

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

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

In the Matter of the Application of Prairie Land)
Electric Cooperative, Inc. Seeking Commission) Docket No. 18-PLCE-462-TAR
Approval to Update its Local Access Delivery)
Tariff Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 16-MKEE-)
023-TAR)

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

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

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

Respectfully Submitted



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STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.

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

REPORT AND RECOMMENDATION UTILITIES DIVISION REDACTED VERSION

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

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

DATE: August 20, 2018

SUBJECT: Docket No. 18-PLCE-462-TAR – In the Matter of the Application of Prairie Land Electric Cooperative, Inc. Seeking Commission Approval to Update Its Local Access Delivery Service Tariff Pursuant to the 34.5kV Formula Based Rate Plan Approved in Docket No. 16-MKEE-023-TAR.

EXECUTIVE SUMMARY:

Staff recommends approval of the Prairie Land Electric Cooperative, Inc. – Mid-Kansas Division (Prairie Land Mid-Kansas) 34.5 kV monthly Local Access Charge (LAC) demand rate of \$2.79 per kilowatt month (kW-month). This rate was derived in accordance with the 34.5 kV Formula Based Rate (FBR) plan approved by the Kansas Corporation Commission (Commission) in Docket No. 16-MKEE-023-TAR (16-023 Docket). An Order is due in this matter by October 22, 2018.

BACKGROUND:

Prairie Land Electric Cooperative, Inc. (Prairie Land) is a member-owned distribution electric cooperative and member-owners of Kansas Electric Power Cooperative, Inc. (KEPCo); Sunflower Electric Power Corporation, Inc. (Sunflower); and Mid-Kansas Electric Company, Inc. (Mid-Kansas). Prairie Land serves approximately 24,802 retail customers in its Sunflower and Mid-Kansas service areas, as well as wholesale customers over its 34.5 kV system located in the Mid-Kansas service region. According to Kansas law, the services rendered to wholesale customers on the 34.5 kV system have been designated as “transmission service.”¹ Even though

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

Prairie Land has elected to deregulate from the jurisdiction, regulation, and control of the Commission, the Commission retains jurisdiction over charges related to transmission services.²

In the 16-023 Docket, the Commission approved a 34.5kV-FBR plan which allows for Prairie Land Mid-Kansas to make annual adjustments to its LAC demand rate assessed to wholesale customers receiving service off Prairie Land Mid-Kansas' 34.5 kV sub-transmission facilities.³ On April 23, 2018, Prairie Land Mid-Kansas filed a request in the current Docket to update its monthly LAC demand rate in accordance with the established 34.5kV-FBR plan. Prairie Land Mid-Kansas is proposing to increase its monthly LAC rate from \$2.73 per kW-month to \$2.79 per kW-month.⁴

In determining the proposed LAC rate, Prairie Land Mid-Kansas divided its original net revenue requirement of \$2,709,337 by the total billing demand of 919,563 kW. The initial resulting rate from this calculation is \$2.95 per kW-month. Upon removing the revenue associated with the portion of LAC property tax expense recovered through Prairie Land Mid-Kansas' current property tax surcharge, the resulting monthly LAC rate amounted to \$2.79 per kW.⁵ This proposed rate represents a 2.2% increase from Prairie Land Mid-Kansas' current LAC rate of \$2.73 per kW. Factors contributing to this increase include slight increases in transmission operating and maintenance expense, transmission plant depreciation expense and long-term interest expense from Docket No. 17-PLCE-478-TAR to the current Docket.

ANALYSIS:

Prairie Land submitted a revised calculation of its 34.5kV-FBR to correct two minor errors discovered by Staff. The result of these revisions was a \$2,133 increase to the net revenue requirement.⁶ This update is not material enough to affect the final monthly LAC rate of \$2.79 per kW-month. However, Staff is still recommending approval of the revised net revenue requirement of \$2,711,470 as this reflects an accurate calculation of the monthly LAC rate.

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

² See K.S.A. 66-104d(f).

³ See the Order Approving Settlement, Docket No. 16-MKEE-023-TAR (Mar. 10, 2016).

⁴ The LAC rate of \$2.73/kW-month was approved in Docket No. 17-PLCE-478-TAR. See Order Approving Prairie Land Electric Cooperative's Application to Update its Local Access Delivery Serv. Tariff issued on September 12, 2017, in that Docket.

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

⁶ One of these errors was an overstatement of Prairie Land's adjustment to administrative and general (A&G) expense due to a missing cell reference in the Excel version of Exhibit 10. As a result of the error, the adjustment to account 1.930.2 was stated as \$6,948.54 instead of the correct amount of \$4,480. This reduced the adjustment to total A&G expense (Exhibit 5, page 3) from \$53,208 to \$50,740. The other error was in Exhibit 9 where 2018 depreciation expense on account 1.373.0 was not originally calculated. The correction resulted in a \$44,475 increase to total 2018 depreciation expense on distribution plant, thereby increasing the Net Plant Allocator from 0.289651 to 0.289934. These two corrections collectively increased the net revenue requirement from \$2,709,337 to \$2,711,470. See Staff Exhibit 1 for revised versions of pages 1 through 4 and page 7 of Exhibit 5, and a revised version of Exhibit 9, page 3, which reflect these corrections. The amounts affected by the corrections are highlighted in yellow.

through the 34.5kV-FBR calculation. Staff elected to expand its audit this year and review this particular cost of service element, thereby obtaining further evidence that Prairie Land's cost of service and proposed revenue increase are just and reasonable.⁷

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

[REDACTED]

[REDACTED]

[REDACTED]

Staff concludes that Prairie Land has provided adequate information in order for Staff to ascertain the reasonableness of its three highest salaries. As a result of Staff's review of the

⁷ It should be noted that only 5.06% of Prairie Land's Administration and General expense flows through the calculation of the 34.5kV LAC rate. Therefore, only a minimal portion of the top three salaries is reflected in the revenue requirement. Nevertheless, salary expense is still included in Prairie Land's cost of service. Staff's review of Prairie Land's salaries further confirms the justness and reasonableness of Prairie Land's cost of service.

[REDACTED]

information provided, Staff concludes that the salaries of Prairie Land's three highest paid employees are just and reasonable. Therefore, Staff is not proposing any adjustments to Prairie Land's payroll expense in the present Docket.

RECOMMENDATION:

Staff recommends the Commission approve Prairie Land Mid-Kansas' revised 34.5kV-FBR net revenue requirement of \$2,711,470 and its proposed monthly LAC rate of \$2.79 per kW-month.

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line			Unadjusted		Adjusted			FBR
No	Description	Source	Test Year	Adjustments	Test Year	Allocation Factor	Factor	Revenue
			2017	No. Amount	2017	Name		Requirement
				Source: WP2		Source: WP3		
1	Operating Expenses							
2	Power Production Expense	WP1, L29, Col (d)	-		\$ -		0.000000	\$ -
3	Cost of Purchased Power	WP1, L30, Col (d)	\$ 19,531,745		\$ 19,531,745		0.000000	\$ -
4	Transmission O&M	WP1, L31, Col (d)	\$ 673,340		\$ 673,340		1.000000	\$ 673,340
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$ 2,105,181	[1] \$ -	\$ 2,105,181	DOM	0.000000	\$ -
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$ 805,069	[2] \$ -	\$ 805,069	DOM	0.000000	\$ -
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$ 799,512		\$ 799,512		0.000000	\$ -
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$ 497,404		\$ 497,404		0.000000	\$ -
9	Sales Expense	WP1, L36, Col (d)	\$ -		\$ -		0.000000	\$ -
10	Administration & General	WP1, L37, Col (d)	\$ 2,051,796	[3] \$ (50,740)	\$ 2,001,056	LAB	0.050642	\$ 101,337
11	Total O&M Expense	Sum (L2:L10)						\$ 774,677
12	Depreciation and Amortization							\$ -
13	Transmission	WP1, L40, Col (d)	\$ 526,721	[4a] \$ 54,731	\$ 581,453		1.000000	\$ 581,453
14	General Plant	WP1, L41, Col (d)	\$ 109,271	[4b] \$ 11,221	\$ 120,492	LAB	0.050642	\$ 6,102
15	Property Tax	WP1, L43, Col (d)	\$ -		\$ -	NP	0.289934	\$ -
16	Other Taxes	WP1, L44, Col (d)	\$ 630		\$ 630	NP	0.289934	\$ 183
17	L.T. Interest	WP1, L45, Col (d)	\$ 1,913,617	[5] \$ 157,452	\$ 2,071,068	NP	0.289934	\$ 600,473
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$ -	[6] \$ -	\$ -	NP	0.289934	\$ -
19	Interest-Other	WP1, L47, Col (d)	\$ 66,016	[7] \$ (41,696)	\$ 24,320	NP	0.289934	\$ 7,051
20	Other Deductions	WP1, L48, Col (d)	\$ 193,353	[8] \$ (193,353)	\$ -	NP	0.289934	\$ -
21	Total Cost of Electric Service							\$ 1,969,938
22								
23	Margin Requirement							
24	Principal Payments	WP1, L62, Col (d)	\$ 1,603,225	[10] \$ 60,527	\$ 1,663,752	NP	0.28993406	\$ 482,378
25	L.T. Interest	L17	\$ 1,913,617	\$ 157,452	\$ 2,071,068	NP	0.28993406	\$ 600,473
26	Subtotal	Sum (L24:L25)						\$ 1,082,852
27	Required Coverage Ratio	WP1, L64, Col (d)						1.80
28	Gross Margin Requirements	L26 x L27						1,080,852
29	Less: Offsets to Margin Requirements	WP4, L4 or L13, Col (i)						632,302
30	Net Margin Requirement	L28 - L29						\$ 448,550
31								
32	Total Revenue Requirements							
33	Greater of OTIER or MDSC Margin Requirements	L21 + L30						\$ 2,699,171
34	Plus: True-Up Amount	WP7, L13						\$ 12,299
35	Total Net Revenue Requirement	L33 + L34						\$ 2,711,470
36	Divided By Total Billing Demand	WP5, L30, Col (Total)						919,563 kW
37	Unadjusted Unit Rate	L35 / L36						\$2.95/kW-mo.
38	Less: Property Tax Surcharge	Dkt. No. 18-PLCE-269-TAR						\$0.15688/kW-mo.
39	Resultant Unit Rate							\$2.79/kW-mo.

Prairie Land Electric Cooperative, Inc.
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 1 - Input Data

Line No	Description (a)	Historical Test Year Input				Budget Year Input			
		Source (b)	Amount (c) (d)		Notes (e)	Source (f)	Amount (g) (h)		Notes (i)
1	A. Net Plant in Service - Using Average Monthly Balance		2017		Protocols, Section K		2018		Protocols, Section K
2			Plant in Service	Accum. Res. for Depr.			Projected Plant in Service	Projected Accum. Res. for Depr.	
3	1. Facilities Used to Provide Local Access Delivery Service								
4	Transmission Facilities								
5	350 Land and Land Rights	Trial Balance ¹	\$ 54,791				\$ 54,791		12 mo avg
6	352 Structures and Improvements	Trial Balance ¹	\$ 266,060				\$ 289,373		12 mo avg
7	353 Station Equipment	Trial Balance ¹	\$ 6,331,515				\$ 6,886,317		12 mo avg
8	355 Poles and Fixtures	Trial Balance ¹	\$ 8,508,007				\$ 9,253,525		12 mo avg
9	356 O.H. Conductors and Devices	Trial Balance ¹	\$ 7,035,848				\$ 7,652,367		12 mo avg
10	358 U.G. Conductors and Devices	Trial Balance ¹	\$ 3,706				\$ 4,031		12 mo avg
11	Subtotal	Sum(L5-L10)	\$ 22,199,927	\$ 10,479,286	GL acct 108.5	Exhibit 9, page 2	\$ 24,140,406	\$ 11,060,739	
12	Distribution Facilities (If Applicable)								
13	360 Land and Land Rights	Company Direct Assessment	N/A	N/A					
14	361 Structures and Improvements	Company Direct Assessment	N/A	N/A					
15	362 Station Equipment	Company Direct Assessment	N/A	N/A					
16	Subtotal	L13 + L15	\$ -	\$ -			\$ -	\$ -	
17	Total	L11 + L16	\$ 22,199,927	\$ 10,479,286			\$ 24,140,406	\$ 11,060,739	
18									
19	2. All Facilities								
20	301-301 Intangible Plant	Trial Balance ¹	\$ -	\$ -	GL acct 108.5	Ln 11	\$ 24,140,406	\$ 11,060,739	12 mo avg
21	350-359 Transmission Plant	Trial Balance ¹	\$ 22,199,927	\$ 10,479,286	GL acct 108.6-108.61	Exhibit 9, page 3	\$ 51,319,348	\$ 21,019,935	12 mo avg
22	360-373 Distribution Plant	Trial Balance ¹	\$ 49,392,055	\$ 19,293,811	GL acct. 108.7-108.78	Exhibit 9, page 4	\$ 5,199,296	\$ 3,098,960	12 mo avg
23	389-399 General Plant	Trial Balance ¹	\$ 5,083,502	\$ 2,978,468			\$ 80,659,050	\$ 35,179,633	
24	Total		\$ 76,675,484	\$ 32,751,566					
25									
26									
27									
28	B. Operating Expenses		EOY						
29	Power Production Expense	Statement of Operations	\$ -	\$ -					
30	Cost of Purchased Power	Statement of Operations	\$ 19,531,745	\$ -					
31	Transmission O&M	Statement of Operations	\$ 673,340	\$ -					
32	Distribution Expense-Operation	Statement of Operations	\$ 2,105,181	\$ -					
33	Distribution Expense-Maintenance	Statement of Operations	\$ 805,069	\$ -					
34	Consumer Accounts Expense	Statement of Operations	\$ 799,512	\$ -					
35	Customer Service and Informational Expense	Statement of Operations	\$ 497,404	\$ -					
36	Sales Expense	Statement of Operations	\$ -	\$ -					
37	Administrative and General	Statement of Operations	\$ 2,051,796	\$ -					
38	Depreciation and Amortization	Statement of Operations	\$ 2,175,152	\$ -					
39	Depreciation Expense - Distribution	Trial Balance	\$ 1,539,160	\$ -	GL 403.6	Exhibit 9, page 2	\$ 581,453		Protocols, Sections D.1.c and D.2.b.
40	Depreciation Expense - Transmission	Trial Balance	\$ 526,721	\$ -	GL 403.5	Exhibit 9, page 4	\$ 120,492		Protocols, Sections D.1.c and D.2.b.
41	Depreciation Expense - General Plant	Trial Balance	\$ 109,271	\$ -	GL 403.7				
42	Amortization of AP (booked within Depreciation Expense)	Trial Balance	\$ -	\$ -					
43	Property Tax	Statement of Operations	\$ -	\$ 630					
44	Other Taxes	Statement of Operations	\$ -	\$ -					
45	L.T. Interest	Statement of Operations	\$ 1,913,617	\$ -		Exhibit 9, page 6	\$ 2,071,068		Protocols, Section D.1.d
46	Interest Charged to Construction - Credit	Statement of Operations	\$ -	\$ -		Exhibit 9, page 6	\$ -		Protocols, Section D.1.d
47	Interest-Other	Statement of Operations	\$ 66,016	\$ -		Exhibit 9, page 6	\$ 24,320		Protocols, Section D.1.d
48	Other Deductions	Statement of Operations	\$ 193,353	\$ -					
49									
50	C. Payroll		Part of GL acct (Labor amt only)						
51	Transmission	Payroll Journal (Labor Amt)	\$ 62,716	\$ 560-573					
52	Distribution	Payroll Journal (Labor Amt)	\$ 708,578	\$ 580-598					
53	Customer Accounting	Payroll Journal (Labor Amt)	\$ 316,760	\$ 901-905					
54	Customer Service and Information	Payroll Journal (Labor Amt)	\$ 150,375	\$ 907-910					
55	Sales	Payroll Journal (Labor Amt)	\$ -	\$ 911-916					
56	Administration and General	Payroll Journal (Labor Amt)	\$ 673,745	\$ 920-932					
57	Total		\$ 1,912,173	Non-capitalized items					
58									
59									
60	D. Miscellaneous								
61	1. Debt Service								
62	Principal Payments	Supplementary Company Records	\$ 1,603,225	Exhibit 9, page 5	Exhibit 9, page 6	\$ 1,663,752			
63									
64	2. Target OTIER/MDSC			1.80 Section D.3 of the Protocols					
65									
66	3. Margin Requirement Offsets								
67	Investment in Associate Organizations - Patronage Capital	Balance Sheet	\$ 565,629	\$ 676,413					
68	Generation & Transmission Capital Credits	Statement of Operations	\$ -	\$ -					
69	Other Capital Credits and Patronage Dividends	Statement of Operations	\$ 220,564	\$ -					
70	Non-Operating Margins - Interest	Statement of Operations	\$ 151	\$ -					
71	Cash Received from G&T/Lenders	Company Records	\$ 109,780	Exhibit 9, page 7					
72									
73	4. Other								
74	AP Amortization Booked in Other Deductions	Supplementary Company Records	\$ 193,353	GL 425.0					
75									

12 mo average

Prairie Land Electric Cooperative, Inc.

Mid-Kansas Service Area

34.5kV Formula Based Rate

Revised Work Paper 2 - Adjustments To Historical Test Year Expenses

For the Historical Test Year Ending December 31, 2017

Line No	Type	Source	Amount	Notes
1	1. Adjustment to Distribution Operations Expense per K.S.A. 66-101f(a), if any:			
2	Applicable Disallowance - Distribution Operations	WP6	\$ -	not applicable
3	Total Adjustment	L2	\$ -	
4				
5	2. Adjustment to Distribution Maintenance Expense per K.S.A. 66-101f(a), if any:			
6	Applicable Disallowance - Distribution Maintenance	WP6	\$ -	not applicable
7	Total Adjustment	L6	\$ -	
8				
9	3. Adjustment to Administrative & General per K.S.A. 66-101f(a), if any:			Protocols, D.1.b
10	Applicable Disallowance - A&G	WP6	\$ 50,740	
11	Total Adjustment	L10	\$ (50,740)	
12				
13	4. Adjustment to Depreciation Expense			Protocols, D.1.c and D.2.b
14	(a) Transmission			
15	Historical Amount	Pg.1, L13, Col (d)	\$ 526,721	
16	Projected	WP1, L40, Col (h)	\$ 581,453	
17	Total Adjustment	L16 - L15	\$ 54,731	
18	(b) General Plant			
19	Historical Amount	Pg.1, L14, Col (d)	\$ 109,271	
20	Projected	WP1, L41, Col (h)	\$ 120,492	
21	Total Adjustment	L20 - L19	\$ 11,221	
22				
23	5. Adjustment to LT Interest			Protocols, D.1.d
24	Historic Amount	Pg.1, L17, Col (d)	\$ 1,913,617	
25	Projected Amount	WP1, L45, Col (h)	\$ 2,071,068	
26	Total Adjustment	L25 - L24	\$ 157,452	
27				
28	6. Adjustment to Interest Charged To Construction			Protocols, D.1.d
29	Historical Amount	Pg.1, L18, Col (d)	\$ -	
30	Projected Amount	WP1, L46, Col (h)	\$ -	
31	Total Adjustment	L30 - L29	\$ -	
32				
33	7. Adjustment to Interest-Other			Protocols, D.1.d
34	Historical Amount	Pg.1, L19, Col (d)	\$ 66,016	
35	Projected Amount	WP1, L47, Col (h)	\$ 24,320	
36	Total Adjustment	L35 - L34	\$ (41,696)	
37				
38	8. Adjustment to Other Deductions:			Protocols, D.1.e
39	Historical Amount	Pg.1, L20, Col (d)	\$ 193,353	
40	Less: Amortization of AP booked in Other Deductions	WP1, L74, Col (d)	\$ 193,353	
41	Historical Amount with AP removed	L39 - L40	\$ -	
42	Sub-total Adjustment	L36 - L34	\$ (193,353)	
43	Less: Applicable Disallowance - Other Deductions	WP6	\$ -	
44	Total Adjustment	L42 - L43	\$ (193,353)	
45				
46	9. Adjustment to Principal Payments			Protocols, D.1.f
47	Historical Amount	Pg.1, L24, Col (a)	\$ 1,603,225	
48	Projected Amount	WP1, L62, Col (h)	\$ 1,663,752	
49	Total Adjustment	L48 - L47	\$ 60,527	
50				

Prairie Land Electric Cooperative, Inc.
Mid-Kansas Service Area
34.5kV Formula Based Rate
Revised Work Paper 3 - Allocation Factors

Line No.	Description	Source	Allocator	Amount
1	Distribution O&M Allocation Factor - Using Budget Year Input			
2	Distr. Plant used to provide Local Access Delivery Service	WP1, L16, Col (g)		\$ -
3	Total Distribution Plant	WP1, L22, Col (g)		\$ 51,319,348
4				
5	Allocation Factor	L2 / L3	DOM	-
6				
7	Labor Allocation Factor - Using Historical Test Year Input			
8	Transmission Wages	WP1, L51, Col (d)		\$ 62,716
9	Allocated Distribution Wages			
10	Total Distribution Wages	WP1, L52, Col (d)		\$ 708,578
11	Allocation Factor	L5	DOM	\$ -
12		L10 * L11		\$ -
13	Total LAC Wages	L8 + L12		<u>\$ 62,716</u>
14				
15	Total Wages Other than A&G			
16	Total Wages - Historical Test Year	WP1, L57, Col (d)		\$ 1,912,173
17	Less: Administration & General Wages	WP1, L56, Col (d)		673,745
18		L16 - L17		<u>\$ 1,238,429</u>
19				
20	Transmission Labor Allocator	L13 / L18	LAB	<u>0.050642</u>
21				
22	Net Plant Allocation Factor - Using Budget Year Input			
23	Plant-in-Service			
24	Transmission	WP1, L11, Col (g)		\$ 24,140,406
25	Distr. used to provide Local Access Service	L2		\$ -
26	General Plant			
27	Total General Plant	WP1, L23, Col (g)		\$ 5,199,296
28	Allocation Factor	L20	LAB	0.050642
29		L27 * L28		<u>\$ 263,301</u>
30	Total LAC Plant-in-Service	L24 + L25 + L29		<u>\$ 24,403,707</u>
31				
32	Accumulated Reserves for Depreciation			
33	Transmission	WP1, L11, Col (h)		\$ 11,060,739
34	Distribution Used in LAC	WP1, L16, Col (h)		\$ -
35	Allocated General Plant			
36	Total General Plant	WP1, L23, Col (h)		\$ 3,098,960
37	Allocation Factor	L20	LAB	0.050642
38		L36 * L37		<u>\$ 156,936</u>
39	Total LAC Accum. Depr. Res.	L33 + L34 + L38		<u>\$ 11,217,675</u>
40				
41	Net Plant Used in LAC	L30 - L39		<u>\$ 13,186,032</u>
42				
43	Total Plant in Service	WP1, L24, Col (g)		\$ 80,659,050
44	Less: Total Accum. Reserves for Depr.	WP1, L24, Col (h)		<u>\$ 35,179,633</u>
45	Total Net Plant	L43 - L44		<u>\$ 45,479,417</u>
46				
47	Transmission Net Plant Allocator - Budget Year	L41 / L45	NP	<u>0.289934</u>

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

(a) Line No	(b) Metric	(c) Source	(d) Historical Total Amount	(e) Adjustment pg 1, Col (e)	(f) Adjusted Amount	(g) Name	(h) Allocation Factor	(i) Allocated to FBR
1	OTIER							
2	LT Interest Expense	Pg.1, L17, Col (d)	\$ 1,913,617	\$ 157,452	\$ 2,071,068	NP	0.289934	\$ 600,473
3	Cash Received from G&T/lenders	WP1, Col (d), L71	\$ 109,780	\$ -	\$ 109,780	NP	0.289934	\$ 31,829
4			\$ 2,023,396	\$ 157,452	\$ 2,180,848			\$ 632,302
5								
6	MDSC							
7	LT Interest Expense	L2	\$ 1,913,617	\$ 157,452	\$ 2,071,068	NP	0.289934	\$ 600,473
8	Depreciation Expense							
9	Transmission	Pg.1, L13, Col (d)	\$ 526,721	\$ 54,731	\$ 581,453		1.000000	\$ 581,453
10	General Plant	Pg.1, L14, Col (d)	\$ 109,271	\$ 11,221	\$ 120,492	LAB	0.050642	\$ 6,102
11	Non-Operating Margins - Interest	WP1, L70, Col (d)	\$ 151	\$ -	\$ 151	NP	0.289934	\$ 44
12	Cash Patronage Capital*	L20	\$ 109,780	\$ -	\$ 109,780	NP	0.289934	\$ 31,829
13	Resultant Amount	Sum (L7:L12)	\$ 2,659,539		\$ 2,882,943			\$ 1,219,900
14								
15	*Calculate Pat. Cap. (Cash):							
16	Inv. in Assoc. Org. - Patr. Capital - Current Yr.	WP1, L67, Col (d)	\$ 676,413					
17	Inv. in Assoc. Org. - Patr. Capital - Prior Yr.	WP1, L67, Col (c)	\$ 565,629					
18	Generation & Transmission Capital Credits	WP1, L68, Col (d)	\$ -					
19	Other Capital Cr. and Patronage Dividends	WP1, L69, Col (d)	\$ 220,564					
20	Resultant Amount	L17 + L18 + L19 - L16	\$ 109,780					

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

ACCOUNT	DESCRIPTION	TOTAL AMOUNT	TOTAL ADJUSTMENT	COMMENTS
1.926.2	EMPLOYEE PENSION & BENEFITS	44,590	17,096	
1.930.1	ADVERTISING	12,609	7,074	
1.930.2	MICELLANEOUS GENERAL	115,375	4,480	
1.930.21	MISC GEN - DUES	59,110	7,678	
1.930.3	MISC GEN - DONATIONS	11,317	6,322	
1.930.31	ANNUAL MEETING	33,337	8,090	
			50,740	See Exhibit 10 for further account level detail.

Notes:

Prairie Land's review of General and Administrative expenses by category:

- Employee Benefits: Meals provided to employees, clothing purchased for promotional reasons, and retirement party expenses and gifts were excluded 100%. Costs associated with short term disability, safety related clothing, and expenses for job-required physicals were not excluded. Donations that may have been included in this category were excluded 50%.
- Advertising: Expenses related to company image and general advertising were excluded at 100%, all other advertising related to member safety, legal ads, and meeting announcements were not excluded. Expenses related to both company image and safety related messages were excluded 50%.
- Misc General: Miscellaneous & General expenses were carefully looked as to the true business expense versus other indirect expenses. Expenses related to travel, software support fees, property taxes, liability insurance, and labor were not excluded. Expenses for meals, subscriptions to publications, and retirement meals were excluded at 100%. Donations and dues that may have been included in this category were excluded at 50%.
- Dues: Dues to associated organization were excluded at 50% with the exception of Kansas Electric Cooperative (KEC) monthly assessment due. KEC provides needed service and programs to electric cooperatives for the mutual benefit of its member cooperatives. The dues associated with KEC represent services KEC provides for our cooperative, which include our safety program, OSHA compliance, safety inspections, staff & board training, and administrative functions on a statewide level.
- Donations: 50% of all donations were excluded.
- Annual Meeting: Expenses with the publication, balloting, office notice mailings, and expenses with regard to holding the annual meeting were not excluded. However, expenses concerning gifts for members were excluded 100%.

Staff Exhibit 1

Exhibit 5, Page 9 of the Application

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

Line					Days in	Wtd.	
No.	I. Calculate Weighted Projected FBR Revenue Requirement				Effect	Rev. Req. ¹	Notes/Source
1	Budget Year	2016	Projected FBR Revenue Requirement	\$ 2,400,743	x 273	= \$ 1,795,624	16-PLCE-490-TAR
2	Budget Year	2017	Projected FBR Revenue Requirement	\$ 2,618,203	x 92	= \$ 659,931	17-PLCE-478-TAR, Effective Date 10/1/17 (per KCC-stamped tariffs)
3						\$ 2,455,555	L1 + L2
4	II. Compare against Actual Revenue Requirement						
5							
6	Test Year	2017	Actual FBR Revenue Requirement			\$ 2,467,564	WP8a, L33
7			Annual True-Up Before Interest			\$ 12,010	L6 - L3
8							
9	III. Include Interest for Over or Under-recovery						
10			Applicable Interest Rate			2.41%	L18 or L19
11							
12			Interest on Annual True-Up Amount			\$ 289	L7 x L10
13			Total			\$ 12,299	L7 + L12
14							
15							
16							
17	Interest Rates						
18			Short term Interest Rate	2.41%			Quarterly average
19			FERC Quarterly Interest Rate	3.85%			Avg. for 2017, see https://www.ferc.gov/enforcement/acct-matts/interest-rates.asp
1	Using ratio of Days in Effect divided by 365 (total number of days in a calendar year).						

¹ Using ratio of Days in Effect divided by 365 (total number of days in a calendar year).

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line	Description	Source	Unadjusted Historical Test Year 2017	Adjustments No. Amount	Adjusted Historical Test Year 2017	Allocation Factor Name	Factor	FBR Revenue Requirement
				Source: WP2		Source: WP8b		
1	Operating Expenses							
2	Power Production Expense	WP1, L29, Col (d)	-		\$ -		0.000000	\$ -
3	Cost of Purchased Power	WP1, L30, Col (d)	\$ 19,531,745		\$19,531,745		0.000000	\$ -
4	Transmission O&M	WP1, L31, Col (d)	\$ 673,340		\$ 673,340		1.000000	\$ 673,340
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$ 2,105,181	[1] \$ -	\$ 2,105,181	DOM	0.000000	\$ -
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$ 805,069	[2] \$ -	\$ 805,069	DOM	0.000000	\$ -
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$ 799,512		\$ 799,512		0.000000	\$ -
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$ 497,404		\$ 497,404		0.000000	\$ -
9	Sales Expense	WP1, L36, Col (d)	\$ -		\$ -		0.000000	\$ -
10	Administration & General	WP1, L37, Col (d)	\$ 2,051,796	[3] \$ (50,740)	\$ 2,001,056	LAB	0.050642	\$ 101,337
11	Total O&M Expense	Sum (L2:L10)						\$ 774,677
12	Depreciation and Amortization							\$ -
13	Transmission	WP1, L40, Col (d)	\$ 526,721		\$ 526,721		1.000000	\$ 526,721
14	General Plant	WP1, L41, Col (d)	\$ 109,271		\$ 109,271	LAB	0.050642	\$ 5,534
15	Property Tax	WP1, L43, Col (d)	\$ -		\$ -	NP	0.269267	\$ -
16	Other Taxes	WP1, L44, Col (d)	\$ 630		\$ 630	NP	0.269267	\$ 170
17	L.T. Interest	WP1, L45, Col (d)	\$ 1,913,617		\$ 1,913,617	NP	0.269267	\$ 515,273
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$ -		\$ -	NP	0.269267	\$ -
19	Interest-Other	WP1, L47, Col (d)	\$ 66,016		\$ 66,016	NP	0.269267	\$ 17,776
20	Other Deductions	WP1, L48, Col (d)	\$ 193,353	[9] \$ (193,353)	\$ -	NP	0.269267	\$ -
21	Total Cost of Electric Service							\$ 1,840,150
22								
23	Margin Requirement							
24	Principal Payments	WP1, L62, Col (d)	\$ 1,603,225		\$ 1,603,225	NP	0.269267	\$ 431,695
25	L.T. Interest	L17	\$ 1,913,617	\$ -	\$ 1,913,617	NP	0.269267	\$ 515,273
26	Subtotal	Sum (L24:25)						\$ 946,968
27	Required Coverage Ratio	WP1, L64, Col (d)					1.80	1.80
28	Gross Margin Requirements	L26 x L27						927,491 1,704,542
29	Less: Offsets to Margin Requirements	WP8c, L4 or L13, Col (i)						544,833 1,077,128
30	Net Margin Requirement	L28 - L29						\$ 382,658 \$ 627,414
31								
32	Total Revenue Requirements							
33	Using the greater of OTIER or MDSC Margin Requirements	L21 + L30						\$2,467,564

Exhibit 9, Page 3 of the Application

Distribution Plant Detail

² Account 370 includes new electronic AMI meters that were not in place at the time of either 04-1065 or 09-969 Dkt. PL uses 2.19% KCC approved rate for rest of meters, but depreciates new AMI meters (electronic, 15 year life) at 6.67%. Note that the replacements have been underway, and by now, the majority of PLEC meters are the new AMI type.

CERTIFICATE OF SERVICE

18-PLCE-462-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was electronically serviced this 21st day of August, 2018, to the following:

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