

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**  
**NASHVILLE, TENNESSEE**  
**January 9, 2022**

<b>IN RE:</b>	)	
	)	
<b>APPLICATION OF KINGSPORT POWER</b>	)	
<b>COMPANY D/B/A AEP APPALACIAN POWER</b>	)	<b>DOCKET NO.</b>
<b>FOR PERMISSION TO EVIDENCE</b>	)	<b>21-00126</b>
<b>INDEBTEDNESS NOT TO EXCEED \$1,200,000,000</b>	)	
<b>THROUGH DECEMBER 31, 2023</b>	)	

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**ORDER APPROVING FINANCING ARRANGEMENT**

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This matter came before Chairman Kenneth C. Hill, Vice Chairman Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner Clay R. Good, and Commissioner David F. Jones of the Tennessee Public Utility Commission (“TPUC” or “Commission”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on December 6, 2021 for hearing and consideration of the *Application* seeking authority for financing programs through December 31, 2023 filed on October 27, 2021 by Appalachian Power Company (“Appalachian” or the “Company”).

**THE APPLICATION**

On October 27, 2021, Appalachian filed an *Application* with the Commission requesting approval of its proposed financing programs through December 31, 2023.<sup>1</sup> Appalachian provides power to Kingsport Power Company (“Kingsport”). Both Appalachian and Kingsport are wholly-owned subsidiaries of American Electric Power Company, Inc. (“AEP”), a publicly

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<sup>1</sup> At the request of Commission Staff, Appalachian filed a *First Amended and Restated Petition* on November 19, 2021 to correct an error in the prayer for relief paragraph of the original *Application*.

traded holding company. Appalachian and Kingsport are separate legal entities that finance their operations separately. Kingsport purchases all of its power requirements from Appalachian at wholesale rates under a Federal Energy Regulatory Commission (“FERC”) approved tariff and receives some services from Appalachian at cost.

In its *Application*, Appalachian proposes to issue, from time to time, through December 31, 2023, secured or unsecured promissory notes (“Notes”) in an aggregate principal amount up to \$1.2 billion.<sup>2</sup> Appalachian indicates that the Notes will mature in not less than nine months and not more than sixty years with interest rates that may be fixed or variable. Appalachian also indicates that it may enter, from time to time through December 31, 2023, 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 to protect against future interest rate movements in connection with the issuance of the Notes.<sup>3</sup>

Further, Appalachian also requests to continue its Interest Rate Management Agreement as approved in Docket No. 19-00102<sup>4</sup> through December 31, 2023.<sup>5</sup> The *Application* states that such authority would allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective interest costs and manage interest cost on financing transactions. The Interest Rate Management Agreements will be products commonly used in today's capital markets with the purpose of managing and minimizing interest costs. The agreement will be for a fixed period and for a stated principal amount and

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<sup>2</sup> *Id.* at 2.

<sup>3</sup> *Id.* at 3.

<sup>4</sup> *In re: Application of Appalachian Power Company for Approval of December 31, 2021 Financing Programs*, Docket No. 19-00102, *Order Approving Financing Programs* (January 8, 2020).

<sup>5</sup> *Application*, p. 4 (October 27, 2021).

shall be for underlying fixed or variable obligation of Appalachian. 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. Proceeds from the sale of the Notes 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 expenditure associated with its construction program, and for other corporate purposes.<sup>6</sup>

Along with its *Application*, Appalachian filed Pre-Filed Direct Testimony of Corporate Finance Managing Director, Franz D. Messner.<sup>7</sup> In his Pre-Filed Testimony, Mr. Messner testified, "the securities may be used for construction costs, to repay short-term debt, to fund long-term debt maturities and to fund working capital."<sup>8</sup> Mr. Messner's testimony also included a description of the unsecured long-term debt to be issued and the process for issuing notes to third parties.<sup>9</sup> The Company also provides utility service in the State of Virginia which requires that the financing programs such as the one proposed by Appalachian in the present docket be approved by the Virginia State Corporation Commission ("VSCC").<sup>10</sup> Subsequent to the Hearing on Appalachian's Tennessee *Application*, the VSCC entered an order approving the financing program at issue in this docket on December 10, 2021, a copy of which was filed with the TPUC.<sup>11</sup>

#### **STANDARD FOR COMMISSION APPROVAL**

Commission approval is required for these financing programs pursuant to Tenn.

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<sup>6</sup> *Id.* at 5-6; *see also* Exh. C, Franz D. Messner, Pre-Filed Direct Testimony, p.2.

<sup>7</sup> *Id.* at Exh. C.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 3-4.

<sup>10</sup> *See* Va. Code Ann. § 56-55 (West 2019).

<sup>11</sup> Order Granting Approval of the Financing Plan of Appalachian Power Company Through December 31, 2023, Issued By the Virginia State Corporation Commission (December 10, 2021); *see also*, Application of Appalachian Power Company, For authority under Chapter 3 of Title 56 of the Code of Virginia, VSCC Case No. PUR-2021-00271.

CodeAnn. § 65-4-109, which 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.<sup>12</sup>

### **HEARING ON THE MERITS**

The Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on December 6, 2021 as noticed by the Commission on November 24, 2021. On December 2, 2021 the Hearing Officer in this matter issued an order authorizing the Applicant witness to participate in the hearing electronically.<sup>13</sup> Participating in the Hearing were:

Kingsport Power Company d/b/a/ AEP Appalachian Power – *William C. Bovender*, Hunter Smith Davis, 1212 North Eastman Road, Kingsport, TN 37664, and *Franz D. Messner*, Managing Director of Corporate Finance, Appalachian Power Company, One Riverside Plaza, Columbus, Ohio 43215

Mr. Franz D. Messner provided testimony telephonically<sup>14</sup> following the taking of the testimonial oath in the presence of a notary. During the Hearing, Mr. Messner ratified and summarized his Pre-Filed Testimony and was subject to questioning before the panel and by TPUC staff. No person commented or sought intervention during the Hearing.

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<sup>12</sup> Tenn. Code Ann. § 65-4-109.

<sup>13</sup> Mr. Messner appeared and provided testimony telephonically pursuant to the *Order Granting Electronic Participation in Hearing*, entered by the Hearing Officer on December 2, 2021 in response to the *Motion for Leave to Appear as Witness By Telephone* filed by Appalachian Power on November 24, 2021.

<sup>14</sup> *Id.*

## **FINDINGS AND CONCLUSIONS**

The Commission's review of financing programs, transactions programs, or transactions focuses on whether such financing programs or transactions are in accordance with applicable law and their purpose is in the public interest. The potential use of funds described in the *Application*, including redemption of long-term debt at or prior to maturity, expenses related to construction programs, and other corporate purposes, are typical business activities and consistent with previous financing transactions approved by the Commission. Accordingly, approval of these financing programs is in the public interest.

During the Commission Conference held on December 6, 2021, the panel voted unanimously to approve the *Application* and made the following findings:

1. The proposed financing programs are subject to Commission approval pursuant to Tenn. Code Ann. § 65-4-109.
2. The proposed financing programs are being made in accordance with laws enforceable by this agency.
3. The proposed financing programs are in the public interest as they will provide Appalachian flexibility to manage interest costs on financing.

### **IT IS THEREFORE ORDERED THAT:**

1. The *Application filed* by Appalachian Power Company on October 27, 2021 is approved, contingent upon approval of the similar *Petition* filed by Appalachian Power Company before the Virginia State Corporation Commission.<sup>15</sup>
2. Appalachian Power Company is authorized to enter the proposed financing

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<sup>15</sup> The VSCC approved the similar *Application* subsequent to the Commission Hearing on the Company's Tennessee *Application*. See Footnote 11 *supra*.

programs as described in the *Application* and discussed herein.

3. The authorization and approval of these financing programs given hereby shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved, and this decision is not intended to create any liability on the part of the Tennessee Public Utility Commission, the State of Tennessee, or any political subdivision thereof.

4. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

5. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Chairman Kenneth C. Hill,  
Vice Chairman Herbert H. Hilliard,  
Commissioner Robin L. Morrison,  
Commissioner Clay R. Jones, and  
Commissioner David F. Jones concurring.**

None dissenting

**ATTEST:**



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**Earl R. Taylor, Executive Director**