 basis points.

8. Also, in the event that Variable Rate Bonds are issued, Appalachian may enter into one or more liquidity or credit facilities (the “Bank Facility”) with a bank or banks (the “Bank”) to be selected by Appalachian. The Bank Facility would be a credit agreement designed

to provide Appalachian with immediately available funds with which to make payments with respect to any Variable Rate Bonds that have been tendered for purchase and are not remarketed. Pursuant to the Bank Facility, Appalachian may be required to execute and deliver to the Bank a note (the "Bank Facility Note") evidencing Appalachian's obligation to the Bank under the Bank Facility.

In order to obtain terms and conditions more favorable to Appalachian than those provided in the Bank Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Bonds, Appalachian may desire to be able to replace the Bank Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a "Facility") with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by Appalachian from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Bonds. It is contemplated that, in the event the Variable Rate Bonds are converted to bear interest at a fixed rate to maturity, the Bank Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated, in whole or in part, following the date of conversion of such series of Variable Rate Bonds. The estimated cost of the financing set forth in Section 6 above does not include expenses incurred for entering into any Facility, however the impact on the overall cost of the financing would be approximately 90

basis points.

9. In connection with any Facility, Appalachian may enter into one or more credit or similar agreements (“Credit Agreements”) with the Facility Provider or providers of such Facility, which would contain the terms of reimbursement or payment to be made by Appalachian to the Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, Appalachian may be required to execute and deliver to the Facility Provider a promissory note (each such note hereinafter referred to as a “Facility Note”) evidencing Appalachian’s repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

10. The terms of each Facility, each Credit Agreement and each Facility Note would be negotiated by Appalachian with the respective Bank or Facility Provider and would be the most favorable terms that can be negotiated by Appalachian. The aggregate outstanding principal amount of the obligations of Appalachian at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence, will not

exceed the original aggregate principal amount of the Solid Waste Disposal Facilities Bonds (which will not exceed an aggregate principal amount of \$175 million) plus accrued but unpaid interest and premium, if any, on such bonds.

11. In order to obtain terms and conditions more favorable to Appalachian or to provide for additional liquidity or credit support to enhance the marketability of the Solid Waste Disposal Facilities Bonds (including Variable Rate Bonds), Appalachian may desire to obtain bond insurance with one or more insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by Appalachian from time to time. The estimated cost of such bond insurance, if prepaid at closing, is set forth in Section 6 above. The cost of bond insurance that is paid in installments over the life of the bond is estimated to be approximately 25 basis points per annum. It is anticipated that the obtaining of bond insurance would be an alternative to the liquidity and other back-up facilities described in Sections 8 and 9 above, thereby obviating the need to incur the costs associated with such structures.

12. Appalachian may enter into, from time to time through December 31, 2007, one or more interest rate hedging arrangements, including, but not limited to, treasury lock agreements, forward-starting interest rate swaps, treasury put options or interest rate collar agreements ("Hedge Agreement") to protect against future interest rate movements in connection with the issuance of the Solid Waste Disposal Facilities Bonds. Each Treasury Hedge Agreement will correspond to one or more Solid Waste Disposal Facilities Bonds that Appalachian will issue pursuant to this Application; accordingly, the aggregate corresponding principal amounts of all Treasury Hedge Agreements cannot exceed an amount equal to, on the

date or dates of entering such agreements, up to \$175 million.

13. This Petition is submitted in addition to TRA Docket 06-00190: *Application of Appalachian Power Company Seeking Approval For Financing Up to \$800,000,000 Through December 31, 2007*, which was approved by the Directors of the Tennessee Regulatory Authority at the Authority Conference of September 25, 2006, but for which no Order has yet been entered by this Authority. For reference purposes, in TRA Docket 05-00313, Appalachian had submitted a Petition seeking approval by the Tennessee Regulatory Authority of financings which were similar in nature to the authorization sought in this Petition and in the Petition which was the subject matter of TRA Docket 06-00190. At its January 10, 2006 Authority Conference, the Tennessee Regulatory Authority approved the Petition in TRA Docket 05-00313, and an Order was issued documenting said approval, said Order being dated January 13, 2006.

14. Appalachian has sought or will also seek the consent and approval of the Virginia State Corporation Commission of the proposed financing for environmental and pollution control facilities at Appalachian's Mountaineer Generating Station in Mason County, West Virginia (see Exhibit A hereto), Appalachian's Amos Generating Station in Putnam County, West Virginia (see Exhibit B hereto) and for portions of additional environmental and pollution control facilities which are the subject matter of this Petition.

15. Appalachian would point out to this Authority that it and Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport") are separate legal entities that finance their operations separately. Kingsport is not owned by Appalachian, nor is Kingsport a

subsidiary of Appalachian. Both Appalachian and Kingsport are wholly-owned subsidiaries of American Electric Power Company, Inc. ("AEP"), a publicly-traded holding company that, prior to repeal of the act in February of 2006, was registered under the Public Utilities Holding Company Act of 1935 ("PUHCA"). Kingsport does purchase all its power requirements from Appalachian at wholesale under a FERC-approved tariff and receives some services from Appalachian, at cost. Appalachian owns a small amount of transmission assets in Tennessee. Appalachian has no mortgage bonds outstanding. Therefore, none of its assets is currently pledged under any mortgage bond indenture. Because Appalachian owns assets in Tennessee, it has traditionally requested and received approval from this Authority for refinancing and/or new financings.

This Petition involves an Appalachian financing application, not a Kingsport financing application. No additional assets of Appalachian in Tennessee will be pledged as collateral for any financing undertaken by Appalachian as a result of this Authority's approval of Appalachian's Petition in this Docket. This Authority's approval of Appalachian's Petition will have no effect on the manner in which Kingsport is now or will be financed in the future.

Kingsport might be affected by Appalachian's financing activity to the extent that such financing affects future costs that are either charged to Kingsport for services Appalachian provides to Kingsport, or reflected in Appalachian's wholesale electric rates to Kingsport. However, approval of Appalachian's financing Petition could also benefit Kingsport's retail customers, to the extent that Appalachian uses the proceeds from any such financings to maintain or expand property or facilities that are used to provide wholesale electric service or other services to Kingsport.

16. Appalachian will not file for approval of the issuance of debt discussed herein with any Federal agency. No other Federal approval has been sought or obtained.

17. No funds borrowed by Appalachian will be used for expansion or modernization of Kingsport plant or assets. However, as indicated, improvements made by Appalachian could benefit Kingsport's retail customers. No retirement of Kingsport debt will occur as a result of the approval of this Petition.

18. Approval by this Authority of Appalachian's financing request will not change Kingsport's long-term debt cost. Kingsport's short-term debt cost will fluctuate according to its outstanding short-term debt balance and current short-term rates, but not as a result of approval of this Petition.

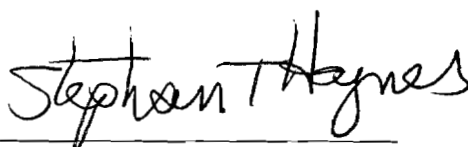
19. Appalachian believes that the consummation of the transactions herein proposed will be in the best interests of Appalachian's consumers and investors and consistent with sound and prudent financial policy.

20. Balance Sheets and Statements of Income and Retained Earnings for the nine months ended September 30, 2006 are attached hereto as Exhibit C.

WHEREFORE, your Petitioner respectfully prays that your Honorable Authority enter an order consenting to and approving the financing of Solid Waste Disposal Facilities Bonds (which will not exceed an aggregate principal amount of \$175 million) and granting to

your Petitioner such other, further or general relief as, in the judgment of your Honorable Authority, your Petitioner may be entitled to have upon the facts hereinabove set forth.

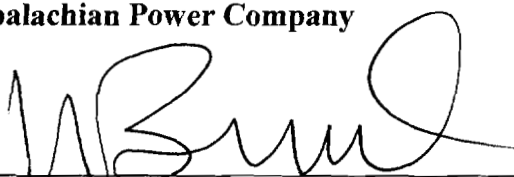
APPALACHIAN POWER COMPANY

By 
Assistant Treasurer

Dated: January 5, 2007

Appalachian Power Company

By: _____



William C. Bovender, Esq. (BPR #000751)

HUNTER, SMITH & DAVIS, LLP

1212 N. Eastman Road

P. O. Box 3740

Kingsport, TN 37664

(423) 378-8858; Fax: (423) 378-8801

Of Counsel:



William E. Johnson, Esq.

American Electric Power Service Corporation

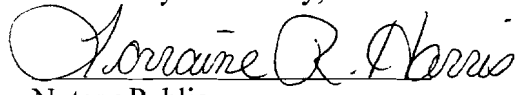
P.O. Box 16631

Columbus, OH 43216-6631

STATE OF OHIO)
) ss:
COUNTY OF FRANKLIN)

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, this fifth day of January 2007, personally appeared Stephan T. Haynes, to me known to be the person whose name is signed to the foregoing Application, and after being first duly sworn made oath and said that he is the Assistant Treasurer of Appalachian Power Company, that he has read the Application and know the contents thereof, that the allegations therein are true and correct to the best of his knowledge, information and belief, and that he is duly authorized to make, verify and file the Application for Appalachian Power Company.

Subscribed and sworn to before me this fifth day of January, 2007.


Notary Public



Lorraine R. Harris
Notary Public-State of Ohio
My Commission Expires
April 5, 2011

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the

:

APPLICATION

:

DOCKET NO. 07-_____

of

:

APPALACHIAN POWER COMPANY :

VERIFICATION

I, Thomas G Berkemeyer, am authorized to represent Appalachian Power Company and to make this verification on its behalf. The statements in the Application of Appalachian Power Company filed in this docket today are true and of my own knowledge, except as to matters which are stated therein on information and belief, and as to those matters, I believe them to be true. Appalachian Power Company will comply with all applicable laws with respect to its issuance of securities to the public. I declare under penalty of perjury that the foregoing is true and correct.

APPALACHIAN POWER COMPANY

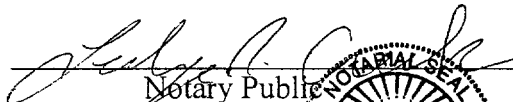
By:


Assistant Secretary

STATE OF OHIO :
COUNTY OF FRANKLIN :ss.

Subscribed and sworn before me this 5th day of January 2007.

By:


Notary Public
My Commission expires



LESLIE R. CREEK
Notary Public, State of Ohio
My Commission Expires 03-17-09

EXHIBIT A

DESCRIPTION OF MOUNTAINEER PROJECT

The Project consists of solid waste disposal and recycling, sewage facilities, and air and water pollution control. These facilities consist of real estate, equipment and systems which have been or will be acquired, improved, installed, and constructed for use as solid waste disposal or recycling facilities, sewage facilities, or air and water pollution control facilities at Appalachian Power Company's Mountaineer Plant in Mason County, West Virginia

Solid waste disposal or recycling facilities collect, process, dispose and recycle solid wastes including, but not limited to, spent resin, fly ash, bottom ash, pyrites, flue gas scrubber wastes, trona wastes, contaminated soil, water pretreatment wastes and other solid wastes in accordance with applicable environmental regulations. The integrated components of the solid waste disposal and recycling facilities consist of bottom ash and fly ash collection, handling and disposal systems, scrubber waste collection, storage, handling and disposal systems, ash recycle systems, ash pond or landfill improvements and closures, and certain property that is functionally related and subordinate to the foregoing systems and components. These integrated facilities include process equipment, utilities or support systems and related structures and buildings. The facilities are property used for the collection, storage, treatment, handling, transportation, utilization, processing final disposal or recycling of solid waste.

Sewage facilities collect, handle, store, treat, and discharge industrial wastewater, sanitary wastewater, and storm water as required by applicable environmental regulations. The integrated components of the sewage facilities include without limitation, piping, sewers, wastewater collection systems, industrial or sanitary sewage systems, impoundments, oil/water separators, bioreactors and treatment units, clarifiers, sludge handling systems, discharge systems, related refinery auxiliary systems and certain property that is functionally related and subordinate to the foregoing systems and components. These facilities also include process equipment, utilities or support systems and related buildings and structures.

Pollution control facilities capture, reduce, and process air and water emissions including, but not limited to, flue gases, NOx, SOx, air-borne particulate matter, wastewater, and other pollutants in accordance with applicable environmental regulations. The pollution control facilities also include functionally related and subordinate auxiliaries, utilities, structures and buildings, associated electrical and mechanical systems, instrumentation and control systems, and site development. Due to evolving environmental rules and regulations, any of the pollution control systems and components may be modified or substituted with other facilities that perform the same or similar pollution control functions.

The capital cost of the Facilities is estimated to be no less than \$ 567,400,000.

EXHIBIT B

DESCRIPTION OF AMOS PROJECT

The Project consists of solid waste disposal and recycling, sewage facilities, and air and water pollution control. These facilities consist of real estate, equipment and systems which have been or will be acquired, improved, installed, and constructed for use as solid waste disposal or recycling facilities, sewage facilities, or air and water pollution control facilities at Appalachian Power Company's Amos Plant Units 1, 2 and 33.33% owned Unit 3 in Putnam County, West Virginia

Solid waste disposal or recycling facilities collect, process, dispose and recycle solid wastes including, but not limited to, spent resin, fly ash, bottom ash, pyrites, flue gas scrubber wastes, trona wastes, contaminated soil, water pretreatment wastes and other solid wastes in accordance with applicable environmental regulations. The integrated components of the solid waste disposal and recycling facilities consist of bottom ash and fly ash collection, handling and disposal systems, scrubber waste collection, storage, handling and disposal systems, ash recycle systems, ash pond or landfill improvements and closures, and certain property that is functionally related and subordinate to the foregoing systems and components. These integrated facilities include process equipment, utilities or support systems and related structures and buildings. The facilities are property used for the collection, storage, treatment, handling, transportation, utilization, processing final disposal or recycling of solid waste.

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The capital cost of the Facilities is estimated to be no less than \$835,000,000.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2006 and 2005
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2006	2005	2006	2005
REVENUES				
Electric Generation, Transmission and Distribution	\$ 588,684	\$ 468,558	\$ 1,612,735	\$ 1,380,928
Sales to AEP Affiliates	57,177	99,551	177,557	237,648
Other	2,740	2,013	7,338	6,343
TOTAL	648,601	570,122	1,797,630	1,624,919
EXPENSES				
Fuel and Other Consumables for Electric Generation	184,275	161,154	506,368	402,057
Purchased Electricity for Resale	41,027	24,217	98,622	79,182
Purchased Electricity from AEP Affiliates	130,826	108,008	356,682	341,994
Other Operation	63,259	78,421	210,914	228,916
Maintenance	53,874	44,865	138,381	129,321
Depreciation and Amortization	61,160	50,284	157,518	146,734
Taxes Other Than Income Taxes	24,464	23,696	70,355	71,127
TOTAL	558,885	490,645	1,538,840	1,399,331
OPERATING INCOME	89,716	79,477	258,790	225,588
Other Income (Expense):				
Interest Income	2,463	662	6,228	1,667
Carrying Costs Income (Expense)	(27,316)	1,255	(13,532)	5,320
Allowance for Equity Funds Used During Construction	6,748	1,791	13,307	6,559
Interest Expense	(27,103)	(24,976)	(89,024)	(76,320)
INCOME BEFORE INCOME TAXES	44,508	58,209	175,769	162,814
Income Tax Expense	13,972	20,837	61,992	54,557
NET INCOME	30,536	37,372	113,777	108,257
Preferred Stock Dividend Requirements Including Capital Stock Expense and Other	238	238	714	1,940
EARNINGS APPLICABLE TO COMMON STOCK	\$ 30,298	\$ 37,134	\$ 113,063	\$ 106,317

The common stock of APCo is wholly-owned by AEP.

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page L-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

September 30, 2006 and December 31, 2005

(in thousands)

(Unaudited)

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,249	\$ 1,741
Advances to Affiliates	93,764	-
Accounts Receivable:		
Customers	165,193	141,810
Affiliated Companies	126,586	153,453
Accrued Unbilled Revenues	29,073	51,201
Miscellaneous	4,326	527
Allowance for Uncollectible Accounts	(4,415)	(1,805)
Total Accounts Receivable	<u>320,763</u>	<u>345,186</u>
Fuel	61,892	64,657
Materials and Supplies	54,286	54,967
Risk Management Assets	93,135	132,247
Accrued Tax Benefits	3,470	32,979
Regulatory Asset for Under-Recovered Fuel Costs	34,028	30,697
Prepayments and Other	<u>13,230</u>	<u>44,432</u>
TOTAL	<u>675,817</u>	<u>706,906</u>
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Production	2,836,442	2,798,157
Transmission	1,595,963	1,266,855
Distribution	2,218,402	2,141,153
Other	336,999	323,158
Construction Work in Progress	<u>784,644</u>	<u>647,638</u>
Total	<u>7,772,450</u>	<u>7,176,961</u>
Accumulated Depreciation and Amortization	<u>2,458,665</u>	<u>2,524,855</u>
TOTAL - NET	<u>5,313,785</u>	<u>4,652,106</u>
OTHER NONCURRENT ASSETS		
Regulatory Assets	419,891	457,294
Long-term Risk Management Assets	108,215	176,231
Deferred Charges and Other	<u>237,113</u>	<u>261,556</u>
TOTAL	<u>765,219</u>	<u>895,081</u>
TOTAL ASSETS	<u>\$ 6,754,821</u>	<u>\$ 6,254,093</u>

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page L-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
September 30, 2006 and December 31, 2005
(Unaudited)

	2006	2005
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	\$ -	\$ 194,133
Accounts Payable:		
General	274,165	230,570
Affiliated Companies	113,461	85,941
Long-term Debt Due Within One Year – Nonaffiliated	141,696	146,999
Risk Management Liabilities	68,292	121,165
Customer Deposits	56,263	79,854
Accrued Taxes	63,395	49,833
Accrued Interest	59,394	28,614
Other	86,917	80,132
TOTAL	<u>863,583</u>	<u>1,017,241</u>
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,356,175	1,904,379
Long-term Debt – Affiliated	100,000	100,000
Long-term Risk Management Liabilities	79,839	147,117
Deferred Income Taxes	937,835	952,497
Regulatory Liabilities and Deferred Investment Tax Credits	315,346	201,230
Deferred Credits and Other	161,884	110,144
TOTAL	<u>3,951,079</u>	<u>3,415,367</u>
TOTAL LIABILITIES	<u>4,814,662</u>	<u>4,432,608</u>
Cumulative Preferred Stock Not Subject to Mandatory Redemption	<u>17,763</u>	<u>17,784</u>
Commitments and Contingencies (Note 5)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 30,000,000 Shares		
Outstanding – 13,499,500 Shares	260,458	260,458
Paid-in Capital	924,955	924,837
Retained Earnings	740,579	635,016
Accumulated Other Comprehensive Income (Loss)	(3,596)	(16,610)
TOTAL	<u>1,922,396</u>	<u>1,803,701</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 6,754,821</u>	<u>\$ 6,254,093</u>

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page L-1.