

**ER18-194-000 & ER18-195-000 West FR 2021 ATRR Discovery
FERC Docket No ER18-194 & 195 West FR 2021 ATRR Discovery**

**Responses to Multiple Intervenors
Set JI-2 of Data Requests**

Data Request 002:

For each OpCo and TransCo, please identify any components of Asset Retirement Obligations (ARO) costs included in the transmission formula rate. For purposes of this question, ARO costs include the following components: ARO asset, ARO accumulated depreciation, ARO liability, ARO depreciation and accretion expense, and ARO-related deferred income taxes. In response, please provide by entity and by ARO category, the amount of ARO cost included in the 2022 formula rate update.

Response:

Please see responses to JI-2-87 and JI-2-112 that include details of ARO costs included which should have been excluded from the formula rate calculation.

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Data Request 011:

For each OpCo and TransCo, please list any rental revenues earned on General Plant.

Response:

Please see JI-2-011 Attachment 1.

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Data Request 028:

For PSO and SWEPCO, Pole Attachment Revenues, please provide the supporting documentation and calculations as to how the transmission portion of pole attachments were derived.

Response:

Please see JI-2-28 Attachment. Revenues are classified based on the Property Accounting record of the pole. For poles that are classified as Transmission, rental revenue is categorized to the appropriate GLBU for the T OpCo. Booked revenues are based on amortizations and accruals and may not directly correlate to billings due to the timing of the bills.

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Data Request 030:

For each OpCo, please provide a detailed discussion of the accounting for leases included in the 2021 FERC Form 1s. In addition, please discuss any change in accounting policies for leases since 2020 and verify whether any OpCo implements accounting practices to capture the non-principal portion of transmission, distribution, or production related capital lease payments within Account 931 or any other A&G account.

Response:

There is only one change in accounting policy for leases since 2020. Regulated capital lease interest expense hitting O & M accounts has been reclassified to account 9310005 since 2019. This process changed in 2QTR 2022 based on FERC's directive. The reclassification will move the reporting of interest on capital leases as "interest expense" from GAAP and FERC reporting to GAAP reporting only. After the reclassification, FERC reporting will reflect interest on capital leases (non-principal portion of lease payments) in the natural O&M accounts they are charged to through the normal processes for fleet and IT capital leases.

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Data Request 031:

For each OpCo and each TransCo, please provide a list of all operating leases. In addition, please describe and quantify by FERC Account Number any expenses related to each lease included in each OpCo and TransCo's revenue requirement.

Response:

Please see JI-2-31 Attachment-2021 West Operating Lease CR Details report for reportable operating lease details.

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Data Request 032:

For each OpCo and TransCo, please identify any leases that the utility capitalized for book purposes, quantify the amount of the lease capitalized, and explain the basis for the capitalization (see, e.g., PSO Worksheet C-1, Excel row 39). Also, please identify any capital leases included in AEP West's transmission formula rate.

Response:

Please see JI 2-32 Attachment 1 and Attachment 2 for the NBV details for the capital leases, and the capital leases expenses for 2021.

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Data Request 034:

Please indicate whether the OpCo or TransCo formula rates include any costs in AEP's transmission plant accounts (e.g., FERC Account 350 - Land and Land Rights) for use of rights-of-way on land owned by others. If yes, please:

- a. Provide the amounts that were booked during 2021 and the FERC plant account number in which the balances were booked; and
- b. For any amounts for land rights that are for land rights on property owned by an affiliate, identify the affiliate and identify the classified FERC Plant Account Number(s) to which the affiliate records the property amounts (to the extent that the affiliate is subject to the Uniform System of Accounts).

Response:

Please see JI-2-34 Attachment for details of the Land Rights for capitalized land costs for land owned by others. OKT incurred costs totaling \$415,531 for the joint use of land and land rights during 2021 recorded in FERC account 567 for payments made to PSO.

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Data Request 035:

Please indicate whether the OpCo or TransCo formula rates include expenses incurred during 2021 related to payments for land rights (e.g., land rent or land lease) made for use of rights-of-way on land owned by others. If yes,

- a. Please quantify the amounts by FERC Account in which such expenses were recorded (e.g., FERC Account 567 - Rents); and
- b. For any payments made to affiliates, identify the affiliate and identify the classified FERC Plant Account Number(s) to which the affiliate records the property amounts (to the extent that the affiliate is subject to the Uniform System of Accounts).

Response:

Please refer to the response to JI-2-34.

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Data Request 039:

QUESTIONS APPLICABLE TO EACH OPCO AND TRANSCO

Please provide any corporate written documents that describe AEP's strategy with specific respect to maintenance and replacement of transmission assets as these items relate to transmission investment goals.

Response:

The Company's grid needs and priorities inform financial investment targets. The Company's maintenance practices are not set based upon any financial investment goal. Please see JI-2-039 Attachment 1 which discusses the Company's asset replacement practices.

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Data Request 060:

For each OpCo and Transco, please provide a discussion of the accounting used to record net borrowings from the AEP Corporate Borrowing Program during 2020, including the Utility Money Pool and the FERC accounts to record the borrowings. Discuss how the money pool borrowings included or excluded from the 2021 AFUDC rate calculation.

Response:

The AEP Corporate Borrowing Program "CBP", also known as money-pool, is the centralized funding mechanism AEP uses to meet the short-term cash requirements of AEP and its Subsidiaries. Each day the cash needs of AEP and its subsidiaries are summed up and cash is borrowed and or invested on their behalf through the CBP. The various subsidiaries can be either a borrower or a lender.

A borrower is when cash needs of the company exceed available cash; this is recorded in FERC Account 233, with interest expense recorded in FERC account 430.

A lender is when cash needs are less than the cash available; this position is recorded in FERC Account 145, with interest income recorded in FERC account 419.1.

For AFUDC rate calculations, each OpCo and Transco uses the average daily short-term debt balance and average daily interest rate from the prior month in its monthly AFUDC rate calculation.

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Data Request 062:

For each OpCo and Transco, please describe the accounting used to record net borrowings from the AEP Corporate Borrowing Program, including the Utility Money Pool and the FERC accounts to record the borrowings and associated interest expense. Describe how the money pool borrowings and interest costs are factored into the AFUDC rate calculation and/or otherwise included in the formula rate template.

Response:

The AEP Corporate Borrowing Program "CBP", also known as money-pool, is the centralized funding mechanism AEP uses to meet the short-term cash requirements of AEP and its Subsidiaries. Each day the cash needs of AEP and its subsidiaries are summed up and cash is borrowed and or invested on their behalf through the CBP. The various subsidiaries can be either a borrower or a lender.

A borrower is when cash needs of the company exceed available cash; this is recorded in FERC Account 233, with interest expense recorded in FERC account 430.

A lender is when cash needs are less than the cash available; this position is recorded in FERC Account 145, with interest income recorded in FERC account 419.1.

For AFUDC rate calculations, each OpCo and Transco uses the average daily short-term debt balance and average daily interest rate from the prior month in its monthly AFUDC rate calculation.

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Data Request 065:

For each OpCo and TransCo, please clarify whether the utility records depreciation expense billed from affiliates to Account 403 and, if not, identify the FERC account(s) to which the utility records depreciation expense billed from affiliates and provide the utility's basis for doing so.

Response:

The Companies do not record depreciation expense that is billed from its affiliates to account 403 within its respective general ledger.

Depreciation expense billed from an affiliate is recorded as depreciation expense on the billing company's books and is recorded as affiliated rental expense from non-AEPSC affiliates.

Please refer to 'JI-2-65 Attachment 1' for FERC accounts where AEPSC depreciation expense is billed to each OpCo and TransCo.

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Data Request 080:

In reference to PSO's FERC Form 1, Page 122-123, – Notes to the Financial Statements, Sales and Purchases of Property, it states, "PSO had affiliated sales and purchases of electric property amounting to \$100 thousand or more, sales and purchases of meters and transformers, and sales and purchases of transmission property. There were no gains or losses recorded on the transactions." PSO had sales of \$0.5 million and \$1.1 million in 2021 and 2020, respectively. PSO had purchases of \$0.3 million and \$0.4 million in 2021 and 2020, respectively. Please provide the following:

- a. Identify each affiliate sale and purchase separately for 2020 and 2021.
- b. The full accounting journal entries to record the sale and purchases of the aforementioned property(ies) identified in subpart a. above on each of the affiliate's and PSO's books, including all accounting entries for associated amounts of deferred income taxes for 2020 and 2021.

Response:

- a. Please see JI-2-80 Attachment_SEND.
- b. The company's fixed asset system does not track the deferred taxes at the individual asset level.

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Data Request 090:

In reference to PSO WS C-1 ADIT EOY, Excel Row 136 - 605P STOCK BASED COMP-CAREER SHARES, please provide the following:

- a. A detailed description of this item.
- b. Identify the FERC account(s) where the underlying expense that gave rise to this ADIT item is recorded.
- c. State whether this item is associated with Excel Row 167 - 980J PSI - STOCK BASED COMP.
- d. The justification for not including this balance in the “labor” column.

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.
- 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 difference between 605P Stock Based Comp – Career Shares and 980J PSI – Stock Based Comp is the Career shares (605P) are deferred. Once the PSI – Stock Based Comp (980J) is vested a portion of those shares become Career Shares to be distributed at a later date.
- d. This timing difference is associated with compensation and is labor-related.

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Data Request 096:

In reference to OKT's FERC Form 1, Page 122-123, it states, "OKTCo purchased \$407 thousand and \$662 thousand of transmission property from PSO during the years ended December 31, 2021 and 2020, respectively. There were no gains or losses recorded on these transactions." Please provide the full accounting journal entries to record the transfer of the abovementioned transmission asset(s), to the extent multiple assets were transferred provide the entries for each transaction, on OKT and PSO's books, including all accounting entries for associated amounts of deferred income taxes for 2020 and 2021.

Response:

Please refer to JI-2-96 Attachment 1_Send.

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Data Request 108:

In reference to SWEPCO's 2021 FERC Form 1, Page 320-323, Line 181, Column b, Account 920 – Administrative and General Salaries, please provide a detailed tabulation (Excel format) of every entry booked to this account during 2021, including name, description of cost item and amount that totals \$34,235,474.

Response:

Please see JI-2-108 Attachment.

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Data Request 111:

In reference to SWEPCO's 2021 FERC Form 1, Page 227, Footnote (b) to Line 11 – Assigned to – Other states “Assigned to - Other: Includes Customer Accounts and Administrative and General Expenses (applies to both beginning and ending balances).” Please provide a detailed description of “Customer Accounts” and the associated amounts included in the beginning and ending balances.

Response:

Please see JI 2-111 Attachment 1.

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