

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

In the Matter of the Application of Southern )  
Pioneer Electric Company for Limited ) Docket No.  
Waiver of Provisions of its Rules and )  
Regulations and for Expedited Relief. ) 25-SPEE-307-MIS

**DIRECT TESTIMONY OF**

**CHANTRY C. SCOTT  
EXECUTIVE VP, ASSISTANT CEO & CFO  
SOUTHERN PIONEER ELECTRIC COMPANY**

**ON BEHALF OF**

**SOUTHERN PIONEER ELECTRIC COMPANY**

January 31, 2025

1 **I. INTRODUCTION**

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

3 A. My name is Chantry C. Scott. My business address for legal service is 1850 W. Oklahoma,  
4 Ulysses Kansas 67880 and for mail receipt is PO Box 430, Ulysses Kansas 67880-0430.

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

6 A. I am the Executive VP – Assistant CEO & CFO (“Assistant CEO”) and Assistant Secretary  
7 of Southern Pioneer Electric Company, (“Southern Pioneer”), with its corporate office in  
8 Ulysses, Kansas and distribution-customer service offices located in both Liberal and  
9 Medicine Lodge, Kansas. I am also Assistant CEO of Pioneer Electric Cooperative, Inc.  
10 (“Pioneer Electric”), 100% owner of Southern Pioneer. Pioneer is a member-owned electric  
11 cooperative not subject to Kansas Corporation Commission (“KCC” or “Commission”)  
12 jurisdiction for rate setting.

13 **Q. Please describe your responsibilities with Southern Pioneer.**

14 A. As the Assistant CEO, I work directly for the President and Chief Executive Officer. I am  
15 responsible for assisting with establishing financial policy and rates, implementing Board-  
16 approved strategic programs, and the overall financial operations of Southern Pioneer. As  
17 the Assistant Secretary, in the absence of the Corporate Secretary, I sign and attest to  
18 corporate resolutions and other documents as necessary or as authorized or directed by the  
19 Board of Directors.

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

21 A. The purpose of my testimony is to provide support for Southern Pioneer’s Application in  
22 this Docket requesting Commission approval to waive certain provisions of Southern  
23 Pioneer’s Rules and Regulations tariff pertaining to credit card payments by customers of

1 the Sub-Transmission and Transmission Service (“STR”) rate class.

2 **Q. What is your educational background?**

3 A. I graduated from the University of Kansas in 2000 with a Bachelor of Science in both  
4 Accounting and Business Administration, and in 2001 with a Master of Accounting and  
5 Information Systems. I attended and completed various industry specific training including  
6 the National Rural Electric Cooperative Association’s Financial Planning and Strategies  
7 Workshop and the Cooperative Financial Professional Certificate program.

8 **Q. What is your professional background?**

9 A. I began work at Pioneer Electric in June of 2001 as Senior Accountant, where I assisted  
10 the Manager of Finance and Administration in completing general accounting activities. In  
11 December 2003, I was promoted to Manager of Accounting where I oversaw the Financial  
12 Accounting department’s activities such as budgeting, financial forecasting, monthly and  
13 annual reporting, and various other accounting activities. In May 2011, I was promoted to  
14 the position of Chief Financial Officer and VP of Finance and Accounting. In November  
15 2020, I was promoted to the position of Executive VP – Chief Financial Officer. Finally,  
16 in March 2024, I was promoted to my current position of Executive VP – Assistant CEO  
17 & CFO. Pursuant to the July 7, 2006, Services Agreement between Pioneer Electric and  
18 Southern Pioneer, I fulfill these same roles for Southern Pioneer.

19 **Q. Have you previously presented testimony before the KCC?**

20 A. Yes. I provided direct, and in some instances rebuttal, testimony in Docket No. 12-MKEE-  
21 380-RTS (“12-380 Docket”), Docket No. 13-MKEE-699-RTS (“13-699 Docket”), Docket  
22 No. 15-SPEE-161-RTS (“15-161 Docket”), Docket No. 18-KPEE-343-COC (“18-343  
23 Docket”), Docket No. 19-SPEE-240-MIS (19-240 Docket), Docket No. 20-SPEE-169-

1           RTS (“20-169 Docket”), and Docket No. 21-SPEE-331-GIE (“21-331 Docket”). I have  
2           also provided review of or assisted with preparing responses to and supporting documents  
3           for data requests and witness testimony in numerous Southern Pioneer dockets.

4   **Q.   Are you sponsoring any Exhibits to your Direct Testimony?**

5   A.   Yes. **Exhibit A** to my testimony is a table showing select customers’ credit card payments  
6           by month in 2024. **Exhibit B** to my testimony is a table showing the total amount of credit  
7           card payments received by Southern Pioneer as well as merchant fees incurred with respect  
8           to those payments reported by month in 2024.

9   **II.   SOUTHERN PIONEER HISTORY**

10 **Q.   Please provide some historical information on the origination of Southern Pioneer**  
11 **and describe the business activities of the Company.**

12 A.   Southern Pioneer was formed in 2005 in response to Aquila’s announcement of its intention  
13           to sell its Kansas electric assets. Five member-owner cooperatives of Sunflower Electric  
14           Power Corporation (“Sunflower”) and Southern Pioneer, a wholly owned subsidiary of  
15           Pioneer Electric, joined to form Mid-Kansas Electric Company, Inc. (“Mid-Kansas”), a  
16           not-for-profit corporation, to acquire and serve the former Aquila service territory. Mid-  
17           Kansas adopted the existing rate schedules of Aquila as part of the acquisition. On February  
18           23, 2007, the Commission approved the Acquisition<sup>1</sup>, and on April 1, 2007, Southern  
19           Pioneer began to serve and independently operate a designated geographic portion of the  
20           Mid-Kansas certificated territory formerly serviced by Aquila. At that time, Mid-Kansas  
21           held the Certificate of Convenience and Necessity for the former Aquila area and Southern

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<sup>1</sup> The acquisition was approved by the Commission in Docket No. 06-MKEE-452-ACQ.

1 Pioneer was serving a portion of the area via a Commission-approved Electric Customer  
2 Service Agreement between Southern Pioneer and Mid-Kansas.

3 **Q. Please continue.**

4 A. As a Mid-Kansas member-owner, and pursuant to a Commission-approved Electric  
5 Customer Service Agreement, Southern Pioneer contractually provided retail service,  
6 using Aquila’s former rate schedules, to approximately 17,300 Mid-Kansas customers in  
7 34 communities in the Mid-Kansas “Southern Pioneer Division.” Southern Pioneer also  
8 provided sub-transmission service to 34.5kV wholesale sub-transmission users. The  
9 Commission approved this arrangement until such time that the Mid-Kansas certificated  
10 territory and customers were transferred to the member-owners on November 21, 2013,  
11 when the Commission issued its order in Docket No. 13-MKKEE-447-MIS (“13-447  
12 Docket”), approving the Mid-Kansas certificate spin-down. The 13-447 Order provided  
13 for, among other things, the transfer of the individual certificated territories, customers,  
14 KCC-approved rules and regulations, and rate schedules to each of the Mid-Kansas  
15 Members, including Southern Pioneer. As part of the 13-447 Docket, the Commission  
16 granted Southern Pioneer public utility status and the Mid-Kansas customers being served  
17 by Southern Pioneer officially became Southern Pioneer customers.

18 Southern Pioneer is a non-profit corporation, serving just over 17,000 retail meters  
19 and four third-party wholesale customers, still employing many of the former Aquila rates  
20 schedules. Southern Pioneer charges retail rates and wholesale local access delivery service  
21 charges as authorized pursuant to Southern Pioneer’s Formula Based Ratemaking program  
22 (“FBR Plan”) as last approved by the Commission in Docket No. 19-SPEE-240-MIS (“19-  
23 240 Docket”).

1 **Q. Would you say that Southern Pioneer is unique in its corporate form and governance?**

2 A. Yes. Southern Pioneer is unique in that it is a non-profit corporation owned by a self-  
3 regulated cooperative. It is operated like a cooperative, but because it does not have  
4 “member-owners” who vote on management decisions, it is not a cooperative as defined  
5 under Kansas law. Because it is not a cooperative as defined by Kansas statute, it remains  
6 regulated by the KCC. However, because it is a non-profit corporation, and operated like  
7 a cooperative utilizing many hallmark cooperative governing principals, it is more like a  
8 cooperative than a traditional independently owned utility (“IOU”), which generally is  
9 much larger and has far more resources than does Southern Pioneer. Nevertheless, because  
10 it is not strictly a cooperative under Kansas law, it is regulated more like an IOU than like  
11 its peer cooperative organizations.

12 **III. REQUESTED EXPEDITED RELIEF IN THIS DOCKET**

13  
14 **Q. What specific relief is Southern Pioneer seeking on an expedited basis in this docket?**

15 A: Southern Pioneer is requesting that the Commission grant Southern Pioneer a partial waiver  
16 of its Rules and Regulations tariff to allow Southern Pioneer to disallow payment by credit  
17 card from its STR class of customers. Southern Pioneer is requesting the relief be granted  
18 on an expedited basis to avoid continuing accrual of substantial credit card transaction fees  
19 discussed herein as soon as possible, while Southern Pioneer pursues a more permanent  
20 solution to this issue in an upcoming filing to amend its Rules and Regulations as a whole.

21 **Q: Has a similar issue been addressed by the Commission in any recent docket?**

22 A: Southern Pioneer is aware that this issue was a matter of dispute in a recent Commission  
23 docket, Docket No. 18-SPEE-241-TAR (“241 Docket”). In the 241 Docket, Southern  
24 Pioneer had requested approval to only allow residential customers to pay by credit card,

1 or to set the limit for credit card transactions at \$1,000. Southern Pioneer had argued that  
2 the merchant and transaction fees charged for larger transactions, generally based on a  
3 percentage of the dollar amount of the transaction, could be substantially higher for credit  
4 card payments made by larger accounts and non-residential customers and could subject  
5 ratepayers to substantial unknown costs. At the time of the 241 Docket, the Commission  
6 denied Southern Pioneer’s request to limit credit card payments to only residential  
7 customers. Staff expressed concern with the request “based on the data presented in [that]  
8 case,” noting that Southern Pioneer had not provided “sufficient evidence in [that] case to  
9 support its concern that the unknown costs would be unreasonably high.”<sup>2</sup> Staff, however,  
10 did acknowledge that it would be willing “to expedite another review of transaction costs  
11 when actual cost data is available.”<sup>3</sup> The Commission adopted Staff’s analysis in denying  
12 Southern Pioneer’s request at that time,<sup>4</sup> finding that there was not sufficient evidence that  
13 the possibility of large credit card payments for non-residential customers warranted a rule  
14 limiting credit card payments to residential customers only.

15 **Q: What has caused Southern Pioneer to make the current request for a waiver from its**  
16 **Rules and Regulations provisions related to credit card payments?**

17 A: Southern Pioneer has recently experienced at least one large industrial customer (identified  
18 on Exhibit A as “Customer 1”), which has paid substantial monthly invoices using a series  
19 of credit card transactions. The monthly amount paid by credit card by Customer 1  
20 exceeded \$1,000,000 four times during 2024 with an average of 293 transactions processed

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<sup>2</sup> Docket No. 18-SPEE-241-TAR, Staff’s Reply to Southern Pioneer’s Response to Staff and CURB’s Recommendations, July 25, 2018, at ¶ 11–12.

<sup>3</sup> Id. at ¶ 13.

<sup>4</sup> Docket No. 18-SPEE-241-TAR, Order Allowing Bill Payment from all Southern Pioneer Customers, August 30, 2018, at ¶ 7.

1 by that customer during those four months. The total amount paid by credit card by  
2 Customer 1 during 2024 was \$6,519,768 with 1400 transactions processed.<sup>5</sup> The credit  
3 card transactions for this customer began in April 2024 with no credit card payments  
4 occurring January – March 2024. Although fee information is not provided per transaction  
5 and we are unable to directly access the cost related to these specific transactions or this  
6 specific customer, Southern Pioneer’s merchant fee invoices increased from a monthly  
7 average of \$7,000 to \$34,000<sup>6</sup> in the months the total amount paid by credit card exceeded  
8 \$1,500,000. Additionally, we know of at least three other large commercial customers who  
9 are not in the STR customer class, who are paying average monthly bills greater than  
10 \$15,000 by credit card, one of which began paying by credit card in May 2024. These  
11 three customers have paid roughly \$700,000 of combined invoices in 2024 by credit card.

12 **Q: What does this evidence demonstrate as it relates to certain customers’ payments by**  
13 **credit card to Southern Pioneer?**

14 **A:** As a notable difference from the circumstances in the 241 Docket, this recent development  
15 is a specific example of unreasonably high unexpected or unknown costs related to these  
16 credit card transactions, and addresses Staff’s and the Commission’s concerns in the 241  
17 Docket that Southern Pioneer had not provided evidence that such costs would or could be  
18 substantially and unreasonably high. It further demonstrates the need for limitations and  
19 reasonable rules to address large payments by credit card, particularly those that incur  
20 substantial merchant and transaction fees, and is the specific type of actual cost data that  
21 Staff had indicated would cause it to review its position in the 241 Docket.

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<sup>5</sup> See Exhibit A.

<sup>6</sup> See Exhibit B.



1 **Q: What does Southern Pioneer advocate as a reasonable and timely remedy for this**  
2 **issue?**

3 A: Southern Pioneer does not believe it would be fair or reasonable to continue to allow such  
4 high-fee transactions to be made by credit card, and require Southern Pioneer's customers  
5 to pay for such fees in the future through base rates. Southern Pioneer believes the better  
6 approach is to restrict credit card payments in a manner that addresses these irregular  
7 payments. Because the primary customer in question, Customer 1, is an STR Customer,  
8 Southern Pioneer believes the most appropriate way to address this issue in the near term  
9 is to allow a partial waiver to prohibit STR Customers from paying invoices by credit card.

10 **Q: Other than Customer 1, are there other STR Customers that will be impacted by such**  
11 **a waiver?**

12 A: Other than Customer 1, Southern Pioneer serves only six other STR Customers, and those  
13 customers have not regularly paid their bills by credit card. Therefore, Southern Pioneer  
14 believes a waiver applying to the STR class would have the benefit of substantially limiting  
15 the accrual of these transaction fees, but also would have minimal impact on other  
16 customers.

17 **Q: Why is Southern Pioneer requesting expedited relief in this docket?**

18 A: Southern Pioneer has made attempts to resolve this issue privately with Customer 1, but to  
19 no avail. Southern Pioneer does not believe it is fair to continue to incur substantial  
20 transaction fees, which will ultimately have to be borne by all of its customers, none of  
21 which are responsible for creating this problem. Southern Pioneer has considered other  
22 solutions, but those solutions likely require more lengthy proceedings before the  
23 Commission. In the interim, these transaction fees would likely continue to accrue and

1 grow, to the detriment of Southern Pioneer's customers as a whole. Expedited relief,  
2 therefore, is in the public interest, and Southern Pioneer is requesting a reasonably narrow  
3 remedy which does not threaten to impact broad classifications of customers. Therefore,  
4 addressing this issue on an expedited basis is warranted under the circumstances.

5 **Q. How do you propose to provide notice of this filing to customers and obtain their**  
6 **input?**

7 A. Southern Pioneer plans to follow the direction and orders of the Commission as it relates  
8 to notice to be provided to the public and to its customers of the filing of this application  
9 and the initiation of this docket. In addition, if the Commission determines that a public  
10 hearing on the Application is necessary, Southern Pioneer will comply fully to address and  
11 support its requested revisions at any public hearing as ordered by the Commission.

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

13 A. Yes, it does.

VERIFICATION

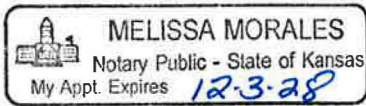
STATE OF KANSAS            )  
  ) ss:  
COUNTY OF GRANT        )

The undersigned, Chantry C. Scott, upon oath first duly sworn, states that he is Executive VP – Assistant CEO and CFO and Assistant Secretary of Southern Pioneer Electric Company, that he has reviewed the foregoing direct testimony, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Chantry C. Scott

Subscribed and sworn to before me this 31<sup>th</sup> day of January, 2025.



Notary Public

My appointment expires: 12-3-2028

		Dollars	Trxn			
01/24	CUSTOMER 1	\$ -	-			
02/24	CUSTOMER 1	\$ -	-			
03/24	CUSTOMER 1	\$ -	-			
04/24	CUSTOMER 1	\$ 1,477,061	309		293	trxn avg
05/24	CUSTOMER 1	\$ 714	9			
06/24	CUSTOMER 1	\$ 2,183	13			
07/24	CUSTOMER 1	\$ 1,803	12			
08/24	CUSTOMER 1	\$ 2,431	12			
09/24	CUSTOMER 1	\$ 1,645,689	342			
10/24	CUSTOMER 1	\$ 1,291,030	266			
11/24	CUSTOMER 1	\$ 897,424	184			
12/24	CUSTOMER 1	\$ 1,201,433	253			
		\$ 6,519,768	1,400			
01/24	CUSTOMER 2	\$ 15,651	4		\$20,273	mo avg
02/24	CUSTOMER 2	\$ 19,430	5			
03/24	CUSTOMER 2	\$ 19,054	5			
04/24	CUSTOMER 2	\$ 17,774	5			
05/24	CUSTOMER 2	\$ 17,564	5			
06/24	CUSTOMER 2	\$ 17,196	5			
07/24	CUSTOMER 2	\$ 19,830	5			
08/24	CUSTOMER 2	\$ 23,237	6			
09/24	CUSTOMER 2	\$ 25,355	6			
10/24	CUSTOMER 2	\$ 26,289	6			
11/24	CUSTOMER 2	\$ 23,710	6			
12/24	CUSTOMER 2	\$ 18,192	4			
		\$ 243,280	62			

EXHIBIT A

01/24	CUSTOMER 3	\$	16,459	4		\$15,591	mo avg
02/24	CUSTOMER 3	\$	17,197	4			
03/24	CUSTOMER 3	\$	11,760	3			
04/24	CUSTOMER 3	\$	13,142	3			
05/24	CUSTOMER 3	\$	14,617	3			
06/24	CUSTOMER 3	\$	18,521	4			
07/24	CUSTOMER 3	\$	20,622	5			
08/24	CUSTOMER 3	\$	14,859	3			
09/24	CUSTOMER 3	\$	13,332	3			
10/24	CUSTOMER 3	\$	12,614	3			
11/24	CUSTOMER 3	\$	16,715	4			
12/24	CUSTOMER 3	\$	17,257	4			
		\$	187,095	43			
01/24	CUSTOMER 4	\$	-	-		\$31,180	mo avg
02/24	CUSTOMER 4	\$	-	-			
03/24	CUSTOMER 4	\$	-	-			
04/24	CUSTOMER 4	\$	-	-			
05/24	CUSTOMER 4	\$	28,067	6			
06/24	CUSTOMER 4	\$	4,891	1			
07/24	CUSTOMER 4	\$	38,470	8			
08/24	CUSTOMER 4	\$	43,035	9			
09/24	CUSTOMER 4	\$	42,645	9			
10/24	CUSTOMER 4	\$	36,280	8			
11/24	CUSTOMER 4	\$	31,944	7			
12/24	CUSTOMER 4	\$	24,112	5			
		\$	249,444	53			

Credit Card Payment Per Month

	Amount Paid	No. Trxn	Merchant Fees (1.903.6)(CoBank and U	Fee/Amount Paid	Fee/Trxn
01/24	\$ 541,581.55	4,122	\$ 6,169.06	\$ 0.011	1.50
02/24	\$ 619,040.41	4,147	\$ 6,445.79	\$ 0.010	1.55
03/24	\$ 574,220.38	4,228	\$ 6,401.50	\$ 0.011	1.51
04/24	\$ 1,996,116.67	4,601	\$ 36,730.73	\$ 0.018	7.98
05/24	\$ 559,876.04	4,473	\$ 6,871.31	\$ 0.012	1.54
06/24	\$ 541,594.39	4,136	\$ 6,760.67	\$ 0.012	1.63
07/24	\$ 807,196.04	4,510	\$ 8,307.76	\$ 0.010	1.84
08/24	\$ 1,005,166.10	4,699	\$ 9,001.31	\$ 0.009	1.92
09/24	\$ 2,636,399.53	4,822	\$ 42,608.97	\$ 0.016	8.84
10/24	\$ 2,194,743.07	4,936	\$ 35,243.38	\$ 0.016	7.14
11/24	\$ 1,552,670.93	4,439	\$ 25,927.07	\$ 0.017	5.84
12/24	\$ 1,759,883.09	4,702	\$ 31,133.24	\$ 0.018	6.62
	<u>\$ 14,788,488.20</u>	<u>53,815</u>	<u>\$ 221,600.79</u>	<u>\$ 0.015</u>	<u>4.12</u>
Avg w/o large txn	\$ 664,096	4,331	\$ 7,137	\$ 0.011	\$ 1.64
Avg of large txn	\$ 2,027,963	4,700	\$ 34,329	\$ 0.017	\$ 7.28
Avg overall	\$ 1,232,374	4,485	\$ 18,467	\$ 0.013	\$ 3.99