

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

Before Commissioners: Shari Feist Albrecht, Chairman
Jay Scott Emler
Dwight D. Keen

In the Matter of the Application of Western)
Cooperative Electric Association, Inc. Seeking)
Commission Approval to Update Its Local) Docket No. 18-WSTE-473-TAR
Access Delivery Service Tariff Pursuant to)
34.5kV Formula Based Rate Plan Approved in)
Docket No. 16-MKEE-023-TAR.)

**NOTICE OF FILING OF STAFF'S REPORT &
RECOMMENDATION [REDACTED VERSION]**

COMES NOW, the Staff of the Kansas Corporation Commission (Staff and Commission, respectively), and files the redacted version of its Report and Recommendation regarding the Western Cooperative Electric Association, Inc.'s (Western) application for approval to update its local access delivery service tariff pursuant to the 34.5kV formula based rate plan approved in Docket No. 16-MKEE-023-TAR.

WHEREFORE, Staff submits it's Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and proper.

Respectfully Submitted



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GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

REPORT AND RECOMMENDATION UTILITIES DIVISION REDACTED VERSION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight D. Keen

FROM: Tim Rehagen, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: August 23, 2018

SUBJECT: Docket No. 18-WSTE-473-TAR – In the Matter of the Application of Western Cooperative Electric Association, 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. 16-MKEE-023-TAR.

EXECUTIVE SUMMARY:

Staff recommends approval of the Western Cooperative Electric Association, Inc. – Mid-Kansas Division (Western Mid-Kansas) 34.5 kV monthly Local Access Charge (LAC) demand rate of \$1.73 per kilowatt month (kW-month). This rate was derived in accordance with the 34.5 kV Formula Based Rate (FBR) plan approved by the Kansas Corporation Commission (Commission) in Docket No. 16-MKEE-023-TAR (16-023 Docket). An Order is due in this matter by October 23, 2018.

BACKGROUND:

Western Cooperative Electric Association, Inc. (Western) is a member-owned distribution electric cooperative and member-owners of Sunflower Electric Power Corporation, Inc. (Sunflower) and Mid-Kansas Electric Company, Inc. (Mid-Kansas). Western serves approximately 12,180 retail customers in its Sunflower and Mid-Kansas service areas, as well as wholesale customers over its 34.5 kV system located in the Mid-Kansas service region. According to Kansas law, the services rendered to customers of the 34.5 kV system have been designated as “transmission service.”¹ Even though Western has elected to deregulate from the

¹ See the Stipulation and Agreement and the Order Addressing Joint Motion to Approve Stipulation and Agreement issued under Docket No. 11-GIME-597-GIE on December 1, 2011, and January 11, 2012, respectively.

jurisdiction, regulation, and control of the Commission, the Commission retains jurisdiction over charges related to transmission services.²

In the 16-023 Docket, the Commission approved a 34.5 kV FBR plan which allows Western Mid-Kansas to make annual adjustments to its LAC demand rate assessed to wholesale customers receiving service off Western Mid-Kansas' 34.5 kV sub-transmission facilities.³ On April 27, 2018, Western Mid-Kansas filed a request in the current Docket to update its monthly LAC demand rate in accordance with the established 34.5 kV FBR plan. Western Mid-Kansas is proposing to increase its monthly LAC rate from \$1.70 per kW-month to \$1.73 per kW-month.⁴

In determining the proposed LAC rate of \$1.73 per kW-month, Western Mid-Kansas divided its original revenue requirement of \$1,285,727 by the total billing demand in the amount of 743,499 kW.⁵ This proposed rate represents an approximate 1.8% increase from Western Mid-Kansas' current LAC rate of \$1.70 per kW-month. The primary drivers behind this increase are increases in transmission operating and maintenance expenses, administration and general expenses, and depreciation expense related to general plant from Docket No. 17-WSTE-477-TAR to the current Docket.⁶

ANALYSIS:

At Staff's request, Western Mid-Kansas submitted a revised version of the Application to correct three minor errors discovered by Staff.⁷ These corrections resulted in a \$110 decrease to the original revenue requirement and a revised revenue requirement of \$1,285,617. It should be noted that the amount of this adjustment ultimately has no impact on the resulting LAC rate of \$1.73 per kW-month. However, Staff is still recommending approval of the revised net revenue requirement as this reflects an accurate calculation of the LAC rate.

In this year's audit, Staff decided to inquire about the process whereby Western determines the salaries of its highest paid employees. The primary purpose of Staff's audit of Western's 34.5kV-FBR filing is to ensure that the proposed revenue requirement results in a just and reasonable rate. Payroll expense is an inherent component of the cost of service that flows through the 34.5kV-FBR calculation. Staff elected to expand its audit this year and review this

² See K.S.A. 66-104d(f).

³ See Order Approving Settlement, Docket No. 16-MKKEE-023-TAR (March 10, 2016).

⁴ The LAC rate of \$1.70/kW-month was approved in Docket No. 17-WSTE-477-TAR. See Order Approving Western Cooperative's Application to Update its Local Access Delivery Serv. Tariff issued on September 12, 2017, in that Docket.

⁵ See Exhibit 5, page 1, of the Application for a detailed breakdown of the proposed monthly LAC rate calculation.

⁶ See pages 5 through 7 of the direct testimony of Dennis Deines for a more detailed explanation of these increases.

⁷ Total Administration and General payroll expense in Exhibit 5, page 2, of the Application originally didn't include the full amount of payroll expense in accounts 920-932 of the payroll expense journal. Western submitted a revised version of this page to include the full amount of payroll expense in these accounts. Also, Exhibit 9, page 7, of the Application (2018 Budgeted Debt Service) erroneously included principle and interest payments on loan number RI0428T03 for the twelve months of 2017. Western updated this page to include principle and interest payments on this loan for the 2018 budget year. Finally, the adjustment to Administration and General Expense on Exhibit 5, pages 1 and 7, was miscalculated because the adjustment calculation in Exhibit 10 did not capture all of the data from the detail tab. Western corrected this and reflected it in revised versions of Exhibit 5, pages 1 and 7. See Staff Exhibit 1 for revised versions of pages 1 through 4 and page 7 of Exhibit 5 and a revised version of Exhibit 9, page 7, which reflect these corrections. The amounts affected by the corrections are highlighted in yellow.

particular cost of service element, thereby obtaining further evidence that Western's cost of service and proposed revenue increase are just and reasonable.⁸

At Staff's request, Western provided the annual salaries of its three highest paid employees along with detailed narratives that explain the process utilized in determining its employees' salaries.

[REDACTED]

[REDACTED]

Staff concludes that Western has provided adequate information in order for Staff to ascertain the reasonableness of its three highest salaries. As a result of Staff's review of the information provided, Staff concludes that the salaries of Western's three highest paid employees are just and reasonable. Therefore, Staff is not proposing any adjustments to Western's payroll expense in the present Docket.

RECOMMENDATION:

Staff recommends the Commission approve Western Mid-Kansas' revised revenue requirement of \$1,285,617 and the proposed monthly LAC rate of \$1.73 per kW-month.

⁸ It should be noted that only 2.66% of Western's Administration and General expense flows through the calculation of the 34.5 kV LAC rate. Therefore, only a minimal portion of the top three salaries is reflected in the revenue requirement. Nevertheless, salary expense is still included in Western's cost of service. Staff's review of Western's salaries further confirms the justness and reasonableness of Western's cost of service.

[REDACTED]

**Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Revenue Requirement and Rate Calculation
For Year 2018 Based on the Historical Test Year Ending December 31, 2017**

(a) Line No	(b) Description	(c) Source	(d) Unadjusted Historical Test Year 2017	(e) Adjustments		(f) Adjusted Historical Test Year 2017	(g) Allocation Factor		(h) Name	(i) FBR Revenue Requirement
				No.	Amount		Factor	Factor		
				Source: WP2			Source: WP3			
1	Operating Expenses									
2	Power Production Expense	WP1, L29, Col (d)	-			\$ -		0.000000	\$	-
3	Cost of Purchased Power	WP1, L30, Col (d)	\$ 12,471,285			\$ 12,471,285		0.000000	\$	-
4	Transmission O&M	WP1, L31, Col (d)	\$ 271,261			\$ 271,261		1.000000	\$	271,261
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$ 1,418,432	[1]	\$ -	\$ 1,418,432	DOM	0.000000	\$	-
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$ 902,417	[2]	\$ -	\$ 902,417	DOM	0.000000	\$	-
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$ 230,763			\$ 230,763		0.000000	\$	-
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$ 136,400			\$ 136,400		0.000000	\$	-
9	Sales Expense	WP1, L36, Col (d)	\$ -			\$ -		0.000000	\$	-
10	Administration & General	WP1, L37, Col (d)	\$ 1,201,888	[3]	\$ (20,748)	\$ 1,181,140	LAB	0.026610	\$	31,430
11	Total O&M Expense	Sum (L2:L10)							\$	302,691
12	Depreciation and Amortization								\$	-
13	Transmission	WP1, L40, Col (d)	\$ 255,474	[4b]	\$ 2,737	\$ 258,210		1.000000	\$	258,210
14	General Plant	WP1, L41, Col (d)	\$ 123,110	[4a]	\$ 32,754	\$ 155,864	LAB	0.026610	\$	4,148
15	Property Tax	WP1, L43, Col (d)	\$ -			\$ -	NP	0.264923	\$	-
16	Other Taxes	WP1, L44, Col (d)	\$ -			\$ -	NP	0.264923	\$	-
17	L.T. Interest	WP1, L45, Col (d)	\$ 800,594	[5]	\$ (17,048)	\$ 783,546	NP	0.264923	\$	207,580
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$ -	[6]	\$ -	\$ -	NP	0.264923	\$	-
19	Interest-Other	WP1, L47, Col (d)	\$ -	[7]	\$ -	\$ -	NP	0.264923	\$	-
20	Other Deductions	WP1, L48, Col (d)	\$ -	[8]	\$ -	\$ -	NP	0.264923	\$	-
21	Total Cost of Electric Service								\$	772,629
22										
23	Margin Requirement									
24	Principal Payments	WP1, L62, Col (d)	\$ 1,030,983	[10]	\$ 50,115	\$ 1,081,097	NP	0.26492337		\$ 286,408
25	L.T. Interest	L17	\$ 800,594		\$ (17,048)	\$ 783,546	NP	0.26492337	\$	207,580
26	Subtotal	Sum (L24:25)							\$	493,988
27	Required Coverage Ratio	WP1, L64, Col (d)							1.80	1.80
28	Gross Margin Requirements	L26 x L27							373,644	889,178
29	Less: Offsets to Margin Requirements	WP4, L4 or L13, Col (i)							207,580	469,938
30	Net Margin Requirement	L28 - L29							\$	166,064
31										
32	Total Revenue Requirements									
33	Greater of OTIER or MDSC Margin Requirements	L21 + L30							\$	1,191,869
34	Plus: True-Up Amount	WP7, L13							\$	93,748
35	Total Net Revenue Requirement	L33 + L34							\$	1,285,617
36	Divided By Total Billing Demand	WP5, L28, Col (Total)							743,499 kW	
37	Unadjusted Unit Rate	L35 / L36							\$1.73/kW-mo.	
38	Less: Property Tax Surcharge	N/A							\$0.00/kW-mo.	
39	Resultant Unit Rate								\$1.73/kW-mo.	

Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 1 - Input Data

Line No	Description (a)	Historical Test Year Input				Budget Year Input			
		Source (b)	Amount (c) (d)		Notes (e)	Source (f)	Amount (g) (h)		Notes (i)
1	A. Net Plant in Service - Using Average Monthly Balance		2017			2018			
2			Plant in Service	Accum. Res. for Depr.	Protocols, Definition Section	Projected Plant in Service	Projected Accum. Res. for Depr.	Protocols, Definition Section	
3	1. Facilities Used to Provide Local Access Delivery Service								
4	Transmission Facilities								
5	350 Land and Land Rights	Trial Balance - 12 month avg.	\$ 38,031						
6	352 Structures and Improvements	Trial Balance - 12 month avg.	\$ 243,772						
7	353 Station Equipment	Trial Balance - 12 month avg.	\$ 5,940,769						
8	355 Poles and Fixtures	Trial Balance - 12 month avg.	\$ 2,731,879						
9	356 O.H. Conductors and Devices	Trial Balance - 12 month avg.	\$ 2,738,059						
10	358 U.G. Conductors and Devices	Trial Balance - 12 month avg.	\$ -						
11	Subtotal	Sum(L5:L10)	\$ 11,692,510	\$ 5,400,704	GL acct 108.5	Exhibit 9, page 3	\$ 11,816,737	\$ 5,658,915	
12	Distribution Facilities (If Applicable)								
13	360 Land and Land Rights	Company Direct Assessment	N/A	N/A					
14	361 Structures and Improvements	Company Direct Assessment	N/A	N/A					
15	362 Station Equipment	Company Direct Assessment	N/A	N/A					
16	Subtotal	L13 + L15	\$ -	\$ -			\$ -	\$ -	
17	Total	L11 + L16	\$ 11,692,510	\$ 5,400,704			\$ 11,816,737	\$ 5,658,915	
18									
19	2. All Facilities								
20	301-301 Intangible Plant	Trial Balance - 12 month avg.	-	-			\$ -	\$ -	
21	350-359 Transmission Plant	Trial Balance - 12 month avg.	\$ 11,692,510	\$ 5,400,704	GL acct 108.5		\$ 11,816,737	\$ 5,658,915	
22	360-373 Distribution Plant	Trial Balance - 12 month avg.	\$ 20,332,237	\$ 7,530,311	GL acct. 108.6,108.61	Exhibit 9, page 4	\$ 22,825,064	\$ 8,218,416	
23	389-399 General Plant	Trial Balance - 12 month avg.	\$ 4,378,096	\$ 1,843,051	GL acct. 108.7-108.78	Exhibit 9, page 5	\$ 4,755,070	\$ 1,998,915	
24	Total		\$ 36,402,843	\$ 14,774,066			\$ 39,396,871	\$ 15,876,245	
25									
26									
27									
28	B. Operating Expenses		EOY						
29	Power Production Expense	Statement of Operations	\$ -						
30	Cost of Purchased Power	Statement of Operations	\$ 12,471,285						
31	Transmission O&M	Statement of Operations	\$ 271,261						
32	Distribution Expense-Operation	Statement of Operations	\$ 1,418,432						
33	Distribution Expense-Maintenance	Statement of Operations	\$ 902,417						
34	Consumer Accounts Expense	Statement of Operations	\$ 230,763						
35	Customer Service and Informational Expense	Statement of Operations	\$ 136,400						
36	Sales Expense	Statement of Operations	\$ -						
37	Administrative and General	Statement of Operations	\$ 1,201,888						
38	Depreciation and Amortization	Statement of Operations	\$ 1,039,325						
39	Depreciation Expense - Distribution	Trial Balance - 12/31/2017	\$ 541,620	GL a/c 403.6					
40	Depreciation Expense - Transmission	Trial Balance - 12/31/2017	\$ 255,474	GL a/c 403.5		Exhibit 9, page 3	\$ 258,210	Protocols, Calculation section, parts 1.c and 2.b	
41	Depreciation Expense - General Plant	Trial Balance - 12/31/2017	\$ 123,110	GL a/c 403.7		Exhibit 9, page 5	\$ 155,864	Protocols, Calculation section, parts 1.c and 2.b	
42	Amortization of AP (booked within Depreciation Expense)	Trial Balance - 12/31/2017	\$ 119,121	GL a/c 403.8					
43	Property Tax	Statement of Operations	\$ -						
44	Other Taxes	Statement of Operations	\$ -						
45	L.T. Interest	Statement of Operations	\$ 800,594			Exhibit 9, page 7	\$ 783,546	Protocols, Calculation section, part 1.d	
46	Interest Charged to Construction - Credit	Statement of Operations	\$ -				\$ -	Protocols, Calculation section, part 1.d	
47	Interest-Other	Statement of Operations	\$ -				\$ -	Protocols, Calculation section, part 1.d	
48	Other Deductions	Statement of Operations	\$ -				\$ -		
49									
50	C. Payroll		Part of GL acct						
51	Transmission	Payroll Journal (Labor Amt)	\$ 24,582	560-573					
52	Distribution	Payroll Journal (Labor Amt)	\$ 756,474	580-598					
53	Customer Accounting	Payroll Journal (Labor Amt)	\$ 109,936	901-905					
54	Customer Service and Information	Payroll Journal (Labor Amt)	\$ 32,798	907-910					
55	Sales	Payroll Journal (Labor Amt)	\$ -	911-916					
56	Administration and General	Payroll Journal (Labor Amt)	\$ 503,253	920-932					
57	Total		\$ 1,427,042	Non-capitalized items					
58									
59									
60	D. Miscellaneous								
61	1. Debt Service								
62	Principal Payments	Exhibit 9, page 6	\$ 1,030,983	Per Company records		Exhibit 9, page 7	\$ 1,081,097	Protocols, Calculation section, part 1.f	
63									
64	2. Target OTIER/MDSC								
65				1.80	Protocols, Calculation section, part 3				
66									
67	3. Margin Requirement Offsets								
68	Investment in Associate Organizations - Patronage Capital	Balance Sheet	\$ 3,506,873	\$ 4,853,781	Ln 8				
69	Generation & Transmission Capital Credits	Statement of Operations	\$ 1,346,908						
70	Other Capital Credits and Patronage Dividends	Statement of Operations	\$ -						
71	Non-Operating Margins - Interest	Statement of Operations	\$ -						
72	Cash Received from G&T/Lenders	Exhibit 9, page 8	\$ -		Per Company records				
73									
74	4. Other								
75	AP Amortization Booked in Other Deductions	N/A	\$ -		N/A				

Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 2 - Adjustments To Historical Test Year Expenses
For the Historical Test Year Ending December 31, 2017

Line No	Type	Source	Amount	Notes
1	1. Adjustment to Distribution Operations Expense per K.S.A. 66-101f(a), if any:			
2	Applicable Disallowance - Distribution Operations	WP6	\$ -	not applicable
3	Total Adjustment	L2	\$ -	
4				
5	2. Adjustment to Distribution Maintenance Expense per K.S.A. 66-101f(a), if any:			
6	Applicable Disallowance - Distribution Maintenance	WP6	\$ -	not applicable
7	Total Adjustment	L6	\$ -	
8				
9	3. Adjustment to Administrative & General per K.S.A. 66-101f(a), if any:			
10	Applicable Disallowance - A&G	WP6	\$ 20,748	
11	Total Adjustment	L10	\$ (20,748)	
12				
13	4. Adjustment to Depreciation Expense			Protocols, Calculation section, parts 1.c and 2.b
14	a. Transmission			
15	Historical Amount	Pg.1, L13, Col (d)	\$ 255,474	
16	Projected	WP1, L40, Col (h)	\$ 258,210	
17	Total Adjustment	L16 - L15	\$ 2,737	
18	b. General Plant			
19	Historical Amount	Pg.1, L14, Col (d)	\$ 123,110	
20	Projected	WP1, L41, Col (h)	\$ 155,864	
21	Total Adjustment	L20 - L19	\$ 32,754	
22				
23	5. Adjustment to LT Interest			
24	Historic Amount	Pg.1, L17, Col (d)	\$ 800,594	Protocols, Calculation section, parts 1.d
25	Projected Amount	WP1, L45, Col (h)	\$ 783,546	
26	Total Adjustment	L25 - L24	\$ (17,048)	
27				
28	6. Adjustment to Interest Charged To Construction			N/A
29	Historical Amount	Pg.1, L18, Col (d)	\$ -	
30	Projected Amount	WP1, L46, Col (h)	\$ -	
31	Total Adjustment	L30 - L29	\$ -	
32				
33	7. Adjustment to Interest-Other			
34	Historical Amount	Pg.1, L19, Col (d)	\$ -	Protocols, Calculation section, parts 1.d
35	Projected Amount	WP1, L47, Col (h)	\$ -	
36	Total Adjustment	L35 - L34	\$ -	
37				
38	8. Adjustment to Other Deductions:			
39	Historical Amount	Pg.1, L20, Col (d)	\$ -	
40	Less: Amortization of AP booked in Other Deductions	WP1, L74, Col (d)	\$ -	not applicable
41	Historical Amount with AP removed	L39 - L40	\$ -	
42	Sub-total Adjustment	L36 - L34	\$ -	
43	Less: Applicable Disallowance - Other Deductions	WP6	\$ -	not applicable
44	Total Adjustment	L42 - L43	\$ -	
45				
46	9. Adjustment to Principal Payments			
47	Historical Amount	Pg.1, L24, Col (a)	\$ 1,030,983	Protocols, Calculation section, parts 1.f
48	Projected Amount	WP1, L62, Col (h)	\$ 1,081,097	
49	Total Adjustment	L48 - L47	\$ 50,115	
50				

**Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 3 - Allocation Factors**

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Allocator</u>	<u>Amount</u>
1	Distribution O&M Allocation Factor - Using Budget Year Input			
2	Distr. Plant used to provide Local Access Delivery Service	WP1, L16, Col (g)		\$ -
3	Total Distribution Plant	WP1, L22, Col (g)		\$ 22,825,064
4				
5	Allocation Factor	L2 / L3	DOM	-
6				
7	Labor Allocation Factor - Using Historical Test Year Input			
8	Transmission Wages	WP1, L51, Col (d)		\$ 24,582
9	Allocated Distribution Wages			
10	Total Distribution Wages	WP1, L52, Col (d)		\$ 756,474
11	Allocation Factor	L5	DOM	\$ -
12		L10 * L11		\$ -
13	Total LAC Wages	L8 + L12		\$ 24,582
14				
15	Total Wages Other than A&G			
16	Total Wages - Historical Test Year	WP1, L57, Col (d)		\$ 1,427,042
17	Less: Administration & General Wages	WP1, L56, Col (d)		503,253
18		L16 - L17		\$ 923,789
19				
20	Transmission Labor Allocator	L13 / L18	LAB	0.026610
21				
22	Net Plant Allocation Factor - Using Budget Year Input			
23	Plant-in-Service			
24	Transmission	WP1, L11, Col (g)		\$ 11,816,737
25	Distr. used to provide Local Access Service	L2		\$ -
26	General Plant			
27	Total General Plant	WP1, L23, Col (g)		\$ 4,755,070
28	Allocation Factor	L20	LAB	0.026610
29		L27 * L28		\$ 126,532
30	Total LAC Plant-in-Service	L24 + L25 + L29		\$ 11,943,269
31				
32	Accumulated Reserves for Depreciation			
33	Transmission	WP1, L11, Col (h)		\$ 5,658,915
34	Distribution Used in LAC	WP1, L16, Col (h)		\$ -
35	Allocated General Plant			
36	Total General Plant	WP1, L23, Col (h)		\$ 1,998,915
37	Allocation Factor	L20	LAB	0.026610
38		L36 * L37		\$ 53,191
39	Total LAC Accum. Depr. Res.	L33 + L34 + L38		\$ 5,712,106
40				
41	Net Plant Used in LAC	L30 - L39		\$ 6,231,163
42				
43	Total Plant in Service	WP1, L24, Col (g)		\$ 39,396,871
44	Less: Total Accum. Reserves for Depr.	WP1, L24, Col (h)		\$ 15,876,245
45	Total Net Plant	L43 - L44		\$ 23,520,626
46				
47	Transmission Net Plant Allocator - Budget Year	L41 / L45	NP	0.264923

Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 4 - Margin Requirement Offsets
For the Historical Test Year Ending December 31, 2017

(a) Line No	(b) Metric	(c) Source	(d) Historical Total Amount	(e) Adjustment pg 1, Col (e)	(f) Adjusted Amount	(g) Name	(h) Allocation Factor pg.1 Col (g) and (h)	(i) Allocated to FBR	
1	OTIER								
2	LT Interest Expense	Pg.1, L17, Col (d)	\$ 800,594	\$ (17,048)	\$ 783,546	NP	0.264923	\$ 207,580	
3	Cash Received from G&T/lenders	WP1, Col (d), L71	\$ -	\$ -	\$ -	NP	0.264923	\$ -	
4			<u>\$ 800,594</u>	<u>\$ (17,048)</u>	<u>\$ 783,546</u>			<u>\$ 207,580</u>	
5									
6	MDSC								
7	LT Interest Expense	L2	\$ 800,594	\$ (17,048)	\$ 783,546	NP	0.264923	\$ 207,580	
8	Depreciation Expense								
9	Transmission	Pg.1, L13, Col (d)	\$ 255,474	\$ 2,737	\$ 258,210		1.000000	\$ 258,210	
10	General Plant	Pg.1, L14, Col (d)	\$ 123,110	\$ 32,754	\$ 155,864	LAB	0.026610	\$ 4,148	
11	Non-Operating Margins - Interest	WP1, L70, Col (d)	\$ -	\$ -	\$ -	NP	0.264923	\$ -	
12	Cash Patronage Capital*	L20	\$ 0	\$ -	\$ 0	NP	0.264923	\$ 0	
13	Resultant Amount	Sum (L7:L12)	<u>\$ 1,179,178</u>		<u>\$ 1,197,621</u>			<u>\$ 469,938</u>	
14									
15	*Calculate Pat. Cap. (Cash):								
16	Inv. in Assoc. Org. - Patr. Capital - Current Yr.	WP1, L67, Col (d)	\$ 4,853,781						
17	Inv. in Assoc. Org. - Patr. Capital - Prior Yr.	WP1, L67, Col (c)	\$ 3,506,873						
18	Generation & Transmission Capital Credits	WP1, L68, Col (d)	\$ 1,346,908						
19	Other Capital Cr. and Patronage Dividends	WP1, L69, Col (d)	\$ -						
20	Resultant Amount	L17 + L18 + L19 - L16	<u>\$ 0</u>						

Western Cooperative Electric Association
 Mid-Kansas Service Area
 34.5kV Formula Based Rate
 Revised Work Paper 6a - Summary of Exclusions
 For the Historical Test Year Ending December 31, 2017

ACCOUNT	DESCRIPTION	Total Amount	Total Adjustment
921	OFFICE SUPPLIES & EXPENSES		492.44
925	LOSS CONTROL & SAFETY		95.68
926	EMPLOYEE PENSIONS AND BENEFITS		2,494.98
930.1	GENERAL ADVERTISING EXPENSE		9,948.89
930.2	MISCELLANEOUS GENERAL EXPENSE		3,259.88
930.4	MISC GENERAL EXPENSE-MEETINGS		383.01
930.41	MISCELLANEOUS GENERAL EXPENSE-ANNUAL MEETING		2,503.87
930.42	MISCELLANEOUS EXPENSE-DIRECTORS		1,428.45
930.5	DIRECTORS FEE AND MILEAGE		33.75
935.2	MAINT PLANT-COMMUNICATION EQUIPMENT		107.00
		-	20,747.95

Notes:

Western's review of General and Administrative expenses by category:

Employee Benefits:

Meals provided to employees, clothing purchased for promotional reasons, and retirement party expenses and gifts were excluded 100%. Costs associated with short term disability, safety related clothing, and expenses for job-required physicals were not excluded.

Advertising:

Expenses related to company image and general advertising were excluded at 100%, all other advertising related to member safety, legal ads, and meeting announcements were not excluded.

Misc General:

Miscellaneous & General expenses were carefully looked as to the true business expense versus other indirect expenses. Expenses related to travel, software support fees, property taxes, liability insurance, and labor were not excluded. Expenses for meals, subscriptions to publications, and retirement meals were excluded at 100%. Donations and dues that may have been included in this category were excluded at 50%

Dues:

Dues to associated organization were excluded at 50% with the exception of Kansas Electric Cooperative (KEC) monthly assessment due. KEC provides needed service and programs to electric cooperatives for the mutual benefit of its member cooperatives. The dues associated with KEC represent services KEC provides for our cooperative, which include our safety program, OSHA compliance, safety inspections, staff & board training, and administrative functions on a statewide level.

Donations:

50% of all donations were excluded.

Annual Meeting:

Expenses with the publication, balloting, office notice mailings, and expenses with regard to holding the annual meeting were not excluded. However, expenses concerning gifts for members were excluded 100%

Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 7 - Annual True-Up Calculation Summary
Section E.6 of the 34.5kV FBR Protocols

Line No.				Day in Effect	=	Wtd. Rev. Req.	Notes/Source		
I. Calculate Weighted Projected FBR Revenue Requirement									
1	Budget Year	2016	Projected FBR Revenue Requirement	\$ 1,160,521	x	273	= \$ 868,006	16-WSTE-496-TAR	
2	Budget Year	2017	Projected FBR Revenue Requirement	\$ 1,244,727	x	92	= \$ 313,739	17-WSTE-477-TAR, Effective Date of 10/01/2017 per KCC-stamped tariff	
3							\$ 1,181,746	L1 + L2	
II. Compare against Actual Revenue Requirement									
6	Test Year	2017	Actual FBR Revenue Requirement					\$ 1,272,023	WP8a, L33
7								\$ 90,277	L6 - L3
III. Include Interest for Over or Under-recovery									
10								3.85%	L18 or L19
12								\$ 3,471	L7 x L10
13								\$ 93,748	L7 + L12
17	Interest Rates								
18				N/A				no short-term debt in 2017	
19	FERC Quarterly Interest Rate			3.85%				Avg. for 2017, see https://www.ferc.gov/enforcement/acct-matts/interest-rates.asp	

**Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 8a - Actual Revenue Requirement for the True-Up
For the Historical Test Year Ending December 31, 2017**

(a) Line No	(b) Description	(c) Source	(d) Unadjusted Historical Test Year 2017		(e) Adjustments		(f) Adjusted Historical Test Year 2017		(g) Allocation Factor		(h) Name	(i) FBR Revenue Requirement
			No.	Amount	No.	Amount	Factor	Factor				
					Source: WP2				Source: WP8b			
1	Operating Expenses											
2	Power Production Expense	WP1, L29, Col (d)		-			\$ -		0.000000	\$		-
3	Cost of Purchased Power	WP1, L30, Col (d)	\$	12,471,285			\$12,471,285		0.000000	\$		-
4	Transmission O&M	WP1, L31, Col (d)	\$	271,261			\$ 271,261		1.000000	\$		271,261
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$	1,418,432	[1]	\$ -	\$ 1,418,432	DOM	0.000000	\$		-
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$	902,417	[2]	\$ -	\$ 902,417	DOM	0.000000	\$		-
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$	230,763			\$ 230,763		0.000000	\$		-
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$	136,400			\$ 136,400		0.000000	\$		-
9	Sales Expense	WP1, L36, Col (d)	\$	-			\$ -		0.000000	\$		-
10	Administration & General	WP1, L37, Col (d)	\$	1,201,888	[3]	\$ (20,748)	\$ 1,181,140	LAB	0.026610	\$		31,430
11	Total O&M Expense	Sum (L2:L10)								\$		302,691
12	Depreciation and Amortization									\$		-
13	Transmission	WP1, L40, Col (d)	\$	255,474			\$ 255,474		1.000000	\$		255,474
14	General Plant	WP1, L41, Col (d)	\$	123,110			\$ 123,110	LAB	0.026610	\$		3,276
15	Property Tax	WP1, L43, Col (d)	\$	-			\$ -	NP	0.294019	\$		-
16	Other Taxes	WP1, L44, Col (d)	\$	-			\$ -	NP	0.294019	\$		-
17	L.T. Interest	WP1, L45, Col (d)	\$	800,594			\$ 800,594	NP	0.294019	\$		235,390
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$	-			\$ -	NP	0.294019	\$		-
19	Interest-Other	WP1, L47, Col (d)	\$	-			\$ -	NP	0.294019	\$		-
20	Other Deductions	WP1, L48, Col (d)	\$	-	[9]	\$ -	\$ -	NP	0.294019	\$		-
21	Total Cost of Electric Service									\$		796,830
22												
23	Margin Requirement											
24	Principal Payments	WP1, L62, Col (d)	\$	1,030,983			\$ 1,030,983	NP	0.294019	\$		303,128
25	L.T. Interest	L17	\$	800,594		\$ -	\$ 800,594	NP	0.294019	\$	235,390	235,390
26	Subtotal	Sum (L24:25)								\$	235,390	538,518
27	Required Coverage Ratio	WP1, L64, Col (d)									1.80	1.80
28	Gross Margin Requirements	L26 x L27									423,701	969,332
29	Less: Offsets to Margin Requirements	WP8c, L4 or L13, Col (i)									235,390	494,139
30	Net Margin Requirement	L28 - L29								\$	188,312	475,192
31												
32	Total Revenue Requirements											
33	Using the greater of OTIER or MDSC Margin Requirements	L21 + L30										\$1,272,023

Western Cooperative Electric Association
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 8b - Allocation Factors for the True-Up Calculation
For the Historical Test Year Ending December 31, 2016

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Allocator</u>	<u>Amount</u>
1	Distribution O&M Allocation Factor			
2	Distr. Plant used to provide Local Access Delivery Service	WP1, L16, Col (c)		\$ -
3	Total Distribution Plant	WP1, L22, Col (c)		\$ 20,332,237
4				
5	Allocation Factor	L2 / L3	DOM	-
6				
7	Labor Allocation Factor			
8	Transmission Wages	WP1, L51, Col (d)		\$ 24,582
9	Allocated Distribution Wages			
10	Total Distribution Wages	WP1, L52, Col (d)		\$ 756,474
11	Allocation Factor	L5	DOM	\$ -
12		L10 * L11		\$ -
13	Total LAC Wages	L8 + L12		\$ 24,582
14				
15	Total Wages Other than A&G			
16	Total Wages	WP1, L57, Col (d)		\$ 1,427,042
17	Less: Administration & General Wages	WP1, L56, Col (d)		503,253
18		L16 - L17		\$ 923,789
19				
20	Transmission Labor Allocator	L13 / L18	LAB	0.026610
21				
22	Net Plant Allocation Factor			
23	Plant-in-Service			
24	Transmission	WP1, L11, Col (c)		\$ 11,692,510
25	Distr. used to provide Local Access Service	L2		\$ -
26	General Plant			
27	Total General Plant	WP1, L23, Col (c)		\$ 4,378,096
28	Allocation Factor	L20	LAB	0.026610
29		L27 * L28		\$ 116,501
30	Total LAC Plant-in-Service	L24 + L25 + L29		\$ 11,809,011
31				
32	Accumulated Reserves for Depreciation			
33	Transmission	WP1, L11, Col (d)		\$ 5,400,704
34	Distribution Used in LAC	WP1, L16, Col (d)		\$ -
35	Allocated General Plant			
36	Total General Plant	WP1, L23, Col (d)		\$ 1,843,051
37	Allocation Factor	L20	LAB	0.026610
38		L36 * L37		\$ 49,043
39	Total LAC Accum. Depr. Res.	L33 + L34 + L38		\$ 5,449,748
40				
41	Net Plant Used in LAC	L30 - L39		\$ 6,359,263
42				
43	Total Plant in Service	WP1, L24, Col (c)		\$ 36,402,843
44	Less: Total Accum. Reserves for Depr.	WP1, L24, Col (d)		\$ 14,774,066
45	Total Net Plant	L43 - L44		\$ 21,628,776
46				
47	Transmission Net Plant Allocator	L41 / L45	NP	0.294019

Western Cooperative Electric Association, Inc.
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Exhibit 9 - Supplemental Information
2018 Budgeted Debt Service - SUMMARY¹

Loan Number	Rate Type	Stated Rate	Type	Amort Type	Outstanding Balance	Original Adv Amount	2018 Principal Payments Scheduled	2018 Interest Payments Scheduled ²	FFB 0.125% Sec. 9 Interest	Loan Designation Code	Repricing Date	Original Note Date	Advance Date	Final Payment Date
H0010	LTF	2.892%	FFB	LDS	\$ 12,274,779	\$ 14,529,805	\$ 341,646	\$ 349,083	\$ 15,088	W8	N/A	1/15/2009	1/15/2009	12/31/2042
H0015	LTF	3.403%	FFB	LDS	\$ 617,542	\$ 721,195	\$ 16,065	\$ 20,680	\$ 760	W8	N/A	1/27/2009	1/27/2009	12/31/2042
H0020	LTF	2.080%	FFB	LDS	\$ 349,681	\$ 404,490	\$ 10,821	\$ 7,150	\$ 430	W8	N/A	6/4/2012	6/4/2012	12/31/2042
H0025	LTF	2.613%	FFB	LDS	\$ 3,494,816	\$ 3,763,756	\$ 82,214	\$ 90,018	\$ 4,306	X8	N/A	12/20/2012	12/20/2012	12/31/2046
H0030	LTF	2.643%	FFB	LDS	\$ 4,773,395	\$ 5,037,120	\$ 106,487	\$ 124,419	\$ 5,884	Y8	N/A	8/3/2015	8/3/2015	12/31/2047
H0035	LTF	2.090%	FFB	LDS	\$ 1,509,861	\$ 1,552,740	\$ 36,767	\$ 31,096	\$ 1,860	Y8	N/A	9/12/2016	9/12/2016	12/31/2047
H0040	LTF	2.875%	FFB	LDS	\$ -	\$ 1,633,250	\$ 26,025	\$ 42,449	\$ 1,846	Y8	N/A	2/14/2018	2/14/2018	12/31/2047
RI0428T02	LTF	2.960%	CoBank	LDS	\$ 687,447	\$ 1,223,858	\$ 119,272	\$ 22,205	\$ -	N/A	N/A	3/27/2013	3/27/2013	03/31/2023
RI0428T03	LTF	3.070%	CoBank	LDS	\$ 2,016,362	\$ 2,340,000	\$ 212,907	\$ 60,088	\$ -	N/A	N/A	5/17/2016	5/17/2016	05/20/2026
61919	CL	3.000%	CoBank Farm Credit		\$ 176,951	\$ 634,218	\$ 128,895	\$ 6,184	\$ -	N/A	N/A	4/11/2014	4/11/2014	04/11/2019
N/A	LTLOC	3.000%	WCE Intercompany ³		\$ 3,419,801	\$ 1,528,927	\$ -	\$ -	\$ -	N/A	N/A	1/1/2010	1/1/2010	unknown
GRAND TOTAL \$					29,320,634		\$ 1,081,097		\$ 783,546					

LTF - Long-Term Fixed
CL - Capital Lease
LTLOC - Long-Term Line of Credit

¹ Monthly/quarterly detail per amortization schedules is available in Excel format. It will be shared on the designated website that will be made accessible for the parties to the Docket as appropriate under the Protocols.

² Please note that the interest rates listed here for the FFB loans do not include the additional 0.125% Section 9 Interest. To arrive at the total interest expense, include amount in the "FFB 0.125% Sec. 9 Interest"

³ The Board voted to begin recording interest expense on the long-term payable /receivable between companies (native and acquired). This debt has been carried by the native system since the acquisition but interest expense for the borrowing was not being charged. to the acquired company until January 2015. The current rate of interest being charged on the outstanding monthly payable balance is 3%. At this time, no amounts are budgeted for repayment on this loan for 2018.

CERTIFICATE OF SERVICE

18-WSTE-473-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 27th day of August, 2018, to the following:

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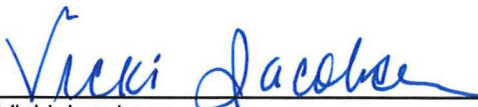
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