

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF KINGSPORT POWER	)	
COMPANY d/b/a AEP APPALACHIAN	)	
POWER FOR OCTOBER, 2018 –	)	
SEPTEMBER, 2019 ANNUAL RECOVERY	)	DOCKET NO. 19-00106
UNDER THE TARGETED RELIABILITY	)	
PLAN AND MAJOR STORM RIDER	)	
("TRP&MS"), ALTERNATIVE RATE	)	
MECHANISM APPROVED IN DOCKET	)	
NO. 17-00032	)	

---

CONSUMER ADVOCATE'S SECOND DISCOVERY REQUEST  
TO KINGSPORT POWER COMPANY d/b/a AEP APPALACHIAN POWER.

---

To:	William C. Bovender, Esq. Joseph B. Harvey, Esq. Hunter, Smith & Davis, LLP P.O. Box 3740 Kingsport, TN 37665 Email: <a href="mailto:Bovender@hsdlaw.com">Bovender@hsdlaw.com</a>	William K. Castle Director, Regulatory Services VA/TN American Electric Power Service Corp. Suite 110 1051 E. Cary Street Richmond, VA 23219-4029 Email: <a href="mailto:wkcastle@aep.com">wkcastle@aep.com</a>
	James R. Bacha, Esq. American Electric Power Service Corp. 1 Riverside Plaza Columbus, OH 43215 Email: <a href="mailto:jrbacha@aep.com">jrbacha@aep.com</a>	Noelle J. Coates, Senior Counsel American Electric Power Service Corp. Three James Center Suite 110 1051 E. Cary Street Richmond, VA 23219-4029 Email: <a href="mailto:njcoates@aep.com">njcoates@aep.com</a>

This Second Discovery Request is hereby served upon Kingsport Power Company d/b/a AEP Appalachian Power Company (Company), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules

of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, War Memorial Building, 301 6<sup>th</sup> Avenue North, Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 2:00 p.m. (CDT), January 28, 2020.

### **PRELIMINARY MATTERS AND DEFINITIONS**

These Second Discovery Requests incorporate by reference the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate's First Discovery Request Kingsport Power Company d/b/a AEP Appalachian Power Company*, sent to the Company on December 13, 2019, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

### **SECOND DISCOVERY REQUESTS**

- 2-1. Refer to the Company's Response identified as CPAD 1-5, Attachment 2. Provide support for the following:
- a. The monthly billed Surcharge amounts found in excel column B for the months of June through September 2019.
  - b. The Estimated KWH found in Column E.
  - c. The Unbilled KWH found in Column F.
  - d. Explain the distinction between the Estimated and Unbilled KWH values.
  - e. Provide a comprehensive explanation why there is no value for "Estimated KWH" in July, 2019.

### **RESPONSE:**

- 2-2. Refer to the Company's Response identified as CPAD 1-5, Attachment 3. Identify the entity(ies) charging Kingsport through 'Intercompany billing' as referenced in Attachment 3.

**RESPONSE:**

- 2-3. Refer Exhibit 5 of *A. Wayne Allen's Direct Testimony*. Within the category of 'Intercompany Billing', provide a comprehensive explanation identifying the nature and rationale for inclusion of the following cost categories:
- a. Incentive Accrual – Department Level (\$258,693 (credit)).
  - b. Contract Labor (\$128,622) – Include in this response the type of Contract Labor that is incurred through Intercompany Billing and why those tasks are not incurred as Contract Labor through Kingsport.
  - c. Identify the Fringe Benefits unique to Overtime (\$40,003) and indicate whether any of these costs are reversed via other credit items within Exhibit 5.
  - d. Exempt Overtime Labor (\$11,262). Identify whether this is exclusively Labor charges, or instead whether this line item includes reimbursement for meals. If confirmed this relates to Exempt Labor (as identified), provide a justification for charges associated with Exempt labor.

**RESPONSE:**

- 2-4. Refer to the Company's Response to the Consumer Advocate's Request Nos. 1-6 through 1-9. Respond to the following
- a. Confirm that the Company has not incorporated recognition of the Repair Deduction within the calculated balance of ADIT associated with the TRP&MS Rate Base calculation.
  - b. If item a. above is not confirmed, identify the specific location within the Company's Response identified as CPAD 1-6, Attachment 1 where the Repair Deduction is reflected within the ADIT calculation.

- c. If item a. above is confirmed, provide the rationale for exclusion of the Repair Deduction within the calculation of the ADIT balances within this filing.
- d. If the Company agrees the balance of ADIT should be modified to reflect the Repair Deduction within the calculation of TRP&MS Rate Base, provide such calculations.
- e. Refer to Company's Response to the Consumer Advocate's Request No. 1-9. Confirm that all TRP&MS assets were eligible for the Repair Deduction. If only a portion of TRP&MS assets were subject to the Repair Deduction, identify the balance of such assets by year

**RESPONSE:**

2-5. Refer to the Company's Response to the Consumer Advocate's Request No. 1-10. Provide the following:

- a. Provide the amount of Insurance reimbursement associated with Assets included within the cumulative Capital Additions. Identify such proceeds associated with assets according to the year in which they are included within the TRP&MS.
- b. If the Company has received reimbursement for TRP&MS eligible assets, provide the rationale for not offsetting TRP&MS Rate Base for these reimbursements.
- c. Provide the amount of Insurance reimbursement associated with Major Storms included within the TRP&MS that has been (i) received and (ii) pending.
- d. If such insurance reimbursements have been received or are pending associated with TRP&MS costs (assets or O&M costs), provide a complete description of the appropriate accounting for these credits; (i) on the books of Kingsport and (ii) how such offsets should be treated within the TRP&MS calculation.
- e. Identify any outstanding or pending insurance claims associated with property damage giving rise to TRP&MS eligible costs. Include in the response a copy of corresponding insurance claims submitted to the insurance carrier.
- f. Does Kingsport or any of its affiliates carry lost revenue insurance which would reimburse Kingsport, or any of its affiliates, for the loss of revenue due to a major outage in its Tennessee jurisdiction? If so, provide the general terms and conditions surrounding such insurance.

**RESPONSE:**

2-6. Refer to the Company's Response to the Consumer Advocate's Request No. 1-11.

Respond to the following:

- a. Confirm that Depreciation Expense requested within the TRP&MS includes incremental Depreciation Expense on capital additions but does not exclude an offset to Depreciation Expense associated with TRP&MS retirements.
- b. If a. above is confirmed, provide the rational supporting this regulatory treatment within the TRP&MS.
- c. If a. above is not confirmed, identify the schedule(s) in which TRP&MS requested depreciation is reduced for depreciation savings associated with TRP&MS related retirements.

**RESPONSE:**

2-7. Refer to the Company's Response identified as CPAD 1-5, Attachment 1. Provide a comprehensive explanation for the credits recorded in the months of February, April and August 2019.

**RESPONSE:**

2-8. Refer to the Company's Response identified as CPAD 1-18, Attachment 1 and to Exhibit 4 of *A. Wayne Allen's Direct Testimony*. Approximately \$21,000 in charges are related to a vendor identified as "Food City". With respect to this O&M charge respond to the following:

- a. Confirm that this cost relates to the provision of meals associated with time incurred related to the restoration of service resulting from a major storm outage.
- b. If this is not confirmed, provide a comprehensive explanation of the incurred charges and how they are eligible for recovery under the TRP&MS.
- c. Indicate whether the provision of meals included Contract Labor, or was it limited to Company (and affiliate) employees?

- d. Identify the number of Company employees receiving meals from the Food City vendor.
- e. With respect to the Food City Line Item in the amount of \$3,094 dated December 12, 2018, the state designation is identified as West Virginia. Provide a comprehensive explanation supporting why this state designation was identified and why it should be eligible for recovery within the TRP&MS.
- f. Provide invoice support for charges from Food City.

**RESPONSE:**

- 2-9. Refer to the Company's Response identified as CPAD 1-5, Attachment 3. For vendors with charges totaling over \$40,000 provide a copy of the executed vendor contracts.

**RESPONSE:**

- 2-10. Refer to *A. Wayne Allen's Direct Testimony*, Exhibit 4 and the Company's Responses to the Consumer Advocate Request Nos. 1-22 and 1-24. Indicate whether the following Intercompany charges were assigned to the TRP&MS based upon time records or ratios. If ratios were utilized identify the ratios utilized and provide the underlying support for the numerator and denominator as well as the rationale for the ratio utilized. If a portion of such costs were charged to the TRP&MS based upon time records and a portion on some ratio, provide the respective amounts of each.
- a. Contract Labor (\$128,622).
  - b. Non-Exempt OT Labor (\$213,311).
  - c. Non-Exempt OT Salaried Labor (\$129,432).
  - d. Exempt Labor (\$43,959).

**RESPONSE:**

2-11. Refer to *Wayne Allen's Direct Testimony*, Exhibit 5. Respond to the following:

- a. Provide a comprehensive discussion differentiating the \$36,382 identified as Shared Services Fleet Products Services/"Fleet Vehicle Allocations" as distinct from the \$164,966 identified as Shared Service Fleet Product Services/"Intercompany Billing".
- b. Provide a comprehensive explanation identifying and justifying the cost assignment method underlying the \$164,966 in Shared Services Fleet charged to the TRP&MS.


**RESPONSE:**

2-12. Regarding the Company's Responses to the Consumer Advocate Request Nos. 1-32 through 1-35. Confirm the following:

- a. Refer to Company's Response identified as CPAD 1-32, Attachment 1. The credit balance of subaccount 5933426 is \$4,353,105 representing an under-recovery of TRP&MS charges.
- b. The balance of actual Kingsport Distribution O&M charges for the twelve-month period ending September 2019 is \$6,896,820.
- c. The balance in item b is inclusive of \$5,973,588 in TRP and Storm Damage restoration O&M costs. If the balance of O&M charges incorporated in CPAD 1-32, Attachment 1 (\$6,896,820) is exclusive of TRP&MS restoration costs, provide a reconciliation documenting such costs are not contained within the information provided in CPAD 1-32, Attachment 1.
- d. Identify the account debited in the amount of \$4,353,105 related to the contra-credit recorded to \$4,353,105, which is referenced in the Company's Response to Consumer Advocate's Request No. 1-35.

**RESPONSE:**

**RESPECTFULLY SUBMITTED,**

  
KAREN H. STACHOWSKI (BPR #019607)  
Assistant Attorney General  
VANCE L. BROEMEL (BPR #011421)  
Senior Assistant Attorney General  
Office of the Tennessee Attorney General  
Financial Division, Consumer Advocate Unit  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 741-8733  
Fax: (615) 741-1026  
Email: [karen.stachowski@ag.tn.gov](mailto:karen.stachowski@ag.tn.gov)  
Email: [vance.broemel@ag.tn.gov](mailto:vance.broemel@ag.tn.gov)



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:

William C. Bovender, Esq.  
Joseph B. Harvey, Esq.  
Hunter, Smith & Davis, LLP  
P.O. Box 3740  
Kingsport, TN 37665  
Email: [Bovender@hdsdlaw.com](mailto:Bovender@hdsdlaw.com)


William K. Castle  
Director, Regulatory Services VA/TN  
American Electric Power Service Corp.  
Suite 110 1051 E. Cary Street  
Richmond, VA 23219-4029  
Email: [wkcastle@aep.com](mailto:wkcastle@aep.com)

James R. Bacha, Esq.  
American Electric Power Service Corp.  
1 Riverside Plaza  
Columbus, OH 43215  
Email: [jrbacha@aep.com](mailto:jrbacha@aep.com)

Noelle J. Coates, Senior Counsel  
American Electric Power Service Corp.  
Three James Center  
Suite 110 1051 E. Cary Street  
Richmond, VA 23219-4029  
Email: [njcoates@aep.com](mailto:njcoates@aep.com)

Michael J. Quinan, Esq.  
Thompson McMullan P.C.  
Christian & Barton, LLP  
100 Shockoe Slip, Third Floor  
Richmond, VA 23219  
Email: [mquinan@t-mlaw.com](mailto:mquinan@t-mlaw.com)

This the 15<sup>th</sup> day of January, 2020.

  
\_\_\_\_\_  
Karen H. Stachowski