

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**July 15, 2008**

**IN RE:**

**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.  
08-00068**

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**ORDER APPROVING FINANCING TRANSACTION**

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This matter came before Director Tre Hargett, 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 June 23, 2008 for consideration of the *Application* filed on May 1, 2008 by Kingsport Power Company ("Kingsport" or "Applicant") seeking approval to issue up to \$50,000,000 of its unsecured long-term indebtedness from time to time through June 30, 2013.

Kingsport is a Virginia corporation with its principal offices in Kingsport, Tennessee and a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP").

**The Application**

Kingsport seeks approval to issue and sell from time to time through June 30, 2013, up to \$50,000,000 of its unsecured promissory notes or notes ("Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to one or more term loan agreements or note purchase agreements. In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to its parent, AEP, provided that the aggregate amount of the Notes and AEP Notes issued do not exceed \$50,000,000.

According to the *Application*, the proposed agreements do 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 its maturity, 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 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 London Interbank Offered Rate. The interest rate and maturity parameters for the Notes would apply to the AEP Notes, also.

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.

Further, 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 and authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings, subject to certain limitations and restrictions.

### **Findings and Conclusions**

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

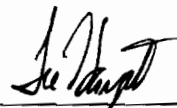
No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after 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 June 23, 2008, the panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed transaction is being made in accordance with laws enforceable by this agency.
3. The proposed transaction is in the public interest.

**IT IS THEREFORE ORDERED THAT:**

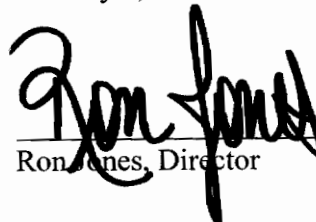
1. The *Application* of Kingsport Power Company seeking authorization from time to time through June 30, 2013 to borrow \$50,000,000 and to execute a note or notes to evidence the borrowing made as discussed herein is approved pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The authorization and approval given hereby shall not be used by any 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.



Tre Hargett, Director



Sara Kyle, Director



Ron Jones, Director

6-30-08