

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@hdsdlaw.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**  
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Phone (423) 283-6300  
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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  
Matthew F. Bettis  
Sarah Blessing Vlask  
Sydney B. Gilbert  
Teresa Mahan Lesnak \*  
Michael A. Eastridge \*  
Jeannette Smith Tysinger\*

AMEP/Z-97650

October 30, 2019

**VIA EMAIL (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: PETITION OF APPALACHIAN  
POWER COMPANY FOR AUTHORITY  
FOR FINANCING PROGRAM THROUGH  
– DECEMBER 31, 2021  
Docket No. 19- 00102

Dear Chairman Morrison:

We submit herewith the original and four (4) copies of the Petition of Application of Appalachian Power Company for Authority for Financing Program Through – December 31, 2021.

Authorization for these credit facilities is requested pursuant to T.C.A. § 65-4-109 and related regulations.

Appalachian Power Company respectfully requests that this matter be heard in calendar year 2019, so that the financing program can commence January 1, 2020.

Also, enclosed is a check in the amount of \$25.00 for filing.

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

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

Enclosures: As stated

Ms. Robin Morrison, Chairman

Page 2

October 30, 2019

cc: Kelly Grams, General Counsel (w/enc.)  
David Foster (w/enc.)  
Monica L. Smith-Ashford, Esq. (w/enc.)  
Joseph B. Harvey, Esq. (w/enc.)

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

IN RE:

PETITION OF APPALACHIAN  
POWER COMPANY FOR AUTHORITY FOR  
FINANCING PROGRAM THROUGH –  
DECEMBER 31, 2021

DOCKET NO.: 19- 00102

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PETITION

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Comes Petitioner, Appalachian Power Company (“Appalachian”), and, pursuant to T.C.A. § 65-4-109, seeks approval of its financing program through December 31, 2021 as set forth herein. In support thereof, Appalachian would show the following:

It is requested that any notice or communications with respect to this or any related Petition be sent to the following:

- A. William C. Bovender, Esq.  
Joseph B. Harvey, Esq.  
**HUNTER, SMITH & DAVIS, LLP**  
1212 N. Eastman Road  
P. O. Box 3740  
Kingsport, TN 37664  
Ph (423) 378-8858; Fax: (423) 378-8801  
Email: [bovender@hdsdlaw.com](mailto:bovender@hdsdlaw.com)  
Email: [jharvey@hdsdlaw.com](mailto:jharvey@hdsdlaw.com)
- B. William E. Johnson  
American Electric Power Service Corporation  
P.O. Box 16631  
Columbus, OH 43216-6631  
Ph: (614) 716-1624  
Email: [wejohnson@aep.com](mailto:wejohnson@aep.com)

1. Your Petitioner, Appalachian Power Company (“Appalachian”), respectfully shows that:

(a) It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, having its principal office in said Commonwealth in the City of Roanoke, and is properly qualified to transact business in the State of Tennessee.

(b) A true copy of its Restated Articles of Incorporation was filed with your Honorable Authority in Docket No. U-6533.

(c) Appalachian maintains its principal office in the State of Tennessee in the City of Kingsport, Sullivan County, Tennessee.

2. With the consent and approval of the Virginia State Corporation Commission and the further consent and approval of the Tennessee Public Utility Commission (“TPUC”), Appalachian proposes to issue and sell, from time to time, from January 1, 2020 through December 31, 2021, secured or unsecured promissory notes (“Notes”) in the aggregate principal amount equal to, on the date or dates of issuance, up to \$1.3 billion. The Notes may be issued in the form of Senior Notes, Senior or Subordinated Debentures, First Mortgage Bonds, Bank Credit Revolver or Loans or other unsecured promissory notes.

The Notes will mature in not less than nine months and not more than 60 years. The interest rate of the Notes may be fixed or variable and will be sold (i) by competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. Any fixed rate Note will be sold by Appalachian at a yield to maturity which shall be determined by financial market conditions at the time of pricing. The initial interest rate on any variable rate Note will be

determined by financial market conditions at the time of pricing. Appalachian will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. If it is deemed advisable, the Notes may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond.

In connection with the sale of unsecured Notes, Appalachian may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection with pension plans. In addition, Appalachian may permit the holder of the Notes to require Appalachian to prepay them after certain specified events, including an ownership change.

The unsecured Notes may be issued under a new Indenture or the Indenture dated as of January 1, 1998, as previously supplemented and amended, and as to be further supplemented and amended by one or more Supplemental Indentures or Company Orders. A copy of a recent Company Order utilized by Appalachian is attached hereto as Exhibit A. It is proposed that a similar form of Company Order or a Supplemental Indenture be used for one or more series of the unsecured Notes (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

The First Mortgage Bonds would be issued under and secured by a Mortgage and Deed of Trust to be entered into by Appalachian and a trustee in the event of an issuance of secured notes (the "Mortgage"). It is anticipated that any such

Mortgage would create a lien on some or all of the utility property or other tangible assets of Appalachian for the benefit of the holders of the First Mortgage Bonds. Other terms such as interest rate, maturity, redemption terms and other matters would be determined at the time of pricing.

3. Appalachian may enter into, from time to time through December 31, 2021, one or more interest rate hedging arrangements, including, but not limited to, treasury lock agreements, forward-starting interest rate swaps, treasury put options or interest rate collar agreements (“Treasury Hedge Agreement”) to protect against future interest rate movements in connection with the issuance of the Notes. Each Treasury Hedge Agreement will correspond to one or more Notes that Appalachian will issue pursuant to this Application; accordingly, the aggregate corresponding principal amounts of all Treasury Hedge Agreements cannot exceed an amount equal to, on the date or dates of entering such agreements, up to \$1.3 billion.

Appalachian proposes, with the consent and approval of TPUC, to extend the authority granted in Docket 16-00014 (Order dated March 28, 2016) to utilize interest rate management techniques and enter into Interest Rate Management Agreements through December 31, 2021. Such authority will allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective interest cost and manage interest cost on financings.

A. Interest Rate Management Agreements

The Interest Rate Management Agreements will be products commonly used in today’s capital markets, consisting of “interest rate swaps”, “caps”, “collars”, “floors”, “options”, or hedging products such as “forwards” or “futures”, or similar products, the

purpose of which is to manage and minimize interest costs. Appalachian expects to enter into these agreements with counterparties that are highly rated financial institutions. The transactions will be for a fixed period and a stated principal amount, and shall be for underlying fixed or variable obligations of Appalachian, whether existing or anticipated. The aggregate notional amount of all Interest Rate Management Agreements shall not exceed 25% of Appalachian's existing debt obligations, including pollution control revenue bonds.

By way of illustration, if Appalachian has entered into Interest Rate Management Agreements whose aggregate notional amounts equal 25% of Appalachian's existing debt obligations, Appalachian could not enter into a new Interest Rate Management Agreement unless and until an existing Interest Rate Management Agreement expired, was terminated with the assent of the counterparty, or was assigned to a non-affiliated third party (at which point Appalachian could enter into a new Interest Rate Management Agreement in a notional amount no greater than the expired, terminated or assigned Interest Rate Management Agreement). Appalachian will not agree to any covenant more restrictive than those contained in the underlying obligation unless such Interest Rate Management Agreement either expires by its terms or is unwindable on or prior to the end of the Authorization Period.

*B. Pricing Parameters*

Appalachian proposes that the pricing parameters for Interest Rate Management Agreements be governed by the parameters contained herein. Fees and commissions (but not payments) in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed the greater of: (a)

2.50% of the amount of the underlying obligation involved or (b) amounts that are consistent with fees and commissions paid by similar companies of comparable credit quality in connection with similar agreements.

C. Accounting

Appalachian proposes to account for these transactions in accordance with generally accepted accounting principles.

D. TPUC Authorization

Since market opportunities for these interest rate management alternatives are transitory, Appalachian must be able to execute interest rate management transactions when the opportunity arises to obtain the most competitive pricing. Thus, Appalachian seeks approval to enter into any or all of the described transactions within the parameters discussed above prior to the time Appalachian reaches agreement with respect to the terms of such transactions.

If Appalachian utilizes Interest Rate Management Agreements, Appalachian's annual long-term interest charges could change. The authorization of the Interest Rate Management Agreements consistent with the parameters herein in no way relieves Appalachian of its responsibility to obtain the best terms available for the product selected and, therefore, it is appropriate and reasonable for the TPUC to authorize Appalachian to agree to such terms and prices consistent with said parameters.

4. Any proceeds realized from the sale of the Notes, together with any other funds which may become available to Appalachian, 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 expenditures incurred in connection with its construction



program and for other corporate purposes. In 2018 and 2019 Appalachian has the following debt maturing: \$350,000,000 principal amount of 4.6% Senior Unsecured Notes, due March 30, 2021 (with an early call option on December 30, 2020); \$17,500,000 principal amount of 4.625% Pollution Control Bonds, legal maturity of November 1, 2021 (with an optional redemption on or after March 1, 2020).

Appalachian may purchase senior notes referred to herein or any other series of indebtedness through tender offer, negotiated, open market or other form of purchase or otherwise in addition to redemption, if they can be refunded at a lower effective cost. The tender offers will occur if Appalachian considers that the payment of the necessary premium is prudent in light of the interest expense that could be saved by early redemption of any of these series.

5. Appalachian believes that the consummation of the transactions herein proposed will be in the best interests of Appalachian's consumers and investors and consistent with sound and prudent financial policy.


6. Balance Sheets and Statements of Income and Retained Earnings for the six months ended June 30, 2019 are attached hereto as Exhibit B.

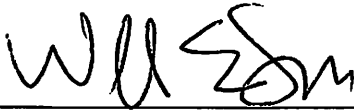
7. The issuance of the Notes will be affected in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of Appalachian.

8. In further support of this Petition, Appalachian submits the Pre-filed Direct Testimony of Renee V. Hawkins as Exhibit C.

Respectfully submitted this 30<sup>th</sup> day of October, 2019.

**APPALACHIAN POWER COMPANY**


By:   
William C. Bovender, Esq. (BPR #000751)  
Joseph B. Harvey (BPR #028891)  
**HUNTER, SMITH & DAVIS, LLP**  
1212 N. Eastman Road  
P. O. Box 3740  
Kingsport, TN 37664  
(423) 378-8858; Fax: (423) 378-8801  
Email: [bovender@hdsdlaw.com](mailto:bovender@hdsdlaw.com)  
Email: [jharvey@hdsdlaw.com](mailto:jharvey@hdsdlaw.com)

By:   
William E. Johnson  
American Electric Power Service Corporation  
P.O. Box 16631  
Columbus, OH 43216-6631  
Ph: (614) 716-1624  
Email: [wejohnson@aep.com](mailto:wejohnson@aep.com)

WHEREFORE, your Petitioner respectfully prays that TPUC enter an order (1) consenting to and approving the issuance, sale and delivery by Appalachian of secured or unsecured Notes or other unsecured promissory notes in the principal amount equal to, on the date or dates of issuance, of up to \$1.3 billion pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation as described herein and (2) granting to your Petitioner such other, further or general relief as, in the judgment of TPUC, your Petitioner may be entitled to have upon the facts hereinabove set forth.

APPALACHIAN POWER COMPANY

By



Renee V. Hawkins  
Assistant Treasurer

Date: October 17, 2010



APPALACHIAN POWER COMPANY  
1000 10TH AVENUE  
KNOX, TENNESSEE 37602  
Tel: 615.544.2000  
Fax: 615.544.2001



Before the

TENNESSEE PUBLIC UTILITY COMMISSION

In the Matter of the

:

APPLICATION

:

DOCKET NO. 19\_\_\_\_\_

of

:

APPALACHIAN POWER COMPANY

:

**VERIFICATION**

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

APPALACHIAN POWER COMPANY

By:

  
Assistant Secretary

STATE OF OHIO :  
COUNTY OF FRANKLIN : ss.

Subscribed and sworn before me this 17th day of October 2019.

By:

  
Notary Public

My Commission expires: 01-19-2021



MOLLY A. BEHRE

NOTARY PUBLIC  
STATE OF OHIO

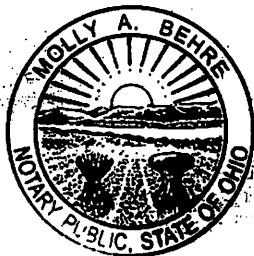
My Commission Expires  
January 19, 2021

STATE OF OHIO                    )  
  ) ss:  
COUNTY OF FRANKLIN        )

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, this 17th day of October, 2019, personally appeared Renee V. Hawkins, to me known to be the person whose name is signed to the foregoing Application, and after being first duly sworn made oath and said that she is the Assistant Treasurer of Appalachian Power Company, that she has read the Application and knows the contents thereof, that the allegations therein are true and correct to the best of her knowledge, information and belief, and that she is duly authorized to make, verify and file the Application for Appalachian Power Company.

Subscribed and sworn to before me this 17th day of October, 2019.

Molly A. Behre  
Notary Public



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



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

### CERTIFICATE OF SERVICE

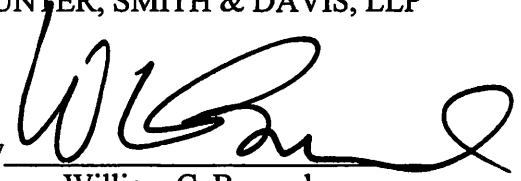
The undersigned hereby certifies that the foregoing **Petition** has been served upon the following by mailing a copy of same by United States mail, postage prepaid, and Emailing as follows, on this the 30<sup>th</sup> day of October, 2019.

Kelly Grams, General Counsel  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
Email: [Kelly.Grams@tn.gov](mailto:Kelly.Grams@tn.gov)

David Foster, Chief-Utilities Division  
Tennessee Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
Email: [David.Foster@tn.gov](mailto:David.Foster@tn.gov)

Monica L. Smith-Ashford  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
Email: [monica.smith-ashfor@tn.gov](mailto:monica.smith-ashfor@tn.gov)

HUNTER, SMITH & DAVIS, LLP

By   
William C. Bovender

March 6, 2019

**Company Order and Officers' Certificate  
4.50% Senior Notes, Series Y, due 2049**

**The Bank of New York Mellon Trust Company, N.A., as Trustee  
2 North LaSalle Street  
Chicago, Illinois 60602**

**Ladies and Gentlemen:**

Pursuant to Article Two of the Indenture, dated as of January 1, 1998 (as it may be amended or supplemented, the "Indenture"), from Appalachian Power Company (the "Company") to The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York, as trustee (the "Trustee"), and the Board Resolutions dated November 17, 2017, copies of which certified by the Secretary or an Assistant Secretary of the Company are being delivered herewith under Section 2.01 of the Indenture, and unless otherwise provided in a subsequent Company Order pursuant to Section 2.04 of the Indenture,

1. The Company's 4.50% Senior Notes, Series Y, due 2049 (the "Notes") are hereby established. The Notes shall be in substantially the form attached hereto as Exhibit 1.
2. The terms and characteristics of the Notes shall be as follows (the numbered clauses set forth below corresponding to the numbered subsections of Section 2.01 of the Indenture, with terms used and not defined herein having the meanings specified in the Indenture):
  - (i) The aggregate principal amount of Notes which may be authenticated and delivered under the Indenture shall be limited to \$400,000,000 for the Notes, except as contemplated in Section 2.01(i) of the Indenture and except that such principal amount may be increased from time to time; all Notes need not be issued at the same time and the series may be reopened at any time, without the consent of any securityholder, for issuance of additional Notes, which Notes will have the same interest rate, maturity and other terms as those initially issued (other than the date of issuance, the issue price and, in some circumstances, the initial interest accrual date and the initial interest payment date);
  - (ii) The date on which the principal of the Notes shall be payable shall be March 1, 2049;
  - (iii) Interest shall accrue from the date of authentication of the Notes; the Interest Payment Dates on which such interest will be payable shall be March 1 and September 1, and the Regular Record Date for the determination of holders to whom interest is payable on any such Interest Payment Date shall be the February 15 or August 15, respectively; provided that the first Interest Payment Date shall be September 1, 2019 and interest payable on the Stated Maturity Date of the Notes or any Redemption Date shall be paid to the Person to whom principal shall be paid;

(iv) The interest rate at which the Notes shall bear interest shall be 4.50% per annum;

(v) The Notes may be redeemed by the Company at its option, in whole at any time or in part from time to time, upon not less than thirty but not more than sixty days' prior notice (either by mail or in compliance with the applicable procedures of DTC). At any time prior to September 1, 2048 (six months prior to the maturity date (the "Par Call Date")), the Company may redeem the Notes either as a whole or in part at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed that would be due if such Notes matured on the Par Call Date (excluding the portion of any such interest accrued to but excluding the date of redemption), discounted (for purposes of determining present value) to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest thereon to but excluding the date of redemption.

At any time on or after the Par Call Date the Company may redeem the Notes in whole or in part at 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon to but excluding the date of redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term ("remaining life") of the Notes (assuming, for this purpose, that the Notes matured on the Par Call Date) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining life of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Company obtains fewer than four of such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company and notified by the Company to the Trustee.

"Reference Treasury Dealer" means a primary U.S. Government securities dealer or dealers selected by the Company and notified by the Company to the Trustee.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company and notified to the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company and the Trustee by such Reference Treasury Dealer at or before 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.



**"Treasury Rate"** means, with respect to any redemption, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

(vi) (a) the Notes shall be issued in the form of a Global Note; (b) the Depository for the Global Note shall be The Depository Trust Company; and (c) the procedures with respect to transfer and exchange of Global Notes shall be as set forth in the form of the Note attached hereto;

(vii) the title of the Notes shall be "4.50% Senior Notes, Series Y, due 2049";

(viii) the forms of the Notes shall be as set forth in Paragraph 1, above;

(ix) not applicable;

(x) the Notes may be subject to a Periodic Offering;

(xi) not applicable;

(xii) not applicable;

(xiii) not applicable;

(xiv) the Notes shall be issuable in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof;

(xv) not applicable;

(xvi) the Notes shall not be issued as Discount Securities;

(xvii) not applicable;

(xviii) not applicable;

(xix) Limitations on Liens:

So long as any of the Notes are outstanding, the Company will not create or suffer to be created or to exist any mortgage, pledge, security interest, or other lien (collectively, "Liens") on any of the Company's utility properties or tangible assets now owned or hereafter acquired to secure any indebtedness for borrowed money ("Secured Debt"), without providing that such Notes will be similarly secured. This restriction does not apply to the Company's subsidiaries, nor will it prevent any of them from creating or permitting to exist Liens on their property or assets to secure any Secured Debt. In addition, this restriction does not prevent the creation or existence of:

- Liens on property existing at the time of acquisition or construction of such property

(or created within one year after completion of such acquisition or construction), whether by purchase, merger, construction or otherwise, or to secure the payment of all or any part of the purchase price or construction cost thereof, including the extension of any Liens to repairs, renewals, replacements substitutions, betterments, additions, extensions and improvements then or thereafter made on the property subject thereto;

- Financing of the Company's accounts receivable for electric service;
- Any extensions, renewals or replacements (or successive extensions, renewals or replacements), in whole or in part, of liens permitted by the foregoing clauses; and
- The pledge of any bonds or other securities at any time issued under any of the Secured Debt permitted by the above clauses.

In addition to the permitted issuances above, Secured Debt not otherwise so permitted may be issued in an amount that does not exceed 15% of Net Tangible Assets as defined below.

"Net Tangible Assets" means the total of all assets (including revaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on the Company's balance sheet, net of applicable reserves and deductions, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such revaluations), less the aggregate of the Company's current liabilities appearing on such balance sheet. For purposes of this definition, the Company's balance sheet does not include assets and liabilities of the Company's subsidiaries.

This restriction also will not apply to or prevent the creation or existence of leases made, or existing on property acquired, in the ordinary course of business; and

(xx) Certain Tax Information.

In order to comply with applicable tax laws (inclusive of rules, regulations and interpretations promulgated by competent authorities) related to the Indenture, this Company Order and Officers' Certificate and the Notes in effect from time to time ("Applicable Law") that a foreign financial institution, issuer, trustee, paying agent or other party is or has agreed to be subject to, the Company agrees (i) to provide to the Trustee sufficient information about the parties and/or transactions (including any modification to the terms of such transactions) so the Trustee can determine whether it has tax related obligations under Applicable Law and (ii) that the Trustee shall be entitled to make any withholding or deduction from payments to the extent necessary to comply with Applicable Law for which the Trustee shall not have any liability.

3. You are hereby requested to authenticate \$400,000,000 aggregate principal amount of 4.50% Senior Notes, Series Y, due 2049 executed by the Company and delivered to you concurrently with this Company Order and Officers' Certificate, in the manner provided by the Indenture.
4. You are hereby requested to hold the Notes as custodian for DTC in accordance with the

Blanket Issuer Letter of Representations dated June 24, 2004, from the Company to DTC.

5. Concurrently with this Company Order and Officers' Certificate, an Opinion of Counsel under Sections 2.04 and 13.06 of the Indenture is being delivered to you.
6. The undersigned, Renee V. Hawkins and Thomas G. Berkemeyer, the Assistant Treasurer and Assistant Secretary, respectively, of the Company do hereby certify that:
  - (i) The form and terms of the Notes have been established in conformity with the provisions of the Indenture;
  - (ii) We have read the relevant portions of the Indenture, including without limitation the conditions precedent provided for therein relating to the action proposed to be taken by the Trustee as requested in this Company Order and Officers' Certificate, and the definitions in the Indenture relating thereto;
  - (iii) We have read the Board Resolutions of the Company and the Opinion of Counsel referred to above;
  - (iv) We have conferred with other officers of the Company, have examined such records of the Company and have made such other investigation as we deemed relevant for purposes of this certificate;
  - (v) In our opinion, we have made such examination or investigation as is necessary to enable us to express an informed opinion as to whether or not such conditions have been complied with; and
  - (vi) On the basis of the foregoing, we are of the opinion that all conditions precedent provided for in the Indenture relating to the action proposed to be taken by the Trustee as requested herein have been complied with.

Kindly acknowledge receipt of this Company Order and Officers' Certificate, including the documents listed herein, and confirm the arrangements set forth herein by signing and returning the copy of this document attached hereto.

Very truly yours,

APPALACHIAN POWER COMPANY

By: /s/ Renee V. Hawkins  
Renee V. Hawkins  
Assistant Treasurer

And: /s/ Thomas G. Berkemeyer  
Thomas G. Berkemeyer  
Assistant Secretary

Acknowledged by Trustee:

By: /s/ Valerie Boyd  
Authorized Signatory

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three and Six Months Ended June 30, 2019 and 2018**  
**(in millions)**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>REVENUES</b>				
Electric Generation, Transmission and Distribution	\$ 605.9	\$ 618.8	\$ 1,344.6	\$ 1,386.3
Sales to AEP Affiliates	46.3	46.4	98.0	95.8
Other Revenues	3.6	1.8	6.0	5.3
<b>TOTAL REVENUES</b>	<b>655.8</b>	<b>667.0</b>	<b>1,448.6</b>	<b>1,487.4</b>
<b>EXPENSES</b>				
Fuel and Other Consumables Used for Electric Generation	161.2	155.3	344.5	224.3
Purchased Electricity for Resale	64.5	64.5	175.1	270.4
Other Operation	138.9	109.9	275.8	248.1
Maintenance	61.3	65.7	122.8	137.7
Depreciation and Amortization	117.1	105.3	229.6	213.8
Taxes Other Than Income Taxes	35.9	33.7	71.8	67.5
<b>TOTAL EXPENSES</b>	<b>578.9</b>	<b>534.4</b>	<b>1,219.6</b>	<b>1,161.8</b>
<b>OPERATING INCOME</b>	<b>76.9</b>	<b>132.6</b>	<b>229.0</b>	<b>325.6</b>
<b>Other Income (Expense):</b>				
Interest Income	1.0	0.6	1.8	0.9
Carrying Costs Income	—	0.5	—	1.0
Allowance for Equity Funds Used During Construction	6.0	2.9	7.7	5.5
Non-Service Cost Components of Net Periodic Benefit Cost	4.2	4.4	8.5	8.9
Interest Expense	(51.6)	(47.8)	(100.9)	(95.2)
<b>INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)</b>	<b>36.5</b>	<b>93.2</b>	<b>146.1</b>	<b>246.7</b>
Income Tax Expense (Benefit)	(19.0)	15.8	(43.1)	43.8
<b>NET INCOME</b>	<b>\$ 55.5</b>	<b>\$ 77.4</b>	<b>\$ 189.2</b>	<b>\$ 202.9</b>

*The common stock of APCo is wholly-owned by Parent.*

*See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 123.*

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

**ASSETS**

June 30, 2019 and December 31, 2018

(in millions)  
(Unaudited)

	June 30, 2019	December 31, 2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2.3	\$ 4.2
Restricted Cash for Securitized Funding	25.4	25.6
Advances to Affiliates	22.7	23.0
Accounts Receivable:		
Customers	127.2	146.5
Affiliated Companies	54.9	73.4
Accrued Unbilled Revenues	43.8	63.5
Miscellaneous	1.2	2.3
Allowance for Uncollectible Accounts	(2.2)	(2.3)
Total Accounts Receivable	224.9	283.4
Fuel	110.9	61.3
Materials and Supplies	101.8	100.1
Risk Management Assets	74.7	57.2
Regulatory Asset for Under-Recovered Fuel Costs	58.1	99.6
Prepayments and Other Current Assets	29.6	44.3
<b>TOTAL CURRENT ASSETS</b>	<b>650.4</b>	<b>698.7</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric:		
Generation	6,547.5	6,509.6
Transmission	3,388.8	3,317.7
Distribution	4,078.8	3,989.4
Other Property, Plant and Equipment	517.0	485.8
Construction Work in Progress	556.1	490.2
<b>Total Property, Plant and Equipment</b>	<b>15,088.2</b>	<b>14,792.7</b>
Accumulated Depreciation and Amortization	4,230.8	4,124.4
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT - NET</b>	<b>10,857.4</b>	<b>10,668.3</b>
<b>OTHER NONCURRENT ASSETS</b>		
Regulatory Assets	470.1	475.8
Securitized Assets	246.6	258.7
Long-term Risk Management Assets	0.4	0.9
Operating Lease Assets	78.3	—
Deferred Charges and Other Noncurrent Assets	176.1	188.1
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>971.5</b>	<b>923.5</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,479.3</b>	<b>\$ 12,290.5</b>

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 123.

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
**June 30, 2019 and December 31, 2018**  
**(Unaudited)**

	June 30, 2019	December 31, 2018
	(in millions)	
<b>CURRENT LIABILITIES</b>		
Advances from Affiliates	\$ 26.1	\$ 205.6
Accounts Payable:		
General	290.7	263.8
Affiliated Companies	67.5	84.0
Long-term Debt Due Within One Year – Nonaffiliated	150.0	430.7
Risk Management Liabilities	4.6	0.4
Customer Deposits	87.2	88.4
Accrued Taxes	84.8	89.3
Accrued Interest	47.0	41.5
Obligations Under Operating Leases	14.9	—
Other Current Liabilities	108.7	150.3
<b>TOTAL CURRENT LIABILITIES</b>	<b>881.5</b>	<b>1,354.0</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Nonaffiliated	4,224.8	3,631.9
Long-term Risk Management Liabilities	0.1	0.2
Deferred Income Taxes	1,633.4	1,625.8
Regulatory Liabilities and Deferred Investment Tax Credits	1,363.6	1,449.7
Asset Retirement Obligations	105.5	107.1
Employee Benefits and Pension Obligations	53.8	57.1
Obligations Under Operating Leases	63.8	—
Deferred Credits and Other Noncurrent Liabilities	59.2	58.6
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>7,504.2</b>	<b>6,930.4</b>
<b>TOTAL LIABILITIES</b>	<b>8,385.7</b>	<b>8,284.4</b>
Rate Matters (Note 4)		
Commitments and Contingencies (Note 5)		
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Common Stock – No Par Value:		
Authorized – 30,000,000 Shares		
Outstanding – 13,499,500 Shares	260.4	260.4
Paid-in Capital	1,828.7	1,828.7
Retained Earnings	2,011.2	1,922.0
Accumulated Other Comprehensive Income (Loss)	(6.7)	(5.0)
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>4,093.6</b>	<b>4,006.1</b>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ 12,479.3</b>	<b>\$ 12,290.5</b>

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 123.

DIRECT TESTIMONY OF  
RENEE V. HAWKINS  
ON BEHALF OF APPALACHIAN POWER COMPANY  
BEFORE THE TENNESSEE REGULATORY AUTHORITY  
DOCKET NO.19 \_\_\_\_\_

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 Appalachian 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.

18        In 1996, I joined AEPSC as a Corporate Finance Senior Analyst supporting  
19        financing activity for the AEP System operating companies. In 1999, I was named



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

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

10 A. The purpose of my testimony is to support the proposed long-term debt financing  
11 application of the Company, which, if approved by the Commission, will allow the  
12 Company to issue unsecured long-term debt up to the aggregate principal amount of  
13 \$1.3 billion from time to time from January 1, 2020 through December 31, 2021.

14 **Q. FOR WHAT PURPOSES WILL THE COMPANY BE ISSUING**  
15 **THESE SECURITIES?**

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

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

21 A. Appalachian Power proposes to issue and sell from time to time senior unsecured notes  
22 (the "Notes"). The Notes may be issued in the form of Senior Notes, Senior or

1 Subordinated Debentures, First Mortgage Bonds, Bank Credit Revolver or Loans or other  
2 unsecured promissory notes.

3 The Notes will mature in not less than nine months and not more than 60 years.

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

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

15 **A.** Notes will be issued pursuant to the existing Indenture in registered public offerings or  
16 pursuant to a purchase agreement in a private placement. A definitive notes purchase  
17 agreement would be entered between APCo and a bank or qualified investors. The terms  
18 of the Notes would include fixed or variable interest rates, term, financial covenants and  
19 any redemption provisions. The actual interest rate and maturity would be subject to  
20 negotiation between APCo and the underwriters or the lenders. To the extent the notes  
21 are fixed rate, they cannot be at a rate higher than 300 basis points (3%) above the  
22 comparable US Treasury yield-to-maturity.

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

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

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

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

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

A. Yes, it does.