



A Registered Limited Liability Partnership  
**Attorneys At Law**  
*Established 1916*  
www.hsdllaw.com

S. Morris Hadden  
William C. Bovender  
William C. Argabrite  
Jimmie Carpenter Miller  
Mark S. Dessauer  
Gregory K. Haden  
Michael L. Forrester  
Stephen M. Darden  
Edward J. Webb, Jr.  
James N.L. Humphreys  
Suzanne Sweet Cook  
Michael S. Lattier  
Scott T. Powers  
Leslie Tentler Ridings  
Laura A. Steel  
Christopher D. Owens

Teresa Mahan Lesnak  
Matthew H. Wimberley  
Lilian R. Abboud  
Senitria A. Goodman  
R. Lee McVey, II  
Meredith Bates Humbert  
Nathan M. Bays

COUNSEL  
Chad W. Whitfield  
Thomas R. Wilson  
Michael A. Eastridge

**Kingsport Office**  
1212 North Eastman Road  
P.O. Box 3740  
Kingsport, TN 37664-0740  
Phone (423) 378-8800  
Fax (423) 378-8804

**Johnson City Office**  
100 Med Tech Parkway  
Suite 110  
Johnson City, TN 37602  
Phone (423) 283-6300  
Fax (423) 283-6301

WRITER'S DIRECT DIAL NUMBER:  
(423) 378-8858

WRITER'S E-MAIL ADDRESS:  
bovender@hsdlaw.com  
AMEP/Z.84039

Sharla Dillon, Dockets & Records Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

April 7, 2008  
**VIA FEDERAL EXPRESS**

PLEASE RESPOND TO:  
KINGSPORT OFFICE  
TRA DOCKET ROOM  
2008 APR -8 AM 10:30  
RECEIVED

Re: **Application of Appalachian Power Company  
TRA Docket No. 08-00048  
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' April 4, 2008 letter to me (Data Request No. 1). Per Mr. Kettles' letter, Appalachian is filing an 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 January 11, 2008, in Docket No. 07-00245.

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 received a final order on December 7, 2007.

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 a similar application, Case No. PUE-2008-00016 with the Virginia State Corporation Commission on March 3, 2008. The final order in that case was received March 21, 2008.

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 Agency. Approval to issue short-term debt has been received from the FERC pursuant to Docket No. ES07-62-000 and ES07-62-001. That approval is effective through November 15, 2009. 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 956,000 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 47,000 end-user customers in Tennessee.

4. Will any Tennessee assets of Appalachian be pledged as collateral in the proposed financing transactions?

**Response:**

No assets owned by Appalachian 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,

**HUNTER, SMITH & DAVIS, LLP**

  
William C. Bovender  
Counsel for Appalachian Power Company

WCB/pl

Enclosures

cc: Jerry Kettles (via email, w/enc.)  
Sara Kyle (via email, w/enc.)  
William E. Johnson, Esq. (via email, w/enc.)  
James R. Bacha, Esq. (via email, w/enc.)  
Thomas L. Stephens (via email, w/enc.)  
Barry L. Thomas (via email, w/enc.)