



Control Number: 51415



Item Number: 452

Addendum StartPage: 0

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

7:01 PM -7 PM 2:40

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

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S EIGHTEENTH REQUEST FOR INFORMATION

MAY 7, 2021

TABLE OF CONTENTS

<u>SECTION</u>	<u>FILE NAME</u>	<u>PAGE</u>
Response No. Staff 18-1	51415 STAFF18 Pkg.pdf.....	2
Response No. Staff 18-2	51415 STAFF18 Pkg.pdf.....	3
Response No. Staff 18-3	51415 STAFF18 Pkg.pdf.....	4

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

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S EIGHTEENTH REQUEST FOR INFORMATION**

Question No. Staff 18-1:

Please refer to the following testimony of Joel J. Multer in Docket No. 49737, *Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities*, at page 9:

Q. HAS AEP PROJECTED THE PTC LIMITATION AND CORRESPONDING DTA OVER THE DURATION OF THE PTC UTILIZATION PERIOD?

A. Yes. AEP has prepared projections of the generation and utilization of tax credits, including PTCs produced from the Selected Wind Facilities, based upon AEP and its subsidiaries' forecasted consolidated tax liabilities. The projections have been determined considering the Selected Wind facilities at both the 50% probability (P50) and 95% probability (P95) production levels. The results reflect annual limitation of the PTCs generated by the Selected Wind Facilities with deferral of the cash tax benefits for periods of up to four years and peak cash tax deferral amounts of approximately \$300 million and \$232 million under P50 and P95 production levels, respectively. Please reference EXHIBIT JJM-2 for a summary of the Company's projected PTC generation from its ownership share of the Selected Wind Facilities, the utilization of such PTCs and the cumulative cash deferral resulting from limitations under the IRC as determined based on AEP and its subsidiaries' consolidated tax liabilities.

Please confirm or deny that the "expected customer savings" as asserted by SWEPCO in Docket No. 49737 (and the associated deferred tax asset balances that were reflected in the determination of those savings) were calculated based on SWEPCO's membership in the AEP consolidated tax return group and not on SWEPCO separate stand-alone taxable income. If deny, provide reference to the record in Docket No. 49737 that supports such denial.

Response No. Staff 18-1:

Confirmed.

Prepared By: Joel J. Multer

Title: Dir Tax Acctg & Reg Support

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

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

**SOUTHWESTERN ELECTRIC POWER COMPANY’S RESPONSE TO COMMISSION
STAFF’S EIGHTEENTH REQUEST FOR INFORMATION**

Question No. Staff 18-2:

Please confirm that in SWEPCO’s Response to Commission Staff’s First Request for Information, Staff 1-3, in Docket No. 49737, SWEPCO explained that:

“As a member of the AEP consolidated group the maximum deferral period is 4 years with a peak deferral of \$300 million. On a SWEPCO stand-alone basis, the maximum deferral period is 8 years with a peak deferral of \$460 million.”

Please also confirm that the AEP Consolidated PTC Utilization and SWEPCO Stand-Alone PTC Utilization of \$300 million and \$460 million, respectively, were based on calculations that started with the year 2021 (Staff_1_3_Attachment_1).

Response No. Staff 18-2:

Confirmed in both parts.

Prepared By: Joel J. Multer

Title: Dir Tax Acctg & Reg Support

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

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

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S EIGHTEENTH REQUEST FOR INFORMATION

Question No. Staff 18-3:

If the “expected customer savings” asserted by SWEPCO in Docket No. 49737 were calculated based on SWEPCO’s membership in the AEP consolidated tax return group, provide the dollar amount of the \$455,122,490 deferred tax asset associated with the SWEPCO separate stand-alone taxable income at issue in this proceeding that was included in the calculation of the “expected customer savings” in Docket No. 49737. If the amount provided is inconsistent with the AEP consolidated group’s use of SWEPCO’s operating losses provided in the response to Staff 9-19, Attachment 1 in this case, provide a detailed explanation and reconciliation of the inconsistency.

Response No. Staff 18-3:

SWEPCO’s application in Docket No. 49737 was denied by the Commission along with all other motions and any other requests for general or specific relief. The Production Tax Credits (PTCs) addressed by Mr. Multer in Docket No. 49737 were calculated in accordance with Internal Revenue Code (IRC) requirements, and consistent with the Company’s tax structure approved in Docket No. 46449, which set the rates in effect at the time Docket No. 49737 was filed.

The income tax benefits associated with the Internal Revenue Code (IRC) provisions for accelerated tax depreciation and Investment Tax Credits are subject to the Tax Code’s normalization requirements. However, the PTCs at issue in Docket No. 49737 were not subject to the IRC normalization requirements.

SWEPCO’s filing in this instance (Docket No. 51415) presents the income tax components of rate base and cost of service on a stand-alone basis in accordance with PURA §36.060(a) and precedent established in Docket No. 40020 (*Application of Lone Star Transmission, LLC for Authority to Establish Interim and Final Rates and Tariffs*, Docket No. 40020 (Feb. 12, 2013)). The determination of the rate base and cost of service components of income taxes on a stand-alone basis matches income taxes with the associated non-tax assets and expenses included in SWEPCO’s regulated rate base and cost of service.

Prepared By: Joel J. Multer

Title: Dir Tax Acctg & Reg Support

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr