

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

August 30 , 1996

IN RE: APPLICATION OF APPALACHIAN POWER COMPANY FOR PERMISSION TO
ISSUE AND SELL FIRST MORTGAGE BONDS, UNSECURED PROMISSORY
NOTES OR SECURED SENIOR NOTES

Docket No. 96-01247

ORDER

This matter is before the Tennessee Regulatory Authority (the "Authority") upon the application of Appalachian Power Company (the "Company") for permission to issue and sell, at competitive bidding or negotiated sale, from time to time through December 31, 1996, up to \$360,000,000 aggregate principal amount of its First Mortgage Bonds, unsecured promissory notes in the form of either senior or subordinated debentures or other promissory notes, or secured promissory notes secured by the Company's First Mortgage Bonds (collectively the "Notes"), in one or more new series, all as more particularly set forth in said application.

In Docket No. 95-03239, the Tennessee Public Service Commission (the "Commission") issued an Order, dated September 25, 1995 in which the Commission authorized Appalachian to issue and sell, from time to time through December 31, 1996, up to \$360,000,000 aggregate principal amount of First Mortgage Bonds, in one or more new series (the "New Bonds"), or in the alternative, the Notes. Pursuant to this Order, Appalachian may continue issuing such securities through

the end of 1996. The Company has issued approximately \$200,000,000 of the New Bonds.

The Commission's Order dated September 25, 1995 authorized the Company to utilize any proceeds realized from the sale of the New Bonds and/or Notes, together with any other funds which may become available to Appalachian, to refund directly or indirectly long-term debt, to repay short-term debt at or prior to maturity, to reimburse Appalachian's treasury for expenditures incurred in connection with its construction program, and for other corporate purposes.

This matter was considered at the Authority Conference on August 28, 1996.

Appalachian sells no electricity to Tennessee ratepayers, but owns property in this state and provides wholesale power to Kingsport Power Company, a sister corporation. Appalachian is a distributor of electric power in Virginia and has filed a similar petition before that state's regulatory commission and has received approval from same.

The Authority Staff has submitted a memorandum recommending approval of the matters set forth in the above-referenced application.

IT IS THEREFORE ORDERED:

1. The Authority hereby adopts the record of the Commission in Docket No. 95-03239, including the application contained therein ("First Application").

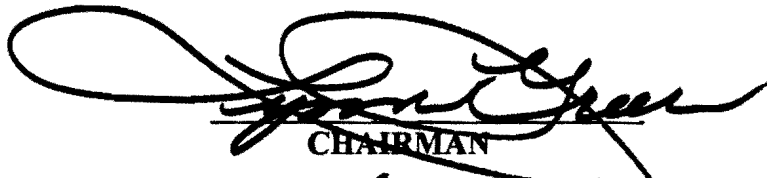
2. The Company is hereby authorized to sell and deliver up to \$360,000,000 aggregate principal amount of New Bonds, to be secured by its Mortgage and Deed of Trust, dated as of December 1, 1940, as amended and supplemented and as to be further amended and supplemented by one or more new Supplemental Indentures in substantially the forms filed as exhibits to the original application and in the alternative, to issue and sell up to \$360,000,000 principal amount of its unsecured promissory notes in the form of either senior or subordinated debentures or other promissory notes pursuant to an Indenture and Supplemental Indenture in substantially the form filed as an exhibit to the First Application or similar documentation in each case, less the \$200,000,000 in indebtedness already issued pursuant to the Commission's order.

3. The Company is authorized to issue in the alternative to the New Bonds and promissory notes, up to \$360,000,000 principal amount of its (i) secured notes and (ii) First Mortgage Bonds for the purpose of securing such secured notes, pursuant to an Indenture and Supplemental Indenture in substantially the forms filed as Exhibits to the First Application or similar documentation, less the \$200,000,000 in indebtedness already issued pursuant to the Commission's order.


4. The Company is hereby authorized to utilize proceeds of such New Bonds and/or Notes for the purposes stated in the First Application, as well as for the redemption of preferred stock.

5. That any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Tennessee Regulatory Authority within ten (10) days from and after the date of this order;

6. That any party aggrieved by the Authority's decision in this matter has a right of judicial review by filing a Petition for Review with the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.


CHAIRMAN

ATTEST:


Executive Secretary


DIRECTOR


DIRECTOR