

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 28, 2016

IN RE:

**APPLICATION OF APPALACHIAN POWER)
COMPANY FOR APPROVAL OF CERTAIN)
2016-2017 FINANCING PROGRAMS)**

DOCKET NO. 16-00014

ORDER APPROVING FINANCING PROGRAMS

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on March 14, 2016, for consideration of the Application of Appalachian Power Company for Approval of Certain 2016-2017 Financing Programs (the “Application”) filed on February 3, 2016 by Appalachian Power Company (“Appalachian”).

BACKGROUND AND APPLICATION

Appalachian provides power to Kingsport Power Company (“Kingsport”), a public utility engaged in the business of distributing electric power to approximately 47,000 customers in its service area which includes parts of Sullivan, Washington and Hawkins Counties, Tennessee, the City of Kingsport, Tennessee, and the Town of Mount Carmel, Tennessee. Kingsport purchases all of its power requirements from Appalachian at wholesale rates and, as such, is subject to the Authority’s jurisdiction. Both Appalachian and Kingsport are wholly-owned subsidiaries of American Electric Power Company, Inc., a publicly traded holding company.

On February 3, 2016, Appalachian filed its Application seeking Authority approval of its 2016 to 2017 financing programs. There were no petitions for intervention filed in this docket. Appalachian proposes to issue and sell, from time to time through December 31, 2017, secured or unsecured promissory notes (“Notes”) in the aggregate principal amount up to \$750 million.¹ The Notes will mature in not less than nine months and not more than 60 years with interest rates that may be fixed or variable.² Additionally, Appalachian wishes to enter into from time to time through December 31, 2017, one or more interest rate hedging agreements, 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.³

Furthermore, Appalachian requests to continue its Interest Rate Management Agreements approved in Docket No. 14-00123 through December 31, 2017.⁴ The Application states that “Such authority will allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.”⁵ The Interest Rate Management Agreements will be products commonly used in today’s capital markets with the purpose of managing and minimizing interest costs.⁶ Finally, proceeds from the sale of the Notes will be used to redeem, directly or indirectly, long-term debt, to repay short-term debt at or prior to maturity, to reimburse Appalachian’s treasury for expenditure associated with its construction program and for other corporate purposes.⁷

¹ Application, p. 2 (February 3, 2016).

² *Id.*

³ *Id.* at 4.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 6.

STANDARD FOR AUTHORITY APPROVAL

Authority approval is required for these financing programs pursuant to Tenn. Code Ann.

§ 65-4-109 (2015), which 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.

FINDINGS AND CONCLUSIONS

The Authority's review of financing programs or transactions focuses on whether they are in accordance with applicable law and their purpose is in the public interest. The potential use of funds described in the Application including redemption of long-term debt, repayment of short-term debt at or prior to maturity, expenses related to construction programs and other corporate purposes are typical business activities and consistent with previous financing transactions approved by the Authority. Accordingly, approval of these financing programs is in the public interest.

At the Authority Conference held on March 14, 2016, the panel voted unanimously to approve the Application and made the following findings:

1. The proposed financing programs are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109.
2. The proposed financing programs are being made in accordance with laws enforceable by this agency.
3. The proposed financing programs are in the public interest as they will provide Appalachian Power Company flexibility to manage interest costs on financing.

4. Appalachian Power Company shall be bound by the same filing requirements imposed by the Virginia State Corporation Commission.

IT IS THEREFORE ORDERED THAT:

1. The Application of Appalachian Power Company for Approval of Certain 2016-2017 Financing Programs filed on February 3, 2016 is approved.

2. Appalachian Power Company is authorized to enter into the proposed financing programs as described in the Application, and discussed herein.

3. Appalachian Power Company shall be bound by the same filing requirements imposed by the Virginia State Corporation Commission.

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

5. Any person who is aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen days from the date of this Order.

6. Any person who is aggrieved by the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

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

ATTEST:



Earl R. Taylor, Executive Director