

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, 423-534-7897 (mobile)
bovender@hsdlaw.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
Jason A. Creech
Meredith Bates Humbert
Joseph B. Harvey
Rachel Ralston Mancl
Caroline Ross Williams
Marcy E. Walker
Sarah Blessing Valk
Sydney B. Gilbert
Jeannette Smith Tysinger*
Joseph A. Matherly
Will A. Ellis
Jordan Richardson

*Of Counsel
www.hsdlaw.com

AMEP/Z.10720

December 10, 2021

Electronically Filed in TPUC Docket Room
on December 10, 2021 at 3:03 p.m.

VIA EMAIL (tpuc.docketroom@tn.gov) & FEDEX

Dr. Kenneth Hill, 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. 21-00126

Dear Chairman Hill:

On behalf of Appalachian Power Company, we transmit herewith the following:

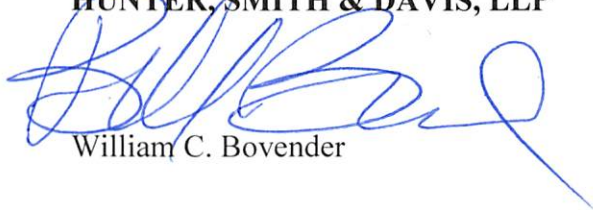
Order Granting Approval – Commonwealth of Virginia State Corporation
Commission

The seven (7) copies are being sent via Fed Ex delivery for Monday, December 13, 2021
on this date.

Contact the writer with any questions.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

December 10, 2021

Page 2

Enclosures: As stated

cc: Kelly Grams, General Counsel (w/enc.)	<i>Via Email: Kelly.Grams@tn.gov</i>
David Foster (w/enc.)	<i>Via Email: david.foster@tn.gov</i>
Monica L. Smith-Ashford, Esq. (w/enc.)	<i>Via Email: monica.smith-ashford@tn.gov</i>
Jerry Kettles, Director (w/enc.)	<i>Via Email: Jerry.Kettles@tn.gov</i>
William E. Johnson, Esq. (w/enc.)	<i>Via Email: wejohnson@aep.com</i>
James R. Bacha, Esq. (w/enc.)	<i>Via Email: jrbacha@aep.com</i>
William K. Castle (w/enc.)	<i>Via Email: wkcastle@aep.com</i>
Ryan F. Aguiar (w/enc.)	<i>Via Email: raguiar@aep.com</i>
Franz D. Messner (w/enc.)	<i>Via Email: fdmessner@aep.com</i>
Joseph B. Harvey, Esq. (w/enc.)	<i>Via Email: jharvey@hsdlaw.com</i>

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, DECEMBER 10, 2021

SEC. CLERK'S OFFICE
PUBLIC CONTROL CENTER
2021 DEC 10 P 1:42

2021 DEC 10

APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2021-00271

Application under Chapter 3
of Title 56 of the Code of Virginia

ORDER GRANTING APPROVAL

On November 4, 2021, Appalachian Power Company ("APCo") filed an application ("Application") with the State Corporation Commission ("Commission"), pursuant to Chapter 3¹ of Title 56 of the Code of Virginia ("Code"), seeking authority to issue and sell secured and unsecured promissory notes in the aggregate principal amount of up to \$1.2 billion ("Notes"). Additionally, APCo requests authority to utilize and enter into one or more interest rate hedging arrangements to protect against future interest rate movements. Furthermore, APCo requests authority to use interest rate management techniques by entering into various Interest Rate Management Agreements ("IRMAs"). APCo paid the requisite fee of \$250.

APCo proposes to issue and sell the Notes from time to time through December 31, 2023. The Notes may be issued in the form of Senior Notes, Senior or Subordinated Debentures, First Mortgage Bonds, Bank Credit Revolver Loans or other unsecured promissory notes. Within certain limitations, APCo requests flexibility to select specific terms and conditions for the Notes based on market conditions at the time of issuance. The Notes will have maturities of not less than nine months and not more than 60 years. The interest rates may be fixed or variable. APCo intends to sell the Notes either (i) by competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional

¹ Code § 56-88 *et seq.*

investor. APCo estimates that the underwriting costs for the Notes will be approximately 1% of the principal amount, or roughly \$12 million. In addition, APCo estimates that other costs for the Notes will be approximately \$2.6 million. APCo represents that the proceeds from the sale of the Notes, together with any other funds that may become available to APCo, will be used to redeem long-term debt, repay short-term debt at or prior to maturity, reimburse APCo's treasury for expenditures incurred in connection with its construction program, and for other corporate purposes.

APCo requests additional authority to enter into one or more interest rate hedging arrangements to protect against future interest rate movements in connection with the issuance of the Notes. Such hedging arrangements may include, but are not limited to, treasury lock agreements, forward-starting interest rate swaps, treasury put options, or interest rate collar agreements ("Treasury Hedge Agreements"). All Treasury Hedge Agreements will correspond to the underlying amount of one or more of the Notes. Therefore, the cumulative notional amount of the Treasury Hedge Agreements will not exceed the corresponding face amount of the Notes issued.

Finally, APCo requests continuation of similar authority, which has been granted in a prior Commission Order,² to use interest rate management techniques and enter into IRMAs through December 31, 2023. The IRMAs will consist of interest rate swaps, caps, collars, floors, options, hedging forwards or futures, or any similar products designed and used to manage and minimize interest costs. APCo expects to enter into IRMAs with counterparties that are highly rated financial institutions. IRMAs may be designed to manage interest costs of any outstanding

² *Application of Appalachian Power Company, For authority under Chapter 3 of Title 56 of the Code of Virginia, Case No. PUE-2019-00177, 2019 S.C.C. Ann. Rept. 518, Order Granting Approval (Dec. 12, 2019).*

APCo debt; however, APCo's request limits the aggregate notional amount of IRMAs outstanding to 25% of APCo's total debt outstanding, including pollution control revenue bonds.

NOW THE COMMISSION, upon consideration of this matter and having been advised by its Staff, is of the opinion and finds that approval of the Application will not be detrimental to the public interest.

Accordingly, IT IS ORDERED THAT:

(1) APCo is hereby granted approval of the authority requested in the Application as described herein subject to the requirements set forth in the Appendix attached to this Order.

(2) This matter shall remain subject to the continued review, audit and appropriate directive of the Commission.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

APPENDIX

1. APCo shall be authorized to issue and sell up to an aggregate principal amount of \$1.2 billion of Notes from time to time through December 31, 2023, under the terms and conditions, and for the purposes stated in the Application.
2. APCo shall be authorized to enter into Treasury Hedge Agreements through December 31, 2023, for the purposes set forth in the Application, and to the extent that the aggregate notional amount outstanding does not exceed the value of the underlying Notes.
3. APCo shall be authorized to enter into IRMAs through December 31, 2023, for the purposes set forth in the Application, and to the extent that the aggregate notional amount outstanding does not exceed 25% of APCo's total outstanding debt obligations, excluding any securitized debt obligations.
4. APCo shall not enter into any IRMAs or Treasury Hedge Agreement transactions involving counterparties having credit ratings of less than investment grade.
5. The authority granted shall supersede and terminate any remaining authority granted by Commission Order dated December 12, 2019, in Case No. PUR-2019-00177.
6. The reporting requirements in Case No. PUR-2019-00177 shall remain in effect.
7. APCo shall file with the Clerk of the Commission a preliminary report of action within ten (10) days after the issuance of any Notes pursuant to this case, with such report to include the date of issuance, the amount of issuance, the applicable interest rate, the maturity date, and the proceeds to APCo.
8. APCo shall file with the Clerk of the Commission a preliminary report of action within ten (10) days after it enters into any Treasury Hedge Agreement or IRMA pursuant to the exercise of any authority granted in this case, with such report to include the following:
 - a. the beginning and, if established, ending dates of the agreement;
 - b. the notional amount and the underlying securities on which such agreement is based;
 - c. an explanation of the general terms of the agreement that explains how the payment obligation is determined and when it is payable;
 - d. and for reports that include IRMAs, a calculation of the cumulative [?] notional amount of all outstanding IRMAs as a percent of APCo's total debt outstanding.
9. APCo shall file a more detailed report of action within sixty (60) days after the end of each calendar quarter in which any security is issued pursuant to this case, with a final report due on or before March 4, 2024. Such quarterly report shall include a summary of the information from preliminary reports for all securities issued during the quarter pursuant to the exercise of authority granted in this case. The final report shall include a cumulative summary of the actions taken during the period authorized and an itemized list of issuance

expenses to date associated with each security and how such costs will be booked and treated for accounting purposes.

10. APCo shall submit a report to the Commission's Division of Utility Accounting and Finance if its bond rating should decline below investment grade during the period of authority in this case. Such report shall be submitted within thirty (30) days of such a decline in bond rating, and the report shall outline any Company plans and actions to restore an investment grade bond rating and how any remaining authority in this case is impacted.
11. The approval granted in this case shall have no accounting or ratemaking implications.