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October 30, 2013

VIA EMAIL & FEDEX

AMEP/Z.87258

James Allison, Chairman
ATTN: Sharla Dillon, Dockets & Records Manager
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Application of Appalachian Power Company
Docket No.: 13-00140

Dear Chairman Allison:

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 2014 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 2013.

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

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

William C. Bovender

Enclosures

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the:

APPLICATION	:	
of	:	DOCKET No. 13______
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, 2014, secured or unsecured promissory notes ("Notes") in the aggregate principal amount equal to, on the date or dates of issuance, up to $600 million. The Notes may be issued in the form of Senior Notes, First Mortgage Bonds or other unsecured promissory notes.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 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 (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.

3. Appalachian may enter into, from time to time through December 31, 2014, one or more interest rate hedging arrangements, including, but not limited to, treasury lock agreements, forward-starting interest rate swaps, treasury 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 $600 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, 2014. 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 refinance debt assumed in connection with certain generation assets to be acquired (the "Amos Debt"), to redeem directly or indirectly long-term debt, 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 2014 Appalachian has no debt maturing. The Amos Debt will equal $300 million. The remaining $300 million of requested financing authority will be used primarily to redeem directly or indirectly one or more series of long-term debt with scheduled maturities in 2015 and for any dividend related to capitalize Appalachian to a level consistent with its capitalization prior to the asset transfer.

Appalachian may purchase senior notes referred to herein or any other series of indebtedness 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. *New Series Bonds:* Appalachian requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed $86

million in connection with the proposed issuance of the bonds related to the generation assets to be acquired (the "New Series Bonds") to be issued on April 1, 2015 and not later than July 1, 2015. The proceeds of the New Series Bonds would be loaned to Appalachian by the WVEDA to refund the WVEDA Bonds described previously herein at Section 2.

Refunding Tax Exempt Bonds: Apart from pollution control bonds arising in connection with the Acquisition, Appalachian also requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed an aggregate $204,375,000 in connection with the proposed issuance of one or more series of Bonds (defined below) to be issued by the WVEDA on or prior to December 31, 2014. Appalachian intends to refund the following series of bonds following their mandatory tender or through another manner of redemption:

(i) $54,375,000 West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Bonds (Appalachian Power Company—Amos Project), Series 2009A due December 1, 2024 (the "Series 2009A Bonds") issued by the WVEDA. In order to refund the Series 2009A Bonds, it is contemplated that the WVEDA will issue refunding bonds in the amount of $54,375,000 (the "Series 2009A Refunding Bonds"). The proceeds of the sale of Series 2009A Refunding Bonds will be loaned by the WVEDA to Appalachian to provide funds to purchase or redeem the Series 2009A Bonds.

(ii) $50,000,000 West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Bonds (Appalachian Power Company—Amos Project), Series 2009B due December 1, 2024 (the "Series 2009B Bonds") issued by the WVEDA. In order to refund the Series 2009B Bonds, it is contemplated that the WVEDA will issue refunding bonds in the amount of $50,000,000 (the "Series 2009B Refunding Bonds"). The proceeds of the sale of Series 2009B Refunding Bonds will be loaned by the WVEDA to Appalachian to provide funds to purchase or redeem the Series 2009B Bonds.

(iii) $100,000,000 Mason County, West Virginia Pollution Control Revenue Bonds (Appalachian Power Company Project), Series L due October 1, 2022 (the "Series L Bonds") issued by Mason County, West Virginia. In order to refund the Series L Bonds, it is contemplated that the WVEDA will issue refunding bonds in the amount of $100,000,000 (the "Series L Refunding Bonds"). The proceeds of the sale of Series L Refunding Bonds will be loaned by the WVEDA to Appalachian to provide funds to purchase or redeem the Series L Bonds.

The New Series Bonds, the Series 2009A Refunding Bonds, the Series 2009A Refunding Bonds, and the Series L Refunding Bonds are collectively referred to herein as the "Bonds".

The aggregate principal amount of all Bonds (including the New Series Bonds) is $290,375,000.

6. In connection with each series of Bonds, Appalachian would assume certain obligations under one or more loan or installment payment agreements with the WVEDA in an aggregate amount authorized hereby of $290,375,000 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 Bonds for the benefit of the holders of such bonds.

7. Each series of Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between the WVEDA and a Trustee. The proceeds from the sale of each series of Bonds would be loaned to Appalachian pursuant to one or more loan or installment payment agreements between the WVEDA and Appalachian (collectively the "Loan Agreement"). The payments to be made by Appalachian under the Loan Agreement for one or more series of 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 Bonds. The Loan Agreement and the payments to be made by Appalachian pursuant to each series of Bonds will be assigned to the applicable Trustee to secure the payment of the principal and interest on the related Bonds.

8. Upon issuance of a series of 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 Bonds for the benefit of the holders of such Bonds. Additionally, if it is deemed advisable, any series of Facilities Bonds as described herein may be provided some form of credit enhancement, including but not limited to a letter of credit, standby purchase agreement or surety bond.

9. Each series of Bonds would be sold in one or more underwritten public offerings, direct bank loans, credit agreements or facilities, negotiated sales, or private placement transactions utilizing the customary and appropriate documentation. While Appalachian will not be a party to the underwriting, placement or other arrangements for

any series of Bonds, the applicable Loan Agreement will provide that the applicable series of 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 Bonds (including, in the event all or a portion of any series of 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 WVEDA, and the purchasers of such bonds. The Loan Agreement for each series 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 WVEDA to pay, when due, (i) the interest on all Bonds and any additional bonds and refunding bonds issued under the Indenture for that series; (ii) the stated maturities of the principal of all Bonds and any additional bonds and refunding bonds issued under the Indenture for that series; and (iii) amounts, including any accrued interest, payable in connection with any redemption of the Bonds and any additional bonds or refunding bonds issued under the Indenture for that series. The Loan Agreement also will obligate Appalachian to pay the fees and charges of the Trustee, as well as certain administrative expenses of the WVEDA. Appalachian will not agree, without further Order of this Commission, to the issuance of any series of the 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 8% or the initial rate of interest to be borne by any such bonds bearing a variable rate of interest shall exceed 8%; (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 $1,000,000.

10. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the 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, including the issuance of Bonds having interest rates determined on a periodic basis through bidding. Appalachian would reserve the option to convert any variable rate Bonds at a later date to other interest rate modes, including a fixed rate of interest. 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 substantially identical to previous 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. The size of any Bank Facility would be equal to the principal amount of the Variable Rate Bonds with which they are associated plus 35 days of interest for such Variable Rate Bonds. 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 10 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 25 basis points of the Facility size for arrangement fees and 125 basis points of the Facility size for the drawn letters of credit fees.

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 applicable 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 Bonds (which will not exceed an aggregate principal amount of $290,375,000 as set forth in Section 6) plus accrued but unpaid interest and premium, if any, on such bonds.

14. Appalachian may enter into, from time to time through December 31, 2014 (July 1, 2015, for the New Series Bonds), 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 ("Bonds Treasury Hedge Agreement") to protect against future interest rate movements in connection with the issuance of the Bonds. Each Bonds Treasury Hedge Agreement will correspond to one or more 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 $290,375,000.

* * *

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, 2013 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 (a) 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 $600 million pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation as described herein and (b) up to $290,375,000 of Bonds as described herein 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

Date: October 29, 2013

AEP Legal 889946.1
10/25/2013 09:34:54

Attorneys for Applicant:

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

STATE OF OHIO)
) ss:
COUNTY OF FRANKLIN)

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, this 29th day of October, 2013, 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 29th day of October, 2013.

Molly A. Behre
Notary Public

MOLLY A. BEHRE
NOTARY PUBLIC

STATE OF OHIO

My Comm. Expires January 19, 2016

EXHIBIT A

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 30, 2013

IN RE:	)	
	)	
APPLICATION OF APPALACHIAN POWER COMPANY IN CONNECTION WITH ITS PROPOSED 2013 FINANCING PROGRAMS	)))	**DOCKET NO. 12-00126**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Vice-Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director David F. Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 17, 2012 for consideration of the Application filed on October 23, 2012 by Appalachian Power Company ("Appalachian" or "Company") seeking approval of certain 2013 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, 2013, 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 with interest rates that may be fixed or variable. Appalachian states it 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 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, 2013. 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.

On December 3, 2012, the Virginia State Corporation Commission entered an Order approving these financing transactions in Case No. PUE-2012-00125.

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 December 17, 2012, the panel voted unanimously to approve the Application and made the following findings:

1. The proposed financing transaction is subject to Authority approval *pursuant* to Tenn. Code Ann. § 65-4-109 (2004);

2. The proposed financing transaction is being made in accordance with laws enforceable by this agency;

3. The purpose of the transaction is in the public interest because it 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 transaction.

IT IS THEREFORE ORDERED THAT:

1. Appalachian Power Company is authorized to enter into the financing transaction 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.

Vice-Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director David F. Jones concur.

ATTEST:

Earl Taylor

Earl R. Taylor, Executive Director

EXHIBIT B

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2013 and 2012
(in thousands)
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
REVENUES				
Electric Generation, Transmission and Distribution	$ 670,249	$ 647,236	$ 1,542,981	$ 1,385,835
Sales to AEP Affiliates	73,893	67,043	150,753	131,344
Other Revenues	2,362	2,182	4,264	4,758
TOTAL REVENUES	746,504	716,461	1,697,998	1,521,937
EXPENSES				
Fuel and Other Consumables Used for Electric Generation	163,521	181,653	368,460	368,537
Purchased Electricity for Resale	59,487	44,869	124,943	110,225
Purchased Electricity from AEP Affiliates	181,856	125,864	404,798	281,881
Other Operation	79,764	72,685	158,672	147,004
Maintenance	58,560	37,830	157,946	84,165
Depreciation and Amortization	83,240	85,139	171,143	165,552
Taxes Other Than Income Taxes	28,004	24,995	55,404	51,957
TOTAL EXPENSES	654,432	573,035	1,441,366	1,209,321
OPERATING INCOME	92,072	143,426	256,632	312,616
Other Income (Expense):				
Interest Income	1,469	359	1,800	702
Carrying Costs Income	3,133	5,467	3,236	13,252
Allowance for Equity Funds Used During Construction	1,213	4	1,983	517
Interest Expense	(48,128)	(51,945)	(96,332)	(103,252)
INCOME BEFORE INCOME TAX EXPENSE	49,759	97,311	167,319	223,835
Income Tax Expense	19,897	34,979	66,909	86,192
NET INCOME	$ 29,862	$ 62,332	$ 100,410	$ 137,643

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

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 153.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2013 and December 31, 2012
(in thousands)
(Unaudited)

	June 30, 2013	December 31, 2012
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,735	$ 3,576
Advances to Affiliates	23,303	23,024
Accounts Receivable:		
Customers	145,730	158,380
Affiliated Companies	58,353	96,213
Accrued Unbilled Revenues	44,839	70,825
Miscellaneous	2,177	1,344
Allowance for Uncollectible Accounts	(2,656)	(6,087)
Total Accounts Receivable	248,443	320,675
Fuel	218,577	185,813
Materials and Supplies	108,522	105,208
Risk Management Assets	28,520	30,960
Accrued Tax Benefits	37,354	50,032
Regulatory Asset for Under-Recovered Fuel Costs	62,849	74,906
Prepayments and Other Current Assets	16,262	18,690
TOTAL CURRENT ASSETS	746,565	812,884
PROPERTY, PLANT AND EQUIPMENT		
Electric:		
Generation	5,678,562	5,632,665
Transmission	2,053,457	2,042,144
Distribution	3,049,503	2,991,898
Other Property, Plant and Equipment	380,863	373,327
Construction Work in Progress	241,215	266,247
Total Property, Plant and Equipment	11,403,600	11,306,281
Accumulated Depreciation and Amortization	3,263,771	3,196,639
TOTAL PROPERTY, PLANT AND EQUIPMENT – NET	8,139,829	8,109,642
OTHER NONCURRENT ASSETS		
Regulatory Assets	1,364,541	1,435,704
Long-term Risk Management Assets	23,608	34,360
Deferred Charges and Other Noncurrent Assets	109,465	115,078
TOTAL OTHER NONCURRENT ASSETS	1,497,614	1,585,142
TOTAL ASSETS	$ 10,384,008	$ 10,507,668

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 153.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY
June 30, 2013 and December 31, 2012
(Unaudited)

	June 30, 2013	December 31, 2012
	(in thousands)	
CURRENT LIABILITIES		
Advances from Affiliates	$ 87,783	$ 173,965
Accounts Payable:		
General	150,500	195,203
Affiliated Companies	99,096	137,088
Long-term Debt Due Within One Year – Nonaffiliated	574,681	574,679
Risk Management Liabilities	13,397	16,698
Customer Deposits	65,999	67,339
Deferred Income Taxes	8,388	11,715
Accrued Taxes	80,347	74,967
Accrued Interest	51,207	51,442
Other Current Liabilities	97,782	110,657
TOTAL CURRENT LIABILITIES	1,229,180	1,413,753
NONCURRENT LIABILITIES		
Long-term Debt – Nonaffiliated	3,128,078	3,127,763
Long-term Risk Management Liabilities	14,007	18,476
Deferred Income Taxes	1,968,214	1,928,683
Regulatory Liabilities and Deferred Investment Tax Credits	623,394	607,680
Employee Benefits and Pension Obligations	202,114	204,207
Deferred Credits and Other Noncurrent Liabilities	153,986	154,544
TOTAL NONCURRENT LIABILITIES	6,089,793	6,041,353
TOTAL LIABILITIES	7,318,973	7,455,106
Rate Matters (Note 3)		
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	1,573,752	1,573,752
Retained Earnings	1,258,660	1,248,250
Accumulated Other Comprehensive Income (Loss)	(27,835)	(29,898)
TOTAL COMMON SHAREHOLDER'S EQUITY	3,065,035	3,052,562
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	$ 10,384,008	$ 10,507,668

See Condensed Notes to Condensed Financial Statements of Registrant Subsidiaries beginning on page 153.

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the	:	
APPLICATION	:	DOCKET NO. 13_____
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 29th day of October 2013.

By: Molly a Behre
Notary Public
My Commission expires: 01-19-2016

MOLLY A. BEHRE, NOTARY PUBLIC, STATE OF OHIO

MOLLY A. BEHRE
NOTARY PUBLIC

STATE OF OHIO

My Comm. Expires January 19, 2016

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