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January 25, 2024

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AMEP/Z-15914

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

Dr. Herbert H. Hilliard, Chairman  
c/o Ectory Lawless, Dockets & Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4th Floor  
Nashville, TN 37243

Electronically Filed in TPUC Docket  
Room on January 25, 2024 at 10:31 a.m.

Re: PETITION OF APPALACHIAN  
POWER COMPANY FOR AUTHORITY  
FOR FINANCING PROGRAM THROUGH  
– DECEMBER 31, 2025  
Docket No. 24- 00005

Dear Chairman Hilliard:

We submit herewith the original and six (6) copies of the Petition of Application of Appalachian Power Company for Authority for Financing Program Through – December 31, 2025. We are also submitting two (2) hard copies to the Consumer Advocate Unit of the Tennessee Attorney General's Office.

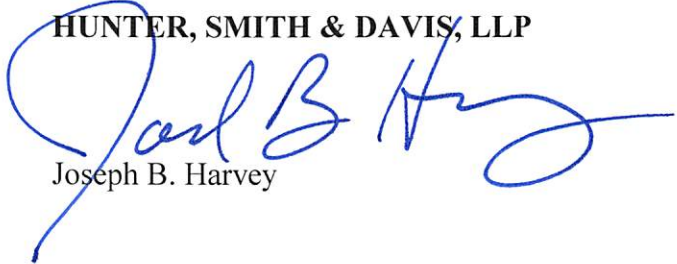
Authorization for these credit facilities is requested pursuant to T.C.A. § 65-4-109 and related regulations.

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**



Joseph B. Harvey

Enclosures: As stated

cc: Kelly Grams, General Counsel (w/enc.)  
David Foster (w/enc.)  
Monica L. Smith-Ashford, Esq. (w/enc.)  
Karen H. Stachowski, Esq. (w/enc.)

***Via U.S. Mail and Email: Kelly.Grams@tn.gov***

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Before the  
TENNESSEE PUBLIC UTILITY COMMISSION

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In the Matter of the Application  
of  
APPALACHIAN POWER COMPANY  
For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$1,800,000,000  
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: Docket No. 24- 00005  
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TO THE HONORABLE TENNESSEE PUBLIC UTILITY COMMISSION:

Comes the Petitioner, Appalachian Power Company (hereinafter called "APCo"), and presents this Application for the following purposes:

APCo seeks approval from this Authority to issue up to \$1,800,000,000 of its unsecured and secured long-term indebtedness from time to time through December 31, 2025. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. The Company had \$202,501,940 of short term debt outstanding as of September 30, 2023. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed and fluctuating rates. In order to obtain a favorable rate of interest, however, it is generally necessary to be able to commit to the financing within 24 hours from the time that funds become available. Therefore, this Application seeks approval of the financing within the ranges of maturities and interest specified herein without the need for a separate hearing on the final commitment.

In support of this Application, APCo respectfully submits the following:

1. 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
2. A true copy of APCo's Restated Articles of Incorporation was filed with your Honorable Authority in Docket No. U-6533.
3. APCo maintains its principal office in the State of Tennessee in the City of Kingsport, Sullivan County, Tennessee.

4. With the consent and approval of the Virginia State Corporation Commission and the further consent and approval of the Tennessee Public Utility Commission ("TPUC"), APCo proposes to issue and sell, from time to time through December 31, 2025, secured or unsecured promissory notes ("Notes") in the aggregate principal amount equal to, on the date or dates of issuance, up to \$1.8 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 APCo 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. APCo 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, APCo 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, APCo may permit the holder of the Notes to require APCo 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 APCo 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 APCo 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 APCo 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.

5. APCo may enter into, from time to time through December 31, 2025, 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 APCo 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 \$1.8 billion.

APCo proposes, with the consent and approval of this Commission, to extend the authority granted in Docket No. 21-00126 (Order dated January 9, 2022) to utilize interest rate management techniques and enter into Interest Rate Management Agreements through December 31, 2025.

Such authority will allow APCo 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. APCo 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 APCo, whether existing or anticipated. The aggregate notional amount of all Interest Rate Management Agreements shall not exceed 25% of APCo's existing debt obligations, including pollution control revenue bonds.

By way of illustration, if APCo has entered into Interest Rate Management Agreements whose aggregate notional amounts equal 25% of APCo's existing debt obligations, APCo 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 APCo 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). APCo 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*

APCo 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

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

If APCo utilizes Interest Rate Management Agreements, APCo'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 APCo 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 APCo 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 APCo, will be used to redeem directly or indirectly long-term debt, to repay short-term debt at or prior to maturity, to reimburse APCo's treasury for expenditures incurred in connection with its construction program and for other corporate purposes. In 2024 and 2025 Appalachian has the following debt maturing: \$300,000,000 principal amount variable rate term loan, due June 28, 2024; \$125,000,000 principal amount variable rate term loan, due May

26, 2025; and a \$300,000,000 principal amount senior unsecured note, due June 01, 2025.

APCo 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 APCo 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. APCo believes that the consummation of the transactions herein proposed will be in the best interests of APCo'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 September 30, 2023 are attached hereto as Exhibit B.

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


8. Submitted as Exhibit C is the Pre-Filed Testimony of Franz D. Messner,

WHEREFORE, APCo respectfully prays that an Order be entered (1) consenting to and approving the issuance, sale and delivery by APCo of secured or unsecured Notes or other unsecured promissory notes in the principal amount equal to, on the date of issuance, of up to \$1,800,000,000 pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation described herein and (2) granting to APCo such other, further or general relief as, in the judgment of TPUC, APCo may be entitled to have upon the facts hereinabove set forth.

APPALACHIAN POWER COMPANY

By:   
William E. Johnson  
Assistant Secretary

Dated: January 25, 2024

  
Joseph B. Harvey, Esq.  
Hunter, Smith & Davis LLP  
P.O. Box 3740  
Kingsport, Tennessee 37664  
(423) 378-8854  
jharvey@hdsdlaw.com  
Attorney for Petitioner

Before the  
TENNESSEE PUBLIC UTILITY COMMISSION

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In the Matter of the Application

of

APPALACHIAN POWER COMPANY

For Permission to Make Notes to Evidence  
Indebtedness Not to Exceed \$1,800,000,000

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Docket No. 24-

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

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:  
:

ss:

COUNTY OF FRANKLIN

Subscribed and sworn to me this 10<sup>th</sup> day of January, 2024.

  
Ryan Aguiar  
Notary Public

My Commission does not expire.



August 1, 2022

Company Order and Officers' Certificate  
4.50% Senior Notes, Series BB, due 2032

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 October 28, 2019, 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 BB, due 2032 (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 \$500,000,000 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 August 1, 2032;
  - (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 February 1 and August 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 January 15 or July 15, respectively;

provided that the first Interest Payment Date shall be February 1, 2023 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 May 1, 2032 (three months prior to the maturity date (the "Par Call Date")), the Company may redeem the Notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

- (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points less (b) interest accrued to the redemption date; and
- 100% of the principal amount of the Notes to be redeemed,

plus, in each case, accrued and unpaid interest thereon to, but excluding, the redemption date.

On or after the Par Call Date, the Company may redeem the Notes at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the redemption date.

For purposes of these redemption provisions, the following term has the following meaning.

"Treasury Rate" means, with respect to any redemption date, the yield determined by us in accordance with the following two paragraphs.

The Treasury Rate shall be determined by us after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities—Treasury constant maturities—Nominal" (or any successor caption or heading) ("H.15 TCM"). In determining the Treasury Rate, we shall select, as

applicable:

- the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the “Remaining Life”); or
- if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields—one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life—and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or
- if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this clause, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 TCM is no longer published, we shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date, but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, we shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date, or two or more United States Treasury securities meeting the criteria of the preceding sentence, we shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Company’s actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

The Trustee shall have no obligation or duty whatsoever to determine, or to verify our calculations of, the redemption price.

(vi) (a) the Notes shall be issued in the form of a Global Note; (b) the Depositary for the Global Note shall be The Depositary 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 BB, due 2032";

(viii) the form 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 \$500,000,000 aggregate principal amount of 4.50% Senior Notes, Series BB, due 2032 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 William E. Johnson, 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.

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
For the Three and Nine Months Ended September 30, 2023 and 2022  
(in millions)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>REVENUES</b>				
Electric Generation, Transmission and Distribution	\$ 896.0	\$ 818.4	\$ 2,573.0	\$ 2,370.4
Sales to AEP Affiliates	62.5	67.6	193.2	187.6
Other Revenues	3.3	2.9	9.8	11.8
<b>TOTAL REVENUES</b>	<u>961.8</u>	<u>888.9</u>	<u>2,776.0</u>	<u>2,569.8</u>
<b>EXPENSES</b>				
Purchased Electricity, Fuel and Other Consumables Used for Electric Generation	343.2	318.0	960.8	834.2
Other Operation	187.9	182.0	569.6	514.0
Maintenance	74.3	69.3	222.5	214.6
Asset Impairments and Other Related Charges - Coal Fired Generation	—	24.9	—	24.9
Establishment of 2017-2019 Virginia Triennial Review Regulatory Asset	—	(37.0)	—	(37.0)
Depreciation and Amortization	143.7	142.9	424.8	431.0
Taxes Other Than Income Taxes	43.5	41.5	126.5	121.0
<b>TOTAL EXPENSES</b>	<u>792.6</u>	<u>741.6</u>	<u>2,304.2</u>	<u>2,102.7</u>
<b>OPERATING INCOME</b>	169.2	147.3	471.8	467.1
<b>Other Income (Expense):</b>				
Interest Income	0.8	2.6	2.2	3.0
Allowance for Equity Funds Used During Construction	3.6	2.2	8.7	6.8
Non-Service Cost Components of Net Periodic Benefit Cost	8.1	7.3	24.4	21.8
Interest Expense	(68.5)	(61.7)	(200.7)	(171.1)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	113.2	97.7	306.4	327.6
Income Tax Expense	21.3	5.0	59.1	24.5
<b>NET INCOME</b>	<u>\$ 91.9</u>	<u>\$ 92.7</u>	<u>\$ 247.3</u>	<u>\$ 303.1</u>

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

*See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 114.*

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

September 30, 2023 and December 31, 2022

(in millions)

(Unaudited)

	September 30, 2023	December 31, 2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4.5	\$ 7.5
Restricted Cash for Securitized Funding	6.9	14.4
Advances to Affiliates	19.3	19.8
Accounts Receivable:		
Customers	142.9	168.9
Affiliated Companies	91.7	94.0
Accrued Unbilled Revenues	41.9	91.3
Miscellaneous	0.2	0.3
Allowance for Uncollectible Accounts	(1.7)	(1.7)
Total Accounts Receivable	275.0	352.8
Fuel	266.5	158.9
Materials and Supplies	137.5	130.6
Risk Management Assets	46.4	69.1
Regulatory Asset for Under-Recovered Fuel Costs	442.0	473.1
Prepayments and Other Current Assets	33.7	33.4
<b>TOTAL CURRENT ASSETS</b>	<b>1,231.8</b>	<b>1,259.6</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric:		
Generation	6,919.7	6,776.8
Transmission	4,588.4	4,482.8
Distribution	5,126.8	4,933.0
Other Property, Plant and Equipment	933.7	883.3
Construction Work in Progress	877.9	705.3
<b>Total Property, Plant and Equipment</b>	<b>18,446.5</b>	<b>17,781.2</b>
Accumulated Depreciation and Amortization	5,621.4	5,402.0
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT – NET</b>	<b>12,825.1</b>	<b>12,379.2</b>
<b>OTHER NONCURRENT ASSETS</b>		
Regulatory Assets	978.8	1,058.6
Securitized Assets	140.0	159.6
Employee Benefits and Pension Assets	166.5	152.9
Operating Lease Assets	64.9	73.6
Deferred Charges and Other Noncurrent Assets	102.6	138.7
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>1,452.8</b>	<b>1,583.4</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,509.7</b>	<b>\$ 15,222.2</b>

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 114.

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
September 30, 2023 and December 31, 2022  
(Unaudited)

	September 30, 2023	December 31, 2022
	(in millions)	
<b>CURRENT LIABILITIES</b>		
Advances from Affiliates	\$ 202.5	\$ 182.2
Accounts Payable:		
General	321.8	451.2
Affiliated Companies	116.6	142.7
Long-term Debt Due Within One Year – Nonaffiliated	538.8	251.8
Risk Management Liabilities	1.8	3.6
Customer Deposits	77.6	75.1
Accrued Taxes	82.4	101.0
Accrued Interest	85.5	57.9
Obligations Under Operating Leases	14.0	15.0
Other Current Liabilities	103.3	109.7
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,544.3</u>	<u>1,390.2</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term Debt – Nonaffiliated	5,048.5	5,158.7
Deferred Income Taxes	2,029.6	1,992.2
Regulatory Liabilities and Deferred Investment Tax Credits	1,100.5	1,143.6
Asset Retirement Obligations	423.3	419.2
Employee Benefits and Pension Obligations	34.1	34.2
Obligations Under Operating Leases	51.4	59.1
Deferred Credits and Other Noncurrent Liabilities	51.7	49.6
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>8,739.1</u>	<u>8,856.6</u>
<b>TOTAL LIABILITIES</b>	<u>10,283.4</u>	<u>10,246.8</u>
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	1,835.2	1,828.7
Retained Earnings	3,138.4	2,891.1
Accumulated Other Comprehensive Income (Loss)	(7.7)	(4.8)
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<u>5,226.3</u>	<u>4,975.4</u>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<u>\$ 15,509.7</u>	<u>\$ 15,222.2</u>

See Condensed Notes to Condensed Financial Statements of Registrants beginning on page 114.

**DIRECT TESTIMONY OF  
FRANZ D. MESSNER  
ON BEHALF OF APPALACHIAN POWER COMPANY  
BEFORE THE TENNESSEE REGULATORY AUTHORITY  
DOCKET NO. XX-XXXXXX**

1 **Q. PLEASE STATE YOUR NAME, POSITION AND ADDRESS.**

2 A. My name is Franz D. Messner. 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 Appalchian Power Company (APCo) or the Company.

9 **Q. TELL US BRIEFLY ABOUT YOUR BACKGROUND.**

10 A. I earned a Bachelor of Science in Systems Engineering from the United States Naval  
11 Academy in 1990. I earned a Master of Business Administration from the Fisher College  
12 of Business at the Ohio State University in 1999. Prior to joining AEP, I served for seven  
13 years as a U.S. Naval officer and completed both chief engineer and submarine officer  
14 qualifications.

15 In June 1999, I was hired by AEPSC as an associate in a finance associate development  
16 program. My primary roles have been in the areas of financial analysis, budgeting, and  
17 forecasting.

1 In July 2007, I was named Manager in Corporate Planning and Budgeting and  
2 subsequently promoted to Director in November 2009. In May 2016, I assumed my  
3 current position as Managing Director of Corporate Finance.

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

5 A. The purpose of my testimony is to support the proposed long-term debt financing  
6 application of the Company, which, if approved by the Commission, will allow the  
7 Company to issue unsecured long-term debt up to the aggregate principal amount of  
8 \$1,800,000,000 from time to time through December 31, 2025.

9 **Q. FOR WHAT PURPOSES WILL THE COMPANY BE ISSUING THESE**  
10 **SECURITIES?**

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

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

16 A. Appalachian Power proposes to issue and sell from time to time senior unsecured notes  
17 (the "Notes"). The Notes may be issued in the form of Senior Notes, Senior or  
18 Subordinated Debentures, First Mortgage Bonds, Bank Credit Revolver or Loans or other  
19 unsecured promissory notes.

20 The Notes will mature in not less than nine months and not more than 60 years. The  
21 interest rate of the Notes may be fixed or variable and will be sold (i) by competitive  
22 bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement  
23 with a commercial bank or other institutional investor. Any fixed rate Note will be sold

1 by Appalachian Power at a yield to maturity which shall be determined by financial  
2 market conditions at the time of pricing. The initial interest rate on any variable rate  
3 Note will be determined by financial market conditions at the time of pricing.

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

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

9 A. Notes will be issued pursuant to the existing Indenture in registered public offerings or  
10 pursuant to a purchase agreement in a private placement. A definitive notes purchase  
11 agreement would be entered between APCo and a bank or qualified investors. The terms  
12 of the Notes would include fixed or variable interest rates, term, financial covenants and  
13 any redemption provisions. The actual interest rate and maturity would be subject to  
14 negotiation between APCo and the underwriters or the lenders.

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

17 A. Pricing on the proposed long-term debt will be specific to the structure and type of  
18 security. Assuming a Senior Notes issuance, interest rates will be composed of a  
19 comparable benchmark yield in addition to the Company's applicable credit spread at the  
20 time of issuance. The applicable credit spread is a reflection of the Company's overall  
21 creditworthiness and credit rating. APCo's senior unsecured ratings are Baa1 (Moody's),  
22 A- (Standard and Poor's), and A- (Fitch). All three of these ratings are considered  
23 investment grade.

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

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

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

11 A. Yes.