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 Access Delivery Service Tariff Pursuant to the 34.5kV Formula Based Rate Plan Approved in Docket No. 21-SEPE-049-TAR.	))))))	Docket No. 24-PLCE-_684__-_TAR___

PREFILED DIRECT TESTIMONY OF

JUSTIN R. CRASWELL

RATE AND DATA ANALYST
ECONOMICS, RATES, AND BUSINESS PLANNING
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF

PRAIRIE LAND ELECTRIC COOPERATIVE, INC.

April 29, 2024

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Justin R. Craswell. My business address is 6 Pine Tree Drive , Suite 350, Arden Hills, Minnesota 55112.

Q. What is your profession?

A. I am a Rate and Data 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. 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"), Distributed Energy Resource ("DER"), 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.
- Large Power Contract Rates/Proposals.
- Line Extension Policies/Charges.
- Load Management Analysis.
- Market and Load Research.
- Merger Analysis.
- Pole Attachment Charges.
- Policy Reviews.
- Power Cost Adjustments.
- Rate Consolidation.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Load Forecasting.

Q. What is your educational background?

A. I graduated from the University of Wisconsin, Madison in 2019 with a Bachelor of Science degree in Agricultural & Applied Economics and a minor in Sustainability. In 2020, I also received my Master of Science degree in Agricultural and Applied Economics from the University of Wisconsin, Madison.

Q. What is your professional background?

A. In January 2021, I joined PSE, in a position of Rate and Financial Analyst in the Economics, Rates, and Business Planning Department.

Q. Have you previously presented testimony before the KCC?

A. No, but I have assisted with the analysis and preparation of testimony for Prairie Land Electric Cooperative ("Prairie Land", or "Cooperative"), Western Cooperative Electric Association, The Victory Electric Cooperative Association, Inc, and Southern Pioneer Electric Company in Docket Nos. 21-PLCE-406-TAR, 21-WSTE-404-TAR, 21-VICE-412-TAR, 21-SPEE-411-RTS, 22-PLCE-496-TAR, 22-WSTE-497-TAR, 22-VICE-498-TAR, 22-SPEE-501-TAR, 23-PLCE-789-TAR, 23-WSTE-791-TAR, 23-VICE-793-TAR, & 23-SPEE-792-RTS.

PART II - SUMMARY OF DIRECT TESTIMONY

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

A. The purpose of my testimony is to support the Application submitted in the instant Docket by Prairie Land for the approval of its 34.5kV Formula Based Rate ("FBR") Annual Update filing for Year 2024 based on the Historical Test Year ending December 31, 2023.

Q. Are there particular Exhibits to Prairie Land's Application that you will be describing and explaining?

A. Yes. My testimony concerns, and is supported by, the following Exhibits to the Application 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 by you or under your supervision?

A. Yes.

Q. Please briefly recap Prairie Land's 34.5kV FBR.

A. The 34.5kV FBR, as approved for Prairie Land 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 Prairie Land'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 Prairie Land's 34.5kV FBR Protocols ("Protocols"), included in the Commission Order Approving Unanimous Settlement Agreement as Attachment A1 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 Prairie Land 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 projections and clarifying some language in the Protocols. Parties also sought and received the approval of the update to the line loss factors for their respective LADS tariffs.

Q. What data formed the basis for Prairie Land's 2024 34.5kV FBR calculation?

A. Consistent with the Protocols, the calculation was based upon a 2023 Historical Test Year. As such, it utilized historical figures from Prairie Land's (Mid-Kansas division) December 2023 Operating Income Statement, Balance Sheet, Payroll Journal, and 2023 Monthly Trial Balance.[1]

Q. Were there any extraordinary adjustments made to the 2023 Historical Test Year data in this year's filing that are outside of the adjustments dictated by the Protocols?

A. Yes. In Accordance with the Commission's Order issued on February 15, 2021 in Docket No. 21-GIMX-303-MIS, Prairie Land, in the same manner as in its prior year's 34.5kV FBR filing,

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[1] Included in Prairie Land's Application as part of Exhibits 4 (Year-End Comparative Operating Income 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).

excluded principal and interest attributable to debt the Cooperative took out to cover its extraordinary purchased power costs related to Storm Uri and amortized over 3 years.[2]

Q. Please summarize the results of Prairie Land's 2024 34.5kV FBR calculation.

A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by the Commission in the 21-049 Docket results in the Total Revenue Requirement of $2,727,547. In accordance with Section D.4 of the Protocols, the resultant total dollar amount was divided by the total billing demand for the Historical Test Year; and an applicable Property Tax Surcharge was subtracted out to arrive at the final rate of $2.76/kW. The resulting final LADS rate of $2.76/kW signals there is a decrease of $0.15/kW to Prairie Land's currently effective rate for LADS of $2.91/kW authorized by the Commission in Docket No. 23-PLCE-789-TAR. The detailed 34.5kV FBR calculation for the Test Year is contained in Exhibit 5 attached to the Application filed in the instant Docket.

PART III - ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS

Q. You stated that 2023 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 Prairie Land's actual 2023 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

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[2] See Page 3, Part C of the Order. Exhibit 8 filed in the instant Docket identifies debt service related to Storm Uri, see Loan Number 9012-001 detail. Inputs into this year's populated template for Long-term Interest and Principal (flowing into the LADS rate calculation from Page 2 of Exhibit 5, lines 45 and 62) already reflect amounts after excluding Storm Uri portion. See also Kirk Girard testimony filed in the instant Docket.

Test Year.[3] 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.

Additionally, per Section D.1.e of the Protocols, the Acquisition Premium amortization portion was removed from the Other Deductions expense category.

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

Q. Please describe the adjustments made to the 2023 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 $76,296, as evidenced on Page 1 of Exhibit 5, Line 10, Column (e), was applied to the historical amount of $2,627,908 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 Prairie Land'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, legal ads, and job postings were not removed, as those activities are directed toward keeping the members well informed and/or represent direct business expense and thus align with the Commission-advocated goal of providing safe, efficient, and reliable electric utility service.[4] Additionally,

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[3] 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."

[4] Expenses related to both company image and safety-related messages were excluded 50 percent.

dues associated with the Kansas Electric Cooperatives, Inc. ("KEC") statewide organization membership were not removed for similar reasons, as KEC functions for the mutual benefit of its member-cooperatives to promote rural electrification and provides essential services, such as safety programs and inspections, Occupational Safety and Health Administration ("OSHA") compliance, Cooperative staff and Board training, and administrative functions on a state-wide level.

Detailed listings of the aforementioned items by GL account and the corresponding adjustments performed can be found in Exhibit 9 attached to the Application in the instant Docket. The summary of the adjustments by GL, as well as the methodology applied by Prairie Land, is included in Exhibit 5, Page 7. The adjustment was further reflected on Page 3 of Exhibit 5, Lines 9-11. The resultant adjusted A&G amount is $2,551,612, as reflected on Page 1, Line 10, Column (f) of Exhibit 5.

Q. Please describe the adjustments made to the 2023 Test Year Operating Expenses in conjunction with the Protocols' Section D, sub-section c.

A. Per Section D.1.e of the Protocols, the Acquisition Premium amortization portion of $193,353 was removed from the Other Deductions expense category. The resultant adjusted Other Deductions amount is $0, as reflected on Page 1, Line 20, Column (f) of Exhibit 5.

Q. On page 4 Lines 17-20 and page 5 Lines 1-2, you stated there was an additional adjustment included in this year's filing that is outside of the adjustments prescribed by the Protocols and is aimed at excluding debt service costs related to Storm Uri. Please describe this Commission-mandated adjustment.

A. This same adjustment was made and approved in the Cooperative's last year's 34.5kV FBR filing. Given Prairie Land amortized the loan over 3 years, it is necessary again this year. In order to minimize modification to the template's established flow of the calculation, the adjustment to historical Long-Term interest and Principal were made on the input Workpaper

1, or page 2, of the Exhibit 5 filed in the instant Docket, see lines 45 and 62. Accordingly, historical Long-term Interest Expense of $2,169,714, as reflected on Operating Income Statement/Exhibit 4, was reduced to remove $90,440 in interest associated with the Storm Uri-related CFC debt (as noted in Exhibit 8, note 9012-001 detail), resulting in the net $2,079,274 being included in Exhibit 5, page 1, Lines 17 and 25. Similarly, historical Principal amount of $1,834,322, as reflected in Exhibit 8, was reduced to remove $58,287 in principal associated with the Storm Uri-related CFC debt (as noted in Exhibit 8, note 9012-001 detail), resulting in the net $1,776,035 being included in Exhibit 5, page 1, Line 24.

Q. Finally, please describe how the adjusted system-wide financial results were allocated to the 34.5kV system to arrive at Prairie Land's 34.5kV FBR Revenue Requirement that includes only those costs which are associated with the Cooperative's sub-transmission facilities used in the provision of LADS.

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

- Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor ratio ("LAB"), where the latter is calculated as a ratio of Transmission Labor to Total Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor Amount Column of the December 31, 2023 Payroll Journal, included with Exhibit 7 attached to the Application filed in the instant Docket. Next, Exhibit 5, Page 4, Lines

[5] Again, to clarify, "system-wide," as used in this context, is intended to mean combined distribution and transmission.

7-20 show how the resultant LAB ratio of 0.049531 is calculated. Applying LAB to the $2,551,612 in Adjusted Historical Test Year A&G expense assigns $126,384 to the 34.5kV FBR, as shown in Exhibit 5, Page 1, Line 10, Column (i).

- Depreciation and Amortization Expense is to be calculated directly (a.k.a. "direct-assignment") in accordance with Section D.2.b of the Protocols. Therefore, the $686,578 in Transmission plant depreciation for the Historical Test Year is allocated to the 34.5kV FBR in its entirety, as evidenced on Page 1, Line 13, Column (i) of Exhibit 5. The $156,309 in General Plant Depreciation Expense for the Historical Test Year is to be allocated on the LAB ratio, ultimately assigning $7,742 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 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 2023 Historical Test Year.[6] 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 0.307727 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.

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[6] Net Transmission Plant includes a General Plant allocation based upon a LAB ratio.

PART IV - REVENUE REQUIREMENT AND RATE CALCULATION

Q. How was Prairie Land'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 2023 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 $2,068,433 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 $659,115 in margin requirements, which was greater than the $370,389 margin requirements produced by OTIER of 1.8, as evidenced on Page 1, Lines 23-30, Column (i) of Exhibit 5. Accordingly, applying the MDSC-produced $659,115 in Net Margin Requirement to the $2,068,433 in Total Cost of Service generates the 34.5kV FBR Total Revenue Requirement of $2,727,547.

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 Prairie Land's 34.5kV system for the Mid-Kansas division, and factors in the appropriate losses percentages, as specified in Prairie Land's Commission-approved LADS tariff.[7] For 2023 Test Year, the Total Billing Demand for Prairie

[7] 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

Land's 34.5kV system was quantified at 948,119 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 $2,727,547 by 948,119 kW produces the unadjusted rate of $2.88/kW. Further, subtracting the $0.1218/kW in Prairie Land's Property Tax Surcharge in effect, as approved by the Commission in Docket No. 24-PLCE-467-TAR, produces the unit rate of $2.76/kW, indicating a decrease of $0.15/kW, or 5.22 percent, from the currently effective $2.91/kW approved by the Commission in Prairie Land's last year's 34.5kV FBR Filing.[8] The main drivers behind this year's decrease are reductions in O&M expenses and Principal Payments.

Q. What is your final recommendation to the Commission?

A. My recommendation is to approve Prairie Land's Application in the instant Docket, as the resultant rate – same as current LADS - is reflective of the COS, which was calculated in accordance to the Commission-approved 34.5kV FBR Protocols and the Emergency Order, and therefore is just and reasonable and in the public interest.

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

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

Q. Does this conclude your prefiled Direct Testimony?

A. Yes, it does.

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.

[8] Even though the Order approving the Property Tax Surcharge in Docket No. 24-PLCE-476-TAR was not issued until January 2024, which is outside of the Test Year, it is appropriate to use this most recent PTS approved by the Commission since it is set to recover property tax expense incurred during the 2023 Test Year. The PTS rate effective during the 2023 Test Year, which was approved in Docket No. 23-PLCE-550-TAR, was recovering the 2022 property tax expense.

VERIFICATION

STATE OF MINNESOTA)
) ss
COUNTY OF RAMSEY)

The undersigned, Justin R Craswell, upon oath first duly sworn, states that he is the Rate and Data Analyst, Economics, Rates, and Business Planning for Power System Engineering, Inc.; that he has read this Prefiled Direct Testimony and knows the contents thereof; and, that the facts therein are true and correct to the best of his knowledge, information, and belief.

Justin R. Craswell

Subscribed and sworn to before me this 29 day of April, 2024.

Madyson J Johnson
Notary Public
Minnesota
My Commission Expires January 31, 2027

Notary Public

My appointment expires: January 31, 2027