

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Western)
Cooperative Electric Association, Inc.)
Seeking Commission Approval to Update) Docket No. 20-WSTE-_____-_____
Its Local Access Delivery Service Tariff)
Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 16-)
MKEE-023-TAR.

PREFILED DIRECT TESTIMONY OF
ELENA E. LARSON
MANAGER OF RATES AND REGULATORY SERVICES
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 01, 2020

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Elena E. Larson. My business address is 5883 SW 29th St, Topeka, KS 66614.

Q. What is your profession?

A. I am a Manager of Rates and Regulatory Services 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. Our headquarters is in Madison, Wisconsin with regional offices in Indianapolis, Indiana; Topeka, Kansas; Lexington, Kentucky; Minneapolis, Minnesota; Marietta, Ohio; and Sioux Falls, South Dakota. PSE is involved in: power supply, transmission and distribution system planning; distribution, substation and transmission design; construction contracting and supervision; retail and wholesale rate and cost of service (“COS”) studies; economic feasibility studies; merger and acquisition feasibility analysis; load forecasting; financial and operating consultation; telecommunication and network design, mapping/GIS; and system automation including Supervisory Control and Data Acquisition (“SCADA”), Demand Side Management (“DSM”), metering, and outage management systems.

Q. Please describe your responsibilities with PSE.

A. I 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.
- Individual Customer Profitability.
- Large Power Contract Rates/Proposals.
- Line Extension Policies/Charges.
- Load Management Analysis.
- Load Forecasting.
- Market and Load Research.
- Merger Analysis.
- Pole Attachment Charges.
- Policy and Board Audits.
- Power Cost Adjustments.
- Rate Consolidation.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Statistical Performance Measurement (Benchmarking).
- Value of Service.

Q. What is your educational background?

A. I graduated from Washburn University in Topeka, Kansas in 2001 with a Bachelor of Science degree in Mathematics and a minor in Computer Science. In 2008, I received my Masters of Business Administration (“MBA”) degree from Ashford University in Clinton, Iowa.

Q. What is your professional background?

A. Prior to advancing to graduate degree studies in 2006, I worked as a computer programmer for a private corporation and taught mathematics. After graduating with an MBA in September 2008, I began my employment with the Kansas Corporation Commission (“KCC” or “Commission”) in Topeka, Kansas in July 2009 as an Energy Analyst in the Energy Operations Section of the Utilities Division. My work responsibilities at KCC at that time included monitoring and assessing various periodic compliance reports (e.g., Quality of Service and Electric Reliability); providing technical analysis on informal and formal electric and gas customer complaints; and assisting in writing the rules and regulations when mandated by the Kansas legislature. In January 2012, I assumed the position of Senior Utility Rate Analyst in the Economics and Rates Section of the Utilities Division of KCC. In that capacity, my responsibilities expanded to filing recommendations and/or testimony addressing utility applications for various tariff modifications, including change of retail and wholesale rates.

1 In April 2013, I joined PSE, where I assumed a position of Rate and Financial Analyst in
2 the Rates and Financial Planning Department. In June 2018, I was promoted to Manager, Rates
3 and Regulatory Services. My responsibilities include performing rate studies consisting of
4 determination of revenue requirements, cost of service, and rate design; developing financial
5 forecasting, special rates, and programs; and performing other financial analysis for various
6 PSE clients. Additionally, I participate in the leadership of our department by heading PSE's
7 Kansas office branch business development and helping develop strategy in the regulatory
8 services area.

9 **Q. Have you previously presented testimony before the Kansas Corporation Commission**
10 **(“KCC” or “Commission”)?**

11 A. Yes. I submitted testimony on behalf of KCC Staff in Docket Nos. 11-GBEE-624-COC, 11-
12 MKEE-597-GIE, 12-WSEE-112-RTS, and 12-MKEE-380-RTS; on behalf of Prairie Land
13 Electric Cooperative, Inc. (“Prairie Land”) in Docket Nos. 15-PLCE-176-TAR, 17-PLCE-478-
14 TAR, 18-PLCE-462-TAR, and 19-PLCE-436-TAR; on behalf of Victory Electric Cooperative
15 Association, Inc. (“Victory”) in Docket No. 17-VICE-481-TAR, 18-VICE-479-TAR, and 19-
16 VICE-448-TAR; on behalf of Western Cooperative Electric Association, Inc. (“Western” or
17 “Cooperative”) in Docket No. 17-WSTE-477-TAR, 18-WSTE-473-TAR, and 19-WSTE-443-
18 TAR; on behalf of Midwest Energy in Docket No. 16-MDWE-324-TFR; and on behalf of
19 Southern Pioneer Electric Company (“Southern Pioneer”) in Docket No. 18-KPPE-343-COC
20 and 20-SPEE-169-RTS. I also helped prepare testimony on behalf of Southern Pioneer,
21 Victory, Western, Prairie Land, and Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in
22 Docket Nos. 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-357-TAR, 15-SPEE-519-
23 RTS, 16-MKEE-023-TAR, 16-PLCE-490-TAR, 16-VICE-494-TAR, 16-WSTE-496-TAR,
24 16-SPEE-497-RTS, and 16-SPEE-501-TAR. Additionally, I authored Report and
25 Recommendations on behalf of KCC Staff in Docket Nos. 09-KGSG-927-COM, 10-BHCG-

1 409-COM, 10-WSEE-507-TAR, 10-KGSG-535-COM, 10-KGSG-644-COM, 10-MDWE-
2 733-TAR, 11-KCPE-031-COM, 11-WSEE-599-TAR, and 11-MDWE-763-TAR, as well as
3 performed analysis filed with the Applications on behalf of Mid-Kansas, Prairie Land, and
4 Southern Pioneer in Docket Nos. 14-MKEE-084-TAR, 14-PLCE-312-TAR, 15-SPEE-267-
5 TAR, 16-SPEE-306-TAR, 17-SPEE-263-TAR, 18-SPEE-270-TAR, 19-SPEE-236-TAR, and
6 20-SPEE-277-TAR.

7 Q. Do you have any other relevant experience?

8 A. I have attended several industry seminars/courses on cost of service, rate design, pricing,
9 distributed generation, financing transmission expansion, transmission cost allocation,
10 renewable power project siting, etc. I have also presented to the Cooperatives' Boards of
11 Directors and at industry events on the topics of Revenue Requirement, Cost of Service, Rate
12 Design, and Net Metering.

13 **PART II - SUMMARY OF DIRECT TESTIMONY**

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

15 A. The purpose of my testimony is to support the Application submitted in the instant Docket by
16 Western Cooperative Electric Association, Inc. ("Western" or Cooperative") for the approval
17 of its 34.5kV Formula Based Rate ("FBR") fifth Annual Update filing for Year 2020 based on
18 the Historical Test Year ending December 31, 2019.

19 **Q. Are there particular Exhibits to Western's Application that you will be describing and**
20 **explaining?**

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

23 Exhibit 5 - 34.5kV FBR Calculation for Test Year
24 Exhibit 14 - Proposed Tariff Sheets Including Rate Adjustment

25 **Q. Have the exhibits been prepared by you or under your supervision?**

1 A. Yes.

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

3 A. The 34.5kV FBR, as approved for Western by the Commission in Docket No. 16-MKEE-023-
4 TAR ("16-023 Docket"), is a five-year ratemaking plan that provides a method for periodic
5 adjustments to a demand rate assessed on the Cooperative's wholesale customers taking the
6 Local Access Delivery Service ("LADS") over Western's 34.5kV sub-transmission facilities
7 in its acquired Mid-Kansas division territory. The details of the predetermined and agreed-
8 upon calculations for the corresponding rate adjustments are outlined in Sections D and E of
9 the Commission-approved Western's 34.5kV FBR Protocols ("Protocols"), attached as Exhibit
10 D to the March 10, 2016 Commission Order Approving Settlement and April 26, 2016 Order
11 Granting Petition for Clarification in the 16-023 Docket.¹ The purpose of this formulaic
12 ratemaking mechanism is to allow for timely adjustments to the aforementioned rate without
13 incurring the substantial expense and/or experiencing regulatory lag typically associated with
14 the preparation of a full rate case.

15 **Q. What data formed the basis for Western's 2020 34.5kV FBR calculation?**

16 A. Consistent with the Protocols, the calculation was based upon a 2019 Historical Test Year. As
17 such, it utilized historical figures from Western's (Mid-Kansas division) December 2019
18 Operating Income Statement, Balance Sheet, Payroll Journal, and 2019 Monthly Trial
19 Balance.²

20 **Q. Please summarize the results of Western's 2020 34.5kV FBR calculation.**

21 A. Completing the 34.5kV FBR template calculation consistent with the Protocols approved by
22
23

24 ¹ The corrected pagination and section numbering, as contained in the April 26 Commission's Order Granting
Petition for Clarification, is used throughout this document.

25 ² Included in Western's Application as part of Exhibits 4 (Comparative Operating Income Statements and
Balance Sheets), 6 (Trial Balances), and 7 (Payroll Journals).

the Commission in the 16-023 Docket results in the Total Revenue Requirement of \$954,979. Next, per Section E of the Protocols, a True-Up amount (over-recovery resulting from the prior Annual Updates) of \$186,593 was applied to offset the Total Revenue Requirement, resulting in the Total Net Revenue Requirement of \$768,385. Lastly, in accordance with Section D.4 of the Protocols, the resultant amount was divided by the total billing demand for the Historical Test Year to arrive at the final rate of \$0.96/kW, a \$0.17/kW decrease from Western's currently effective rate for LADS authorized by the Commission in Docket No. 19-WSTE-443-TAR. Translated into total dollars, this constitutes a \$135,851 decrease.³ Applying Western's wholesale customers' Load Ratio Share ("LRS") of around 58.66 percent indicates approximately \$79,689 of the overall decrease will be attributed to these customers on the combined basis. The detailed 34.5kV FBR calculation for the Test Year is contained in Exhibit 5 attached to the Application filed in the instant Docket.

PART III - ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS

Q. You stated that 2019 actual results formed the basis for the 34.5kV FBR calculation. The Protocols specify a limited number of adjustments to be made. What adjustments did you make to Western's actual 2019 financial results in completing the 34.5kV FBR template?

A. Consistent with Section D.1 of the Protocols, adjustments to reflect the projected amounts for the Budget Year were made to the following categories of costs⁴:

- Depreciation Expense - Other

³ Calculated by applying the \$0.17/kW adjustment to the Test Year total billing determinants (kW).

⁴ Protocols also allow adjustment to Interest - Other and Interest Charged to Construction. However, Western did not have any amount booked in historical or budgeted for the projected Interest - Other and Interest Charged to Construction. Therefore, these expense categories were not adjusted in this Annual Filing.

- Interest on Long-Term Debt
- Debt Service Payments

The projected amounts for the above expense categories are supported by the detail found in Exhibit 9 attached to the Application filed in the instant Docket.⁵

Further, per Sections D.1.b and D.1.e of the Protocols, and in recognition of the Commission policy adopted per K.S.A. 66-101f (a), Administrative and General (“A&G”) expense was adjusted to remove certain amounts associated with the dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year.⁶ The excluded amounts, as well as reasoning in support of inclusion or exclusion of the associated items, are noted on Page 7 of Exhibit 5.

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

Q. Please describe the adjustments made to the 2019 Test Year Depreciation Expense.

A. Per Section D.1.c of the Protocols, depreciation expense allowed to be included in Western’s 34.5kV FBR should reflect “...projected depreciation expense that reasonably reflects the average monthly 34.5kV plant in service during the Budget Year using the Commission-

⁵ Although the Cooperative is also submitting its 2020 Budget in Exhibit 8, the amounts as shown and/or calculated in Exhibit 9 were used instead, where the latter followed the methodology specified in the Commission-approved Protocols. In some instances, such methodology may vary from how the Cooperative budgets internally; for example, the Cooperative may not always budget depreciation for the plant additions by each individual General Ledger (“GL”) accounts. Instead, work order and cost estimate modeling may be used for the overall project amount estimates. The exact GL-specific detail (for example, number of wooden poles for a line buildout) is typically not known until the project is complete. In addition, the Cooperative Budget specifies total depreciation expense versus by plant category. The same principal is true for debt service projections; i.e., Budget may deviate from how Protocols direct the Cooperative to apply projections for interest and principal. Western followed Commission-prescribed Protocols methodology for calculating and applying projected amounts in its 34.5kV FBR Annual Update filed in the instant Docket.

⁶ 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 approved depreciation rates.” Furthermore, such projections are to be based upon the plant
2 additions and retirements planned by the Cooperative in the Budget Year. To achieve this,
3 Section D.2.b of the Protocols directs the Cooperative to apply Commission-approved
4 depreciation rates to the projected monthly average plant for the Budget Year.⁷ Accordingly,
5 Pages 3 and 5 of Exhibit 9 detail the calculation of the projected Depreciation Expense for
6 Transmission and General Plant for the Budget Year using Commission-approved depreciation
7 rates. The projected average plant balances used in the calculations are shown on Page 1 of
8 Exhibit 9. As a result, the projected Transmission and General Plant Depreciation Expense
9 amounts, detailed on Exhibit 5, Page 1, Lines 13 and 14, Column (f), are \$281,787 and
10 \$209,999, respectively. In comparison, the 2019 historical amounts for the Transmission and
11 General Plant Depreciation Expense were \$268,395 and \$145,618, respectively. Therefore,
12 Exhibit 5, Page 1, Lines 13 and 14, Column (e) details the respective adjustments of \$13,392
13 and \$64,381 to the historical Transmission and General Plant Depreciation Expenses. The
14 adjustments are calculated on Page 3 of Exhibit 5, Lines 13-21. It should be noted that in this
15 third 34.5kV FBR Annual Update, the Revenue Requirement was established using the
16 Modified Debt Service Coverage (“MDSC”) metric in accordance with the Protocols’ Section
17 D.3.⁸ Under the DSC rate-making, the depreciation expense amount becomes essentially
18 immaterial, as it is removed as an offset to the margin requirement.

21 ⁷ Transmission Plant used in 34.5kV FBR is defined more broadly to also include General Plant allocated on
22 Labor ratio, as well as any Distribution Plant used in the provision of the LADS, if applicable (see Section
23 K of the Protocols). Since the records for the latter were not readily available and/or did not contain detail
24 required in the Protocols, Western chose to forgo including any such facilities at this time. However, there
25 was General Plant allocated to the 34.5kV FBR. Accordingly, per Section D.2.b. of the Protocols, the
depreciation expense was calculated to recognize the portion corresponding with the allocated General Plant.
⁸ Per Section D.3 of the Protocols, Cooperative may utilize either 1.8 Operating Times Interest Earned Ratio
 (“OTIER”) or 1.8 MDSC metrics. The ratio resulting in greater net margins required will be used. For 2019
 Historical Test Year/2020 Budget Year, MDSC metric was used as it produced greater net margins.

Q. Please describe the adjustments made to the 2019 Test Year Interest on Long-Term Debt.

A. The historical amount of Interest on Long-Term Debt for the 2019 Test Year was \$844,346, as reported on Western's Operating Income Statement for 2019, included in Exhibit 4.⁹ The Protocols, in Section D.1.d., specify that the actual amount be adjusted to reflect Western's interest on long-term debt projected for the Budget Year. Western's 2020 budgeted long-term interest expense is \$725,560, as evidenced on Page 7 of Exhibit 9 that details the budgeted amount by individual loans. Accordingly, a downward adjustment of \$118,786 was included in Exhibit 5, Page 1, Line 17, Column (e). The details of this adjustment are shown in Exhibit 5, Page 3, Lines 23-26.

Q. Please describe the adjustments made to the 2019 Test Year Debt Service Payments.

A. Debt Service Payments are comprised of interest and principal payments on debt outstanding. Since I previously discussed the adjustments to interest expense, I will now focus on the adjustment to principal payments. The historical amount of Principal Payments for the 2019 Test Year was \$1,033,528 (see Exhibit 9, Page 6 for the reconciliation to the lender's statements). The Protocols, in Section D.1.f, require that the Test Year be adjusted to reflect Western's budgeted amount for 2020, where the latter is calculated using an amortization schedule at the expected borrowing rate(s) as specified in the Cooperative's agreements with its lender(s). Western's budget for 2020 principal payments, detailed on Page 7 of Exhibit 9, is \$1,017,336. Accordingly, a reduction in the amount of \$16,192 was applied on Page 1, Line 24, Column (e) of Exhibit 5. This adjustment is further detailed in Exhibit 5 on Page 3, Lines 46-49.

⁹ Mid-Kansas division.

1 **Q. Please describe the adjustments made to the 2019 Test Year Operating Expenses in**
2 **conjunction with the Protocols' Section D, sub-sections b and e, and the Commission's**
3 **policy per K.S.A. 66-101f (a).**

4 A. A reduction in the amount of \$18,068, as evidenced on Page 1 of Exhibit 5, Line 10, Column
5 (e), was applied to the historical amount of \$1,309,521 in A&G Expense in order to remove
6 the amounts associated with promotional or image advertising and dues and donations; i.e.,
7 activities traditionally disallowed by the Commission either as unnecessary to provide safe,
8 efficient, reliable electric utility service, or consistent with the Commission policy adopted per
9 K.S.A. 66-101f (a). Accordingly, historical amounts, as recorded in Western's applicable GL
10 accounts, were adjusted as follows: promotional or image advertising items were excluded
11 100 percent, and dues and donations items were excluded 50 percent. Note that advertising
12 associated with items such as public safety announcements, annual meeting notices, and legal
13 ads were not removed, as those activities are directed toward keeping the members well
14 informed and thus align with the Commission-advocated goal of providing safe, efficient, and
15 reliable electric utility service. Additionally, dues associated with the Kansas Electric
16 Cooperatives, Inc. ("KEC") statewide organization membership were not removed for similar
17 reasons, as KEC functions for the mutual benefit of its member-cooperatives to promote rural
18 electrification and provides essential services, such as safety programs and inspections,
19 Occupational Safety and Health Administration ("OSHA") compliance, Cooperative staff and
20 Board training, and administrative functions on a state-wide level.

21 The summary of the aforementioned items by GL account and the corresponding
22 adjustments performed can be found in Exhibit 5, Page 7; and the detailed listings are included
23 in Exhibit 10 filed with the Application in the instant Docket. The resultant adjusted A&G
24 amount is \$1,291,453, as reflected on Page 1, Line 10, Column (f) of Exhibit 5. The
25 adjustments were further reflected on Page 3 of Exhibit 5, Lines 9-11.

1 **Q. You have explained how the historical overall system (i.e., transmission and distribution)**
2 **costs were adjusted in accordance with the 34.5kV FBR Protocols. Next, please describe**
3 **how the adjusted system-wide financial results were allocated to the 34.5kV system to**
4 **arrive at Western’s 34.5kV FBR Revenue Requirement that includes only those costs**
5 **which are associated with the Cooperative’s sub-transmission facilities used in the**
6 **provision of LADS.**

7 A. Section D.2 of the Protocols specifies the methodology for allocating applicable total system-
8 wide operating expenses and margin requirements to the 34.5kV system so as to arrive at the
9 revenue requirement associated with Western’s sub-transmission facilities used to provide
10 LADS in the acquired Mid-Kansas service territory.¹⁰ Following is an explanation of the
11 allocations:

- 12 • Per Section D.2.a of the Protocols, the A&G expenses are to be allocated using a Labor
13 ratio (“LAB”), where the latter is calculated as a ratio of Transmission Labor to Total
14 Non-A&G Labor. The corresponding labor dollar amounts are found in the Labor
15 Amount Column of the December 31, 2019 Payroll Journal, included with Exhibit 7
16 attached to the Application filed in the instant Docket. Next, Exhibit 5, Page 4, Lines
17 7-20 show how the resultant LAB ratio of 0.015675 is calculated. Applying LAB to
18 the \$1,291,453 in Adjusted Historical Test Year A&G expense assigns \$20,244 to the
19 34.5kV FBR, as shown in Exhibit 5, page 1, Line 10, Column (i).
- 20 • Depreciation and Amortization Expense is to be calculated directly (a.k.a. “direct-
21 assignment”) in accordance with Section D.2.b of the Protocols. The calculation of the
22 associated depreciation expense for the Budget Year was already discussed on pages 7
23

24
25 ¹⁰ Again, to clarify, “system-wide,” as used in this context, is intended to mean combined distribution and transmission.

and 8 previously. The only additional detail here is that the \$209,999 in Adjusted amount for the General Plant Depreciation Expense for the Budget Year is to be allocated on the LAB ratio, ultimately assigning \$3,292 to the 34.5kV FBR, as evidenced on Page 1, Line 14, Column (i) of Exhibit 5.

- For allocating Taxes - Other, Other Deductions, Interest on Long-Term Debt, Other Interest, Principal Payments, and Offsets to Margin Requirements, the Budget Year Net Transmission Plant Ratio (“NP”) is calculated. The Budget Year NP, as defined in Section D.2. of the Protocols, reflects the ratio of the average monthly Transmission Net Plant to the average monthly Total Net Plant for the Budget Year.¹¹ The calculation of the Budget Year NP allocation factor is detailed on Page 4, Lines 22-47 of Exhibit 5. The results of applying the calculated Budget Year NP of 0.245809 to the corresponding Adjusted Historical Test Year expenses are evidenced on Page 1, Lines 15-25, Column (i) of Exhibit 5.

It should also be noted that the Transmission Operation and Maintenance (“O&M”) Expense is a category that is directly related to the provision of the LADS. Therefore, \$236,567 in Transmission O&M was assigned 100 percent (i.e., using allocator of 1.0) to the 34.5kV FBR Revenue Requirement, as shown on Page 1, Line 4, Column (i) of Exhibit 5.

PART IV - REVENUE REQUIREMENT AND RATE CALCULATION

Q. How was Western’s 34.5kV FBR Total Revenue Requirement for Year 2020 calculated after performing all the adjustments and allocations detailed above?

¹¹ As noted in Footnote 6 previously, per Section K of the Protocols, Net Transmission Plant includes a General Plant allocation based upon a LAB ratio.

1 A. Per Section D.4 of the Protocols, the Total 34.5kV FBR Revenue Requirement is a sum of all
2 the applicable operating expenses and margin requirements. Specifically, after the 2019 actual
3 operating expenses were adjusted to the budgeted levels, as allowed by the Protocols, and
4 allocated to reflect the portion applicable to the Cooperative's sub-transmission facilities used
5 in the provision of the LADS, the Total Cost of Service was quantified at \$720,239, as
6 evidenced on Page 1, Line 21, Column (i) of Exhibit 5. Next, the Net Margin Requirement
7 was calculated using 1.8 OTIER and 1.8 MDSC metrics, as contemplated in Section D.3 of the
8 Protocols. The same Section dictates that the ratio resulting in greater net margins required
9 will be used. An MDSC of 1.8 produced a greater margin (at \$234,740) than an OTIER of 1.8
10 (at \$69,692), as evidenced on Page 1, Lines 23-30, Column (i) of Exhibit 5. Applying the
11 MDSC-produced \$234,740 in Net Margin Requirement to the \$720,239 in Total Cost of
12 Service generates the 34.5kV FBR Total Revenue Requirement of \$954,979.¹²

13 **Q. How was Western's 34.5kV FBR Total Net Revenue Requirement for Year 2020**
14 **calculated?**

15 A. Per Section E of the Protocols, the True-Up amount has been applied to the Total Revenue
16 Requirement to calculate the Total Net Revenue Requirement to be used to set the LADS rate.
17 Pages 9-12 of the filing Exhibit 5 include the True-Up calculation prescribed by Section E of
18 the Protocols, with the summary contained on Page 9, Lines 1 – 13 of Exhibit 5. Per Section
19 E.7, the projected revenue requirement filed and approved for the Budget Years 2018 and 2019
20 (third and fourth Annual Update filings) were weighted using the portion of a year each was
21 in effect.¹³ The resultant Weighted Projected FBR Revenue Requirement was \$1,093,502.
22 Next, this amount was compared against the 2019 Actual Revenue Requirement of \$1,016,447
23

24 ¹² See Footnote 9.

25 ¹³ The Projected FBR Revenue Requirement amounts used are as filed and approved in Docket Nos. 18-
WSTE-473-TAR and 19-WSTE-474-TAR, respectively.

(as calculated on Page 10 of Exhibit 5 using 2019 historical actual costs). Subtracting the Weighted Projected FBR Revenue Requirement of \$1,093,502 from the Actual Revenue Requirement of \$1,016,447 results in the over-recovery amount of \$177,054, as shown on Page 9 of Exhibit 5. Next, applying the interest per Section E.5.b, calculated at \$9,539 (as an offset), produces the True-Up amount of \$186,593. Offsetting the Total Revenue Requirement of 954,979 by the True-Up amount of \$186,593 results in the Net Revenue Requirement of \$768,385, as shown on Page 1, Line 35, Column (i) of Exhibit 5.

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

A. Section D.4 of the Protocols further directs that the 34.5kV FBR Total Net Revenue Requirement is to be divided by the Total Billing Demand for the Test Year. The latter is comprised of both retail and wholesale billing determinants, as reported by Mid-Kansas (a generation and transmission Company (“G&T”), Western’s power supplier and metering and billing agent for the Cooperative’s wholesale LADS over its sub-transmission facilities), and then factoring in the appropriate losses’ percentages, as specified in Western’s Commission-approved LADS tariff.¹⁴ For 2019 Test Year, the Total Billing Demand for Western’s 34.5kV system was quantified at 799,125 kW, as reflected on Page 1, Line 36, Column (i) of Exhibit 5 and further detailed on Page 6 of the same Exhibit. Dividing \$768,125 in Revenue Requirement by 799,125 kW produces the rate of \$0.96/kW. When compared to Western’s currently effective wholesale demand rate for LADS of \$1.13/kW, this represents a 15 percent decrease. It should be noted that the major driver for the rate decrease in the instant filing is attributed to a retirement of cash from Mid-Kansas in 2019, which was a significant offset to

¹⁴ Mid-Kansas merged with Sunflower Electric Power Corporation effective January 1, 2020. However, during the 2019 Historical Year, used for purposes of this filing, the entity providing the aforementioned services for Western’s Mid-Kansas division was Mid-Kansas. The billing determinants, as well as the financial information used to calculate the LADS rate, still represent the Cooperative’s Mid-Kansas division’s data, as required by the Commission-approved 34.5kV FBR Protocols.

1 the margin requirements projected for the 2020. Absent this adjustment, the 34.5kV FBR
2 would have resulted in a 1.8 percent rate increase needed. Therefore, although not known for
3 certain at this time due to the lack of actual data, it is possible to see rate increases needed in
4 the near future.

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

6 A. My recommendation is to approve Western's Application in the instant Docket, as the resultant
7 rate is reflective of the COS, which was calculated in accordance to the Commission-approved
8 34.5kV FBR Protocols, and therefore is just and reasonable and in the public interest.

9 **Q. Have the proposed tariffs as required in the Protocols in Section F.14 been provided?**

10 A. Yes, they are included as Exhibit 14 of the Application filed in the instant Docket.

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

12 A. Yes, it does.
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VERIFICATION

I, Elena E. Larson , of lawful age, state:

That I am the Manager of Rates and Regulatory Services for Power System Engineering, Inc.;
that I do solemnly, sincerely and truly declare and affirm that I have read this Prefiled Direct
Testimony of Elena E. Larson and know the contents thereof; and, that the facts therein are
true and correct to the best of my knowledge, information and belief, and I affirm this under
the pains and penalties of perjury.

A handwritten signature in cursive script that reads "Elena Larson". The signature is written in dark ink and is positioned above a horizontal line.

Elena E. Larson