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AMEP/Z.83646

November 12, 2008
VIA FEDERAL EXPRESS

Tre Hargett, Chairman
ATTN: Sharla Dillion, Dockets & Records Manager
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Application of Appalachian Power Company
Docket No.: 08-00194

Dear Chairman Hargett:

We submit herewith the original and thirteen copies of the Amended and Restated Application of Appalachian Power Company seeking the approval of the Tennessee Regulatory Authority for certain 2009 financing programs.

Authorization for these credit facilities is requested pursuant to TCA § 65-4-109 and related regulations.

Appalachian Power Company respectfully requests that, if at all possible, this Petition be considered by the Directors in calendar year 2008.

Should there be any questions, please direct same to the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

WCB/slb
Enclosures

In the Matter of the:

TO THE HONORABLE TENNESSEE REGULATORY AUTHORITY:

2. With the consent and approval of the Virginia State Corporation Commission and the further consent and approval of your Honorable Authority, Appalachian proposes to issue and sell, from time to time through December 31, 2009, secured or unsecured promissory notes ("Notes") in the aggregate principal amount equal to, on the date or dates of issuance, up to \$500 million. The Notes may be issued in the form of either Senior Notes, Senior or Subordinated Debentures, First Mortgage Bonds, 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. Any fixed rate Note will be sold by Appalachian at a yield to maturity which shall be determined by financial market conditions at the time of pricing. The initial interest rate on any variable rate Note will be determined by financial market conditions at the time of pricing. Appalachian will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. If it is deemed advisable, the Notes may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond.

In connection with the sale of unsecured Notes, Appalachian may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with pension plans. In addition, Appalachian may permit the holder of the Notes to require Appalachian to prepay them after certain specified events, including an ownership change.

The unsecured Notes (other than Junior Subordinated Debentures or Trust Preferred Securities) may be issued under a new Indenture or the Indenture dated as of January 1, 1998, as previously supplemented and amended, and as to be further supplemented and amended by one or more Supplemental Indentures or Company Orders.

A copy of a recent Company Order utilized by Appalachian is attached hereto as Exhibit A. It is proposed that a similar form of Company Order or a Supplemental Indenture be used for one or more series of the unsecured Notes other than Trust Preferred Securities (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

The First Mortgage Bonds would be issued under and secured by a Mortgage and Deed of Trust to be entered into by Appalachian and a trustee in the event of an issuance of secured notes (the "Mortgage"). It is anticipated that any such Mortgage would create a lien on some or all of the utility property or other tangible assets of Appalachian for the benefit of the holders of the First Mortgage Bonds. Other terms such as interest rate, maturity, redemption terms and other matters would be determined at the time of pricing.

The Trust Preferred Securities would be issued by financing entities, such as a statutory trust, which Appalachian would organize and own exclusively for the purpose of facilitating certain types of financings such as the issuance of tax advantaged preferred securities. These financing entities would issue Trust Preferred Securities to third parties. Appalachian requests authority to (i) issue Notes, including Junior Subordinated Debentures or other evidences of indebtedness to such financing entities in return for the proceeds of the sale of Trust Preferred Securities to third parties; and (ii) to acquire all of the voting interests or equity securities issued by the financing entity to establish Appalachian's ownership of the financing entity (the equity portion of the entity generally being created through a capital contribution or the purchase of equity securities, such as shares of stock or partnership interests, involving an amount usually ranging

from 1 to 25 percent of the capitalization of the financing entity). Appalachian also requests authorization to enter into expense agreements with any financing entities it owns, pursuant to which Appalachian would agree to pay all expenses of such entity. Appalachian further requests authorization to guarantee (i) payment of interest, dividends or distributions on the Trust Preferred Securities issued by any of its subsidiary financing entities if and to the extent such financing entities declare dividends or distributions or pay interest out of funds legally available therefor; (ii) payments to the holders of the Trust Preferred Securities issued by such entities of amounts due upon liquidation of such entities or redemption of the Trust Preferred Securities of such entities; and (iii) certain additional amounts that may be payable in respect of Trust Preferred Securities.

3. Appalachian may enter into, from time to time through December 31, 2009, 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 ("Treasury Hedge Agreement") to protect against future interest rate movements in connection with the issuance of the Notes. Each Treasury Hedge Agreement will correspond to one or more Notes that Appalachian will issue pursuant to this Application; accordingly, the aggregate corresponding principal amounts of all Treasury Hedge Agreements cannot exceed an amount equal to, on the date or dates of entering such agreements, up to \$500 million.

Appalachian proposes, with the consent and approval of this Commission, to extend the authority granted in Docket No. 06-00190 (Order dated March 8, 2007) to utilize interest rate management techniques and enter into Interest Rate Management Agreements through December 31, 2009. Such authority will allow Appalachian sufficient alternatives

and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

A. Interest Rate Management Agreements

The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps", "caps", "collars", "floors", "options", or hedging products such as "forwards" or "futures", or similar products, the purpose of which is to manage and minimize interest costs. Appalachian expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and shall be for underlying fixed or variable obligations of Appalachian, whether existing or anticipated. The aggregate notional amount of all Interest Rate Management Agreements shall not exceed 25% of Appalachian's existing debt obligations, including pollution control revenue bonds.

By way of illustration, if Appalachian has entered into Interest Rate Management Agreements whose aggregate notional amounts equal 25% of Appalachian's existing debt obligations, Appalachian could not enter into a new Interest Rate Management Agreement unless and until an existing Interest Rate Management Agreement expired, was terminated with the assent of the counterparty, or was assigned to a non-affiliated third party (at which point Appalachian could enter into a new Interest Rate Management Agreement in a notional amount no greater than the expired, terminated or assigned Interest Rate Management Agreement). Appalachian will not agree to any covenant more restrictive than those contained in the underlying obligation unless such Interest Rate Management

Agreement either expires by its terms or is unwindable on or prior to the end of the Authorization Period.

B. Pricing Parameters

Appalachian proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions (but not payments) in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed the greater of: (a) 2.50% of the amount of the underlying obligation involved or (b) amounts that are consistent with fees and commissions paid by similar companies of comparable credit quality in connection with similar agreements.

C. Accounting

Appalachian proposes to account for these transactions in accordance with generally accepted accounting principles.

D. Commission Authorization

Since market opportunities for these interest rate management alternatives are transitory, Appalachian must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Appalachian seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Appalachian reaches agreement with respect to the terms of such transactions.

If Appalachian utilizes Interest Rate Management Agreements, Appalachian's annual long-term interest charges could change. The authorization of the Interest Rate Management Agreements consistent with the parameters herein in no way

relieves Appalachian of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for this Commission to authorize Appalachian to agree to such terms and prices consistent with said parameters.

4. Any proceeds realized from the sale of the Notes, together with any other funds which may become available to Appalachian, will be used to redeem directly or indirectly long-term debt, to refund directly or indirectly preferred stock, to repay short-term debt at or prior to maturity, to reimburse Appalachian's treasury for expenditures incurred in connection with its construction program and for other corporate purposes. Appalachian estimates that approximately \$583 million (exclusive of allowance for funds used during construction) will be expended throughout 2009 in connection with its construction program. In 2009 Appalachian has the following debt maturing: \$150,000,000 principal amount of 6.60% Senior Notes, Series C, due May 1, 2009.

Appalachian may purchase senior notes, junior subordinated debentures or trust preferred securities referred to herein or any other series of indebtedness or any series of preferred stock through tender offer, negotiated, open market or other form of purchase or otherwise in addition to redemption, if they can be refunded at a lower effective cost. The tender offers will occur if Appalachian considers that the payment of the necessary premium is prudent in light of the interest expense that could be saved by early redemption of any of these series.

* * *

5. Appalachian proposes to finance portions of environmental and pollution control facilities at Appalachian's Amos Generating Station in Putnam County, West Virginia (as described in Exhibit B hereto, the "Project"), and for portions of other

environmental and pollution control facilities, as applicable. Appalachian proposes to transfer all or part of the Project to the West Virginia Economic Development Authority (the “Authority”), and for Appalachian to acquire the Project from the Authority, all pursuant to a loan or installment sale agreement between the Authority and Appalachian

In addition to the amounts currently approved by the Authority, Appalachian intends to file an application with the Authority seeking an award from the state ceiling for private activity bonds of carry forward of up to \$250 million (together, with existing amounts approved, the “Carry Forward”). This will allow the portion of the cost of the Project that qualifies as solid waste disposal facilities to be financed on a tax-exempt basis, resulting in lower costs.

In order to preserve the availability of this lower cost financing, Appalachian is filing this Application even though the Authority has not yet awarded such amounts. Accordingly, the amounts of the Carry Forward necessary to finance the subject environmental and pollution control facilities will not be actually financed pursuant to the authority requested herein until and unless such amounts have been allocated by the Authority.

6. Appalachian requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$50 million in connection with the proposed issuance of one or more series of Solid Waste Disposal Facilities Bonds to be issued by the Authority, to be appropriately designated (the “Solid Waste Disposal Facilities Bonds”) to be issued on or prior to December 31, 2009.¹ The

¹ In an Order Approving Transactions dated May 16, 2008 in Docket No. 08-00048 (the “Prior Order”), this Commission approved the issuance of an aggregate \$200 million in Solid Waste Disposal Facilities Bonds of substantially identical terms through December 31, 2009. The authorization requested herein is concurrent with and in addition to the authority granted in the Prior Order.

proceeds of the Solid Waste Disposal Facilities Bonds would be loaned to Appalachian by the Authority to provide financing for a portion of the solid waste disposal facilities described herein.

In connection with the Solid Waste Disposal Facilities Bonds, Appalachian would assume certain obligations under one or more loan or installment payment agreements with the Authority, and may enter into one or more guaranty agreements, bond insurance agreements and other similar undertakings guaranteeing repayment of any part of the obligations under one or more series of Solid Waste Disposal Facilities Bonds for the benefit of the holders of such bonds.

7. The Authority has the power, pursuant to the provisions of West Virginia Development Authority Act, Chapter 31, Article 15 of the West Virginia Code, to enter into the transactions contemplated by the Loan Agreement, as defined below, and to carry out its obligations thereunder by issuing and selling the Solid Waste Disposal Facilities Bonds and lending the proceeds from the sale of such Solid Waste Disposal Facilities Bonds to Appalachian to finance the acquisition and construction of certain environmental facilities, being within the corporate limits of Putnam County, West Virginia. It is expected that proceeds exceeding previously spent qualified costs would be deposited into a trust account until disbursed for construction costs. In that instance, Appalachian will submit periodic disbursement requests for the reimbursement of qualified construction costs previously incurred and paid for by Appalachian.

8. The Solid Waste Disposal Facilities Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between the Authority and a Trustee. The proceeds from the sale of the Solid Waste Disposal Facilities Bonds would be loaned to

Appalachian pursuant to one or more loan or installment payment agreements between the Authority and Appalachian (collectively the "Loan Agreement"). The payments to be made by Appalachian under the Loan Agreement for one or more series of Solid Waste Disposal Facilities Bonds, together with other funds available for that purpose, would need to be sufficient to pay the principal, purchase price or premium, if any, and interest on such Solid Waste Disposal Facilities Bonds. The Loan Agreement and the payments to be made by Appalachian pursuant thereto will be assigned to the Trustee to secure the payment of the principal and interest on the related Solid Waste Disposal Facilities Bonds. Upon issuance of a series of Solid Waste Disposal Facilities Bonds, Appalachian may issue one or more guarantees or similar agreements in favor of the Trustee guaranteeing repayment of all or any part of the obligations under such Solid Waste Disposal Facilities Bonds for the benefit of the holders of such Bonds. Additionally, if it is deemed advisable, any series of Solid Waste Disposal Facilities Bonds as described herein may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond.

9. The Solid Waste Disposal Facilities Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the customary and appropriate documentation. While Appalachian will not be a party to the underwriting arrangements for the Solid Waste Disposal Facilities Bonds, the Loan Agreement will provide that the Solid Waste Disposal Facilities Bonds shall have such terms as shall be specified by Appalachian.

The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Solid Waste Disposal Facilities Bonds

(including, in the event all or a portion of the Solid Waste Disposal Facilities Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between Appalachian, the Authority, and the purchasers of such bonds. The Loan Agreement will provide that each loan payment or installment of the purchase price for the applicable Project payable by Appalachian will be in such an amount (together with other moneys held by the Trustee under the Indenture for that purpose) as will enable the Authority to pay, when due, (i) the interest on all Solid Waste Disposal Facilities Bonds and any additional bonds and refunding bonds issued under the Indenture; (ii) the stated maturities of the principal of all Solid Waste Disposal Facilities Bonds and any additional bonds and refunding bonds issued under the Indenture; and (iii) amounts, including any accrued interest, payable in connection with any redemption of the Solid Waste Disposal Facilities Bonds and any additional bonds or refunding bonds issued under the Indenture. The Loan Agreement also will obligate Appalachian to pay the fees and charges of the Trustee, as well as certain administrative expenses of the Authority. Appalachian will not agree, without further Order of this Commission, to the issuance of any series of the Solid Waste Disposal Facilities Bonds if (i) the stated maturity of any such bonds shall be more than forty (40) years; (ii) the fixed rate of interest to be borne by any such bonds shall exceed 10% or the initial rate of interest to be borne by any such bonds bearing a variable rate of interest shall exceed 10%; (iii) the discount from the initial public offering price of any such bond shall exceed 5% of the principal amount thereof; or (iv) the initial public offering price of any such bond shall be less than 95% of the principal amount thereof. Based upon past

experience with similar financings, Appalachian estimates other issuance costs, excluding underwriting fees, will be approximately \$500,000.

10. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Solid Waste Disposal Facilities Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by Appalachian. Appalachian would reserve the option to convert any variable rate Solid Waste Disposal Facilities Bonds at a later date to other interest rate modes, including a fixed rate of interest. Solid Waste Disposal Facilities Bonds that bear interest at a variable rate (the “Variable Rate Bonds”) also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Bonds, Appalachian would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Bonds, which will be 100% of the par amount of such Variable Rate Bonds. Thus, to the extent Variable Rate Bonds are issued, the documentation will be similar to previous Solid Waste Disposal Facilities Bonds that were issued with a variable interest rate and it is expected that the fees of the remarketing agent will be approximately 25 basis points.

11. Also, in the event that Variable Rate Bonds are issued, Appalachian may enter into one or more liquidity or credit facilities (the “Bank Facility”) with a bank or banks (the “Bank”) to be selected by Appalachian. The Bank Facility would be a credit agreement designed to provide Appalachian with immediately available funds with which

to make payments with respect to any Variable Rate Bonds that have been tendered for purchase and are not remarketed. Pursuant to the Bank Facility, Appalachian may be required to execute and deliver to the Bank a note (the “Bank Facility Note”) evidencing Appalachian’s obligation to the Bank under the Bank Facility.

In order to obtain terms and conditions more favorable to Appalachian than those provided in the Bank Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Bonds, Appalachian may desire to be able to replace the Bank Facility with (or to initially use) one or more substitute liquidity support and/or credit support facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, is hereinafter referred to as a “Facility”) with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by Appalachian from time to time (each such financial institution hereinafter referred to as a “Facility Provider”). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Bonds. It is contemplated that, in the event the Variable Rate Bonds are converted to bear interest at a fixed rate to maturity, the Bank Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated, in whole or in part, following the date of conversion of such series of Variable Rate Bonds. The estimated cost of the financing shown in Section 9 does not include expenses

incurred for entering into any Facility, however the impact on the overall cost of the financing would be no more than 150 basis points.

12. In connection with any Facility, Appalachian may enter into one or more credit or similar agreements (“Credit Agreements”) with the Facility Provider or providers of such Facility, which would contain the terms of reimbursement or payment to be made by Appalachian to the Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, Appalachian may be required to execute and deliver to the Facility Provider a promissory note (each such note hereinafter referred to as a “Facility Note”) evidencing Appalachian’s repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

13. The terms of each Facility, each Credit Agreement and each Facility Note would be negotiated by Appalachian with the respective Bank or Facility Provider and would be the most favorable terms that can be negotiated by Appalachian. The aggregate outstanding principal amount of the obligations of Appalachian at any time under the Loan Agreements, and the Credit Facilities and related notes set forth in the immediately

preceding sentence will not exceed the original aggregate principal amount of the Solid Waste Disposal Facilities Bonds (which will not exceed an aggregate principal amount of \$50 million) plus accrued but unpaid interest and premium, if any, on such bonds.

14. Appalachian may enter into, from time to time through December 31, 2009, 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 (“Solid Waste Disposal Facilities Bonds Treasury Hedge Agreement”) to protect against future interest rate movements in connection with the issuance of the Solid Waste Disposal Facilities Bonds. Each Solid Waste Disposal Facilities Bonds Treasury Hedge Agreement will correspond to one or more Solid Waste Disposal Facilities Bonds that Appalachian will issue pursuant to this Application; accordingly, the aggregate corresponding principal amounts of all Solid Waste Disposal Facilities Bonds Treasury Hedge Agreements cannot exceed an amount equal to, on the date or dates of entering such agreements, up to \$50 million.

* * *

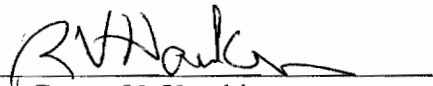
15. Appalachian believes that the consummation of the transactions herein proposed will be in the best interests of Appalachian’s consumers and investors and consistent with sound and prudent financial policy.

16. Balance Sheets and Statements of Income and Retained Earnings for the three months ended June 30, 2008 are attached hereto as Exhibit C.

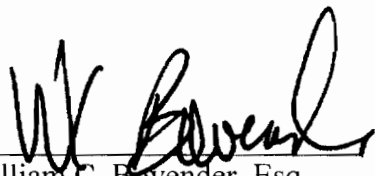
17. The issuance of the Notes and Solid Waste Disposal Facilities Bonds will be effected in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of Appalachian.

WHEREFORE, your Petitioner respectfully prays that your Honorable Authority enter an order (1) consenting to and approving the issuance, sale and delivery by Appalachian of secured or unsecured Notes (including Trust Preferred Securities) or other unsecured promissory notes in the principal amount equal to, on the date or dates of issuance, of up to \$500 million pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation as described herein; (2) approving of Appalachian assuming certain obligations under various agreements in an aggregate principal amount not to exceed \$50 million in connection with the proposed issuance of one or more series of Solid Waste Disposal Facilities Bonds to be issued by the WVEDA and (3) granting to your Petitioner such other, further or general relief as, in the judgment of your Honorable Authority, your Petitioner may be entitled to have upon the facts hereinabove set forth.

APPALACHIAN POWER COMPANY

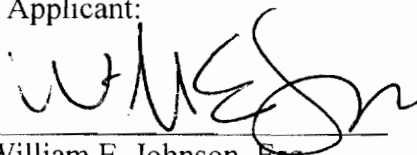
By 
Renee V. Hawkins
Assistant Treasurer

Dated: October 31, 2008



William C. Bovender, Esq.
Hunter, Smith & Davis LLP
P.O. Box 3740
Kingsport, TN 37664

Attorneys for Applicant:



William E. Johnson, Esq.
American Electric Power Service
Corporation
P.O. Box 16631
Columbus, OH 43216-6631

STATE OF OHIO)
) ss:
COUNTY OF FRANKLIN)

Before me, a Notary Public in and for the State and County aforesaid, this 31st day of October, 2008, personally appeared Renee V. Hawkins, to me known to be the person whose name is signed to the foregoing Application, and after being first duly sworn made oath and said that she is the Assistant Treasurer of Appalachian Power Company, that she has read the Application and know the contents thereof, that the allegations therein are true and correct to the best of her knowledge, information and belief, and that she is duly authorized to make, verify and file the Application for Appalachian Power Company.

Subscribed and sworn to before me this 31st day of October, 2008.

Molly A Miller
Notary Public



MOLLY A MILLER
Notary Public, State of Ohio
My Commission Expires 01-03-11

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the

:

APPLICATION

:

DOCKET NO. 08-00194

of

:

APPALACHIAN POWER COMPANY

:

VERIFICATION

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

APPALACHIAN POWER COMPANY

By:


Assistant Secretary

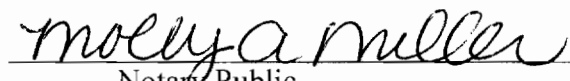
STATE OF OHIO

:

COUNTY OF FRANKLIN :ss.

Subscribed and sworn before me this 31st day of October 2008.

By:



Notary Public

My Commission expires: 01-03-2011



MOLLY A MILLER
Notary Public, State of Ohio
My Commission Expires 01-03-11

April 10, 2006

EXHIBIT A

Company Order and Officers' Certificate
5.55% Senior Notes, Series M, due 2011
6.375% Senior Notes, Series N, due 2036

The Bank of New York, as Trustee
101 Barclay Street – 8W
New York, New York 10286

Ladies and Gentlemen:

Pursuant to Article Two of the Indenture, dated as of January 1, 1998 (as it may be amended or supplemented, the "Indenture"), from Appalachian Power Company (the "Company") to The Bank of New York, as trustee (the "Trustee"), and the Board Resolutions dated December 14, 2005, a copy of which certified by the Secretary or an Assistant Secretary of the Company is being delivered herewith under Section 2.01 of the Indenture, and unless otherwise provided in a subsequent Company Order pursuant to Section 2.04 of the Indenture,

1. the Company's 5.55% Senior Notes, Series M, due 2011 (the "Series M Notes") and 6.375% Senior Notes, Series N, due 2036 (the "Series N Notes") are hereby established. The Series M Notes and the Series N Notes are collectively referred to herein as the "Notes". The Notes shall be in substantially the forms attached hereto as Exhibits 1 and 2.

2. the terms and characteristics of the Notes shall be as follows (the numbered clauses set forth below corresponding to the numbered subsections of Section 2.01 of the Indenture, with terms used and not defined herein having the meanings specified in the Indenture):

(i) the aggregate principal amount of Notes which may be authenticated and delivered under the Indenture initially shall be limited to \$250,000,000 for the Series M Notes and \$250,000,000 for the Series N Notes, except as contemplated in Section 2.01(i) of the Indenture and except that such principal amount may be increased from time to time; all Series M Notes and all Series N Notes need not be issued at the same time and each such series may be reopened at any time, without the consent of any securityholder, for issuance of additional Notes, which Notes will have the same interest rate, maturity and other terms as those initially issued;

(ii) the date on which the principal of the Series M Notes shall be payable shall be April 1, 2011 and the date on which the principal of the Series N Notes shall be payable shall be April 1, 2036;

(iii) interest shall accrue from the date of authentication of the Notes; the Interest Payment Dates on which such interest will be payable shall be April 1 and October 1, and the Regular Record Date for the determination of holders to whom interest is payable on any such Interest Payment Date shall be the March 15 or September 15 preceding the relevant Interest Payment Date; provided that the first Interest Payment Date shall be October 1, 2006 and interest payable on the Stated Maturity Date or any Redemption Date shall be paid to the Person to whom principal shall be paid;

(iv) the interest rate at which the Series M Notes shall bear interest shall be 5.55% per annum and the interest rate at which the Series N Notes shall bear interest shall be 6.375% per annum;

(v) the Notes shall be redeemable at the option of the Company, in whole at any time or in part from time to time, upon not less than thirty but not more than sixty days' previous notice given by mail to the registered owners of the Notes at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (excluding the portion of any such interest accrued to the date of redemption) discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points for the Series M Notes and 30 basis points for the Series N Notes, plus, in each case, accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury

Dealers appointed by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer" means a primary U.S. government securities dealer in New York City selected by the Company and reasonably acceptable to the Trustee.

"Reference Treasury Dealer Quotation" means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at or before 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

(vi) (a) the Notes shall be issued in the form of Global Notes; (b) the Depositary for such Global Notes shall be The Depositary Trust Company; and (c) the procedures with respect to transfer and exchange of Global Notes shall be as set forth in the forms of Note attached hereto;

(vii) the title of the Series M Notes shall be "5.55% Senior Notes, Series M, due 2011" and the title of the Series N Notes shall be "6.375% Senior Notes, Series N, due 2036";

(viii) the forms of the Notes shall be as set forth in Paragraph 1, above;

(ix) not applicable;

(x) the Notes shall not be subject to a Periodic Offering;

(xi) not applicable;

(xii) not applicable;

(xiii) not applicable;

(xiv) the Notes shall be issuable in denominations of \$1,000 and any integral multiple thereof;

(xv) not applicable;

(xvi) the Notes shall not be issued as Discount Securities;

(xvii) not applicable;

(xviii) not applicable; and

(xix) So long as any of the Notes are outstanding, the Company will not create or suffer to be created or to exist any additional mortgage, pledge, security interest, or other lien (collectively "Liens") on any of its utility properties or tangible assets now owned or hereafter acquired to secure any indebtedness for borrowed money ("Secured Debt"), without providing that the Notes will be similarly secured. This restriction does not apply to the Company's subsidiaries, nor will it prevent any of them from creating or permitting to exist Liens on their property or assets to secure any Secured Debt. Further, this restriction on Secured Debt does not apply to the Company's existing first mortgage bonds that have previously been issued under its mortgage indenture or any indenture supplemental thereto; provided that this restriction will apply to future issuances thereunder (other than issuances of refunding first mortgage bonds). In addition, this restriction does not prevent the creation or existence of:

(a) Liens on property existing at the time of acquisition or construction of such property (or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements, substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;

(b) Financing of the Company's accounts receivable for electric service;

(c) Any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of liens permitted by the foregoing clauses; and

(d) The pledge of any bonds or other securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued in an amount that does not exceed 15% of Net Tangible Assets as defined below.

"Net Tangible Assets" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on the Company's balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of the

Company's current liabilities appearing on such balance sheet. For purposes of this definition, the Company's balance sheet does not include assets and liabilities of its subsidiaries.

This restriction also does not apply to or prevent the creation or existence of leases made, or existing on property acquired, in the ordinary course of business.

3. You are hereby requested to authenticate \$250,000,000 aggregate principal amount of 5.55% Senior Notes, Series M, due 2011 and \$250,000,000 aggregate principal amount of 6.375% Senior Notes, Series N, due 2036, executed by the Company and delivered to you concurrently with this Company Order and Officers' Certificate, in the manner provided by the Indenture.

4. You are hereby requested to hold the Notes as custodian for DTC in accordance with the Blanket Issuer Letter of Representations dated June 24, 2004, from the Company to DTC.

5. Concurrently with this Company Order and Officers' Certificate, an Opinion of Counsel under Sections 2.04 and 13.06 of the Indenture is being delivered to you.

6. The undersigned Stephan T. Haynes and Jeffrey D. Cross, the Assistant Treasurer and Assistant Secretary, respectively, of the Company do hereby certify that:

(i) we have read the relevant portions of the Indenture, including without limitation the conditions precedent provided for therein relating to the action proposed to be taken by the Trustee as requested in this Company Order and Officers' Certificate, and the definitions in the Indenture relating thereto;

(ii) we have read the Board Resolutions of the Company and the Opinion of Counsel referred to above;

(iii) we have conferred with other officers of the Company, have examined such records of the Company and have made such other investigation as we deemed relevant for purposes of this certificate;

(iv) in our opinion, we have made such examination or investigation as is necessary to enable us to express an informed opinion as to whether or not such conditions have been complied with; and

(v) on the basis of the foregoing, we are of the opinion that all conditions precedent provided for in the Indenture relating to the action proposed to be taken by the Trustee as requested herein have been complied with.

Kindly acknowledge receipt of this Company Order and Officers' Certificate, including the documents listed herein, and confirm the arrangements set forth herein by signing and returning the copy of this document attached hereto.

Very truly yours,

APPALACHIAN POWER COMPANY

By: _____
Assistant Treasurer

And: _____
Assistant Secretary

Acknowledged by Trustee:

By: _____
Authorized Signatory

EXHIBIT B

DESCRIPTION OF AMOS PROJECT

The Project consists of solid waste disposal and recycling, sewage facilities, and air and water pollution control. These facilities consist of real estate, equipment and systems which have been or will be acquired, improved, installed, and constructed for use as solid waste disposal or recycling facilities, sewage facilities, or air and water pollution control facilities at Appalachian Power Company's Amos Plant Units 1, 2 and 33.33% owned Unit 3 in Putnam County, West Virginia

Solid waste disposal or recycling facilities collect, process, dispose and recycle solid wastes including, but not limited to, spent resin, fly ash, bottom ash, pyrites, flue gas scrubber wastes, trona wastes, contaminated soil, water pretreatment wastes and other solid wastes in accordance with applicable environmental regulations. The integrated components of the solid waste disposal and recycling facilities consist of bottom ash and fly ash collection, handling and disposal systems, scrubber waste collection, storage, handling and disposal systems, ash recycle systems, ash pond or landfill improvements and closures, and certain property that is functionally related and subordinate to the foregoing systems and components. These integrated facilities include process equipment, utilities or support systems and related structures and buildings. The facilities are property used for the collection, storage, treatment, handling, transportation, utilization, processing final disposal or recycling of solid waste.

Sewage facilities collect, handle, store, treat, and discharge industrial wastewater, sanitary wastewater, and storm water as required by applicable environmental regulations. The integrated components of the sewage facilities include without limitation, piping, sewers, wastewater collection systems, industrial or sanitary sewage systems, impoundments, oil/water separators, bioreactors and treatment units, clarifiers, sludge handling systems, discharge systems, related refinery auxiliary systems and certain property that is functionally related and subordinate to the foregoing systems and components. These facilities also include process equipment, utilities or support systems and related buildings and structures.

Pollution control facilities capture, reduce, and process air and water emissions including, but not limited to, flue gases, NOx, SOx, air-borne particulate matter, wastewater, and other pollutants in accordance with applicable environmental regulations. The pollution control facilities also include functionally related and subordinate auxiliaries, utilities, structures and buildings, associated electrical and mechanical systems, instrumentation and control systems, and site development. Due to evolving environmental rules and regulations, any of the pollution control systems and components may be modified or substituted with other facilities that perform the same or similar pollution control functions.

The capital cost of the Facilities is estimated to be no less than \$835,000,000.

**APPALACHIAN POWER COMPANY
AND SUBSIDIARIES**

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months Ended June 30, 2008 and 2007
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2008	2007	2008	2007
REVENUES				
Electric Generation, Transmission and Distribution	\$ 566,089	\$ 499,189	\$ 1,207,546	\$ 1,100,735
Sales to AEP Affiliates	97,508	55,371	187,598	116,916
Other	3,800	2,850	7,280	5,487
TOTAL	<u>667,397</u>	<u>557,410</u>	<u>1,402,424</u>	<u>1,223,138</u>
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	159,237	164,018	333,067	335,204
Purchased Electricity for Resale	52,931	34,328	96,130	70,278
Purchased Electricity from AEP Affiliates	186,243	144,630	375,838	272,231
Other Operation	68,415	75,125	143,946	142,754
Maintenance	52,235	51,414	110,079	97,167
Depreciation and Amortization	61,592	31,076	124,164	90,236
Taxes Other Than Income Taxes	24,104	22,975	48,095	44,250
TOTAL	<u>604,757</u>	<u>523,566</u>	<u>1,231,319</u>	<u>1,052,120</u>
OPERATING INCOME	62,640	33,844	171,105	171,018
Other Income (Expense):				
Interest Income	2,827	390	5,596	1,029
Carrying Costs Income	17,411	10,950	26,997	14,116
Allowance for Equity Funds Used During Construction	2,652	1,581	4,148	4,358
Interest Expense	(47,119)	(44,955)	(91,259)	(76,778)
INCOME BEFORE INCOME TAX EXPENSE (CREDIT)	38,411	1,810	116,587	113,743
Income Tax Expense (Credit)	12,129	(1,471)	34,992	40,235
INCOME BEFORE EXTRAORDINARY LOSS	26,282	3,281	81,595	73,508
Extraordinary Loss – Reapplication of Regulatory Accounting for Generation, Net of Tax	-	(78,763)	-	(78,763)
NET INCOME (LOSS)	26,282	(75,482)	81,595	(5,255)
Preferred Stock Dividend Requirements Including Capital Stock Expense	238	238	476	476
EARNINGS (LOSS) APPLICABLE TO COMMON STOCK	<u>\$ 26,044</u>	<u>\$ (75,720)</u>	<u>\$ 81,119</u>	<u>\$ (5,731)</u>

The common stock of APCo is wholly-owned by AEP.

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page H-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDER'S
EQUITY AND COMPREHENSIVE INCOME (LOSS)
For the Six Months Ended June 30, 2008 and 2007
(in thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
DECEMBER 31, 2006	\$ 260,458	\$ 1,024,994	\$ 805,513	\$ (54,791)	\$ 2,036,174
FIN 48 Adoption, Net of Tax			(2,685)		(2,685)
Common Stock Dividends			(25,000)		(25,000)
Preferred Stock Dividends			(400)		(400)
Capital Stock Expense		76	(76)		-
TOTAL					<u>2,008,089</u>
COMPREHENSIVE INCOME					
Other Comprehensive Income, Net of Taxes:					
Cash Flow Hedges, Net of Tax of \$2,482				4,610	4,610
SFAS 158 Costs Established as a Regulatory Asset Related to the Reapplication of SFAS 71, Net of Tax of \$6,055				11,245	11,245
NET LOSS			(5,255)		(5,255)
TOTAL COMPREHENSIVE INCOME					<u>10,600</u>
JUNE 30, 2007	\$ 260,458	\$ 1,025,070	\$ 772,097	\$ (38,936)	\$ 2,018,689
DECEMBER 31, 2007	\$ 260,458	\$ 1,025,149	\$ 831,612	\$ (35,187)	\$ 2,082,032
EITF 06-10 Adoption, Net of Tax of \$1,175			(2,181)		(2,181)
SFAS 157 Adoption, Net of Tax of \$154			(286)		(286)
Capital Contribution from Parent		125,000			125,000
Preferred Stock Dividends			(399)		(399)
Capital Stock Expense		77	(77)		-
TOTAL					<u>2,204,166</u>
COMPREHENSIVE INCOME					
Other Comprehensive Income (Loss), Net of Taxes:					
Cash Flow Hedges, Net of Tax of \$10,085				(18,729)	(18,729)
Amortization of Pension and OPEB Deferred Costs, Net of Tax of \$897				1,666	1,666
NET INCOME			81,595		81,595
TOTAL COMPREHENSIVE INCOME					<u>64,532</u>
JUNE 30, 2008	\$ 260,458	\$ 1,150,226	\$ 910,264	\$ (52,250)	\$ 2,268,698

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page H-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS

June 30, 2008 and December 31, 2007
(in thousands)
(Unaudited)

	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,876	\$ 2,195
Accounts Receivable:		
Customers	198,958	176,834
Affiliated Companies	79,810	113,582
Accrued Unbilled Revenues	34,213	38,397
Miscellaneous	592	2,823
Allowance for Uncollectible Accounts	(5,835)	(13,948)
Total Accounts Receivable	307,738	317,688
Fuel	84,139	82,203
Materials and Supplies	80,244	76,685
Risk Management Assets	207,864	62,955
Regulatory Asset for Under-Recovered Fuel Costs	53,399	-
Prepayments and Other	51,831	16,369
TOTAL	787,091	558,095
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Production	3,633,832	3,625,788
Transmission	1,712,793	1,675,081
Distribution	2,429,600	2,372,687
Other	356,089	351,827
Construction Work in Progress	856,270	713,063
Total	8,988,584	8,738,446
Accumulated Depreciation and Amortization	2,639,155	2,591,833
TOTAL - NET	6,349,429	6,146,613
OTHER NONCURRENT ASSETS		
Regulatory Assets	683,609	652,739
Long-term Risk Management Assets	105,830	72,366
Deferred Charges and Other	197,938	191,871
TOTAL	987,377	916,976
TOTAL ASSETS	\$ 8,123,897	\$ 7,621,684

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page H-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
June 30, 2008 and December 31, 2007
(Unaudited)

	2008	2007
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	\$ 103,802	\$ 275,257
Accounts Payable:		
General	281,893	241,871
Affiliated Companies	99,692	106,852
Long-term Debt Due Within One Year – Nonaffiliated	150,016	239,732
Risk Management Liabilities	238,836	51,708
Customer Deposits	50,978	45,920
Accrued Taxes	48,527	58,519
Accrued Interest	46,693	41,699
Other	99,752	139,476
TOTAL	<u>1,120,189</u>	<u>1,201,034</u>
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	2,803,466	2,507,567
Long-term Debt – Affiliated	100,000	100,000
Long-term Risk Management Liabilities	83,357	47,357
Deferred Income Taxes	1,013,394	948,891
Regulatory Liabilities and Deferred Investment Tax Credits	490,350	505,556
Deferred Credits and Other	226,691	211,495
TOTAL	<u>4,717,258</u>	<u>4,320,866</u>
TOTAL LIABILITIES	<u>5,837,447</u>	<u>5,521,900</u>
Cumulative Preferred Stock Not Subject to Mandatory Redemption	<u>17,752</u>	<u>17,752</u>
Commitments and Contingencies (Note 4)		
COMMON SHAREHOLDER'S EQUITY		
Common Stock – No Par Value:		
Authorized – 30,000,000 Shares		
Outstanding – 13,499,500 Shares	260,458	260,458
Paid-in Capital	1,150,226	1,025,149
Retained Earnings	910,264	831,612
Accumulated Other Comprehensive Income (Loss)	(52,250)	(35,187)
TOTAL	<u>2,268,698</u>	<u>2,082,032</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 8,123,897</u>	<u>\$ 7,621,684</u>

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page H-1.