

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

March 15, 2024

IN RE:

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

ORDER APPROVING FINANCING ARRANGEMENT

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones, Commissioner Robin Morrison, Commissioner Kenneth C. Hill¹ and Commissioner John Hie of the Tennessee Public Utility Commission (“TPUC” or “Commission”), the voting panel assigned to this docket, during a hearing held on March 11, 2024 via WebEx,² for consideration of the *Application of Appalachian Power for Permission to Make Notes to Evidence Indebtedness Not To Exceed \$1,800,000,000* filed by Appalachian Power Company (“Appalachian”) on January 25, 2024 seeking approval to issue up to \$1,800,000,000 of unsecured long-term indebtedness from time to time, until December 31, 2025.

THE APPLICATION

On January 25, 2024, Appalachian filed an application with the Commission requesting approval of its proposed financing programs through December 31, 2025.³ Appalachian provides power to

¹ Commissioner Kenneth C. Hill attempted to attend the videoconference but was unable to connect. As a result, Commissioner Hill was absent from the hearing.

² The matter was requested to be set by Appalachian Power Company due to pressing contractual deadlines. As the Commission’s regularly scheduled March 2024 Commission Conference was not convened, the Commission was unable to obtain physical quorum. Therefore, the hearing in this matter was convened electronically via WebEx with a quorum of the panel.

³ *Application*, p.1 (January 25, 2024).

Kingsport Power Company (“Kingsport”). Both Appalachian and Kingsport are wholly-owned subsidiaries of American Electric Power Company, Inc. (“AEP”), a publicly 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, 2025, secured or unsecured promissory notes (“Notes”) in an aggregate principal amount of up to \$1.8 billion.⁴ 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 into, from time to time through December 31, 2025, one or more interest rate hedging agreements, 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.⁵

Further, Appalachian also requests to continue its Interest Rate Management Agreement as approved in Docket No. 21-00126⁶ through December 31, 2025.⁷ The *Application* states that such authority would allow Appalachian sufficient alternatives and flexibility when striving to reduce its effective costs and manage interest cost on financial 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 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

⁴ *Id.* at 2.

⁵ *Id.* at 3.

⁶ *In re: Application of Kingsport Power d/b/a AEP Appalachian Power for Permission to Evidence Indebtedness not to Exceed \$1,200,000,000 through December 31, 2023*, Docket No. 21-00126, *Order Approving Financing Arrangement* (January 9, 2022).

⁷ *Application*, p.3 (January 25, 2024).

obligation, including pollution control revenue bonds. Proceeds from 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.⁸

Along with its *Application*, Appalachian filed Pre-Filed Direct Testimony of Corporate Financing Managing Director, Franz D. Messner.⁹ 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."¹⁰ 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").¹¹ The VSCC entered an order approving the financing program at issue in this docket on February 15, 2024, a copy of which was filed with the TPUC.¹²

STANDARD FOR COMMISSION APPROVAL

Commission approval is required for these financing programs pursuant to Tenn. Code Ann. § 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.¹³

⁸ *Id.* at 4-6; *see also* Exh. C, Franz D. Messner, Pre-Filed Direct Testimony, p.2.

⁹ *Id.* at Exh. C.

¹⁰ *Id.* at 2-4.

¹¹ See Va. Code Ann. § 56-55 (West 2019).

¹² *Order Granting Approval of the Financing Plan of Appalachian Power Company through December 31, 2025, Issued By the Virginia State Corporation Commission* (February 15, 2024); *see also*, *Application of Appalachian Power Company, For Authority under Chapter 3 of Title 56 of the Code of Virginia*, VSCC Case No. PUR-2024-00008.

¹³ Tenn. Code Ann. § 65-4-109 (2022).

HEARING ON THE MERITS

A hearing was held before the panel assigned to this docket, as noticed by the Commission on March 1, 2024. Participating in the hearing were:

Appalachian Power Company – Joseph B. Harvey, 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

During the hearing, Mr. Messner ratified and summarized his Pre-Filed Testimony and was subject to questioning by the panel. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so. No person sought to intervene in this matter.

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.

Based on the administrative record and testimony offered during the hearing, the voting members of the panel unanimously approved 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:

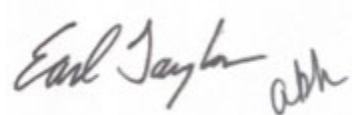
1. The *Application* filed by Appalachian Power Company on January 25, 2024 is approved.
2. Appalachian Power Company is authorized to enter into the proposed financing programs as described in the *Application* and discussed herein.
3. The authorization and approval of these financing programs given 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 Herbert H. Hilliard,
Vice Chairman David F. Jones,
Commissioner Robin Morrison, and
Commissioner John Hie concurring.**

None dissenting.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor" followed by a stylized monogram or initials "abh".

Earl Taylor, Executive Director