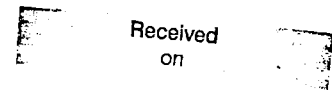


BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of )  
Mid-Kansas Electric Company, LLC for )  
Approval to Make Certain Changes in its )  
Charges for Electric Services in the )  
Geographic Service Territory Served by )  
Western Cooperative Electric Association, )  
Inc. )

Docket No. 12-MKEE-491-RTS



**MAY 14 2012**

by  
State Corporation Commission  
of Kansas

DIRECT TESTIMONY

PREPARED BY

ANDRIA FINGER

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

May 14, 2012

1 **Q. Would you please state your name?**

2 A. My name is Andria N. Finger.

3

4 **Q. What is your business address?**

5 A. My business address is the Kansas Corporation Commission, 1500 Southwest  
6 Arrowhead Road, Topeka, Kansas 66604.

7

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

9 A. I am employed by the Kansas Corporation Commission (KCC or Commission) as  
10 a Regulatory Auditor.

11

12 **Q. Would you please describe your educational background and business  
13 experience?**

14 A. I received a Bachelor's of Science in Business Administration with an emphasis  
15 in finance and marketing in December of 2007 and a Masters of Business  
16 Administration in December of 2010 from Washburn University. I began  
17 employment with the Commission in my current capacity in June 2008.

18

19 **Q. Have you ever testified before the Commission?**

20 A. Yes. I have filed testimony before the Commission in several dockets, including  
21 Docket Nos. 09-MKEE-969-RTS, 10-EPDE-314-RTS, 11-MKE439-RTS, 11-  
22 EPDE-856-RTS, 12-WSEE-112-RTS and 12-MKEE-380-RTS.

23

1 **Q. What were your responsibilities in the review of Mid-Kansas Electric**  
2 **Company's (Mid- Kansas or MKEC) divisional rate case filing for a change**  
3 **in rates for the service territory of Western Cooperative Electric Association,**  
4 **Inc. (Western or Applicant) electric rate case Application in Docket No. 12-**  
5 **MKEE-491-RTS, which was filed on February 1, 2012?**

6 A. My responsibilities as a regulatory auditor were to analyze, audit, and review  
7 Western's rate case Application. My duties are carried out under the direction of  
8 the Managing Auditor, Laura Bowman, and the Director of Utilities, Jeff  
9 McClanahan. I am sponsoring Staff's schedules and all the pro forma  
10 adjustments in Western's income statement. A more detailed listing of my  
11 adjustments is listed below. In addition to the schedules and the income statement  
12 adjustments, I am also discussing the Times Interest Earned Ratio (TIER) as  
13 proposed by Staff.

14

15 **Q. Please provide the list of other Staff witness(s) and a brief description of the**  
16 **testimony they are sponsoring.**

17 A. Jim Sanderson: Mr. Sanderson will sponsor testimony related to Staff's rate  
18 design.

19

20 **Q. Before beginning your detailed discussion of Staff's proposed adjustments,**  
21 **please provide a summary of your testimony.**

22 A. The following is a summary of Staff's schedules and the adjustments that I am  
23 sponsoring:



**BACKGROUND**

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**Q. Please provide an overview of MKEC and Western.**

A. Mid-Kansas is a Kansas limited liability company operated on a not-for-profit basis with its principal place of business located in Hays, Kansas. Mid-Kansas is owned by five Kansas consumer-owned cooperatives and one subsidiary of a consumer-owned cooperative. MKEC was organized for the purpose of acquiring and operating the former Aquila, Inc., d/b/a Aquila Networks – WPK’s (WPK) Kansas electric utility business and operations. The five member cooperatives and subsidiary company, collectively referred to as Mid-Kansas members are: (1) Lane Scott Electric Cooperative, Inc.; (2) Prairie Land Electric Cooperative Association, Inc.; (3) Victory Electric Cooperative Association, Inc.; (4) Western Cooperative Electric Association, Inc.; (5) Wheatland Electric Cooperative Inc.; and (6) Southern Pioneer Electric Company, a subsidiary of Pioneer Electric Cooperative, Inc. Mid-Kansas is an electric public utility regulated by the Commission.

**Q. Please describe Mid-Kansas’ Western Division.**

A. The Aquila, Inc. electric system in Western Kansas was acquired by Mid-Kansas and is now served in part under contracts with its six distribution member-system owners. The Western Division refers to the area acquired by Mid-Kansas that is served at the distribution level by Western. Since it operates as a cooperative,

1 Western's revenue requirement model(s) calculate a Debt Service Coverage  
2 (DSC) ratio or Times Interest Earned Ratio (TIER) to ensure financial viability.

3

4 **Q. Please provide an overview of the rate case request as filed by Western.**

5 A. The Western Division has requested to recover rates through an Operating-Times  
6 Interest Earned Ratio (O-TIER) ratemaking approach. Under this approach,  
7 Western is requesting approval of an O-TIER ratemaking plan that would provide  
8 an initial rate increase of \$729,416 or 4.2 percent. This proposal would allocate  
9 \$871,695 to retail customers and (\$142,279) to the LAC customers. The LAC  
10 portion is revenue paid by third-party users of Western's 34.5 kV facilities.  
11 Western's request is based on an O-TIER of 2.00.

12

13 **Q. What test year did Western use in its Application before the Commission?**

14 A. Western used a test year ending December 31, 2010, with pro forma adjustments  
15 through May 31, 2011.

16

17 **Q. What are the results of Staff's revenue requirement analysis?**

18 A. Staff recommends that Western be granted a revenue requirement increase of  
19 \$397,427 for its retail customers and (\$174,048) in LAC revenue from third-party  
20 users of the 34.5 kV facilities. Staff's revenue requirement is based on pro forma  
21 adjusted operating expense of \$16,936,892, and long-term interest and margin  
22 requirements of \$911,730, for a total revenue requirement of \$17,645,143  
23 (inclusive of other operating revenue and LAC revenue). Staff updated many

1 areas of the income statement based on known and measurable changes that have  
2 occurred during the calendar year 2011. Staff's revenue requirement calculation  
3 is based on a TIER ratio of 2.00, and pro forma annualized interest expense and  
4 principle payments of \$455,863 and \$290,347, respectively.

5  
6 **JUST AND REASONABLE REVIEW**

7  
8 **Q. Does Staff believe that the results of Staff's revenue requirement analysis**  
9 **results in just and reasonable rates?**

10 **A. Yes. The result of Staff's revenue requirement analysis meets the balancing test**  
11 **set forth by the Kansas Supreme Court, which stated:**

12 The leading cases in this clearly indicate that the goal should be a rate fixed  
13 within the 'zone of reasonableness' after the application of a balancing test in  
14 which the interests of all concerned parties are considered. In rate-making cases,  
15 the parties whose interests must be considered and balanced are these: (1) the  
16 utility's investors vs. the ratepayers; (2) the present ratepayers vs. the future  
17 ratepayers; and (3) the public interest.<sup>1</sup>

18  
19 **Investors vs. ratepayers** – each Staff adjustment presented below is presented  
20 with the intention of producing a revenue requirement that reflects Western's  
21 ongoing, normalized operations. This approach affords Western (and its investor)  
22 the opportunity to earn its authorized margin, but not a guarantee. Also, Staff  
23 removed various expenses from the cost of service we contend would be  
24 inappropriate to recover from Western's ratepayers. Additionally, if Staff  
25 identified mistakes in Western's calculations, Staff has made corrections, whether  
26 the result was an increase or a decrease in the revenue requirement.

---

<sup>1</sup> Kan. Gas and Electric Co. v. State Corp Comm'n, 239 Kan. 483, 488 (1986)

1       **Current ratepayers vs. future ratepayers** – Where possible, Staff attempted to  
2       identify any intergenerational issues (such as reclassifying outside services to  
3       property plant and equipment (PPE), in order to allow those costs to be recovered  
4       over the life of the project, instead of one year) and is making recommendations  
5       that are appropriately balanced between present and future ratepayers.

6       **Public Interest Generally** – generally speaking, the public interest is served  
7       when ratepayers' interests are carefully considered and protected. This process  
8       includes protecting ratepayers from unreasonably high prices, discriminatory  
9       prices, and/or unreliable service. This also includes assuring that rates are not so  
10      low that the utilities that serve those ratepayers are unable to provide reliable  
11      service, remain financially stable, and attract capital on reasonable terms. Staff  
12      carefully considered the public interest in developing the recommendations  
13      presented in this Docket, and feels that the public interest will be served if the  
14      Commission adopts Staff's recommendations.

15

16      **Q. What accounts for the differences between Staff's and Western's**  
17      **recommended revenue requirement?**

18      A. Listed below is a table of each Staff adjustment, and the Staff witness sponsoring  
19      each adjustment. Although the particulars of each adjustment are different,  
20      Staff's adjustments are usually made in order to (1) correct an error presented by  
21      the Applicant; (2) revise a pro forma adjustment to utilize more current known  
22      and measurable data; and (3) remove expenses that would not be appropriate to  
23      recover from ratepayers.

1 Each of the adjustments listed below is made with the intention that the end  
2 result is a revenue requirement that is in the public interest and results in just and  
3 reasonable rates for all stakeholders involved.  
4

Adj. No.	Witness	Description	Adjustment
IS-1	Andria Finger	Local Access Charge Revenues	(174,048)
IS-2	Andria Finger	Bad Debt Expense	(265)
IS-3	Andria Finger	Purchased Power	(37,494)
IS-4	Andria Finger	Payroll	(21,764)
IS-5	Andria Finger	Payroll Related Expenses	(2,078)
IS-6	Andria Finger	Rate Case Expense	8,254
IS-7	Andria Finger	Depreciation	105,423
IS-8	Andria Finger	Interest on Long Term Debt	(35,993)
IS-9	Andria Finger	Other Interest Expense	(11,951)
IS-10	Andria Finger	Distribution Operations	(212,840)
IS-11	Andria Finger	Acquisition Premium	119,121
IS-12	Andria Finger	Dues and Lobbying	(12,232)
IS-13	Andria Finger	Donations	(4,502)
IS-14	Andria Finger	Advertising	(19,037)
IS-15	Andria Finger	Entertainment	(2,011)
IS-16	Andria Finger	Outside Services	(475)

5

6

7

### **TIER AND DSC RATIO**

8

9 **Q. Please define the TIER ratio and the DSC ratio, and discuss the differences**  
10 **between the two.**

11 A. The TIER ratio, or Times Interest Earned Ratio, is calculated as follows:

12

13

14

$$\frac{(\text{Net Margin} + \text{Interest on Long-Term Debt})}{\text{Interest on Long-Term Debt}}$$

1 The DSC Ratio, or Debt Service Coverage Ratio, is calculated as follows:  
2 
$$\frac{(\text{Net Margins} + \text{Interest Expense on Long-Term Debt} + \text{Depreciation} + \text{Depreciation \& Amortization})}{(\text{Interest on Long-Term Debt} + \text{Principle on Long-Term Debt})}$$
  
3  
4

5 Both TIER and DSC ratios have been used by Staff, utilities, lenders, and the  
6 Commission to assess the financial viability of a utility and the likelihood that  
7 the utility will be able to service its debt payments in a timely fashion. The  
8 TIER ratio relies on income, as a multiple of interest payments to make its  
9 assessment. The numerator of the DSC ratio is a rough substitute for cash flow,  
10 and the denominator includes principle payments on debt as well as interest  
11 expense, making it a more encompassing view of the ability of a utility to meet  
12 its fixed obligations related to its debt.

13  
14 **Q. Does Staff routinely calculate both a TIER and DSC ratio when reviewing a**  
15 **rate case filing?**

16 A. Yes. Staff routinely calculates both TIER and DSC when reviewing the financial  
17 position of cooperative utilities, with close attention paid to whether the resulting  
18 ratios are sufficient to allow the utility to meet its minimum loan covenants. In  
19 this case, there is no DSC requirement on Western's loans. Therefore, while  
20 Staff has calculated DSC for information purposes in this case, we do not  
21 recommend that the Commission base its revenue requirement calculation on  
22 DSC.

23  
24 **Q. Why did Staff choose to calculate its revenue requirement using a TIER ratio**  
25 **instead of a DSC ratio?**

1 A. In its loan documents, RUS requires Western to achieve a TIER of 1.10. Staff  
2 calculated Western's revenue requirement using a TIER of 2.00. Because Staff's  
3 revenue requirement is based on a TIER, the Commission should have greater  
4 certainty that Staff's revenue requirement is calculated in a fashion that will allow  
5 Western to make timely payments on its debt service and meet or exceed its  
6 lender's loan covenants, while limiting unnecessary rate increases.

7

8 **Q. If in Western's loan covenant, RUS requires Western to achieve a TIER of**  
9 **1.10, then why is Staff recommending a TIER target level of 2.00?**

10 A. Staff chose its TIER level in an attempt to provide Western an adequate cushion  
11 of margin that would allow the cooperative to withstand annual fluctuations in  
12 operating conditions, while at the same time being supportive of Western's goal  
13 to increase the equity levels in its balance sheet. Staff supports the goal to  
14 increase equity reserves in this case because the acquisition was financed with  
15 debt and there is currently no equity on the balance sheet for Western. A utility  
16 with very low levels of equity has higher financial risk than well capitalized  
17 utilities, and is less able to withstand adverse economic conditions or fluctuations  
18 in its operations. Western needs to achieve an adequate equity ratio in order to  
19 (1) progress towards a more balanced capital structure required to maintain  
20 access to lower cost debt,(2) build reserves against contingencies, (3) provide  
21 members with an ownership stake, and (4) fund a portion of plant renewals,  
22 replacements and growth. Also, a strong balance sheet gives the utility more

1 operating flexibility and helps to protect against unanticipated changes in  
2 operations, weather, economic conditions, etc.

3

4 **Q. How does Staff's recommended TIER level of 2.00 compare to the TIER**  
5 **levels earned by other distribution cooperatives in the State over the last five**  
6 **years?**

7 A. According to the CFC's 2010 Key Ratio Trend Analysis,<sup>2</sup> the TIER levels earned  
8 by distribution cooperatives in the State of Kansas were as follows:

Year	TIER Earned
2006	2.29
2007	2.36
2008	1.93
2009	2.47
2010	2.40
<i>Average</i>	<i>2.29</i>

9

10 Staff's recommended 2.00 TIER ratio compares favorably with these earned  
11 levels, as the average over this five-year period is 2.29. That makes Staff's  
12 recommended TIER level 12.66 percent less than the five-year average earned  
13 TIER.

14

---

<sup>2</sup> National Rural Utilities Cooperative Finance Corporation (CFC) provides an annual Key Ratio Trend Analysis for the nations electric cooperatives. See a copy of the most recent analysis that was provided in the Southern Pioneer Rate Proceeding, Docket Number 12-MKKE-380-RTS and attached to Staff Witness Laura Bowman's direct testimony.

1 **Q. If Staff were to recommend calculating Western's revenue requirement**  
2 **based on the O-TIER, would Staff continue to recommend a target level of**  
3 **2.00?**

4 A. While Staff has not fully discussed what the target level would be under the O-  
5 TIER methodology; it is unlikely Staff would recommend a 2.00 target level. As  
6 shown in the following table, the median O-TIER ratios are lower than the target  
7 level to coincide with Western's ratio used.

Year	TIER Earned
2006	2.03
2007	1.87
2008	1.63
2009	1.76
2010	1.91
<i>Average</i>	<i>1.84</i>

8

9

10 **INCOME STATEMENT**

11

12 **Q. Please begin by discussing Staff Adjustment No. 1 to the income statement.**

13 A. Staff Adjustment No. 1 (IS-1) decreases Western's LAC revenue attributable to  
14 third-party users of the 34.5 kV facilities by \$174,048 for a total revenue credit  
15 included of \$353,881. This compares to the total revenue credit of \$385,650  
16 included in Western's Application. Staff's calculation of the LAC for the 34.5 kV  
17 facilities owned by Western is detailed in Staff Exhibit ANF-1 through ANF-1(e).  
18 Each of these exhibits is described below. Staff's LAC calculation is essentially

1 the same methodology as Western's and is synchronized with all the other aspects  
2 of Staff's revenue requirement analysis.

3

4 **Q. Please provide a description of the Staff exhibits used to calculate the LAC**  
5 **for Western's 34.5 kV facilities.**

6 A. Staff's LAC exhibits are described below:

- 7     ▪ Exhibit ANF-1: This is the input page used to input the different elements of  
8 the LAC cost of service from Staff's revenue requirement. Staff's updated  
9 plant, operating expense, and payroll values are listed here, as well as the Staff  
10 reference where the numbers were derived.
- 11     ▪ Exhibit ANF-1(a): Staff's calculation of the LAC revenue requirement, as  
12 well as the source for each of the components that are needed to perform the  
13 calculation.
- 14     ▪ Exhibit ANF-1(b): Staff's calculation of the labor and net allocation factors  
15 that are used throughout the LAC revenue requirement calculation.
- 16     ▪ Exhibit ANF-1(c): Staff's calculation of the depreciation expense used in the  
17 LAC revenue requirement.
- 18     ▪ Exhibit ANF-1(d): Staff's calculation of the third-party revenue credit  
19 associated with the use of the 34.5 kV facilities.
- 20     ▪ Exhibit ANF-1(e): Staff's calculation of the total billing determinants for the  
21 local access system for the year ended December 31, 2010. These billing  
22 determinants are used to determine the overall LAC charge, and to calculate

1 the third-party revenue credit associated with third-party use of the local  
2 access system.

3

4 **Q. Did Staff find any error in the calculation of the LAC?**

5 A. Yes. Western did not comply with the Commission Order in calculating the line  
6 loss in Exhibit RJM-WE-5, page 5 of 5 attached to its Application. According to  
7 the 969 Docket, the Commission approved line loss factor for the Western  
8 Division is 1.71; however, in its calculation of the LAC Western relied on a line  
9 loss factor of 1.74.<sup>3</sup> Staff's adjustment corrects this error in Exhibit ANF-1(E).

10

11 **Q. Please discuss Staff Adjustment No. 2 to the income statement.**

12 A. Staff Adjustment No. 2 (IS-2) decreases Western's pro forma test year customer  
13 account expense by \$265.<sup>4</sup> Staff's net bad debt write-off percentage is calculated  
14 by dividing net write-offs (bad debt write-offs less bad debt recoveries) by sales  
15 of electric revenue. Staff used a three year average of net write-off's to calculate  
16 the factor used in the bad debt expense adjustment. As depicted in Exhibit ANF-  
17 2, the net bad debt write-off percentage varies from 2009 to 2011 with no clear  
18 increasing or decreasing pattern. Therefore, Staff's contention is that a three-year  
19 average will be more representative of the ongoing, normal level of bad debt  
20 expense Western can expect to incur in the future.

---

<sup>3</sup> In Paragraph 8 , Page 7of the Stipulation and Agreement for the 969 Docket approved on November 25, 2009, it states that the Parties agree that for purposes of the OATT, the line loss shall be 6.32%, and for purposes of the LAC, the line loss for each of the Mid-Kansas Members shall be as follows: Southern Pioneer, 1.86%; Prairie Land Electric, 2.18%; Victory Electric, 2.02%; Western Electric, 1.71%; Wheatland Electric, 1.88%; and Lane Scott, 1.52%.

<sup>4</sup> See Exhibit ANF-2.

1

2 **Q. Please discuss Staff Adjustment No. 3 to the income statement.**

3 A. Staff Adjustment No. 3 (IS-3) decreases Western's purchased power expense by  
4 \$37,494.<sup>5</sup> During Staff's review of Western's pro forma adjustment to purchased  
5 power expense, an error was discovered in its pro forma Energy Cost Adjustment  
6 (ECA) calculation as Western's calculation included the incorrect rate (per  
7 kWh).<sup>6</sup> Staff's adjustment corrects for this error.

8

9 **Q. Please continue by discussing Staff Adjustment No. 4 to the income**  
10 **statement.**

11 A. Staff Adjustment No. 4 (IS-4) decreases Western's pro forma test year payroll  
12 expense by \$21,764.<sup>7</sup> This adjustment:

- 13     ▪ Reflects the most recent actual pay increases granted November 1, 2011;
- 14     ▪ Updates Western's payroll expense to include all employees employed by  
15         Western as of December 31, 2011;
- 16     ▪ Removes the payroll expenses associated with employees who have  
17         terminated employment during the test year; and
- 18     ▪ Updates payroll capitalization percentages.

19

20 **Q. Were there any factors that influenced the time frame Staff used in**  
21 **calculating its payroll adjustment?**

---

<sup>5</sup> See Exhibit ANF-3.

<sup>6</sup> See Western's response to Data Request No. KCC-140 included in Exhibit ANF-17.

<sup>7</sup> See Exhibit ANF-4.

1 A. Yes, there were factors. Because Western's regular pay amount does not reflect  
2 the most current annual pay increase in its Application, Staff determined that  
3 expanding the pay period to include the most current regular pay information,  
4 reflecting its most recent annual pay increase and including a more current level  
5 of employees employed by Western would produce a more current, accurate,  
6 annualized level of payroll expense for Western on a going forward basis.

7  
8 **Q. Please discuss the capitalization percentage used in Staff's adjustment to**  
9 **Western's payroll.**

10 A. Staff's adjustment reflects a capitalization percentage of 25.30 percent, rather than  
11 Western's proposed 26.67 percent included in its Application. The capitalization  
12 rate is the amount of payroll expense that is expected to be recorded to  
13 construction and other accounts and therefore is removed from the payroll  
14 adjustment which focuses solely on O&M-specific expense accounts. Its  
15 complement is the O&M rate or 'percentage,' which in this case Staff calculates  
16 as 74.70 percent. Exhibit ANF-4(A) calculates the percentage of Western's  
17 payroll applicable to construction and other accounts versus the percentage  
18 applicable to O&M accounts. This percentage is then transferred to Exhibit ANF-  
19 4, where it is used to calculate Staff's total O&M-specific payroll expense.

20  
21 **Q. How are the allocators for each division and specific functional group**  
22 **calculated?**

1 A. Staff used the functional group allocators (transmission, distribution, consumer  
2 accounts, etc.) Western used in its pro forma payroll expense adjustment, updated  
3 to reflect 2011 payroll expenses. These allocators are based on Western's actual  
4 2011 salaries and wages that were recorded to each group, divided by total  
5 salaries and wages. The total assigned to each expensed functional allocator is  
6 then reallocated by dividing each amount by the total salaries and wages  
7 expensed. These expense allocators are also shown on Exhibit ANF-4(A).

8

9 **Q. Please continue by discussing Staff Adjustment No. 5 to the income**  
10 **statement.**

11 A. Staff Adjustment No. 5 (IS-5) decreases Western's pro forma payroll related  
12 expenses by \$2,078.<sup>8</sup> Staff's adjustment uses the same methodology as Western  
13 used in calculating its pro forma adjustment in its Application. The difference is  
14 Staff based its adjustment on updated 2011 payroll expense and actual 2011  
15 benefits and taxes.

16

17 **Q. Please describe in detail how the payroll related expense adjustment is**  
18 **calculated.**

19 A. Staff's adjustment is comprised of three components. First, Staff divided the total  
20 benefits and taxes costs as of December 31, 2011, by the actual payroll costs as of  
21 December 31, 2011, to derive the allocation percentage of payroll for each  
22 expense. Second, the allocation percentage for each cost was applied to Staff's  
23 calculation of Western's total increase in payroll. The total increase in benefits

---

<sup>8</sup> See Exhibit ANF-5.

1 and taxes is calculated in Exhibit ANF-5(A). Last, the expensed portion of the  
2 total is divided among the functional groups using the same allocators used for  
3 Staff's payroll adjustment and then compared to Western's pro forma adjustment  
4 with the difference being Staff's adjustment.

5  
6 **Q. Please continue by discussing Staff Adjustment No. 6 to the income**  
7 **statement.**

8 A. Staff Adjustment No. 6 (IS-6) to the income statement increases Western's  
9 operating expense by \$8,254.<sup>9</sup> This adjustment is necessary to update rate case  
10 expense for Western, Staff, and CURB expenses incurred to-date for Western's  
11 rate case. To determine the proper amount of rate case expense for Western to  
12 recover, Staff's and CURB's costs were added to Western's actual rate case  
13 expense through April 20, 2012, and amortized over three years.

14  
15 **Q. Why is Staff proposing to amortize the rate case expense over three years?**

16 A. Staff's proposed three-year amortization period is based on the average longevity  
17 of time between Western rate cases filed in the past. Based on its historical rate  
18 case filings, Staff believes proposing a three-year amortization period is the most  
19 accurate prediction of time that will elapse before Western files its next rate case.  
20 Therefore, Staff believes it to be appropriate to use the three-year amortization  
21 period to reflect more accurate expenses.

22  
23 **Q. Please discuss Staff's adjustment to depreciation expense.**

---

<sup>9</sup> See Exhibit ANF-6.

1 A. Staff Adjustment No. 7 (IS-7) increases Western's annualized depreciation  
2 expense by \$105,423.<sup>10</sup> Staff's adjustment updates depreciation expense to reflect  
3 the actual depreciable asset balances as of December 31, 2011, and incorporates  
4 the depreciation rates set forth in Western's last rate case, Docket No. 09-MKEE-  
5 969-RTS (09-969 Docket). Western is not requesting a change in depreciation  
6 rates and incorporates the rates from the 09-969-Docket into its filing.

7  
8 **Q. Does Staff's adjustment to update depreciation expense include the**  
9 **amortization of the Acquisition Premium related to the Aquila acquisition?**

10 A. No. Western recorded the amortization of the Acquisition Premium "above-the-  
11 line" during the test year; that is, included in the cost of service. However, Staff  
12 ensured that this expense was excluded from the cost of service in its adjustment  
13 to update depreciation expense. This is consistent with the Stipulation and  
14 Agreement (S&A) approved in Docket No. 06-MKEE-524-ACQ (06-524  
15 Docket), which states:

16 "The Acquisition Premium (AP) relating to this transaction shall be amortized  
17 over a thirty-year period beginning with the Effective Date, and shall be  
18 included below-the-line in subsequent MKEC, Distribution Cooperative(s)  
19 and Southern Pioneer rate proceedings."  
20

21 **Q. Please discuss how Staff's depreciation expense adjustment was calculated.**

22 A. Staff's adjustment was calculated by multiplying its adjusted plant balances as of  
23 December 31, 2011, by its Commission approved depreciation rate which yields  
24 an updated annualized depreciation expense for each plant account. Staff's  
25 annualized depreciation expense was then compared against the pro forma

---

<sup>10</sup> See Exhibit ANF-7.

1 annualized depreciation expense amount proposed by Western, with the  
2 difference being Staff's adjustment.

3

4 **Q. Please continue by discussing Staff's adjustment to interest on long term**  
5 **debt.**

6 A. Staff Adjustment No. 8 (IS-8) decreases Western's pro forma interest expense on  
7 long-term debt by \$35,993.<sup>11</sup> Staff's adjustment is the difference between actual  
8 long-term interest expense recorded for the twelve months ending December 31,  
9 2011, and the total recorded in the test year. Staff's adjusted interest expense for  
10 long-term debt is the compared against Western's pro forma adjustment with the  
11 difference being Staff's adjustment.

12

13 **Q. Is Staff's methodology for calculating interest on long-term debt different**  
14 **than the methodology used by Western?**

15 A. Yes. Rather than using twelve months of actual expenses recorded in Account  
16 427.1 for interest on long-term debt, Western took the total amount of all its  
17 interest expense recorded for the month ending May 31, 2011, and annualized it  
18 to derive a normalized level of interest expense on its existing loans. In doing so,  
19 Western also included the amount of other interest expense recorded to Account  
20 430 during the month ending May 31, 2011, resulting in a double dip. Therefore,  
21 Staff's methodology of using actual expenses recorded for the twelve month  
22 period ending December 31, 2011, is more representative of a normalized level of  
23 interest expense on its existing loans.

---

<sup>11</sup> See Exhibit ANF-8.

1

2 **Q. Please discuss Staff's adjustment to other interest expense.**

3 A. Staff Adjustment No. 9 (IS-9) decreases Western's other interest expense by  
4 \$11,951.<sup>12</sup> Staff's adjustment is the difference between actual other interest  
5 expense recorded for the twelve months ending December 31, 2011, and the total  
6 recorded in the test year. Staff's adjusted other interest expense is then compared  
7 against Western's pro forma adjustment to other interest expense with the  
8 difference being Staff's adjustment.

9

10 **Q. Please continue by discussing Staff Adjustment No. 10 to the income**  
11 **statement.**

12 A. Staff Adjustment No. 10 (IS-10) decreases Western's distribution operations by  
13 \$212,840.<sup>13</sup> Staff's adjustment amortizes Western's adjustment to remove the  
14 credit accounting entry for the Plainville meter replacement project over three  
15 years. This credit was an unusual occurrence and does not represent a normal  
16 meter reading expense for a typical year. The credit was initially removed by  
17 Western to normalize the meter reading expense for the test year.

18

19 **Q. Please discuss the credit for the Plainville meter replacement project in**  
20 **further detail.**

21 A. The credit represents estimated installation costs that were assigned to a large  
22 meter replacement project in the Plainville service area that took place in 2010.

---

<sup>12</sup> See Exhibit ANF-9.

<sup>13</sup> See Exhibit ANF-10.

1 Meters are treated as special equipment so when they are purchased they are  
2 charged directly to an account for special equipment (Account 107.3) and then,  
3 when the work order month is closed, they are capitalized with a standardized  
4 estimated installation cost assigned to them.

5  
6 **Q. Why was there a meter replacement project in Plainville?**

7 A. Western replaced all of its meters in the Plainville service territory with radio read  
8 capable meters during the test year. Western lost its meter reader in the Plainville  
9 area and chose to replace the meters with new meters capable of being read  
10 through radio-read itron handheld devices to allow the company's meter reader  
11 that services the Ellsworth area to be able to quickly obtain meter readings in the  
12 Plainville area through the handheld itron devices.<sup>14</sup>

13  
14 **Q. Why is Staff proposing to amortize the credit of the Plainville meter  
15 replacement project over three years?**

16 A. Staff's proposed three-year amortization period is based on the average longevity  
17 of time between Western's rate cases filed in the past. Furthermore, a three-year  
18 amortization period is consistent with other adjustments recommended by Staff.

19  
20 **Q. Please discuss Staff Adjustment No. 11 to the income statement.**

21 A. Staff Adjustment No. 11 (IS-11) increases Western's non-operating margins by  
22 \$119,121, to reverse the impact of Western's adjustment to reclassify the

---

<sup>14</sup> See Western's response to Data Request No. KCC-135 included in Exhibit ANF-17.

1 amortization of the acquisition premium as a non-operating expense.<sup>15</sup> This is  
2 necessary to completely remove the amortization of the acquisition premium from  
3 Western's revenue requirement. In other words, Staff is recording the  
4 amortization "below-the-line", as stipulated in Paragraph 21 of the S&A approved  
5 in the 06 -524 Docket, which states:

6 21. The Acquisition Premium ("AP") relating to this transaction shall be  
7 amortized over a thirty-year period beginning with the Effective Date, and  
8 shall be included below-the-line in subsequent MKEC, Distribution  
9 Cooperative(s) and Southern Pioneer rate proceedings. The AP shall be  
10 considered in the calculation of TIER for purposes of determining if a refund  
11 is due as provided for herein. Notwithstanding, the signatories agree that in  
12 subsequent retail rate case(s) filed after the Effective Date by MKEC,  
13 Distribution Cooperative(s) or Southern Pioneer, the determination of the total  
14 revenue requirement shall be sufficient to take into consideration generally  
15 acceptable financial covenants, debt costs and acceptable levels of equity and  
16 cash reserves of MKEC, the Distribution Cooperative(s) or Southern Pioneer,  
17 as the case may be. Hereafter, estimated savings associated with this  
18 transaction shall not be subject to review in subsequent rate case filed by  
19 MKEC, the Distribution Cooperative(s) or Southern Pioneer.  
20

21 **Q. How does the treatment of the amortization of the acquisition premium**  
22 **differ from Southern Pioneer's treatment?**

23 A. Exhibit RJM-WE-2 shows that Western reclassifies the expense as a non-  
24 operating expense, but fails to make a corresponding adjustment to revenues,  
25 therefore, Mr. Macke has improperly classified the expense as "below-the-line" as  
26 directed in the S&A.

27

28 **Q. Does Staff Agree with Western's adjustment to include the acquisition**  
29 **premium as a non-operating expense?**

---

<sup>15</sup> See Exhibit ANF-11.

1 A. No. Staff interprets Paragraph 21 of the S&A to mean that the amortization of the  
2 acquisition premium should not be explicitly included in Western's rates.  
3 "Below-the-line" is a common expression in regulation and it nearly always  
4 carries the connotation that those expenses will not be charged to a utility's  
5 ratepayers. Mr. Macke's treatment of the acquisition premium simply moves  
6 \$119,121 from "amortization expense" to "non-operating expense", with no  
7 corresponding decrease in the requested revenue requirement. Staff's adjustment  
8 is consistent with the intent of the S&A to remove the amortization of the  
9 acquisition premium from Western's revenue requirement.

10

11 **Q. How does Staff's recommendation to remove the amortization of the**  
12 **acquisition premium comport with the second sentence of Paragraph 21 of**  
13 **the S&A that requires that "The AP shall be considered for purposes of**  
14 **calculating TIER and other financial ratios...?"**

15 A. Staff's adjustment accomplishes that directive. Staff has not made any adjustment  
16 to remove any of the interest expense or principle payments associated with the  
17 financing of the acquisition premium from Western's cost of service. Therefore,  
18 the full impact of the acquisition premium is included in Staff's calculation of  
19 TIER and DSC. If the amortization of the acquisition premium were to be left in  
20 the case as a reduction to non-operating income, Western's TIER would be  
21 approximately 31 basis points (1.69 vs. 2.0) lower, as calculated by Staff's  
22 revenue requirement schedules.

23

1 **Q. What is the revenue requirement impact of Staff's adjustment to remove the**  
2 **acquisition premium?**

3 A. Staff's revenue requirement is approximately \$119,319 less than otherwise would  
4 be the case if the amortization of the acquisition premium was left in as a  
5 reduction to non-operating income.

6

7 **Q. Please continue by discussing Staff Adjustment No. 12 to the income**  
8 **statement.**

9 A. Staff Adjustment No. 12 (IS-12) disallows a portion of membership dues and all  
10 lobbying contributions recorded by the Company during the test year, decreasing  
11 Western's test year operating expenses by \$12,232.<sup>16</sup> This adjustment is  
12 comprised of two parts.

13 First, Staff removes fifty percent of expenses incurred during the test year for  
14 membership dues, decreasing operating expenses by \$2,212. Staff's adjustment  
15 to membership dues is consistent with the Commission's policy to eliminate these  
16 expenses and conforms with K.S.A. 66-101f(a), which states:

17 "For the purposes of determining just and reasonable rates, the Commission  
18 may adopt a policy of disallowing a percentage, not to exceed 50% of utility  
19 dues, donations and contributions to charitable, civic and social organizations  
20 and entities, in addition to disallowing specific dues, donations and  
21 contributions which are found unreasonable or inappropriate."  
22

23 Second, Staff's adjustment decreases operating expenses by \$10,020 to  
24 eliminate lobbying expenses. Lobbying is not necessary for the provision of safe  
25 and reliable utility service, and does not benefit ratepayers. Staff's adjustment is

---

<sup>16</sup> See Exhibit ANF-12.

1 consistent with past Commission policy to remove all expenses related to  
2 lobbying that were included in the cost of service.<sup>17</sup>

3

4 **Q. Please continue by discussing Staff Adjustment No. 13 to the income**  
5 **statement.**

6 A. Staff Adjustment No. 13 (IS-13) decreases Western's test year operating expenses  
7 by \$4,502.<sup>18</sup> Staff's adjustment removes 50 percent of expenses incurred during  
8 the test year for donations, and removes 100 percent of expenses incurred during  
9 the test year for promotion advertising and sponsorships of sporting events.  
10 These costs are inappropriate as they are not necessary for the provision of safe  
11 and reliable utility service. Commission policy is to eliminate these expenses and  
12 conforms with K.S.A. 66-101f(a).<sup>19</sup>

13

14 **Q. Please discuss Staff's Adjustment No. 14 to the income statement.**

15 A. Staff Adjustment No. 14 (IS-14) reduces Western's test year operating expenses  
16 by \$19,037.<sup>20</sup> Staff's adjustment eliminates advertising expense included in  
17 MKEC-Western's test year operating expenses related to general, institutional,  
18 promotional, and image advertising. These types of advertising expenses do not  
19 benefit ratepayers, are not necessary for the safe and efficient provision of electric  
20 service, and are therefore improper to recover through rates. In the past, the

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<sup>17</sup> January 22, 2003 Order on Application, Docket No. 02-MDWG-922-RTS, ¶ 30.

<sup>18</sup> See Exhibit ANF-13.

<sup>19</sup> K.S.A. 66-101f(a) states, "For the purposes of determining just and reasonable rates, the Commission may adopt 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."

<sup>20</sup> See Exhibit ANF-14.

1 Commission has accepted adjustments to disallow the costs of advertising related  
2 to promotion or consumption of utilities services, promotion of goodwill, or the  
3 improvement of the public image of a utility from the cost of service.

4

5 **Q. Please continue by discussing Staff Adjustment No. 15 to the income**  
6 **statement.**

7 A. Staff Adjustment No. 15 (IS-15) decreases Western's operating expenses by  
8 \$2,011.<sup>21</sup> Staff's adjustment eliminates test year expenses related to  
9 miscellaneous entertainment expenditures. These expenses are not necessary for  
10 the provision of safe and reliable utility service and do not benefit ratepayers.

11

12 **Q. Please continue by discussing Staff Adjustment No. 16 to the income**  
13 **statement.**

14 Q. Staff Adjustment No. 16 (IS-16) decreases Western's operating expense by  
15 \$475.<sup>22</sup> Staff's adjustment amortizes test year expenses related to outside services  
16 that are non-recurring. Since these costs are non-recurring it would be  
17 inappropriate to ask for full recovery in a single year. As a result, it is more  
18 appropriate to normalize these types of expenses over the next couple of years.

19

20 **Q. Why is Staff proposing to amortize the non-recurring expenses related to**  
21 **outside services over three years?**

---

<sup>21</sup> See Exhibit ANF-15.

<sup>22</sup> See Exhibit ANF-16.

1 A. Staff's proposed three-year amortization period is based on the average longevity  
2 of time between Western's rate cases filed in the past. Furthermore, a three-year  
3 amortization period is consistent with other Staff adjustments discussed above.

4

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

6 A. Yes.

**Wheatland Electric Cooperative, Inc.  
MKEC Area Local Access Charge  
Input Data**

Test Year Jan 1, 2010 to Dec 31, 2010  
Adjusted for Known and Measurable Changes through Year End 2011

**A. Net Plant in Service**

Description	Source	As of December 31, 2011		Depr. Rate	Notes
		Plant in Service	Accum. Res. for Depr.		
<b>1. Facilities Used to Provide LA Service</b>					
Transmission Facilities					
350 Land and Land Rights	Staff Exhibit ANF-7	-	-	-	
352 Structures and Improvements	Staff Exhibit ANF-7	243,432	-	0.02110	
353 Station Equipment	Staff Exhibit ANF-7	3,525,901	-	0.01830	
355 Poles and Fixtures	Staff Exhibit ANF-7	2,715,766	-	0.03300	
356 O.H. Conductors and Devices	Staff Exhibit ANF-7	2,880,223	-	0.01880	
358 U.G. Conductors and Devices		-	-		
Subtotal		9,365,322	5,194,520	0.02279	
Distribution Facilities					
360 Land and Land Rights		-	-	-	
361 Structures and Improvements		-	-	-	
362 Station Equipment		-	-	-	
Subtotal		-	-	-	
Total		9,365,322	5,194,520	0.02279	
<b>2. All Facilities</b>					
Intangible Plant					
Transmission Plant	Response to Staff DR 99	9,365,322	5,194,520		
Distribution Plant	Response to Staff DR 99	16,141,392	8,209,788		
General Plant	Response to Staff DR 99	2,437,538	864,755		
Total		27,944,252	14,269,063		

**B. Operating Expenses**

		Pro Forma Test Year	
Transmission O&M	Staff Schedule B-1, Line 7	190,347	
Distribution O&M	Staff Schedule B-1, Lines 8-9	1,517,774	
Administrative and General	Staff Schedule B-1, Line 13	716,436	
Property Tax	Staff Schedule B-1, Line 15	-	
L.T. Interest	Staff Schedule B-1, Line 20	455,863	

**C. Payroll**

		Staff Adjusted Payroll
Transmission	Staff Exhibit ANF-4	22,885
Distribution	Staff Exhibit ANF-4	660,360
Customer Accounting	Staff Exhibit ANF-4	170,630
Customer Service and Information	Staff Exhibit ANF-4	32,182
Sales	Staff Exhibit ANF-4	-
Administration and General	Staff Exhibit ANF-4	283,350
Total		1,169,407

**D. Miscellaneous**

		As of 12/31/11	Depr. Rate
Target TIER			2.0
General Plant			
389 Land and Land Rights		-	-
390 Structures and Improvements		1,073,732	0.03160
391 Office Furniture and Equipment		67,056	0.07630
392 Transportation Equipment		198,969	0.11560
393 Stores Equipment		29,777	0.04750
394 Tools, Shop and Garage Equip		18,237	0.04650
395 Laboratory Equipment		17,452	0.04980
396 Power Operated Equipment		925,334	0.06970
Communication Equipment		103,995	0.02330
Miscellaneous Equipment		2,985	0.07420
Total	\$	2,437,537	

Wheatland Electric Cooperative, Inc.  
MKEC Area Local Access Charge  
Revenue Requirements

Test Year Jan 1, 2010 to Dec 31, 2010  
Adjusted for Known and Measurable Changes through Year End 2011

Line	Description	Source	Total		Allocated to LAC	Percent of Total	Notes
			MKEC Area	Allocation Factor Name Factor			
1	<b>Operating Expenses</b>						
2	Transmission O&M		\$ 190,347	1.000000	\$ 190,347	26.94%	
3	Distribution O&M		1,517,774	DOM 0.000000	-	0.00%	
4	Administration & General		716,436	LAB 0.025828	18,504	2.62%	
5	Depreciation						
6	Transmission	Exhibit ANF-1C, Line 9	213,429	1.000000	213,429	30.21%	
7	Distribution (LAC Only)		-	1.000000	-	0.00%	
8	General Plant	Exhibit ANF-1C, Line 29	132,319	LAB 0.025828	3,418	0.48%	
9	Taxes		-	NP 0.307961	-	0.00%	2
10	Subtotal Operating Expense				\$ 425,697		
11							
12	L.T. Interest Expense	Staff Schedule B-1, Line 20	455,863	NP 0.307961	\$ 140,388	19.87%	
13							
	TIER Requirement						
14	Margin Requirement	Staff Schedule B-1, Line 29	455,867	NP 0.307961	\$ 140,389	19.87%	
15							
16	<b>Total Revenue Requirements</b>				\$ 706,475	100.00%	
17							
18	<b>Billing Demand</b>	Staff Exhibit ANF-1E			747,474 kW		
19							
20	<b>Average Cost</b>				\$ 0.95 /kW/mo		
21							

Wheatland Electric Cooperative, Inc.  
MKEC Area Local Access Charge  
Allocation Factors

Test Year Jan 1, 2010 to Dec 31, 2010  
Adjusted for Known and Measurable Changes through Year End 2011

Line No.	Description	Source		
1	<b>Distribution O&amp;M Allocation Factor</b>			
2	Distribution Plant used in LAC		\$	-
3	Total Distribution Plant	N/A	\$	16,141,392
4				
5	Allocation Factor		DOM	-
6				
7	<b>Labor Allocation Factor</b>			
8	Transmission Wages (100% LAC)	Exhibit ANF-4	\$	22,885
9	Distribution Wages			
10	Total Distribution Wages	Exhibit ANF-4	\$	660,360
11	Allocation Factor		DOM	-
12	Dist Wages Allocated to LAC		\$	-
13	Total LAC Wages		\$	22,885
14				
15	Total Wages	Exhibit ANF-4	\$	1,169,407
16	Less: Administration & General Wages	Exhibit ANF-4		283,350
17	Wages Other than A&G		\$	886,057
18				
19	Labor Allocator		LAB	0.025828
20				
21	<b>Net Plant Allocation Factor</b>			
22	Plant-in-Service			
23	Transmission	Staff Exhibit ANF-7	\$	9,365,322
24	Distribution			-
25	Subtotal		\$	9,365,322
26	Allocated General Plant			
27	Total General Plant	Staff Exhibit ANF-7	\$	2,437,538
28	Allocation Factor		LAB	0.025828
29	Allocated General Plant		\$	62,957
30	Total LAC Plant-in-Service		\$	9,428,279
31				
32	Accumulated Reserves for Depreciation			
33	Transmission	Response to Staff DR 99	\$	5,194,520
34	Distribution			-
35	Subtotal		\$	5,194,520
36	Allocated General Plant			
37	Total General Plant	Response to Staff DR 99	\$	864,755
38	Allocation Factor		LAB	0.025828
39	Allocated General Plant		\$	22,335
40	Total LAC Accum. Res. For Depr.		\$	5,216,855
41	Net Plant Used in LAC		\$	4,211,424
42				
43	Total Plant in Service		\$	27,944,252
44	Total Accum. Reserves for Depr.			14,269,063
45	Total Net Plant		\$	13,675,189
46				
47	Net Plant Allocator		NP	0.307961
48				

Wheatland Electric Cooperative, Inc.  
MKEC Area Local Access Charge  
Depreciation Expense

Docket No. 12-MKEE-491-RTS  
Exhibit ANF-1(C)

Test Year Jan 1, 2010 to Dec 31, 2010  
Adjusted for Known and Measurable Changes through Year End 2011

Line	Description	Source	Plant in Service as of 12/31/11	Depr. Rate	Depr. Expense	Notes
1	Facilities Used in Providing LAC Service					
2	Transmission Facilities					
3	350 Land and Land Rights	Staff Exhibit ANF-7	\$ -	-	\$ -	
4	352 Structures and Improvements	Staff Exhibit ANF-7	243,432	0.02110	5,136	
5	353 Station Equipment	Staff Exhibit ANF-7	3,525,901	0.01830	64,524	
6	355 Poles and Fixtures	Staff Exhibit ANF-7	2,715,766	0.03300	89,620	
7	356 O.H. Conductors and Devices	Staff Exhibit ANF-7	2,880,223	0.01880	54,148	
8	358 U.G. Conductors and Devices		-	-	-	
9	Subtotal		<u>\$ 9,365,322</u>		<u>\$ 213,429</u>	
10	Distriubution Facilities					
11	360 Land and Land Rights		-	-	-	
12	361 Structures and Improvements		-	-	-	
13	362 Station Equipment		-	-	-	
14	Subtotal		<u>\$ -</u>		<u>\$ -</u>	
15	Total		<u>\$ 9,365,322</u>		<u>\$ 213,429</u>	
16						
17			<u>As of 12/31/11</u>			
18	General Plant					
19	389 Land and Land Rights	Response to Staff DR 99	\$ -	-	\$ -	
20	390 Structures and Improvements	Response to Staff DR 99	1,073,732	0.031600	33,930	
21	391 Office Furniture and Equipment	Response to Staff DR 99	67,056	0.076300	5,116	
22	392 Transportation Equipment	Response to Staff DR 99	198,969	0.115600	23,001	
23	393 Stores Equipment	Response to Staff DR 99	29,777	0.047500	1,414	
24	394 Tools, Shop and Garage Equip	Response to Staff DR 99	18,237	0.046500	848	
25	395 Laboratory Equipment	Response to Staff DR 99	17,452	0.049800	869	
26	396 Power Operated Equipment	Response to Staff DR 99	925,334	0.069700	64,496	
27	Communication Equipment	Response to Staff DR 99	103,995	0.023300	2,423	
28	Miscellaneous Equipment	Response to Staff DR 99	2,985	0.074200	221	
29	Total		<u>\$ 2,437,537</u>	0.054284	<u>\$ 132,319</u>	
30						
31	Plant in Service as of 12/31/11		\$ 2,437,538	0.054284	\$ 132,319	
32						

Wheatland Electric Cooperative, Inc.  
MKEC Area Local Access Charge  
Credit for Third Party Revenue

Docket No. 12-MKEE-491-RTS  
Exhibit ANF-1(D)

Test Year Jan 1, 2010 to Dec 31, 2010  
Adjusted for Known and Measurable Changes through Year End 2011

<u>Line</u>	<u>Description</u>	<u>Source</u>	<u>Alloc. Factor</u>	<u>Amount</u>	<u>Notes</u>
1	Total Revenue Credit				
2	Third Party Billing Demand			374,418	KW
3	LAC Rate			\$ 0.95	/kW/mo
4	LAC Third Party Revenue			\$ 353,881	
5					
6	Allocation of Revenue Credit to Categories				
7	Transmission O&M		26.94%	\$ 95,347	
8	Distribution O&M		0.00%	-	
9	Administration and General		2.62%	9,269	
10	Depreciation		30.69%	108,621	
11	Property Taxes		0.00%	-	
12	L.T. Interest		19.87%	70,322	
13	Margin Requirements		19.87%	70,323	
14	Total		100.00%	\$ 353,881	
15	Staff's Third Party Revenue			\$ 353,881	
16	Western's Third Party Revenue			527,929	
17	Staff's Adjustment to Third Party Revenue			(174,048)	



Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Bad Debt Expense  
 Income Statement Adjustment No. 2  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-2

Line No.	Description	Amount
1	Staff Pro Forma Retail Revenues	\$17,238,108
2	Western's 3-Year Average Net Bad Debt Write-Off Ratio (Line 9)	<u>0.130726%</u>
3	Staff Adjusted Bad Debt Expense (Line 1 x Line 2)	22,535
4	Western's Test Year Bad Debt Expense	<u>22,800</u>
5	<b>Staff Adjustment to Bad Debt Expense (Account 904)</b>	<b><u><u>(265)</u></u></b>

	Year	Sales of Electric Revenues	Bad Debt Write-Off	Bad Debt Recoveries	Net Bad Debt Write-Off %
6	2009	14,190,475	28,050	7,333	0.1460%
7	2010	16,520,683	8,152	5,744	0.0146%
8	2011	<u>17,054,389</u>	<u>47,309</u>	<u>7,809</u>	<u>0.2316%</u>
9	<b>3-Year Average Ratio</b>				<b><u><u>0.1307%</u></u></b>

Sources: Response to Data Request Nos. 97 and 120

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Other Interest Expense  
Income Statement Adjustment No. 3  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-3

<b>Line No.</b>	<b>Description</b>	<b>Units Purchased</b>	<b>Rate (per kWh)</b>	<b>Amount</b>
1	Staff's ECA Calculation (Corrects Western's ECA Rate)	208,300,598	0.03857	8,034,154
2	Western's Pro Forma ECA Calculation .	208,300,598	0.03875	<u>8,071,648</u>
3	<b>Staff's Adjustment to Purchased Power</b>			<u><u>(37,494)</u></u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule B  
Response to Data Request No. KCC-140

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Payroll Expense  
 Income Statement Adjustment No. 4  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-4

Line No.	Description	Amount
1	Increase in Wages	78,151
2	New or Re-assigned Employees	36,367
3	Retired or Re-assigned Employees	(32,922)
4	Pro Forma New Employee	-
5	Staff Total Payroll Adjustment	81,596
6	Less: Construction and Other	25.30% 20,640
7	Total Payroll - Expensed	<u>60,956</u>

Category	Allocation Factor	Staff Payroll Adjustment	Western Pro Forma Payroll Adjustment	Total Staff Adjustment
Transmission	1.46%	1,193	906	287
Distribution Operations	21.78%	17,775	26,412	(8,637)
Distribution Maintenance	20.40%	16,647	20,675	(4,028)
Consumer Accounts	10.90%	8,894	12,915	(4,021)
Consumer Service	2.06%	1,678	2,236	(558)
Sales Expense	0.00%	-	-	-
Administration and General	18.10%	14,770	19,576	(4,806)
Total	<u>81,596.00</u> 74.70%	60,956	82,720	<u>(21,764)</u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule C  
 Response to Data Request No. KCC-117  
 Exhibit ANF-4(A)

Western Cooperative Electric  
Income Statement Adjustment No.  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit ANF-4(A)

**Allocation of Payroll to Expense Categories**

Line No.	Category	Payroll as Recorded in Test Year	Payroll Allocation %	Line No.	Category	Payroll as Recorded in Test Year	Payroll Allocation %
1	Transmission	22,885	1.46%	1	Transmission	22,885	1.96%
2	Distribution Operations	341,000	21.78%	2	Distribution Operations	341,000	29.16%
3	Distribution Maintenance	319,360	20.40%	3	Distribution Maintenance	319,360	27.31%
4	Consumer Accounts	170,630	10.90%	4	Consumer Accounts	170,630	14.59%
5	Consumer Service	32,182	2.06%	5	Consumer Service	32,182	2.75%
6	Sales Expense	-	0.00%	6	Sales Expense	-	0.00%
7	Admin. and General	283,350	18.10%	7	Admin. and General	283,350	24.23%
<b>8</b>	<b>Subtotal - Expensed</b>	<b>1,169,407</b>	<b>74.70%</b>	<b>8</b>	<b>Subtotal - Expensed</b>	<b>1,169,407</b>	<b>100.00%</b>
9	Construction and Other	395,960	25.30%				
10	Total	<u>1,565,367</u>	<u>100.00%</u>				

Source: Response to Data Request No. KCC-117

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Payroll Related Expenses  
Income Statement Adjustment No. 5  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-5

Line No.	Description	Amount
1	Long Term Disability	19,585
2	Workmen's Compensation	1,499
3	Hospitalization Insurance Expense	6,462
4	Life Insurance	1,256
5	Retirement and Pension	2,110
6	State and Federal Unemployment	20,220
7	FICA	<u>465</u>
8	Total Adjustment to Payroll Related Expenses	51,598
9	Less: Construction and Other	25.30% <u>13,052</u>
10		<u><u>38,546</u></u>

Category	Allocation Factor	Staff Adjustment	Western Pro Forma Adjustment	Total Staff Adjustment
Transmission	1.46%	754	445	309
Distribution Operations	21.78%	11,240	12,971	(1,731)
Distribution Maintenance	20.40%	10,527	10,154	373
Consumer Accounts	10.90%	5,624	6,342	(718)
Consumer Service	2.06%	1,061	1,098	(37)
Sales Expense	0.00%	-	-	-
Administration and General	18.10%	9,340	9,614	(274)
Total		<u>51,598</u>	<u>74.70%</u>	<u>(2,078)</u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule D  
Response to Data Request No. KCC-118  
Exhibit ANF-4(A)

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Payroll Related Expenses  
 Income Statement Adjustment No. 5  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-5(A)

Line No.	(A) Actual Payroll Costs as of 12/31/2011	(B) Actual Benefits and Taxes Costs as of 12/31/2011	(C) Allocation Percentage (% of Payroll) (B) / (A)	(D) Adjusted Payroll Increase	(E) Allocation of Benefits Increase (D) x (C)
1	2011 Payroll Expense	1,565,367			
2	Retirement & Pension		24.00%		
3	401(k) Savings	375,726	1.84%		
4	FICA Tax	28,764	7.92%		
5	Long Term Disability	123,966	1.54%		
6	Workmens's Compensation	24,099	2.59%		
7	Hospitalization Insurance	40,488	24.78%		
8	State & Federal Unemployment	387,903	0.57%		
9	Life Insurance	8,920	0.43%		
10	Total Increase in Payroll (to reflect actual increase in payroll expense as of 12/31/11)			81,596	
11	Retirement & Pension				19,585
12	401(k) Savings				1,499
13	FICA Tax				6,462
14	Long Term Disability				1,256
15	Workmens's Compensation				2,110
16	Hospitalization Insurance				20,220
17	State & Federal Unemployment				465
18	Life Insurance				348
19	Total Increase in Benefits and Taxes as a percent of the total increase in payroll				<u>51,946</u>

Source: Response to Data Request No. KCC-118

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Rate Case Expense  
Income Statement Adjustment No. 6  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF- 6

<b>Line No.</b>	<b>Description</b>	<b>Amount</b>
1	Western Actual Rate Case Expense	60,267
2	KCC Staff and CURB Actual Rate Case Expense (through April 20, 2012)	<u>23,497</u>
3	Total Rate Case Expense	83,765
4	Staff Amortization Period (Years)	<u>3</u>
5	Staff's Annual Rate Case Expense	27,922
	Less: Test Year Rate Case Expense	<u>3,001</u>
	Staff's Adjustment to Rate Case Expense	24,921
6	Western's Pro Forma Rate Case Expense	<u>16,667</u>
7	<b>Staff Adjustment to Rate Case Expense (Account 923)</b>	<u><u>8,254</u></u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule G  
Response to Data Request Nos. KCC-145 and KCC-150  
KCC Accounting Staff, information received via email on April 24, 2012

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Depreciation Expense  
 Income Statement Adjustment No. 7  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit ANF-7

Line No.	Description	Account Number	(A) Plant Balance 12/31/2010	(B) Staff Adjustments to Plant	(C) Adjusted Plant Balance 12/31/2011	(D) Commission Approved Depreciation Rate 09-969 Docket	(E) Staff Pro Forma Annualized Depreciation Expense	(F) MKEC Pro Forma Annualized Depreciation Expense	(G) Staff Adjustment to Depreciation Expense
<b>INTANGIBLE PLANT</b>									
1	Intangible	301 - 303			\$0	4.10%	\$0		\$0
<b>STEAM PRODUCTION PLANT</b>									
2	Land and Land Rights	310			0	0.00%	0		0
3	Structures and Improvements	311			0	4.80%	0		0
4	Boiler Plant Equipment	312			0	7.02%	0		0
5	Boiler Plant Equipment - Pollution	312			0	8.55%	0		0
6	Engines and Engine Driven Generators	313			0	0.00%	0		0
7	Turbogenerator Units	314			0	6.92%	0		0
8	Accessory Electric Equipment	315			0	5.59%	0		0
9	Miscellaneous Power Plant Equipment	316			0	6.58%	0		0
10	Asset Retirement Obligation	317			0	0.00%	0		0
11	Total Steam Production Plant		0	0	0		0	0	0
<b>OTHER PRODUCTION PLANT</b>									
12	Land and Land Rights	340			0	0.00%	0		0
13	Structures and Improvements	341			0	-1.42%	0		0
14	Fuel Holders and Accessories	342			0	2.00%	0		0
15	Prime Movers	343			0	1.52%	0		0
16	Generators	344			0	-0.12%	0		0
17	Accessory Electric Equipment	345			0	1.09%	0		0
18	Miscellaneous Power Plant Equipment	346			0	2.63%	0		0
19	Asset Retirement Obligation	347			0	0.00%	0		0
20	Total Other Production Plant		0	0	0		0	0	0
<b>TRANSMISSION PLANT</b>									
21	Land and Land Rights	350	38,031	(38,031)	0	0.00%	0		0
22	Structures and Improvements	352	243,432	0	243,432	2.11%	5,136		5,136
23	Station Equipment	353	3,525,901	0	3,525,901	1.83%	64,524		64,524
24	Towers and Fixtures	354	0	0	0	0.00%	0		0
25	Poles and Fixtures	355	2,679,273	36,493	2,715,766	3.30%	89,620		89,620
26	Overhead Conductors and Devices	356	2,645,899	234,324	2,880,223	1.88%	54,148		54,148
27	Asset Retirement Obligation	359	0	0	0	0.00%	0		0
28	Total Transmission Plant		9,132,536	232,786	9,365,321		213,429	0	213,429
<b>DISTRIBUTION PLANT</b>									
29	Land and Land Rights	360	18,966	(18,966)	0	0.00%	0		0
30	Structures and Improvements	361	42,674	0	42,674	1.73%	738		738
31	Station Equipment	362	1,843,961	0	1,843,961	1.10%	20,284		20,284
32	Poles, Towers and Fixtures	364	5,274,736	365,575	5,640,311	4.66%	262,838		262,838
33	Overhead Conductors and Devices	365	4,975,303	557,071	5,532,373	1.49%	82,432		82,432
34	Underground Conduit	366	55,528	0	55,528	1.62%	900		900
35	Underground Conductors and Devices	367	176,872	2,515	179,387	4.51%	8,090		8,090
36	Line Transformers	368	766,126	448,794	1,214,920	1.97%	23,934		23,934
37	Overhead Services	369	0	20,252	20,252	4.47%	905		905
38	Meters	370	1,240,017	(107,739)	1,132,277	2.19%	24,797		24,797
39	Installations on Customers' Premises	371	470,236	9,475	479,711	14.67%	70,374		70,374
40	Street Lighting and Signal Systems	373	0	0	0	3.11%	0		0
41	Total Distribution Plant		14,864,417	1,276,975	16,141,392		495,292	0	495,292
<b>GENERAL PLANT</b>									
42	Land and Land Rights	389	2,785	(2,785)	0	0.00%	0		0
43	Structures and Improvements	390	1,073,732	0	1,073,732	3.16%	33,930		33,930
44	Office Furniture and Equipment	391	46,668	20,388	67,056	7.63%	5,116		5,116
45	Transportation Equipment	392	167,997	30,972	198,969	11.56%	23,001		23,001
46	Stores Equipment	393	29,777	0	29,777	4.75%	1,414		1,414
47	Tools, Shop and Garage Equipment	394	17,215	1,022	18,237	4.65%	848		848
48	Laboratory Equipment	395	17,452	0	17,452	4.98%	869		869
49	Power Operated Equipment	396	908,543	16,792	925,334	6.97%	64,496		64,496
50	Communication Equipment	397	57,870	46,125	103,995	2.33%	2,423		2,423
51	Miscellaneous Equipment	398	0	2,985	2,985	7.42%	221		221
52	Total General Plant		2,322,040	115,499	2,437,538		132,319	0	132,319
53	Subtotal		26,318,992	1,625,260	27,944,252		841,040	0	841,040
<b>AMORTIZATION OF ACQUISITION PREMIUM</b>									
54	Acquisition Cost Amortization	399			0	3.33%	0		0
55	Totals		\$26,318,992	\$1,625,260	\$27,944,252		\$841,040	\$735,617	\$105,423

Sources: Western filing, Exhibit RJM-WE-2, Schedule E  
 Response to Data Request Nos. KCC-115 and KCC-129  
 Docket No. 06-MKEE-524-ACQ  
 Docket No. 09-MKEE-969-RTS

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Long Term Interest Expense  
 Income Statement Adjustment No. 8  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-8

Line No.	Description	Monthly Amount	Total
1	January 2011	39,014	
2	February 2011	35,238	
3	March 2011	35,238	
4	April 2011	37,563	
5	May 2011	38,815	
6	June 2011	37,563	
7	July 2011	38,628	
8	August 2011	38,628	
9	September 2011	37,382	
10	October 2011	38,442	
11	November 2011	37,202	
12	December 2011	<u>42,152</u>	
13	Actual 2011 Long Term Interest Expense		455,863
14	Actual Test Year Long Term Interest Expense		<u>466,760</u>
15	Staff Adjusted Long Term Interest Expense		(10,897)
16	Western's Pro Forma Adjustment to Long Term Interest Expense		25,096
17	<b>Staff Adjustment to Long Term Interest Expense (Account 427.1)</b>		<u><b>(35,993)</b></u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule F  
 Response to Data Request Nos. KCC-2, KCC-99 and KCC-133

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Other Interest Expense  
Income Statement Adjustment No. 9  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-9

<b>Line No.</b>	<b>Description</b>	<b>Amount</b>
1	Actual 2011 Other Interest Expense	19,607
2	Actual Test Year Other Interest Expense	<u>11,332</u>
3	Staff's Adjusted Other Interest Expense	8,275
4	Western's Pro Forma Adjustment to Other Interest Expense	<u>20,226</u>
5	<b>Staff's Adjustment to Other Interest Expense (Account 430)</b>	<u><b>(11,951)</b></u>

Sources: Western filing, Exhibit RJM-WE-2, Schedule J  
Response to Staff Data Request Nos. 2 and 130

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Distribution Operations  
Income Statement Adjustment No. 10  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-10

<b>Line No.</b>	<b>Description</b>	<b>Amount</b>
1	Western's Pro Forma Adjustment to Distribution Operations	319,260
2	Staff Amortization Period (Years)	<u>3</u>
3	Staff Annual Amortization Expense	106,420
4	<b>Staff Adjustment to Distribution Operations (Account 586)</b>	<b><u>(212,840)</u></b>

Source: Western filing, Exhibit RJM-WE-2, Schedule K

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Other Operating Revenue  
Income Statement Adjustment No. 11  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-11

<b>Line No.</b>	<b>Description</b>	<b>Amount</b>
1	Amortization of Acquisition Premium	119,121
2	<b>Staff's Adjustment to Non-Operating Margins - Other</b>	<u><u>119,121</u></u>

Source: Western filing, Exhibit RJM-WE-2, Schedule I

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Entertainment Expenses  
 Income Statement Adjustment No. 12  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-12

Line No.	Vendor	Description	FERC		Exclusion	Total	
			Account	Amount	Percentage		
<b><u>DUES and Memberships</u></b>							
1	KIOGA	2010 KIOGA Membership Dues	930.10	117	50.00%	58	
2	Kansas Electric Cooperative	2010 Touchstone KS Dues Assessment	908.00	76	50.00%	38	
3	Kansas Electric Cooperative	2011 Touchstone KS Dues Assessment	909.00	76	50.00%	38	
4	Kansas Electric Cooperative	2012 Touchstone KS Dues Assessment	930.10	229	50.00%	115	
5	Touchstone Energy	2011 National Touchstone Energy Dues	908.00	730	50.00%	365	
6	Touchstone Energy	2012 National Touchstone Energy Dues	909.00	730	50.00%	365	
7	Touchstone Energy	2013 National Touchstone Energy Dues	930.10	2,190	50.00%	1,095	
8	Ellsworth Chamber of Commerce	2010 Chamber Dues	930.20	200	50.00%	100	
9	KS REC Accountant's Club	2010 Membership	930.20	50	50.00%	25	
10	Kansas Material Managers Club	2010 Membership	930.20	25	50.00%	13	
11	Total Dues and Membership Expenses						2,212
<b><u>LOBBYING</u></b>							
12	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	593.99	3,304	19.44%	642	
13	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	907.00	2,604	19.44%	506	
14	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	909.00	2,680	19.44%	521	
15	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	921.00	46	19.44%	9	
16	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	925.00	15,412	19.44%	2,996	
17	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	926.00	2,184	19.44%	425	
18	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	930.10	10,735	19.44%	2,087	
19	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	930.40	498	19.44%	97	
20	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	930.41	5,635	19.44%	1,095	
21	Kansas Electric Cooperative	Monthly KEC Dues and Subscription Fees	930.42	1,405	19.44%	273	
22	NRECA	2010 NRECA Membership Dues	930.20	6,843	20.00%	1,369	
23	Total Lobbying Expenses						10,020
24	Total Dues and Lobbying (Line 13 + Line 24)						12,232
25	Staff's Adjustment to Dues and Lobbying						<u>(12,232)</u>

**Staff Adjustment by FERC Account**

593.99	(642)
907.00	(506)
908.00	(403)
909.00	(924)
921.00	(9)
925.00	(2,996)
926.00	(425)
930.10	(3,355)
930.20	(1,506)
930.40	(97)
930.41	(1,095)
930.42	(273)
	<u>(12,232)</u>

Western Cooperative Electric Association, Inc.  
 Staff Adjustment to Donations  
 Income Statement Adjustment No. 13  
 For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
 Exhibit No. ANF-13

Line No.	Vendor	Description	FERC		Exclusion	Total
			Account	Amount	Percentage	
1	Kansas Electric Cooperative	Youth Tour to Colorado & Washington DC	908.00	1,333	50%	667
2	Lucas-Luray High School	Annual school donation designated toward electric cars	930.10	300	50%	150
3	Sylvan Grove High School	Annual school donation designated toward scoreboard	930.10	150	50%	75
4	Natoma High School	Annual school donation designated toward FADD Chapter	930.10	150	50%	75
5	First National Bank	Youth Tour contest supplies	908.00	66	50%	33
6	Dennis Deines	Mileage for Electorally attendance	909.00	67	50%	33
7	Central Publishing Company	13 Directories	930.10	173	50%	87
8	Kansas Committee for Rural Electrification	Donation to annual golf outing	930.10	100	100%	100
9	Southwestern College	Youth Tour scholarship winner	908.00	125	50%	63
10	Dodge City Community College	Youth Tour scholarship winner	908.00	125	50%	63
11	University of Nebraska - Kearney	Youth Tour scholarship winner	908.00	125	50%	63
12	Manhattan Area Technical College	Sponsoring electrical education scholarship	908.00	513	100%	513
13	Kansas State University	Youth Tour scholarship winner	908.00	125	50%	63
14	Dodge City Community College	Youth Tour scholarship winner	908.00	500	50%	250
15	Pratt Community College	Youth Tour scholarship winner	908.00	500	50%	250
16	Kansas Electric Cooperative	Youth Tour to Washington DC	908.00	1,888	50%	944
17	Sunflower Electric Cooperative	High Plains Rally - Electrocar rally sponsor	909.00	232	100%	232
18	Hoisington High School	Annual school donation designated toward electric cars	930.10	100	50%	50
19	VFW Auxillary #2864	Care packages for troops overseas	930.10	25	50%	13
20	Ellsworth High School	Annual school donation designated toward yearbook	930.10	150	50%	75
21	Dennis Deines	Mileage for Electorally attendance	930.10	18	50%	9
22	Dennis Deines	Mileage for Electorally attendance	930.10	216	50%	108
23	Dennis Deines	Mileage for Electorally attendance	909.00	53	50%	26
24	Kansas Electric Cooperative	Youth Tour to Colorado	908.00	348	50%	174
25	Kansas Electric Cooperative	Youth Tour	908.00	123	50%	61
26	Kansas Electric Cooperative	Youth Tour contest supplies	908.00	208	50%	104
27	Lincoln High School	Annual school donation designated toward after prom	930.10	150	50%	75
28	LaCrosse High School	Annual school donation designated toward after prom	930.10	150	50%	75
29	Otis-Bison High School	Annual school donation designated toward SADD Chapter	930.10	150	50%	75
30	Total Donations To Be Removed					4,502
31	Staff's Adjustment to Donations					<u>(4,502)</u>
			<u>Staff Adjustment by FERC Account</u>			
			908.00		(3,245)	
			909.00		(291)	
			930.10		(966)	
					<u>(4,502)</u>	

Western Cooperative Electric Association, Docket No. 12-MKKEE-491-RTS  
 Staff Adjustment to Advertising Expenses Exhibit No. ANF-14  
 Income Statement Adjustment No. 14  
 For the Test Year Ended December 31, 2010

Line No.	Vendor	Description	FERC Account	Amount	Percentage Excluded	Total
1	Culver Company	Safety Rulers	930.10	246	50%	123
2	Culver Company	Safety Rulers	930.10	198	50%	99
3	Central Publishing	13 Couny Directories	930.10	173	50%	87
4	Nex-Tech	Advertising	908.00	302	50%	151
5	AT&T	Ellsworth phone directory	930.10	4	50%	2
6	AT&T	Ellsworth phone directory	930.10	4	50%	2
7	AT&T	Ellsworth phone directory	930.10	66	50%	33
8	JF Beaver	Caps with Western logo	930.10	600	100%	600
9	Ellsworth Co Reporter	Ellsworth Progre Ad	930.10	170	100%	170
10	Ellsworth Co Reporter	Ad in Ellsworth	930.10	70	50%	35
11	Toadily Awesome Tees	Western logo to be printed on t-shirts	926.00	199	100%	199
12	Kansas Electric Cooperative	Jan Subs/Dues - KCL Magazine	908.00	2,675	62.50%	1,672
13	Kansas Electric Cooperative	Feb Subs/Dues - KCL Magazine	908.00	2,677	56.25%	1,506
14	Kansas Electric Cooperative	Mar Subs/Dues - KCL Magazine	908.00	2,673	43.75%	1,170
15	Kansas Electric Cooperative	Apr Subs/Dues - KCL Magazine	908.00	2,678	71.88%	1,925
16	Kansas Electric Cooperative	May Subs/Dues - KCL Magazine	908.00	2,682	64.71%	1,735
17	Kansas Electric Cooperative	June Subs/Dues - KCL Magazine	908.00	2,671	59.09%	1,578
18	Kansas Electric Cooperative	July Subs/Dues - KCL Magazine	908.00	1,993	68.75%	1,370
19	Kansas Electric Cooperative	Aug Subs/Dues - KCL Magazine	908.00	1,994	62.50%	1,246
20	Kansas Electric Cooperative	Sep Subs/Dues - KCL Magazine	908.00	1,993	72.50%	1,445
21	Kansas Electric Cooperative	Oct Subs/Dues - KCL Magazine	908.00	1,980	53.13%	1,052
22	Kansas Electric Cooperative	Nov Subs/Dues - KCL Magazine	908.00	2,062	68.75%	1,418
23	Kansas Electric Cooperative	Dec Subs/Dues - KCL Magazine	908.00	1,976	71.88%	1,420
24	Total Advertising Expense To Be Removed					19,037
25	Staff's Adjustment to Advertising Expense					<u>(19,037)</u>
			<u>Staff Adjustment by FERC Account</u>			
			908.00			(17,537)
			926.00			(199)
			930.10			<u>(1,301)</u>
						<u>(19,037)</u>

Note: The percentage allocated to be excluded for the Kansas Country Living Magazine distributed is Staff's portion of the pages expensed for each monthly magazine viewed as being image advertising or promotional.

Sources: Response to Data Request No. KCC-44 and KCC-125

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Entertainment Expenses  
Income Statement Adjustment No. 15  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-15

Line No.	Description	FERC	
		Account	Amount
1	Annual Winter Party	926.00	1,394
2	Accountant's Club meeting	930.40	323
3	Annual Meeting Prizes	930.41	<u>295</u>
4	Total Entertainment Expenses		2,011
5	Staff Adjustment to Remove Entertainment Expenses		<u>(2,011)</u>

Sources: Response to Data Request Nos. KCC- 2, KCC-60, and KCC-127.

Western Cooperative Electric Association, Inc.  
Staff Adjustment to Outside Services  
Income Statement Adjustment No. 16  
For the Test Year Ended December 31, 2010

Docket No. 12-MKEE-491-RTS  
Exhibit No. ANF-16

<b>Line No.</b>	<b>Vendor</b>	<b>Description</b>	<b>Amount</b>
1	Deines & Deines	PC small estate affidavit	30
2	Deines & Deines	MKEC loan guarantee	45
3	Deines & Deines	NCSC loan guarantee MKEC debts	225
4	Deines & Deines	One-time sale of property	315
5	Deines & Deines	CoBank loan guarantee	<u>98</u>
6	Total Outside Services Expense to be Removed		713
7	Amortization Period (Years)		<u>3</u>
8	Total Annual Outside Services Expense		238
9	<b>Staff Adjustment to Outside Services (Account No. 923)</b>		<u><u>(475)</u></u>

Sources: Response to Data Request Nos. KCC-90 and KCC-151

Exhibit ANF-17



**(Plainville meter replacement project). Please see KCC DR #83 DISTRIBUTION OPERATIONS.pdf for detailed illustrations.**

4. Please describe how the the estimated installation costs credit to Account 586 not related to the Plainville meter replacement project can be differentiated from the costs that are related to the Plainville project.

**These were determined by reviewing the WO1057 report (please see KCC DR #83 DISTRIBUTION OPERATIONS.pdf) with the Purchasing Manager. He was able to determine from purchasing records which meters were not purchased for the Plainville meter replacement project and these purchases were marked as "Not Plainville" on the WO1057 reports on pages 2, 4 and 7 of the pdf file KCC DR #83 DISTRIBUTION OPERATIONS.pdf.**

**Response:**

Submitted By Andria Finger

Submitted To Western

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

#### Verification of Response

I have read the foregoing Data Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: \_\_\_\_\_ Stacey Malsam \_\_\_\_\_

Date: \_\_\_\_\_ 3/27/2012 \_\_\_\_\_



## CERTIFICATE OF SERVICE

12-MKEE-491-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony was served by electronic service on this 14th day of May, 2012, to the following parties who have waived receipt of follow-up hard copies.

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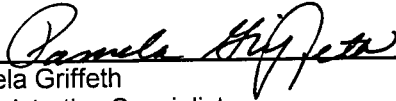
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\_\_\_\_\_  
Pamela Griffeth  
Administrative Specialist