

**DIRECT TESTIMONY OF  
A. WAYNE ALLEN  
ON BEHALF OF KINGSPORT POWER COMPANY  
D/B/A AEP APPALACHIAN POWER  
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
DOCKET NO. 17- 00143**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2   A.   My name is A. Wayne Allen. My business address is 1 Riverside Plaza,  
3       Columbus, Ohio 43215. I am a Regulatory Accounting Case Manager for  
4       American Electric Power Service Corporation (AEPSC), a wholly owned  
5       subsidiary of American Electric Power Company, Inc. (AEP). AEP is the parent  
6       company of Kingsport Power Company (KgPCo or the Company).

7   **Q.   PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT**  
8       **BACKGROUND.**

9   A.   I graduated summa cum laude with a Bachelor of Science Degree in Accounting  
10       from Radford University in 1985. I received a Master of Business Administration  
11       Degree with a concentration in Finance from Virginia Polytechnic Institute and  
12       State University (Virginia Tech) in 1988. I was employed at Bell Atlantic (now  
13       Verizon Communications) in 1988 as an assistant manager in the Corporate  
14       Accounting department. In 1990, I joined Appalachian Power Company (APCo)  
15       in Roanoke, Virginia as an Associate Staff Accountant. In 1995, I was promoted  
16       to Staff Accountant, with my primary responsibility being the development of  
17       accounting information for base rate case filings in Virginia and West Virginia  
18       including the preparation of schedules and ratemaking adjustments and the  
19       development of jurisdictional federal income taxes. In 1998, I transferred to the

1 Regulatory Services department of APCo as a Rate Analyst. My responsibilities  
2 included the development of jurisdictional cost of service studies and associated  
3 allocation factors for APCo. In 2000, I transferred to the AEPSC as a Staff  
4 Accountant in the Accounting Policy and Research department where I was  
5 responsible for researching Generally Accepted Accounting Principles (GAAP),  
6 developing the accounting for new transactions and designing accounting policies.  
7 In 2002, I joined the Regulatory Accounting Services Department of Corporate  
8 Accounting as a Staff Assistant and in 2004 I was promoted to the position of  
9 Administrator in that same Department. In 2006, I was promoted to Principal  
10 Regulatory Accounting Consultant and in 2007, I was promoted to my current  
11 position.

12 **Q. WHAT ARE YOUR RESPONSIBILITIES AS A REGULATORY**  
13 **ACCOUNTING CASE MANAGER?**

14 A. My responsibilities include providing the AEP electric operating subsidiaries,  
15 such as KgPCo, with accounting support for regulatory filings including the  
16 preparation of cost of service adjustments, accounting schedules and testimony.  
17 Also, I monitor regulatory proceedings and legislation for accounting implications  
18 and assist in determining the appropriate regulatory accounting treatment.

19 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY**  
20 **REGULATORY PROCEEDING?**

21 A. Yes. I presented testimony on behalf of KgPCo in Docket Nos. 16-00001 and 17-  
22 00032. Also, I have testified on behalf of APCo in numerous cases before the  
23 Virginia State Corporation Commission and submitted testimony on behalf of

1 Indiana Michigan Power Company (I&M) before the Michigan Public Service  
2 Commission. Like KgPCo, APCo and I&M are electric operating subsidiaries of  
3 AEP.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
5 **PROCEEDING?**

6 **A.** The purpose of my testimony is to:

- 7 • Identify the level of storm costs deferred on the Company's books related  
8 to 2013 and 2009 storms that KgPCo is requesting to recover through the  
9 proposed rider discussed by Company witness Simmons.
- 10 • Describe the reclassification of certain deferred 2013 storm costs in 2015  
11 for the reasons explained by Company witness Wright.
- 12 • Describe the accounting for the amortization of the deferred storm costs as  
13 the costs are collected over the period supported by Company witness  
14 Simmons.

15 **Q. PLEASE IDENTIFY THE STORM COSTS DEFERRED ON THE**  
16 **COMPANY'S BOOKS THAT KGPCO IS REQUESTING TO RECOVER**  
17 **THROUGH THE PROPOSED RIDER.**

18 **A.** As of November 2017, KgPCo has \$1,505,354 deferred on its books for major  
19 storm operation and maintenance (O&M) costs that the Company is requesting to  
20 recover in this case. The \$1,505,354 of deferred storm costs consist of  
21 \$1,415,021 related to the January 2013 winter storm and \$90,333 remaining from  
22 the under-recovery of December 2009 winter storms' costs. These amounts were  
23 provided to Company witness Simmons for his use.

1    **Q.    HAS KGPCO RECORDED ANY JOURNAL ENTRIES THAT REDUCED**  
2           **THE AMOUNT OF DEFERRED 2013 STORM COSTS ORIGINALLY**  
3           **RECORDED ON ITS BOOKS?**

4    A.    Yes. In December 2015, KgPCo recorded a classification correction journal entry  
5           that removed \$534,041 from Account 1823078, Deferred Storm Expense, based  
6           on a review of January 2013 winter storm costs incurred as described by  
7           Company witness Wright. This correcting journal entry reclassified almost all of  
8           the \$534,041 of costs from KgPCo's books to the books of APCo, an affiliated  
9           company. Since December 2015, KgPCo has maintained the deferral of  
10          \$1,415,021 of 2013 storm costs on its books in Account 1823078.

11   **Q.    HAS THE \$90,333 OF UNDER-RECOVERED DEFERRED 2009 STORM**  
12          **COSTS BEEN PREVIOUSLY APPROVED FOR RECOVERY BY THE**  
13          **COMMISSION?**

14   A.    Yes. In Docket No. 12-00051, the Commission approved KgPCo's petition to  
15          recover \$1,629,352 of deferred December 2009 storm damage costs over a 12-  
16          month period with a true-up for any amounts over or under collected from  
17          customers. At the end of the 12-month recovery period, KgPCo had recovered  
18          \$1,539,019 of the approved \$1,629,352 of 2009 storm costs leaving \$90,333  
19          remaining to be collected. The Commission approved KgPCo's request in Docket  
20          No. 13-00121 to add the \$90,333 of unrecovered 2009 storm costs to the deferred  
21          2013 storm costs and the Company is requesting in this petition to recover these  
22          deferred costs through a rider as supported by Company witness Simmons.

1   **Q.    HOW WILL THE COMPANY ACCOUNT FOR THE RECOVERY OF**  
2   **DEFERRED 2009 AND 2013 STORM COSTS?**

3   **A.    Upon commencement of recovery of the requested deferred storm costs, KgPCo**  
4       will amortize (credit) the deferral of 2009 and 2013 storm costs by reducing the  
5       balance in Account 1823078 by the amount of rider revenues (billed and accrued)  
6       recorded each month through the approved recovery period. The amortization of  
7       the balance in Account 1823078 will first be applied to the unrecovered 2009  
8       storm costs until that amount is zero and then the remaining collections will be  
9       applied against the deferred 2013 costs. The debit entry for the monthly  
10      amortization of storm costs commensurate with recovery will be recorded in  
11      Account 5900010, Storm Expense Amortization.

12           The Company is proposing to true-up the amount of over or under  
13      collection of 2009 and 2013 storm costs through the requested rider. Therefore,  
14      KgPCo will track the over or under recovery of deferred storm costs and report  
15      such over or under recovery to the TPUC Staff after the recovery period has  
16      ended.

17   **Q.    FOR ANY FUTURE EXTRAORDINARY STORM RESTORATION**  
18   **COSTS, WILL KGPCO NEED TO MAKE SEPARATE FILINGS TO**  
19   **REQUEST PERMISSION TO DEFER AND THEN RECOVER SUCH**  
20   **COSTS THROUGH A NEW RIDER?**

21   **A.    No. The Commission's approval on August 15, 2017 in Docket No. 17-00032 of**  
22       KgPCo's Targeted Reliability Plan and Major Storm (TRP&MS) Rider eliminates  
23       the need for separate deferral and recovery filings for major storm costs incurred

1 beginning October 2017. Major storm O&M costs, including extraordinary storm  
2 costs like what occurred in December 2009 and January 2013, will be included in  
3 the over/under recovery calculations for the TRP&MS Rider. Such major storm  
4 costs, to the extent not collected in base rates, would be recovered through the  
5 TRP&MS Rider, which is subject to annual true-up filings.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A.** Yes, it does.