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AMEP/Z-94511

October 18, 2017

**VIA EMAIL (Sharla.Dillon@tn.gov) & FEDEX**

Mr. David Jones, Chairman  
c/o Sharla Dillon, Dockets & Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4th Floor  
Nashville, TN 37243

Re: PETITION OF APPALACHIAN  
POWER COMPANY FOR AUTHORITY  
FOR FINANCING PROGRAM THROUGH  
– DECEMBER 31, 2019  
Docket No. 17-00107

Dear Chairman Jones:

Here is the Amended Testimony of Renee V. Hawkins correcting the earlier testimony relative to the aggregate principal amount of \$700,000.000.

The original and four (4) copies are being sent via Federal Express.

Very sincerely yours,

**HUNTER, SMITH & DAVIS, LLP**

  
William C. Bovender

Enclosure: As stated

cc: Kelly Grams, General Counsel (w/enc.)  
David Foster (w/enc.)  
Monica L. Smith-Ashford, Esq. (w/enc.)  
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**AMENDED  
DIRECT TESTIMONY OF  
RENEE V. HAWKINS  
ON BEHALF OF APPALACHIAN POWER COMPANY  
BEFORE THE TENNESSEE REGULATORY AUTHORITY  
DOCKET NO. 17-00107**

1   **Q.   PLEASE STATE YOUR NAME, POSITION AND ADDRESS.**

2   A.   My name is Renee V. Hawkins. My business address is 1 Riverside Plaza, Columbus,  
3       Ohio 43215. I am employed by the American Electric Power Service Corporation  
4       (AEPSC) as a Managing Director, Corporate Finance. In this capacity, I oversee the  
5       raising of capital for Appalachian Power and other American Electric Power Company,  
6       Inc. (AEP) utilities. AEPSC supplies engineering, financing, accounting, and planning  
7       and advisory services to the subsidiaries of the American Electric Power (AEP) System,  
8       one of which is Appalchian Power Company (APCo) or the Company.

9   **Q.   TELL US BRIEFLY ABOUT YOUR BACKGROUND.**

10  A.   I earned a Bachelor of Science in Business Administration in Finance and International  
11       Business from the Ohio State University in 1987. I earned a Master of Business  
12       Administration from the Simon School at the University of Rochester in 1991. I was first  
13       employed by State Teachers Retirement System of Ohio in 1987 in the Real Estate  
14       section where I was assigned to asset management. In June 1991, I was employed by  
15       General Motors as an analyst for AC Delco, which is now a subsidiary of Delphi East.  
16       This rotational program included positions in cost accounting, division finance, and  
17       capital planning. In June 1993, I was hired by Cablevision Systems.

1 In 1996, I joined AEPSC as a Corporate Finance Senior Analyst supporting  
2 financing activity for the AEP System operating companies. In 1999, I was named  
3 Manager - Corporate Finance of AEPSC. In June 2000, I was named Director –  
4 Corporate Finance of the Service Corporation, a position that was renamed Director –  
5 Regulated Finance in 2001. In that capacity, I was responsible for capital markets activity  
6 for all of the regulated utilities, establishing dividend recommendations and capitalization  
7 targets, supporting the rating agency relationships to maintain credit ratings and assisting  
8 in the management of liquidity for AEP and its subsidiaries. I was promoted to Managing  
9 Director, Corporate Finance in 2003. In January 2008, my responsibilities expanded to  
10 include Assistant Treasurer of AEP and its operating companies.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to support the proposed long-term debt financing  
13 application of the Company, which, if approved by the Commission, will allow the  
14 Company to issue unsecured long-term debt up to the aggregate principal amount of  
15 \$700,000,000 from time to time through December 31, 2019.

16 **Q. FOR WHAT PURPOSES WILL THE COMPANY BE ISSUING THESE**  
17 **SECURITIES?**

18 A. The securities may be used for construction costs, to repay short-term debt, to fund long-  
19 term debt maturities and to fund working capital. APCo's short term debt is funded  
20 through the AEP Utility Money Pool.

21 **Q. PLEASE FURTHER DESCRIBE THE UNSECURED LONG-TERM DEBT THAT**  
22 **MAY BE ISSUED.**

1 A. Appalachian Power proposes to issue and sell from time to time senior unsecured notes  
2 (the "Notes"). The Notes may be issued in the form of Senior Notes, Senior or  
3 Subordinated Debentures, First Mortgage Bonds, Bank Credit Revolver or Loans or other  
4 unsecured promissory notes.

5 The Notes will mature in not less than nine months and not more than 60 years.  
6 The interest rate of the Notes may be fixed or variable and will be sold (i) by competitive  
7 bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement  
8 with a commercial bank or other institutional investor. Any fixed rate Note will be sold  
9 by Appalachian Power at a yield to maturity which shall be determined by financial  
10 market conditions at the time of pricing. The initial interest rate on any variable rate Note  
11 will be determined by financial market conditions at the time of pricing. Appalachian  
12 Power will agree to specific redemption provisions, if any, including redemption  
13 premiums, at the time of the pricing. If it is deemed advisable, the Notes may be  
14 provided some form of credit enhancement, including but not limited to a letter of credit,  
15 bond insurance, standby purchase agreement or surety bond.

16 **Q. PLEASE DESCRIBE HOW NOTES WOULD BE ISSUED TO THIRD PARTIES?**

17 A. Notes will be issued pursuant to the existing Indenture in registered public offerings or  
18 pursuant to a purchase agreement in a private placement. A definitive notes purchase  
19 agreement would be entered between APCo and a bank or qualified investors. The terms  
20 of the Notes would include fixed or variable interest rates, term, financial covenants and  
21 any redemption provisions. The actual interest rate and maturity would be subject to  
22 negotiation between APCo and the underwriters or the lenders. To the extent the notes

1 are fixed rate, they cannot be at a rate higher than 300 basis points (3%) above the  
2 comparable US Treasury yield-to-maturity.

3 **Q. PLEASE DESCRIBE HOW PRICING WILL BE DETERMINED FOR THE**  
4 **PROPOSED LONG-TERM DEBT?**

5 A. Pricing on the proposed long-term debt will be specific to the structure and type of  
6 security. Assuming a Senior Notes issuance, interest rates will be composed of a  
7 comparable benchmark yield in addition to the Company's applicable credit spread at the  
8 time of issuance. The applicable credit spread is a reflection of the Company's overall  
9 creditworthiness and credit rating. APCo is currently rated Baa1 and A- by Moody's and  
10 Standard and Poor's, respectively, and both of these ratings are considered investment  
11 grade. Standard and Poor's upgraded APCo to A- in February 2017.

12 **Q. IN CONNECTION WITH THE SALE OF ANY UNSECURED NOTES, WILL**  
13 **APCO AGREE TO ANY RESTRICTIVE COVENANTS?**

14 A. Yes. The Company may agree to restrictive covenants which would prohibit it from,  
15 among other things: (i) creating or allowing to exist any liens on its property, with certain  
16 stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to  
17 maintain a specified financial condition; (iv) entering into certain mergers, consolidations  
18 and dispositions of asset; and (v) permitting certain event as to occur in connection with  
19 pension plans. Also, APCo may permit the holder of the Notes to require APCo to  
20 prepay them after certain specified events, including an ownership change.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes, it does.