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November 12, 2007
VIA FEDERAL EXPRESS

PLEASE RESPOND TO:
KINGSPORT OFFICE

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

Re: **TRA Docket No. 07-00245**
Application of Appalachian Power Company Seeking Approval
for Certain 2008 Financing Programs
Responses of Appalachian Power Company to Staff's Data
Request No. 1

Dear Ms. Dillon:

This letter contains Appalachian Power Company's ("Appalachian") responses to the four (4) questions posed in Mr. Kettles' November 8, 2007 letter to me (Data Request No. 1). Per Mr. Kettles' letter, Appalachian is filing the original and thirteen (13) copies of this letter with you. Before providing Appalachian's specific responses to Staff's Data Request No. 1, Appalachian would like to provide the context for its responses by describing the relationship between Appalachian and Kingsport Power Company ("Kingsport").

Appalachian and Kingsport are separate legal entities that finance their operations separately. Kingsport is not owned by Appalachian; nor is Kingsport a subsidiary of Appalachian. Both Kingsport and Appalachian are, however, wholly-owned subsidiaries of American Electric Power Company, Inc. ("AEP"), a publicly traded holding company. Kingsport purchases all of its power requirements from Appalachian at wholesale under a FERC-approved tariff and receives some services from Appalachian, at cost.

Kingsport owns assets in Tennessee that are used to provide service to its retail customers at rates regulated by the Tennessee Regulatory Commission ("TRA"). Kingsport's most recent financing application was approved by the TRA by Order dated March 8, 2007, in

Docket No. 06-00190.

Appalachian owns a small amount of transmission assets in Tennessee, which, along with its other assets, are currently pledged under its first mortgage bonds. Because Appalachian owns assets in Tennessee, Appalachian has traditionally requested and received approval from the TRA for refinancings and/or new financings. Appalachian filed its general annual financing application (Case No. PUE-2007-00093) with the Virginia State Corporation Commission on October 15, 2007, and is awaiting final disposition of that matter.

The instant case involves an Appalachian financing application, not a Kingsport financing application. No additional assets of Appalachian in Tennessee will be pledged as collateral for any financings undertaken by Appalachian as a result of the TRA's approval of Appalachian's application in this case. More importantly, the TRA's approval of Appalachian's application 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 financings affect 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 application by the TRA 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.

With this contextual explanation, Appalachian's responses to Staff Data Request No. 1 are as follows:

1. Has Appalachian Power Company ("Appalachian") filed similar applications in other states and what is the status of any such application?

Response:

Appalachian filed its general annual financing application, Case No. PUE-2007-00093 with the Virginia State Corporation Commission on October 15, 2007 and is awaiting final disposition on that matter.

2. Has Appalachian applied for approval for financing from any Federal Agency? Have they notified any Federal Agency? If so, what is the status of any such application or notification?

Response:

Appalachian does not file for approval of the issuance of long-term debt with any Federal

November 12, 2007

Agency. Approval to issue short-term debt has been received from the SEC under PUHCA File No. 70-10166. That file expires at year-end 2007. Appalachian Power Company has filed an application with the FERC to issue short-term debt, which is intended to replace the current authority under PUHCA, expiring this year. No other Federal approval has been sought or obtained.

3. How many end-user customers are served, directly or indirectly, by Appalachian, including customers of Kingsport Power Company ("Kingsport Power") d/b/a American Electric Power Company ("AEPC")?

Response:

Appalachian directly serves approximately 949,000 retail customers in the southwestern portion of Virginia and the southern portion of West Virginia. Appalachian does sell power to Kingsport Power, which serves approximately 46,000 end-user customers in Tennessee.

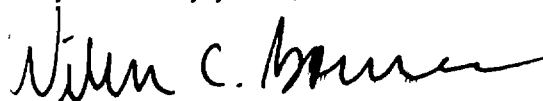
4. Will any Tennessee assets, (Kingsport Power Company) be pledged as collateral for any secured debt issued? If so, what percentage of Kingsport Power Company's assets will be pledged?

Response:

No assets owned by Kingsport will be pledged as collateral for any debt issued by Appalachian as a result of the TRA's approval of Appalachian's financing application for the period through December 31, 2008.

If you have any questions, please do not hesitate to contact me.

Very sincerely yours,



William C. Bovender
Counsel for Appalachian Power Company

cc: Jerry Kettles
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