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T.P.U.C. DOCKET ROOM

October 1, 2019

Mr. David Foster, Director
Utilities Division
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: Kingsport Power Company
TPUC Case No. 18-00038

Dear Mr. Foster:

20190053

Beginning in February 2019, Kingsport began to provide credits to customers, via the Federal Tax Rate Adjustment Rider (FTRAR) as required by the Commission order in Docket 18-00038 and as detailed in Paragraphs 14-19 of the Stipulation and Settlement Agreement. In accordance with Paragraphs 22-26, the Company submits its True-up of the FTRAR. The Company expects to implement the new FTRAR rate on January 1, 2020.

Additionally, the Company is providing a reconciliation of the estimated excess unprotected ADIT balances and the 2018 amortization of excess protected ADIT included in the Stipulation and Settlement agreement (Paragraphs 20 and 21, respectively) to the actual, post-tax return amounts, as shown in Schedule 2. These actual amounts have been used to reduce regulatory assets as described in the same paragraphs.

We enclose the schedules and related workpaper ("supporting materials") which support the proposed changes to the FTRAR tariff which are being submitted to your office today.

Sincerely,

William K. Castle, Director
Regulatory Services-VA/TN

Enclosures

cc: William C. Bovender, Esq.
James R. Bacha, Esq.
Noelle J. Coates, Esq.
Andrew Shaffron, Jr.

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TN PUBLIC UTILITY COMMISSION
UTILITIES DIVISION

Kingsport Power Company
Over/Under of Actual FTRAR Credits Beginning Feb. 2019
As Compared to Approved 2019 Annual Credit of \$2,409,662 (\$200,805 monthly)
Schedule 1

	<u>1/12 of 2019</u>	<u>Actual FTRAR</u>	<u>Monthly</u>	<u>Cumulative</u>
	<u>Credits Approved</u>	<u>Credits to Customers</u>	<u>Under / (Over)</u>	<u>Under / (Over)</u>
Feb-19	\$ (200,805)	\$ (181,545)	\$ (19,260)	\$ (19,260) A
Mar-19	(200,805)	(186,889)	(13,916)	(33,176) A
Apr-19	(200,805)	(232,523)	31,718	(1,459) A
May-19	(200,805)	(207,809)	7,003	5,545 A
Jun-19	(200,805)	(167,430)	(33,375)	(27,830) A
Jul-19	(200,805)	(220,947)	20,142	(7,688) A
Aug-19	(200,805)	(214,322)	13,516	5,829 A
Sep-19	(200,805)	(184,748)	(16,057)	(10,228) E
Oct-19	(200,805)	(177,443)	(23,362)	(33,590) E
Nov-19	(200,805)	(197,974)	(2,831)	(36,422) E
Dec-19	(200,805)	(179,403)	(21,402)	(57,824) E
Jan-20	(200,805)			

A Actual Customer Credits

E Estimated Customer Credits

KINGSPORT POWER COMPANY
Docket No. 18-00038
Schedule 2

	Estimated Amounts per Approved Stipulation	Actual Amounts after 2017 Tax Return Adjustments Recorded in 2018	Difference
<u>EXCESS UNPROTECTED ADFIT</u>			
Total Excess Unprotected ADFIT @ 12/31/17 as filed by KgPCo	\$ 3,367,150	\$ 2,792,120	\$ (575,030)
Revenue Gross-Up Factor	<u>1.353821</u>	<u>1.353821</u>	<u>1.353821</u>
Revenue Basis- Excess Unprotected ADFIT @ 12/31/17	\$ 4,558,518	\$ 3,780,031	\$ (778,487)
Reduction of Excess Unprotected ADFIT per CPAD Testimony that should not be flowed back to Customers (after gross-up)	<u>\$ (621,690)</u>	<u>\$ (591,124)</u>	<u>\$ 30,566</u>
Excess Unprotected ADFIT @ 12/31/17 Available for Regulatory Asset Offsets	\$ 3,936,828	\$ 3,188,907	\$ (747,921)
Offset of Deferred 2013/2009 Storm Costs (A/C 1823078)	<u>\$ (1,504,282)</u>	<u>\$ (1,504,282)</u>	<u>\$ -</u>
Remaining Excess Unprotected ADFIT @ 12/31/17	\$ 2,432,546	\$ 1,684,625	\$ (747,921)
TN Under-Recovery FPPAR @ 12/31/18 Before Offsets (A/C 1823551)	<u>\$ 4,746,690</u>	<u>\$ 4,746,690</u>	<u>\$ -</u>
TN Under-Recovery FPPAR @ 12/31/18 After Offset for Remaining Excess Unprotected ADFIT	\$ 2,314,144	\$ 3,062,065	\$ 747,921
<u>EXCESS PROTECTED ADFIT</u>			
Total Excess Protected ADFIT @ 12/31/17 as filed by KgPCo	\$ 7,370,388	\$ 7,050,337	\$ (320,051)
Revenue Gross-Up Factor	<u>1.353821</u>	<u>1.353821</u>	<u>1.353821</u>
Revenue Basis-Excess Protected ADFIT @ 12/31/17	\$ 9,978,186	\$ 9,544,894	\$ (433,292)
Estimated ARAM Amortization Period in Years	<u>21</u>	N/A	
Estimated Annual Excess Protected ADFIT	\$ 475,152	N/A	
Actual 2018 Excess Protected ADFIT Amortization before gross-up	N/A	\$ 259,499	
Revenue Gross-Up Factor	N/A	<u>1.353821</u>	
Revenue Basis-Actual 2018 Excess Protected ADFIT Amortization	N/A	\$ 351,315	\$ (123,837)
TN Under-Recovery FPPAR @ 12/31/18 After Offsets for Both Remaining Excess Unprotected ADFIT and Amortization of 2018 Excess Protected ADFIT	<u>\$ 1,838,992</u>	<u>\$ 2,710,750</u>	<u>\$ 871,758</u>

Kingsport Power Company

Docket 2018-00038

Workpaper supporting Proposed FTRAR Change Effective January 1, 2020

2019 Revenue Credits versus Required Rate Credits

Reduction in Rates January 1, 2018 - December 31, 2018	(967,255)
Reduction in Rates January 1, 2019 - December 31, 2019	(967,255)
Estimated Protected ADIT Amortization January 1, 2019-December 31, 2019	(346,739)
Revenue Credits February 1, 2019-August 31, 2019	1,411,465
Estimated Revenue Credits September 1, 2019-December 31, 2019	<u>739,568</u>
Estimated Over/(Under) Credit Balance December 31, 2019	(130,216)

2020 Required Rate Credits

Reduction in Rates January 1, 2020 - December 31, 2020	(967,255)
Estimated Protected ADIT Amortization January 1, 2020-December 31, 2020	(396,154)
Estimated 2019 Under-credited Balance	<u>(130,216)</u>
Total Estimated 2020 Rate Credits	(1,493,625)

Calculation of FTRR Credit Percentage January 1, 2020-December 31, 2020

Revenue Requirement (Docket 16-00001, Stipulation and Settlement Agreement, Attachment A Schedule 12)	26,815,888
Total Required 2020 Rate Credits	<u>(1,493,625)</u>
Net Revenue Requirement	25,322,263
Percent Reduction to Rates	5.5699%

FEDERAL TAX RATE ADJUSTMENT RIDER

Kingsport Power is authorized under the terms of this rider to apply a credit or charge to all customer bills rendered by the Company to reflect the impacts of changes to the Federal Corporate Income Tax Rate not included in base rate or other tariff schedules.

1. Applicability

Credits or charges resulting from changes in the Federal Income Tax Rate not otherwise incorporated in rate schedules in this tariff shall be applied to all Distribution function base rates in the form of a percentage credit or charge to those rates. The credit or charge will apply to the Service, Energy, Demand, and Lamp charge components of the distribution portion of the schedules. The credit or charge is not applicable to Rider schedules in this tariff.

2. Determination of Credit or Charge Percentage

The aggregate credit or charge amounts shall be determined by the Tennessee Public Utility Commission. The percentage credit or charge will remain in place until modified or discontinued by the Tennessee Public Utility Commission.

3. Notification of Change in Charge by the Company

The Company will provide no less than a 30-day notice of the proposed effective date in any change in the federal tax rate adjustment to its customers. The Company will also provide the calculations and other information supporting the proposed ~~purchased power charges~~ Federal Tax Rate Adjustment Rider to the Staff of the Tennessee Public Utility Commission 30 days prior to the effective date of such charge.

4. Credit or Charge

Pursuant to the provisions of this Rider, a Federal Tax Rate Adjustment Rider credit or charge will be applied to each kilowatt-hour, kilowatt or lamp rate as billed under the Company's filed tariff non-rider schedules.

The Federal Tax Rate Adjustment Rider percentage credit or charge applicable to each schedule for the period ~~February 01, 2019~~ January 1, 2020 to December 31, 20~~2019~~, is a credit or reduction to rates of ~~58.9859~~ 56.99%.

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KPOW-94519

October 1, 2019

VIA EMAIL: david.foster@tn.gov
AND FED EX

David Foster, Chief Utilities Division
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

20190053

Re: Kingsport Power Company d/b/a AEP Appalachian Power
TPUC Docket No.: 18-00038
TRUE-UP of FTRAR to be Effective January 1, 2020

Dear Mr. Foster:

Pursuant to TPUC Rule 1220-4-1-.06, Kingsport Power Company, d/b/a AEP APPALACHIAN POWER ("Company") submits herewith redline and clean electronic versions of the proposed, modified FTRAR tariff to become effective January 1, 2020, which reflects the True-Up of the FTRAR mandated by TPUC in ORDER APPROVING STIPULATION AND SETTLEMENT in Docket No.: 18-00038.

The Company's True-Up of the FTRAR is contained in a separate letter from William K. Castle, dated October 1, 2019. Also, submitted in Mr. Castle's letter will be schedules and related work papers.

An original and four hard copies of this newly proposed FTRAR tariff will be transmitted for delivery on Wednesday, October 2, 2019. An appropriate Public Notice of this filing will be published in the Kingsport Times News with an Affidavit of Publication to be later filed in this docket.

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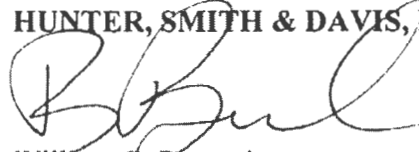
TN PUBLIC UTILITY COMMISSION
UTILITIES DIVISION

David Foster, Utilities Division Chief
October 1, 2019
Page 2

Should there be any questions, please contact the writer or William Castle at 3 James Center, 1051 E. Cary Street, Suite 1100, Richmond, VA (804-698-5540).

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

cc: Kelly Grams, General Counsel (w/enc.)
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Edward L. Petrini, Esq. (w/enc.)
Wayne Irvin (w/enc.)
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