

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 1, 2011

IN RE:

**APPLICATION OF APPALACHIAN POWER
COMPANY IN CONNECTION WITH ITS
PROPOSED 2012 FINANCING PROGRAMS**

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**DOCKET NO.
11-00163**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before the Tennessee Regulatory Authority (the “Authority” or “TRA”) at a regularly scheduled Authority Conference held on November 7, 2011 for consideration of the Application filed on September 19, 2011 by Appalachian Power Company (“Appalachian” or “Company”) seeking approval of certain 2012 financing programs.

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 legal 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 Applicant proposes to issue and sell, from time to time through December 31, 2012, 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 Notes may be issued in the form of Senior Notes, Senior or Subordinated Debentures, First Mortgage Bonds, Trust Preferred Securities, or other unsecured promissory notes. The interest rate of the Notes may be fixed or variable. Appalachian will agree to specific redemption provisions, if any, at the time of 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. Appalachian may enter into, from time to time through December 31, 2012, 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, 2012. The Application states that such authority would allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective interest costs and manage interest cost on financing transactions. The aggregate notional amount of all Interest Rate Management Agreements shall not exceed 25% of the Applicant's existing debt obligations, including pollution control revenue bonds.

Appalachian also requests approval to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$149,500,000 in connection with the proposed issuance of one or more series of Refunding Bonds to be issued on, or prior to, December 31, 2012.

On October 20, 2011, the Virginia State Corporation Commission entered an Order approving these financing transactions in Case No. PUE-2011-00108.

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 November 7, 2011, the panel voted unanimously to approve the Application and made the following findings:

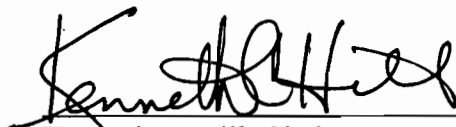
1. The proposed financing agreements are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed financing transactions are being made in accordance with laws enforceable by this agency;
3. The proposed financing transactions are in the public interest because they will provide Appalachian Power 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:

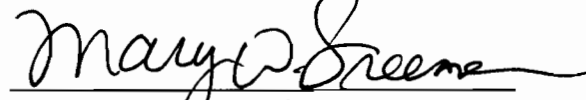
1. Appalachian Power Company is authorized to enter into the financing transactions as described in the Application and discussed herein.
2. Appalachian Power Company shall be bound by the same conditions as set forth in the Order of the Virginia State Corporation Commission approving the Virginia Application.

3. The authorization and approval given hereby shall not be used 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.


Kenneth C. Hill, Chairman


Sara Kyle, Director


Mary W. Freeman, Director