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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

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APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES § OF TEXAS

**COMMISSION STAFF'S NINTH REQUEST FOR INFORMATION
TO SOUTHWESTERN ELECTRIC POWER COMPANY
QUESTION NOS. STAFF 9-1 THROUGH STAFF 9-24**

Pursuant to 16 Texas Administrative Code (TAC) § 22.144 of the Commission's Procedural Rules, the Staff of the Public Utility Commission of Texas (Staff) requests that Southwestern Electric Power Company (SWEPCO) and through its attorneys of record, provide the following information and answer the following question(s) under oath. The question(s) shall be answered in sufficient detail to fully present all of the relevant facts, within the time limit provided by the Presiding Officer or within 20 days, if the Presiding Officer has not provided a time limit. Please copy the question immediately above the answer to each question. These question(s) are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.

Provide responses to the Requests for Information by filing with the Commission solely through the Interchange on the Commission's website and provide notice, by email, to all other parties that the pleading or document has been filed with the Commission, unless otherwise ordered by the presiding officer pursuant to the Order Suspending Rules in Docket No. 50664.

Dated: January 26, 2021

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on January 22, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Robert Dakota Parish
Robert Dakota Parish

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**COMMISSION STAFF'S NINTH REQUEST FOR INFORMATION
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DEFINITIONS

- 1) "SWEPCO" or "Company" or "you" refers to Southwestern Electric Power Company, and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representatives, employees or other persons.

- 2) "Document" includes any written, recorded, or graphic matter, however produced or reproduced, including but not limited to correspondence, telegrams, contracts, agreements, notes in any form, memoranda, diaries, voice recording tapes, microfilms, pictures, computer media, work papers, calendars, minutes of meetings or other writings or graphic matter, including copies containing marginal notes or variations of any of the foregoing, now or previously in your possession. In the event any documents requested by this Request for Information have been transferred beyond the Company's control, describe the circumstances under which the document was destroyed or transferred and provide an exact citation to the subject document. In the event that documents containing the exact information do not exist, but documents do exist which contain portions of the required information or which contain substantially similar information, then the definition of "documents" shall include the documents which do exist, and these documents will be provided.

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INSTRUCTIONS

- 1) Pursuant to 16 TAC § 22.144(c)(2), Staff requests that answers to the requests for information be made under oath.
- 2) Please copy the question immediately above the answer to each question. State the name of the witness in this cause who will sponsor the answer to the question and can vouch for the truth of the answer.
- 3) These questions are continuing in nature, and if there is a relevant change in circumstances, submit an amended answer, under oath, as a supplement to your original answer.
- 4) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall also be taken to mean and include the plural.
- 5) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.
- 6) If any document is withheld under any claim of privilege, please furnish a list identifying each document for which a privilege is claimed, together with the following information: date, sender, recipients or copies, subject matter of the document, and the basis upon which such privilege is claimed.
- 7) Pursuant to 16 TAC § 22.144(h)(4), if the response to any request is voluminous, please provide a detailed index of the voluminous material.
- 8) Staff requests that each item of information be made available as it is completed, rather than upon completion of all information requested.

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QUESTION NOS. STAFF 9-1 THROUGH STAFF 9-24**

- Staff 9-1** Please identify all expenses related to Docket No. 49737 incurred during the test period by SWEPCO (directly and allocated by affiliates). If not reported on Schedule G-14, provide the location of such expenses in SWEPCO's request in this proceeding by schedule number, line number, and FERC account. If not included in SWEPCO's request, please identify where such amounts are removed or in which FERC account such costs are recorded on Schedule A-4 (trial balance).
- Staff 9-2** Refer to the response to OPUC 5-7, Attachment 1. Please similarly identify all costs related to the H.W. Pirkey Power Plant that are included in SWEPCO's requested cost of service.
- Staff 9-3** Refer to the SWEPCO news release on 11/5/2020 titled "SWEPCO to end coal operations at two plants, upgrade a third." What is the current estimated date in 2023 for the retirement of the H.W. Pirkey plant?
- Staff 9-4** Please refer to Exhibit MAB-4 to the testimony of Michael A. Baird and please provide the following:
- a) The source of the amounts in the column titled "Accumulated Depr"
 - b) The accumulated depreciation balance by account excluding the additional GAAP depreciation recorded by SWEPCO
 - c) A reconciliation of the amounts reported in the column titled "Allocated CWIP" to Schedule C-4.1
 - d) The source of the depreciation rates in the column titled "Depreciation Rates" and a reconciliation of the rates to the current test-year rates shown in column (5) of Schedule D-4
 - e) The source and supporting documentation for the amount of \$10,740,383 labeled "Demo Estimate." Is such amount recorded on SWEPCO's books? If it was recorded at test-year end, please provide the account number on Schedule A-4 where it is recorded.
- Staff 9-5** Refer to SWEPCO's responses to Staff 5-27 and Staff 5-31. Please provide a reconciliation by FERC account for the amounts reported in the column labeled

“Test Year” in the response to Staff 5-27 and the amounts in the column labeled “Per Books” for AEP Service Corporation in the response to Staff 5-31. If the two items cannot be reconciled because they represent different types of expenses, please provide a detailed explanation.

Staff 9-6 Refer to SWEPCO’s response to Staff 5-32. Please confirm that all amounts reported are included in the Company’s requested revenue requirement. If confirmed, please provide the location of such expenses in SWEPCO’s request in this proceeding by schedule number, line number, and FERC account. For each separate amount identified in this response that is included in SWEPCO’s requested revenue requirement, please provide the total amount billed to all AEP companies combined (including SWEPCO). If not included in SWEPCO’s requested cost of service, please provide a reference to the associated pro forma adjustment by amount that was removed.

Staff 9-7 Refer to the response to Staff 5-55. Please provide separately the amount of the estimated \$180 million in potential fuel savings by year classified as reconcilable fuel and base rate fuel expenses.

Staff 9-8 Please provide separately the amount of fuel expenses incurred for the Dolet Hills power plant included in reconcilable fuel expenses for the test year and the amount included in the requested base rate revenue requirement by FERC account.

Staff 9-9 Refer to the response to Staff 5-62.

- a) What is the amount of equity SWEPCO has invested in Dolet Hill Lignite Company?
- b) Assuming Dolet Hills power plant closes as currently expected by 12/31/2021, when does SWEPCO anticipate it will receive its equity investment back?
- c) What are the estimated reclamation costs?
- d) What amount of the estimated reclamation costs have already been recovered from SWEPCO ratepayers through fuel expense or otherwise? Provide amounts by year.

Staff 9-10 Refer to the Unanimous Modified Settlement Agreement filed 1/10/2020 with the Arkansas Public Service Commission in Docket No. 19-008-U. Please provide copies of all filings related to the agreement to retire the Dolet Hills plant consistent with Item 6C of that agreement which states in part, “The Company commits to make the necessary filings at least 12 months prior to the retirement date and will inform the parties of the date certain for said filing as soon as practical after consultation with its co-owner.” If the Company has made no such

filings, explain why not if it expects a retirement date of no later than December 31, 2021 for the Dolet Hills plant.

- Staff 9-11** Does SWEPCO's proposed adjustment to remove test year operations and maintenance expenses associated with the Knox Lee, Lone Star, and Lieberman plants include property insurance expenses? If not, please provide the amount of test year property insurance included in the requested revenue requirement for each plant.
- Staff 9-12** Please provide electronic workbooks for Schedule G-7.4 (and all G-7.4 related sub-schedules) that have been corrected to remove all "#REF!" errors throughout. If already provided, please identify where they were provided.
- Staff 9-13** Please refer to electronic workbook titled G-7 NC Federal Income Tax (no G-7.3), the sheet labeled "G 7.4b CALCULATIONS" and provide the dollar value that is supposed to be in cell F34 (labeled "To adjust for a Stand-Alone Federal Net Operating Loss).
- Staff 9-14** Please provide each individual pro forma adjustment made by schedule number, line number, and FERC account number to the test year end actual balances (per the 3/31/20 trial balance at Schedule A-4) to reflect SWEPCO's requested stand-alone accumulated deferred federal income tax asset related to the NOL carryforward.
- Staff 9-15** Please provide each individual adjustment to SWEPCO's request by schedule number, line number, and FERC account number that would be necessary to reflect the actual accumulated deferred federal income tax asset related to the NOL carryforward recorded on SWEPCO's books at test year end (per the 3/20/20 trial balance at Schedule A-4).
- Staff 9-16** Does SWEPCO's proposed pro forma adjustment to use the stand-alone accumulated deferred federal income tax asset related to the NOL carryforward impact the balance of either protected or unprotected excess ADFIT in any way? If so, please provide a detailed explanation and amounts with supporting calculations.
- Staff 9-17** Please provide a copy of the AEP and subsidiary companies federal income tax sharing agreement.
- Staff 9-18** Refer to Schedule G-7.3b of the rate filing package filed by SWEPCO in Docket No. 46449 at lines 15-20 which states, "*The consolidated regular tax is allocated among the members of the group based on the ratio of each member's separate return corporate taxable income to the total separate return corporate taxable*

income. With the exception of the parent company, each member of the group having a separate return corporate taxable loss will be included in the allocation of the regular consolidated tax and will receive current payment for the reduction in the regular consolidated tax liability resulting from the inclusion of the losses in the consolidated return.” Has this provision of the tax sharing agreement changed since the test year in Docket No. 46449? If it was changed, how and why was it changed?

Staff 9-19 Were any of SWEPCO’s taxable losses reported on Schedule G-7.13(f) used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group? If so, please provide the amount of SWEPCO taxable losses utilized by year and the balance remaining at the end of each year.

Staff 9-20 Refer to the answer to question Staff 9-19.

- a) If any of SWEPCO’s taxable losses were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, has SWEPCO received any payments or other compensation from its parent or affiliates for the use of such losses?
- b) If SWEPCO has received payments or compensation for the use of such losses, please provide by year the amounts received by affiliate and provide detailed calculations with explanations of how such amounts were determined.
- c) Please provide the journal entries recorded by SWEPCO related to each payment received.
- d) If SWEPCO received such payments during the test year, where are they reflected in SWEPCO’s requested revenue requirement and where are they reflected on Schedule A-4 (3/31/20 trial balance)?
- e) If SWEPCO received such payments during the test year and the payments are not reflected in its requested revenue requirement, why not?
- f) If any of SWEPCO’s taxable losses reported on Schedule G-7.13(f) were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, and SWEPCO did not receive compensation for the use of such taxable net operating losses, why did it not receive compensation?

Staff 9-21 Refer to the Commission’s Order on Rehearing in Docket No. 46449. Please provide the amount of the NOL accumulated deferred income tax asset actually recorded on SWEPCO’s books at the end of the test year in that proceeding and the amount of the SWEPCO stand-alone NOL accumulated deferred income tax asset at the same date. Please also provide the amount of the NOL accumulated deferred income tax asset that was reflected in the rate base used to set rates approved in that order. If the amount was any other amount than the actual test-

year and book amount, please identify the evidence (testimony, etc.) presented in that proceeding for the use of a different amount.

Staff 9-22 Refer to the SWEPCO news release dated 10/14/2020 titled “SWEPCO Proposes Rate Change for Texas Customers.” With respect to the sentence that reads “*It also includes costs related to generating unit retirements, increased tax costs related to accelerated depreciation, and additional funds for vegetation management.*” Please provide a detailed explanation of how accelerated depreciation increases tax costs for SWEPCO’s ratepayers.

Staff 9-23 Please refer to the response to Staff 5-53 and provide a detailed explanation and justification for why expenses related to insurance policies for primarily former employees of the service company, AEPSC, are reasonable and necessary for the provision of electric service by SWEPCO and for inclusion in its revenue requirement. Your answer should include a list of the covered employees (including titles and what services they are providing or have provided to SWEPCO) and the types and amounts of insurance coverage for each.

Staff 9-24 Refer to response to Staff 5-65, Attachment 1.

- a) For the item with the location/description “Capitalized Software Fully Depreciated: SEP: 9303FD” with a total cost of \$10,871,694.73 and \$0 of test year amortization expense, please provide an explanation and justification for the requested inclusion of \$1,855,749.93 of amortization requested for this item.
- b) For the item with location/description “Capitalized Software – Oracle: SEP: 9303ORA” with a cost of \$12,638,903.77 and \$1,264,025.22 of test year amortization, please provide a detailed explanation and justification for the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$893,379.63 given that the amortization period is 10 years.
- c) For the item with location/description “Capitalized Software – Maximo. SEP: 9303MAX” with a cost of \$16,948,195.48 and \$281,834.94 of test year amortization, please provide a detailed explanation and justification for the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$2,611,146.63 given that the amortization period is 15 years.