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September 12, 2018

via E-MAIL and OVERNIGHT MAIL

David Foster, Chief – Utilities Division
c/o Sharla Dillon
Dockets and Records Manager
Tennessee Public Utility Commission
502 Deaderick St.
Nashville, TN 37243

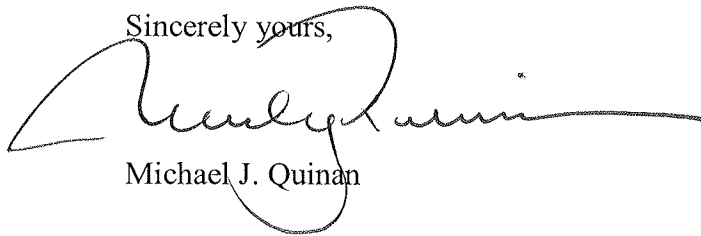
In Re: FILING OF KINGSPORT POWER COMPANY d/b/a AEP
APPALACHIAN POWER (“KgPCo”) IN RESPONSE TO THE TENNESSEE PUBLIC
UTILITY COMMISSION INVESTIGATION OF IMPACT OF FEDERAL TAX
REFORM ON THE REVENUE REQUIREMENT OF KgPCo (Docket No. 18-00038)

Dear Ms. Dillon:

Enclosed please find an original and four copies of East Tennessee Energy Consumers’
Discovery Requests to Kingsport Power Company (First Set) in the above-referenced docket.

Thank you for your kind attention to this request.

Sincerely yours,



Michael J. Quinan

MJQ
Enclosures

cc: Ms. Kelly Grams
Mr. James R. Bacha
Mr. William C. Bovender
Mr. Joseph B. Harvey
Ms. Noelle J. Coates
Mr. William K. Castle
Mr. David Foster
Hon. Herbert H. Slatery, III
Mr. Daniel P. Whitaker
Ms. Karen H. Stachowski

**BEFORE THE
TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

In Re:)	
)	Docket No. 18-00038
FILING OF KINGSPORT POWER COMPANY)	
d/b/a AEP) APPALACHIAN POWER)	
(“KgPCo”) IN RESPONSE TO THE)	
TENNESSEE PUBLIC UTILITY)	
COMMISSION INVESTIGATION OF IMPACT)	
OF FEDERAL TAX REFORM ON THE)	
REVENUE REQUIREMENT OF KgPCo)	

**EAST TENNESSEE ENERGY CONSUMERS’
DISCOVERY REQUESTS TO KINGSPORT POWER COMPANY (First Set)**

Comes East Tennessee Energy Consumers (“ETEC”), by counsel, and propounds the following discovery requests to Kingsport Power Company d/b/a AEP Appalachian Power (“Kingsport” or “Company”) pursuant to Rule 1220-1-2-.11 of the Rules of Practice and Procedure of the Tennessee Public Utility Commission (“TPUC.”) and Rules 26, 33 and 34 of the Tennessee Rules of Civil Procedure. Responses are requested no later than Tuesday, September 25, 2018.

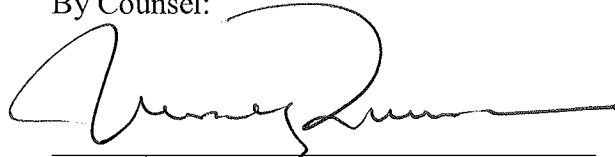
Discovery Requests

- ETEC 1. With regard to the response to the AG’s 1st set of informal discovery, Question No. CPAD 1-8, please explain the basis for the Company’s conclusion that “The underlying income tax components of rates would follow that revenue apportionment.”
- a. What do the words “would follow” mean with regard to the allocation of income tax expense to rate classes?
 - b. Does the Company agree that the amount of federal income taxes that are included in the rates of each customer class is directly related to the level of pre-tax operating income paid by that rate class, after the approved revenue increase in Docket No. 16-00001? If the Company does not agree, please provide an explanation for your response.

- ETEC 2. Please provide copies of any Kingsport class cost of service studies that the Company, APCo or AEP has in its possession covering test years for the period 2000 through 2013 (not including the 2014 test year cost study presented in Docket No. 16-00001. For purposes of responding to this request, provide a full copy of the cost of service study showing detail on rate base, revenues, expenses, operating income, income taxes, and other items. To the extent that only summary schedules are available, please provide such information.
- ETEC 3. Please provide in excel format, with formulas intact, the calculation, by rate class, of the Company's proposed credit rider, as discussed in paragraph No. 8 of the March 29, 2018 filing.
- ETEC 4. Please provide the current estimate of the accrued excess FIT expense deferral pursuant to the Commission's Order, as discussed in paragraph Nos. 1 and 9 of the March 29th filing. Please confirm that the Company continues to support a 1 year amortization of the accrued amounts.
- ETEC 5. With regard to the Company's proposal in paragraph No. 9 to return the accrued deferral over a 12 month period beginning October 1, 2018, how is this monthly amount to be allocated and credited to each rate class. Please provide a calculation, by rate class, of the credit associated with this amortization.
- ETEC 6. With regard to the Company's response to CPAD 1-10, is it now the Company's position that the appropriate tax gross-up factor to be used in calculating the revenue basis of the current tax reduction and the excess protected and unprotected ADIT is 1.3528 rather than 1.2658? If so, please provide an excel spreadsheet with the revised amounts (i.e., an update/revision of the Attachment CPAD 1-1. If the response to this data request is that the Company continues to support the use of a 1.2658 factor, please provide each reason for your response.
- ETEC 7. With regard to the Company's response to CPAD 1-18, please provide the classification of the \$5,408,840 under-recovery balance between energy related costs and demand related costs. Under the normal operation of the FPPAR, how would this under-recovery balance be allocated to rate classes? For large customer classes that have both a kWh and a kW FPPAR charge, how would the assigned under-recovery for such a rate class be applied to the rate class's kWh and kW charges?
- ETEC 8. Please provide the current demand and energy allocation factors, and loss factors, by rate class, used to allocate costs in the Fuel and Purchased Power Adjustment Rider.

Respectfully submitted this 12th day of September, 2018,

By Counsel:

A handwritten signature in black ink, appearing to read "Michael J. Quinan", written over a horizontal line.

Michael J. Quinan, Esq.
(Tenn. Sup. Ct. No. 11104)
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Counsel for East Tennessee Energy Consumers

CERTIFICATE OF SERVICE

I hereby certify that, on September 12, 2018, the foregoing discovery requests were served by hand-delivery, facsimile, overnight delivery service, or first class mail, postage prepaid, to all parties of record at their addresses shown below.

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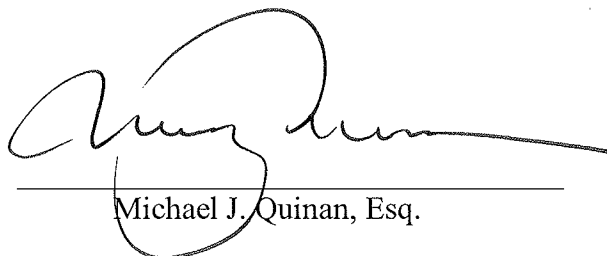
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This 12th day of September, 2018.



Michael J. Quinan, Esq.