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May 9, 2024

KPOW-15921

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

Herbert H. Hilliard, Chairman
c/o Ectory Lawless, Dockets & Records Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Electronically Filed in TPUC Docket
Room on May 9, 2024 at 2:20 p.m.

Re: IN RE: PETITION OF KINGSFORT POWER
COMPANY d/b/a AEP APPALACHIAN POWER
FOR JANUARY, 2023 – DECEMBER 2023 ANNUAL
RECOVERY UNDER THE TARGETED RELIABILITY
PLAN AND MAJOR STORM RIDER (“TRP&MS”),
ALTERNATIVE RATE MECHANISMS APPROVED IN
DOCKET NO. 17-00032
DOCKET NO.: 24-00010

Dear Chairman Hilliard:

On behalf of Kingsport Power Company d/b/a AEP Appalachian Power, we transmit herewith the following:

Kingsport Power Company d/b/a AEP Appalachian Power’s Responses to Consumer Advocate’s Third Discovery Requests.

The original and four (4) copies are being sent via Federal Express. Access to Kingsport’s Responses and exhibits also is being provided to the Consumer Advocate and Staff on the iManage System, in both PDF and Excel format. The Company’s response to CA 3-3 refers to CA 3-3 Confidential Attachment 1, which shall be provided and filed upon the entry of an appropriate Protective Order.

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP

Joseph B. Harvey

Enclosure

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TENNESSEE PUBLIC UTILITY COMMISSION
PETITION OF
Kingsport Power Company
DOCKET NO. 24-00010
Data Requests and Requests for the Production
of Documents by the THE CONSUMER PROTECTION AND ADVOCATE DIVISION OF
THE ATTORNEY GENERAL'S OFFICE
CA Set 3
To Kingsport Power Company

Data Request 3-1:

ADIT Adjustments. Refer to the "Exhibit 1" tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-7 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to "Column I" of this spreadsheet regarding the "Accum Def Income Taxes" calculation with a balance of \$962,116 at December 31, 2023. In addition, refer to the spreadsheet attachments included with the Company's response to Consumer Advocate DR No. 2-6 (and referenced in responses to Consumer Advocate DR Nos. 2-6 through 2-17) that appears to have revised the ADIT balances as follows:

Month	KPC Original ADIT	Revised KPC Amounts	Difference
January 2023	47,890	47,890	0
February	49,426	49,426	0
March	53,613	53,613	0
April	59,864	59,864	0
May	70,426	70,426	0
June	86,716	86,716	0
July	112,425	112,425	0
August	135,914	135,914	0
September	147,542	166,245	18,704
October	177,671	193,717	16,046
November	186,588	883,647	697,059
December	962,116	679,422	-282,694
Average	174,182	211,609	37,426

Provide an update to KgPCo Exhibit No. 1 (JDS) reflecting these adjustments in the monthly ADIT balances

Response 3-1:

Please see CA 3-1 Attachment 1.

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Data Request 3-2:

Undocumented Adjustment. Refer to the Company's response to Consumer Advocate DR No. 2-4 regarding unreferenced hard-coded adjustments to the Pre-Tax Return of Capital calculation. The Company's reply appears to be non-responsive since no support for the individual amounts cited was provided. The Consumer Advocate needs the support for these adjustments to confirm that they were properly calculated. Provide the calculations along with the source and support for the specific adjustments cited in response to Consumer Advocate DR No. 2-4. If the Company is either unwilling or unable to provide these supporting calculations, then state so.

Response 3-2:

As stated in the previous response to CA 2-4, the adjustment amounts are calculated on the Carrying Charges of the TRP&MS monthly Journal Entry Worksheets in Column L. The general reason for the adjustments is restated ADIT balances for one or more months prior. The December 2023 adjustment of \$24,296.08 is calculated in Column L lines 65 to 80 and is based upon the calculated ADIT at that time. The ADIT monthly calculations were provided in response to CA 2-6 through 2-17. The response to CA 2-4 provides the journal entry of \$-7,904 (cell O19) footnote (Cell b32), and the +\$7,685.48 is related to an adjustment recorded in Q1 2023 to include Jan. 2022 through Dec. 2022 Repairs Deduction revisions. In addition, there is the **footnote (Cell B33) for (cell O22) in which KGPCo submitted rebuttal testimony in the prior TRP&MS docket agreeing to reduce its revenue requirement by \$134,538 related to the Street Lighting surcharge.

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Data Request 3-3:

TRP&MS Budget. Refer to the Company's response to Consumer Advocate DR No. 2-18(c) regarding the source and support for VMP Budget Cost of \$16,000 per mile for 2025, 2026 and 2027. The Company's reply appears to be non-responsive since no support for the \$16,000 per mile cost was provided. Provide the source and support for the estimated cost of \$16,000 per mile. If the Company is either unwilling or unable to provide support for how the \$16,000/mile figure was calculated, then state so.

Response 3-3:

Please refer to CA 3-3 Confidential Attachment 1 for the requested information, which shall be provided upon the entry of an appropriate Protective Order.

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Data Request 3-4:

TRP&MS Budget. Refer to the Company's response to Consumer Advocate DR No. 2-18(e) regarding the source and support for VMP Budget Cost of \$100,000 for "Estimated oversight, Inspections and hot spotting costs". The Company's reply appears to be non-responsive since no support for the \$100,000 cost was provided. Provide the source and support for the estimated cost of \$100,000. If the Company is either unwilling or unable to provide support for how the \$100,000 figure was calculated, then state so.

Response 3-4:

The Company collects only actual costs of its TRP program. Estimates for prospective work will vary from actual realized expenses for myriad reasons. Estimates are developed with the benefit of the Company's judgement and experience. The Company's estimate for Oversight, inspections, and hot spotting costs was developed with the following considerations:

1. One full-time employee is required for the work.
2. In addition, one contracted third-party inspector is employed to provide oversight of the contracted vegetation management crews and to assist with inspections of completed work to ensure compliance with contractual standards. The annual cost of this contracted inspector is approximately \$110,000; however, this cost is spread across various accounts based on actual work performed.
3. Approximately \$20,000 is anticipated to be required to address vine control and other off-cycle O&M related reactive work that may arise. The current 2024 plan for vine control on circuits not scheduled for full-circuit maintenance is anticipated to cost \$5,000-\$10,000 with similar anticipated costs in future years. In addition, the presence of "cycle buster" trees that cannot wait until the next scheduled trimming of a circuit exists as well. While the hope is to minimize off-cycle trimming costs, the need to allocate a small portion of the budget (\$10,000-\$15,000) is appropriate given the continued customer and internal requests.

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Data Request 3-5:

Repair Allowance. Refer to the "Repairs Mod Non-Linear" tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-14 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to Cell R6 of this spreadsheet which contains the Non-Linear repairs of \$873,378. Provide the source and support for this amount which appears as an unreferenced hard-coded number.

Response 3-5:

The amount comes directly from KgPCo's tax repairs calculation system. The tab is the support file from the system.

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Data Request 3-6:

Repair Allowance. Refer to the "Repairs Mod Linear" tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-14 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to Cell X6 of this spreadsheet which contains the Linear repairs of \$2,744,630. Provide the source and support for this amount which appears as an unreferenced hard-coded number.

Response 3-6:

The amount comes directly from KgPCo's tax repairs calculation system. The tab is the support file from the system.

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Data Request 3-7:

Repair Allowance. Refer to the “2023 CY Analysis” tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-14 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to Cell K8 of this spreadsheet which calculates the Repair Allowance estimate of 19%. Explain why the Company only considers the “Linear” and “Non-Linear” plant additions in this calculation instead of total plant additions.

Response 3-7:

Not all plant additions are eligible for tax repairs status under the IRS guidelines. Therefore, only certain types of property designated as linear or non-linear based on FERC utility account descriptions are eligible.

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Data Request 3-8:

Repair Allowance. Refer to the "2023 11 Mo Rpt 1042" tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-14 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to "Column Q" of this spreadsheet regarding the "Property Type" of Plant Additions. Explain the Company's process for classifying the different accounts as "Linear", "Non-Linear" and "Exclude".

Response 3-8:

The classification system is based on the Internal Revenue Service Revenue Procedures 2011-43 and 2013-24.

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Data Request 3-9:

Repair Allowance. Refer to the "2022_1042" tab of the spreadsheet provided in response to Consumer Advocate DR No. 1-14 regarding the TRP&MS Rider Over/Under Recovery Calculation. Specifically refer to Cell K54 of this spreadsheet which contains the 2022 Repair Percentage of 27.375%. Explain why this calculation is based on total plant additions instead of using only the linear and non-linear plant additions that were done in other calculations.

Response 3-9:

The intention of this calculation is to show the ratio of 2022 repairs, which were based only on qualifying linear and non-linear property, as compared to 2022 total additions. It was not intended to imply that the 2022 repairs were calculated on property which did not qualify under the repair regulations.

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Data Request 3-10:

Repair Allowance. Refer to the "2022 Provision" tab of the spreadsheet provided in response to Consumer Advocate DR No. 2-6 regarding the 2022 Estimated Repair Allowance Percentage of 29.88%. Specifically refer to Cell E4 of this spreadsheet which contains the 2022 Repair Allowance Provision of \$4,613,949. Provide the source and support for this amount which appears as an unreferenced hard-coded number.

Response 3-10:

Please see CA 3-10 Attachment 1. The amount was calculated based on 9 months from the repairs calculation system plus a 3 month forecast estimate based on 3 months of forecasted additions.

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Data Request 3-11:

Repair Allowance. Refer to the "ADIT" tab of the that was provided in response to Consumer Advocate DR No. 2-6. Specifically refer to Cell E28 (which has a value of \$-197,571 for the 2022 Repair Allowance) and Cell E30 (which has a value of \$-908,215 for the 2023 Repair Allowance). In Cell E28, the Company has applied the Repair Allowance Percentage of 27.375% to Plant Additions that is based on the Company's 2022 tax return data. However, in Cell E30, the Company has applied the Repair Allowance Percentage of 29.8776% to Plant Additions that is based on budget estimates. Explain why the Company has used two different Repair Allowance Percentages within the September 2023 ADIT calculation. If the Company believes its calculations are in error, then provide an updated ADIT calculation that corrects this error.

Response 3-11:

The Company used two different Repair Allowance Percentages because a different percentage was being used for actuals and forecast purposes for 2022 additions as compared to 2023 additions. For 2022 additions the 2022 return percentage was used. For 2023 forecast purposes the 2022 provision percentage was used as an estimate. These calculations are not in error. Rather, the percentages used were in line with the Company's estimate process.

KINGSPORT POWER COMPANY
TARGETED RELIABILITY PLAN AND MAJOR STORM (TRP&MS) COSTS
OVER/UNDER RECOVERY COMPARED TO LEVEL OF TRP&MS COSTS IN BASE RATES AND RECOVERY THROUGH TRP&MS RIDER
FOR THE PERIOD JANUARY 2023 THRU DECEMBER 2023

\$s

Beginning Balance 12/31/2022	Targeted Reliability Plan										Major Storms				Exhibit # 2	
	Monthly O&M	Cumulative Capital Additions	Accum Depr	Accum Def Income Taxes	Net TRP Capital Additions	Monthly Carrying Charge Rate	Pre-tax Return on Capital	Monthly Depreciation Expense	Monthly Total TRP Costs	TRP Costs in Base Rates	TRP Over/(Under) Recovery Before Rider	Monthly O&M	Maj Storm Expenses in Base Rates	Major Storm Over/(Under) Recovery Before Rider	TRP&MS Rider Revenues	Net TRP&MS Over/(Under) Recovery
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
Exhibit 4																
				(b-c-d)		(e-f)		(a+g+h)			Exhibit 4			Exhibit 2	(k+n+o)	

• Pre-tax Return on Capital increased by \$219 in December 2022 to reflect an adjustment recorded on KPPCo's books in Q1 2023 to include Jan. 2022 through Dec. 2022 Repairs Deduction adjustment.

Docket No. 24-00010
CA 3-3
Confidential Attachment 1

