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June 6, 2017

Wayne M. Irvin
Assistant Attorney General
Consumer Advocate and Protection Division
Office of the Tennessee Attorney General
P.O. Box 20207
Nashville, TN 37202-0207

Re: Petition of Kingsport Power Company d/b/a
AEP Appalachian Power for Approval of its
Targeted Reliability Plan, and its TRP & MS
Rider, an Alternative Rate Mechanism and
Motion for Protective Order
Docket No. 17-000032

Dear Wayne:

On behalf of Kingsport Power Company d/b/a AEP Appalachian Power ("KgPCo"), Judy Bohon of Appalachian Power Company is submitting herewith the responses of KgPCo to the Informal Discovery Requests served on us by your office.

We are not filing these responses in the docket. A copy is being provided to Counsel for the East Tennessee Energy Consumers.

Contact us with any questions.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

Wayne Irvin
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cc: Michael J. Quinan, Esq.
David Foster
William K. Castle
James R. Bacha, Esq.
Brian K. West
Noelle J. Coates, Esq.
Joseph B. Harvey, Esq.

**TENNESSEE PUBLIC UTILITY COMMISSION
PETITION OF KINGSPORT POWER COMPANY
DOCKET NO. 17-00032**

**Data Requests and Requests for the Production
of Documents by The Consumer Protection And Advocate
Division of the Attorney General's Office (First Set-Informal)
To Kingsport Power Company**

Data Request CPAD 1-1:

Refer to KgPCo Exhibit No. 2 (AWA).

- (a) Provide a more comprehensive example of this 4-year calculation showing monthly amounts as well as the 13 month averages of plant additions that will be used to calculate the pro forma depreciation expense.
- (b) Provide the projected depreciation expense for each plant account.
- (c) Provide the pro forma surcharge calculation for each year by tariff rate that is based on this monthly calculation.

Response CPAD 1-1:

See CPAD 1-1, Attachment 1, on the enclosed CD, for monthly projected TRP capital amounts and 13 month averages of plant additions for the first 4 years of the proposed TRP along with the projected depreciation expense and related accumulated depreciation calculated using the forecasted primary electric plant account and corresponding depreciation rates applied to the monthly projected TRP capital amounts. See CPAD 1-1, Attachment 2, on the enclosed CD, for a revised example of over/under recovery through the rider for illustrative purposes only that incorporates the information provided on Attachment 1 plus related updates to accumulated deferred income taxes. See CPAD 1-1, Attachment 3, on the enclosed CD, for an estimated pro forma surcharge based on the illustrative example in CPAD 1-1, Attachment 2.

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Data Request CPAD 1-2:

Refer to KgPCo Exhibit No. 2 (AWA). Identify the source and support for the Reliability O&M expenses in base rates of \$903,372.

Response CPAD 1-2:

The \$903,372 of reliability O&M expenses in base rates is referenced on page 4 of the approved Stipulation and Settlement Agreement in Docket No. 16-00001. The \$903,372 was KgPCo's actual 2014 test year O&M expenses for reliability activities as originally provided in Company witness Wright's direct testimony in Docket No. 16-00001. As explained on pages 10 and 11 of Company witness Allen's direct testimony in this proceeding, the \$903,372, which was identified in the approved Stipulation and Settlement Agreement as related to "vegetation management", included other O&M reliability activities in addition to vegetation management.

See CPAD 1-2, Attachment 1, for the costs associated with the various reliability programs that comprised the \$903,372 of actual 2014 O&M reliability expenses.

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Data Request CPAD 1-3:

Refer to KgPCo Exhibit No. 2 (AWA). Identify the source and support for the Major Storm O&M expenses in base rates of \$392,381.

Response CPAD 1-3:

The \$392,381 of major storm O&M expenses in base rates is referenced on page 4 of the approved Stipulation and Settlement Agreement in Docket No. 16-00001. The \$392,381 is the 5 year average of KgPCo's actual major storm O&M expenses incurred from 2010 through 2015 except that 2013 major storm costs were excluded from this average as calculated by CPAD witness Ralph C. Smith on Exhibit RCS-1, Schedule 3, attached to Mr. Smith's direct testimony filed June 24, 2016 in Docket No. 16-00001.

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Data Request CPAD 1-4:

Refer to KgPCo Exhibit No. 2 (AWA). Provide the calculation supporting the after-tax rate of return on rate base of 6.175%.

Response CPAD 1-4:

The 6.175% after-tax rate of return on rate base is referenced on page 3 of the approved Stipulation and Settlement Agreement in Docket No. 16-00001 and the calculation of this rate is shown on Attachment A, Schedule 10, of the Stipulation, which is provided in the Company's response to CPAD 1-14, Attachment 1, page 35 of 122.

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Data Request CPAD 1-5:

Refer to KgPCo Exhibit No. 2 (AWA). Provide the source and support for the depreciation rate of 2.99%.

Response CPAD 1-5:

The Company's petition in Docket No. 16-00001 (the base rate case) included revised depreciation accrual rates based on a depreciation study at December 31, 2014. The level of both depreciation expense and accumulated depreciation included in the approved Stipulation and Settlement Agreement in Docket No. 16-00001 reflects the CPAD recommended amounts that incorporated the Company's proposed depreciation rates. In that case, CPAD witness William H. Novak testified that "the Company has proposed new depreciation rates that annually increase the depreciation expense on distribution plant by \$259,618" and "I have reflected the Company's proposed depreciation rates within my calculation of depreciation expense" (Novak, page 11, lines 12-17).

See CPAD 1-5, Attachment 1, which is the direct testimony of Company witness Cash in Docket No. 16-00001, for the annual depreciation accrual rate of 2.99% for Account 365, Overhead Conductors and Devices, as shown on pages 25 and 26. Based on past experience, most of the capitalized TRP costs will likely be recorded in Account 365.

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Data Request CPAD 1-6:

Refer to KgPCo Exhibit No. 2 (AWA). Provide the source and support for the Pre-tax Weighted Average Cost of Capital of 8.738%.

Response CPAD 1-6:

See the Company's response to CPAD 1-15, Attachment 1, on the worksheet "Capital Structure" for the source and calculation of the pre-tax weighted average cost of capital of 8.738%.

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Data Request CPAD 1-7:

Refer to Page 3 of Company witness Castle's testimony. Mr. Castle states "[t]he proposed VMP transitions the Company to a four-year, ongoing vegetation management cycle."

- (a) Explain how the 4-year cycle was determined.
- (b) Provide a copy of any Company study or analysis that was used or relied on by the Company in this determination.

Response CPAD 1-7:

a-b. The reliability benefits of moving to a four-year, cycle-based vegetation management program have been demonstrated in cycle-based vegetation management programs recently implemented in Virginia and West Virginia by Kingsport's sister company, APCo. See also Company witness Wright's direct testimony at page 11 and the Company's response to CPAD 1-018.

A four-year cycle-based vegetation management program balances a variety of considerations. Cycles of five years or longer, if utilized in perpetuity, could allow the vegetative conditions to degrade to such a degree that many of the reductions in workloads going forward would be lost as the vegetation increases in size, density, and proximity to energized facilities. Furthermore, pruning for five years clearance in many cases would be excessive and, therefore, unacceptable to tree owners. In contrast, a three-year cycle-based vegetation management approach may have some incremental reliability benefits, but there would be additional costs, and therefore, customer rate impacts.

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Data Request CPAD 1-8:

Identify each of the following review dates and filing dates that the Company expects to abide by in implementing the TRP &MS Rider:

- (a) Review Period. The previous period under review to aggregate TRP & MS Rider costs.
- (b) Filing Date. The date by which the Company expects to annually file the TRP & MS Rider.
- (c) Implementation Date. The date by which the Company expects to begin charging new TRP & MS Rider surcharges to its customers.

Response CPAD 1-8:

- (a) October-September (12 months)
- (b) December 1 of each year beginning in 2018
- (c) The Company anticipates putting new rates into effect March 1 of each year.

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Data Request CPAD 1-9:

With regards to the implementation date:

- (a) Does the Company expect to begin charging the TRP & MS Rider surcharge 30 days after the filing date?
- (b) If the answer to 1-9(a) is yes, explain how the Company expects to give adequate time for the surcharge review by the TPUC Staff and the Consumer Advocate.

Response CPAD 1-9:

- (a) No.
- (b) N/A

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Data Request CPAD 1-10:

Identify the individuals (or positions within the Company) that will be primarily responsible for calculating the annual TRP & MS Rider filing. Will these same individuals be presenting testimony each year on the new surcharge rate?

Response CPAD 1-10:

Individuals with the following positions, or their assignees, will be responsible for the calculations in the annual TRP & MS filings and will provide testimony as required:

1. Director- Regulatory Services - Appalachian Power Company
2. Manager - Regulatory Accounting - AEPSC

Additional testimony to address unanticipated issues may be required of other individuals on a case-by-case basis.

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Data Request CPAD 1-11:

Identify and provide references to the specific source documentation (e.g., general ledger data) that the Company anticipates including with the annual TRP & MS Rider filing.

Response CPAD 1-11:

The Company anticipates providing various source documentation with the annual TRP & MS Rider filings including KgPCo financial statements that show activity and balances related to the TRP & MS Rider, general ledger detail of costs charged to TRP & MS Rider projects including third-party vendor information, journal entry support for TRP & MS Rider over/under recovery accounting entries recorded each month including the calculation of monthly TRP & MS Rider costs, and reports showing monthly TRP & MS Rider billed and accrued revenues once Rider rates are implemented.

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Data Request CPAD 1-12:

Does the Company plan to provide an attestation from its CFO or other appropriate Company officer that the amounts included in the TRP & MS Rider are calculated correctly, are taken from the books of the Company, and are prudent (as that term is generally used for rate making purposes)? If so, provide your form of such attestation.

Response CPAD 1-12:

The Company can provide such an attestation. Please see the Verification of William K Castle included with the petition in this case for the form of such an attestation.

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Data Request CPAD 1-13:

Refer to Page 6 of Company witness Castle where he states ". ..in future true-up filings, the Company proposes to allocate Rider costs to customers in the same manner that costs were allocated in its base rate case (Docket No. 16-00001)." Provide the source and support for how costs were allocated to each tariff rate in Docket No. 16-00001.

Response CPAD 1-13:

Please see CPAD 1-014, Attachment 1, on the enclosed CD, at Attachment A, Schedule 13 (page 38 of 122), for the requested information.

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Data Request CPAD 1-14:

Provide a copy of all source documents relied upon by the Company in this TRP & MS Rider filing.

Response CPAD 1-14:

Please see attachments provided with other responses to CPAD Set 1 in this docket. See also attachments provided informally to CPAD, Sets 1 and 2, prior to filing. Please see CPAD 1-014, Attachment 1, on the enclosed CD.

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Data Request CPAD 1-15:

Refer to Figure 1 of Company witness Castle's testimony. Provide the source and support for the amounts included here in Microsoft Excel format with all formulas intact.

Response CPAD 1-15:

Please see CPAD 1-15, Attachment 1, on the enclosed CD, for the requested information.

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Data Request CPAD 1-16:

Refer to Page 3 of Company witness Wright's testimony where he states that "The Company has been using a performance-based approach to address vegetation issues on its distribution system."

(a) Explain and define the attributes of a "performance-based" approach to vegetation management.

(b) Explain why the transition to a cycle-based approach is preferable.

Response CPAD 1-16:

a-b. A "performance-based" approach prioritizes work on the Company's distribution system after taking into consideration a number of input variables. These variables include, among other factors, the time elapsed since vegetation management activities were last performed, the results of recent line inspections, tree-related reliability indices, criticality, customer complaints, and environmental conditions. The Company uses a "performance-based" approach to efficiently allocate labor and financial resources to the particular circuits, or portions of circuits, most in need of management. The program is dynamic and flexible and is intended to respond to local needs that arise during the course of the year. Imminent hazards brought to the Company's attention are prioritized accordingly. A "performance-based" approach is reactive in nature.

A "cyclical" vegetation management program allows a predetermined period of time to elapse before returning to a circuit, or circuit segment, to manage the vegetation. An analysis of growth rates is implicit in planning as this rate drives the timing of subsequent vegetation management. Where growth rates are high the cycle length needs to be shorter to allow the vegetation to be managed before it grows back through the conductors, increasing hazards and costs. Longer cycle lengths require the clearances between vegetation and electric facilities to be greater. If the cycle length is too great the pruning has to be excessive and this can become unacceptable to tree owners and the public in general. A "cyclical" approach allows the Company to inspect the edges of its rights-of-way for hazard/danger trees, its number one cause of outages, on a regular basis. A "cyclical" program is typically more proactive in nature and, in addition to reducing the number of vegetation related outages, allows improved access to the rights-of-way for line maintenance, assessment, and service restoration.

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Data Request CPAD 1-17:

Refer to Pages 4 of Company witness Wright's testimony regarding the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI) measurements of service reliability. Provide a listing of the SAIFI and SAIDI indices (excluding major events) for each affiliate of Kingsport Power Company by year for the last seven years (2010 to 2016).

Response CPAD 1-17:

Kingsport Power Company objects to this request, which seeks information about other AEP operating companies over a seven year period, as it is not reasonably tailored to lead to the discovery of admissible evidence. The Company's proposed TRP is based on circumstances related to, and the characteristics of, its Tennessee service territory, including, but not limited to, the vegetation in that service territory. Kingsport's circumstances and characteristics differ from those of the service territories of other AEP operating companies. Accordingly, the requested annual SAIFI and SAIDI statistics for other AEP operating companies are irrelevant to the TPUC's investigation of this petition.

Without waiving this objection, the Company states as follows:

The characteristics of Kingsport's service territory, at least as related to vegetation, are comparable to the West Virginia and Virginia service territories served by APCo, which are contiguous to Kingsport's service territory. APCo's annual SAIDI and SAIFI values, as reported to the Public Service Commission of West Virginia and the Virginia State Corporation Commission, are shown in CPAD 1-017, Attachment 1. The indices reflect all causes (generation, transmission and distribution), including and excluding major events. Please note the definition of a major event is different in different states.

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Data Request CPAD 1-18:

Refer to Page 10 of Company witness Wright's testimony where he states that "[s]imilar programs, implemented by KgPCO's sister companies, have demonstrated that managing vegetation on a four-year, on-going vegetation management cycle reduces outages and provides significant benefits for customers."

(a) Identify fully and with specificity the significant benefits for customers to which Mr. Wright refers.

(b) Provide the source and support for Mr. Wright's statement as it relates to the significant benefits for customers.

Response CPAD 1-18:

- a. Please see the Company's response to CPAD 1-007.
- b. Please see CPAD 1-018, Attachments 1-2, for the requested information.

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Data Request CPAD 1-19:

Refer to Page 11 of Company witness Wright's testimony where he refers to the 4-year cycle-based vegetation management pilot program on 30 circuits in its Virginia service territory. Provide a copy of all orders by the Virginia Commission related to this pilot program.

Response CPAD 1-19:

Please see CPAD 1-019, Attachments 1-3, for the requested information.

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Data Request CPAD 1-20:

Refer to Page 11 of Company witness Wright's testimony where he refers to the 4-year ongoing cycle-based vegetation management program in West Virginia. Provide a copy of all orders by the West Virginia Commission related to this program.

Response CPAD 1-20:

Please see CPAD 1-020, Attachments 1-3, for the requested information.

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Data Request CPAD 1-21:

Refer to Page 12 of Company witness Wright's testimony where he refers to the first-year cost of the VMP of \$5.45 million. Provide the source and support for this cost.

Response CPAD 1-21:

To obtain the cost of \$5.45 million in the first-year of the VMP for O&M and Capital, the Company used the following calculation:

O&M: $\$11,000 \text{ (per line mile)} \times 1,341 \text{ (KgPCo overhead distribution line miles)} / 4 \text{ years}$
 $= \$3,687,750.00 \text{ (Year 1)}$

Capital: $\$5,250 \text{ (per line mile)} \times 1,341 \text{ (KgPCo overhead distribution line miles)} / 4 \text{ years} =$
 $\$1,760,062.50 \text{ (Year 1)}$

Total Combined: \$5,447,812.50

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Data Request CPAD 1-22:

Refer to Figure 7 of Company witness Wright's testimony regarding the projected costs for the Targeted Reliability Plan. Please provide the source and support for the amounts included in Figure 7, and, as applicable, include such source and support in Microsoft Excel format with all formulas intact.

Response CPAD 1-22:

Please see CPAD 1-022, Attachment 1, on the enclosed CD, for the requested information.

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Data Request CPAD 1-23:

Refer to Page 5 of Company witness Wright's testimony where he states that "[t]he Company plans to establish new O&M expense subaccounts under each of the FERC accounts that are expected to be charged with costs of the TRP." Identify the new subaccounts that the Company plans to establish.

Response CPAD 1-23:

The quote referenced in the question was included on page 5 of Company witness Allen's testimony instead of Company witness Wright. The Company expects to establish new O&M expense subaccounts to track the costs of the TRP upon approval by the TPUC under the following FERC accounts:

- 583 Overhead Line Expenses
- 584 Underground Line Expenses
- 593 Maintenance of Overhead Lines
- 594 Maintenance of Underground Lines
- 596 Maintenance of Street Lighting & Signal Systems
- 598 Maintenance of Misc. Distribution Plant

The specific subaccounts will not be known until the new accounts are established, which includes the assignment of subaccount numbers within the Company's accounting system. KgPCo may establish additional O&M expense subaccounts in the future to track the costs of new TRP programs such as station improvements.

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Data Request CPAD 1-24:

Assuming a scenario in which the Company's actual rate of return exceeds that authorized by the Commission, does the Company intend to use this over-earnings to reduce the TRP & MS Rider Surcharge? If the Company does so intend, how does the Company plan to incorporate the assumed scenario into the TRP & MS Rider Surcharge and related tariff? If the Company does not so intend, explain the Company's rationale for not using such over-earnings to reduce the TRP & MS Rider Surcharge.

Response CPAD 1-24:

The TRP&MS Rider is intended to recover costs related only to distribution reliability and major storms as described in this Petition and as provided for in Tennessee Code Annotated Section 65-5-103 (d) (2) (A). The Rider is to recover, or refund costs that are incremental to those in base rates, as determined in the Company's last base rate case (Docket No. 16-00001), so that the costs of the program are exactly recovered.