

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. 16-WSTE-_____-_____
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

RICHARD J. MACKE
VICE PRESIDENT, ECONOMICS, RATES, AND BUSINESS
PLANNING
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 1, 2016

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Richard J. Macke. My business address is 10710 Town Square Drive NE, Suite 201, Minneapolis, Minnesota 55449.

Q. What is your profession?

A. I am a Vice President and lead 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; 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 lead and direct staff in Indiana, Kansas, Minnesota, Ohio and Wisconsin who provide 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 Bethel University in St. Paul, Minnesota in 1996 with a Bachelor of Arts degree in Business, which included an emphasis in Finance and Marketing. In 2007, I received my Masters of Business Administration degree, with an emphasis in Finance and Strategic Management, from the University of Minnesota in Minneapolis, Minnesota. I have also attended numerous industry seminars/courses on cost of service, pricing, valuation, distributed generation, etc.

Q. What is your professional background?

A. From 1996 to 1998, I was employed by PSE in its Minneapolis, Minnesota office as a Financial Analyst in the Utility Planning and Rates Department. My work responsibilities primarily were focused on retail rate studies, including revenue requirements and bundled/unbundled COS studies. I also provided analyses used to support testimony, mergers and acquisitions analysis, and financial forecasting.

From 1998 to 1999, I was employed as a Senior Analyst by Energy & Resource Consulting Group, LLC in Denver, Colorado, a financial, engineering, and management consulting firm. I performed consulting services related to electric, gas, and water rate studies. As part of the Legend Consulting Advisor Team contracted to the City Council of the City of New Orleans,

1 Louisiana, I assisted in various electric and gas utility matters. I also provided general
2 financial, management, and public policy support to clients.

3 I rejoined PSE in 1999; and from 1999 to 2002, I held the position of Rate and Financial
4 Analyst in the Rates and Financial Planning Department. From 2002 to March 2008, I held
5 the position of Senior Rate and Financial Analyst in the Utility Planning and Rate Division.
6 My responsibilities have included performing complex financial analyses, such as rate studies
7 consisting of determination of revenue requirements, bundled and unbundled COS analysis,
8 and rate design. Other responsibilities included performing analysis of special rates and
9 programs, key account analyses, financial forecasting, merger and acquisition analysis,
10 activity-based costing, policy development and evaluation, and other financial analyses for
11 various PSE clients. Additional responsibilities included strategic planning, litigation support,
12 regulatory compliance, capital expenditure and operational assessments, and advisement.
13 From April 2008 to June 2010, I held the position of Leader, Rates and Financial Planning. In
14 July 2010, my title changed to Vice President, Rates and Financial Planning. Since June 2011,
15 I have held the position of Vice President, Economics, Rates, and Business Planning. In this
16 capacity, I continue to provide, amongst other things: (1) rate, financial, and economic
17 consulting services to clients,(2) management and leadership to the Economics, Rates, and
18 Business Planning Department, and (3) management and leadership at the corporate level to
19 PSE through participation on the Executive Committee and Board of Directors.

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

22 A. Yes. I submitted testimony on behalf of: Pioneer Electric Cooperative, Inc. in Docket No. 09-
23 PNRE-563-RTS; Wheatland Electric Cooperative, Inc. in Docket No. 09-WHLE-681-RTS;
24 Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in Docket Nos. 09-MKEE-969-RTS, 11-
25 MKEE-439-RTS, 12-MKEE-491-RTS, 12-MKEE-380-RTS, 13-MKEE-452-MIS, and 16-

1 MKEE-023-TAR; and Southern Pioneer Electric Company in Docket Nos. 14-SPEE-507-
2 RTS, 15-SPEE-161-RTS, and 15-SPEE-519-RTS.

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

4 A. Yes. I have directed well over 100 rate and cost of service (COS) studies and numerous other
5 rate and financial related projects. Many times these projects were conducted for self-regulated
6 electric utilities. I have also performed such analysis which was filed in regulated rate cases
7 on behalf of cooperatives in Iowa, Kansas, Michigan, Minnesota, New Hampshire, and Texas.

8 I have also conducted seminars and made presentations to utilities, consumers, and industry
9 groups on a variety of topics including: COS, rate design, rate change communications, line
10 extension policies, mergers and acquisitions, DSM pilot programs, conservation and energy
11 efficiency, distributed generation rates, and industry trends.

12
13 **PART II - SUMMARY OF DIRECT TESTIMONY**

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

15 A. The purpose of my testimony is to support the Application submitted in the instant Docket
16 by Western Cooperative Electric Association, Inc. ("Western") for the approval of its
17 34.5kV Formula Based Rate ("FBR") Annual Update filing for the 2015 Test Year.

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

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

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

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

25 A. Yes.

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

2 A. The 34.5kV FBR, as approved for Western by the Commission in Docket No. 16-MKEE-023-
3 TAR ("16-023 Docket"), is a five-year ratemaking plan that provides a method for periodic
4 adjustments to a demand rate assessed on the Cooperative's wholesale customers taking the
5 Local Access Delivery Service ("LADS") over Western's 34.5kV sub-transmission facilities in
6 its acquired Mid-Kansas division territory. The details of the predetermined and agreed-upon
7 calculations for the corresponding rate adjustments are outlined in Sections D and E of the
8 Commission-approved Western's 34.5kV FBR Protocols ("Protocols"), attached as Exhibit D to
9 the March 10, 2016 Commission Order Approving Settlement and April 26, 2016 Order
10 Granting Petition for Clarification in the 16-023 Docket. The purpose of this formulaic
11 ratemaking mechanism is to allow for timely adjustments to the aforementioned rate without
12 incurring the substantial expense and/or experiencing regulatory lag typically associated with
13 the preparation of a full rate case.

14 **Q. What data formed the basis for Western's 2016 34.5kV FBR calculation?**

15 A. Consistent with the Protocols, the calculation was based upon a 2015 Historical Test Year. As
16 such, it utilized historical figures from Western's (Mid-Kansas division) December 2015
17 Operating Income Statement, Balance Sheet, Payroll Journal, and 2015 Monthly Trial
18 Balance.¹

19 **Q. Please summarize the results of Western's 2016 34.5kV FBR calculation.**

20 A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by
21 the Commission in the 16-023 Docket results in the Revenue Requirement of \$1,160,521. In
22 accordance with Section D.4 of the Protocols, the resultant amount was divided by the total
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25 ¹ Included in Western's Application as part of Exhibits 4 (Comparative Operating Income Statements and Balance Sheets), 6 (Trial Balances), and 7 (Payroll Journals).

1 billing demand for the Historical Test Year to arrive at the final rate of \$1.56/kW, a \$0.55/kW
2 increase from Western's currently effective rate for LADS authorized by the Commission in
3 Docket No. 12-MKEE-491-RTS. Translated into total dollars, this constitutes a \$409,234
4 increase.² Applying Western's wholesale customers' Load Ratio Share ("LRS") of 56 percent
5 indicates \$227,684 of the overall increase will be collected from these customers on the
6 combined basis. Note that, considering this is the first Annual Update of the 34.5kV FBR,
7 Section E, Annual True-Up of the Protocols is not applicable in this year's filing.³ The detailed
8 34.5kV FBR calculation for the Test Year is contained in Exhibit 5 attached to the Application
9 filed in the instant Docket.

11 **PART III - ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS**

12 **Q. You stated that 2015 actual results formed the basis for the 34.5kV FBR calculation. The**
13 **Protocols specify a limited number of adjustments to be made. What adjustments did**
14 **you make to Western's actual 2015 financial results in completing the 34.5kV FBR**
15 **template?**

16 **A. Consistent with Section D.1 of the Protocols, adjustments to reflect the projected amounts for**
17 **the Budget Year were made to the following categories of costs⁴:**

- 18 • Depreciation Expense - Other
- 19 • Interest on Long-Term Debt
- 20 • Debt Service Payments

23 ² Applied to Test Year total billing determinants.

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

25 ⁴ 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.

1 The projected amounts for the above expense categories are supported by the detail found in
2 Exhibit 9 attached to the Application filed in the instant Docket.⁵

3 Further, per Sections D.1.b and D.1.e of the Protocols, and in recognition of the
4 Commission policy adopted per K.S.A. 66-101f (a), Administrative and General (“A&G”)
5 expense was adjusted to remove certain amounts associated with the dues, donations,
6 charitable contributions, promotional advertising, penalties and fines, and entertainment
7 expenses incurred during the Test Year.⁶ The excluded amounts, as well as reasoning in
8 support of inclusion or exclusion of the associated items, are noted on Page 7 of Exhibit 5.

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

11 **Q. Please describe the adjustments made to the 2015 Test Year Depreciation Expense.**

12 A. Per Section D.1.c of the Protocols, depreciation expense allowed to be included in Western’s
13 34.kV FBR should reflect “...projected depreciation expense that reasonably reflects the
14 average monthly 34.5kV plant in service during the Budget Year using the Commission-
15 approved depreciation rates.” Furthermore, such projections are to be based upon the plant
16 additions and retirements planned by the Cooperative in the Budget Year. To achieve this,
17 Section D.2.b of the Protocols directs the Cooperative to apply Commission-approved
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20 ⁵ Although the Cooperative is also submitting its 2016 Budget in Exhibit 8, the amounts as shown and/or
21 calculated in Exhibit 9 were used instead, where the latter followed the methodology specified in the
22 Commission-approved Protocols. In some instances, such methodology may vary from how the Cooperative
23 budgets internally; for example, the Cooperative may not always budget depreciation for the plant additions
24 by each individual General Ledger (“GL”) accounts. Instead, work order and cost estimate modeling may
25 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.

⁶ K.S.A. 66-101f (a) allows adoption of a policy of “ disallowing a percentage, not to exceed 50%, of utility
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.”

1 depreciation rates to the projected monthly average plant for the Budget Year.⁷ Accordingly,
2 Pages 3 and 5 of Exhibit 9 detail the calculation of the projected Depreciation Expense for
3 Transmission and General Plant for the Budget Year using Commission-approved depreciation
4 rates. The projected average plant balances used in the calculations are shown on Page 1 of
5 Exhibit 9. As a result, the projected Transmission and General Plant Depreciation Expense
6 amounts, detailed on Exhibit 5, Page 1, Lines 13 and 14, Column (f), are \$256,124 and
7 \$113,173, respectively. These amounts reflect approximately 8 and 2 percent net projected
8 increase in transmission and general plant, respectively, expected to be in service for the 2016
9 Budget Year.⁸ In comparison, the 2015 historical amounts for the Transmission and General
10 Plant Depreciation Expense were \$240,857 and \$103,485, respectively. Therefore, Exhibit 5,
11 Page 1, Lines 13 and 14, Column (e), details the respective adjustments of \$15,267 and \$9,688
12 to the historical Transmission and General Plant Depreciation Expenses. The adjustments are
13 calculated on Page 3 of Exhibit 5, Lines 13-21. It should be noted that in this first 34.5kV FBR
14 Annual Update, the Revenue Requirement was established using the Modified Debt Service
15 Coverage (“MDSC”) metric in accordance with the Protocols’ Section D.3.⁹ Under the DSC
16 rate-making, the depreciation expense amount becomes essentially immaterial, as it is removed
17 as an offset to the margin requirement.

21 ⁷ Transmission Plant used in 34.5kV FBR is defined more broadly to also include General Plant allocated on
22 Labor ratio, as well as any Distribution Plant used in the provision of the LADS, if applicable (see Section
23 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.

24 ⁸ Taking into account both planned additions and retirements.

25 ⁹ Per Section D.3 of the Protocols, Cooperative may utilize either 1.8 Operating Times Interest Earned Ratio
 (“OTIER”) or 1.8 MDSC. The ratio resulting in greater net margins required will be used. For 2015
 Historical Test Year/2016 Budget Year, MDSC metric was used as it produced greater net margins.

Q. Please describe the adjustments made to the 2015 Test Year Interest on Long-Term Debt.

A. The historical amount of Interest on Long-Term Debt for the 2015 Test Year was \$781,589, as reported on Western's Operating Income Statement for 2015, included in Exhibit 4.¹⁰ The Protocols, in Section D.1.d., specify that the actual amount be adjusted to reflect Western's interest on long-term debt projected for the Budget Year. Western's 2016 budgeted long-term interest expense is \$795,263, as evidenced on page 7 of Exhibit 9 that details the budgeted amount by individual loans. Accordingly, an adjustment of \$13,674 was included in Exhibit 5, page 1, Line 17, Column (e). The details of this adjustment are shown in Exhibit 5, Page 3, Lines 23-26.

Q. Please describe the adjustments made to the 2014 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 2015 Test Year was \$697,508 (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 2016, 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 2016 principal payments, detailed on page 7 of Exhibit 9, is \$760,376. Accordingly, a downward adjustment in the amount of \$62,868 was included on Line 24, Column (e) of Exhibit 5. This adjustment is further detailed in Exhibit 5 on Page 3, Lines 46-49.

¹⁰ Mid-Kansas division.

1 **Q. Please describe the adjustments made to the 2015 Test Year Operating Expenses in**
2 **conjunction with the Protocols' Section D, sub-sections b and e, and the Commission's**
3 **policy per K.S.A. 66-101f (a).**

4 A. A reduction in the amount of \$25,371, as evidenced on Page 1 of Exhibit 5, Line 10, Column
5 (e), was applied to the historical amount of \$1,022,456 in A&G Expense in order to remove
6 the amounts associated with promotional or image advertising and dues and donations; i.e.,
7 activities traditionally disallowed by the Commission either as unnecessary to provide safe,
8 efficient, reliable electric utility service, or consistent with the Commission policy adopted per
9 K.S.A. 66-101f (a). Accordingly, historical amounts, as recorded in Western's applicable GL
10 accounts, were adjusted as follows: promotional or image advertising items were excluded
11 100 percent, and dues and donations items were excluded 50 percent. Note that advertising
12 associated with items such as public safety announcements, annual meeting notices, and legal
13 ads were not removed, as those activities are directed toward keeping the members well
14 informed and thus align with the Commission-advocated goal of providing safe, efficient, and
15 reliable electric utility service. Additionally, dues associated with the Kansas Electric
16 Cooperatives, Inc. ("KEC") statewide organization membership were not removed for similar
17 reasons, as KEC functions for the mutual benefit of its member-cooperatives to promote rural
18 electrification and provides essential services, such as safety programs and inspections,
19 Occupational Safety and Health Administration ("OSHA") compliance, Cooperative staff and
20 Board training, and administrative functions on a state-wide level.

21 The summary of the aforementioned items by GL account and the corresponding adjustments
22 performed can be found in Exhibit 5, Page 7; and the detailed listings are included in Exhibit
23 10 filed with the Application in the instant Docket. The resultant adjusted A&G amount is
24 \$997,085, as reflected on Page 1, Line 10, Column (f) of Exhibit 5. The adjustments were
25 further reflected on Page 3 of Exhibit 5, Lines 9-11.

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

7 A. Section D.2 of the Protocols specifies the methodology for allocating applicable total system-
8 wide operating expenses and margin requirements to the 34.5kV system so as to arrive at the
9 revenue requirement associated with Western’s sub-transmission facilities used to provide
10 LADS in the acquired Mid-Kansas service territory.¹¹ Following is an explanation of the
11 allocations:

- 12 • Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor
13 ratio (“LAB”), where the latter is calculated as a ratio of Transmission Labor to Total
14 Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor
15 Amount Column of the December 31, 2015 Payroll Journal, included with Exhibit 4
16 attached to the Application filed in the instant Docket. Next, Exhibit 5, page 4, Lines
17 7-20 show how the resultant LAB ratio of 0.020486 is calculated. Applying LAB to
18 the \$997,085 in Adjusted Historical Test Year A&G expense assigns \$20,426 to the
19 34.5kV FBR, as shown in Exhibit 5, page 1, Line 10, Column (i).
- 20 • Depreciation and Amortization Expense is to be calculated directly (a.k.a. “direct-
21 assignment”) in accordance with Section D.2.b of the Protocols. The calculation of the
22 associated depreciation expense for the Budget Year was already discussed on pages 7
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25 ¹¹ Again, to clarify, “system-wide,” as used in this context, is intended to mean combined distribution and transmission.

and 8 above. The only additional detail here is that the \$113,173 in Adjusted amount for the General Plant Depreciation Expense for the Budget Year is to be allocated on the LAB ratio, ultimately assigning \$2,318 to the 34.5kV FBR, as evidenced on Page 1, Line 14, Column (i) of Exhibit 5.

- For allocating Taxes - Other, Other Deductions, Interest on Long-Term Debt, Other Interest, Principal Payments, and Offsets to Margin Requirements, the Budget Year Net Transmission Plant Ratio ("NP") is calculated. The Budget Year NP, as defined in Section D.2. of the Protocols, reflects the ratio of the average monthly Transmission Net Plant to the average monthly Total Net Plant for the Budget Year.¹² 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 0.315960 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, \$255,384 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 2016 calculated after performing all of the adjustments and allocations detailed above?

¹² 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 A. Per Section D.4 of the Protocols, the Total 34.5kV FBR Revenue Requirement is a sum of all
2 the applicable operating expenses and margin requirements. Specifically, after the 2015 actual
3 operating expenses were adjusted to the budgeted levels, as allowed by the Protocols, and
4 allocated to reflect the portion applicable to the Cooperative's sub-transmission facilities used
5 in the provision of the LADS, the Total Cost of Service was quantified at \$785,523, as
6 evidenced on Page 1, Line 21, Column (i) of Exhibit 5. Next, the Net Margin Requirement
7 was calculated using 1.8 OTIER and 1.8 MDSC metrics, as contemplated in Section D.3 of the
8 Protocols. The same Section dictates that the ratio resulting in greater net margins required
9 will be used. An MDSC of 1.8 produced a greater margin (at \$374,998) than OTIER of 1.8 (at
10 \$201,017), as evidenced on Page 1, Lines 23-30, Column (i) of Exhibit 5. Accordingly,
11 applying the MDSC-produced \$374,998 in Net Margin Requirement to the \$785,523 in Total
12 Cost of Service generates the 34.5kV FBR Total Revenue Requirement of \$2,366,392. Since
13 the True-Up does not apply in this first year's filing, as already noted on page 6 and in footnote
14 2, the resultant Net Revenue Requirement is unchanged at \$1,160,521.

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

16 A. Section D.4 of the Protocols further directs that the 34.5kV FBR Revenue Requirement is to
17 be divided by the Total Billing Demand for the Test Year. The latter is comprised of both
18 retail and wholesale billing determinants, as provided by Mid-Kansas--a Generation and
19 Transmission Company who serves as Western's power supplier, as well as metering and
20 billing agent for the Cooperative's wholesale LADS over its sub-transmission facilities), and
21 then factoring in the appropriate losses percentages, as specified in Western's Commission-
22 approved LADS tariff. For 2015 Test Year, the Total Billing Demand for Western's 34.5kV
23 system was quantified at 743,848 kW, as reflected on Page 1, Line 36, Column (i) of Exhibit
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1 5 and further detailed on Page 6 of the same Exhibit.¹³ Dividing \$1,160,521 in Revenue
2 Requirement by 743,848 kW produces the rate of \$1.56/kW. When compared to Western's
3 currently effective wholesale demand rate for LADS of \$1.01/kW, this represents a 54 percent
4 increase. However, it should be noted that the calculation of the latter rate, approved by the
5 Commission in Docket No.12-MKEE-491-RTS, was done differently in several ways: (1) it
6 was based on 2010 Historical Test Year data; (2) there were no adjustments applied to reflect
7 budgeted projections; and (3) it was using only an OTIER metric.

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

9 A. My recommendation is to approve Western's Application in the instant Docket, as the resultant
10 rate is reflective of the COS, which was calculated in accordance to the Commission-approved
11 34.5kV FBR Protocols, and therefore is just and reasonable and in the public interest.

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

13 A. Yes, they are included as Exhibit 14 of the Application filed in the instant Docket.

14 **Q. Does this conclude your prefiled Direct Testimony?**

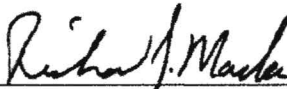
15 A. Yes, it does.
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24 ¹³ As already recorded in a footnote 1 on Page 6 of Exhibit 5, Mid-Kansas noted these total units represent a
25 corrected version to accurately account for the City of Russel's load in the Total System demand calculation,
which was inadvertently omitted though April 2015.

VERIFICATION


STATE OF MINNESOTA)
) ss
COUNTY OF ANOKA)

The undersigned, Richard J. Macke, upon oath first duly sworn, states that he is an employee of Power System Engineering, Inc., and that the foregoing rebuttal testimony was prepared by him or under his supervision, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Richard J. Macke

Subscribed and sworn to before me this 29th day of April, 2016.



Notary Public

My appointment expires: 1/31/20

