

S. Morris Hadden
William C. Bovender
William C. Argabrite
Jimmie Carpenter Miller
Mark S. Dessauer
Gregory K. Haden
Michael L. Forrester
Stephen M. Darden
Edward J. Webb, Jr.
James N. L. Humphreys¹
Suzanne Sweet Cook¹
Michael S. Lattier^{5,6}
Scott T. Powers

HUNTER·SMITH·DAVIS

SINCE 1916

LLP

Kingsport Office
1212 North Eastman Road
P.O. Box 3740
Kingsport, TN 37664
Phone (423) 378-8800
Fax (423) 378-8801

Johnson City Office
100 Med Tech Parkway
Suite 110
Johnson City, TN 37604
Phone (423) 283-6300
Fax (423) 283-6301

All Attorneys Licensed in Tennessee
Unless Noted

Additional Bar Memberships:
VA¹, NC², KY³, GA⁴, FL⁵, MT⁶, CA only⁷

Leslie Tentler Ridings
Christopher D. Owens^{1,3}
Jason A. Creech
Meredith Bates Humbert
Joseph B. Harvey⁴
Rachel Ralston Mancil²
Caroline Ross Williams¹
Marcy E. Walker
Sarah Blessing Valk
Sydney B. Gilbert
Joseph A. Matherly
Will A. Ellis
Jordan T. Richardson

Respond to:

Kingsport Office
William C. Bovender
423-378-8858, 423-534-7897 (mobile)
bovender@hdsdlaw.com

Of Counsel:

Jeannette Smith Tysinger
John B. Buda⁷

www.hdsdlaw.com

April 27, 2022

KPOW-10311

Electronically Filed in TPUC Docket
Room on April 27, 2022 at 1:37 p.m.

VIA EMAIL (tpuc.docketroom@tn.gov) & FEDEX

Dr. Kenneth C. Hill, Chairman
c/o Ectory Lawless, Dockets & Records Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: IN RE: PETITION OF KINGSFORT POWER
COMPANY d/b/a AEP APPALACHIAN POWER
FOR A GENERAL RATE CASE
DOCKET NO.: 21-00107

Dear Chairman Hill:

On behalf of Kingsport Power Company d/b/a AEP Appalachian Power, we transmit for filing
Rebuttal Testimony for the following:

A. Wayne Allen
William K. Castle
Jessica M. Criss
Eleanor K. Keeton
Vanessa Y. Oren
Katharine Walsh
Michael H. Ward

The originals and four copies are being sent by overnight delivery.

Should you have any questions, please do not hesitate to contact the undersigned.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



William C. Bovender

Enclosure: As stated

cc: David Foster (w/enc.)
Monica L. Smith-Ashford, Esq. (w/enc.)
Michael J. Quinan, Esq. (w/enc.)
Vance L. Broemel (w/enc.)
Karen H. Stachowski (w/enc.)
James R. Bacha, Esq. (w/enc.)
Noelle J. Coates, Esq. (w/enc.)
Joseph B. Harvey, Esq. (w/enc.)

Via US Mail and Email: david.foster@tn.gov
Via US Mail and Email: monica.smith-ashford@tn.gov
Via US Mail and Email: mquinan@t-mlaw.com
Via US Mail and Email: vance.broemel@ag.tn.gov
Via US Mail and Email: Karen.Stachowski@ag.tn.gov
Via Email: jrbacha@aep.com
Via Email: njcoates@aep.com
Via Email: jharvey@hsdlaw.com

**REBUTTAL TESTIMONY OF
JESSICA M. CRISS
ON BEHALF OF KINGSPORT POWER COMPANY
D/B/A AEP APPALACHIAN POWER
BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 21-00107**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is Jessica M. Criss.

3 **Q. ARE YOU THE SAME JESSICA M. CRISS WHO SUBMITTED DIRECT**
4 **TESTIMONY IN THIS PROCEEDING?**

5 A. Yes.

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. My rebuttal testimony addresses Consumer Advocate Unit (CA) witness Dittmore's
8 calculation of the net operating loss carryforward (NOLC) adjustment included as a
9 component of accumulated deferred income tax (ADIT). My rebuttal testimony also
10 responds to the direct testimony of CA witness William H. Novak related to his
11 calculation of the ADIT as a reduction to rate base, his calculation of federal and state tax
12 expense to be included in the cost of service, and his calculation of the Gross Revenue
13 Conversion Factor (GRCF).

14 **Q. ARE YOU SPONOSRING ANY EXHIBITS?**

15 A. Yes, I am sponsoring the following exhibits:

- 16 • Rebuttal Exhibit 1 (JMC) – Calculation of Stand-Alone NOLC related to
17 Distribution
- 18 • Rebuttal Exhibit 2 (JMC) – Forecast ADIT Balances to reflect in Rate Base
- 19 • Rebuttal Exhibit 3 (JMC) – Property ADIT Balance Proration Calculation
- 20 • Rebuttal Exhibit 4 (JMC) – Property Related ADIT Activity for 6 Months
21 ended December 31, 2021 and 12 months ended December 31, 2022

- Rebuttal Exhibit 5 (JMC) – Tax Depreciation on additions from July 1, 2021 to December 31, 2022.
- Rebuttal Exhibit 6 (JMC) – Summary Computation of Total Tax Expense to be included in the Cost of Service
- Rebuttal Exhibit 7 (JMC) – GRCF

Q. WERE THE EXHIBITS THAT YOU ARE SPONSORING PREPARED OR ASSEMBLED BY YOU OR UNDER YOUR DIRECTION?

A. Yes.

CALCULATION OF THE STAND-ALONE NOLC ALLOCATION

Q. DO YOU AGREE WITH THE APPROACH THAT MR. DITTEMORE USED FOR THE CALCULATION OF THE STAND-ALONE NOLC.

A. In general, I agree with his approach; however, there are certain items allocated to Distribution business only embedded in the \$11.9M total company NOLC adjustment that need to be directly assigned before applying the allocator calculated by Mr. Dittemore.

Q. CAN YOU DESCRIBE THESE ITEMS?

A. Yes. The items that need to be directly assigned to unprotected excess are recorded in account 2831001. In 2019, the 2017 tax return was amended and generated additional NOL, which was recorded as unprotected deficient tax in account 2831001. This NOL needs to be removed before allocating the unprotected portion of the NOLC in order to avoid double-counting of the NOLC. In addition, the taxable loss from the 2020 tax return was carried back to 2014 to offset income and resulted in the receipt of a refund of taxes at a 35% rate. The tax refunded above the current statutory rate of 21% was recorded as excess tax due back to customers. However, KgPCo was in a stand-alone net

1 operating loss position and would not have been able to carry back any taxable loss to
2 previous years. These adjustments were recorded to KgPCo's financial records after
3 TPUC Docket 18-00038 was resolved and are incorporated in the \$11.9M total company
4 stand-alone NOLC adjustment, but are directly assigned to the Distribution business.

5 **Q. CAN YOU PROVIDE AN ILLUSTRATION OF THIS UPDATED**
6 **CALCULATION TO THE UNPROTECTED DEFICIENT TAX DUE TO THE**
7 **STAND-ALONE NOLC?**

8 A. Yes. Please see Rebuttal Exhibit No. 1 (JMC), which illustrates the distribution only
9 adjustments being applied before the allocator calculated by Mr. Dittmore. This results
10 in an allocated amount of \$8,556,300 of stand-alone NOLC to Distribution.

11 **CALCULATION OF ACCUMULATED DEFERRED INCOME TAX (ADIT)**

12 **Q. CAN YOU DESCRIBE THE APPROACH THAT MR. NOVAK HAS TAKEN IN**
13 **DETERMINING THE AMOUNT OF ADIT THAT SHOULD BE DEDUCTED**
14 **FROM RATE BASE (NOVAK, PAGE 15, LINES 6-10)?**

15 A. Mr. Novak states in his testimony that "To compute ADIT, I calculated the average
16 jurisdictional test period balances for the Other Asset and Liability accounts (1901001
17 and 2831001). For the Utility property account, I calculated a linear regression of
18 historical distribution ADIT against historical distribution Plant in Service. I then applied
19 the results of this regression to the attrition period distribution Plant in Service described
20 earlier". Mr. Novak started with balances as of July 2019 for Total Company as allocated
21 to Distribution. Included in his analysis were the forecasted distribution property
22 additions for period July 1, 2021 through December 31, 2022.

1 **Q. DID MR. NOVAK UTILIZE DISTRIBUTION FUNCTIONAL BOOKS FOR THE**
2 **CALCULATION OF OTHER ASSET AND LIABILITY ACCOUNTS (1901001**
3 **AND 2831001)?**

4 A. No. Mr. Novak utilized total company account balances and after calculating the thirteen
5 month average, applied an allocator based on plant allocators calculated by him. (WHN
6 Rate Base Workpaper, RB-21-4.00). Kingsport understands that Mr. Novak's
7 workpapers, which were filed as part of discovery, are part of the record and properly
8 considered in evidence.

9 **Q. DO THE ADIT BALANCES IN ACCOUNTS 1901001 AND 2831001 RELATE TO**
10 **PLANT?**

11 A. No. The ADIT balances in these accounts are based on non-property book/tax temporary
12 differences that increase or decrease due to specific book transactions and would not be
13 allocable based on plant.

14 **Q. ARE YOU AWARE OF A LINEAR REGRESSION APPROACH TO ADIT IN**
15 **CALCULATING ACCOUNT 2821001 BEING APPROVED FOR ANY AEP**
16 **OPERATING COMPANIES?**

17 A. No, I am not aware of any Commission approving this type of approach. The ADIT in
18 this account is the result of comparing specific book accounting to tax return differences,
19 primarily book depreciation to tax deprecation each year, and is not appropriately
20 trended. The Internal Revenue Service (IRS) has a required¹ proration calculation of
21 ADIT related to property for a forecast period, which is not based on a linear regression.

Bl

¹ Treasury Regulation Section 1.167(1)-1(h)(6)(ii)

1 **Q. WHAT ARE THE CONSEQUENCES OF NOT FOLLOWING THE REQUIRED**
2 **PRORATION CALCULATION OUTLINED BY THE IRS?**

3 A. The pro-rata calculation of ADIT related to property is governed by the Internal Revenue
4 Code (IRC) normalization rules and the IRS has also issued numerous private letter
5 rulings (PLR)² (two examples provided below) over the years that support this
6 methodology of proration. The consequences of a normalization violation are severe.
7 KgPCo Tennessee jurisdictional portion of the Company would no longer be able to
8 claim accelerated depreciation on its tax returns. This would result in a significant loss in
9 current tax deductions, reducing the amount of ADIT that is recorded on its books and
10 increasing the current taxes paid to the government. The Company would have to
11 increase cash flow by financing with new loans, subsequently raising the electric utility
12 rates for customers to cover the increased financing costs. In other words, KgPCo's
13 customers would no longer receive the reduction in rate base benefit of the ADIT,
14 resulting in increased revenue requirements.

15 **Q. HAVE YOU PROVIDED A COMPUTATION OF THE ADIT BALANCE IN**
16 **2821001 THAT IN YOUR OPINION ADHERES TO THE PRORATION**
17 **REQUIREMENT OF THE IRC?**

18 A. Yes, I have provided a calculation that incorporates the necessary proration calculation
19 that imputes the maximum amount of property related ADIT that can be reflected in rate
20 base without violating normalization rules.

Bl

² IRS Private Letter Rulings 9029040; 9202029

1 **Q. PLEASE DESCRIBE THE STEPS THAT YOU WENT THROUGH TO**
2 **COMPUTE THE PROPERTY RELATED ADIT LEADING UP TO THE**
3 **PRORATION CALCULATION.**

4 A. The first step was to compute the tax depreciation that the Company would be able to
5 claim on the Forecast property additions through December 31, 2022 that Mr. Novak
6 included in the property balance portion of rate base. This tax depreciation calculation is
7 shown on Rebuttal Exhibit No. 5 (JMC).

8 On Rebuttal Exhibit No. 4 (JMC), I accumulated the tax depreciation that would
9 be able to be claimed for 6-months ended December 31, 2021 and 12-months ended
10 December 31, 2022 (from Rebuttal Exhibit No. 5 (JMC)) and included the tax
11 depreciation that would be available on the June 30, 2021 and prior vintage year
12 additions (as obtained from the Company's Power Tax Depreciation System). The total
13 Tax Depreciation for each time period was then compared to Forecast Book Depreciation
14 as provided by Mr. Novak (as adjusted for the forecast flowthrough book depreciation).
15 The difference between tax and book depreciation represents the depreciation Schedule
16 M on which deferred income taxes would be calculated. ADIT activity for each
17 respective year equals 21% of the Schedule M Adjustment.

18 **Q. PLEASE DESCRIBE THE PRORATION CALCULATION THAT YOU HAVE**
19 **PROVIDED ON REBUTTAL EXHIBIT NO. 3 (JMC).**

20 A. The starting point for property related ADIT is the balance in Account 2821001 as of
21 June 30, 2021 per the Tax Subledger. I then included the incremental monthly ADIT
22 amounts for each year (from Rebuttal Exhibit 4 (JMC)) into the proration format required

1 by the IRC³. Since the electric rates are anticipated to go into effect July 1, 2022, no
2 proration adjustment is required for the forecast ADIT balance as of June 30, 2022 (the
3 “historical” portion of the period as defined by the IRS). Since a 13 month average was
4 used to develop rate base for the 2022 attrition period, the incremental ADIT from July 1,
5 2022 to December 31, 2022 is subject to the proration rules and that same averaging
6 convention for the “future” portion of the period. Thus, the denominator in the proration
7 is 185 days (the number of days from the effective date of the rate change to the end of
8 the period). Following the consistency normalization rules, the pro-rated ADIT amounts
9 were averaged using 13 months, the same as the projected utility property balances
10 included in rate base.

11 **Q. WHAT WAS THE RESULT OF YOUR CALCULATION?**

12 A. Using the proration calculation, the maximum amount of property related ADIT that can
13 be included as a rate base reduction is \$21,242,556. As shown on Rebuttal Exhibit No. 2
14 (JMC), I then added this amount to the Distribution ADIT balances in Account 190 and
15 283 as of June 30, 2021. This method follows the Company’s approach in TRA Docket
16 No. 16-00001 which was reflected in the approved settlement. Lastly, the recalculated
17 amount of stand-alone NOLC as previously discussed was layered into the total amount
18 of ADIT that should be included as a reduction to rate base. This total ADIT as a
19 reduction to rate base is \$14,617,549 as opposed to the \$18,623,760 calculated by Mr.
20 Novak.

Bl

³ IRC Section 1.167(1)-1(h)(6)(iv) Example (2)

CALCULATION OF TAX EXPENSE IN THE COST OF SERVICE

Q. DO YOU AGREE WITH CA WITNESS NOVAK'S RECOMMENDED

CALCULATION OF FEDERAL TAX EXPENSE (CA EXHIBIT SCHEDULE 8)?

A. No. Witness Novak utilizes a 28% federal tax rate, whereas the statutory rate is 21%. In addition, Mr. Novak does not take into account certain items that are treated as flowthrough, specifically removal costs. The Company calculates federal tax expenses utilizing this methodology and recommends that the Commission adopt this approach which is consistent with the Company's requests for rates in previous proceedings.

Q. HAVE YOU CALCULATED THE FLOWTHROUGH ITEMS TO BE APPLIED TO FEDERAL TAX EXPENSE?

A. Yes. The deduction for removal costs is outlined in CA 1-36 Attachment 4 on the "ETR Tab," which Kingsport understands is part of the record and properly considered in evidence.

Q. DO YOU AGREE WITH CA WITNESS NOVAK'S RECOMMENDED

CALCULATION OF STATE TAX EXPENSE (CA EXHIBIT SCHEDULE 8)?

A. No. The Company calculated a state tax expense on a flowthrough basis and recommends that the Commission adopt this approach which is consistent with the Company's requests for rates in previous proceedings.

Q. HAVE YOU CALCULATED THE CURRENT STATE TAX?

A. Yes. See CA 1-36 Attachment 4 that includes adjustments for book/tax timing differences. The proforma calculation on tab "SIT", column AB, provides \$3,313,517 of adjustments to increase state taxable income. For tax purposes, Tennessee also calculates tax depreciation differently than federal and this difference also provides an adjustment

1 for the required levels of depreciation for the state. The total of these adjustments is
2 \$1,377,736. Applying this additional \$1.3M to PTBI, and multiplying by the state rate of
3 6.5%, results in additional tax expense of \$89,553.

4 **Q. HAVE YOU PROVIDED A SUMMARY OF THE CHANGES YOU HAVE**
5 **MENTIONED ABOVE?**

6 A. Yes. Please refer to Rebuttal Exhibit 6 (JMC). This exhibit summarizes the changes to the
7 computation of total tax expense as a part of the cost of service. The total tax expense is
8 \$370,921 compared to Mr. Novak's calculation of \$762,039, resulting in a reduction of
9 tax expense of \$391,118.

10 **Q. ARE THERE CONSEQUENCES FOR NOT UTILIZING THE ABOVE**
11 **METHODOLOGY FOR CALCULATING INCOME TAX EXPENSE FOR**
12 **RATEMAKING PURPOSES?**

13 A. Yes. If the Commission adopts Mr. Novak's approach rather than the Company's
14 recommended methodology for calculating income tax expense, it will result in a
15 regulatory asset for deferred taxes that will be due in a future period, but will not have not
16 been collected from customers, which the Company that will need to recover in rates in a
17 future case.

18 **CALCULATION OF THE GROSS REVENUE CONVERSION FACTOR (GRCF)**

19 **Q. DO YOU AGREE WITH MR. NOVAK'S COMPUTATION OF THE GRCF IN**
20 **CA EXHIBIT SCHEDULE 11?**

21 A. No. Mr. Novak fails to include the Tennessee PUC Inspection fee. In addition, Mr.
22 Novak addresses the forfeited discounts. The Company's position on this topic is
23 discussed by Company witness Walsh.

1 **Q. WHY SHOULD THE TENNESSEE PUC INSPECTION FEE BE INCLUDED IN**
2 **THE GRCF?**

3 A. The Tennessee PUC Inspection Fee is a 0.425% fee assessed based on Intrastate Gross
4 Receipts. Similar to an income tax, the rate is calculated based on gross receipts, or
5 revenues, and therefore must be a part of the GRCF to accurately reflect the taxes the
6 Company will incur on any additional revenue. While the PUC Inspection Fee will be
7 collected based on prior year receipts, the required revenue deficiency above the 2021
8 revenues included in the cost of service needs to be grossed up for the additional
9 revenues that will be collected.

10 **Q. HAVE YOU PROVIDED AN ALTERNATE GRCF CALCULATION?**

11 A. Yes. Please see Rebuttal Exhibit 7 (JMC) for an updated GRCF, incorporating Company
12 witness Walsh's rebuttal regarding forfeited discounts.

13 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 A. Yes.

Kingsport Power Company
Calculation of Unprotected (Excess)/Deficient Balance

	NOLC Total Company @ 06.30.2021	Distribution NOLC 72.18%	Transmission NOLC 27.82%	Exhibit DND-2
Unprotected EADIT as of 06.30.2021	(559,323)	(73,129)	(486,193)	1/
NOLC Adjustments				
2017 Return Amended in 2019	(189,408)	(189,408) a/	-	2/
Carryback of 2020 Losses to 2014 for 35% Refund	258,230	258,230 a/	-	3/
Stand Alone NOLC Deficient Tax as of 12.31.17	1,404,883	1,014,113	390,770	4/
Total NOLC Adjustment	1,473,706	1,082,935	390,770	
Unprotected Balance to be Collected/(Refunded)	914,383	1,009,806	(95,423)	

1/ CA 1-26 Attachment 3, "51052 - May - Per Books"

2/ Amending the 2017 return resulted in deficient tax related to NOLC, already included in 4/, removed to negate double counting

3/ KGPCo had cumulative tax losses and would not have been able to carryback losses to 2014 to receive a tax refund

4/ CA 1-36 Attachment 3, "Distribution ADFIT", Cell G84, allocated via calculation provided by Witness Dittmore, DND-2

Σ a/ = 68,922 - CA 1-36 Attachment 3, "Distribution ADFIT", Cell H84, recorded on Distribution Functional Books only

	NOLC Total Company @ 06.30.2021	Distribution NOLC 72.18%	Transmission NOLC 27.82%	Exhibit DND-2
Accumulated ADIT Account				
Account 1901001 - Accum Deferred FIT Other	7,643,144	5,517,193	2,125,951	
Account 2821001 - Accum Deferred FIT Property	2,709,947	1,956,171	753,775	
Account 2831001 - Accum Deferred FIT Other	1,473,706	1,082,935	390,770	
	11,826,796	8,556,300	3,270,497	

Kingsport Power Company
Forecasted ADIT Balances

Accumulated ADIT Account	Total Company	Distribution		Support
	Actual ADIT @ 06.30.2021	Actual ADIT @ 06.30.2021	Prorated ADIT @ 12.31.2022	
Account 1901001 - Accum Deferred FIT Other	342,677	428,689	428,689	
Account 2821001 - Accum Deferred FIT Property	(29,243,255)	(21,247,337)	(21,242,556)	Rebuttal Exhibit 3 (JMC)
Account 2831001 - Accum Deferred FIT Other	(2,711,782)	(2,359,982)	(2,359,982)	
Stand Alone NOLC	-	-	8,556,300	Rebuttal Exhibit 1 (JMC)
	<u>(31,612,360)</u>	<u>(23,178,629)</u>	<u>(14,617,549)</u>	

[illegible]

Kingsport Power Company
Forecasted ADIT related to Property
5 Months 2021/2022 Activity

Description	2021 Activity	2022 Activity	Support
Tax Depreciation - Plant @ 06.30.2021	2,669,127	5,828,614	CA 1-36 Attachment 3
Tax Depreciation - 2021 Additions	468,677	769,014	Rebuttal Exhibit No. 5 (JMC)
Tax Depreciation - 2022 Additions	-	1,124,826	Rebuttal Exhibit No. 5 (JMC)
	<u>3,137,804</u>	<u>7,722,453</u>	
Forecast Book Depreciation	3,887,940	8,405,897	A/
Less Flowthrough:	<u>(759,575)</u>	<u>(759,575)</u>	B/
Total Book Depreciation	3,128,365	7,646,322	
Tax vs. Book Depreciation Normalized	9,439	76,131	
Estimated ADIT @ 21%	(1,982)	(15,988)	
Monthly ADIT Activity	(330)	(1,332)	

A/ 5 months activity from WHN Forecast of Plant In Service (only 5 months due to 6.30.2021 ADIT already including 7 months forecasted additions)

A/ 2022 from 21-00107 CA Exhibit Schedule 4

B/ Forecasted flowthrough book depreciation

Kingsport Power Company
Adjustments to ADFIT for Plant in Service
Attrition Year End Projects Placed in Service
For the Attrition Year Ended December 31, 2022

Case No. 21-00107
Rebuttal Exhibit No. 5 (JMC)
Page 1 of 1

Line	(1) Desc	(2) Amount Placed in Service	Tax Class per PowerTax	Tax Treatment	MACRS Depreciation Rate	2021 Depreciation	MACRS Depreciation Rate	2022 Depreciation
1	Account							
2	30303	606,407	Intangible Property-Other	MACRS 3	33.33%	(202,115)	44.45%	(269,548)
3	36200	1,287,334	Station Equipment	MACRS 20	3.75%	(48,275)	7.22%	(92,933)
4	36400	745,718	Poles, Towers and Fixtures	MACRS 20	3.75%	(27,964)	7.22%	(53,833)
5	36500	1,817,287	Overhead Conductors, Device	MACRS 20	3.75%	(68,148)	7.22%	(131,190)
6	36600	313,208	Underground Conduit	MACRS 20	3.75%	(11,745)	7.22%	(22,611)
7	36700	187,701	Undergrnd Conductors, Device	MACRS 20	3.75%	(7,039)	7.22%	(13,550)
8	36800	508,217	Line Transformers	MACRS 20	3.75%	(19,058)	7.22%	(36,688)
9	36900	226,932	Services	MACRS 20	3.75%	(8,510)	7.22%	(16,382)
10	37000	58,574	Meters	MACRS 20	3.75%	(2,197)	7.22%	(4,228)
11	37016	92,223	AMI Meters	MACRS 20	3.75%	(3,458)	7.22%	(6,658)
12	37100	49,375	Installs Customer Premises	MACRS 20	3.75%	(1,852)	7.22%	(3,564)
13	37300	94,654	Street Lghtng & Signal Sys	MACRS 20	3.75%	(3,550)	7.22%	(6,833)
14	39000	367,940	Structures and Improvements	MACRS 7	14.29%	(52,579)	24.49%	(90,108)
15	39400	29,563	Tools	MACRS 7	14.29%	(4,225)	24.49%	(7,240)
16	39700	46,671	Communication Equipment	MACRS 7	14.29%	(6,669)	24.49%	(11,430)
17	39800	9,052	Miscellaneous Equipment	MACRS 7	14.29%	(1,294)	24.49%	(2,217)
18	Assets August - December 2021	6,440,856	(a)			(468,677)		(769,014)
20	30303	1,455,377	Intangible Property-Other	MACRS 3			33.33%	(485,077)
21	36200	3,089,602	Station Equipment	MACRS 20			3.75%	(115,860)
22	36400	1,789,724	Poles, Towers and Fixtures	MACRS 20			3.75%	(67,115)
23	36500	4,361,489	Overhead Conductors, Device	MACRS 20			3.75%	(163,556)
24	36600	751,700	Underground Conduit	MACRS 20			3.75%	(28,189)
25	36700	450,483	Undergrnd Conductors, Device	MACRS 20			3.75%	(16,893)
26	36800	1,219,720	Line Transformers	MACRS 20			3.75%	(45,739)
27	36900	544,636	Services	MACRS 20			3.75%	(20,424)
28	37000	140,577	Meters	MACRS 20			3.75%	(5,272)
29	37016	221,335	AMI Meters	MACRS 20			3.75%	(8,300)
30	37100	118,499	Installs Customer Premises	MACRS 20			3.75%	(4,444)
31	37300	227,170	Street Lghtng & Signal Sys	MACRS 20			3.75%	(8,519)
32	39000	883,055	Structures and Improvements	MACRS 7			14.29%	(126,189)
33	39400	70,951	Tools	MACRS 7			14.29%	(10,139)
34	39700	112,011	Communication Equipment	MACRS 7			14.29%	(16,006)
35	39800	21,725	Miscellaneous Equipment	MACRS 7			14.29%	(3,105)
36	Assets Full Year 2022	15,458,055				-		(1,124,826)
38	Total Additions	21,898,912	(b)			(468,677)		(1,893,839)
40	Total Tax Depreciation							(2,362,516)

(a) this is only 5 months of projection additions, due to the ADIT already including a forecast of depreciation for 7 months of additions in 2021

(b) this is 17/18th of RB 10.00a \$23.4M of forecasted additions excluding land rights

Kingsport Power Company
Total Tax Expense Computation

	Witness JMC	Mr. Novak	Difference	Support
State Excise Tax:				
Pre-Tax Book Income (PTBI)	3,013,978	3,013,978	-	CA Exhibit Schedule 8
Book/Tax Timing Differences	1,377,736	-	(1,377,736)	CA 1-36 Attachment 4, "SiT" tab, Σ cells AB14, AB15, and AB18
State Taxable Income	4,391,714	3,013,978	(1,377,736)	
State Tax Rate	6.50%	6.50%	6.50%	Statutory Rate
	285,461	195,909	(89,553)	
Federal Income Tax:				
Pre-Tax Book Income (PTBI)	3,013,978	3,013,978	-	
Excise Tax Expense	285,461	195,909	(89,553)	
PTBI less State Tax	2,728,517	2,818,069	89,553	
Federal Tax Rate	21%	28%	7%	
Federal Tax before Excess	572,988	789,059	216,071	
Amortization of Protected Excess	(222,929)	(222,929)	-	CA 1-36 Attachment 4, "DFIT 1" tab, Cell AB107
Removal Costs	(264,600)	-	264,600	CA 1-36 Attachment 4, "ETR" tab, Cell S42
Net Federal Income Tax Expense	85,459	566,130	480,671	
Total Tax Expense	370,921	762,039	391,118	

KINGSPORT POWER COMPANY
Computation of Gross Revenue Conversion Factor

Line No.	Description	Tax Rates	Factor
1	Operating Revenues		1.000000
2	Forfeited Discounts	0.0014690 [1]	0.001469
3	Balance		1.001469
4	Uncollectibles	0.0012410 [2]	0.001243
5	Balance		1.000226
6	Tennessee Regulatory Authority Inspection Fee	0.0042500 [3]	0.004251
7	Balance		0.995975
8	State Excise Tax	0.0650000 [3]	0.064738
9	Balance		0.931237
10	Federal Income Tax	0.2100000 [3]	0.195560
11	Balance		0.735677
12	Gross Revenue Conversion Factor		1.359292

[1]	<div> <div>2021 Forfeited Discounts</div> <div>2021 Sales of Electricity</div> </div>	<div> <div>222,224</div> <div>151,288,129</div> </div>	=	0.001469
[2]	<div> <div>2021 Factoring of Accounts Receivable</div> <div>2021 Sales of Electricity + Forfeited Discounts</div> </div>	<div> <div>188,042</div> <div>151,510,353</div> </div>	=	0.001241
[3]	Statutory Rate			