



SUBJECT: AEP East Operating Companies' and East Transmission Companies' 2019 Formula Rate True-up Second Set of Discovery Responses to Interested Parties.

Because of their voluminous nature, attachments referenced in these responses will be provided based on an emailed request. Requests for attachments deemed confidential will require execution of a non-disclosure agreement prior to being provided.

Requests can be sent to:

David Weiss
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**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-1:

Please identify all projects that were written-off from Account 183 or Account 107 for each of the OpCos and TransCos during 2019. For each project identified, provide the FERC accounts debited to record the write-off, a description of the project written-off sufficient to justify the accounting for the cost, and the amount written-off.

Response:

The Companies do not keep track of this information in its accounting system. However, if the costs of a project were incurred to Account 183 or Account 107 and later expensed because a project was cancelled or did not move forward, the costs incurred to that point would have been recorded to the appropriate functional expense account.

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Data Request JI Set 2-2:

Please indicate whether “Goodwill” is reflected on the books of any of the OpCos or TransCos as of December 31, 2019. If so, please identify the relevant entity or entities, the transaction that generated the goodwill, and the balance sheet accounts used with the associated balance.

Response:

There is no "goodwill" recorded on the books of any of the OpPCo's or Transco's as of December 31, 2019.

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Data Request JI Set 2-3:

For each OpCo and TransCo, please identify any goodwill adjustments or write-offs recorded to income statement accounts during 2019 related to goodwill recorded on the books of any Opco, Transco, or other affiliate.

Response:

There were no "Goodwill" adjustments or write-offs recorded to income statement accounts during 2019 on the OpCo's or Transco's.

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Data Request JI Set 2-4:

For each OpCo or TransCo, please identify any costs incurred in 2019 paid to an entity retained with a primary or secondary purpose of engaging with elected officials or persuading legislation that is recorded in operating expense accounts. For each cost identified, please provide:

- a. The name of the entity;
- b. A description of the cost sufficient to justify the accounting for the cost; and
- c. The amount incurred in 2019.

Response:

The Company interprets this question as being a request for information on misclassified lobbying expenses. However, the work necessary to support this request is not something the Company does as part of its accounting procedures. The Company does not go back and review processed invoices for classification errors as a procedure, instead relying on established procedures for reviewing, classifying, and approving invoices prior to payment. Please see the Company's response to data request JI 1-7, which addressed these expenses and the fact that they are not recovered in the formula.

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Data Request JI Set 2-5:

In relation to any 2019 expenses associated with remediation for any environmental or contamination recorded in administrative and general expense accounts or other accounts included in the formula rate, please provide a detailed list of expenses by FERC account, the nature of the contamination, assets involved, and remedial actions.

Response:

There were no significant environmental remediation expenses recorded in 2019 on the OpCo's or the Transco's in accounts that are included in the formula.

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Data Request JI Set 2-6:

For each OPCo and TransCo “Note Y” on tab TCOS states, “The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.” For each OPCo and TransCo, please provide a detailed listing of the associated balances included in accounts 228.1, 228.2, 228.3, and 228.4 and identify the accounts separately. To the extent that AEP East does not consider an item a contingent liability, is irrelevant. The Joint Intervenors have a right to review the data and make its own determination to ensure this note is being applied appropriately.

Response:

See JI 2-6 Attachment 1 for the requested data. Note that none of the East TransCo's had any activity recorded in account 228.

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Data Request JI Set 2-7:

For each OpCo, please list any grandfathered point to point contracts that is included in the load divisor and provide the associated amount of revenues in 2019 associated with those contracts.

Response:

Because the Joint Customers did not specify the meaning of 'grandfathered' the Company is assuming this refers to contracts that were in effect prior to AEP's joining PJM. The answer is there are no current contracts meeting this description.

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Data Request JI Set 2-8:

For each OpCo and TransCo, please list any rental revenues earned on General Plant.

Response:

See the Company's responses to questions 2-36 through 2-39, 2-41, and 2-42, in which the Joint Customers requested information on the general plant underlying specific revenue credits reported in JI 1-74 Attachment 1. Those responses address this question.

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Data Request JI Set 2-9:

For each OpCo, please provide the specific references to the Excel cells used to compute the “Percentage of Plant” figures used to calculate the “Net Plant” for one of the state jurisdictions outlined in the tab entitled “Worksheet H Other Taxes.”

Response:

Please see JI 2-9 Attachment 1 for the requested information on the functional percentages for each jurisdiction in which the Companies operated. See JI 2-9 Attachment 2 for a guide as to how plant balances are assigned in the determination of the percentages shown on Attachment 1.

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Data Request JI Set 2-10:

In reference to AEP's response to JI Set 1-8, "JI Set 1-8_Attachment_1," Lobbying ABM 289 Tab, Column C, for each entity listed in Column C please identify other costs associated with those entities recorded in operating expense accounts. For each entity provide the operating accounts used with the associated amounts and a discussion of the operating activities performed.

Response:

Please see JI 2-10 Attachment 1_Pivot Tab for the listing of each OPCO's and Transco's additional expenditures in 2019 for the entities mentioned in question 10. Due to the volume of transactions, activity from UPS that was listed in JI 1-8 Attachment 1 is not included in this response because this vendor provides a large volume of services to all aspects of AEP's operations.

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Data Request JI Set 2-11:

In reference to AEP's response to JI Set 1-8, "JI Set 1-8_Attachment_1," Charity CC 955 Tab, Column C, for each entity listed in column c please identify other costs associated with those entities recorded in operating expense accounts. For each entity provide the operating accounts used with the associated amounts and a discussion of the operating activities performed.

Response:

Please see JI 2-11 Attachment 1_Pivot Tab for the listing of each OPCO's and Transco's additional expenditures in 2019 for the entities mentioned in question 11. Due to the volume of transactions, activity from Bank of America, UPS and Fed-ex that were listed in JI 1-8 Attachment 1 are not included in this response because these companies provide services to all aspects of AEP's operations. The activity for Bank of America is for corporate credit cards.

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Data Request JI Set 2-12:

In reference to AEP's response to JI Set 1-35, "JI Set 1-35-Attachment_1," please:

- a. Verify the costs and amounts actually recorded in Account 107 in 2019 for the Maliszewski Substation project;
- b. Verify if AFUDC is recorded for the Maliszewski Substation project in 2019; and
- c. Describe the column titled "Incurred Expense", provide the associated expense accounts, and describe the costs expensed.

Response:

In reference to JI Set 1-35:

- a. \$327,694 was recorded to 107 in 2019.
- b. \$785 was recorded in AFUDC for the project
- c. The \$11,000 in the column entitled "Incurred Expenses" is for estimated claims adjustor expenses. These are expenses of the insurance company and not AEP.

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Data Request JI Set 2-13:

In reference to AEP's response to JI Set 1-36 and "JI Set-36_Attachment_1," "APCo" and "OPCo" tabs, please identify any work orders for software that was obtained in combination with other physical assets purchased. For the software associated with the work orders identified, please:

- a. Discuss whether the vendor is responsible for software upgrades and maintenance;
- b. Provide the 300 series FERC accounts used to record the associated physical assets;
- c. Discuss how the amount recorded in Account 303 was calculated or determined in relation to the cost of other costs of the project;
- d. Discuss whether the software was internally developed or substantially ready for use upon acquisition;
- e. Provide a project summary that discusses scope of the project and application of software to the associated assets.

Response:

The software identified in JI Set 1-36_Attachment_1 was recorded to utility account 30300. Software recorded to Account 303 in accordance w/ the FERC USoA is separately identified as software and not tracked by physical asset location.

- a. thru e.) N/A

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Data Request JI Set 2-14:

In reference to AEP's response to JI Set 1-36 and "JI Set-36_Attachment_1," "APCo" and "OPCo" tabs, please provide additional descriptions to column G "act_work_order_description" for each work order presented to illustrate the purpose and operating intent of the software.

Response:

See JI-2-14_Attachment_1 for the additional descriptions for the various source work orders that comprised the values in column G of JI-1-36_Attachment_1 for "APCO" and "OPCO". The attached response is limited to the Capitalized Software blanket work orders as the other column G had available descriptions provided. Also, JI-2-14_Attachment_1 has minor reconciling differences when compared to JI Set 1-36_Attachment_1 due to timing and/or miscellaneous adjustments to the Capital Software Blanket work orders.

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Data Request JI Set 2-15:

In reference to AEP's response to JI Set 1-36 and "JI Set-36_Attachment_1," "APCo" and "OPCo" tabs, please identify the projects which accrued AFUDC. For the identified projects, please:

- a. Explain whether the software was internally developed or substantially ready for use upon acquisition;
- b. Provide the extent and nature of internal software development conducted by APCo or OPCo; and
- c. Number of months to develop the software and accrued AFUDC on the software costs.

Response:

For both APCo and OPCo, the Company accrued AFUDC on the implementation of its Maximo software. For OPCo, the Company accrued AFUDC on the implementation of the software that was developed and purchased for its gridSmart project.

- a.) The IBM Maximo software was purchased. However, a significant implementation effort was required to make the Maximo software ready for use by AEP. Software for OPCo's gridSmart project was mostly developed internally. There was software acquired for the project that was substantially ready for use upon acquisition.
- b.) Capitalized application development costs for both projects identified include software configurations and customizations, interface development, project management and testing.
- c.) The implementation period for the Maximo software was 46 months. The implementation period for the selected OPCo software projects related to gridSmart ranged from 9-21 months. Please refer to JI 2-15 Attachment 1.xls for the total AFUDC accrued on the selected APCo and OPCo work orders.

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Data Request JI Set 2-16:

In reference to AEP's response to JI Set 1-38, Item B, please describe the types of software maintenance costs that were reported in Accounts 560 and 566 for APCo and OPCo in 2019 with the associated amounts and explain why it was appropriate to use those accounts rather than Account 935 for the maintenance of assets recorded as Intangible Plant in Account 303.

Response:

APCo and OPCo record software maintenance costs in Accounts 560 and 566, which are directly related to the operation of the transmission system. In 2019, APCo and OPCo recorded software maintenance costs of \$308,834 and \$202,051, respectively, in Accounts 560 and 566.

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Data Request JI Set 2-17:

In reference to AEP's response to JI Set 1-38, Item B, please describe the types of software maintenance costs that were reported in Account 923 for APCo and OPCo in 2019 with the associated amounts and explain why it was appropriate to use those accounts rather than Account 935 for the maintenance of assets recorded as Intangible Plant in Account 303.

Response:

APCo and OPCo recorded cloud computing costs in Account 923, which is the software maintenance costs referred to in JI Set 1-38, Item B. Due to the nature of cloud computing, it was determined to use Account 923. APCo and OPCo recorded \$407,342 and \$632,935, respectively, of cloud computing costs in Account 923 in 2019. Please note that this has no impact on the formula rate calculation as Accounts 923 and 935 are both included as Administrative and General costs in the calculation.

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Data Request JI Set 2-18:

In reference to AEP's response to JI Set 1-51, "JI Set 1-51_Attachment_1," Response tab, please provide the following related to "Professional Svcs Exp Gen":

- a. An explanation of the type of expenditures;
- b. An explanation of the extent these costs provide support that is specific to the production or distribution operating functions; and
- c. A verification whether the costs are derived from third party vendors retained.

Response:

See JI 2-18 Attachment_1.

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Data Request JI Set 2-19:

In reference to AEP's response to JI Set 1-51, "JI Set 1-51_Attachment_1," Response tab, please provide the following related to "Other Outside Services Gen":

- a. An explanation of the type of expenditures;
- b. An explanation of the extent these costs provide support that is specific to the production or distribution operating functions; and
- c. A verification whether the costs are derived from third party vendors retained.

Response:

See JI 2-19 Attachment_1.

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Data Request JI Set 2-20:

In reference to AEP's response to JI Set 1-51, "JI Set 1-51_Attachment_1," QUERY tab, Column M, please provide a narrative discussion of types of charges or services that comprise "AEPSC Bill-Services Rendered".

Response:

See JI 2-20 Attachment_1.

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Data Request JI Set 2-21:

In reference to AEP's response to JI Set 1-51, "JI Set 1-51_Attachment_1," QUERY tab, please re-run the query to include additional columns that provide the full text description for column K – Project and column L – W/O from the accounting system, which provide the meaningful explanation of the costs. For example, the "List" tab provides meaningful descriptions for CC# and BU#.

Response:

See Attachment JI 2-21 Attachment 1

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Data Request JI Set 2-22:

In reference to AEP's response to JI Set 1-52, "JI Set 1-52_Attachment_1," QUERY tab, please re-run the query to include additional columns that provide the full text description for column K – Project and column L – W/O from the accounting system, which provide the meaningful explanation of the costs. For example, the "List" tab provides meaningful descriptions for CC# and BU#.

Response:

See JI 2-22 Attachment 1

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Data Request JI Set 2-23:

In reference to AEP's response to JI Set 1-52, "JI Set 1-52_Attachment_1," QUERY tab, Column M, please provide a narrative discussion of types of charges or services that comprise "AEPSC Bill-Services Rendered".

Response:

See JI 2-23 Attachment 1

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Data Request JI Set 2-24:

In reference to AEP's response to JI Set 1-52, "JI Set 1-52_Attachment_1," Response tab, please provide a list of all memberships that comprise the line item "Company Memberships" with the associated cost.

Response:

See JI 2-24 Attachment 1

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Data Request JI Set 2-25:

In reference to AEP's response to JI Set 1-53, "JI Set 1-53_Attachment_1," QUERY tab, please re-run the query to include additional columns that provide the full text description for column J – Project and column K – W/O from the accounting system, which provide the meaningful explanation of the costs. For example, List tab provides meaningful descriptions for CC# and BU#.

Response:

See attachment JI 2-25

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Data Request JI Set 2-26:

In reference to AEP's response to JI Set1-57, please provide a discussion of the computation methodology of overhead construction costs. The discussion should explain the inputs to the computation, provide a sample computation, and the processes/controls to ensure compliance with 18 C.F.R. Part 101, Electric Plant Instruction No. 4.

Response:

Construction overheads include those costs which are related to construction but are not directly attributable to a specific construction project. These overhead costs consist of certain administrative, supervisory, and engineering costs which cannot be directly assigned to a construction project without undue burden and refinement. Costs are charged monthly to separate construction overhead work orders. The costs are allocated to individual construction projects by applying the construction overhead rate calculated by the Company's asset management system (PowerPlant) to non-closed construction work orders in the current month before any construction overheads and AFUDC is applied. Construction overheads are typically applied to all charge types except for liabilities, billings, CIAC, and AFUDC.

Overhead clearing rate = Sum of activity charged to overhead work order divided by the overhead base

Construction overheads allocated to work orders are calculated by multiplying eligible current month charges (overhead basis) times the overhead clearing rate

On a monthly basis, overhead reports are run that (1) provide CWIP/RWIP activity charged to the overhead work order and (2) provide activity that is part of the overhead basis. The reports are analyzed and compared with the overhead activity over the prior 12 month period.

Additionally, construction overheads mainly consist of internal labor and the associated time reports are subject to supervisor review.

Please see JI 2-26 Attachment 1.xlsx for an example of the calculation.

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Data Request JI Set 2-27:

In reference to AEP's response to JI Set 1-58, please indicate whether the upfront and commitment fees recorded for KPCo, I&M, and APCO were included in the cost of short-term debt or long-term debt in the computation of AFUDC.

Response:

The upfront/commitment fees are included in the cost of debt in the computation of AFUDC.

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Data Request JI Set 2-28:

In reference to AEP's response to JI Set 1-59, please explain whether the charging stations are used for the sole purpose of charging electric vehicles owned by the OpCos and TransCos or whether the charging stations are in public locations for use by the general public. To the extent, the electric vehicle charging stations are for use by the general public, please:

- a. Provide the original cost of the charging stations in Account 398 and the operating expense in Account 935;
- b. Provide the accounts used to record any revenues received from the use of the electric vehicle charging stations; and
- c. Discuss any retail rate recoveries specifically designed to recover the operating cost and investment in electric vehicle charging stations.

Response:

Although the charging stations located at Ohio Power's 700 Morison Road Office in Columbus are accessible to the public, no other locations were deployed to provide public access and most are only accessible by employees. These installations support fleet/workplace applications, and are necessary to properly support our business operations much like parking lots, buildings, and other workplace facilities.

a.) Appalachian Power - \$90,998 capital; \$0 O&M

Indiana Michigan Power - \$57,270 capital; \$6,009 O&M

Ohio Power - \$160,086 capital; \$23,914 O&M

AEP Indiana Michigan Transmission Company - The investment made at Indiana Michigan Transmission Company was either not placed in service prior 12/31/2019 or the installations were part of the overall general construction of a new service center and the specific costs for EV charging stations only is not available.

AEP Ohio Transmission Company - The investment made at AEP Ohio Transmission Company was either not placed in service prior 12/31/2019 or the installations were part of the overall general construction of a new service center and the specific costs for EV charging stations only is not available.

b.) There are no revenues collected for the stations installed at these Companies.

c.) N/A

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Data Request JI Set 2-29:

In reference to AEP's response to JI Set 1-65, "JI Set 1-65_Attachment_1," JI 65 Depr Exp Work Copy tab, Column C, please provide a description of the following items listed as intangible assets. In addition, explain whether and how the items relate to each other. Finally, provide an explanation to whether the items represent a prepaid lease.

- a. APCo 101/6 303 Dell Lease Distr
- b. APCo 101/6 303 Dell Lease Prod
- c. APCo 101/6 303 Dell Lease Transm

Response:

The costs identified are not part of any prepaid lease. Prepaid leases would be accounted for separately.

Prior to 2018, AEP entered into separate Enterprise License Agreements (ELAs) with both Dell and EMC to support AEP's storage requirements, virtual environments, business continuity and disaster recovery plans. In addition, both products serve as the backbone for AEP's business applications. In 2018, the agreements were set to expire. With the expiration of the original agreements and also Dell's purchase of EMC, AEP entered into a 5-year license renewal contract which ultimately reduced overall administrative costs to the Company.

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Data Request JI Set 2-30:

In reference to AEP's response to JI Set 1-65, "JI Set 1-65_Attachment_1," JI 65, Depr Exp Work Copy tab, Column C, please provide a description of the intangible asset listed as "APCo 101/6 302 Smith Mtn License."

Response:

The group APCo 101/6 302 Smith Mtn License includes the cost incurred by the Company to get approval from FERC to operate the Smith Mountain Hydro facility through 2040.

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Data Request JI Set 2-31:

In reference to JI Set 1-66_Attachment_1, JI 66, 2019 tab, please explain the computation and specific data source for columns AD and AE.

Response:

The computation of protected excess is calculated via the Average Rate of Assumption Method (ARAM) and unprotected excess is being amortized over a ten year period as described in the AEP East Operating Companies' and Transmission Companies' FERC Order 864 applications, filed in Dockets ER20-1886-000 and ER20-1888-000, respectively. These amounts are shown in Column N of WS B-3 in the 2019 true-up filings.

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Data Request JI Set 2-32:

In reference to AEP's response to JI Set 1-71, 1-85, 1-98, 1-109, 1-123, 1-141, 1-152, 1-161, 1-172, 1-181, 1-194, AEP was non-responsive to this request. Please provide the reserve balances which have resulted from expense accruals included in the formula rate template, including (i) the FERC Account number where each such reserve has been recorded, (ii) the FERC Account number to which the reserve accrual(s) is (are) booked, and (iii) the balances as of December 31, 2018, and December 31, 2019. In addition, provide the expense accrual amounts incurred by FERC account in 2019.

Response:

See JI 2-32 Attachment_1.

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Data Request JI Set 2-33:

In reference to AEP's response to JI Set 1-74, "JI Set 1-74_Attachment_1," Query tab, Column E, for each APCo please provide a detailed narrative discussion of deferred gains associated with fiber optic leases that are amortized to revenue accounts. The discussion should explain the transactions leading to the deferred gain, the year each gain was initially deferred, the amount of the deferral, and all accounting details associated with the amortization.

Response:

The deferred gains that are being amortized to account 451 on I&M, OPCo, APCo and KPCo are related to the Indefeasible Right of Use gains of fiber optic lines constructed by the companies in the late 1990's and early 2000's. These deferred gains are recorded in 253 and being amortized over various lengths of time. They will be completely amortized in 2025. Refer to JI 2 – 33 Attachments 1 and 2 for the various amortizations schedules.

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Data Request JI Set 2-34:

In reference to AEP's response to JI Set 1-74_Attachment _1, Query Tab, Column J, please provide a summary of the accounting for the items listed below. The summary should discuss the balance sheet account used to record the deferred gains/revenues and deferred income taxes, with associated balances, the period of amortization, and the formula rate treatment for the deferred gains/revenues and deferred taxes. In addition, the summary should explain the transaction that gave rise to the deferred gain/revenue.

- a. Gulfport Energy amortization
- b. Fib Opt Ln-SI/Ls-KDL-Dfd Gains

Response:

Please see JI 2 - 34 Attachment 1 for the details Gulfport Energy transaction, and the response to JI 2-33 for details on the fiber optic leases.

Besides the revenue credits that are recorded in the formula, there are associated deferred ADIT amounts recorded on the transmission functional books of the AEP subsidiaries described in the attachments to 2-33 and 2-34. For part a. those ADIT deferrals are shown in the OPCo formula rate, W/S B-2, ADIT items 2.72 and 2.73 in account 190. For part b., those deferrals are reported in each companies' tax worksheet B-2 under the description 'DEFD BK CONTRACT REVENUE'. These ADIT balances are both reported as transmission functional balances, and so are included in the transmission ratebase for each company.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-35:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "APCo" Tab Row 41 – Rental Payment in the amount of \$(225,500.00), please provide a detailed description of the what this line item represents. To the extent that these rental payments are associated with multiple locations, please provide a detailed description and associated amount with each that totals this amount.

Response:

The rental revenue is from AEP subsidiary, Transource West Virginia for property rental. The monthly rental of \$20,500 is a component of a 3 year service agreement (ended Nov 2019) between APCo and AEP Transource West Virginia. The rental provides access and use of APCO distribution facilities and real property, including but not limited to, laydown yards, storerooms and office space.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-36:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "APCo" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

- a. Excel Row 18 - APPALACHIAN POWER HEADQUARTERS
- b. Excel Row 19 - BECKLEY SERVICE CENTER
- c. Excel Row 20 - BLUEFIELD SERVICE CENTER
- d. Excel Row 22 - CHARLESTON SERVICE CENTER
- e. Excel Row 23 - CLOVERDALE STATION CREW BUILDI
- f. Excel Row 24 - FIELDALE OFF & SERV CENTER
- g. Excel Row 25 - GLADE SPRING SERVICE CENTER
- h. Excel Row 26 - HUNTINGTON SERVICE CENTER
- i. Excel Row 27 - HURRICANE CALL CENTER
- j. Excel Row 28 - JOHN W. VAUGHAN CENTER METER &
- k. Excel Row 29 - JOHN W. VAUGHAN CENTER SERV &
- l. Excel Row 32 - LOGAN SERVICE CENTER
- m. Excel Row 34 - LYNCHBURG SERVICE CENTER
- n. Excel Row 35 - MARMET BUILDING
- o. Excel Row 36 - NORTH CHARLESTON SC ANNEX
- p. Excel Row 37 - POINT PLEASANT OFFICE & SERVIC
- q. Excel Row 38 - PULASKI SERVICE CENTER
- r. Excel Row 42 - RICHMOND OFFICE
- s. Excel Row 43 - RIPLEY OFFICE & SERVICE CENTER
- t. Excel Row 44 - ROANOKE OFFICE
- u. Excel Row 45 - ROANOKE SERVICE CENTER
- v. Excel Row 46 - ROCKY MOUNT OFFICE & SERVICE C
- w. Excel Row 54 - TAZEWELL OFF & SERV CTR
- x. Excel Row 56 - WILLIAMSON SERVICE CENTER
- y. Excel Row 57 - WYTHEVILLE SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 36 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-37:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "OPCo" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

- a. Excel Row 18 - APR 2019 DATA CENTER REVENUE
- b. Excel Row 19 - ATHENS OFFICE & SERVICE CENTER
- c. Excel Row 20 - AUG 2019 DATA CENTER REVENUE
- d. Excel Row 21 - AUG-2019 GPDC2 L&B FIXED REV
- e. Excel Row 22 - AUG-2019 GPDC2 OFE FIXED REV
- f. Excel Row 23 - BELMONT SERVICE CENTER
- g. Excel Row 24 - BUCYRUS SERVICE CENTER
- h. Excel Row 26 - CANTON GENERAL OFFICE
- i. Excel Row 27 - CANTON GENERAL SERVICE CENTER
- j. Excel Row 28 - CANTON RECORDS CENTER
- k. Excel Row 29 - CANTON SOUTH SERVICE CENTER
- l. Excel Row 30 - CENTRAL OPERATIONS CENTER
- m. Excel Row 31 - CHILLICOTHE SERVICE CENTER
- n. Excel Row 34 - COLUMBUS LINE SCHOOL
- o. Excel Row 35 - COSHOCTON SERVICE CENTER
- p. Excel Row 36 - Dec 2019 DATA CENTER REVENUE
- q. Excel Row 37 - DEC 2018 DATA CENTER REVENUE
- r. Excel Row 38 - DEC 2019 DATA CENTER REVENUE
- s. Excel Row 39 - DEC2019 DATA CENTER REVENUE
- t. Excel Row 40 - DEC-2019 GPDC2 L&B FIXED REV
- u. Excel Row 41 - DEC-2019 GPDC2 L&B VAR REV
- v. Excel Row 42 - DEC-2019 GPDC2 OFE FIXED REV
- w. Excel Row 43 - DEC-2019 GPDC2 OFE VAR REV
- x. Excel Row 44 - FEB 2019 DATA CENTER REVENUE
- y. Excel Row 47 - GAHANNA 700
- z. Excel Row 48 - GAHANNA 850
- aa. Excel Row 50 - IRONTON PLEASANT STREET STATIO
- bb. Excel Row 51 - JAN 2019 DATA CENTER REVENUE
- cc. Excel Row 54 - JUL 2019 DATA CENTER REVENUE
- dd. Excel Row 55 - JULY 2019 DATA CENTER REVENUE
- ee. Excel Row 56 - JUNE 2019 DATA CENTER REVENUE
- ff. Excel Row 57 - KENTON SERVICE CENTER
- gg. Excel Row 58 - LANCASTER SERVICE CENTER
- hh. Excel Row 59 - LIMA SERVICE CENTER

ii. Excel Row 60 - MAR 2019 DATA CENTER REVENUE
 jj. Excel Row 61 - MARIETTA SERVICE CENTER-GOODRI
 kk. Excel Row 62 - MAY 2019 DATA CENTER REVENUE
 ll. Excel Row 63 - MCCONNELSVILLE OFFICE
 mm. Excel Row 64 - MCCONNELSVILLE SERVICE CENTER
 nn. Excel Row 65 - MINERVA COL. REGION CENTRAL ST
 oo. Excel Row 66 - MOUND ST. STATION AND STORES
 pp. Excel Row 68 - NEWARK OFFICE & SERVICE CENTER
 qq. Excel Row 69 - NOV 2019 DATA CENTER REVENUE
 rr. Excel Row 70 - NOV2019 DATA CENTER REVENUE
 ss. Excel Row 71 - NOV-2019 GPDC2 L&B FIXED REV
 tt. Excel Row 72 - NOV-2019 GPDC2 L&B VAR REV
 uu. Excel Row 73 - NOV-2019 GPDC2 OFE FIXED REV
 vv. Excel Row 74 - NOV-2019 GPDC2 OFE VAR REV
 ww. Excel Row 75 - OCT 2019 DATA CENTER REVENUE
 xx. Excel Row 76- OCT-2019 GPDC2 L&B FIXED REV
 yy. Excel Row 77 - OCT-2019 GPDC2 L&B VAR REV
 zz. Excel Row 78 - OCT-2019 GPDC2 OFE FIXED REV
 aaa. Excel Row 79 - OCT-2019 GPDC2 OFE VAR REV
 bbb. Excel Row 80 - PORTSMOUTH SERVICE CENTER
 ccc. Excel Row 81 - ROCKHILL STATION BUILDING
 ddd. Excel Row 82 - SEP 2019 DATA CENTER REVENUE
 eee. Excel Row 83 - SEP-2019 GPDC2 L&B FIXED REV
 fff. Excel Row 84 - SEP-2019 GPDC2 L&B VAR REV
 ggg. Excel Row 85 - SEP-2019 GPDC2 OFE FIXED REV
 hhh. Excel Row 86 - SEP-2019 GPDC2 OFE VAR REV
 iii. Excel Row 87 - SOUTH POINT SERVICE CENTER
 jjj. Excel Row 88 - SOUTHEAST SERVICE
 kkk. Excel Row 89 - STEUBENVILLE SERVICE CENTER
 ll. Excel Row 90 - TELECOMMUNICATIONS
 mmm. Excel Row 91 - TIFFIN SERVICE CENTER
 nnn. Excel Row 92 - UPPER SANDUSKY TRANS. CREW BLD
 ooo. Excel Row 94 - VAN WERT SERVICE CENTER
 ppp. Excel Row 95 - WELLSTON OFFICE & SERVICE CENT
 qqq. Excel Row 96 - WOOSTER SERVICE CENTER
 rrr. Excel Row 97 - ZANESVILLE SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 37 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-38:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "KgPCo" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

a. Excel Row 13 - KINGSPORT SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 38 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-39:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "WPCo" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

- a. Excel Row 15 – MOUNDSVILLE SERVICE CENTER
- b. Excel Row 19 – WHEELING SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 39 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-40:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "WPCo" Tab Row 13 – Rental Payment in the amount of \$(355,551.97), please provide a detailed description of the what this line item represents. To the extent that these rental payments are associated with multiple locations, please provide a detailed description and associated amount with each that totals this amount.

Response:

The \$355,551.97 rental revenue is from AEP subsidiary, West Virginia Transco for property rental. The annual rental is a component of a service agreement beginning 2012 between WPCo and AEP West Virginia Transco. The rental provides access and use of WPCo's distribution facilities and real property, plus all costs. The agreement is in effect until terminated by one of the parties.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-41:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "KPCo" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

- a. Excel Row 14 – HAZARD SERVICE CENTER
- b. Excel Row 17 – PIKEVILLE SERVICE CENTER
- c. Excel Row 18 – ROBERT E. MATTHEWS SERVICE CEN
- d. Excel Row 20 – WHITESBURG SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 41 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-42:

In reference to AEP's response to J1 Set 1-74, "JI_Set_1-74_Attachment 1," "I&M" Tab, please identify (i) the FERC Account(s) the assets related to each property is recorded, (ii) provide a description of what these rents represent and (iii) state whether they are associated with revenues received from other subsidiaries, third-party rental revenue etc.

- a. Excel Row 15 - AVILLA SERVICE CENTER
- b. Excel Row 16 - BAER FIELD GENERAL SERVICE CEN
- c. Excel Row 17 - BENTON HARBOR SERVICE CENTER
- d. Excel Row 18 - ELKHART SERVICE CENTER
- e. Excel Row 19 - FT. WAYNE NORTHEAST SERVICE CE
- f. Excel Row 20 - FT. WAYNE SPY RUN SERVICE CENT
- g. Excel Row 21 - INDIANA MICHIGAN POWER CENTER
- h. Excel Row 24 - MARION SERVICE CENTER
- i. Excel Row 25 - MOBILE RENT - IMCO-105
- j. Excel Row 26 - MUNCIE SERVICE CENTER
- k. Excel Row 27 - SOUTH BEND SERVICE CENTER

Response:

The rental revenues received for the line items identified in this data request are associated with AEP subsidiaries. See JI 2 - 42 Attachment 1 for the requested details.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-43:

In reference to AEP's response to JI Set 1-74, please provide a narrative discussion of methodology used to allocate revenues associated with general plant and joint use to transmission for purposes of computing revenue credits. In addition, explain how this allocation methodology can be verified in "JI Set 1-74_Attachment_1." If the methodology cannot be verified, please provide the workpapers used to support "WS E Revenue Credits."

Response:

As described in Note 1 of 'W/S E Rev Credits' in the formula rate, the company utilizes as the revenue credit the amounts recorded on the functional transmission books for the accounts as shown in the 'Description' Column of W/S E. To verify this, please review the detailed tab for each operating company presented in JI 1-74 Attachment 1. The information presented is segregated by the functional ledgers comprising that company. For instance, in the APCO tab, there is information presented under the "Unit" heading, with columnar values of 140, 150, 215, and X997. These values are defined as:

140 - APCO Distribution;
150 - APCO Transmission;
215- APCO Generation; and,
X997 - Consolidation Entity.

On APCO's W/S E, the credits reported in the transmission column are based on the sum of values in the Unit Column 150 for the indicated inputs:

Line 2 - Account 451- Miscellaneous Revenues: JI 1-74 Attachment, APCO Tab cell E15.

Line 3 - Account 454 -Rent From Electric Property: Cells E58, E65, E68, & E80.

Line 4 - Account 4560015 - Associated Business Development: Cell E97

Line 5 - Account 456 - Other Electric Revenues: Cell E90.

The other Operating Companies are prepared in a similar manner.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-44:

In reference to AEP's response to JI Set 1-93, "JI Set 1-93 Attachment," Column "Proj_Descr," entries entitled "000001121 - CORPORATE MEMBERSHIPS," please provide the following:

- a. The justification for recording these memberships to Account 566 rather than to Account 930.2, which is described in the Uniform System of Accounts as including "7. Membership fees and dues in trade, technical, and professional associations paid by a utility for employees. (Company memberships are includible in account 930.2.)"
- b. A detailed listing and associated amounts of the memberships included in Account 566.

Response:

- a. Only individual employee memberships should be recorded to Account 566. The charges for the North American Transmission Forum Inc. dues are for a corporate membership that was charged to Account 566 instead of Account 930.2. The Company will include, in the true-up of 2020 charges to be filed in May of 2021, an adjustment to reflect the difference in revenue requirement due to these items being allocated in account 566 vs. 930.2.
- b. See below for a detailed listing and associated amounts of the memberships included in Account 566.

Membership	\$ Amount
North American Transmission Forum Inc. Dues	21,347.83
Employee Labor	26.99
Project Management Institute Individual Membership	4.88
Ohio State Board of Registration for Professional Engineers and Surveyors License	1.88
Total	21,381.58

Preparer of Response: Craig M. Adelman

Preparer of Response: Matthew K. Murray

Preparer of Response: Joshua P. Baluch

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-45:

In reference to AEP's response to JI Set 1-89 and 1-90, please explain whether the liability for I&M's Spent Nuclear Fuel represents long-term debt that was outstanding as of December 2018 and December 2019. To the extent the liability for Spent Nuclear Fuel was properly recorded in Account 224, please provide the provision in the formula rate tariff that provides for the exclusion of such long-term debt.

Response:

See Note T in the TCOS tab of the formula rate. As described, the formula clearly notes that while the Spent Nuclear Fuel remediation funds are included in account 224, these amounts are not included in the capital structure of the formula. In addition, in the PJM OATT, Note T in Attachment H-14B specifies that this balance is excluded from the capital structure. (In the filed true-up the Company has not, due to an oversight, updated the balance and date information in this note).

In the long term debt pages of I&M's FERC form 1 (256/257), there is a note associated with line 10 that describes this amount as pre-April 1983 fees that I&M has not yet paid to the federal government.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-46:

In reference to AEP's response to JI Set 1-93, "JI Set 1-93 Attachment," Column "Proj_Descr," entry entitled "EDNANDA - Distribution Anda Project," please provide a detailed description of this project and an explanation as to why KPCo appears to have included distribution expenses in transmission.

Response:

The "EDNANDA - Distribution Anda Project" is a non-specific project used for recording miscellaneous distribution related items. This project was used for a journal entry to accrue FICA and 401k savings plan match related to annual employee incentives allocated to Kentucky Power from AEPSC in December 2019. This should have been recorded to account 588 - Misc Distribution Expenses. The entry was reversed in January 2020.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-47:

In reference to AEP's response to JI Set 1-94, to which liability account did KPCO record the asbestos accruals in 2018 and 2019. In additional, please explain why such asbestos accruals were not recorded in Account 228.2.

Response:

The asbestos accruals were recorded to accounts 242/253 based on their nature as contingent liabilities resulting from litigation. After further consideration, we believe it would be appropriate to record the asbestos accruals in account 228.2, and will reclassify them in Q4 2020.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-48:

In reference to AEP's response to JI Set 1-94, please explain the process to annually adjust estimates for accruals asbestos and other items recorded in Account 925. In addition, please identify the types of expense accruals that are estimated by AEP without specific approval by the Commission.

Response:

Annually, the asbestos accrual is adjusted using updated information on settlement payments, number of claims disposed and number of new claims. The liability is calculated by applying a five-year average cost per matter disposed to open claims and estimated incurred but not reported claims. Worker's compensation accruals are adjusted based on actuarial studies.

Regarding the Joint Customer's question about the use of estimates, the Company notes that in accordance with General Instruction No. 11 of the Uniform Standard of Accounts for electric utilities, the Company is required to maintain its books on an accrual basis. On that basis the FERC instruction supports the use of estimates for specific costs that are unknown.

11. Accounting to be on Accrual Basis.

A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

Please note that the Companies also address the use of estimates in accruing for costs in each Summary of Significant Accounting Policies presented in the notes to financial statements in their individual FERC Form 1s.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-49:

In reference to AEP's response to JI Set 1-99, please verify whether Line 2.02 – INT EXP CAPITALIZED FOR TAX in KPCO's "WS B-2 Actual Statement AG" represents ADIT for equity AFUDC.

Response:

Line 2.02 does not represent ADIT for equity AFUDC. This line represents a capitalized interest allowed for tax purposes and is separately identified from debt and equity AFUDC. AFUDC-debt is presented on "WS B-1 Actual Statement AF" Lines 5.15-5.17. AFUDC-equity is a permanent Schedule M item that is accounted for using flow-through accounting and is presented as a component of Line 5.34 of the same schedule.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-50:

In reference to AEP's response to JI Set 1-114, "JI Set 1-114 Attachment," Column "Long_Descr," entry entitled "Vertex Use Tax Accrual," please provide the following:

- a. A detailed description of these entries.
- b. State whether this is related to a tax management software/system. If yes, please provide the justification for recording the accruals to Account 566.
- c. Identify the FERC account where reserve balance where these expense accruals are being recorded.

Response:

- a. The "Vertex Use Tax Accrual" entries are state sales & use taxes applied to purchased materials & supplies.
- b. Vertex is the tax management system that AEP uses to record sales & use tax for purchased materials & supplies. The accruals are not for the use of the software. The accruals are recorded to the same account that the purchased materials & supplies are recorded to.
- c. The reserve balance is recorded to FERC account 236 - Taxes Accrued.

Date: 11/13/2020

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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-51:

In reference to AEP's response to JI Set 1-114, "JI Set 1-114 Attachment," Column "Long_Descr," entry entitled "LEA Expense Accrual," please provide the following:

- a. A detailed description of these entries.
- b. Identify the property this expense accrual is associated with and whether the asset has been recorded in a plant account. If yes, please identify the FERC Account and associated amount.
- c. Identify the FERC account where reserve balance where these expense accruals are being recorded.

Response:

- a. These entries are lease accruals related to the leasing of office furniture/equipment and communication equipment.
- b. The expense accruals are associated with the assets below. These assets have been recorded to FERC account 101.1 - Property Under Capital Leases.

Asset Description	Total
BATTERIES	139.48
CISCO EOL	223.04
LAN / WAN EQUIPMENT	7,770.77
OCE Plotwave 340 MFP	1,070.00
Oce PlotWave 345/365	1,837.50
SCADA EQUIPMENT	20,105.23
TELEPHONY	2,024.80
UPS	139.44
Grand Total	33,310.26

- c. The reserve balance is recorded to FERC account 242 - Miscellaneous Current and Accrued Liabilities.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
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**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-52:

In reference to AEP's response to JI Set 1-126, "JI Set 126_Attachment_1," OPCo appears to have corrected the amount on Line 5 - Account 456 - Other Electric Revenues - (Company Records - Notes 1, 2) in the amount of \$84,337,818. Please reconcile this adjustment to the JI Set 1-74 Attachment_1.

Response:

On Attachment 1-126, total account 456 is $3,964,184.51 + 84,337,818.2 = 88,302,002.71$. This ties to attachment 1-74 where total account 456 equals 88,302,002.71. When reviewing attachment 1-74 and the OPCo tab, the worksheet is displaying all accounts. Filter using cell A4 and deselect any account that is not in the 456 account group. Once only account 456 is selected, the pivot table will display the balance of 88,30,002.71 in cell G156.

Date: 11/13/2020

**PJM Formula Rate - Questions on 2019 True-up
FERC Docket No ER17-405-000 and ER17406-000 2019 ATRR**

**Responses to Joint Customers
Set 2 of Data Requests**

Data Request JI Set 2-53:

In reference to AEP's response to J1 Set 1-175, "JI_Set_1-175_Attachment 1," "APTCO" and "KYTCO" Tabs, please confirm that aren't any revenues associated with office buildings service centers, call centers, etc. If yes, please identify the FERC account(s) and associated amounts where the revenues are recorded.

Response:

There are no rent revenues associated with office buildings, service centers, call centers, etc. in the APTCO and KYTCO tabs on the response to J1 Set 1-175, JI_Set_1-175_Attachment 1. Any rent revenues for those types of buildings would be reflected in FERC Account 454.

Date: 11/13/2020