

STATE OF TENNESSEE

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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

Electronically Filed in TPUC Docket
Room on October 14, 2025 at 1:52 p.m.

Re: *Application Of Kingsport Power Company d/b/a AEP Appalachian Power for
Permission to Make Notes to Evidence Indebtedness Not to Exceed
\$60,000,000 (TPUC Docket No. 25-00083)*

Dear Chairman Jones:

The Consumer Advocate has reviewed the financing *Application* filed by Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport") 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 Kingsport initially states that the "purposes" of the *Application* are to refinance indebtedness, it later expands these "purposes" to include "other corporate purposes:"

Kingsport seeks approval from this Commission to issue up to \$60,000,000 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. Short-term indebtedness of the Company was \$2,633,908 at 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 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, Kingsport states that “purposes” of the financing include “other corporate purposes:”

6. Kingsport proposed to apply all of the proceeds of the financing for general corporate purposes relating to Kingsport’s utility business. These purposes include redeeming or repurchasing outstanding short or long-term debt, funding its construction program and replenishing working capital. Kingsport’s long and short term debt totals \$107,633,908 as of June 30, 2025.²

“General 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 4 of the *Application*, Kingsport states that “[t]he Proposed Agreement and such Notes thereunder would be for a term of not less than nine months nor more than forty years from the date of borrowing.”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.

TRANSACTION FEES

Furthermore, transaction fees up to 1.0% 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, Kingsport 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

¹ *Application* at 1.

² *Id.* at 3, ¶ 6.

³ *Id.* at 3, ¶ 4 (final part of last paragraph).

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.

INTEREST RATE CAP AND POSSIBLE EXCESSIVE RATES

The *Application* at page 2, ¶ 4 provides that “[t]he actual rate of interest which each note shall bear, and the maturity thereof, shall be subject to further negotiation between Kingsport and the Lender.”⁴ Further, “[a]ny fixed rate of interest of the Notes will not, at the time of the issuance of the Notes, be greater than 400 basis points above the yield to maturity of the United States Treasury obligations that mature on or about the date of maturity of the Notes.”⁵

The Consumer Advocate is concerned that this 400-basis point limit may lead to excessive rates. The current spread for corporate bonus is approximately 200 basis points, so 400 basis points would provide little protection.

AFFILIATE TRANSACTIONS

The *Application* at pages 1-2, ¶ 3 allows for affiliate transactions, specifically transactions between Kingsport and its parent:

In addition, Kingsport proposed to issue one or more unsecured promissory notes (“AEP Notes”) to its parent, American Electric Power, Inc. (“AEP”), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$60,000,000.⁶

Such affiliate transactions need to be reviewed for reasonable fees and rates and compared to alternatives.

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

⁴ *Application* at 2, ¶ 4.

⁵ *Id.*

⁶ *Id.* at 1-2.