

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

**In the Matter of the Application of)
Moundridge Telephone Company for)
Kansas Universal Service Fund Support)**

Docket No. 25-MRGT-222-KSF

**DIRECT TESTIMONY
PREPARED BY
KRISTINA A LUKE FRY
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION
March 27, 2025**

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I. INTRODUCTION

Q. Would you please state your name and business address?

A. My name is Kristina A. Luke Fry. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

Q. By whom are you employed and in what capacity?

A. I am employed by the Kansas Corporation Commission (Commission) as a Managing Auditor.

Q. Please describe your educational background and professional experience?

A. In December 2014 I earned a Master's degree in Business Administration from Washburn University. I also hold a Bachelor of Science degree in Business Administration with a major in accounting from Kansas State University. I began employment with the Commission as a Regulatory Auditor in September 2010 and became a Senior Auditor in July 2013. I assumed my current position of Managing Auditor in August 2015.

Q. Have you previously submitted testimony before this Commission?

A. Yes. I have submitted written testimony before this Commission on multiple occasions regarding various regulatory accounting and ratemaking issues. This work includes testimony filings in over 30 dockets. A list of the other dockets that encompass this experience is available upon request.

Q. What were your responsibilities in the review of Moundridge Telephone Company's (Moundridge or Company) November 22, 2024, Application?

A. As the lead auditor in this case, my responsibilities included analyzing, auditing, and reviewing Moundridge's filing before the Commission to determine its cost-based Kansas Universal Service Fund (KUSF) support, ensuring it accurately reflects the company's

1 current revenue requirements and business circumstances. I conducted a thorough review
2 of the Company's filing, requested and analyzed additional information, and assessed
3 financial data. Additionally, I calculated and sponsored selected Staff adjustments to
4 Moundridge's Rate Base and Income Statement, as well as Staff's schedules.

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

6 A. The purpose of my testimony is to sponsor adjustments and schedules based on Staff's
7 review of Moundridge's Application. My testimony is presented in the following manner:

- 8 ▪ Overview
- 9 ▪ Background
- 10 ▪ Staff Accounting Schedules
- 11 ▪ Rate Base Adjustments
- 12 ▪ Income Statement Adjustments

13 **Q. Please provide the list of Staff witnesses and a brief description of the testimony they**
14 **are sponsoring.**

15 A. Daniel Buller: sponsors testimony related to various income statement adjustments
16 including KUSF support, audit expense, dues, legal services expenses, and travel and
17 training expenses.

18 Adam Gatewood: sponsors testimony related to capital structure, cost of long-term debt,
19 and return on equity.

20 Roxie McCullar: sponsors testimony related to the Federal Communications Commission's
21 separations process and the application of Federal Alternative Connect America Cost
22 Model (A-CAM) support.

1 **Q. How is the rest of your testimony organized?**

2 A. The remainder of my testimony is organized as follows:

3 **Overview** – I provide an overview of Moundridge’s operations and the components of its
4 KUSF filing.

5 **Analysis** – I discuss Staff’s revenue requirement analysis and present a table of Staff’s
6 adjustments to the pro forma rate base and income statement.

7 **Staff Schedules** – I describe Staff’s accounting schedules detailing the elements of
8 Staff’s proposed revenue requirement.

9 **Rate Base Adjustments**- I discuss Staff’s Adjustments for the rate base treatment of Audit
10 Expense, adjustments to Plant in Service, Accumulated Depreciation, Telephone Plant
11 Under Construction (TPUC), and Cash Working Capital, and the effect they have on the
12 Company’s Rate Base.

13 **Income Statement Adjustments** – I discuss Staff’s Adjustments to Depreciation, Property
14 Taxes, Payroll Expense, Employee Benefit, and Income Taxes.

15 **II. OVERVIEW**

16 **Q. Please provide an overview of Moundridge’s corporate structure.**

17 A. Moundridge is a Kansas corporation holding one or more Certificates of Convenience and
18 Authority to engage in the business of providing local exchange and exchange access
19 telecommunications service in designated service area within the state of Kansas. The
20 Company operates under traditional rate of return regulation and serves as the carrier of
21 last resort for telecommunications customers within its designated service area. The
22 Commission designated Moundridge as an eligible telecommunications carrier in an order

1 dated December 5, 1997, in Docket No. 98-GIMT-241-GIT. Moundridge is a wholly
2 owned subsidiary or Rural Telephone Service Company.¹

3 **Q. How do Moundridge's local rates compare to other Local Exchange Carriers (LEC)**
4 **in the area?**

5 A. The residential and business rates for Moundridge are relatively comparable to the other
6 LECs in the area. Moundridge's current rates of \$19.00 for residential and \$22.00 for single
7 line business are in-line with the Affordable Rates for residential of \$19.00 and single line
8 business of \$22.00 approved on January 16, 2025, in Docket No. 24-GIMT-141-GIT.²

9 **Q. Has the Commission previously audited Moundridge to determine its appropriate,**
10 **cost-based level of KUSF?**

11 A. Yes. Moundridge filed an Application for additional support from the KUSF in Docket No.
12 15-MRGT-097-AUD (15-097 Docket). The test year in the 15-097 Docket was the 12-
13 months ending December 31, 2013, adjusted for known and measurable changes.
14 Moundridge requested an increase of KUSF support in the amount of \$725,818 per year
15 and was ultimately granted zero support from the KUSF by the Commission.

16 **Q. What test year did Moundridge use in its Application in this proceeding?**

17 A. Moundridge used a test year ending December 31, 2023, with cost study and pro forma
18 adjustments to revenues, expenses, and plant in service to capture pro forma changes.

¹ The Commission approved Rural's acquisition of the Company by order dated July 7, 2022, in Docket No. 22-MRGT-483-ACQ.

² Order Adopting KUSF Year 29 Assessment Rate and Affordable Rates

III. ANALYSIS

Q. What is Staff's proposed level of cost-based KUSF support after incorporating Staff's adjustments to the Company's filed position?

A. Staff's recommended adjustments results in a total intrastate revenue increase of \$1,009,114, which corresponds to an equal increase to the Company's current KUSF support. Accordingly, Staff recommends that the Commission set Moundridge's KUSF support at \$1,009,114.

Below is a chart comparing the Company's filed position and Staff's recommendation for net intrastate rate base, requested rate of return on assets, pro forma intrastate income, and the level of KUSF support.

Description	Moundridge	Staff
Net Intrastate Rate Base	\$6,311,015	\$5,618,739
Rate of Return	9.75%	7.2124%
Income (Loss)	(\$354,857)	(\$603,866)
Change in KUSF Support	\$1,311,826	\$1,009,114

Q. Please summarize the adjustments Staff is proposing in this Docket.

A. The table below summarizes Staff's adjustments, associated witnesses, and the impact of each adjustment on the Rate Base or Operating Income. For the Income Statement adjustments, an increase in operating income reduces the revenue requirement, while a decrease in operating income increases it.

For example, Staff's Adjustment No. IS-2 decreases audit expense by \$7,693, which increases operating income by the same amount, thereby lowering the revenue requirement accordingly.

Adj No.	Witness	Description	Amount
RB-1	Kristina Luke Fry	Reversal of Rate Base Treatment of Audit Expense	(55,467)
RB-2	Kristina Luke Fry	Updated Plant in Service	151,821

RB-3	Kristina Luke Fry	Updated Accumulated Depreciation	(122,210)
RB-4	Kristina Luke Fry	Telephone Plant Under Construction	(22,754)
RB-5	Kristina Luke Fry	Materials and Supplies	(1,281,102)
RB-6	Kristina Luke Fry	Cash Working Capital	36,779
IS-1	Daniel Buller	KUSF Support Update	2,127
IS-2	Daniel Buller	Audit Expense	7,693
IS-3	Daniel Buller	Expense Adjustment	11,909
IS-4	Kristina Luke Fry	Depreciation Expense	(219,482)
IS-5	Kristina Luke Fry	Property Tax Expense	24,938
IS-6	Kristina Luke Fry	Payroll Expense	28,101
IS-7	Kristina Luke Fry	Employee Benefit Expense	(83,861)
IS-8	Kristina Luke Fry	Taxes	(107,134)

Q. Are you sponsoring Staff accounting schedules? If so, please summarize how Staff's accounting schedules are organized.

A. Yes. The summary schedules are presented first, followed by detailed schedules outlining the derivation of Staff's recommended adjustments.

The elements the proposed revenue requirements are summarized in Staff Schedule REV REQ. Staff's proposed rate base is detailed in Staff Schedule A-1, Staff Adjusted and Pro Forma Rate Base while adjusted net operating income recommendations are presented in Staff Schedule B-1, Staff Adjusted and Pro Forma Operating Income Statement. Additionally, Staff's cost of capital recommendation is outlined in Staff Schedule C-1, Capital Structure.

The Schedules are organized as follows:

- **REV REQ** lists the individual components of Staff's pro forma revenue requirement calculation, broken down by total company, interstate, and intrastate categories.

- A-1 shows the Test Year Rate Base, as adjusted by both the Company and Staff, on a total company basis, with interstate/intrastate separation factors and amounts allocated to the intrastate jurisdiction.
- A-2 lists Staff's individual adjustments to the Company's Pro Forma Test Year Rate Base.
- A-3 provides an explanation of Staff's Rate Base adjustments.
- A-4 calculates Cash Working Capital (CWC), as adjusted by both the Company and Staff.
- B-1 contains the Test Year Income Statement, as adjusted by both the Company and Staff, with separations factors and amounts allocated to the intrastate jurisdiction.
- B-2 lists Staff's individual adjustments to the Company's Pro Forma Test Year Income Statement.
- B-3 provides an explanation of Staff's adjustments to the Income Statement.
- B-4-1 shows the calculation of the Company's Interest Expense.
- C-1 presents the Company's Test Year and Staff-adjusted Capital Structure.
- C-2 lists Staff's individual adjustments to the Company's Pro Forma Capital Structure.
- C-3 provides an explanation of Staff's adjustment to the Capital Structure.

Q. Are Staff's adjustments allocated to the interstate and intrastate jurisdictions prior to inclusion in Staff's schedules?

A. No. Staff calculated their adjustments on a total Company basis, with the adjustments allocated between the interstate and intrastate jurisdictions, based on separations factors.

1 Some amounts, such as audit expense, are directly assigned to the appropriate
2 jurisdiction. Staff witness Roxie McCullar sponsors testimony regarding the review of
3 Moundridge's separations study.

4 **Q. Does Staff's KUSF revenue requirement increase calculation match Moundridge's**
5 **calculation, prior to Staff making any accounting adjustments?**

6 A. No. Staff's calculation of Moundridge's Intrastate KUSF revenue requirement increase
7 amounts to \$1,308,750, compared to Moundridge's requested amount of \$1,311,826. The
8 difference in the revenue requirement calculation between Staff's schedules and
9 Moundridge's requested amount arises from the following errors in Moundridge's
10 Application:

- 11 • Moundridge's Application utilized book state and federal income taxes, while
12 Staff's schedules calculate taxes based on Moundridge's adjusted test year.
- 13 • In Moundridge's Application, the Company made adjustments after the
14 interstate and intrastate allocations, while Staff only includes the change in
15 KUSF support and the related income tax changes.
- 16 • Moundridge's calculation of Cash Working Capital (CWC) and income taxes
17 uses incorrect and non-synchronized interest expense. Staff's calculation of
18 CWC and income taxes uses the appropriate amount of interest expense,
19 synchronized using the WACC and Staff's adjusted Rate Base.

20

VI. RATE BASE ADJUSTMENTS

A. Audit Expense

Q. Please begin by discussing Staff's Adjustment pertaining to the Audit Expense included in Rate Base.

A. Staff Adjustment No. 1 (RB-1) decreases Moundridge's Rate Base by \$55,467 on a total company basis and intrastate basis. Staff's adjustment removes the Regulatory Asset and the Accumulated Deferred Income Tax related to the projected Audit Expense in this proceeding.

Staff's adjustment to remove this Regulatory Asset from Rate Base reverses Moundridge's adjustment to include it in Rate Base. In Moundridge witness Nick Huckaby's testimony, Huckaby states that Moundridge is increasing Rate Base to reflect that the audit expense will not be fully recovered for five years, and that this adjustment provides Moundridge with an appropriate return on its investment of audit expense.³

It has been Commission practice that rate case expenses are not included in Rate Base. The amortized audit expense is included on the Income Statement, which allows Moundridge to achieve the appropriate return of its investment in the KUSF audit process. By including this cost in Rate Base too, Moundridge would receive a return on and of its investment. To the best of my knowledge, the Commission has never allowed a regulated utility to earn a return on rate base for deferred rate case expenses. This could create a perverse incentive in which the utility could view rate case expense as a profit center, thereby inflating these costs instead of investing in its regulated telecommunications plant. Staff prefers the utility minimize these expenses to the greatest extent possible, which is

³ See Pages 24 and 25 of Moundridge witness Nick Huckaby.

1 why Staff has never recommended including this deferred rate case expense in Rate Base
2 for any other KUSF audit or utility rate case.

3 **B. Plant in Service**

4 **Q. Please begin by discussing Staff Adjustment to Plant in Service?**

5 A. Staff Adjustment No. 2 (RB-2) increases Moundridge's Rate Base by \$151,821 on a total
6 company basis and \$80,671 on an intrastate basis.⁴ The adjustment updates Moundridge's
7 plant balances, as included in the Application through December 31, 2024.

8 Staff argues that updating this amount is appropriate to ensure Moundridge's plant
9 balances reflect the most current ongoing investment, providing a more accurate
10 calculation of the company's cost of universal service. This adjustment ensures that
11 Moundridge has an opportunity to earn a 'return on' and a 'return of' plant currently being
12 used to provide regulated telecommunications services, while preventing the company
13 from earning a return on or of plant that is no longer in service.

14 Staff's adjustment updates Moundridge's plant adjustments to the test year based
15 on known plant balances.

16 **C. Accumulated Depreciation**

17 **Q. Please continue by discussing Staff Adjustment No. 3 to the Rate Base.**

18 A. Staff Adjustment No. 3 (RB-3) decreases Moundridge's Rate Base by accounting for an
19 increase in accumulated depreciation by \$122,210 on a total company basis or \$50,542 on
20 an intrastate basis.⁵ This adjustment updates accumulated depreciation through December
21 31, 2024.

⁴ See Exhibit KALF-1.

⁵ See Exhibit KALF-2.

1 This update aligns with the time period used for Staff's plant balances adjustments
2 in RB-2 and ensures synchronization between plant-in-service balances with accumulated
3 depreciation. By updating accumulated depreciation, Staff ensures the proper amount of
4 capital already returned to Moundridge is recognized, thereby eliminating the need for a
5 'return on' that portion of the investment.

6 Staff's adjustment updates Moundridge's accumulated depreciation to reflect
7 known balances as of December 31, 2024, ensuring accuracy in the test year calculations.

8 **D. Telephone Plant Under Construction**

9 **Q. Please explain Staff's Adjustment No. 4 to the Rate Base.**

10 A. Staff's adjustment No. 4 (RB-4) decreases Moundridge's Rate Base by \$22,754 on a total
11 company basis or \$9,706 on an intrastate basis.⁶ Staff's Adjustment removes the balance
12 of Telephone Plant Under Construction (TPUC) included in Moundridge's Application.

13 **Q. Please provide an explanation of how TPUC has been treated in previous KUSF**
14 **Applications.**

15 A. TPUC represents costs incurred during the construction of a company's plant. These costs
16 remain in TPUC throughout the construction period and are not transferred to the
17 company's depreciable plant until construction is complete.

18 In recent base rate cases, Staff has made adjustments to a utility's construction work
19 in progress (CWIP), applying a similar approach to TPUC, balance in accordance with
20 K.S.A. 66-128, which states:

21 (b)(1) For the purposes of this act, except as provided by subsection (b)(2),
22 property of any public utility which has not been completed and dedicated
23 to commercial service shall not be deemed to be used and require to be used
24 in the public utility's service to the public. (2) Any public utility property
25 described in subsection (b)(1) shall be deemed to be completed and

⁶ See Exhibit KALF-3.

dedicated to commercial service if: (A) Construction of the property will be commenced and completed in one year or less; (B) the property is an electric generation facility that converts wind, solar, biomass, landfill gas or any other renewable source of energy; (C) the property is an electric generation facility or addition to an electric generation facility; or (D) the property is an electric transmission line, including all towers, poles and other necessary appurtenances to such lines, which will be connected to an electric generation facility.

In accordance with the statute, Staff removes CWIP, or TPUC, that is not in service 12 months after the end of the test year. In this case, that means no TPUC shall be included for KUSF support.

E. Materials and Supplies

Q. Please explain Staff's Adjustment No. 5 to the Rate Base.

A. Staff's adjustment No. 5 (RB-5) decreases Moundridge's Rate Base by \$1,281,102 on a total company basis or \$593,578 on an intrastate basis.⁷ Staff's Adjustment normalizes the balance of Materials and Supplies included in Moundridge's Application. Staff reviewed the Materials and Supplies balances over the last five years and determined the amount of Materials and Supplies included in the Application is more than one million dollars more than the next highest level of Materials and Supplies in the last five years. Staff utilized a five-year average of Materials and Supplies to be more representative of normal Materials and Supplies balances maintained by Moundridge.

F. Cash Working Capital

Q. Please explain Staff's adjustment to Cash Working Capital.

A. Staff Adjustment No. 6 (RB-6) increases total company Cash Working Capital (CWC) by 36,779 and directly assigns \$35,192 to intrastate operations. This adjustment applies the

⁷ See Exhibit KALF-4.

1 Standard Allowance Method (SAM) using Staff's adjusted expense amounts, as reflected
2 in Schedule A-4 of the Staff Accounting Schedules.

3 While CWC is typically calculated through a lead-lag study, Staff's calculation
4 follows the 15-day SAM approach. This methodology aligns with the Commission's Order
5 in Docket No. 01-SNKT-554-AUD (01-554 Docket), which acknowledges that, although
6 a company-specific lead-lag study is preferred, it may be cost-prohibitive for some
7 companies. The Commission has stated that if a company utilizes SAM for its filings with
8 the Federal Communications Commission (FCC) and National Exchange Carriers
9 Association (NECA), the same method will be accepted for KUSF audits.

10 Staff verified that Moundridge applies SAM in its FCC and NECA filings.
11 Therefore, in accordance with the Commission's Order in the 01-544 Docket, Staff's
12 adjustment follows the same methodology in its CWC calculation.

13 Additionally, the Commission stated: "The Commission will not routinely adopt an
14 adjustment to the Standard Allowance Method, proposed either by the company or by Staff,
15 unless it reflects a factual circumstance of that company that has a material impact on its
16 CWC need and that is not otherwise captured in the methodology."

17 **Q. Will the CWC requirement need to be updated if Staff's adjusted Income Statement**
18 **changes?**

19 **A.** Yes. Any change to Staff's adjusted Income Statement will also result in a change to Staff's
20 proposed CWC amounts.

1 **VII. INCOME STATEMENT ADJUSTMENTS**

2 **A. Depreciation Expense**

3 **Q. Please continue by discussing Staff Adjustment No. 4 to the Income Statement.**

4 A. Staff Adjustment No. 4 (IS-4) increases Moundridge's depreciation expense by \$219,482
5 on a total company basis or \$99,201 on an intrastate basis.⁸ Staff calculates depreciation
6 expense on a going-forward basis based upon the plant account balances of Moundridge's
7 depreciable assets and accumulated depreciation reflected in Adjustment Numbers RB-2
8 and RB-3. Staff then multiplied their adjusted net depreciable plant balances by
9 Moundridge's Commission-approved depreciation rates to yield an updated annualized
10 depreciation expense for each plant account. Staff's annualized regulated depreciation
11 expense is then compared against Moundridge's annualized depreciation expense, with the
12 difference being Staff's adjustment. Staff's calculations are detailed in Exhibits KALF-5
13 and 5a. This adjustment may change with any changes in the plant in service and
14 accumulated depreciation balances. Staff's adjustment updates Moundridge's adjustments
15 to the test year to more known amounts.

16 **Q. Please explain why Staff's adjustment increases depreciation expense by such a large**
17 **amount.**

18 A. Staff's adjustment increases depreciation expense by \$219,482. However, when compared
19 to the depreciation expense recorded in calendar year 2024, Staff's adjusted depreciation
20 expense is approximately \$4,000 higher. The minimal variance indicates to Staff that the
21 adjusted depreciation expense is reasonable.

⁸ See Exhibit KALF-5.

Further, Staff's depreciation amount is based on plant and accumulated depreciation balances as of December 31, 2024. This effects the dollar amount of plant to which the depreciation rate is applied to. Also, if net plant⁹ is less than the annual depreciation expense, then the net plant amount is used in Staff's depreciation expense total. For example, in Staff Exhibit KALF-5a, the amount of depreciation expense shown in column m has depreciation for Motor Vehicles as \$44,218. However, since the net book amount of Motor Vehicles is \$19,773, the lower amount of \$19,773 is used to determine Staff's total depreciation expense of \$1,582,714. During calendar year 2024, the full amount of depreciation expense amount of \$44,218 would have been recorded. The same concept, but in reverse would cause increases in Staff's calculated depreciation expense. Depending on when new plant goes into service, depreciation will begin mid-year. This can be seen in the Buried Fiber Optic Cable depreciation amount. Staff has a depreciation expense as \$1,030,523 for Buried Fiber Optic Cable, however that plant went into service at different times throughout 2024.

B. Property Tax Expense

Q. Please continue by discussing Staff Adjustment No. 5 to the Income Statement.

A. Staff Adjustment No. 5 (IS-5) decreases Moundridge's operating expenses by \$24,938 on a total company basis and \$10,638 on an intrastate basis.¹⁰ Staff's calculation of Moundridge's 2023 property tax expense is derived by taking the sum of Moundridge's 2023 property tax statements totaling \$73,357, less its 2023 Kansas Telecom Credit totaling \$7,422. Additionally, in this case, 96.52% of assets are directly assigned to be fully

⁹ Net plant is calculated by subtracting Accumulated Depreciation from Gross Plant.

¹⁰ See Exhibit KALF-6.

1 regulated. Staff's adjusted 2023 regulated property tax expense of \$63,637 is then
2 compared to Moundridge's normalized property tax expense of \$88,994, with the
3 difference being Staff's adjustment.

4 **C. Payroll Expense**

5 **Q. Please continue by discussing Staff Adjustment No. 6 to the Income Statement.**

6 A. Staff Adjustment No. 6 (IS-6) decreases Moundridge's payroll expense by \$28,101 on a
7 total company basis or \$11,944 on an intrastate basis.¹¹ In its Application, Moundridge
8 updated test year payroll expense with project 2024 payroll amounts. Staff's adjustment
9 updated Moundridge's adjustment with actual 2024 payroll amounts.

10 Staff contends that annualizing actual wages for 2024 is appropriate to establish the
11 Company's most current level of overtime, position levels, and plant and construction
12 activities on a going-forward basis.

13 **Q. Did Staff review additional information regarding the reasonableness of the**
14 **Company's labor expenses?**

15 A. Yes. Staff reviewed every Moundridge employee's compensation to other similarly-sized
16 phone companies. Staff's analysis reviewed all employees that allocate time to the
17 regulated side of the business.

18 **Q. Is Staff proposing an adjustment to the Company's payroll expense related to the**
19 **comparative analysis?**

20 A. No. Staff has prepared the comparative analysis for informational purposes to assist the
21 Commission in determining the reasonableness of the labor costs the Company seeks to
22 recover from the KUSF. The 2024 NTCA Compensation + Benefits Report reflects salaries

¹¹ See Exhibit KALF-7 through KALF-7c.

1 in effect as of January 2024. Accordingly, Staff used Moundridge's 2024 salary data for
2 comparison.

3 Staff's analysis shows that most employees that allocate time to the regulated side
4 of the business are compensated below or within the midrange of the 2024 NTCA
5 Compensation + Benefits Report. A few employee salaries were found to be above average;
6 however, those employees either had long tenures with the Company or allocated minimal
7 time to the regulated side of the business. Consequently, Staff maintains that Moundridge
8 employees receive fair and reasonable compensation for providing Universal Service.

9 **D. Employee Benefit Expense**

10 **Q. Please continue by discussing Staff Adjustment No. 7 to the Income Statement.**

11 A. Staff Adjustment No. 7 (IS-7) increases Moundridge's employee benefit expense by
12 \$83,861 on a total company basis or \$43,585 on an intrastate basis.¹² Similar to payroll,
13 Moundridge made an adjustment estimating the amount benefit expense that would occur
14 during 2024. Staff's adjustment updates the Company's adjustment with the actual dollar
15 amount of benefits paid during 2024.

16 **E. Income Tax Expenses**

17 **Q. Please continue by discussing Staff Adjustment No. 8 to the Income Statement.**

18 A. Staff Adjustment No. 8 (IS-8) decreases Moundridge's Income Taxes to \$0 on a total
19 company basis. Staff's adjustment reflects the fact that Moundridge's earnings are not
20 taxable because it is a wholly owned subsidiary of Rural Telephone which is a Cooperative.
21 Further Moundridge's earnings would not be taxable for Rural Telephone, because Rural
22 Telephone is a tax-exempt organization as long as 85% of its income consists of amounts

¹² See Exhibit KALF-8 through KALF-8b.

collected from members for the purpose of meeting losses and expenses.¹³ This change is reflected in Staff's schedules by setting the state and federal tax rates to 0%.

Q. Did Moundridge file its KUSF application assuming a 0% state and federal tax rate?

A. No. Moundridge filed its KUSF application assuming 6.3842% state and 21% federal tax rate. As discussed above, Moundridge will not pay any income taxes to the state or federal government because it is a wholly-owned subsidiary of Rural Telephone.

VIII. CONCLUSION & SUMMARY OF EXHIBITS

Q. Does this conclude your testimony?

A. Yes, thank you.

<u>Exhibit No.</u>	<u>Description</u>
KALF-1	Work paper for Staff's Plant in Service Adjustment
KALF 1a	Plant in Service Detail
KALF-2	Work paper for Staff's Accumulated Depreciation Adjustment
KALF-2a	Accumulated Depreciation Detail
KALF-3	Work paper for Staff's TPUC Adjustment
KALF-4	Work paper Staff's Materials and Supplies Adjustment
KALF-5	Work paper Staff's Depreciation Adjustment
KALF-5a	Depreciation Detail
KALF-6	Work paper Staff's Property Tax Adjustment
KALF-6a	Property Tax Calculation
KALF-6b	Regulated Property Tax Calculation
KALF-7	Work paper for Payroll Expense Adjustment
KALF-7a	Summary for Payroll Expense Adjustment
KALF-7b	Detail paper for Updated Labor Distribution
KALF-7c	Detail paper for Test Year Labor Distribution
KALF-8	Work paper for Staff's Benefit Expense Adjustment
KALF-8a	Detail paper for Updated Benefit Distribution
KALF-8b	Detail paper for Test Year Benefit Distribution

¹³ Internal Revenue Code Section 501(c)(12)(B)

Line No.	Acct	Description	Staff Adjustment to Update Plant Balance	Staff Regulated Percentage	Staff Regulated Plant Adjustment	Intrastate Separations	Intrastate Adjustment
1	2121.000	Buildings	30,694	84%	25,807	0.426575	11,009
2	2230.000	Central Office Transmission	(68,437)	100%	(68,437)	0.298567	(20,433)
3	2423.000	Buried Fiber Optic Cable	194,451	100%	194,451	0.463334	90,096
4		Total Plant In Service Adjustment	<u><u>156,707</u></u>		<u><u>151,821</u></u>		<u><u>80,671</u></u>

Source: Exhibit KALF-1a

Line No.	Acct	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
			Test Year Balances	Cost Study Adjustment	Normalizing Adjustments	Company Normalized Balances	Trial Balance as of Dec. 31, 2024	Staff Adj. to Plant Balance	Staff Adjusted Plant Balances	Intrastate Allocation	Intrastate Balance
						(a) + (b) + (c)		(e) - [(a) + (c)]	(d) + (f)		(g) * (h)
1	2111	Land	33,518	(5,336)	0	28,182	33,518	-	28,182	0.426575	12,022
2	2112	Motor Vehicles	235,000	(66,679)	0	168,321	235,000	-	168,321	0.426575	71,802
3	2116	Other Work Equipment	264,340	(78,013)	10,604	196,931	274,944	-	196,931	0.426575	84,006
4	2121	Buildings	1,047,607	(193,216)	41,861	896,252	1,120,162	30,694	926,946	0.426575	395,412
5	2122	Furniture	142,120	(39,300)	0	102,820	142,120	-	102,820	0.426575	43,860
6	2123	Office Equipment	23,930	(6,617)	0	17,313	23,930	-	17,313	0.426575	7,385
7	2124	General Purpose Computers	79,049	(21,859)	0	57,190	79,049	-	57,190	0.426575	24,396
8	2210	Central Office Switching	806,384	(648,618)	(157,766)	0	648,618	-	0	0.173078	0
9	2230	Central Office Transmission	4,692,590	647,765	134,047	5,474,402	4,758,199	(68,437)	5,405,965	0.298567	1,614,043
10	2310	Information Origination/Termination	1,383	(1,383)	-	-	1,383	-	-	0.298567	-
11	2411	Poles	924	-	-	924	924	-	924	0.463334	428
12	2421	Aerial Cable	31,941	-	-	31,941	31,941	-	31,941	0.463334	14,799
13	2423	Buried Cable	6,047,487	-	-	6,047,487	6,047,487	-	6,047,487	0.463334	2,802,007
14	2423	Buried Fiber Optic Cable	9,952,039	(272,924)	5,599,754	15,278,869	15,746,244	194,451	15,473,320	0.463334	7,169,315
15	2441	Conduit Systems	2,183,057	(46,249)	-	2,136,808	2,183,057	-	2,136,808	0.463334	990,056
16	2680	Amortizable Tangible Assets	168,470	-	-	168,470	168,470	-	168,470	0.426575	71,865
17	2690	Intangibles	-	(163,431)	591,010	427,580	591,010	-	427,580	0.426575	182,395
18		Gross Telephone Plant	25,709,840	(895,861)	6,219,510	31,033,489	32,086,057	156,707	31,190,196		13,483,789

Sources: Moundridge Telephone Company's Application, Section 4
Moundridge Telephone Company's Response to Staff Data Request No. 62

Moundridge Telephone Company
Accumulated Depreciation Adjustment
Rate Base Adjustment No. 3
Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Accumulated Depreciation (Acct. 3100)	(122,210)	0.413569	(50,542)
		(a)	(b)	(c)
		Staff	Staff	Regulated
Line No.	Account Description	Adjustment to Accum. Depr.	Regulated %	Accum. Depr. Adjustment
2	3100-2110 Motor Vehicles	0	72%	0
3	3100-2110 Other Work Equipment	(21,877)	72%	(15,670)
4	3100-2110 Buildings	22	84%	19
5	3100-2110 Furniture	0	72%	0
6	3100-2110 Office Equipment	10,004	72%	7,238
7	3100-2110 General Purpose Computers	(957)	72%	(692)
8	3100-2210 Accum Depr. - COE Switching	(0)	100%	(0)
9	3100-2230 Accum Depr. - COE Transmission	24,212	100%	24,212
10	3100-2310 Accum Depr. - IOT Equipment	0	0%	0
11	3100-2410 Poles	0	100%	0
12	3100-2410 Aerial Cable	0	100%	0
13	3100-2410 Buried Cable	372,908	100%	372,908
14	3100-2410 Buried Fiber Optic Cable	(418,647)	100%	(418,647)
15	3100-2410 Conduit Systems	(141,462)	100%	(141,462)
16	3500.000 Accum Depr. - Intangible	68,951	72%	49,884
17	3600.000 Accum Depr. - Other	(670,281)	0%	0
18	Total Accum. Depr and Amort.	<u>(777,127)</u>		<u>(122,210)</u>

Source: Exhibit KALF-2a

Moundridge Telephone Company
Accumulated Depreciation Detail
Test Year Ending December 31, 2023

Line No.	Account	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Test Year Balances	Cost Study Adjustment	Normalizing Adjustments	Company Normalized Balances	Trial Balance as of Dec. 31, 2024	Staff Adj. to Accum. Depr.	Staff Adjusted Accum. Depr.
						(a) + (b) + (c)		(e) - [(a) + (c)]	(d) + (f)
1	3100-2110	Motor Vehicles	(235,000)	86,451.97	0	(148,548)	(235,000)	0	(148,548)
2	3100-2110	Other Work Equipment	(195,095)	58,195.22	0	(136,900)	(216,972)	(21,877)	(158,777)
3	3100-2110	Buildings	(1,002,223)	160,138.83	(3,674)	(845,758)	(1,005,875)	22	(845,736)
4	3100-2110	Furniture	(142,120)	39,300.17	0	(102,820)	(142,120)	0	(102,820)
5	3100-2110	Office Equipment	(23,930)	6,617.29	(10,004)	(27,317)	(23,930)	10,004	(17,313)
6	3100-2110	General Purpose Computers	(74,118)	20,533.48	(137)	(53,721)	(75,211)	(957)	(54,678)
7	3100-2210	Accum Depr. - COE Switching	(806,384)	648,618	157,766	0	(648,618)	(0)	(0)
8	3100-2230	Accum Depr. - COE Transmission	(4,513,854)	(647,765)	43,234	(5,118,385)	(4,446,408)	24,212	(5,094,173)
9	3100-2310	Accum Depr. - IOT Equipment	(1,383)	1,383	0	0	(1,383)	0	0
10	3100-2410	Poles	(924)	0	0	(924)	(924)	0	(924)
11	3100-2410	Aerial Cable	(31,941)	0	0	(31,941)	(31,941)	0	(31,941)
12	3100-2410	Buried Cable	(6,032,592)	0	(373,756)	(6,406,348)	(6,033,440)	372,908	(6,033,440)
13	3100-2410	Buried Fiber Optic Cable	(4,648,289)	319,174	(239,844)	(4,568,958)	(5,306,779)	(418,647)	(4,987,605)
14	3100-2410	Conduit Systems	(1,658,918)	0	0	(1,658,918)	(1,800,381)	(141,462)	(1,800,381)
15	3500.000	Accum Depr. - Intangible	(168,470)	32,686	(118,202)	(253,986)	(217,721)	68,951	(185,035)
16	3600.000	Accum Depr. - Other	(1,005,422)	1,005,422	0	0	(1,675,703)	(670,281)	(670,281)
17		Total Accum. Depr and Amort.	(20,540,663)	1,730,755	(544,617)	(19,354,525)	(21,862,406)	(777,127)	(20,131,652)

Sources: Moundridge Telephone Company's Application, Section 5
Moundridge Telephone Company's Response to Staff Data Request No. 62

Moundridge Telephone Company
Telephone Plant Under Construction
Rate Base Adjustment No. 4
Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Remove Telephone Plant Under Construction	(22,754)	0.426575	(9,706)

Source: Moundridge Telephone Company's Application, Section 4

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment																																																
1	Staff's Adjustment to Materials & Supplies (Acct. 1220)	(1,281,102)	0.463334	(593,578)																																																
		<table><tr><th>Year</th><th>Account Balance</th><th>Percent Change</th></tr><tr><td>2</td><td>2020</td><td>863,113</td><td></td></tr><tr><td>3</td><td>2021</td><td>1,068,703</td><td>23.82%</td></tr><tr><td>4</td><td>2022</td><td>1,739,108</td><td>62.73%</td></tr><tr><td>5</td><td>2023</td><td>2,936,236</td><td>68.84%</td></tr><tr><td>6</td><td>2024</td><td>1,668,508</td><td>-24.23%</td></tr><tr><td>7</td><td>Staff Annualized Materials & Supplies</td><td>1,655,134</td><td></td><td></td></tr><tr><td>8</td><td>Materials & Supplies Test Year Balance</td><td>2,936,236</td><td></td><td></td></tr><tr><td>9</td><td>Staff's Adjustment to Materials & Supplies</td><td>(1,281,102)</td><td></td><td></td></tr><tr><td>10</td><td>Staff's Calculated Regulated Percentage</td><td>100%</td><td></td><td></td></tr><tr><td>11</td><td>Staff's Calculated Regulated Materials & Supplies Adjustment</td><td>(1,281,102)</td><td></td><td></td></tr></table>			Year	Account Balance	Percent Change	2	2020	863,113		3	2021	1,068,703	23.82%	4	2022	1,739,108	62.73%	5	2023	2,936,236	68.84%	6	2024	1,668,508	-24.23%	7	Staff Annualized Materials & Supplies	1,655,134			8	Materials & Supplies Test Year Balance	2,936,236			9	Staff's Adjustment to Materials & Supplies	(1,281,102)			10	Staff's Calculated Regulated Percentage	100%			11	Staff's Calculated Regulated Materials & Supplies Adjustment	(1,281,102)		
Year	Account Balance	Percent Change																																																		
2	2020	863,113																																																		
3	2021	1,068,703	23.82%																																																	
4	2022	1,739,108	62.73%																																																	
5	2023	2,936,236	68.84%																																																	
6	2024	1,668,508	-24.23%																																																	
7	Staff Annualized Materials & Supplies	1,655,134																																																		
8	Materials & Supplies Test Year Balance	2,936,236																																																		
9	Staff's Adjustment to Materials & Supplies	(1,281,102)																																																		
10	Staff's Calculated Regulated Percentage	100%																																																		
11	Staff's Calculated Regulated Materials & Supplies Adjustment	(1,281,102)																																																		

Sources: Moundridge Telephone Application, Sections 4 and 8
Moundridge Telephone's Response to Staff Data Request No. 24 and 59

Moundridge Telephone Company
 Depreciation Expense Adjustment
 Income Statement Adjustment No. 4
 Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Staff Adjustment to Depreciation Expense (Acct. 6560)	219,482	0.451977	99,201
<u>Breakdown of Adjustment:</u>				
2	Staff Normalized Depreciation Expense		1,582,714	
3	Company Depreciation Expense		1,363,232	
4	Staff Adjustment to Depreciation Expense (Acct. 6560)		<u>219,482</u>	

Sources: Moundridge Telephone Company's Application, Section 9, Col. G
 Exhibit KALF-5a

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
Line		Test Year	Cost Study	Normalizing	Staff	Staff	Test Year AD	Cost Study	Normalizing	Staff	Staff	Staff	Depreciation	Annual	Staff	Staff's	Staff's
No.	Acct	Plant	Adjustment	Adjustments	Adjustment	Adjusted	Balances	Adjustment	Adjustments	Adjustment	Adjusted	Adjusted Net	Rate	Depreciation	Annualized	Regulated	Regulated
		Balances				Gross Plant					Acc. Dep.	Book			Depreciation	Percentage	Depreciation
						(a)+(b)+(c)+(d)						(e)+(j)					
												(e)*(l)					
1	2111.000	Land	33,518	(5,336)	-	-	28,182	-	-	-	-	28,182	0.00%	-	-	100%	-
2	2112.000	Motor Vehicles	235,000	(66,679)	-	-	168,321	(235,000)	86,452	-	-	19,773	26.27%	44,218	19,773	100%	19,773
3	2116.000	Other Work Equipment	264,340	(78,013)	10,604	-	196,931	(195,095)	58,195	-	(21,877)	38,154	24.00%	47,263	38,154	72%	27,328
4	2121.000	Buildings	1,047,607	(193,216)	41,861	30,694	926,946	(1,002,223)	160,139	(3,674)	22	81,209	5.00%	46,347	46,347	84%	38,968
5	2122.000	Furniture	142,120	(39,300)	-	-	102,820	(142,120)	39,300	-	-	0	18.10%	18,610	0	100%	0
6	2123.000	Office Equipment	23,930	(6,617)	-	-	17,313	(23,930)	6,617	(10,004)	10,004	0	18.10%	3,134	0	100%	0
7	2124.000	General Purpose Computers	79,049	(21,859)	-	-	57,190	(74,118)	20,533	(137)	(957)	2,512	18.57%	10,620	2,512	72%	1,818
8	2210.000	Central Office Switching	806,384	(648,618)	(157,766)	-	0	(806,384)	648,618	157,766	(0)	0	11.58%	0	0	100%	0
9	2230.000	Central Office Transmission	4,692,590	647,765	134,047	(68,437)	5,405,965	(4,513,854)	(647,765)	43,234	24,212	311,792	16.00%	864,954	311,792	100%	311,792
10	2310.000	Information Origination/Terminatio	1,383	(1,383)	-	-	-	(1,383)	1,383	-	-	-	0.00%	-	-	100%	-
11	2411.000	Poles	924	-	-	-	924	(924)	-	-	-	-	15.81%	146	-	100%	-
12	2421.000	Aerial Cable	31,941	-	-	-	31,941	(31,941)	-	-	-	-	5.68%	1,814	-	100%	-
12	2423.000	Buried Cable	6,047,487	-	-	-	6,047,487	(6,032,592)	-	(373,756)	372,908	14,047	5.68%	343,497	14,047	100%	14,047
13	2423.000	Buried Fiber Optic Cable	9,952,039	(272,924)	5,599,754	194,451	15,473,320	(4,648,289)	319,174	(239,844)	(418,647)	10,485,715	6.66%	1,030,523	1,030,523	100%	1,030,523
14	2441.000	Conduit Systems	2,183,057	(46,249)	-	-	2,136,808	(1,658,918)	-	-	(141,462)	336,427	6.48%	138,465	138,465	100%	138,465
15	2680.000	Amortizable Tangible Assets	168,470	-	-	-	168,470	(168,470)	32,686	(118,202)	68,951	-	10.00%	16,847	-	72%	-
16	2690.000	Intangibles	-	(163,431)	591,010	-	427,580	(1,005,422)	1,005,422	-	(670,281)	-	20.00%	85,516	-	72%	-
17		Gross Telephone Plant	25,709,840	(895,861)	6,219,510	156,707	31,190,196	(20,540,663)	1,730,755	(544,617)	(777,127)	11,317,811		2,651,956	1,601,613		1,582,714

Sources: Staff Exhibits KALF-1a and KALF-2a

Moundridge Telephone Company
Property Tax Adjustment
Income Statement Adjustment No. 5
Test Year Ending December 31, 2023

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Adjustment to Other Operating Taxes (Acct. 7200)	(24,938)	0.426575	(10,638)
	<u>Breakdown of Adjustment</u>			
2	Staff Calculated Test Year Property Tax		73,357	
3	Test Year Available Telecommunications Credit		<u>(7,422)</u>	
4	Staff Adjusted Property Tax			65,935
5	Staff's Calculated Regulated Percentage			<u>97.15%</u>
6	Staff Adjusted Regulatory Property Tax Expense			64,056
7	Property Tax Expense Included in Application			<u>(88,994)</u>
8	Staff Adjustment for Property Taxes			<u><u>(24,938)</u></u>

Source: Mutual Telephone's Response to Staff Data Requests Nos. 44 and 46

Line No.	County	Taxing Unit	Assessed Value	Levy	Amount
1	Harvey	003	5,338	163.331	872
2	Harvey	025	13	129.536	2
3	Harvey	026	16	127.816	2
4	Harvey	055	4,499	119.782	539
5	Harvey	065	5,153	141.192	728
6	Harvey	066	1,144	141.458	162
7	Harvey	067	17	142.693	2
8	Harvey	075	9,506	128.327	1,220
9	Harvey	085	2,967	138.774	412
10	Harvey	095	23,772	126.093	2,997
11	Harvey	105	36	108.521	4
12	Harvey	115	2,763	136.540	377
13	Harvey	127	137	132.520	18
14	Harvey	128	1,671	124.830	209
15	Harvey	136	29	127.500	4
16	Harvey	146	1,794	138.721	249
17	Harvey	189	173	119.514	21
18	Marion	004	12	198.907	2
19	Marion	004	22,963	198.907	4,568
20	Marion				165
21	Marion	095	377	127.720	48
22	Marion	132	1,164	142.496	166
23	Marion	133	26,141	143.210	3,744
24	Marion	142	5,631	141.855	799
25	Marion	195	158	151.159	24
26	Marion	208	638	144.636	92
27	Marion	209	4,749	143.873	683
28	Marion	210	2,999	145.662	437
29	Marion	213	176	145.645	26
30	Marion	221	14,387	142.918	2,056
31	Marion	222	2,204	143.182	316
32	McPherson	007			390
33	McPherson	007	230,007	140.878	32,402.93
34	McPherson	007	22,249	140.878	3,134.39
35	McPherson	180	311	116.695	36.29
36	McPherson	181	6,143	120.149	738.08
37	McPherson	182	1,244	127.097	158.11
38	McPherson	183	877	114.347	100.28
39	McPherson	184	5,338	110.893	591.95
40	McPherson	190	56	116.518	6.53
41	McPherson	191	1,428	110.959	158.45
42	McPherson	193	26,081	121.890	3,179.01
43	McPherson	200	5,750	102.998	592.24
44	McPherson	250	6,287	115.326	725.05
45	McPherson	251	60	116.165	6.97
46	McPherson	260	64,906	119.526	7,757.95
47	McPherson	271	15,398	120.458	1,854.81
48	McPherson	272	4,285	107.708	461.53
49	McPherson	273	13	130.905	1.70
50	McPherson	274	966	123.137	118.95
51	Total Calculated Property Tax				<u><u>73,357</u></u>

Source: Mutual Telephone's Response to Staff Data Request No. 46

Line No.	Account	Description	Balance	Regulated %	Regulated Amount
1	2111	Land	33,518	84.08%	28,182
2	2112	Motor Vehicles	235,000	71.63%	168,321
3	2116	Other Work Equipment	264,340	70.49%	186,327
4	2121	Buildings	1,047,607	81.56%	854,391
5	2122	Furniture	142,120	72.35%	102,820
6	2123	Office Equipment	23,930	72.35%	17,313
7	2124	General Purpose Computers	79,049	72.35%	57,190
8	2210	Central Office Switching	806,384	19.56%	157,766
9	2230	Central Office Transmission	4,692,590	113.80%	5,340,355
10	2310.0	Information Origination/Terminati	1,383	0.00%	-
11	2411.0	Poles	924	100.00%	924
12	2421	Aerial Cable	31,941	100.00%	31,941
13	2423	Buried Cable	15,999,527	98.29%	15,726,603
14	2441	Conduit Systems	2,183,057	97.88%	2,136,808
15	2680	Amortizable Tangible Assets	168,470	100.00%	168,470
16	2690	Intangibles	-	0%	-
17		Total Plant in Service	<u>25,709,840</u>		<u>24,977,410</u>
18		Regulated Percentage			97.15%
19		Non-Regulated Percentage			2.85%

Source: Moundridge Telephone Company Application, Section 4

Moundridge Telephone Company
Payroll Adjustment
Income Statement Adjustment No. 6
Test Year Ending December 31, 2023

Line No.	Acct	Description	Staff Pro Forma Wage & Distribution	Intrastate Separations	Intrastate Adjustment
		Plant Specific Operations Expense			
1	6120	General Support Expense	(404)	0.426575	(172)
2	6210	Central Office Switching Expense	-	0.000000	-
3	6230	Central Office Transmission Expense	(12,850)	0.294786	(3,788)
4	6410	Cable and Wire Facilities Exp	(4,929)	0.463334	(2,284)
5		Total Plant Specific Operations Expense	<u>(18,182)</u>		<u>(6,244)</u>
		Plant Non-Specific Operations Expense			
6	6530	Network Operations Expense	(4,136)	0.426575	(1,764)
7	6560	Depreciation & Amortization	(156)	0.451977	(70)
8		Total Plant Non-Specific Operations Expense	<u>(4,292)</u>		<u>(1,835)</u>
		Customer Operations Expense			
9	6610	Marketing Expense	(0)	0.622784	(0)
10	6620	Services Expense	(3,224)	0.827986	(2,669)
11		Total Customer Operations Expense	<u>(3,224)</u>		<u>(2,670)</u>
		Corporate Operations Expense			
12	6720	General and Administrative Expense	(2,403)	0.497546	(1,196)
13		Total Corporate Operations Expense	<u>(2,403)</u>		<u>(1,196)</u>
14		Total Staff Adjustment	<u><u>(28,101)</u></u>		<u><u>(11,944)</u></u>

Source: Exhibit KALF-7a

Line No.	Acct	Description	Adjusted Test Year Wage & Distribution	Actual 2024 Wage & Distribution	Staff Adjustment Pro Forma Wage & Distribution	Staff Regulated Percentage	Subtotal Staff Adjustment Regulated
		Plant Specific Operations Expense					
1	6120	General Support Expense	16,554	16,151	(404)	100%	(404)
2	6210	Central Office Switching Expense	-	-	-	100%	-
3	6230	Central Office Transmission Expense	71,362	58,512	(12,850)	100%	(12,850)
4	6410	Cable and Wire Facilities Exp	180,257	175,328	(4,929)	100%	(4,929)
5		Total Plant Specific Operations Expense	268,173	249,991	(18,182)		(18,182)
		Plant Non-Specific Operations Expense					
6	6530	Network Operations Expense	169,864	165,728	(4,136)	100%	(4,136)
7	6560	Depreciation & Amortization	6,388	6,233	(156)	100%	(156)
8		Total Plant Non-Specific Operations Expense	176,252	171,961	(4,292)		(4,292)
		Customer Operations Expense					
9	6610	Marketing Expense	13	13	(0)	100%	(0)
10	6620	Services Expense	132,468	129,244	(3,224)	100%	(3,224)
11		Total Customer Operations Expense	132,481	129,257	(3,224)		(3,224)
		Corporate Operations Expense					
12	6720	General and Administrative Expense	98,809	96,406	(2,403)	100%	(2,403)
13		Total Corporate Operations Expense	98,809	96,406	(2,403)		(2,403)
14		Total Expense	675,715	647,614	(28,101)		(28,101)

Sources: Exhibits KALF-7b and KALF-7c

Line No.	Account	PR Distribution Report for 2024
1	6121	9,827
2	6123	1,099
3	6124	5,224
4	6212	-
5	6232	58,512
6	6423	175,328
7	6534	165,728
8	6535	6,233
9	6610	13
10	6622.02	1,002
11	6623	128,242
12	6711.01	2,483
13	6721.01	82,596
14	6723	1,552
15	6728	9,776
16	Total	647,614

Source: Responses to Data Request Nos. 54 & 71

Line		2023 Payroll	Applicant	Total
No.	Account	Distribution	Adjustment to	Adjusted
			Test Year	Payroll
1	6121	9,616.94	456.14	10,073
2	6123	1,075.58	51.01	1,127
3	6124	5,112.16	242.48	5,355
4	6212	18,057.08	(18,057.08)	-
5	6232	39,220.68	32,141.37	71,362
6	6423	170,523.59	9,733.21	180,257
7	6534	162,172.04	7,691.87	169,864
8	6535	6,099.17	289.28	6,388
9	6610	12.65	0.60	13
10	6622.02	980.68	46.51	1,027
11	6623	125,488.46	5,951.96	131,440
12	6711.01	2,429.54	115.24	2,545
13	6721.01	80,820.29	3,833.33	84,654
14	6723	1,518.46	72.03	1,590
15	6728	9,566.33	453.73	10,020
16	Total	632,694	43,022	675,715

Line No.	Acct	Description	Adjusted Test Year Benefits	Actual 2024 Benefits	Staff Adjustment Pro Forma Benefits	Staff Regulated Percentage	Staff Pro Forma Benefits	Intrastate Separations	Intrastate Adjustment
		Plant Specific Operations Expense							
1	6120	General Support Expense	2,611	4,745	2,134	100%	2,134	0.426575	910
2	6210	Central Office Switching Expense	-	-	-	100%	-	0.000000	-
3	6230	Central Office Transmission Expense	11,018	17,191	6,173	100%	6,173	0.294786	1,820
4	6410	Cable and Wire Facilities Exp	28,175	51,196	23,021	100%	23,021	0.463334	10,666
5		Total Plant Specific Operations Expense	<u>\$ 41,804</u>	<u>\$ 73,132</u>	<u>\$ 31,328</u>		<u>\$ 31,328</u>		<u>\$ 13,396</u>
		Plant Non-Specific Operations Expense							
6	6530	Network Operations Expense	26,795	48,691	21,895	100%	21,895	0.426575	9,340
7	6560	Depreciation & Amortization	1,008	1,831	823	100%	823	0.451977	372
8		Total Plant Non-Specific Operations Expense	<u>\$ 27,803</u>	<u>\$ 50,522</u>	<u>\$ 22,719</u>		<u>\$ 22,719</u>		<u>\$ 9,712</u>
		Customer Operations Expense							
9	6610	Marketing Expense	2	4	2	100%	2	0.622784	1
10	6620	Services Expense	20,896	37,972	17,075	100%	17,075	0.827986	14,138
11		Total Customer Operations Expense	<u>\$ 20,898</u>	<u>\$ 37,975</u>	<u>\$ 17,077</u>		<u>\$ 17,077</u>		<u>\$ 14,139</u>
		Corporate Operations Expense							
12	6720	General and Administrative Expense	15,587	28,324	12,737	100%	12,737	0.497546	6,337
13		Total Corporate Operations Expense	<u>\$ 15,587</u>	<u>\$ 28,324</u>	<u>\$ 12,737</u>		<u>\$ 12,737</u>		<u>\$ 6,337</u>
14		Total Expense	<u><u>\$ 106,092</u></u>	<u><u>\$ 189,953</u></u>	<u><u>\$ 83,861</u></u>		<u><u>\$ 83,861</u></u>		<u><u>\$ 43,585</u></u>

Sources: Exhibits KALF-8a and KALF-8b

Line No.	Account	PR Distribution Report for 2024
1	6121	2,887.29
2	6123	322.92
3	6124	1,534.82
4	6212	-
5	6232	17,190.78
6	6423	51,196.23
7	6534	48,690.75
8	6535	1,831.15
9	6610	3.80
10	6622.02	294.43
11	6623	37,677.25
12	6711.01	729.42
13	6721.01	24,266.54
14	6723	455.89
15	6728	2,872.09
16	Total	189,953

Source: Responses to Data Request Nos. 54 & 71

Line No.	Account	2023 Benefits Distribution
1	6121	1,523.19
2	6123	170.36
3	6124	809.70
4	6212	2,859.99
5	6232	6,212.01
6	6423	27,008.57
7	6534	25,685.80
8	6535	966.02
9	6610	2.00
10	6622.02	155.33
11	6623	19,875.63
12	6711.01	384.81
13	6721.01	12,800.81
14	6723	240.50
15	6728	1,515.19
16	Total	100,210

Source: Responses to Data

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Kristina Luke Fry, being duly sworn upon her oath deposes and states that she is a Managing Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.



Kristina Luke Fry
Managing Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 25 day of March, 2025.



Notary Public

My Appointment Expires: 4/28/25



NOTARY PUBLIC - State of Kansas
ANN M. MURPHY
My Appt. Expires 4/28/25

CERTIFICATE OF SERVICE

25-MRGT-222-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 27th day of March, 2025, to the following:

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Ann Murphy

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