

KINGSPORT POWER COMPANY
INDEX TO SCHEDULES
For the 12 Months Ending December 31, 2017

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KINGSPORT POWER COMPANY
Results of Operations
For the 12 Months Ending December 31, 2017

| Line No. | | <u>CAPD</u> | <u>Company</u> E/ | <u>Difference</u> |
|-------------|---------------------------------------|----------------------------|-----------------------------|-----------------------------|
| 1 | Rate Base | \$ 74,678,058 A/ | \$ 71,500,895 | \$ 3,177,163 |
| 2 | Operating Income At Current Rates | 46,934 B/ | -2,529,312 | 2,576,246 |
| 3 | Earned Rate Of Return | 0.06% | -3.54% | 3.60% |
| 4 | Fair Rate Of Return | 5.75% C/ | 6.69% | -0.94% |
| 5 | Required Operating Income | 4,295,848 | 4,783,410 | -487,562 |
| 6 | Operating Income Deficiency (Surplus) | 4,248,914 | 7,312,722 | -3,063,808 |
| 7 | Gross Revenue Conversion Factor | <u>1.636152 D/</u> | <u>1.657136</u> | <u>-0.020984</u> |
| 8 | Revenue Deficiency | \$ <u>6,951,869</u> | \$ <u>12,118,175</u> | \$ <u>-5,166,306</u> |

A/ CAPD Exhibit, Schedule 2.
B/ CAPD Exhibit, Schedule 4.
C/ CAPD Exhibit, Schedule 10.
D/ CAPD Exhibit, Schedule 11.
E/ Company Exhibit, 1-a (DRB).

KINGSPORT POWER COMPANY
Average Rate Base
For the 12 Months Ending December 31, 2017

| Line No. | | Test Period | PJM Allocation | Attrition Adjustments | Attrition Period |
|--------------------|---|------------------------------|------------------------------|-----------------------------|------------------------------|
| Additions: | | | | | |
| 1 | Utility Plant in Service | \$ 176,806,762 | \$ -31,324,197 | \$ 15,986,806 | \$ 161,469,371 |
| 2 | Property Held for Future Use | 34,829 | 0 | -34,829 | 0 |
| 3 | Construction Work in Progress | 4,686,567 | -830,302 | -463,409 | 3,392,856 |
| 4 | Materials & Supplies | 285,752 | -50,626 | -3,272 | 231,854 |
| 5 | Prepayments | <u>2,386,848</u> | <u>-422,869</u> | <u>-63,207</u> | <u>1,900,772</u> |
| 6 | Total Additions | \$ <u>184,200,758</u> | \$ <u>-32,627,994</u> | \$ <u>15,422,089</u> | \$ <u>166,994,853</u> |
| Deductions: | | | | | |
| 7 | Accumulated Depreciation | \$ 66,031,295 | \$ -11,880,066 | \$ 5,900,323 | \$ 60,051,552 |
| 8 | Accumulated Deferred Income Taxes | 24,257,959 | -4,297,692 | 5,179,779 | 25,140,046 |
| 9 | Accumulated Deferred ITC | 450 | 0 | -450 | 0 |
| 10 | Customer Advances for Construction | 714,823 | 0 | -168,219 | 546,604 |
| 11 | Customer Deposits | 4,275,913 | 0 | 989,695 | 5,265,608 |
| 12 | Accumulated Interest on Customer Deposits | <u>1,088,808</u> | <u>0</u> | <u>224,177</u> | <u>1,312,985</u> |
| 13 | Total Deductions | \$ <u>96,369,248</u> | \$ <u>-16,177,758</u> | \$ <u>12,125,305</u> | \$ <u>92,316,795</u> |
| 14 | Rate Base | \$ <u>87,831,510</u> | \$ <u>-16,450,236</u> | \$ <u>3,296,784</u> | \$ <u>74,678,058</u> |

SOURCE: CPAD Rate Base Workpaper RB-1-1.01.

KINGSPORT POWER COMPANY
Comparative Rate Base
For the 12 Months Ending December 31, 2017

| Line No. | | Company | | Adjusted Amount | CPAD Amount |
|--------------------|---|------------------------------|----------------------------|------------------------------|------------------------------|
| | | As Filed | Street Lighting | | |
| | | A/ | A/ | A/ | B/ |
| Additions: | | | | | |
| 1 | Utility Plant in Service | \$ 136,866,321 | \$ 7,981,300 | \$ 144,847,621 | \$ 161,469,371 |
| 2 | Property Held for Future Use | 34,829 | 0 | 34,829 | 0 |
| 3 | Construction Work in Progress | 2,208,640 | 0 | 2,208,640 | 3,392,856 |
| 4 | Materials & Supplies | 226,320 | 0 | 226,320 | 231,854 |
| 5 | Prepayments | <u>6,595,134</u> | <u>257,513</u> | <u>6,852,647</u> | <u>1,900,772</u> |
| 6 | Total Additions | \$ <u>145,931,244</u> | \$ <u>8,238,813</u> | \$ <u>154,170,057</u> | \$ <u>166,994,853</u> |
| Deductions: | | | | | |
| 7 | Accumulated Depreciation | \$ 53,505,701 | \$ 3,074,423 | \$ 56,580,124 | \$ 60,051,552 |
| 8 | Accumulated Deferred Income Taxes | 16,712,666 | 966,284 | 17,678,950 | 25,140,046 |
| 9 | Accumulated Deferred ITC | 3,123 | 0 | 3,123 | 0 |
| 10 | Customer Advances for Construction | 123,621 | 0 | 123,621 | 546,604 |
| 11 | Customer Deposits | 4,085,238 | 0 | 4,085,238 | 5,265,608 |
| 12 | Accumulated Interest on Customer Deposits | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,312,985</u> |
| 13 | Total Deductions | \$ <u>74,430,349</u> | \$ <u>4,040,707</u> | \$ <u>78,471,056</u> | \$ <u>92,316,795</u> |
| 14 | Rate Base | \$ <u>71,500,895</u> | \$ <u>4,198,106</u> | \$ <u>75,699,001</u> | \$ <u>74,678,058</u> |

A/ Company Exhibit No. 1-b (DRB).
B/ CPAD Exhibit, Schedule 2.

KINGSPORT POWER COMPANY
Income Statement at Current Rates
For the 12 Months Ending December 31, 2017

| Line No. | | Test Period | Adjustments | Attrition Amount |
|----------|--|-----------------------|-----------------------|-----------------------|
| | Operating Revenues: | | | |
| 1 | Sale of Electricity | \$ 147,654,383 | \$ 5,112,451 | \$ 152,766,834 A/ |
| 2 | Other Revenues | 5,466,934 | -3,760,911 | 1,706,023 B/ |
| 3 | Total Operating Revenue | \$ 153,121,317 | \$ 1,351,540 | \$ 154,472,857 |
| | Operating Expenses: | | | |
| 4 | Purchased Power | \$ 132,144,875 | \$ 2,424,156 | \$ 134,569,031 C/ |
| 5 | Distribution Expense | 4,035,037 | 294,422 | 4,329,459 D/ |
| 6 | Customer Accounts Expense | 1,446,346 | -139,725 | 1,306,621 D/ |
| 7 | Customer Service & Information Expense | 112,194 | 368,159 | 480,353 D/ |
| 8 | Sales Expense | 12,330 | 0 | 12,330 D/ |
| 9 | Administrative & General Expense | 2,925,272 | -1,386,716 | 1,538,556 D/ |
| 10 | Other O&M Expense | 669,319 | -669,319 | 0 D/ |
| 11 | Depreciation & Amortization Expense | 10,700,686 | -4,440,011 | 6,260,675 E/ |
| 12 | Charitable Contributions | 9,447 | -9,447 | 0 G/ |
| 13 | Other Income/Expense (Includes AFUDC) | 237,144 | 43,257 | 280,401 H/ |
| 14 | Taxes Other Than Income Taxes | 6,601,635 | 60,748 | 6,662,383 I/ |
| 15 | State Excise Taxes | 1,262,834 | -1,430,846 | -168,012 J/ |
| 16 | Federal Income Taxes | 6,357,149 | -7,203,023 | -845,874 J/ |
| 17 | Total Operating Expenses | \$ 166,514,268 | \$ -12,088,345 | \$ 154,425,923 |
| 18 | Utility Net Operating Income | \$ -13,392,951 | \$ 13,439,885 | \$ 46,934 |

- A/ CPAD Revenue Workpapers R-1-1.00 and R-1-2.00.
B/ CAPD Revenue Workpaper R-90-1.00.
C/ CAPD Revenue Workpaper R-94-1.00.
D/ CAPD Expense Workpaper RCS-1, Schedule A.
E/ CAPD Rate Base Workpaper RB-20-1-1.00.
F/ CAPD Rate Base Workpaper RB-25-1-1.00.
G/ CAPD Expense Workpaper RCS-1, Schedule E.
H/ CAPD Expense Workpaper RCS-1, Schedule E.
I/ CAPD Exhibit, Schedule 9.
J/ CAPD Exhibit, Schedule 10.

KINGSPORT POWER COMPANY
Comparative Income Statement at Current Rates
For the 12 Months Ending December 31, 2017

| Line No. | | Company | | | CPAD Amount B/ |
|-------------|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | | As Filed A/ | Street Lighting A/ | Adjusted Amount A/ | |
| | Operating Revenues: | | | | |
| 1 | Sale of Electricity | \$ 156,161,640 | \$ 1,448,049 | \$ 157,609,689 | \$ 152,766,834 |
| 2 | Other Revenues | 1,725,385 | 80,275 | 1,805,660 | 1,706,023 |
| 3 | Total Operating Revenue | \$ 157,887,025 | \$ 1,528,324 | \$ 159,415,349 | \$ 154,472,857 |
| | Operating Expenses: | | | | |
| 4 | Purchased Power | \$ 140,809,723 | \$ 298,570 | \$ 141,108,293 | \$ 134,569,031 |
| 5 | Distribution Expense | 6,561,609 | 268,711 | 6,830,320 | 4,329,459 |
| 6 | Customer Accounts Expense | 1,478,458 | 74 | 1,478,532 | 1,306,621 |
| 7 | Customer Service & Information Expense | 686,719 | 31 | 686,750 | 480,353 |
| 8 | Sales Expense | 14,583 | 1 | 14,584 | 12,330 |
| 9 | Administrative & General Expense | 1,614,932 | 45,580 | 1,660,512 | 1,538,556 |
| 10 | Other O&M Expense | 723,757 | 6,711 | 730,468 | 0 |
| 11 | Depreciation Expense | 5,346,671 | 302,509 | 5,649,180 | 6,260,675 |
| 12 | Charitable Contributions | 9,562 | 259 | 9,821 | 0 |
| 13 | Other Income/Expense (Includes AFUDC) | 234,521 | -206 | 234,315 | 280,401 |
| 14 | Taxes Other Than Income Taxes | 5,773,462 | 111,961 | 5,885,423 | 6,662,383 |
| 15 | State Excise Taxes | -490,957 | 45,201 | -445,756 | -168,012 |
| 16 | Federal Income Taxes | -2,346,703 | 140,401 | -2,206,302 | -845,874 |
| 17 | Total Operating Expenses | \$ 160,416,337 | \$ 1,219,803 | \$ 161,636,140 | \$ 154,425,923 |
| 18 | Utility Net Operating Income | \$ -2,529,312 | \$ 308,521 | \$ -2,220,791 | \$ 46,934 |

A/ Company Exhibit, Schedule 1-b (DRB).
B/ CAPD Exhibit, Schedule 6.

KINGSPORT POWER COMPANY
CPAD Comparative Margin Summary
For the 12 Months Ending December 31, 2017

| <u>Line No.</u> | <u>Customer Class</u> | <u>Revenues</u> | <u>Power Cost</u> | <u>Margin</u> |
|-----------------|-------------------------------------|------------------------------|-----------------------------|-----------------------------|
| 1 | Residential Service | \$ 57,600,038 | \$ 32,316,231 | \$ 25,283,807 |
| 2 | Small General Service | 2,385,293 | 966,245 | 1,419,048 |
| 3 | Medium General Service | 11,040,457 | 5,469,195 | 5,571,262 |
| 4 | Large General Service | 19,663,638 | 11,433,209 | 8,230,429 |
| 5 | Industrial Power Service | 54,288,484 | 36,863,626 | 17,424,858 |
| 6 | Church Service | 947,307 | 465,853 | 481,454 |
| 7 | Public School Service | 2,121,121 | 1,196,907 | 924,214 |
| 8 | Electric Heating General Service | 2,472,814 | 1,132,125 | 1,340,689 |
| 9 | Outdoor Lighting Service | 738,080 | 46,983 | 691,097 |
| 10 | Street Lighting Service | <u>1,509,602</u> | <u>0</u> | <u>1,509,602</u> |
| 11 | Total Electric Sales Revenue | \$ 152,766,834 | \$ 89,890,374 | \$ 62,876,460 |
| 12 | Other Revenues | <u>1,706,023</u> | <u>0</u> | <u>1,706,023</u> |
| 13 | Total Revenues | \$ <u>154,472,857</u> | \$ <u>89,890,374</u> | \$ <u>64,582,483</u> |

SOURCE: CAPD Revenue Workpaper R-1-1.00.

KINGSPORT POWER COMPANY
Taxes Other than Income Taxes
For the 12 Months Ending December 31, 2017

| Line No. | | <u>CAPD</u> A/ | <u>Company</u> A/ | <u>Difference</u> |
|-------------|-------------------------|----------------------------|----------------------------|--------------------------|
| 1 | Property Taxes | \$ 1,346,929 | \$ 1,306,527 | \$ 40,402 |
| 2 | TRA Inspection Fee | 689,436 | 658,084 | 31,352 |
| 3 | Payroll Taxes | 166,227 | 171,280 | -5,053 |
| 4 | Franchise Tax | 171,817 | 149,286 | 22,531 |
| 5 | Gross Receipts Tax | 4,286,433 | 3,972,742 | 313,691 |
| 6 | Allocated & Other Taxes | <u>1,541</u> | <u>1,702</u> | <u>-161</u> |
| 7 | Total | \$ <u>6,662,383</u> | \$ <u>6,259,621</u> | \$ <u>402,762</u> |

A/ CPAD Tax Workpaper RCS-1, Schedule 2, Page 2.

KINGSPORT POWER COMPANY
Excise and Income Taxes
For the 12 Months Ending December 31, 2017

| Line No. | | CAPD |
|-------------|---|-----------------------|
| | Operating Revenues: | |
| 1 | Sale of Electricity | \$ 152,766,834 A/ |
| 2 | Other Revenues | 1,706,023 A/ |
| 3 | Total Operating Revenue | \$ 154,472,857 |
| | Expenses: | |
| 4 | Purchased Power | \$ 134,569,031 A/ |
| 5 | Distribution Expense | 4,329,459 A/ |
| 6 | Customer Accounts Expense | 1,306,621 A/ |
| 7 | Customer Service & Information Expense | 480,353 A/ |
| 8 | Sales Expense | 12,330 A/ |
| 9 | Administrative & General Expense | 1,538,556 A/ |
| 10 | Other Expense | 0 A/ |
| 11 | Depreciation Expense | 6,260,675 A/ |
| 12 | Charitable Contributions | 0 A/ |
| 13 | Other Income/Expense (Includes AFUDC) | 280,401 A/ |
| 14 | Taxes Other Than Income Taxes | 6,662,383 A/ |
| 15 | Total Operating Expenses | \$ 155,439,809 |
| 16 | NOI Before Excise and Income Taxes | \$ -966,952 |
| 17 | Interest Expense | 1,617,843 B/ |
| 18 | Pre-tax Book Income | \$ -2,584,795 |
| | State Excise Tax: | |
| 19 | Pre-tax Book Income | \$ -2,584,795 |
| 20 | Excise Tax Rate | 6.50% C/ |
| 21 | State Excise Tax Expense | \$ -168,012 |
| | Federal Income Tax: | |
| 22 | Pre-tax Book Income | \$ -2,584,795 |
| 23 | Excise Tax Expense | -168,012 |
| 24 | FIT Taxable Income | \$ -2,416,783 |
| 25 | FIT Rate | 35.00% C/ |
| 26 | Federal Income Tax Expense | \$ -845,874 |

A/ CAPD Exhibit, Schedule 6.
B/ CAPD Exhibit, Schedule 12.
C/ Statutory Rates.

KINGSPORT POWER COMPANY
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2017

| Line No. | | Current Rates A/ | Rate Increase B/ | Proposed Rates |
|-------------|---|------------------------------|----------------------------|------------------------------|
| | Operating Revenues: | | | |
| 1 | Sale of Electricity | \$ 152,766,834 | \$ 6,951,869 | \$ 159,718,703 |
| 2 | Other Revenues | <u>1,706,023</u> | <u>39,348</u> | <u>1,745,371</u> |
| 3 | Total Operating Revenue | \$ <u>154,472,857</u> | \$ <u>6,991,216</u> | \$ <u>161,464,073</u> |
| | Operating Expenses: | | | |
| 4 | Purchased Power | \$ 134,569,031 | \$ | \$ 134,569,031 |
| 5 | Distribution Expense | 4,329,459 | | 4,329,459 |
| 6 | Customer Accounts Expense | 1,306,621 | 0 | 1,306,621 |
| 7 | Customer Service & Information Expense | 480,353 | | 480,353 |
| 8 | Sales Expense | 12,330 | | 12,330 |
| 9 | Administrative & General Expense | 1,538,556 | | 1,538,556 |
| 10 | Other O&M Expense | 0 | | 0 |
| 11 | Depreciation & Amortization Expense | 6,260,675 | | 6,260,675 |
| 12 | Charitable Contributions | 0 | | 0 |
| 13 | Other Income/Expense (Includes AFUDC) | 280,401 | | 280,401 |
| 14 | Taxes Other Than Income Taxes | 6,662,383 | | 6,662,383 |
| 15 | State Excise Taxes | -168,012 | 454,429 | 286,417 |
| 16 | Federal Income Taxes | <u>-845,874</u> | <u>2,287,873</u> | <u>1,441,998</u> |
| 17 | Total Operating Expenses | \$ <u>154,425,923</u> | \$ <u>2,742,302</u> | \$ <u>157,168,225</u> |
| 18 | Utility Net Utility Operating Income | \$ <u>46,934</u> | \$ <u>4,248,915</u> | \$ <u>4,295,848</u> |

A/ CPAD Exhibit, Schedule 4.

B/ CPAD Exhibit, Schedule 1 and 11.

KINGSPORT POWER COMPANY
Rate of Return Summary
For the 12 Months Ending December 31, 2017

| Line No. | Class of Capital | CAPD | | | A/ |
|-------------|--|---------------------|-----------|----|-----------------------|
| | | Percent of Total | Cost Rate | A/ | Weighted Cost Rate |
| | Debt: | | | | |
| 1 | Short-Term Debt | 2.790% | 0.290% | | 0.008% |
| 2 | Long-Term Debt | 54.780% | 3.940% | | 2.158% |
| | Common Equity: | | | | |
| 3 | Parent Short-Term Debt | 0.280% | 1.350% | | 0.004% |
| 4 | Parent Long-Term Debt | 1.897% | 2.109% | | 0.040% |
| 5 | Parent Equity | 40.253% | 8.800% | | 3.542% |
| 6 | Total | 100.000% | | | 5.752% |
| | Interest Expense Short-Term Debt: | | | | |
| 7 | Rate Base | | | \$ | 74,678,058 B/ |
| 8 | Short-Term Weighted Debt Cost | | | | 0.008% |
| 9 | Short-Term Debt Interest Expense | | | \$ | 6,042 |
| | Interest Expense Long-Term Debt: | | | | |
| 10 | Rate Base | | | \$ | 74,678,058 B/ |
| 11 | Long-Term Weighted Debt Cost | | | | 2.158% |
| 12 | Long-Term Debt Interest Expense | | | \$ | 1,611,800 |
| 13 | Total Interest Expense | | | \$ | 1,617,843 |

A/ Klein Exhibit.

B/ CAPD Exhibit, Schedule 2.

KINGSPORT POWER COMPANY
Revenue Conversion Factor
For the 12 Months Ending December 31, 2017

| <u>Line No.</u> | | <u>Amount</u> | <u>Balance</u> |
|---------------------|---|--------------------|-----------------|
| 1 | Operating Revenues | | 1.000000 |
| 2 | Add: Forfeited Discounts | 0.005660 <i>A/</i> | 0.005660 |
| 3 | Balance | | 1.005660 |
| 4 | Uncollectible Ratio | 0.000000 <i>B/</i> | 0.000000 |
| 5 | Balance | | 1.005660 |
| 6 | State Excise Tax | 0.065000 <i>C/</i> | 0.065368 |
| 7 | Balance | | 0.940292 |
| 8 | Federal Income Tax | 0.350000 <i>C/</i> | 0.329102 |
| 9 | Balance | | 0.611190 |
| 10 | Revenue Conversion Factor (Line 1 / Line 9) | | 1.636152 |

A/ CAPD Revenue Workpaper R-90-2.00.

B/ Uncollectible Expense = \$0 for 2015 in Account 9040007 provided in response to CPAD DR1-5.

C/ Statutory Rates.

KINGSPORT POWER COMPANY
CPAD Proposed Margin Change
For the 12 Months Ending December 31, 2017

| Line No. | Customer Class | Current Margin A/ | Margin Change B/ | Proposed Margin | Percent Change |
|----------|------------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------|
| 1 | Residential Service | \$ 25,283,807 | \$ 2,795,477 | \$ 28,079,284 | 11.06% |
| 2 | Small General Service | 1,419,048 | 156,896 | 1,575,944 | 11.06% |
| 3 | Medium General Service | 5,571,262 | 615,981 | 6,187,243 | 11.06% |
| 4 | Large General Service | 8,230,429 | 909,989 | 9,140,418 | 11.06% |
| 5 | Industrial Power Service | 17,424,858 | 1,926,561 | 19,351,419 | 11.06% |
| 6 | Church Service | 481,454 | 53,231 | 534,685 | 11.06% |
| 7 | Public School Service | 924,214 | 102,185 | 1,026,399 | 11.06% |
| 8 | Electric Heating General Service | 1,340,689 | 148,232 | 1,488,921 | 11.06% |
| 9 | Outdoor Lighting Service | 691,097 | 76,410 | 767,507 | 11.06% |
| 10 | Street Lighting Service | <u>1,509,602</u> | <u>166,908</u> | <u>1,676,510</u> | <u>11.06%</u> |
| 11 | Total Electric Sales Margin | \$ 62,876,460 | 6,951,869 | 69,828,329 | 11.06% |
| 12 | Other Revenues | <u>1,706,023</u> | <u>39,348</u> | <u>1,745,371</u> | <u>2.31%</u> |
| 13 | Total Margin | \$ <u>64,582,483</u> | \$ <u>6,991,216</u> | \$ <u>71,573,699</u> | <u>10.83%</u> |

A/ CAPD Exhibit, Schedule 6.
B/ CAPD Exhibit, Schedule 9.