

**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. 21-WSTE-\_\_\_\_\_-\_\_\_\_\_  
Its Local Access Delivery Service Tariff )  
Pursuant to the 34.5kV Formula Based )  
Rate Plan Approved in Docket No. 21- )  
MKEE-049-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, 2021

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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 Topeka, Kansas; Minneapolis, Minnesota; Marietta, Ohio; Cincinnati, 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 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 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 Master 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, m

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 by the City Council of the City of New Orleans, Louisiana, I assisted in various electric and gas utility matters. I

1 also provided general financial, management, and public policy support to client.mergers  
2 and acquisitions, and financial forecasting.

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

21 **Q. Have you previously presented testimony before the KCC?**

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; Southern Pioneer Electric Company (“Southern Pioneer” ) in Docket Nos.  
2 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-519-RTS, 16-SPEE-497-RTS, 16-SPEE-  
3 501-TAR, 17-SPEE-476-TAR, 18-WSEE-328-RTS, 18-SPEE-477-RTS, 19-SPEE-240-MIS,  
4 20-SPEE-169-RTS; Prairie Land Electric Cooperative, Inc. in Docket No. 16-PLCE-490-  
5 TAR; Victory Electric Cooperative Association, Inc. in Docket No. 16-VICE-494-TAR; and  
6 Western Cooperative Electric Association in Docket No. 16-WSTE-496-TAR.

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

8 A. Yes. I have directed well over 100 rate and COS studies and numerous other rate and financial  
9 related projects. Many times, these projects were conducted for self-regulated electric utilities.  
10 I have also performed such analyses for state-regulated cooperatives in Iowa, Kansas,  
11 Kentucky, Michigan, Minnesota, New Hampshire, and Texas.

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

16  
17 **PART II - SUMMARY OF DIRECT TESTIMONY**

18 **R. What is the purpose of your testimony in this proceeding?**

19 A. The purpose of my testimony is to support the Application submitted in the instant Docket by  
20 Western for the approval of its 34.5kV Formula Based Rate (“FBR”) Annual Update filing for  
21 Year 2021 based on the Historical Test Year ending December 31, 2020.

22 **Q. Are there particular Exhibits to Western’s Application that you will be describing and**  
23 **explaining?**

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

Exhibit 5 - 34.5kV FBR Calculation for Test Year  
Exhibit 12 - Proposed Tariff Sheets Including Rate Adjustment

**Q. Have the exhibits been prepared under your supervision?**

A. Yes.

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

A. The 34.5kV FBR, as approved for Western by the Commission in Docket No. 21-SEPE-049-TAR ("21-049 Docket"), is a five-year ratemaking plan that provides a method for periodic adjustments to a demand rate assessed on the Cooperative's wholesale customers taking the Local Access Delivery Service ("LADS") over Western's 34.5kV sub-transmission facilities in its acquired Mid-Kansas division territory.

The details of the predetermined and agreed-upon calculations for the corresponding LADS rate adjustments are outlined in Section D of the Commission-approved Western's 34.5kV FBR Protocols ("Protocols"), included in the Commission Order Approving Unanimous Settlement Agreement as Attachment A3 to Exhibit A filed in the 21-049 Docket on April 15, 2021. The purpose of this formulaic ratemaking mechanism is to allow for timely adjustments to the aforementioned rate without incurring the substantial expense and/or experiencing regulatory lag typically associated with the preparation of a full rate case.

It should be noted that the Application in the 21-049 Docket represented a request for the continuation of the initial 34.5kV FBR five-year plans approved by the Commission on March 10, 2015 in Docket 16-MKEE-023-TAR ("16-023 Docket") for Western and three other member-cooperatives of Sunflower Electric Power Corporation. In addition to the request to continue the initial FBR plans for the next five years, the applicants in the 21-049 Docket also sought, and were granted, the limited modification and minor clarifications to the initial FBRs, such as simplifying the process by adopting a historical test year and eliminating debt service

1 projections and clarifying some language in the Protocols. Parties also sought and received the  
2 approval of the update to the line loss factors for their respective LADS tariffs.

3 **Q. What data formed the basis for Western's 2021 34.5kV FBR calculation?**

4 A. Consistent with the Protocols, the calculation was based upon a 2020 Historical Test Year. As  
5 such, it utilized historical figures from Western's (Mid-Kansas division) December 2020  
6 Operating Income Statement, Balance Sheet, Payroll Journal, and 2020 Monthly Trial  
7 Balance.<sup>1</sup>

8 **Q. Please summarize the results of Western's 2021 34.5kV FBR calculation.**

9 A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by  
10 the Commission in the 21-049 Docket results in the Total Revenue Requirement of \$1,058,080.  
11 In accordance with Section D.4 of the Protocols, the resultant total dollar amount was divided  
12 by the total billing demand for the Historical Test Year; to arrive at the final rate of \$1.40/kW.  
13 Next, a one-time final true-up of \$0.24/kW, applicable to this year's filing only in order to  
14 reconcile the projections included in last year's annual filing under the initial FBR plan, was  
15 added to the \$1.40/kW in accordance with the Commission-approved Settlement Agreement  
16 ("SA") filed in the 21-049 Docket.<sup>2</sup> The resulting final LADS rate of \$1.64/kW represents a  
17 \$0.68/kW or a 70.85% increase from Western's currently effective rate for LADS of \$0.96/kW  
18 authorized by the Commission in Docket No. 20-WSTE-440-TAR. Translated into total  
19 dollars, this constitutes a \$514,671 increase.<sup>3</sup> The detailed 34.5kV FBR calculation for the Test  
20 Year is contained in Exhibit 5 attached to the Application filed in the instant Docket.

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23 <sup>1</sup> Included in Western's Application as part of Exhibits 4 (Year-End Comparative Operating Income  
24 Statements and Balance Sheets), 6 (Year-End Trial Balances), 7 (Year-End Payroll Journals), and 8  
(Supplemental Schedules, which include 12-month average Trial Balance).

25 <sup>2</sup> See page 6, paragraph 15.a, footnote 9 of Settlement Agreement attached to the 4/15/21 Order On  
Unanimous Settlement Agreement.

<sup>3</sup> Calculated by applying the \$0.68/kW adjustment to the Test Year total billing determinants (kW).



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

**Q. You stated that 2020 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 2020 financial results in completing the 34.5kV FBR template?**

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

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

**Q. Please describe the adjustments made to the 2020 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 \$16,032, as evidenced on Page 1 of Exhibit 5, Line 10, Column (e), was applied to the historical amount of \$1,277,670 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

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<sup>4</sup> 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."

1 100 percent, and dues and donations items were excluded 50 percent. Note that advertising  
2 associated with items such as public safety announcements, annual meeting notices, legal ads,  
3 and job postings were not removed, as those activities are directed toward keeping the members  
4 well informed and/or represent direct business expense and thus align with the Commission-  
5 advocated goal of providing safe, efficient, and reliable electric utility service.<sup>5</sup> Additionally,  
6 dues associated with the Kansas Electric Cooperatives, Inc. (“KEC”) statewide organization  
7 membership were not removed for similar reasons, as KEC functions for the mutual benefit of  
8 its member-cooperatives to promote rural electrification and provides essential services, such  
9 as safety programs and inspections, Occupational Safety and Health Administration (“OSHA”)   
10 compliance, Cooperative staff and Board training, and administrative functions on a state-wide  
11 level.

12 Detailed listings of the aforementioned items by GL account and the corresponding  
13 adjustments performed can be found in Exhibit 9 attached to the Application in the instant  
14 Docket. The summary of the adjustments by GL, as well as the methodology applied by  
15 Western, is included in Exhibit 5, Page 7. The adjustment was further reflected on Page 3 of  
16 Exhibit 5, Lines 9-11. The resultant adjusted A&G amount is \$1,261,639, as reflected on Page  
17 1, Line 10, Column (f) of Exhibit 5.

18 **Q. Next, please describe how the adjusted system-wide financial results were allocated to the**  
19 **34.5kV system to arrive at Western’s 34.5kV FBR Revenue Requirement that includes**  
20 **only those costs which are associated with the Cooperative’s sub-transmission facilities**  
21 **used in the provision of LADS.**

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25 <sup>5</sup> Expenses related to both company image and safety-related messages were excluded 50 percent.

1 A. Section D.2 of the Protocols specifies the methodology for allocating applicable total system-  
2 wide operating expenses and margin requirements to the 34.5kV system so as to arrive at the  
3 revenue requirement associated with Western's sub-transmission facilities used to provide  
4 LADS in the acquired Mid-Kansas service territory.<sup>6</sup> Following is an explanation of the  
5 allocations:

- 6 • Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor  
7 ratio ("LAB"), where the latter is calculated as a ratio of Transmission Labor to Total  
8 Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor  
9 Amount Column of the December 31, 2020 Payroll Journal, included with Exhibit 7  
10 attached to the Application filed in the instant Docket. Next, Exhibit 5, Page 4, Lines  
11 7-20 show how the resultant LAB ratio of 0.015721 is calculated. Applying LAB to  
12 the \$1,261,639 in Adjusted Historical Test Year A&G expense assigns \$19,834 to the  
13 34.5kV FBR, as shown in Exhibit 5, Page 1, Line 10, Column (i).
- 14 • Depreciation and Amortization Expense is to be calculated directly (a.k.a. "direct-  
15 assignment") in accordance with Section D.2.b of the Protocols. Therefore, the  
16 \$277,720 in Transmission plant depreciation for the Historical Test Year is allocated  
17 to the 34.5kV FBR in its entirety, as evidenced on Page 1, Line 13, Column (i) of  
18 Exhibit 5. The \$146,027 in General Plant Depreciation Expense for the Historical Test  
19 Year is to be allocated on the LAB ratio, ultimately assigning \$2,296 to the 34.5kV  
20 FBR, as evidenced on Page 1, Line 14, Column (i) of Exhibit 5.
- 21 • For allocating Taxes - Other, Other Deductions, Interest on Long-Term Debt, Other  
22 Interest, Principal Payments, and Offsets to Margin Requirements, the Budget Year  
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25 <sup>6</sup> Again, to clarify, "system-wide," as used in this context, is intended to mean combined distribution and transmission.

Net Transmission Plant Ratio (“NP”) is calculated. The Historical Test 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 2020 Historical Test Year.<sup>7</sup> The calculation of the NP allocation factor is detailed on Page 4, Lines 22-47 of Exhibit 5. The results of applying the calculated NP of 0.237835 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 Expense is a category that is directly related to the provision of the LADS. Therefore, it 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 Total Revenue Requirement calculated after performing all 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 2020 actual operating expenses were adjusted as directed 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 \$737,940, 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 \$320,140 in margin requirements, which was greater than the \$164,634 margin requirements produced by OTIER of 1.8, as evidenced on Page 1, Lines 23-30, Column (i) of

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<sup>7</sup> Net Transmission Plant includes a General Plant allocation based upon a LAB ratio.

Exhibit 5. Accordingly, applying the MDSC-produced \$320,140 in Net Margin Requirement to the \$737,940 in Total Cost of Service generates the 34.5kV FBR Total Revenue Requirement of \$1,058,080.

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

A. Section D.4 of the Protocols further directs that the 34.5kV FBR Total Revenue Requirement is to be divided by the Total Billing Demand for the Test Year. The latter is comprised of both retail and wholesale billing determinants on Western's 34.5kV system for the Mid-Kansas division, and factors in the appropriate losses percentages, as specified in Western's Commission-approved LADS tariff.<sup>8</sup> For 2020 Test Year, the Total Billing Demand for Western's 34.5kV system was quantified at 756,869 kW, as reflected on Page 1, Line 34, Column (i) of Exhibit 5 and further detailed on Page 6 of the same Exhibit. Dividing the resultant Total Revenue Requirement of \$1,058,080 by 756,869 kW produces the unadjusted rate of \$1.40/kW.

**Q. Does the \$1.40/kW result noted above constitute the final LADS rate for 2021?**

A. No. Ordinarily, that would signal the end of the calculation as envisioned by the FBR Protocols as approved in the 21-049 Docket. However, this year's first Annual Update filing under the renewed FBR Plan approved in the 21-049 Docket marks the change in methodology when compared to the last year's filing made under the initial FBR plan approved in the 16-023 Docket. The latter still utilized limited projections for the 2020 Budget Year that would need to be trued up to the 2020 actual historical data. Accordingly, the Commission-approved SA

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<sup>8</sup> The billing determinants, as well as the financial information used to calculate the LADS rate, still represent the Cooperative's Mid-Kansas division's data, as required by the Commission-approved 34.5kV FBR Protocols. The line loss percentage incorporated in the billing determinants is based on the Commission-approved percentages as stated in the April 15, 2021 Order on Unanimous Settlement Agreement filed in the 21-049 Docket.

1 in the 21-049 Docket contained the provision for a one-time final True-Up to be applied to the  
2 \$1.40/kW result calculated above.<sup>9</sup>

3 **Q. How was the SA-mandated one-time True-Up calculated?**

4 A. Consistent with the directions provided in the Commission-approved SA in the 21-049 Docket,  
5 the one-time final True-Up was calculated in the same manner as was approved by the  
6 Commission in the Protocols applicable to the initial 34.5kV FBR five-year plan, as explained  
7 below:<sup>10</sup>

- 8 • The projected revenue requirement filed and approved for the Budget Years 2019 and 2020  
9 (fourth and fifth Annual Update filings under the initial FBR Plan approved in the 16-023  
10 Docket) were weighted using the portion of a year each was in effect.
- 11 • The resultant Weighted Projected FBR Revenue Requirement was \$882,008. Next, this  
12 amount was compared against the 2020 Actual Revenue Requirement of \$1,058,080 (as  
13 already calculated on Page 1 Line 33 of Exhibit 5).
- 14 • Subtracting the Weighted Projected FBR Revenue Requirement of \$882,008 from the  
15 Actual Revenue Requirement of \$1,058,080 results in the under-recovery amount of  
16 \$176,072. After including interest (Federal Energy Regulatory Commission quarterly rate  
17 in this case), the amount is \$183,286.

18 The details of the above-described calculations are provided on Page 9 of Exhibit 5.

19 Next, the one-time True-Up amount was divided by the 2020 34.5kV billing determinants to  
20 convert to a \$/kW unit rate. Dividing \$183,286 by 756,869 kW produces additional \$0.24/kW  
21 which was then applied to the FBR-produced \$1.40/kW discussed on page 12 above. Thus, the  
22 final resultant LADS rate for the 2021 is \$1.64/kW. When compared to Western's currently  
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24 <sup>9</sup> See footnote 2.

25 <sup>10</sup> Essentially, this follows the former Section E of the FBR Protocols approved in the 16-023 Docket. See also  
Testimony of Elena Larson filed in the 21-049 Docket, page 15, lines 18-22.

1 effective wholesale demand rate for LADS of \$0.96/kW, this represents a 70.85 percent  
2 increase.

3 **Q. Is the \$0.68/kW annual increase to LADS reasonable?**

4 As was already pointed out in the Direct Testimony of Elena Larson in the Western's last year's  
5 Annual Update, it was expected this year's rate change would end up in an increase because  
6 of a rate decrease (\$0.17/kW or 15 percent) incurred last year due to retirement of cash from  
7 Mid-Kansas in 2019, which reduced the margin requirements.<sup>11</sup> Absent that margin offset,  
8 2020 LADS for the Cooperative would have been \$1.15/kW or a 1.8 percent increase. Further,  
9 as demonstrated, the one-time true up added about \$0.24/kW to the rate. This is to recover  
10 interest expense on the intercompany loan that was actually incurred but was not budgeted for  
11 2020 and thus not in the revenue requirement when the current rate was established. In  
12 addition, the 2021 FBR Plan update requires the use of actual 2020 debt service payments  
13 rather than budgeted 2021. The actual debt service payments for 2020 does include debt service  
14 on the intercompany loan. So in summary, there is a one-time catch up from the prior rate  
15 which was set on a budgeted debt service which was low compared to actual, plus the impact  
16 of using actual debt service which in 2020 included payments on the intercompany loan.  
17 Combining this with the impact of the retirement of cash from Mid-Kansas in 2019 justifies  
18 the rate impact in the instant application.

19 **Q. What is your final recommendation to the Commission?**  
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24 <sup>11</sup> See Larson Direct filed in the 20-WSTE-440-TAR, page 14, lines 18-21, page 15, lines 1-2 .It should also  
25 be noted that given the MDSC formula used, the wholesale customers were given the benefit of this margin  
offset even though they did not participate in creating equity in Mid-Kansas; furthermore, Western was also  
obligated by its bylaws to retire that cash patronage to its members, thus inadvertently resulting in a "double"  
rate reduction for the Cooperative on both retail and wholesale sides.

1 A. My recommendation is to approve Western's Application in the instant Docket, as the resultant  
2 rate is reflective of the COS, which was calculated in accordance to the Commission-approved  
3 34.5kV FBR Protocols, and therefore is just and reasonable and in the public interest.

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

5 A. Yes, they are included as Exhibit 12 of the Application filed in the instant Docket.

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

7 A. Yes, it does.  
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Richard J. Macke

Notary Public

