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PLEASE RESPOND TO:  
KINGSPORT OFFICE

August 20, 2012

VIA FEDEX

ATTN: Sharla Dillon, Dockets & Records Manager  
Kenneth C. Hill, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Petition of Kingsport Power Company d/b/a  
AEP Appalachian Power; **Docket No. 12-00051**

Dear Chairman Hill:

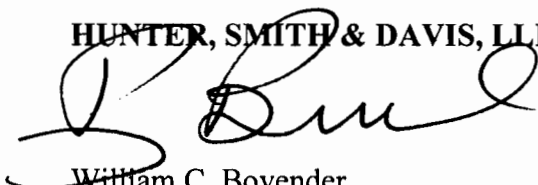
Enclosed with this letter is Kingsport Power Company's Responses to the Staff's Data Request No. 2, posed in Mr. Foster's letter to me dated August 7, 2012. We are enclosing the original and thirteen copies. The disk referenced in the Responses is also included in this package.

Per our conversation with Mr. Foster of this date, please note that he has agreed to allow us to file the original and 13 copies on Tuesday, August 21, 2012, instead of the original deadline of August 20, 2012, at 2:00 p.m.

If you have any questions, please do not hesitate to contact the writer.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender  
Counsel for Kingsport Power Company

Kenneth C. Hill, Chairman

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August 20, 2012

Enclosures

c: Jean Stone, General Counsel (w/out enc.)  
Cynthia Kinser, Consumer Advocate Division (w/out enc.)  
David Foster (w/out enc.)  
Ed Petrini, Esq. (w/out enc.)  
James R. Bacha, Esq. (w/out enc.)  
Hector Garcia, Esq. (w/out enc.)  
Cynthia L. Frazier-Keller (w/out enc.)

**TENNESSEE REGULATORY AUTHORITY  
PETITION OF KINGSPORT POWER COMPANY  
DOCKET NO. 12-00051  
Data Requests and Requests for the Production  
of Documents by the TRA Staff of the  
Tennessee Regulatory Authority (Second Set)  
To Kingsport Power Company**

Data Request Staff 2-001:

Provide copies of all invoices for "Outside Services" including a lead sheet listing each invoice, invoice amount and the total of all the invoices.

Response Staff 2-001:

See Staff 2-1, Attachments 1 through 3 on the attached CD, for the requested information. Attachment 1 contains a list of all the "Outside Services" expenses with the page reference to Attachment 3 or a reference to Attachment 2 if there was an allocation of the invoice amount to different accounts. Attachment 2 shows invoices that were allocated to different accounts and the page reference to Attachment 3, which is a file containing a copy of all of the invoices that pertain to "Outside Services".

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The foregoing response is made by William A. Bosta, Director Regulatory Services, on behalf of Appalachian Power Company, Inc.

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**TENNESSEE REGULATORY AUTHORITY  
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**Data Requests and Requests for the Production  
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Data Request Staff 2-002:

Provide the total amount of all costs (labor, benefits, fringes, etc.) associated with overtime for exempt employees.

Response Staff 2-002:

See the table below for a summary of costs associated with overtime for exempt employees:

Summary of Apportionment - overtime for exempt employees		
Cost Component	CC Desc	Amount
13E	Exempt OT Labor	7,906.11
121	Labor Fringes (Overtime)	564.38
413/738	Fleet Clearing/Shared Services	893.33
510/520	Busin Exp Deduct Gen	876.38
766	Departmental Overheads	80.31
935	Cell phone and Pager Expense	(17.40)
		<u>10,303.11</u>

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Data Request Staff 2-003:

Explain "overtime for exempt employees" referencing the Fair Labor Standards Act. Also, provide any contracts, guidelines, policies and procedures addressing "overtime for exempt employees".

Response Staff 2-003:

See Staff 2-3, Attachment 1, for a description of AEP Utilities' Exempt Overtime Plan, which explains overtime for exempt employees, including during major service restoration, referencing the Fair Labor Standards Act.

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## EXEMPT OVERTIME PLAN – AEP UTILITIES

Under the Wage Hour section of the Fair Labor Standards Act, employees in Executive (includes supervisors), Administrative, Professional and Sales positions are classified as exempt from the overtime provisions of the Act. The salaries of exempt employees are based on compensating for performance of a job rather than performance on a time basis. In general, it is expected that an exempt employee will work overtime, without additional compensation, whenever necessary to accomplish an assignment.

### **I. *Eligibility***

This Plan applies to exempt employees in salary grades 16 and below that are in positions directly and routinely involved in arranging for, delivering or maintaining customer service. Excluded from coverage are positions in AEP Utilities that are not directly and routinely involved in arranging for, delivering or maintaining customer service including employees in Business Operations Support, Communications, External Affairs, Regulatory Services, and Utility Business Services. Also excluded from coverage under the Plan are support personnel in Distribution & Customer Operations, Transmission and the operating companies.

### **II. *Definition of Overtime***

For the purposes of this Plan, overtime is classified as either “Casual” or “Compensatory.” Only compensatory overtime will be considered for extra compensation. Following are some general definitions of the two types of overtime, together with examples, which are to be used as a guide in classifying overtime worked by exempt employees covered under this Plan:

#### **A. *Casual Overtime***

Casual Overtime is considered inherent in each covered exempt position under this Plan and compensation for such time is included in the normal salary. Therefore, any hours of casual overtime will not be considered for any extra compensation under this Plan.

Casual Overtime generally consists of overtime which may be either voluntary or suggested by management. For example:

1. Reporting to work early, working during lunch period, remaining after quitting time, etc.
2. Use of office for personal convenience.
3. Travel time.
4. Attending meetings or conferences.
5. Time spent on the job or elsewhere for observation or training purposes.
6. Time spent by shift employees who report early or stay late at the completion of a regular shift for exchange of information.
7. Self-improvement activities, such as reading, participating in outside courses, attendance at work-related lectures and meetings, and activities intended to

## **EXEMPT OVERTIME PLAN – AEP UTILITIES**

broaden knowledge of Company operations.

8. Stand-by weekend or holiday duty when the employee is not required to report to his/her work location.
9. Casual tours and inspection of properties or work supervised.
10. Supervisory dinner meetings and other meetings of this type held outside of the employee's regular working hours.

### **B. Compensatory Overtime**

Compensatory overtime represents the hours worked in excess of the regular schedule of hours required of exempt employees in the performance of their job and consists of (1) planned, (2) call-out, and (3) holdover overtime.

#### **1. Planned Overtime**

Planned overtime represents hours in excess of a "threshold" level which have been approved and scheduled in advance. The threshold level for exempt, non-first line supervisors is 45 hours per week and 40 hours per week for exempt, first line supervisors of hourly and technical employees. Scheduled in advance shall mean any work which is planned, formally approved, and scheduled before the quitting time of the work day previous to the day in which the overtime work is to be performed. Following are some situations that may require planned overtime. Examples include:

- a) Evening and weekend scheduling of equipment and facilities for construction and maintenance.
- b) Unusual peaks of work loads.
- c) Meeting deadlines where the scheduling of overtime is deemed the best way to meet such deadlines.
- d) Equipment start-ups.
- e) Equipment testing which requires continuity for valid reasons, or when the equipment is available only during off-schedule or unusual work hours.
- f) Work required for service changes affecting customers' equipment or operations which require interruption of service and where the interruption is possible only during customers' shutdown period.

#### **2. Call-Out Overtime**

Emergency or other unanticipated situations which arise and necessitate the calling of employees to report to work outside of their regular work schedule. Call-out overtime is compensated from the first hour.

#### **3. Holdover Overtime**

Holding employees more than one hour beyond their regularly scheduled quitting time to meet emergency situations or to complete the job in the most economical manner. Holdover overtime is compensated after the first hour.

## EXEMPT OVERTIME PLAN – AEP UTILITIES

### C. Form of Payment

1. Except as provided in Section D2 below, compensatory overtime will be paid at a straight-time hourly rate, and will be included in the employee's regular paycheck.
2. Compensatory time off may be offered at management discretion as an alternative to overtime pay, on an hour-for-hour basis; that is, one hour compensatory time off for each hour of approved overtime. Compensatory time off must be taken before the end of the following month.

### D. Major Service Restoration (MSR) Overtime

1. When service restoration efforts last for more than 24 hours and help is required from outside the District in which a major outage has occurred, exempt overtime eligibility will be expanded for those directly involved in storm restoration work as follows:
  - a) Exempt salary grades 18-20  

All hours in excess of 45 per work week.
  - b) Exempt salary grades 1-17  

As per the foregoing provisions of this Plan, except that eligibility is extended to all Utilities Group employees directly involved in service restoration efforts.
  - c) Employees working on a recognized holiday in direct support of major service restoration efforts shall receive 8 hours pay in addition to that which they may receive by application of this Section D.
2. Pay for off system (non-AEP) MSR exempt overtime pursuant to this section D, shall be at one and one-half times an employee's straight-time rate for all exempt employees in salary grades 1-20 from the first hour.

### E. Policy Exceptions

Unusual circumstances, such as extreme emergencies, strikes, or unique customer driven requirements, may require overtime work by exempt positions not specifically covered by this Plan or work for which management may elect to modify certain provisions of this Plan. In such cases, the appropriate business unit head may grant approval to pay overtime to the affected employees on a straight-time basis.



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Data Request Staff 2-004:

What charges have associated "Overheads" as shown in response to Data Request 1-4 under the heading "CC Descr"? Provide a detailed explanation of these "overheads" and the costs to which they are applied.

Response Staff 2-004:

The "Overheads" cost component (CC) 620 as shown in response to Staff 1-4, Attachment 1, under the heading "CC Descr" represent administrative fees. The inter-company billing process applies overhead loadings for the performance by one business unit for the benefit of another business unit to transactions with cost components 11E (Exempt Labor), 11N (Non Exempt Labor), 11S (Non Exempt Salaried), U3E (Exempt Uncompensated Overtime), and 190 (Payroll Transactions Other).

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Data Request Staff 2-005:

Are overheads applied to company employees, contract employees or both?

Response Staff 2-005:

Overheads are applied to both company employees' and contract employees' labor. See below for a listing of overheads applied to company labor and contract labor:

Charges for overtime labor (cc 13E-exempt OT labor, 13N-non exempt OT labor, and 13S-non exempt OT salaried labor) are subject to overhead cc 121, 413, 738, 766 and 935. See the explanation in table below.

CC	CC Desc	Overheads
121	Labor Fringes (Overtime)	Employer FICA and Savings (401k) match loaded via derived rates.
413	Fleet Clearing	Monthly clearing of residual fleet costs
738	SS Fleet Prod/Svcs	Monthly Fleet Allocation of departmental costs - assigned vehicles and related expenditures.
766	Departmental Overheads AEPSC	Administrative and General Costs
935	Cell phone and Pager Expense	Monthly allocation of assigned departmental cell phone and device charges

Charges for Contract labor (cc 210) are subject to overhead cc 220. See the explanation in table below.

CC	CC Desc	Overheads
220	Supply Chain Clearing	Contract Administrative costs are accumulated in account 1630125.

See also the Company's response to Staff 02-004.

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Data Request Staff 2-006:

Describe any changes that have been made to the Company's Vegetation Management Program in light of these storm damages.

Response Staff 2-006:

The damage to Kingsport's system was caused primarily by snow accumulating on trees outside of our rights of way, causing limbs or entire trees to fall on the Company's facilities. In most cases, the trees causing the damage were healthy and were not trees that would be subject to the Company's Vegetation Management Program. As a result, no change has been made to Kingsport's Vegetation Management Program.