

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 23, 2015

IN RE:

APPLICATION OF KINGSPORT POWER COMPANY
FOR PERMISSION TO MAKE NOTES TO EVIDENCE
INDEBTEDNESS NOT TO EXCEED \$20,000,000

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DOCKET NO.
15-00067

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Herbert H. Hilliard, Director Kenneth C. Hill, and Director Robin Bennett of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 17, 2015 for consideration of the *Application* filed on June 25, 2015 by Kingsport Power Company ("Kingsport" or "Applicant") seeking approval to issue up to \$20,000,000 of unsecured long-term indebtedness from time to time, until June 30, 2020.

The Application

Kingsport is a Virginia corporation, with its principal offices in Kingsport, Tennessee, and a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"). According to the *Application*, Kingsport seeks approval to issue and sell from time to time through June 30, 2020, up to \$20,000,000 of its unsecured promissory notes or notes ("Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to one or more term loan agreements or note purchase agreements. In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to its parent, AEP, provided that the aggregate amount of the Notes and AEP Notes issued do not exceed \$20,000,000.

Further, Kingsport states that the proposed agreements do not represent a definitive form of agreement with any bank, and that the Notes will bear interest at either a fixed rate, fluctuating rate

or some combination of fixed and fluctuating rates. Kingsport believes that it would be beneficial to commit itself to a long-term obligation. The actual rate of interest that each Note shall bear, and its maturity, shall be subject to further negotiation between Kingsport and the lender. Any fixed rate of interest of the Notes will not, at the time of issuance of the Notes, be greater than 300 points above the yield to maturity of United States Treasury obligations that mature on or about the date of maturity of the Notes. The interest rate and maturity parameters for the Notes would also apply to the AEP Notes.

Finally, Kingsport requests authority to enter into, perform, purchase and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars, and forward agreements or any other similar agreements, and authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings, subject to certain limitations and restrictions.

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 August 17, 2015, 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 transaction is being made in accordance with laws enforceable by this agency.
3. The proposed transaction is in the public interest.

4. Kingsport shall notify the Authority in this docket of the amount, interest rate and terms of securities issued under this financing authority within thirty days of the issuance of said securities.

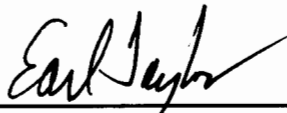
IT IS THEREFORE ORDERED THAT:

1. The *Application* of Kingsport Power Company seeking authorization from time to time through June 30, 2020, to borrow \$20,000,000 and to execute a note or notes to evidence the borrowing made as discussed herein is approved pursuant to Tenn. Code Ann. § 65-4-109 (2004).

2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved. 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.

Chairman Herbert H. Hilliard, Director Kenneth C. Hill, and Director Robin Bennett concur.

ATTEST:

A handwritten signature in black ink, appearing to read "Earl Taylor", is written over a horizontal line.

Earl R. Taylor, Executive Director