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Chairman Eddie Roberson  
Tennessee Regulatory Authority  
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Nashville, TN 37243-0505

April 29, 2008  
**FEDERAL EXPRESS -**  
**OVERNIGHT DELIVERY**

DOCKET NO.  
08-00068

PLEASE RESPOND TO:	
KINGSFORT OFFICE	
Chk #	068451
Amount	25.00
Row #	TS
Date	4/30/08

ATTN: Sharla Dillon, Dockets & Records Manager

RE: Application of Kingsport Power Company for  
2008 Financing Program; Docket No.

Dear Chairman Roberson:

We submit herewith the original and thirteen copies of the Application of Kingsport Power Company seeking the approval of the Tennessee Regulatory Authority. We have enclosed an extra copy of the first page of the Application which we would appreciate your stamping filed and returning to us in the enclosed self-addressed, stamped envelope. Also enclosed is this Firm's check in the amount of \$25.00 for the filing fee.

Should you have any questions, please contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

WCB/pl  
Enclosures

Before the  
TENNESSEE REGULATORY AUTHORITY

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In the Matter of the Application  
of  
KINGSPORT POWER COMPANY

For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$50,000,000

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: Docket No.  
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TO THE HONORABLE REGULATORY AUTHORITY:

Comes the Petitioner, Kingsport Power Company (hereinafter called "Kingsport"), and presents this Application for the following purposes:

Kingsport seeks approval from this Authority to issue up to \$50,000,000 of its unsecured long-term indebtedness from time to time through June 30, 2013. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. Short-term indebtedness of the Company was \$11,121,303 at March 31, 2008. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed and fluctuating rates. In order to obtain a favorable rate of interest, however, it is generally necessary to be able to commit to the financing within 24 hours from the time that funds become available. Therefore, this Application seeks approval of the financing within the ranges of maturities and interest specified herein without the need for a separate hearing on the final commitment.

In support of this Application, Kingsport respectfully submits the following:

ONE. It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, and qualified to transact business in the State of Tennessee and with its principal office in the City of Kingsport. A true copy of its Articles of Association has been filed in proceedings before the Authority, Docket No. 2894.

TWO. Kingsport proposes to issue and sell from time to time through June 30, 2013 up to \$50,000,000 principal amount of its unsecured promissory note or notes (the "Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to

one or more term loan agreements and/or note purchase agreements (collectively, the "Proposed Agreement"). In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to its parent, American Electric Power Company, Inc. ("AEP"), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$50,000,000.

THREE. Kingsport is requesting an Order of this Authority approving the proposed financing in all respects such that, upon receipt of such Order, Kingsport may unconditionally, and without further Order of this Authority, enter into a definitive agreement with a bank or banks, in the form of the Proposed Agreement and subject to the conditions, restrictions and limitations specified herein.

FOUR. The Proposed Agreement does not represent a definitive form of agreement with any bank and would provide that the Notes bear interest at either a fixed rate, fluctuating rate or some combination of fixed and fluctuating rates. Kingsport believes that it would be beneficial to commit itself to a long-term obligation. The actual rate of interest which each Note shall bear, and the maturity thereof, shall be subject to further negotiation between Kingsport and the lender.

Any fixed rate of interest of the Notes will not, at the time of issuance of the Notes, be greater than 350 basis points above the yield to maturity of United States Treasury obligations that mature on or about the date of maturity of the Notes. The initial fluctuating rate will not be greater than 500 basis points above the LIBOR Rate, defined as the per annum rate of interest quoted by the Wall Street Journal as the London Interbank Offered Rate.

In the event a bank or financial institution arranges for a borrowing from a third party, such institution may charge Kingsport a placement fee, not to exceed 1% of the principal amount of such borrowing.

Kingsport believes, given its size and the size of the requested indebtedness, that obtaining this financing through private sources is more cost effective than the public markets.

The Proposed Agreement may specify that, in the event a Note bearing interest at a fixed rate is paid prior to maturity in whole or in part and the fixed rate at that time exceeds the yields to maturity of United States Treasury Notes maturing on or close to the Note, Kingsport shall pay to the lender an amount based on the present value of such prepaid amounts discounted at such treasury yield.

The Proposed Agreement may contain restrictive covenants which would prohibit Kingsport from, among other things, (i) creating, incurring, assuming or suffering to exist any liens on its property, with certain stated exceptions; (ii) creating or incurring any indebtedness for borrowed money, except as specified therein; (iii) failing to maintain a specified level of capitalization; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with its pension plans.

A borrowing by Kingsport from a bank under the Proposed Agreement may be evidenced by one or more Notes of Kingsport. The Proposed Agreement and such Notes thereunder would be for a term of not less than nine months nor more than ten years from the date of borrowing.

FIVE. The interest rates and maturity dates of any AEP Notes would be designed to reflect prevailing market rates. In addition, the interest rate and maturity parameters governing the Notes would apply to the AEP Notes.

SIX. Kingsport proposes to apply all of the proceeds of the financing for general corporate purposes relating to Kingsport's utility business. These purposes include redeeming or repurchasing outstanding short or long-term debt, funding its construction program and replenishing working capital. The Company's long and short term debt presently totals \$31 Million. The amount requested of \$50 Million will permit the Company to refinance the total debt within the requested approval period, with an additional amount that will be sufficient to cover costs of issuance and an amount of approximately \$19 Million in new money.

SEVEN. Balance sheets of Kingsport as of December 31, 2007 and the related statements of income and retained earnings of Kingsport for the year then ended are annexed hereto as Exhibit 1.

EIGHT. Kingsport requests authority to enter into, perform, purchase and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars and forward agreements or any other similar agreements. Hedges may also include issuance of structured notes (i.e., a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or Agency (e.g., FNMA) obligations or LIBOR based swap instruments (collectively referred to as "Hedge Instruments"). The transactions would be for fixed periods and stated notional amounts. Kingsport would employ interest rate derivatives as a means of prudently managing the risk associated with any of its outstanding debt issued pursuant to this authorization or an applicable exemption by, in effect, synthetically (i) converting variable rate debt to fixed rate debt; (ii) converting fixed rate debt to variable rate debt; and (iii) limiting the impact of changes in interest rates resulting from variable rate debt. In no case will the notional principal amount of any interest rate swap exceed the greater of the value of the underlying debt instrument or the present market value of the underlying debt instrument and related interest rate exposure. Transactions will be entered into for a fixed or determinable period. Thus, Kingsport will not engage in speculative transactions unassociated with its financing needs and activities. Kingsport will only enter into agreements with counterparties ("Approved Counter-parties") whose senior debt ratings, as published by a national recognized rating agency are greater than or equal to "BBB", or an equivalent rating.

In addition, Kingsport requests authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings (the "Anticipatory Hedges"), subject to certain limitations

and restrictions. Such Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (i) a forward sale of exchange-traded Hedge Instruments (each a "Forward Sale"); (ii) the purchase of put options on Hedge Instruments (a "Put Options Purchase"); (iii) a Put Options Purchase in combination with the sale of call options on Hedge Instruments (a "Zero Cost Collar"); (iv) transactions involving the purchase or sale, including short sales, of Hedge Instruments; or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to structured notes, caps and collars, appropriate for the Anticipatory Hedges. Anticipatory Hedges may be executed on-exchange ("On-Exchange Trades") with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade ("CBOT"), the opening of over-the-counter positions with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. Kingsport will determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. Kingsport may decide to lock in interest rates and/or limit its exposure to interest rate increases.

Kingsport has complied with Statement of Financial Accounting standards ("SFAS") 80 ("Accounting for Futures Contracts"), SFAS 133 ("Accounting for Derivatives Instruments and Hedging Activities"), and will comply with such other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board ("FASB").

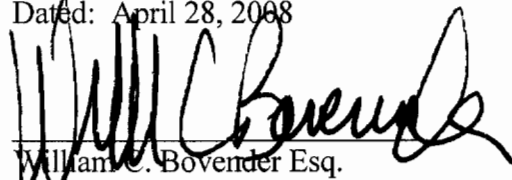
WHEREFORE, Kingsport respectfully prays that an Order be entered (1) authorizing Kingsport from time to time through June 30, 2013 to borrow up to \$50,000,000 pursuant to the Proposed Agreement and to execute a note or notes, substantially in the form of the Notes or AEP Notes in an amount not to exceed \$50,000,000 to evidence the borrowings to be made pursuant to

the Proposed Agreement and (2) granting to Kingsport such other, further or general relief as, in your judgment, Kingsport may be entitled to have upon the facts hereinabove set forth.

KINGSPORT POWER COMPANY

By:   
Assistant Treasurer

Dated: April 28, 2008

  
William C. Bovender Esq.  
Hunter, Smith & Davis LLP  
P.O. Box 3740  
Kingsport, Tennessee 37664  
Attorney for Petitioner

Before the  
TENNESSEE REGULATORY AUTHORITY

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In the Matter of the Application

of

KINGSPORT POWER COMPANY

For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$50,000,000  
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Docket No.

**VERIFICATION**

I, Thomas G. Berkemeyer, am authorized to represent Kingsport Power Company and to make this verification on its behalf. The statements in the Application of Kingsport 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. Kingsport 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.

KINGSPORT POWER COMPANY

By

  
Assistant Secretary

STATE OF OHIO

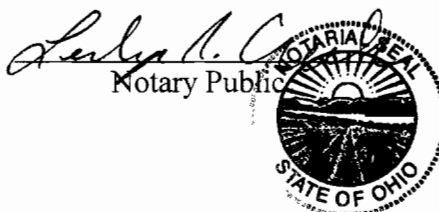
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ss:

COUNTY OF FRANKLIN

:

Subscribed and sworn to me this 28th day of April, 2008.



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



Kingsport Power Consolidated  
**COMPARATIVE BALANCE SHEET**  
(Unaudited)

	Year End December 2007
<b>ASSETS</b>	
Cash and Cash Equivalents	74,990
Other Cash Deposits	1,724
Customers	3,274,611
Accrued Unbilled Revenues	(2,805,156)
Miscellaneous Accounts Receivable	1,649,823
Accounts Receivable	2,119,278
Fuel, Materials and Supplies	583,061
Prepayments and Other Current Assets	1,292,480
<b>TOTAL CURRENT ASSETS</b>	<b>4,071,534</b>
Electric Production	(0)
Electric Transmission	17,262,239
Electric Distribution	92,864,196
General Property, Plant and Equipment	4,402,075
Construction Work-in-Progress	1,080,481
<b>TOTAL PROPERTY, PLANT and EQUIPMENT</b>	<b>115,608,992</b>
less: Accumulated Depreciation and Amortization	(44,026,947)
<b>NET PROPERTY, PLANT and EQUIPMENT</b>	<b>71,582,045</b>
Net Regulatory Assets	9,077,475
Employee Benefits and Pension Assets	1,818,547
Other Non Current Assets	81,486
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>10,977,508</b>
<b>TOTAL ASSETS</b>	<b>86,631,087</b>
<b>LIABILITIES</b>	
Accounts Payable	9,021,275
Advances from Affiliates	8,672,284
Accrued Taxes	1,547,268
Accrued Interest	841,672
Deposits - Customer and Collateral	2,498,037
Other Current Liabilities	1,886,287
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,466,823</b>
Long-Term Debt - Affiliated	20,000,000
Deferred Income Taxes	13,731,294
Deferred Investment Tax Credits	314,265
Regulatory Liabilities and Deferred Credits	44,724
Employee Benefits and Pension Obligations	1,691,367
Other Non-Current Liabilities	894,893
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>36,676,543</b>
<b>TOTAL LIABILITIES</b>	<b>61,143,366</b>
<b>COMMON SHAREHOLDERS' EQUITY</b>	
Common Stock	4,100,000
Paid In Capital	13,800,000
Retained Earnings	7,587,721
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>25,487,721</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>86,631,087</b>

**Kingsport Power Consolidated**  
**Comparative Income Statement**  
(Unaudited)

	Year End 2007
<b>REVENUES</b>	
Revenue - Retail Sales	98,578,384
Revenue - Other Operating	1,565,444
<b>TOTAL OPERATING REVENUES</b>	<b>100,143,828</b>
<b>FUEL EXPENSES</b>	
Total Purchased Power	75,842,867
<b>GROSS MARGIN</b>	<b>24,300,961</b>
<b>OPERATING EXPENSES</b>	
Operational Expenses	7,016,504
Maintenance Expenses	2,459,960
Total Maintenance and Operational Expenses	9,476,464
Depreciation and Amortization	4,100,714
Taxes Other Than Income Taxes	3,884,563
<b>TOTAL OPERATING EXPENSES</b>	<b>17,461,741</b>
<b>OPERATING INCOME</b>	<b>6,839,220</b>
<b>NON-OPERATING INCOME / (EXPENSES)</b>	
Total Non-Operating Income / (Expenses)	(9,398)
Total Interest Charges	1,731,836
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,097,986</b>
<b>INCOME TAXES</b>	
Total Income Taxes	1,692,338
<b>NET INCOME (LOSS)</b>	<b>3,405,649</b>

**KINGSPORT POWER CONSOLIDATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON**  
**SHAREHOLDER'S EQUITY**  
**For the Twelve Months Ended December 31, 2007**  
**(Unaudited)**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>DECEMBER 31, 2006</b>	\$ 4,100,000	\$ 13,800,000	\$ 6,184,381	\$ 24,084,381
Common Stock Dividends			(2,000,000)	(2,000,000)
Adjustment to Retained Earnings			(2,309)	(2,309)
<b>TOTAL</b>				<u>22,082,072</u>
<b>COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>			3,405,649	3,405,649
<b>DECEMBER 31, 2007</b>	<u>\$ 4,100,000</u>	<u>\$ 13,800,000</u>	<u>\$ 7,587,721</u>	<u>\$ 25,487,721</u>

Chairman Eddie Roberson

Page 2

April 29, 2008

cc: William E. Johnson, Esq. (via email, w/out enc.)  
James R. Bacha, Esq. (via email, w/out enc.)  
Thomas L. Stephens (via email, w/out enc.)  
Barry L. Thomas (via email, w/out enc.)  
Cynthia L. Frazier-Keller (via email, w/out enc.)