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November 3, 2015

Sharla Dillon, Dockets & Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

**Re: Petition of Kingsport Power Company d/b/a AEP Appalachian
Power General Rate Case; Docket No.: 15-00093**

Dear Sharla:

We submit herewith non-confidential Responses to Staff Data Requests Nos. 1-021, 1-022, 1-026, 1-028, 1-030, 1-031, 1-032, 1-033, 1-034, 1-042, 1-043, 1-046, 1-047, 1-048, 1-049, 1-050, 1-051, 1-052, 1-053, 1-055, 1-056, 1-057, 1-058, 1-059, 1-060, 1-061, 1-063, 1-064, 1-065, 1-066, 1-071, 1-073 and 1-074, on the enclosed disks.

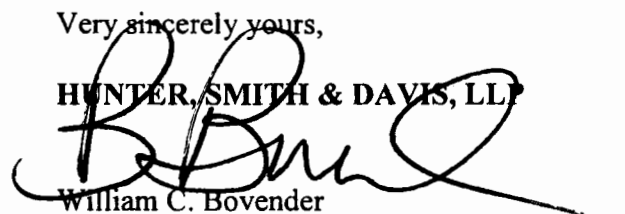
Previously, on October 26, 2015, we submitted non-confidential Responses to Staff Data Requests Nos. 1-001, 1-002, 1-003, 1-004, 1-005, 1-006, 1-007, 1-008, 1-009, 1-010, 1-011, 1-012, 1-013, 1-014, 1-015, 1-017, 1-018, 1-019, 1-020, 1-023, 1-024, 1-036, 1-038, 1-039, 1-041, 1-045, 1-054 and 1-075, all were provided on disks.

Pursuant to Staff requests, we shall in due course provide hard copies of all of said Responses to the TRA only.

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

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

Enclosures

c: Kelly Grams, Hearing Officer (*letter & disc*)
David Foster (*letter & disc w/hard copy to follow*)
Wayne M. Irvin, Esq. (*letter & disc*)
Michael J. Quinan, Esq. (*letter & disc*)
Henry Walker, Esq. (*letter only*)
Charles B. Welch, Jr., Esq. (*letter only*)
James R. Bacha, Esq.
William Castle
Larry Foust
Brian West
John Shepelwich
Isaac Webb
Jennifer Sebastian

**TENNESSEE REGULATORY AUTHORITY
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Data Request Staff 1-021:

If the COMPANY, its Parent, Multi-State Utility, or Affiliated Utility Service Company, seeks to recover in its rates to the Tennessee ratepayers any separation payments made under any of the contracts, state the amount of any separation payments since the last rate filing in Tennessee.

Response Staff 1-021:

The Company interprets "separation payments" to mean severance payments. With this understanding, severance costs billed to Kingsport from the AEPSC in the 2014 test year and included as an expense in the distribution cost of service was \$8,465. There were no severance costs incurred in 2014 for Kingsport's employees.

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Data Request Staff 1-022:

Provide a detailed Trial Balance for the last two (2) fiscal years for the Company, its Parent, Multi-State Utility, and Affiliated Utility Service Company, by month, by account, including adjusting entries and post-closing balances.

Response Staff 1-022:

The available monthly pre-close Trial Balance reports for Kingsport Power Company are included on the enclosed CD as Staff Informal 1-22 Attachments 1 through 24. Attachments 1 through 12 are for 2013 with Attachments 13 through 24 for 2014.

Trial Balance reports for American Electric Power Company (AEP), Inc. and American Electric Power Service Corporation (AEPSC) are not available. However, refer to the Company's response to Staff 1-20 for the General Ledgers for AEP, Inc., Kingsport Power and AEPSC that show account activity including adjusting entries and post-closing balances.

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Data Request Staff 1-026:

Provide a list of outside professional services provided to the Company for the past two (2) years, showing the nature of each service and the total charge for each service

Response Staff 1-026:

A list of outside services is included on the enclosed CD as Staff Informal 1-26 Attachment 1.

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Data Request Staff 1-028:

Provide the number of the Company's customers by rate classification and by month for the last three (3) fiscal years. Provide a summary schedule showing the number of days in each billing cycle for each month for the latest 18 months. Provide computer files for this information.

Response Staff 1-028:

Please see TRA Staff Informal 1-28, Attachment 1 on the attached CD for the number of the Company's customers by rate/tariff classification, by month for 2012-2015.

Please see TRA Staff Informal 1-28, Attachment 2 on the attached CD for a summary schedule showing the billing cycles for each month for 2014 and 2015.

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Data Request Staff 1-030:

Provide the number of the Company's billing cycles per month and the identity of any specific groups of customers billed on a particular cycle.

Response Staff 1-030:

Please refer in response to TRA Staff Informal Data Request No. 1-28 for the Company's billing cycles per month.

The meter readings by cycle are broken down geographically and not by any specific groups of customers. The only exceptions are cycle 30-33. Those are for contractual customers for month end.

Cycle 30 - last working day of the month

Cycle 31 - last calendar day of the month

Cycle 32 - first calendar day of the month

Cycle 33 - first working day of the month

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Data Request Staff 1-031:

Provide a copy of all weather normalization workpapers used in projecting attrition period revenues. Provide weather normalized (if applicable) sales volumes in kilowatt-hours, by class of customer and supporting documentation for the test period. Provide computer files for this information.

Response Staff 1-031:

Weather normalization work papers were provided in response to TRA Staff Informal Data Request No. 1-024 in the file titled "Staff Informal 1-24 - DRB & TAC - Attachment 1 - KgPCo Weather Impacts & Billing Determinants.xls.

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Data Request Staff 1-032:

Provide a copy of any usage and growth trends and any adjustments used to project revenues.

Response Staff 1-032:

Refer to TRA Staff Informal Data Request No. 1-24, detailed work papers excel file titled "Staff Informal 1-24 TAC - Attachment 1 - KgPCo Tariff Ratio File.xlsx" for the requested information.

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Data Request Staff 1-033:

Provide a breakdown by source of all revenues shown as “Other Operating Revenues” for the test period and attrition period. Include the units and rates for each source.

Response Staff 1-033:

Refer to page 1 of Exhibit No. 1 of witness Allen's testimony for a breakdown of the test period other operating revenues totaling \$5,861,589 by sub-account. Refer also to page 5 of Exhibit No. 2-a of witness Buck's testimony for a breakdown of the rate year other operating revenues totaling \$1,805,660 included in the cost of service after adjustments and assignments.

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Data Request Staff 1-034:

Explain any large variances in Other Revenues between the test period and the attrition period.

Response Staff 1-034:

See the Company's response to Staff 1-33. Also, see the workpapers provided in the Company's response to Staff 1-24 for adjustments OR-6 and OR-7, which impacted other operating revenues.

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Data Request Staff 1-042:

Provide a liability and property insurance schedule for the test period, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries and the allocation used. Also, provide the same information for those policies currently in effect and any anticipated changes in policies through the attrition period. Where applicable, provide the name of the insurance company with a contact person and telephone number.

Response Staff 1-042:

Please see TRA Informal 1-42 Attachment 1 for all property and liability insurance policies and related information in place during the Test Period (2014 calendar year), Current year (2015 Calendar Year) and Attrition period (2016 Calendar year).

Please see TRA Staff Informal 1-42 Attachment 2 for an executive summary of the allocation methods.

The beneficiary for all insurance policies is as declared as the named insured on the policies:

American Electric Power Company, Inc., Indiana Michigan Power Company, American Electric Power Service Corporation for itself and as agent for any corporations, subsidiaries, firms or individuals now in being or hereafter acquired, organized or controlled (hereinafter referred to as the Insured). Corporations, associations or other entities acquired after the effective date of this policy are automatically included hereunder.

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Data Request Staff 1-043:

Provide the latest actuarial studies for pension expense and liabilities (FAS 87) and post employment benefits other than pensions (FAS 106).

Response Staff 1-043:

Supporting calculations, including pages from the actuarial study reports from Towers Watson related to Kingsport are included on the enclosed CD as Staff Informal 1-24 AWA Attachment 6 for pension expense, and Staff Informal 1-24 AWA Attachment 5 for other post employment benefits other than pensions.

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Data Request Staff 1-046:

Provide a copy of the Company's Cost Allocation Study and support for any proposed changes in rate design.

Response Staff 1-046:

KgPCo's cost allocation studies are contained in the testimony and exhibits of Company Witness Buck. KgPCo's rate design work papers were provided in response to TRA Staff Informal Data Request 1-024 in the file titled "Staff Informal 1-24 - TAC - Attachment 3 - KgPCo Rate Design.xlsx".

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Data Request Staff 1-047:

Provide the amount of direct and allocated charges to the Company from its Parent, Multi-State Utility, or Affiliated Utility Service Company, by account, for each month of the test period and the projected amount for each month of the attrition period.

Response Staff 1-047:

Please see Staff 1-47 Attachment 1 on the enclosed CD for the 2014 AEPSC billings to Kingsport Power Company by FERC account, month, and direct or allocated. Please refer to the testimony of witness Allen for the adjustments made for the rate year level.

There were no direct or allocated charges from American Electric Power Company, Inc. to Kingsport Power Company in 2014 nor projected for the rate year.

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Data Request Staff 1-048:

Provide the amount of each lobbying expense, charitable contribution, social club membership and athletic event paid by its Parent, Multi-State Utility, or Affiliated Utility Service Company and allocated to the Company for each month of the test period and included in costs to be recovered in regulated rates. Provide the same information and breakdown for any amounts paid directly by the Company and included in costs to be recovered in regulated rates. Identify the accounts charged for each amount.

Response Staff 1-048:

A list of each charitable contribution paid by American Electric Power Company, Inc., Kingsport Power, or American Electric Power Service Corporation and allocated to Kingsport Power in account 426.1, is included on the enclosed CD as Staff Informal 1-48 Attachment 1. There were no lobbying expenses, social club memberships and athletic events included in cost of service.

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Data Request Staff 1-049:

Provide a detailed itemization of the rate case costs by law firm and rate case consultant.

Response Staff 1-049:

The estimated rate case costs by law firm and rate case consultant are as follows:

Outside law firm: \$59,581.50

Rate case consultant: \$16,000.00

This information can be found in the workpaper provided in response to Staff Informal Request 1-24 by witness Allen for Income Statement Adjustment OM-10.

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Data Request Staff 1-051:

Provide the following Federal Income Tax data for the Tennessee Operations for the test year and the attrition year:

- a. The calculation of the Company's federal income tax expense. The calculated amount should reconcile to the amount reported on the Tennessee TRA 3.05 surveillance reports
- b. A detailed calculation of the permanent book and tax differences
- c. A detailed calculation of the temporary book and tax differences
- d. Operating federal income taxes deferred – accelerated depreciation
- e. Federal income taxes – operating
- f. Income credits resulting from prior deferrals of federal income taxes

Response Staff 1-051:

- a. See Staff Informal 1-51 Attachment 1 on the enclosed CD.
- b. Almost all of the Permanent and Temporary Book / Tax Difference Schedule M information is extracted from the Kingsport Functional General Ledgers or supporting systems on a monthly basis and automatically entered into the Tax Provision System for purposes of calculating the state and federal income tax expenses. The information contained in the attached excel spreadsheet was pulled from the Tax Provision System.
- c. See response to b. above.
- d. See Staff Informal 1-51 Attachment 1 on the enclosed CD.
- e. See Staff Informal 1-51 Attachment 1 on the enclosed CD.
- f. See Staff Informal 1-51 Attachment 1 on the enclosed CD.

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Data Request Staff 1-052:

Provide a reconciliation of book to taxable income and a calculation of the federal income tax expense on a total Company and Tennessee only basis for the test period and for the attrition period.

Response Staff 1-052:

See the excel spreadsheet provided in the Response to Question No. 1-051.

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Data Request Staff 1-053:

Provide the unemployment tax rate presently being paid, broken down into state and federal rates, and any anticipated change in the state unemployment rate.

Response Staff 1-053:

The Federal unemployment rate is 0.6% and there is a proposal to increase the rate by 0.2% for 2016 only, but we have no confirmation of the proposed increase and an adjustment was not made to the rate year. The Tennessee unemployment rate just changed for Kingsport on July 1, 2015. It is now 0.17%. We do not anticipate another rate change for the Tennessee unemployment rate before July of 2016.

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Data Request Staff 1-055:

Break down budgeted plant additions between normal and special projects, using the criteria defined above, for the months between the end of the last fiscal year and the end of the attrition period. Provide sufficient detail of each individual project as to the date of inception and completion, and the proposed methods of financing. Identify those budgeted plant additions that are in process or have already been completed. Basic assumptions underlying budgets should also be submitted including the assumptions for sales volumes.

Response Staff 1-055:

Refer to TRA Staff Informal 1-55_Attachment 1 for the plant additions in process or planned for the 1/1/2015 through 12/31/2016 period.

Kingsport does not maintain detail which distinguishes between normal or special construction requirements. Kingsport follows the FERC Uniform System of Accounts (USA) which does not require Kingsport to keep its accounting records as designated in the request. The projects will be financed at the Company's Weighted Average Cost of Capital (WACC).

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Data Request Staff 1-056:

Identify all special projects from the end of the test period through the attrition period, using the criteria defined in Item 64 above, by work order number and include the estimated cost. Provide a signed authorization for each special project and identify the planned starting and completion dates.

Response Staff 1-056:

The Company assumes that the reference to Item 64 is intended to be a reference to Item 54. Therefore, as indicated in TRA Staff 1-54, Kingsport does not maintain detail which distinguishes between normal or special construction requirements. Kingsport follows the FERC Uniform System of Accounts (USofA) which does not require Kingsport to keep its accounting records as designated in the request. See TRA Staff 1-55 for a list of distribution capital projects for the period 1/1/2015 through 12/31/2016.

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Data Request Staff 1-057:

Identify by account the salvage and cost of removal for retirements provided in response to Item 64 for the last four (4) fiscal years to include the test period.

Response Staff 1-057:

The Company assumes that the reference to Item 64 is intended to be a reference to Item 54. Please see Kingsport TRA Staff Informal 1-57, Attachment 1.

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Data Request Staff 1-058:

Describe the Company's budgeting process including, but not limited to the following:

- a. How far in advance are operating and construction budgets prepared? On what basis is the total operation and construction budget determined? Explain the "approval process" in budget development.
- b. How many views or updates of the same budget year are made before a final view is adopted?
- c. Are budgets prepared on a monthly, quarterly, or annual basis?
- d. Which individual or department has overall responsibility for budgets/reconciliations?
- e. Once a final budget has been adopted, are budget to actual (reconciliation) comparisons routinely made? How frequently are reconciliations prepared and by whom?
- f. For the last two (2) completed fiscal years, provide copies of all budgets, budget to actual and indicate reasons for the variances.
- g. Comparisons on a total Company and Tennessee only basis.
- h. Provide total Company and Tennessee only budgets and all supporting workpapers for the current fiscal year and next fiscal year.

Response Staff 1-058:

- a. Kingsport Power Company's O&M and capital budget for each calendar year is generally completed during the fourth quarter of the previous year.

The basis of Kingsport Power Company's O&M and capital budget is the current work plan developed by various engineering and planning groups both at the Company and the AEP Service Corporation. These plans take into consideration staffing levels, budgeted increases in salaries and materials costs necessary to perform each planned program or project.

Five primary governing bodies are involved in AEP's overall planning, budgeting and cost control processes; they participate in a series of governance forums that occur periodically throughout the year. These bodies are:

- AEP Board of Directors: The Board reviews strategic issues, control budgets, major variances and year-end re-projections through eight annual meetings.
- Executive Team (ET): An ET participates in Board meetings, monthly earnings meetings and other ad-hoc meetings as necessary; the ET is made up of the AEP Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Administrative Officer (CAO), and the Executive Vice President of Legal.

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Response Staff 1-058 (continued):

- Executive Council (EC): This group participates in Board meetings as necessary as well as monthly earnings meetings; the EC includes the ET as well as executive vice presidents of transmission and generation, operating company presidents, and the senior vice president of regulatory services.
- Investment Review Committee (IRC): The IRC meets with the corporate groups (e.g., IT, C&DS, Transmission, Generation) and the operating companies to review and approve their short term budgets and long term plans. Typically the corporate group meetings are held in the spring (prior to the detail budget cycle) and the operating company meetings are held in the fall (after the detail budget cycle is complete and the financial post-allocated forecast is available for review). Its members include the COO, CFO, Operating Company presidents, Sr. BU management and the SVP of Corporate Planning and Budgeting (CP&B). The corporate group executives and Operating Company presidents lead their meetings and discuss budgets/forecasts and prioritization of spend. The operating companies review their direct spend as well as the impact of AEPSC allocations on their budgets. The IRC may reallocate spend among the operating companies as needed to meet operational and strategic needs. Follow-up IRC meetings and discussions may also be held as needed.
- Subsidiary Company Boards: each AEP subsidiary company has its own Board that meets monthly to approve capital/lease improvement requisitions and monitor budget variances; the boards include company presidents and other AEP senior executives.

Through the bodies above, AEP's governance structure includes participation from the most senior levels as well as from functional groups across both the operating companies and the service company. In addition to these overall governance bodies, several functional governance bodies review capital investment projects for their functional groups (e.g., the Project Management Review Board – PMRB – for Transmission and various functional IT governance operating committees (ITOC's) for Information Technology.

Operating companies have representation across the bodies, allowing them to provide input into planning, budgeting and cost control for both O&M and capital at various stages throughout the year. For instance, all operating company presidents attend the EC meetings; participate in IRC meetings and in quarterly mechanisms such as the Quarterly Presidents Meetings; and participate in various monthly mechanisms such as the Monthly Earnings meetings and Monthly Performance Review (MPR) meetings to discuss budget / actual variances and to review earnings results and re-projections.

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Response Staff 1-058 (continued):

- b. Generally, two versions of the forecast for the year ahead are produced, a preliminary view and a final view, referred to as the control budget. The preliminary version is produced from the forecast completed in the prior year. The preliminary version is used as a basis for discussion throughout the budget approval process. The control budget includes changes in the timing, level and allocation of spending among the functions of the Company. The control budget is not subject to change once the budget year begins.
- c. The budget is prepared on an annual basis.
- d. Kingsport Power Company personnel maintain control over O&M and capital spending. AEP's Corporate Planning & Budgeting department performs comparisons between actual and budgeted O&M and capital expenditures.
- e. Comparisons between actual and budgeted O&M and capital expenditures are completed monthly .
- f. See Kingsport TRA Staff Informal 1-58, Attachment 1 and Kingsport TRA Staff Informal 1-58, Attachment 2.
- g. Kingsport Power Company's operations are 100% in Tennessee.
- h. See Kingsport TRA Staff Informal 1-58, Attachment 1.

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**Data Requests and Requests for the Production
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Data Request Staff 1-059:

Provide schedules showing the development of the average Tennessee account balances listed below for the last fiscal year. (If partially provided in other items, provide the remaining data here.)

- a. Plant in Service
- b. Construction Work in Progress
- c. Inventories
- d. Deferred debits
- e. Reserves
- f. Customer Deposits
- g. Interest on Customer Deposits
- h. Contributions in Aid of Construction
- i. Accumulated Deferred FIT
- j. Accumulated Depreciation
- k. Accounts Payable applicable to CWIP
- l. Accounts Payable applicable to Materials & Supplies
- m. Customer Advances
- n. Materials and Supplies
- o. Accounts Receivable – Other
- p. Prepaids

Response Staff 1-059:

Refer to Exhibit No. 2-a of witness Buck's testimony for the total company per books end of the test year rate base balances included in Kingsport's jurisdictional cost of service study for the above listed items as applicable. The Company did not use average rate base balances in developing its cost of service. Refer also to Exhibit No. 2 of witness Allen's testimony for Kingsport's comparative balance sheet by account as of December 31, 2013 and 2014.

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Data Request Staff 1-060:

Provide an explanation and calculation of the method used to allocate to Tennessee any portions included in Item 59 above.

Response Staff 1-060:

The methods used, and allocators applied, in determining the cost to serve the various KgPCo customer classes are discussed in the testimony of Company Witness Buck. In addition, Exhibits Nos. 2-a and 3-a (DRB) identify the allocator applied to the various line items included in the cost study.

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Data Request Staff 1-061:

Has the Company updated the Lead-Lag Study since its last rate case? If so:

- a. Provide a copy of the Lead-Lag Study workpapers.
- b. Provide the percentage of the sample tested to the total test period dollar amount for each account in the Lead-Lag Study.
- c. Provide a comparison of the Lead-Lag Study used in this case with the Study used in the previous case and explain any major changes.

Response Staff 1-061:

No.

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PETITION OF KINGSFORT POWER COMPANY
DOCKET NO. 15-00093**

**Data Requests and Requests for the Production
of Documents by the TRA Staff of the
Tennessee Regulatory Authority (First Set)
To Kingsport Power Company**

Data Request Staff 1-063:

Explain the nature and extent of each of the Company's or, where applicable, Multi-state Utility's non-regulated operations.

Response Staff 1-063:

Kingsport Power has no non-regulated operations.

**TENNESSEE REGULATORY AUTHORITY
PETITION OF KINGSPORT POWER COMPANY
DOCKET NO. 15-00093**

**Data Requests and Requests for the Production
of Documents by the TRA Staff of the
Tennessee Regulatory Authority (First Set)
To Kingsport Power Company**

Data Request Staff 1-064:

Provide an Income Statement and identify assets devoted to and liabilities specifically arising from non-regulated operations of the Company, its Parent, Multi-State Utility, or Affiliated Utility Service Company, for the last two (2) fiscal years. For each year, identify each class of non-regulated revenue separately. The statements should include the following information for each year:

- a. The direct expense incurred by the Company for each operation.
- b. The general office expense allocated to each operation by the Company, its Parent, Multi-State Utility, or Affiliated Utility Service Company
- c. All expenses charged to the Company, its Parent, Multi-State Utility, or Affiliated Utility Service Company, from the non-regulated activities.
- d. All revenues billed by the Company's regulated operations to the non-regulated operations.

Response Staff 1-064:

Kingsport Power has no non-regulated operations and and is not allocated expenses from any non-regulated activities from its parent or affiliates.

**TENNESSEE REGULATORY AUTHORITY
PETITION OF KINGSFORT POWER COMPANY
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**Data Requests and Requests for the Production
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Data Request Staff 1-065:

Provide a complete explanation and calculation of how costs (other than salaries and wages) as requested above were allocated to non-utility operations for the test period and for the period from the end of the test period through the attrition period.

Response Staff 1-065:

Kingsport Power has no non-regulated operations.

**TENNESSEE REGULATORY AUTHORITY
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Data Request Staff 1-066:

Provide the percentage of non-regulated labor for the test period.

Response Staff 1-066:

0%.

**TENNESSEE REGULATORY AUTHORITY
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**Data Requests and Requests for the Production
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Data Request Staff 1-071:

Provide the number of stockholders of record for the Company for the last five (5) fiscal years. Indicate whether the Company's Parent, Multi-State Utility, or Affiliated Utility Service Company is publicly traded. If not, provide the number of stockholders of record for the last five (5) fiscal years.

Response Staff 1-071:

AEP is the only stockholder for Kingsport and has been for the entire time period requested. AEP is publically traded. AEP Service Corporation is not publically traded, but AEP is the only stockholder for this entity and has been for the entire period.

**TENNESSEE REGULATORY AUTHORITY
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Data Request Staff 1-073:

Provide a schedule identifying the date and amount of each common stock dividend paid during the last three (3) fiscal years. Include any announced future dividend payments and adjust for any stock splits.

Response Staff 1-073:

Kingsport paid \$2,000,000 in dividends to AEP in each of 2012 and 2013. In 2014, Kingsport paid \$400,000 in dividends to AEP. In 2015, Kingsport has paid \$75,000 to AEP to date. No future dividend has been announced.

**TENNESSEE REGULATORY AUTHORITY
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Data Request Staff 1-074:

Provide a list of the Company's projected new stock and debt issues for the next three (3) fiscal years.

Response Staff 1-074:

The Company has no projected stock issuance over the next 3 years. The Company plans to issue \$20 million in long-term debt, as described in Witness Bourke's testimony, pending regulatory approvals. FERC approval requires additional revenue in order to meet the FERC's interest coverage minimum for Long-Term Debt authority, so any issuance will be delayed until after the outcome of this rate proceeding.