AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
FERC Docket No ER17-405-000 & ER17-406-000 2021 ATRR

Responses to Multiple Intervenors
Set JI-1 of Data Requests

Data Request 01:
In reference to the disclosures in the May 25, 2022 transmittal letters for the 2022 Annual Update Filings for the AEP East OpCos and AEP East TransCos that the 2022 Updates include "a change in the treatment of the Accumulated Deferred Income Taxes (ADIT) associated with Net Operating Losses to a Stand-Alone basis rather than a consolidated basis," please provide:

a. A detailed description and illustration of this methodology for the 2021 AEP East ATRR calculations;

b. The reasons the AEP East OpCos and TransCos made the change from using a consolidated methodology to what AEP East OpCos and TransCos refer to as the Stand-Alone methodology for purposes of the 2021 ATRR calculations;

c. An explanation of the consolidated method used by the AEP East OpCos and TransCos regarding the treatment of deductible expenses claimed on the consolidated return and the measurement of and accounting for current and deferred income tax expense and ADIT, including ADIT associated with Net Operating Losses;

d. Copies of all accounting entries with supporting documentation (in a workable Excel spreadsheet) made during calendar year 2021 for the Stand-Alone method for ADIT for Net Operating Losses on the AEP East OpCos' and AEP TransCos' books;

e. An explanation of whether AEP East OpCos' and TransCos' adoption of the Stand-Alone method for ADIT for Net Operating Losses resulted in any changes in the AEP East OpCos' and TransCos' deductible expenses claimed on the AEP consolidated federal tax return and if changes occurred, please provide the specific details and amounts of those changes for the 2021 tax year;

f. An explanation of whether AEP East OpCos' and TransCos' adoption of the Stand-Alone method for ADIT for Net Operating Losses resulted in any changes to the AEP Tax allocation methodology or the AEP intra-corporate consolidated income tax agreement, and if changes occurred, please provide the specific details and amounts of those changes for the 2021 tax year;

g. An explanation of whether AEP East OpCos' and TransCos' adoption of the Stand-Alone method for ADIT for Net Operating Losses resulted in any changes in the method used by the AEP East OpCos and TransCos to measure, account for, and report in each company's FERC Form 1 reports ADIT including ADIT applicable to Net Operating Losses and the flow-back of ADIT, and if changes occurred, please provide the specific details and the amounts of those changes;

h. An explanation of whether the Stand-Alone method for ADIT for Net Operating Losses is limited to federal income tax Net Operating Losses or whether it also applies to Net Operating Losses for state income tax purposes and if state Net Operating Losses are also considered in the adjustments for the Stand-Alone method, please identify the state income tax Net Operating Losses also factored into the Stand-Alone NOL Adjustments for each AEP East OpCo's or TransCo's 2021 ATRR NOL Adjustments for December 31, 2020 and December 31, 2021;

i. an explanation of whether AEP East OpCos' and TransCos' Stand-Alone method for ADIT for Net Operating Losses is limited to changes for ratemaking purposes in the 2021 ATRR calculations;

j. An explanation of why each AEP East OpCo or TransCo does not record and report in FERC Form 1, the NOL Adjustments for the Stand-Alone method for ADIT for Net Operating Losses on each company's books;

k. A listing and description of what retail or other FERC rates where the AEP East OpCos and TransCos have implemented the Stand-Alone method for ADIT applicable to Net Operating Losses;

l. An explanation of how each AEP East OpCo and TransCo is compensated for the use of its tax deductions on the AEP consolidated tax return, all tax savings benefits realized on the consolidated return from the use of an AEP East OpCo's or TransCo's deductible expenses, and how those tax benefits are accounted for by each AEP East OpCo or TransCo;

m. An explanation of why the AEP East OpCos and TransCos have characterized the method as Stand-Alone if the NOL Adjustment ratemaking calculations are based on each AEP East OpCo's or TransCo's separate tax return calculation and ignore the consolidated tax return's tax saving benefits attributable to each AEP East OpCo and TransCo;

n. An explanation of why it is appropriate to ignore the impacts of the AEP consolidated tax return when tax deductions generated by an AEP East OpCo or TransCos are utilized to reduce the AEP consolidated tax liability and result in a tax savings benefit to the AEP consolidated tax group, but those tax savings benefits are ignored under AEP East OpCos' and TransCos' Stand-Alone method; and

o. An explanation of when the AEP East OpCos and TransCos implemented the Stand-Alone method for ADIT for Net Operating Losses and identify the Transmission Revenue Requirement calculations (projected and true-up) where the AEP East OpCos and TransCos included NOL Adjustments for the Stand-Alone method.

Response:

a. The ratemaking stand-alone NOLC is included in account 190 as a deferred tax asset on WS B-2 for the East Companies. Protected excess amortization has been adjusted to reflect the excess related to the NOLC. Excess related to the NOLC is considered deficient and will offset the excess related to the deferred liability and reduce the total excess benefit. Excess is also on WS B-2 for the East Companies.

Below is an illustrative example of the calculation of the stand-alone NOLC for ratemaking. In this example, the utility has taxable losses for years 2015, 2016, and 2017 which result in a DTA of $3,000 based on the corporate income tax rate of 35% effective for each of those years. With the implementation of a 21% tax rate with the passage of the Tax Cuts and Jobs Act, the DTA is remeasured to $1,800 (total taxable loss x 21%). This results in deficient deferred taxes in the amount of $1,200 as a regulatory asset (or a reduction to the overall regulatory liability for excess ADFIT). The net of the $1,800 DTA and $1,200 regulatory asset maintains the same rate base before and after the tax rate change. The amounts broken out on the attachment provide the separate pieces that make up the rate base component of the stand-alone NOLC.

	Taxable Income		NOLC DTA	
2015	(2,857)	35%	1,000	
2016	(2,857)	35%	1,000	
2017	(2,857)	35%	1,000	
Total	(8,571)		**3,000**	**NOLC in Rate Base**
TCJA Remeasurement				
	(8,571)	21%	1,800	NOL DTA (1901001 - 960Z)
			1,200	NOL Defecient ADFIT (2821001 - 960F-XS)
			3,000	**NOLC in Rate Base**

b. The use of a stand-alone NOLC is the preferred ratemaking treatment at FERC. *See* Columbia Gulf Transmission Co., 23 FERC ¶ 61,396 (1983). In addition, the Internal Revenue Code (IRC) normalization rules require utility ratemaking to apply a normalized method of accounting with respect to tax benefits associated with accelerated depreciation, NOLCs due to accelerated depreciation, and ITCs.

c. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Accounting Standards Codification 740-10-30-27 (ASC 740) requires the consolidated amount of current and deferred tax expense for a consolidated tax return group be allocated among the group when those members issue separate financial statements. The separate-return basis is the preferred method for computing the income tax of the members of a consolidated return group. The separate-return method applies ASC 740 to each member as if it were a separate taxpayer. AEP East OPCos and TransCos modify this approach so that net operating losses (or other current or deferred tax assets) are characterized as realized (or realizable) by the subsidiary when those tax assets are realized (or realizable) by the consolidated group, even if the subsidiary would not otherwise have realized the attributes on a stand-alone bass. This method is known as "Benefits-for-Loss". By using this methodology, certain tax attributes are recorded on affiliate financial records reflecting a portion of the consolidated attribute. This is disclosed in the AEP 10K:

The consolidated NOL of the AEP System is allocated to each company in the consolidated group with taxable losses. With the exception of the allocation of the consolidated AEP System NOL, the loss of the Parent and tax credits, the method of allocation reflects a separate return result for each company in the consolidated group. As a result of the benefits-for-loss tax accounting, the NOLC deferred tax asset (DTA) is a reflection of the consolidated NOL, not the company's stand-alone NOLC.
In addition, AEP East OPCos and Transcos participate in a tax sharing agreement. A company with a tax loss receives a current payment from the holding company to the extent that the loss is offset by income by affiliates within the consolidation. The stand-alone NOLC DTA of a loss company is reduced upon the receipt of cash from the holding company. Below is an example of the journal entries related to the methodology utilized by AEP.

Utility A	Debit	Credit	
Deferred Tax Expense		210	Record Deferred Tax Benefit
Deferred Tax Asset - NOLC	210		Record DTA
Deferred Tax Asset - NOLC		210	Reduce DTA for losses utilized in consolidation
Cash	210		Receipt of Cash for Losses from affiliates

In the example above, Utility A has a $1,000 tax loss, tax effected to $210 of tax benefit. In this example we assume that the entirety of the loss can be utilized by the consolidated return group. As a result, the stand-alone NOLC is reduced to $0 with the receipt of cash and is reflective of the taxable position of the consolidated group and not that of Utility A.

d. There were no accounting entries made for the Stand-Alone method during the calendar year 2021. The Stand-Alone method is for ratemaking only.
e. The adoption of the Stand-Alone method is for ratemaking only. There were no changes in the AEP East OpCos' and TransCos' deductible expenses claimed on the AEP consolidated federal tax return for the 2021 tax year.
f. The adoption of the Stand-Alone method did not result in any changes to the AEP Tax allocation methodology or the AEP intra-corporate consolidated income tax agreement. The Stand-Alone method is for ratemaking only.
g. The adoption of the Stand-Alone method did not result in any changes in the method to measure, account for, and report in each company's FERC Form 1 reports. The Stand-Alone method is for ratemaking only.
h. The Stand-Alone method for ADIT for Net Operating Losses is not limited to just federal. However, a stand-alone ratemaking adjustment is not necessary for state NOLs as these are accounted for differently than federal. State NOLs are calculated on a stand-alone basis and AEP East OPCo and Transcos FERC Form 1s already reflect the proper stand-alone ratemaking treatment The state Net Operating Losses are also included is WS B-2 – Actual Statement AG in account 190.
i. The Stand-Alone method is a ratemaking change only.

j. FERC issued AI93-5-000 to discuss the acceptable accounting for income taxes, addressing both a "separate return method" and a "stand alone method" of accounting. FERC describes the separate return method as a method that allocates current and deferred taxes to members of the group as if each member were a separate taxpayer, which is similar to the definition of separate return used by the SEC for GAAP reporting. Under the separate return method, the sum of the individual member's allocations will not align with the consolidated tax return. In AI93-5-000, FERC also defines the "stand alone method" and distinguishes it from the "separate return method". The "stand alone method" allocates the consolidated group tax expense to individual members through the recognition of the benefits/burdens contributed by each member of the consolidated group to the consolidated return. Under this method, the sum of the amounts allocated to individual members equals the consolidated amount. FERC concludes in AI93-5-000 that FERC requires the use of the "stand alone method" and expressly provides that the use of the "separate return method" will not be permitted for FERC financial accounting and reporting (FERC Forms 1 and 3) as set forth below:

   The FERC has issued several decisions rejecting the use of the separate return method for determining income tax expense when an entity files as part of a consolidated group. Instead, the FERC relies on the standalone method of allocating income taxes between members of a consolidated group.

   Under the standalone method the consolidated tax expense is allocated to individual members through recognition of the benefits/burdens contributed by each member of the consolidated group to the consolidated return. Under the standalone method, the sum of amounts allocated to individual members equal the consolidated amount.
k. Kingsport Power Company implemented the Stand-Alone method for Net Operating Losses in Tennessee during in Docket No. 21-00107. Indiana Michigan Power Company has presented the Stand-Alone method for Net Operating Losses in their jurisdiction of Indiana.
l. See response to JI-1-1, part c.
m. AEP's stand-alone methodology is consistent with FERC policy pronouncements regarding the allocation of current and deferred taxes to members of the affiliated group joining in the filing of a consolidated federal income tax return. Specifically, FERC Opinion No. 173 sets forth the relevant guidance for the application of the "stand-alone method" of allocating items of income and deduction for ratemaking purposes. Rather than focusing on the consolidated tax liability reflected on the consolidated federal income tax return, the stand-alone method "looks beneath the single consolidated tax liability and analyzes each of the deductions used to reduce the group's tax liability to determine the deductions for which each service is responsible." FERC Opinion No. 173, 23 FERC ¶ 61,396, at p.20. This method produces an income tax allowance "that takes into account the revenues and costs entering into the regulated cost of service without increase or decrease for tax gains or losses related to other activities . . . ." *Id.* at 17. The stand-alone method results in the tax allowance being "equal to the tax the utility would pay on the basis of its projected revenues less deductions for all operating, maintenance, and interest expenses included in the cost of service." *Id.* That is precisely the methodology applied by AEP East when including a ratemaking adjustment for the net operating loss carryforward (NOLC) deferred tax asset (DTA) in determining AEP East Companies' tax allowance. In other words, AEP East previously included a reduction to the net operating loss in the DTA to account for payments received from income

generating affiliates, which took into "account the gains or losses related to other activities" not included in the regulated cost of service for each company. The ratemaking adjustment now being made by AEP East ensures that the net operating loss is properly calculated on a stand-alone methodology in that it takes into account only the "revenues and costs entering into the regulated cost of service." A consolidated DTA, used previously, includes tax payments from affiliated entities. A stand-alone DTA, the methodology adopted here, does not include tax payments from affiliated entities. The ratemaking adjustment to calculate the stand alone NOLC DTA is also required to comply with the normalization requirements of the Internal Revenue Code (IRC). Thus, until the tax benefit of the NOLC has actually been realized, there is no interest-free loan from the federal government, so the deferred tax reserve used to reduce rate base would be overstated without the NOLC offset. Without that offset, a normalization violation would occur with the resulting loss of the right to claim accelerated depreciation.

n. Please see response JI-1-1 part m.
o. AEP East OpCos and TransCos implemented the Stand-Alone method for ADIT for Net Operating Losses in the 2021 Trueup and 2022 Forecast filings. The East OpCos and TransCos also calculated the impact of the Stand-Alone NOL for the 2020 True ups.

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Data Request 02:
For the AEP East OpCos' and TransCos' 2021 ATRR calculations, please identify each formula rate ATRR input at December 31, 2020 and December 31, 2021 that changed as a result of the implementation of the Stand-Alone method for ADIT for Net Operating Losses, the amount of the Stand-Alone adjustment if not readily identifiable in the ATRR worksheets (for instance, amortization of the excess/deficient ADIT adjustments recorded in Accounts 282 or 283 that affect the Excess Deferred Taxes input in the Income Tax Adjustment calculation), and the source of each ATRR NOL Adjustment with supporting worksheets and calculations (in a workable Excel spreadsheet) showing the derivation of each NOL Adjustment for each formula rate ATRR input.

Response:
Please see JI-1-2 Attachment 1. This file shows the change to the formula rate inputs for Account 190, 282, and 283 as a result of the Stand-Alone method of the ADIT for Net Operating Losses for December 31, 2020, and December 31, 2021. This file is supported by the NOL calculations shown in JI-1-8 Attachment 1.

The adjustments were made on worksheets B-1 and B-2 and highlighted in orange.

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Data Request 03:
Please identify as of December 31, 2020 and as of December 31, 2021, the amount of Net Operating Loss Carryforwards (federal and state) that each OpCo and TransCo has on a consolidated basis and on a separate return basis.

Response:
Please see JI-1-2 Attachment 1. In 2020, there were no Net Operating Loss Carryforwards on a consolidated basis.

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Data Request 04:
Please explain how AEP East OpCos' and TransCos' Stand-Alone method for ADIT for Net Operating Losses can be implemented within the existing OpCos' and TransCos' transmission formula rate tariffs without making a Federal Power Act section 205 rate filing and obtaining Commission approval of this change. Please specifically reference any portion of the protocols and formula rate templates that provide for implementation of a change, such as, AEP East OpCos' and TransCos' Stand-Alone method for ADIT for Net Operating Losses.

Response:
Worksheets B-1 and B-2 of the filed formula rate allow for expansion and contraction to add or remove individual ADIT timing differences based on the Company's records as such differences arise. The worksheets also include a non-applicable column to remove certain ADIT items from the formula rate.

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Data Request 05:
Please provide a detailed description and technical analysis of the need and requirements for the change for AEP East OpCos' and TransCos' Stand-Alone method for ADIT for Net Operating Losses and how it complies with FERC regulations and precedent on the treatment of the book balances of ADIT and other sources of cost-free capital.

Response:
Please see response to JI-1-1 subsection m.

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Data Request 06:
Please explain what Internal Revenue Code, private letter rulings, normalization requirements and other IRS regulations address an affiliates' use of a regulated utility's Net Operating Losses in the context of a consolidated income tax return filing.

Response:
The IRC contains provisions [1] requiring utility ratemaking to apply a normalized method of accounting with respect to tax benefits associate with accelerated depreciation, NOLCs due to accelerated depreciation, and ITCs. With respect to accelerate depreciation, the normalization rules require that the federal tax expense in included in the cost of service for ratemaking use a method of depreciation and a depreciation period that is no shorter than the depreciation expense used in setting rates. [2] With respect to NOL carryforwards, the normalization rules require that the NOLC ADFIT be included in rate base to the extent that the NOLC is the result of accelerated depreciation. [3] The normalization rules require there to be consistency among ratemaking assumptions used in the revenue requirement for rate base, depreciation expense, tax expense, and ADFIT [4].

In a series of Letter Rulings, the IRS has concluded that in order to avoid a normalization violation, the reserve for deferred taxes for the period used in determining tax expense in cost of service must take into account instances in which taxes are deferred due to accelerated tax depreciation creating a NOL. [5] The PLRs referenced do not specifically address tax allocation payments. Because stand-alone treatment is the standard in a ratemaking setting, the discussion of intercompany tax allocations is not relevant to the discussion for normalization purposes. The fact that tax sharing agreements among a consolidate group are not in common and none of the rulings discusses an intercompany payment suggest that none of the utilities who sought the PLRs attached any relevance to them.

In PLR 20178015 the taxpayer identifies the occurrence of tax sharing payments in the facts that are laid out to the IRS in the ruling request. Within the facts of the case, it is laid out that the utility had a NOLC on a stand-alone basis and that it also received an intercompany tax sharing payment from its parent related to the utility's NOLC. In making its ruling and resolving the normalization question for the utility, the IRS attached no significance to the tax sharing payment. The fact that the IRS simply ignored the tax sharing payment in its analysis further supports that the NOLC must be included in ratemaking on a stand-alone basis.

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[1] Current IRC Section 168, former IRC Section 167(I)
[2] 26 U.S. Code §168(i)(9)(A)(i)
[3] Treas. Reg. § 1.167(l)-1(h)(1)(iii) and Private Letter Rulings issued by the IRS.

[4] 26 U.S.C. § 168(i)(9)(B).
[5] Private Letter Rulings 201436037; 201438003; 201519021; 201534001; 201548017; 201709008, 202010002.

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Data Request 07:
Please explain whether any of the AEP East OpCos or TransCos have filed for and/or have already received an IRS private letter ruling concerning an AEP East OpCo's and TransCo's use of the Stand-Alone method for ADIT for Net Operating Losses for FERC or retail ratemaking purposes. If yes, please identify each, provide a copy of the request and any issued PLR.

Response:
AEP has filed a private letter ruling request for Indiana Michigan Power Company for Indiana jurisdiction on April 1, 2022.

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Data Request 08:
Please explain how each AEP East OpCo or TransCo tracks and computes NOL Adjustments for implementation of the Stand-Alone method for ADIT for Net Operating Losses and provide supporting worksheets (in a workable Excel format) for each AEP East company.

Response:
Please see JI-1-8 Attachment 1 for each company's NOL Schedules by vintage year and the computation of the adjustments to accounts 282 and 283 applicable for each company.

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Data Request 09:
Please explain the procedures used by each AEP East OpCo or TransCo to amortize all excess/deficient NOL Adjustment ADIT balances reflected in Accounts 282 and 283 resulting from the Stand-Alone method for ADIT for Net Operating Losses and provide supporting worksheets showing the calculation (in a workable Excel spreadsheet) of the Accounts 282 and 283 excess/deficient NOL Adjustment ADIT amounts by calendar year, any adjustments to or amortization of the amounts reflected in the NOL Adjustments for Accounts 282 and 283 by calendar year, and the amortization method used for all excess/deficient NOL Adjustment ADIT balances.

Response:
The annual amortization is based on a ratio of the deficient tax related to the NOLC as compared to the original excess ADIT as of the final filing of the 2017 tax return. That ratio is applied to the annual protected excess amortization by functional books. This is consistent with how excess ADIT has been calculated and amortized on East OpCo and TransCos. Please see JI-1-8 Attachment 1 for the supporting worksheets showing the calculation of the accounts 282 and 283 excess/deficient NOL Adjustment ADIT amounts.

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Data Request 10:
Please discuss and provide supporting documentation as to how the AEP East OpCos and TransCos determined that, under the AEP East Stand-Alone method ADIT for Net Operating Losses, certain of the 2021 ATRR NOL Adjustments made to Account 190 were determined to be related to the use of accelerated depreciation and provide copies of worksheets (in a workable Excel format) for each AEP East OpCo and TransCo showing the derivation of the Account 190 NOL Adjustment amount applicable to accelerated depreciation.

Response:
Please see JI-1-10 Attachment 1. AEP conducted "With and Without" tests to determine whether the NOL Carryforwards computed on a stand-alone basis are related to accelerated depreciation, and therefore, subject to IRS normalization requirements. The "With and Without" test is an approved IRS methodology that compares the cumulative taxable income or loss computed with and without accelerated depreciation. Through this test, AEP is able to see the direct impact of accelerated depreciation on each company's cumulative taxable income or loss position.

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Data Request 11:
Please explain the reasons for the NOL Adjustments to Account 282 and 283 that result from the implementation of the Stand-Alone method for ADIT for Net Operating Losses and that the Accounts 282 and 283 will increase or decrease over time and in some instances where the NOL Adjustment amount may be a credit rather than a debit adjustment entry.

Response:
Please see response to JI-1-21.

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Data Request 12:
Please identify, explain, and provide the calculation of the allocators used by each AEP East OpCo and TransCo to allocate the Accounts 190, 282 and 283 NOL Adjustment balances at December 31, 2020 and December 31, 2021 resulting from the implementation of the AEP East Stand-Alone method for ADIT for Net Operating Losses.

Response:
Account 190 uses the GP allocator for each company. The GP allocator is calculated by transmission gross plant divided by total gross plant.

Please see JI-1-8 Attachment 1 for the allocation of 282 and 283 which were based off of the functional book excess balances as of TCJA 2017.

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Data Request 13:
Please identify, explain, and provide the calculation of the allocators used by each AEP East OpCo and TransCo to allocate the amortization of excess/deficient NOL Adjustment ADIT resulting from AEP East's Stand-Alone method for ADIT for Net Operating Losses that is an input to the Excess Deferred Taxes input used in the 2021 ATRR Income Tax Adjustment calculation.

Response:
Please see JI-1-8 Attachment 1 to see the calculation of the amortization of the deficient NOL ADIT.

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Data Request 14:
Please provide worksheets (in a workable Excel format), schedules, and all supporting documentation of the AEP East OpCos' and TransCos' computations of the NOL Carryforwards computed on a Stand-Alone basis beginning with the first tax year and identifying any increases or decreases of any tax year's Stand-Alone NOL Carryforwards amounts due to the utilization of those NOL Carryforwards on a Stand-Alone basis, amortization of any Stand-Alone NOL adjustments, and for any other reason(s).

Response:
Please see JI-1-8 Attachment 1. The computation of the NOL Carryforwards on a stand-alone basis were completed on a NOL vintage year schedule. The NOL vintage year schedule shows the utilization of loss carryforwards by year.

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Data Request 15:
In reference to the response to question JI-1-14, with regard to the tracking of NOL Carryforwards balances on a Stand-Alone basis, please provide the calculation of the Accounts 190, 282 and 283 balances for each tax year's Stand-Alone NOL Carryforwards balances beginning with the first tax year Stand-Alone NOL Carryforward balances were identified and identify any adjustments to any beginning of year or end of year NOL Carryforward balances and the reasons for those adjustments.

Response:
Please see JI-1-8 Attachment 1.

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Data Request 16:
Please provide the AEP East OpCos' and TransCos' worksheets and calculations (in a workable Excel format) showing:

a. The impact of the Tax Cuts and Jobs Act (TCJA) and the remeasurement of the ADIT NOL Adjustment balances applicable to the Stand-Alone method for ADIT for Net Operating Losses showing the NOL Adjustment ADIT balances prior to the effective date of the TCJA and after the effective date of the TCJA;

b. The changes in the NOL Adjustment ADIT balances by tax year after implementation of the TCJA for any increases or decreases due to the utilization of Stand-Alone NOL Carryforwards, amortization of the Stand-Alone NOL Adjustment ADIT balances, or for any other reason(s); and

c. The method used to amortize any excess or deficient NOL Adjustment ADIT balances resulting from the implementation of the Stand-Alone method for ADIT for Net Operating Losses.

Response:
a. Please see JI-1-8 Attachment 1.
b. Please see JI-1-8 Attachment 1.
c. The method used to amortize the protected deficient tax is based on a ratio of the Total 2017 TCJA Deficient Tax Balance over the Total 2017 Protected Excess ADIT balance. The protected excess amortization which is based on ARAM is then multiplied by this ratio to determine the deficient tax amortization. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the Power Tax Software.

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Data Request 17:
Please identify any filings made with FERC to obtain Commission approval pursuant to Order No. 864 or any other FERC proceeding of the AEP East OpCos and TransCos TCJA remeasurement of the ADIT ratemaking NOL Adjustments resulting from the implementation of the Stand-Alone method for ADIT for Net Operating Losses and the amortization of any resulting excess and deficient ADIT ratemaking NOL Adjustments that the AEP East OpCos and TransCos included in Transmission Revenue Requirement calculations.

Response:
There have not been any specific filings made with FERC to obtain Commission approval pursuant to Order No. 864 related to the Stand-Alone method. In approving AEP's Order No. 864 compliance filings, the Commission did not approve specific EDIT amounts. Rather, the Commission approved AEP's proposed changes to its respective Formula Rate templates, finding they were just and reasonable and consistent with the requirements of Order No. 864. *See* AEP 864 Compliance Order at P. 1; *Am. Elec. Power Serv. Corp.*, Docket No. ER22-1684-000 (Delegated Letter Order issued July 14, 2022).

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
FERC Docket No ER17-405-000 & ER17-406-000 2021 ATRR

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Data Request 18:
In reference to question JI-1-17, please provide copies of any FERC orders issued on the AEP East OpCos' and TransCos' remeasurement of the ratemaking adjustments as a result of the TCJA and the AEP East OpCos and TransCos include in their Transmission Revenue Requirement calculations resulting from the implementation of the Stand-Alone method for ADIT for Net Operating Losses.

Response:
Please see the response to JI 1-17.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
FERC Docket No ER17-405-000 & ER17-406-000 2021 ATRR

Responses to Multiple Intervenors
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Data Request 19:
In reference to questions JI-1-17 and JI-1-18, please explain why the AEP East OpCos' and TransCos' have not sought Commission approval pursuant to Order No. 864 to remeasure the NOL ADIT ratemaking NOL Adjustments and to include amortization of the resulting excesses/deficiencies through the AEP East OpCos' and TransCos' Transmission Revenue Requirements calculations.

Response:
Please see the response to JI 1-17.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
FERC Docket No ER17-405-000 & ER17-406-000 2021 ATRR

Responses to Multiple Intervenors
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Data Request 20:
Regarding the AEP East OpCos' and TransCos' method for implementing ratemaking NOL Adjustments for the Stand-Alone method for ADIT for Net Operating Losses, please explain why the AEP East OpCos' and TransCos' NOL Adjustments to Accounts 190, 282, and 283 are ultimately entered as single entry adjustments as the "NOL Adjustment Contra" entry for each ADIT account is "Not Applicable" and thereby ignored for ATRR purposes and there are no other offsetting or contra ratemaking adjustments included in the OpCos' and TransCos' 2021 ATRR calculations.

Response:
The NOL Contra timing difference is included in the non-applicable column to ensure the rate properly reflects the NOLs on a stand-alone basis consistent with FERC precedent and as originally proposed by the Joint Customers. Contrary to the question, there are other uses of contra-ratemaking adjustments in the formula rate. For example, a contra-entry is used to ensure the excess ADIT arising from the TCJA does not reduce the ADIT balances used for ratemaking.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Data Request 21:
Please explain what will happen to the Accounts 282 and 283 ratemaking NOL Adjustment balances for excess and deficient ADIT when all of the NOL Adjustments for Stand-Alone ADIT for Net Operating Losses Account 190 have been zeroed out because all of the Stand-Alone NOL Carryforwards have been fully utilized on a Stand-Alone basis. How will the remaining Accounts 282 and 283 ratemaking NOL Adjustment balances for NOL Carryforwards be extinguished or settled and no longer included in Transmission Revenue Requirement calculations?

Response:
The related balances recorded in Account 2821001 and 2831001 will reduce towards a zero balance as the deficient taxes are amortized. The deficient taxes are based off of the stand-alone NOLC balance as of TCJA 2017. Therefore, the beginning balance of the deficient taxes related to the stand-alone NOLC does not change as the losses are absorbed by taxable income in tax years after 2017. The account balance of 1901001 would reduce as the NOL DTA is absorbed by taxable income. However, it does not impact the balance of the 2821001 or 2831001 as those accounts are related to the tax rate change from 35% to 21%. The account 2821001 balance will be settled when the excess balances, net with the deficient taxes, are fully amortized via the ARAM. The account 2831001 balance will be settled when all of the unprotected is amortized and refunded back to customers.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Responses to Multiple Intervenors
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Data Request 22:
In reference to 2021 the ATRR calculation for Appalachian Power Company, please explain:

a. The reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 282 used in the 2020 ATRR calculation (provided July 22, 2022) where the NOL Adjustment was ($76,587,653) and the 2021 ATRR calculation where the NOL Adjustment was ($76,727,428);

b. For the NOL Adjustments for Accounts 190 and 282 in the 2021 ATRR calculation, please provide worksheets (in a workable Excel format) or other documentation showing the calculation of the allocators used for the functional classification of the NOL Adjustment balances and explain how the functional balances for generation and distribution plant are the same; and

c. Why did the allocator percentages change from those used for the 2020 ATRR NOL Adjustments for Accounts 190 and 282 (provided July 22, 2022) and the allocator percentages used in the 2021 ATRR calculation.

Response:

a. Please see JI-1-8 Attachment 1. The difference is related to the 2019 Return-to-Provision (RTP) booked in the 2020 financial statements. Annually, the protected excess amortization is updated based on the ARAM computed within Powertax. In 2020, the RTP resulted in additional $958,049 in protected excess amortization. Based on the NOL ratio of 14.59%, $139,775 of deficient taxes is amortized. The ($76,727,428) provided with the 2021 True-Up did not account for this RTP. In the updated amount provided on July 22, 2022, the 2019 RTP was included in the adjustment to 282 for the period 12/31/2020.
b. Please see JI-1-8 Attachment 1. The adjustment to account 282 is allocated based on the balance of excess ADIT as of the final filing of the 2017 tax return by functional books. This is consistent with how ADIT is allocated to the East Operating Transmission BUs. The allocation for Account 190 is based on net plant allocators.
c. The allocator for 282 will not change as this is based on the total deficient taxes related to NOL over total protected excess at the time of TCJA 2017. The net plant allocator used for Account 190 is updated annually.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
FERC Docket No ER17-405-000 & ER17-406-000 2021 ATRR

Responses to Multiple Intervenors
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Data Request 23:
In reference to the 2021 ATRR calculation for Indiana Michigan Power Company, please explain:

a. The reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 282 used in the 2020 ATRR calculation (provided July 22, 2022) where the NOL Adjustment was ($121,508,636) and the 2021 ATRR calculation where the NOL Adjustment was ($121,497,409);

b. For the NOL Adjustments for Accounts 190 and 282 in the 2021 ATRR calculation, please provide worksheets (in a workable Excel format) or other documentation showing the calculation of the allocators used for the functional classification of the NOL Adjustment balances and explain how the functional balances for generation and distribution plant are the same; and

c. Why did the allocator percentages change from those used for the 2020 ATRR NOL Adjustments for Accounts 190 and 282 (provided July 22, 2022) and the allocator percentages used in the 2021 ATRR calculation.

Response:
a. Please see JI-1-8 Attachment 1. The difference is related to the 2019 Return-to-Provision (RTP) booked in the 2020 financial statements. Annually, the protected excess amortization is updated based on the ARAM within Powertax. In 2020, the RTP resulted in additional $31,138 in protected excess amortization. Based on the NOL ratio of 36.05%, $11,227 of deficient taxes is amortized. The ($121,497,409) provided with the 2021 True-Up did not account for this RTP. In the updated amount provided on July 22, 2022, the 2019 RTP was included in the adjustment to 282.
b. Please see JI-1-8 Attachment 1. The adjustment to account 282 is allocated based on the balance of excess ADIT as of the final filing of the 2017 tax return by functional books. This is consistent with how ADIT is allocated to the East Operating Transmission BUs. The allocation for Account 190 is based on net plant allocators.
c. The allocator for 282 will not change as this is based on the total deficient taxes related to NOL over total protected excess at the time of TCJA 2017. The net plant allocator used for Account 190 is updated annually.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Responses to Multiple Intervenors
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Data Request 24:
In reference to the 2021 ATRR calculation for Kingsport Power Company, please explain:

a. The reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 282 used in the 2020 ATRR calculation (provided July 22, 2022) where the NOL Adjustment was ($3,027,070) and the 2021 ATRR calculation where the NOL Adjustment was ($2,222,298);

b. The reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 283 used in the 2020 ATRR calculation (provided July 22, 2022) where the NOL Adjustment was ($615,965) and the 2021 ATRR calculation where the NOL Adjustment was ($1,298,834);

c. For the NOL Adjustments for Accounts 190, 282, and 283 in the 2021 ATRR calculation, please provide worksheets (in a workable Excel format) or other documentation showing the calculation of the allocators used for the functional classification of the NOL Adjustment balances and explain how the functional balances for generation and distribution plant are the same; and

d. Why did the allocator percentages change from those used for the 2020 ATRR NOL Adjustments for Accounts 190, 282, and 283 (provided July 22, 2022) and the allocator percentages used in the 2021 ATRR calculation.

Response:

a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is the updated With & Without Test calculation. Previously, the ($2,222,298) was calculated based on the determination that 65.93% of the deficient tax ADIT related to the stand-alone NOLC is related to accelerated depreciation. After this number was provided, the With & Without tests for all companies were updated to only account for Method & Life differences without consideration for book and tax basis differences. The decision to only consider Method & Life differences was made to be more congruent with IRS guidance. The updated With & Without test for Kingsport Power resulted in 78.93% of the deficient taxes of the stand-alone NOLC to be caused by accelerated depreciation.
b. Please see JI-1-8 Attachment 1. Due to the updated With & Without Test Analysis for Method Life differences, only, 21.08% of the deficient taxes of the stand-alone NOLC were deemed to not be caused by accelerated depreciation and therefore are unprotected.
c. Please see JI-1-8 Attachment 1. for the allocation of Account 282 and 283. Account 190 is based on net plant allocators.

d. The allocator for 282 and 283 will not change as this is based on the total deficient taxes related to NOL over total protected excess at the time of TCJA 2017. The net plant allocator used for Account 190 is updated annually.

Date: 10/18/2022

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Responses to Multiple Intervenors
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Data Request 25:
In reference to the 2021 ATRR calculation for Kentucky Power Company, please explain:

a. The reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 282 used in the 2020 ATRR calculation (provided July 22, 2022) where the NOL Adjustment was ($15,576,608) and the 2021 ATRR calculation where the NOL Adjustment was ($14,354,985);

b. For the NOL Adjustments for Accounts 190, 282, and 283 in the 2021 ATRR calculation, please provide worksheets (in a workable Excel format) or other documentation showing the calculation of the allocators used for the functional classification of the NOL Adjustment balances and explain how the functional balances for generation and distribution plant are the same; and

c. Why did the allocator percentages change from those used for the 2020 ATRR NOL Adjustments for Accounts 190, 282, and 283 (provided July 22, 2022) and the allocator percentages used in the 2021 ATRR calculation.

Response:

a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is the updated With & Without Test calculation. Previously, the ($14,354,985) was calculated based on the determination that 86.26% of the deficient tax ADIT related to the stand-alone NOLC is related to accelerated depreciation. After this number was provided, the With & Without tests for all companies were updated to only account for Method & Life differences without consideration for book and tax basis differences. The decision to only consider Method & Life differences was made to be more congruent with IRS guidance. The updated With & Without test for Kentucky Power resulted in 100% of the deficient taxes of the stand-alone NOLC to be caused by accelerated depreciation. As 100% of the deficient taxes are considered protected, 0% are then considered to be unprotected and no adjustment to Account 283 is needed.
b. Please see JI-1-8 Attachment 1. The adjustment to account 282 is allocated based on the balance of excess ADIT as of the final filing of the 2017 tax return by functional books. This is consistent with how ADIT is allocated to the East Operating Transmission BUs. The allocation for Account 190 is based on net plant allocators.
c. The allocator for 282 will not change as this is based on the total deficient taxes related to NOL over total protected excess at the time of TCJA 2017. The net plant allocator used for Account 190 is updated annually.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Responses to Multiple Intervenors
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Data Request 26:
In reference to the 2021 ATRR calculation for Ohio Power Company, please confirm there are no NOL Adjustments included in any input in the 2021 ATRR calculation for the Stand-Alone method for ADIT for Net Operating Losses. If there are NOL adjustments, please identify each instance in the template where the adjustments are being made, the associated amount and any supporting documentation for the adjustments.

Response:
Confirmed there are no NOL Adjustments included in the 2021 ATRR calculation for Ohio Power Company.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Responses to Multiple Intervenors
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Data Request 27:
In reference to the 2021 ATRR calculation for Wheeling Power Company, please provide:

a. Worksheets (in a workable Excel format) or other documentation showing the calculation of the allocators used for the functional classification of the Account 190 NOL Adjustment balance for December 31, 2021 and explain how the functional balances for generation and distribution plant are the same for generation and distribution plant; and

b. An explanation of why there are no related NOL Adjustment entries to Accounts 282 and 283 for the 2021 ATRR calculation when there is a December 31, 2021 NOL Adjustment entry to Account 190 in the amount of $962,684.

Response:

a. The allocator used for account 190 is the GP allocator which is calculated on Wheeling Power Company's TCOS tab.
b. There were no related NOL Adjustment entries to Accounts 282 and 283 for the 2021 ATRR calculation because as of TCJA 12/31/2017, Wheeling Power was in a cumulative taxable income position. Therefore, there was no stand-alone Net Operating Loss remeasurement that resulted in a deficient tax. However, at the 2021 year-end, Wheeling Power recorded a taxable loss. The adjustment to Account 190 is to adjust the consolidated Net Operating Loss on its financial record for its stand-alone Net Operating Loss Carryforward.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Data Request 28:
In reference to the 2021 ATRR calculation for AEP Appalachian Transmission Company, Inc., please explain the reasons and supporting documentation for the change in the December 31, 2020 NOL Adjustment for Account 283 used in the 2020 ATRR calculation (provided August 10, 2022) where the NOL Adjustment was ($104,963) and the 2021 ATRR calculation where the NOL Adjustment was ($296,125).

Response:
Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on August 10, 2022, and the 2021 ATRR calculation is due to a change in the calculation of protected deficient tax amortization. At the time files related to the NOLC were provided to support the ADIT deficiency amortization related to the 2020 year, the company was still in the process of determining the methodology for amortizing the deficient tax balance according to ARAM. After the initial files were provided, AEP finalized the methodology to most accurate reflect ARAM amortization on the NOLC and amortize the deficient tax balance. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the Power Tax Software. This resulted in a variance between the two files.

Date: 10/18/2022

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Data Request 29:
In reference to the 2021 ATRR calculation for AEP Indiana Michigan Transmission Company, Inc., please explain the reasons and supporting documentation for the differences in the December 31, 2020 NOL adjustment balances used in the 2020 ATRR calculation and the 2021 ATRR calculation:

a. For Account 282, the NOL Adjustment balance was ($68,363,619) for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment was ($75,991,455); and

b. For Account 283, the NOL Adjustment balance was zero for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment was $2,438,317.

Response:

a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is due to a change in the calculation of protected deficient tax amortization. At the time files related to the NOLC were provided to support the ADIT deficiency amortization related to the 2020 year, the company was still in the process of determining the methodology for amortizing the deficient tax balance according to ARAM. After the initial files were provided, AEP finalized the methodology to most accurate reflect ARAM amortization on the NOLC and amortize the deficient tax balance. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the PowerTax Software. This resulted in a variance between the two files.
b. In the calculation of the NOL impact to the 2020 ATRR, Account 283 contained the deficiency related to the Consolidated NOLC that resulted from the 2019 amended return. Because the NOL was inadvertently classified as unprotected and recorded to Account 283, the deficient balance has since been reclassed to protected Account 282. Therefore, the NOL adjustment to Account 283 was no longer needed.

Date: 10/18/2022

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Data Request 30:
In reference to the 2021 ATRR calculation for AEP Kentucky Transmission Company, Inc., please explain the reasons and supporting documentation for the differences in the December 31, 2020 NOL Adjustment balances used in the 2020 ATRR calculation and the 2021 ATRR calculation:

a. For Account 282, the NOL Adjustment balance was ($4,390,048) for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is ($4,417,771); and

b. For Account 283, the NOL Adjustment balance was zero for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is a credit of $92,245.

Response:
a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is due to a change in the calculation of protected deficient tax amortization. At the time files related to the NOLC were provided to support the ADIT deficiency amortization related to the 2020 year, the company was still in the process of determining the methodology for amortizing the deficient tax balance according to ARAM. After the initial files were provided, AEP finalized the methodology to most accurate reflect ARAM amortization on the NOLC and amortize the deficient tax balance. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the Power Tax Software. This resulted in a variance between the two files.
b. In the calculation of the NOL impact to the 2020 ATRR, Account 283 contained the deficiency related to the Consolidated NOLC that resulted from the 2019 amended return. Because the NOL was inadvertently classified as unprotected and recorded to Account 283, the deficient balance has since been reclassed to protected Account 282. Therefore, the NOL adjustment to Account 283 was no longer needed.

Date: 10/18/2022

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Data Request 31:
In reference to the 2021 ATRR calculation for AEP Kentucky Transmission Company, Inc., please explain the reasons why the December 31, 2020 NOL Adjustment for Account 283 is a credit balance of $92,245 given AEP East's explanation that the NOL Adjustment amounts reflected on WS B-1 for Account 283 represent ADIT NOL Adjustment deficiencies related to the Tax Cuts and Jobs Act remeasurement of the Account 190 ADIT NOL Adjustment.

Response:
As mentioned in JI-1-30, there is no NOL Adjustment for Account 283 as the deficient tax balance related to the 2019 Amended Return was reclassed to Account 282. This has been updated in the files provided July 22, 2022 and will be presented accordingly going forward.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Data Request 32:
In reference to the 2021 ATRR calculation for AEP Ohio Transmission Company, Inc., please explain the reasons and supporting documentation for the differences in the December 31, 2020 NOL Adjustment balances used in the 2020 ATRR calculation and the 2021 ATRR calculation:

a. For Account 282, the NOL Adjustment balance was ($102,988,077) for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is ($104,248,945); and

b. For Account 283, the NOL Adjustment balance was zero for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is a credit of $1,612,655.

Response:

a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is due to a change in the calculation of protected deficient tax amortization. At the time files related to the NOLC were provided to support the ADIT deficiency amortization related to the 2020 year, the company was still in the process of determining the methodology for amortizing the deficient tax balance according to ARAM. After the initial files were provided, AEP finalized the methodology to most accurate reflect ARAM amortization on the NOLC and amortize the deficient tax balance. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the PowerTax Software. This resulted in a variance between the two files.
b. In the calculation of the NOL impact to the 2020 ATRR, Account 283 contained the deficiency related to the Consolidated NOLC that resulted from the 2019 amended return. Because the NOL was inadvertently classified as unprotected and recorded to Account 283, the deficient balance has since been reclassed to protected Account 282. Therefore, the NOL adjustment to Account 283 was no longer needed.

Date: 10/18/2022

AEP East ER17-405 & 406 Formula Rate 2021 ATRR DR
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Data Request 33:
In reference to the 2021 ATRR calculation for AEP Ohio Transmission Company, Inc., please explain the reasons why the December 31, 2020 NOL Adjustment for Account 283 is a credit balance of $1,612,655 given AEP East's explanation that the NOL Adjustment amounts reflected on WS B-1 for Account 283 represent ADIT NOL Adjustment deficiencies related to the Tax Cuts and Jobs Act remeasurement of the Account 190 ADIT NOL Adjustment.

Response:
As mentioned in JI-1-32, there is no NOL Adjustment for Account 283 as the deficient tax balance related to the 2019 Amended Return was reclassed to Account 282. This has been updated in the files provided July 22, 2022 and will be presented accordingly going forward.

Date: 10/18/2022

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Data Request 34:
In reference to the 2021 ATRR calculation for AEP West Virginia Transmission Company, Inc., please explain the reasons and supporting documentation for the differences in the December 31, 2020 NOL Adjustment balances used in the 2020 ATRR calculation and the 2021 ATRR calculation:

a. For Account 282, the NOL Adjustment balance was ($40,646,306) for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is ($43,306,847); and

b. For Account 283, the NOL Adjustment balance was zero for the 2020 ATRR calculation (provided July 22, 2022) whereas in the 2021 ATRR calculation, the NOL Adjustment is a credit of $2,775,847.

Response:
a. Please see JI-1-8 Attachment 1. The reason for the difference between the amount provided on July 22, 2022 and the 2021 ATRR calculation is due to a change in the calculation of protected deficient tax amortization. At the time files related to the NOLC were provided to support the ADIT deficiency amortization related to the 2020 year, the company was still in the process of determining the methodology for amortizing the deficient tax balance according to ARAM. After the initial files were provided, AEP finalized the methodology to most accurate reflect ARAM amortization on the NOLC and amortize the deficient tax balance. This approach will amortize the deficiency at the same rate that the protected excess is amortized, maintaining the ARAM rate of amortization that is determined by book/tax timing difference on depreciation calculated by the Power Tax Software. This resulted in a variance between the two files.
b. In the calculation of the NOL impact to the 2020 ATRR, Account 283 contained the deficiency related to the Consolidated NOLC that resulted from the 2019 amended return. Because the NOL was inadvertently classified as unprotected and recorded to Account 283, the deficient balance has since been reclassed to protected Account 282. Therefore, the NOL adjustment to Account 283 was no longer needed.

Date: 10/18/2022

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Data Request 35:
In reference to the 2021 ATRR calculation for AEP West Virginia Transmission Company, Inc., please explain the reasons why the December 31, 2020 NOL Adjustment for Account 283 is a credit balance of $2,775,847 given AEP East's explanation that the NOL Adjustment amounts reflected on WS B-1 for Account 283 represent ADIT NOL Adjustment deficiencies related to the Tax Cuts and Jobs Act remeasurement of the Account 190 ADIT NOL Adjustment.

Response:
As mentioned in JI-1-34, there is no NOL Adjustment for Account 283 as it was reclassed to Account 282. This has been updated in the files provided July 22, 2022 and will be presented accordingly going forward.

Date: 10/18/2022