

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

May 20, 2019

IN RE:

APPLICATION OF KINGSPORT POWER
COMPANY D/B/A AEP APPALACHIAN POWER
FOR APPROVAL OF FINANCING AGREEMENT

)
)
) DOCKET NO.
) 19-00025
)

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner Herbert H. Hilliard of the Tennessee Public Utility Commission (“TPUC” or “Commission”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on April 15, 2019 for consideration of the *Application* filed on February 19, 2019 by Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Applicant”) seeking approval to issue up to \$35,000,000 of unsecured long-term indebtedness from time to time, until December 31, 2021.

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 December 31, 2021 up to \$35,000,000 of its unsecured promissory note 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 and/or note purchase agreements.¹ In addition, Kingsport proposes to issue one or more unsecured promissory notes

¹ *Application*, pp. 1-2 (February 19, 2019).

(“AEP Notes”) to its parent AEP, provided that the aggregate amount of the Notes and AEP Notes issued do not exceed \$35,000,000.

Further, Kingsport states that the proposed agreements would represent a definitive form of agreement with any bank or qualified investor, and that the Notes will bear interest at either a fixed rate, fluctuating rate, or some combination of fixed and fluctuating rates.² 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 apply to the AEP Notes.³

HEARING ON THE MERITS

The Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on April 15, 2019, as noticed by the Commission on April 5, 2019. On April 10, 2019, the Hearing Officer in this matter issued an order authorizing the Applicant witness to participate in the hearing electronically.⁴ Participating in the Hearing was:

Kingsport Power Company d/b/a/ AEP Appalachian Power – William C. Bovender, Hunter Smith Davis, 1212 North Eastman Road, Kingsport, TN 37664.

Ms. Renee Hawkins provided testimony telephonically following the taking of an oath in the presence of a notary. During the Hearing, Ms. Hawkins ratified and summarized her Pre-Filed Testimony and was subject to questioning before the panel. No person sought intervention in the

² *Id.* at 2.

³ *Id.*

⁴ *Order Granting Electronic Participation in Hearing* (April 10, 2019).

proceedings. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-109 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 commission for such proposed issue. It shall be the duty of the commission 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 commission.⁵

At a regularly scheduled Commission Conference held on April 15, 2019, the panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing transactions are subject to Commission approval pursuant to Tenn. Code Ann. § 65-4-109.
2. The proposed transactions are being made in accordance with laws enforceable by this agency.
3. The proposed transactions are in the public interest because it helps Kingsport to secure long-term financing for its operations.

IT IS THEREFORE ORDERED THAT:

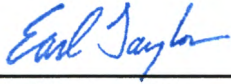
1. The *Application* of Kingsport Power Company seeking authorization from time to time through December 31, 2021, to borrow \$35,000,000 and to execute a note or notes to evidence the borrowing made as discussed herein is approved pursuant to Tenn. Code Ann. § 65-4-109.
2. The authorization and approval given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved.
3. This decision is not intended to create any liability on the part of the Tennessee Public

⁵ Tenn. Code Ann. § 65-4-109.

Utility Commission, the State of Tennessee, or any political subdivision thereof.

Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner Herbert H. Hilliard concur.

ATTEST:



Earl R. Taylor, Executive Director