

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

In the Matter of the Application of South)	
Central Telephone Association, Inc. for an)	Docket No. 24-SCNT-131-KSF
Increase in its Cost-Based KUSF Support)	

**DIRECT TESTIMONY
PREPARED BY
KRISTINA A LUKE FRY
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION
December 14, 2023**

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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 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 20 dockets. A list of the other dockets that encompass this experience is available upon request.

Q. What were your responsibilities in the review of South Central Telephone Association, Inc.'s (SCT or Company) August 11, 2023, Application?

A. My responsibilities as the lead auditor in this case were to analyze, audit, and review SCT's filing before the Commission to determine its cost-based Kansas Universal Service Fund (KUSF) support to reflect its current revenue requirement and business circumstances. I

1 reviewed the Company's filing, requested and analyzed additional information, and
2 participated in an on-site review at the Company's headquarters in Medicine Lodge,
3 Kansas, to inspect records, tour the Company's facilities, and to confer with Company
4 management and consultants. In addition, I calculated and sponsor selected Staff
5 adjustments to SCT's Income Statement.

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

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

- 9 ▪ Overview
- 10 ▪ Background
- 11 ▪ Income Statement Adjustments

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

14 A. Ian Campbell sponsors testimony related to plant related adjustments and Staff Schedules.
15 Adam Gatewood sponsors testimony related to capital structure, cost of long term debt,
16 and return on equity.

17 Roxie McCullar sponsors testimony related to the Federal Communications Commission's
18 separations process and the application of K.S.A. 66-2008(e)(2) for Federal Universal
19 Service Fund (FUSF) support.

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

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

22 **Overview** – I provide an overview of SCT's operations and the components of its KUSF
23 filing.

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

Income Statement Adjustments – I discuss Staff’s Adjustments to KUSF Support, Audit Expense, Various Expenses, Payroll Expense, and Employee Benefit & Payroll Tax Expense.

II. OVERVIEW

Q. Please provide an overview of SCT's corporate structure.

A. SCT is a Kansas cooperative holding one or more Certificates of Convenience and Authority to engage in the business of providing local exchange and exchange access telecommunications service in designated geographic areas within the State of Kansas. The Company operates under traditional rate of return regulation and serves as the carrier of last resort for telecommunications customers within its designated service area located in southcentral Kansas and northcentral Oklahoma. The Commission designated SCT as an eligible telecommunications carrier in an order dated December 5, 1997, in Docket No. 98-GIMT-241-GIT. SCT also owns South Central Communications, Inc., and South Central Wireless, Inc., which provide competitive local exchange, interexchange, and non-regulated broadband and internet services.

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

A. The residential and business rates for SCT are relatively comparable to the other LECs in the area. SCT's current rates of \$18.25 for residential and \$21.75 for single line business

1 is in-line with the Affordable Rates for residential of \$18.75 and single line business of
2 \$21.25 approved on January 17, 2023, in Docket No. 23-GIMT-261-GIT.¹

3 **Q. Has the Commission previously audited SCT to determine its appropriate, cost-based**
4 **level of KUSF?**

5 A. Yes. SCT filed an Application for additional support from the KUSF in Docket No. 05-
6 SCNT-1048-AUD (05-1048 Docket). The test year in the 05-1048 Docket was 12-months
7 ending December 31, 2005, and was adjusted for known and measurable changes. SCT
8 requested an increase of KUSF support in the amount of \$12,328 per year, and was
9 ultimately granted a decrease by the Commission of \$438,000 per year, resulting in an
10 annual KUSF support amount of \$426,166.

11 **Q. What test year did SCT use in its Application in this proceeding?**

12 A. SCT used a test year ending December 31, 2022, with cost study and pro forma adjustments
13 to revenues, expenses, and plant in service to capture pro forma changes.

14 **III. ANALYSIS**

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

17 A. The total effect of Staff's recommended adjustments results in an intrastate revenue
18 increase of \$1,878,590 and an equal increase to the Company's current KUSF support.
19 Therefore, Staff recommends the Commission increase SCT's KUSF to \$2,085,455. Below
20 is a chart comparing the Company's filed position and Staff's recommendation for net
21 intrastate rate base, requested rate of return on assets, pro forma intrastate income, and the
22 level of KUSF support.

¹ Order Adopting KUSF Year 27 Assessment Rate and Affordable Rates

Description	SCT	Staff
Net Intrastate Rate Base	\$7,793,420	\$7,511,602
Rate of Return	9.75%	7.822%
Income (Loss)	(\$1,379,704)	(\$1,291,002)
Change in KUSF Support	\$2,139,562	\$1,878,560

- 1
- 2 **Q. Please summarize the adjustments Staff is proposing in this Docket.**
- 3 A. The following table presents a summarized list of Staff's adjustments, witnesses, and the
- 4 effect of the adjustments on Rate Base or Operating Income. For the Income Statement
- 5 Adjustments presented in the table below, an increase in operating income results in a
- 6 reduction of the revenue requirement, and vice versa. For instance, Staff's Adjustment No.
- 7 IS-1 decreases depreciation expense by \$24,132, which increases operating income by the
- 8 same amount, and decreases the revenue requirement accordingly.

Adj No.	Witness	Description	Amount
RB-1	Ian Campbell	Updated Plant in Service	667,963
RB-2	Ian Campbell	Telephone Plant Under Construction	(458,272)
RB-3	Ian Campbell	Updated Accumulated Depreciation	(1,626,146)
RB-4	Ian Campbell	Materials and Supplies	(732,851)
RB-5	Ian Campbell	Cash Working Capital	9,725
IS-1	Ian Campbell	Depreciation Expense	447,622
IS-2	Ian Campbell	Property Tax Expense	(6,484)
IS-3	Kristina Luke Fry	KUSF Support Update	(3,072)
IS-4	Kristina Luke Fry	Audit Expense	19,655

IS-5	Kristina Luke Fry	Expense Adjustment	31,892
IS-6	Kristina Luke Fry	Payroll Expense	(90,435)
IS-7	Kristina Luke Fry	Employee Benefit & Payroll Tax Expense	(72,671)
IS-8	Roxie McCullar	Update FHCL Level	(189,441)
IS-9	Roxie McCullar	Reverse Allocate Depreciation Expense to Oklahoma	(79,573)
IS-10	Roxie McCullar	Allocate Depreciation Expense to Oklahoma	75,729
IS-11	Kristina Luke Fry	Remove Amortization for Intangibles	108,888

1

2

VI. INCOME STATEMENT ADJUSTMENTS

A. KUSF Support

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

A. Staff Adjustment No. 3 (IS-3) decreases SCT's Kansas Universal Service Fund by \$3,072 on a total company basis and intrastate basis.² Staff's adjustment updates SCT's KUSF support to recognize known and measurable changes in local revenues and intrastate access revenues. This adjustment is comprised of the following three components:

- An increase to intrastate access revenues totaling \$173. In Docket No. 22-GIMT-549-GIT (22-549), the Commission authorized new intrastate access rates and revenues for rural local exchange carriers (RLECs) to become effective July 1, 2023. As with the local rate revenue increase, changes in intrastate access revenue are to be netted against KUSF support payments. Staff's adjustment reflects the increase in access revenue not reflected in the test year.

² See Exhibit KALF-1.

- 1 • An increase to local service revenues totaling \$1,648. In Docket No. 23-GIMT-261-
2 GIT (23-261 Docket), the Commission authorized a new affordable monthly rate for
3 rate-of-return companies to become effective March 1, 2023. Pursuant to K.S.A. 66-
4 2005(d), changes in revenue due to the changes in the affordable monthly rate are to be
5 netted against KUSF support payments. In other words, KUSF support payments are
6 to be decreased by the amount of the additional revenue generated with the increase in
7 local rates. Staff's adjustment recognizes the increase in local revenue not reflected in
8 the test year.
- 9 • A decrease to KUSF support of \$4,893. This component of Staff's adjustment updates
10 the KUSF support included in the Application to reflect the Commission approved
11 annual support for KUSF Year 35 provided in Sandy Reams' direct testimony in the
12 23-261 Docket.

13 **B. AUDIT EXPENSE**

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

15 A. Staff Adjustment No. 4 (IS-4) decreases SCT's operating expense by \$19,655.³ This
16 adjustment is necessary to include actual audit expense incurred as of November 24, 2023,
17 for Staff and October 31, 2023, for SCT's expense, to reflect expenses incurred in this
18 Docket.

19 **Q. Please explain how Staff calculated its adjustment for audit expense.**

20 A. Staff's adjustment reflects a total of SCT's audit expense and Staff's audit expense.
21 According to the updated response to Staff Data Request No. 34, SCT has incurred \$42,670
22 of external consulting services and legal fees related to this Docket through October 31,

³ See Exhibit KALF-2.

1 2023. Staff acknowledges that its adjustment does not fully recognize the costs that may
2 have been incurred by SCT; however, the adjustment does recognize all invoices Staff has
3 received from the Company to date.

4 According to the Commission's fiscal department, the maximum assessment for
5 SCT for the fiscal year is \$13,166. This amount was calculated pursuant to K.S.A. 66-1502
6 (a), which provides a maximum annual assessment of 0.6% of intrastate revenues for any
7 public utility or common carrier under the jurisdiction of the Commission. In the current
8 fiscal year, SCT has been billed for \$6,821, of that amount \$6,086 was for this docket and
9 \$735 was for other dockets. KCC Staff and consultants have accrued \$30,478 of expenses
10 for this docket thru November 24, 2023. Since Staff's actual expenses are greater than the
11 allowable remaining assessment of \$12,431, the audit expense reflected in Staff's audit
12 expense calculation is the remaining maximum assessment amount of \$12,431. The sum
13 of SCT invoices and Staff's remaining maximum assessment amount over a five-year
14 period, results in an annual audit expense amortization of \$10,345. Staff then compared
15 this amount with the estimated rate case expense included in SCT's Application, with the
16 difference being Staff's adjustment.

17 **Q. Should the Commission reduce SCT's KUSF support once the audit expense has been**
18 **fully recovered?**

19 **A.** Yes. Staff recommends that the Commission reduce SCT's approved KUSF draw by the
20 audit expense amortization at the end of the amortization period. This recommendation is
21 consistent with the Commission Order in Craw-Kan Telephone Cooperative, Inc.'s (Craw-
22 Kan) KUSF filing in Docket No. 13-CRKT-268-KSF (13-268 Docket), which states:

23 With regard to Craw-Kan's audit expense, the Commission agrees that audit
24 expense should be recovered over a five-year amortization period. However, once

these expenses have been fully covered, Craw-Kan's KUSF support should be reduced accordingly by removing any portions relating to audit expense. This provision ensures Craw-Kan will recover the full amount of its audit expense but does not over-recover from the KUSF.⁴

C. VARIOUS EXPENSES

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

A. Staff Adjustment No. 5 (IS-5) decreases SCT's operating expenses by \$31,892 on a total company basis, or \$17,409 on an intrastate basis.⁵ Staff's adjustment removes various expenses that are inappropriate for recovery through the KUSF support mechanism. This includes 100% removal of:

- Expenses related to corporate image and goodwill advertising that Staff contends are not necessary to provide sufficient and efficient regulated telephone service;
- Dues, donations, and sponsorships made by SCT to local charitable, civic, and social organizations and entities;
- Employee expenses such as seat upgrades for travel and miscellaneous gifts; and
- Lobbying expenses and legislative monitoring recorded by SCT during the test year. Lobbying is not necessary for the provision of safe and reliable utility service and does not directly benefit universal service customer.

Q. Please provide a more detailed explanation of why Staff is recommending 100% removal of dues and donations.

A. In the 22-COST-546-KSF Docket, Staff made the recommendations to disallow these types of expenses from being recovered through KUSF support in light of the 2018 Order

⁴ Order Granting Joint Motion for Approval of Craw-Kan's Annual Cost-Based KUSF Support and for Approval of Additional Requirements, 13-268 Docket, p. 5, ¶16 (Apr. 17, 2013).

⁵ See Exhibit KALF-3.

1 approved by the Federal Communications Commission (FCC).⁶ Specifically, paragraph 28
2 of the FCC Order states:

3 *Expenses Unrelated to Operations.* – We next codify the existing prohibitions on
4 recovering support for expenses unrelated to operations – including political
5 contributions, charitable donations, scholarships, membership fees and dues in
6 clubs and organizations, sponsorships of conferences or community events, and
7 penalties or fines for statutory or regulatory violations, penalties or fees for late
8 payments on debt, loans, or other payments – from high-cost support... Expenses
9 unrelated to operations, however, are not currently included in these high-cost
10 support calculations. Instead, under our current rules, “nonoperating expenses” –
11 including political contributions, contributions for charitable, social, or community
12 welfare purposes, membership fees and dues in social, service and recreational or
13 athletic clubs and organizations, and penalties and fines on account of violations of
14 statutes – are recorded in Account 7300, presumed excluded from the costs of
15 service in setting rates, and not included in high-cost support calculations. Expenses
16 unrelated to operations have historically not been recoverable from high-cost
17 support because by definition these expenses are not operational in nature and are
18 ancillary to core business objectives. Expenses must fall within the scope of the
19 statutory requirement that support be used “only for the provision, maintenance,
20 and upgrading of facilities and services for which support is intended.”⁷
21

22 Furthermore, the disallowance of these expenses are further discussed and reiterated in
23 paragraphs 31 and 32 of the FCC Order, which states in part:

24 Charitable donations and scholarships are expenses unrelated to operations that
25 may not be recovered from high-cost support. We recognize the benefits charitable
26 donations provide to the community... [h]owever, charitable donations are
27 unrelated to the provision, maintenance, and upgrading of facilities and services for
28 which the high-cost support is intended.⁸
29

30 Membership fees and dues in clubs and organizations, including social, service, and
31 recreational or athletic clubs and organizations, as well as trade associations and
32 organizations that provide professional or trade certifications such as state bar
33 associations, are expenses unrelated to operations excluded from high-cost
34 support... We recognize the educational and training benefits that trade associations
35 provide and that membership in chambers of commerce may help stimulate
36 business. However, as other commenters acknowledge, a function of many of these
37 organizations is advocacy on behalf of their members for the purpose of influencing

⁶ *Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking*, FCC 18-29 (Mar. 23, 2018), (2018 FCC Order) See <https://docs.fcc.gov/public/attachments/FCC-18-29A1.pdf>.

⁷ *Ibid.*, pp. 13-14.

⁸ *Ibid.*, p. 15.

1 public policy which is not used for the provision, maintenance, and upgrading of
2 facilities and services for which support is intended. Just as ETCs may not recover
3 lobbying expenses under our rules, similarly, they may not recover membership
4 fees in organizations that engage in lobbying. Further, professional affiliations or
5 certifications such as state bar associations, accounting associations, or other
6 professional groups may facilitate general corporate functions but are not used only
7 for the provision of supported facilities and services.⁹
8

9 Therefore, consistent with the FCC's ruling on these types of unrelated operational
10 expenses and to prevent the KUSF from subsidizing expenses not recovered via the federal
11 universal service fund high-cost support mechanisms, Staff finds these expenses
12 inappropriate to recover from the KUSF as they are unnecessary for the provision of
13 sufficient and efficient universal service.

14 **Q. Does Staff's adjustment reflect the recent Order in Docket 20-UTAT-032-KSF (20-**
15 **032)?**

16 **A.** Yes. In the 20-032 Order, the Commission laid out six factors for the review of Board costs
17 detailed below which Staff utilized in its review of Board expenses. These factors are as
18 follows:

- 19 (1) Whether the expenses are just and reasonable;
- 20 (2) Do the expenses disproportionately benefit the RLECs' shareholders at the
21 expense of contributors to the KUSF;
- 22 (3) Are the benefits reasonably related to the qualifications of the Board members;
- 23 (4) Are the Board members independent or are they family members or employees
24 of the RLEC;
- 25 (5) Are the expenses reasonable compared to the costs incurred by other similarly-
26 situated and similarly-sized RLECs throughout the state and the country; and

⁹ *Ibid.*, pp. 15-16.

1 (6) Any other evidence the Commission determines is relevant to the issue of
2 whether cost recovery through the KUSF should be allowed for these expenses.

3 Staffs evaluation of these factors is as follows:

4 **Just and Reasonable:** As a result of Staffs review, Staff has determined that the remaining
5 Board expenses are just and reasonable. This is the overarching standard by which all
6 expenses in the cost of service are measured, and in this case, the application of each of the
7 below standards allows Staff to be confident that this is the case.

8 **Disproportionate Benefit of Shareholders:** This standard is not directly applicable to
9 SCT because it is a member-owned cooperative, therefore, it does not have shareholders in
10 the fashion that a for-profit RLEC would. If an RLEC was attempting to shift costs from
11 non-regulated operations to the regulated side of the business, this could potentially benefit
12 SCT's members at the expense of nonmember contributors to the KUSF.

13 **Qualifications of Board Members:** SCT's board members are elected by its members and
14 are required to live within a district in SCT's service territory for more than six months of
15 each calendar year. Additionally, Board members cannot be related to any SCT employee
16 or director. Since Board members are elected by the customers of SCT, which in turn own
17 the company, Staff has no concern with the qualifications of the board members.

18 **Reasonable Compared to Similarly Sized RLEC's:** To evaluate this factor, Staff
19 compared the costs of SCT's board compensation costs to other similarly-situated and
20 similarly-sized RLECs throughout the country as reported in the 2022 NTCA's Survey of
21 Compensation & Benefits. As a result of Staffs review, Staff has determined that the
22 remaining board expenses are just and reasonable.

1 **Any Other Evidence:** Lastly, for factor six, the Commission requested any other evidence
2 to assist the Commission in determining whether cost recovery should be recovered
3 through the KUSF. Staff has evaluated each of the above factors but doesn't have any
4 additional evidence to provide at this time.

5 **D. PAYROLL EXPENSE**

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

7 A. Staff Adjustment No. 6 (IS-6) increases SCT's payroll expense by \$90,435 on a total
8 company basis or increases \$21,139 on an intrastate basis.¹⁰ Staff normalized test year
9 payroll using current salary information, and utilized current labor distribution, from the
10 pay period of January 1, 2023, through July 2023. Staff's total payroll adjustment was
11 then calculated from the difference between the account distributed pro forma wages and
12 the actual account distributed wages recorded in the 2022 test year.

13 Staff contends that annualizing actual wages from January 1, 2023, through July
14 2023, is appropriate to establish the Company's most current level of overtime, position
15 levels, and plant and construction activities on a going-forward basis.

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

18 A. Yes. Staff reviewed every SCT's employee compensation to other similarly-sized phone
19 companies. Staff's analysis reviewed all 38 SCT employees that allocate time to the
20 regulated side of the business, are below or within the 2022 NTCA Compensation +
21 Benefits Report's midrange. Therefore, Staff contends that SCT employees are

¹⁰ See Exhibit KALF-4 through KALF-4c.

1 compensated fairly and within a reasonable range to provide Universal service.

2 Therefore, no adjustment is needed to employee pay.

3 **E. EMPLOYEE BENEFIT AND PAYROLL TAX EXPENSE**

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

5 A. Staff Adjustment No. 7 (IS-7) increases SCT's employee benefit and payroll tax expense
6 by \$72,671 on a total company basis or increases \$43,145 on an intrastate basis.¹¹ Staff's
7 adjustment updates the Company's current employee benefit and payroll tax expenses,
8 including employer contributions to employee retirement, group health plans, and FICA
9 and Medicare payroll taxes. Staff utilized the updated labor distribution calculated in
10 Staff Exhibit KALF-4b to allocate these expenses.

11 **F. REMOVAL OF AMORTIZATION OF INTANGIBLE COSTS**

12 **Q. Please continue by discussing Staff Adjustment No. 11 to the Income Statement.**

13 A. Staff Adjustment No. 11 (IS-11) increases SCT's Operating Income by \$108,888 on a
14 total company basis or increases \$68,337 on an intrastate basis.¹² Staff has found no
15 evidence that SCT was granted Commission approval to recover an Acquisition Premium
16 recovery through its KUSF support. In SCT's Cost Study adjustment, the Company
17 removed from its Rate Base the Acquisition Premium. Staff's adjustment reflects the
18 income statement side of the Acquisition Premium removal.

19 **Q. Does this conclude your testimony?**

20 A. Yes, thank you.

¹¹ See Exhibit KALF-5 through KALF-5d.

¹² See Exhibit KALF-6.

VII. SUMMARY OF EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
KALF-1	Work paper for Staff's KUSF Adjustment
KALF-2	Work paper for Staff's Audit Expense Adjustment
KALF-3	Work paper for Staff's Expense Adjustment
KALF-4	Work paper for Payroll Expense Adjustment
KALF-4a	Summary for Payroll Expense Adjustment
KALF-4b	Detail paper for Updated Labor Distribution
KALF-4c	Detail paper for Test Year Labor Distribution
KALF-5	Work paper for Staff's Benefit & Payroll Tax Expense Adjustment
KALF-5a	Employee Benefit & Payroll Tax Expense Adjustment Distribution
KALF-5b	Summary for Employee Benefit & Payroll Tax Expense Adjustment
KALF-5c	Detail paper for Employee Benefit Expense Adjustment
KALF-5d	Detail paper for Payroll Tax Expense Adjustment
KALF-6	Work paper for Staff's Amortization of Intangible Adjustment

Kansas Universal Service Fund

Adjustment No. 3

Test Year Ending December 31, 2022

Line No.	Description	Total Company	Intrastate Separation	Intrastate Adjustment
1	Adjustment to Network Access Revenues (Acct. 5080)	173	1.000000	173
2	Adjustment to Local Network Services Revenue (Acct. 5001)	1,648	1.000000	1,648
3	Adjustment to Kansas Universal Service Fund (Acct. 5001)	(4,893)	1.000000	(4,893)
4	Staff Adjustment to Kansas Universal Service Fund	\$ (3,072)		\$ (3,072)
5	Intrastate Access Reduction			
6	Intrastate Access Reduction July 2023		173	
7	Staff Adjustment			173
8	Local Service Revenue		1,648	
9	Annual Local Revenue Decrease Effective March 2023 - Year 27			1,648
10	Staff Adjustment			
11	KUSF			
12	KUSF Support Calculation Worksheet (Issue No. 35)		202,002	FY25
13	Kansas Universal Service Fund included in the Test Year		206,895	
14	Staff Adjustment			(4,893)

Sources: Docket 22-GIMT-549-GIT

Docket 23-GIMT-261-GIT

Docket 23-GIMT-261-GIT, Testimony of Sandy Reams, Attachment A

South Central Application, Section 9, Schedule 1, Line 3

Audit Expense

Adjustment No. 4

Test Year Ending December 31, 2022

Line No.	Description	Total Company	Intrastate Separations	Intrastate Adjustment
1	Adjustment to General and Administrative - Audit Expense	(19,655)	1.000000	(19,655)
2	Staff Adjustment to Audit Expense	\$ (19,655)		\$ (19,655)
<u>Breakdown of Adjustment</u>				
3	TCA Consultant Fees		39,295	
4	Jamison Law Fees		3,375	
5	KCC Assessable Audit Expense		12,431	
6	Total Audit Expenses		51,726	
7	Amortization Period (Years)		5	
8	Annual Audit Amortization			10,345
9	Less: Company Adjustment for Audit Expense			30,000
10	Staff Adjustment to Audit Expense (Acct. 6720)			\$ (19,655)
<u>KCC Maximum Assessment Calculation</u>				
11	Maximum Assessment for Fiscal Year per Accounting		13,166	
12	Less: Assessments to Date (includes Audit Assessments)		(6,821)	
13	Remaining Maximum Assessment for Fiscal Year		6,345	
13	Assessments for Docket to date		6,086	
14	Maximum Assessment for Docket		12,431	
<u>KCC Audit Expenses</u>				
15	KCC Staff Audit Expense	21,487		
16	Consultants and Expenses	8,991		
17	Total KCC Audit Expenses		30,478	
18	Total KCC Audit Expense			\$ 12,431

Sources: Application, Section 9

South Central's Response to Staff Data Request No. 34 (Expenses through Oct. 31, 2023)

Expenses

Adjustment No. 5

Test Year Ending December 31, 2022

Line No.	Account	Account Description	Staff Adjustment	Intrastate Separations	Intrastate Adjustment
1	6532.000	Network Operations Expense	(39)	0.627587	(24)
2	6613.000	Marketing Expense	(205)	0.537728	(110)
3	6711.040	Executive and Planning Expense	(1,506)	0.599354	(903)
4	6722.060	General and Administrative Expense	(9,420)	0.532329	(5,015)
5	7370.000	Contributions and Fees	(20,721)	0.548083	(11,357)
6	Total Adjustment		\$ (31,892)		\$ (17,409)

Line No.	Account	Description	Vendor	Amount	Percent to Remove	Adjustment Amount
7	6532.000	Seat Upgrade	Airline	20	100%	20
8	6532.000	Seat Upgrade	Airline	20	100%	20
9	6613.000	2022 Spearville Softball Banner Ad	Royal Publishing	93	100%	93
10	6613.000	2022 Sedgwick Baseball Banner Ad	Royal Publishing	113	100%	113
11	6711.040	Seat Upgrade	Airline	851	100%	851
12	6711.040	Seat Upgrade	Airline	655	100%	655
13	6722.060	Memorial Donation	Parkinson Foundation of Oklahoma	85	100%	85
14	6722.060	Donation	First Christian Church	164	100%	164
15	6722.060	Memorial Donation - Aldridge	Kanokla Telephone	104	100%	104
16	6722.610	Memorial Donation - Boor	First Christian Church	100	100%	100
17	6722.610	Retirement Flowers	D & K Floral Designs	63	100%	63
18	6722.610	Legislative Monitoring	Telecom Support Services	2,400	100%	2,400
19	6723.020	Cross Country Sponsor	Barber Co Agri	60	100%	60
20	6723.020	Holiday Party Gift Certificate	Amazon	25	100%	25
21	6723.020	Holiday Gift Chair	Orscheln	60	100%	60
22	6723.020	Gift Certificate	Red Dirt Jacks	50	100%	50
23	6723.020	Gift Certificate	Whites Foodliner	50	100%	50
24	6723.020	Gift Certificate Chk 59845	Holiday Party	50	100%	50
25	6723.020	T-Shirts for Event	N Zone	99	100%	99
26	6723.020	Memorial Contribution	Anthony Gun Club	100	100%	100
27	6723.020	Memorial Contribution	Harper County 4-H	100	100%	100
28	6723.020	Memorial Contribution	Barber Co Fair Association	100	100%	100
29	6723.020	Donation	Medicine Lodge Memorial Hospital	25	100%	25
30	6723.020	10 Year Anniversary Gift	Dollar General	56	100%	56
31	6723.020	Flower for Nikki Brown	D&K Floral & Designs	58	100%	58
32	6723.020	Communication Day Décor	Check 12837	58	100%	58
33	6723.020	Communication Day	Check 12803	66	100%	66
34	6723.020	Flowers for Sick Employee	Check 12670	71	100%	71
35	6723.020	Gift for Cody GEM Award	Red Dirt Jack's Inc	75	100%	75
36	6723.020	Nikki Brown Flowers	Capital Hill Florists	115	100%	115
37	6723.020	Gift Cards For Christmas Spirit Week	Amazon	125	100%	125
38	6723.020	Donation	Medicine Lodge Memorial Hospital	125	100%	125
39	6723.020	Employee Anniversary Gifts	Check 11939	146	100%	146
40	6723.020	Communication Day	Check 12805	180	100%	180
41	6723.020	Communication Day	Check 12803	180	100%	180
42	6723.020	Communication Day	Check 12908	335	100%	335
43	6723.020	Holiday party. Food, bowling	Check 11321	810	100%	810
44	6723.020	Holiday Party Deposit	HiFi Productions	1,342	100%	1,342
45	6723.021	Gift Cards	Check 11954	30	100%	30
46	6723.040	EE Appreciation Gifts	Check 12750	94	100%	94
47	6723.040	Appreciation Gifts	Check 12753	1,845	100%	1,845
48	6728.701	Party Plates	OTC Brands	21	100%	21
49	6728.701	Cupcakes	Out of the Oven Bakery	50	100%	50
50	7370.000	2023 Dues (95% for Advocacy)	WTA	4,250	95%	4,038

Expenses

Adjustment No. 5

Test Year Ending December 31, 2022

Line No.	Account Description	Vendor	Amount	Percent to Remove	Adjustment Amount
51	7370.001 2022-2023 Calendar Ad Renewal	Cosmos Lodge #278 Scout Hut	50	100%	50
52	7370.011 Fire Department Donations	Amortia-Byron Fire & Rescue	100	100%	100
53	7370.011 Fire Department Donations	Byers Fire District	100	100%	100
54	7370.011 Fire Department Donations	Hazeltown Fire District	100	100%	100
55	7370.011 Fire Department Donations	Kiowa Fire Department	100	100%	100
56	7370.011 Fire Department Donations	Reno County Fire District	100	100%	100
57	7370.011 Fire Department Donations	Sharon Fire District	100	100%	100
58	7370.011 Director's Contribution	Kiowa Senior Citizens	200	100%	200
59	7370.011 Contribution	Sharon Easter Egg Hunt	250	100%	250
60	7370.011 Director's Contribution	South Barber Food Bank	250	100%	250
61	7370.011 Director's Contribution	Kiowa Historical	250	100%	250
62	7370.011 Fire Department Donations	Barber Co Rural Fire Dept	300	100%	300
63	7370.011 Contribution	Barber County 4H Spring Show	300	100%	300
64	7370.011 Director's Contribution	Cunningham Community Center	500	100%	500
65	7370.011 Director's Contribution	Sharon Recreation Commission	500	100%	500
66	7370.011 Donation	Sunny Lakers 4-H	700	100%	700
67	7370.011 Scholarship	Northwestern Oklahoma State University	1,000	100%	1,000
68	7370.011 Scholarship	Northern Oklahoma College	1,000	100%	1,000
69	7370.011 Scholarship	Fort Hays State University	1,000	100%	1,000
70	7370.011 Contribution	Barber County Fair	1,000	100%	1,000
71	7370.011 Scholarship	Salina Tech	1,000	100%	1,000
72	7370.011 Donation	Sun City Community Center	1,000	100%	1,000
73	7370.011 Contribution	Harper County Extension	1,400	100%	1,400
74	7370.011 Contribution	Pratt County Fair Association	1,500	100%	1,500
75	7370.011 2023 Dues (25% Lobbying)	Communications Coalition of Kansas	2,335	25%	584
76	7370.011 Donation	Sun City Lake City	300	100%	300
77	7370.011 Director's Contribution	Paul Harbaugh	1,000	100%	1,000
78	7370.011 Director's Contribution	Mike V	1,000	100%	1,000
79	7370.011 Director's Contribution	Dan Hrencher	1,000	100%	1,000
80	Total Expenses to Remove from Case		\$ 33,856		\$ 31,892

Source: South Central's Response to Staff Data Request Nos. 3, 28, 32, 50, and 70

Line No.	Acct	Description	Staff Pro Forma		
			Wage & Distribution	Intrastate Separations	Intrastate Adjustment
		Plant Specific Operations Expense			
1	6110	Network Support Expense	439	0.627587	276
2	6120	General Support Expense	4,524	0.627587	2,839
3	6210	Central Office Switching Expense	(4,498)	0.554225	(2,493)
4	6230	Central Office Transmission Expense	74,958	0.554225	41,544
5	6310	Information Orig/Term Expense	-	0.000000	-
6	6410	Cable and Wire Facilities Exp	(34,164)	0.639452	(21,846)
7		Total Plant Specific Operations Expense	<u>\$ 41,259</u>		<u>\$ 20,319</u>
		Plant Non-Specific Operations Expense			
8	6510	Other Plant Expense	39,761	0.627587	24,954
9	6530	Network Operations Expense	38,476	0.627587	24,147
10	6540	Access Expense	-	0.000000	-
11	6560	Depreciation & Amortization	-	0.619906	-
12	6564	Amort of Intangible	-	0.627587	-
13		Total Plant Non-Specific Operations Expense	<u>\$ 78,237</u>		<u>\$ 24,147</u>
		Customer Operations Expense			
14	6610	Marketing Expense	(10,213)	0.537728	(5,492)
15	6620	Directory Expense	(21,977)	0.836088	(18,375)
16	6620	Services Expense	-	0.536261	-
17		Total Customer Operations Expense	<u>\$ (32,190)</u>		<u>\$ (23,866)</u>
		Corporate Operations Expense			
18	6710	Executive and Planning Expense	(16,796)	0.599354	(10,067)
19	6720	General and Administrative Expense	19,925	0.532329	10,607
20		Total Corporate Operations Expense	<u>\$ 3,129</u>		<u>\$ 540</u>
21		Total Staff Adjustment	<u><u>\$ 90,435</u></u>		<u><u>\$ 21,139</u></u>

Source: Exhibit KALF-4a

Line No.	Acct	Description	Actual 2022 Test Year Wage & Distribution	% Actual 2022 Test Year Distribution	Staff Pro Forma Wage & Distribution	% Staff Pro Forma Distribution	Staff Adjustment Pro Forma Wage & Distribution	Staff Regulated Percentage	Subtotal Staff Adjustment Regulated
Plant Specific Operations Expense									
1	6110	Network Support Expense	2,758	0.12%	3,197	0.14%	439	100%	439
2	6120	General Support Expense	10,059	0.43%	14,582	0.63%	4,524	100%	4,524
3	6210	Central Office Switching Expense	4,498	0.19%	-	0.00%	(4,498)	100%	(4,498)
4	6230	Central Office Transmission Expense	1,785	0.08%	76,743	3.33%	74,958	100%	74,958
5	6310	Information Orig/Term Expense	-	0.00%	-	0.00%	-	100%	-
6	6410	Cable and Wire Facilities Exp	164,743	7.08%	130,579	5.66%	(34,164)	100%	(34,164)
7		Total Plant Specific Operations Expense	<u>\$ 183,843</u>	<u>7.90%</u>	<u>\$ 225,102</u>	<u>9.76%</u>	<u>\$ 41,259</u>		<u>\$ 41,259</u>
Plant Non-Specific Operations Expense									
8	6510	Other Plant Expense	-	0.00%	39,761	1.72%	39,761	100%	39,761.22
9	6530	Network Operations Expense	588,510	25.29%	626,986	27.18%	38,476	100%	38,476
10	6540	Access Expense	-	0.00%	-	0.00%	-	100%	-
11	6560	Depreciation & Amortization	-	0.00%	-	0.00%	-	100%	-
12	6564	Amort of Intangible	-	0.00%	-	0.00%	-	100%	-
13		Total Plant Non-Specific Operations Expenses	<u>\$ 588,510</u>	<u>25.29%</u>	<u>\$ 666,747</u>	<u>28.90%</u>	<u>\$ 78,237</u>		<u>\$ 78,237</u>
Customer Operations Expense									
14	6610	Marketing Expense	83,275	3.58%	73,063	3.17%	(10,213)	100%	(10,213)
15	6620	Directory Expense	526,481	22.62%	504,504	21.87%	(21,977)	100%	(21,977)
16	6620	Services Expense	-	0.00%	-	0.00%	-	100%	-
17		Total Customer Operations Expense	<u>\$ 609,756</u>	<u>26.20%</u>	<u>\$ 577,566</u>	<u>25.04%</u>	<u>\$ (32,190)</u>		<u>\$ (32,190)</u>
Corporate Operations Expense									
18	6710	Executive and Planning Exp	110,618	4.75%	93,822	4.07%	(16,796)	100%	(16,796)
19	6720	General and Administrative Exp	329,169	14.14%	349,094	15.13%	19,925	100%	19,925
20	6720	General and Administrative (Rate Case Expense)	-	0.00%	-	0.00%	-	100%	-
21		Total Corporate Operations Expense	<u>\$ 439,787</u>	<u>18.90%</u>	<u>\$ 442,916</u>	<u>19.20%</u>	<u>\$ 3,129</u>		<u>\$ 3,129</u>
22		Total Regulated Expense	<u>\$ 1,821,897</u>	<u>78.29%</u>	<u>\$ 1,912,332</u>	<u>82.89%</u>	<u>\$ 90,435</u>		<u>\$ 90,435</u>
23		Direct Non-Regulated Expense	346,618	14.89%	225,332	9.77%	(121,286)		
24	2003	Telephone Plant Under Construction	158,726	6.82%	169,356	7.34%	10,629		
25		Total Salary: TPUC + Reg Expense + Non-Reg Expense	<u>\$ 2,327,241</u>	<u>100.00%</u>	<u>\$ 2,307,020</u>	<u>100.00%</u>	<u>\$ (20,222)</u>		

Sources: Exhibits KALF-4b and KALF-4c

2023 Payroll Distribution
Test Year Ending December 31, 2022

Line No.	Account	PR Distribution Report through July 2023	Clearing Accounts	Spread of Clearing Accounts	Total	Gross Up % of Annualized Salary	Annualized Salary
1	2003.003	101,817.43		9,290.33	111,107.76	7.34%	169,355.70
2	2003.013	1,603.62		146.32	1,749.94	0.12%	2,667.34
3	4120.003	126,555.93	(126,555.93)		-	0.00%	-
4	5080.315	2,594.71		236.75	2,831.46	0.19%	4,315.85
5	6112.001	1,339.20		122.20	1,461.40	0.10%	2,227.53
6	6116.000	582.97		53.19	636.16	0.04%	969.67
7	6121.001	8,767.06		799.95	9,567.01	0.63%	14,582.49
8	6121.012	103.03		9.40	112.43	0.01%	171.37
9	6232.001	657.76		60.02	717.78	0.05%	1,094.07
10	6232.023	45,946.78		4,192.41	50,139.19	3.31%	76,424.53
11	6232.902	191.58		17.48	209.06	0.01%	318.66
12	6311.001	152.84		13.95	166.79	0.01%	254.22
13	6311.005	26,976.60		2,461.48	29,438.08	1.94%	44,870.91
14	6311.008	28,590.09		2,608.70	31,198.79	2.06%	47,554.68
15	6423.001	136.96		12.50	149.46	0.01%	227.81
16	6423.002	78,367.72		7,150.66	85,518.38	5.65%	130,351.16
17	6423.012	7,732.33		705.54	8,437.87	0.56%	12,861.40
18	6431.001	815.35		74.40	889.75	0.06%	1,356.19
19	6512.001	23,904.63		2,181.18	26,085.81	1.72%	39,761.22
20	6531.002	294.73		26.89	321.62	0.02%	490.23
21	6531.012	141.01		12.87	153.88	0.01%	234.55
22	6532.000	228,370.72		20,837.68	249,208.40	16.47%	379,855.24
23	6533.000	6,579.40		600.34	7,179.74	0.47%	10,943.70
24	6534.000	77,140.56		7,038.69	84,179.25	5.56%	128,309.99
25	6535.000	64,561.62		5,890.92	70,452.54	4.65%	107,387.10
26	6611.000	10,775.43		983.20	11,758.63	0.78%	17,923.07
27	6611.001	33,150.13		3,024.78	36,174.91	2.39%	55,139.51
28	6623.100	247,578.86		22,590.32	270,169.18	17.85%	411,804.66
29	6623.120	37,318.43		3,405.12	40,723.55	2.69%	62,072.76
30	6623.701	18,412.74		1,680.07	20,092.81	1.33%	30,626.41
31	6711.001	33,439.91		3,051.22	36,491.13	2.41%	55,621.51
32	6711.005	6,687.82		610.23	7,298.05	0.48%	11,124.03
33	6711.040	40,127.75		3,661.45	43,789.20	2.89%	66,745.58
34	6711.050	16,278.45		1,485.33	17,763.78	1.17%	27,076.39
35	6721.000	79,120.68		7,219.36	86,340.04	5.70%	131,603.58
36	6721.021	43,715.84		3,988.85	47,704.69	3.15%	72,713.75
37	6722.001	25,975.64		2,370.15	28,345.79	1.87%	43,205.99
38	6722.060	22,408.73		2,044.68	24,453.41	1.62%	37,273.05
39	6723.040	53,890.47		4,917.23	58,807.70	3.89%	89,637.49
40	6726.000	9,818.39		895.88	10,714.27	0.71%	16,331.20
41	6726.001	923.04		84.22	1,007.26	0.07%	1,535.32
42	Total 2023 Payroll	1,513,547	(126,556)	126,556	1,513,547		2,307,020
							2,573,675

Note: For hourly employees, Staff took the amount paid to each employee through July 31 then the employee's pay to

Source: South Central's Resonse to Data Request No. 11

Line No.	Account	2022 Payroll Distribution	Clearing Accounts	Spread of Clearing Accounts	Total
1	1190.001	35.98	(35.98)	-	-
2	2003.003	150,875.69		7,850.56	158,726.25
3	2003.013	1,284.94		66.86	1,351.80
4	4120.003	99,771.37	(99,771.37)	-	-
5	4120.004	73,749.51		3,837.43	77,586.94
6	4120.005	23,168.63		1,205.54	24,374.17
7	4120.006	15,297.47	(15,297.47)	-	-
8	5080.315	7,371.01		383.54	7,754.55
9	5260.108	11,370.40		591.64	11,962.04
10	5280.121	531.53		27.66	559.19
11	6112.000	6,931.03		360.64	7,291.67
12	6112.001	2,621.42		136.40	2,757.82
13	6116.000	828.47		43.11	871.58
14	6121.001	9,561.03		497.49	10,058.52
15	6212.000	4,276.00		222.49	4,498.49
16	6232.001	1,696.92		88.30	1,785.22
17	6232.023	58,855.98		3,062.47	61,918.45
18	6232.902	2,140.05		111.35	2,251.40
19	6311.008	42,159.30		2,193.69	44,352.99
20	6423.001	177.31		9.23	186.54
21	6423.002	156,417.65		8,138.93	164,556.58
22	6423.012	9,005.37		468.58	9,473.95
23	6512.001	34,120.51		1,775.40	35,895.91
24	6531.002	361.64		18.82	380.46
25	6531.012	301.70		15.70	317.40
26	6532.000	344,738.82		17,937.91	362,676.73
27	6533.000	14,489.13		753.92	15,243.05
28	6534.000	98,118.47		5,105.43	103,223.90
29	6535.000	99,681.49		5,186.76	104,868.25
30	6535.001	2,013.34		104.76	2,118.10
31	6611.000	17,750.08		923.60	18,673.68
32	6611.001	61,406.41		3,195.18	64,601.59
33	6623.100	389,906.01		20,288.11	410,194.12
34	6623.120	47,145.62		2,453.14	49,598.76
35	6623.701	63,389.55		3,298.37	66,687.92
36	6711.001	48,046.38		2,500.01	50,546.39
37	6711.005	9,609.62		500.02	10,109.64
38	6711.040	84,654.96		4,404.88	89,059.84
39	6711.050	20,491.96		1,066.26	21,558.22
40	6721.000	37,283.90		1,940.01	39,223.91
41	6721.021	141,577.40		7,366.74	148,944.14
42	6722.060	11,915.88		620.02	12,535.90
43	6723.020	1,745.39		90.82	1,836.21
44	6723.040	93,246.15		4,851.91	98,098.06
45	6726.000	9,637.55		501.47	10,139.02
46	6726.001	17,322.09		901.33	18,223.42
47	6728.501	160.32		8.34	168.66
48	Total 2022 Payroll	2,327,241.43	(115,104.82)	115,104.82	2,327,241.43

Source: South Central's Resonse to Staff Data Request No. 11

Line No.	Acct	Description	Staff Adjustment	Intrastate Separations	Intrastate Adjustment
Plant Specific Operations Expense					
1	6110	Network Support Expense	222	0.627587	139
2	6120	General Support Expense	1,893	0.627587	1,188
3	6210	Central Office Switching Expense	(1,570)	0.554225	(870)
4	6230	Central Office Transmission Expense	27,816	0.554225	15,416
5	6310	Information Orig/Term Expense	-	-	-
6	6410	Cable and Wire Facilities Expense	(9,120)	0.639452	(5,831)
7		Total Plant Specific Operations Expense	<u>\$ 19,241</u>	-	<u>\$ 10,042</u>
Plant Non-Specific Operations Expense					
8	6510	Other Plant Expense	14,734	0.627587	9,247
9	6530	Network Operations Expense	26,907	0.627587	16,886
10	6540	Access Expense	-	-	-
11	6560	Depreciation & Amortization	-	0.619906	-
12	6564	Amort of Intangible	-	0.627587	-
13		Total Plant Non-Specific Operations Expense	<u>\$ 41,641</u>		<u>\$ 26,134</u>
Customer Operations Expense					
14	6610	Marketing Expense	(1,995)	0.537728	(1,073)
15	6620	Directory Expense	3,172	0.836088	2,652
16	6620	Services Expense	-	0.536261	-
17		Total Customer Operations Expense	<u>\$ 1,177</u>		<u>\$ 1,579</u>
Corporate Operations Expense					
18	6710	Executive and Planning Expense	(3,847)	0.599354	(2,306)
19	6720	General and Administrative Expense	14,459	0.532329	7,697
20		Total Corporate Operations Expense	<u>\$ 10,612</u>		<u>\$ 5,391</u>
21		Total Staff Adjustment	<u><u>\$ 72,671</u></u>		<u><u>\$ 43,145</u></u>

Source: Exhibit KALF-5a

South Central Telephone Association, Inc.
Benefit and Payroll Tax Expense Distribution
Test Year Ending December 31, 2022

Line No.	Acct	Description	% Actual 2022 Test Year Distribution	Total Actual 2022 Test Year Benefit & Payroll Tax	% Staff Pro Forma Distribution	Total Staff Pro Forma Benefit & Payroll Tax	Staff Adjustment Benefit & Payroll Tax	Staff Regulated Percentage	Subtotal Staff Adjustment Regulated
		Plant Specific Operations Expense							
1	6110	Network Support Expense	0.12%	963	0.14%	1,185	222	100.00%	222
2	6120	General Support Expense	0.43%	3,511	0.63%	5,404	1,893	100.00%	1,893
3	6210	Central Office Switching Expense	0.19%	1,570	0.00%	-	(1,570)	100.00%	(1,570)
4	6230	Central Office Transmission Expense	0.08%	623	3.33%	28,439	27,816	100.00%	27,816
5	6310	Information Orig/Term Expense	0.00%	-	0.00%	-	-	100.00%	-
6	6410	Cable and Wire Facilities Expense	7.08%	57,509	5.66%	48,389	(9,120)	100.00%	(9,120)
7		Total Plant Specific Operations Expense	7.90%	\$ 64,176	9.76%	\$ 83,417	\$ 19,241		\$ 19,241
		Plant Non-Specific Operations Expense							
8	6510	Other Plant Expense	0.00%	-	1.72%	14,734	14,734	100.00%	14,734
9	6530	Network Operations Expense	25.29%	205,437	27.18%	232,344	26,907	100.00%	26,907
10	6540	Access Expense	0.00%	-	0.00%	-	-	100.00%	-
11	6560	Depreciation & Amortization	0.00%	-	0.00%	-	-	100.00%	-
12	6564	Amort of Intangible	0.00%	-	0.00%	-	-	100.00%	-
13		Total Plant Non-Specific Operations Expense	25.29%	\$ 205,437	28.90%	\$ 247,079	\$ 41,641		\$ 41,641
		Customer Operations Expense							
14	6610	Marketing Expense	3.58%	29,070	3.17%	27,075	(1,995)	100.00%	(1,995)
15	6620	Directory Expense	22.62%	183,784	21.87%	186,956	3,172	100.00%	3,172
16	6620	Services Expense	0.00%	-	0.00%	-	-	100.00%	-
17		Total Customer Operations Expense	26.20%	\$ 212,854	25.04%	\$ 214,031	\$ 1,177		\$ 1,177
		Corporate Operations Expense							
18	6710	Executive and Planning Expense	4.75%	38,615	4.07%	34,768	(3,847)	100.00%	(3,847)
19	6720	General and Administrative Expense	14.14%	114,907	15.13%	129,365	14,459	100.00%	14,459
20		Total Corporate Operations Expense	18.90%	\$ 153,521	19.20%	\$ 164,133	\$ 10,612		\$ 10,612
21		Total Regulated Expense	78.29%	\$ 635,988	82.89%	\$ 708,659	\$ 72,671		\$ 72,671
22		Direct Non-Regulated Expense	14.89%	120,998	9.77%	83,502	(37,495)		
23	2003	Telephone Plant Under Construction	6.82%	55,408	7.34%	62,759	7,350		
24		Total: TPUC + Reg Expense + Non-Reg Expense	100.00%	\$ 812,394	100.00%	\$ 854,920	\$ 42,526		

Source: Exhibit KALF-5b

Line No.	Description	Amount
	Actual Test Year Benefit and Payroll Tax Expense:	
1	Employee Benefit Expense	639,133
2	Employer's Payroll Tax Expense	173,261
3	Total Benefit and Payroll Tax Expense	<u>\$ 812,394</u>
	Staff Pro Forma Adjustment Benefit and Payroll Tax Expense:	
4	Employee Benefit Expense	683,019
5	Employer's Payroll Tax Expense	171,900
6	Total Benefit and Payroll Tax Expense	<u>\$ 854,920</u>
7	Total Staff Adjustment Benefit and Payroll Tax Expense	<u>\$ 42,526</u>

Sources: Exhibits KALF-5c and KALF-5d

Line No.	Description	Amount
	<u>2022 Test Year Expense</u>	
1	January	50,197
2	February	48,808
3	March	54,225
4	April	53,343
5	May	50,784
6	June	53,200
7	July	54,351
8	August	54,126
9	September	54,201
10	October	55,017
11	November	55,554
12	December	55,329
13		<u>\$ 639,133</u>
	<u>Expense January 2023 thru November 2023</u>	
14	January	57,380
15	February	59,349
16	March	57,867
17	April	58,661
18	May	59,786
19	June	58,736
20	July	58,661
21	August	58,886
22	September	53,706
23	October	52,516
24	November	52,141
25	Staff Pro Forma Expense	683,019
26	Staff Adjustment	<u>\$ 43,887</u>

Source: South Central's response to Staff Data Request No. 74

Line No.	Description	Amount
1	2022 Test Year Wages	2,327,241
2	Less: Wages over \$147,000 2022 Income limit	(76,979)
3	Test Year Wages subject to Social Security Tax	<u>\$ 2,250,262</u>
4	Test Year Social Security Tax - Employers Share (6.2%)	139,516
5	Test Year Medicare Tax - Employers Share (1.45%)	33,745
6	Total Test Year FICA Tax	<u>\$ 173,261</u>
7	Staff's Pro Forma Wages	2,307,020
8	Less: Wages over \$160,200 2023 Income limit	(73,977)
9	Pro Forma Wages subject to Social Security Tax	<u>\$ 2,233,042</u>
10	Pro Forma Social Security Tax - Employers Share (6.2%)	138,449
11	Pro Forma Medicare Tax - Employers Share (1.45%)	33,452
12	Total Pro Forma FICA Tax	<u>\$ 171,900</u>
13	Total Staff Adjustment - Employee Benefit & Payroll Tax	<u>\$ (1,361)</u>

Source: Exhibits KALF-4b and KALF-4c

Line No.	Description	Staff Adjustment	Intrastate Separations	Intrastate Adjustment
1	Adjustment to Amortization of Intangible	(108,888)	0.627587	(68,337)
2	Staff Adjustment to Remove Amortization of Intangible	<u>\$ (108,888)</u>		<u>\$ (68,337)</u>

Source: South Central's Application

CERTIFICATE OF SERVICE

24-SCNT-131-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Testimony was served via electronic service this 12th day of December, 2023, to the following:

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