

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

(DATE)

IN RE:)	
)	
APPLICATION OF APPALACHIAN POWER)	DOCKET NO.: 10-00182
COMPANY FOR APPROVAL OF CERTAIN)	
2011 FINANCING PROGRAMS)	

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before _____, _____,
and _____ of the Tennessee Regulatory Authority (the “Authority” or
“TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference
held on November 27, 2010, for consideration of the Application filed September 8, 2010, by
Appalachian Power Company (“Appalachian” or “Company”) seeking approval of a certain
2011 financing program.

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
(“Kingsport”). Both Appalachian and Kingsport are wholly-owned subsidiaries of American
Electric Power Company, Inc., a publicly traded holding company. Appalachian and Kingsport
are separate entities and finance their operations separately. Kingsport purchases all of its power
requirements from Appalachian at wholesale rates under a tariff approved by the Federal Energy
Regulatory Commission 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, 2011, secured or unsecured promissory notes ("Notes") in the aggregate principal amount up to \$350,000,000. The Notes will mature in not less than nine months and not more than sixty years. The interest rate of the Notes may be fixed or variable. Appalachian may enter into, from time to time through December 31, 2011, 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 requests to continue its Interest Rate Management Agreements as approved in Docket No. 08-00194 through December 31, 2011. The Application states that such authority would allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective interest costs and manage interest costs on financing transactions. The agreements will be for a fixed period and stated principal amount and shall be for underlying fixed or variable obligations of Appalachian. The aggregate notional amount of all such agreements shall not exceed twenty-five percent of the Company's existing debt obligations, including pollution control revenue bonds.

Appalachian also requests approval to assume certain obligations under various agreements in connection with the proposed issuance of one or more series of Solid Waste Disposal Facilities Bonds in a principal aggregate amount not to exceed \$100,000,000. Moreover, Appalachian requests authority to assume certain obligations under various agreements in an aggregate amount not to exceed \$225,275,000 in connection with the proposed issuance of one or more series of Refunding Bonds to be issued by the West Virginia Economic Development Authority. As such, Appalachian seeks to assume said obligations under one or more loan or installment payment agreements with said West Virginia Economic Development Authority in a total aggregate amount not exceeding \$325,275,000. Appalachian also requests approval to enter into interest rate hedging agreements with respect to said Solid Waste Disposal Bonds.

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 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 purpose of such be approved by the authority.

At a regularly scheduled Authority Conference held on November 27, 2010, 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 therein.
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.
3. The authorization and approval given hereby shall not be sued by any party, including but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risks involved.
4. 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.

, Director

, Director

, Director