



SUBJECT: Docket No. ER18-195  
AEP West Operating Companies' and AEP West Transmission Companies'  
2019 Formula Rate True-up Discovery Responses to Sets 1 & 2 from GDS for  
calendar year 2018

The responses are grouped by set and numerically by the date they were submitted to GDS for the Joint Interveners.

Because of their voluminous nature, 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:

Lila Munsey  
American Electric Power Service Corporation  
Regulatory Case Manager  
lpmunsey@aep.com

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-1:**

In reference to Contributions in Aid of Construction (“CIAC”), for each OpCo and TransCo, please provide the following:

- a. A detailed listing of all CIAC projects by FERC Account.
- b. Identify the FERC account(s) the reimbursements associated with each CIAC item in (a) above are recorded, including the associated amounts.
- c. State whether AEP includes depreciation expense associated with CIAC projects that have already been reimbursed. If yes, please provide a detailed listing of each CIAC project and the associated depreciation expense included in the formula rate templates.
- d. Identify the amount of depreciation expenses by FERC account being included in the formula rate templates prior to reimbursements from third parties for the projects.
- e. Demonstrate how AEP’s treatment of CIAC has had a net zero effect to the transmission formula rate for each project in accordance with FERC Audit 17-2 Ohio Power.

**Response:**

- a.) Please refer to GDS 2-1 Attachment 1.xls. CIAC is recorded as a credit to account 1070001 and ultimately placed in service in FERC accounts 1010001/1060001.
- b.) Please refer to GDS 2-1 Attachment 1.xls.
- c.) AEP does not include depreciation expense associated with CIAC projects that have been reimbursed.
- d.) The companies do not record depreciation expense in the manner requested.
- e.) Total project costs, which are reduced by CIAC, are recorded in rate base.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-2:**

In reference to AEP's response to 1-7, GDS 1-7 Attachment 2 does not identify the FERC account(s) these expenses were included in, please verify the FERC account associated with these expenses.

**Response:**

The expenses listed in GDS 1-7 Attachment 2 were all charged to Account 426.4

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Rhoderick C. Griffin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-3:**

In reference to AEP's response to JI 1-18, please verify whether the expenses associated with the origination of the labor or third-party providing the service is credited to the same account where the expense is recorded.

**Response:**

Billings amongst AEP companies are generally billed to the affiliate receiving the service using the same account that the affiliate providing the service used for the initial transaction. The affiliate providing the service also credits the billing to the affiliate back to the same account.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Rhoderick C. Griffin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-4:**

In reference to AEP's response to 1-22, Sales and Use Tax, please state whether when recording the purchase of goods and services it also includes the taxes in the expense.

**Response:**

Yes. Sales and use taxes follow the accounting distribution of the purchase. Therefore, if a taxable purchase is charged to expense, then the sales/use taxes also would be charged to expense.

However, charges relating to tax adjustments may be made directly to the 408 tax expense account to avoid the administrative burden required to apply adjustments back to their source transaction.

**Preparer of Response:** Daniel E. Ernst

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-5:**

In reference to AEP's response to 1-22, State Public Service Commission Fee, please provide the following:

- a. An explanation as to how this is a tax given that the public utility commission does not have taxing authority.
- b. The justification for recording these fees in "Other Taxes."
- c. An explanation as to why these fees should not be recorded to Account 928 – Regulatory Commission Expenses, which is defined by the USoA as "A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees, and also including payments made to the United States for the administration of the Federal Power Act." given that they are directly related to fees for the state regulatory commission.

**Response:**

- a. & b. The expenses that are included in Account 408 include fees that are assessed to the Companies based on the Companies' revenues. These are consistent with FERC USoA instructions, which state that Account 408.1 shall "include those taxes other than income taxes which relate to utility operating income."
- c. The public commission fees are not incurred by the utility solely in connection with formal cases before the Commissions. Rather, they are costs incurred due to being a public utility in the state.

**Preparer of Response:** Daniel E. Ernst

**Preparer of Response:** Christopher K. Duffy

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-6:**

In reference to AEP's response to JI 1-24a., AEP's example in its response only exhibits journal entries under the scenario that the utility receives payment in advance for CIAC. CIAC is not necessarily received before construction work is done. Please provide a journal entry example of how AEP would handle CIAC that has not been received in advance of construction.

**Response:**

Below is an example of the journal entries made if CIAC is not received in advance of construction.

To record construction activity	
DR Account 1070001 (CWIP)	\$XXX,XXX
CR Account 1310000 (Cash)	\$XXX,XXX
To record receipt of CIAC	
DR Account 1310000 (Cash)	\$XXX,XXX
CR Account 1070001 (CWIP)	\$XXX,XXX

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-7:**

In reference to AEP's response to JI 1-24, it does not appear that AEP records a contra-asset for CIAC, please provide a detailed explanation and supporting documentation as to how AEP keeps track of CIAC included in plant.

**Response:**

Please see the Company's response to DGS 2-6 for the accounting entry used to offset investments for Contributions in Aid of Construction (CIAC) receipts. CIAC receipts are tracked by project ID and work order. CIAC has a designated cost component/cost element (018) that is used for the purposes of tracking and CIAC is also assigned a "charge type" of "CIAC" within the Company's property records (i.e. PowerPlant).

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-8:**

In reference to AEP's response to JI 1-24, please provide the guidelines (state, FERC, IRS etc.) AEP uses for its journal entries to record CIAC.

**Response:**

When recording a CIAC to CWIP, the Companies follow FERC Electric Plant Instruction 2(D). When recording excess CIAC to a liability, the Companies consider CIAC received in advance of construction a liability as defined by Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Concepts No. 6, Elements of Financial Statements.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
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**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-9:**

In reference to AEP's response to JI 1-24, please state whether AEP is grossing up CIAC for taxes as required by the IRS. If not, please provide an explanation for why not.

**Response:**

AEP grosses up CIAC for taxes due when such CIAC receipts are considered taxable under Section 118 of the Internal Revenue Code (IRC).

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-10:**

In reference to AEP's response to JI 1-24, please provide (i) an explanation as to why AEP is not recording income associated with CIAC in accordance with the IRS and tax law and (ii) detailed calculations as to how AEP is complying with these laws.

**Response:**

As described within AEP's response to JI 1-24, the receipt of CIAC is not recognized as income for financial reporting purposes but rather recorded as a credit to Account 107 – CWIP.

When CIAC receipts are considered taxable under the IRC, AEP will recognize an income tax liability offset by a deferred tax asset, which represents tax basis in the property for which there is no basis for financial reporting purposes. This deferred tax asset will unwind over time as AEP recognizes depreciation expense for tax purposes for which there is no associated depreciation expense for financial reporting.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
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**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-11:**

For each OpCo and TransCo, please provide a copy of all CIAC agreements.

**Response:**

Please see GDS 2-11 CONFIDENTIAL ATTACHMENT 1.zip for a zip file containing the requested documents.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-12:**

In reference to AEP's response to 1-27, please identify the FERC account where PSO recorded revenues associated from OKT. To the extent that these revenues are included in GDS 1-27 Attachment 1, please identify the line items that represent the payments.

**Response:**

PSO records rents received from OKT in FERC Account 454 (Rent from Electric Property) for the joint use of land and land rights.

The amounts included in GDS 1-27 Attachment 1 were capitalized costs related to land and land rights, rental income received from OKT are not included in these amounts.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Rhoderick C. Griffin

**Date:** 11/22/2019

**2018 AEP West True-up  
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**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-13:**

In reference to AEP's response to 1-29, please provide a copy of the bandwidth study as requested in 1-29b.

**Response:**

Please refer to the Companies' response to GDS 1-29. The study referenced was an analysis conducted at the beginning of the program, as explained in 1-29. The study was conducted in the context of forward-looking estimates of future needed infrastructure and associated estimated cost. Please note that the term "study" in the Companies' response to GDS 1-29 was used in the sense of review or analysis. The Companies further note that the actual incurred costs associated with this program relate to telecommunications networks necessary for the operation and deployment of the applications and technologies that are required between transmission stations and from transmission stations back to company facilities such as service centers, operations centers, and general office buildings. The fiber cable is being classified as a transmission asset because it is used to control and operate equipment installed on the transmission grid. The actual costs reflected in the transmission revenue requirement for the Companies does not include the approximately 5% capital costs associated with distribution functions, and are not based on the estimate calculations described in the response to GDS 1-29, but rather on actual costs recorded in the Companies' books associated with either distribution or transmission functions, as applicable.

**Preparer of Response:** Kevin L. Amburgey

**Preparer of Response:** John A. Lowry

**Preparer of Response:** Laurie M. Spears

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-14:**

In reference to AEP's response to 1-30, please state whether AEP incurred any significant environmental remediation costs related to its other functions (i.e. production) and state whether any of those costs were included in A&G accounts. If yes, please identify the FERC account(s) and associated amounts.

**Response:**

There were no remediation costs for transmission in the A&G accounts. Environmental remediation costs related to the Companies' functions other than transmission (e.g. generation) are not reflected in transmission rates.

**Preparer of Response:** Kevin L. Amburgey

**Preparer of Response:** John A. Lowry

**Preparer of Response:** Laurie M. Spears

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-15:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 PSO 2018 350-359 Adds" tab, Column (e) - "long\_description," please provide a detailed description of the following entries:

- a. AMERICAN AIRLINE CO. CB 81-568 – In addition, please state whether (i) this was a customer requested project and (ii) if PSO received reimbursement for this project. If PSO received reimbursement, please identify the FERC accounts and associated amounts where such reimbursements were recorded and whether the depreciation expense was included in the formula rate template.
- b. BARNSDALL TAP STATION TELECOM LEGACY CIRCUIT UPGRADES – In addition, please state whether these are related to communications equipment.
- c. CANADIAN COUNTY NATURAL GAS - In addition, please state whether (i) this was a customer requested project and (ii) if PSO received reimbursement for this project. If PSO received reimbursement, please identify the FERC accounts and associated amounts where such reimbursements were recorded and whether the depreciation expense was included in the formula rate template.

**Response:**

a. This represents telecommunications facilities upgraded on the transmission system required as results of upgrades to the customer station.

a.i. No

a.ii. N/A

b. This represent communication equipment used by the transmission system.

c. This represents transmission upgrades on the through path of SPP networked facilities.

c.i. No

c.ii. N/A

**Preparer of Response:** Jeffrey L. Ellis

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-16:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 PSO 2018 350-359 Adds" tab, Column (e) - "long\_description," entries entitled "Transformer (Includes Autotransformer, Power, GSU, Station Service) – Each" that total \$3,449,787.94, please identify the GSU amounts associated with this amount and state whether these amounts were removed from the template.

**Response:**

None of the projects comprising the \$3,449,787.94 total is GSU related. The 'GSU' included in the long description field referenced in this question is included in a generic description and is not specific to these projects. Therefore, it wasn't removed from the template.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-17:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 PSO 2018 350-359 Adds" tab, Column (i) - "long\_description," please verify whether the following interconnection facilities and their associated amounts were excluded from the formula rate template. The data provided in GDS\_1-62\_Attachment\_1 was not able to confirm that these amounts were excluded.

- a. Bartlesville Southeast Sub - KG&E Interconnect 138KV Line : PSO : TL81826 \$56,566.12
- b. Craig JCT Sub - SWEPCO Interconnect Arkansas State Line 138KV Line : PSO : TL81847 \$936.22
- c. Duncan - WFEC Interconnect (Comanche) 69KV Line : PSO : TL66610 \$103.83
- d. Elk City Sub - SPS Interconnect Texas State 161KV Line : PSO : TL85100 \$49,939.78
- e. Frederick JCT - WTU Interconnect 69KV Line : PSO : TL66624 \$15,152.51
- f. Lawton Eastside Sub - OG&E Interconnect Ardmore 345KV Line: PSO : TL90916 \$69,388.29
- g. Pittsburg Sub - OG&E Interconnect Ardmore 345KV Line: PSO : TL90915 \$5,139.43
- h. Pittsburg Sub - OG&E Interconnect Ashland 345KV Line: PSO : TL90917 \$13,211.96
- i. SWPA Interconnect Tupelo Sub - Atoka Sub 138KV Line : PSO : TL81823 \$115,045.59
- j. Valliant Sub - SWEPCO Interconnect Oklahoma-Texas State Line 345KV Line: PSO : TL90905 \$33,587.57
- k. Weatherford JCT Sub - OG&E Interconnect 138KV Line : PSO : TL81535 \$49,843.74
- l. Weleetka Plant - OG&E Interconnect (Seminol) 69KV Line : PSO : TL66103 \$18,562.99
- m. Weleetka Plant - Oge Interconnect Maud Sub 138KV Line : PSO : TL81842 \$96,239.23

**Response:**

The transmission facilities listed are not required to be excluded from rates as they include interconnection points with other networked assets on the SPP system. However, as contemplated in Docket ER09-12, the Companies determined that certain feeders (a, c, e, i and k) in the list included some radial facilities. As such, the Companies have excluded a percent of the additions associated with those feeders based on the method approved in ER09-12. The remaining items were not excluded from the rates.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Jeffrey L. Ellis

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-18:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 SEP 2018 350-359 Adds" tab, Column (e) - "long\_description," please (i) identify the amount of GSU included in (a) below and (ii) verify whether the amounts in (i) and (b) below were excluded from the formula rate.

- a. Transformer (Includes Autotransformer, Power, GSU, Station Service) - Each \$212,154.23
- b. U1 - GSU TRANSFORMER REPLACEMENT \$979,498.57

**Response:**

- a. The Transformer amount in the GDS 1-31 Attachment should have been \$212,023.27. Missing in the total in the question is the \$(130.96) row for Knox Lee. This amount is in the GDS 1-130 Attachment and is included in the total amount excluded from the formula rate.
- b. The U1-GSU Transformer Replacement of \$979,498.57 was included in the GSU amount for Welsh Plant in GDS 1-130 Attachment that was provided and was excluded from the formula rate.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-19:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 SEP 2018 350-359 Adds" tab, Column (i) - "long\_description," please state whether the following interconnection facilities were removed from the formula rate template.

- a. Diana - Pirkey - GSU Interconnect 345KV Line : SEP : TL273 \$6,238.15
- b. Eureka Springs - AP&L Interconnection 161KV Line : SEP : TL188 \$9,740.58
- c. LP&L Intercon-Longwood-Wilkes-Welsh-Lydia-PSO Intercon 345KV Line (LA) : SEP : TL135 \$48,127.1
- d. Shamrock - Gray County Line (Interconnect SPS/Xcel) 115KV Line : SEP : TL296 \$1,672,341.27
- e. South Shreveport - Frierson (Cleco Interconnection) 138KV Line : SEP : TL131 \$28,590.34
- f. V B Interconnection 69KV Substation : SEP : 0042 \$389,661.19

**Response:**

The transmission facilities listed are not required to be excluded from rates as they include interconnection points with other networked assets on the SPP system.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Jeffrey L. Ellis

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-20:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 OKTr 2018 350-359 Adds" tab, Column (e) - "long\_description," entries entitled "Transformer (Includes Autotransformer, Power, GSU, Station Service) – Each" in the amount of \$7,050,408.23, please (i) identify the amount of GSUs included in these entries and (ii) verify whether the amounts in (i) were excluded from the formula rate.

**Response:**

There wasn't any GSUs included in these entries since OKTr does not have any generating plants on the company.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Cassie M. Koehler

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-21:**

In reference to AEP's response to 1-31, GDS\_1-31\_Attachment 1, "1-31 OKTr 2018 350-359 Adds" tab, Column (i) - "long\_description," entries entitled "Lone Oak Sub - SWPA Interconnect Broken Bow Dam 138KV Line : PSO : TL81835 in the amount of \$3,921.68, please verify whether these amounts were excluded from the formula rate template.

**Response:**

The transmission facility listed is not required to be excluded from rates as it is an interconnection with other networked assets on the SPP system.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** Jeffrey L. Ellis

**Preparer of Response:** Cassie M. Koehler

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-22:**

In reference to AEP's response to 1-34, GDS\_1-34\_Attachment\_1, please (i) identify which company the following plant is related to, (ii) state whether AEP has removed the following CIAC from the formula rate template, (iii) if AEP has not removed these assets, state whether AEP included the revenue offsets to have a net zero impact in each account, (iv) identify the associated depreciation expense and whether it was removed from the formula rate template and (v) demonstrate how AEP has had a net zero effect on transmission customers in accordance with FERC Audit 17-2 Ohio Power.

- a. Wildcat Hill 138kV Tap Station included in Account 39700 – Communication Equipment in the amount of \$392.79
- b. Shidler Substation included in Account 35300 – Station Equipment in the amount of \$721,820.00
- c. Shidler Substation included in Account 35300 – Station Equipment in the amount of \$118,684.64

**Response:**

- (i) All plant included in a-c is recorded to Public Service Company of Oklahoma (PSO).
- (ii) CIAC is not removed from the formula rate template. CIAC is recorded as an offset to the project costs incurred by the Company.
- (iii) CIAC is recorded as a credit to account 1070001 (CWIP) at the time the CIAC is received.
- (iv-a) Total depreciation expense recorded to account 35300 for 2018 (April to September) was \$3.38.
- (iv-b & c) The original CIAC (or reimbursement credit) was inadvertently placed in service using Transmission account 35300 (a credit to Plant in Service). It was later discovered that the reimbursement applied to a Distribution account 36200. The transfers shown in GDS\_1-34\_Attachment\_1 recorded a transfer from account 35300 (debit) to account 36200 (credit).
- (v-b & c) Transmission customers benefited from the original CIAC credit being recorded to account 35300 while the CIAC remained in service in a Transmission account.

**Preparer of Response:** Thomas J. Sulhan

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Cassie M. Koehler

**Preparer of Response:** Jason A. Cash

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-23:**

In reference to AEP’s response to 1-35, GDS Set 1-35 Attachment 1 AEPSC, “Vendor Detail Jan-Dec 2018” tab, it appears that AEP has included the following chamber of commerce and public affairs expenses in the formula rate templates:

VENDOR	ACCOUNT	AEP Oklahoma Transmission Company, Inc.	AEP Southwestern Transmission Company, Inc.	AEP Texas Company	Public Service Company of Oklahoma	Southwestern Electric Power Company
<b>TULSA REGIONAL CHAMBER</b>	9230001			109	81	106
<b>UNITED STATES CHAMBER OF COMMERCE</b>	9302000	4,596	0	33,415	22,216	34,820
<b>PUBLIC AFFAIRS COUNCIL</b>	9302000	206	0	1,562	932	1,483

Please provide the justification for recording Tulsa and U.S. chamber of commerce dues to Accounts 923 and 930.2 instead of to Account 426.5 per FERC precedent. See below FERC Staff Witness Miller’s testimony in FERC Docket No. ER17-1519-001, Exhibit No. S-0019, Page 78 and 79, which states:

The National Association of Regulatory Utility Commissioners (NARUC) Interpretation No. 49 provides guidance related to the proper account for club dues, social club dues (i.e., rotary, Kiwanis, etc.) and items of a similar nature. NARUC Interpretation No. 49 finds that these types of expenditures are chargeable to Account No. 426.5 Other deductions and that they are not to be charged to operating expenses of the utility. Exh. S-0021 at 16. The Commission has applied this guidance in the past by **requiring electric and gas companies to reclassify expenditures incurred for memberships to social clubs, service clubs and memberships for community welfare purposes from Account No. 930.2 to Account No. 426.5 Other deductions.** [bold added] Commission precedent provides for dues and other payments to community, social, and service organizations to be classified to the appropriate 426 account because these expenditures are, in general, unrelated to utility operations and proper administration of the USofA requires



that “below the line” accounting classification of such expenses be uniformly followed by all public utilities. Pacific Power & Light Co., 11 FERC

Please provide the justification for recording public affairs council dues to Account 930.2 instead of to Account 426.4 - Exp. for Certain Civic, Political & Related Activities or to the extent these represent dues/fees to Account 426.5 – Other Deductions in accordance with FERC Docket No. ER17-1519-001, Exhibit No. S-0019, Page 78 and 79 as described above.

**Response:**

Tulsa Regional Chamber was invoiced as a sponsorship but inadvertently had miscoding to an outsider services cost component, rather than the appropriate cost component 955 for Contributions & Sponsorships. Had the appropriate cost component of 955 been entered, system restrictions would have required the use of the FERC 426x accounts. Per operation of the formula, the values shown above have been allocated to transmission based on the W/S allocator.

Public Affairs Council and the U.S. Chamber of Commerce are political and business related memberships. These amounts are the non-lobbying portion of these memberships, which are recorded to 930.2 as a deductible business expense. The lobbying portion are non-taxable and recorded below the line.

**Preparer of Response:** Brian T. Lysiak

**Preparer of Response:** Brian J. Frantz

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-24:**

In reference to AEP's response to 1-37, 1-37 Attachment 1 and 2, please state whether AEP use a with and without test to determine whether NOL – Fed should be protected or unprotected. In addition, please state whether any portion of the NOL is associated with bonus depreciation. If yes, please provide the associated amounts.

**Response:**

The companies have not used a with and without test to determine if NOL - Fed should be protected or unprotected. The companies have not determined the extent to which the NOL is associated with bonus depreciation.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-25:**

In reference to AEP's response to 1-39, The AEP response to GDS 1-39 did not provide the complete journal entry transactions (i.e. double entry). It only provided one-half of the entry for each item. Second, the response does not provide a detailed listing of the ADIT items by FERC Account (190, 281, 282, 283) from the PowerTax Reports or Provision Reports detailing each ADIT item. Third, for each ADIT item in FERC Accounts 190, 281, 282, 283 AEP should state whether each item is "protected" property, "unprotected" property or "unprotected" non-property and AEP's basis from either a third party, State or FERC guidance for the Company's position. Fourth, AEP should supply the bases to include each regulatory assets/liabilities recorded in Accounts 182/254 for which AEP has included, as well as, third party guidance, which regulatory agency/body (State/FERC) provided authorization, including the cite to the authorization. Fifth, AEP should supply the bases to include the ADIT balances for each of the regulatory assets/liabilities recorded in Accounts 182/254 for which AEP has included, as well as, third party guidance, which regulatory agency/body (State/FERC) provided authorization, including the cite to the authorization. Sixth, AEP should supply the bases to include the amortization of the ADIT balances for each of the regulatory assets/liabilities recorded in Accounts 182/254 for which AEP has included, as well as, third party guidance, which regulatory agency/body (State/FERC) provided authorization, including the cite to the authorization.

**Response:**

First, GDS 1-39 Attachment 1 included the debits and credits for the initial recording of excess. These accounts are required to be used to establish regulatory assets and regulatory liabilities under accounting rules including FAS 109, but have no impact on the formula rate. This attachment also include entries to accounts where the fourth digit in the account number is a 2,3 or 4. These are to record other non formula activity. During the tax reform, the 190.4, 282.4, and 283.4 accounts (not formula rate accounts) were used to reduce the balances in ADIT for financial reporting purposes by moving the excess to regulatory assets(182) and liabilities(254), but not change the 0.1 accounts within ADIT that are used in the formula rate. This allowed AEP to continue to use worksheets C-1 and C-2 without modifying the formula rate template to bring in the 182 and 254 account into rate base. All of the offsetting debits and credits in all of those non-formula accounts are shown in the DR and CR columns in that attachment. Only activity within the "0.1 accounts" within 190.1,282.1, and 283.1 impact the formula, and there are no journal entries where one side of the entry is a 190.1, 282.1, or 283.1 account and the other side of the entry is a 182 or 254 account. The available line item level detail for the movements (line item reclassifications) within and between accounts includable in the formula rate (ie 190.1, 282.1, and 283.1) were provided in GDS 1-37 attachments.

Second, worksheets C-1 and C-2 in the formula rate template contain the available detailed listing of all of the line items in the "0.1 accounts" which are includable in the formula rate, which are 190.1, 282.1, and 283.1. Line item level detail is not maintained for the offsetting accounts for the excess balances within ADIT which are not formula rate accounts, ie the "0.2, 0.3, and 0.4" accounts, or the 182 or 254 accounts which were included in the attachments to 1-39.

Third - See GDS 2-25 Attachment 1 for the requested breakdown of which line items are protected and unprotected. This attachment represents worksheet C-1 end of year balances for each of PSO, SWEPCO, OKT and SWT with an additional column added for the protected/unprotected categorization. Some of the ADIT line items are a combination of Protected and Unprotected because those line items combine both method/life timing differences which are protected and differences arising from basis adjustments which are unprotected. "Protected property" is calculated using the average rate assumption method (ARAM). All of the line items in 282 are property related, so they are either "Protected-property", or "Unprotected-property", or some line items in 282 are a combination of the two. Every line item in 190 and 283 is considered "Unprotected Non-Property".

Fourth/Fifth/Sixth - None of the 182 or 254 accounts included in the attachments to 1-39 in which excess ADIT activity was recorded are formula rate accounts, and therefore no cites to any state or FERC authorizations for inclusion of balances or amortizations from those accounts in the formula rate are available.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** James F. Martin

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-26:**

In reference to AEP's response to 1-41, please provide copies of the Company Records and detailed calculations that support the Protected and Unprotected total balances (including each of the underlying ADIT items which comprise the total balances) and the annual amortization amounts referenced on WS C-4 Excess FIT for each OpCo and TransCo. (Specifically reconcile or tie the amounts on each OpCo and TransCo's WS C-4 Excess FIT to the AEP response to GDS 1-37 Attachments 1 and 2.)

**Response:**

The amount of unprotected amortization included in the formula rate was calculated within the formula itself on WS C-4. No additional detailed calculation is available for unprotected excess amortization. Due to the timing of receipt of the FERC order approving the amortization periods for excess ADIT in the settlement in ER194/195, the entries to record 2018 amortization based on the 5 year amortization period in the settlement did not get prepared until January 2019. As a result the Companies do not have tax reports from 2018 which tie out to the unprotected amortization.

The amount of protected amortization included in the formula rate was calculated based on ARAM. The protected balances in the formula rate also included a reclass entry that was booked in January of 2019. As a result the Companies do not have tax reports from 2018 which tie out to the protected balances.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** James F. Martin

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-27:**

In reference to PSO's response to 1-48, GDS\_1-48\_Attachment 1, please provide a detailed description and tabulation of all the items that are included in Row 51 Miscellaneous/Unallocated in the amount of \$(251,290).

**Response:**

The (\$251,290) is the balance in account 228.2 is an estimated liability balance at a point in time. The estimates in this account are to record the probable liability for injuries and damages determined by the Integrated Disability specialist each month. This balance is reversed and estimated each month. The (\$251,290) was the balance as of December 2017, which was reversed causing the credit in the detail provided.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Jason M. Yoder

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-28:**

In reference to PSO's response to 1-49, GDS\_1-49\_Attachment 1, please provide the following:

- a. Identify where the underlying expenses associated with these unfunded reserves (severance, pensions etc.) are recorded by FERC Account
- b. To the extent the expenses in (a) above are included in the formula rate template, please provide an explanation as to why PSO has not included the associated unfunded reserves on the tab "PSO WS R Unfunded Reserves."

**Response:**

See GDS 2-28 Attachment 1 in which a column was added to GDS 1-49 Attachment 1 with the offsetting accounts, along with the rationale for why individual accounts were or were not considered to be unfunded reserves. See GDS 2-30 for AEP's methodology in determining what was and wasn't an unfunded reserve based on the footnote on the template WS R.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-29:**

In reference to PSO's response to 1-50 through 1-52, please (i) state whether there are contingent liabilities included in either of these accounts and (ii) provide PSO's definition of a contingent liability and (iii) whether its definition was received from a FERC order or cite.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-30:**

In reference to PSO's response to 1-50 through 1-52, the customers disagree with PSO's assertion that "The account referenced in the question is not an account which is or could be included in formula rate cost of service, and therefore the information requested in the question has not been prepared."

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

Please provide the data as previously requested given that there are expenses and associated ADIT are included in the formula rate template associated with these unfunded reserves.

**Response:**

For the purpose of preparing AEP's formula rate, the Companies are obligated to use the definition of unfunded reserves included in the FERC-approved template. The Commission-approved definition for the AEP West companies and Transcos is in the footnote on the WS-R, which states "The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base. Include only contingent liabilities which were expensed through accounts included in formula rate cost of service."

This definition precludes liability balances in any FERC account other than 228.1-228.4 from consideration as unfunded reserves. The definition further limits unfunded reserves to "contingent liabilities" within those 228.1-228.4 accounts. As a result, amounts in accounts 232, 242, and 253 referenced in questions 1-50, 1-51, and 1-52 and the other similar questions for the other companies elsewhere in this GDS second set are not unfunded reserves.

Contingent liabilities are defined by FERC in General Instruction 15 to the Uniform System of Accounts, which states the following:

*15. Contingent Assets and Liabilities (Major Utility).*

*Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of significant contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the Commission.*

Common accruals recorded as of any balance sheet date for items like accounts payable, salaries and wages, incentive plans, medical benefit plans, and vacation pay do not fall under this definition. They are known liabilities as of the date of the balance sheet. No future conditions need to occur to cause these obligations to become obligations of the utility. The company has a known obligation based on past events, which makes them direct, non-contingent liabilities.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-31:**

In reference to PSO's response to 1-53, please verify that there are no administrative and general expenses associated with servicing customer accounts. If yes, please identify the types of customers (i.e. retail) and the associated amounts.

**Response:**

Upon further consideration of the response provided in GDS Set 1-53, the Companies note that the formula requires the balance identified as "Assigned to - Other" on page 227 of the FERC Form 1 to be allocated based on labor. The intent of this treatment is to ensure that a representative balance of this item is allocated to the transmission rate base in the formula. Based on how the Wages and Salaries allocator is developed in the formula, the inclusion of labor expenses related to Customer Accounts and Customer Service ensures that only a transmission labor share of this balance is included in the formula.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-32:**

In reference to PSO's response to 1-56, please provide a detailed description of the "Umbrellas Trust" and what the expenses represent.

**Response:**

The purpose of the umbrella trust is to provide a contingent source of funding for certain previously unfunded employee benefit obligations of AEPSC. These benefits include deferred compensation agreements and pension benefits. These plans are currently funded by the company, as a general obligation, separate from the Trust. While these future obligations are currently funded by the company, they lack the level of protection available to other post-employment benefits covered by the Employee Retirement Income Security Act. As such, the Trust was created to provide a level of protection in regard to the referenced benefits. If the company becomes unable to pay these benefits, the Trust funds would be used as a funding source for the benefits. If the company continues to fund and pay these benefits as a general obligation, as is expected, the Trust would never be used and the value of the Trust funds would be available to the company once the final benefit has been paid. This change in cash surrender value is recorded to FERC account 923.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-33:**

In reference to PSO's response to 1-66c. related to PSO WS C-1 ADIT EOY, Deferred Income Tax Balances – GL A/C 282, Line # 533J, Tx Accel Amort – Capitalized Software (Excel row 29), PSO states "This amount should have been included in cost of service. This is a plant related item applicable to all three functions, therefore the plant allocator would be the correct allocator." Please verify that PSO intends to correct this error and include the associated 282 amounts based on a "plant" allocator.

**Response:**

Any corrections, if necessary, will be made once all questions/answers are finalized.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-34:**

In reference to PSO's response to 1-67, please (i) state whether this non-deductible contribution was included in Account 926 as an expense or is this a balance sheet (i.e. no expense accounts reflected) (ii) identify the underlying FERC Account(s) (expenses or balance sheet accounts) that are associated with this ADIT (iii) the journal entries that records the assets and liabilities that resulted in the \$3,075,790 of ADIT associated with the non-deductible contribution.

**Response:**

Accrued SFAS 106 Postretirement Benefits represents contributions that were made to an Other Post Employment Benefit (OPEB) trust. These contributions are recorded to the balance sheet. PSO's deduction for the contributions are temporary disallowed.

**Preparer of Response:** Russell G. Doyle

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-35:**

In reference to PSO's response to 1-70, please (i) provide a detailed explanation as to why the transmission portion of \$6,534,881 is a positive amount and why the excluded portion is a negative \$(3,962,053) and (ii) provide the detailed supporting calculations for both balances, including the tax reports for these amounts.

**Response:**

The \$6,534,881 amount is a positive amount (debit balance) on the Transmission functional ledger because the net result of all of underlying activity to record unprotected ADIT in that account is a debit. Detail for that amount was provided in GDS 1-68 Attachment 1 cell I53. The combined balance of the unprotected ADIT in 283 for all three functions is a \$2,572,828 debit. This is the combination of the two unprotected line items on excel rows 93 and 94 of PSO's WS C-1. The \$(3,962,053) excluded amount is the generation and distribution functional component of those two unprotected line items which was shown in the excluded column on WS C-1.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-36:**

In reference to PSO's response to 1-71, the underlying revenues are not included in rates and therefore the associated ADIT should not be included in the transmission formula in accordance with Order 144, which requires ADIT included in rates to be based off expenses included in rates. Please provide the guidance (FERC or third-party) used for the inclusion of these ADIT amounts.

**Response:**

The Company disagrees with the premise that the ADIT underlying these revenues should not be included in rates. The Company must book the provisions referenced in 1-71 when there is a known over-collection of wholesale transmission revenues collected through this formula rate. The ADIT associated with the provisions is directly-related to the administration of the formula rate and should therefore be included.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-37:**

In response to PSO's response to 1-73f., 1-74f., 1-75f., 1-76f., 1-77f., 1-82f. contingent liabilities has not been defined in the formula, the Commission has ruled that any liability accrued to be paid out at a later date is considered a contingent liability. The commission does not differentiate between short-term and long-term and therefore these unfunded reserves should be included as an offset. Please provide an explanation as to how PSO is in compliance with the XEST Order.

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-38:**

In reference to PSO's response, if this is the ADIT associated with accrued severance benefits only, please identify where the associated ADIT with severance payable has been recorded in the template.

**Response:**

The Company is assuming this question relates to the response to question 1-78, which addressed severance. The ADIT is recorded in the template in worksheets C-1 and C-2.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** James F. Martin

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-39:**

In reference to PSO's response to 1-83, please identify the FERC Account(s) the expense or balance sheet account is the underlying asset/liability recorded for the FIN 48 ADIT.

**Response:**

The balance sheet account for FIN 48 DSIT is 2360702. The underlying expense account for FIN 48 DSIT is 409, which is included in the formula rate income tax expense.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** James F. Martin

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-40:**

In reference to PSO's response to 1-84, please identify the FERC Account(s) the expense or balance sheet account is the underlying asset/liability recorded for the FIN 48 DSIT ADIT.

**Response:**

The balance sheet account for FIN 48 DSIT is 2360702. The underlying expense account for FIN 48 DSIT is account 409, which is included in the formula rate income tax expense.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-41:**

In reference to PSO's response to 1-86b. and c., please provide an explanation as to how the IRS Capitalization is related to state income taxes.

**Response:**

The IRS Capitalized balance was discussed in question 1-85, not 1-86b. and c. The answer to 1-85 inadvertently said that the adjustment was state tax related. Line # 940X, IRS Capitalization Adjustment is a federal tax basis adjustment related to IRS amended federal returns. The underlying formula rate activity is in plant in service.

**Preparer of Response:** Russell G. Doyle

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** James F. Martin

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-42:**

In reference to PSO's response to 1-86, please provide all the transaction entries for the withdrawal discussed in part c. and the reimbursement of \$2,678,759 exhibiting what accounts were affected.

**Response:**

Funds were received for the Medicare Part D subsidy and cash was paid to the medical trust as a contribution. The journal entry would be 1310000 CASH and 1650035 PREPAID for PRW.

**Preparer of Response:** Russell G. Doyle

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-43:**

In reference to OKT's response to 1-90 and 1-91, please (i) state whether there are contingent liabilities included in either of these accounts and (ii) provide SWEPCO's definition of a contingent liability and (iii) whether its definition was received from a FERC order or cite.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Rhoderick C. Griffin

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-44:**

In reference to OKT's response to 1-90 and 1-91, which references 1-50, the customers disagree with OKT's assertion that "The account referenced in the question is not an account which is or could be included in formula rate cost of service, and therefore the information requested in the question has not been prepared."

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

Please provide the data as previously requested given that there are expenses and associated ADIT are included in the formula rate template associated with these unfunded reserves.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-45:**

In reference to OKT's response to 1-98, please (i) provide a detailed explanation as to why the transmission portion of \$4,975,441 is a positive amount and why the excluded portion is a negative \$(1,474,997) and (ii) provide the detailed supporting calculations for both balances, including the tax reports for these amounts.

**Response:**

See response GDS 2-35.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-46:**

In reference to OKT's response to 1-99, the underlying revenues are not included in rates and therefore the associated ADIT should not be included in the transmission formula in accordance with Order 144, which requires ADIT included in rates to be based off expenses included in rates. Please provide the guidance (FERC or third-party) used for the inclusion of these ADIT amounts.

**Response:**

The Company disagrees with the premise that the ADIT underlying these revenues should not be included in rates. The Company must book the provisions referenced in 1-99 when there is a known over-collection of wholesale transmission revenues collected through this formula rate. The ADIT associated with the provisions is directly-related to the administration of the formula rate and should therefore be included.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-47:**

In reference to OKT's response to 1-100, the underlying accounts associated with this item are balance sheet accounts that are not included in rates and therefore the associated ADIT should not be included in the transmission formula in accordance with Order 144, which requires ADIT included in rates to be based off expenses included in rates. Please provide the guidance (FERC or third-party) used for the inclusion of these ADIT amounts.

**Response:**

The Company disagrees with the statement in the question that the underlying activity which gives rise to this ADIT is not included in rates. Per item a of the response to 1-100, the underlying formula rate expense to which this ADIT relates is recorded in account 923, which is a component of A&G expense in the formula. This item is properly includable in the transmission ADIT balance.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-48:**

In reference to OKT's response to 1-101, please identify the FERC Account(s) the expense or balance sheet account is the underlying asset/liability recorded for the DSIT Entry – Normalized ADIT.

**Response:**

The expense account for DSIT Entry - Normalized is 410 and 411.

**Preparer of Response:** Rhoderick C. Griffin

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-49:**

In reference to PSO's response to 1-48 Attachment, Line 15 - Corp HR Admin Benefits in the amount of \$166,989 and SWEPCO's response to 1-104 Attachment, Line 14 - Corp HR Admin Benefits in the amount of \$(251,691), please provide an explanation as to why these are "opposite" signs if both companies are getting allocated Corporate Benefits.

**Response:**

The signs are different due to normal true-up of claims older than 1 year. The operating companies do not always have a true up or adjustment; PSO had a true-up while SWEPCO did not.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Jason M. Yoder

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-50:**

In reference to SWEPCO's response to 1-104, GDS\_1-104\_Attachment 1, please provide a detailed description and tabulation of all the items that are included in Row 58 Miscellaneous/Unallocated in the amount of \$(88,569).

**Response:**

The balance on Row 58-Miscellaneous/Unallocated in the amount of \$(88,569) is the ending balance/balance forward from the prior year.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-51:**

In reference to SWEPCO's response to 1-105, GDS\_1-105\_Attachment 1, please provide the following:

- a. For each journal entry please state whether at December 31, 2018 these were in a restricted, escrow, trust, rabbi trust or general account. If there are multiple accounts, please provide the associated balances with each.
- b. Identify when each in (a) above were transferred to each account (restricted, escrow, trust, rabbi trust).
- c. For each journal entry, identify where the underlying expenses associated with are recorded by FERC Account.
- d. To the extent the expenses in (c) above are included in the formula rate template, please provide an explanation as to why SWEPCO has not included the associated unfunded reserves on the tab "SWEPCO WS R Unfunded Reserves."

**Response:**

- a. See attachment GDS Set 2-51 - Qa-41020 - Attachment 1.xlsx The various activity included in the 228.3 accounts is recorded in both trust assets and in the general assets of the company.
- b. See the Companies' response to GDS 2-34.
- c. See attachment GDS Set 2-51 - QA-41020 - Attachment 1.xlsx
- d. See the Companies' response to GDS 2-28.

**Preparer of Response:** Russell G. Doyle

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-52:**

In reference to SWEPCO's response to 1-106 and 1-107, please (i) state whether there are contingent liabilities included in either of these accounts and (ii) provide SWEPCO's definition of a contingent liability and (iii) whether its definition was received from a FERC order or cite.

**Response:**

See the Company's response to GDS 2-30.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-53:**

In reference to SWEPCO's response to 1-106 and 1-107, the customers disagree with SWEPCO's assertion that "The account referenced in the question is not an account which is or could be included in formula rate cost of service, and therefore the information requested in the question has not been prepared."

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

Please provide the data as previously requested given that there are expenses and associated ADIT are included in the formula rate template associated with these unfunded reserves.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-54:**

In reference to SWEPCO's response to 1-121 (the initial question was meant to reference SWEPCO), please verify that there are no administrative and general expenses associated with servicing customer accounts. If yes, please identify the types of customers (i.e. retail) and the associated amounts.

**Response:**

Upon further consideration of the response provided in GDS Set 1-121, the Companies notes that the formula requires the balance identified as "Assigned to - Other" on page 227 of the FERC Form 1 to be allocated based on labor. The intent of this treatment is to ensure that a representative balance of this item is allocated to the transmission rate base in the formula. Based on how the Wages and Salaries allocator is developed in the formula, the inclusion of labor expenses related to Customer Accounts and Customer Service ensures that only a transmission labor share of this balance is included in the formula.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-55:**

In reference to SWEPCO's response to 1-123, please provide a detailed listing of every entry and associated amount included in each category provided in this response. This response should include detailed journal entries.

**Response:**

See Attachment GDS 2-55 for the detailed listing of transactions supporting SWEPCO's response 1-123.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-56:**

In reference to SWEPCO's response to 1-124, please provide a detailed listing of every entry and associated amount included in each category provided in this response. This response should include detail of the vendor for any outside services and detailed journal entry descriptions.

**Response:**

Please see GDS 2-56 Attachment 1

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-57:**

In reference to SWEPCO's response to 1-125, SWEPCO indicates that the increase in property insurance is "driven by 2017 insurance proceeds received for damaged property." The proceeds received would have decreased the amounts included in this account, please provide a detailed description of what the driver in the increase is related to.

**Response:**

The proceeds noted in SWEPCO's response to 1-125 refer to proceeds received in 2017, not 2018. The proceeds received in 2017 reduced the expenses in 2017; therefore, when comparing the 2017 to 2018, the 2018 expense increase was inflated by the proceeds decreasing the 2017 expenses.

**Preparer of Response:** Monica R. Parker

**Preparer of Response:** Drew M. Dyer

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-58:**

In reference to SWEPCO's 1-136, please provide the balance sheet accounts to which SWEPCO recorded the original transaction for the Reg Asset - SFAS 158 – OPEB which is the underlying asset for this ADIT amount. State whether this underlying asset has been recorded as an addition to rate base in the transmission formula rate.

**Response:**

The OBEB accounting is recorded to 165 and 129 accounts that offset the 228.3 account. These are not included in rate base.

**Preparer of Response:** Russell G. Doyle

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-59:**

In reference to SWEPCO's response to 1-137, please (i) state whether this non-deductible contribution was included in Account 926 as an expense or is this a balance sheet (i.e. no expense accounts reflected) (ii) identify the underlying FERC Account(s) (expenses or balance sheet accounts) that are associated with this ADIT (iii) the journal entries that records the assets and liabilities that resulted in the \$3,441,111 of ADIT associated with the non-deductible contribution.

**Response:**

See response GDS 2-34

**Preparer of Response:** Russell G. Doyle

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-60:**

In reference to SWEPCO's response to 1-139, the underlying revenues are not included in rates and therefore the associated ADIT should not be included in the transmission formula in accordance with Order 144, which requires ADIT included in rates to be based off expenses included in rates. Please provide the guidance (FERC or third-party) used for the inclusion of these ADIT amounts.

**Response:**

Please see GDS Question 2-36.

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019



**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-61:**

In reference to SWEPCO's response to 1-141f., 1-142f., 1-143f., 1-144f., 146f., 147f., contingent liabilities has not been defined in the formula, the Commission has ruled that any liability accrued to be paid out at a later date is considered a contingent liability. The commission does not differentiate between short-term and long-term and therefore these unfunded reserves should be included as an offset. Please provide an explanation as to how PSO is in compliance with the XEST Order.

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

**Response:**

Please see the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-62:**

In reference to SWEPCO's response to 1-149b. and c., which references 1-86b. and c., please provide an explanation as to how the IRS Capitalization is related to state income taxes.

**Response:**

See response GDS 2-41.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-63:**

In reference to SWEPCO's response to 1-150, please provide support for each of the 4 bullet points, including detailed listing of the individual ADIT items from the PowerTax Reports for the "Final Balances" of the Excess ADIT by category, Protected Property, Unprotected Property and Unprotected Non-Property.

**Response:**

See GDS 2-63 Attachment 1.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-64:**

In reference to SWT's response to 1-159 and 1-160, which reference 1-50, please (i) state whether there are contingent liabilities included in either of these accounts and (ii) provide SWT's definition of a contingent liability and (iii) whether its definition was received from a FERC order or cite.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Rhoderick C. Griffin

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-65:**

In reference to SWT's response to 1-159 and 1-160, which references 1-50, the customers disagree with SWT's assertion that "The account referenced in the question is not an account which is or could be included in formula rate cost of service, and therefore the information requested in the question has not been prepared."

The Commission addressed the inclusion of unfunded reserves as a rate base reduction in a proceeding involving the formula rate template for Xcel Energy Southwest Transmission Company LLC ("XEST"). In XEST, the Commission stated:

[W]e find that XEST's formula rate template should recognize unfunded operations and maintenance costs reserves as a form of cost-free financial capital to XEST. Utilities may accrue monies through charges to operation and maintenance expense to fund contingent liabilities, and such accrued reserves should be deducted from rate base until they are used to fund the liabilities because such reserves represent a cost-free from [sic] of financial capital from customers to utilities not unlike accumulated deferred income taxes (ADIT) which are deducted from rate base. Accordingly, we direct XEST, in a compliance filing, to propose revisions to its formula rate template to credit any unfunded reserves against rate base. (XEST, 149 FERC ¶ 61,182 at P 97.)

Please provide the data as previously requested given that there are expenses and associated ADIT are included in the formula rate template associated with these unfunded reserves.

**Response:**

See the Companies' response to GDS 2-30.

**Preparer of Response:** Jason M. Yoder

**Preparer of Response:** James F. Martin

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-66:**

In reference to SWT's response to 1-163, please identify the FERC Account(s) the expense or balance sheet account is the underlying asset/liability recorded for the DSIT Entry – Normalized ADIT.

**Response:**

See response GDS 2-48.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** David A. Hodgson

**Date:** 11/22/2019

**2018 AEP West True-up  
FERC Docket No ER18-195**

**Responses to AECC-GSEC-ETNC  
Set GDS-2 of Data Requests**

**Data Request GDS Set 2-67:**

In reference to SWT's response to 1-165, which references 1-100, the underlying accounts associated with this item are balance sheet accounts that are not included in rates and therefore the associated ADIT should not be included in the transmission formula in accordance with Order 144, which requires ADIT included in rates to be based off expenses included in rates. Please provide the guidance (FERC or third-party) used for the inclusion of these ADIT amounts.

**Response:**

Please see GDS Question 2-47.

**Preparer of Response:** Allyson L. Keaton

**Preparer of Response:** Jeffrey S. Dornsife

**Preparer of Response:** Emily K. Brown

**Date:** 11/22/2019