

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Western)
Cooperative Electric Association, Inc.)
Seeking Commission Approval to Update) Docket No. 17-WSTE-477-TAR
Its Local Access Delivery Service Tariff)
Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 16-)
MKEE-023-TAR.

PREFILED DIRECT TESTIMONY OF

ELENA E. LARSON
RATE AND FINANCIAL ANALYST
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 1, 2017

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Elena E. Larson. My business address is 3321 Southwest 6th Avenue, Topeka, KS 66606.

Q. What is your profession?

A. I am a Rate and Financial Analyst in the Economics, Rates, and Business Planning Department at Power System Engineering, Inc. ("PSE"), which is headquartered at 1532 W. Broadway, Madison, Wisconsin 53713.

Q. Please describe the business activities of PSE.

A. PSE is a consulting firm serving electric utilities across the country, but primarily in the Midwest. Our headquarters is in Madison, Wisconsin with regional offices in Indianapolis, Indiana; Topeka, Kansas; Lexington, Kentucky; Minneapolis, Minnesota; Marietta, Ohio; and Sioux Falls, South Dakota. PSE is involved in: power supply, transmission and distribution system planning; distribution, substation and transmission design; construction contracting and supervision; retail and wholesale rate and cost of service ("COS") studies; economic feasibility studies; merger and acquisition feasibility analysis; load forecasting; financial and operating consultation; telecommunication and network design, mapping/GIS; and system automation including Supervisory Control and Data Acquisition ("SCADA"), Demand Side Management ("DSM"), metering, and outage management systems.

Q. Please describe your responsibilities with PSE.

A. I work on a team of staff that provides economic, financial, and rate-related consulting services to investor-owned, cooperative, and municipal utilities as well as regulators and industry associations. These services include:

- Cost of Service Studies.
- Capital Credit Allocations.
- Demand Response.
- Distributed Generation Rates.
- Energy Efficiency.
- Financial Forecasting.
- Individual Customer Profitability.
- Large Power Contract Rates/Proposals.
- Line Extension Policies/Charges.
- Load Management Analysis.
- Load Forecasting.
- Market and Load Research.
- Merger Analysis.
- Pole Attachment Charges.
- Policy and Board Audits.
- Power Cost Adjustments.
- Rate Consolidation.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Statistical Performance Measurement (Benchmarking).
- Value of Service.

Q. What is your educational background?

A. I graduated from Washburn University in Topeka, Kansas in 2001 with a Bachelor of Science degree in Mathematics and a minor in Computer Science. In 2008, I received my Masters of Business Administration (“MBA”) degree from Ashford University in Clinton, Iowa.

Q. What is your professional background?

A. Prior to advancing to graduate degree studies in 2006, I worked as a computer programmer for a private corporation and taught mathematics. After graduating with an MBA in September 2008, I began my employment with the Kansas Corporation Commission (“KCC” or “Commission”) in Topeka, Kansas in July 2009 as an Energy Analyst in the Energy Operations Section of the Utilities Division. My work responsibilities at KCC at that time included monitoring and assessing various periodic compliance reports (e.g., Quality of Service and Electric Reliability); providing technical analysis on informal and formal electric and gas customer complaints; and assisting in writing the rules and regulations when mandated by the Kansas legislature. In January 2012, I assumed the position of Senior Utility Rate Analyst in the Economics and Rates Section of the Utilities Division of KCC. In that capacity, my responsibilities expanded to filing recommendations and/or testimony addressing utility applications for various tariff modifications, including change of retail and wholesale rates.

1 In April 2013, I joined PSE, where I assumed my current position of Rate and Financial
2 Analyst in the Rates and Financial Planning Department. My responsibilities include
3 performing rate studies consisting of determination of revenue requirements, cost of service,
4 and rate design. Additionally, I assist with regulatory filings, financial forecasting, special
5 rates and programs development, and other financial analysis for various PSE clients.

6 **Q. Have you previously presented testimony before the Kansas Corporation Commission**
7 **(“KCC” or “Commission”)?**

8 A. Yes. I submitted testimony on behalf of KCC Staff in Docket Nos. 11-GBEE-624-COC, 12-
9 WSEE-112-RTS, and 12-MKEE-380-RTS; on behalf of Prairie Land Electric Cooperative,
10 Inc. (“Prairie Land” or “Cooperative”) in Docket No. 15-PLCE-176-TAR; and on behalf of
11 Midwest Energy in Docket No. 16-MDWE-324-TFR. I also helped prepare testimony on
12 behalf of Southern Pioneer Electric Company (“Southern Pioneer”), Victory Electric
13 Cooperative Association, Inc., Western Cooperative Electric Association, Inc., and Prairie
14 Land in Docket Nos. 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-357-TAR, 15-SPEE-
15 519-RTS, 16-PLCE-490-TAR, 16-VICE-494-TAR, 16-WSTE-496-TAR, 16-SPEE-497-RTS,
16 and 16-SPEE-501-TAR. Additionally, I authored Report and Recommendations on behalf of
17 KCC Staff in Docket Nos. 09-KGSG-927-COM, 10-BHCG-409-COM, 10-WSEE-507-TAR,
18 10-KGSG-535-COM, 10-KGSG-644-COM, 10-MDWE-733-TAR, 11-KCPE-031-COM, 11-
19 WSEE-599-TAR, and 11-MDWE-763-TAR, as well as performed analyses filed with the
20 Applications on behalf of Mid-Kansas Electric Company, LLC (“Mid-Kansas”), Prairie Land,
21 and Southern Pioneer in Docket Nos. 14-MKEE-084-TAR, 14-PLCE-312-TAR, 15-SPEE-
22 267-TAR, 16-SPEE-306-TAR, and 17-SPEE-263-TAR.

23 **Q. Do you have any other relevant experience?**

24 A. I have attended several industry seminars/courses on cost of service, rate design, pricing,
25 distributed generation, financing transmission expansion, transmission cost allocation,

1 renewable power project siting, etc. I have also presented at industry events on the topics of
2 Revenue Requirement, Rate Design, and Net Metering.

3
4 **PART II - SUMMARY OF DIRECT TESTIMONY**

5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of my testimony is to support the Application submitted in the instant Docket by
7 Western Cooperative Electric Association, Inc. ("Western") for the approval of its 34.5kV
8 Formula Based Rate ("FBR") Annual Update filing for the 2016 Test Year.

9 **Q. Are there particular Exhibits to Western's Application that you will be describing and**
10 **explaining?**

11 A. Yes. My testimony concerns, and is supported by, the following Exhibits to the Application
12 in the instant docket:

13 Exhibit 5 - 34.5kV FBR Calculation for Test Year
14 Exhibit 14 - Proposed Tariff Sheets Including Rate Adjustment

15 **Q. Have the exhibits been prepared by you or under your supervision?**

16 A. Yes.

17 **Q. Please briefly recap Western's 34.5kV FBR.**

18 A. The 34.5kV FBR, as approved for Western by the Commission in Docket No. 16-MKEE-023-
19 TAR ("16-023 Docket"), is a five-year ratemaking plan that provides a method for periodic
20 adjustments to a demand rate assessed on the Cooperative's wholesale customers taking the
21 Local Access Delivery Service ("LADS") over Western's 34.5kV sub-transmission facilities
22 in its acquired Mid-Kansas division territory. The details of the predetermined and agreed-
23 upon calculations for the corresponding rate adjustments are outlined in Sections D and E of
24 the Commission-approved Western's 34.5kV FBR Protocols ("Protocols"), attached as Exhibit
25 D to the March 10, 2016 Commission Order Approving Settlement and April 26, 2016 Order

1 Granting Petition for Clarification in the 16-023 Docket.¹ The purpose of this formulaic
2 ratemaking mechanism is to allow for timely adjustments to the aforementioned rate without
3 incurring the substantial expense and/or experiencing regulatory lag typically associated with
4 the preparation of a full rate case.

5 **Q. What data formed the basis for Western's 2017 34.5kV FBR calculation?**

6 A. Consistent with the Protocols, the calculation was based upon a 2016 Historical Test Year. As
7 such, it utilized historical figures from Western's (Mid-Kansas division) December 2016
8 Operating Income Statement, Balance Sheet, Payroll Journal, and 2016 Monthly Trial
9 Balance.²

10 **Q. Please summarize the results of Western's 2017 34.5kV FBR calculation.**

11 A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by
12 the Commission in the 16-023 Docket results in the Revenue Requirement of \$1,244,727. In
13 accordance with Section D.4 of the Protocols, the resultant amount was divided by the total
14 billing demand for the Historical Test Year to arrive at the final rate of \$1.70/kW, a \$0.14/kW
15 increase from Western's currently effective rate for LADS authorized by the Commission in
16 Docket No. 16-WSTE-496-TAR. Translated into total dollars, this constitutes a \$102,623
17 increase.³ Applying Western's wholesale customers' Load Ratio Share ("LRS") of around
18 55.5 percent indicates approximately \$57,000 of the overall increase will be collected from
19 these customers on the combined basis. Note that, considering this is the second Annual
20 Update of the 34.5kV FBR, Section E, Annual True-Up of the Protocols is not yet applicable
21 in this year's filing.⁴ The detailed 34.5kV FBR calculation for the Test Year is contained in

23 ¹ The corrected pagination and section numbering, as contained in the April 26 Commission's Order Granting
24 Petition for Clarification, is used throughout this document.

25 ² Included in Western's Application as part of Exhibits 4 (Comparative Operating Income Statements and
Balance Sheets), 6 (Trial Balances), and 7 (Payroll Journals).

³ Applied to Test Year total billing determinants.

⁴ Per E.3 of the Protocols, the initial True-Up will be applicable with the third Annual Update filing.

Exhibit 5 attached to the Application filed in the instant Docket.

PART III - ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS

Q. You stated that 2016 actual results formed the basis for the 34.5kV FBR calculation. The Protocols specify a limited number of adjustments to be made. What adjustments did you make to Western's actual 2016 financial results in completing the 34.5kV FBR template?

A. Consistent with Section D.1 of the Protocols, adjustments to reflect the projected amounts for the Budget Year were made to the following categories of costs⁵:

- Depreciation Expense - Other
- Interest on Long-Term Debt
- Debt Service Payments

The projected amounts for the above expense categories are supported by the detail found in Exhibit 9 attached to the Application filed in the instant Docket.⁶

Further, per Sections D.1.b and D.1.e of the Protocols, and in recognition of the Commission policy adopted per K.S.A. 66-101f (a), Administrative and General ("A&G")

⁵ Protocols also allow adjustment to Interest - Other and Interest Charged to Construction. However, Western did not have any amount booked in historical or budgeted for the projected Interest - Other and Interest Charged to Construction. Therefore, these expense categories were not adjusted in this Annual Filing.

⁶ Although the Cooperative is also submitting its 2017 Budget in Exhibit 8, the amounts as shown and/or calculated in Exhibit 9 were used instead, where the latter followed the methodology specified in the Commission-approved Protocols. In some instances, such methodology may vary from how the Cooperative budgets internally; for example, the Cooperative may not always budget depreciation for the plant additions by each individual General Ledger ("GL") accounts. Instead, work order and cost estimate modeling may be used for the overall project amount estimates. The exact GL-specific detail (for example, number of wooden poles for a line buildout) is typically not known until the project is complete. In addition, the Cooperative Budget specifies total depreciation expense versus by plant category. The same principal is true for debt service projections; i.e., Budget may deviate from how Protocols direct the Cooperative to apply projections for interest and principal. Western followed Commission-prescribed Protocols methodology for calculating and applying projected amounts in its 34.5kV FBR Annual Update filed in the instant Docket.

1 expense was adjusted to remove certain amounts associated with the dues, donations,
2 charitable contributions, promotional advertising, penalties and fines, and entertainment
3 expenses incurred during the Test Year.⁷ The excluded amounts, as well as reasoning in
4 support of inclusion or exclusion of the associated items, are noted on Page 7 of Exhibit 5.

5 Finally, Section D.2 of the Protocols mandates that certain revenue and expense categories
6 be further allocated to remove the costs not associated with Western's 34.5kV facilities.

7 **Q. Please describe the adjustments made to the 2016 Test Year Depreciation Expense.**

8 A. Per Section D.1.c of the Protocols, depreciation expense allowed to be included in Western's
9 34.5kV FBR should reflect "...projected depreciation expense that reasonably reflects the
10 average monthly 34.5kV plant in service during the Budget Year using the Commission-
11 approved depreciation rates." Furthermore, such projections are to be based upon the plant
12 additions and retirements planned by the Cooperative in the Budget Year. To achieve this,
13 Section D.2.b of the Protocols directs the Cooperative to apply Commission-approved
14 depreciation rates to the projected monthly average plant for the Budget Year.⁸ Accordingly,
15 Pages 3 and 5 of Exhibit 9 detail the calculation of the projected Depreciation Expense for
16 Transmission and General Plant for the Budget Year using Commission-approved depreciation
17 rates. The projected average plant balances used in the calculations are shown on Page 1 of
18 Exhibit 9. As a result, the projected Transmission and General Plant Depreciation Expense
19 amounts, detailed on Exhibit 5, Page 1, Lines 13 and 14, Column (f), are \$261,736 and
20

21 ⁷ K.S.A. 66-101f (a) allows adoption of a policy of "disallowing a percentage, not to exceed 50%, of utility
22 dues, donations and contributions to charitable, civic and social organizations and entities, in addition to
disallowing specific dues, donations and contributions which are found unreasonable or inappropriate."

23 ⁸ Transmission Plant used in 34.5kV FBR is defined more broadly to also include General Plant allocated on
24 Labor ratio, as well as any Distribution Plant used in the provision of the LADS, if applicable (see Section
25 K of the Protocols). Since the records for the latter were not readily available and/or did not contain detail
required in the Protocols, Western chose to forgo including any such facilities at this time. However, there
was General Plant allocated to the 34.5kV FBR. Accordingly, per Section D.2.b. of the Protocols, the
depreciation expense was calculated to recognize the portion corresponding with the allocated General Plant.

1 \$128,148, respectively. These amounts are the result of an approximate 7 percent net projected
2 increase in transmission plant and a 4 percent net projected increase in general plant expected
3 to be in service for the 2017 Budget Year.⁹ In comparison, the 2016 historical amounts for the
4 Transmission and General Plant Depreciation Expense were \$253,948 and \$112,674,
5 respectively. Therefore, Exhibit 5, Page 1, Lines 13 and 14, Column (e) details the respective
6 adjustments of \$7,787 and \$15,473 to the historical Transmission and General Plant
7 Depreciation Expenses. The adjustments are calculated on Page 3 of Exhibit 5, Lines 13-21.
8 It should be noted that in this first 34.5kV FBR Annual Update, the Revenue Requirement was
9 established using the Modified Debt Service Coverage (“MDSC”) metric in accordance with
10 the Protocols’ Section D.3.¹⁰ Under the DSC rate-making, the depreciation expense amount
11 becomes essentially immaterial, as it is removed as an offset to the margin requirement.

12 **Q. Please describe the adjustments made to the 2016 Test Year Interest on Long-Term**
13 **Debt.**

14 A. The historical amount of Interest on Long-Term Debt for the 2016 Test Year was \$804,094, as
15 reported on Western’s Operating Income Statement for 2016, included in Exhibit 4.¹¹ The
16 Protocols, in Section D.1.d., specify that the actual amount be adjusted to reflect Western’s
17 interest on long-term debt projected for the Budget Year. Western’s 2017 budgeted long-term
18 interest expense is \$782,409, as evidenced on page 7 of Exhibit 9 that details the budgeted
19 amount by individual loans. Accordingly, a downward adjustment of \$21,685 was included in
20 Exhibit 5, page 1, Line 17, Column (e). The details of this adjustment are shown in Exhibit 5,
21 Page 3, Lines 23-26.

23 ⁹ Taking into account both planned additions and retirements.

24 ¹⁰ Per Section D.3 of the Protocols, Cooperative may utilize either 1.8 Operating Times Interest Earned Ratio
25 (“OTIER”) or 1.8 MDSC metrics. The ratio resulting in greater net margins required will be used. For 2016
 Historical Test Year/2017 Budget Year, MDSC metric was used as it produced greater net margins.

¹¹ Mid-Kansas division.

Q. Please describe the adjustments made to the 2016 Test Year Debt Service Payments.

A. Debt Service Payments are comprised of interest and principal payments on debt outstanding. Since I previously discussed the adjustments to interest expense, I will now focus on the adjustment to principal payments. The historical amount of Principal Payments for the 2016 Test Year was \$2,995,421 (see Exhibit 9, Page 6 for the reconciliation to the lender's statements). The Protocols, in Section D.1.f, require that the Test Year be adjusted to reflect Western's budgeted amount for 2017, where the latter is calculated using an amortization schedule at the expected borrowing rate(s) as specified in the Cooperative's agreements with its lender(s). Western's budget for 2017 principal payments, detailed on page 7 of Exhibit 9, is \$1,043,586. Accordingly, a downward adjustment in the amount of \$1,951,836 was included on Line 24, Column (e) of Exhibit 5. This adjustment is further detailed in Exhibit 5 on Page 3, Lines 46-49.

Q. Please describe the adjustments made to the 2016 Test Year Operating Expenses in conjunction with the Protocols' Section D, sub-sections b and e, and the Commission's policy per K.S.A. 66-101f (a).

A. A reduction in the amount of \$20,550, as evidenced on Page 1 of Exhibit 5, Line 10, Column (e), was applied to the historical amount of \$1,042,605 in A&G Expense in order to remove the amounts associated with promotional or image advertising and dues and donations; i.e., activities traditionally disallowed by the Commission either as unnecessary to provide safe, efficient, reliable electric utility service, or consistent with the Commission policy adopted per K.S.A. 66-101f (a). Accordingly, historical amounts, as recorded in Western's applicable GL accounts, were adjusted as follows: promotional or image advertising items were excluded 100 percent, and dues and donations items were excluded 50 percent. Note that advertising associated with items such as public safety announcements, annual meeting notices, and legal ads were not removed, as those activities are directed toward keeping the members well

1 informed and thus align with the Commission-advocated goal of providing safe, efficient, and
2 reliable electric utility service. Additionally, dues associated with the Kansas Electric
3 Cooperatives, Inc. (“KEC”) statewide organization membership were not removed for similar
4 reasons, as KEC functions for the mutual benefit of its member-cooperatives to promote rural
5 electrification and provides essential services, such as safety programs and inspections,
6 Occupational Safety and Health Administration (“OSHA”) compliance, Cooperative staff and
7 Board training, and administrative functions on a state-wide level.

8 The summary of the aforementioned items by GL account and the corresponding
9 adjustments performed can be found in Exhibit 5, Page 7; and the detailed listings are included
10 in Exhibit 10 filed with the Application in the instant Docket. The resultant adjusted A&G
11 amount is \$1,022,055, as reflected on Page 1, Line 10, Column (f) of Exhibit 5. The
12 adjustments were further reflected on Page 3 of Exhibit 5, Lines 9-11.

13 **Q. You have explained how the historical overall system (i.e., transmission and distribution)**
14 **costs were adjusted in accordance with the 34.5kV FBR Protocols. Next, please describe**
15 **how the adjusted system-wide financial results were allocated to the 34.5kV system to**
16 **arrive at Western’s 34.5kV FBR Revenue Requirement that includes only those costs**
17 **which are associated with the Cooperative’s sub-transmission facilities used in the**
18 **provision of LADS.**

19 **A.** Section D.2 of the Protocols specifies the methodology for allocating applicable total system-
20 wide operating expenses and margin requirements to the 34.5kV system so as to arrive at the
21 revenue requirement associated with Western’s sub-transmission facilities used to provide
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1 LADS in the acquired Mid-Kansas service territory.¹² Following is an explanation of the
2 allocations:

- 3 • Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor
4 ratio (“LAB”), where the latter is calculated as a ratio of Transmission Labor to Total
5 Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor
6 Amount Column of the December 31, 2016 Payroll Journal, included with Exhibit 4
7 attached to the Application filed in the instant Docket. Next, Exhibit 5, page 4, Lines
8 7-20 show how the resultant LAB ratio of 0.014012 is calculated. Applying LAB to
9 the \$1,022,055 in Adjusted Historical Test Year A&G expense assigns \$14,321 to the
10 34.5kV FBR, as shown in Exhibit 5, page 1, Line 10, Column (i).
- 11 • Depreciation and Amortization Expense is to be calculated directly (a.k.a. “direct-
12 assignment”) in accordance with Section D.2.b of the Protocols. The calculation of the
13 associated depreciation expense for the Budget Year was already discussed on pages 7
14 and 8 previously. The only additional detail here is that the \$128,148 in Adjusted
15 amount for the General Plant Depreciation Expense for the Budget Year is to be
16 allocated on the LAB ratio, ultimately assigning \$1,796 to the 34.5kV FBR, as
17 evidenced on Page 1, Line 14, Column (i) of Exhibit 5.
- 18 • For allocating Taxes - Other, Other Deductions, Interest on Long-Term Debt, Other
19 Interest, Principal Payments, and Offsets to Margin Requirements, the Budget Year
20 Net Transmission Plant Ratio (“NP”) is calculated. The Budget Year NP, as defined
21 in Section D.2. of the Protocols, reflects the ratio of the average monthly Transmission
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23

24 ¹² Again, to clarify, “system-wide,” as used in this context, is intended to mean combined distribution and
25 transmission.

Net Plant to the average monthly Total Net Plant for the Budget Year.¹³ The calculation of the Budget Year NP allocation factor is detailed on Page 4, Lines 22-47 of Exhibit 5. The results of applying the calculated Budget Year NP of 0.305410 to the corresponding Adjusted Historical Test Year expenses are evidenced on Page 1, Lines 15-25, Column (i) of Exhibit 5.

It should also be noted that the Transmission Operation and Maintenance (“O&M”) Expense is a category that is directly related to the provision of the LADS. Therefore, \$261,736 in Transmission O&M was assigned 100 percent (i.e., using allocator of 1.0) to the 34.5kV FBR Revenue Requirement.

PART IV - REVENUE REQUIREMENT AND RATE CALCULATION

Q. How was Western’s 34.5kV FBR Revenue Requirement for Year 2017 calculated after performing all of the adjustments and allocations detailed above?

A. Per Section D.4 of the Protocols, the Total 34.5kV FBR Revenue Requirement is a sum of all the applicable operating expenses and margin requirements. Specifically, after the 2016 actual operating expenses were adjusted to the budgeted levels, as allowed by the Protocols, and allocated to reflect the portion applicable to the Cooperative’s sub-transmission facilities used in the provision of the LADS, the Total Cost of Service was quantified at \$743,397, as evidenced on Page 1, Line 21, Column (i) of Exhibit 5. Next, the Net Margin Requirement was calculated using 1.8 OTIER and 1.8 MDSC metrics, as contemplated in Section D.3 of the Protocols. The same Section dictates that the ratio resulting in greater net margins required will be used. An MDSC of 1.8 produced a greater margin (at \$501,331) than OTIER of 1.8 (at

¹³ As noted in Footnote 6 previously, per Section K of the Protocols, Net Transmission Plant includes a General Plant allocation based upon a LAB ratio.

1 \$191,162), as evidenced on Page 1, Lines 23-30, Column (i) of Exhibit 5. Applying the
2 MDSC-produced \$501,331 in Net Margin Requirement to the \$743,397 in Total Cost of
3 Service generates the 34.5kV FBR Total Revenue Requirement of \$1,244,727.¹⁴ Since the
4 True-Up does not yet apply in this year's filing, as already noted on Page 5 and in Footnote 3,
5 the resultant Net Revenue Requirement is unchanged at \$1,244,727.

6 **Q. Please explain how the resultant wholesale demand rate for LADS was determined.**

7 A. Section D.4 of the Protocols further directs that the 34.5kV FBR Revenue Requirement is to
8 be divided by the Total Billing Demand for the Test Year. The latter is comprised of both
9 retail and wholesale billing determinants and then factoring in the appropriate losses'
10 percentages, as specified in Western's Commission-approved LADS tariff.¹⁵ For 2016 Test
11 Year, the Total Billing Demand for Western's 34.5kV system was quantified at 733,018 kW,
12 as reflected on Page 1, Line 36, Column (i) of Exhibit 5 and further detailed on Page 6 of the
13 same Exhibit. Dividing \$1,244,727 in Revenue Requirement by 733,018 kW produces the rate
14 of \$1.70/kW. When compared to Western's currently effective wholesale demand rate for
15 LADS of \$1.56/kW, this represents a 9 percent increase.

16 **Q. What is your final recommendation to the Commission?**

17 A. My recommendation is to approve Western's Application in the instant Docket, as the resultant
18 rate is reflective of the COS, which was calculated in accordance to the Commission-approved
19 34.5kV FBR Protocols, and therefore is just and reasonable and in the public interest.

20 **Q. Have the proposed tariffs as required in the Protocols in Section F.14 been provided?**

21 A. Yes, they are included as Exhibit 14 of the Application filed in the instant Docket.
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24 ¹⁴ See Footnote 10.

25 ¹⁵ Western's 34.5kV system billing determinants are provided by Mid-Kansas, its Generation and Transmission company who serves as Western's power supplier, as well as metering and billing agent for the Cooperative's wholesale LADS over its sub-transmission facilities.

Q. Does this conclude your prefiled Direct Testimony?

A. Yes, it does.

VERIFICATION

STATE OF MINNESOTA)
) ss
COUNTY OF ANOKA)

The undersigned, Elena Larson, upon oath first duly sworn, states that she is an employee of Power System Engineering, Inc., and that the foregoing testimony was prepared by her or under her supervision, that she is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of her knowledge and belief.

Elena Larson
Elena Larson

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Subscribed and sworn to before me this 24 day of April, 2017.

Marilyn M. Cuellar
Notary Public

My appointment expires: 1/31/20

