

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
FILING OF KINGSPORT POWER)	DOCKET NO.
COMPANY d/b/a AEP)	18-00038
APPALACHIAN POWER ("KgPCO"))	
IN RESPONSE TO THE TENNESSEE)	
PUBLIC UTILITY COMMISSION)	
INVESTIGATION OF IMPACT OF)	
FEDERAL TAX REFORM ON THE)	
REVENUE REQUIREMENT OF KgPCo)	

**CONSUMER ADVOCATE'S RESPONSE TO KINGSPORT POWER COMPANY d/b/a
AEP APPALACHIAN POWER'S FIRST DISCOVERY REQUEST**

Comes the Consumer Protection and Advocate Division (Consumer Advocate) and hereby responds to the First Discovery Requests of Kingsport Power Company d/b/a AEP Appalachian Power (Kingsport) to the Consumer Advocate filed on October 30, 2018.

- 1-1. Please provide all calculations and supporting workpapers prepared by Dave Dittmore related to this matter. This request specifically includes, but is not limited to, all Calculations and workpapers supporting the \$621,000 reduction in Unprotected Accumulated Deferred Income Tax referenced on page 11, line 12 through page 12, line 22 of Mr. Dittmore's prefiled direct testimony.

RESPONSE:

See **DND Workpaper 18-00038** for Mr. Dittmore's calculations and supporting workpapers related to this Docket, which includes the calculations and workpapers supporting the \$621,000 reduction in Unprotected Accumulated Deferred Income Tax referenced on page 11, line 12 through page 12, line 22 of Mr. Dittmore's Pre-filed Direct Testimony.

In preparing this data response it was determined that an incorrect tax gross-up factor of 1.3528 was used within the determination of annual Income Tax Expense savings and the

amortization of Protected ADIT, rather than the correct factor of 1.3538. The corrected annual savings are \$2,409,662 rather than \$2,407,844 as reflected in Table DND-1. The workpaper contains a tab with corrected data for Table DND-1.

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 6th day of November, 2018.



KAREN H. STACHOWSKI
Assistant Attorney General

Kingsport - Docket No. 18-00038
Calculation of Credit Rider

Corrected Using
1.3538

Line #	Item	TN Retail [A]	Revenue Basis Factor [B]	Revenue Basis [C] = [A] x [B]	Amortization Period [D]	Annual Revenue Reduction [E] = [C] x [D]	Annual Revenue Reduction (F) = (A)x1.3538/(D)
	Federal Income Tax Expense (Docket No. 16-00001, Attachment A, Schedule 9 of the Stipulation and Settlement Agreement)	\$ (1,786,157)	1.3528	\$ (966,525)	1	\$ (966,525)	(967,255)
1	Stipulation and Settlement Agreement	\$ (714,463)	1.3528	\$ (966,525)	1	\$ (966,525)	(967,255)
2	Tax Savings (1-(21%/35%)) x FIT	\$ (714,463)	1.3528	\$ (966,525)	21	\$ (474,793)	(475,152)
3	Distribution Excess ADIT Protected (12/31/2017)	\$ (7,370,388)	1.3528	\$ (4,555,081)	N/A	\$ -	
4	Distribution Excess ADIT Unprotected (12/31/2017)	\$ (3,367,150)	1.3528	\$ (4,555,081)		\$ -	
5	Estimated Annual Ongoing Credit Rider					\$ (2,407,844)	(2,409,662)
	*Corrected Revenue Gross-up Factor						1.3538

6	Federal Tax Rate		0.21
7	State Tax Rate	6.50%	
8	Income Subject to Federal Tax Rate (1 - State Rate)	19.64%	0.935
9	Effective Federal Rate		
10	Total Effective Rate	26.14%	
11	Revenue Gross-Up Factor (1/(1-Line 10))	1.3538	

Revenue Factor Used in Consumer Advocate Schedule

1.3528

Difference

0.001

Kingsport - Docket 18-00038
Table DND-1

**Comparison of Consumer Advocate's
Proposals vs. Kingsport's
Docket No. 18-00038**

Item	Consumer Advocate	Kingsport	Refund Vehicle	
			Per CPAD	Per Kingsport
Accrued income Tax Expense Savings thru December, 2018	\$ 966,525 @	-	K'Port Federal Tax Rider	None
Ongoing Annual Income Tax Savings	966,525	966,525	K'Port Federal Tax Rider	K'Port Federal Tax Rider
Protected ADIT (Annual)	474,793	474,793	K'Port Federal Tax Rider	K'Port Federal Tax Rider
Subtotal Income Tax Expense Savings	\$ 2,407,844	\$ 1,441,319		
Unprotected ADIT (Total)				
Portion attributed to Storm Damage	1,504,282	1,505,354	Eliminate Storm Dmge Asset	Eliminate Storm Dmge Asset
Remainder	2,432,547	3,049,727	Uncollected Fuel and Purchased Power Balance	Uncollected Fuel and Purchased Power Balance
Total Unprotected	\$ 3,936,829	\$ 4,555,081 #		
Corrected Unprotected Should Be		\$ 4,558,519		

@ Per CPAD 1-3

Includes the original remaining Unprotected ADIT with the corrected gross-up factor, a process identified in the testimony of Will Castle.

Kingsport - Docket 18-00038
Table DND-1 - Corrected

**Comparison of Consumer Advocate's
Proposals vs. Kingsport's
Docket No. 18-00038**

Item	Consumer Advocate	Kingsport	Refund Vehicle	
			Per CPAD	Per Kingsport
Accrued income Tax Expense Savings thru December, 2018	\$ (967,255) @	-	K'Port Federal Tax Rider	None
Ongoing Annual Income Tax Savings	(967,255)	966,525	K'Port Federal Tax Rider	K'Port Federal Tax Rider
Protected ADIT (Annual)	(475,152)	474,793	K'Port Federal Tax Rider	K'Port Federal Tax Rider
Subtotal Income Tax Expense Savings	\$ (2,409,662)	\$ 1,441,319		
Unprotected ADIT (Total)				
Portion attributed to Storm Damage	1,504,282	1,505,354	Eliminate Storm Dmge Asset	Eliminate Storm Dmge Asset
Remainder	2,432,547	3,053,165	Uncollected Fuel and Purchased Power Balance	Uncollected Fuel and Purchased Power Balance
Total Unprotected	\$ 3,936,829	\$ 4,558,519 #		

@ Per CPAD 1-3

Includes the original remaining Unprotected ADIT with the corrected gross-up factor, a process identified in the testimony of Will Castle.

Detail of Distribution Excess ADIT Protected and Unprotected
Kingport Power - Distr

	TN Retail	Revenue Basis Factor	Revenue Basis	Remove Items Related To Excluded O&M	Net Excess ADIT
2821001 2821001 Accum Debit FIT-UBI Prop					
230A ACRS BENEFIT NORMALIZED	7,864,487	1.3538	9,375,614		9,375,614
230I CAPO INTEREST-SECTION 481(a)-CHANGE IN METHOD	135	1.3538	170		170
230J RELOCATION CST-SECTION 481(a)-CHANGE IN METHOD	1,775	1.3538	2,403		2,403
Distribution Excess ADIT Protected	7,370,388		9,378,188		9,378,188
1901001 1901001 Accum Deferred FIT-Other					
590A CAC - BOOK RECEIPTS	(160,423)	1.3538	(217,184)		(217,184)
605B ACCRUED BK PENSION EXPENSE	443,596	1.3538	600,468	(600,468)	0
612Y ACCRD COMPANYWIDE INCENTV PLAN	(25,706)	1.3538	(34,802)	34,802	0
613E ACCRUED BOOK VACATION PAY	(37,089)	1.3538	(50,212)		(50,212)
615B ACCRUED INTEREST-LONG-TERM - FIN 48	2,167	1.3538	2,934		2,934
615B-MJE ACCRD INTST-TAX RES-LT-FIN 48-MJE	(2,414)	1.3538	(3,268)		(3,268)
615C ACCRUED INTEREST-SHORT-TERM - FIN 48	(141)	1.3538	(191)		(191)
615E ACCRUED STATE INCOME TAX EXP	40,242	1.3538	54,481		54,481
641I ADVANCE RENTAL INC (CUR MO)	(11,471)	1.3538	(15,530)		(15,530)
711A CAPITALIZED SOFTWARE COSTS-TAX	2	1.3538	3		3
711B BOOK LEASES CAPITALIZED PORT TAX	(7,031)	1.3538	(9,518)		(9,518)
906A ACCRD SFAS 106 PST RETIRE EXP	97,382	1.3538	133,715	(133,715)	0
906D SFAS 106 PST RETIRE EXP - NON-DEDUCT CONT	(75,607)	1.3538	(102,358)	102,358	0
906F ACCRD OPEB COSTS - SFAS 158	90,600	1.3538	122,656	(122,656)	0
906K ACCRD SFAS 112 PST EMPLOY BEN	(75,512)	1.3538	(102,230)	102,230	0
911F-FIN FIN 48 DSIT	988	1.3538	1,338		1,338
911V ACCRD SIT TX RESERVE-LNG-TERM-FIN 48	3,116	1.3538	4,219		4,219
911V-MJE ACCRD SIT TX RES-LNG-TERM-FIN 48-MJE	(3,185)	1.3538	(4,312)		(4,312)
911W ACCRD SIT TX RESERVE-SHRT-TERM-FIN 48	(513)	1.3538	(695)		(695)
960Z NOL - DEFERRED TAX ASSET RECLASS	(4,409)	1.3538	(6,511)		(6,511)
2821003 2821001 Accum Debit FIT-UBI Prop					
230A-XS EXCESS DIT - ACRS NORM REVERSAL	(1,050)	1.3538	(1,422)		(1,422)
295A GAIN/LOSS ON ACRS/MACRS PROPERTY	887,579	1.3538	1,200,623		1,200,623
360I SEC 481 PENL/OPEB ADJUSTMENT	(348,743)	1.3538	(472,136)		(472,136)
532A PERCENT REPAIR ALLOWANCE	11	1.3538	15		15
532A-EFB EFB - GAIN/LOSS ON ACRS/MACRS PROPERTY	454,465	1.3538	615,265		615,265
532C BOOK/TAX UNIT OF PROPERTY ADJ	(957,404)	1.3538	(1,283,866)		(1,283,866)
532E PERCENT REPAIR ALLOW	60,638	1.3538	82,092		82,092
5330 BKTX UNIT OF PROPERTY ADJ-SEC 481 ADJ	792,540	1.3538	1,072,957		1,072,957
5331 TX ACCEL AMORT - CAPITALIZED SOFTWARE	37,390	1.3538	50,619		50,619
534A CAPITALIZED RELOCATION COSTS	157,986	1.3538	213,816		213,816
534A-EFB EFB - CAPITALIZED RELOCATION COSTS	(30,257)	1.3538	(40,963)		(40,963)
2831001 2831001 Accum Deferred FIT-Other					
014CTN NOL-STAY C/F-DEF TAX ASSET-LT - TN	389,276	1.3538	527,416		527,416
609C ACCRUED BK PENSION COSTS - SFAS 156	(597,826)	1.3538	(809,078)	809,078	0
630I DEFD STORM DAMAGE	210,750	1.3538	285,317		285,317
661R REG ASSET-SFAS 158 - PENSIONS	597,626	1.3538	809,078	(809,078)	0
661T REG ASSET-SFAS 158 - OPEB	(90,600)	1.3538	(122,656)		(122,656)
664B REG ASSET-HTO DEMAND RESPONSE COSTS	58,765	1.3538	79,557		79,557
671G REG ASSET-TN UNDER RECOV FPPA RIDER	564,061	1.3538	763,638		763,638
711X CAPITALIZED SOFTWARE COST-BOOK	212,246	1.3538	287,344		287,344
906Z SFAS 106 - MEDICARE SUBSIDY - (PPACA)-REG ASSET	25,607	1.3538	34,667		34,667
914K REG ASSET-ACCURED SFAS 112	75,512	1.3538	102,230	(102,230)	0
Distribution Excess ADIT Unprotected	3,367,150		4,534,519	(621,690)	3,936,229
		1.3528	4,555,081		

Note: Using the Revenue Basis Factor of 1.3521, which includes the state, the Revenue Basis numbers for Protected and Unprotected would be 9,970,661 and 4,555,081, respectively.

Calculation of Appropriate Tax-credits Up Rate		Prior Rate
Federal	21.03%	35.00%
State	8.52%	8.50%
Federal Benefit of State	-2.17%	-2.18%
Total	26.38%	39.23%
Post - Total Unprotected Factor - 1.01-26.183%		1.3521
Factor Used in Schedule		1.3521