

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

IN RE:)	
)	
PETITION OF KINGSPORT POWER)	
COMPANY d/b/a AEP APPALACHIAN)	DOCKET NO. 21-00107
POWER COMPANY FOR A GENERAL)	
RATE INCREASE)	
)	

**CONSUMER ADVOCATE’S MOTION FOR LEAVE TO FILE
REVISED TESTIMONY OF ALEX BRADLEY**

Comes the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (“Consumer Advocate”), and hereby moves for leave to file the Revised Testimony of Alex Bradley, attached hereto.

The purpose of the Revised Testimony is to address an error in the calculation of Social Security/FICA Taxes, specifically corrections were made on A71 of Revised Testimony and a revised version of Exhibit AB-2.

Thus, the attached Revised Testimony will provide a more accurate presentation of the Consumer Advocate’s position, and avoid later revisions of Mr. Bradley’s Testimony.

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RESPECTFULLY SUBMITTED,



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TPUC Docket No. 21-00107

Motion for Leave to file Revised Testimony

CERTIFICATE OF SERVICE

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


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This the 20th day of April, 2022.



VANCE L. BROEMEL
Senior Assistant Attorney General

**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
)	

REVISED PUBLIC TESTIMONY

OF

ALEX BRADLEY¹

April 20, 2022

¹ The purpose of the Revised Testimony is to address an error in the calculation of Social Security/FICA Taxes, specifically, corrections were made to A71 of Revised Testimony and to <Exhibit AB-2 Revised>.

1 **Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR**
2 **THE RECORD.**

3 **A1.** My name is Alex Bradley. My business address is Office of the Tennessee Attorney
4 General, John Sevier State Office Building, 500 Dr. Martin L. King Jr. Blvd, Nashville,
5 Tennessee 37243. I am an Accounting & Tariff Specialist employed by the Consumer
6 Advocate Unit in the Financial Division of the Tennessee Attorney General's Office.

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

9 **A2.** I received a Bachelor of Science in Business Administration with a major in Accountancy
10 along with a Bachelor of Arts with a major in Political Science from Auburn University in
11 2012. I have been employed by the Consumer Advocate Unit in the Financial Division of
12 the Tennessee Attorney General's Office ("Consumer Advocate") since 2013. My duties
13 include reviewing utility regulatory filings, preparing analysis used to support Consumer
14 Advocate testimony and exhibits, and preparing my own testimony and supporting
15 exhibits. I have completed multiple regulatory trainings, including those sponsored by the
16 National Association of Regulatory Utility Commissions ("NARUC") held by Michigan
17 State University.

18 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**
19 **TENNESSEE PUBLIC UTILITY COMMISSION?**

20 **A3.** Yes. I have previously testified in TPUC Docket Nos. 17-00108, 18-00009, 18-00107, 19-
21 00010, 19-00034, 19-00042, 19-00043, 19-00057, 19-00062, 20-00028, 20-00049, 20-
22 00086, 21-00006.

1 **Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

2 **A4.** I am testifying on behalf of the Consumer Advocate.

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

4 **A5.** The purpose of my Testimony is to provide the results of my analysis of Operating
5 Expenses (“O&M”) and Taxes Other Than Income Tax (“TOTI”) of Kingsport Power
6 Company (“Kingsport,” the “Company”, or “KgPCo”).

7 **Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR THIS**
8 **TESTIMONY?**

9 **A6.** I have reviewed the Pre-Filed Testimony, Exhibits, Minimum Filing Requirements
10 (“MFRs”) filed with the Company’s Petition. Additionally, I have reviewed the
11 Company’s discovery responses regarding the topics discussed in my testimony.

12 **Q7. CAN YOU PROVIDE AN OUTLINE OF THIS TESTIMONY?**

13 **A7.** Certainly, see below for an outline of the topics discussed in this Testimony.

14 I. DEVELOPMENT OF O&M ANALYSIS

15 II. O&M ADJUSTMENTS

16 III. DEVELOPMENT OF TOTI ANALYSIS

17 IV. TOTI ADJUSTMENTS

18 I. **DEVELOPMENT OF O&M ANALYSIS**

19 **Q8. HAVE YOU PREPARED AN EXHIBIT THAT SUMMARIZES THE CONSUMER**
20 **ADVOCATE’S PROPOSED ATTRITION PERIOD OPERATION AND**
21 **MAINTENANCE EXPENSE?**

22 **A8.** Yes, I have. Exhibit AB-1 provides the results of my analysis along with adjustments I am
23 proposing.

1 **Q9. WHAT DOES <EXHIBIT AB-1>, “SCHEDULE 1.0” REPRESENT?**

2 **A9.** <Exhibit AB-1>, “Schedule 1.0” shows my recommendation for Kingsport’s operation and
3 maintenance expenses for the Attrition Period ending December 31, 2022, as compared to
4 the Company’s proposal. These expenses can be summarized into the following categories:

- 5 1. Distribution Expenses
- 6 2. Customer Accounts Expenses
- 7 3. Customer Service and Information Expenses
- 8 4. Sales Expenses
- 9 5. Administrative and General Expenses
- 10 6. Other Operation and Maintenance Expenses

11 **Q10. HOW DOES <EXHIBIT AB-1>, “SCHEDULE 1.0” INTERPLAY WITH MR.**
12 **NOVAK’S EXHIBITS?**

13 **A10.** The results shown on <Exhibit AB-1>, “Schedule 1” are incorporated into Mr. Novak’s
14 proposed revenue requirement, <Consumer Advocate Exhibit, Schedule 4>.

15 **Q11. WHAT DOES <EXHIBIT AB-1>, “SCHEDULE 2.0” REPRESENT?**

16 **A11.** “Schedule 2.0” provides a summary of the Consumer Advocate’s proposed adjustments to
17 operating expenses. I will refer to these adjustments throughout my testimony.

18 **Q12. DESCRIBE HOW YOU CALCULATED THE COMPANY’S TEST PERIOD O&M**
19 **EXPENSES?**

20 **A12.** Schedules 1.1 through 1.6 calculate the Test Period O&M expenses for each of the
21 categories identified above. The starting point for my analysis was the test year account
22 totals for the twelve-month period ending June 30, 2021, as recorded on the Company’s
23 Income Statement. The accounts reflected within these schedules are prescribed by the

Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts for Electric Utilities (“USoA”).

Q13. WHAT ACCOUNTS RELATE TO DISTRIBUTION EXPENSES, AND HOW ARE THEY PRESENTED WITHIN YOUR EXHIBIT?

A13. Expenses relating to the distribution of electricity are recorded in accounts 580 thru 598.¹ These amounts are sourced from the Company’s Income Statements and align with the Company’s proposed Test Period amounts. The Test Period amounts and accounts that make up Distribution Expenses are shown on <Exhibit AB-1>, “Schedule-1.1.”

Q14. WHAT ACCOUNTS RELATE TO CUSTOMER ACCOUNT EXPENSES AND HOW ARE THEY PRESENTED WITHIN YOUR EXHIBIT?

A14. Expenses relating to customer accounts are recorded in accounts 901 thru 905.² These amounts are sourced from the Company’s Income Statements and align with the Company’s proposed Test Period amounts. The Test Period amounts and accounts that make up Customer Account Expenses are shown on <Exhibit AB-1>, “Schedule-1.2.”

Q15. WHAT ACCOUNTS RELATE TO CUSTOMER SERVICE AND INFORMATION EXPENSES AND HOW ARE THEY PRESENTED WITHIN YOUR EXHIBIT?

A15. Expenses relating to customer service and informational activities are recorded in accounts 906 thru 910.³ These amounts are sourced from the Company’s Income Statements and align with the Company’s proposed Test Period amounts. The Test Period amounts and

¹ 18 C.F.R. Part 101 available at [eCFR :: 18 CFR Part 101 -- Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act](#)

² *Id.*

³ *Id.*

accounts that make up Customer Service and Informational Expenses are shown on
<Exhibit AB-1>, “Schedule-1.3.”

**Q16. WHAT ACCOUNTS RELATE TO SALES EXPENSES AND HOW ARE THEY
PRESENTED WITHIN YOUR EXHIBIT?**

A16. Expenses relating to sales are recorded in accounts 911 thru 917.⁴ These amounts are
sourced from the Company’s Income Statements and align with the Company’s proposed
Test Period amounts. The Test Period amounts and accounts that make up Sales Expenses
are shown on <Exhibit AB-1>, “Schedule-1.4.”

**Q17. WHAT ACCOUNTS RELATE TO ADMINISTRATIVE AND GENERAL
EXPENSES AND HOW ARE THEY PRESENTED WITHIN YOUR EXHIBIT?**

A17. Expenses relating to administration and general business activities are recorded in accounts
920 thru 931, 933, and 935.⁵ These amounts are sourced from the Company’s Income
Statements and align with the Company’s proposed Test Period amounts. The Test Period
amounts and accounts that make up Administrative and General Expenses are shown on
<Exhibit AB-1>, “Schedule-1.5.”

**Q18. WHAT ACCOUNTS RELATE TO OTHER OPERATION AND MAINTENANCE
EXPENSES AND HOW ARE THEY PRESENTED WITHIN YOUR EXHIBIT?**

A18. In this case, the expenses recorded by the Company for Other O&M expense are comprised
of 2 accounts: (i) account 426.1, and (ii) account 426.5. These accounts are for
“Donations” and “Other Deductions.”⁶ The Company also included certain expenses

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

1 relating to factoring within this cost category. These factoring expenses are discussed by
2 Consumer Advocate Witness Dittmore. The Test Period amounts and accounts that make
3 up Other O&M are shown on <Exhibit AB-1>, “Schedule-1.6.”

4 **II. O&M ADJUSTMENTS**

5 **Q19. WHAT ARE YOUR FIRST TWO ADJUSTMENTS RELATING TO O&M**
6 **EXPENSES?**

7 **A19.** My first two adjustments relate to short-term incentive compensation included within the
8 Test Period Cost of Service. My first adjustment removes the incentive compensation
9 billed to Kingsport by Appalachian Electric Power Service Company (“AEPSC”) while the
10 second adjustment removes the incentive compensation of Kingsport employees.

11 **Q20. WHAT IS THE BASIS FOR THESE ADJUSTMENTS?**

12 **A20.** The Company’s Confidential MFR #33 outlines the criteria for which an employee may
13 earn incentive compensation. The incentive compensation plan offered by the Company
14 tie these payments to the financial performance of the Company. Specifically, as shown in
15 the Company’s Confidential MFR #33, the payment of incentive compensation is
16 determined in the following manner:

17 [REDACTED]

1 Given the information provided, this compensation directly benefits the shareholders of
2 AEP and therefore such costs should not be contained within Kingsport's Cost of Service.
3 My adjustment to remove these costs is consistent with prior Consumer Advocate
4 Testimony⁷ and the Commission's prior findings regarding incentive compensation. For a
5 specific example, in TPUC Docket No. 18-00017 the Commission held that the Consumer
6 Advocate's "forecasted incentive pay exclusion to be reasonable, grounded upon historical
7 operations and **consistent with the long-standing policy established by the Commission**
8 **regarding incentive pay.**"⁸ (emphasis added).

9 **Q21. CAN YOU QUANTIFY THESE ADJUSTMENTS?**

10 **A21.** As shown on <Exhibit AB-1>, "Schedule-2," these adjustments, when taken together,
11 reduce the Company's Test Period expenses by approximately \$681,000.⁹

12 **Q22. WHERE HAS THE COMPANY RECORDED INCENTIVE COMPENSATION**
13 **WITHIN THE COMPANY'S OPERATIONAL EXPENSES?**

⁷ Docket 18-00017, Direct Testimony of Dave Dittemore, page 7-8.

⁸ *Amended Order*, p. 22, TPUC Docket No. 18-00017 (January 15, 2019).

⁹ <Exhibit AB-1>, "Schedule-2" at lns. 1-2.

A22. The outline below for a summary of incentive compensation included in the Company's filing:

		A/ AEP Allocated Incentive Compensation	B/ Kingsport Incentive Compensation	
Description	FERC Accounts			Total
Distribution Expenses	580-598	\$ 61,853	\$ 242,553	\$304,406
Customer Accounts Expenses	901-905	90,669	40,259	130,928
Customer Service & Informational Expenses	907-910	1,946	9,938	11,884
Sales Expenses	911-916	127	-	127
Administrative and General Expenses	920-935	226,349	7,246	233,595
Other O&M Expenses	426.1,426.5	-	-	-
		\$ 380,944	\$ 299,996	\$680,940
A/ Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-318.xlsx, tab OM-23				
B/ Kingsport Respntse to Consumer Advocate DR 1-142 _ Attachment.xlsx				

Q23. WHAT IS YOUR THIRD ADJUSTMENT TO O&M EXPENSES?

A23. My third adjustment relates to Supplemental Executive Retirement Plan ("SERP") costs allocated by AEPSC to Kingsport.

Q24. WHAT IS SERP?

A24. SERP is a type of Nonqualified Deferred Compensation. Participation in these plans is limited to very highly compensated management or executives who have annual compensation in excess of compensation limits set by the Internal Revenue Service for typical retirement benefits, like pensions.

Q25. HOW MUCH SERP WAS RECORDED ON THE BOOKS OF KINGSFORT FOR THE TEST PERIOD?

A25. According to its Response to Consumer Advocate DR No. 1-144, the Company recorded \$20,252 in SERP expenses during the Test Period.

Q26. WHAT IS YOUR RECOMMENDATION REGARDING SERP EXPENSE?

1 **A26.** I recommend that SERP expenses be removed from the Company’s proposed Test Period
2 level of O&M.

3 **Q27. WHAT WAS YOUR FOURTH ADJUSTMENT TO O&M EXPENSES?**

4 **A27.** My fourth adjustment removes the Company’s current level of TRP expenses from the Test
5 Period.¹⁰

6 **Q28. WHAT AMOUNT DID THE COMPANY PROVIDE FOR TRP EXPENSES**
7 **DURING THE TEST PERIOD?**

8 **A28.** Per Company Witness Allen, the Company incurred \$3,826,141 of TRP O&M expenses
9 during the Test Period.¹¹ However, in response to discovery the Company revised this
10 amount to \$3,825,494 to agree with the Company’s filings in TPUC Docket Nos. 20-00127
11 and 21-00142.¹²

12 **Q29. HOW DID YOU CALCULATE THE AMOUNT OF TRP EXPENSES WITHIN**
13 **THE COMPANY’S PROPOSED TEST PERIOD COST OF SERVICE?**

14 **A29.** To arrive at the Test Period level of TRP expenses incurred within the Company’s filing, I
15 began by examining the General Ledger detail provided in TPUC Docket Nos. 20-00127
16 and 21-00142, the last two TRP&MS Rider filings submitted by the Company. The
17 General Ledger detail, provided within those filings, aligns with the proposed Test Period
18 in this Case, year ending June of 2021. Using this General Ledger data allowed me to total
19 TRP expenditures by FERC account shown on “Schedule 1” of <21-00107 AB-TRP WP>.

¹⁰ <Exhibit AB-1>, “Schedule-2” at ln. 5.

¹¹ *Direct Testimony of A. Wayne Allen* at 7:12-13.

¹² Kingsport’s Response to Consumer Advocate DR No. 1-75.

Q30. WHAT IS YOUR RATIONALE FOR REMOVING TRP EXPENSES FROM THE COMPANY'S PROPOSED COST OF SERVICE?

A30. These costs are best recovered within the framework of Company's existing TRP&MS Rider. Using the TRP&MS Rider does not limit the Company from recovery of these costs and the Commission has found that the TRP&MS rider allows "Kingsport timely recovery of investment and related expenses while ensuring safe and reliable electric service through enhanced maintenance of its main distribution system – a system of utmost importance to any community."¹³ In the current Test Period, TRP related expenses make up approximately 40% of total Distribution Expenses. Having these costs recovered within the Company's TRP&MS Rider provides customers with maximum transparency regarding their bills and allows them to understand the drivers of cost increases as these costs are billed as a separate line item.

Q31. QUANTIFY THE AMOUNT OF YOUR ADJUSTMENT.

A31. As shown on <Exhibit AB-1>, "Schedule-2", Adjustment Summary this amounts to a reduction of \$3,825,494 in Distribution expenses.¹⁴

Q32. WHAT IS YOUR FIFTH ADJUSTMENT TO O&M?

A32. My fifth adjustment removes major storm expense included in the Company's Cost of Service.¹⁵

Q33. WHAT IS YOUR BASIS FOR THIS ADJUSTMENT?

¹³ *Order Granting Petition*, p. 10, TRA Docket No. 17-00032 (November 9, 2017).

¹⁴ <Exhibit AB-1>, "Schedule-2" at ln. 5.

¹⁵ <Exhibit AB-1>, "Schedule-2" at ln. 9.

1 **A33.** As I discussed in my fourth adjustment to O&M, the TRP&MS rider is the appropriate
2 place to recover those costs. Recovering these costs thru base rates does not provide the
3 Company's customers with the level of detail necessary to understand the driver(s) of
4 increases/decreases in their bills. Recovering storm costs through the rider provides
5 transparency to customers. Without the rider customers are not aware of the impact such
6 events have on their electric bill.

7 **Q34. QUANTIFY YOUR FIFTH ADJUSTMENT.**

8 **A34.** Because the Test Period amount is a credit, my adjustment increases Distribution Expenses
9 for the Test Period to reverse it. Per Company Witness Allen, "KgPCo incurred major
10 storm O&M expenses during the test year of a negative (\$42,709) due primarily to
11 adjustments between capital and O&M expense related to the January 2020 major storm."¹⁶
12 Additionally, he states "there were no major storms incurred by KgPCo during the test
13 year."¹⁷ The increase is \$42,709 to Account 593 - Maintenance of Overhead Lines.¹⁸

14 **Q35. WHAT IS YOUR SIXTH ADJUSTMENT TO O&M?**

15 **A35.** My sixth adjustment to O&M is to incorporate Mr. Dittimore's proposal¹⁹ to remove the
16 indirect lobbying expenditures recorded in the Company's Cost of Service.²⁰

17 **Q36. QUANTIFY MR. DITTEMORE'S ADJUSTMENT FOR LOBBYING.**

18 **A36.** This adjustment reduces Test Period Administrative and General Expenses. The reduction
19 is \$12,518 to Account 920- Administrative and General Salaries.²¹

¹⁶ Direct Testimony of A. Wayne Allen at 8:20-8:23.

¹⁷ Id.

¹⁸ File <Exhibit AB-1>, "Schedule-2" at ln. 9.

¹⁹ Direct Testimony of David N. Dittimore at 10:5 – 12:16.

²⁰ File <Exhibit AB-1>, "Schedule-2" at ln. 11.

²¹ Id.

1 **Q37. WHAT IS YOUR SEVENTH ADJUSTMENT TO O&M?**

2 **A37.** My seventh adjustment to O&M incorporates Mr. Dittemore' s proposal²² relating to
3 Company's amortization of certain expenses relating to the COVID-19 pandemic.²³

4 **Q38. QUANTIFY MR. DITTEMORE'S PROPOSED ADJUSTMENT FOR COVID-19**
5 **COSTS.**

6 **A38.** This adjustment reduces Test Period Administrative and General Expenses. The reduction
7 is \$19,660 to Account 921- Office Supplies and Expenses.²⁴

8 **Q39. WHAT IS YOUR EIGHTH ADJUSTMENT TO O&M?**

9 **A39.** My eighth adjustment to O&M incorporates Mr. Dittemore' s proposal²⁵ regarding the
10 Company's proposal to recover severance expenses within its proposed Cost of Service.²⁶

11 **Q40. QUANTIFY MR. DITTEMORE'S PROPOSED ADJUSTMENT FOR**
12 **SEVERANCE EXPENSES.**

13 **A40.** This adjustment reduces Test Period Administrative and General Expenses. The reduction
14 is \$86,238 to Account 920 - Administrative and General Salaries.²⁷

15 **Q41. WHAT IS YOUR NINTH ADJUSTMENT TO O&M?**

²² *Direct Testimony of David N. Dittemore* at 7:19 – 8:13.

²³ File <Exhibit AB-1>, "Schedule-2" at ln. 12.

²⁴ *Id.*

²⁵ *Direct Testimony of David N. Dittemore* at 12:17 – 13:13.

²⁶ File <Exhibit AB-1>, "Schedule-2" at ln. 13.

²⁷ *Id.*

1 **A41.** My ninth adjustment to O&M relates to stock-based compensation included within the
2 Company's Cost of Service.²⁸ These are costs that are allocated to Kingsport from
3 AEPSC.²⁹

4 **Q42. WHAT IS YOUR BASIS FOR THIS ADJUSTMENT?**

5 **A42.** Ratepayers should not pay for incentives that tie employee performance to the financial
6 performance of the Company. It is my understanding that stock-based compensation is
7 generally only offered at the director or executive level. Additionally, I would note Mr.
8 Smith's Testimony in TRA Docket 16-0001 that states: "prior to being required to expense
9 stock options for financial reporting purposes under ASC 718 (formerly SFAS 123R), the
10 cost of stock options was typically treated as a dilution of shareholders' investments, i.e.,
11 it was a cost borne by shareholders. While ASC 718 now requires stock option cost to be
12 expensed on a company's financial statements, this does not provide a reason for shifting
13 the cost responsibility for stock-based compensation from shareholders to utility
14 ratepayers."³⁰

15 **Q43. QUANTIFY THIS ADJUSTMENT.**

16 **A43.** This adjustment reduces Test Period O&M expenses by \$108,182. The reduction applies
17 to multiple accounts within the Company's Cost of Service.³¹

18 **Q44. WHAT IS YOUR TENTH ADJUSTMENT TO O&M?**

²⁸ File <Exhibit AB-1>, "Schedule-2" at ln. 14.

²⁹ Kingsport's Response to Consumer Advocate DR No. 1-143.

³⁰ TRA Docket No. 16-00001, *Direct Testimony of Ralph Smith* at 28:15 – 28:20.

³¹ File <Exhibit AB-1>, "Schedule-2" at ln. 14.

1 **A44.** My tenth adjustment to O&M relates to the Company’s inclusion of contributions to
2 charities included within its proposed Cost of Service.³²

3 **Q45. WHAT IS THE BASIS FOR YOUR TENTH ADJUSTMENT TO O&M?**

4 **A45.** The Commission has a “long-standing policy of disallowing charitable contributions and
5 donations for ratemaking purposes as they do not satisfy the guiding principles of necessity
6 and reasonableness, nor is it apparent that they provide a clear benefit to ratepayers.”³³
7 With this policy in mind, the basis of my adjustment is three-fold: (i) The Company’s
8 charitable contributions do not directly relate to the Company’s provision of electrical
9 services; (ii) Without the adjustment, these costs are imposed on the Company’s customers,
10 who have no say in the charities selected by management for donations; and (iii) These
11 expenses are recorded below the line and are not usually included in the calculation of the
12 Company’s operating income.

13 **Q46. DID THE COMPANY PROVIDE ANY RATIONALE FOR RECOVERY OF**
14 **THESE DONATIONS WITHIN ITS PROPOSED COST OF SERVICE?**

15 **A46.** Yes, the Company stated that “[c]haritable donations contribute to the economic well-being
16 and quality of life in the communities the Company operates in. This in turn incentives
17 both residents and employers to stay or expand into the area, reducing pressure on electric
18 rates.”³⁴

19 **Q47. DO YOU AGREE WITH THE COMPANY’S RATIONALE?**

³² *Id.* at ln. 15.

³³ *Order Granting, In Part, and Denying, In Part, Petition*, p.15, TPSC Docket No. 14-00121 (February 1, 2016).

³⁴ Kingsport’s Response to Consumer Advocate DR No. 1-135.

1 **A47.** While the goals are admirable, these contributions should not be recoverable in rates for
2 the reasons mentioned above.

3 **Q48. QUANTIFY YOUR TENTH ADJUSTMENT.**

4 **A48.** This adjustment to O&M reduces Test Period Other Operations & Maintenance expense
5 by \$28,703.³⁵ Specifically, it removes account 426.100- Donations from the Company's
6 proposed Test Period Cost of Service.

7 **Q49. WHAT IS YOUR ELEVENTH ADJUSTMENT TO O&M?**

8 **A49.** My eleventh adjustment to O&M incorporates Mr. Dittmore's proposal³⁶ regarding
9 Factoring Expense contained within the Company's proposed Cost of Service.³⁷

10 **Q50. QUANTIFY MR. DITTEMORE'S PROPOSED ADJUSTMENT FOR**
11 **FACTORING EXPENSES.**

12 **A50.** This adjustment reduces Test Period Other Operations & Maintenance expense by
13 \$251,424 to Account 4265.009 -Factored Customer Accounts Receivables – Affiliate.³⁸

14 **Q51. HAVE YOU ACCEPTED ANY OF THE COMPANY'S PROPOSED**
15 **ADJUSTMENTS?**

16 **A51.** Yes, I have. These adjustments are numbers 12 through 18 in my exhibit. See the table
17 below for a list of the Company's adjustments that I have agreed with:

³⁵ File <Exhibit AB-1>, "Schedule-2" at ln. 15.

³⁶ *Direct Testimony of David N. Dittmore* at 8:14 – 10:4.

³⁷ File <Exhibit AB-1>, "Schedule-2" at ln. 16.

³⁸ *Id.*

Adjustment to:	Amount	CA Adjustment #	Company Adjustment #	Witness
Remove TRP Recovery Account	\$ (2,154,781)	12	OM-10	Allen
Decrease test year pole attachment rental expenses	\$ (228,990)	13	OM-12	Allen
Remove Amortization of RTO Demand Response Regulatory Asset	\$ (114,477)	14	OM-25	Allen
Remove Ongoing Expense regarding RTO	\$ (56,645)	15	OM-26	Allen
Update Medical/Dental Costs	\$ 32,149	16	OM-20, OM-21, OM-22	Allen
Remove PJM Transmission Owner Expenses	\$ (194,477)	17	JCOS CCOS	Johnson
Remove Prior Rate Case Amortization	\$ (101,221)	18	OM-11	Allen

Q52. WHAT IS YOUR NINETEENTH ADJUSTMENT TO O&M?

A52. My final adjustment to O&M accounts for payroll increases from the Test Period to the Attrition Period.³⁹ There are three components of the adjustment. First, the adjustment annualizes the payroll of employees through the end of the Test Period. Secondly the adjustment reflects the anticipated payroll increases in the Attrition Period. Finally, the adjustment reflects my adjustments to Attrition Period payroll as it relates to the Company's Savings Plan. These same adjustments are discussed by Company Witness Allen⁴⁰ and are included in his adjustments OM-15 OM-16, and OM-17.

Q53. QUANTIFY THIS ADJUSTMENT.

A53. This adjustment increases the O&M expenses by \$140,519. The adjustment applies to multiple accounts within the Company's Cost of Service.⁴¹

Q54. DO YOU HAVE ANY PROPOSALS THAT ARE NOT SHOWN ON YOUR EXHIBITS BUT ARE REQUESTED BY THE COMPANY?

A54. Yes, Company Witness Allen has sponsored adjustment OM-11 which seeks an adjustment for the recovery of the rate case expense incurred by the Company for bringing this case. In this adjustment, he estimates that the Company's cost for this case to be \$842,500. He proposes to amortize these costs over a five-year period, which results in an annual expense

³⁹ *Id.* at ln. 19.

⁴⁰ *Direct Testimony of A. Wayne Allen* at 9:8-18.

⁴¹ My exhibits provide account level detail of this adjustment and can found in Exhibits AB-1.1 thru AB-

of \$168,500 that would be included in the Cost of Service. These costs should be recovered through a separate rider on the bill. Additionally, the Company should use the amounts provided in its Response to Consumer Advocate DR No. 2-41 to determine the actual amount to be recovered. As in Piedmont Natural Gas' last rate case:

The rates of such rider mechanism shall be approved by the Commission upon the filing of invoices supporting such expense and the audit and approval thereof. At the conclusion of the three-year rider period, any amount that is over collected or under collected under this rider shall be refunded to or collected from customers by transferring such overcollection or under collection to [the Company's] Actual Cost Adjustment account. The Consumer Advocate reserves its right to review the rate case invoices provided by [the Company] and file comments concerning the information for consideration by the Commission.⁴²

III. DEVELOPMENT OF TAXES OTHER THAN INCOME ("TOTI") ANALYSIS

Q55. HAVE YOU PREPARED AN EXHIBIT THAT SUMMARIZES THE CONSUMER ADVOCATE'S PROPOSED TAXES OTHER THAN INCOME TAXES?

A55. Yes, I have. <Exhibit AB-2 Revised> provides the results of my analysis along with adjustments I am proposing.

Q56. WHAT DOES <EXHIBIT AB-2 REVISED>, "SCHEDULE 1.0" REPRESENT?

A56. <Exhibit AB-2 Revised>, "Schedule 1.0" shows my recommendation for Kingsport's TOTI for the Attrition Period ending December 31, 2022, as compared to the Company's proposal.

Q57. HOW DOES <EXHIBIT AB-2 REVISED>, "SCHEDULE 1" INTERPLAY WITH MR. NOVAK'S EXHIBITS?

⁴² *Order Approving Settlement Agreement Setting Rates and Approving the Procedures for Refunds to Customers*, p. 7 and Exhibit A at pp. 8-9, TPUC Docket No. 20-00086 (May 6, 2021).

A57. The results shown on <Exhibit AB-2 Revised>, “Schedule 1” are incorporated into Mr. Novak’s proposed revenue requirement, <Consumer Advocate Exhibit, Schedule 7>.

Q58. WHAT DOES <EXHIBIT AB-2 REVISED>, “SCHEDULE 1.1” REPRESENT?

A58. <Exhibit AB-2 Revised>, “Schedule 1.1” shows my calculations for the Attrition Period TOTI. The Company’s calculation of TOTI is comprised of the following taxes:

1. Federal Insurance Contributions Act (“FICA”)
2. Federal Unemployment Tax Act (“FUTA” or “Federal Unemployment”)
3. State Unemployment Taxes
4. Real and Personal Property Taxes
5. Public Service/Regulatory Commission Taxes
6. Sales and Use Taxes
7. Business Franchise Taxes
8. Local Franchise Taxes
9. State Gross Receipts Taxes
10. Taxes on Capital Leases

IV. TOTI ADJUSTMENTS

Q59. WHAT WAS THE FIRST STEP IN YOUR CALCULATION FOR ATTRITION PERIOD TOTI?

A59. The first step was to calculate the Company’s Test Period TOTI. These amounts are sourced from the Company’s Income Statement provided with its filing. These taxes are booked under account 408.1 – Taxes other than income taxes.⁴³

Q60. WHAT WAS THE SECOND STEP IN YOUR CALCULATION OF ATTRITION PERIOD TOTI?

⁴³ 18 C.F.R. Part 101 available at [eCFR :: 18 CFR Part 101 -- Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act](https://www.ecfr.gov/current/title-18/chapter-I/part-101)

1 **A60.** The second step in my calculation is an adjustment relating to taxes for PJM transmission
2 activities. My adjustment removes these taxes from the Company's Test Period Cost of
3 Service.⁴⁴

4 **Q61. WHY IS IT NECESSARY TO REMOVE TAXES RELATING TO**
5 **TRANSMISSION?**

6 **A61.** As discussed by Company Witness Karen Johnson, these accounts need to be removed
7 from the company's Cost of Service "since Kingsport is charged for transmission service
8 through its purchased power agreement with APCo."⁴⁵

9 **Q62. QUANTIFY THE ADJUSTMENT IN STEP 2.**

10 **A62.** The removal of transmission related TOTI reduces Test Period TOTI by \$482,581. This
11 adjustment applies to multiple components of TOTI.⁴⁶

12 **Q63. WHAT IS THE THIRD STEP IN YOUR CALCULATION OF ATTRITION**
13 **PERIOD TOTI?**

14 **A63.** The third step in my calculation is an adjustment relating to local franchise taxes. My
15 adjustment removes these taxes from the Company's Test Period Cost of Service.

16 **Q64. WHY IS IT NECESSARY TO REMOVE LOCAL FRANCHISE TAXES?**

17 **A64.** The local franchise taxes/fees are collected by the Company from its customers who live
18 within the City of Kingsport. Kingsport remits these payments to the City of Kingsport,
19 and they are not included in the Company's Cost of Service.

⁴⁴ File <Exhibit AB-2 Revised>, "Schedule 1.2," ln. 4.

⁴⁵ *Direct Testimony of Karen M Johnson* at 4:7-14.

⁴⁶ For a detailed tax by tax adjustment, *See* File <Exhibits AB-2 Revised>, "Schedule 1.1," column B/.

1 **Q65. QUANTIFY THE ADJUSTMENT IN YOUR THIRD STEP.**

2 **A65.** The adjustment in the third step of my TOTI calculation removes all local franchise taxes
3 from the Company's Cost of Service, totaling \$4,026,094.⁴⁷ This is the same adjustment
4 as proposed by Company Witness Katharine I. Walsh within adjustment OT-33.

5 **Q66. WHAT IS THE FOURTH STEP IN YOUR CALCULATION OF ATTRITION**
6 **PERIOD TOTI?**

7 **A66.** The fourth step in my calculation is an adjustment relating to property taxes.⁴⁸ This
8 adjustment is necessary to align with Mr. Novak's proposed Attrition Period utility plant
9 in service ("UPIS").⁴⁹

10 **Q67. DESCRIBE YOUR ADJUSTMENT.**

11 **A67.** To determine Attrition Period Property Tax, the first step is to identify the applicable ratio
12 of property taxes to utility plant minus accumulated depreciation for the Test Period. Using
13 the Test Period Property Taxes recorded on the Company's books minus property taxes
14 relating to transmission assets and any prior period adjustments produces the adjusted Test
15 Period Property Tax Expense. The Test Period Property Tax Expense can then be divided
16 by the Test Period utility plant minus accumulated depreciation to arrive at an effective
17 Test Period property tax rate. I used the Company's balances for the Test Period Property
18 Taxes and Utility Plant minus accumulated depreciation and agree with its effective
19 property tax rate of 0.8846%. I then applied the effective property tax rate to the Attrition
20 Period utility plant minus accumulated depreciation, as identified by Mr. Novak,⁵⁰ to arrive

⁴⁷ *Id.*

⁴⁸ File <Exhibit AB-2 Revised>, "Schedule 1.1," column C/.

⁴⁹ *Direct Testimony of William H. Novak* at 4:20-25.

⁵⁰ Consumer Advocate Exhibit, Schedule 2.

1 at the Attrition Period property taxes. The difference between the Test Period and Attrition
2 property taxes is my proposed adjustment.

3 **Q68. QUANTIFY THIS ADJUSTMENT.**

4 **A68.** My adjustment increases property taxes by \$49,475⁵¹ to arrive at an Attrition Period
5 amount of \$1,292,221 in property taxes.

6 **Q69. WHAT IS THE FIFTH STEP IN YOUR CALCULATION OF ATTRITION**
7 **PERIOD TOTI?**

8 **A69.** The fourth step in my calculation is an adjustment to FICA.⁵² This adjustment is necessary
9 to incorporate my proposals regarding payroll and incentive compensation and Mr.
10 Dittemore's proposal⁵³ regarding lobbying.

11 **Q70. WHAT EXACTLY WAS ADJUSTED IN YOUR CALCULATION OF FICA?**

12 **A70.** My adjustment nets the changes in payroll identified in my first two adjustments for O&M
13 against the nineteenth adjustment to O&M to arrive at a net change in O&M payroll.⁵⁴

14 **Q71. QUANTIFY THIS ADJUSTMENT.**

15 **A71.** My adjustment decreases FICA by \$38,289 for the Attrition Period.⁵⁵

16 **Q72. WHAT IS THE SIXTH STEP IN YOUR CALCULATION OF ATTRITION**
17 **PERIOD TOTI?**

⁵¹ The detailed calculation can be found on File <Exhibit AB-2 Revised>, "Schedule 1.2."

⁵² *Id.* at column D/.

⁵³ *Direct Testimony of David N. Dittemore* at 10:5 – 12:16.

⁵⁴ The detailed calculation can be found on <Exhibit AB-2 Revised>, "Schedule 1.3."

⁵⁵ File <Exhibit AB-2 Revised>, "Schedule 1.1," column D/.

1 **A72.** The sixth step in my calculation is an adjustment to FICA for Medicare. This adjustment
2 is necessary to incorporate my proposals regarding payroll and incentive compensation and
3 Mr. Dittmore's proposal⁵⁶ regarding lobbying.

4 **Q73. WHAT EXACTLY WAS ADJUSTED IN YOUR CALCULATION OF FICA?**

5 **A73.** My adjustment nets the changes in payroll identified in my adjustments for O&M regarding
6 Incentive and Stock Based Compensation against the nineteenth adjustment to O&M to
7 arrive at a net change in O&M payroll.⁵⁷

8 **Q74. QUANTIFY THIS ADJUSTMENT.**

9 **A74.** My adjustment decreases Medicare by \$9,218 for the Attrition Period.⁵⁸

10 **Q75. WHAT IS THE FINAL STEP IN YOUR CALCULATION OF ATTRITION**
11 **PERIOD TOTI?**

12 **A75.** The final step in my calculation is to adjust FICA for the increase in the Social Security
13 tax base.⁵⁹ This is the same adjustment as shown in the Company's adjustment OT-31.

14 **Q76. QUANTIFY THIS ADJUSTMENT.**

15 **A76.** This adjustment increases FICA by \$859 for the Attrition Period.⁶⁰

16 **Q77. WHAT IS YOUR RECOMMENDATION FOR THE ATTRITION PERIOD LEVEL**
17 **OF TOTI?**

⁵⁶ Direct Testimony of David N. Dittmore at 10:5 – 12:16.

⁵⁷ The detailed calculation can be found on <Exhibit AB-2 Revised>, "Schedule 1.4."

⁵⁸ File <Exhibit AB-2 Revised>, "Schedule 1.1," column E/.

⁵⁹ File <Exhibit AB-2 Revised>, "Schedule 1.1," column F/.

⁶⁰ *Id.*

1 **A77.** As shown on <Exhibit AB-2 Revised>, “Schedule 1.0,” I recommend \$6,488,581 in
2 Attrition Period Taxes other than Income Taxes be used for the computing the Company’s
3 Cost of Service.

4 **Q78. DOES THIS COMPLETE YOUR TESTIMONY?**

5 **A78.** Yes, it does. However, I reserve the right to incorporate any new data that may
6 subsequently become available.

**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

AFFIDAVIT

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

Alex Bradley
ALEX BRADLEY

Sworn to and subscribed before me
this 20th day of April, 2022.

Terra Allen

NOTARY PUBLIC



My commission expires: September 28, 2022

KINGSPORT POWER COMPANY
Taxes Other Than Income Taxes
For the 12 Months Ending December 31, 2022

	A/ Per Company	B/ Per Consumer Advocate
Other Taxes		
Current Payroll Taxes		
FICA	\$ 156,541	\$ 106,440
Fed Unemployment	773	773
State Unemployment	(20)	(20)
Total Payroll Related Tax	\$ 157,295	\$ 107,194
 Real and Personal Property Tax	 1,375,722	 1,310,046
 Other		
P.S.C.	533,862	533,862
Sales & Use	865	865
Bus Franchise	364,122	364,122
Local Privilege-Franchise Tax	-	-
Regis Fee	-	-
State Gross Receipts Tax	4,211,650	4,211,650
Federal Excise	-	-
Taxes on Capital Leases	255	255
 Total Taxes Other Than Incom	 \$ 6,643,771	 \$ 6,527,994

A/ Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW).xlsx, tab "JCOS Detail 2-a"
B/ AB-2, TOTI-1.1

	A/ Test Year Ending June 2021	B/ PJM Transmission Owner	B/ To Remove Local Franchise	C/ To Increase Property Tax	D/ To Decrease FICA	E/ To Decrease Medicare	F/ To Increase FICA	For the 12 Months Ending December 31, 2022
Other Taxes								
Current Payroll Taxes								
FICA	\$ 175,267	\$ (22,179)			\$ (38,289)	\$ (9,218)	\$ 859	\$ 106,440
Fed Unemployment	886	(112)						773
State Unemployment	(23)	3						(20)
Total Payroll Related Tax	176,130	(22,288)	-	-	(38,289)	(9,218)	859	107,194
Real and Personal Property Tax	1,505,698	(245,127)		49,475				1,310,046
Other								
P.S.C.	661,740	(127,878)						533,862
Sales & Use	865							865
Bus Franchise	451,342	(87,220)						364,122
Local Privilege-Franchise Tax	4,026,094		(4,026,094)					-
Regis Fee	-							-
State Gross Receipts Tax	4,211,650							4,211,650
Federal Excise	-							-
Taxes on Capital Leases	324	(69)						255
Total Taxes Other Than Income	\$ 11,033,842	\$ (482,581)	\$ (4,026,094)	\$ 49,475	\$ (38,289)	\$ (9,218)	\$ 859	\$ 6,527,994

A/ Exhibit No. 1 (AWA) KgPCo Income Statement for 12 Months Ended 6-30-21.xlsx
B/ Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW).xlsx, tab 'JCOS Detail 2-a'
C/ Property-1.2
D/ Tab, Social Security-1.3
E/ Medicare-1.4
F/ Social Security-1.3.3

Office of the Tennessee Attorney General, Consumer Advocate Unit
Docket 21-00107, Kingsport General Rate Case
Schedule 1.2

Line No.	Description	Per CA
1	Test Year Property Taxes	
2	408100520-Real Personal Property Taxes	\$ 662,974 A/
3	408100521-Real Personal Property Taxes	842,724 A/
4	Less: PJM Transmission Owner	(245,127) B/
5	Less: Prior Period Adjustments	(17,825) C/
6	Total Test Year Property Taxes	\$ 1,242,746
7		
8	Utility Plant Balances as of June 30, 2021	
9	Electric Plant in Service	\$ 211,063,636 C/
10	Construction Completed Not Classified	4,289,211 C/
11	Plant Held for Future Use	187,481 C/
12	Accumulated Depreciation	\$ (75,050,792) C/
13	Utility Plant Base	140,489,537
14		
15	Effective Property Tax Rate	0.885%
16		
17	Utility Plant Balances as of December 31, 2022	
18	Electric Plant in Service	\$ 227,003,925 D/
19	Construction Completed Not Classified	- D/
20	Plant Held for Future Use	187,481 D/
21	Accumulated Depreciation	-81,108,803 D/
22	Utility Plant Base	\$ 146,082,603
23		
24	Estimate Proforma Property Taxes	\$ 1,292,221
25	Test Period Property Taxes	\$ 1,242,746
26		
27	Property Tax Expense Adjustment	\$ 49,475

- A/ Exhibit No. 1 (AWA) KgPCo Income Statement for 12 Months Ended 6-30-21.xlsx
B/ Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW).xlsx, tab 'JCOS Detail 2-a', cell F379
C/ Direct Testimony Of Jessica M. Criss, Exhibit OT-32.xlsx
D/ Consumer Advocate Exhibit, Schedule 2

Office of the Tennessee Attorney General, Consumer Advocate Unit
Docket 21-00107, Kingsport General Rate Case
Schedule 1.3

Line No.	Description (a)	Amount (b)	
1	Annualization Adjustment of O&M Base Payroll	\$ 122,172	A/
2	O&M Merit Increases through rate year ending 12/31/2022	\$ 43,775	B/
3	Removal of ICP Payments & Stock Based Compensation	\$ (789,122)	C/
4	Removal of Lobbying	\$ (12,518)	D/
5	Change in O&M Payroll	<u>\$ (635,693)</u>	
6	2020 Salaries in Excess of Social Security Taxes	106,071	E/
7	Test Year Salaries, Paid Overtime and other remunerations	3,719,230	F/
8	Percentage Not Subject to Social Security Tax	2.85%	
9	Percentage of Salaries Subject to Social Security Tax	97.15%	
10	Adjustment to O&M Payroll Subject to Social Security Tax	\$ (617,564)	
11	Adjustment for Lobbying		
12	Social Security Tax Rate	6.20%	
13	Total Adjustment to Decrease O&M Expense for Social Security Tax (FERC Account 408)	<u>\$ (38,289)</u>	

A/ Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-314.xlsx, tab "OM-15 OM-16", cell E33
B/ Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-314.xlsx, tab "OM-15 OM-16", cell H33
C/ 21-00107 AB Exhibit.xlsx, tab "2.0-Adjustment Summary", Lines 1, 2, & 9
D/ 21-00107, Confidential Exhibit DND-4, Line 8
E/ Tab, Social Security-3.1
F/ Tab, Social Security-3.2

Adjustment to Social Security Tax Base

Line No.	Description (a)	Amount (b)	
1	Employees earning more than \$137,700 limit in 2020	7	
2	Social Security Tax Base for 2020	\$ 137,700	A/
3	Social Security Tax Base for 2021	142,800	B/
4	Increase in Social Security Tax Base	\$ 5,100	
5	Adjustment to Social Security Base	\$ 35,700	
6	Social Security Tax Rate	6.20%	
7	Increase in Social Security Tax due to Increase in Base	\$ 2,213	
8	KPCo O&M%	38.80%	
9	Adjustment to Increase O&M Expense for Change in the Social Security Tax Base (FERC Account 408)	\$ 859	OT-31

A/ Tab, Social Security-3.1

B/ DR 1-149, response to subpart (g)

Medicare Tax Expense Adjustment

Line No.	Description (a)	Amount (b)
1	Annualization Adjustment of O&M Base Payroll	\$ 122,172 A/
2	O&M Merit Increases through rate year ending 12/31/2022	\$ 43,775 B/
3	Removal of ICP Payments	\$ (789,122) C/
4	Removal of Lobbying	\$ (12,518) D/
5	Change in O&M Payroll	\$ (635,693)
6	Medicare Tax Rate	1.45%
7	Total Adjustment to Increase O&M Expense for Medicare Tax (FERC Account 408)	\$ (9,218)

A/ Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-314.xlsx, tab "OM-15 OM-16", cell E33

B/ Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-314.xlsx, tab "OM-15 OM-16", cell H33

C/ 21-00107 AB Exhibit.xlsx, tab "2.0-Adjustment Summary", Lines 1 & 2

D/ 21-00107, Confidential Exhibit DND-4, Line 8