

BEFORE THE KANSAS CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Application of The)
Victory Electric Cooperative Association,)
Inc. Seeking Commission Approval to) Docket No. 24-VICE- 690 - TAR
Update Its Local Access Delivery Service)
Tariff Pursuant to the 34.5kV Formula)
Based Rate Plan Approved in Docket No.)
21-SEPE-049-TAR.

PREFILED DIRECT TESTIMONY OF

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

ON BEHALF OF

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

May 1, 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 Review.
- 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, 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 Victory 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 Victory’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 Victory’s 34.5kV FBR.

A. The 34.5kV FBR, as approved for Victory 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 Victory’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 Victory’s 34.5kV FBR Protocols (“Protocols”), included in the Commission Order Approving Unanimous Settlement Agreement as Attachment A2 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

1 aforementioned rate without incurring the substantial expense and/or experiencing regulatory
2 lag typically associated with the preparation of a full rate case.

3 It should be noted that the Application in the 21-049 Docket represented a request for the
4 continuation of the initial 34.5kV FBR five-year plans approved by the Commission on March
5 10, 2015 in Docket 16-MKEE-023-TAR (“16-023 Docket) for Victory and three other
6 member-cooperatives of Sunflower Electric Power Corporation. In addition to the request to
7 continue the initial FBR plans for the next five years, the applicants in the 21-049 Docket also
8 sought, and were granted, the limited modification and minor clarifications to the initial FBRs,
9 such as simplifying the process by adopting a historical test year and eliminating debt service
10 projections and clarifying some language in the Protocols. Parties also sought and received the
11 approval of the update to the line loss factors for their respective LADS tariffs.

12 **Q. What data formed the basis for Victory’s 2024 34.5kV FBR calculation?**

13 A. Consistent with the Protocols, the calculation was based upon a 2023 Historical Test Year. As
14 such, it utilized historical figures from Victory’s (Mid-Kansas division) December 2023
15 Operating Income Statement, Balance Sheet, Payroll Journal, and 2023 Monthly Trial
16 Balance.¹

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

19 A. No.

20 **Q. Please summarize the results of Victory’s 2023 34.5kV FBR calculation.**

21 A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by
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24 ¹ Included in Victory’s Application as part of Exhibits 4 (Year-End Comparative Operating Income
25 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).

1 the Commission in the 21-049 Docket results in the Total Revenue Requirement of \$3,217,229.
2 In accordance with Section D.4 of the Protocols, the resultant total dollar amount was divided
3 by the total billing demand for the Historical Test Year; to arrive at the final rate of \$2.92/kW.
4 The resulting final LADS rate of \$2.92/kW represents a \$0.14/kW or around 4.9% decrease
5 from Victory's currently effective rate for LADS of \$3.06/kW authorized by the Commission
6 in Docket No. 23-VICE-793-TAR. Translated into total dollars, this constitutes a \$164,344.
7 decrease.² Applying Victory's wholesale customers' Load Ratio Share ("LRS") of 6.19 percent
8 indicates approximately \$10,176 of the overall increase is attributed to these customers on the
9 combined basis. The detailed 34.5kV FBR calculation for the Test Year is contained in Exhibit
10 5 attached to the Application filed in the instant Docket.

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

13 **Q. You stated that 2023 actual results formed the basis for the 34.5kV FBR calculation. The**
14 **Protocols specify a limited number of adjustments to be made. What adjustments did you**
15 **make to Victory's actual 2023 financial results in completing the 34.5kV FBR template?**

16 **A.** Per Sections D.1.b and D.1.e of the Protocols, and in recognition of the Commission policy
17 adopted per K.S.A. 66-101f (a), Administrative and General ("A&G") expense was adjusted
18 to remove certain amounts associated with the dues, donations, charitable contributions,
19 promotional advertising, penalties and fines, and entertainment expenses incurred during the
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25 ² Calculated by applying the \$0.14/kW adjustment to the Test Year total billing determinants (kW).

1 Test Year.³ The excluded amounts, as well as reasoning in support of inclusion or exclusion
2 of the associated items, are noted on Page 7 of Exhibit 5.

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

5 **Q. Please describe the adjustments made to the 2023 Test Year Operating Expenses in**
6 **conjunction with the Protocols' Section D, sub-sections b and e, and the Commission's**
7 **policy per K.S.A. 66-101f (a).**

8 A. A reduction in the amounts of \$84,508 and \$35,009, as evidenced on Page 1 of Exhibit 5, Line
9 10 and Line 20, Column (e), were applied to the historical amount of \$3,545,843 in A&G
10 Expense and the historical amount of \$52,558 in Other Deductions, respectively, in order to
11 remove the amounts associated with promotional or image advertising and dues and donations;
12 i.e., activities traditionally disallowed by the Commission either as unnecessary to provide
13 safe, efficient, reliable electric utility service, or consistent with the Commission policy
14 adopted per K.S.A. 66-101f (a). Accordingly, historical amounts, as recorded in Victory's
15 applicable GL accounts, were adjusted as follows: promotional or image advertising items
16 were excluded 100 percent, and dues and donations items were excluded 50 percent. Note that
17 advertising associated with items such as public safety announcements, annual meeting
18 notices, legal ads, and job postings were not removed, as those activities are directed toward
19 keeping the members well informed and/or represent direct business expense and thus align
20 with the Commission-advocated goal of providing safe, efficient, and reliable electric utility

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25 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."

1 service.⁴ Additionally, dues associated with the Kansas Electric Cooperatives, Inc. (“KEC”)
2 statewide organization membership were not removed for similar reasons, as KEC functions
3 for the mutual benefit of its member-cooperatives to promote rural electrification and provides
4 essential services, such as safety programs and inspections, Occupational Safety and Health
5 Administration (“OSHA”) compliance, Cooperative staff and Board training, and
6 administrative functions on a state-wide level.

7 Detailed listings of the aforementioned items by GL account and the corresponding
8 adjustments performed can be found in Exhibit 9 attached to the Application in the instant
9 Docket. The summary of the adjustments by GL, as well as the methodology applied by
10 Victory, is included in Exhibit 5, Page 7. The adjustment was further reflected on Page 3 of
11 Exhibit 5, Lines 9-11 and Lines 13-19. The resultant adjusted A&G amount is \$3,461,335, as
12 reflected on Page 1, Line 10, Column (f) of Exhibit 5; and the resultant adjusted Other
13 Deductions amount is \$17,549, as reflected on Page 1, Line 20, Column (f) of Exhibit 5.

14 **Q. Next, please describe how the adjusted system-wide financial results were allocated to the**
15 **34.5kV system to arrive at Victory’s 34.5kV FBR Revenue Requirement that includes**
16 **only those costs which are associated with the Cooperative’s sub-transmission facilities**
17 **used in the provision of LADS.**

18 A. Section D.2 of the Protocols specifies the methodology for allocating applicable total system-
19 wide operating expenses and margin requirements to the 34.5kV system so as to arrive at the
20 revenue requirement associated with Victory’s sub-transmission facilities used to provide
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25 ⁴ Expenses related to both company image and safety-related messages were excluded 50 percent.

1 LADS in the acquired Mid-Kansas service territory.⁵ Following is an explanation of the
2 allocations:

- 3 • Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor
4 ratio (“LAB”), where the latter is calculated as a ratio of Transmission Labor to Total
5 Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor
6 Amount Column of the December 31, 2023 Payroll Journal, included with Exhibit 7
7 attached to the Application filed in the instant Docket. Next, Exhibit 5, Page 4, Lines
8 7-20 show how the resultant LAB ratio of 0.014591 is calculated. Applying LAB to
9 the \$3,461,335 in Adjusted Historical Test Year A&G expense assigns \$50,504 to the
10 34.5kV FBR, as shown in Exhibit 5, Page 1, Line 10, Column (i).
- 11 • Depreciation and Amortization Expense is to be calculated directly (a.k.a. “direct-
12 assignment”) in accordance with Section D.2.b of the Protocols. Therefore, the
13 \$663,946 in Transmission plant depreciation for the Historical Test Year is allocated
14 to the 34.5kV FBR in its entirety, as evidenced on Page 1, Line 13, Column (i) of
15 Exhibit 5. The \$110,166 in General Plant Depreciation Expense for the Historical Test
16 Year is to be allocated on the LAB ratio, ultimately assigning \$1,607 to the 34.5kV
17 FBR, as evidenced on Page 1, Line 14, Column (i) of Exhibit 5.
- 18 • For allocating Taxes - Other, Other Deductions, Interest on Long-Term Debt, Other
19 Interest, Principal Payments, and Offsets to Margin Requirements, the Budget Year
20 Net Transmission Plant Ratio (“NP”) is calculated. The Historical Test Year NP, as
21 defined in Section D.2 of the Protocols, reflects the ratio of the average monthly
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25 ⁵ Again, to clarify, “system-wide,” as used in this context, is intended to mean combined distribution and transmission.

1 Transmission Net Plant to the average monthly Total Net Plant for the 2023 Historical
2 Test Year.⁶ The calculation of the NP allocation factor is detailed on Page 4, Lines 22-
3 47 of Exhibit 5. The results of applying the calculated NP of 0.371167 to the
4 corresponding Adjusted Historical Test Year expenses are evidenced on Page 1, Lines
5 15-25, Column (i) of Exhibit 5.

6 It should also be noted that the Transmission Operation and Maintenance Expense is a
7 category that is directly related to the provision of the LADS. Therefore, it was assigned
8 100 percent (i.e., using allocator of 1.0) to the 34.5kV FBR Revenue Requirement.

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10 **PART IV - REVENUE REQUIREMENT AND RATE CALCULATION**

11 **Q. How was Victory's 34.5kV FBR Total Revenue Requirement calculated after performing**
12 **all the adjustments and allocations detailed above?**

13 A. Per Section D.4 of the Protocols, the Total 34.5kV FBR Revenue Requirement is a sum of all
14 the applicable operating expenses and margin requirements. Specifically, after the 2023 actual
15 operating expenses were adjusted as directed by the Protocols and allocated to reflect the
16 portion applicable to the Cooperative's sub-transmission facilities used in the provision of the
17 LADS, the Total Cost of Service was quantified at \$2,166,877, as evidenced on Page 1, Line
18 21, Column (i) of Exhibit 5. Next, the Net Margin Requirement was calculated using 1.8
19 OTIER and 1.8 MDSC metrics, as contemplated in Section D.3 of the Protocols. The same
20 Section dictates that the ratio resulting in greater net margins required will be used. An MDSC
21 of 1.8 produced \$1,050,352 in margin requirements, which was greater than the \$446,870
22 margin requirements produced by OTIER of 1.8, as evidenced on Page 1, Lines 23-30, Column
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25 ⁶ Net Transmission Plant includes a General Plant allocation based upon a LAB ratio.

1 (i) of Exhibit 5. Accordingly, applying the MDSC-produced \$1,050,352 in Net Margin
2 Requirement to the \$2,166,877 in Total Cost of Service generates the 34.5kV FBR Total
3 Revenue Requirement of \$3,217,229.

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

5 A. Section D.4 of the Protocols further directs that the 34.5kV FBR Total Revenue Requirement
6 is to be divided by the Total Billing Demand for the Test Year. The latter is comprised of both
7 retail and wholesale billing determinants on Victory's 34.5kV system for the Mid-Kansas
8 division, and factors in the appropriate losses percentages, as specified in Victory's
9 Commission-approved LADS tariff.⁷ For 2023 Test Year, the Total Billing Demand for
10 Victory's 34.5kV system was quantified at 1,103,348 kW, as reflected on Page 1, Line 34,
11 Column (i) of Exhibit 5 and further detailed on Page 6 of the same Exhibit. Dividing the
12 resultant Total Revenue Requirement of \$3,217,229 by 1,103,384 kW produces the unadjusted
13 rate of \$2.92/kW, a \$0.14/kW, or 4.9%, decrease compared to the existing LADS rate of
14 \$3.06/kW. The main drivers behind this year's decrease were decreased O&M and A&G
15 expenses.

16 **Q. What is your final recommendation to the Commission?**

17 A. My recommendation is to approve Victory's Application in the instant Docket, as the resultant
18 rate is reflective of the COS, which was calculated in accordance to the Commission-approved
19 34.5kV FBR Protocols, and therefore is just and reasonable and in the public interest.

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

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24 ⁷ The billing determinants, as well as the financial information used to calculate the LADS rate, still represent
25 the Cooperative's Mid-Kansas division's data, as required by the Commission-approved 34.5kV FBR
Protocols. The line loss percentage incorporated in the billing determinants is based on the Commission-
approved percentages as stated in the April 15, 2021 Order on Unanimous Settlement Agreement filed in
the 21-049 Docket.

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

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

3 A. Yes, it does.

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VERIFICATION

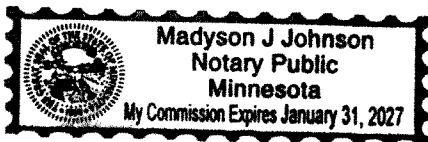
STATE OF MINNESOTA)
) ss
COUNTY OF RAMSEY)

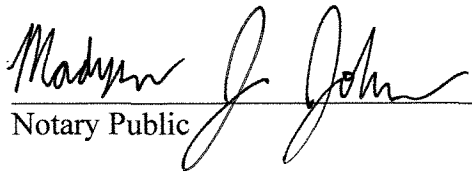
The undersigned, Justin R Craswell, upon oath first duly sworn, states that he is the Rate and Data Analyst, Economics, Rates, and Business Planning for Power System Engineering, Inc.; that he has read this Prefiled Direct Testimony and knows the contents thereof; and, that the facts therein are true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





Notary Public

My appointment expires: January 31, 2027