

**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. 18-00125**

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

1 development of jurisdictional federal income taxes. In 1998, I transferred to the
2 Regulatory Services department of APCo as a Rate Analyst. My responsibilities
3 included the development of jurisdictional cost of service studies and associated
4 allocation factors for APCo. In 2000, I transferred to the AEPSC as a Staff
5 Accountant in the Accounting Policy and Research department where I was
6 responsible for researching Generally Accepted Accounting Principles (GAAP),
7 developing the accounting for new transactions and designing accounting policies.
8 In 2002, I joined the Regulatory Accounting Services Department of Corporate
9 Accounting as a Staff Assistant and in 2004 I was promoted to the position of
10 Administrator in that same Department. In 2006, I was promoted to Principal
11 Regulatory Accounting Consultant and in 2007, I was promoted to my current
12 position.

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

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

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
21 **PROCEEDING BEFORE THIS OR ANY OTHER COMMISSION?**

22 A. Yes. I testified before this Commission in KgPCo Docket No. 17-00032 and I
23 presented testimony on behalf of KgPCo in Docket Nos. 16-00001 and 17-00143.

1 I have also testified on behalf of APCo before the Virginia State Corporation
2 Commission and the Public Service Commission of West Virginia. In addition, I
3 have submitted testimony on behalf of Indiana Michigan Power Company (I&M)
4 before the Michigan Public Service Commission. Like KgPCo, APCo and I&M
5 are electric operating subsidiaries of AEP.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to:

- 9 • Support the over/under-recovery of Targeted Reliability Plan and Major
10 Storm (TRP&MS) costs incurred during the 12-month review period
11 ended September 2018.
- 12 • Provide an attestation that the costs and expenses included in the
13 TRP&MS rider are complete and accurate and reflect actual amounts on
14 the Company's books and records.
- 15 • Identify the procedures in place to track and defer TRP&MS costs as
16 compared to the level of such costs included in base rates.

17 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

18 A. I am sponsoring the following exhibits:

- 19 • KgPCo Exhibit No. 1 (AWA) is a summary of the monthly over or under-
20 recovery of TRP&MS costs for the period Oct. 2017 through Sept. 2018;
- 21 • KgPCo Exhibit No. 2 (AWA) is an attestation regarding the requested
22 TRP&MS costs and expenses;

- 1 • KgPCo Exhibit No. 3 (AWA) is a list of TRP projects as of September 30,
2 2018.

3 **Q. WHAT IS THE OVER OR UNDER-RECOVERY BALANCE OF TRP&MS**
4 **COSTS THAT THE COMPANY IS REQUESTING TO INCLUDE IN THE**
5 **TRP&MS RIDER?**

6 A. The Company is requesting to recover \$2,330,677 of deferred TRP&MS under-
7 recovered costs as of September 30, 2018 recorded on KgPCo's books in Account
8 1823426, TRP&MS Under Recovery, consisting of an under-recovery of
9 \$2,224,484 for TRP costs and an under-recovery of \$106,193 for major storm
10 costs. These under-recovery balances at September 30, 2018 are net of the annual
11 level of such costs recovered through base rates of \$903,372 for TRP costs and
12 \$392,376 for major storm costs. The annual level of TRP&MS costs included in
13 current base rates was determined by Commission Order, dated October 19, 2016,
14 in Docket No. 16-00001.

15 **Q. ARE YOU SPONSORING AN EXHIBIT THAT SUMMARIZES THE**
16 **COST COMPONENTS AND BASE RATE RECOVERY OF THE**
17 **TRP&MS COSTS FOR THE 12-MONTH PERIOD ENDED SEPTEMBER**
18 **30, 2018?**

19 A. Yes. KgPCo Exhibit No. 1 (AWA) summarizes the monthly TRP&MS costs
20 incurred for the period October 2017 through September 2018, the monthly
21 TRP&MS costs included in base rates and the resulting over or under-recovery at
22 the end of each month.

1 **Q. PLEASE DESCRIBE THE INFORMATION CONTAINED IN KGPCO**
2 **EXHIBIT NO. 1 (AWA).**

3 A. Columns (a) through (k) of KgPCo Exhibit No. 1 (AWA) provide monthly costs
4 incurred, costs recovered through base rates and the resulting over or under-
5 recovery related to the TRP and columns (l) through (n) provide monthly costs
6 incurred, costs recovered through base rates and the resulting over or under-
7 recovery related to major storms. Column (o) provides the month-end net
8 TRP&MS over or under-recovery balance recorded on the Company's books in
9 Account 2543426, TRP&MS Over Recovery, or Account 1823426 and is the sum
10 of the amounts shown in column (k) for the TRP and column (n) for major storms.

11 For the TRP, column (a) provides the monthly O&M expenses charged (or
12 credited) to the TRP projects. Column (b) provides the cumulative capital
13 additions charged to the TRP projects for capital investments incurred after
14 September 2017. Column (c) provides the accumulation of monthly depreciation
15 expense amounts shown in column (h). The depreciation rates used to calculate
16 depreciation on the TRP projects are those rates approved by the Commission in
17 Docket No. 16-00001. The accumulated deferred income taxes shown in column
18 (d) reflect the difference between book depreciation and accelerated tax
19 depreciation. The net TRP capital additions shown in column (e) are computed
20 by subtracting columns (c) & (d) from column (b) and are applied to the monthly
21 carrying charge rate in column (f) to calculate the pre-tax return on capital shown
22 in column (g). The sum of columns (a), (g), and (h) equal the total TRP costs
23 shown in column (i). The monthly TRP costs included in the development of the

1 Commission approved base rates in Docket No. 16-00001 shown in column (j) are
2 compared to the total TRP costs from column (i) to compute the net over or
3 under-recovery of TRP costs shown in column (k).

4 For major storm costs, the monthly O&M expenses, if any, charged to a
5 KgPCo major storm project are shown in column (l) and these O&M expenses are
6 the only major storm costs included in the TRP&MS over/under-recovery. The
7 monthly major storm O&M expenses included in the development of the
8 Commission approved base rates in Docket No. 16-00001 shown in column (m)
9 are compared to the costs in column (l) to compute the net over or under-recovery
10 of major storm costs shown in column (n).

11 **Q. ARE THE TYPES OF COSTS SHOWN IN KGPCO EXHIBIT NO. 1**
12 **(AWA) AND INCLUDED IN THE TRP&MS OVER/UNDER RECOVERY**
13 **THE SAME AS THOSE DESCRIBED IN THE COMPANY'S PETITION,**
14 **AND APPROVED BY THE COMMISSION, IN DOCKET NO. 17-00032?**

15 A. Yes. The Commission on page 11 of its November 9, 2017 Order Granting
16 *Petition* in Docket No. 17-00032 found that "the annual cost and recovery
17 calculation methodology contained in the *Petition* and set forth in the Company's
18 tariff is reasonable and appropriate for recovery of costs associated with the
19 individual programs." The Company's testimony in that docket described the
20 following types of costs to be recovered through the TRP&MS rider: 1)
21 incremental O&M expenses associated with the TRP and major storms above the
22 level of such costs currently in base rates; and, 2) a return of (through
23 depreciation) and a return on (using the rate of return approved by the TPUC in

1 Docket No. 16-00001) new capital investments associated with the TRP. The
2 Company's testimony from Docket No. 17-00032 also described that the return on
3 new TRP capital investments would be calculated on plant in-service balances net
4 of related accumulated depreciation and accumulated deferred income taxes. The
5 types of costs and calculations described in Docket No. 17-00032 are the same as
6 those shown in KgPCo Exhibit No. 1 (AWA) and included in the TRP&MS
7 over/under recovery.

8 **Q. IS THE COMPANY PROVIDING AN ATTESTATION REGARDING THE**
9 **COSTS AND EXPENSES INCLUDED IN THE TRP&MS RIDER?**

10 A. Yes. KgPCo Exhibit No. 2 (AWA) provides an attestation as required in the
11 TPUC's Order Granting *Petition* in Docket No. 17-00032. This attestation states
12 that costs and expenses included in the Company's Petition in the current docket
13 are complete and accurate and reflect actual amounts recorded on KgPCo's books
14 and records during the 12-month period ended September 30, 2018.

15 **Q. WHAT PROCEDURES HAS KINGSPORT PUT IN PLACE TO IDENTIFY**
16 **AND TRACK ITS TRP&MS COSTS AND TO DEFER THE LEVEL OF**
17 **SUCH COSTS NOT RECOVERED THROUGH BASE RATES?**

18 A. As part of the methodology adopted in the Commission order in Docket No. 17-
19 00032, KgPCo uses specific projects to identify and track the costs associated
20 with Tennessee distribution reliability activities, and the Company continues to
21 use these projects to identify and track TRP costs. Both O&M and capital
22 investments can be charged to the same TRP project such as Project No.
23 000009172 for vegetation management costs and Project No. EDN100579 for

1 circuit inspection costs. KgPCo Exhibit No. 3 (AWA) shows the TRP projects
2 that were charged with O&M expenses or new capital expenditures or both during
3 the 12-month period ended September 30, 2018.

4 The Company also uses separate projects to charge and track major storm
5 costs for restoration work performed in Tennessee for each major storm. During
6 the October 2017 through September 2018 period, there was one major storm that
7 impacted KgPCo's customers as described by Company witness Wright. The
8 O&M and capital costs for this major storm that occurred on July 20, 2018 were
9 charged to Project No. DMS18KT02 and only the O&M expenses for this storm
10 were included in the TRP&MS over/under-recovery calculation consistent with
11 the Company's testimony in Docket No. 17-00032.

12 **Q. DID THE COMPANY ESTABLISH ANY UNIQUE ACCOUNTS TO**
13 **TRACK THE DEFERRAL OF TRP&MS COSTS?**

14 A. Yes. The Company established Account 1823426 for recording an under-
15 recovery of TRP&MS costs and Account 2543426 for recording an over-recovery
16 of TRP&MS costs. Also, the Company established Account 5933426, TRP&MS
17 O/U Recovery, which is credited on the books in those months in which a current
18 month under-recovery of TRP&MS costs is recorded and debited on the books in
19 those months in which a current month over-recovery of TRP&MS costs is
20 recorded.

21 **Q. WHAT IMPACT HAS THE TAX CUTS AND JOBS ACT OF 2017 (TCJA)**
22 **HAD ON THE COMPUTATION OF TRP&MS COSTS INCLUDED IN**
23 **THIS PETITION?**

1 A. There were two impacts on the computation of TRP&MS costs from the TCJA
2 that was effective January 1, 2018. First, the annual pre-tax carrying charge rate
3 applied to the net TRP capital additions was reduced effective January 2018 from
4 8.738% as approved by the Commission in Docket No. 16-00001 to 7.581% to
5 reflect the reduction in the corporate federal income tax rate from 35% to 21%.
6 This reduction in the federal income tax rate reduces the revenue conversion
7 factor that is used to gross-up the common equity component of the rate of return
8 to a pre-tax basis. Second, the accumulated deferred income taxes used to
9 compute the net TRP capital additions for the October 2017 through September
10 2018 period have been calculated using the current 21% federal income tax rate.

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

12 A. Yes, it does.

KINGSPORT POWER COMPANY
TARGETED RELIABILITY PLAN AND MAJOR STORM (TRP&MS) COSTS
OVER/UNDER RECOVERY COMPARED TO LEVEL OF TRP&MS COSTS IN BASE RATES
FOR THE PERIOD OCTOBER 2017 THRU SEPTEMBER 2018
\$s

Targeted Reliability Plan										Major Storms			
Month	Cumulative	Accum	Accum Def	Net TRP	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Major Storm	Major Storm	Net TRP&MS
O&M	Capital	Depr	Income	Capital	Charge Rate	Pre-tax	Depreciation	Total TRP	Costs in Base	TRP	Expenses in	Over/(Under)	Over/(Under)
(a)	Additions	(c)	Taxes	Additions	(f)	Return on	Expense	Costs	Rates	Over/(Under)	Base Rates	Recovery	Recovery
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(m)	(n)	(o)
				(b-c-d)		(e-f)		(a+g+h)					(k-m)
Oct-17	66,048			45,722	0.72817%	333	159	66,048	75,281	9,233	0	32,698	41,931
Nov-17	42,978		2,945					43,470	75,281	41,044	0	32,698	106,440
Dec-17	41,591	159	10,821	103,214	0.72817%	752	358	42,701	75,281	73,624	0	32,698	171,718
Jan-18	155,850	517	24,973	204,752	0.63175%	1,294	692	157,816	75,281	(8,911)	0	32,698	121,881
Feb-18	240,365	1,209	25,073	355,533	0.63175%	2,246	1,226	243,857	75,281	(177,487)	0	32,698	(13,997)
Mar-18	283,926	2,435	25,143	416,917	0.63175%	2,634	1,470	288,030	75,281	(390,236)	0	32,698	(194,048)
Apr-18	347,732	3,906	26,052	887,877	0.63175%	5,609	2,728	356,063	75,281	(671,018)	0	32,698	(442,132)
May-18	239,743	6,634	26,424	1,017,394	0.63175%	6,427	3,105	249,273	75,281	(845,010)	0	32,698	(583,426)
Jun-18	290,894	9,739	28,524	1,642,559	0.63175%	10,377	4,709	305,954	75,281	(1,075,683)	0	32,698	(781,401)
Jul-18	964,633	14,449	30,786	2,182,574	0.63175%	13,788	6,257	984,679	75,281	(1,985,081)	0	32,698	(1,658,101)
Aug-18	(226,808)	20,706	32,839	2,590,276	0.63175%	16,364	7,255	(203,341)	75,281	(1,706,459)	0	32,698	(1,346,781)
Sep-18	565,972	27,961	35,055	3,009,658	0.63175%	19,014	8,406	593,306	75,281	(2,224,484)	498,569 *	32,698	(2,330,677)
								3,127,856	903,372		498,569	392,376	

* The \$498,569 of major storm O&M costs included in the TRP&MS over/under recovery calculation in Sept. 2018 business consists of costs incurred and recorded on the Company's books in July, August and September 2018 of \$235,081, \$229,270 and \$34,218, respectively, related to a severe thunderstorm that occurred on July 20, 2018.

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

IN RE: PETITION OF KINGSPORT POWER)
COMPANY d/b/a AEP APPALACHIAN POWER)
FOR ANNUAL RECOVERY UNDER THE)
TARGETED RELIABILITY PLAN AND MAJOR)
STORM RIDER ("TRP&MS"), ALTERNATIVE RATE)
MECHANISMS APPROVED IN DOCKET NO. 17-00032)

DOCKET NO.: 18-_____

ATTESTATION

State of Ohio

County of Franklin

A. Wayne Allen, being first duly sworn, deposes and says:

1. I am a Regulatory Accounting Case Manager for American Electric Power Service Corporation ("AEPSC"), a wholly-owned subsidiary of American Electric Power Company, Inc. ("AEP"). AEP is the parent company of Petitioner Kingsport Power Company, d/b/a AEP Appalachian Power ("KgPCo" or "Company").

2. I am authorized to attest, represent and warrant, on behalf of the Company in this Docket, upon information and belief, that:

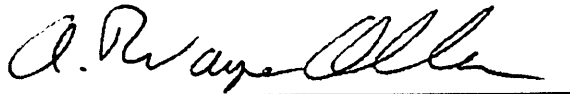
(A) In Docket No. 17-00032, the Tennessee Public Utility Commission ("TPUC") approved the PETITION OF KINGSPORT POWER COMPANY, D/B/A AEP APPALACHIAN POWER FOR APPROVAL OF ITS TARGETED RELIABILITY PLAN, AND ITS TRP & MS RIDER, AN ALTERNATIVE MECHANISM.

(B) In said Docket No. 17-00032, TPUC ordered that "...Kingsport Power Company shall provide an attestation and pre-filed testimony supporting each annual filing for the mechanisms approved herein." This is the attestation of the Company as required by that Order.

(C) I testified on behalf of the Company in Docket No. 17-00032, in which the TPUC approved the Petition of Kingsport for a Targeted Reliability Plan (TRP) and a major storm (MS) alternative rate mechanism ("TRP&MS Rider"). I also testified on behalf of the Company in Docket No. 16-00001, KgPCo's most recent base rate case.

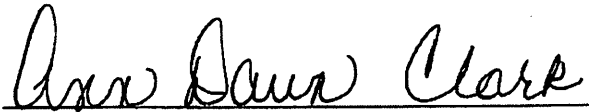
(D) I am familiar with the TRP&MS costs recorded on the Company's books and records and the level of such costs included in the Company's base rates as approved in Docket No. 16-00001.

(E) The costs and expenses included herein in the Company's Petition for annual recovery under the TRP&MS Rider are complete and accurate and reflect actual amounts recorded on the Company's books and records during the 12-month period October 1, 2017 through September 30, 2018.



A. Wayne Allen

Sworn and subscribed before me
this 29th day of November, 2018.



Notary Public

My Commission Expires: 12-03-2020



ANN DAWN CLARK
Notary Public, State of Ohio
My Commission Expires 12-03-2020

**KINGSPORT POWER COMPANY
TARGETED RELIABILITY PLAN (TRP) PROJECTS
WITH COSTS INCURRED FROM OCTOBER 2017 THROUGH SEPTEMBER 2018**

Unit	Project	Project Description	GLBU
KINGSPORT DISTR	EDN014682	Ds-Kgp-Ai Pole Replacement	230
KINGSPORT DISTR	EDN014722	Ds-Kgp-Ai Recloser Replacement	230
KINGSPORT DISTR	EDN100579	Ds-Kgp-Ai Ckt Inspections	230
KINGSPORT DISTR	EDN100271	Ds-Kgp-Ai Urd Program	230
KINGSPORT DISTR	EDN100298	Ds-Kgp-Ai Small Wire Repl Urd	230
KINGSPORT DISTR	000004738	KGP Sectionalizing Program	230
KINGSPORT DISTR	000018023	KGP Targeted Ckt Reliability	230
KINGSPORT DISTR	EDN100104	KGP Inspect Poles	230
KINGSPORT DISTR	000009172	Forestry KGP D Base R W	230
KINGSPORT DISTR	DR18R12E0	Highland - Sta Exits Upgrades	230