

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

<b>IN RE:</b>	)	
	)	
<b>PETITION OF KINGSPORT POWER</b>	)	
<b>COMPANY d/b/a AEP APPALACHIAN</b>	)	
<b>POWER GENERAL RATE CASE</b>	)	<b>DOCKET NO. 21-00107</b>
	)	
	)	
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**PUBLIC DIRECT TESTIMONY**

**OF**

**DAVID N. DITTEMORE**

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**March 30, 2022**

**I. Background**

**Q1. PLEASE STATE YOUR NAME AND OCCUPATION FOR THE RECORD.**

**A1.** My name is David N. Dittmore. I am a self-employed consultant working in the utility regulatory sector.

**Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.**

**A2.** I received a Bachelor of Science Degree in Business Administration from the University of Central Missouri in 1982. I am a Certified Public Accountant licensed in Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission ("KCC") in various capacities, including Managing Auditor, Chief Auditor, and Director of the Utilities Division. I was self-employed as a Utility Regulatory Consultant for approximately four years, representing primarily the KCC Staff in regulatory issues. I also participated in proceedings in Georgia and Vermont, evaluating issues involving electricity and telecommunications regulatory matters.

Additionally, during this time frame, I performed a consulting engagement for Kansas Gas Service ("KGS"), my subsequent employer. For eleven years, I served as Manager and subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in Kansas serving approximately 625,000 customers. KGS is a division of One Gas, a natural gas utility serving about two million customers in Kansas, Oklahoma, and Texas. I joined the Tennessee Attorney General's Office in September 2017 as a Financial Analyst. In July 2021, I began my consulting practice. Overall, I have thirty years of experience in public

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1 utility regulation. I have presented testimony as an expert witness on many occasions.  
2 Attached as Exhibit DND-1 is a detailed overview of my background.

3 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**  
4 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**  
5 **“COMMISSION”)?**

6 **A3.** Yes. I have submitted testimony in many TPUC dockets.

7 **Q4. ON WHOSE BEHALF ARE YOU APPEARING?**

8 **A4.** I am appearing on behalf of the Consumer Advocate Unit of the Financial Division of the  
9 Tennessee Attorney General’s Office (“Consumer Advocate”).

10 **II. Purpose of Testimony**

11 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A5.** My testimony supports and explains various adjustments to Kingsport Power Company  
13 d/b/a AEP Appalachian Power Company’s (“Kingsport” or the “Company”) proposed  
14 revenue requirement, identified below in Table DND-1.

15 *[Intentionally Blank – Table on Next Page]*

Table DND-1					
Adj. No.	Exh No.	Item	Account		Amount
		<b>Rate Base</b>			
1	2	To Reduce Rate Base to Allocate NOL asset to the Transmission Function.	190		\$ (3,289,640)
		<b>O&amp;M</b>			
1	3	To Reduce O&M Costs to eliminate Covid Amortization Costs	921		\$ (19,660)
2	4	To Reduce O&M Costs related to Factoring associated with acceleration of cash receipts.	426		\$ (251,424)
3	5	To Eliminate Indirect Lobbying Charges	920		\$ [REDACTED]
4	6	To Eliminate Severance Costs	920		\$ (86,238)
N/A	N/A	Pro-Forma Deferred Tax Expense			\$ (222,929)

I am also sponsoring the Income Tax calculation found on <Schedule 8> of the Consumer Advocate's revenue requirement schedules. Finally, I will discuss the Company's tax rider proposal.

### III. Rate Base Adjustment

**Q6. PLEASE BEGIN BY DISCUSSING THE RATE BASE ADJUSTMENT YOU ARE SPONSORING, ADJUSTMENT DND-1.**

**A6.** This adjustment assigns an appropriate amount of the Company's Net Operating Loss (Deferred Tax Asset, or DTA) to its Transmission function, thus reducing the portion allocated to the Company's Distribution function.

**Q7. WHY IS THE DISTINCTION BETWEEN TRANSMISSION AND DISTRIBUTION COSTS IMPORTANT IN THIS PROCEEDING?**

**A7.** The case before the Commission involves Distribution rates. Therefore, it is essential to ensure the revenue requirement adopted in this proceeding excludes Transmission costs,

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1 which would include Transmission related rate base and operating and maintenance  
2 expenses.

3 **Q8. WHAT IS A NET OPERATING LOSS (“NOL”)?**

4 **A8.** An NOL is generated when taxable income is negative, that is when tax deductions exceed  
5 taxable revenue. The practical result of an NOL is that the Company does not receive the  
6 cash flow benefits from all its tax deductions. The NOL balance may also be referred to  
7 as a Deferred Tax Asset and is offset against the utility's Accumulated Deferred Income  
8 Tax Liability (“ADIT”) balance on its financial records. The Company has not recorded  
9 its NOL asset on Kingsport's book in the current situation.

10 **Q9. WHAT IS THE AMOUNT OF THE NOL ASSET THE COMPANY HAS CLAIMED**  
11 **IN ITS RATE BASE?**

12 **A9.** The Company has included \$11,826,798 in rate base associated with its calculated NOL  
13 asset.<sup>1</sup>

14 **Q10. PLEASE DESCRIBE THE ADJUSTMENT YOU ARE SUPPORTING TO ASSIGN**  
15 **A PORTION OF THE NOL ASSET TO THE TRANSMISSION FUNCTION.**

16 **A10.** The adjustment I'm sponsoring is comprised of two components, resulting in a reduction  
17 to rate base of \$3,289,640, as shown below:

18 *[Intentionally Blank – Table on Next Page]*

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<sup>1</sup> Kingsport's Response to Consumer Advocate's First Discovery Request No. 1-36, Attachment 3.7.

Table DND-2		
ADIT Adjustment Summary		
1. To Allocate NOL to Transmission based upon ratio of book depreciation.		\$ 1,096,463
2. To Allocate NOL to Transmission based upon the ratio of book/tax timing differences		\$ 2,193,177
Total NOL Adjustment - Reduction in Account 190		\$ 3,289,640

Both aspects of this adjustment are necessary to allocate a portion of the NOL to the Transmission function. The Company has included one hundred percent of the NOL asset to its Distribution operations in the filing.<sup>2</sup>

**Q11. DISCUSS THE FIRST COMPONENT OF THE ADJUSTMENT, ALLOCATING \$1,096,469 OF NOL ASSET COSTS TO THE TRANSMISSION FUNCTION.**

**A11.** This adjustment is necessary to incorporate the Company's Response to Consumer Advocate's Discovery Request No. 1-89 within the attrition period rate base. The Company's response is as follows:

Please see CA 1-89 Attachment 1, which restates the ADIT balance to allocate between PJM and TPUC jurisdictions. In the Company filing the stand-alone NOLC was allocated 100% to TPUC when allocators should have been applied to the total amount. The result should be a reduction to the revenue requirement.

This adjustment incorporates the Company's initial allocation of the NOL portion of its ADIT balance to the Transmission function, reducing the NOL amount assigned to the Distribution function.

<sup>2</sup> Kingsport Response to Consumer Advocate's First Discovery Request No. 1-89 (c).

1 **Q12. DISCUSS THE SECOND COMPONENT OF THE ADJUSTMENT, WHICH**  
2 **ASSIGNS AN ADDITIONAL \$2,193,177 OF NOL ASSET COSTS TO THE**  
3 **TRANSMISSION FUNCTION.**

4 **A12.** The \$2,193,177 adjustment is necessary to more accurately allocate the NOL asset between  
5 the Transmission and Distribution functions that was set out in the Company's Response  
6 to Consumer Advocate's Discovery Request No. 1-89.

7 **Q13. HOW WAS THIS ADJUSTMENT CALCULATED?**

8 **A13.** I calculated this adjustment by identifying the book/tax timing differences associated with  
9 the Distribution and Transmission functions as determined by the Company<sup>3</sup>. Then, I  
10 calculated the ratio of Transmission-related book/tax timing differences to total book/tax  
11 timing differences. Next, I applied this ratio of 27.82% to the total NOL Deferred Tax  
12 Asset identified by the Company in this case of \$11,826,796. This calculation reduces the  
13 NOL Deferred Tax Asset assigned to Distribution by \$3,289,640, reflecting the total  
14 reduction I am supporting to the NOL Deferred Tax Asset. Therefore, this portion of the  
15 adjustment is \$2,193,177, which is the net of the total NOL adjustment of \$3,289,640, less  
16 the Company's correction of \$1,096,469 contained in its Response to Consumer  
17 Advocate's Discovery Request No. 1-89.

18 **Q14. ARE YOU SPONSORING AN EXHIBIT THAT SETS OUT THIS**  
19 **CALCULATION?**

20 **A14.** Yes. Exhibit DND-2 sets forth the calculation of this adjustment.

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<sup>3</sup> Kingsport Response Consumer Advocate's First Discovery Request No. 1-36, File <CA\_1-36\_Attachment 3>.

**Q15. WHY DO YOU BELIEVE THE USE OF BOOK/TAX DEPRECIATION ASSOCIATED WITH PLANT IS A SUPERIOR ALLOCATOR TO ASSIGN THE NOL ASSET BETWEEN THE TRANSMISSION AND DISTRIBUTION FUNCTIONS?**

**A15.** Accelerated Tax Depreciation is the driver of the net operating losses. The Company substantiates this in its Response to Consumer Advocate's Discovery Request No. 2-71, referenced below:

Depreciation and amortization has been utilized as a ratio for the allocation of the NOLC due to the majority of the NOLC having been generated from book/tax timing differences related to accelerated depreciation. However, utilizing the 230A or property related ADIT could also provide a reasonable allocation of the NOLC between Transmission and Distribution.

Therefore, the use of the book/tax timing differences associated with property related tax deductions (depreciation related) is an appropriate measurement of the balance of the NOL deferred tax asset that is properly assigned to the Transmission function, thus reducing the rate base attributed to Distribution operations.

#### **IV. Expense Adjustments**

**Q16. NOW TURN TO THE EXPENSE ADJUSTMENTS YOU ARE SUPPORTING AND BEGIN BY IDENTIFYING YOUR ADJUSTMENT TO REDUCE OPERATING AND MAINTENANCE (O&M) COSTS FOR THE AMORTIZATION OF COVID COSTS.**

**A16.** O&M Adjustment 1 reduces operating expenses \$19,660. This adjustment is set forth in Exhibit DND-3.



1 **Q17. HAS THE COMPANY SUPPORTED THE COLLECTION OF INCREMENTAL**  
2 **COVID COSTS?**

3 **A17.** The Company has not fully supported its Covid-19 cost deferrals. Therefore, I am  
4 removing this cost from the attrition period. The Company has failed to identify any travel  
5 savings experienced during the pandemic.<sup>4</sup> Certainly, the Company and its affiliate, AEP  
6 Service Company, would have experienced reduced travel costs during the pandemic. The  
7 failure to identify such savings results in a one-sided accounting deferral.

8 **Q18. DO YOU QUESTION WHETHER THE COMPANY INCURRED INCREMENTAL**  
9 **COSTS DUE TO THE PANDEMIC?**

10 **A18.** No. I am not questioning that the Company incurred certain additional costs due to the  
11 pandemic. However, the Company's failure to identify savings is an indication it has not  
12 met its burden in supporting cost recovery. The Company has not demonstrated that they  
13 incurred “net” incremental costs as a result of the pandemic.

14 **Q19. PLEASE TURN TO YOUR NEXT ADJUSTMENT TO O&M EXPENSES AND**  
15 **IDENTIFY THE AMOUNT OF THE ADJUSTMENT.**

16 **A19.** O&M Adjustment 2 reduces O&M costs by \$251,424 by eliminating the portion of the  
17 Company’s factoring expense related to agency fees. This adjustment is set forth in Exhibit  
18 DND-4.

19 **Q20. WHAT COSTS ARE INCLUDED IN THE COMPANY’S FACTORING EXPENSE?**

20 **A20.** The Company has entered into an affiliated agreement with AEP Credit to purchase the  
21 Company's accounts receivables. This purchase includes assigning bad debt expenses to

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<sup>4</sup> Kingsport Response to Consumer Advocate’s First Discovery Request Nos. 1-76 and 1-141.

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1 the affiliate and carrying costs associated with the accounts receivable purchase. These  
2 two functions resulted in O&M costs of \$439,467 included within the Company's proposed  
3 revenue requirement.<sup>5</sup>

4 **Q21. WHAT PORTION OF THE COMPANY'S FACTORING EXPENSE ARE YOU**  
5 **ADJUSTING?**

6 **A21.** I am eliminating costs associated with agency fees and carrying charges, in the amount of  
7 \$251,424. The portion of these costs associated with the Company's bad debt (\$188,042)  
8 has not been adjusted. This adjustment is set forth in Exhibit DND-4.

9 **Q22. HAS THE COMPANY MET ITS BURDEN IN RECOVERING THIS AFFILIATE**  
10 **COST IN ITS REVENUE REQUIREMENT?**

11 **A22.** No. Kingsport compensates its affiliate AEP Credit, and in exchange, the affiliate provides  
12 expedited cash flow to the Company. This is not the type of cost that should be recovered  
13 from ratepayers absent that such a cost benefits its customers. The Company has failed to  
14 meet its burden to quantify the benefits accruing to ratepayers from this expense, nor why  
15 this cost is necessary.

16 **Q23. THE COMPANY'S RESPONSE TO CONSUMER ADVOCATE'S REQUEST NO.**  
17 **1-151 INDICATED A LEAD-LAG STUDY IS NOT NECESSARY TO ESTABLISH**  
18 **THE APPROPRIATENESS OF KINGPORT'S FACTORING OF ITS ACCOUNTS**  
19 **RECEIVABLE. DO YOU AGREE WITH THIS CONCLUSION?**

20 **A23.** No. A lead-lag study is necessary to determine whether the Company's operations provide  
21 a positive or negative cash flow benefit to its shareholders. The Company's response

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<sup>5</sup> Kingsport Response to Consumer Advocate's First Discovery Request No. 1-151.

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1 assumes such a study would produce a negative result. However, there is no evidence  
2 presented to support this assumption. There is no evidence to confirm that Kingsport  
3 customers benefit from the factoring of its accounts receivable necessary to justify  
4 including these costs in the revenue requirement.

5 **Q24. PLEASE TURN TO YOUR NEXT ADJUSTMENT AND IDENTIFY THE**  
6 **AMOUNT OF LOBBYING COSTS YOU ARE EXCLUDING.**

7 **A24.** O&M Adjustment 3 reduces O&M costs [REDACTED] associated with indirect lobbying and  
8 legislative advocacy work. This adjustment is set forth in Confidential Exhibit DND-5.

9 **Q25. HAS THE COMPANY EXCLUDED THE DIRECT COSTS IT INCURS**  
10 **ASSOCIATED WITH LOBBYING FROM ITS PROPOSED REVENUE**  
11 **REQUIREMENT?**

12 **A25.** Yes. The Company records these charges to account 426, an account that is typically  
13 excluded from the calculation of the revenue requirement.

14 **Q26. DESCRIBE THE TYPE OF LOBBYING COSTS THAT YOU ARE PROPOSING**  
15 **TO EXCLUDE.**

16 **A26.** I am proposing to eliminate a portion of the labor costs associated with the Company's  
17 External Affairs Manager from the attrition period revenue requirement.

18 **Q27. WHAT PORTION OF THE COMPENSATION OF THE MANAGER OF**  
19 **EXTERNAL AFFAIRS ARE YOU PROPOSING TO ASSIGN TO THE LOBBYING**  
20 **FUNCTION?**

21 **A27.** I am proposing to eliminate fifty percent of Kingsport's allocated share of this position.

**1 Q28. WHAT IS THE BASIS FOR YOUR ASSIGNMENT OF COSTS TO LOBBYING?**

**2 A28.** I have reviewed the job description provided by the Company.<sup>6</sup> Among the eight essential  
**3** job functions and tasks are the following:

- 4**       ○ Serve as local legislative contact and liaison, working with respective business units to  
**5**       advocate corporate positions and influence public policy.
- 6**       ○ Serve as AEP's local grassroots facilitator, support legislative and regulatory initiatives  
**7**       of key importance to operating Company and AEP's business and public policy needs  
**8**       and effectively advocate company positions.
- 9**       ○ Manage local level contributions and memberships. Assist in the developing,  
**10**      organizing and implementing corporate policy and strategy for overall effective state  
**11**      representation by educating the state legislators, their staff and the state government as  
**12**      to the goals, objectives and needs of the Corporation.

**13**       The “Essential Job Functions & Tasks” describe the position as supervising the Company's  
**14**       lobbyist and government relations functions. Such work functions described above should  
**15**       not be incurred by the Company's ratepayers.

**16 Q29. DO YOU BELIEVE THE ELIMINATION OF FIFTY PERCENT OF THESE**  
**17 COSTS IS SUPPORTED BY THE FUNCTIONS IDENTIFIED IN THE JOB**  
**18 DESCRIPTION?**

**19 A29.** Yes. The Company is seeking one-hundred percent recovery of the costs of its External  
**20**       Affairs Manager when some portion of the tasks performed by this employee relate to  
**21**       either directly performing lobbying and/or supervising the lobbyist function.

**22 Q30. HAS THE COMMISSION PREVIOUSLY RULED ON LOBBYING COSTS IN A**  
**23 SIMILAR SITUATION?**

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<sup>6</sup> Kingsport Response to Consumer Advocate's Second Discovery Request No. 2-45.

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1   **A30.**   Yes. In TRA<sup>7</sup> Docket No. 10-00189, the Commission eliminated 20% of the costs of  
2           Tennessee American Water Company's Government Affairs Specialist, finding as  
3           follows:<sup>8</sup>

4                   It is a well-established and long-standing policy of the TRA to disallow  
5                   expenses related to lobbying when setting utility rates. Consistent with its  
6                   own policy and precedent, and that of most other state regulatory  
7                   commissions throughout this country, the majority finds that expenses  
8                   related to lobbying are expended for the benefit of the Company first and  
9                   foremost and are not necessary for the provision of safe and adequate  
10                  service.

11               In reaching its decision, the Commission relied upon its predecessor agency's  
12               decision in TPSC Docket No. U-6493. Specifically, the Commission reiterated its  
13               belief "that the first obligation of the Company's lobbyist is to act in a manner that  
14               is beneficial to the Company, which may or may not be beneficial to the Company's  
15               customers. We will continue our position that this is an improper expense for  
16               ratemaking purposes."<sup>9</sup>

17   **Q35.   PLEASE TURN TO YOUR NEXT ADJUSTMENT AND IDENTIFY THE NATURE**  
18           **AND AMOUNT OF THE ADJUSTMENT.**

19   **A35.**   O&M Adjustment 4 eliminates \$86,238 from attrition period O&M costs associated with  
20           severance costs allocated to Kingsport. This adjustment is set out in Exhibit DND-6.

21   **Q36.   WHY DO YOU BELIEVE SEVERANCE PAYMENTS SHOULD BE EXCLUDED**  
22           **FROM THE COMPANY'S REVENUE REQUIREMENT?**

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<sup>7</sup> The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

<sup>8</sup> *Final Order*, p. 62, TRA Docket No. 10-00189 (April 27, 2012) (internal citations omitted).

<sup>9</sup> *In re S. Cent. Bell Tel. Co.*, TPSC U-6493, 1977 WL 440900, at \*12 (December 30, 1977).

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**A36.** These particular severance costs related to eliminating three AEP Executive Vice President positions, with gross costs before allocation of \$1.6 million, \$1.5 million, and \$1.25 million.<sup>10</sup> The Company's arguments for cost recovery are contained in its Response to Consumer Advocate's Discovery Request No. 3-2. There are several reasons supporting eliminating these costs from the Company's revenue requirement. First, there's no evidence showing how such costs benefit customers. The Company cites the elimination of positions as the source of these costs. There's no evidence to suggest customers benefit from any reorganization, nor why these severance costs were necessary, nor why the positions were eliminated. Second, these are executive positions, and there's been no showing that such expenses are not duplicative of other administrative costs allocated to Kingsport. Finally, Company did not demonstrate that these executive compensation-related costs are recurring in nature. For these reasons, I recommend that these costs be eliminated from the attrition period.

## V. Other Issues

**Q37. PLEASE TURN TO THE AREA OF INCOME TAXES AND DISCUSS THE  
SCHEDULE YOU ARE SPONSORING?**

**A37.** Schedule 8 of the Consumer Advocate Exhibits sets forth the calculation of Income Tax Expense. As shown on line 28 of Schedule 8, the State and Federal Income Tax expense incorporated into the attrition period is \$191,175 and \$547,065, respectively.

<sup>10</sup> Kingsport Response to Consumer Advocate's Third Discovery Request No. 3-2.

1 **Q38. DOES THIS LEVEL OF TAX EXPENSE INCLUDE THE AMORTIZATION OF**  
2 **EXCESS UNPROTECTED ACCUMULATED DEFERRED INCOME TAXES**  
3 **(“ADIT”)?**

4 **A38.** Yes. The federal tax expense identified above is net of \$222,929 in excess of ADIT  
5 amortization. This amount is the same as reflected in the Company's workpaper in its  
6 Response to Consumer Advocate's Request No. 1-36<sup>11</sup> and reflects the amortization net of  
7 the amortization of the excess deferred tax asset.

8 **Q39. DO YOU HAVE A RECOMMENDATION REGARDING THE PRESENTATION**  
9 **OF THIS BALANCE IN FUTURE BASE RATE CASES?**

10 **A39.** Yes. The Company was unable to demonstrate the supporting calculation underlying this  
11 balance, instead of relying upon the calculations of an outside vendor.<sup>12</sup> In future filings,  
12 the Company should present a workpaper detailing the underlying calculation of its  
13 Unamortized balance of excess protected ADIT and the appropriate test period and attrition  
14 period amortizations of such balances.

15 **Q40. CONTINUE WITH A DISCUSSION OF THE COMPANY'S PROPOSAL TO**  
16 **ELIMINATE THE IMPACTS OF THE FEDERAL TAX RATE ADJUSTMENT**  
17 **RIDER (“FTRAR”).**

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<sup>11</sup> Kingsport Response to Consumer Advocate's First Discovery Request No. 1-36, Attachment 3, Tab “DFIT1”.

<sup>12</sup> E-mail from Will Castle, Director of Regulatory Services, Appalachian Power, to David N. Dittmore, Consultant for the Consumer Advocate (March 14, 2022, 5:12pm CST) (on file with the Consumer Advocate).

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1   **A40.**   The FTRAR rider was designed to flow back the cost reductions resulting from the Tax  
2           Cuts and Jobs Act (“TCJA”) identified in the TPUC Docket No. 18-00038. The Company  
3           is proposing to reset the FTRAR rider to zero in this proceeding.

4   **Q41.   DO YOU AGREE WITH THE RESETTING OF THE FTRAR RIDER?**

5   **A41.**   Yes. The FTRAR rider flowed tax savings back to ratepayers on a timely basis. The  
6           impacts of the TCJA are reflected in the revenue requirement in this proceeding; thus, I  
7           agree with the Company that the rider should be set to zero effective with new base rates  
8           in this case. Further, the resetting of the FTRAR to zero ensures the consistent  
9           determination of Rate Base, the net ADIT liability, and the amortization of the excess  
10          unprotected ADIT balance. Continuation of the FTRAR would result in the inconsistent  
11          measurement of these components, which are required according to IRS Private Letter  
12          Rulings.

13   **Q.     DO YOU AGREE WITH THE COMPANY THAT THE FTRAR MECHANISM**  
14          **SHOULD BE RETAINED TO REFLECT THE IMPACT RESULTING FROM**  
15          **FUTURE TAX RATE CHANGES?**

16   **A.**     I do not object to the Company’s claim that it would be beneficial to retain the capability  
17          within its billing system to accommodate the impacts of any prospective change in costs  
18          due to state and/or federal tax rate changes. However, the existence of an FTRAR tariff  
19          should not be considered an indication that such tax rate changes should be flowed through  
20          the tariff without a complete and thorough review by the Commission and intervenors.

21   **Q42.   WHAT ARE THE PRACTICAL IMPLICATIONS OF THE ELIMINATION OF**  
22          **THE FTRAR RIDER?**



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1   **A42.**   The resetting of the FTRAR to zero should not impact attrition period revenues, nor should  
2           the proof of revenue calculation reflect any reduction in revenue resulting from the  
3           elimination of the rider. The appropriate implications of eliminating the FTRAR are  
4           reflected as reductions in Income Tax Expense within Consumer Advocate Schedule 8.

5   **Q43. DOES THIS COMPLETE YOUR TESTIMONY?**

6   **A43.**   Yes.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF KINGSPORT POWER  
COMPANY d/b/a AEP APPALACHIAN  
POWER GENERAL RATE CASE

DOCKET NO. 21-00107

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AFFIDAVIT

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I, David Dittemore, on behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.

  
DAVID N. DITTEMORE

Sworn to and subscribed before me  
this 30th day of March, 2022.

  
NOTARY PUBLIC



My commission expires: September 28, 2022

David Dittimore

Experience

**Areas of Specialization**

Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Self-Employed; **Consultant July 1 - Current**; Responsible for providing evaluation of utility ratemaking issues on behalf of clients. Prepare analysis and expert witness testimony.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – June 2021**; Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 - 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KOS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KOS, formulated strategic legislative options for KOS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis, I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

**Principal**; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

**Manager Regulatory Affairs**; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

**Manager, Wholesale Billing Resolution;** Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$SOK. During my tenure, completed disputes increased by over 100%, rising to \$1 50M per year.

Kansas Corporation Commission; 1984- 1999

**Utilities Division Director** - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

**Asst. Division Director** - 1996 - 1997; Perform duties as assigned by Division Director.

**Chief of Accounting** 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

**Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor** 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

**Accountant** Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

### **Education**

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) - Not a license to practice

**Adjustment to Reflect Allocation of NOL Asset to  
Transmission**

Source: CA 1-36 attachment 3, CA 1-89

Line No.	Item	Amount	Source
Part 1			
1	Kingsport NOL in Rate Base per application	\$ 11,826,796 1/	CA 1-89
2	Less: Allocation to Transmission Function	<u>(1,096,463) 1/</u>	
3	Subtotal balance of NOL assigned to Distribution in 1-89.	10,730,333	
4	Adjustment to Reduce NOL Asset pursuant to 1-89	Account 190.1 \$ (1,096,463)	
5	1/ This adjustment has been agreed to by Kingsport in response to CA 1-89.		
Part 2			
6	Original NOL in Rate Base per Application	\$ 11,826,796	
7	Assignment of Tax Depreciation Amounts; Distribution vs Transmission; 2/	Distribution	Transmission
8	ACRS Benefit Normalized	\$ 10,024,524 2/	\$ 3,616,315 2/
9	Bonus Depreciation	356,173 2/	44,227 2/
10	Percent Repair Allowance	681,698 2/	65,434 2/
11	EFB Percent Repair Allowance	(573,294) 2/	(61,062) 2/
12	Book/Tax Unit of Property Adj	2,125,524 2/	701,939 2/
13	Book/Tx Unit of Property Adj Sec 481	<u>889,190 2/</u>	<u>836,599 2/</u>
14	Total	13,503,815	5,203,452
15	Percentage of Book/Tax Depreciation Differences	72.18%	27.82%
16	Overall NOL assignment	\$ 8,537,156	\$ 3,289,640
17	2/ Response to Consumer Advocate 1-36, attachment 3.		

<b>Adjustment Summary</b>			
18	Original Amount of NOL Assigned to Distribution	1/	\$ 11,826,796
19	Less: Correction identified in response to CA 1-89	1/	<u>1,096,463</u>
20	Net NOL After Correction	Line 18 - 19	\$ 10,730,333
21	<b>Less: NOL Assignment to Transmission Based upon Book/Tax Depreciation Timing Differences</b>	<b>Line 16</b>	<u>\$ (8,537,156)</u>
22	Adjustment Part 2 to reflect NOL assignment based upon book/tax timing depreciation differences		\$ <u>2,193,177</u>

<b>Table DND-2</b>			
<b>ADIT Adjustment Summary</b>			
23	1. To Allocate NOL to Transmission based upon ratio of book depreciation.		\$ 1,096,463
24	2. To Allocate NOL to Transmission based upon the ratio of book/tax timing differences		<u>\$ 2,193,177</u>
25	Total NOL Adjustment - Reduction in Account 190		\$ <u>3,289,640</u>

**Kingsport Power Company**  
**Docket 21-00107**  
**Account 921 Office Supplies**

**Exhibit DND-3**

Source: Adjustment Workpaper OM 24; Responses to 1-76 and 141

<b>Line No.</b>	<b>Item</b>		
1	Incremental Expenses Deferred by Kingsport at 6/30/21	\$ 98,299	
2	Proposed Amortization Period	5 years	
3	O&M Adjustment Proposed by Kingsport (O&M 24); Account 921 Office Supplies	<u>\$ 19,660</u>	Kingsport O&M Adj. 24
4	Less: CA Adjustment to eliminate COVID deferrals; O&M Adj 24	<u>\$ (19,660)</u>	
5	Net Expense included in CA revenue requirement	<u>\$ -</u>	

These costs are eliminated from the proposed revenue requirement as the Company has not identified travel savings associated with the pandemic.

**Kingsport Power Company**  
**Docket 21-00107**  
**Account 426009**

**To eliminate the portion of Factoring Expense  
unrelated to Bad Debt Expense**

**Exhibit DND-4**

<u>Line No.</u>	<u>Account No.</u>	<u>Item</u>	<u>Amount</u>	<u>Source</u>
1	4265009	Factoring Expense - Affiliate Accounts Receivable	\$ (251,424)	Response to CA 1- 151

Kingsport Power Company  
Docket 21-00107  
Account 920 A&G Compensation

Public Exhibit DND-5

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Line No.	Account	Item	Amount	Source
1	920	Total Compensation - Allocated to Kingsport		CA 2-45 Attachment 1
2		Less incentive costs eliminated in CA adjustment		
3		Incentive load ICP		CA 2-45 Attachment 1
4		Incentive load PSU		"" "
5		Incentive load RSU		"" "
6		Net Compensation Costs - External Affairs		
7		% Attributed to Lobbying	50%	
8		Subtotal Adjustment to Remove Lobbying Costs	\$ (12,518)	



**Kingsport Power Company**  
**Docket 21-00107**  
**Calculation of Adjustment to Eliminate Severance**  
**Costs**

**Source:** CA Discovery Responses 1-146, 2-41 and 3-2

**Exhibit DND-6**

<b>Line No.</b>	<b>Account No.</b>	<b>Item</b>	<b>Amount</b>	<b>Source</b>
1	920	Elimination of Severance Payments	<u>\$ (86,238)</u>	CA 1-146