

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Prairie)
Land Electric Cooperative, Inc. Seeking)
Commission Approval to Update Its Local) Docket No. 20-PLCE- 434 - TAR
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

CHARLES W. LOOK
CHIEF EXECUTIVE OFFICER
PRAIRIE LAND ELECTRIC COOPERATIVE, INC.

ON BEHALF OF

PRAIRIE LAND ELECTRIC COOPERATIVE, INC.

April 27, 2020

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Charles W. Look. My business address is 14295 U.S. Highway 36, Norton, Kansas.

Q. What is your profession?

A. I am Chief Executive Officer of Prairie Land Electric Cooperative, Inc. ("Prairie Land" or "Cooperative").

Q. What is your educational background?

A. I graduated from Stockton High School in 1971 and attended Fort Hays State University for three semesters in 1972 and 1973.

Q. What is your professional background?

A. In June 1978, I became employed by Norton-Decatur Cooperative Electric Company, Inc., the predecessor company of Prairie Land. From June 1978 to August 1993, I was an apprentice lineman, journeyman lineman, lead lineman, and area foreman. In August 1993, I was promoted to staff assistant; in 2005, I was promoted to be the assistant to the manager; and in 2010, I became the Assistant Manager. In January 2019, I was promoted to be Prairie Land's Chief Executive Officer. As Chief Executive Officer of Prairie Land, I serve on the Board of Directors for Sunflower Electric Power Corporation ("Sunflower").¹

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

¹ Previously, I also served on the Board of Directors Mid-Kansas Electric Company, Inc. ("Mid-Kansas"), a generation and transmission company ("G&T") for the acquired Mid-Kansas division of Prairie Land. Effective January 1, 2020, Mid-Kansas and Sunflower merged into a single entity. However, during the 2019 Historical Year, used for purposes of this filing, the entity serving Prairie Land's acquired Mid-Kansas division was Mid-Kansas. See also footnote 13 on page 15 in the Prefiled Direct Testimony of Elena Larson and footnote 1 on page 1 in the Application submitted in the instant filing.

1 A. Yes. I submitted Prefiled Direct Testimony in Prairie Land's 2019 34.5kV Formula-Based Rate
2 ("34.5kV FBR") in the Docket No. 19-PLCE-436-TAR.

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 as follows:

- 7 1. Affirm Prairie Land's support for the calculation of the wholesale demand rate for the
8 Local Access Delivery Service ("LADS") service over Prairie Land's 34.5kV sub-
9 transmission system (Mid-Kansas division) as contained in Ms. Elena Larson's Prefiled
10 Direct Testimony.
- 11 2. Confirm that Prairie Land will notify its customers as required in Section C of the
12 Commission-approved 34.5kV FBR Protocols ("Protocols") (included as Exhibit B
13 with the Commission's March 10 and April 26, 2016 Orders in the 16-023 Docket).
- 14 3. Attest to the Equity Test requirement noted in Section H of the Protocols.
- 15 4. Provide the information required by Item No. 11 listed in Section F of the Protocols.

16 **Q. What is Prairie Land's opinion concerning the proposed 2020 34.5kV FBR rate of**
17 **\$2.66/kW?**

18 A. Prairie Land Staff has provided the data necessary for the calculations as contained in the
19 populated 34.5kV FBR template attached to the Application filed in the instant Docket as
20 Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is
21 in agreement that the resultant rate was arrived in accordance to Prairie Land's 34.5kV FBR
22 Protocols as approved by the Commission. Accordingly, Prairie Land believes this rate, as
23 detailed in Ms. Larson's Prefiled Direct Testimony and included in the proposed LADS tariff,
24 is just and reasonable, as it is based on the cost of service ("COS") and follows the
25 Commission-prescribed methodology.

1 **Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of**
2 **the Protocols, will be fulfilled.**

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

- 7 1. The date the filing was made with the Commission and the docket number assigned.
- 8 2. The amount of the revenue adjustment sought.
- 9 3. The resulting rate impact.
- 10 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
11 FBR, with a cite to Docket No. 16-MKEE-023-TAR and the date of the Commission's
12 March 10, 2016 Order approving the initial application for Prairie Land's 34.5kV FBR.
- 13 5. A Prairie Land contact person and phone number for questions.

14 **Q. Please address the Equity Test requirement as noted in Section H of the 34.5kV FBR**
15 **Protocols.**

16 A. Per Section H of the Protocols, Prairie Land (Mid-Kansas division) must notify the
17 Commission when its distribution equity ratio (calculated exclusive of equity in or from
18 Associated Organizations) reaches 36.31 percent, which would signal the re-evaluation of the
19 currently-approved Operating Times Interest Earned ("OTIER") and Modified Debt Service
20 Coverage ("MDSC") ratios as used in the 34.5kV FBR.

21 **Q. Has Prairie Land (Mid-Kansas division) calculated its Distribution Equity Ratio for the**
22 **2019 Test Year?**

23 A. Yes. Table 1 on the following page evidences that for 2019, Prairie Land's Distribution Equity
24 Ratio (for the Mid-Kansas division), calculated to be at 33.32 percent, was below the
25 prescribed 36.31 percent threshold. Note that one of the major items excluded as equity in

Associated Organizations, as detailed in Table 2 on the following page, is represented by Prairie Land's equity in Mid-Kansas.

| Table 1. Prairie Land (Mid-Kansas Division) 2019 Distribution Equity Ratio | | | | |
|---|---|---|---------------|---------------|
| Excluding investment in Associated Organizations | | | | |
| Bal. Sheet | | | | |
| <u>Ln. No.</u> | | | | |
| C29 | Total Assets & Other Debts | \$ | 91,980,020.00 | |
| C36 | Total Margins & Equities | \$ | 39,687,333.00 | |
| C8 | Investment in Associated Organizations - Patronage Capital | \$ | 881,068.10 | |
| C9 | Investment in Associated Organizations - Other - General Funds | \$ | 12,678,292.89 | |
| C10 | Investment in Associated Organizations - Other - Nongeneral Funds | \$ | - | |
| | Total Investment in Associated Organizations | \$ | 13,559,360.99 | |
| Distribution Equity Ratio | $\frac{C36 - (C8+C9+C10)}{C29 - (C8+C9+C10)}$ | $= \frac{\$39,687,333.00 - \$13,559,360.99}{\$91,980,020.00 - \$13,559,360.99}$ | $=$ | 33.32% |

| Table 2. Prairie Land (Mid-Kansas Division) 2019 Investment in Associated Organizations | | | |
|--|--|-------------------|--|
| Bal. Sheet | | | |
| <u>Ln. No.</u> | <u>Description</u> | <u>Amount</u> | |
| C8 | Cooperative Response Center - Equity Investment | 6,985.73 | |
| | Federated Insurance Capital Credits | 219,084.80 | |
| | Kansas Electric Cooperatives - Capital Credits | 17,645.17 | |
| | Mid West Energy - Capital Credits | 2.75 | |
| | Farmway Co-op - Capital Credits | 362.83 | |
| | NRUCFC - Capital Credits | 532,628.95 | |
| | Rural Telephone Capital Credits | 2,741.66 | |
| | CoBank - Capital Credits | 8,141.21 | |
| | National Information Solutions Cooperative - Capital Credits | 84,874.18 | |
| | National Rural Telecommunications Cooperative | 8,600.82 | |
| | | <u>881,068.10</u> | |
| C9 | Mid-Kansas Electric Company - Margins Allocation | 12,678,292.89 | |
| C10 | | - | |
| Total Investment in Associated Organizations | | 13,559,360.99 | |

Q. Now please discuss the information required for Item No. 11 on the list of required filing exhibits as contained in Section F of the Protocols.

A. This Item 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 by the Commission in the 19-PLCE-436-TAR Docket, there were no 2020 COS items identified as showing an increase of over 10 percent when compared to the 2019 COS. See the following summary in Table 3.

| Table 3. Prairie Land (Mid-Kansas Division) COS Item Comparison | | | | | |
|--|--|---|--------------------|-------------------|--|
| COS Item Description | 2019 FBR Approved Revenue Requirement | 2020 FBR Filed Revenue Requirement | DIFF \$ | DIFF % | |
| <u>Operating Expenses</u> | | | | | |
| Transmission O&M | \$ 675,721 | \$ 726,291 | \$ 50,570 | 7.5% | |
| Administration & General | \$ 119,079 | \$ 127,633 | \$ 8,554 | 7.2% | |
| Depreciation and Amortization | \$ - | \$ - | | | |
| Transmission | \$ 589,536 | \$ 602,570 | \$ 13,035 | 2.2% | |
| General Plant | \$ 6,347 | \$ 6,507 | \$ 161 | 2.5% | |
| Property Tax | \$ - | \$ - | | | |
| Other Taxes | \$ 185 | \$ 183 | \$ (1) | -0.8% | |
| L.T. Interest | \$ 609,974 | \$ 607,234 | \$ (2,740) | -0.4% | |
| Interest Charged to Construction - Credit | \$ - | \$ - | \$ - | | |
| Interest-Other | \$ 7,130 | \$ 7,073 | \$ (57) | -0.8% | |
| Other Deductions | \$ - | \$ - | \$ - | | |
| <u>Margin Requirement Components</u> | | | | | |
| Principal Payments | \$ 501,081 | \$ 526,809 | \$ 25,728 | 5.1% | |
| L.T. Interest | \$ 609,974 | \$ 607,234 | \$ (2,740) | -0.4% | |

Q. What is your final recommendation to the Commission?

A. I support Ms. Larson’s recommendation to approve Prairie Land’s Application in the instant Docket, as the resultant rate is reflective of the COS, was calculated in accordance to the

Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is in the public interest.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION OF CHARLES W. LOOK

STATE OF KANSAS)
) ss:
COUNTY OF NORTON)

Charles W. Look, being first duly sworn, deposes and says that he is the Charles W. Look referred to in the foregoing document entitled "Prefiled Direct Testimony of Charles W. Look" 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.

Charles W. Look
Charles W. Look

SUBSCRIBED AND SWORN to before me this 24 day of April, 2020.

Alisha J. Stark
Notary Public

My Appointment Expires:

