

**ER18-194 & 195 West FR 2024 PTRR Discovery**  
**FERC Docket No ER18-194 & 195 West FR 2024 PTRR Discovery**

**Responses to AECC-GSEC-ETNC**  
**Set 01 of Data Requests**

**Data Request JI-1-1:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “Increased Gross Plant in Service resulted in higher Transmission Depreciation,” for PSO and SWEPCO, please identify and describe (i) each transmission asset that is projected to be added to plant in service in 2024, and (ii) the projected cost of each new transmission asset.

**Response:**

i) & ii) Please see JI-1-1 Attachment 1. Please note, the numbers in the PTRR are control numbers which are slightly different from the locked control forecast in the attachments.

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**Data Request JI-1-2:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “Decreased SWEPCO O&M Expense primarily due to higher Account 561 Load Dispatching charges which get removed,” for SWEPCO, please explain:

- a.: What are the reasons why the load dispatching charges are projected to be higher in 2024?
- b.: Is AEP West stating that comparing SWEPCO’s 2023 PTRR O&M after deducting Account 561 Load Dispatching charges to SWEPCO’s 2024 PTRR O&M after deducting Account 561 Load Dispatching charges, the adjusted O&M for the 2024 PTRR is lower than the adjusted O&M for the 2023 PTRR? If this is not a correct understanding, please explain.
- c.: If the adjusted O&M for the 2024 PTRR is lower, identify each O&M account where there was a projected expense reduction and explain the reason(s) for the projected reduction.

**Response:**

a. & c. Excluding the 561 and 565 Accounts, the majority of the reduction in O&M between 2024 and 2023 is due to an increase in the annual adjustment to meet AEP's operational and investment goals (Accounts 560 and 566) and a reduction in Forestry spend (Account 571) offset by an increase in the forecasted Lease of Personal Property (Account 567) and an increase in Inspection Work, Transformer Work, and Predicative Diagnostics Work (Account 570). Please see JI-1-2 Attachment 1 for a full reconciliation of the year over year details. Please note, the numbers in the PTRR are control numbers which are slightly different from the locked control forecast in the attachments.

b. Yes, that is correct.

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**Data Request JI-1-3:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “SWEPCO’s Income Taxes were higher primarily due to increased spend in Transmission Net Plant in Service,” for PSO and SWEPCO, please explain:

- a.: What does AEP West’s reference to “increased spend” mean?
- b.: Is AEP West referring to an increase in the “Income Tax Prior to Adjustment” entered on TCOS Line 107 due to a projected increase in the plant in service component of Transmission rate base or a different component of Transmission rate base (if so, identify the rate base component)?
- c.: Regarding the reference to income taxes, what income tax component(s) is this referring to (i.e., “Income Tax Prior to Adjustment” (TCOS Line 107), “ITC Adjustment” (TCOS Line 108), “Excess/(Deficit) Deferred Income Taxes” (TCOS Line 109) or “Tax Effect of Permanent and Flow Through Differences” (Line 110))?
- d.: Does this item refer to accumulated deferred income tax balances (ADIT) used as adjustments of rate base, and if so, please explain and describe the projected changes in each ADIT account?

**Response:**

- a. The 2024 Projections of Transmission Capital spending are greater than the 2023 Projections of Transmission Capital spend.
- b. It is due to a projected increase in Plant.
- c. It is due to a projected increase in Plant.
- d. No, it refers to Transmission Plant.

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**Data Request JI-1-4:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “Taxes Other Than Income were higher due to increased property taxes,” for PSO and SWEPCO, please explain:

- a.: The reason(s) for the increased property taxes and those related to new plant additions.
- b.: The amount of the projected increase in payroll taxes in terms of % and dollars compared to the 2023 PTRR and the reason(s) that payroll taxes are expected to increase (e.g., expanded workforce, payroll wage and salary increases, changes in compensation plans, etc.).

**Response:**

- a. The states in which PSO and SWEPCo do business use a unit value methodology to determine each company's value. As investment in capital assets (net utility plant) and revenue (net utility operating income) increase, so does the value of the company. This increase is directly attributable to the increase in property taxes.
- b. Taxes vary from year to year. There is an increase in expected OASDI wage limits. Unemployment rates vary between years. Also annual pay increases are expected as well. Tax rate tables changes are expected to occur.

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**Data Request JI-1-5:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “Higher Long-Term Debt cost due to increased interest rates,” for PSO and SWEPCO, please identify and describe:

- a.: Long-term debt issuances, projected principal amount, and cost rate, projected to occur in 2024.
- b.: Long-term debt retirements and reacquisitions, projected principal amount and stated or coupon rate of the debt, projected to occur in 2024.
- c.: Projected adjustments of interest rates for variable rate long-term debt outstanding on January 1, 2024.

**Response:**

- a. PSO has no projected issuances for 2024. SWEPCO has a planned \$148.5 million 10-year securitization issuance at 5.249% coupon and a \$187.7 million 15-year issuance at a 5.204% coupon. Both securitizations, if approved, would occur in May and would be issued under a Special Purpose Entity, not SWEPCO.
- b. Neither PSO nor SWEPCO has any planned maturities in 2024.
- c. PSO has a 3-year term loan that is due October 2025. The average interest rate for 2024 is expected to be 6.33%. This is SWEPCO does not have any variable rate LTD.

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**Data Request JI-1-6:**

In reference to Slide 5 (Primary Drivers-Change in NITS Rate (PSO/SWEPCO)), “7.24% decrease (660 MW) in AEP Zone Coincident Peak Demands,” for PSO and SWEPCO, please explain the reason(s) why AEP West is projecting a decrease in the peak demands for 2024.

**Response:**

AEP is not projecting an actual year over year decrease in the AEP Zone Coincident Peak Demand, however the AEP Zone Coincident Peak Demand used in the 2023 PTRR filing was overstated. This has resulted in the under collection of revenues throughout 2023 due to loads. The AEP Zone Coincident Peak Demand used in the 2024 PTRR filing is a more accurate representation of what AEP is forecasting to take place in 2024.

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**Data Request JI-1-7:**

In reference to Slide 6 (Base Plan Upgrades (Schedule 11)), for PSO, please identify for the two new projects scheduled to go into service during 2024, (i) the projected in-service date for each project, and (ii) the projected total cost of the project in 2024.

**Response:**

As shown in worksheet 22 PSO WS F & G Projection, Catoosa-Blue Circle rebuild is projected to go in service in December 2024 with an investment of \$3.9M and the Chisholm Substation is expected to be in service in May 2024 with an investment of \$453 dollars.

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**Data Request JI-1-8:**

In reference to Slide 6 (Base Plan Upgrades (Schedule 11)), for SWEPCO, please identify, for the new project scheduled the estimated project cost plant addition in 2024, to go into service during 2024, (i) the projected in-service date for that project, and (ii) the estimated project cost plant addition in 2024.

**Response:**

As shown in worksheet 22 SWEPCO WS F & G Projection, the Siloam Springs 161kV rebuild project is expected to be in service in October of 2024 with an investment of \$3,666.

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**Data Request JI-1-9:**

In reference to Slide 8 (Summary Comparison (2024 Projected – 2023 Projected)), for PSO, please explain and identify:

- a.: The ADIT accounts and balances that are projected to increase in 2024 by \$25,761,251 when PSO's 2024 net plant balance is only projected to increase by \$29,276,005.
- b.: The reason(s) for the projected increase in each ADIT account identified in part a of the response.

**Response:**

- a. The 2023 projected filing balance included a deferred tax asset balance for securitization revenue which was projected in the 282 account and then subsequently booked to the 190 account in actuals. Because the amount was booked to the 190 in actuals after the 2023 projected filing, it is classified in the 190 in the 2024 projection filing balance. Therefore, the increase is driven by the deferred tax asset for securitization revenue being classified in the 2023 projected filing balance as a 282 account and classified in the 190 account in the 2024 projected filing balance.
- b. Please see response to part a.

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**Data Request JI-1-10:**

In reference to Slide 8 (Summary Comparison (2024 Projected – 2023 Projected)), for PSO, please explain the reasons why PSO's 2024 projected Working Capital input of \$1,932,779 is \$10,659,649 lower than the 2023 projected Working Capital input of \$12,592,428.

**Response:**

PSO's 2024 Projected Working Capital amount inadvertently reflected the wrong sign in Account 1650010 Prepaid Pension Benefits. Total Working Capital as filed for 2024 was \$1,932,779 but updated to \$14,379,234, creating a 2024 to 2023 variance of \$1,786,806 instead of a decrease of \$10,659,649. This will be reflected in the upcoming True-Up.

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**Data Request JI-1-11:**

In reference to Slide 15 (Primary Drivers – Changes in NITS Rate (OKTCO/SWTCO)), “Increased Net Plant in Service resulted in higher Depreciation & Amortization and higher Taxes Other Than Income Taxes,” for OKTCO and SWTCO, please explain and describe:

- a.: Each intangible, transmission, and general asset that is projected to be added to plant in service in 2024, and the projected cost of each new asset.
- b.: Each retirement of intangible, transmission, and general plant projected to occur in 2024 and the cost of the plant to be retired.
- c.: Any changes in depreciation and amortization rates used in 2024 versus the rates used in 2023 and if so, identify the changed depreciation rates by plant account.
- d.: The reason(s) for the projected increase in taxes other than income taxes and identify increase in projected property taxes and those related to new plant additions in 2024.

**Response:**

- a. Please see the attached spreadsheet JI-1-12 Attachment A\_TransCos PLF 2024-01-03-14-51-48-286.xlsx for the forecasted Plant to be Placed in Service in 2024 for OK TransCo. There is no plant forecasted to be placed in service for SW TransCo in 2024.
- b. Please see the attached spreadsheet JI-1-12 Attachment B\_PBDS - INPUT - by Plant Account - Retirements - TEMPLATE 2024-01-04-12-44-32-217.xlsx for the forecasted retirements in 2024 for OK TransCo. There are no retirements forecasted for SW TransCo in 2024.
- c. There is no difference in the depreciation and amortization rates between 2023 and 2024.
- d. Oklahoma uses a unit value methodology to determine OK TransCo's overall value. As investment in capital assets (net utility plant) and revenue (net utility operating income) increase, so does the value of the company. This increase is directly attributable to the increase in property taxes. PIS is projected to increase 14% from YE2022 to YE2023 which will increase the tax burden for calendar year 2024 by a similar percentage from \$16.3M to \$18.9M.

There are no assets currently in PIS for SW TransCo, therefore, no property taxes are being accrued/expensed.

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**Data Request JI-1-12:**

In reference to Slide 15 (Primary Drivers – Changes in NITS Rate (OKTCO/SWTCO)).  
“Increased O&M Expense primarily due to higher Transmission Maintenance and higher Transmission Operation,” for OKTCO and SWTCO, please explain and describe:

a.: The projected increase in transmission maintenance projects in 2024, the reason(s) for these projects, and the estimated cost by project.

b.: The projected increase in transmission operation expenses by explaining the reasons for increased operation expenses for existing assets on January 1, 2024 and projected costs and the transmission operation costs of new plant additions in 2024.

**Response:**

a. OK TransCo’s transmission maintenance expenses are projected to be \$781,073 higher in 2024 compared to 2023. This increase is primarily due to anticipated increased station and line asset maintenance costs. SW TransCo’s transmission maintenance expenses are projected to decrease, not increase, in the 2024 PTRR by \$176. SW TransCo incurs a minimal amount of maintenance expense representing its fair allocated share of maintenance work benefiting all AEP transmission companies in AEP’s western territory.

b. The increase in OK TransCo’s transmission operation expenses is primarily due to increased head count for the Energy Delivery organization to meet AEP’s operational and investment goals. This increase was partially offset to reflect the increase in transmission maintenance expenses described in the previous response. SW TransCo’s transmission operation expense decrease, not increase, in the 2024 PTRR is due to identified cost reductions for IT support.

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**Data Request JI-1-13:**

In reference to Slide 15 (Primary Drivers – Changes in NITS Rate (OKTCO/SWTCO)), “Higher Long-Term Debt cost due to increased interest costs,” for OKTCO and SWTCO, please explain and describe:

- a.: Long-term debt issuances, projected principal amount, and cost rate, projected to occur in 2024.
- b.: Long-term debt retirements and reacquisitions, projected principal amount and stated or coupon rate of the debt, projected to occur in 2024.
- c.: Projected adjustments of interest rates for variable rate long-term debt outstanding on January 1, 2024.

**Response:**

- a. AEP OK TransCo is planning to issue approximately \$30 million in June of 2024 at a projected rate of 5.45% coupon. AEP SW TransCo does not have a planned issuance for 2024.
- b. AEP OK TransCo has \$10.2 million of a 3.56% coupon note maturing in November 2024. AEP SW TransCo does not have any 2024 maturities.
- c. Neither AEP OK TransCo, nor AEP SW TransCo, have variable rate LTD.

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**Data Request JI-1-14:**

In reference to Slide 15 (Primary Drivers – Changes in NITS Rate (OKTCO/SWTCO)), “Higher Common Equity primarily due to increased Capital Spend,” for OKTCO and SWTCO, please explain and describe:

- a.: What does AEP West’s reference to “increased Capital Spend” mean?
- b.: Was there any projected change in the allowed rate return on Common Equity?
- c.: What was there a projected change in the debt/equity capital ratios and structures used in the 2023 PTRR and the 2024 PTRR?

**Response:**

- a. 2024 increased Capital Spend means there was an increase in investing for 2024 as compared to 2023.
- b. No.
- c. No.

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**Data Request JI-1-15:**

In reference to Slide 15 (Primary Drivers – Changes in NITS Rate (OKTCO/SWTCO)), “7.24% decrease (660 MW) in AEP Zone Coincident Peak Demands,” for OKTCO and SWTCO, please explain and describe the reason(s) why AEP West is projecting a decrease in the peak demands for 2024.

**Response:**

AEP is not projecting an actual year over year decrease in the AEP Zone Coincident Peak Demand, however the AEP Zone Coincident Peak Demand used in the 2023 PTRR filing was overstated. This has resulted in the under collection of revenues throughout 2023 due to loads. The AEP Zone Coincident Peak Demand used in the 2024 PTRR filing is a more accurate representation of what AEP is forecasting to take place in 2024.

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**Data Request JI-1-16:**

In reference to Slide 16 (Base Plan Upgrades (Schedule 11)), for OKTCO, please identify, for the one project scheduled to go into service during 2024, (i) the projected in-service date for that project, and (ii) the estimated project cost plant addition in 2024.

**Response:**

As shown on the 22T OK TransCo WS F & G 2024 Projection file, the Chisholm Substation is projected to go into service in May of 2024 with a projected investment of \$10.4M.

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**Data Request JI-1-17:**

In reference to Slide 17 (Summary Comparison – TransCos (2024 Projected – 2023 Projected)), regarding OKTCO’s Revenue Credits, please identify for the projected increase in revenue credits of \$1,236,053 the source of the credits and amounts and the reason(s) for the projected increase.

**Response:**

\$576,329 is for affiliated rent revenues paid by AEP Service Corporation and Public Service Company of Oklahoma to OK TransCo for the use of the Tulsa Transmission Office owned by OK TransCo. \$659,724 is for SPP point-to-point transmission service revenues. The forecast for point-to-point revenues is based on the most recent trend in actuals, which increased since the 2023 forecast.

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**Data Request JI-1-18:**

Regarding state income tax rates for any of the AEP West OpCos or TransCos, please identify and describe for each company:

- a.: Any projected change in the enacted state income tax rates and provide details on the change in state income tax rates.
- b.: The remeasurement of state income tax ADIT and how did each company treated the resulting ADIT excesses and deficiencies for purposes of the 2024 PTRR to ensure that rate base neutrality has been achieved regarding any projected remeasurement of state ADIT?

**Response:**

- a. Effective 1/1/2024, the Arkansas tax rate will change from 5.1% to 4.8%. This will affect SWEPCo and SW TransCo. The enactment date for the rate was in September 2023 which was after the ADIT was prepared for the filing. Therefore, the rate change is not included in the filing.
- b. Please see response to part a. The rate change is not included in the filing.

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**Data Request JI-1-19:**

In relation to any generating plant that has been retired, to the extent that AEP West is including property taxes related to these assets in its projected rates, please provide the following:

- a.: Identify each asset.
- b.: The date of retirement.
- c.: The amount of property tax being included in the projected rates.
- d.: An explanation as to why these amounts are being included in rates if the assets are no longer in service.

**Response:**

The AEP West transmission revenue requirement does not include the costs described.

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