



SUBJECT: AEP West Operating Companies' and West Transmission Companies' 2019 Formula Rate True-up (Filed May 26, 2002) Discovery Responses to Joint Interveners Set 3.

Attachments referenced in these responses will be provided based on an emailed request. Requests for attachments deemed confidential will require execution of a non-disclosure agreement prior to being provided.

Requests can be sent to:

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**SPP Formula Rate True-up for 2019 - Discovery
FERC Docket No ER18-194, ER18-195 - 2019 True-up**

**Responses to AECC-GSEC-ETNC
Set 3 of Data Requests**

Data Request 3-1:

In reference to SWEPCO WS C-1 ADIT EOY, Excel Row 59, 282 Excess Adjustment, please provide the following:

- a. A “detailed” description to what this 282 Excess Adjustment ADIT in the amount of \$3,014,937 is related (i.e., is it related to the amortization of the prior or current year’s Excess/Deficient ADIT).
- b. A detailed explanation for the 282 Excess Adjustment ADIT being a “positive” amount, when Account 282’s normal balance is a “negative.”
- c. Copies of all supporting documentation and calculations which result in the 282 Excess Adjustment ADIT amount of \$3,014,937 (Excel format)

Response:

- a. This balance is part of a reclassification in the ADIT accounts between accounts 282 and 283 (see Excel Row 122) for a net balance of \$14,770. This entries were recorded in January 2019 as part of the Company's subsequent entries made to record the impact of the re-measurement of excess ADIT required by the TCJA of 2017. (The initial re-measurement entries were prepared in January 2018.) The combination of the initial entries and the subsequent ones in January of 2019 determined the transmission functional excess ADIT balances that are passed back via W/S C-4. The Company allocates these offsetting amounts based on plant to recognize the magnitude of depreciation as a component of the overall balance of ADIT.
- b. As described above, this resulted from a reclass made in January 2019 to state the amounts of excess ADIT to be refunded in the formula rate. The January 2019 entry was made by the tax department in order to determine the amount excess ADIT to be passed back to in WS C-4 of the formula rate, a worksheet included in the 2018 true-up based on the settlement approved in Docket ER18-194-000 which was specifically developed to allow for the pass back of excess based on the Settlement. In the Company's Order 864 Compliance filing filed in Docket ER20-2574-000, the Company provided support for re-measured balances of excess ADIT (See Attachments D and E for PSO and SWEPCO, respectively) in the application, and proposed utilizing these revised balances in the in WS C-4, if approved by the Commission.
- c. Given the immaterial net balance of \$14,770 (with Excel Row 122) the company does not have separate documentation of this item.

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Data Request 3-2:

In reference to PSO WS C-1 ADIT, EOY Excel Row 127 – 605P Stock Based Comp-Career Shares, please provide the following:

- a. A “detailed” description to what this Stock Based Comp-Career Shares ADIT in the amount of \$417,506 is related.
- b. The underlying “revenue” or “expense” to which this item pertains, including the FERC Account that the underlying “revenue” or “expense” was recorded.
- c. If the response to subpart (b) is there is no underlying revenue or expense item, please provide the FERC Accounts that the underlying “asset” and “liability” are recorded to which this Stock Based Comp-Career Shares ADIT is derived from or associated with.
- d. Copies of all supporting documentation and calculations which result in the Stock Based Comp-Career Shares ADIT amount of \$417,506.
- e. A detailed explanation for AEP’s basis to allocate the Stock Based Comp-Career Shares to transmission by using the Labor Allocator.

Response:

- a. This ADFIT relates to the tax deductions taken at the end of the vesting period of performance shares. The deduction is equal to the amount of the share price at the time of vesting. Note that the Company has previously provided information about employee incentive programs in its response to data request 2-71.
- b. The cost of this employee compensation is recognized over the vesting period of the plan. As particular awards vest, the cost of their award is charged to the expense accounts or capital projects to which the employee's labor is being charged.
- c. The calculation of this ADIT item is based on summation of individually identifiable vesting reports that contain confidential information. The information will be provided for review at Company premises after execution of a Non-disclosure Agreement.
- d. The company records deferred tax expense based on the vesting activity and does not have records to support an accumulated balance.
- e. As described in part b., because the cost of this program reflects how eligible employees charge their time, the balance of this is allocated on labor.

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Data Request 3-3:

In reference to PSO WS C-1 ADIT, EOY Excel Row 130 – 612Y Accrd Companywide Incentv Plan, please provide the following:

- a. A “detailed” description to what this Accrd Companywide Incentv Plan ADIT in the amount of \$1,419,744 is related.
- b. The underlying “revenue” or “expense” to which this item pertains, including the FERC Account that the underlying “revenue” or “expense” was recorded.
- c. If the response to subpart (b) is there is no underlying revenue or expense item, please provide the FERC Accounts that the underlying “asset” and “liability” are recorded to which this Accrd Companywide Incentv Plan ADIT is derived from or associated with.
- d. Copies of all supporting documentation and calculations which result in the Accrd Companywide Incentv Plan ADIT amount of \$1,419,744 (Excel format).
- e. A detailed explanation for AEP’s basis to allocate the Accrd Companywide Incentv Plant ADIT to transmission by using the Labor Allocator.

Response:

- a. The ADFIT balance for accrued companywide incentive plan relates to the timing difference between the when the book expense for incentive pay is accrued and when it is paid and therefore deductible for tax purposes. The Company provided information about employee incentive plans in the attachments provided in its response to data request 2-71.
- b. See 3-3 Attachment 1 for supporting documentation of the balance for the incentive payment accrual. The corresponding expense amounts are recorded to O&M or Capital work orders based on how employees charge their productive time.
- c. See 3-3 Attachment 1.
- d. The ADFIT balance for 612Y at the EOY was actually equal to \$2,684,385 which was reported on Excel Row 129. See 3-3 Attachment 1 for supporting documentation of the balance.
- e. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

In regards to the correction noted in part d. of this response, this issue is also addressed in the responses to questions 3-4 and 3-5. See 3-3 Attachment-2 for the impact of the corrections made to correct PSO WS C-1 in the 2019 ATRR. (Revised line items are highlighted in yellow on WS C-1 and C-2 for both PSO and SWEPCO). Additionally, there was an issue raised in the response to 3-19 that is also factored into this correction. The net impact, which can be seen in the TCOS tabs in this attachment, resulted in an increase in ATRR for PSO of \$16,840, as well as a corresponding decrease in ATRR for SWPECO of (\$5,148), for a net increase in the true-up revenue requirement of \$11,692. However, the Company is not planning on requesting collection of this net amount.

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Data Request 3-4:

In reference to PSO WS C-1 ADIT, EOY Excel Row 131 – 613E Accrued Book Vacation Pay, please provide the following:

- a. A “detailed” description to what this Accrued Book Vacation Pay ADIT in the amount of \$142,199 is related.
- b. The underlying “revenue” or “expense” to which this item pertains, including the FERC Account that the underlying “revenue” or “expense” was recorded.
- c. If the response to subpart (b) is there is no underlying revenue or expense item, please provide the FERC Accounts that the underlying “asset” and “liability” are recorded to which this Accrued Book Vacation Pay ADIT is derived from or associated with.
- d. Copies of all supporting documentation and calculations which result in the Accrued Book Vacation Pay ADIT amount of \$142,199 (Excel format) .
- e. A detailed explanation for AEP’s basis to allocate the Accrued Book Vacation Pay ADIT to transmission by using the Labor Allocator.

Response:

- a. The ADFIT balance for accrued book vacation pay relates to the timing difference between the when the book expense for vacation pay is accrued and when it is paid and therefore deductible for tax purposes. The ADFIT balance at 12/31/19 for this timing difference was \$1,419,744 which was reported on Excel Row 130.
- b. Vacation time is a labor overhead that is allocated proportionately to the O&M or Capital work orders to which employees charge their time.
- c. See 3-3 Attachment 1 for supporting documentation of the balance for accrued book vacation pay.
- d. See 3-3 Attachment 1.
- e. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

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Data Request 3-5:

In reference to PSO WS C-1 ADIT, EOY Excel Row 132 – 613K (ICDP)-Incentive Comp Deferral Plan, please provide the following:

- a. A “detailed” description to what this (ICDP)-Incentive Comp Deferral Plan ADIT in the amount of \$1,462,734 is related.
- b. The underlying “revenue” or “expense” to which this item pertains, including the FERC Account that the underlying “revenue” or “expense” was recorded.
- c. If the response to subpart (b) is there is no underlying revenue or expense item, please provide the FERC Accounts that the underlying “asset” and “liability” are recorded to which this (ICDP)-Incentive Comp Deferral Plan ADIT is derived from or associated with.
- d. Copies of all supporting documentation and calculations (Excel format) which result in the (ICDP)-Incentive Comp Deferral Plan ADIT amount of \$1,462,734.
- e. A detailed explanation for AEP’s basis to allocate the (ICDP)-Incentive Comp Deferral Plan ADIT to transmission by using the Labor Allocator.

Response:

- a. The ADFIT balance for the Incentive Compensation Deferral Plan relates to the timing difference between the when the book expense for the incentive compensation is accrued and when it is paid and therefore deductible for tax purposes. The ADFIT balance at 12/31/19 for this timing difference was \$142,199 which was reported on Excel Row 131.
- b. The underlying expense to which this relates is employee payroll/compensation expense, which are included in O&M or capital FERC accounts, based on where an employee charges their time.
- c. Not applicable (see the response to b. above)
- d. See 3-3 Attachment 1 for supporting documentation of the balance for the incentive compensation deferral plan.
- e. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

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Data Request 3-6:

In reference to AEP's response to Data Request 1-3, for the write-offs of CWIP to either transmission O&M or A&G accounts for each OpCo and TransCo during 2019, the response was deficient. AEP's general ledger should be able to identify and quantify any and all write-offs to transmission O&M or A&G expense accounts related to CWIP, i.e., "cancelled capital projects" by work order number, including description and amount, that have been recorded on each OpCo and TransCo's books and records. The general ledger should also be able to identify each and every project cost by work order number, including description and amount, that was originally recorded in Account 183 that was written off to transmission O&M or A&G expense accounts that are included in the transmission formula. It is AEP's responsibility to provide sufficient support that each and every write-off has been properly recorded to the appropriate functional expense account. The General Instructions from Pt. 101 18 CFR Ch. 1, Uniform System of Accounts specifically states in Instruction 2. Records. Section A. "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto."

Please provide the requested supporting documentation including complete descriptions of the projects and copies of all manual journal entries/transactions which were made to perform the write-offs which reflects all the FERC Accounts which were either "debited" or "credited."

Response:

See 3-6 Attachment 1 for the information requested regarding costs of projects incurred to Account 107 that were subsequently expensed to O&M. The net combined expensed amount for all of the AEP West companies comes to \$112,679.

Regarding account 183, the Company does not utilize this account in its transmission business units. While there are total company balances shown for account 183 on the balance sheet in the FF1 of the AEP West Operating Companies, this activity is associated with generation and distribution, and not the transmission function. See attachments 3-3_Attachment-2 for the functional ledger balances of this account. See 3-3_Attachment-3 for a summary of the balances for the AEP West Transmission Companies; for these Companies the balances are zero dollars as well.

It should be noted that there are amounts billed to account 183 on the Transmission function books for the West Operating and Transmission Companies. The source of these amounts is the labor accrual billing process from the AEP Service Corporation. These amounts, which are immaterial, are a function of this process and do not represent actual PS&I charges incurred on behalf of these business units. To remove them from this account they are expensed each month to account 566000 for the West Operating Companies, and 9230003 for the West Transmission Companies. In the detail in 3-3_Attachment-3, there is a balance of \$25K for OKTCo, which

was accrued in 2017 and prior. This balance represents the accumulated accrual balances prior to the monthly write off described above.

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Data Request 3-7:

PSO - In reference to AEP's response to Data Request 1-108(c), EOY Excel Row 52 - 282 Excess Adjustment, please provide the following:

- a. A "detailed" description to what this 282 Excess Adjustment ADIT in the amount of \$4,567,065 is related (i.e., is it related to the amortization of the prior or current year's Excess/Deficient ADIT).
- b. A detailed explanation for the 282 Excess Adjustment ADIT being a "positive" amount, when Account 282's normal balance is a "negative."
- c. Copies of all supporting documentation and calculations which result in the 282 Excess Adjustment ADIT amount of \$4,567,065 (Excel format).
- d. A detailed explanation for AEP's basis to allocate the 282 Excess Adjustment to transmission by using the PTD Plant Allocator.

Response:

See the Company's response to data request 3-1 in this set.

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Data Request 3-8:

PSO - In reference to AEP's response to Data Request 1-108(i), EOY Excel Row 79 - 661U Reg Asset-Lawton Settlement, please provide the following:

- a. A "detailed" description to what the Regulatory Asset- Lawton Settlement ADIT is related (i.e., what was the Lawton Settlement).
- b. The specific Regulatory Asset, listed on FF1 page 232 – 232.1, to which this Lawton Settlement ADIT is associated.
- c. The FERC Accounts that the underlying "asset" and "liability" are recorded to which this Lawton Settlement ADIT is derived from or associated with.
- d. The FERC Account where the Lawton Settlement expense was recorded.
- e. The FERC Account where the AEP outside legal costs for the Lawton lawsuit, which resulted in the Lawton Settlement, were recorded.
- f. A detailed explanation for AEP's basis to exclude the Lawton Settlement ADIT from the transmission formula by using the "Exclusions" Allocator.

Response:

- a. The description provided for this ADFIT balance is an inaccurate description of the ADFIT balance and the underlying book balance to which it relates. This ADFIT balance relates to the book deferral and amortization of costs associated with its Base Plan Funding.
- b. This ADFIT is associated with the regulatory asset balance reported on FF1 page 232.1, Line 26. That specific line item pertains to a deferral related to Transmission Base-Plan Funding, Note that the value of ADIT balance is equal to 21% of the remaining balance the regulatory deferral as of 12/31/2019.
- c. This ADIT is derived from account 1823000.
- d. This account is amortized to 4561010.
- e. As described in the response to part "a", this ADFIT is not actually associated with a settlement so the outside legal costs are not applicable.
- f. The accounts associated with this item are balance sheet accounts that are excluded from the formula rate calculation.

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Data Request 3-9:

PSO - In reference to AEP's response to Data Request 1-108(l), EOLY Excel Row 88 - 673S Reg Asset-Independent Evaluator Defrl, please provide the following:

- a. A "detailed" description to what the Regulatory Asset-Independent Evaluator Defrl ADIT is related (i.e., what was the purpose of the Independent Evaluator).
- b. The specific Regulatory Asset, listed on FF1 page 232 – 232.1, to which this Independent Evaluator Defrl ADIT is associated.
- c. The FERC Accounts that the underlying "asset" and "liability" are recorded to which this Independent Evaluator Defrl ADIT is derived from or associated with.
- d. The FERC Account where the Independent Evaluator Defrl expense was recorded.
- e. A detailed explanation for AEP's basis to exclude the Independent Evaluator Defrl ADIT from the transmission formula by using the "Exclusions" Allocator.

Response:

- a. This ADFIT is related to the deferral of costs associated with the wind renewable project which was approved on PSO's Cause No. PUD 201800138 Order no. 688455.
- b. & c. This ADFIT is associated with the regulatory asset balance reported on FF1 page 232.1, Line 35. it is recorded in account 1823423.
- d. This offset expense is recorded in account 9280002 on the generation functional ledger. Because WS-J in the formula only recovers amounts recorded on the transmission functional books, the amounts associated with this item are not recovered in the formula.
- e. The accounts associated with this item are balance sheet accounts that are excluded from the formula rate calculation.

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Data Request 3-10:

PSO - In reference to AEP's response to Data Request 1-108(o), EOY Excel Row 100 - 960X State NOL Current Benefit, please provide the following:

- a. A "detailed" description to what the Regulatory Asset-960X State NOL Current Benefit ADIT is related (i.e., what was the purpose of the State NOL Current Tax Benefit and how was it derived).
- b. Copies of supporting documentation and calculations of how this State NOL Current Tax Benefit ADIT was derived (Excel format).
- c. A detailed explanation for AEP's basis to exclude the State NOL Current Tax Benefit ADIT from the transmission formula by using the "Exclusions" Allocator.

Response:

- a. The ADIT balance is related to federal deferred taxes associated with state net operating losses.
- b. The company does not have supporting documentation for this individual line item.
- c. Deferrals related to state NOL losses are not allocated to the formula rate. Note that on the same page referenced this question, the Company has significant debit balances associated with DSIT NOL State C/Fs that are not allocated to the formula rate.

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Data Request 3-11:

SWEPCO - In reference to AEP's response to Data Request 1-186(a), Pole Attachments, please provide confirmation that 100% of the Pole Attachments, i.e., where the cable and/or phone providers "hang their wire" are AEP's distribution poles and "None" are hung on Transmission Poles or Towers. If confirmation cannot be provided, please provide a detailed explanation of AEP's basis to reflect these Pole Attachments to be only related to distribution poles, if they are also hung on transmission poles and towers.

Response:

Third parties wishing to attach assets to SWEPCO distribution poles are permitted to under access rules issued by the Federal Communications Commission in the SWEPCO TX jurisdiction, or issued by the State Commissions in LA and AR. (In Oklahoma the FCC rules are followed). Because these rules apply to distribution assets, the attachment revenues are attributed to the distribution function. However, the access rules also apply to situations where the Company has distribution assets built on transmission poles; because of this circumstance, the Company cannot say that 100% of pole attachments are on distribution poles. However to reflect these situations a transmission revenue credit is provided on WS-H, line 2, account 4540005 on both the PSO and SWEPCO formulas.

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Data Request 3-12:

SWEPCO - In reference to AEP's response to Data Request 1-214(h), EOY Excel Row 138 - 520A Provs Poss Rev Refds-A/L, please provide the following:

- a. A "detailed" description to what this Prov Poss Rev Refds-A/L ADIT, in the amount of \$6,371,155, is related (i.e., is it related to potential future true-up calculations).
- b. The FERC Accounts that the underlying "asset" and "liability" are recorded to which this Prov Poss Rev Refds-A/L ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations which result in the Prov Poss Rev Refds-A/L ADIT amount of \$6,371,155 (Excel format).
- d. A detailed explanation for AEP's basis to include this Prov Poss Rev Refds-A/L ADIT in the transmission formula using the PTD Plant allocator.

Response:

- a. This ADIT is related to the book/tax timing difference associated with the accrual of possible revenue refunds. The book expense for possible revenue refunds is not deductible for tax purposes until paid.
- b. This ADIT is derived from the accounts as identified in 3-12 Attachment 1.
- c. See 3-12 Attachment 1 for supporting documentation and support of this ADIT balance.
- d. Because refunds reflect a passback of previously recognized revenues related to the provision of electric service, the use of the PTD Plant allocator is appropriate because it represents the functional relationship of the assets used to provide those refunded revenues.

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Data Request 3-13:

SWEPCO -In reference to AEP's response to Data Request 1-214(i), EOY Excel Row 140 - 520Y Prov For Rate Refund-Excess Protected, please provide the following:

- a. A "detailed" description to what this Prov For Rate Refund-Excess Protected ADIT in the amount of \$2,534,714 is related (i.e., is it related to potential future true-up calculations).
- b. The FERC Accounts that the underlying "asset" and "liability" are recorded to which this Excess Protected ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations (Excel format) which result in the Prov For Rate Refund-Excess Protected ADIT amount of \$2,534,714.
- d. A detailed explanation for AEP's basis to include this Prov For Rate Refund-Excess Protected ADIT in the transmission formula using the PTD Plant allocator.

Response:

- a. This ADFIT is related to the book/tax timing difference associated with the accrual of possible revenue refunds related to the amortization of excess ADFIT due to the Tax Cuts and Jobs Act. The book expense for possible revenue refunds is not deductible for tax purposes until paid.
- b. This ADIT is derived from the accounts as identified in 3-12 Attachment 1.
- c. See 3-12 Attachment 1 for supporting documentation and support of this ADIT balance.
- d. Because this ADIT amount is identified as "Protected," it reflects ADIT balances that are amortized over the life of the underlying asset, primarily plant. Therefore the PDT allocated was determined to be the most appropriate choice to allocate this balance.

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Data Request 3-14:

SWEPCO - In reference to AEP's response to Data Request 1-214(p), EOY Excel Row 149 – 605P Stock Based Comp-Career Shares, please provide the following:

- a. A “detailed” description to what this Stock Based Comp-Career Shares ADIT in the amount of \$1,394,533 is related.
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this Stock Based Comp-Career Shares ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations (Excel format) which result in the Stock Based Comp-Career Shares ADIT amount of \$1,394,533.
- d. A detailed explanation for AEP's basis to allocate the Stock Based Comp-Career Shares ADIT to transmission by using the Labor Allocator.

Response:

- a. This ADIT relates to the tax deductions taken at the end of the vesting period of performance shares. The deduction is equal to the amount of the share price at the time of vesting. Note that the Company has previously provided information about employee incentive programs in its response to data request 2-71.
- b. See the response to part c. This timing difference is not based on the balance of a specific balances sheet account.
- c. The calculation of this ADIT item is based on summation of individually identifiable vesting reports that contain confidential information. The information will be provided for review at Company premises after execution of a Non-disclosure Agreement.
- d. The cost of this employee compensation is recognized over the vesting period of the plan. As particular awards vest, the cost of their award is charged to the expense accounts or capital projects to which the employee's labor is being charged. Therefore, because the cost of this program reflects how eligible employees charge their time, the balance of this is allocated on labor.

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Data Request 3-15:

SWEPCO - In reference to AEP's response to Data Request 1-214(r), EOY Excel Row 155 – 612Y Accrd Companywide Incentv Plan, please provide the following:

- a. A “detailed” description to what this Accrd Companywide Incentv Plan ADIT in the amount of \$3,953,891 is related.
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this Accrd Companywide Incentv Plan ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations (Excel format) which result in the Accrd Companywide Incentv Plan ADIT amount of \$3,953,891.
- d. A detailed explanation for AEP's basis to allocate the Accrd Companywide Incentv Plan ADIT to transmission by using the Labor Allocator.

Response:

- a. See the response to 3-3, part “a”.
- b. This ADIT is derived from the accounts as identified in 3-12 Attachment 1.
- c. See 3-12 Attachment 1 for supporting documentation and support of this ADIT balance.
- d. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

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Data Request 3-16:

SWEPCO -In reference to AEP's response to Data Request 1-214(t), EOY Excel Row 157 – 613E Accrued Book Vacation Pay, please provide the following:

- a. A “detailed” description to what this Accrued Book Vacation Pay ADIT in the amount of \$2,238,003 is related.
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this Accrued Book Vacation Pay ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations (Excel format) which result in the Accrued Book Vacation Pay ADIT amount of \$2,238,003.
- d. A detailed explanation for AEP's basis to allocate the Accrued Book Vacation Pay ADIT to transmission by using the Labor Allocator.

Response:

- a. The ADFIT balance for accrued book vacation pay relates to the timing difference between the when the book expense for vacation pay is accrued and when it is paid and therefore deductible for tax purposes.
- b. This ADIT is derived from accounts 2420020 and 2420021.
- c. See 3-12 Attachment 1 for supporting documentation and support of this ADIT balance.
- d. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

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Data Request 3-17:

SWEPCO - In reference to AEP's response to Data Request 1-214(u), EOY Excel Row 159 – 613K (ICDP)-Incentive Comp Deferral Plan, please provide the following:

- a. A “detailed” description to what this (ICDP)-Incentive Comp Deferral Plan ADIT in the amount of \$27,224 is related.
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this (ICDP)-Incentive Comp Deferral Plan ADIT is derived from or associated with.
- c. Copies of all supporting documentation and calculations (Excel format) which result in the (ICDP)-Incentive Comp Deferral Plan ADIT amount of \$27,224.
- d. A detailed explanation for AEP's basis to allocate the (ICDP)-Incentive Comp Deferral Plan ADIT to transmission by using the Labor Allocator.

Response:

- a. The ADFIT balance for the Incentive Compensation Deferral Plan relates to the timing difference between the when the book expense for the incentive compensation is accrued and when it is paid and therefore deductible for tax purposes.
- b. The underlying expense to which this relates is employee payroll/compensation expense, which are reported in O&M or capital FERC accounts, based on where an employee charges their time. This ADIT is derived from account 2283013 as shown in 3-12 attachment 1.
- c. See 3-12 Attachment 1 for supporting documentation and support of this ADIT balance.
- d. This balance relates to a payroll-related expense for employees in all three functions, so labor is the most appropriate allocator.

Date: 1/21/2021

**SPP Formula Rate True-up for 2019 - Discovery
FERC Docket No ER18-194, ER18-195 - 2019 True-up**

**Responses to AECC-GSEC-ETNC
Set 3 of Data Requests**

Data Request 3-18:

SWEPCO - In reference to AEP's response to Data Request 1-214(v), EOY Excel Row 166 – 615E Accrued State Income Tax Exp, please provide the following:

- a. A “detailed” description to what the Accrued State Income Tax Exp ADIT is related (i.e., what was the purpose of the Accrued State Income Tax Exp and how was it derived).
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this Accrued State Income Tax Exp ADIT is derived from or associated with;
- c. Copies of supporting documentation and calculations of how this Accrued State Income Tax Exp ADIT was derived (Excel format).
- d. A detailed explanation for AEP's basis to exclude the Accrued State Income Tax Exp ADIT from the transmission formula by using the “Exclusions” Allocator.

Response:

- a. The ADIT balance is related to federal deferred taxes associated with state net operating losses.
- b. There is no underlying asset or liabilities associated with this deferral.
- c. The company does not have supporting documentation for this individual line item.
- d. The exclusion of this balance from allocation in the ADIT workpapers is consistent with for ADIT items associated with DSIT NOL deferrals.

Date: 1/21/2021

**SPP Formula Rate True-up for 2019 - Discovery
FERC Docket No ER18-194, ER18-195 - 2019 True-up**

**Responses to AECC-GSEC-ETNC
Set 3 of Data Requests**

Data Request 3-19:

SWEPCO - In reference to AEP's response to Data Request 1-214(w), EOY Excel Row 169 – 6411 Advance Rental Inc (Cur Mo), please provide the following:

- a. A “detailed” description to what the Advance Rental Inc (Cur Mo) ADIT is related (i.e., distribution pole attachments, transmission pole attachments, etc., and how was it derived).
- b. The FERC Accounts that the underlying “asset” and “liability” are recorded to which this Advance Rental Inc ADIT is derived from or associated with.
- c. Copies of supporting documentation and calculations of how this Advance Rental Inc ADIT was derived (Excel format).
- d. A detailed explanation for AEP's basis to allocate the Advance Rental Inc ADIT to the transmission formula by using the “PTD” Plant Allocator.

Response:

- a. The ADFIT balance for Advance Rental Income relates to the timing difference between book and tax recognition of income.
- b. This ADIT is derived from accounts 2530020 and 2530050.
- c. See 3-12 Attachment 1 for supporting documentation and support of the ADIT balance.
- d. This item is all distribution related and should have been excluded. See the response to data request 3-3, which includes a correction of this issue for SWEPCO and PSO.

Date: 1/21/2021