

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

IN RE:

**PETITION OF KINGSPORT POWER
COMPANY d/b/a AEP APPALACHIAN
POWER COMPANY FOR A GENERAL
RATE INCREASE**

DOCKET NO. 21-00107

**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST
TO KINGSPORT POWER COMPANY**

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

of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Vance L. Broemel, on or before 2:00 p.m. (CDT), January 19, 2022.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.
2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.
3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.
4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document, and state the

basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular shall include the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

(a) "You," "Your," "Company," or "Kingsport" shall mean Kingsport Power Company d/b/a AEP Appalachian Power and all employees, agents, attorneys, representatives, or any other person acting or purporting to act on its behalf.

(b) "Affiliate" shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an "Affiliate."

(c) "Communication" shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings, and personal conversations, or otherwise.

(d) "Document" shall have the broadest possible meaning under applicable law. "Document" shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any

such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made.

(e) "Person" shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(f) "Identify" with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person's relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(g) "And" and "or" shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

(h) "Including" shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

- 1-1. Provide a copy of all written accounting, tax, regulatory or other policies that are currently being used or have been adopted by Kingsport or that are currently being adopted by Kingsport affiliates that are also currently applicable to Kingsport. In addition, provide a copy of any such policies that have terminated in the most recent twenty-four months.

RESPONSE:

- 1-2. Provide a copy of all written contracts or agreements between Kingsport and any affiliate of Kingsport that are currently in effect or that terminated in the most recent twenty-four months.

RESPONSE:

- 1-3. Provide a copy of the Company's rate case workpapers in Excel format with formulas intact that have not already been provided in the Company's filing.

RESPONSE:

- 1-4. Provide a continual comprehensive monthly income statement and balance sheet from December 2015 to June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 1-5 (Supplemental) in TRA Docket No. 16-00001.

RESPONSE:

- 1-5. Provide a copy of the Company's monthly trial balance (in the same format as MFR 7) for December 2015 through December 2018.

RESPONSE:

- 1-6. Provide a copy of the Company's detailed monthly trial balance for leased property from December 2015 to June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 1-7 (Supplemental) in TRA Docket No. 16-00001.

RESPONSE:

- 1-7. Provide the following segment information from all state jurisdictions including Tennessee for 2015 through 2020 in the same format as the Company's Response to Consumer Advocate DR No. 1-8 (Supplemental) in TRA Docket No. 16-00001:

- a. Net Property, Plant & Equipment;
- b. Operating Revenues;
- c. Gross Margin;
- d. Net Income; and
- e. Total kWh Energy Sales

RESPONSE:

- 1-8. Provide the monthly accumulated depreciation by subaccount from December 2015 through June 2021 detailing the beginning monthly balance, accrual, retirements, cost of removal, salvage adjustments, transfer adjustments, and ending monthly balance to each subaccount. Provide this analysis in the same format as the Company's Response to Consumer Advocate DR No. 1-32 (Supplemental) in TRA Docket No. 16-00001.

RESPONSE:

- 1-9. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Provide the source and support for the June 30, 2021, balance for Intangible Property-Oracle (\$563,889), Intangible Property-Maximo (\$393,612), and Intangible Property-Other (\$5,481,613).

RESPONSE:

- 1-10. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "Avg Retirements" tab that provides the basis for the plant retirement calculation. Provide the source and support for the "Avg Retirements" and the "Avg Plant Balance" data included on this spreadsheet.

RESPONSE:

1-11. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Explain the Company's rationale for using the November 2021 to November 2022 data to calculate the 13-month average plant balance for all accounts in Column F.

RESPONSE:

1-12. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "Capital" tab that provides the historic and forecasted plant additions. Provide the following information related to this spreadsheet:

- a. Provide the source and support for the historic plant additions from 2016 through June 30, 2021, by plant account;
- b. Provide the Company's rationale for increasing the January-June 2021 plant additions by 100% to compute the July-December 2021 plant addition estimate;
- c. Provide the source and support for the 2022 total plant addition forecast of \$19,351,773 shown in Cell K16 of this spreadsheet; and
- d. Provide the source and support for the "Total Amount Recovered Through Riders" shown on Row 18 of this spreadsheet.

RESPONSE:

1-13. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Provide the source and support for the forecasted plant additions to Account 30300 in Cells D80 through D97 that appear as hard-coded numbers.

RESPONSE:

1-14. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and

retirements for the attrition year. Provide the source and support for the forecasted plant additions to Account 30016 in Cells D367 through D372.

RESPONSE:

1-15. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Provide the source and support for the forecasted plant additions to Account 39000 in Cells D456 through D473.

RESPONSE:

1-16. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Provide the source and support for the forecasted plant additions to Account 39400 in Cells D544 through D561.

RESPONSE:

1-17. Refer to the <Adj EP-37> spreadsheet included with the Company's filing. Specifically refer to the "KGPCO Adds and Retires" tab that provides the calculated plant additions and retirements for the attrition year. Provide the source and support for the forecasted plant additions to Account 39700 in Cells D588 through D605.

RESPONSE:

1-18. Refer to the <KMJ - Workpaper 1 - JCOS KgPCo Plant in Service and Plant Held for Future Use> spreadsheet included with the Company's filing. Specifically refer to the "105 Plant Held for Future Use" tab of this spreadsheet that provides the historical balance for this account. Please provide the source and support for the pivot table included on this

spreadsheet.

RESPONSE:

- 1-19. Refer to the <KMJ - Workpaper 1 - JCOS KgPCo Plant in Service and Plant Held for Future Use> spreadsheet included with the Company's filing. Specifically refer to the "105 Plant Held for Future Use" tab of this spreadsheet that provides the historical balance for this account. The data included here indicates that this property is related to land. Provide the details of this property including the acquisition date and purpose of the acquisition.

RESPONSE:

- 1-20. Refer to the <KMJ - Workpaper 2 - JCOS KgPCo CWIP> spreadsheet included with the Company's filing. Specifically refer to the "CWIP" tab of this spreadsheet that provides the historical balance for this account. Provide the source and support for the data included here from January 2021 through June 2021.

RESPONSE:

- 1-21. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cell F107 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the PJM Allocation of the General Plant component of Construction Work in Progress ("CWIP") for \$35,035. Please provide the source and support for this amount which appears as a hard-coded formula.

RESPONSE:

- 1-22. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells F103 to F106 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the PJM Allocation of CWIP. Explain why the

Company has applied the plant category (e.g., General Plant) PJM Allocation Factor here instead of the CWIP allocator.

RESPONSE:

- 1-23. Refer to the <KMJ - Workpaper 3 - JCOS KgPCo Working Capital> spreadsheet included with the Company's filing. Specifically refer to the "Working Capital" tab of this spreadsheet that provides the historical balance for this account. Provide the source and support for the data included here in Column C which appear as hard-coded numbers.

RESPONSE:

- 1-24. Refer to the <KMJ - Workpaper 4 - JCOS KgPCo Acc Deprec and Amort> spreadsheet included with the Company's filing. Specifically refer to the "RWIP" tab of this spreadsheet that provides the historical balance for this account. Provide the source and support for the data included here from January 2020 through June 2021.

RESPONSE:

- 1-25. Refer to the <KMJ - Workpaper 4 - JCOS KgPCo Acc Deprec and Amort> spreadsheet included with the Company's filing. Specifically refer to the "Acc. Dep & Amort." tab of this spreadsheet that provides the historical balance for this account. Provide the Company's rationale for excluding retirements RWIP from the Accumulated Depreciation calculation, but not the Plant in Service calculation.

RESPONSE:

- 1-26. Refer to the <KMJ - Workpaper 4 - JCOS KgPCo Acc Deprec and Amort> spreadsheet included with the Company's filing. Specifically refer to the "108 Kingsport 2021" tab of

this spreadsheet that provides the historical balance for this account. Identify and provide the source and support for the data included here from January 2020 through June 2021.

RESPONSE:

- 1-27. Refer to the <Adj DE-27, AD-38> spreadsheet included with the Company's filing. Identify and provide the source and support for the "Per Books" amounts included in Column I of this spreadsheet which appear as unidentified hard-coded numbers.

RESPONSE:

- 1-28. Refer to the <Adj DE-27, AD-38> spreadsheet included with the Company's filing. Specifically refer to Cell H39 of this spreadsheet which shows depreciation expense for Leasehold Improvements of \$14,826. Provide the source and support for this amount which appear as unidentified hard-coded numbers.

RESPONSE:

- 1-29. Refer to the <Adj DE-27, AD-38> spreadsheet included with the Company's filing. Specifically refer to Cell H39 of this spreadsheet which shows depreciation expense for ARO General Plant of \$2,180. Provide the source and support for this amount which appear as unidentified hard-coded numbers.

RESPONSE:

- 1-30. Refer to the <Adj DE-28, AD-39> spreadsheet included with the Company's filing. Specifically refer to Cell K515 of this spreadsheet which shows a hard-coded depreciation rate of 0.00% for Structures & Improvements. Explain the Company's rationale for applying this 0.00% depreciation rate which results in a total depreciation expense of \$0 for this account.

RESPONSE:

- 1-31. Refer to the <Adj DE-28, AD-39> spreadsheet included with the Company's filing. Specifically refer to Cells L711 to L728 of this spreadsheet which shows a hard-coded monthly depreciation expense of \$182 for ARO General Plant. Provide the source and support for these amounts which appear as unidentified hard-coded numbers.

RESPONSE:

- 1-32. Refer to the <Adj DE-28, AD-39> spreadsheet included with the Company's filing. Specifically refer to Cells G747 through G750 of this spreadsheet which shows a hard-coded going level depreciation expense of \$8,316,985. Please provide the source and support for these amounts which appear as unidentified hard-coded numbers.

RESPONSE:

- 1-33. Refer to the <Schedule II Compare Rates KGP 2020> spreadsheet included with the testimony of Company witness Jason A. Cash. Specifically refer to Column F of this spreadsheet which contains the "Study Rate" proposed by the Company for depreciation expense. The rates included here extend to 15 digits and impact the depreciation expense accrual. Provide an updated schedule with depreciation rates extending to only 4 digits in a manner similar to Column D.

RESPONSE:

- 1-34. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cell F155 of the "JCOS Detail 2-a" tab that provides the Accumulated Deferred Income Taxes ("ADIT") allocation to PJM of

\$8,433,730. Provide the source and support for this amount that appears as an unidentified hard-coded number.

RESPONSE:

1-35. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells AX155 to AY155 of the "JCOS Adjustments 2-b" tab that provides the Attrition Period ADIT adjustment totaling \$11,650,345 in these two cells. Provide the source and support for these amounts that appear as unidentified hard-coded numbers.

RESPONSE:

1-36. Refer to Exhibits <JMC01>, <JMC-2>, <JMC-3> and <JMC-4> included with the testimony of Company witness Jessica M. Criss. Provide a copy of these Exhibits in Excel format with all formulas and links intact along with all supporting workpapers in Excel format with formulas and links intact.

RESPONSE:

1-37. Refer to the <Attrition Year ADFIT by M Code> spreadsheet included with the testimony of Company witness Criss. Provide the source and support for the amounts included in this spreadsheet that appear as unidentified hard-coded numbers.

RESPONSE:

1-38. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cell F379 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the PJM Allocation for the Real and Personal Property Tax

Plant component of Other Taxes for \$245,127. Provide the source and support for this amount that appears as an unidentified hard-coded number.

RESPONSE:

- 1-39. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells F400 through F404 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the PJM Allocation for the state and federal income taxes for \$238,734. Provide the source and support for these amount that appears as unidentified hard-coded numbers.

RESPONSE:

- 1-40. Provide the actual deferred rate case costs for the current rate case by month segregated by vendor and employee.

RESPONSE:

- 1-41. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells D176 through D202 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the test period balances by account for revenues totaling \$157,731,642. We are unable to precisely tie the account balances presented here with the <Exhibit 1 (AWA) Income Statement for the 12 months ended June 30, 2021>. Reconcile the individual account balances between these two spreadsheets.

RESPONSE:

- 1-42. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells D210 through D219 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the test period balances by account for

Power Supply Expenses totaling \$117,746,450. We are unable to precisely tie the account balances presented here with the <Exhibit 1 (AWA) Income Statement for the 12 months ended June 30, 2021>. Reconcile the individual account balances between these two spreadsheets.

RESPONSE:

- 1-43. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells D329 through D339 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the test period balances by account for Depreciation Expense totaling \$7,767,852. We are unable to precisely tie the account balances presented here with the <Exhibit 1 (AWA) Income Statement for the 12 months ended June 30, 2021>. Reconcile the individual account balances between these two spreadsheets.

RESPONSE:

- 1-44. Refer to the <Exhibits 1a-4c Kingsport JCOS CCOS (KMJ-MHW)> spreadsheet included with the Company's filing. Specifically refer to Cells D400 through D406 of the "JCOS Detail 2-a" tab of this spreadsheet that provides the test period balances by account for State and Federal Income Tax Expense totaling \$303,163. We are unable to precisely tie the account balances presented here with the <Exhibit 1 (AWA) Income Statement for the 12 months ended June 30, 2021>. Reconcile the individual account balances between these two spreadsheets.

RESPONSE:

1-45. Refer to the <KgPCo Exhibit No. 1 (KIW) Revenue Proof> spreadsheet included with the testimony of Company witness Katharine I. Walsh. Specifically refer to the "Test Year Billing Units" tab of this spreadsheet and provide the following information:

- a. Identify the source of this information;
- b. Provide this same information by month from January 2016 through June 2020; and
- c. Provide a definition of the specific "Bill Component" categories listed in Column C.

RESPONSE:

1-46. Refer to the attachments provided by the Company in response to MFR 13 regarding tariff summaries. Provide a copy of the two attachments included in Excel format.

RESPONSE:

1-47. Refer to the <KgPCo Exhibit No. 1 (KIW) Revenue Proof> spreadsheet included with the testimony of Company witness Walsh. Specifically refer to the "Test Year Billing Units" tab of this spreadsheet. Finally, refer to columns AB to AQ of this spreadsheet that provides the basis of the Company's weather adjustment. Provide the source and support for this data which appears as unidentified hard-coded numbers.

RESPONSE:

1-48. Refer to the <KgPCo Exhibit No. 1 (KIW) Revenue Proof> spreadsheet included with the testimony of Company witness Walsh. Specifically refer to the "Test Year Billing Units" tab of this spreadsheet. Finally, refer to columns BB to BQ of this spreadsheet that provides the basis of the Company's Year End Customer adjustment. Provide the source and support for this data which appears as unidentified hard-coded numbers.

RESPONSE:

- 1-49. Refer to the <KgPCo Exhibit No. 1 (KIW) Revenue Proof> spreadsheet included with the testimony of Company witness Walsh. Specifically refer to the "Book to Bill Adjustment" tab of this spreadsheet and provide the following information:
- a. Provide a copy of the 12 Month Billed & Accrued Tariff Summary supporting the total revenue by rate code in Column S;
 - b. Provide the source and support for the 12 Month Billed & Accrued Franchise fee by rate code in Column AA; and
 - c. Provide the copy of the Pivot Table (with source data) supporting the manual adjustment in Column T.

RESPONSE:

- 1-50. Refer to the <KgPCo Exhibit No. 1 (KIW) Revenue Proof> spreadsheet included with the testimony of Company witness Walsh. Specifically refer to the "Current Rate" column in each of the individual tariff tabs on this spreadsheet and provide the following information:
- a. Provide a copy of the approved filing supporting the rates used for Fuel & Purchased Power Adjustment Rider;
 - b. Provide a copy of the approved filing supporting the rates used for the TRP&MS Rider; and
 - c. Provide a copy of the approved filing supporting the rates used for the Federal Tax Rate Adjustment Rider.

RESPONSE:

- 1-51. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for RS and RS-E Load Management Water Heating kWh in which the Company's tariff provides for a reduced rate for usage above 250 kWh per month. Provide a breakdown of the RS and RS-E Load Management Water Heating monthly kWh usage split between the first 250 kWh of usage per month and usage over 250 kWh per month from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-3 in TRA Docket No. 16-00001.

RESPONSE:

- 1-52. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for SGS customers which the Company's tariff provides different rates for usage above and below 600 kWh per month. Provide a breakdown of the monthly kWh with kWh for SGS customers split between the first 600 kWh used per month and over 600 kWh used per month from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-4 in TRA Docket No. 16-00001.

RESPONSE:

- 1-53. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for MGS customers. The MGS tariff has a provision that provides for different billing rates for energy charges below and above 200 times the kWh of monthly billing demand. Provide a breakdown of the monthly kWh billed for the MGS tariff from December 2015 through June 2021 with kWh split between the first 200 times the kWh of Monthly Billing Demand per month and over 200 times the kWh of monthly Billing Demand per month in the same format as the Company's Response to Consumer Advocate DR No. 2-7 in TRA Docket No. 16-00001.

RESPONSE:

- 1-54. Refer to the current tariff provided in response to MFR 5. Specifically refer to the provision of the MGS tariff for customers with other sources of energy supply. Provide the monthly number of customers and the kWh of Contract Demand for customers with other sources of energy supply from December 2015 through June 2021.

RESPONSE:

- 1-55. Provide a copy of a typical customer bill (identification information redacted but customer number retained for ease in communication with Kingsport) for each tariff code in June 2021. In addition, provide a narrative explanation for the bill calculation for each tariff code.

RESPONSE:

- 1-56. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for IP customers. The IP tariff has a provision for different rates for Off-Peak Excess kWh Demand. Provide the monthly Billed Off-Peak Excess kWh Demand from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-10 in TRA Docket No. 16-00001.

RESPONSE:

- 1-57. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for IP customers. The IP tariff has a provision for reactive demand charges (KVAR). Provide the monthly reactive demand charge determinants (KVAR) from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-11 in TRA Docket No. 16-00001.

RESPONSE:

- 1-58. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for PS customers. This tariff has a special provision (Tariff Code 641) when an entire school building is completely electrically heated. Provide the monthly number of classrooms (for Tariff Code 641) as well as a breakdown of the monthly kWh billed split between the first 500 kWh and over 500 kWh for Tariff Code 641 from

December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-13 in TRA Docket No. 16-00001.

RESPONSE:

1-59. Refer to the tariff summary provided in response to MFR 13. Specifically refer to the information provided for OL customers, which the Company's tariff provides additional charges for underground circuits in excess of 30 feet. Provide a breakdown of the monthly number and amount of underground circuit charges from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-16 in TRA Docket No. 16-00001.

RESPONSE:

1-60. Provide a copy of all Street Lighting contracts currently in effect and/or that have been terminated in the most recent twenty-four-month period.

RESPONSE:

1-61. Provide a copy of all Street Lighting bills from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-17 (Supplemental) in TRA Docket No. 16-00001.

RESPONSE:

1-62. Identify and list the monthly number of Street Lighting customers from December 2015 through June 2021. In addition, provide the current rates charged to each Street Lighting customer from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-18 in TRA Docket No. 16-00001.

RESPONSE:

- 1-63. Provide a copy of all Special Contracts included in Revenue Class Code 510 (or any other Revenue Class Code). In addition, provide copies of all Special Contracts for the provision of any electric service that the Company has entered into with any customer from December 2015 through June 2021 in the same format as the Company's Response to Consumer Advocate DR No. 2-19 in TRA Docket No. 16-00001.

RESPONSE:

- 1-64. Refer to the Company's response to MFR 14 regarding the usage for the Company's 25 largest customers. The Company's response indicates that the earliest date available for this information is October 2018. However, in TRA Docket No. 16-00001 the Company was able to retrieve the prior six years of usage data for the 25 largest customers (See Company Response to Consumer Advocate DR No. 2-45). Either confirm that the Company is unable to retrieve this data prior to October 2018 along with an explanation as to why this is the case or provide this monthly data from December 2015 through September 2018 in the same format as the Company's Response to Consumer Advocate DR No. 2-45 in TRA Docket No. 16-00001.

RESPONSE:

- 1-65. Refer to the Company's response to MFR 14c regarding kWh usage for the 25 largest customers from January 2018 through the end of the test period. Expand this analysis to include the monthly kW billing demand determinants for each of these customers for this same time period.

RESPONSE:

- 1-66. Refer to the Company's response to MFR 14d regarding the monthly bills for the 25 largest customers from January 2018 through the end of the test period. The Company's response

appears to only include a summary of the usage for each of these customers and not the actual bills that were requested. Provide a copy of the monthly bills for each of the 25 largest customers from January 2018 through the end of the test period as originally requested.

RESPONSE:

1-67. Provide a complete copy of the January 2021 Edison Electric Institute (“EEI”) rate study referenced on page 6 of testimony of Company witness William K. Castle.

RESPONSE:

1-68. Concerning the most recent base rate proceedings involving American Electric Power Company (“AEP”) electric utilities, provide the following for each AEP utility:

- a. The capitalization ratio adopted;
- b. The return on equity adopted; and
- c. The date of the order authorizing new base rates.

RESPONSE:

1-69. Confirm that the Long-term debt of Kingsport referenced in testimony of Company witness Franz D. Messner is embedded within the total Long-Term Debt of AEP as reflected in MFR 67.

RESPONSE:

1-70. Refer to the level of AEP debt contained in MFR 67. Provide the following:

- a. Provide a breakdown of this debt into its distinct debt issuances by AEP affiliate/subsidiary. For each debt issuance identify the affiliate to which the debt is assigned, its maturity date and its weighted cost. If any such issuances are unassigned to a particular affiliate/subsidiary, indicate as such.

- b. For any debt that is unassigned to a specific affiliate/subsidiary, provide a comprehensive discussion of why it is not appropriate to assign a portion of this debt to the capital structure of Kingsport for ratemaking purposes.

RESPONSE:

1-71. For any assets in the rate base of Kingsport which are secured or used as collateral within any debt issuance provide the following:

- a. Identify the amount of outstanding debt and its associated weighted cost and the maturity date.
- b. If such debt is not reflected on the books of Kingsport, identify the entity where such debt balances are recorded.
- c. To the extent any Kingsport assets are secured or used as collateral for the debt that is not included in the proposed capital structure of Kingsport, provide a comprehensive discussion justifying the exclusion of such debt in the calculation of the rate of return.

RESPONSE:

1-72. Provide a comprehensive discussion comparing the capabilities between the AMR vs. AMI meters.

RESPONSE:

1-73. Refer to pages 8 and 9 of the testimony of Company witness Aaron D. Walker. Concerning the installation of AMI meters, provide the following:

- a. Identify the actual number of AMI meters installed in each year 2017 – 2020, as well as the estimated number of installed meters in 2021.
- b. Identify the actual AMI capital expenditures in each year 2017 – 2020, as well as the estimated cost of AMI meters installed in 2021. Confirm that all 2021 AMI meter costs are incorporated into the proposed rate base in this case.
- c. Has the Company incorporated the O&M savings associated with the installation of 2021 AMI meters into its as-adjusted O&M costs reflected in the Company proposal? If so, provide a comprehensive discussion of how such savings were identified and incorporated into the revenue requirement. Further, provide the analytical support confirming such savings are reflected in the Company's test year proposal.

RESPONSE:

- 1-74. Refer to <Adjustment OM-10>. Provide the supporting General Ledger (“GL”) detail that confirms Adjustment OM-10. This response should include a reconciliation between trial balance information provided in MFR-7 and the proposed adjustment amount.

RESPONSE:

- 1-75. Refer to testimony of Company witness A. Wayne Allen on page 7, in which he indicates the Company incurred \$3,826,141 of TRP&MS for the test year ended June 30, 2021, and that this balance should represent the new benchmark for determining the TRP&MS surcharge. Concerning this statement, provide the following:

- a. Provide a reconciliation of this amount with the corresponding appropriate trial balance accounts contained in MFR 7.
- b. Does the proposed benchmarked amount include a portion of the annualized wage increases outlined in <adjustment OM-15> and <adjustment OM-16>?
 - i. If not, provide a comprehensive discussion supporting the rationale for not increasing the benchmark for a portion of the Pro-forma labor increases.
 - ii. If so, provide the support for the amount of adjustments in OM-15 and OM-16, which are incorporated into the proposed benchmark amount.

RESPONSE:

- 1-76. Refer to <Adjustment OM-24>. Concerning this adjustment, provide the following information:

- a. Provide the GL support detail for the balance of deferred COVID-19 costs recorded in Account 1823587.
- b. Provide internal accounting guidance relied upon by the Company to make recordings to account 1823587.
- c. Were savings associated with reduced employee travel used to offset O&M deferrals? If not, provide the rationale for not offsetting such deferred costs by the amount of travel savings. If such savings were used to offset deferred

COVID-19 costs, provide the amount and support for such savings to explain how such amounts were determined.

RESPONSE:

- 1-77. Regarding the Company's pension proposals, does Kingsport have a stand-alone pension plan with pension funding that is ringfenced from other AEP pension plans? If not, provide a comprehensive explanation and underlying analytical support documenting how the Company has identified the balance of Kingsport's pension funding.

RESPONSE:

- 1-78. Refer to Revenue requirement <Exhibits 1a-4C_Kingsport JCOS CCOS (KMH-MHW)>, tab "JCOS Adjustment 2-b" and specifically to Cells AP439, AP441, AQ438, and AR440. The values in these cells reflect hard-coded data. Concerning these values provide the following:
- a. Provide the analytical support for recognizing each of the values in these cells.
 - b. Provide a comprehensive explanation identifying the nature of these entries.

RESPONSE:

- 1-79. Provide a copy of the most recent rate filing made at FERC by the AEP affiliate providing wholesale power services to Kingsport.

RESPONSE:

- 1-80. The 2019 AEP 10k contains the following statement on page 337:

The FERC regulates the cost-based wholesale power transactions between APCo and KGPCo. The transmission cost component of purchased power is cost-based and regulated by the Tennessee Regulatory Authority.

Provide the most recent docket number in which the Tennessee Public Utility Commission adopted the cost-based transmission component of the purchased power agreement.

RESPONSE:

- 1-81. Refer to the <Adj OM-13> spreadsheet included with the Company's filing. Identify the portion of storm damage costs incurred for the July 2016 – June 2021 period split between internal labor and outside contractors. Confirm that none of the costs included on this worksheet were capitalized.

RESPONSE:

- 1-82. If storm damage costs included in O&M Adjustment 13 contain internal labor costs, should the use of a five-year average of storm damage costs have any impact on the adjustment to annualize test period payroll? If internal labor costs are incorporated in O&M Adjustment 13, would the modification to test period labor costs in Adjustment 13 have implications for the calculation of test period labor costs included in O&M Adjustment 15? If not, provide a discussion demonstrating why such modification to test period labor costs in Adjustment 15 is inappropriate.

RESPONSE:

- 1-83. Refer to O&M adjustment 15 in the <Adj OM-15, OM-16, OM-17, OM-23, OT-29, OT-30, OT-31> spreadsheet included in the Company's filing. The annualized payroll proposed in this case represents an 8.4% increase from actual test period levels. Provide a comprehensive explanation supporting the reasoning for the percentage increase requested compared with test period levels.

RESPONSE:

- 1-84. Refer to <Adj OM-11> spreadsheet included in the Company's filing and respond to the following:

- a. Identify the AEPSC regulatory department costs: i) in the test period; and ii) the amount of such costs included as expense requested for recovery in this proceeding.
- b. Is the Company proposing to recover regulatory department costs in creating a regulatory asset associated with rate case costs deferred over a five-year period and secondly through normal test period expense recordings of such costs in the normal course of operations? If not, explain how a double-count of such costs is not occurring within the Company's proposal in this proceeding.

RESPONSE:

1-85. Refer to MFRs 10 and 35. For services provided to Kingsport from affiliated companies, provide the information for the twelve months ending June 30, 2021, in the format provided in <MFR 10 Attachment 5>, further split between costs that were i) Direct Charged; ii) Costs that were charged on an indirect basis; and iii) Costs identified as Common and Joint costs.

RESPONSE:

1-86. Refer to MFR 35. On page 66 of the Cost Allocation Manual, the document references Kentucky PSC CAM requirements applied to other AEP electric utilities. Provide such a report for Kingsport for the period ending June 30, 2021.

RESPONSE:

1-87. Refer to <KgPCo Exhibit No. 2> filed in the testimony of Company witness Criss and provide the following:

- a. Provide the support for the assignment of total ADIT to "PJM Transmission Owner" for \$8,433,730, including the reconciliation of book/tax timing differences that comprise this amount.
- b. Provide a comprehensive explanation of how the PJM Transmission Owner amount was determined.
- c. Provide the support for the Transmission-related ADIT balance supplied to FERC in the most recent FERC filing made by Kingsport, which correlates to this balance, with the understanding that the periods involved will differ.

RESPONSE:

1-88. Refer to <KgPCo Exhibit No. 2> and provide the following:

- a. Provide support for the calculation of incremental ADFIT liability of \$36,062 through June 2021, inclusive of the book/tax timing difference comprising the Pro-forma adjustment.
- b. Provide a comprehensive explanation of the rationale for the adjustment of \$440,032 to reduce the jurisdictional ADFIT balance related to protected excess ADFIT balance. Does this reflect the amortization of such balances through December 2022?
- c. Provide support for the \$580,423 increase in the ADFIT liability balances. Confirm the calculation of this incremental amount through December 2022.

RESPONSE:

1-89. Refer to the Stand-Alone DTA adjustment contained in <KgPCo Exhibit No. 2>, and provide the following:

- a. Provide the underlying calculations supporting this adjustment, including the use of the with and without method.
- b. Provide a list of assumptions used to arrive at the estimated ADIT balance on December 31, 2022.
- c. What is the portion of the NOLC-DTA calculated using the with and without methodology applicable to the FERC jurisdiction (PJM Transmission Owner)? Provide the support for this calculation.
- d. Is the sum of the NOLC-DTA using the with and without method applicable to the TPUC jurisdiction and the PJM Transmission Owner equal to the actual NOL-DTA balance on the Company's books at December 31, 2021? If not, provide the rationale for the balance of the NOL proposed to be included in Rate Base in this case.

RESPONSE:

1-90. Refer to the \$31,512,359 balance of total Company ADFIT reflected on <Exhibit JMC-2> and provide the following:

- a. Provide the book/tax timing differences comprising the \$31,612,359 balance of ADFIT.

- b. For any book/tax timing difference greater than \$50,000 (either a positive or negative value), provide a complete definition of the transactions included in the line item.
- c. Explain whether the treatment of individual line items within this reconciliation is consistent with the recognition of revenues, expenses, and rate base within the revenue requirement calculation.

RESPONSE:

1-91. Refer to <CA Attachment 1-91 IRS Revenue Procedure 2020-39> (attached) and specifically to Section 4, subsection .02 Net operating Loss carryforward ("NOLC"), beginning on page 8. Confirm that regulatory Commissions have discretion in determining the portion of NOLC attributable to depreciation differences and that regulatory commissions are not bound by the exclusive use of the "with and without" method. If this is not confirmed and the Company believes the Commission is bound by the use of the with and without method, reconcile your position with the language in this revenue procedure.

RESPONSE:

1-92. Refer to page 5, lines 14 – 20 of Ms. Criss' testimony. Provide documentation received by nationally recognized experts supporting the validity of the Company's position.

RESPONSE:

1-93. Provide all support in the Company's possession supporting the requirement that regulators rely upon the with and without method to determine the required level of NOLC to include in Rate Base.

RESPONSE:

1-94. Refer to page 8, lines 6-14 of testimony of Company witness Criss, and respond to the following:

- a. Please clarify if the excess deferred income tax balance within TPUC Docket No. 18-00038 requires correction to reflect the recognition of Net Operating Loss Deferred Tax Asset ("NOLDTA") balances?
- b. Provide an explanation and all workpapers supporting the statement that the stand-alone NOLC of \$31.4 million as of December 31, 2017, results in \$4.4 million in deficient taxes.
- c. Is the proposed adjustment discussed in this passage of testimony an attempt to remeasure excess ADIT balances approved by the Commission in TPUC Docket No. 18-00038?
- d. Provide the supporting calculations identifying the impact on the test period amortization of excess deferred income taxes resulting from the \$3 million reduction in protected excess deferred income taxes.

RESPONSE:

- 1-95. Provide a copy of all Exhibits sponsored by Company expert Jessica M. Criss in excel format with cell references intact.

RESPONSE:

- 1-96. Refer to <MFR 10 Attachment 1> and provide the following:

- a. Provide information in Attachment 1 for the twelve-month period ending June 30, 2021.
- b. Confirm that costs recorded to Department 12916R AEP Transmission are not included in the present revenue requirement request.
- c. For the test period, provide account distributions as reflected on Kingsport's books for costs from the following level 3 departments:
 - i. 12034R SC Procurement and Fleet operation;
 - iii. 10683R Real Estate and Workplace Services; and
 - iv. 99900 AEP Billings.

RESPONSE:

- 1-97. Refer to <MFR 10 Attachment 1>. Provide a comprehensive description of the services provided by AEP billings for the test period, by cost type along with associated amounts.

RESPONSE:

1-98. Refer to <MFR 10 Attachment 1>. Provide transactional detail for any costs directly charged to Kingsport in the test period from the following departments: i) 10764R Legal GC/Administration, ii) 13770R Chief Info and Tech Officer, and iii) 13498R Chief Customer Officer. This detail should identify the nature of the charge, the source of the charge, the date incurred, and the amount of the charge.

RESPONSE:

1-99. Refer to <MFR 11>. Confirm whether costs within account 4264000 are included in the proposed revenue requirement. If so, provide a copy of the April 2021 invoice for what is labeled "JohnsonPossKirby" Government Relations in the amount of \$36,000 along with a description of the nature of services performed.

RESPONSE:

1-100. Refer to <MFR 29>, and respond to the following requests:

- a. Provide an explanation of the rationale for allocating: i) "Excess Liability" and ii) "Public Liability Deductible Reimbursement" premiums on the basis of Revenues, rather than some other allocation method or combination of methods.
- b. Provide an explanation of the insurance coverage provided by "Public Liability Deductible Reimbursement."

RESPONSE:

1-101. Refer to <MFR 24> and <Adj OM-19> the workpaper supporting O&M Adjustment 19.

The non-capitalized portion of employee benefits identified within MFR 24 approximates 41.3%, while the corresponding O&M percentage identified within <Adj OM-19> is 44.95%. Please respond to the following:

- a. Is the difference between these two percentages represented by the portion of non-capitalized costs charged to accounts other than O&M?

- b. What is the rationale for using differing percentages applied to Pension Expense contrasted with other non-pension employee benefits?

RESPONSE:

1-102. Refer to the workpaper <Adj OM-19>. Confirm that there are no Supplemental Executive Retirement Plan (“SERP”) costs included in the proposed revenue requirement.

RESPONSE:

1-103. Refer <Exhibit No. 4 (AWA) KgPCo Reduction in Pension Cost from Cumulative Cash Contributions> included with the testimony of Company witness Allen, and respond to the following:

- a. For the period 2016 – 2020 provide; i) the minimum funding required by the Pension Benefit and Guaranty Corporation (“PBGC”); and ii) the minimum PBGC funding required to avoid insurance requirements.
- b. Confirm that the column referenced as “Less Qualified ASC 715-30 Cost” reflects expenses computed per Generally Accepted Accounting Principles (“GAAP”). If this is not confirmed, provide a description of how these costs were determined.

RESPONSE:

1-104. Refer to <MFR 32>. Confirm that while the response refers to pension expense credits the response also refers to Other Post Employment Benefits (“OPEB”) credits.

RESPONSE:

1-105. Refer to <MFR 37>, pdf page 6 of 8. There is a reference to a positive \$.3M variance associated with Other Operating Expenses – Lobbying for the twelve-month period ending December 2021 compared with the corresponding period for 2020. Provide the following:

- a. Provide the monthly costs associated with lobbying in 2021 along with confirmation that such costs were recorded to account 426.
- b. Identify any such costs included in the proposed revenue requirement submitted in this docket.

RESPONSE:

1-106. Provide a list of all internal audit reports for 2017 through 2020, and 2021 to date for Kingsport and for affiliates and/or operations which charge costs to Kingsport.

RESPONSE:

1-107. Provide a copy of all jurisdictional operating budget variance reports for 2017, 2018, 2019, 2020, and 2021 to date.

RESPONSE:

1-108. Explain fully whether the employee positions used in the Company's labor calculations are authorized/budgeted or actually filled positions. In addition to and without limiting the foregoing, respond to the following specific requests:

- a. Identify, quantify, and explain fully the labor cost requested by the Company for positions which were not filled at the end of the test year.
- b. Identify, quantify, and explain fully the labor cost requests sought by the Company for positions which are not currently filled.

RESPONSE:

1-109. Provide a detailed list of responsibilities and duties that eligible incentive compensation employees must have or perform in addition to those necessary to meet the standards for base salary compensation in order to receive incentive compensation.

RESPONSE:

1-110. Provide a description of the Company's merit and cost of living wage rate increase policies.

RESPONSE:

1-111. Identify and provide a complete copy of all compensation studies that the Company has used to develop or evaluate compensation in the test year, attrition period or rate year.

RESPONSE:

1-112. Refer to <MFR 25> as filed with the Company's Petition:

- a. Did the Company anticipate reducing the number of employees, including any voluntary severance, early retirement, or other force reduction programs, during the test period? If yes, state the timing and number of affected employees. Also, state the projected costs and savings of any such plan.
- b. Does the Company anticipate reducing the number of employees during the next three years (2022-2024)? If yes, state the timing and number of affected employees. Also state the projected costs and savings of any such plan.

RESPONSE:

1-113. Explain fully and provide the derivation of the expense/capitalization ratio used by the Company for years 2018, 2019, 2020, and 2021.

RESPONSE:

1-114. Provide the following for each Company employee position during the 2021 test year, and separately, during 2020 that experienced a change of incumbent:

- a. Position title;
- b. Employee replaced;
- c. Annual salary of replaced employee;
- d. Replacement employee;
- e. Annual salary of replacement employee; and
- f. Date of replacement.

RESPONSE:

1-115. Please provide a listing of the total compensation of each officer of AEP, Service Company, Appalachian Power Company, Kingsport, and each affiliate that charges or allocates compensation cost to Kingsport. Provide this information for each year; 2019, 2020, and 2021. For each item of officer compensation, for each year, show the total

amount, the amount charged or allocated to Kingsport, and indicate the separate amount charged to O&M expense and capitalized, and breakdown the total compensation by type including, but not limited to, salary, deferred compensation, stock options, vehicle allowances, personal use of corporate aircraft, and any other type of compensation.

RESPONSE:

1-116. Provide a detailed description of each Company and Service Company employee benefit program or plan and identify the cost for each employee benefit program in the test year, and, if different, in the Company's requested cost-of-service, by account.

RESPONSE:

1-117. Provide the level of current Company and AEP consolidated accumulated pension plan funding requirements and explain fully how such amounts are treated by the Company for ratemaking purposes (including specifically in Tennessee), and why.

RESPONSE:

1-118. Refer to <MFR 30 - Confidential version>. Update this response to include copies of AEP's consolidated and the Company's 2018 and 2019 pension plan and post-retirement benefits actuarial studies for each defined benefit pension plan and Other Post Employment Benefit ("OPEB") plan.

RESPONSE:

1-119. Provide a detailed analysis (including without limitation a description, dates, and amounts) of any gains or losses on utility property sold by the Company from 2017 to date. Also, explain fully how such amounts have been treated for ratemaking purposes.

RESPONSE:

1-120. Provide a detailed list of all penalties and fines paid to any governmental or nongovernmental entity by the Company that are included in cost-of-service by separate type and/or payee.

RESPONSE:

1-121. Provide the level of country club dues incurred by the Company in the test year and indicate how they have been treated for cost-of-service purposes.

RESPONSE:

1-122. Provide the level of dues included by the Company in cost-of-service by separate payee, along with a description and the purpose for membership for each payee.

RESPONSE:

1-123. Provide the level of payments made by the Company to industry organizations other than membership dues included in cost-of-service along with a description of each payee organization or project.

RESPONSE:

1-124. Provide the level of lobbying included by the Company in cost-of-service by separate payee, along with a description of each payee.

RESPONSE:

1-125. Identify the amount paid or accrued by the Company for EEI dues expense and other EEI expenses and expenses for EEI sub-groups, by account, for the test year, and provide a complete copy of the related invoices and show in detail how the EEI charges are allocated to Kingsport. Also, provide the same information for 2020

RESPONSE:

1-126. Provide a copy of the most recent NARUC audit report of the EEI and provide a detailed listing of all payments made by the Company to EEI during the test year. Also, provide any separate payments for EEI media communications.

RESPONSE:

1-127. Has the Company included any costs associated with cancelled construction projects or obsolete inventory in requested rates? If so, separately identify the costs by account, and provide the supporting documentation, and explain fully the reason for the cancellation or obsolescence.

RESPONSE:

1-128. Provide a copy of the Company's policy on personal use of company automobiles and provide the related costs of any such personal use included in requested cost-of-service.

RESPONSE:

1-129. Provide a copy of the AEP policy on personal use of corporate aircraft and provide the related costs of any such personal use included in requested cost-of-service. If any cost of personal use is included in Kingsport cost-of-service, provide details with specificity of such costs. In addition, state in detail with specificity whether any amount of the cost of corporate aircraft is directly or indirectly allocated to Kingsport customers. For any such allocated amount, state the amount and provide details with specificity of the amount of such allocation and the basis for such allocation, including without limitation the rationale for such allocation and specific means, methods, and calculations resulting in such allocation.

RESPONSE:

1-130. Provide the level of fees, benefits, and other amounts paid to each separate member of the Kingsport, Service Company, and AEP Board of Directors included in cost-of-service. For the AEP and Service Company board expenses, show in detail how such costs are allocated and charged to Kingsport.

RESPONSE:

1-131. Provide the level of Company rate case expense incurred to date for the current rate case and the last rate case broken down by payee and type of activity.

RESPONSE:

1-132. Provide the following annual jurisdictional data related to uncollectible accounts for 2017, 2018, 2019, 2020, and 2021 to date:

- a. Bad debt expense;
- b. Bad debt write-offs;
- c. Collections of written-off accounts;
- d. Allowance for doubtful accounts; and
- e. Billed revenues.

RESPONSE:

1-133. Identify each building that is being leased by Kingsport, provide a list of the related leases, and provide a copy of the lease rate portion, including escalation clauses of each lease.

RESPONSE:

1-134. Provide, in list form, the details of all judgments and/or settlements resulting from law suits which involved the Company as a defendant, and which resulted in the Company, during the test year, paying or agreeing to pay or being ordered to pay an amount in excess of \$10,000, including but not limited to, the case name, court or other tribunal, case or docket number, the date filed, the date of settlement or the date of judgment and the amount the

Company was ordered or agreed to pay. Provide this information even if appeals are pending and note every instance of an appeal.

RESPONSE:

1-135. Provide a summary schedule which presents the total costs included by the Company in cost-of-service related to charges from the affiliated Service Company by FERC account.

RESPONSE:

1-136. Provide the monthly invoice/bill to the Company for activities performed by the Service Company and costs charged to Kingsport by the Service Company in 2018, 2019, 2020, and 2021 to date.

RESPONSE:

1-137. Identify the amounts included by the Company in cost-of-service during the test year, by account, from the Service Company for the following items:

- a. Membership dues in service, social and professional organization (identify);
- b. Lobbying expenses;
- c. Charitable contributions;
- d. Investor relations expenses;
- e. Public relations expense, including an explanation of the nature and purpose of the activities;
- f. Advertising expenses broken down by categories including project, marketing, corporate, institutional, informational, etc., and
- g. Corporate aircraft.

RESPONSE:

1-138. Regarding Injuries and Damages, state the amount expense paid or accrued by the Company for 2017, 2018, 2019, 2020, and 2021 to date, by account.

RESPONSE:

1-139. Itemize each component of insurance expense included by the Company in the test year, and provide the same information for calendar year 2017, 2018, 2019, 2020, and 2021 to date. Indicate the accounts and amounts in which each item of insurance is recorded.

RESPONSE:

1-140. Itemize the amount of non-rate case legal expense paid or accrued by the Company for the test year. For each distinct item over \$20,000, show payee, amount, account, and indicate what services were performed and what the subject matter of the services was.

RESPONSE:

1-141. For each expense account of the Company for the test year, list each non-recurring charge or credit which exceeded \$25,000:

- a. For each such charge or credit, state the amount, the basis and provide copies of all journal entries and supporting documentation.
- b. Reconcile the dollar amounts included above to any adjustments proposed by the Company.

RESPONSE:

1-142. Identify the amount of incentive compensation that was expensed by the Company during the test period, including separately, the amounts billed through the Service Company.

RESPONSE:

1-143. Regarding Stock Based Compensation, please provide the following:

- a. List, by amount and account, all stock based compensation expense directly or indirectly charged to Kingsport during the test year, including but not limited to executive stock options, performance share awards, accruals made pursuant to ASC 718 and any other stock based compensation awards that resulted in cost being charged to Kingsport during the test year.
- b. Break out the stock-based compensation included in test year cost-of-service by: i) stock-based compensation direct charged to Kingsport; and ii)

stock-based compensation that was allocated to Kingsport from the Service Company.

RESPONSE:

1-144. Regarding the SERP, please provide the following:

- a. Provide the level of SERP expense, by account, included in the Company's cost-of-service for the test year ended June 30, 2021.
- b. Provide the comparable SERP expense for each year 2016, 2017, 2018, 2019, and 2020.
- c. Provide the most recent actuarial reports for SERP.
- d. Provide all actuarial studies, reports and estimates used for SERP for the test year ended June 30, 2021.

RESPONSE:

1-145. Provide a schedule showing the allocation factors used by the Service Company to allocate common and joint costs among the affiliates, including without limitation Kingsport, for the years 2018, 2019, 2020, and 2021.

RESPONSE:

1-146. Concerning 2020 and 2021 Service Company charges that were expensed by the Company, provide a schedule showing a breakout of those expenses that were directly charged to Kingsport and those expenses that were allocated to Kingsport. For the Service Company expenses that were allocated to Kingsport, provide a matrix that identifies which allocation factor/methodology was used to allocate each category of shared service. Also, indicate in your response which expenses were removed in the Company's filing for ratemaking purposes.

RESPONSE:

1-147. Refer to testimony of Company witness Allen. Specifically, refer to <Adj OM-11>, tab

“Historic 2016 Information.” Provide the answers to the following:

- a. Provide a comprehensive explanation of the specific costs included in Company Expense and Travel estimate in the amount of \$598,000. This response should include a breakout of the cost estimate by cost type.
- b. If internal labor costs are included within the \$598,000 estimate, provide a comprehensive explanation justifying inclusion of such internal labor costs as a deferred asset.
- c. For each witness sponsoring testimony in this proceeding, identify the portion of labor and benefit costs included for recovery in this case, excluding any amounts of such labor costs included in the \$598,000 estimate.

RESPONSE:

1-148. Refer to testimony of Company witness Allen. Specifically, refer to <Adj OM-13>.

Provide source and support for the hard-coded values presented within this excel file.

Specifically, provide general ledger detail for the major storm costs shown within this file.

RESPONSE:

1-149. Refer to testimony of Company witness Allen. Specifically, refer to the <Adj OM-15,OM-

16,OM-17,OM-23,OT-29,OT-30, OT 31> spreadsheet. Provide the following:

- a. Refer to tab “WP for OM 15-16 PG 2 of 3.” Provide the source and support for the hard-coded values shown on this tab.
- b. Refer to tab “WP for OM 15-16 PG 2 of 3.” Provide the number of employees per FERC account.
- c. Refer to tab “WP for OM 15-16 WP 3 of 3.” Provide the source and support for the hard-coded values shown on this tab.
- d. Refer to tab “WP for OM 15-16 WP 3 of 3.” Provide a narrative description of the values found in the column labeled ‘SAL_ADMIN_PLAN.’
- e. Refer to tab “WP for OM 23 PG 2 of 2.” Provide the source and support for the hard-coded values shown on this tab.
- f. Refer to tab “OT-29.” Provide the source and support for the hard-coded values shown on this tab.

- g. Refer to tab "OT-31." Provide the source and support for the hard-coded values shown on this tab. (specifically lines 1,2,3, and 8)

RESPONSE:

1-150. Refer to testimony of Company witness Allen. Specifically, refer to <Exhibit No. 1 (AWA) KgPCo Income Statement for 12 Months Ended 6-30-21>. Provide the Company's reasoning for including \$92,288.01 in federal income tax expense associated with account 42650009 (Factored Cust A/R Exp – Affil) and account 4265010 (Fact Cust A/R-Bad Debts-Affil).

RESPONSE:

1-151. Refer to <Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW)> included with the testimony of Company witness Karen M. Johnston. Specifically, refer to tab "1-b JRsSmry" line 15 'Other O&M' in the amount of \$439,467. Respond to the following questions regarding these expenses:

- a. Confirm that 'Other O&M' is comprised solely of accounts 42650009 (Factored Cust A/R Exp – Affil) and account 4265010 (Fact Cust A/R-Bad Debt-Affil).
- b. Provide the regulatory rationale for recovering factoring expense in the revenue requirement. Include in this response the justification for recovery of such costs when the Company has not performed a lead lag study to reflect the benefits of factoring expense on the company's cash flow impact on rate base.
- c. Provide an estimate of the revenue lag of the Company inclusive of the impact of factoring.
- d. Identify the entity involved in the factoring transaction and provide all documentation supporting the \$439,467 in costs.
- e. Provide the date(s) when the Company began recording these expenses.
- f. Provide internal Company approval of use regarding this accounting methodology.
- g. Confirm that the factoring expense is not deductible for tax purposes and if so, explain why such costs are not deductible for tax purposes.

- h. If factoring expense is not deductible, provide the justification for the recovery of taxes from ratepayers for this non-deductible cost as well as providing the underlying calculation supporting the \$92,288 increase in income tax expense.

RESPONSE:

1-152. Refer to <Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW)> included with the testimony of Company witness Johnston. Specifically, refer to tab “1-b JRsSmry” line 20 ‘Other Income / Expense (incl. AFUDC) in the amount of \$229,855. Respond to the following questions regarding these expenses:

- a. Confirm that this amount includes \$1,582 in accretion expense.
- b. Provide the regulatory rationale for recovering accretion expense in the revenue requirement.
- c. Provide documentation regarding the long-term liability / asset retirement obligation this expense is related to; including, but not limited to, any change in the in the value of the obligation.
- d. Identify the entity involved in the long-term liability / asset retirement obligation.
- e. Confirm that the accretion expense is not deductible for tax purposes and if so, explain why such costs are not deductible for tax purposes.

RESPONSE:

1-153. Refer to <Exhibits 1a-4c_Kingsport JCOS CCOS (KMJ-MHW)> and <MFR 41> included with the testimony of Company witness Johnston. Specifically, refer to tab “1-b JRsSmry” line 19 ‘Charitable Contributions’ in the amount of \$28,703. Provide the Company’s rationale for recovery of these contributions in the revenue requirement.

RESPONSE:

1-154. Provide the General Ledger detail for Account 9302- Mis General Expenses for the 12 months ending June 2021 supporting the \$72,374,71. The response should incorporate the following subaccounts:

Subaccount Number	Subaccount Description
9302000	Misc. General Expense
9302003	Corporate & Fiscal Expenses
9302004	Research, Develop & Demonstr. Exp.
9302006	Assoc. Bus. Deb – Materials Sold
9302007	Assoc. Bus. Development Exp.

RESPONSE:

1-155. Provide General Ledger detail for Account 9310002 Rents – Personal Property for the 12 months ending June 2021 supporting the \$24,763.20.

RESPONSE:

1-156. Refer to Account 903-Customers Records & Collection Expense and <MHW – Workpaper 1 CCOS KgPCo Acct 903 Call Center Cost> spreadsheet. Provide the following:

- A split of call center costs between overtime and normal pay.
- A narrative description of what charges the classification ‘Billing -Other’ covers.

RESPONSE:

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

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

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This the 4th day of January, 2022.


VANCE L. BROEMEL
Senior Assistant Attorney General

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.

(Also: § 1.168(i)-3)

Rev. Proc. 2020-39

SECTION 1. PURPOSE

This revenue procedure provides guidance under § 168 of the Internal Revenue Code (Code) to clarify the normalization requirements following the corporate tax rate reduction provided in section 13001 of Public Law No. 115-97, 131 Stat. 2054 (2017), commonly referred to as the Tax Cuts and Jobs Act (TCJA). On May 28, 2019, the Internal Revenue Service published Notice 2019-33, 2019-22 I.R.B. 1255, requesting comments on issues arising in this area. This revenue procedure provides guidance on these issues.

SECTION 2. BACKGROUND

.01 In general, normalization is a system of accounting used by regulated public utilities to reconcile the tax treatment of accelerated depreciation of public utility assets with their regulatory treatment. The use of normalization is required for a utility to take advantage of the accelerated cost recovery system under § 168 of the Code for public utility property. Under normalization, a utility receives the tax benefit of accelerated

depreciation in the early years of an asset's regulatory useful life and passes that benefit through to ratepayers ratably over the regulatory useful life of the asset in the form of reduced rates.

.02 In order to use a normalization method of accounting, § 168(i)(9)(A)(i) requires a taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account (regulated tax expense), to use a method of depreciation for property that is the same as, and a depreciation period for such property that is no shorter than, the method and period used to compute its depreciation expense for establishing its cost of service for ratemaking purposes. If the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 of the Code using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), then, under § 168(i)(9)(A)(ii), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference. This reserve is referred to as the Accumulated Deferred Income Taxes (ADIT) reserve.

.03 Taxpayers calculate the amount of the adjustments to the ADIT reserve by reference to the corporate tax rate applicable in each year that the depreciation deduction allowable as a deduction under § 168 exceeds the amount calculated under § 168(i)(9)(A)(i) for the taxpayer's regulated tax expense.

.04 Section 1.167(l)-1(h)(2)(i) of the Income Tax Regulations provides that the taxpayer must credit this amount of deferred taxes to a reserve for deferred taxes, a depreciation reserve, or other reserve account. This regulation further provides that,

with respect to any account, the aggregate amount allocable to deferred tax and included in such reserve under § 167(l) "shall not be reduced except to reflect the amount for any taxable year by which Federal income taxes are greater by reason of the prior use of different methods of depreciation" under § 1.167(l)-1(h)(1)(i). That section notes that, additionally, the aggregate amount allocable to deferred taxes may be properly adjusted to reflect asset retirements or the expiration of the period for depreciation used for determining the allowance for depreciation under § 167(a). Consequently, the ADIT increases in each year the accelerated depreciation under § 168 exceeds the tax depreciation amount used for calculating the taxpayer's regulated tax expense and the ADIT decreases in each year the accelerated depreciation under § 168 is less than the tax depreciation amount used for calculating the taxpayer's regulated tax expense. These increases and decreases are measured by the differences in the two depreciation methods multiplied by the tax rate in effect for the year of the adjustment to the ADIT.

.05 The TCJA, enacted on December 22, 2017, generally reduced the corporate tax rate under § 11 of the Code from 35 percent to 21 percent for taxable years beginning after December 31, 2017. Section 13001(a) of the TCJA. Because of the reduction in rates, for property subject to depreciation in a taxable year beginning on or before December 31, 2017, and not yet fully depreciated in the first taxable year beginning after December 31, 2017, a portion of the ADIT reserve will reflect this reduction. For purposes of this revenue procedure, the portion of the ADIT reserve that reflects the difference in tax rates due to accelerated depreciation is referred to as the Excess Tax Reserve (ETR). The ETR represents the amount by which the ADIT reserve exceeds

the amount it would have contained had the reduction in rates been in effect for every year the property was subject to depreciation. That is, the ETR is the amount of accelerated depreciation-related taxes that have been collected from ratepayers but have not yet been paid by the utility and become excess due to the reduction in rates.

.06 Section 13001(d) of the TCJA includes accompanying but uncoded normalization requirements related to the reduction of the corporate tax rate. Section 13001(d)(1) provides that "[a] normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of [§§ 167 or 168] if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method" (ARAM).

.07 Section 13001(d)(2) of the TCJA provides an alternative method for certain taxpayers. If, as of the first day of the taxable year that includes the date of enactment of the TCJA, the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and the taxpayer's books and underlying records did not contain the vintage account data necessary to apply ARAM, the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.

.08 Section 13001(d)(3)(C) of the TCJA defines the "alternative method" (AM) as the method in which the taxpayer computes the ETR on all public utility property included in

the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and reduces the ETR ratably over the remaining regulatory life of the property.

SECTION 3. SCOPE

.01 In general. This revenue procedure applies to public utilities subject to normalization that have ETR resulting from the corporate tax rate reduction provided in section 13001 of the TCJA.

.02 Issues beyond the scope of this revenue procedure. This revenue procedure addresses only the effects of tax rate changes on timing differences related to accelerated depreciation. Any issues unrelated to the effects of tax rate changes on accelerated depreciation are beyond the scope of this revenue procedure. For example, the effects of tax rate changes on timing differences associated with unprotected plant or non-plant related items, are not addressed in this revenue procedure. The appropriate amortization or other ratemaking treatment of timing differences unrelated to accelerated depreciation, such as unprotected plant or non-plant related items, are to be determined by the regulator in a rate proceeding, consistent with the regulatory authority over the ratemaking treatment of all other elements of jurisdictional cost of service.

SECTION 4. APPLICATION

.01 Requirement to use ARAM or the AM.

(1) In General. Generally, under section 13001(d)(1) of the TCJA, taxpayers must use ARAM to calculate the reversal of their ETR if the taxpayer's regulatory books (the financial and tax information used by their regulator in setting rates which may include

but is not limited to materials submitted to public service commissions as well as any supporting materials) are based upon the vintage account data necessary to use ARAM. However, if the taxpayer's regulatory books are not based upon the vintage account data that is necessary for the ARAM, use of the ARAM is not required.

(2) Curing Vintage Account Data Deficiencies. A taxpayer whose regulatory books do not contain sufficient vintage account data to apply the ARAM is not required to use the ARAM. Determination of whether a taxpayer's regulatory books contain sufficient vintage account data necessary to use the ARAM is determined based on all the facts and circumstances. A taxpayer is not required to cure deficiencies in its regulatory books by the creation, re-creation, or restoration of books or records, including through the use of estimates, statistical sampling, or the accessing of data through the use of computer systems not currently in use for its financial processes. Deficiencies in data need not be cured, but taxpayers that have taken such actions to cure all deficiencies by the effective date of this revenue procedure are permitted to use ARAM. Lastly, a regulated utility that is currently using ARAM to reverse prior ETR is presumed to have sufficient vintage account data to use ARAM.

(3) Taxpayers Use of AM for Prior Periods. Taxpayers that do not meet the requirements to use the AM provided in the TCJA and described in this revenue procedure may not continue to use the AM simply because they have done so in the past.

(4) Composite Method. Under a composite method, the uniform system of accounts does not generally require a company to maintain vintage accounts for depreciation purposes; therefore, companies regulated by Federal Energy Regulatory

Commission (FERC) utilizing this method generally do not have the data necessary to utilize ARAM. Taxpayers may utilize AM whenever a composite method approved by FERC or another applicable regulatory agency is applied for depreciation purposes, and a taxpayer may rely on its cost of service rate filing to FERC as sufficient documentation that a composite method of depreciation has been used.

(5) Jurisdiction of Multiple Regulatory Bodies. In the interest of economy and efficiency, taxpayers under the jurisdiction of multiple regulatory bodies may use a single method, ARAM or the AM, provided that the regulatory bodies agree. For example, a utility that is under the regulatory jurisdiction of FERC, which uses a composite method of calculating depreciation, and a state regulatory body that does not use a composite method (and therefore would generally use the AM for FERC purposes but has the data necessary to use ARAM for state purposes) may, if approved by the state regulator, use the AM for state purposes as well.

(6) Transition Rules. Many utilities have already been required to adjust rates due to the TCJA. Utilities may correct any method of reversing ETR that is not in accord with this revenue procedure at the next available opportunity. The methods adopted prior to the publication of this revenue procedure that are not in accord with this revenue procedure are not considered to be a violation of the normalization rules if so corrected. This corrective action will require the utility to consult with its regulator and obtain its regulator's consent. Utilities are not in conflict with section 13001(d) of the TCJA if the utilities follow such a path to correct potential normalization violations prospectively. These rules extend to companies that may not have started the amortization of ETRs or may be re-deferring the amortization as they evaluate their records.

.02 Net operating loss carryforward (NOLC). Compliance with normalization requires a determination of the source of an NOLC so that rate base is not overstated in jurisdictions in which net deferred tax liabilities reduce rate base. While § 1.167(l)-1(h)(1)(iii) is the relevant general authority, there is not one single methodology provided for determination of the portion of an NOLC that is attributable to depreciation. Section 1.167(l)-1(h)(1)(iii) instead informs taxpayers that the amount and time of the deferral of tax attributable to depreciation when there is an NOLC should be taken into account in such "appropriate time and manner as is satisfactory to the district director." Regulating commissions have expertise in this area, and any reasonable method for determining the portion of the NOLC attributable to depreciation should generally be respected provided such method does not clearly violate normalization requirements.

.03 Application of 2008 regulations (§ 1.168(i)-3). The rules in § 1.168(i)-3 of the Income Tax Regulations, adopted by T.D. 9387 (73 F.R. 14934, 14937) on March 20, 2008, apply only to section 203(e) of the Tax Reform Act of 1986. Generally, the IRS will apply § 1.168(i)-3 of the regulations as if that limitation date language is not present. Thus, the sharing of ETRs with customers continues to be permitted in most circumstances after a retirement or disposition and upon the sale of public utility property to another regulated utility as set forth in § 1.168(i)-3.

SECTION 5. EFFECT OF THIS REVENUE PROCEDURE ON EXISTING NORMALIZATION RULES

The TCJA ETR normalization requirements are part of the overall pre-existing deferred tax normalization rules, and this revenue procedure is intended to be consistent with those rules. This revenue procedure does not create an exception to

how the overall pre-existing deferred tax normalization rules would apply, except as noted.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective **[insert the date this revenue procedure is announced by news release.]**

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Martha M. Garcia of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure contact Martha M. Garcia on 202-317-6853 (not a toll free call).