

Office of the Attorney General



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Electronically Filed in TPUC Docket
Room on October 14, 2025 at 1:49 p.m.

Chairman David F. Jones
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deadrick Street, 4th Floor
Nashville, TN 37243
Tpuc.docketroom@tn.gov

Re: *Application Of Appalachian Power Company For Permission To Make
Notes To Evidence Indebtedness Not To Exceed \$1,650,000,000* (TPUC
Docket No. 25-00080)

Dear Chairman Jones:

The Consumer Advocate has reviewed the financing Application filed by Appalachian Power Company (“APCo”) in the above-referenced Docket.

The Consumer Advocate does not intend to intervene in this Docket, but we do have comments regarding the filing that we would like to bring to the attention of the Commission.

OTHER CORPORATE PURPOSES

First, we note that although APCo initially states that the “purposes” of the Petition are to refinance indebtedness, it later expands these “purposes” to include “other corporate purposes.”

Thus, on page one of the *Application*, APCo states as follows:

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 \$1,650,000,000 of its unsecured long-term indebtedness from time to time through December 31, 2027. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. The Company had \$172,877,315 of short-term debt outstanding as of June 30, 2025. 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.¹

Later in the *Application*, however, APCo states that “purposes” of the financing include “other corporate purposes:”

D.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.² (emphasis added).

“Other corporate purposes,” however, is not specific and, therefore, cannot realistically be considered in a review for the approval of the use of the funds at issue in the *Application*.

NOTES AS SHORT AS NINE MONTHS

In paragraph 5 of the *Application*, APCo states that “[t]he notes will be mature in not less than nine months and not more than 60 years.”³ It is the Consumer Advocate’s understanding that amounts less than one year have different financing options (they are often lines of credit) and are for different purposes (such as operating costs, unexpected expenses, and managing cash flow) and are treated differently than long-term loans from financing and accounting perspectives. Absent specific detail differentiation the characteristics, loans of less than one year should not be included with approval terms and conditions as those for a longer period.

Furthermore, Tenn. Code Ann. § 65-4-109, the statute governing approval of financing transactions applies to indebtedness of more than one year, states:

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.

¹ *Application* at 1.

² *Id.* at 5, ¶ D.4.

³ *Id.* at 2, ¶ 4.

TRANSACTION FEES

The *Application* requests blanket approvals for transactions up to the proposed duration of 40 and 60 years and does not modify the fees by duration. Furthermore, transaction fees up to 2.5% or amounts that are consistent with fees and commissions paid by similar companies may result in excessive costs absent other limiting parameters.

24 HOUR COMMITMENT

In the Preamble to the *Application* at page 1, APCo states that “it is generally necessary to be able to commit to the financing within 24 hours from the time the funds become available.” It is the Consumer Advocate’s understanding that although the specific rate might float and be available for a short period, an entire package on the source and use of the funds is not put together in such a short time. Under a float, there is usually an identified range under which per-existing approval may exist. Thus, such a quick requirement is usually an indication that the contract needs a more detailed review.

HEDGING

Paragraph 5 of the *Application* provides that APCo may enter into interest rate hedging arrangements. Hedging arrangements are intended to reduce risk. A hedge requires a counterparty willing to accept the transfer of risk. A financial hedge comes at a cost. APCo has not provided any documentation demonstrating a net benefit from its hedging activities. Absent such a demonstration, hedging costs should be excluded from financing costs

Thank you for your attention to these matters. If you have any questions, please contact me at (615) 741-8733.

Respectfully,



Vance L. Broemel
Senior Assistant Attorney General

cc: All Parties of Record