



Control Number: 51415



Item Number: 199

Addendum StartPage: 0

SOAH DOCKET NO. 473-21-0583  
PUC DOCKET NO. 51415



APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

EAST TEXAS ELECTRIC COOPERATIVE, INC.  
AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
FIRST REQUEST FOR INFORMATION TO  
SOUTHWESTERN ELECTRIC POWER COMPANY

**TO:** Southwestern Electric Power Company, by and through its attorneys of record, William Coe , Kerry McGrath, and Patrick Pearsall, Duggins Wren Mann & Romero, LLP, PO Box 1149, Austin, TX 78767; and

Melissa Gage and Leila Melhem, American Electric Power Service Corporation, 400 West 15<sup>th</sup> Street, Suite 1520, Austin, TX 78701

**NOW COMES** East Texas Electric Cooperative, Inc. (“ETEC”), and Northeast Texas Electric Cooperative, Inc. (“NTEC”) by and through its attorneys of record, and requests that Southwestern Electric Power Company (“SWEPCO”) provide all the information requested and to answer under oath the questions propounded herein. The questions should be answered in the order in which they are asked and in sufficient detail to fully present all of the relevant facts.

**Instructions**

Please copy the question immediately above the answer to each and indicate at the bottom of each answer the name and job title of the person, other than counsel, chiefly responsible for preparation of the answer. Also state the name of the witness in this proceeding who will sponsor the answer to the question and who can vouch for the truth and veracity of the response given.

If any question appears confusing, please request clarification from the attorneys of record.

If SWEPCO asserts that any documents responsive to any request have been discarded or destroyed and are thus not available, state when, and explain why any such document was destroyed or discarded and identify the person directing the destruction or discarding; provide all documents relating to any criteria or procedure of the company under which such document was discarded or destroyed.

If SWEPCO assets documents are under claim of privilege, please furnish a list identifying each document for which privilege is claimed, together with the following information: date, sender, recipient, recipient of copies, subject matter of document, and the basis upon which such privilege is claimed. Please also further support the privilege that you claim, with reference to applicable decisions and Attorney General Opinions.

If SWEPCO assets documents are protected from disclosure under the protective order, you must specifically state the provision of the Government Code that applies to the particular documents sought, and explain why the exception applies. A contention that information is excepted from disclosure in accordance with Section 552.101 should specifically identify the law, statute, or judicial decision that makes the information confidential. A contention that a document is protected under Section 552.104 or Section 552.110(b) requires a showing of some actual or specific harm in a particular competitive situation; a generalized allegation that a competitor will gain an unfair advantage will not suffice. ORD 541 at 4 (1990); ORD 661 at 5-6 (1999). A contention that a document is confidential under 552.110(a) should show that the information meets the definitions of a trade secret. ORD 552 at 2 (1990); ORD 402 (1983); Section 757, Restatement of Torts. as adopted by the Texas Supreme Court in *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex.), *cert. denied*, 358 U.S.898 (1958). See also OR2002-3953 (2002).

These questions and requests are continuing in nature and should there be a change in circumstances, which would modify or change an answer supplied, then in such event you are requested to change or modify such answer under oath and to submit such changed answer as a supplement to your original answer.

#### DEFINITIONS

For the purpose of this request for information, the expressions set forth below shall have the following meanings:

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

(2) "AEP" refers to American Electric Power, and its affiliates, subsidiaries, and any person acting or purporting to act on their behalf, including without limitation, attorneys, agents, advisors, investigators, representative, employees or other persons.

(3) “You,” “your,” “yours,” and “Company” refer collectively to SWEPCO and AEP, including its officers, directors, agents, attorneys, consultants, employees, representatives, any other person or entity acting or purporting to act on their behalf.

(4) “Application” refers to the Application and supporting testimony, schedules and other documents submitted by SWEPCO and AEP in PUC Docket No. 51415.

(5) “Document” and “documents” are used in their broadest sense to include, by way of illustration and not limitation, all written or graphic matter of every kind and description whether printed, produced or reproduced by any process whether visually, magnetically, mechanically, electronically or by hand, whether final or draft, original or reproduction, whether or not claimed to be privileged or otherwise excludable from discovery, and whether or not in your actual or constructive possession, custody, or control. The terms include writings, correspondence, telegrams, memoranda, studies, reports, surveys, statistical compilations, notes, calendars, tapes, computer disks, data on computer drives, including, but not limited to memoranda, notes, analyses, minutes, records, photographs, correspondence, telegrams, electronic mail (email), cards, computer storage device or any other media, recordings, contracts, agreements, invoices, licenses, diaries, journals, accounts, pamphlets, books, ledgers, publications, microfilm, microfiche, drafts, bookkeeping entries, financial statements, tax returns, checks, check stubs, reports, studies, charts, graphs, statements, notebooks, handwritten notes, applications, contracts, agreements, books, pamphlets, periodicals, appointment calendars, records and recordings of oral conversations, work papers, observations, commercial practice manuals, reports and summaries of interviews, reports of consultants, appraisals, forecasts, tape recordings, or any form of recording that is capable of being transcribed into written form, and any other data compilations from which information can be obtained and translated, by you if necessary, into reasonably usable form. “Document” or “documents” shall also include every copy of a document where the copy contains any commentary or notation of any kind that does not appear on the original or any other copy.

(6) The terms “and” and “or” shall be construed both disjunctively and conjunctively as necessary to make the request inclusive rather than exclusive.

(7) “Each” shall be construed to include the word “every” and “every” shall be construed to include the word “each.”

(8) “Any” shall be construed to include “all” and “all” shall be construed to include “any.”

(9) The term “concerning” or one of its reflections, includes the following meanings: relating to; referring to; pertaining to; regarding; discussing; mentioning; containing; reflecting; evidencing; describing; showing; identifying; providing; disproving; consisting of; supporting; contradicting; in any way legally, logically or factually connected with the matter to which the term refers; or having a tendency to prove or disprove the matter to which the term refers.

(10) The term “including” or one of its inflections, means and refers to “including but not limited to.”

(11) “Relate to,” “regarding,” “concerning” and similar terms mean addressing, analyzing, referring, discussing, mentioning in any way, explaining, supporting, describing, forming the basis for, or being logically or causally connected in any way with the subject of these discovery requests.

(12) “Provide the basis,” “state the basis,” or “explain the basis” means provide all information on or describe every fact, statistic, inference, estimate, consideration, conclusion, study, and analysis known to SWEPCO/AEP that was relied upon in support of the expressed contention, proposition, conclusion or statement.

(13) Words used in the plural shall also be taken to mean and include the singular. Words used in the singular shall be also taken to mean and include the plural.

(14) The present tense shall be construed to include the past tense, and the past tense shall be construed to include the present tense.

(15) If any document is withheld under any claim of privilege, please furnish a list identifying each documents for which a privilege is claimed, together with the following information: date, sender, recipients of copies, subject matter of the document, and the basis upon which such privilege is claimed.

(16) If the response to any request is voluminous, please provide a detailed index of the voluminous material, pursuant to PUC PROC. R. 22.144(h)(4).

(17) If the information requested is included in previously furnished exhibits, workpapers, and responses to other discovery inquiries or otherwise, in hard copy or electronic format, please furnish specific references thereto, including Bate Stamp page citations and detailed cross-references.

(18) “Commission” and “PUC” means the Public Utility Commission of Texas; and

(19) “Staff” means the professional staff of the Public Utility Commission of Texas.

The requests for information are set forth on the attached list.

Respectfully Submitted,

/s/ Jacob Lawler

Mark C. Davis  
State Bar No. 05525050  
Adrienne M. Waddell  
State Bar No. 24098556  
Jacob J. Lawler  
State Bar No. 24076502  
**HOLLAND & KNIGHT, LLP**  
111 Congress Avenue, Suite 540  
Austin, Texas 78701  
(512) 472-1081 OFFICE  
(512) 472-7473 FAX

William H. Burchette  
DC Bar No. 957308  
W. Patrick Burchette  
DC Bar No. 1010944  
F. Alvin Taylor  
DC Bar No. 468545  
**HOLLAND & KNIGHT, LLP**  
800-17<sup>th</sup> Street, N.W., Suite 1100  
Washington, DC 20006  
(202) 955-3000 OFFICE  
(202) 955-5564 FAX

**ATTORNEYS FOR EAST TEXAS ELECTRIC COOPERATIVE, INC.  
AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing document, **ETEC/NTEC's First Request For Information to Southwestern Electric Power Company**, was hand delivered, electronic transmission, faxed and/or mailed this 19<sup>th</sup> day of February 2021, by First Class, U.S. Mail, postage pre-paid to all parties of record.

/s/ Jacob Lawler  
Jacob Lawler

**SOAH DOCKET NO. 473-21-0583  
PUC DOCKET NO. 51415**

**APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**EAST TEXAS ELECTRIC COOPERATIVE, INC.  
AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
FIRST REQUEST FOR INFORMATION TO  
SOUTHWESTERN ELECTRIC POWER COMPANY**

- 1-1 SWEPCO's proposed cost of service is based on a test year ending March 31, 2020. Please list any accounting errors, corrections, or modifications identified after March 31, 2020 to accounts used in SWEPCO's proposed cost of service.
- 1-2 Please identify any changes in accounting policy or practice in 2018, 2019, or 2020 that impact the accounting classification, measurement, or capitalization of items included in SWEPCO's proposed cost of service.
- 1-3 Please identify all contingency liabilities accrued during the test year ending March 31, 2020 that were recorded using operating expense accounts. For each contingent liability, please discuss the circumstances giving rise to the liability, the expense and liability account charged, and the amount. In addition, please explain whether the accrued expense is included in the revenue requirement and the contingent liability and associated deferred tax balances included in rate base.
- 1-4 Please provide a list of all penalties assessed against SWEPCO or billed to SWEPCO from AEPSC or other affiliates recorded in an operating expense ("above the line") account during the test year ending March 31, 2020. Penalties include, but are not limited to, penalties from taxing authorities, civil penalties, environmental penalties, and NERC and reliability compliance penalties. For each item discuss the circumstance giving rise to the penalty and the amount recorded as expense.
- 1-6 In reference to SWEPCO's 2019 FERC Form No. 1, Page 120, Line 18 (a), the supporting footnote lists "Other" increases and decreases to cash flow from operating activities. Please provide a detailed listing of the items that comprise:
- a. Accrued Utility Revenues, Net – (4,475,227)
  - b. Other Deferred Debits, Net – (8,753,225)
  - c. Accumulated Provisions – Misc – (14,156,593)
  - d. Current and Accrued Liabilities, Net – 10,097,215

- 1-7 In reference to SWEPCO's 2019 FERC Form No. 1, Page 123.6, SWEPCO discusses the classification of interest on regulated finance leases as operating expenses instead of other income (expense). Please discuss the accounting basis for recording interest on finance leases to operating expense accounts and relevant support in the FERC accounting regulations and precedent. Also, please provide the accounts, with associated amounts, for interest on finance leases during the test year ending March 31, 2020.
- 1-8 Please discuss SWEPCO's accounting for all lease expenses in the FERC Form No. 1. The discussion should explain SWEPCO's accounting for lease payments and all other expenses related to any type of lease.
- 1-9 SWEPCO's proposes to amortize the undepreciated value of the Dolet Hills production plant over a four-year period. Please provide a detailed list of the cost components that make up the "undepreciated value" of the Dolet Hills production plant with the associated value.
- 1-10 Please provide a summary explanation of the facilities to be retired related to the Dolet Hills retirement, including a discussion of whether the Dolet Hills facility is inclusive of the lignite mine and associated mining equipment.
- 1-11 Please discuss SWEPCO's proposed accounting and rate treatment for removal costs incurred and salvage proceeds received associated with the Dolet Hills retirement. In addition, explain how such amounts will be factored into the computation of "undepreciated value."
- 1-12 Please provide SWEPCO's accounting and rate treatment for materials and supplies, spare parts, and other inventory items associated with the Dolet Hills facility that will be sold, used elsewhere by SWEPCO, or written-off. In addition, explain how such amounts will be factored into the computation of "undepreciated value."
- 1-13 Please explain whether the Dolet Hills facility was depreciated under a composite method.
- 1-14 SWEPCO's 2019 FERC Form No. 1 states that as of December 31, 2019, DHLC has unbilled fixed costs of \$106 million that will be billed to SWEPCO prior to the closure of the Dolet Hills Power Station. Please,
- a. Provide an update to this disclosure, if necessary, to disclose the timing and amount of unbilled fixed costs that will be billed to SWEPCO and other material changes related to this arrangement.
  - b. Provide the date DHLC began billing these fixed costs to SWEPCO.
  - c. Provide the amount billed to SWEPCO during the test period, the FERC account used to record the costs, and the manner such costs are incorporated in the base rate revenue requirement.
- 1-15 Please provide a spreadsheet demonstrating the computation of the "undepreciated value" of the Dolet Hills facility with separate and descriptive line items for each step in the computation.



- 1-16 In reference to Baird Testimony at page 37, please demonstrate the computation of the \$1,418,466 for DHLC equity return and related taxes in SWEPCO's base rate revenue requirement. In addition, please discuss the reasonableness of this amount in the revenue requirement noting the closure of the DHLC mining operations.
- 1-17 For purposes of computing SWEPCO's allowance for funds used during construction (AFUDC) rate, please explain whether the credit line fee expenses associated with the AEP Money Pool are included in the cost of debt and whether the Money Pool borrowings are considered a source of short-term debt.
- 1-18 Is the AEP System Money Pool administered by AEPSC?
- 1-19 Please identify all non-pension employee benefit costs that are accrued through charges to operating expense and not held in a trust fund or restricted use account. These benefits include, for example, accrued sick and vacation pay, workman's compensation, and certain medical benefits. Please provide the balance for each item and explain whether the balances are treated like cost-free capital and used to reduce rate base in the cost of service.
- 1-20 Adjustment A-3.7 reduces O&M costs associated with retired units for Knox Lee, Lone Star, and Lieberman power plants. Please discuss the methodology and assumptions used to determine the reduction to O&M expense. In addition, please provide the O&M costs associated with the retired units during the test year ending March 31, 2020.
- 1-21 Adjustment A-3.9 proposes to include in the cost of service \$696,993 of credit line fee expenses. As it pertains to these credit line fees, please:
- a. Discuss the nature, timing, and amount of letter of credit fees for the AEP System Money Pool.
  - b. Explain the terms and conditions the letter of credit fees.
  - c. Explain how the letter of credit fees are computed.
  - d. Explain if the letter of credit fee is imposed if SWEPCO is in a net receivable position in the AEP System Money Pool.
  - e. Provide the average daily balances for Money Pool borrowings and receivables for 2018, 2019, and 2020.
- 1-22 Adjustment A-3.16 provides an inclusion in SWEPCO's cost of service of \$1,689,700 for an annual accrual to establish a major storm reserve. Please explain if SWEPCO will be establishing a rate base adjustment for the balance of the storm reserves.
- 1-23 Adjustment B-1-5.8 – SWEPCO proposes a rate base increase adjustment of \$83,452,444 for prepaid pension and OPEBs. Please provide the computation of the adjustment and explain whether this amount is an actual cash prepayment of costs not funded by ratepayers or employee contributions.
- 1-24 Adjustment B-1.5.4 - Workpaper "WP B-1.5.4, B-1.5.10 and B-1.5.12" computes the total adjustment to Accumulated Depreciation of (\$224,168,719). However, Workpaper "B-1 (Rate Base and Return)" appears to incorrectly compute the

adjustments to Accumulated Depreciation with an inverse computation, resulting in \$224,168,719 on Tab “B-1.5 (Proforma adjustments)” (line 2, column 7) and Tab “B-1.5.4 Accum Depr” (line 5, column 7). Specifically, the Accumulated Depreciation as adjusted is higher than the amount per books, resulting in a need to increase accumulated depreciation balances. Please verify that Adjustment B-1.5.4 should be an increase to accumulated depreciation and make appropriate corrections.

- 1-25 Please explain whether SWEPCO recognizes an inventory allowance for materials and supplies and provide the associated balance sheet and income statement accounts used to record such allowances. In addition, please explain whether and how inventory allowances for materials and supplies are included in the supporting rate schedules.
- 1-26 Regarding Worksheet “E-1 and E-1.1 (Short Term Assets).xls”, tab “E-1.1”, please:
- a. Provide a descriptive listing of the items included in Line 28, Other Prepayments, with the associated amounts.
  - b. Describe the type of taxes listed as prepaid on Lines 25 and 26. To the extent these amounts or any amounts on Line 28 are income taxes, please explain whether the amounts paid in 2019 were applied to a future tax year or refunded through the 2019 income tax return. For the taxes identified as prepaid in 2020, please explain whether the amounts were applied to a future tax year or elected to be refunded in the 2020 income tax return.
- 1-27 In reference to Baird Testimony at page 39, SWEPCO does not propose any adjustment for Account 106, Completed Construction Not Classified of \$319,647,154. Please identify any amounts included in Account 106 related to operations that are excluded from the base rate revenue requirement.
- 1-28 Adjustment B-1.5.4 records a \$224,168,719 decrease to accumulated depreciation related to a blended accumulated depreciation balance. Please explain the reasonableness of this adjustment and discuss how it is consistent with prior Texas PUC rate decisions for SWEPCO.
- 1-29 Please identify all acquisition adjustments and premiums included in the base rate revenue requirement.