

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Annual Filing of )  
Southern Pioneer Electric Company for )  
Approval to Make Certain Changes to Its )  
Charges for Electric Services, Pursuant to the ) KCC Docket No. 16-SPEE-497-RTS  
Debt Service Coverage Formula Based )  
Ratemaking Plan Approved in Docket )  
No. 13-MKEE-452-MIS )

DIRECT TESTIMONY OF

CARY CATCHPOLE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

July 1, 2016

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Cary Catchpole, 1500 SW Arrowhead Road, Topeka, Kansas 66604.

4

5 **Q. What is your occupation?**

6 A. I am an economist and accountant in the field of public utility regulation.

7

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

9 A. I am employed by the Citizens' Utility Ratepayer Board ("CURB") as a Regulatory Analyst.

10

11 **Q. Please describe your educational background.**

12 A. I graduated from Washburn University in Topeka, Kansas, in 2001 with a Bachelor of Business  
13 Administration *magna cum laude*, which included an emphasis in Finance.

14

15 **Q. Please summarize your professional experience.**

16 A. I joined the Citizens' Utility Ratepayer Board ("CURB") as a Regulatory Analyst in May of  
17 2016. Prior to joining CURB, I worked as an economic developer with the Kansas Department of  
18 Commerce for 15 years in numerous capacities, including research analysis, business  
19 development representation, assistant management of workforce training and education, and  
20 incentive program management.

21

22 **Q. Have you previously testified before the Commission?**

23 A. No, I have not previously filed testimony before this Commission.

24

25

1 **II. SUBJECT OF TESTIMONY**

2 **Q. What is the subject of your testimony?**

3 A. The purpose of my testimony is as follows: 1) to recognize and support accounting adjustments  
4 for the 2015 Test Year as filed by Southern Pioneer Electric Company (“Southern Pioneer” or  
5 “Company”) identified in discovery; 2) offer support for KCC Staff (“Staff”) adjustments to  
6 advertising, dues and donations; and 3) support Staff in recommending a modified application  
7 process for future filings that would allow Southern Pioneer Electric Company to jointly file the  
8 DSC-FBR and the 34.5v FBR within the same docket.

9

10 **III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

11 **Q. Please summarize your primary recommendations.**

12 A. Based upon my analysis and review of the filing and other documentation in this case, I  
13 recommend the Kansas Corporation Commission (“KCC” or “Commission”):

- 14 • Allow a correction to the revenue annualization adjustment to include a \$431,739  
15 increase to the DSC-FBR calculated Operating Revenue to properly reflect all billing  
16 revenue collected in Southern Pioneer’s billing cycles;
- 17 • Recognize a one-time correction amount of \$198,323 for the KEPCo CMS Delivery  
18 Point metering error as a reduction in the DSC-FBR Operating Revenue and an increase  
19 to the company’s 34.5kV FBR system;
- 20 • Disallow an amount of \$8,257 as recommended by Staff for additional advertising, dues,  
21 and donation transactions not previously identified in the Company’s Exhibit 9; and
- 22 • Support Staff in allowing Southern Pioneer to apply for the DSC-FBR and the 34.5 kV  
23 FBR on the same docket while retaining separate protocols.

24

25

1 **IV. DISCUSSION OF THE ISSUES**

2 **A. Overview**

3 **Q. Please provide a brief background of this proceeding.**

4 A. On May 1, 2016, Southern Pioneer Electric Company filed an Annual Debt Service Coverage  
5 (“DSC”) Formula Based Ratemaking Pilot Program (“DSC-FBR”) Annual Filing and Application  
6 in accordance with protocols with the Commission seeking an increase of \$679,308, or 1.18% in  
7 distribution rates for its customers. On May 13, 2016, Southern Pioneer filed an Errata<sup>1</sup> seeking  
8 an increase of \$735,917, or 1.27% instead of \$679,308 (1.18%) as originally filed.

9 The May 1, 2016, filing is the third of the five-year program filings made by Southern  
10 Pioneer in accordance with the Order Approving Non-Unanimous Settlement Agreement in  
11 Docket No. 13-MKKEE-452-MIS (“452 Docket”).<sup>2</sup> The DSC-FBR allows for retail rates to be  
12 adjusted annually based on maintaining a Debt Service Coverage (DSC) ratio of 1.75, subject to  
13 review and approval by the Commission<sup>3</sup>

14  
15 **Q. Please explain how the Company calculated its proposed rate increase of \$735,917 in**  
16 **this docket.**

17 A. As approved in the 452 Docket, the DSC is the ratio of (1) the difference between (i) net income  
18 (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or  
19 loss), plus depreciation expense, amortization expense, and interest expense; minus (ii) non-cash  
20 patronage and non-cash income from joint ventures; to (2) all principal payments due during the  
21 preceding calendar year on all long-term debt plus interest expense (as calculated for the twelve

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<sup>1</sup> Southern Pioneer Electric Company Errata to Application Filed on May 2, 2016 (May 13, 2016) (Errata).

<sup>2</sup> See Docket No. 13-MKKEE-452-MIS, DSC-FBR Protocols in the Order Approving Non-Unanimous Settlement Agreement, Attachment 1, Exhibit A (September 26, 2013) (Order Approving Settlement Agreement).

<sup>3</sup> See *id.* at p. 4, ¶ 16-17.

1 month period concluding with the end of the quarter in which the calculation is being made in  
2 accordance with Generally Accepted Accounting Principles, or GAAP, consistently applied).<sup>4</sup>

3 Exhibit 3 of Southern Pioneer's Errata application shows that its calculated DSC ratio  
4 based upon the 2015 test year is 1.62, and that a rate increase of \$735,917 is necessary to increase  
5 the DSC ratio to the prescribed level of 1.75.<sup>5</sup>

6  
7 **B. Company Adjustments to Operating Revenue**

8 **Q. Did Southern Pioneer's application reflect all revenue necessary to calculate the Revenue**  
9 **Requirement for the DSC ratio?**

10 A. No. CURB participated in a technical conference held June 14, 2016 with Staff, the Company  
11 and other intervenors. At the conference, a correction to the annualized rate adjustment affecting  
12 the company's Operating Revenue was presented. This correction increases the total revenue by  
13 \$431,739, and would fully recognize income collected from retail consumers upon the  
14 implementation of increased rates across the company's various billing cycles.<sup>6</sup> A related  
15 correction to cash tax expense calculated from the adjusted revenue was also presented.<sup>7</sup>

16  
17 **Q. Were there any other adjustments presented by the company at the technical conference**  
18 **pertaining to the Revenue Requirement for the DSC ratio?**

19 A. Yes. Southern Pioneer presented additional information and an adjustment for a metering error as  
20 self-reported by KEPCo, one of Southern Pioneer's sub-transmission customers.<sup>8</sup> The one-time  
21 correction amount of \$198,323 for the KEPCo CMS Delivery Point error appears as a reduction  
22 in the DSC-FBR Operating Revenue and an increase to the company's 34.5kV FBR revenue

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<sup>4</sup> See *id.* at Attachment 1, Exhibit A.

<sup>5</sup> See Errata, p. 2, ¶ 2.

<sup>6</sup> See Southern Pioneer Response to Staff DR 17, Attachment 1, "Exhibit 3 SPEC 2016 DSC-FBR with Cycle 25 Adjustment and KEPCo payment".

<sup>7</sup> See *id.*

<sup>8</sup> See *id.*

1 assigned to the transmission system.<sup>9</sup> I have examined this as well as the other related  
2 adjustments presented by Southern Pioneer, and consider their inclusion in the computation of the  
3 Revenue Requirement to be just and reasonable.  
4

5 **C. Staff Adjustments to Advertising, Dues, and Donations**

6 **Q. Did Southern Pioneer provide a detailed accounting of its advertising, donations and**  
7 **charitable contributions?**

8 A. Yes. As part of its filing, Southern Pioneer provided a list of its advertising, dues, donations, and  
9 charitable contributions in Exhibit 9.<sup>10</sup> This exhibit was provided in accordance with the  
10 Commission order in the 452 Docket that required Southern Pioneer to “include with its filing a  
11 complete detailed accounting by account, of all dues, donations, charitable contributions,  
12 promotional advertising, penalties, and fines, and entertainment expenses incurred during the Test  
13 Year.”<sup>11</sup>  
14

15 **Q. Has the Commission previously required a portion of charitable contributions or donations**  
16 **to be removed from the utility’s cost of service?**

17 A. Yes. In the past the Commission has commonly required regulated utilities to exclude 50% of its  
18 charitable contributions or donations from the utility’s cost of service. These costs are generally  
19 considered inappropriate for inclusion to the cost of service as they are not necessary for the  
20 provision of safe and reliable utility service. The Commission policy conforms with K.S.A. 66-

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<sup>9</sup> See Southern Pioneer Response to Staff DR 16.

<sup>10</sup> Application for Pioneer Electric Cooperative, Inc., Exhibit 9 (5/2/2016). These figures were corrected later by Southern Pioneer. Corrected Exhibits to Application of Southern Pioneer, Replacing in its Entirety, Original Exhibits 2-13 Filed May 2, 2016 (May 3, 2016) (Application); Errata.

<sup>11</sup> Order Approving Settlement Agreement, Attachment 1 Exhibit A, p. 5.

1 101f(a).<sup>12</sup> In addition to removing 50% of a utility's charitable contributions, the Commission  
2 has excluded all costs related to Company promotion and corporate advertising.

3  
4 **Q. Did Southern Pioneer make any adjustments to eliminate 50% of its charitable**  
5 **contributions and 100% of Company promotion and corporate advertising expenses from**  
6 **its cost of service?**

7 A. Yes. I have reviewed Southern Pioneer's Exhibit 9, and verify that the Company eliminated  
8 \$133,828; 50% of a portion of charitable contributions and 100% of some advertising expenses  
9 from its cost of service.<sup>13</sup> Southern Pioneer should remove an additional \$8,257 for costs not  
10 adjusted in the Company's Exhibit 9,<sup>14</sup> \$5,281 of which are Company promotional advertising,  
11 penalties, fines, or entertainment expenses, and \$2,976 of which represent 50% of dues, donations  
12 and charitable contributions pursuant to conversations with Staff and information presented in  
13 Staff's Exhibit CCU-3.

14  
15 **D. Recommended Revision to the Annual Filing Process**

16 **Q. Please identify and explain the application process.**

17 A. As described earlier, Southern Pioneer submits a DSC-FBR Plan each year for five years by May  
18 1, as approved by the Commission in the 452 Docket, filing for the calendar year just ended  
19 ("Test Year") and making application for certain changes to its retail rates. As required by the  
20 protocols, the Company excludes certain costs applicable to its 34.5 kV sub-transmission  
21 services. Those costs are included in the 34.5kV Formula Based Rate ("FBR").

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<sup>12</sup> K.S.A. 66-101 f(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>13</sup> See Pioneer Response to CURB DR 1.

<sup>14</sup> Schedule CPC-1 shows CURB's recommended adjustments to Southern Pioneer's Administrative and General Expense and Other Deductions Expense accounts located in the Company's ledger.



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**Q. Can you briefly explain Southern Pioneer’s 34.5 kV FBR?**

A. Yes. The 34.5kV FBR was approved by the Commission in Docket No. 16-MKEE-023-TAR (“16-023 Docket”), and is a three-year ratemaking plan that provides for the annual recovery of the costs associated with Southern Pioneer’s 34.5 kV sub-transmission system. CURB is aligned with this process, recommending in the 452 Docket that the Commission utilize the same ratemaking methodology of the DSC-FRB to establish annual Local Access Charges (“LAC”) for third-party customers utilizing the Company’s 34.5 kV facilities.<sup>15</sup> The 34.5 kV FBR Plan does indeed complement and work in conjunction with the DSC-FBR Ratemaking Plan approved in the 452 Docket; both rely on the same underlying costs, each reflect a portion of the total revenue requirement, and their allocated cost amounts summed together cannot be greater than the total actual cost amount recorded on Southern Pioneer’s financial statement. An adjustment to one plan will result in an adjustment to the other.

**Q. Please describe briefly the change in application process you are supporting.**

A. I understand that for future filings Staff will recommend that Southern Pioneer be allowed to combine the DSC-FBR annual filings along with the 34.5 kV FBR annual updated filing within the same docket. Allowing Southern Pioneer to combine the DSC-FBR annual filings along with the 34.5 kV FBR annual updated filing in one docket would encourage greater judicial/administrative efficiency as required by protocols, less confusion in applying the tariff, and a reduced cost to the consumer. As the calculation of the eventual tariff rate for the consumer relies upon the rates set for both, communication of the tariff to the consumer seems to support a simultaneous filing of both FBRs. CURB would support this application change as we

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<sup>15</sup> See Andrea Crane testimony from the 13-MKEE-452-MIS, p. 4, lines 8-11 (May 3, 2013).

1 understand it will be recommended by Staff in order to allow Southern Pioneer to combine the  
2 final approved rate adjustments for both FBRs as a single rate change for its retail customers.  
3

4 **V. IMPACT OF ADJUSTMENTS ON DSC-FBR RATE**

5 **Q. What is the total amount of your recommended adjustments?**

6 A. I have recommended the Commission approve a net increase of \$113,218 in adjustments to the  
7 Company's cost of service pursuant to Southern Pioneer's Errata, Corrected Exhibit 3.<sup>16</sup> As per  
8 the June 16, 2016 correction detailed in the company's response to Staff DR 17,<sup>17</sup> this will be a  
9 rate increase of \$849,135, or 1.47% instead of \$735,917 (1.27%) as filed in the Errata, and  
10 \$679,308 (1.18%) as originally filed.<sup>18</sup>  
11

12 **Q. Would you like to make any additional comments or identify other general concerns**  
13 **regarding Southern Pioneer's application?**

14 A. No.  
15

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

17 A. Yes, it does.

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<sup>16</sup> See Errata, Corrected Exhibit 3.

<sup>17</sup> See Staff DR 17.

<sup>18</sup> See Application, pp. 5-6, ¶ 8.

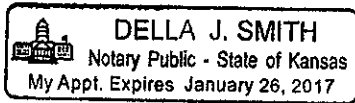
VERIFICATION

STATE OF KANSAS                    )  
COUNTY OF SHAWNEE            )     ss:

I, Cary Catchpole, of lawful age and being first duly sworn upon my oath, state that I am a regulatory analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

  
Cary Catchpole

SUBSCRIBED AND SWORN to before me this 1<sup>st</sup> day of July, 2016.



  
Notary Public

My Commission expires: 01-26-2017.

APPENDIX A

Schedules

CPC-1

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	COMPANY	CURB	ADJUSTED	DISTRIBUTION	DSC-FBR	34.5 kV Total System
	HISTORICAL TEST YEAR [2015] (\$)			ADJUSTMENTS NO. AMOUNT (\$)			
<b>1. A. STATEMENT OF OPERATIONS</b>							
2. Operating Revenue and Patronage Capital	61,904,720	F7, Pt. A, Col. B [1]	431,739	62,336,459	Direct (E.3.a)	57,608,285	4,728,175
3. Power Production Expense	-	F7, Pt. A, Col. B	-	-	0.0000	-	-
4. Cost of Purchased Power	40,379,199	F7, Pt. A, Col. D	-	40,379,199	1.0000	40,379,199	-
5. Transmission Expense	1,123,753	F7, Pt. A, Col. B	-	1,123,753	0.0000	-	-
6. Regional Market Expense	-	F7, Pt. A, Col. B	-	-	0.0000	-	-
7. Distribution Expense - Operation	3,469,012	F7, Pt. A, Col. B [2-a]	(23,637)	3,445,375	1.0000	3,445,375	-
8. Distribution Expense - Maintenance	1,745,856	F7, Pt. A, Col. B [2-b]	-	1,745,856	1.0000	1,745,856	-
9. Customer Accounts Expense	1,228,142	F7, Pt. A, Col. B [2-c]	(14,008)	1,214,134	1.0000	1,214,134	-
10. Customer Service and Informational Expense	184,350	F7, Pt. A, Col. B [2-d]	(17,607)	166,743	1.0000	166,743	-
11. Sales Expense	17,789	F7, Pt. A, Col. B [2-e]	(14,638)	3,151	1.0000	3,151	-
12. Administrative and General Expense	1,833,655	F7, Pt. A, Col. B [2-f]	(25,328) (1)	(7,095)	1,801,232	0.9541	1,718,532
13. Total Operation & Maintenance Expense	49,981,756	F7, Pt. A, Col. B	(95,218)	(7,095)	49,879,443		48,672,990
14. Depreciation and Amortization Expense	2,866,993	F7, Pt. A, Col. B	-	2,866,993	0.7044	2,019,615	847,378
15. Tax Expense - Property & Gross Receipts	-	F7, Pt. A, Col. B	-	-	0.7137	-	-
16. Tax Expense - Other	1,320,076	F7, Pt. A, Col. B [3]	(1,009,871)	310,205	0.7417	230,075	80,130
17. Interest on Long-Term Debt	5,645,848	F7, Pt. A, Col. B [4]	14,304	5,660,152	0.7137	4,039,598	-
18. Interest Charged to Construction - Credit	-	F7, Pt. A, Col. B	-	-	0.7137	-	-
19. Interest Expense - Other	24,974	F7, Pt. A, Col. B [5]	23,253	48,227	0.7137	34,419	-
20. Other Deductions	1,424,762	F7, Pt. A, Col. B [2-g]	(38,610) (1)	(1,163)	1,384,989	0.7137	988,454
21. Total Cost of Electric Service	61,264,409	F7, Pt. A, Col. B	(1,106,142)	(8,257)	60,150,009	0.9308	55,985,151
22. Patronage Capital & Operating Margins	640,311	F7, Pt. A, Col. B	1,537,881	2,186,450		1,623,133	
23. Non Operating Margins - Interest	8,582	F7, Pt. A, Col. B	-	8,582	0.7137	6,125	60,150,010
24. Allowance for Funds Used During Construction	-	F7, Pt. A, Col. B	-	-	0.7137	-	-
25. Income (Loss) from Equity Investments	466,435	F7, Pt. A, Col. B	-	466,435	1.0000	466,435	-
26. Non Operating Margins - Other	(59,126)	F7, Pt. A, Col. B	-	(59,126)	1.0000	(59,126)	-
27. Generation and Transmission Capital Credits	-	F7, Pt. A, Col. B	-	-	1.0000	-	60,150,009
28. Other Capital Credits and Patr. Dividends	986,315	F7, Pt. A, Col. B	-	986,315	0.7137	703,924	-
29. Extraordinary Items	-	F7, Pt. A, Col. B	-	-	1.0000	-	-
30. Patronage Capital or Margins	2,042,517	F7, Pt. A, Col. B	1,537,881	3,588,656	0.7637	2,740,491	-

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	COMPANY	CURB	ADJUSTED	DISTRIBUTION	DSC-FBR	34.5 kV Total System
	HISTORICAL TEST YEAR [2015]			ADJUSTMENTS NO. AMOUNT [2015]			
	(S)	(S)		(S)			
31.							
32.	<b>B. DEBT SERVICE PAYMENTS</b>						
33.	Interest Expense	5,670,822	Line 17 + Line 19	37,557	5,708,379	0.7137	4,074,018
34.	Principal Payments	1,788,305	F7, Pt. Q, Col. B	[6] 435,181	2,223,486	0.7137	1,586,881
35.	Total Debt Service Payments	7,459,127			7,931,865	0.7137	5,660,899
36.							
37.	<b>C. DEBT SERVICE MARGINS</b>						
38.	Patronage Capital or Margins	2,042,517	Line 30		3,588,656	0.7637	2,740,491
39.	Plus: Depreciation and Amortization Expense	2,866,993	Line 14		2,866,993	0.7044	2,019,615
40.	Plus: Interest Expense	5,670,822	Line 33	37,557	5,708,379	0.7137	4,074,018
41.	Plus: Non-Cash Other Deductions Amortizations	1,247,442	Trial Balance		1,247,442	0.7137	890,288
42.	Plus: Cash Capital Credits Cash Received	689,408	F7, Pt. 1, 1.6, Col. A		689,408	0.7137	492,024
43.	Plus: Non-Cash Income Tax Expense	1,097,148	Line 16	(1,097,148)	-	0.7417	-
44.	Less: Income (Loss) from Equity Investments	(466,435)	Line 25		(466,435)	1.0000	(466,435)
45.	Less: Other Capital Credits and Patr. Dividends	(986,315)	Line 28		(986,315)	0.7137	(703,924)
46.	Total Debt Service Margins	12,161,580			12,648,128		9,046,077
47.							
48.	<b>D. DEBT SERVICE COVERAGE</b>	1.63	L46/L35		1.59		1.60
49.							
50.	<b>E. DEBT SERVICE COVERAGE TARGET</b>						1.75
51.							
52.							
53.	<b>F. INITIAL OPERATING INCOME ADJUSTMENT</b>						
54.	DSC Adjustment Required to Achieve Target				0.16		0.15
55.	Debt Service Payments				7,931,865		5,660,899
56.	After-Tax Operating Income Adjustment				1,232,635		849,135
57.							

Adjusted DSC Margins are: Below the Target

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED HISTORICAL TEST YEAR	COMPANY ADJUSTMENTS		CURB ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR	DISTRIBUTION ALLOCATION FACTOR	DSC-FBR	34.5 kV Total System
	[2015] (\$)	NO.	AMOUNT (\$)	NO.	AMOUNT	[2015] (\$)	see Workpaper 1	(\$)	
58. <b>G. EQUITY TEST</b> (increase will not result in > 15% equity ratio)									
59.			Plus						
	<u>Pre-Adjustment</u>		<u>Adjustment</u>			<u>Post-Adjustment</u>			
60. Total Margins and Equities	7,206,092 <small>F7, Pt. C, L35 + acct 426.6</small>		849,135			8,055,227			
61. Total Assets	128,003,440 <small>F7, Pt. C, L28</small>	[7]	5,946,386			133,949,826			
62. Equity Ratio	<u>5.63%</u> <small>L60 / L61</small>					<u>6.01%</u>			
63.									
64. <b>H. FINAL REVENUE ADJUSTMENT PROPOSED</b>									
65. Operating Income Adjustment							849,135		
66. Rate Schedule Revenue							<u>57,608,285</u>		
67. Adjustment Percentage							1.47%		

APPENDIX B

Data Requests

CURB-1

STAFF-16

STAFF-17



**Citizens' Utility Ratepayer Board**  
Information Request

Request No: CURB-1

Company Name                    SOUTHERN PIONEER ELECTRIC COMPANY  
Docket Number                16-SPEE-497-RTS  
Request Date                    June 6, 2015  
Date Information Needed       June 20, 2016

**Please Provide the Following:**

Regarding Exhibit 9, please clarify for each category a) the amount that is included in the Company's filing and b) the amount, if any that was booked below the line and is not included in the Company's filing. Please identify the amount included by percentage, and the total amount of adjustment in dollars. For additional reference, please refer to Exhibit 9 as amended of the 15-SPEE-519-RTS docket.

**Response:**

a) Total amount included in the Company's filing (Unadjusted Historical Test Year) for all categories combined was \$240,824

b) Total amount for all categories combined, if any, booked below the line and not included in the Company's filing was \$0.00. No items were booked below the line. For detail by category with a reference to Exhibit 3 page and line, see the attached 'CURB-01 Exh9 Explanation.xls'.

The amount included by percentage for all categories combined (as included in Historical Unadjusted TY) was 100%. No dollars were excluded from the Historical Unadjusted TY.

The total adjustment in dollars (adjusted to remove typically disallowed portion) was \$133,828.

The total remaining amount included (i.e. after adjustment of the disallowed/same as typically allowed) was \$106,996.

See attached: CURB-01 Exh9 Explanation.xls

CLS

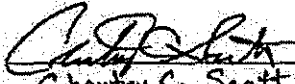
Submitted By: Thomas J. Connors

Submitted To: Lindsay A. Shepard

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 the 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:   
Name: Chantry C. Scott  
Position: CFO  
Dated: 6-9-16

16-SP6E-497-RTS CURB-1

CURB-01 Filing Exhibit 9 with requested information/clarification

Total by Form 7 Line No.	Exhibit 3, Page 1 Line No.	Dues, donations, charitable contributions, promotional advertising, penalties and fines, entertainment included in Exhibit 3, Page 1 - Unadjusted Historical Test Year	Excluded Dollars (i.e. adjusted out because typically disallowed)	Exhibit 3, Page 4 Corresponding Adjustment	Remaining Included Dollars (i.e. typically allowed)
6-Distribution Expense-Operation	7	48,257.61	23,637.42	2-a	24,620.19
8-Customer Accounts Expense	9	14,627.60	14,007.60	2-c	620.00
9-Customer Service and Informational Expense	10	40,200.02	17,607.26	2-d	22,592.76
10-Sales Expense	11	17,788.84	14,637.56	2-e	3,151.28
11-Administration and General Expense	12	51,961.41	25,327.70	2-f	26,633.71
19-Other Deductions	20	67,988.13	38,610.47	2-g	29,377.66
<b>Total by Form 7 Line No.</b>		<b>240,823.61</b>	<b>133,828.01</b>		<b>106,995.60</b>

CURB DR-1: Regarding Exhibit 9, please clarify for each category a) the amount that is included in the Company's filing and b) the amount, if any that was booked below the line and is not included in the Company's filing. Please identify the amount included by percentage, and the total amount of adjustment in dollars. For additional reference, please refer to Exhibit 9 as amended of the 15-SPEE-519-RTS docket.

No items were booked below the line. For detail by category with the reference to Exhibit 3 pages and lines, see rows 591-596 above.

a) Total amount included in the Company's filing (Unadjusted Historical Test Year) - for all categories combined	\$240,824
b) Total amount, if any, booked below the line and not included in the Company's filing - for all categories combined	\$0
Identify the amount included by percentage - for all categories combined (as included in Historical Unadjusted TY)	100%
Total adjustment in dollars (adjusted to remove typically disallowed portion)	\$133,828
Total remaining included (i.e. after adjustment of the disallowed/same as typically allowed to remain included)	\$106,996

**Kansas Corporation Commission  
Information Request**

Request No: 16

Company Name            SOUTHERN PIONEER ELECTRIC COMPANY            SPEE  
Docket Number        16-SPEE-497-RTS  
Request Date            June 16, 2016  
Date Information Needed   June 23, 2016

RE: Follow-up from the Technical Conference - CMS Metering Error

**Please Provide the Following:**

Please provide a brief discussion of the KEPCo CMS Delivery Point metering issue include the amount of the correction, a description of the KEPCO/Mid-Kansas/Southern agreement, the impact on the DSC-FBR and 34.5kV FBR, and the reduction to Southern Pioneer wholesale power costs in the retail ECA.

Submitted By   Chad Unrein

Submitted To   Randy Magnison

**Response:**

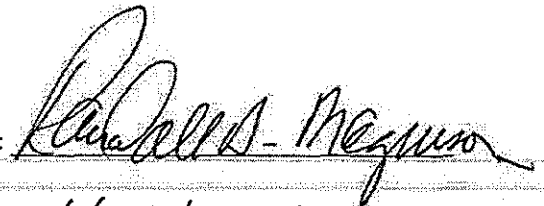
See attached summary and the "Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment" and "Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 Updated Tax-Other and KEPCo pmt" Excel files attached for reference. *Note the latter file also contains the updated Footnote 1 on Page 1 and preserves rounding to 2 decimal places on Page 2 for retail allocation as requested by Staff during the Technical Conference call.*

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

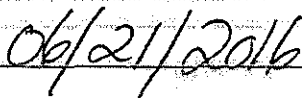
**Verification of Response**

I have read the foregoing Information 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 Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: \_\_\_\_\_



Date: \_\_\_\_\_



## DR-16 – Summary of KEPCo-CMS Delivery Point Issue (Metering)

- Metering point was taken out of service for maintenance on November 17, 2010. It was placed back into service November 22, 2010. The CT ratio was reprogrammed from 25:1 to 50:1, but there was a communication error and the meter and pulse multipliers were never update in the Sunflower Electric meter interrogation software. This error caused the readings to be exactly half of what they should have been.
  - Since this meter is a deduction from Southern Pioneer Electric Company’s (“Southern Pioneer” or “SPEC”) distribution load and the primary metering (115\34.5kV) was correct, it shifted the load from KEPCo-CMS to Southern Pioneer.
    - Southern Pioneer was billed this incorrect reading by Mid-Kansas from November 2010 through September 2014.
- KEPCo identified and self-reported the error in September 2014.
  - In order to correct the metering error, KEPCo/Mid-Kansas/Southern Pioneer agreed that KEPCo would:
    - Make a one-time payment, to include interest from November 2010 – September 2014, to Southern Pioneer for LAC and PTS charges totaling \$198,322.76 that KEPCo would have paid had the error not occurred. *(Please note the additional \$43,954.99 paid by KEPCo to MKEC in excess of the \$198,322.76 – i.e. the remainder of the \$242,277.75 grand total one-time payment due from KEPCo as reflected in the CMS Plains Delivery Point Billing Resolution agreement between KEPCo and Mid-Kansas, – was retained by Mid-Kansas as charges related to ancillary, losses, and the associated remainder of the total interest, i. e. this additional amount was not remitted to Southern Pioneer and is not reflected on SPEC’s books).*
    - Make 35-monthly payments, to include interest from November 2010 – September 2014, totaling \$3,061,984.47 for demand/energy KEPCo consumed to Mid-Kansas, who will credit against Southern Pioneer’s monthly wholesale power bill, i.e. WHM – Power Supply. *(Please note that the additional \$640,059.84 to be paid by KEPCo to Mid-Kansas in excess of \$3,061,984.47 – i.e. the remainder of the grand total \$3,702, 044.31 in the 35-monthly payments as reflected in the CMS Plains Delivery Point Billing Resolution agreement between KEPCo and Mid-Kansas, – would be retained by Mid-Kansas, i. e. this additional amount would not be credited against Southern Pioneer’s monthly wholesale power bill).*

**Payment From KEPCo to MKEC  
Credited to SPECo**

Interest	\$ 223,799.45
WHM - Power Supply	\$ 2,838,185.02
<b>Paid Over 35-Months</b>	<b>\$ 3,061,984.47</b>

*(1 Payment of \$87,485.29 & 34 Payments of \$87,485.27 to MKEC and Credited to SPECo's Monthly Power Bill)*

**Payment from KEPCo to SPECo**

Interest	\$ 7,906.94
LAC	\$ 182,032.64
PTS	\$ 8,383.18
<b>One-Time Payment</b>	<b>\$ 198,322.76</b>

*(Paid \$198,322 in 1 Lump Sum to SPECo)*

## DR-16 SUMMARY – Continued

- As outlined in response to Staff's DR-9 in Docket 16-497 and DR-8 in Docket 16-501, the one-time payment of \$198,322.76 was recorded as revenue on Southern Pioneer's 2015 Form 7 (on SPEC books), and the \$87,485.29 plus 10 out of the 34 total payments of \$87,485.27 (for the total of \$962,337.99) was applied as a reduction (credit) to MKEC's 2015 wholesale power costs ultimately reducing the retail ECA. See PDF File titled "SPEC Mid-Kansas 2015 Power Bills" and Excel File titled "Southern Pioneer 2015 Retail ECA Calculation", Line 17, which demonstrates credit received from Mid-Kansas and flowed through by Southern Pioneer to retail customers.
  - Since the one-time \$198,322.76 payment is related to the 34.5kV system and was included in SPEC's 2015 TY operating revenues, it should be recognized in the 34.5kV system revenues. In short, it should be treated similar to KMEA payment.
    - In the DSC-FBR (for Historical Test Year 2015) in 16-497 Docket, it will increase 34.5kV system revenues while reducing the DSC-FBR Operating Revenues by the same amount. The attached "Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment" Excel file highlights the change made on Page 4, Line 26, and the corresponding impact on Page 4, Line 27 and then Page 1, Line 2. Also note the corresponding change in the Operating Margins allocator on Page 1, Line 16, "Distribution Allocation Factor" Column. On its own (i.e. before accounting for the Cycle 25 adjustment described in a response to DR-17), subtracting additional \$198,322.76 from the DSC-FBR system revenues change would result in a DSC ratio of 1.59 vs 1.62 as filed. Together, with the 16-497 Docket DR-17 adjustment for rate annualization, the resultant DSC ratio for the Adjusted Historical Test Year is 1.60.
    - In the 34.5kV FBR, these revenues should be added on Page 1, Line 3 along with the KMEA payment to be recognized as an offset to the Total Revenue Requirement, thus reducing the Net Revenue Requirement by the additional \$198,322.76. See the noted change reflected on Page 1, Line 3 of the "Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 Updated Tax-Other and KEPCo pmt" Excel file. Additionally, Page 1, Line 16 Allocation Factor would be affected, as well, as it is the remainder of the Operating Margins allocator used on Page 1, Line of the DSC-FBR. The resultant LAC rate is \$4.19/kW compared to the \$4.37/kW as filed.
    - The \$874,852.72 credit to MKEC's 2015 wholesale power cost is already reflected in the Purchased Power expense for the 2015 (since Mid-Kansas offset Southern Pioneer's WHM – Power Supply by that amount), and therefore, in the lower retail ECA paid and collected for 2015 (with the 2015 retail ECA revenues reflected in the 2015 total operating revenues). Therefore, no additional adjustment is necessary to either of the DSC-FBR or 34.5kV FBR to reflect this credit.

**Southern Pioneer Electric Company**  
**34.5kV Formula Based Rate**  
**Revenue Requirement and Rate Calculation**  
**For Year 2016 Based on the Historical Test Year Ending December 31, 2015**

(a) Line No	(b) Description	(c) Source	(d) Unadjusted Historical Test Year [2015]	(e) Adjustments		(f) Adjusted Historical Test Year [2015]	(g) (h) Allocation Factor		(i) FBR Revenue Requirement
				No.	Amount		Name	Factor	
				Source: WP2			Source: WP3		
1	<b>Operating Expenses</b>								
2	Power Production Expense	WP1, L29, Col (d)	\$ -			\$ -		0.00000	
3	Cost of Purchased Power	WP1, L30, Col (d)	\$ 40,379,198			\$ 40,379,198		0.00000	
4	Transmission O&M	WP1, L31, Col (d)	\$ 1,123,753			\$ 1,123,753		1.00000	\$ 1,123,753
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$ 3,469,012	[1]	\$ -	\$ 3,469,012	DOM	0.00000	\$ -
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$ 1,745,856	[2]	\$ -	\$ 1,745,856	DOM	0.00000	\$ -
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$ 1,228,142			\$ 1,228,142		0.00000	\$ -
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$ 184,350			\$ 184,350		0.00000	\$ -
9	Sales Expense	WP1, L36, Col (d)	\$ 17,789			\$ 17,789		0.00000	\$ -
10	Administration & General	WP1, L37, Col (d)	\$ 1,833,656	[3]	\$ (25,328)	\$ 1,808,328	LAB	0.045913	\$ 83,026
11	<b>Total O&amp;M Expense</b>	Sum (L2:L10)							\$ 1,206,779
12	Depreciation and Amortization								
13	Transmission	WP1, L40, Col (d)	\$ 609,836			\$ 609,836		1.00000	\$ 609,836
14	General Plant	WP1, L41, Col (d)	\$ 117,384			\$ 117,384	LAB	0.045913	\$ 5,389
15	Property Tax	WP1, L43, Col (d)	\$ -			\$ -	NP	0.286309	\$ -
16	Other Taxes <sup>1</sup>	WP1, L44, Col (d)	\$ 1,320,076	[4]	\$ (1,009,871)	\$ 310,205		0.258314	\$ 80,130
17	L.T. Interest	WP1, L45, Col (d)	\$ 5,645,848	[5]	\$ 14,304	\$ 5,660,152	NP	0.286309	\$ 1,620,554
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$ -	[6]	\$ -	\$ -	NP	0.286309	\$ -
19	Interest-Other	WP1, L47, Col (d)	\$ 24,974	[7]	\$ 23,253	\$ 48,227	NP	0.286309	\$ 13,808
20	Other Deductions	WP1, L48, Col (d)	\$ 1,424,761	[8]	\$ (38,610)	\$ 1,386,151	NP	0.286309	\$ 396,868
21	<b>Total Cost of Electric Service</b>								\$ 3,933,364
22									
23	<b>Margin Requirement</b>								
24	Principal Payments	WP1, L62, Col (d)	\$ 1,788,305	[9]	\$ 435,181	\$ 2,223,486	NP	0.286309	\$ 636,604
25	L.T. Interest	L17	\$ 5,645,848		\$ 14,304	\$ 5,660,152	NP	0.286309	\$ 1,620,554
26	Interest-Other	L18	\$ 24,974		\$ 23,253	\$ 48,227	NP	0.286309	\$ 13,808
27	Subtotal	Sum (L22:24)							\$ 2,270,966
28	Required Coverage Ratio	WP1, L65, Col (d)							1.75
29	Gross Margin Requirements	L27 x L28							3,974,191
30	Less: Offsets to Margin Requirements	WP4, L7, Col (i)							2,804,125
31	Net Margin Requirement	L29 - L30							\$ 1,170,066
32									
33	<b>Total Revenue Requirements</b>								
34	Add: Net Margin Requirement	L21 + L31							\$ 5,103,430
35	Add: True-Up Amount <sup>2</sup>	per Section I of the Protocols							\$ (679,237)
36	<b>Total Net Revenue Requirements</b>	L34 + L35							\$ 4,424,192
37	Divided By Total System Billing Demand	WP5, L28							981,504 kW
38	Unadjusted Unit Rate	L36 / L37							\$4.508/kW-mo.
39	Less: Property Tax Surcharge	Dkt. No. 16-SPEE-306-RTS							\$0.316/kW-mo.
40	<b>Resultant Unit Rate</b>	L38- L39							\$4.19/kW-mo.

<sup>1</sup> The resultant allocator is the remainder of Taxes-Other, cash portion, allocated to 2016 DSC-FBR, where 74.17% was assigned to distribution system after recognizing KEPCo payment and Cycle 25 correction to the annualization adjustment.  
<sup>2</sup> True-Up does not apply the first year per Section I of Protocols. However, SPEE is recognizing KMEA payment per 15-MKKE-461-TAR (applicable to the 34.5kV system, booked as December 2015 revenues) and KEPCo paym

**Southern Pioneer Electric Company**  
**34.5kV Formula Based Rate**  
**Allocation of 34.5kV FBR Rate Adjustment to Retail Rate Classes**  
**For Year 2016 Based on the Historical Test Year Ending December 31, 2015**

**I. Calculation of the 34.5kV FBR Retail Rate Adjustment**

Line No.	Description	Source	Amount
1	Resultant LAC rate	Pg. 1, L40	\$ 4.19 /kW/mo
2	Currently Effective LAC rate	15-SPEE-161-RTS	\$ 4.51 /kW/mo
3	Difference	L2 - L3	\$ (0.32) /kW/mo
4			
5	Additional Revenue Needed From Retail:		
6	Retail LAC Demand	WP5, L26, Col (Total)	\$ 567,273 kW
7	Additional Per kW LAC	L3	\$ (0.32) /kW/mo
8			\$ (181,528)

**II. Proportional Allocation of 34.5kV FBR Retail Rate Adjustment to Rate Classes On Base Revenue by Rate Schedule**

(a) Line No.	(b) Rate Schedule	(c) Rate Schedule Revenue <sup>1</sup>	(d) Allocated Power Supply Cost of Service <sup>1</sup>	(e) Base Revenue <sup>1</sup>	(f) Percent of Tot Base Rev	(g)-(k) Allocation of Rate Adjustment				
						(g) 34.5kV FBR Adjustment <sup>1</sup>	(h) Base Revenue	(i) Check the Spread	(j) Historical Energy Sales	(k) 34.5kV FBR Adjustment per kWh
		(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(%)	(kWh)	(\$)
1	Residential Service (RS)									
2	General Use	\$ 15,768,066	\$ 8,131,393	\$ 7,636,672	41.10%	\$ (74,613)	\$ 7,562,060	41.10%	113,778,960	(0.0007)
3	Space Heating <sup>2</sup>	\$ 937,451	\$ 508,817	\$ 428,633	2.31%	\$ (4,188)	\$ 424,446	2.31%	7,199,942	(0.0006)
4	General Service Small (GSS)	\$ 1,787,831	\$ 849,048	\$ 938,783	5.05%	\$ (9,172)	\$ 929,611	5.05%	11,759,613	(0.0008)
5	General Service Large (GSL)	\$ 16,702,915	\$ 9,751,472	\$ 6,951,443	37.41%	\$ (67,918)	\$ 6,883,525	37.41%	131,415,482	(0.0005)
6	General Service Space Heating <sup>2</sup>	\$ 596,672	\$ 382,152	\$ 214,520	1.15%	\$ (2,096)	\$ 212,424	1.15%	5,624,917	(0.0004)
7	Industrial Service (IS)	\$ 3,471,395	\$ 2,351,177	\$ 1,120,217	6.03%	\$ (10,945)	\$ 1,109,273	6.03%	33,942,433	(0.0003)
8	Interruptible Industrial Service (INT)	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%	-	N.A.
9	Real -Time Pricing (RTP) <sup>3</sup>	\$ (5,467,259)	\$ (5,467,259)	\$ -	0.00%	\$ -	\$ -	0.00%	(99,635,259)	N.A.
10	Sub-transmission Level Service (STR) <sup>4</sup>	\$ 23,263,116	N.A.	N.A.	0.00%	\$ -	\$ -	0.00%	365,162,574	N.A.
11	Municipal Power Service (M-I)	\$ 205,095	\$ 112,708	\$ 92,387	0.50%	\$ (903)	\$ 91,484	0.50%	1,575,233	(0.0006)
12	Water Pumping Service (WP)	\$ 640,798	\$ 366,256	\$ 274,541	1.48%	\$ (2,682)	\$ 271,859	1.48%	5,294,691	(0.0005)
13	Irrigation Service (IP-I)	\$ 308,410	\$ 162,506	\$ 145,904	0.79%	\$ (1,426)	\$ 144,478	0.79%	2,177,795	(0.0007)
14	Temporary Service (CS)	\$ 19,574	\$ 8,271	\$ 11,302	0.06%	\$ (110)	\$ 11,192	0.06%	84,434	(0.0013)
15	Lighting	\$ 1,039,269	\$ 274,132	\$ 765,137	4.12%	\$ (7,476)	\$ 757,661	4.12%	4,082,334	(0.0018)
16	<b>Total Retail Rates</b>	<b>\$ 59,273,330</b>	<b>\$ 17,430,675</b>	<b>\$ 18,579,540</b>	<b>100.00%</b>	<b>\$ (181,528)</b>	<b>\$ 18,398,012</b>	<b>100.00%</b>	<b>582,463,149</b>	

<sup>1</sup> See Workpaper 7 for detail.

<sup>2</sup> The per kWh Adjustment shown in Column (k) constitutes annual average, with the actual seasonal components varying due to rate design. See Work Paper 7 for detail.

<sup>3</sup> Exclude RTP (marginal piece/unadjustable rate). Note, however, that these customers will still share in the 34.5kV FBR adjustment per their corresponding baseline tariff.

<sup>4</sup> STR customers will not share in retail 34.5kV FBR adjustment: 115 STR take service at a higher voltage level, and 34.5 kV STR pay their share of 34.5 kV system costs in the demand rate component.



**Kansas Corporation Commission  
Information Request**

Request No: 17

Company Name                    SOUTHERN PIONEER ELECTRIC COMPANY                    SPEE  
Docket Number                16-SPEE-497-RTS  
Request Date                    June 16, 2016  
Date Information Needed      June 23, 2016

RE: Follow-up from the Technical Conference - Billing Cycle Adjustments

**Please Provide the Following:**

Are there any Billing Cycle Adjustments needed for KWh sales in the annualization adjustment similar to WP3 need in the 16-497 Docket or 16-501 Docket? Please describe any impact to both Dockets:

Submitted By    Chad Unrein  
Submitted To    Randy Magnison

**Response:**

Yes. For 16-497 Docket (DSC-FBR), Page 4, Line 6 should include kWh thru August vs. thru July (from Patronage report, as August represents July usage), but with the reduction of 20,887,553 kWh for Cycle 25 (August usage for this cycle is actual usage for that month, not prior). The change is reflected in the attached "Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment, Page 4, Line 6, as well as on Page 5, Line 47, 48, and 50 and on Page 1, Line 16. Stand-alone (i.e. before including KEPCo payment described in a response to the Staff DR-14 in the 16-501 Docket), this adjustment would change DSC ratio to 1.63 from 1.62 as filed. Together with the Docket 16-501 DR-14 adjustment for KEPCo payment, the resultant DSC ratio for the Adjusted Historical Test Year is 1.60.

For 16-501 Docket (34.5kV FBR), the impact of this change is evidenced in the attached Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 with Updated Tax-Other and KEPCo pmt" Excel file, Page 1, Line 16 (in the amount of the total Tax-Other for the Adjusted Historical Test Year, as well as the allocator, as the latter is the remainder of what is assigned to the DSC-FBR). For transparency, the resulted change has been also documented on "WP1-Input" tab (or Page 3), Line 72. The referenced file shows a cumulative impact of the KEPCo payment adjustment (noted in a response to DR-16 in Docket 16-497), as well as the instant change per revenue annualization noted above. Combined with the Docket 16-497 DR-16 adjustment for KEPCo payment, the resultant LAC rate is \$4.19/kW compared to \$4.37/kW as filed (notice that applying only KEPCo payment adjustment described in a response to the Docket 16-497 DR-16 still results in a final LAC rate of \$4.19/kW, i.e. the adjustment to the DSC-FBR rate annualization and the resultant slight increase in the total Tax-Other/cash expense did not change the impact on the 34.5kV LAC due to the corresponding reduction – compared to Docket 16-497 DR-16 change only-- in the allocation factor on Line 16 on Page 1 of the 34.5kV FBR).

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 Information 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 Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: 

Date: 06/21/2016

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED HISTORICAL TEST YEAR [2015]		ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR [2015]		DISTRIBUTION ALLOCATION FACTOR see Workpaper 1	DSC-FBR (\$)	34.5 kV Total System
	(\$)		NO.	AMOUNT (\$)	(\$)	(\$)			
1. <b>A. STATEMENT OF OPERATIONS</b>									
2. Operating Revenue and Patronage Capital	61,904,720	F7, Pl. A, Col. B	[1]	431,739	62,336,459	Direct (E.3.a)	57,608,285	4,728,175	
3. Power Production Expense	-	F7, Pl. A, Col. B			-	0.0000	-		
4. Cost of Purchased Power	40,379,199	F7, Pl. A, Col. B			40,379,199	1.0000	40,379,199		
5. Transmission Expense	1,123,753	F7, Pl. A, Col. B			1,123,753	0.0000	-		
6. Regional Market Expense	-	F7, Pl. A, Col. B			-	0.0000	-		
7. Distribution Expense - Operation	3,469,012	F7, Pl. A, Col. B	[2-a]	(23,637)	3,445,375	1.0000	3,445,375		
8. Distribution Expense - Maintenance	1,745,856	F7, Pl. A, Col. B	[2-b]	-	1,745,856	1.0000	1,745,856		
9. Customer Accounts Expense	1,228,142	F7, Pl. A, Col. B	[2-c]	(14,008)	1,214,134	1.0000	1,214,134		
10. Customer Service and Informational Expense	184,350	F7, Pl. A, Col. B	[2-d]	(17,607)	166,743	1.0000	166,743		
11. Sales Expense	17,789	F7, Pl. A, Col. B	[2-e]	(14,638)	3,151	1.0000	3,151		
12. Administrative and General Expense	1,833,655	F7, Pl. A, Col. B	[2-f]	(25,328)	1,808,327	0.9541	1,725,301		
13. <b>Total Operation &amp; Maintenance Expense</b>	49,981,756	F7, Pl. A, Col. B		(95,218)	49,886,538		48,679,759		
14. Depreciation and Amortization Expense	2,866,993	F7, Pl. A, Col. B			2,866,993	0.7044	2,019,615	847,378	
15. Tax Expense - Property & Gross Receipts	-	F7, Pl. A, Col. B			-	0.7137	-		
16. Tax Expense - Other	1,320,076	F7, Pl. A, Col. B	[3]	(1,009,871)	310,205	0.741686	230,075	80,130	
17. Interest on Long-Term Debt	5,645,848	F7, Pl. A, Col. B	[4]	14,304	5,660,152	0.7137	4,039,598		
18. Interest Charged to Construction - Credit	-	F7, Pl. A, Col. B			-	0.7137	-		
19. Interest Expense - Other	24,974	F7, Pl. A, Col. B	[5]	23,253	48,227	0.7137	34,419		
20. Other Deductions	1,424,762	F7, Pl. A, Col. B	[2-g]	(38,610)	1,386,152	0.7137	989,284		
21. <b>Total Cost of Electric Service</b>	61,264,409	F7, Pl. A, Col. B		(1,106,142)	60,158,267	0.9308	55,992,750		
22. <b>Patronage Capital &amp; Operating Margins</b>	640,311	F7, Pl. A, Col. B		1,537,881	2,178,192		1,615,535		
23. Non Operating Margins - Interest	8,582	F7, Pl. A, Col. B			8,582	0.7137	6,125		
24. Allowance for Funds Used During Construction	-	F7, Pl. A, Col. B			-	0.7137	-		
25. Income (Loss) from Equity Investments	466,435	F7, Pl. A, Col. B			466,435	1.0000	466,435		
26. Non Operating Margins - Other	(59,126)	F7, Pl. A, Col. B			(59,126)	1.0000	(59,126)		
27. Generation and Transmission Capital Credits	-	F7, Pl. A, Col. B			-	1.0000	-		
28. Other Capital Credits and Patr. Dividends	986,315	F7, Pl. A, Col. B			986,315	0.7137	703,924		
29. Extraordinary Items	-	F7, Pl. A, Col. B			-	1.0000	-		
30. <b>Patronage Capital or Margins</b>	2,042,517	F7, Pl. A, Col. B		1,537,881	3,580,398	0.7633	2,732,893		

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS	ADJUSTED	DISTRIBUTION	DSC-FBR	34.5 kV Total System	
	HISTORICAL TEST YEAR [2015] (\$)		NO. AMOUNT (\$)				HISTORICAL TEST YEAR [2015] (\$)
31.							
32.	<b><u>B. DEBT SERVICE PAYMENTS</u></b>						
33.	Interest Expense	5,670,822	Line 17 + Line 19	37,557	5,708,379	0.7137	4,074,018
34.	Principal Payments	1,788,305	F7, Pl. O, Col. B	[6] 435,181	2,223,486	0.7137	1,586,881
35.	Total Debt Service Payments	7,459,127		472,738	7,931,865	0.7137	5,660,899
36.							
37.	<b><u>C. DEBT SERVICE MARGINS</u></b>						
38.	Patronage Capital or Margins	2,042,517	Line 30		3,580,398	0.7633	2,732,893
39.	Plus: Depreciation and Amortization Expense	2,866,993	Line 14		2,866,993	0.7044	2,019,615
40.	Plus: Interest Expense	5,670,822	Line 33	37,557	5,708,379	0.7137	4,074,018
41.	Plus: Non-Cash Other Deductions Amortizations	1,247,442	Trial Balance		1,247,442	0.7137	890,288
42.	Plus: Cash Capital Credits Cash Received	689,408	F7, Pl. J, L6, Col. A		689,408	0.7137	492,024
43.	Plus: Non-Cash Income Tax Expense	1,097,148	Line 16	(1,097,148)	-	0.7417	-
44.	Less: Income (Loss) from Equity Investments	(466,435)	Line 25		(466,435)	1.0000	(466,435)
45.	Less: Other Capital Credits and Patr. Dividends	(986,315)	Line 28		(986,315)	0.7137	(703,924)
46.	Total Debt Service Margins	12,161,580			12,639,871		9,038,478
47.							
48.	<b><u>D. DEBT SERVICE COVERAGE</u></b>	1.63	L46/L35		1.59		1.60
49.							
50.	<b><u>E. DEBT SERVICE COVERAGE TARGET</u></b>						1.75
51.						Adjusted DSC Margins are:	<b>Below the Target</b>
52.							
53.	<b><u>F. INITIAL OPERATING INCOME ADJUSTMENT</u></b>						
54.	DSC Adjustment Required to Achieve Target				0.16		0.15
55.	Debt Service Payments				7,931,865		5,660,899
56.	After-Tax Operating Income Adjustment				1,240,893		849,135
57.							

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION	DSC-FBR	34.5 kV Total System
	HISTORICAL TEST YEAR [2015] (\$)	NO.	AMOUNT (\$)	HISTORICAL TEST YEAR [2015] (\$)			
58.	<b><u>G. EQUITY TEST (increase will not result in &gt; 15% equity ratio)</u></b>						
59.							
60.	Total Margins and Equities	Pre-Adjustment		Plus			
61.		7,206,092	F7, P. C, L35 + accl-426.6	Adjustment	849,135	8,055,227	
62.	Total Assets	128,003,440	F7, P. C, L28	[7]	5,946,386	133,949,826	
63.	Equity Ratio	5.63%	L60 / L61			6.01%	
64.	<b><u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u></b>						
65.	Operating Income Adjustment					849,135	
66.	Rate Schedule Revenue					57,608,285	
67.	Adjustment Percentage					1.47%	

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

1.	<b><u>ADJUSTMENT [1] -- REVENUE</u></b>		<b>Notes, Source, or Protocols Reference</b>
2.	<i>Annualize rate adjustment implemented during Test Year</i>		E.1.a
3.	Annual Rate Adjustment Authorized by Commission	\$ 899,288	15-SPEE-519-RTS
4.	Total kWh Sales used to determine Rate Adjustment	686,165,589	2014 F7, used in 15-SPEE-519-RTS
5.	Equivalent average per kWh rate	\$ 0.00131	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment	329,421,203	usage thru July, WP6 (August column represents July kWh)
7.	Revenue Adjustment to Annualize Rate Adjustment	<u>\$ 431,739</u>	L5 x L6
8.			
9.	<b><u>ADJUSTMENT TO DIRECT ASSIGN 34.5 kV SYSTEM REVENUE</u></b>		E.3.a.
10.	<i>Account for LAC revenues</i>		
11.	Per kW rate during Test Year - January thru April of 2015	\$ 2.78	13-MKEE-699-RTS
12.	34.5 kV System Demand for the Test Year - January thru April of 2015	<u>284,007</u>	WP2
13.		\$ 789,539	Ln 11 x Ln 12
14.	Per kW rate during Test Year - May thru December of 2015	\$ 4.51	15-SPEE-161-RTS
15.	34.5 kV System Demand for the Test Year - May thru December of 2015	<u>697,497</u>	WP2
16.		\$ 3,145,711	Ln 14 x Ln 15
17.			
18.	Recognize KMEA Payment for LAC owed, booked in December 2015	<u>\$ 444,800</u>	15-MKEE-461-TAR
19.			
20.	<i>Account for Property Tax collected during Test Year from the 34.5 kV system users</i>		
21.	Per kW PTS rate for LAC Authorized by the Commission effective during Test Year	\$ 0.115830	15-SPEE-267-TAR
22.	Total 34.5 kV System Demand for the entire Test Year (2015 Test Year)	<u>981,504</u>	WP2
23.		\$ 113,688	Ln 21 x Ln 22
24.			
25.	Recognize KMEA Payment for Property Tax owed (34.5kV system), booked in December 2015	<u>\$ 36,114</u>	15-MKEE-461-TAR
26.	Account for KEPCo one time payment (LAC and PTS combined) booked in 2015 - CMS Plains	<u>\$ 198,323</u>	
27.	<b>Total 34.5kV Revenue</b>	<u><u>\$ 4,728,175</u></u>	L13 + L16 + L18 + L23 + L25
28.			
29.	<b><u>ADJUSTMENT [2] -- Certain Operating Expenses</u></b>		G(f)
30.	<i>Adjustment to remove typically disallowed items (dues, donations, charitable contributions, promotional advertising, penalties and fines, entertainment expense)</i>		
31.			
32.	2-a. Distribution Expense - Operation	\$ (23,637)	Exhibit 9
33.	2.b. Distribution Expense - Maintenance	\$ -	Exhibit 9
34.	2.c. Customer Accounts Expense	\$ (14,008)	Exhibit 9
35.	2.d. Customer Service and Informational Expense	\$ (17,607)	Exhibit 9
36.	2.e. Sales Expense	\$ (14,638)	Exhibit 9
37.	2.f. Administrative and General Expense	\$ (25,328)	Exhibit 9
38.	2.g. Other Deductions	\$ (38,610)	Exhibit 9
39.	<b>Total Adjustment</b>	<u><u>\$ (133,828)</u></u>	Sum (L32:L38)
40.			

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

**Notes, Source, or Protocols Reference**

41.	<b><u>ADJUSTMENT [3] -- Other Taxes</u></b>		
42.	<i>Add Tax Obligation associated with E.1.a. above</i>		Per E.1.b.
43.	<i>Calculate Tax Rate</i>		
44.	Test Year Cash Tax - portion directly associated with the 2015 Income	\$ 129,440	WP3, Ln 8
45.	Test Year Operating Margins	<u>\$ 640,311</u>	F7, Pt. A, Col. B
46.		20%	Per E.1.b.
47.	<i>Apply to Revenue Adjustment made per E.1.a</i>	<u>\$ 431,739</u>	From L7 above.
48.	Resultant additional cash tax	\$ 87,277	L46 x L47
49.	<i>Add Test Year Cash Tax - total</i>	<u>\$ 222,928</u>	WP3, Ln 9
50.	Resultant Tax Expense - Other, cash	<u>\$ 310,205</u>	L49 + L50
51.			
52.	<i>Adjustment to include cash tax expense</i>		
53.	Test Year Tax Expense - Other, as booked	\$ 1,320,076	F7, Pt. A, Col. B
54.	Tax Expense - Other cash (adjusted)	<u>\$ 310,205</u>	From L50 above
55.		<u>\$ (1,009,871)</u>	
56.	<b><u>ADJUSTMENT [4] -- Long-Term Interest Expense</u></b>		E.1.c.
57.	<i>Adjustment to reflect the Budget.</i>		
58.	Actual Year Long-Term Interest Expense	\$ 5,645,848	F7, Pt. A, Col. B
59.	Budget Year Long-Term Interest Expense	<u>\$ 5,660,152</u>	2016 Budget
60.	Adjustment to Actual Long-Term Interest Expense	<u>\$ 14,304</u>	L59 - L58
61.			
62.	<b><u>ADJUSTMENT [5] --Other Interest Expense</u></b>		E.1.d.
63.	<i>Adjustment to reflect the Budget.</i>		
64.	Actual Year Other Interest Expense	\$ 24,974	F7, Pt. A, Col. B
65.	Budget Year Other Interest Expense	<u>\$ 48,227</u>	2016 Budget
66.	Adjustment to Actual Other Interest Expense	<u>\$ 23,253</u>	L65 - L64
67.			
68.	<b><u>ADJUSTMENT [6] -- Principal Payments</u></b>		E.1.e.
69.	<i>Adjustment to reflect the Budget.</i>		
70.	Actual Year Principal Payments	\$ 1,788,305	F7, Pt. O, Col. B
71.	Budget Year Principal Payments	<u>\$ 2,223,486</u>	2016 Budget
72.	Adjustment to Actual Principal Payments	<u>\$ 435,181</u>	L71 - L70
73.			
74.	<b><u>ADJUSTMENT [7] -- Assets</u></b>		
75.	<i>Adjustment to reflect budgeted Assets.</i>		
76.	Actual Year-End Assets	\$ 128,003,440	F7, Pt. C, L28.
77.	Budgeted Year-End Assets	<u>\$ 133,949,826</u>	2016 Budget
78.	Adjustment to Actual Assets	<u>\$ 5,946,386</u>	L77 - L76

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes**  
**On Base Revenue by Rate Schedule**  
**Per Section I of the DSC-FBR Protocols**

(a) Line No.	(b) Rate Schedule	(c) Rate Schedule Revenue <sup>1</sup>	(d) Allocated Power Supply Cost of Service <sup>1</sup>	(e) Base Revenue <sup>1</sup>	(f) Percent of Tot Base Rev	(g)-(i) Allocation of Rate Adjustment			(j) Historical Energy Sales	(k) FBR Adjustment per kWh <sup>2</sup>
						(g) FBR Adjustment <sup>1</sup>	(h) Base Revenue	(i) Check the Spread		
		(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(%)	(kWh)	(\$)
1	Residential Service (15-RS)									
2	General Use	15,768,066	8,131,393	7,636,672	39.7%	342,821	7,979,494	39.7%	113,778,960	0.00301
3	Space Heating	937,451	508,817	428,633	2.2%	19,242	447,875	2.2%	7,199,942	0.00267
4	General Service Small (15-GSS)	1,787,831	849,048	938,783	4.9%	42,143	980,927	4.9%	11,759,613	0.00358
5	General Service Large (15-GSL)	16,702,915	9,751,472	6,951,443	36.1%	312,061	7,263,503	36.2%	131,415,482	0.00237
6	General Service Space Heating	596,672	382,152	214,520	1.1%	9,630	224,150	1.1%	5,624,917	0.00171
7	Industrial Service (15-IS)	3,471,395	2,351,177	1,120,217	5.8%	50,288	1,170,506	5.8%	33,942,433	0.00148
8	Interruptible Industrial Service (15-INT)	-	-	-	0.0%	-	-	0.0%	-	N.A.
9	Real -Time Pricing (13-RTP)	(5,467,259)	(5,467,259)	-	0.0%	-	-	0.0%	(99,635,259)	N.A.
10	Transmission Level Service (15-STR) <sup>3</sup>	23,263,116	22,591,580	671,536	3.5%	15,618	687,154	3.4%	365,162,574	0.00004
11	Municipal Power Service (15-M-I)	205,095	112,708	92,387	0.5%	4,147	96,534	0.5%	1,575,233	0.00263
12	Water Pumping Service (15-WP)	640,798	378,427	262,370	1.4%	11,778	274,149	1.4%	5,479,881	0.00215
13	Irrigation Service (15-IP-I)	308,410	162,506	145,904	0.8%	6,550	152,454	0.8%	2,177,795	0.00301
14	Temporary Service (15-CS)	19,574	8,271	11,302	0.1%	507	11,810	0.1%	84,434	0.00601
15	Lighting	1,039,269	274,132	765,137	4.0%	34,348	799,485	4.0%	4,082,334	0.00841
16	<b>Total Retail Rates</b>	<b>59,273,330</b>	<b>40,034,425</b>	<b>19,238,905</b>	<b>100.0%</b>	<b>849,135</b>	<b>20,088,039</b>	<b>100.0%</b>	<b>582,648,339</b>	

<sup>1</sup> See Workpaper 5 for detail.

<sup>2</sup> See Workpapers 10 and 11 for applying the resultant per kWh DSC-FBR adjustment to the corresponding tariff rates.

<sup>3</sup> The Adjustment for the STR class is calculated using only the non-distribution portion of the additional debt service in the Budget Year (per Section I of the Protocols)--see Workpapers 5 and 7.

**CERTIFICATE OF SERVICE**

16-SPEE-497-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 1<sup>st</sup> day of July, 2016, to the following parties:

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