

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 11, 2008

IN RE:)	
)	
APPLICATION OF APPALACHIAN POWER)	DOCKET NO.
COMPANY FOR APPROVAL OF CERTAIN 2008)	07-00245
FINANCING PROGRAMS)	

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Eddie Roberson, Director Sara Kyle and Director Ron Jones 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 3, 2007 for consideration of the *Application* filed on October 30, 2007 by Appalachian Power Company (“Appalachian” or “Company”) seeking approval of certain 2008 financing programs.

Appalachian is a Virginia corporation with its principal offices in Roanoke, Virginia. Although the majority of Appalachian’s customers are located in Virginia, Appalachian is authorized to transact business in Tennessee and provides power to Kingsport Power Company. Both Appalachian and Kingsport Power Company (“Kingsport”) are wholly-owned subsidiaries of American Electric Power Company, Inc., a publicly traded holding company registered under the repealed Public Utility Holding Company Act of 1935.

Appalachian and Kingsport are separate legal entities and finance their operations separately. Kingsport purchases all of its power requirements from Appalachian at wholesale rates under a Federal Energy Regulatory Commission approved tariff and receives some services from Appalachian, at cost, pursuant to the rules of the Securities and Exchange Commission.

THE APPLICATION

The Company proposes to issue and sell, from time to time through December 31, 2008, unsecured promissory notes ("Notes") in the aggregate principal amount equal to, on the date or dates of issuance, up to \$700,000,000. The Notes may be issued in the form of Senior Notes, Senior or Subordinated Debentures (including Junior Subordinated Debentures), Trust Preferred Securities or other unsecured promissory notes.

The Notes will mature in not less than nine months and not more than 60 years. The interest rate of the Notes may be fixed or variable and will be sold (i) by competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. Appalachian may enter into, from time to time through December 31, 2008, 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 to protect against future interest rate movements in connection with the issuance of Notes.

Appalachian also requests to continue its Interest Rate Management Agreements as approved in Docket No. 06-00190 through December 31, 2008. The *Application* states that such authority would allow Appalachian sufficient alternatives and flexibility in striving to reduce its effective interest costs and manage interest costs on financing transactions.

Appalachian also requests approval to assume obligations in an aggregate amount not to exceed \$200,000,000 in connection with Solid Waste Disposal Bonds issued by the West Virginia Economic Development Authority ("WVEDA"), provided that the total amount of indebtedness incurred by Appalachian pursuant to this *Application* does not exceed \$700,000,000. The WVEDA Bonds will allow for tax-exempt financing of pollution control facilities at Appalachian's Mountaineer and Amos generating stations in West Virginia.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 (2004) provides

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

At a regularly scheduled Authority Conference held on December 3, 2007, the panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing agreements are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed financing transactions are being made in accordance with laws enforceable by this agency;
3. The proposed financing transactions are in the public interest because they will provide the Company flexibility to manage interest costs on financing; and
4. The Company shall be bound by the same filing requirements imposed by the Virginia State Corporation Commission regarding the transactions.

IT IS THEREFORE ORDERED THAT:

1. Appalachian Power Company is authorized to enter into the financing transactions as described in the *Application* and discussed herein.
2. Appalachian Power Company shall be bound by the same conditions as set forth in the Order of the Virginia State Corporation Commission approving the Virginia Application, which order shall be filed with the Authority as soon as practicable after it has been issued.
3. The authorization and approval given hereby shall not be used by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or

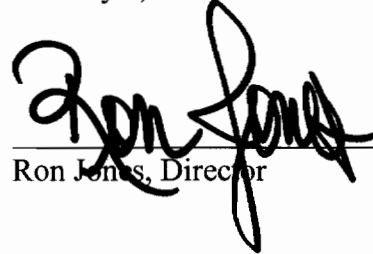
assessment of the risks involved. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.

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Eddie Roberson, Chairman

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director

A handwritten signature in black ink, appearing to read "Ron Jones", written over a horizontal line.

Ron Jones, Director