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October 23, 2012

VIA EMAIL & FEDEX

PLEASE RESPOND TO:
KINGSPORT OFFICE

Kenneth C. Hill, Chairman
ATTN: Sharla Dillon, Dockets & Records Manager
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Application of Appalachian Power Company
Docket No.: 12-00126

Dear Chairman Hill:

We submit herewith the original and 4 copies of the Application of Appalachian Power Company seeking the approval of the Tennessee Regulatory Authority for certain 2013 financing programs.

Authorization for these credit facilities is requested pursuant to T.C.A. § 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 2012.

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

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

A handwritten signature in black ink, appearing to read "W.C. Bovender", is written over the printed name.

William C. Bovender

Enclosures

Before the

APPLICATION

of :

APPALACHIAN POWER COMPANY :

TO THE HONORABLE TENNESSEE REGULATORY AUTHORITY:

1. Your petitioner, Appalachian Power Company (“Appalachian”), respectfully shows that:

(a) It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, having its principal office in said Commonwealth in the City of Roanoke, and is properly qualified to transact business in the State of Tennessee.

(b) A true copy of its Restated Articles of Incorporation was filed with your Honorable Authority in Docket No. U-6533.

(c) Appalachian maintains its principal office in the State of Tennessee in the City of Kingsport, Sullivan County.

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, 2013, secured or unsecured promissory notes ("Notes") in the aggregate principal amount equal to, on the date or dates of issuance, up to \$350 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 Trust Preferred Securities) may be issued under a new Indenture or the Indenture dated as of January 1, 1998 (on file in Case No. PUF980032), 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 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) 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, 2013, 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 \$350 million.

Appalachian proposes, with the consent and approval of this Commission, to extend the authority granted in Docket No. 08-00194 (Order dated December 23, 2008) to utilize interest rate management techniques and enter into Interest Rate Management Agreements through December 31, 2013. 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. In 2013 Appalachian has the following debt maturing: \$275,000,000 principal amount of Floating Rate Note, Series D, due August 16, 2013.

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 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, 2012 are attached hereto as Exhibit B.

17. The issuance of the Notes 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 \$350 million pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation as described herein; and (2) 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

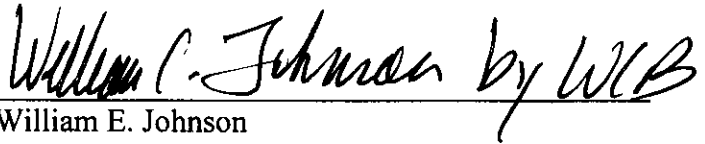
Assistant Treasurer

Date: October 8th 2012

Respectfully submitted,



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Attorneys for Applicant

All communications with respect to this Petition should be directed to the above-listed attorneys.

STATE OF OHIO)
) ss:
COUNTY OF FRANKLIN)

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, this 18 day of October, 2012, 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 knows 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 18 day of October, 2012.

Molly A. Miller
Notary Public
 MOLLY A. MILLER
NOTARY PUBLIC
STATE OF OHIO
Comm. Expires
January 19, 2016

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**)
)
)
)
)**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:

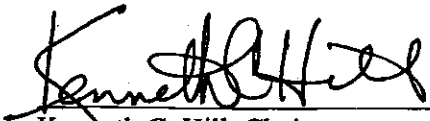
1. The proposed financing agreements are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed financing transactions are being made in accordance with laws enforceable by this agency;
3. The proposed financing transactions are in the public interest because they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

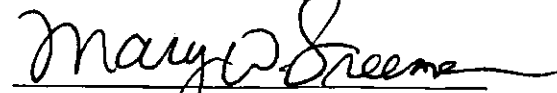
1. Appalachian Power Company is authorized to enter into the financing transactions as described in the Application and discussed herein.
2. Appalachian Power Company shall be bound by the same conditions as set forth in the Order of the Virginia State Corporation Commission approving the Virginia Application.

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

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2012 and 2011
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
REVENUES				
Electric Generation, Transmission and Distribution	\$ 647,236	\$ 666,785	\$ 1,385,835	\$ 1,417,797
Sales to AEP Affiliates	67,043	82,531	131,344	161,222
Other Revenues	2,182	2,129	4,758	4,246
TOTAL REVENUES	716,461	751,445	1,521,937	1,583,265
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	181,653	184,698	368,537	365,279
Purchased Electricity for Resale	44,869	69,127	110,225	138,345
Purchased Electricity from AEP Affiliates	125,864	183,661	281,881	407,850
Other Operation	72,685	74,617	147,004	187,893
Maintenance	37,830	57,163	84,165	89,456
Depreciation and Amortization	85,139	67,644	165,552	136,743
Taxes Other Than Income Taxes	24,995	25,968	51,957	53,071
TOTAL EXPENSES	573,035	662,878	1,209,321	1,378,637
OPERATING INCOME	143,426	88,567	312,616	204,628
Other Income (Expense):				
Interest Income	359	762	702	1,082
Carrying Costs Income	5,467	6,542	13,252	9,981
Allowance for Equity Funds Used During Construction	4	1,212	517	2,095
Interest Expense	(51,945)	(53,188)	(103,252)	(106,127)
INCOME BEFORE INCOME TAX EXPENSE	97,311	43,895	223,835	111,659
Income Tax Expense	34,979	12,268	86,192	41,052
NET INCOME	62,332	31,627	137,643	70,607
Preferred Stock Dividend Requirements Including Capital Stock Expense	-	200	-	400
EARNINGS ATTRIBUTABLE TO COMMON STOCK	\$ 62,332	\$ 31,427	\$ 137,643	\$ 70,207

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

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 146.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS

June 30, 2012 and December 31, 2011

(in thousands)

(Unaudited)

	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,109	\$ 2,317
Advances to Affiliates	22,573	22,008
Accounts Receivable:		
Customers	145,133	158,382
Affiliated Companies	70,561	136,194
Accrued Unbilled Revenues	47,419	68,427
Miscellaneous	456	5,505
Allowance for Uncollectible Accounts	(4,413)	(5,289)
Total Accounts Receivable	259,156	363,219
Fuel	197,342	143,931
Materials and Supplies	103,267	101,724
Risk Management Assets	41,841	39,645
Accrued Tax Benefits	320	7,715
Regulatory Asset for Under-Recovered Fuel Costs	102,091	41,105
Prepayments and Other Current Assets	18,857	21,745
TOTAL CURRENT ASSETS	747,556	743,409
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	5,563,066	5,194,967
Transmission	2,007,141	1,943,969
Distribution	2,901,775	2,845,405
Other Property, Plant and Equipment	373,255	357,326
Construction Work in Progress	217,902	565,841
Total Property, Plant and Equipment	11,063,139	10,907,508
Accumulated Depreciation and Amortization	3,087,299	2,994,016
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	7,975,840	7,913,492
OTHER NONCURRENT ASSETS		
Regulatory Assets	1,404,116	1,481,193
Long-term Risk Management Assets	44,676	39,226
Deferred Charges and Other Noncurrent Assets	110,514	122,187
TOTAL OTHER NONCURRENT ASSETS	1,559,306	1,642,606
TOTAL ASSETS	\$ 10,282,702	\$ 10,299,507

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 146.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
June 30, 2012 and December 31, 2011
(Unaudited)

	2012	2011
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	\$ 166,988	\$ 198,248
Accounts Payable:		
General	139,851	186,612
Affiliated Companies	107,129	137,376
Long-term Debt Due Within One Year – Nonaffiliated	545,027	594,525
Risk Management Liabilities	23,036	26,606
Customer Deposits	60,971	61,690
Deferred Income Taxes	38,857	14,255
Accrued Taxes	85,479	63,422
Accrued Interest	56,561	57,230
Other Current Liabilities	88,886	105,646
TOTAL CURRENT LIABILITIES	1,312,785	1,445,610
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	3,132,089	3,131,726
Long-term Risk Management Liabilities	22,638	12,923
Deferred Income Taxes	1,766,932	1,736,180
Regulatory Liabilities and Deferred Investment Tax Credits	620,058	576,792
Employee Benefits and Pension Obligations	296,168	302,182
Deferred Credits and Other Noncurrent Liabilities	156,149	157,680
TOTAL NONCURRENT LIABILITIES	5,994,034	5,917,483
TOTAL LIABILITIES	7,306,819	7,363,093
Rate Matters (Note 2)		
Commitments and Contingencies (Note 3)		
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	1,573,752	1,573,752
Retained Earnings	1,198,390	1,160,747
Accumulated Other Comprehensive Income (Loss)	(56,717)	(58,543)
TOTAL COMMON SHAREHOLDER'S EQUITY	2,975,883	2,936,414
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	\$ 10,282,702	\$ 10,299,507

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 146.

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the

:

APPLICATION

:

DOCKET NO. 12_____

of

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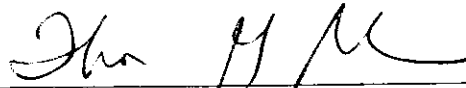
APPALACHIAN POWER COMPANY :

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

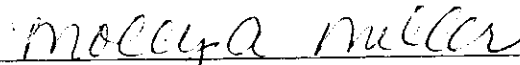
By:


Assistant Secretary

STATE OF OHIO :
COUNTY OF FRANKLIN :ss.

Subscribed and sworn before me this 18th day of October 2012.

By:



Notary Public

My Commission expires: 01-19-2016



MOLLY A. MILLER
NOTARY PUBLIC
STATE OF OHIO
Comm. Expires
January 19, 2016