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February 15, 2024

AMEP/Z.15914

Electronically Filed in TPUC Docket Room on February 15, 2024 at 1:45 p.m.

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

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

Dear Chairman Hilliard:

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

Order Granting Approval – Commonwealth of Virginia State Corporation Commission

The original and four (4) copies are being sent via Fed Ex delivery.

The Company respectfully requests that this matter be scheduled for consideration during the Commission's Conference on March 11, 2024. We appreciate your consideration in this regard.

Please do not hesitate to contact the writer with any questions.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

Joseph B. Harvey

Enclosures
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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 15, 2024

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APPLICATION OF

APPALACHIAN POWER COMPANY

CASE NO. PUR-2024-00008

For approval of authority to issue up to $1.8 billion in secured and unsecured notes under Chapter 3 of Title 56 of the Code of Virginia

ORDER GRANTING APPROVAL

On January 12, 2024, Appalachian Power Company ("APCo" or "Company") completed an application ("Application") with the State Corporation Commission ("Commission") under Chapter 3 of Title 56 of the Code of Virginia[1] ("Code") requesting authority to issue up to $1.8 billion in secured and unsecured notes ("Notes"). Additionally, APCo requests authority to utilize and enter into one or more interest rate hedging arrangements to protect against future interest rate movements ("Treasury Hedge Agreement"). Furthermore, APCo requests authority to use interest rate management techniques by entering into various Interest Rate Management Agreements ("IMRAs"). APCo paid the requisite fee of $250.

APCo proposes to issue and sell the Notes from time to time through December 31, 2025. 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. 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

[1] Code § 56-55 *et seq.*

underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. APCo estimates that the underwriting costs for the Notes will be approximately 1% of the principal amount, or roughly $18 million.[2] In addition, APCo estimates that other costs for the Notes will be approximately $4.1 million.[3] APCo states that proceeds from the sale of the Notes, together with any other funds that may become available to the Company, 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.

Additionally, APCo requests authority to enter into one or more Treasury Hedge Agreements 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. 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,[4] to use interest rate management techniques and enter into IRMAs through December 31, 2025. 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. The Company expects to enter into IRMAs with counterparties that are

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[2] *See* Exhibit A of the Financing Summary attached to the Application.

[3] *See* Exhibit 1 of the Financing Summary attached to the Application.

[4] *Application of Appalachian Power Company, For authority under Chapter 3 of Title 56 of the Code of Virginia*, Case No. PUR-2021-00271, 2021 S.C.C. Ann. Rept. 574-575, Order Granting Approval (Dec. 10, 2021).

highly rated financial institutions. The aggregate notional amount of all IMRAs will be limited to 25% of APCo's outstanding existing debt obligations, including pollution control revenue bonds.

NOW THE COMMISSION, upon consideration of this matter and having been advised by its Staff through Staff's Action Brief, 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 Application as described herein subject to the requirements set forth in the Appendix attached to this Order.

(2) This matter is continued for further orders of the Commission.

Commissioner James C. Dimitri participated in this matter.

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 $1.8 billion of Notes from time to time through December 31, 2025, 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, 2025, 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, 2025, for the purposes set forth in the Application, and to the extent the aggregate notional amount outstanding does not exceed 25% of APCo's total outstanding debt obligations.

4. APCo shall not enter any IRMAs or Treasury Hedge Agreement transactions involving counterparties having credit ratings less than investment grade.

5. The authority granted shall supersede and terminate any remaining authority granted by Commission Order dated December 10, 2021, in Case No. PUR-2021-00271.

6. The reporting requirements in Case No. PUR-2021-00271 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, the ending dates of the agreement;
    b. the notional amount and the underlying securities on which such agreement is based upon;
    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 cumulation notional amount of all outstanding IRMAs as a percentage of APCo's total outstanding debt.

9. APCo shall file a more detailed report of action within sixty (60) days after the end of each calendar year in which any security is issued pursuant to this case, with a final report due on or before March 1, 2026. Such annual report shall include a summary of the information from preliminary reports for all securities issued during the year 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. 24022018 6

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 should be submitted within thirty (30) days of such a decline in bond rating, and the report should 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.