

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Western)
Cooperative Electric Association, Inc.)
Seeking Commission Approval to Update)
Its Local Access Delivery Service Tariff) Docket No. 25-WSTE-389 -TAR
Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 21-)
SEPE-049-TAR.)

PREFILED DIRECT TESTIMONY OF

**NOLAN NUMRICH
GENERAL MANAGER
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.**

ON BEHALF OF

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 1, 2025

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Nolan Numrich. My business address is 635 S. 13th St. WaKeeney, Kansas.

Q. What is your profession?

A. I am the CEO and General Manager of Western Cooperative Electric Association, Inc. (“Western” or “Cooperative”). As Western’s CEO and General Manager, I am also a member of the Board of Sunflower Electric Power Corporation (“Sunflower”).¹

Q. What is your educational background?

A. I earned my bachelor's degree from the University of Kansas in 2011. In addition, I hold Certified Key Account Executive (CKAE) and Management Internship Program (MIP) credentials from the National Rural Electric Cooperative Association.

Q. What is your professional background?

A. I began my career in the energy sector thirteen years ago. The past seven years have been spent with electric cooperatives, where I started in communication and Member Services. Later, I became Assistant General Manager and then CEO this past January.

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

A. No.

¹ Prior to January 1, 2020, Western was also a member-owner of the Mid-Kansas Electric Company, LLC (“Mid-Kansas”), a G&T for the acquired Mid-Kansas division of the Cooperative. Effective January 1, 2020 Mid-Kansas and Sunflower merged into a single entity. However, for purposes of this filing, all data inputs used to calculate the LADS rate still represent the Cooperative’s Mid-Kansas division’s data, as required by the Commission-approved Protocols for the 34.5KV Formula-Based Rate Plan.

PART II - SUMMARY OF DIRECT TESTIMONY

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

A. The purpose of my testimony is as follows:

1. Affirm Western's support for the calculation of the wholesale demand rate for the Local Access Delivery Service ("LADS") service over Western's 34.5kV sub-transmission system (Mid-Kansas division) as contained in Mr. Craswell's Prefiled Direct Testimony.
2. Confirm that Western will notify its customers as required in Section C of the Commission-approved 34.5kV FBR Protocols ("Protocols") (attached to the April 15, 2021 Commission Order Approving Unanimous Settlement Agreement as Attachment A3 to Exhibit A in the 21-049 Docket).
3. Attest to the Equity Test requirement noted in Section G of the Protocols.
4. Provide the information required by Item No. 10 listed in Section F of the Protocols.

Q. What is Western's opinion concerning the proposed 2025 34.5kV FBR rate of \$1.26/kW?

A. Western's Staff has provided the data necessary for the calculations as contained in the populated 34.5kV FBR template attached to the Application filed in the instant Docket as Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is in agreement that the resultant rate was calculated in accordance with (1) Western's 34.5kV FBR Protocols as approved by the Commission.

Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of Western's 34.5kV FBR Protocols, will be fulfilled.

A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual Docket Number is known to the Cooperative), all customers taking wholesale LADS from Western will receive notice of the filing when it is made with the Commission. Such notice may be made via electronic mail or bill insert and will contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment sought.
3. The resulting rate impact.
4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's April 15, 2021 Order approving the application for continuation of Western's 34.5kV FBR for another five-year term.
5. A Western contact person name and phone number for questions.

Q. Please address the Equity Test requirement as noted in Section G of the 34.5kV FBR Protocols.

A. Per Section G of the Protocols, Pages 9 and 10, Western must notify the Commission when its distribution equity ratio (for the Mid-Kansas division) reaches 36.31 percent, which would signal the re-evaluation of the currently-approved Operating Times Interest Earned Ratio ("OTIER") and Modified Debt Service Coverage ("MDSC") metrics as used in the 34.5kV FBR.

Q. Has Western (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2024 Test Year?

A. Yes. The following Table 1 evidences that for 2024, Western's Distribution Equity Ratio (for the Mid-Kansas division), calculated to be at 8.07 percent, was well below the prescribed 36.31 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated exclusive of equity in or from associated organizations. Note that the majority of such excludable equity, as evidenced in Table 1, is represented by Western's investment in Mid-Kansas.

Table 1. Western 2024 Distribution Equity Ratio (MKEC division only)			
Excluding Investment in Associated Organizations			
Total Margins & Equity			\$ 12,446,216.00
Less Equity in Assoc. Org Pat Cap			\$ 9,168,352.00
			<u>\$ 3,277,864.00</u>
Total Assets & Other Debits			\$ 49,786,332.00
Less Equity in Assoc. Org Pat Cap			\$ 9,168,352.00
			<u>\$ 40,617,980.00</u>
Distribution Equity Ratio	$\frac{\$ 3,277,864.00}{\$ 40,617,980.00}$	=	8.07%
Detail of Equity in Assoc. Org Pat Cap			
United Ag Service, Inc.			\$ 2,756.00
MKEC			\$ 9,165,596.00
			<u>\$ 9,168,352.00</u>

Q. Now please discuss the information required for Item No. 10 on the list of required filing exhibits as contained in the Filing Exhibits Section E of the Protocols.

A. Item No. 10 requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1, submitted in the instant Docket against the same categories as approved last year in the 24-WSTE-682-TAR Docket under the final year of Western’s initial 34.5kV FBR plan, Interest-Other was identified as showing over a 10 percent increase. See the following summary in Table 2.²

Table 2. Western (Mid-Kansas Division) COS Item Comparison					
COS Item Description	2024 FBR Approved Revenue Requirement	2025 FBR Revenue Requirement	Diff \$	Diff %	
<u>Operating Expenses</u>					
Transmission O&M	\$ 257,227	\$ 256,649	\$ (578)	0%	
Administration & General	\$ 39,954	\$ 29,652	\$ (10,302)	-26%	
Depreciation & Amortization					
Transmission	\$ 290,145	\$ 305,756	\$ 15,611	5%	
General Plant	\$ 3,207	\$ 2,164	\$ (1,043)	-33%	
Property Tax	\$ -	\$ -	\$ -	0%	
Other Taxes	\$ -	\$ -	\$ -	0%	
L.T. Interest	\$ 163,136	\$ 172,817	\$ 9,681	6%	
Interest Charged to Construction	\$ 45,488	\$ 36,077	\$ (9,411)	-21%	
Interest - Other	\$ 2,535	\$ 2,816	\$ 281	11%	
Other Deductions	\$ -	\$ -	\$ -	0%	
<u>Margin Requirement Components</u>					
Principal Payments	\$ 239,258	\$ 225,184	\$ (14,074)	-6%	
L.T. Interest	\$ 163,136	\$ 172,817	\$ 9,681	6%	

² Values displayed are rounded to the nearest dollar/percent.

1 **Q. Please explain the drivers behind the change in Interest Other.**

2 A. Interest – Other expense increased due to a delay in obtaining permanent RUS financing that
3 caused a temporary increase in short-term borrowing. The associated short-term interest was
4 recorded to Interest - Other. Permanent RUS financing was completed in June 2024 which
5 allowed payoff of the outstanding short-term line of credit at that time.

6 **Q. Do you have any other comments regarding the steps Western took to lessen the impact**
7 **of the cost increase noted above on its customers?**

8 A. I would like to close by noting that increases in costs due to operational changes affect
9 Western's wholesale and retail customers alike. Decisions made with regards to staffing, debt
10 financing, and the overall operations of Western are always made with the customers' best
11 interest in mind. Every effort is taken to find cost saving measures whenever possible in order
12 to lessen the impact to our customers.

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

14 A. I support Mr. Craswell's recommendation to approve Western's Application in the instant
15 Docket, as the resultant rate is reflective of the COS, was calculated in accordance with the
16 Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is
17 in the public interest.

18 **Q. Does this conclude your testimony?**

19 A: Yes, it does.
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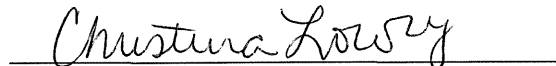
VERIFICATION OF NOLAN NUMRICH

STATE OF KANSAS)
) ss:
COUNTY OF TREGO)

Nolan Numrich, being first duly sworn, deposes and says that he is the Nolan Numrich referred to in the foregoing document entitled "Prefiled Direct Testimony of Nolan Numrich" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.


Nolan Numrich

SUBSCRIBED AND SWORN to before me this 30th day of April, 2025.


Notary Public

My Appointment Expires: 4-25-2029

