

S. Morris Hadden  
William C. Bovender  
William C. Argabrite  
Jimmie Carpenter Miller  
Mark S. Dessauer  
Gregory K. Haden  
Michael L. Forrester  
Stephen M. Darden  
Edward J. Webb, Jr.  
James N. L. Humphreys  
Suzanne Sweet Cook  
Michael S. Lattier  
Scott T. Powers

**Respond to:**  
Kingsport Office  
William C. Bovender  
423-378-8858  
bovender@hstdlaw.com

**HUNTER·SMITH·DAVIS**  
SINCE 1916 LLP

**Kingsport Office**  
1212 North Eastman Road  
P.O. Box 3740  
Kingsport, TN 37664  
Phone (423) 378-8800  
Fax (423) 378-8801

**Johnson City Office**  
100 Med Tech Parkway  
Suite 110  
Johnson City, TN 37604  
Phone (423) 283-6300  
Fax (423) 283-6301

Leslie Tentler Ridings  
Christopher D. Owens  
Chad W. Whitfield  
Jason A. Creech  
Meredith Bates Humbert  
Joseph B. Harvey  
Rachel Ralston Mancil  
Caroline Ross Williams  
Marcy E. Walker  
Teresa Mahan Lesnak \*  
Michael A. Eastridge \*  
Jeannette Smith Tysinger\*

*\*Of Counsel*

[www.hstdlaw.com](http://www.hstdlaw.com)

October 5, 2016

David Price, Chairman  
ATTN: Sharla Dillon, Dockets & Records Manager  
Tennessee Regulatory Authority  
502 Deaderick St., 4<sup>th</sup> Floor  
Nashville, TN 37243

Re: Application of Kingsport Power Company- Financing  
Docket No.: 16-00117

Dear Chairman Price:

We submit herewith the original and four (4) copies of the Application of Appalachian Power Company seeking permission for a long-term indebtedness program through December 31, 2018, commencing with the effective date of the anticipated order approving the financing program.

Authorization for this financing program is requested pursuant to T.C.A. § 65-4-109 and related regulations.

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

Very sincerely yours,

**HUNTER, SMITH & DAVIS, LLP**



William C. Bovender

cc: David Foster  
Kelly Grams, Esq.  
William E. Johnson, Esq.  
Will Castle

Enclosures

Before the  
TENNESSEE REGULATORY AUTHORITY

.....

In the Matter of the Application of KINGSPORT POWER COMPANY	: : : : : : :	Docket No. 16-
For Permission to Make Notes to Evidence Indebtedness Not to Exceed \$30,000,000		

.....

TO THE HONORABLE TENNESSEE REGULATORY AUTHORITY:

Comes the Petitioner, Kingsport Power Company d/b/a AEP Appalachian Power (hereinafter called "Kingsport"), and presents this Application for the following purposes:

Kingsport seeks approval from this Authority to issue up to \$30,000,000 of its unsecured long-term indebtedness from time to time through December 31, 2018. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. Short-term indebtedness of the Company was \$19,597,209 at June 30, 2016. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed and fluctuating rates. In order to obtain a favorable rate of interest, however, it is generally necessary to be able to commit to the financing within 24 hours from the time that funds become available. Therefore, this Application seeks approval of the financing within the ranges of maturities and interest specified herein without the need for a separate hearing on the final commitment.

In support of this Application, Kingsport respectfully submits the following:

1. It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, and qualified to transact business in the State of Tennessee and with its principal office in the City of Kingsport, Tennessee.
2. Kingsport proposes to issue and sell from time to time through December 31, 2018 up to \$30,000,000 principal amount of its unsecured promissory note or notes (the "Notes") to one or more commercial banks, financial institutions or other institutional investors or lenders pursuant to one or more term loan agreements and/or note purchase agreements (collectively, the "Proposed

Agreement"). In addition, Kingsport proposes to issue one or more unsecured promissory notes ("AEP Notes") to its parent, American Electric Power Company, Inc. ("AEP"), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$30,000,000.

3. Kingsport is requesting an Order of this Authority approving the proposed financing in all respects such that, upon receipt of such Order, Kingsport may unconditionally, and without further Order of this Authority, enter into a definitive agreement with a bank or qualified investor, in the form of a Proposed Agreement and subject to the conditions, restrictions and limitations specified herein.

4. A Proposed Agreement would be a definitive form of agreement with any bank or investor and would provide that the Notes 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 which each Note shall bear, and the maturity thereof, 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 basis points above the yield to maturity of United States Treasury obligations that mature on or about the date of maturity of the Notes.

In the event a bank or financial institution arranges for a borrowing from a third party, such institution may charge Kingsport a placement fee, not to exceed 1% of the principal amount of such borrowing.

Kingsport believes, given its size and the size of the requested indebtedness, that obtaining this financing through private sources is more cost effective than the public markets.

The Proposed Agreement may specify that, in the event a Note bearing interest at a fixed rate is paid prior to maturity in whole or in part and the fixed rate at that time exceeds the yields to maturity of United States Treasury Notes maturing on or close to the Note, Kingsport shall pay to

the lender an amount based on the present value of such prepaid amounts discounted at such treasury yield.

The Proposed Agreement may contain restrictive covenants which would prohibit Kingsport from, among other things, (i) creating, incurring, assuming or suffering to exist any liens on its property, with certain stated exceptions; (ii) creating or incurring any indebtedness for borrowed money, except as specified therein; (iii) failing to maintain a specified level of capitalization; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with its pension plans.

A borrowing by Kingsport from a bank under the Proposed Agreement may be evidenced by one or more Notes of Kingsport. The Proposed Agreement and such Notes thereunder would be for a term of not less than nine months nor more than forty years from the date of borrowing.

5. The interest rates and maturity dates of any AEP Notes would be designed to reflect prevailing market rates. In addition, the interest rate and maturity parameters governing the Notes would apply to the AEP Notes.

6. Kingsport proposes to apply all of the proceeds of the financing for general corporate purposes relating to Kingsport's utility business. These purposes include redeeming or repurchasing outstanding short or long-term debt, funding its construction program and replenishing working capital. Kingsport's long and short term debt totals \$39,597,210 as of June 30, 2016. The amount requested of \$30,000,000 will permit Kingsport to refinance the total debt within the requested approval period, and to cover costs of issuance of up to \$400,000 for a minimum of \$29.5 million in new money.

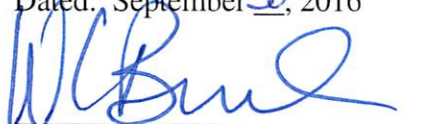
7. Balance sheets of Kingsport as of December 31, 2015 and the related statements of income and retained earnings of Kingsport for the year then ended are annexed hereto as Exhibit 1.

WHEREFORE, Kingsport respectfully prays that an Order be entered (1) authorizing Kingsport from time to time through December 31, 2018 to borrow up to \$30,000,000 pursuant to the Proposed Agreement and to execute a note or notes, substantially in the form of the Notes or AEP Notes in an amount not to exceed \$30,000,000 to evidence the borrowings to be made pursuant to the Proposed Agreement and (2) granting to Kingsport such other, further or general relief as, in your judgment, Kingsport may be entitled to have upon the facts hereinabove set forth.

KINGSPORT POWER COMPANY

By:   
Assistant Treasurer

Dated: September <sup>30</sup>, 2016



William C. Bovender Esq.  
Hunter, Smith & Davis LLP  
P.O. Box 3740  
Kingsport, Tennessee 37664  
Attorney for Petitioner

Before the  
TENNESSEE REGULATORY AUTHORITY

.....  
In the Matter of the Application  
of  
KINGSPORT POWER COMPANY  
For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$30,000,000  
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Docket No.

**VERIFICATION**

I, William E. Johnson, am authorized to represent Kingsport Power Company and to make this verification on its behalf. The statements in the Application of Kingsport 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. Kingsport 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.


KINGSPORT POWER COMPANY

By William E. Johnson  
Assistant Secretary

STATE OF OHIO :  
: ss:  
COUNTY OF FRANKLIN :

Subscribed and sworn to me this 30th day of September, 2016.

Molly A. Behre  
Notary Public  
My Commission expires: \_\_\_\_\_



**MOLLY A. BEHRE**  
NOTARY PUBLIC  
STATE OF OHIO  
My Commission Expires  
January 19, 2021

**Kingsport Power Company**  
**FERC Long-Term Debt Authorization Assumptions**  
**As of June 30, 2016**  
**(Unaudited)**

**Assumptions:**

1) Authorization for Long-Term Debt Issuance	30,000,000
2) Short-Term Debt Authorized Amount <sup>1</sup>	50,000,000
Total Notes Receivable	<u>80,000,000</u>
3) Effective Interest on Long-Term Debt <sup>2</sup>	5.3000%
30-Year US Treasury Rate <sup>3</sup>	2.30%
4) Effective Interest on Short-Term Debt <sup>4</sup>	1.97%
1ML Rate <sup>5</sup>	0.47%

**Notes:**

- 1) Current authorized amount from Docket No. ES15-54-000.
- 2) Long-Term Debt rate is estimated at 5.3% per annum (10-Yr Treasury at 2.3% + 300 basis points).
- 3) 30-Year Treasury rate as of 6/30/2016 per [www.treasury.gov](http://www.treasury.gov)
- 4) Short-Term Debt rate is 1.96655% which represents the June 30, 2016 1M Libor of 0.467% plus 150 basis points
- 5) One month London interbank offered rate as of 6/30/2016 per <http://online.wsj.com>

**EXHIBIT C**  
**Kingsport Power Company**  
**BALANCE SHEET**  
**As of June 30, 2016**

	<u>Actual</u>	<u>Adjustments</u>	<u>Reference</u>	<u>Pro Forma</u>
<b><u>UTILITY PLANT</u></b>				
Utility Plant (101-106, 114)	\$ 181,108,731	\$ -		\$ 181,108,731
Construction Work in Progress (107)	6,454,773	-		6,454,773
TOTAL Utility Plant (Enter Total of lines 2 and 3)	187,563,504	-		187,563,504
(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	69,189,443	-		69,189,443
Net Utility Plant	118,374,061	-		118,374,061
<b><u>OTHER PROPERTY AND INVESTMENTS</u></b>				
Nonutility Property (121)	78,622	-		78,622
(Less) Accum. Prov. for Depr. and Amort. (122)	-	-		-
Investment in Subsidiary Companies (123.1)	-	-		-
Noncurrent Portion of Allowances	-	-		-
Other Investments (124)	3	-		3
Other Special Funds (128)	-	-		-
Special Funds (Non Major Only) (129)	758,546	-		758,546
Long-Term Portion of Derivative Assets (175)	1,749	-		1,749
Long-Term Portion of Derivative Assets - Hedges (176)	-	-		-
TOTAL Other Property and Investments	838,920	-		838,920
<b><u>CURRENT AND ACCRUED ASSETS</u></b>				
Cash (131) and Temporary Investments	97,801	-		97,801
Special Deposits (132-134)	7,748	-		7,748
Working Funds (135)	-	-		-
Notes Receivable (141)	-	-		-
Customer Accounts Receivable (142)	1,907,142	-		1,907,142
Other Accounts Receivable (143)	10,931	-		10,931
(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	-	-		-
Notes Receivable from Associated Companies (145)	-	60,000,000	(1),(2)	60,000,000
Accounts Receivable from Assoc. Companies (146)	861,327	-		861,327
Fuel Stock (151)	-	-		-
Fuel Stock Expenses Undistributed (152)	-	-		-
Plant Materials and Operating Supplies (154)	319,073	-		319,073
Allowances (158.1 and 158.2)	-	-		-
(Less) Noncurrent Portion of Allowances	-	-		-
Prepayments (165)	384,138	-		384,138
Interest and Dividends Receivable (171)	-	-		-
Rents Receivable (172)	244,773	-		244,773
Accrued Utility Revenues (173)	616,677	-		616,677
Miscellaneous Current and Accrued Assets (174)	-	-		-
Derivative Instrument Assets (175)	1,749	-		1,749
(Less) Long-Term Portion of Derivative Instrument Assets (175)	1,749	-		1,749
Derivative Instrument Assets - Hedges (176)	-	-		-
(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)	-	-		-
Total Current and Accrued Assets	4,449,610	60,000,000		64,449,610
<b><u>DEFERRED DEBITS</u></b>				
Unamortized Debt Expenses (181)	-	-		-
Extraordinary Property Losses (182.1)	-	-		-
Other Regulatory Assets (182.3)	14,744,306	-		14,744,306
Prelim. Survey and Investigation Charges (Electric) (183)	-	-		-
Clearing Accounts (184)	-	-		-
Miscellaneous Deferred Debits (186)	1,117,338	-		1,117,338
Unamortized Loss on Reacquired Debt (189)	-	-		-
Accumulated Deferred Income Taxes (190)	458,017	-		458,017
Total Deferred Debits	16,319,661	-		16,319,661
<b>TOTAL ASSETS</b>	<b>\$ 139,982,252</b>	<b>\$ 60,000,000</b>		<b>\$ 199,982,252</b>



**EXHIBIT D**  
**Kingsport Power Company**  
**STATEMENT OF INCOME**  
**Total Twelve Months to Date June 30, 2016**

<b>UTILITY OPERATING INCOME</b>	<b>Actual</b>	<b>Adjustments</b>	<b>Reference</b>	<b>Pro Forma</b>
Operating Revenues (400)	\$ 146,406,201	\$ -		\$ 146,406,201
Operating Expenses				
Operation Expenses (401)	131,220,983	-		131,220,983
Maintenance Expenses (402)	3,426,190	-		3,426,190
Depreciation Expense (403)	5,722,629	-		5,722,629
Depreciation Expense for Asset Retirement Costs (403.1)	-	-		-
Amort. & Depl. of Utility Plant (404-405)	463,216	-		463,216
Regulatory Debits (407.3)	-	-		-
(Less) Regulatory Credits (407.4)	-	-		-
Taxes Other Than Income Taxes (408.1)	6,642,506	-		6,642,506
Income Taxes - Federal (409.1)	(3,679,461)	(762,988)	(5)	(4,442,449)
- Other (409.1)	(283,071)	-		(283,071)
Provision for Deferred Income Taxes (410.1)	5,187,224	-		5,187,224
(Less) Provision for Deferred Income Taxes-Cr. (411.1)	2,439,292	-		2,439,292
Investment Tax Credit Adj. - Net (411.4)	-	-		-
(Less) Gains from Disp. of Utility Plant (411.6)	-	-		-
Losses from Disp. of Utility Plant (411.7)	-	-		-
(Less) Gains from Disposition of Allowances (411.8)	-	-		-
Accretion Expense (411.10)	-	-		-
<b>TOTAL Utility Operating Expenses</b>	<b>146,260,924</b>	<b>(762,988)</b>		<b>145,497,936</b>
<b>Net Utility Operating Income</b>	<b>145,277</b>	<b>762,988</b>		<b>908,265</b>
<b>Other Income and Deductions</b>				
Other Income		-		-
Nonutility Operating Income		-		-
(Less) Costs and Exp. Merchandising, Jobs, & Contract Work (416)		-		-
Revenues From Nonutility Operations (417)		-		-
(Less) Expenses of Nonutility Operations (417.1)		-		-
Nonoperating Rental Income (418)		-		-
Equity in Earnings of Subsidiary Companies (418.1)		-		-
Interest and Dividend Income (419)	(699)	-		(699)
Allowance for Other Funds Used During Construction (419.1)		-		-
Miscellaneous Nonoperating Income (421)	(479)	-		(479)
Gain on Disposition of Property (421.1)		-		-
<b>TOTAL Other Income</b>	<b>(1,178)</b>	<b>-</b>		<b>(1,178)</b>
Other Income Deductions				
Loss on Disposition of Property (421.2)		-		-
Donations (426.1)	9,951	-		9,951
Penalties (426.3)	1,428	-		1,428
Exp. for Certain Civic, Political & Related Activities (426.4)	55,286	-		55,286
Other Deductions (426.5)	654,420	-		654,420
<b>TOTAL Other Income Deductions</b>	<b>721,085</b>	<b>-</b>		<b>721,085</b>
Taxes Applicable to Other Income and Deductions				
Taxes Other Than Income Taxes (408.2)	13,620	-		13,620
Income Taxes-Federal (409.2)	(221,681)	-		(221,681)
Income Taxes-Other (409.2)	(1,152)	-		(1,152)
Provision for Deferred Inc. Taxes (410.2)	34,187	-		34,187
(Less) Provision for Deferred Income Taxes-Cr. (411.2)	42,338	-		42,338
Investment Tax Credit Adj.-Net (411.5)	(1,897)	-		(1,897)
<b>TOTAL Taxes on Other Income and Deductions</b>	<b>(219,261)</b>	<b>-</b>		<b>(219,261)</b>
<b>Net Other Income and Deductions</b>	<b>503,002</b>	<b>-</b>		<b>503,002</b>
<b>Interest Charges</b>				
Interest on Long-Term Debt (427)		1,590,000	(3)	1,590,000
Amort. of Debt Disc. and Expense (428)		-		-
Amortization of Loss on Reacquired Debt (428.1)		-		-
(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		-		-
Interest on Debt to Associated Companies (430)	1,086,184	589,965	(4)	1,676,149
Other Interest Expense (431)	511,389	-		511,389
(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)	25,583	-		25,583
<b>Net Interest Charges</b>	<b>1,571,990</b>	<b>2,179,965</b>		<b>3,751,955</b>
<b>Net Income</b>	<b>\$ (1,929,715)</b>	<b>\$ (1,416,977)</b>		<b>\$ (3,346,692)</b>
Pro Forma Impact from Tennessee Rate Order dated August 3, 2016 (Income net of taxes)	\$ 5,234,221	-		\$ 5,234,221
<b>Net Income, Adjusted</b>	<b>\$ 3,304,506</b>	<b>\$ (1,416,977)</b>		<b>\$ 1,887,529</b>
<b>Total Taxes</b>	<b>\$ 3,515,779</b>	<b>\$ (762,988)</b>		<b>\$ 2,752,791</b>

**Kingsport Power Company**  
**Exhibit E - Pro Forma Accounting Entries to Reflect the Proposed Transactions**  
**As of June 30, 2016**

Accounts		Dr.	Cr.
Notes Receivable from Associated Companies (145)	(1)	30,000,000	
Other Long-Term Debt (224)			30,000,000
<i>To record the proposed issuance of \$30 million of long-term debt</i>			
Notes Receivable from Associated Companies (145)	(2)	30,000,000	
Notes Payable to Associated Companies (233)			30,000,000
<i>To record maximum short-term debt borrowings of \$50 million reduced to \$30 million to account for outstanding drawn amount of \$20 million as of June 30, 2016</i>			
Interest on Long-Term Debt (427)	(3)	1,590,000	
Interest Accrued (237)			1,590,000
<i>To record the annual interest expense on proposed long-term debt issuance at 5.3%</i>			
Interest on Debt to Associated Companies (430)	(4)	589,965	
Interest Accrued Payable (237)			589,965
<i>To record annual interest expense on the short-term debt borrowings of \$30 million at Kingsport's 6/30/2016 rate on money pool loaned of 1.96655%*</i>			
Taxes Accrued (236)	(5)	762,988	
Income Taxes - Federal (409.1)			762,988
<i>To record the change in Income Taxes paid due to increased expense resulting from additional short term and long term debt borrowed</i>			

**Kingsport Power Company**  
**Pro Forma Consolidated Statements of Cash Flows**  
**For the Twelve Months Ended June 30, 2016**  
**(Unaudited)**

	Kingsport Power Company	Pro Forma Entries to Reflect the Proposed Transactions	Kingsport Power Company after Proposed Transactions
<b>Computation of Interest Coverage:</b>			
Net Income	\$ 3,304,506 <sup>1</sup>	(1,416,977) (3),(4),(5)	\$ 1,887,529
Add back:			
Total interest expense	\$ 1,571,990	2,179,965 (3),(4)	\$ 3,751,955
Income taxes	\$ 3,515,779	(762,988) (5)	\$ 2,752,791
<b>Income before interest and taxes</b>	<b>\$ 8,392,275</b>		<b>\$ 8,392,275</b>
<b>Total interest expense</b>	<b>\$ 1,571,990</b>		<b>\$ 3,751,955</b>
<b>Interest coverage</b>	<b>5.34</b>		<b>2.24</b>

**Notes:**

1) Includes Net Income adjustment from Tennessee Rate Order dated August 3, 2016 of \$5.2 million

**Kingsport Power Company**  
**BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**  
**As of June 30, 2016**

	<u>Actual</u>	<u>Adjustments</u>	<u>Reference</u>	<u>Pro Forma</u>
<b><u>PROPRIETARY CAPITAL</u></b>				
Common Stock Issued (201)	\$ 4,100,000	\$ -		\$ 4,100,000
Preferred Stock Issued (204)	-	-		-
Premium on Capital Stock (207)	-	-		-
Other Paid-In Capital (208-211)	21,300,000	-		21,300,000
Retained Earnings (215, 215.1, 216)	15,914,483	<sup>1</sup> (1,416,977)	(3),(4),(5)	14,497,506
Unappropriated Undistributed Subsidiary Earnings (216.1)	-	-		-
Accumulated Other Comprehensive Income (219)	-	-		-
Total Proprietary Capital	<u>41,314,483</u>	<u>(1,416,977)</u>		<u>39,897,506</u>
<b><u>LONG-TERM DEBT</u></b>				
Bonds (221)	-	-		-
(Less) Reacquired Bonds (222)	-	-		-
Advances from Associated Companies (223)	20,000,000	-		20,000,000
Other Long-Term Debt (224)	-	30,000,000	(1)	30,000,000
(Less) Unamortized Discount on Long-Term Debt-Debit (226)	-	-		-
Total Long-Term Debt	<u>20,000,000</u>	<u>30,000,000</u>		<u>50,000,000</u>
<b><u>OTHER NONCURRENT LIABILITIES</u></b>				
Obligations Under Capital Leases - Noncurrent (227)	299,196	-		299,196
Accumulated Provision for Property Insurance (228.1)	-	-		-
Accumulated Provision for Injuries and Damages (228.2)	1,891	-		1,891
Accumulated Provision for Pensions and Benefits (228.3)	1,385,652	-		1,385,652
Accumulated Miscellaneous Operating Provisions (228.4)	-	-		-
Accumulated Provision for Rate Refunds (229)	11,081	-		11,081
Long-Term Portion of Derivative Instrument Liabilities	-	-		-
Long-Term Portion of Derivative Instrument Liabilities - Hedges	-	-		-
Asset Retirement Obligations (230)	-	-		-
Total Other Noncurrent Liabilities	<u>1,697,820</u>	<u>-</u>		<u>1,697,820</u>
<b><u>CURRENT AND ACCRUED LIABILITIES</u></b>				
Notes Payable (231)	-	-		-
Accounts Payable (232)	1,287,170	-		1,287,170
Notes Payable to Associated Companies (233)	19,597,210	30,000,000	(2)	49,597,210
Accounts Payable to Associated Companies (234)	21,828,245	-		21,828,245
Customer Deposits (235)	4,327,313	-		4,327,313
Taxes Accrued (236)	(142,419)	(762,988)	(5)	(905,407)
Interest Accrued (237)	1,136,063	2,179,965	(3),(4)	3,316,028
Dividends Declared (238)	-	-		-
Tax Collections Payable (241)	189,121	-		189,121
Miscellaneous Current and Accrued Liabilities (242)	1,236,805	-		1,236,805
Obligations Under Capital Leases-Current (243)	115,224	-		115,224
Derivative Instrument Liabilities (244)	1,332	-		1,332
(Less) Long-Term Portion of Derivative Instrument Liabilities	-	-		-
Derivative Instrument Liabilities - Hedges (245)	-	-		-
(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges	-	-		-
Total Current and Accrued Liabilities	<u>49,576,064</u>	<u>31,416,977</u>		<u>80,993,041</u>
<b><u>DEFERRED CREDITS</u></b>				
Accumulated Deferred Investment Tax Credits (255)	270	-		270
Other Deferred Credits (253)	643,523	-		643,523
Other Regulatory Liabilities (254)	15,658	-		15,658
Accum. Deferred Income Taxes-Accel. Amort. (281)	-	-		-
Accum. Deferred Income Taxes-Other Property (282)	25,343,710	-		25,343,710
Accum. Deferred Income Taxes-Other (283)	6,624,945	-		6,624,945
Total Deferred Credits	<u>32,628,106</u>	<u>-</u>		<u>32,628,106</u>
TOTAL LIABILITIES AND STOCKHOLDER EQUITY	<u>\$ 145,216,473</u>	<u>\$ 60,000,000</u>		<u>\$ 205,216,473</u>

**Exhibit E**  
**Kingsport Power Company**  
**STATEMENT OF CASH FLOWS**  
**Total Twelve Months to Date June 30, 2016**

<b>Cash Flow from Operating Activities:</b>	<b>Actual</b>	<b>Adjustments</b>	<b>Reference</b>	<b>Pro Forma</b>
Net Income	\$ 3,304,506 <sup>1</sup>	\$ (1,416,977)	(3),(4),(5)	\$ 1,887,529
Noncash Charges (Credits) to Income:				
Depreciation and Depletion	6,185,845	-		6,185,845
Amortization of Software	-	-		-
Amortization of Regulatory Debits & Credits 407.3-407.4	-	-		-
Deferred Income Taxes (Net)	2,739,779	-		2,739,779
Investment Tax Credit Adjustment (Net)	(1,897)	-		(1,897)
Net (Increase) Decrease in Receivables	349,219	-		349,219
Net (Increase) Decrease in Inventory	(18,696)	-		(18,696)
Net (Increase) Decrease in Allowances Inventory	-	-		-
Net Increase (Decrease) in Payables and Accrued Expenses	8,510,572	1,416,977	(3),(4),(5)	9,927,549
Net (Increase) Decrease in Other Regulatory Assets	327,750	-		327,750
Net Increase (Decrease) in Other Regulatory Liabilities	-	-		-
(Less) Allowance for Other Funds Used During Construction	-	-		-
(Less) Undistributed Earnings from Subsidiary Companies	-	-		-
Other:				
Property and Investments, Net	(679,305)	-		(679,305)
Margin Deposits	(3,527)	-		(3,527)
Mark-to-Market Risk Management Contracts	(3,860)	-		(3,860)
Prepayments	(66,818)	-		(66,818)
Accrued Utility Revenue, Net	(148,522)	-		(148,522)
Other Deferred Debits, Net	(150,063)	-		(150,063)
Accumulated Provision, Misc	12,972	-		12,972
Current and Accrued Liabilities, Net	223,350	-		223,350
Other Deferred Credits, Net	141,098	-		141,098
Total Other	(674,675)	-		(674,675)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>20,722,403</b>	<b>-</b>		<b>20,722,403</b>
<b>Cash Flows from Investment Activities:</b>				
Gross Additions to Utility Plant (less nuclear fuel)	(15,174,552)	-		(15,174,552)
(Less) Allowance for Other Funds Used During Construction	-	-		-
Acquisition of Capital Assets - Subject To Leaseback	-	-		-
<b>Cash Outflows for Plant</b>	<b>(15,174,552)</b>	<b>-</b>		<b>(15,174,552)</b>
Proceeds from Disposal of Non-Current Assets	188,189	-		188,189
Investments in and Advances to Assoc and Subsidiary Companies	-	-		-
Contribution in Aid of Construction Proceeds	250,655	-		250,655
Change in Other Special Deposits	(965)	-		(965)
(Incr) Decr in Notes Receivable from Associated Companies (145)	-	(60,000,000)	(1),(2)	(60,000,000)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(14,736,673)</b>	<b>(60,000,000)</b>		<b>(74,736,673)</b>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from Issuance of:				
Long-Term Debt (b)		30,000,000	(1)	30,000,000
Long Term Debt Issuances Costs		-		-
Proceeds on Capital Leaseback		-		-
Inc (Decr) Notes Payable to Associated Companies - Issued	4,527,506	30,000,000	(2)	34,527,506
Capital Contributions From Parent	7,500,000	-		7,500,000
<b>Cash Provided by Outside Sources</b>	<b>12,027,506</b>	<b>60,000,000</b>		<b>72,027,506</b>
Payments for Retirement of:				
Long-term Debt (b)		-		-
Notes Payable to Associated Companies - Retired	(12,699,569)	-		(12,699,569)
Dividends on Preferred Stock	-	-		-
Dividends on Common Stock	(50,000)	-		(50,000)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(722,063)</b>	<b>60,000,000</b>		<b>59,277,937</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,263,667</b>	<b>-</b>		<b>5,263,667</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>73,838</b>	<b>-</b>		<b>73,838</b>
<b>Cash and Cash Equivalents at End of period</b>	<b>\$ 103,284</b>	<b>\$ -</b>		<b>\$ 103,284</b>

**Notes:**

1) Includes Net Income adjustment from Tennessee Rate Order dated August 3, 2016 of \$5.2 million