

SOUTHERN PIONEER ELECTRIC COMPANY

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 Debt Service)
Coverage Formula Based Ratemaking Plan) Docket No. 18-SPEE- 477 -RTS
Approved in Docket No. 13-MKEE-452-MIS)
and 34.5kV Formula Based Ratemaking Plan)
Approved in Docket No. 16-MKEE-023-TAR.)

APPLICATION, EXHIBITS AND TESTIMONY

**SUBMITTED BY:
SOUTHERN PIONEER ELECTRIC COMPANY**

IN SUPPORT OF THE APPLICATION HEREIN CONTAINED

April 30, 2018

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a Richard J. Macke Prefiled Direct

See Macke

b Randall D. Magnison Prefiled Direct

See Magnison

SECTION 1
APPLICATION

**BEFORE THE STATE 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 Debt Service)
Coverage Formula Based Ratemaking Plan) Docket No. 18-SPEE-_____-RTS
Approved in Docket No. 13-MKEE-452-MIS)
and 34.5kV Formula Based Ratemaking Plan)
Approved in Docket No. 16-MKEE-023-TAR.)

APPLICATION

Southern Pioneer Electric Company, (“Southern Pioneer”), pursuant to K.S.A. § 66-117 and in accordance with the State Corporation Commission of the State of Kansas (“Commission” or “KCC”) Orders in Docket Nos. 13-MKEE-452-MIS (the “13-452 Docket”) and 16-MKEE-023-TAR (the “16-023 Docket”) hereby makes application by filing its fifth and final Annual Update of the Commission-approved 5-year Debt Service Coverage (“DSC”) Formula Based Ratemaking (“FBR”) Pilot Program (“DSC-FBR Plan” or “DSC Plan”) **and** its third and final Annual Update of the Commission-approved 3-year 34.5kV Formula Based Ratemaking Plan (“34.5kV FBR Plan”) (collectively the “Plans”, “Filings” or “Annual Filings”) to request certain changes to its retail rates and wholesale Local Access Delivery Service demand rate (“LADS”), respectively.¹ Pursuant to the Commission Orders approving Southern Pioneer’s previous annual updates to its DSC-FBR Plan and 34.5kV FBR Plan in Docket Nos. 16-SPEE-497-RTS (the “16-497 Docket”) and 16-SPEE-501-TAR (the “16-501 Docket”), respectively, continuing this year Southern

¹ Southern Pioneer’s DSC-FBR Plan was approved by the Commission in the September 26, 2013 Order Approving Non-Unanimous Settlement Agreement (the “13-452 Order”). Southern Pioneer’s 34.5kV FBR Plan was approved by the Commission in the March 10, 2016 Order Approving Settlement Agreement (the “16-023 Order”). DSC-FBR Plan establishes, on an annual basis, only retail rates for service over Southern Pioneer’s distribution system; while 34.5kV FBR Plan establishes, also on an annual basis, both retail rates and wholesale LADS for services over Southern Pioneer’s 34.5kV sub-transmission system.

Pioneer is filing its annual updates to both plans under one docket, but following the Protocols of each plan.

I. Introduction

1. In its fifth and final DSC-FBR Plan Annual Update, Southern Pioneer is seeking Commission approval for an increase to retail rates charged to Southern Pioneer consumers taking service over Southern Pioneer's distribution system. In its third and final 34.5kV FBR Plan Annual Update, Southern Pioneer is seeking Commission approval for an increase to the retail rates and to the wholesale LADS charged to Southern Pioneer retail and wholesale consumers, respectively, taking electric service over Southern Pioneer's 34.5kV sub-transmission facilities. Southern Pioneer requests to implement the net rate change resulting from both FBR Plans to its retail rates on the combined basis.

II. Background

DSC-FBR Pan

2. On January 8, 2013, Mid-Kansas Electric Company, LLC ("Mid-Kansas") filed the 13-452 Docket Application seeking permission to create a five-year DSC FBR Pilot Program for the geographic territory served by its member-owner, Southern Pioneer. The DSC Plan allows for retail rates to be adjusted on an annual basis, using a formula and DSC target, subject to an annual review process by the Commission. As part of the 13-452 Docket Application, Mid-Kansas explained that on January 7, 2013, in Docket No. 13-MKEE-447-MIS (the "13-447 Docket"), it filed an Application seeking, *inter alia*, Commission approval to transfer its Certificate(s) of Necessity and Convenience (Certificate) for all of its local distribution facilities and retail electric utility business and operations located in the State of Kansas to its member-owners (also referred

to as spin-down). Mid-Kansas further noted in its 13-452 Application that upon Commission approval of the spin-down, Southern Pioneer would be substituted as the Applicant in place of Mid-Kansas. On October 15, 2013, the Commission issued its *Amended Order Approving Unanimous Settlement Agreement* in the 13-447 Docket whereby it approved the transfer of Mid-Kansas' retail Certificates to the Mid-Kansas member-owners. Subsequently, on November 21, 2013, the Commission issued to Southern Pioneer a Certificate for the geographic service territory previously served by Southern Pioneer but held by Mid-Kansas.

3. The Commission granted intervention in the 13-452 Docket to the Citizens' Utility Ratepayer Board ("CURB"), Kansas Electric Power Cooperative, Inc. ("KEPCo") and the Western Kansas Industrial Electric Consumers ("WKIEC").²

4. As a result of a June 3, 2013 Settlement Conference, Mid-Kansas, Commission Staff ("Staff") and WKIEC, hereafter referred to as "Signatories", reached a settlement agreement in the 13-452 Docket (the "13-452 Settlement"). KEPCo neither joined in, nor opposed, the proposed 13-452 Settlement. CURB opposed the 13-452 Settlement.

5. On September 26, 2013, the Commission issued its Order in the 13-452 Docket approving the 13-452 Settlement. The 13-452 Settlement provides,³ in part, that:

- The DSC-FBR Program is approved for Mid-Kansas/Southern Pioneer in accordance with the processes and Protocols contained in Exhibit A of the Settlement ("DSC-FBR Protocols", attached to this Application as **Attachment A**).

² Order Approving Non-Unanimous Settlement Agreement, p. 1, ¶2 (issued Sept. 26, 2013).

³ Commission Order Approving Non-Unanimous Settlement Agreement, Page 3, §8 – Page 5, §19

- A five-year pilot program, beginning in 2014 (based on a 2013 test year) and ending in 2018 (based on a 2017 test year), will be used to assess and adjust Southern Pioneer's divisional retail rates based on a pre-approved DSC formula.
- In the last year of the DSC Plan, in a separate application and docket, Southern Pioneer shall advise the Commission if it wants to continue the DSC-FBR Plan.
- The DSC Plan is only applicable to the distribution portion of Southern Pioneer's utility system.
- A DSC Ratio of 1.75 will be used to calculate the DSC formula. If Southern Pioneer's forecast indicates the 1.75 DSC level will not satisfy CoBank's 1.35 DSC minimum loan covenant, Southern Pioneer will notify Staff that the application will include an additional amount to raise the DSC to 1.35.
- If the test year DSC is 1.75, there is no rate adjustment. A test year DSC differing from 1.75 will be adjusted to reach the DSC of 1.75 for the budget year. A revenue adjustment shall not exceed 10% calculated on an annual system-wide basis.
- A rate increase resulting in an equity percent of assets in excess of 15% will not be implemented, unless necessary to prevent Southern Pioneer from violating its loan covenants.
- By May 1 of each year of the DSC Program, or the next Business Day when the Commission's offices are open if May 1 is not a Business Day, Southern Pioneer will file its DSC Plan, to be provided to all parties of record in the 13-452 Docket. Upon the filing of the Application, the Commission will issue a Procedural Order in accordance with Exhibit A to the 13-452 Settlement.

- Staff and other intervenors will have 60 days from the date of filing of the DSC Plan to review the application and file testimony. If the testimony confirms that the filing complies with the approved DSC Plan and results in just and reasonable rates, then no later than 90 days from the date of the filing of the DSC Plan, the Commission will issue an order approving the rate adjustment. If Staff or intervenors submit testimony and supporting evidence asserting the filing does not result in just and reasonable rates, Southern Pioneer will have the opportunity to file rebuttal testimony. Then, the Commission will either issue an order approving the proposed adjustment based upon the paper record, or notify parties that an evidentiary hearing is necessary. If the matter goes to hearing, it will be the goal of the Commission to issue an order within 120 days of the DSC Plan filing. Issues outside the scope of the DSC-FBR, or rates resulting from the filing, shall not be raised in the annual adjustment dockets.
- Signatories, who are parties to this docket, will be automatically approved for intervention (1) upon filing an entry of appearance in any individual annual DSC Plan application filed during the life of the initial pilot plan, and (2) provided they are not prohibited from participation by statute or law.
- Base revenue by rate schedule shall be determined from retail rate schedule revenue by rate class for the Test Year, plus ECA revenues/credits, less power supply costs for the Test Year determined by applying the average cost of power supply per kWh from the class cost of service submitted in the 12-MKEE-380-RTS docket. Any rate adjustment for the Sub-Transmission and Transmission Level Service Rate (“STR”) customers resulting from the DSC-FBR Plan will be determined without the impact of debt service additions for distribution plant investments in the Budget Year and shall be calculated

according to Exhibit A of the Settlement. If Southern Pioneer requests any other apportionment, such request must be accompanied by a new retail class cost of service study, which is subject to approval by the Commission.

- Prior to making its Annual Filing, Southern Pioneer shall consult with the Southern Pioneer Consumer Advisory Council (“Council”) and include a summary of Council’s comments with the application.
- Southern Pioneer’s customers shall receive notice of the DSC Annual Filing upon filing with the Commission.

6. On May 1, 2014, May 1, 2015, May 2, 2016 and April 26, 2017, in accordance with the DSC-FBR Protocols herein discussed, Southern Pioneer made its first, second, third and fourth Annual Filings under the approved DSC Plan, in Docket Nos. 14-SPEE-507-RTS (the “14-507 Docket”), 15-SPEE-519-RTS (the “15-519 Docket”), 16-SPEE-497-RTS (the “16-497 Docket”) and 17-SPEE-476-TAR (the “17-476 Docket”), respectively. The Commission issued its Final Orders in the 14-507 Docket on July 31, 2014; the 15-519 Docket on July 30, 2015; the 16-497 Docket on August 2, 2016; and the 17-476 Docket on July 25, 2017 finding that the record was sufficient for the Commission to make its determination in the matter without the need for an evidentiary hearing, as contemplated under the DSC-FBR Protocols. Southern Pioneer hereby submits its fifth and final Annual Filing under the DSC-FBR Plan.

34.5kV FBR Plan

7. On July 16, 2015, Mid-Kansas, Prairie Land Electric Cooperative, Inc. (Prairie Land”), Southern Pioneer, The Victory Electric Cooperative Association, Inc. (“Victory”), and Western Cooperative Electric Association (“Western) (collectively, the “Joint Applicants”) filed a Joint Application for approval of an alternative ratemaking proposal for four individual 34.5kV

Formula-Based Rate (“FBR”) Plans (“34.5kV FBR Plan”). Southern Pioneer specifically sought (i) approval of an individual 34.5kV FBR Plan providing for the annual calculation and recovery of Southern Pioneer’s revenue requirement of owning, operating and maintaining the 34.5kV sub-transmission system (“34.5kV Facilities”), based upon an established formula, and for services provided to wholesale LADS customers **and** Southern Pioneer retail customers who take service over Southern Pioneer’s 34.5kV Facilities; and (ii) defined protocols, outlining the implementation and annual compliance filing before the Commission.⁴

8. The Commission granted intervention in the 16-023 Docket to KEPCo, WKIEC and Kansas Power Pool (“KPP”).

9. As a result of a Settlement Conference that commenced on December 11, 2015 and continued via electronic mail and teleconference through December 29, 2015, the Joint Applicants, KCC Staff, KEPCo, WKIEC and KPP, hereafter referred to as “Signatories”, reached a unanimous settlement in the 16-023 Docket (the “16-023 Settlement”).

10. On March 10, 2016, the Commission issued its Order in the 16-023 Docket approving the 16-023 Settlement. The 16-023 Settlement had two components, of which only one was relevant to Southern Pioneer, and provided,⁵ in part, that:

- The 34.5kV FBR Plan is approved for Southern Pioneer in accordance with the processes and protocols (“34.5kV FBR Protocols”) contained in Exhibit A of the Settlement (attached to this Application as **Attachment B**).
- In order to align the 34.5kV FBR Plan with Southern Pioneer’s Commission-approved Debt Service Coverage (“DSC”) Formula Based Rate (“FBR”) Pilot Program (“DSC-

⁴ Docket 16-023 Joint Application, p. 2, §b

⁵ Commission Order Approving Settlement Agreement, Page 2, §4

FBR Pilot Plan” or “DSC-FBR Plan”) in Docket No. 13-MKEE-452-MIS (the “13-452 Docket”), where appropriate, and to ensure Southern Pioneer achieves equitable cost recovery of its total revenue requirements, the Signatories agreed that the term of the 34.5kV FBR Plan shall be three calendar years, inclusive of the year adopted, with the initial annual update filing occurring in 2016 and the final annual update filing occurring in 2018.

- During the final year of the 34.5kV FBR Plan, Southern Pioneer shall advise the Commission if it wishes to continue the 34.5kV FBR Plan, and provide the Commission support and rationale for its position in a separate application and docket; provided, Southern Pioneer shall not be precluded from filing for extensions of both the DSC-FBR Plan and the 34.5 kV FBR Plan contemporaneously, on or before the expiration of the DSC-FBR Plan in 2018.
- The Signatories agreed that the 15% equity-to-asset cap provided in the 34.5kV FBR Protocols is only for the purpose of the initial three-year term of this 34.5kV FBR Plan, consistent with, and in order to align with, the term of the 15% equity-to-asset cap provided in Southern Pioneer’s Commission-approved DSC-FBR Plan. This term will not be considered precedential, or asserted as such, in any other dockets or proceedings, including any proceeding to extend or otherwise modify this 34.5kV FBR Plan.
- The 34.5kV FBR Plan is only applicable to the sub-transmission portion of Southern Pioneer’s utility system.
- By May 1 of each year of the 34.5kV FBR Plan, or the next Business Day when the Commission’s offices are open if May 1 is not a Business Day, Southern Pioneer will file its 34.5kV FBR Plan, to be provided to all parties of record in the 16-023 Docket.

Upon the filing of the application, the Commission will issue a Procedural Order in accordance with Exhibit A to the 16-023 Settlement.

- Staff and other intervenors will have 60 days from the date of filing of the 34.5kV FBR Plan to review the application. If within 60 days from the Filing Date, the Commission Staff and Intervenors make a determination that indicates the results of the Annual Update filing are just and reasonable, Commission Staff will file a Report and Recommendation indicating the same.
- Provided there are no relevant objections, the Commission shall issue an Order allowing the rates proposed in the Annual Update to become effective no later than 90 days after the Filing Date.
- If within 60 days of the Filing Date, Staff and/or Intervenors file testimony regarding Southern Pioneer's Annual Update filing indicating the filing would result in unjust or unreasonable rates that are not in the public interest, then Southern Pioneer shall have the opportunity to file responsive testimony to said objection(s) within 75 days from the Filing Date.
- Then, within 90 days of the Filing Date, the Commission will either issue an order approving the proposed adjustment based upon the paper record, or notify parties that an evidentiary hearing is necessary. If the matter goes to hearing, it will be the goal of the Commission to issue an order within 120 days of the 34.5kV FBR Plan filing. Issues outside the scope of the 34.5kV FBR, or rates resulting from the filing, shall not be raised in the annual adjustment dockets.
- Signatories who were parties to the 16-023 Docket will be automatically approved for intervention (1) upon filing an entry of appearance in any individual annual 34.5kV

FBR Plan application filed during the life of the 3-year plan, and (2) provided they are not prohibited from participation by statute or law.

- The 34.5kV FBR Plan is intended to apply only to the sub-transmission portion of Southern Pioneer's system. In order to accomplish this, the financial results submitted as part of the Annual Update filing will be adjusted to only include the costs associated with such 34.5kV facilities. As defined in the 34.5kV FBR Protocols, certain categories of expenses listed will be adjusted to remove the portion not associated with these 34.5kV facilities before the LAC is calculated. The allocation method to be used is listed next to each category. The list is not necessarily exhaustive, and other allocations may be necessary. These allocators should be calculated and submitted annually with each Annual Update filing.
- True-Up – Beginning with the second 34.5kV FBR Annual Update filing (anticipated to occur in the year 2017 for the first time), Southern Pioneer will include in the filing a comparison between: 1) The projected revenue requirement of the projected items from the previous Budget Year (anticipated to be the year 2016 in the first true-up); and 2) The actual revenue requirement calculation of those same items for the test year. The resulting comparison, whether positive or negative, will be added or subtracted to the total rate request for the current Annual Update filing. This calculation will take place in all subsequent Annual Update filings and will always compare the previous Budget Year projected rate items with the actual Test Year calculated rate items, but only for the items that are projected within the cost of service.
- Because the 34.5kV FBR and the DSC-FBR Plans both rely on an allocated portion of the same underlying costs, in no case will the sum of both allocated cost amounts be

greater than the total actual cost amount recorded on Southern Pioneer's financial statements.

- Prior to making its Annual Update, Southern Pioneer shall consult with the Southern Pioneer Consumer Advisory Council ("Council") and include a summary of Council's comments with the application.
- Southern Pioneer's wholesale LADS customers and affected retail consumers shall receive notice of the 34.5kV FBR filing upon filing with the Commission.

III. Overview of Application

11. In accordance with the findings and approval set forth in the 13-452 Docket and 16-023 Docket, and as instructed in the 16-497 Docket and 16-501 Docket, Southern Pioneer hereby submits its combined Annual Filing.

DSC-FBR Plan

12. In order to achieve the agreed target of 1.75 DSC for the distribution only portion of Southern Pioneer's utility system using DSC-FBR Protocols, an overall revenue increase of \$1,311,929, or just under 2.0% percent, is required by Southern Pioneer. The proposed revenue increase for Southern Pioneer's DSC-FBR Plan requested in this Application is just and reasonable, and is necessary to assure compliance with the Commission-approved DSC Plan.

34.5kV FBR Plan

13. In order to achieve the required revenue requirement for the 34.5kV Facilities portion of Southern Pioneer's utility system in accordance with the 34.5kV FBR Plan, an overall revenue increase of approximately \$110,656, is required by Southern Pioneer. Applying this revenue requirement on a load ratio share ("LRS"), approximately \$46,386, or about 42 percent,

is applicable to Southern Pioneer's wholesale LADS customers, and the remaining approximate \$64,270, or about 58 percent, is applicable to those Southern Pioneer retail consumers taking service over its 34.5kV sub-transmission system. The resultant proposed wholesale LADS rate is \$5.00/kW. The proposed increase for the Southern Pioneer's 34.5kV FBR Plan requested in this Application is just and reasonable, and is necessary to assure compliance with the Commission-approved 34.5kV FBR Plan.

14. The testimony, attachments and combined exhibits are filed in support of this Application as required by the 13-452 and 16-023 Orders.

15. The names of the witnesses and subject matter of each witness' testimony are as follows:

- Richard J. Macke, Vice President-Economics, Rates and Business Planning at Power System Engineering, Inc. – Mr. Macke's testimony, bifurcated to describe both Southern Pioneer's DSC-FBR and 34.5kV FBR, provides support for the calculation of the following:
 - Southern Pioneer's DSC-FBR revenue adjustment and the corresponding allocation to the retail rate classes.
 - Southern Pioneer's 34.5kV FBR Revenue Requirement, resultant wholesale LADS rate, and the corresponding allocation of the retail portion of the 34.5kV FBR increase to the retail rate classes.
 - The net-impact of the two combined filings to all retail rate classes, and the corresponding proposed combined retail rate tariffs.

- Randall D. Magnison, Executive Vice President and Assistant CEO of Southern Pioneer – Mr. Magnison’s testimony provides historical information on Southern Pioneer; presents comments from the Southern Pioneer Consumer Advisory Council (“Council”) as it relates to the implementation of the DSC Program rate increase and 34.5kV FBR Program increase and filing as required by the 13-452 Order and 16-023 Order; describes any material changes in cost of service items from the previous year; affirms, as part of calculating the revenue requirement adjustment and incorporating the Commission’s policy and practice, Southern Pioneer’s continued removal of a 100% of certain promotional or corporate advertising expenses and limiting to 50% the amount of certain dues, donations and charitable contribution expenses; clarifies and explains the inclusion of an adjustment to revenue resulting from under-recovered wholesale power cost incurred in 2016 that was inadvertently omitted from Southern Pioneer’s 2017 Commission-authorized Annual Cost Adjustment (“ACA”) to be recovered in the filed 2018 ACA; and since this is the final filing of the DSC Plan and 34.5kV FBR Program, summarize Southern Pioneer’s intentions as it relates to continuing the FBR programs in future years, etc.

16. In light of the compressed 90-day schedule, and in an attempt to bring efficiency to the regulatory review process, Southern Pioneer will make available to the 13-452 Docket and 16-023 Docket Signatories, who have executed a non-disclosure agreement, electronic working copies of all aforementioned Filing Exhibits at its secure “Box.net” or other similar document sharing

website.⁶ All other requested information will be managed in accordance with the Commission's Discovery and Protective Orders.

17. Additionally, in order to facilitate discovery, Southern Pioneer respectfully requests that the Commission immediately issue a Discovery Order and Protective Order in this matter.

IV. Overview of Applicant

18. Southern Pioneer is a Kansas Corporation not-for-profit utility with its principal place of business located in Ulysses, Kansas with distribution and customer service offices in Liberal and Medicine Lodge, Kansas. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc., a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for ratemaking purposes.

19. As stated above, Southern Pioneer was granted public utility status on November 21, 2013, when the Commission approved the transfer of the retail certificated territory, consumers, Rules and Regulations, and tariffs from Mid-Kansas to Southern Pioneer in the 447 Docket.

20. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

Randall D. Magnison
Executive Vice President-Assistant CEO
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430

Chantry C. Scott
VP – Finance & Accounting – CFO
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430

⁶ Southern Pioneer recognizes that Staff is not required to sign or otherwise execute a non-disclosure document as part of their Commission-related functions.

WHEREFORE, Southern Pioneer hereby requests the Commission (1) approve this Application and permit Southern Pioneer's revised schedules of rates for electric service to become effective as proposed, (2) immediately issue a Discovery Order and Protective Order to facilitate discovery efforts, and a Procedural Order in accordance with the Protocols, (3) issue an order in this docket within 90 days, or later (up to 120 days) if the Southern Pioneer DSC-FBR and/or 34.5kV FBR Annual Update filing(s) proceeds to an evidentiary hearing; and (4) grant such other and further relief as it deems just and reasonable.

Respectfully submitted,



Lindsay A. Campbell (#23276)
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**ATTORNEY FOR SOUTHERN
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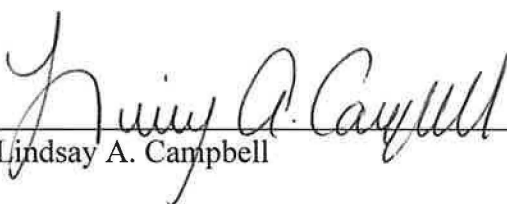
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF GRANT)

ss:

Lindsay A. Campbell, of lawful age, being first duly sworn on oath states:

That she is counsel for Southern Pioneer Electric Company; that she has read the foregoing Application of Southern Pioneer Electric Company; that she knows the contents thereof; and that the facts therein are true and correct to the best of her knowledge, information, and belief.



Lindsay A. Campbell

SUBSCRIBED AND SWORN to before me this 30th, day of April, 2018.





Notary Public

My Commission expires: 9-30-2021

**Mid-Kansas: Southern Pioneer Division
DSC-FBR Plan Protocols**

A. PURPOSE

The DSC-FBR Plan is an annual ratemaking mechanism used to assess and potentially adjust Mid-Kansas' Southern Pioneer Electric Company's (Southern Pioneer) divisional retail rates based on a DSC based formula. Its purpose is to allow, for a five year pilot period, timely adjustments to retail rates without the expense (public and private), and regulatory lag related to preparing and presenting a full rate case every year before the Kansas Corporation Commission (Commission or KCC).

B. PROCESS

No later than May 1 (or the next Business Day when the Commission's offices are open if May 1 is not a Business Day) of each year during the Plan ("Filing Date"), Southern Pioneer shall submit its DSC-FBR Plan, as approved by the Commission in Docket No. 13-MKEE-452-MIS, filing for the calendar year just ended ("Test Year") in accordance with the procedures and calculations set forth herein and in the Settlement Agreement to which this Exhibit is attached. The filing will be provided to all parties of record in Docket No. 13-MKEE-452-MIS.

Upon filing of the Plan by Southern Pioneer, the Commission will determine the appropriate term for suspension of the application pursuant to K.S.A 66-117. Notwithstanding this suspension, the Commission will process the DSC-FBR plan as set forth herein, unless ordered otherwise by the Commission. All discovery and confidentiality issues will be governed by Commission Discovery and Protective Orders, which will be issued immediately after the filing of the DSC application. Upon receipt of the filing, the Commission will also immediately issue a Procedural Order in accordance with the following guidelines, which are discussed in more detail in the following timeline:

Day 1	Day after the application is filed.
Day 60	Staff and Interveners file testimony
Day 75	Southern Pioneer files rebuttal testimony
Day 90	Commission Order either approving rate adjustment based upon the paper record or notifying the parties that an evidentiary hearing will be held.
Day 95-99	A one-day evidentiary hearing will be set during this time in case it is needed based upon the Commission 90 day Order.
Day 120	Final Order issued if the matter goes to evidentiary hearing.

The KCC Staff, and any other intervener granted intervention by the Commission, will have 60 days from the date Southern Pioneer files to review the application to determine if it results in just and reasonable rates that are in the public interest. Within 60 days after the Filing Date, Staff or interveners may file testimony indicating whether the filing results in just and reasonable rates as filed. Prior to the filing of testimony that indicates that the results of the DSC-FBR plan are unjust or unreasonable, Staff and interveners shall make a reasonable attempt to resolve any issues surrounding the DSC-FBR filing informally with Southern Pioneer. If unable to resolve issues, any such testimony shall set forth the reason the DSC-FBR filing would not result in just and reasonable rates along with

supporting documentation, and evidence supporting the position. Other questions, concerns or complaints regarding Southern Pioneer or its parent company that are outside the scope of the DSC-FBR filing, or the rates resulting from the filing, shall not be raised in the annual adjustment dockets. However, no party is precluded from raising such issues through the normal means available before the KCC.

If Staff files testimony within 60 days confirming that Southern Pioneer's filing is in compliance with the DSC-FBR Plan approved by the Commission in this docket and that the rates resulting from the annual DSC-FBR filing are just and reasonable, and no other relevant objections, as determined by the Commission, are submitted by interveners, then the Commission shall issue an Order allowing the rates proposed in the application to become effective no later than 90 days after the Filing Date.

If Staff or interveners file testimony regarding Southern Pioneer's DSC-FBR application indicating the filing would result in unjust or unreasonable rates that are not in the public interest, then Southern Pioneer shall file its responsive testimony to said objection within 75 days from the Filing Date. Within 90 days from the Filing Date, the Commission will issue an order either approving the DSC-FBR application based upon the paper record, or ordering the previously scheduled evidentiary hearing to be held to address the issues raised by the DSC-FBR application. The hearing, if necessary, will proceed as expeditiously as possible, with the explicit goal of a Commission Order within 120 days from the DSC-FBR filing date. This 120 day order date may be extended by Commission Order if circumstances arise supporting a deviation from the agreed 120-day time period.

The process outlined above does not prohibit interested parties from exercising any other rights they may have to bring a separate complaint or show cause proceeding before the Commission regarding Southern Pioneer, its rates or services.

C. CUSTOMER NOTIFICATION

The Southern Pioneer Consumer Advisory Council shall be consulted prior to each annual filing to obtain their input regarding the application and its impact on customers. A summary of their comments shall be included with the application.

Customers will receive notice of the filing at the time it is made with the Commission. Such notice shall be made via bill inserts and shall contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment presented.
3. The impact on each individual rate class as contained in the filing.
4. A statement explaining that the rate adjustment is being made pursuant to the DSC-FBR Plan, with a cite to this docket and the date of the Commission's Order approving the Plan in this docket.
5. A Southern Pioneer contact person and phone number for questions.
6. An explicit statement as follows:

If you have questions or complaints, please contact the Kansas Corporation Commission, Office of Public Affairs and Consumer Protection at public.affairs@kcc.ks.gov, or call 1(800)662-0027. Questions and/or

complaints should reference Docket No. XXXXX (to include applicable Docket No.).

D. TERM

The DSC-FBR Plan, as described herein, shall be implemented for a period of five calendar years, inclusive of the year adopted, with the initial filing occurring in 2014 and the final filing occurring in 2018. During the final year of the DSC-FBR plan, Southern Pioneer shall advise the Commission if it wishes to continue the DSC-FBR Plan, and provide the Commission support and rationale for its position in a separate application and docket. Staff of the Commission and any Intervener granted intervention by the Commission shall have the right to comment on the merits of such a request. The DSC-FBR Plan shall be a part of the Commission regulatory process as it applies to Southern Pioneer. This plan is subject to future changes in Kansas law as it pertains to the ability of the Commission to regulate Southern Pioneer. Should Southern Pioneer become unregulated by the Commission, the DSC-FBR Plan shall no longer be valid.

E. CALCULATION

Each filing shall be based on actual results as presented in the *December Financial and Statistical Report* (Form 7) and trial balance utilizing the RUS Uniform System of Accounts.¹ The calculation shall follow the form and format included in Attachment 1 (blank) and Attachment 2 (populated) hereto, as may be modified by Commission Order in this docket, Docket No. 13-MKEE-452-MIS. Specific details concerning the calculation are as follows:

1. Adjustments to actual results for the Test Year will be made as follows:
 - a. If a rate adjustment was implemented during a portion of the Test Year, then the *Operating Revenue and Patronage Capital* line shall be restated to annualize all known and measureable rate changes, as appropriate.
 - b. *Tax Expense – Other* will be adjusted to reflect the cash tax expense associated with the Test Year. As appropriate an incremental adjustment will be made to include cash tax obligations associated with any revenue adjustment made in accordance with E.1.a. above. For example, if the cash tax expense for the Test Year was \$100,000 on \$500,000 of Operating Margin, the adjustment to the Test Year actual Tax Expense – Other would multiply the cash effective tax rate of 20% ($\$100,000 \div \$500,000$) by any revenue adjustment as determined in E.1.a. above.
 - c. *Interest on Long-Term Debt* will be adjusted to reflect the interest on long-term debt expected for the calendar year immediately following the Test Year (“Budget Year”).
 - d. *Interest Expense – Other* will be adjusted as necessary to reflect the amount of short-term interest expense expected for the Budget Year.
 - e. *Debt Service Payments* actually made during the Test Year shall be adjusted to reflect the interest and principal payments expected for the Budget Year. Interest expense for this purpose shall include both long-term and short-term interest expense. The debt

¹ Reference United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1 which contains the Uniform System of Accounts for Electric Borrowers. Form 7 page number references in the DSC-FBR formula are from the 2011 Form 7 format.

service payments on said debt requirements will be calculated using a 30-year amortization schedule at the expected borrowing rate(s). The debt service payments will be determined within the context of the Southern Pioneer budget including the projected plant investments and cash flows needs.

2. The formula used to compute Southern Pioneer's DSC for purposes of the DSC-FBR will be made in accordance with Attachment 1 and Attachment 2, Page 2, Lines 32 through 48, as may be modified by Commission Order in this docket.
3. The DSC-FBR Plan is intended to apply only to the distribution portion of Southern Pioneer's utility system. In order to accomplish this, the costs associated with Southern Pioneer's 34.5 kV facilities that serve a transmission function must be removed from the adjusted financial results submitted as part of the annual filing. The following categories of revenue and expense will need to be adjusted to remove the non-distribution portion before the DSC ratio is calculated. The allocation method to be used is listed next to each category. This list is not necessarily exhaustive, and other allocations may be necessary. If additional items are identified, expense or labor items should be allocated using a Transmission Labor ratio, Plant or Debt Service items should be allocated using a Net Transmission Plant ratio. Revenue items should be directly assigned if possible. These allocators should be calculated and submitted annually with each DSC-FBR filing.
 - a. Revenue: Direct Assigned between Distribution and Transmission by applying the Local Access Charge (LAC) in place during the Test Year to the total kW load on the 34.5 kV system as measured during the monthly system peaks and adjusted for line losses as appropriate.
 - b. Administrative and General (A&G) Expenses: Ratio of Transmission Labor to Total non-A&G Labor, calculated for the Test Year.
 - c. Depreciation and Amortization Expense: Calculated Directly, with the Transmission Labor ratio being applied to General Plant Depreciation.
 - d. Tax Expense (Property and Gross Receipts)—Ratio of Net Transmission Plant to Total Net Plant, calculated for the Test Year: Net Transmission Plant for this purpose will include a General Plan allocation based upon the Transmission Labor ratio.
 - e. Tax Expense (Other: Allocated based upon Operating Margins, with non-cash tax expense removed.
 - f. Interest on Long-Term Debt, Interest Charged to Construction, Other Interest, Non-Operating Margins, AFUDC, Other Capital Credits, Principal Payments—Ratio of Net Transmission Plant to Total Net Plant, calculated for the Test Year: Net Transmission Plant for this purpose will include a General Plan allocation based upon the Transmission Labor ratio.

F. DEBT SERVICE COVERAGE PARAMETERS

The DSC determined in the formula will be evaluated based upon a DSC ratio of 1.75. If the Company's forecast for any year indicates that the CoBank minimum loan covenant of a 1.35 DSC will not be attained using the 1.75 DSC level, then the Company will notify Staff at its earliest opportunity that the application will include an additional amount of increase to bring the DSC to the 1.35 level. If Staff's review determines that the costs included in the filing are reasonable, then Staff and the Signatories to the Settlement Agreement in this docket who are also parties to the DSC-FBR

filing agree to not categorically oppose allowing Southern Pioneer to meet its 1.35 minimum DSC loan covenant. The agreement on a 1.75 DSC ratio is for purposes of this DSC-FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

G. REVENUE ADJUSTMENTS

Adjustments to the Southern Pioneer division retail rates will be determined by comparing the Test Year DSC, calculated in accordance with Section E, to a 1.75 DSC Ratio as follows:

- a) If the Test Year DSC is at 1.75, there will be no Rate Adjustment.
- b) If the Test Year DSC is greater than 1.75 then a Rate Adjustment necessary to reduce the Test Year DSC to 1.75 will be requested for application during the Budget Year.
- c) If the Test Year DSC is below 1.75, then a Rate Adjustment necessary to increase the Test Year DSC to 1.75 will be determined for application during the Budget Year.
- d) A revenue adjustment shall not exceed 10 percent calculated on an annual system-wide basis. In the event a greater increase is requested, a standard rate case filing consistent with the modified filing requirements approved by the Commission in Docket No. 12-MKKEE-380-RTS shall be required.
- e) Southern Pioneer may determine to reduce or defer a revenue *increase* adjustment resulting from the process described herein. It may not reduce or defer a revenue *decrease* adjustment.
- f) As set forth below, Southern Pioneer will include with its filing a complete detailed accounting, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year. Each party may present to the Commission in their testimony their position and reasoning in support of inclusion or disallowance of these items. It is expected that disagreement on these issues would not be grounds for requiring the case to go to evidentiary hearing, and that absent other issues supporting the need for the evidentiary hearing, these matters will be resolved by the Commission based upon the paper record.

H. EQUITY TEST

A rate increase will not be implemented that would achieve or maintain an equity percent of assets in excess of 15 percent, unless such would be reasonably determined to force Southern Pioneer to violate its loan covenant(s) with its lender. For this purpose, equity shall be calculated consistent with its lender as contained in its loan documents and any amendments applicable thereto. This agreement on a 15% equity level is for purposes of this DSC-FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

I. RETAIL RATE DESIGN

Any rate adjustment resulting from the DSC-FBR Plan will be apportioned according to Test Year base revenue by rate schedule or class unless the Commission approves a cost of service study supporting something different. For purposes of the Plan, base revenue by rate schedule shall be determined from retail rate schedule revenue by rate class for the Test Year, plus ECA

revenue/credits, less power supply costs for the Test Year determined by applying the average cost of power supply per kWh from the class cost of service submitted in the 12-MKKEE-380-RTS docket and shown in Exhibit RJM-14, Page 2, Line 32 of the Rebuttal Testimony of Rich Macke filed on May 9, 2012, plus ECA revenue/credits.

For the Sub-Transmission and Transmission Level Service Rate (STR) rate and/or any other retail rate/customer taking sub-transmission or transmission level service, any rate adjustment resulting from the DSC-FBR Plan will be determined without the impact of debt service additions for distribution plant investments in the Budget Year. To determine this, the Company will provide a breakdown of its budgeted plant investments into distribution, sub-transmission and other which will be used to allocate the debt service additions for the Budget Year. The amount of annual debt service additions attributable to distribution plant will then be multiplied by a 1.75 DSC and the product will be subtracted from the revenue adjustment otherwise determined. The result is the rate adjustment from which the STR will be allocated its portion based upon base revenue in relation to the total base revenue from all retail rate schedules.

If Southern Pioneer requests anything other than the apportionment described above, such request must be accompanied by a new class cost of service study, and is subject to approval by the Commission.

J. FILING EXHIBITS

In support of the annual DSC-FBR filing, Southern Pioneer shall submit the following information:

1. An Application describing the revenue adjustment requested, the proposed changes in rates and how the application complies with the requirements of the DSC Ratemaking Plan approved in this docket.
2. Southern Pioneer's complete RUS (or CoBank) Form 7 or successor document for the test year, and two prior years.
3. Completed formula with adjustments as contained in Attachments 1 and 2, as revised by the Commission Order in this docket, in fully functioning Excel format.
4. Three years of comparative operating income statements and balance sheets.
5. A summary explanation of any material changes in a cost of service item from the previous year. This explanation can be contained within the prefiled testimony included with the application.
6. A detailed listing, by account, of all costs recorded by Southern Pioneer that resulted from an allocation of costs from Pioneer Electric Cooperative, Inc. (Pioneer) or a cost billed from Pioneer for the Test Year, unless otherwise noted. This detailed listing shall include at a minimum:
 - a. For each Pioneer employee that billed time to Southern Pioneer during the Test Year, a listing of each Pioneer employee's time and cost (including benefits and loadings) billed to Southern Pioneer, by account, for the Test Year, and for the two years prior. This list should also include time not billed to Southern Pioneer for each Pioneer employee (retained within Pioneer).

- b. A detailed accounting of all directly assigned costs from Pioneer to Southern Pioneer, with supporting documentation available upon request regarding the method of determination for the directly assignable cost.
 - c. A detailed accounting of all other allocated, assigned, or billed cost from Pioneer to Southern Pioneer. Supporting documentation should be available upon request.
7. A listing of Southern Pioneer's total employee compensation expense, including any bonuses, benefits expense, etc., for the Test Year and two years prior. This shall not include allocated or billed costs from Pioneer to Southern Pioneer.
8. A calculation of Southern Pioneer's Total Controllable Expenses per Consumer, and Total Wages (inclusive of Southern Pioneer billed wages) per Consumer for the Test Year and two years prior. These are similar to Ratios 87 and 110 of CFC's Key Ratio Trend Analysis (See Exhibit RJM-9 attached to Rich Make's direct testimony filed on January 8, 2013 in Docket No. 13-MKKEE-452-MIS).
9. A complete detailed accounting, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year.
10. Any supplemental schedules necessary to audit the filing including trial balances for the Test Year and two years prior.
11. Proposed tariffs sheets including the proposed rate adjustment.
12. Each annual filing shall be supplemented with a populated formula template in fully functional spreadsheets showing the DSC-FBR Plan calculations.
13. Each annual filing shall also include each of the minutes from Consumer Advisory Council meetings held during the Test Year.
14. Southern Pioneer will provide to Staff and interveners copies of reports or statements the Company intends to use as support for its upcoming application as they become available, if available prior to the May 1st filing date. This information will be made available on Box.net or a similar service, with a notification going to Staff and interveners when it becomes available.

K. TECHNICAL CONFERENCE

Following an application under the DSC-FBR Plan, Southern Pioneer will work with Staff and interveners to schedule a Technical Conference on a mutually agreed upon date. The Technical Conference will be held at the Company's home office. Southern Pioneer will make its staff available to review requested documents and respond to questions. The parties shall submit to Southern Pioneer at least 10 business days before the conference a list of questions and a list of documents that the parties want Southern Pioneer to be prepared to answer and produce, respectively, at the technical conference. If requested, Southern Pioneer will make available to Staff, interveners and the parties'

consultants who are unable to travel to the home office, access to the conference via "GoToMeeting" or a similar program.

L. MISCELLANEOUS.

1. Nothing in these Protocols limits or deprives Southern Pioneer, Staff of the Commission or any Intervener of any rights it may otherwise have under any applicable provision of applicable law. The provisions of the Protocols addressing review and challenge of the DSC-FBR Plan annual filings are not intended to, nor shall they be construed as limiting Southern Pioneer's, Staff of the Commission or any Intervener's rights under any applicable provision of applicable law.
2. Signatories who were a party to the 13-MKEE-452-MIS docket will be considered automatically approved for intervention upon 1) the filing of an Entry of Appearance in any individual annual DSC-FBR Plan application filed during the five-year term of this pilot plan, and 2) provided they are not prohibited from participation by statute or otherwise.

3. **Definitions:**

Budget Year shall mean the calendar year immediately following the Test Year.

Debt Service Payments shall mean interest and principal payments made during the Test Year adjusted to reflect the interest and principal payments expected for the Budget Year, including both long-term and short-term debt.

DSC-FBR Plan or Plan means Debt Service Coverage Formula-Based Rate mechanism as approved by the Commission in the KCC Docket 13-MKEE-452-MIS for assessing and potentially adjusting Southern Pioneer's divisional retail rates.

DSC ratio shall mean a ratio of cash flows to annual interest and principal payments on debt, calculated in accordance with the application of Southern Pioneer's loan covenants with CoBank. Any applicable modifications are outlined in Section E below.

Filing Date means date on which Southern Pioneer submits its annual DSC-FBR Plan filing to the Commission. Filing Date will occur no later than May 1 (or the next Business Day when the Commission's offices are open, if May 1 is not a Business Day) of each year during the Plan.

Form 7 means the December Financial and Operating Report Electric Distribution that utilizes the RUS Uniform System of Accounts (note that page references from the Form 7 in this or associated documents are from the year 2011 format of Form 7).

Intervener means a party which has automatic intervener status in accordance with this agreement or has been granted intervention by the Commission in the Southern Pioneer's annual DSC-FBR Plan filing.

KCC or Commission shall mean the State Corporation Commission of the State of Kansas.

LAC shall mean the Local Access Charge in effect during the Test Year as specified in the Mid-Kansas LAC tariff for the Southern Pioneer division.

Line Losses shall mean real power losses associated with the Local Access delivery service. The applicable loss factor is contained within the Commission-approved Mid-Kansas LAC tariff (Southern Pioneer Division) in effect during the Test Year.

Local Access Service shall mean wholesale delivery service over Southern Pioneer's 34.5 kV facilities.

Mid-Kansas or MKEC shall mean Mid-Kansas Electric Company, LLC.

Monthly System Peak shall mean the monthly maximum hourly demand on the Southern Pioneer 34.5 kV delivery system for the Test Year.

Net Plant shall mean total Plant in Service as contained in all electric plant account per RUS Uniform System of Accounts less total Accumulated Reserves for Depreciation in account per RUS Uniform System of Accounts, where the account balances are determined by the Southern Pioneer's year end trial balance for the Test Year.

Net Transmission Plant shall mean the total plant in service used by Southern Pioneer for the provision of Local Access Service (including Transmission Plant in Southern Pioneer's accounts 350-359 per RUS Uniform System of Accounts; any Distribution Plant from accounts 360-373 per RUS Uniform System of Accounts that was allocated to the LAC, if applicable; plus any allocated General Plant from accounts 389-399 per RUS Uniform System of Accounts) minus the total amount of corresponding Accumulated Provision for Depreciation in account 108 per RUS Uniform System of Accounts. The account balances are determined by the Southern Pioneer's year end trial balance for the Test Year.

Net Transmission Plant Ratio shall mean a ratio of Net Transmission Plant to Net Plant, calculated for the Test Year.

Non-A&G Labor shall mean the Test Year wages associated with all of the Operating Expenses except for the wages in connection with the Administrative and General Expense accounts 920-935 per RUS Uniform System of Accounts.

Transmission Labor shall mean the Test Year wages associated with the provision of the Local Access Service and are comprised of 100% of the wages associated with the Transmission Expense in accounts 560-573 per RUS Uniform System of Accounts and, if applicable, any allocated Distribution wages associated with the Distribution O&M Expense accounts 360-373 per RUS Uniform System of Accounts.

Transmission Labor Ratio shall mean a ratio of the dollar amount in Transmission Labor to the dollar amount in the total Non-A&G Labor for the Test Year.

RUS Uniform Systems of Accounts is contained in the United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1.

Southern Pioneer means Mid-Kansas' Southern Pioneer Electric Company.

Test Year shall mean the most recent calendar year prior to the Filing Date.

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION	DISTRIBUTION
	HISTORICAL	NO.	AMOUNT	HISTORICAL		
	TEST YEAR			TEST YEAR	ALLOCATION	FBR
	[YEAR]		(S)	[YEAR]	FACTOR	(S)
1. A. STATEMENT OF OPERATIONS						
2. Operating Revenue and Patronage Capital	F.P.A.C&B	[1]	-	-	Direct (E.3.a)	-
3. Power Production Expense	F.P.A.C&B		-	-	0.0000	-
4. Cost of Purchased Power	F.P.A.C&B		-	-	1.0000	-
5. Transmission Expense	F.P.A.C&B		-	-	0.0000	-
6. Regional Market Expense	F.P.A.C&B		-	-	0.0000	-
7. Distribution Expense - Operation	F.P.A.C&B		-	-	1.0000	-
8. Distribution Expense - Maintenance	F.P.A.C&B		-	-	1.0000	-
9. Customer Accounts Expense	F.P.A.C&B		-	-	1.0000	-
10. Customer Service and Informational Expense	F.P.A.C&B		-	-	1.0000	-
11. Sales Expense	F.P.A.C&B		-	-	1.0000	-
12. Administrative and General Expense	F.P.A.C&B		-	-	Calculated (E.3.b)	-
13. Total Operation & Maintenance Expense	-		-	-		-
14. Depreciation and Amortization Expense	F.P.A.C&B		-	-	Calculated (E.3.c)	-
15. Tax Expense - Property & Gross Receipts	F.P.A.C&B		-	-	Calculated (E.3.d)	-
16. Tax Expense - Other	F.P.A.C&B	[2]	-	-	Calculated (E.3.e)	-
17. Interest on Long-Term Debt	F.P.A.C&B	[3]	-	-	Calculated (E.3.f)	-
18. Interest Charged to Construction - Credit	F.P.A.C&B		-	-	Calculated (E.3.f)	-
19. Interest Expense - Other	F.P.A.C&B	[4]	-	-	Calculated (E.3.f)	-
20. Other Deductions	F.P.A.C&B		-	-	Calculated (E.3.f)	-
21. Total Cost of Electric Service	-		-	-		-
22. Patronage Capital & Operating Margins	-		-	-		-
23. Non Operating Margins - Interest	F.P.A.C&B		-	-	Calculated (E.3.f)	-
24. Allowance for Funds Used During Construction	F.P.A.C&B		-	-	Calculated (E.3.f)	-
25. Income (Loss) from Equity Investments	F.P.A.C&B		-	-	1.0000	-
26. Non Operating Margins - Other	F.P.A.C&B		-	-	1.0000	-
27. Generation and Transmission Capital Credits	F.P.A.C&B		-	-	1.0000	-
28. Other Capital Credits and Patr. Dividends	F.P.A.C&B		-	-	Calculated (E.3.f)	-
29. Extraordinary Items	F.P.A.C&B		-	-	1.0000	-
30. Patronage Capital or Margins	-		-	-		-
31.						

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION ALLOCATION FACTOR	DISTRIBUTION FBR
	HISTORICAL TEST YEAR [YEAR] (\$)	NO.	AMOUNT (\$)	HISTORICAL TEST YEAR [YEAR] (\$)		
32. B. DEBT SERVICE PAYMENTS						
33. Interest Expense	- Line 17 + Line 19		-	-	Calculated (E.3.f)	-
34. Principal Payments	P7, P8, O, Col. B	[5]	-	-	Calculated (E.3.f)	-
35. Total Debt Service Payments			-	-		-
36.						
37. C. DEBT SERVICE MARGINS						
38. Patronage Capital or Margins	- Line 39		-	-	0.0000	-
39. Plus: Depreciation and Amortization Expense	- Line 14		-	-	Calculated (E.3.c)	-
40. Plus: Interest Expense	- Line 33		-	-	Calculated (E.3.f)	-
41. Plus: Non-Cash Other Deductions Amortizations	Total Balance		-	-	Calculated (E.3.f)	-
42. Plus: Cash Capital Credits Cash Received	P7, P8, J, LA, Col. A		-	-	Calculated (E.3.f)	-
43. Plus: Non-Cash Income Tax Expense	Total Balance		-	-	Calculated (E.3.e)	-
44. Less: Income (Loss) from Equity Investments	- Line 23		-	-	1.0000	-
45. Less: Other Capital Credits and Patr. Dividends	- Line 26		-	-	Calculated (E.3.f)	-
46. Total Debt Service Margins			-	-		-
47.						
48. D. DEBT SERVICE COVERAGE	- Line 35		-	-		-
49.						
50. E. DEBT SERVICE COVERAGE TARGET						1.75
51.					Adjusted DSC Margins are:	Below the Target
52.						
53. F. INITIAL OPERATING INCOME ADJUSTMENT						
54. DSC Adjustment Required to Achieve Target						-
55. Debt Service Payments						-
56. After-Tax Operating Income Adjustment						-
57.						

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION	DISTRIBUTION
	HISTORICAL	NO.	AMOUNT	HISTORICAL		
	TEST YEAR			TEST YEAR	ALLOCATION	FBR
	[YEAR]			[YEAR]	FACTOR	(S)
	(S)	(S)		(S)		
58. <u>G. EQUITY TEST (increase will not result in > 15% equity ratio)</u>						
59.	Pre-Adjustment		Plus	Post-Adjustment		
60. Total Margins and Equities	<u>PT, P, C, L25</u>		Adjustment	<u> </u>		
61. Total Assets	<u>PT, P, C, L27</u>	[6]	-	<u> </u>		
62. Equity Ratio	<u>L20 / L21</u>			<u> </u>		
63.						
64. <u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u>						
65. Operating Income Adjustment						-
66. Rate Schedule Revenue						<u> </u>
67. Adjustment Percentage						

SOUTHERN PIONEER ELECTRIC COMPANY
DSC-FBR - ADJUSTMENTS

1.	<u>ADJUSTMENT [1] -- REVENUE</u>		
2.	<i>Adjustment to annualize rate adjustment implemented during test year</i>		
3.	Annual Rate Adjustment Authorized by Commission	-	
4.	Total kWh Sales During Test Year	-	
5.	Average per kWh	\$0.00000	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment		Input
7.	Revenue Adjustment to Annualize Rate Adjustment	\$ -	L5 x L6
8.			
9.	<u>ADJUSTMENT [2] -- OTHER TAXES</u>		
10.	<i>Adjustment to add back non-cash income tax expense</i>		
11.	Cash Test Year Other Tax Expense	-	F7, Pt. A, Col. B
12.	Test Year Other Tax Expense	-	
13.	Adjustment to Actual Other Tax Expense	\$ -	L11 - L12
14.			
15.	<u>ADJUSTMENT [3] -- Long-Term Interest Expense</u>		
16.	<i>Adjustment to reflect the Budget.</i>		
17.	<u>Adjustment to Long-Term Interest Expense</u>		
18.	Actual Year Long-Term Interest Expense	\$ -	F7, Pt. A, Col. B
19.	Budget Year Long-Term Interest Expense	-	Budget
20.	Adjustment to Actual Long-Term Interest Expense	\$ -	L19-L18
21.			
22.	<u>ADJUSTMENT [4] -- Other Interest Expense</u>		
23.	<i>Adjustment to reflect the Budget.</i>		
24.	<u>Adjustment to Other Interest Expense</u>		
25.	Actual Year Other Interest Expense	\$ -	F7, Pt. A, Col. B
26.	Budget Year Other Interest Expense	-	Budget
27.	Adjustment to Actual Other Interest Expense	\$ -	L26 - L25
28.			

SOUTHERN PIONEER ELECTRIC COMPANY
DSC-FBR - ADJUSTMENTS

29. ADJUSTMENT [5] -- Principal Payments

30. *Adjustment to reflect the Budget.*

31. Adjustment to Principal Payments

32. Actual Year Principal Payments

\$ - F7, Pt O, Col. B

33. Budget Year Principal Payments

- Budget

34. Adjustment to Actual Principal Payments

\$ - L33 - L32

35.

36. ADJUSTMENT [6] -- Assets

37. *Adjustment to reflect budgeted Assets.*

38. Actual Year-End Assets

\$ - F7, Pt C, L28.

39. Budgeted Year-End Assets

- Budget

40. Adjustment to Actual Assets

\$ - L39 - L38

SOUTHERN PIONEER ELECTRIC COMPANY
Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes
Based on Base Revenue by Rate Schedule

(a) Line No.	(b) Rate Schedule	(c) Rate Schedule Revenue (\$)	(d) Allocated Power Supply Cost of Service (\$)	(e) Base Revenue (\$)	(f) Percent (%)	(g) (h) (i) Allocation of Rate Adjustment		
						FBR Adjustment (\$)	Base Revenue (\$)	Percent (%)
1	Residential Service (12-RS)					(1)	-	
2	General Use					(1)	-	
3	Space Heating					(1)	-	
4	General Service Small (12-GSS)					(1)	-	
5	General Service Large (12-GSL)					(1)	-	
6	General Service Space Heating					(1)	-	
7	Industrial Service (12-IS)					(1)	-	
8	Industrial Service-Primary Discount					(1)	-	
9	Real-Time Pricing (RTP)					(1)	-	
10	Transmission Level Service (12-STR)					(1)	-	
11	Municipal Power Service (12-M-D)					(1)	-	
12	Water Pumping Service (12-WP)					(1)	-	
13	Irrigation Service (12-IP-I)					(1)	-	
14	Temporary Service (12-CS)					(1)	-	
15	Lighting					(1)	-	
16	Total Retail Rates	-	-	-	-	-	-	-
17								
18	Third Party LAC (12-LAC)						-	
19								
20	Total All Rates	-	-	-	-	-	-	-

Allocation of rate adjustments to be completed consistent with DSC-FBR Plan Protocols, Section L Retail Rate Design as may be modified by Commission Order in Docket No. 13-MKEE-452-MIS.

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION ALLOCATION FACTOR	DISTRIBUTION FBR
	HISTORICAL TEST YEAR 2011 (\$)	NO.	AMOUNT (\$)	HISTORICAL TEST YEAR 2011 (\$)		
1. A. STATEMENT OF OPERATIONS					Docket 380	(\$)
2. Operating Revenue and Patronage Capital	60,493,642	[1]	-	60,493,642	Direct	58,270,203
3. Power Production Expense	-			-	0.0000	-
4. Cost of Purchased Power	45,347,282			45,347,282	1.0000	45,347,282
5. Transmission Expense	789,649			789,649	0.0000	-
6. Regional Market Expense	-			-	0.0000	-
7. Distribution Expense - Operation	2,998,013			2,998,013	1.0000	2,998,013
8. Distribution Expense - Maintenance	1,518,929			1,518,929	1.0000	1,518,929
9. Customer Accounts Expense	1,292,172			1,292,172	1.0000	1,292,172
10. Customer Service and Informational Expense	68,128			68,128	1.0000	68,128
11. Sales Expense	12,674			12,674	1.0000	12,674
12. Administrative and General Expense	1,266,887			1,266,887	0.9795	1,240,974
13. Total Operation & Maintenance Expense	53,293,734			53,293,734	0.9847	52,478,172
14. Depreciation and Amortization Expense	2,444,084			2,444,084	0.7427	1,815,106
15. Tax Expense - Property & Gross Receipts	-			-	0.7427	-
16. Tax Expense - Other	966,129	[2]	(966,129)	-	Calculated (E.3.d)	-
17. Interest on Long-Term Debt	3,538,969	[3]	1,537,057	5,076,026	0.7322	3,716,534
18. Interest Charged to Construction - Credit	-			-	0.7322	-
19. Interest Expense - Other	275,477	[4]	(193,560)	81,917	0.7322	59,977
20. Other Deductions	155,121			155,121	0.7322	113,576
21. Total Cost of Electric Service	60,673,514		377,368	61,050,882	0.9530	58,183,366
22. Patronage Capital & Operating Margins	(179,872)		(377,368)	(557,240)		86,837
23. Non Operating Margins - Interest	869			869	0.7427	645
24. Allowance for Funds Used During Construction	-			-	0.7427	-
25. Income (Loss) from Equity Investments	1,415,012			1,415,012	1.0000	1,415,012
26. Non Operating Margins - Other	(12,666)			(12,666)	1.0000	(12,666)
27. Generation and Transmission Capital Credits	-			-	1.0000	-
28. Other Capital Credits and Patr. Dividends	272,500			272,500	0.7322	199,517
29. Extraordinary Items	-			-	1.0000	-
30. Patronage Capital or Margins	1,495,843		(377,368)	1,118,475	1.5104	1,689,346
31.						

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION ALLOCATION FACTOR	DISTRIBUTION FBR
	HISTORICAL TEST YEAR 2011	NO.	AMOUNT	HISTORICAL TEST YEAR 2011		
	(\$)		(\$)	(\$)	Docket 380	(\$)
32. B. DEBT SERVICE PAYMENTS						
33. Interest Expense	3,814,446 <small>Line 17 + Line 19</small>		1,343,497	5,157,943	0.7322	3,776,512
34. Principal Payments	669,847 <small>Pr. P. O. Col. B</small>	[5]	749,865	1,419,712	0.7322	1,039,476
35. Total Debt Service Payments	4,484,293		2,093,362	6,577,655	0.7322	4,815,988
36.						
37. C. DEBT SERVICE MARGINS						
38. Patronage Capital or Margins	1,495,843 <small>Line 30</small>			1,118,475	1.5104	1,689,346
39. Plus: Depreciation and Amortization Expense	2,444,084 <small>Line 14</small>			2,444,084	0.7427	1,815,106
40. Plus: Interest Expense	3,814,446 <small>Line 33</small>		1,343,497	5,157,943	0.7322	3,776,512
41. Plus: Non-Cash Other Deductions Amortizations	53,816 <small>Total Balance</small>			53,816	0.7322	39,403
42. Plus: Cash Capital Credits Cash Received	- <small>Pr. P. I, L, C, Col. A</small>			-	0.7322	-
43. Plus: Non-Cash Income Tax Expense	966,129 <small>Line 18</small>		(966,129)	-	Calculated (E.3.d)	-
44. Less: Income (Loss) from Equity Investments	(1,415,012) <small>Line 25</small>			(1,415,012)	1.0000	(1,415,012)
45. Less: Other Capital Credits and Patr. Dividends	(272,500) <small>Line 28</small>			(272,500)	0.7322	(199,517)
46. Total Debt Service Margins	7,086,806			7,086,806		5,705,838
47.						
48. D. DEBT SERVICE COVERAGE	1.58 <small>Line 35</small>			1.08		1.18
49.						
50. E. DEBT SERVICE COVERAGE TARGET						1.75
51.					Adjusted DSC Margins are:	Below the Target
52.						
53. F. INITIAL OPERATING INCOME ADJUSTMENT						
54. DSC Adjustment Required to Achieve Target						0.57
55. Debt Service Payments						4,815,988
56. After-Tax Operating Income Adjustment						2,722,141
57.						

SOUTHERN PIONEER ELECTRIC COMPANY
DSC FORMULA BASED RATE

ITEM	UNADJUSTED	ADJUSTMENTS		ADJUSTED	DISTRIBUTION ALLOCATION FACTOR	DISTRIBUTION FRR
	HISTORICAL TEST YEAR 2011	NO.	AMOUNT	HISTORICAL TEST YEAR 2011		
58. <u>G. EQUITY TEST</u> (increase will not result in > 15% equity ratio)	(S)		(S)	(S)	Docket 380	(S)
59.			Plus			
	Pre-Adjustment		Adjustment	Post-Adjustment		
60. Total Margins and Equities	329,229 <small>PT. P.C. L14</small>		2,722,141	3,051,370		
61. Total Assets	103,678,095 <small>PT. P.C. L13</small>	[6]	12,733,879	116,411,974		
62. Equity Ratio	0.31% <small>L60/L61</small>			2.62%		
63.						
64. <u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u>						
65. Operating Income Adjustment						2,722,141
66. Rate Schedule Revenue						58,270,203
67. Adjustment Percentage						4.67%

FORMULA BASED RATE - ADJUSTMENTS

1.	<u>ADJUSTMENT [1] – REVENUE</u>	
2.	<i>Adjustment to annualize rate adjustment implemented during test year</i>	
3.	Annual Rate Adjustment Authorized by Commission	-
4.	Total kWh Sales During Test Year	700,682,341
5.	Average per kWh	\$0.00000 L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment	Input
7.	Revenue Adjustment to Annualize Rate Adjustment	\$ - L5 x L6
8.		
9.	<u>ADJUSTMENT [2] – OTHER TAXES</u>	
10.	<i>Adjustment to remove non-cash income tax expense</i>	
11.	Cash Test Year Other Tax Expense	\$ -
12.	Test Year Other Tax Expense	966,129 F7, Pt. A, Col. B
13.	Adjustment to Actual Other Tax Expense	\$ (966,129) L11 - L12
14.		
15.	<u>ADJUSTMENT [3] -- Long-Term Interest Expense</u>	
16.	<i>Adjustment to reflect the 2012 Budget.</i>	
17.	<u>Adjustment to Long-Term Interest Expense</u>	
18.	Actual Year Long-Term Interest Expense	\$ 3,538,969 F7, Pt. A, Col. B
19.	Budget Year Long-Term Interest Expense	5,076,026 Budget
20.	Adjustment to Actual Long-Term Interest Expense	\$ 1,537,057 L19-L18
21.		
22.	<u>ADJUSTMENT [4] –Other Interest Expense</u>	
23.	<i>Adjustment to reflect the 2012 Budget.</i>	
24.	<u>Adjustment to Other Interest Expense</u>	
25.	Actual Year Other Interest Expense	\$ 275,477 F7, Pt. A, Col. B
26.	Budget Year Other Interest Expense	81,917 Budget
27.	Adjustment to Actual Other Interest Expense	\$ (193,560) L26 - L25
28.		

FORMULA BASED RATE - ADJUSTMENTS

29. ADJUSTMENT [5] -- Principal Payments

30. *Adjustment to reflect the 2012 Budget.*

31. Adjustment to Principal Payments

32. Actual Year Principal Payments

\$ 669,847 F7, Pt. O, Col. B

33. Budget Year Principal Payments

1,419,712 Budget

34. Adjustment to Actual Principal Payments

\$ 749,865 L33- L32

35.

36. ADJUSTMENT [6] -- Assets

37. *Adjustment to reflect budgeted Assets.*

38. Actual Year-End Assets

\$ 103,678,095 F7, Pt. C, L28.

39. Budgeted Year-End Assets

116,411,974 Budget

40. Adjustment to Actual Assets

\$ 12,733,879 L39- L38

41.

42. Depreciation Expense Allocator

43. Depreciation - Transmission

<u>Alloc.</u>	<u>Actual Amt.</u>
0.2573	\$ 391,409

44. Depreciation - Distribution

0.7427	\$ 1,129,530
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45.

1.0000	\$ 1,520,939
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Proportional Allocation of DSC FBR Rate Adjustment to Rate Classes
Based on Base Revenue by Rate Schedule

(a) Line No.	(b) Rate Schedule	(c) Rate Schedule Revenue (\$)	(d) Allocated Power Supply Cost of Service (\$)	(e) Base Revenue (\$)	(f) Percent (%)	(g)-(i) Allocation of Rate Adjustment		
						(g) DSC-FBR Plan Adjustment (\$)	(h) Base Revenue (\$)	(i) Percent (%)
1	Residential Service (12-RS)							
2	General Use	15,466,839	8,201,386	7,265,453	42.3%	[1]		
3	Space Heating	962,557	543,365	419,192	2.4%	[1]		
4	General Service Small (12-GSS)	1,954,373	1,035,164	919,209	5.4%	[1]		
5	General Service Large (12-GSL)	14,962,201	9,086,483	5,875,718	34.2%	[1]		
6	General Service Space Heating	546,294	358,139	188,155	1.1%	[1]		
7	Industrial Service (12-IS)	1,984,784	1,280,249	704,535	4.1%	[1]		
8	Industrial Service-Primary Discount			-	0.0%	[1]		
9	Real-Time Pricing (RTP)	82,550	82,550	-	0.0%	[1]		
10	Transmission Level Service (12-STR)	24,515,362	23,809,675	705,687	4.1%	[1]		
11	Municipal Power Service (12-M-I)	211,942	119,821	92,121	0.5%	[1]		
12	Water Pumping Service (12-WP)	611,125	367,776	243,349	1.4%	[1]		
13	Irrigation Service (12-IP-I)	200,995	111,907	89,088	0.5%	[1]		
14	Temporary Service (12-CS)	8,700	3,769	4,931	0.0%	[1]		
15	Lighting	947,775	287,875	659,900	3.8%	[1]		
16	Total Retail Rates	62,455,499	45,288,159	17,167,339	100.0%	2,722,141	19,889,481	100.0%
17								
18	Third Party LAC (12-LAC)	1,059,317	-	1,059,317	100.0%		1,059,317	100.0%
19								
20	Total All Rates	63,514,816	45,288,159	18,226,656	100.0%	2,722,141	20,948,798	100.0%

¹ Allocation of rate adjustments to be determined consistent with DSC-FBR Plan Protocols, Section I. Retail Rate Design as may be modified by Commission Order in Docket No. 13-MKEE-452-MIS.

CERTIFICATE OF SERVICE

SEP 26 2013

13-MKEE-452-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Order Approving Non-Unanimous Settlement Agreement was served by electronic service on this 26th day of September, 2013, to the following parties who have waived receipt of follow-up hard copies.

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ORDER MAILED SEP 26 2013

CERTIFICATE OF SERVICE

SEP 26 2013

13-MKEE-452-MIS

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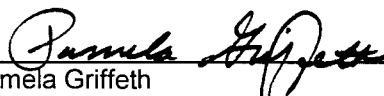
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ORDER MAILED SEP 26 2013

Southern Pioneer Electric Company

34.5kV FBR Protocols

A. PURPOSE

The 34.5kV FBR Plan is an annual formula-based ratemaking mechanism. Its purpose is to allow for timely adjustments to the corresponding wholesale Local Access Charge ("LAC") and applicable retail rates, without the expense (public and private) and regulatory lag related to preparing and presenting a full rate case every year before the Kansas Corporation Commission ("Commission" or "KCC").

B. PROCESS

No later than May 1 (or the next Business Day when the Commission's offices are open if May 1 is not a Business Day) of each year, in accordance with its Commission-approved 34.5kV FBR Plan, Southern Pioneer Electric Company ("Southern Pioneer") shall submit its 34.5kV FBR Plan "Annual Update" filing for the calendar year just ended ("Test Year") in accordance with the procedures and calculations set forth herein (such date of submittal being the "Filing Date"). The filing will be provided to all parties of record in Commission Docket 16-MKEE-023-TAR approving the initial application for Southern Pioneer's 34.5kV FBR Plan.

Upon filing, the Commission will determine the appropriate term for suspension of the Annual Update pursuant to K.S.A. 66-117. Notwithstanding this suspension, unless otherwise ordered by the Commission, Southern Pioneer, Commission Staff, and Interveners will process the filing as set forth herein. All discovery and confidentiality issues will be governed by Commission Discovery and Protective Orders, which will be issued after the filing of the Annual Update. Upon receipt of the Annual Update filing, the Commission may also immediately issue a Procedural Order in accordance with the following guidelines, which are discussed in more detail in the following timeline:

Day 1	Day after the Filing Date
Day 40-45	A one-day Technical Conference will be set during this time, if necessary.
Day 50-55	A status telephone conference call will be set during this time.
Day 60	Staff and Interveners complete the review of the Annual Update and Staff files a Report and Recommendation or, if necessary, Staff and/or Interveners shall file testimony as outlined hereafter.
Day 75	Southern Pioneer files rebuttal testimony, if necessary.
Day 90	Commission Order either approving the rate adjustments based upon the paper record or notifying the parties that an evidentiary hearing will be held.
Day 95-99	A one-day evidentiary hearing will be set during this time in case it is needed based upon the Commission 90 day Order.

Day 120 Final Order issued if the matter goes to evidentiary hearing.

The Commission Staff, and any other Intervener, will have 60 days from the Filing Date to review the Annual Update to determine if it results in just and reasonable rates that are in the public interest.

If within 60 days from the Filing Date, the Commission Staff and Interveners make a determination that indicates the results of the Annual Update filing are just and reasonable, Commission Staff will file a Report and Recommendation indicating the same. Nothing in this provision is intended to deny Interveners the opportunity to file testimony should there be a relevant objection relating to the Annual Update, rather the purpose of the Report and Recommendation is to relieve Staff and Interveners of the obligation to file formal testimony in the event formal testimony is unnecessary due to the lack of relevant objection to the Annual Update Filing. Provided there are no relevant objections, the Commission shall issue an Order allowing the rates proposed in the Annual Update to become effective no later than 90 days after the Filing Date.

If within 60 days from the Filing Date, Staff and/or Interveners make a determination that indicates the results of the Annual Update filing are unjust or unreasonable, Staff and Interveners shall make a reasonable attempt to resolve any issues surrounding the Annual Update informally with Southern Pioneer. The parties shall utilize the Technical Conference and Status Telephone Conference described below in Section F as a forum to try and resolve issues. If unable to resolve issues, Staff and Interveners shall file testimony within 60 days from the Filing Date, setting forth the reason the Annual Update would not result in just and reasonable rates along with supporting documentation, and evidence supporting the position. Issues regarding the Annual Update filing that do not change or impact the rate(s) resulting from the filing shall not be raised in testimony. A party who does not object to the Annual Update filing may file testimony in support of the filing within 60 days from the Filing Date. Questions, concerns or complaints regarding Southern Pioneer or its parent company that are outside the scope of the Annual Update filing, or the rates resulting from the filing, shall not be raised in the Annual Update filing dockets. However, no party is precluded from raising such issues through the normal means available before the Commission.

If within 60 days of the Filing Date, Staff and/or Interveners file testimony regarding Southern Pioneer's Annual Update filing indicating the filing would result in unjust or unreasonable rates that are not in the public interest, then Southern Pioneer shall have the opportunity to file responsive testimony to said objection(s) within 75 days from the Filing Date.

Within 90 days from the Filing Date, the Commission will issue an order either approving the Annual Update filing based upon the paper record, or ordering an evidentiary hearing to be held to address the issues raised by the Annual Update filing. The hearing, if necessary, will proceed as expeditiously as possible, with the explicit goal of a Commission Order within 120 days from the Filing Date. This 120 day order date may be extended by Commission Order if circumstances arise supporting a deviation from the agreed 120-day time period.

The process outlined above does not prohibit interested parties from exercising any other rights they may have to bring a separate complaint or show cause proceeding before the Commission regarding Southern Pioneer, its rates or services.

C. CUSTOMER NOTIFICATION

The Southern Pioneer Consumer Advisory Council shall be consulted prior to each Annual Update to obtain their input regarding the application and its impact on customers. A summary of their comments shall be included with the application.

Customers will receive notice of the filing at the time it is made with the Commission. The notice to wholesale LADS customers may be made via electronic mail or bill insert and for retail customers, the notice shall be made via monthly bill inserts. Both notices shall contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment presented.
3. As applicable, the resulting rate impact on wholesale LADS customers and each individual retail rate class as contained in the filing.
4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV FBR Plan, with a cite to Docket No. 16-MKEE-023-TAR and the date of the Commission's Order approving the 34.5 kV FBR Plan.
5. A Southern Pioneer contact person and phone number for questions.
6. An explicit statement as follows: If you have questions or complaints, please contact the Kansas Corporation Commission, Office of Public Affairs and Consumer Protection at public.affairs@kcc.ks.gov, or call 1(800)662-0027. Questions and/or complaints should reference Docket No. XX:XXX (to include applicable Docket No.).

D. CALCULATION

Each filing shall be based on actual results as presented in the sources listed below and utilizing the RUS Uniform System of Accounts:

- December National Rural Utilities Cooperative Finance Corporation Financial and Statistical Report (CFC Form 7).
- December Trial Balance.
- December Payroll Journal.
- December Balance Sheet.

The calculation shall follow the form and format included in the 34.5kV FBR templates, both blank, and populated, approved by the Commission in Docket No. 16-MKEE-023-. Specific details concerning the calculation are as follows:

1. Adjustments to actual results for the Test Year will be made as follows:

- a. *Distribution Operation and Maintenance ("O&M") Expenses* – if distribution plant used to provide Local Access Delivery Service is present that is not already accounted for in a separate rate-making mechanism, the Distribution O&M Expenses will be adjusted consistent with the adjustment to Other Deductions per Commission policy in accordance with K.S.A. 66-101f(a) as defined below and which may be applicable.
- b. *Administrative and General Expense ("A&G")* will be adjusted consistent with the adjustment to *Other Deductions* per Commission policy in accordance with K.S.A. 66-101f(a) as defined below and which may be applicable.
- c. *Depreciation* will be adjusted to remove the Acquisition Premium ("AP") amortization.
- d. *Other Taxes* will be adjusted, if necessary, to reflect cash only portion paid during the Test Year.
- e. *Interest on Long-Term Debt* will be adjusted to reflect the interest on long-term debt expected for the Budget Year.
- f. *Interest Expense – Other* will be adjusted as necessary to reflect the amount of short-term interest expected for the Budget Year.
- g. *Other Deductions* – If applicable, Other Deductions expense will be adjusted to reflect the exclusion of the items typically disallowed by the Commission, in whole or in part, per Commission policy in accordance with K.S.A. 66-101f(a) (i.e. dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses) and in a manner consistent with any other separate rate-making mechanism that Southern Pioneer may have in place at the time. As set forth below, Southern Pioneer will include with its filing a complete detailed listing, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year, accompanied by the work paper detailing the calculation of the appropriate exclusion, in whole or in part. Each party may present to the Commission in their recommendation or testimony their position and reasoning in support of inclusion or disallowance of these items. It is expected that disagreement on these issues would not be grounds for requiring the case to go to evidentiary hearing, and that absent other issues supporting the need for the evidentiary hearing, these matters will be resolved by the Commission based upon the paper record.
- h. *Debt Service Payments* for the Test Year shall be adjusted to reflect the interest expense and principal payments for the Budget Year. Interest expense for this purpose shall include both long-term and short-term interest expense. The debt service payments on

said debt requirements will be calculated using the expected amortization schedule(s) at the expected borrowing rate(s). The debt service payments will be determined within the context of Southern Pioneer's budget including the projected plant investments and cash flows needs.

2. The 34.5kV FBR Plan is intended to apply only to the sub-transmission portion of Southern Pioneer's system. In order to accomplish this, the financial results submitted as part of the Annual Update filing should be adjusted to only include the costs associated with such facilities. The following categories of expenses will need to be adjusted to remove the portion not associated with these facilities before the LAC is calculated. The allocation method to be used is listed next to each category. This list is not necessarily exhaustive, and other allocations may be necessary. If additional items are identified, expense or labor items should be allocated using a Labor ratio ("LAB"), and Plant or Debt Service items should be allocated using a Net Plant ratio ("NP").⁴⁰ The LAB ratio is calculated as a ratio of Transmission Labor to Total Non-A&G Labor, calculated for the Test Year. The NP ratio is calculated as a ratio of Net Transmission Plant to total Net Plant, calculated for the Test Year, where the Net Transmission Plant includes a General Plant allocation based upon the LAB ratio. These allocators should be calculated and submitted annually with each Annual Update filing. Because this 34.5kV FBR Plan and the DSC-FBR Ratemaking Plan approved in Docket No. 13-MKEE-452-MIS both rely on an allocated portion of the same underlying costs, in no case will the sum of both allocated cost amounts be greater than the total actual cost amount recorded on Southern Pioneer's financial statements.
 - a. A&G Expenses: allocated on LAB ratio.
 - b. Depreciation and Amortization Expense: Calculated directly, with the LAB ratio being applied to General Plant Depreciation.
 - c. Tax Expense (Property and Gross Receipts): allocated on NP ratio.
 - d. Tax Expense (Other: Calculated directly based on a percentage of calculated operating margin using the actual cash taxes paid during the Test Year to develop the percentage).
 - e. Other Deductions and AFUDC: allocated on NP ratio.
 - f. Interest on Long-Term Debt and Interest Charged to Construction: allocated on NP ratio.
 - g. Interest-Other: allocated on NP ratio.

⁴⁰ If any distribution plant that provides Local Access Delivery Service is present as detailed in D.1.a above, Distribution O&M Expenses will be allocated using a Distribution O&M ratio ("DOM"). The DOM ratio is calculated as a ratio of Net Distribution Plant used in provision of Local Access Delivery Service to Total Distribution Plant. As applicable, this allocator should be calculated and submitted with Annual Update filings.

- h. Principal Payments: allocated on NP ratio.
 - i. Offsets to Margin Requirements, Non-Operating Margins and Other Capital Credits: allocated on NP ratio.
- 3. Margin – Southern Pioneer will utilize the same 1.75 MDSC target as approved by the Commission in Southern Pioneer’s DSC-FBR Ratemaking Plan in Docket No. 13-MKEE-452-MIS and calculated using a CoBank-specific formula.
- 4. Determination of the LAC rate:

The Total 34.5kV FBR Plan Revenue Requirement is determined by summing up the applicable operating expenses and margin requirement, as shown in Exhibit 1-4 and Exhibits 2-4 endorsed in the Commission Docket approving the initial application for Southern Pioneer’s 34.5kV FBR Plan. To arrive at the \$ per kW LAC rate, the Total Revenue Requirement is divided by the Total Billing Demand for the Test Year. Next, a \$ per kilowatt-hour portion attributable to Southern Pioneer Property Tax Surcharge is subtracted from the unadjusted LAC rate to arrive at the final LAC.
- 5. Determination of the corresponding total retail rate adjustment:
 - a. Resultant Net LAC will be multiplied by the applicable Retail Billing Demand to determine the total retail rate adjustment.
 - b. Resultant total retail rate adjustment will then be apportioned to each corresponding rate schedules or classes according to Test Year base revenues. For purposes of the 34.5kV FBR Plan, base revenue by rate schedule shall be determined from retail rate schedule revenue by rate class for the Test Year (including ECA revenue/credits), less sum of power supply costs for the Test Year (determined by applying the average cost of power supply per kWh from the most recent Commission-approved class cost of service) and ECA revenue/credits.
 - c. The resultant schedule-specific revenues will be divided by the corresponding Historical Test Year energy sales to determine the per kWh 34.5kV FBR Plan retail rate adjustment.

E. FILING EXHIBITS

In support of the Annual Update filing, Southern Pioneer shall submit the following information:

1. An Annual Update filing containing the rate adjustment requested in compliance with the requirements of the Commission-approved 34.5kV FBR Plan. The filing should include testimony describing the rate adjustment being requested, and specifically how the Annual Update filing complies with the requirements of the 34.5 kV FBR Plan approved by the Commission in Docket No. 16-MKEE-023-TAR.
2. Southern Pioneer's CFC Form 7 or successor document, for the test year and two prior years.
3. Completed formula as contained in the 34.5kV FBR Plan template approved for Southern Pioneer by the Commission in Docket No. 16-MKEE-023-TAR. In addition to the PDF version, each Annual Update filing shall be supplemented with a populated formula template in fully functional spreadsheets, with all work papers attached, showing the 34.5kV FBR Plan calculations.
4. Trial Balance for the Test Year and two prior years.
5. Payroll Journal for the Test Year and two prior years.
6. Operating Budget for the Test Year and two prior years.
7. A summary explanation of any material increases in a cost of service item from the previous year. This explanation should include at a minimum a discussion of the drivers behind this change in costs, and any steps Southern Pioneer took to lessen the impact of this cost increase on its customers. This explanation may be contained within the prefiled testimony included in the Annual Update filing.
8. A detailed listing, by account, of all costs recorded by Southern Pioneer that resulted from an allocation of costs from Pioneer Electric Cooperative, Inc. (Pioneer) or a cost billed from Pioneer for the Test Year, unless otherwise noted. This detailed listing shall include at a minimum:
 - a. For each Pioneer employee that billed time to Southern Pioneer during the Test Year, a listing of each Pioneer employee's time and cost (including benefits and loadings) billed to Southern Pioneer, by account, for the Test Year, and for the two years prior. This list should also include time not billed to Southern Pioneer for each Pioneer employee (retained within Pioneer).
 - b. A detailed accounting of all directly assigned costs from Pioneer to Southern Pioneer, with supporting documentation available upon request regarding the method of determination for the directly assignable cost.

- c. A detailed accounting of all other allocated, assigned, or billed cost from Pioneer to Southern Pioneer. Supporting documentation should be available upon request.
9. A listing of Southern Pioneer's total employee compensation expense, including any bonuses, benefits expense, etc., for the Test Year and two years prior. This shall not include allocated or billed costs from Pioneer to Southern Pioneer.
10. A calculation of Southern Pioneer's Total Controllable Expenses per Consumer, and Total Wages (inclusive of Pioneer billed wages to Southern Pioneer) per Consumer for the Test Year and two years prior. These are similar to Ratios 87 and 110 of CFC's Key Ratio Trend Analysis.
11. Any other applicable supplemental schedules necessary to audit the filing for the Test Year.
12. A complete detailed accounting, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year.
13. Proposed tariffs sheets including the proposed rate adjustments.

If any of the reports or statements intended to be used as support for Southern Pioneer's upcoming Annual Update filing become available prior to the Filing Date, Southern Pioneer will provide to Staff and Interveners copies of such. All required information will be made accessible on Southern Pioneer's Box.net site or a similar service, with a notification provided to Staff and Interveners alerting them of when the data becomes available.

F. TECHNICAL CONFERENCE AND STATUS CALL

Following the Filing Date, Southern Pioneer will work with Staff and Interveners to schedule a one-day Technical Conference, if necessary, to be held within days 40-45 from the Filing Date. The Technical Conference will be held at the Company's home office. Southern Pioneer will make its staff available to review requested documents and respond to questions. The parties shall submit to Southern Pioneer at least 10 business days before the conference a list of questions and a list of documents that the parties want Southern Pioneer to be prepared to answer and produce, respectively, at the technical conference. If requested, Southern Pioneer will make available to Staff, Interveners and the parties' consultants who are unable to travel to the home office, access to the conference via "GoToMeeting" or a similar internet-based conference program.

Within days 50-55 from the Filing Date, Southern Pioneer will work with Staff and Interveners to schedule a telephone conference call to discuss the status of any outstanding issues with the Annual Update filing. If there are no outstanding issues to discuss, the parties will consider Staff's filing of a Report and Recommendation indicating the results of the Annual Update filing are just and reasonable.

G. EQUITY TEST

A rate increase will not be implemented that would achieve or maintain an equity percent of assets in excess of 15 percent, unless such would be reasonably determined to force Southern Pioneer to violate its loan covenant(s) with its lender. For this purpose, equity shall be calculated consistent with its lender as contained in its loan documents and any amendments applicable thereto. This agreement on a 15% equity level is for purposes of the initial term of this 34.5kV FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings, including any proceeding to extend or otherwise modify this 34.5kV FBR Plan.

H. TERM

At the discretion of Southern Pioneer, the 34.5kV FBR Plan, as described herein, shall be implemented for a period of three calendar years, inclusive of the year adopted, with the initial filing occurring in 2016 and the final filing occurring in 2018. During the final year of the 34.5kV FBR Plan, Southern Pioneer shall advise the Commission if it wishes to continue the 34.5kV FBR Plan, and provide the Commission support and rationale for its position in a separate application and docket; provided, Southern Pioneer shall not be precluded from filing for extensions of both the DSC-FBR Plan and the 34.5kV FBR Plan contemporaneously, on or before the expiration of the DSC-FBR Plan in 2018. Staff of the Commission and any Intervener granted intervention by the Commission shall have the right to comment on the merits of such a request.

I. TRUE-UP

Beginning with the second Annual Update filing (anticipated to occur in the year 2017 for the first time), Southern Pioneer will include in the filing a comparison between: 1.) The projected revenue requirement of the projected items from the previous Budget Year (anticipated to be the year 2016 in the first true-up); and, 2.) The actual revenue requirement calculation of those same items for the test year. The resulting comparison, whether positive or negative, will be added or subtracted to the total rate request for the current Annual Update filing. This calculation will take place in all subsequent Annual Update filings and will always compare the previous Budget Year projected rate items with the actual Test Year calculated rate items, but only for the items that are projected within the cost of service.

J. MISCELLANEOUS PROVISIONS

1. Nothing in these Protocols limits or deprives Southern Pioneer, Staff of the Commission or any Intervener of any rights it may otherwise have under any applicable provision of applicable law. The provisions of the Protocols addressing review and objection of the Annual Update filings are not intended to, nor shall they be construed as limiting Southern Pioneer's, Staff of the Commission or any Intervener's rights under any applicable provision of applicable law.
2. Signatories who were a party to the original docket requesting the approval of the 34.5kV FBR Plan will be considered automatically

approved for intervention upon the filing of an Entry of Appearance in any individual Annual Update filing, provided they are not prohibited from participation by statute or otherwise.

K. DEFINITIONS

Budget Year shall mean the calendar year immediately following the Test Year.

Debt Service Payments means interest and principal payments made during the Test Year adjusted to reflect the interest and principal payments expected for the Budget Year, including both long-term and short-term debt.

Filing Date as defined in Section B of these 34.5kV FBR Plan Protocols.

Form 7 means the December National Rural Utilities Cooperative Finance Corporation Financial and Statistical Report (CFC Form 7) that utilizes the RUS Uniform System of Accounts.

Intervener means a party which has been granted intervention by the Commission in Southern Pioneer's Annual Update filing or as provided in Section J(2).

KCC or Commission means the State Corporation Commission of the State of Kansas.

LAC means the Local Access Charge per kW demand rate for LADS over Southern Pioneer's sub-transmission system as defined in Southern Pioneer's corresponding Local Access Delivery Service tariff on file with the Commission.

Line Losses means real power losses associated with the Local Access Delivery Service. The applicable loss factor is specified within Southern Pioneer's Commission-approved Local Access Delivery Service tariff in effect during the Test Year.

Local Access Delivery Service ("LADS") means wholesale delivery service over Southern Pioneer's sub-transmission system.

MDSC means a Modified Debt Service Coverage ratio of cash flows to annual interest and principal payments on debt, calculated in accordance with the application of Southern Pioneer's loan covenants with CoBank.

Monthly Billing Demand – as defined in Southern Pioneer's Commission-approved Local Access Delivery Service tariff in effect.

Monthly System Peak means the monthly maximum hourly demand on Southern Pioneer's Local Access Delivery System during the Test Year.

Net Plant means total Plant in Service as contained in all electric plant account per RUS Uniform System of Accounts less total Accumulated Reserves for Depreciation in account per RUS Uniform System of Accounts, where the account balances are determined by Southern Pioneer's year end trial balance for the Test Year.

Net Transmission Plant means the total plant in service used by Southern Pioneer for the provision of Local Access Service (including Transmission Plant in Southern Pioneer's accounts 350-359 per RUS Uniform System of Accounts; any Distribution Plant from accounts 360-373 per RUS Uniform System of Accounts that was allocated to the LAC, if applicable; plus any allocated General Plant from accounts 389-399 per RUS Uniform System of Accounts) minus the total amount of corresponding

Accumulated Provision for Depreciation in account 108 per RUS Uniform System of Accounts. The account balances are determined by Southern Pioneer's year end trial balance for the Test Year.

Non-A&G Labor means the Test Year wages associated with all of the Operating Expenses *except for* the wages in connection with the Administrative and General Expense accounts 920-935 per RUS Uniform System of Accounts.

Retail Billing Demand means Southern Pioneer's retail load monthly billing demand for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 34.5kV FBR Plan populated template).

Total Billing Demand means the summation of Southern Pioneer's wholesale and retail customers' monthly billing demands for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 34.5kV FBR Plan populated template).

Transmission Labor means the Test Year wages associated with the provision of the Local Access Service and are comprised of 100% of the wages associated with the Transmission Expense in accounts 560-573 per RUS Uniform System of Accounts and, if applicable, any allocated Distribution wages associated with the Distribution O&M Expense accounts 360-373 per RUS Uniform System of Accounts.

RUS Uniform Systems of Accounts is contained in the United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1.

Test Year means the most recent full calendar year prior to the Filing Date.

SECTION 2
EXHIBITS 2-14