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March 21, 2019

**VIA EMAIL ([tpuc.docketroom@tn.gov](mailto:tpuc.docketroom@tn.gov)) & FEDEX**

Ms. Robin Morrison, Chairman  
c/o Ectory Lawless, Dockets & Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4th Floor  
Nashville, TN 37243

Re: Application of Kingsport Power Company d/b/a  
AEP Appalachian Power Re: Financing  
Docket No.: 19-00025


Dear Chairman Morrison:

We submit herewith the attached response to the Staff Data Request #1 submitted to Kingsport Power Company d/b/a AEP Appalachian Power by letter of Mr. Kettles dated March 12, 2019.

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: Jerry Kettles, Chief  
David Foster  
Kelly Grams, Esq.  
William E. Johnson, Esq.  
Will Castle

Via Email  
Via Email  
Via Email  
Via Email  
Via Email

# KINGSPORT POWER COMPANY

## Weighted Average Cost of Capital

Adjusted capital structure as of September 30, 2018

9/30/2018

9/30/2018

### ACTUAL CAPITAL STRUCTURE

### PRO FORMA CAPITAL STRUCTURE

	Balance	Cost	Weight	PROFORMA	Balance	Cost	Weight
Long-Term Debt	\$ 50,000	3.81%	(1) 44.79%	\$ 15,000 (4)	\$ 65,000	3.67%	(6) 55.73%
Short-Term Debt	\$ 10,183	2.41%	(2) 9.12%	\$ (10,000) (5)	183	2.97%	(7) 0.16%
Preferred Equity	\$ -	0.00%	0.00%	\$ -	-	0.00%	0.00%
Common Equity	\$ 51,444	9.85%	(3) 46.09%	\$ -	51,444	9.85%	(8) 44.11%
<b>TOTAL</b>	<b>\$ 111,627</b>		<b>100.00%</b>	<b>\$ 5,000</b>	<b>\$ 116,627</b>		<b>100.00%</b>

WACC

6.47%

WACC

6.39%

### Assumptions

- (1) The current weighted average of all outstanding Long Term Debt as of 9/30/2018
- (2) The current short term interest rate as of 9/30/2018
- (3) Most recent Tennessee authorized ROE (From 2017 10K)
- (4) \$35million requested authority minus \$20million maturity in October 2020
- (5) Payment of any current short term indebtedness
- (6) The weighted average of all outstanding Long Term Debt (including forecasted rate for requested \$35m) at the end of 2020
- (7) Forecasted short term interest rate for 2020
- (8) Most recent Tennessee authorized ROE (From 2017 10K)