

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Southern Pioneer Electric) 26-SPEE-099-RTS
Company's Application for Approval of the) Docket No. 25-SPEE-____ - ____
Continuation of its Debt Service Coverage and 34.5)
kV Formula Based Ratemaking Plans.)

PREFILED DIRECT TESTIMONY OF

RICHARD J. MACKE
VICE PRESIDENT, ECONOMICS, RATES, AND BUSINESS
PLANNING
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF
SOUTHERN PIONEER ELECTRIC COMPANY

September 12, 2025

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Exhibit RJM-2	- Prior FBR Protocols
Exhibit RJM-3	- Redline Comparison (Exhibit RJM-2 and Exhibit RJM-4)
Exhibit RJM-4	- Formula-Based Rate Protocols - Clean
Exhibit RJM-5	- FBR Template (populated with 2025 Filing Information)

PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Richard J. Macke. My business address is 6 Pine Tree Drive, Suite 350, Arden Hills, MN 55112.

Q. What is your profession?

A. I am the Vice President of the Economics, Rates, and Business Planning Department at Power System Engineering, Inc. ("PSE"), which is headquartered at 2424 Rimrock Road, Suite 300, Madison, Wisconsin 53713.

Q. Please describe the business activities of PSE.

A. PSE is an engineering and consulting firm serving the electric industry. Our headquarters is in Madison, Wisconsin with regional offices in Denver, Colorado; Cincinnati, Ohio; Marietta, Ohio; Prinsburg, Minnesota; and St. Paul, Minnesota. PSE is involved in: power supply, transmission and distribution system planning; distribution, substation and transmission design; construction contracting and supervision; retail and wholesale rate and cost of service ("COS") studies; various economic analyses; business strategy consulting; communication and technology consulting; renewable energy resource design and consulting; industrial engineering and design.

Q. Please describe your responsibilities with PSE.

A. I lead a department of staff that provides economic, financial, grant, technology and business systems, data analytics, and rate-related consulting services to investor-owned, cooperative, and municipal utilities as well as regulators and industry associations. The department's services include:

- AMI procurement and implementation.
- Analytics and Business Intelligence.
- Cost of Service Studies.
- Capital Credit Allocations.
- Customer Segmentation and Surveys.
- Demand Response Design.
- Distributed Generation Rates.
- Energy Efficiency.
- Financial Forecasting.
- Grant Applications and Compliance.
- Large Power Contract Rates/Proposals.
- Line Extension Policies and Charges.
- Load Management Analysis.
- Load Forecasting.
- Market and Load Research.
- Merger Analysis.
- Policy and Board Audits.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Technology Procurement.
- Technology Adoption Forecasting.
- Wildfire Mitigation Plans.

Q. What is your educational background?

A. I graduated from Bethel University in St. Paul, Minnesota, with a Bachelor of Arts degree in Business, and a minor in Economics, in 1996. In 2007, I received my Master of Business Administration (“MBA”) degree from the University of Minnesota in Minneapolis, Minnesota.

Q. What is your professional background?

A. From 1996 to 1998, I was employed by PSE in its Minneapolis, Minnesota office as a Financial Analyst in the Utility Planning and Rates Department. My work responsibilities primarily were focused on retail rate studies, including revenue requirements and bundled/unbundled COS studies. I also provided analyses used to support testimony, mergers and acquisitions analysis, and financial forecasting.

From 1998 to 1999, I was employed as a Senior Analyst by Energy & Resource Consulting Group, LLC in Denver, Colorado, a financial, engineering, and management consulting firm. I performed consulting services related to electric, gas, and water rate studies. As part of the Legend Consulting Advisor Team contracted to the City Council of the City of New Orleans, Louisiana, I assisted in various electric and gas utility matters. I also provided general financial, management, and public policy support to clients.

I rejoined PSE in 1999; and from 1999 to 2002, I held the position of Rate and Financial Analyst in the Rates and Financial Planning Department. From 2002 to March 2008, I held

1 the position of Senior Rate and Financial Analyst in the Utility Planning and Rate Division.

2 My responsibilities have included performing complex financial analyses, such as rate
3 studies consisting of determination of revenue requirements, bundled and unbundled COS
4 analysis, and rate design. Other responsibilities included performing analysis of special
5 rates and programs, key account analyses, financial forecasting, merger and acquisition
6 analysis, activity-based costing, policy development and evaluation, and other financial
7 analyses for various PSE clients. Additional responsibilities included strategic planning,
8 litigation support, regulatory compliance, capital expenditure and operational assessments,
9 and advisement. From April 2008 to June 2010, I held the position of Leader, Rates and
10 Financial Planning. In July 2010, my title changed to Vice President, Rates and Financial
11 Planning. Since June 2011, I have held the position of Vice President, Economics, Rates,
12 and Business Planning. In this capacity, I continue to provide, amongst other things: 1)
13 rate, financial, and economic consulting services to clients, 2) management and leadership
14 to the Economics, Rates, and Business Planning Department, and 3) management and
15 leadership at the corporate level to PSE through participation on the Executive Committee,
16 Senior Leadership Team, and Board of Directors.

17 **Q. Have you previously presented testimony before the Kansas Corporation Commission**
18 **(“KCC” or “Commission”)?**

19 A. Yes. For a full list of my testimony experience before the Commission and elsewhere, please
20 reference Exhibit RJM-3 - Curriculum Vitae - Richard J. Macke.

21 **Q. What direct relevant experience do you have as it pertains to the matter being addressed**
22 **in the instant Docket?**

23 A. The Commission had previously approved three separate FBR Plans for Southern Pioneer and
24 I provided direct testimony in support of each. Firstly, I filed testimony in Docket No. 13-
25 MKEE-452-MIS (“13-452 Docket”) to propose a Debt Service Coverage Formula Based Rate

1 Pilot Plan (“DSC FBR Pilot Plan”) for Southern Pioneer. The DSC FBR Pilot Plan was
2 approved by the Commission on September 26, 2013. Secondly, in Docket No. 16-MKEE-
3 023-TAR (“16-023 Docket”) I filed direct testimony on behalf of Southern Pioneer for a
4 Formula Based Rate Plan (“34.5kV FBR Plan”) for its 34.5 kV Local Access Delivery Service
5 rates charged to wholesale customers. On March 10, 2016, the commission approved the
6 34.5kV FBR Plan. Thirdly, I filed direct testimony on behalf of Southern Pioneer in Docket
7 No. 19-SPEE-240-MIS (“19-240 Docket”) for the consolidation and continuation of the DSC
8 FBR Pilot Plan and 34.5kV FBR Plan into one FBR Plan. On August 11, 2020, the Commission
9 approved consolidating and continuing those FBR Plans into one Formula-Based Ratemaking
10 Plan (“FBR Plan”) for a period of five-years.

11 I have also provided testimony in support of most of Southern Pioneer’s annual update
12 filings required by the various FBR Plans since 2014.

PART II – SUMMARY OF DIRECT TESTIMONY

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

A. The purpose of my testimony is to support the request of Southern Pioneer for continuation of the FBR Plan ratemaking approach approved by the Commission in the 19-240 Docket. The FBR Plan would be used in the future to adjust its rates on an annual basis using a predetermined formula and subject to an annual review process by the Commission.

Q. What do you mean when you say continuation of the FBR Plan?

A. Southern Pioneer recently made its final annual update filing under the FBR Plan that is currently in effect per Commission approval in the 19-240 Docket. The FBR Plan was approved for a five-year term and has been used each year since to determine revenue adjustments for Southern Pioneer's retail and wholesale rates. The annual updates filed by Southern Pioneer in each of the subsequent five-years were reviewed and approved by the Commission and interveners, with the last being recently approved by the Commission in Docket No. 25-SPEE-395-RTS ("25-395 Docket").

Because the previously approved FBR Plan has reached the end of its term, Southern Pioneer is requesting that the Commission approve its application to continue the FBR Plan for purposes of setting its rates.

Q. Briefly describe the general principle governing the FBR Plan proposed in the instant Docket.

A. Like prior FBR Plans approved by the Commission for Southern Pioneer, the requested FBR Plan (hereinafter, "Proposed FBR Plan") will use a predetermined formula to calculate the Debt Service Coverage (DSC) ratio of Southern Pioneer and compare it against a predetermined DSC target. If the result is a DSC that is beneath the target, then a rate increase would be implemented. If the result is a DSC above the target, then a rate decrease would be implemented. This is determined each year and supported by an annual update filing.

Q. What is the DSC ratio?

A. The DSC ratio is a financial ratio used to assess the ability of a firm to pay its debt obligations.

A high ratio means that the firm can pay its debt obligations relatively easily, while a low ratio suggests that the firm's ability to pay its debt obligations is potentially at risk. Below is a very simple example of the calculation.

Income before Interest Expense	\$100
Debt Service Payments	
Interest Expense	\$25
Principal Payments	<u>\$25</u>
Total Debt Service	<u>\$ 50</u>
Debt Service Coverage Ratio	2.0

In this example, the firm has income to pay its debt service twice.

Q. Is Southern Pioneer requesting a rate change in this application?

A. No. The request is for approval of its Proposed FBR Plan that would be used in the future, to determine the rates for Southern Pioneer. Any future rate change would remain subject to the review and approval of the Commission. The first FBR Plan annual update filing will occur in 2026. Each year thereafter Southern Pioneer will make an FBR Plan annual update filing for the term of the FBR Plan approved by the Commission.

Q. Why should the Commission approve Southern Pioneer's application?

A. The FBR Plan has proven successful, both in its initial pilot state, and during the past five years of its ongoing use. The initial objectives were to implement a cost-effective regulatory approach for Southern Pioneer and its customers that provides: (1) assurance of reasonable rates, (2) continued improvement and stabilizing of Southern Pioneer's financial condition, and (3) financial flexibility needed to fund plant investments related to economic development in the area. It provided for a method of periodically, gradually, and cost-effectively adjusting Southern Pioneer rates.

I believe that the FBR Plan has proved the historical and ongoing viability and benefits of this ratemaking approach for Southern Pioneer, and that the Commission can continue this ratemaking approach for Southern Pioneer.

Q. Are you sponsoring any exhibits?

A. Yes. I have included the following exhibits detailing the analysis completed:

- Exhibit RJM-1 - Curriculum Vitae – Richard J. Macke
- Exhibit RJM-2 - Prior FBR Protocols
- Exhibit RJM-3 - Redline Comparison (Exhibit RJM-2 and Exhibit RJM-4)
- Exhibit RJM-4 - Formula-Based Rate Protocols - Clean
- Exhibit RJM-5 - FBR Template (populated with 2025 Filing Information)

Q. Have the exhibits been prepared by you or under your supervision?

A. Yes.

PART III - FBR REGULATION

Q. Please summarize why Southern Pioneer is requesting the continuation of the FBR Plan as the approach used to regulate Southern Pioneer's rates.

A. As discussed above in my testimony and in the direct testimony of Southern Pioneer's CFO, Mr. Chantry Scott, the FBR Plan continues to be successful. During the initial period, and the subsequent five-year continuation the ratemaking approach has delivered on the goals and objectives for which they were requested by Southern Pioneer and approved by the Commission.

The continuation of the FBR Plan will extend the demonstrated benefits over the traditional ratemaking approach in terms of the regulatory process, while balancing the interests of the various stakeholders. The benefits include gradual rate adjustments, gradual improvement and stabilization of Southern Pioneer's financial condition, relatively low regulatory costs, reduced regulatory lag, all while providing for adequate stakeholder review, input and oversight.

Q. With regard to gradual rate adjustments, please summarize the annual rate adjustments that were approved by the Commission since the initiation of the FBR approach.

A. The revenue adjustments implemented since the DSC FBR Pilot Plan was first approved by the Commission are as follows:

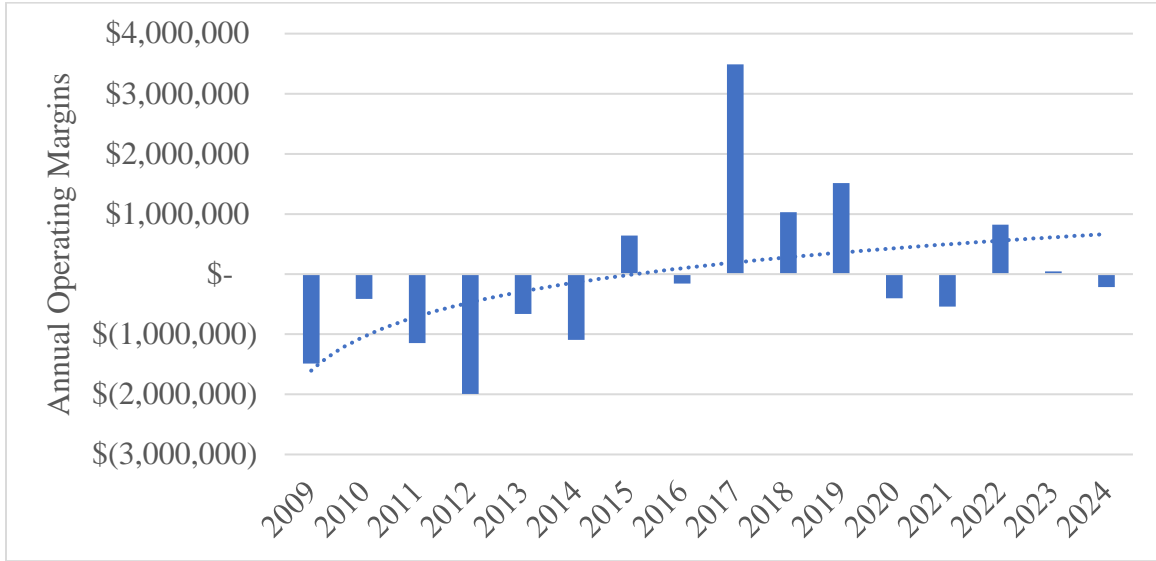
Table 1: Results of FBR Plans

Filing Year	Approved Revenue Adjustment
2014	-0.8%
2015	1.3%
2016	1.2%
2017	-0.5%
2018	2.0%
2019	No filing
2020	No filing
2021	2.2%
2022	-2.3%
2023	1.7%
2024	1.3%
2025	4.0%
Ave	1.0%

Q. Please summarize how the financial condition of Southern Pioneer has gradually improved and stabilized under the FBR Plan.

A. Since the implementation of the FBR Plan approach in 2014, Southern Pioneer's operating income has gradually improved and stabilized. Please reference the chart below for a history of Southern Pioneer's operating margins starting five years prior to the first FBR Plan Annual Update filing in 2014 all the way through the most recent calendar year of 2024.

Figure 1: Southern Pioneer's Operating Margins from 2009-2024



Q. Does the Current FBR Plan provide for adequate control and regulatory oversight?

A. Yes. I believe that the FBR Plan has demonstrated that adequate control and regulatory oversight is preserved using this ratemaking mechanism. The FBR Plan templates and protocols were thoroughly evaluated and were approved by the Commission in the 19-240 Docket. Subsequent annual filings and resulting rate changes were fully reviewed by all parties and were subject to the Commission's approval. The same is the case for the FBR Plan being requested in the instant docket. When each annual filing is made, all parties will continue to have an opportunity to review the filing along with all supporting information prescribed by the protocols. They will continue to have an opportunity to submit questions and to participate in a technical conference, again per the protocols. This process has worked well during the historical use of the FBR Plan and Southern Pioneer is not requesting any changes to the review and oversight accommodations or process in the requested continuation of the FBR Plan.

1 **Q. Does the FBR Plan allow interested parties to intervene in the dockets and is Southern**
2 **Pioneer proposing any changes in this regard in its requested continuation of the FBR**
3 **Plan?**

4 A. Yes, the FBR Plan allows for interveners and Southern Pioneer is not proposing any
5 changes. Southern Pioneer recognizes that an interested entity can request intervention in a
6 proceeding before the Commission and that Southern Pioneer has the right to object to such
7 intervention based upon the facts and circumstances of the case. My experience is that all
8 parties requesting participation have been given adequate opportunity to be involved, submit
9 questions, participate in the technical conference and other aspects of the proceeding.

10
11 **PART IV – REQUESTED FBR PLAN**

12 **A. TEMPLATE AND PROTOCOLS**

13 **Q. Please summarize the FBR Plan being requested.**

14 A. The FBR Plan being requested is largely the same as the prior FBR Plan that was approved by
15 the Commission in the 19-240 Docket. There are only two changes being proposed, which are
16 listed below:

- 17 1. Request to remove the “equity cap” that is a part of the FBR Template and
18 Protocols, as presented in the testimony of Chantry Scott.
- 19 2. Requested change on how a revenue adjustment determined by the FBR Plan in an
20 annual update filing is implemented in retail rate design. This is presented in the
21 Retail Rate Design section of my testimony.

22 Outside of those requested changes, the FBR Plan will continue as previously approved by
23 the Commission in the 19-240 Docket.

24

25

1 **Q. The FBR Plan previously approved by the Commission utilizes a 1.6 DSC target for**
2 **establishing whether a rate increase or decrease will be implemented. Is Southern Pioneer**
3 **requesting a change to this in its Proposed FBR Plan?**

4 A. No. Southern Pioneer requests that the 1.6 DSC target continue to be used in the Proposed
5 FBR Plan.

6 **Q. Is it still appropriate to use DSC as the margin test in the FBR for Southern Pioneer?**

7 A. Yes, it is. No material facts have changed in this regard since the Commission approved of
8 using DSC in Southern Pioneer's FBR Plan. Southern Pioneer operates as a not-for-profit
9 corporation and its sole shareholder is Pioneer Electric Cooperative, Inc. ("Pioneer Electric").
10 Its lender, CoBank, has established loan covenants and benchmarks based upon annual DSC
11 performance. The DSC remains a common ratemaking metric used by non-profit electric
12 cooperatives across the country. It is an appropriate means of assessing, evaluating, and setting
13 Southern Pioneer's margins because it measures the ability of Southern Pioneer to meet debt
14 service obligations, which is an indication of its financial health.

15 **Q. Is it necessary for Southern Pioneer to operate at a DSC ratio above the minimum**
16 **required by its lender?**

17 A. Yes. This has been recognized in prior rate applications and in the Commission's approval of
18 the FBR Plans previously in place. It is necessary to build in a "buffer" over the minimum
19 lender requirements to ensure positive operating margins are produced and to deal with
20 contingencies such as variability in sales and unexpected costs. Additionally, even with the
21 FBR Plan there is regulatory lag, in that the FBR Plan utilizes prior year results, and the
22 adjustments are not implemented until approximately August of the next year.

23 The following Table provides the national and state median DSC ratios achieved in the
24 most recent five years as available from the National Rural Utilities Cooperative Finance
25 Corporation ("CFC") for its electric cooperative borrowers.

Table 2: Summary of Modified DSC Median Values

Year	National	Kansas
2020	1.96	1.60
2021	1.95	1.63
2022	1.87	1.90
2023	1.89	1.74
2024	1.86	1.83
<i>Ave.</i>	<i>1.91</i>	<i>1.74</i>

The median DSC in Kansas has recently ranged from 1.60 to 1.90, with an average of 1.74. When the Commission approved a 1.60 DSC for use in the FBR Plan in the 19-240 Docket the five-year average DSC in Kansas was 1.69. So, the five-year average has increased since the 1.60 DSC was approved by the Commission.

It should be noted that, similar to CoBank, CFC also requires its borrowers to achieve a 1.35 DSC ratio. The lender minimums in place are to identify the point at which a utility's solvency and ability to repay its debts are at risk. Clearly, a utility should not normally operate on the edge of this minimum but should target a coverage ratio that provides an adequate cushion. Based on the above information, the cushion for electric cooperatives in Kansas is 0.39 (1.74 - 1.35). The cushion in the prior and requested FBR Plan is lower at only 0.25 (1.60 - 1.35).

B. RETAIL RATE DESIGN

Q. Please describe how retail rate adjustments are implemented under the FBR Plan.

A. Under the previously used FBR Plan, the implementation of a retail rate adjustment uses a two-step process. The first step is to allocate or distribute the revenue adjustment to the retail rate classes. The second step is to convert the revenue adjustment allocated to each rate class into a rate change.

Q. Regarding the first step, please describe how a revenue adjustment is allocated to the retail rate classes under the FBR Plan.

1 A. The revenue adjustment for Southern Pioneer's retail rates is comprised of a distribution
2 revenue adjustment and a 34.5kV revenue adjustment. Each of these revenue adjustments is
3 allocated using the base rate revenue for each retail rate class where the historical revenue for
4 the Test Year is reduced by subtracting, 1) power costs determined using the power cost per
5 kWh sold from the most recent CCOSS filed in the 24-415 Docket, and 2) the ECA revenue
6 from the Test Year.¹ The resulting base revenue for each retail rate class is then used to spread
7 the revenue adjustment.

8 **Q. Is Southern Pioneer requesting any changes to this first rate design step?**

9 A. No.

10 **Q. Please explain the second step on how the revenue adjustment allocated to each retail**
11 **rate class converted into a rate change.**

12 A. In the previous FBR Plans, the revenue adjustment allocated to each retail rate class has been
13 converted into a per kWh adjustment, either positive or negative, depending on the outcome of
14 the annual update. The per kWh adjustment is either shown separately on each rate schedule
15 or is combined and billed with the rate schedule Energy Charge. There is an exception for
16 outdoor lighting. Since outdoor lighting is not charged based upon metered energy there is an
17 additional step to convert the per kWh adjustment into a per month charge by using the
18 estimated kWh usage for the different wattages of outdoor lighting.

19 **Q. Is Southern Pioneer requesting a change to this second rate design step?**

20 A. Yes.

21 **Q. Why is Southern Pioneer requesting a change to this part of the FBR Plan?**
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25 ¹ One exception is that the FBR Plan directly assigns the distribution adjustment to the STR class by calculating an adjustment that excludes the distribution portion of the additional debt service in the Budget Year.

1 A. The approach used in the prior FBR Plans was included as a simple way to implement a
2 revenue adjustment determined by the FBR Plan. It was also established prior to the
3 Commission approving a rate structure change affecting the majority of Southern Pioneer's
4 customers in the Docket No. 24-SPEE-688-RTS ("24-688 Docket"). In the 24-688 Docket, the
5 Commission approved rates for Southern Pioneer's residential and small general service
6 customers that includes a Demand Charge and not just an Energy Charge as was previously
7 the case. I also believe there are some shortcomings with flowing FBR Plan revenue
8 adjustments only through the Energy Charge, and believe that now is an appropriate time to
9 implement an improvement.

10 It's important to recognize that Southern Pioneer's incurs and recovers costs for providing
11 three main service; namely, power supply, transmission, and distribution. For power supply
12 and the majority of transmission service, Southern Pioneer purchases service through
13 Sunflower Electric Power Corporation ("Sunflower"). Like many retail providers, Southern
14 Pioneer has an Energy Cost Adjustment rider that recovers changes in the cost of power supply
15 and transmission services that it purchases from Sunflower. Therefore, the Southern Pioneer
16 revenues used in the FBR plan already include increases or decreases related to those services
17 that it purchases from Sunflower. It follows that the focus of the FBR Plan revenue adjustments
18 are then the over and under-recovery of Southern Pioneer's rates relative to its cost of providing
19 distribution and 34.5kV service. The cost of providing distribution and 34.5kV service is not
20 caused by the volume of energy sales – yet that has been the rate design component adjusted
21 by the FBR Plan to-date. So, one concern of allowing the FBR Plan to only impact the Energy
22 Charge in the rate schedules is that it isn't aligned with cost causation. That's not to say that
23 something has been done wrong in the past, but that there is an opportunity for improvement,
24 especially since the Commission has recently approved a rate design for nearly all of Southern
25 Pioneer customers that now includes a Demand Charge.

1 If the cost of providing distribution and 34.5kV service are not caused by the volume of
2 energy sales, then what is the cause? These costs of building a local delivery system along with
3 the retail and overhead support costs are related to, 1) the number of customers, 2) the cost of
4 getting facilities to every customer's location, and 3) the size of facilities needed to provide
5 reliable service during peak use times; i.e., peak demand.² Southern Pioneer has a Customer
6 Charge and Demand Charge in its rates for the precise purpose of recovering these types of
7 costs. It is therefore my opinion that the Customer Charge and Demand Charge components of
8 a rate schedule are the most appropriate rate components to include in future FBR Plan revenue
9 adjustments.

10 Another consequence of continuing with the previous FBR Plan rate design approach is
11 that it skews the rate design structure previously approved by the Commission. Continuing to
12 only adjust the Energy Charge in the FBR plan tilts the rate design so that more or less of
13 Southern Pioneer's revenue is coming from this charge versus other charges.

14 Because of the previous point, adjusting only the Energy Charge results in different bill
15 impacts across customers served under the same rate schedule. Specifically, it puts a
16 disproportionate share of an increase or decrease on customers that use more than average
17 energy. This could be high load factor customers that are using the distribution system
18 efficiently that are penalized if revenue increases are only passed through the Energy Charge.

19 **Q. What change is Southern Pioneer requesting?**

20 A. Southern Pioneer requests the implementation of a proportional adjustment to each of the base
21
22
23
24

25 ² Peak demand can refer to the peak on various types of distribution equipment, such as a consumer peak, or system peak.

1 rate components.³ This means that the Customer Charge, Demand Charge, and Energy Charges
2 will all change by the same percentage. The result is that the proportion of revenue coming
3 from each component will be the same before and after implementing the results of the FBR.
4 Mathematically, every customer within a rate schedule will see the same percentage bill
5 impact. The change would mean that the Customer and Demand Charges will not fall behind
6 in an environment where the FBR Plan is producing rate increases – and that all of the charges
7 will be reduced if/when the FBR Plan produces rate decreases. The components of the rate that
8 recover Southern Pioneer’s distribution and 34.5kV service costs will be included in the
9 adjustment which better aligns with principles of cost causation. I also better evolves the rate
10 to align with overall cost changes while preserving the rate design previously approved by the
11 Commission.

12 **Q. How would the current process for adjusting rate design be impacted by the requested**
13 **change?**

14 A. The first part of the process will stay the same. That is, the revenue adjustment will be allocated
15 across the rate classes as has been done in the previous FBR Plans. However, rather than
16 dividing each rate class’ allocated revenue adjustment by the energy kWh sales, it would be
17 divided by the rate class’ base rate revenue. This will yield a percent adjustment. That percent
18 adjustment with then be applied to the base rate components, (including the prior year’s FBR
19 Adjustment if listed separately) to produce the adjustments that are either stated in the rate
20 schedule or added to each rate component in the rate schedule.

23 ³ The term “base rate components” excludes rate components that simply pass through costs which includes the Energy
24 Cost Adjustment (“ECA”) and wholesale rate pass thru that is part of the Sub-Transmission and Transmission Level
25 Service Rate (“STR”).

Q. Can you please provide an example?

A. Sure. Suppose a rate class is allocated a \$100,000 revenue adjustment increase. If that rate class has non-ECA revenue of \$10,000,000, this represents a 1 percent increase. So the Customer Charge, Demand Charge, and Energy Charge will each be increased by 1 percent. That will preserve the same proportion of revenue from each rate component (under Test Year conditions, of course) and each customer served by that rate schedule will experience a 1 percent increase. More details of this applied to the recently approved 2025 Annual Update is provided as an example in Exhibit RJM-1.

Q. Would the proposed change require a change to the FBR Plan Template?

A. Yes. It would affect Exhibit 3, Page 7 of 7, Part III. I have included Exhibit 3 with this page updated in Exhibit RJM-2.

Q. Will the described method for allocating revenue adjustments result in cost-based rates?

A. Yes. I believe it will more accurately track with cost of service principles than the previous approach.

Q. Please summarize your analysis of the FBR Plan and the changes being requested.

A. In my assessment, the FBR Plan, now with ten years of experience continues to meet the objectives of: (1) assuring reasonable rates, (2) continuing to improve and stabilize Southern Pioneer's financial condition, and (3) implementing gradual rate adjustments - all using a ratemaking approach that is less costly to Southern Pioneer and its ratepayers.

With only two requested, changes, the FBR Plan can be incrementally improved while leaving the overall workings and purpose intact.


Q. Does this conclude your direct testimony?

A. Yes, it does.

VERIFICATION

STATE OF MINNESOTA)
) ss:
COUNTY OF WASHINGTON)

The undersigned, Richard J. Macke, upon oath first duly sworn, states that he is the Richard J. Macke referred to in the forgoing document titled "Prefiled Direct Testimony of Richard J. Macke" before the State Corporation Commission of the State of Kansas, that he is an employee of Power System Engineering, Inc., that the contents therein were prepared by him or under his direction, and are true and correct to the best of his information, knowledge, and belief.


Richard J. Macke

Subscribed and sworn to before me this 17th day of September 2025.


Notary Public

My appointment expires:

01/31/2029



CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was electronically filed with the Kansas Corporation Commission on September 17, 2025, and that one copy was delivered electronically to all parties on the service list as follows:

Lindsay Campbell
Chief Executive Officer
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430
lcampbell@pioneerelectric.coop

Chantry Scott
Executive VP, Assistant CEO & CFO
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430
cscott@pioneerelectric.coop

Shelby Hughart
Administrative Assistant
Morris Laing Law Firm
300 N. Mead, Suite 200
Wichita, KS 67202
shughart@morrislaing.com

Rich Macke
VP – Economics, Rates, Business Planning
Power System Engineering, Inc.
10710 Town Square Drive NE, Suite 201
Minneapolis, Minnesota 55449
rmacke@powersystem.org

Larissa Layman
Legal and Regulatory Affairs Coordinator
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880
llayman@pioneerelectric.coop

/s/ Will B. Wohlford
Will B. Wohlford

EXHIBIT RJM-1 -



Richard J. Macke

Curriculum Vitae

Vice President, Economics, Rates, and Business Planning

SUMMARY OF EXPERIENCE AND EXPERTISE

- Over 29 years of experience in electric utility consulting.
- Specialized expertise in financial advisement with particular emphasis on: cost of service analyses, wholesale and retail rate design, demand response programs, large load contracts, mergers and acquisitions, and regulatory support.
- Frequent speaker at industry events and utility board, commission, and staff meetings.
- Expert witness in regulatory cases concerning rates and distributed generation policies.

PROFESSIONAL EXPERIENCE

PSE – St. Paul, MN (1999-present)

Vice President, Economics, Rates, and Business Planning (June 2011-present)

Vice President, Rates and Financial Planning (July 2010-May 2011)

Various Other Positions (1999-June 2010)

As Vice President of the Economics, Rates, and Business Planning Department at PSE, responsibilities include managing the firm's Business Systems and Analytics, Energy Innovation, and Rate and Financial Planning practice areas. Also responsible for managing client relationships and projects to deliver consulting services on rate design, financial feasibility assessments, mergers and acquisitions, demand response program design and evaluations, financial, load, and technology forecasting, and regulatory support. As part of the firm's executive team, responsibilities include participation on the Executive Committee, Senior Leadership Team, and elected by employee-owners to serve on the PSE Board of Directors.

Energy & Resource Consulting Group, LLC - Denver, CO (1998-1999)

Senior Analyst

Senior Analyst for financial, engineering, and management consulting firm. Performed consulting services related to electric, gas, and water rate studies. Part of the Financial and Engineering Advisor Team contracted to the City Council of the City of New Orleans, LA to assist in various electric and gas utility matters. Provided expert testimony and participated in various regulatory proceedings involving the City Council, the Public Utilities Commission of Texas, and the Public Utilities Commission of Nevada. Provided general financial, management, and public policy support to clients.



Power System Engineering, Inc. - Blaine, MN (1996-1998)

Financial Analyst

Financial Analyst in Utility Planning and Rates Division. Emphasis on retail rate studies, including revenue requirements, and bundled/unbundled cost of service studies. Provided analysis used to support testimony, mergers and acquisitions cases, and financial forecasting.

EDUCATION

Bethel University, St. Paul, MN

Bachelor of Arts – Business, 1996

University of Minnesota, Minneapolis, MN,

Master of Business Administration, 2007

PRESENTATIONS AND PUBLICATIONS

Presentations at Industry Meetings in previous 12 years

Topic	Organization	Conference	Location	Date
<i>Leveraging Rates to Mitigate Risk - Panel</i>	CFC	CFC Forum	New York, New York	07/2025
<i>Rates and Rate Strategies</i>	Pennsylvania Rural Electric Association	PNJ/VMD Joint CEO Meeting	Galloway, NJ	09/2024
<i>Time of Use Rates</i>	Ohio Electric Cooperatives	Summer Meeting	Columbus, OH	08/2024
<i>Time of Use and Demand Charges Explained</i>	Iowa Association of Electric Cooperatives	Service Excellence Fall Conference	Des Moines, IA	10/2023
<i>Time of Use and Demand Charges Explained</i>	Iowa Association of Electric Cooperatives	Manager's Fall Conference	Des Moines, IA	10/2023
<i>Time of Use and Demand Charges Explained</i>	Iowa Association of Electric Cooperatives	Accountant's Fall Conference	Des Moines, IA	10/2023
<i>Cooperatives Plugging into the Electric Vehicle Market</i>	Minnesota Rural Electric Association	Energy Issues Summit	Bloomington, MN	08/2023
<i>Rate Design Industry Update and Trends</i>	Wisconsin Electric Cooperatives Association	Energy Issues Summit	Eau Claire, WI	08/2023
<i>Rate Structure and Innovation Impacts</i>	Minnesota Rural Electric Association	Spring CEO Conference	Waite Park, MN	04/2023
<i>Emerging Opportunities and Disruptions Facing Electric Cooperatives</i>	South Dakota Rural Electric Association	Winter Manager's Meeting	Pierre, SD	02/2023
<i>Electric Distribution Rate Trends</i>	Ohio's Electric Cooperatives	Summer Conference	Lewis Center, OH	08/2022

Topic	Organization	Conference	Location	Date
<i>PSE Hosted Rate Design Seminar</i>	PSE	Rate Design Seminar	Madison, WI	05/2022
<i>Crypto and Renewable NG Load Opportunities</i>	Wisconsin Electric Cooperative Association	Member Services Spring Meeting	Tomah, WI	05/2022
<i>Choose Your Own Adventure: Innovation Panel Moderator</i>	Minnesota Rural Electric Association	Spring CEO Conference	Waite Park, MN	04/2022
<i>Rate Evolution</i>	South Dakota Rural Electric Association	Fall Member Services Conference	Pierre, SD	10/2021
<i>Rate Evolution</i>	Kansas Electric Cooperatives	Accountant's Fall Meeting	Topeka, KS	10/2021
<i>Rate Design and the Future of Rates</i>	Kansas Electric Cooperatives	Fall Conference	Wichita, KS	10/2021
<i>Retail Rate Restructuring</i>	Minnesota Rural Electric Association	Fall CEO Conference	Brainerd, MN	09/2021
<i>Mergers & Acquisitions, and DG Rates</i>	Kansas Electric Cooperatives	Spring CEO Conference	Wichita, KS	06/2021
<i>Rate Design Virtual Workshop</i>	Ohio's Electric Cooperatives	Virtual Rate Design Workshop	Virtual	12/2020
<i>Rate and Cost of Service Workshop</i>	Sangre De Cristo Electric Association	Workshop	Buena Vista, CO	06/2020
<i>The Rates of Change – Ratemaking Options for a Changing Industry</i>	East River Electric	Energize Forum	Sioux Falls, SD	02/2020
<i>Electric Service in Annexed Areas Legislative</i>	South Dakota Rural Electric Association	Oral Testimony to the Legislative Interim Study Committee	Pierre, SD	08/2019
<i>Trends in Rate Design - Panel</i>	Minnesota Rural Electric Association	Energy Issues Summit	St. Cloud, MN	07/2019
<i>Electric Vehicle Development and Rate Trends</i>	Iowa Association of Electric Cooperatives	Accountants Conference	Des Moines, IA	05/2019
<i>Electric Vehicle Development and Rate Trends</i>	Iowa Association of Electric Cooperatives	CEO Conference	Des Moines, IA	04/2019
<i>Cost of Service and Rate Design Seminar</i>	PSE/Minnesota Rural Electric Association	Spring 2018 Seminar	Bloomington, MN	04/2018
<i>Cost of Service and Rate Design Seminar</i>	PSE/Kansas Electric Cooperatives	Fall 2017 Seminar	Salina, KS	10/2017

Topic	Organization	Conference	Location	Date
<i>Evolving Rate Structures</i>	Wisconsin Electric Cooperative Assoc.	Fall Manager's Meeting	Wisconsin Dells, WI	10/2017
<i>Rate Design and Cost of Service Seminar</i>	PSE/KEC	Fall 2017 Seminar	Salina, KS	10/2017
<i>Cost of Service: Transforming Theory into Reality</i>	APPA	Business and Finance Conference	Nashville, TN	09/2017
<i>The Case for Peak-Time Rebate (PTR) Programs</i>	EUCI	Residential Demand Charges Conference	Charleston, SC	07/2017
<i>Power Cost Adjustment (PCA)</i>	Iowa Association of Electric Cooperatives	Managers and Board President's Summer Conference	Okoboji, IA	07/2017
<i>Distributed Generation Rate Design</i>	Kansas Rural Electric Cooperatives	Manager's Association Spring Meeting	Wichita, KS	06/2017
<i>NEM Policy Update and DG Rate Design</i>	Kansas Electric Cooperatives, Inc.	Regulatory Review and Tax Committee	Salina, KS	03/2017
<i>Rate Impact of Net Metering</i>	Generation and Transmission Finance and Accountants Assoc.	G&T Finance and Accounting Conference	Charleston, SC	06/2016
<i>Net Metering and Fixed Cost Recovery</i>	Iowa Association of Electric Cooperatives	Manager's Spring Conference	Des Moines, IA	04/2016
<i>Net Metering Deep Dive</i>	Minnesota Rural Electric Assoc.	Annual Meeting	St. Paul, MN	03/2016
<i>Retail Rate Design and Industry Update</i>	Association of Missouri Electric Cooperatives	Manager's Fall Conference	Branson, MO	09/2015
<i>Rate Design and Cost of Service Seminar</i>	Power System Engineering, Inc.	Fall 2015 Seminar	Lexington, KY	09/2015
<i>Distributed Generation WI Survey Results</i>	Dairyland Power Cooperative	Solar Workshop	Plover, WI	09/2015
<i>Consumer-Owned Generation</i>	Hoosier Energy	2015 Board Strategic Issues Forum	French Lick, IN	08/2015
<i>Retail Rate Design and DG</i>	National Rural Electric Cooperative Assoc.	CEO Close-Up Conference	St. Petersburg, FL	01/2015
<i>Evolution of Retail Rate Design</i>	National Rural Electric Cooperative Assoc.	NRECA Issues Summit	Indianapolis, IN	10/2014

Topic	Organization	Conference	Location	Date
<i>Net Metering and Retail Rate Design</i>	Kansas Electric Cooperatives	Accountant's Meeting	Wichita, KS	10/2014
<i>DG Rate Considerations</i>	Wisconsin Electric Cooperative Assoc.	Emerging Energy Issues Summit	Wisconsin	08/2014
<i>Rate Design and Cost of Service Seminar</i>	Power System Engineering, Inc.	Spring 2014 Seminar	Indianapolis, IN	05/2014
<i>Rate Trends and Facilities Charges</i>	South Dakota Rural Electric Assoc.	Accountant's Fall Conference	Mitchell, SD	10/2013
<i>Rate Design and Cost of Service Seminar</i>	Power System Engineering, Inc.	Fall 2013 Seminar	Bloomington, MN	10/2013
<i>Tackling New Trends in Rates and Facilities Charges</i>	Rural Electric Managers Assoc.	Fall Financial Manager's Conf.	Duluth, MN	08/2013
<i>Dynamic Pricing</i>	National Rural Electric Cooperative Assoc.	Accounting, Finance and Tax Meeting	New Orleans, LA	07/2013
<i>Rate Trends</i>	Wisconsin Electric Cooperative Assoc.	Manager's Meeting	Warrens, WI	07/2013
<i>Standby Rates</i>	Iowa Association of Electric Cooperatives	Manager's Spring Conference	Des Moines, IA	04/2013

Publications

Macke, Richard and Bratrud, Ben. "Case Study: Consumer Segmentation and Your Utility." Power System Engineering, Inc., 2024.

Macke, Richard; Butz, Thomas; and Sonju, Erik. "Distributed Energy Resources: Trends and Impacts on G&Ts and Their Member Cooperatives." National Rural Electric Association, July 2019.

Macke, Richard and Butz, Thomas. "The Value of Distributed Solar Generation." National Rural Electric Association, 2016.

Mbiad, Garry and Macke, Richard. "Cooperative Rate Structures - Seven Case Studies." National Rural Electric Association, 2016.

Macke, Richard. "Survey: Electric Cooperative Fixed Cost Recovery." Power System Engineering, Inc., 2014. Mbiad, Garry and Macke, Richard. "NRECA Cooperative Solar Case Studies." National Rural Electric Association, 2014.

Macke, Richard. "G&T DER Whitepaper." Power System Engineering, Inc., 2013.

Macke, Richard, Fenrick, Steve, and Getachew, Lullit. "Performance Based Regulation for Electric and Gas Distributors." Power System Engineering, Inc., 2011.

EXPERT TESTIMONY

Case or Jurisdiction	Docket No.	Description
Arizona	E-01749A-23-0075	In the Matter of the Application of Graham County Electric Cooperative, Inc. (Electric Division) for a Determination of the Fair Value of its Property for Ratemaking Purposes, to Fix a Just and Reasonable Return Thereon, to Approve Rates Designed to Develop such Return, and for Related Approvals.
FERC	ER20-2441-002	Cross-Answering Testimony in Basin Electric Power Cooperative consolidated Dockets filed on behalf of Minnesota Valley Electric Cooperative and Wright-Hennepin Electric.
Kansas	26-SEPE-050-TAR	In the Matter of the Joint Application of Sunflower Electric Power Corporation, The Victory Electric Cooperative Association, Inc., and Western Cooperative Electric Association, Inc., for Approval of Continuation of 34.5kV Formula-Based Rate.
Kansas	26-SEPE-049-TAR	In the Matter of the Joint Application of Sunflower Electric Power Corporation and Prairie Land Electric Cooperative, Inc. for Approval of Continuation of 34.5 kV Formula-Based Rates.
Kansas	25-SPEE-396-RTS	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 Consolidated Formula Based Ratemaking Plan Approved in Docket No. 19-SPEE-240-MIS.
Kansas	24-SPEE-688-RTS	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 Consolidated Formula Based Ratemaking Plan Approved in Docket No. 19-SPEE-240-MIS and Implementation of Rate Adjustment Pursuant to Docket No. 20-SPEE-169-RTS.

Case or Jurisdiction	Docket No.	Description
Kansas	24-415	In the Matter of the Application of Southern Pioneer Electric Company for Approval to Make Certain Revenue Neutral Changes in its Rate Design.
Kansas	23-SPEE-792-RTS	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 Consolidated Formula Based Ratemaking Plan Approved in Docket No. 19- SPEE-240-MIS and Implementation of Rate Adjustment Pursuant to Docket No. 20- SPEE-169-RTS.
Kansas	22-SPEE-501-TAR	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 Consolidated Formula Based Ratemaking Plan Approved in Docket No. 19-SPEE-240-MIS.
Kansas	21-SPEE-411-RTS	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 Consolidated Formula Based Ratemaking Plan Approved in Docket No. 19-SPEE-240-MIS and Implementation of Rate Adjustment Pursuant to Docket No. 20-SPEE-169-RTS.
Kansas	20-SPEE-169-RTS	In the Matter of the Application of Southern Pioneer Electric Company for Approval to Make Certain Changes in its Charges for Electric Service. As part of the filing, Southern Pioneer proposes to implement a 3-year Rate Plan, including increasing its Customer Charge for certain rate classes, institute a Grid Access Charge for its DG customers, and update its LED lighting rates.
Kansas	19-SPEE-240-MIS	In the Matter of Southern Pioneer Electric Company's Application for Approval of the Continuation of its Debt Service Coverage and 34.5 kV Formula Based Ratemaking Plans.
Kansas	18-WSEE-328- RTS	In the Matter of the Joint Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in their Charges for Electric Service. Filed comments, testimony at testified at hearing after Supreme Court remanded the case back to the KCC.

Case or Jurisdiction	Docket No.	Description
Kansas	18-SPEE-477-RTS	Southern Pioneer Electric Company, Annual Filing for approval to make certain changes to its charges for electric services, pursuant to the Debt Service Coverage Formula Based Ratemaking Plan approved in Docket No. 13-MKEE-452-MIS and 34.5kV Formula Based Ratemaking Plan approved in Docket No. 16-MKEE-023-TAR. Testimony filed on behalf of Southern Pioneer.
Kansas	16-GIME-403-GIE	Kansas Electric Cooperatives and Southern Pioneer Electric Company, in the matter of the General Investigation to Examine Issues Surrounding Rate Design for Distributed Generation Customers. Testimony filed in support of Stipulation and Agreement on behalf of both entities.
Kansas	16-PLCE-490-TAR	Prairie Land Electric Cooperative, Inc., application for approval to update its Local Access Delivery Service Tariff pursuant to the 34.5kV Formula Based Rate Plan approved in Docket No. 16-MKEE-023-TAR. Testimony filed on behalf of Prairie Land.
Kansas	16-SPEE-501-TAR	Southern Pioneer Electric Company, Annual Filing for approval to make certain changes to its charges for electric services pursuant to the 34.5kV Formula Based Rate Plan approved in Docket No. 16-MKEE- 023-TAR. Testimony filed on behalf of Southern Pioneer.
Kansas	16-VICE-494-TAR	The Victory Electric Cooperative Association, Inc., application for approval to update its Local Access Delivery Service Tariff pursuant to the 34.5kV Formula Based Rate Plan approved in Docket No. 16- MKEE-023-TAR. Testimony filed on behalf of Victory.
Kansas	16-WSTE-496-TAR	Western Cooperative Electric Association, Inc., application for approval to update its Local Access Delivery Service Tariff pursuant to the 34.5kV Formula Based Rate Plan approved in Docket No. 16-MKEE- 023-TAR. Testimony filed on behalf of Western.
Kansas	16-MKEE-023-TAR	Mid-Kansas Electric Company, application for approval of individual 34.5kV formula-based rates. Testimony filed on behalf of Mid-Kansas, Southern Pioneer, Victory, and Western.
Kansas	15-SPEE-519-RTS	Southern Pioneer Electric Company, Annual Filing for approval to make certain changes to its charges for electric services, pursuant to the Debt Service Coverage Formula Based Ratemaking Plan approved in Docket No. 13-MKEE-452-MIS. Testimony filed on behalf of Southern Pioneer.

Case or Jurisdiction	Docket No.	Description
Kansas	15-SPEE-161-RTS	Southern Pioneer Electric Company, application for approval to make certain changes to its Local Access Charge Rate. Testimony filed on behalf of Southern Pioneer.
Kansas	14-SPEE-507-RTS	Southern Pioneer Electric Company, Annual Filing for approval to make certain changes to its charges for electric services pursuant to the Debt Service Coverage Formula Based Ratemaking Plan Approved in Docket No. 13-MKEE-452-MIS. Testimony filed on behalf of Southern Pioneer.
Kansas	13-MKEE-452-MIS	Mid-Kansas Electric Company, LLC, application for approval of a Debt Service Coverage Ratemaking Pilot Plan. Testimony filed on behalf of its member-owner, Southern Pioneer Electric Company.
Kansas	11-MKEE-380-RTS	Mid-Kansas Electric Company, LLC, application for revised rates, tariffs, and rate design changes. Testimony filed on behalf of its member-owner, Southern Pioneer Electric Company.
Kansas	11-MKEE-491-RTS	Mid-Kansas Electric Company, LLC, application for revised rates, tariffs, and rate design changes. Testimony filed on behalf of its member-owner, Western Cooperative Electric Assn., Inc.
Kansas	11-MKEE-439-RTS	Mid-Kansas Electric Company, LLC, application for revised rates, tariffs, and rate design changes. Testimony filed on behalf of its member-owner, Wheatland Electric Cooperative, Inc.
Kansas	09-MKEE-969-RTS	Mid-Kansas Electric Company, LLC, application for approval to make certain changes in the charges for electric services. Testimony filed on behalf of Mid-Kansas and its member-owners: Lane-Scott Electric Cooperative, Inc.; Prairie Land Electric Cooperative, Inc.; Southern Pioneer Electric Company; Victory Electric Cooperative Association, Inc.; Western Cooperative Electric Association, Inc.; and Wheatland Electric Cooperative, Inc.
Kansas	09-PNRE-563-RTS	Pioneer Electric Cooperative, Inc., application to increase rates. Testimony filed on behalf of Pioneer.
Kansas	09-WHLE-681-RTS	Wheatland Electric Cooperative, Inc., application to increase rates. Testimony filed on behalf of Wheatland.

Case or Jurisdiction	Docket No.	Description
Kentucky	2018-00129	Inter-County Energy, Application for Revised Rates, Tariffs, and Rate Design Changes.
Kentucky	2016-00365	Farmers Rural Electric Cooperative Corporation, application for matter of adjustment of rates. Testimony filed on behalf of Farmers.
Maryland	S.B. 771	Oral Testimony before Maryland State Senate in support of Senate Bill 771.
Maryland	H.B. 996	Oral Testimony before Maryland House of Delegates in support of House Bill 996.
Minnesota	16-512	Oral Testimony provided on behalf of the Minnesota Rural Electric Association: In the Matter of a Commission Investigation into Fees Charged to Qualifying Facilities by Cooperative Electric Associations under the 2015 Amendments to Minn. Stat. § 216B.164, Subd. 3
Minnesota	E-111/GR-03-261	Dakota Electric Association, application to increase rates. Testimony filed on behalf of Dakota.
South Carolina	2014-246-E	Testimony in support of the Settlement Agreement submitted by the parties to the Commission as the generic net metering methodology required by S.C. Code §58-40-20(F)(4) of Act 236 on behalf of Central Electric Power Cooperative, Inc. and the Electric Cooperatives of South Carolina.
South Dakota	Regarding Senate Bill 66	South Dakota Legislative Interim Study Committee - Electric Services in an Annexed Area. Presented oral testimony to the Legislative Committee at August 28, 2019 meeting. Testimony on behalf of South Dakota Rural Electric Association.
Texas	2150	North Star Steel, appropriateness of settlement rates being charged by Entergy Gulf States, Inc. Testimony filed on behalf of North Star Steel before the Public Utilities Commission of Texas.

EXHIBIT RJM-2 -

Southern Pioneer FBR Plan Protocols

A. PURPOSE

The FBR Plan is an annual formula-based ratemaking mechanism. Its purpose is to allow for timely adjustments to the wholesale Local Access Delivery Service (“LADS”) charge and 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 FBR Plan, Southern Pioneer Electric Company (“Southern Pioneer”) shall submit its 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 Annual Update filing will be provided to all parties of record in Docket No. 19-SPEE-240-MIS.

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 Annual Update 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 Conference telephone 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 issues 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.

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 FBR Plan, with a cite to Docket No. 19-SPEE-240-MIS and the date of the Commission's Order approving the 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. TERM

The initial filing under this FBR Plan will occur in 2021. Every five years while the Plan is in effect, Southern Pioneer will file with the Commission a request to continue with the FBR Plan for another five years, and provide the Commission with support and the rationale for its position in a separate application and docket. In this separate application, Southern Pioneer shall file testimony explaining the rationale for requesting the continuation of the FBR Plan and any proposed changes to the Plan. The testimony shall also include exhibits that illustrate any proposed changes to the FBR template. Other parties will have the opportunity at that time to respond as to whether the Plan should continue and the changes, if any, proposed by Southern Pioneer, and will be able to submit any additional changes they believe should be considered for the continuation of the Plan, if any. As long as it continues, the 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 FBR Plan shall no longer be valid.

E. DEBT SERVICE COVERAGE PARAMETERS AND EQUITY TEST

1. DSC Parameters

The DSC determined in the formula will be evaluated based upon a Modified Debt Service ("MDSC") ratio of 1.6 calculated using a CoBank-specific formula. 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 1.6 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 FBR filing agree to not categorically oppose allowing Southern Pioneer to meet its 1.35 minimum DSC loan covenant. The agreement on a 1.6 DSC ratio is for purposes

of this FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

2. 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 an increase is reasonably determined to be necessary to allow Southern Pioneer to meet its loan covenant(s) with its lender. For this purpose, equity shall be Distribution Equity, calculated as total equity and total assets less equity/investment from associated organizations. This Distribution Equity Level is only for the first five years under the FBR Plan and is intended to be an intermediate step and not a permanent target equity ratio. At the end of the first five years, Southern Pioneer will include in any renewal application a recommended Equity Test level for the subsequent five-years and a mechanism to manage the growth of Equity, once Equity nears that recommended level.

F. 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 FBR templates, both blank, and populated, approved by the Commission Docket No. 19-SPEE-240-MIS. Specific details concerning the calculation are as follows:

1. ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS

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 measurable rate changes, as appropriate.
- b. *Distribution Operation and Maintenance ("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) described in paragraph (g) below and which may be applicable.
- c. *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 in F.1.g. below and which may be applicable.
- d. Tax Expense - Other will be adjusted to reflect the cash tax expense for 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 F.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 F.1.a. above.

- e. 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").
- f. Interest Expense - Other will be adjusted as necessary to reflect the amount of short-term interest expense 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). 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 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 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. ALLOCATION BETWEEN 34.5kV AND DISTRIBUTION

The FBR Plan is intended to apply to both the distribution portion of Southern Pioneer's total system and its 34.5 kV facilities that serve a transmission function, or the transmission portion of the total system; and will calculate any applicable revenue adjustments separately for each. Accordingly, the total system revenues and expenses (after applying the adjustments detailed in F.1.a-h. above) must be allocated between the two portions. To accomplish this, the total system costs will first be allocated to the 34.5kV portion using the 34.5kV Allocation Factors described below or direct-assigned where appropriate. Next, the distribution portion of revenues and expenses is determined as a remainder, i.e. total system less 34.5kV portion.

The following 34.5kV Allocation Factors will be used: Labor ratio ("LAB") and a Net Plant ratio ("NP"). 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 Allocation Factors should be calculated and submitted annually with each Annual Update filing. The Allocation Factors used are listed next to each category.

- a. Revenue: Direct Assigned
- b. A&G Expenses: allocated on LAB ratio.
- c. Depreciation and Amortization Expense: Calculated directly, with the LAB ratio being applied to General Plant Depreciation.
- d. Tax Expense (Property and Gross Receipts): allocated on NP ratio.
- e. 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).
- f. Other Deductions and AFUDC: allocated on NP ratio.
- g. Interest on Long-Term Debt and Interest Charged to Construction: allocated on NP ratio.
- h. Interest-Other: allocated on NP ratio.
- i. Principal Payments: allocated on NP ratio.
- j. Offsets to Margin Requirements, Non-Operating Margins and Other Capital Credits: allocated on NP ratio.

3. OPERATING INCOME ADJUSTMENTS

a. DSC TARGET

Adjustments to the Southern Pioneer Operating Income for both 34.5kV System and Distribution System will be determined by comparing the Test Year DSC, calculated in accordance with Section F, to a 1.6 DSC Ratio as follows:

- If the Test Year DSC is at 1.6, there will be no Operating Income Adjustments.
- If the Test Year DSC is greater than 1.6 then Operating Income Adjustments necessary to reduce the Test Year DSC to 1.6 will be requested for application during the Budget Year.
- If the Test Year DSC is below 1.6, then Operating Income Adjustment necessary to increase the Test Year DSC to 1.6 will be determined for application during the Budget Year.

Southern Pioneer may determine to reduce or forego rate *increase* adjustment resulting from the process described herein. It may not reduce or defer a rate *decrease* adjustment unless agreed to by the parties and approved by the Commission.

b. TRUE-UP

Beginning with the second Annual Update filing (anticipated to occur in the year 2022 for the first time), Southern Pioneer will include in the filing a comparison between: 1) Operating Income Adjustment approved using the projected amounts for the debt service items from the previous Budget Year; *and*, 2) Operating Income Adjustment calculated using the actual amounts for the same debt service items for the Test Year. The resulting comparison, whether positive or negative, will be added or subtracted to the total Operating Income Adjustment to arrive at the Net

Operating Income 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 debts service items with the actual Test Year debts service items.

In addition to the annual true-up described above, there will be a final true-up, whether as a result of lapse in a FBR continuation filing between 5-year terms or the termination of the FBR Plan. Any adjustments from this final true-up will be allocated to all customers of Southern Pioneer using the same methodology is used during an Annual Update, as described herein.

c. NET OPERATING INCOME ADJUSTMENT

After the True-Up is applied to the Total Operating Income Adjustment to arrive at the Net Operating Income Adjustment, the latter will be allocated between Southern Pioneer's retail and wholesale LADS customers as follows:

i. 34.5kV System Net Operating Income Adjustment:

Net Operating Income Adjustment for the 34.5kV system will be converted to a \$/kW adjustment by dividing it by the 34.5kV Total Billing Demand (retail and wholesale). The resultant per unit adjustment, multiplied by the respective retail and wholesale 34.5kV billing demand, yields the corresponding retail and wholesale shares of the total 34.5kV System Net Operating Income Adjustment.

ii. Distribution System Net Operating Income Adjustment:

The resultant Net Operating Adjustment for the distribution system will be fully assigned to Southern Pioneer's retail load.

4. DETERMINATION OF RATES

a. RETAIL RATES

- Net Operating Income Adjustments resulting from the FBR Plan that are applicable to Southern Pioneer's retail load, as indicated in Section F.3.c. above, will be apportioned by rate schedule according to Test Year base revenues. For purposes of the 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 the sum of power supply costs for the Test Year (determined by applying the average cost of power supply per kWh from the most recent class cost of service ("CCOS") as filed by the Company with the Commission and ECA revenue/credits.¹ Southern Pioneer may submit an updated CCOS in an Annual Update filing to be used to apportion the Net Operating Income Adjustments to the rate schedules which shall be subject to the approval by the Commission.
- For the Sub-Transmission and Transmission Level Service Rate ("STR") rate

¹ For the FBR Plan starting in 2026, the referenced information from the Class Cost of Service was filed with the Commission in Docket No. 20-SPEE-169-RTS and is contained in Exhibit PSE-4: total power supply costs on page 20 (line 20 plus line 23) divided by total billing units shown on page 24.

and/or any other retail rate/customer taking sub-transmission or transmission level service, the distribution portion' rate adjustment resulting from the 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 resultant schedule-specific revenue adjustment will be divided by the corresponding Historical Test Year energy sales to determine the per kWh FBR Plan retail rate adjustment. Southern Pioneer may request to change schedule-specific rate adjustments to be applied on something other than kWh in the future, but such request must be accompanied by a supporting CCOS and approved by the Commission.

b. WHOLESALE LADS CHARGE

To arrive at the LADS rate resulting from the FBR Plan, the \$/kW Net Operating Income Adjustment for the 34.5kV system, described in the Section F.3.c.i. above, is added to the \$/kW LADS rate in effect during the Test Year.

G. 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 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 FBR Plan approved by the Commission in Docket No. 19-SPEE-240-MIS.
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 FBR Plan template approved for Southern Pioneer by the Commission in Docket No. 19-SPEE-240-MIS. 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 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 the 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.

H. 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.

I. 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 challenge of the 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 19-SPEE-240-MIS docket will be considered automatically approved for intervention upon 1) the filing of an Entry of Appearance in any individual annual FBR Plan application filed during the five-year term of this plan, and 2) provided they are not prohibited from participation by statute or otherwise.

J. 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.

Filing Date means date as defined in Section B of these FBR 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 I.2.

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

Local Access Delivery Service (LADS) means wholesale delivery service over Southern Pioneer's 34.5kV sub-transmission system.

LADS Charge means the per kW demand rate for service over Southern Pioneer's 34.5kV sub-transmission system as defined in Southern Pioneer's corresponding Local Access Delivery Service tariff on file with the Commission.

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.

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 FBR Plan populated template).

Total Billing Demand means the summation of Southern Pioneer's wholesale and retail customers' monthly billing demands on its 34.5kV system for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 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 17678-1.

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

Wholesale Billing Demand means Southern Pioneer's wholesale load Monthly Billing Demand for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the FBR Plan populated template).

EXHIBIT RJM-3 -

Southern Pioneer FBR Plan Protocols

A. PURPOSE

The FBR Plan is an annual formula-based ratemaking mechanism. Its purpose is to allow for timely adjustments to the wholesale Local Access Delivery Service (“LADS”) charge and 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 FBR Plan, Southern Pioneer Electric Company (“Southern Pioneer”) shall submit its 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 Annual Update filing will be provided to all parties of record in Docket No. ~~19XX~~-SPEE-~~240XXX~~-MIS.

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 Annual Update 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 Conference telephone 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 issues 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.

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 FBR Plan, with a cite to Docket No. ~~19XX~~-SPEE-~~240XXX~~-MIS and the date of the Commission's Order approving the 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. TERM

The initial filing under this FBR Plan will occur in ~~2024~~2026. Every five years while the Plan is in effect, Southern Pioneer will file with the Commission a request to continue with the FBR Plan for another five years, and provide the Commission with support and the rationale for its position in a separate application and docket. In this separate application, Southern Pioneer shall file testimony explaining the rationale for requesting the continuation of the FBR Plan and any proposed changes to the Plan. The testimony shall also include exhibits that illustrate any proposed changes to the FBR template. Other parties will have the opportunity at that time to respond as to whether the Plan should continue and the changes, if any, proposed by Southern Pioneer, and will be able to submit any additional changes they believe should be considered for the continuation of the Plan, if any. As long as it continues, the 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 FBR Plan shall no longer be valid.

E. DEBT SERVICE COVERAGE PARAMETERS ~~AND EQUITY TEST~~

1. DSC Parameters

The DSC determined in the formula will be evaluated based upon a Modified Debt Service ("MDSC") ratio of 1.6 calculated using a CoBank-specific formula. 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 1.6 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 FBR filing agree to not categorically oppose allowing Southern Pioneer to meet its 1.35 minimum DSC loan covenant. The agreement on a 1.6 DSC ratio is for purposes

of this FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

~~2. 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 an increase is reasonably determined to be necessary to allow Southern Pioneer to meet its loan covenant(s) with its lender. For this purpose, equity shall be Distribution Equity, calculated as total equity and total assets less equity/investment from associated organizations. This Distribution Equity Level is only for the first five years under the FBR Plan and is intended to be an intermediate step and not a permanent target equity ratio. At the end of the first five years, Southern Pioneer will include in any renewal application a recommended Equity Test level for the subsequent five years and a mechanism to manage the growth of Equity, once Equity nears that recommended level.~~

F. 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 FBR templates, both blank, and populated, approved by the Commission Docket No. ~~19XX~~-SPEE-~~240XXX~~-MIS. Specific details concerning the calculation are as follows:

1. ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS

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 measurable rate changes, as appropriate.
- b. *Distribution Operation and Maintenance ("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) described in paragraph (g) below and which may be applicable.
- c. *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 in F.1.g. below and which may be applicable.
- d. Tax Expense - Other will be adjusted to reflect the cash tax expense for 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 F.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 F.1.a. above.

- e. 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").
- f. Interest Expense - Other will be adjusted as necessary to reflect the amount of short-term interest expense 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). 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 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 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. ALLOCATION BETWEEN 34.5kV AND DISTRIBUTION

The FBR Plan is intended to apply to both the distribution portion of Southern Pioneer's total system and its 34.5 kV facilities that serve a transmission function, or the transmission portion of the total system; and will calculate any applicable revenue adjustments separately for each. Accordingly, the total system revenues and expenses (after applying the adjustments detailed in F.1.a-h. above) must be allocated between the two portions. To accomplish this, the total system costs will first be allocated to the 34.5kV portion using the 34.5kV Allocation Factors described below or direct-assigned where appropriate. Next, the distribution portion of revenues and expenses is determined as a remainder, i.e. total system less 34.5kV portion.

The following 34.5kV Allocation Factors will be used: Labor ratio ("LAB") and a Net Plant ratio ("NP"). 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 Allocation Factors should be calculated and submitted annually with each Annual Update filing. The Allocation Factors used are listed next to each category.

- a. Revenue: Direct Assigned
- b. A&G Expenses: allocated on LAB ratio.
- c. Depreciation and Amortization Expense: Calculated directly, with the LAB ratio being applied to General Plant Depreciation.
- d. Tax Expense (Property and Gross Receipts): allocated on NP ratio.
- e. 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).
- f. Other Deductions and AFUDC: allocated on NP ratio.
- g. Interest on Long-Term Debt and Interest Charged to Construction: allocated on NP ratio.
- h. Interest-Other: allocated on NP ratio.
- i. Principal Payments: allocated on NP ratio.
- j. Offsets to Margin Requirements, Non-Operating Margins and Other Capital Credits: allocated on NP ratio.

3. OPERATING INCOME ADJUSTMENTS

a. DSC TARGET

Adjustments to the Southern Pioneer Operating Income for both 34.5kV System and Distribution System will be determined by comparing the Test Year DSC, calculated in accordance with Section F, to a 1.6 DSC Ratio as follows:

- If the Test Year DSC is at 1.6, there will be no Operating Income Adjustments.
- If the Test Year DSC is greater than 1.6 then Operating Income Adjustments necessary to reduce the Test Year DSC to 1.6 will be requested for application during the Budget Year.
- If the Test Year DSC is below 1.6, then Operating Income Adjustment necessary to increase the Test Year DSC to 1.6 will be determined for application during the Budget Year.

Southern Pioneer may determine to reduce or forego rate *increase* adjustment resulting from the process described herein. It may not reduce or defer a rate *decrease* adjustment unless agreed to by the parties and approved by the Commission.

b. TRUE-UP

Beginning with the second Annual Update filing (anticipated to occur in the year ~~2022~~ 2027 for the first time), Southern Pioneer will include in the filing a comparison between: 1) Operating Income Adjustment approved using the projected amounts for the debt service items from the previous Budget Year; *and*, 2) Operating Income Adjustment calculated using the actual amounts for the same debt service items for the Test Year. The resulting comparison, whether positive or negative, will be added or subtracted to the total Operating Income Adjustment to

arrive at the Net Operating Income 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 debts service items with the actual Test Year debts service items.

In addition to the annual true-up described above, there will be a final true-up, whether as a result of lapse in a FBR continuation filing between 5-year terms or the termination of the FBR Plan. Any adjustments from this final true-up will be allocated to all customers of Southern Pioneer using the same methodology is used during an Annual Update, as described herein.

c. NET OPERATING INCOME ADJUSTMENT

After the True-Up is applied to the Total Operating Income Adjustment to arrive at the Net Operating Income Adjustment, the latter will be allocated between Southern Pioneer's retail and wholesale LADS customers as follows:

i. 34.5kV System Net Operating Income Adjustment:

Net Operating Income Adjustment for the 34.5kV system will be converted to a \$/kW adjustment by dividing it by the 34.5kV Total Billing Demand (retail and wholesale). The resultant per unit adjustment, multiplied by the respective retail and wholesale 34.5kV billing demand, yields the corresponding retail and wholesale shares of the total 34.5kV System Net Operating Income Adjustment.

ii. Distribution System Net Operating Income Adjustment:

The resultant Net Operating Adjustment for the distribution system will be fully assigned to Southern Pioneer's retail load.

4. DETERMINATION OF RATES

a. RETAIL RATES

- Net Operating Income Adjustments resulting from the FBR Plan that are applicable to Southern Pioneer's retail load, as indicated in Section F.3.c. above, will be apportioned by rate schedule according to Test Year base revenues. For purposes of the 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 the sum of power supply costs for the Test Year (determined by applying the average cost of power supply per kWh from the most recent class cost of service ("CCOS") as filed by the Company with the Commission and ECA revenue/credits.¹ Southern Pioneer may submit an updated CCOS in an Annual Update filing to be used to apportion the Net Operating Income Adjustments to the rate schedules which shall be subject to the approval by the Commission.
- For the Sub-Transmission and Transmission Level Service Rate ("STR") rate

¹ For the FBR Plan starting in 2026, the referenced information from the Class Cost of Service was filed with the Commission in Docket No. ~~2024-SPEE-169415~~-RTS and is contained in Exhibit PSE-43: total power supply costs on page 20 (line ~~20-19~~ plus line 23) divided by total billing units shown on page 24.

and/or any other retail rate/customer taking sub-transmission or transmission level service, the distribution portion' rate adjustment resulting from the 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 resultant schedule-specific revenue adjustment will be divided by the corresponding Historical Test Year gross revenue less pass thru revenues to determine the percent retail rate adjustment. The percent retail rate adjustment will be applied to the same rate components within each rate schedule that are reflected in the denominator used to calculate the percent~~energy sales to determine the per kWh FBR Plan retail rate adjustment.~~ Southern Pioneer may request to change schedule-specific rate adjustments to be applied ~~on something other than kWh~~in some other way in the future, but such request must be accompanied by a supporting CCOS and approved by the Commission.

b. WHOLESALE LADS CHARGE

To arrive at the LADS rate resulting from the FBR Plan, the \$/kW Net Operating Income Adjustment for the 34.5kV system, described in the Section F.3.c.i. above, is added to the \$/kW LADS rate in effect during the Test Year.

G. 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 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 FBR Plan approved by the Commission in Docket No. ~~19XX-SPEE-240XXX~~-MIS.
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 FBR Plan template approved for Southern Pioneer by the Commission in Docket No. ~~19XX-SPEE-240XXX~~-MIS. 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 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 the 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.

H. 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.

I. 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 challenge of the 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 ~~19XX-SPEE-240XXX~~-MIS docket will be considered automatically approved for intervention upon 1) the filing of an Entry of Appearance in any individual annual FBR Plan application filed during the five-year term of this plan, and 2) provided they are not prohibited from participation by statute or otherwise.

J. 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.

Filing Date means date as defined in Section B of these FBR 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 I.2.

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

Local Access Delivery Service (LADS) means wholesale delivery service over Southern Pioneer's 34.5kV sub-transmission system.

LADS Charge means the per kW demand rate for service over Southern Pioneer's 34.5kV sub-transmission system as defined in Southern Pioneer's corresponding Local Access Delivery Service tariff on file with the Commission.

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.

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 FBR Plan populated template).

Total Billing Demand means the summation of Southern Pioneer's wholesale and retail customers' monthly billing demands on its 34.5kV system for the Test Year (work paper

detailing calculation is contained in Southern Pioneer's work papers accompanying the 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 17678-1.

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

Wholesale Billing Demand means Southern Pioneer's wholesale load Monthly Billing Demand for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the FBR Plan populated template).

EXHIBIT RJM-4 -

Southern Pioneer FBR Plan Protocols

A. PURPOSE

The FBR Plan is an annual formula-based ratemaking mechanism. Its purpose is to allow for timely adjustments to the wholesale Local Access Delivery Service (“LADS”) charge and 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 FBR Plan, Southern Pioneer Electric Company (“Southern Pioneer”) shall submit its 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 Annual Update filing will be provided to all parties of record in Docket No. XX-SPEE-XXX-MIS.

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 Annual Update 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 Conference telephone 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 issues 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.

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 FBR Plan, with a cite to Docket No. XX-SPEE-XXX-MIS and the date of the Commission's Order approving the 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. TERM

The initial filing under this FBR Plan will occur in 2026. Every five years while the Plan is in effect, Southern Pioneer will file with the Commission a request to continue with the FBR Plan for another five years, and provide the Commission with support and the rationale for its position in a separate application and docket. In this separate application, Southern Pioneer shall file testimony explaining the rationale for requesting the continuation of the FBR Plan and any proposed changes to the Plan. The testimony shall also include exhibits that illustrate any proposed changes to the FBR template. Other parties will have the opportunity at that time to respond as to whether the Plan should continue and the changes, if any, proposed by Southern Pioneer, and will be able to submit any additional changes they believe should be considered for the continuation of the Plan, if any. As long as it continues, the 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 FBR Plan shall no longer be valid.

E. DEBT SERVICE COVERAGE PARAMETERS

1. DSC Parameters

The DSC determined in the formula will be evaluated based upon a Modified Debt Service ("MDSC") ratio of 1.6 calculated using a CoBank-specific formula. 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 1.6 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 FBR filing agree to not categorically oppose allowing Southern Pioneer to meet its 1.35 minimum DSC loan covenant. The agreement on a 1.6 DSC ratio is for purposes

of this FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

F. 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 FBR templates, both blank, and populated, approved by the Commission Docket No. XX-SPEE-XXX-MIS. Specific details concerning the calculation are as follows:

1. ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS

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 measurable rate changes, as appropriate.
- b. *Distribution Operation and Maintenance ("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) described in paragraph (g) below and which may be applicable.
- c. *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 in F.1.g. below and which may be applicable.
- d. Tax Expense - Other will be adjusted to reflect the cash tax expense for 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 F.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 F.1.a. above.
- e. 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").
- f. Interest Expense - Other will be adjusted as necessary to reflect the amount of short-term interest expense 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). 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 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 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. ALLOCATION BETWEEN 34.5kV AND DISTRIBUTION

The FBR Plan is intended to apply to both the distribution portion of Southern Pioneer's total system and its 34.5 kV facilities that serve a transmission function, or the transmission portion of the total system; and will calculate any applicable revenue adjustments separately for each. Accordingly, the total system revenues and expenses (after applying the adjustments detailed in F.1.a-h. above) must be allocated between the two portions. To accomplish this, the total system costs will first be allocated to the 34.5kV portion using the 34.5kV Allocation Factors described below or direct-assigned where appropriate. Next, the distribution portion of revenues and expenses is determined as a remainder, i.e. total system less 34.5kV portion.

The following 34.5kV Allocation Factors will be used: Labor ratio ("LAB") and a Net Plant ratio ("NP"). 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 Allocation Factors should be calculated and submitted annually with each Annual Update filing. The Allocation Factors used are listed next to each category.

- a. Revenue: Direct Assigned
- b. A&G Expenses: allocated on LAB ratio.
- c. Depreciation and Amortization Expense: Calculated directly, with the LAB ratio being applied to General Plant Depreciation.
- d. Tax Expense (Property and Gross Receipts): allocated on NP ratio.
- e. 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).
- f. Other Deductions and AFUDC: allocated on NP ratio.
 - g. Interest on Long-Term Debt and Interest Charged to Construction: allocated on NP ratio.
 - h. Interest-Other: allocated on NP ratio.
 - i. Principal Payments: allocated on NP ratio.
 - j. Offsets to Margin Requirements, Non-Operating Margins and Other Capital Credits: allocated on NP ratio.

3. OPERATING INCOME ADJUSTMENTS

a. DSC TARGET

Adjustments to the Southern Pioneer Operating Income for both 34.5kV System and Distribution System will be determined by comparing the Test Year DSC, calculated in accordance with Section F, to a 1.6 DSC Ratio as follows:

- If the Test Year DSC is at 1.6, there will be no Operating Income Adjustments.
- If the Test Year DSC is greater than 1.6 then Operating Income Adjustments necessary to reduce the Test Year DSC to 1.6 will be requested for application during the Budget Year.
- If the Test Year DSC is below 1.6, then Operating Income Adjustment necessary to increase the Test Year DSC to 1.6 will be determined for application during the Budget Year.

Southern Pioneer may determine to reduce or forego rate *increase* adjustment resulting from the process described herein. It may not reduce or defer a rate *decrease* adjustment unless agreed to by the parties and approved by the Commission.

b. TRUE-UP

Beginning with the second Annual Update filing (anticipated to occur in the year 2027 for the first time), Southern Pioneer will include in the filing a comparison between: 1) Operating Income Adjustment approved using the projected amounts for the debt service items from the previous Budget Year; *and*, 2) Operating Income Adjustment calculated using the actual amounts for the same debt service items for the Test Year. The resulting comparison, whether positive or negative, will be added or subtracted to the total Operating Income Adjustment to arrive at the Net Operating Income 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 debts service items with the actual Test Year debts service items.

In addition to the annual true-up described above, there will be a final true-up, whether as a result of lapse in a FBR continuation filing between 5-year terms or the termination of the FBR Plan. Any adjustments from this final true-up will be allocated to all customers of Southern Pioneer using the same methodology is used during an Annual Update, as described herein.

c. NET OPERATING INCOME ADJUSTMENT

After the True-Up is applied to the Total Operating Income Adjustment to arrive at the Net Operating Income Adjustment, the latter will be allocated between Southern Pioneer's retail and wholesale LADS customers as follows:

i. 34.5kV System Net Operating Income Adjustment:

Net Operating Income Adjustment for the 34.5kV system will be converted to a \$/kW adjustment by dividing it by the 34.5kV Total Billing Demand (retail and wholesale). The resultant per unit adjustment, multiplied by the respective retail and wholesale 34.5kV billing demand, yields the corresponding retail and wholesale shares of the total 34.5kV System Net Operating Income Adjustment.

ii. Distribution System Net Operating Income Adjustment:

The resultant Net Operating Adjustment for the distribution system will be fully assigned to Southern Pioneer's retail load.

4. DETERMINATION OF RATES

a. RETAIL RATES

- Net Operating Income Adjustments resulting from the FBR Plan that are applicable to Southern Pioneer's retail load, as indicated in Section F.3.c. above, will be apportioned by rate schedule according to Test Year base revenues. For purposes of the 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 the sum of power supply costs for the Test Year (determined by applying the average cost of power supply per kWh from the most recent class cost of service ("CCOS") as filed by the Company with the Commission and ECA revenue/credits.¹ Southern Pioneer may submit an updated CCOS in an Annual Update filing to be used to apportion the Net Operating Income Adjustments to the rate schedules which shall be subject to the approval by the Commission.
- 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, the distribution portion' rate adjustment resulting from the 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 resultant schedule-specific revenue adjustment will be divided by the corresponding Historical Test Year gross revenue less pass thru revenues to

¹ For the FBR Plan starting in 2026, the referenced information from the Class Cost of Service was filed with the Commission in Docket No. 24-SPEE-415-RTS and is contained in Exhibit PSE-3: total power supply costs on page 20 (line 19 plus line 23) divided by total billing units shown on page 24.

determine the percent retail rate adjustment. The percent retail rate adjustment will be applied to the same rate components within each rate schedule that are reflected in the denominator used to calculate the percent. Southern Pioneer may request to change schedule-specific rate adjustments to be applied in some other way in the future, but such request must be accompanied by a supporting CCOS and approved by the Commission.

b. WHOLESALE LADS CHARGE

To arrive at the LADS rate resulting from the FBR Plan, the \$/kW Net Operating Income Adjustment for the 34.5kV system, described in the Section F.3.c.i. above, is added to the \$/kW LADS rate in effect during the Test Year.

G. 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 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 FBR Plan approved by the Commission in Docket No. XX-SPEE-XXX-MIS.
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 FBR Plan template approved for Southern Pioneer by the Commission in Docket No. XX-SPEE-XXX-MIS. 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 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 the 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.

H. 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.

I. 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 challenge of the 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 XX-SPEE-XXX-MIS docket will be considered automatically approved for intervention upon I) the filing of an Entry of Appearance in any individual annual FBR Plan application filed during the five-year term of this plan, and 2) provided they are not prohibited from participation by statute or otherwise.

J. 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.

Filing Date means date as defined in Section B of these FBR 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 I.2.

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

Local Access Delivery Service (LADS) means wholesale delivery service over Southern Pioneer's 34.5kV sub-transmission system.

LADS Charge means the per kW demand rate for service over Southern Pioneer's 34.5kV sub-transmission system as defined in Southern Pioneer's corresponding Local Access Delivery Service tariff on file with the Commission.

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.

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 FBR Plan populated template).

Total Billing Demand means the summation of Southern Pioneer's wholesale and retail customers' monthly billing demands on its 34.5kV system for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 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 17678-1.

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

Wholesale Billing Demand means Southern Pioneer's wholesale load Monthly Billing Demand for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work

papers accompanying the FBR Plan populated template).

EXHIBIT RJM-5 -

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - 2024 TEST YEAR

(a)	(b)	(c)		(d)	(e)		(f)	(g)	(h)	
LINE NO.	ITEM	UNADJUSTED HISTORICAL TEST YEAR		NO.	ADJUSTMENTS SP AMOUNT (\$)	HISTORICAL TEST YEAR 2024 (\$)	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)	
		2024 (\$)								
(e) x (f)										
(e) - (g)										
1.	<u>A. STATEMENT OF OPERATIONS</u>									
2.	Operating Revenue and Patronage Capital	69,050,330	F7, Pt. A, Col. B	[1]	445,951	69,496,281	Direct	¹	3,821,959	65,674,322
3.	Power Production Expense	-	F7, Pt. A, Col. B			-	0.0000		-	-
4.	Cost of Purchased Power	42,910,152	F7, Pt. A, Col. B			42,910,152	0.0000		-	42,910,152
5.	Transmission Expense	1,121,173	F7, Pt. A, Col. B			1,121,173	1.0000		1,121,173	-
6.	Regional Market Expense	-	F7, Pt. A, Col. B			-	0.0000		-	-
7.	Distribution Expense - Operation	5,129,856	F7, Pt. A, Col. B	[2-a]	(1,439)	5,128,417	0.0000		-	5,128,417
8.	Distribution Expense - Maintenance	2,507,509	F7, Pt. A, Col. B	[2-b]	-	2,507,509	0.0000		-	2,507,509
9.	Customer Accounts Expense	1,737,806	F7, Pt. A, Col. B	[2-c]	(3,135)	1,734,671	0.0000		-	1,734,671
10.	Customer Service and Informational Expense	310,598	F7, Pt. A, Col. B	[2-d]	(15,386)	295,212	0.0000		-	295,212
11.	Sales Expense	61,017	F7, Pt. A, Col. B	[2-e]	(56,999)	4,018	0.0000		-	4,018
12.	Administrative and General Expense	3,127,733	F7, Pt. A, Col. B	[2-f]	(55,399)	3,072,334	0.0176	²	53,946	3,018,389
13.	Total Operation & Maintenance Expense	56,905,844	F7, Pt. A, Col. B		(132,358)	56,773,486			1,175,119	55,598,367
14.	Depreciation and Amortization Expense	4,314,800	F7, Pt. A, Col. B			4,314,800	0.2407	³	1,038,564	3,276,236
15.	Tax Expense - Property & Gross Receipts	-	F7, Pt. A, Col. B			-	0.2159	⁴	-	-
16.	Tax Expense - Other	1,213,769	F7, Pt. A, Col. B	[3]	(942,757)	271,012	0.0603	⁵	16,334	254,678
17.	Interest on Long-Term Debt	5,699,565	F7, Pt. A, Col. B	[4]	169,761	5,869,326	0.2159	⁴	1,267,335	4,601,992
18.	Interest Charged to Construction - Credit	-	F7, Pt. A, Col. B			-	0.2159	⁴	-	-
19.	Interest Expense - Other	180,741	F7, Pt. A, Col. B	[5]	115,325	296,066	0.2159	⁴	63,928	232,138
20.	Other Deductions	948,908	F7, Pt. A, Col. B	[2-g]	(37,598)	911,310	0.2159	⁴	196,775	714,535
21.	Total Cost of Electric Service	69,263,627	F7, Pt. A, Col. B		(827,628)	68,435,999			3,758,054	64,677,945
22.	Patronage Capital & Operating Margins	(213,297)	F7, Pt. A, Col. B		1,273,579	1,060,282			63,905	996,377
23.	Non Operating Margins - Interest	39,896	F7, Pt. A, Col. B			39,896	0.2159	⁴	8,615	31,281
24.	Allowance for Funds Used During Construction	-	F7, Pt. A, Col. B			-	0.2159	⁴	-	-
25.	Income (Loss) from Equity Investments	-	F7, Pt. A, Col. B			-	0.0000		-	-
26.	Non Operating Margins - Other	60,436	F7, Pt. A, Col. B	[8]	-	60,436	0.0176	²	1,061	59,375
27.	Generation and Transmission Capital Credits	2,401,562	F7, Pt. A, Col. B			2,401,562	0.0000		-	2,401,562
28.	Other Capital Credits and Patr. Dividends	963,439	F7, Pt. A, Col. B			963,439	0.2159	⁴	208,031	755,408
29.	Extraordinary Items	-	F7, Pt. A, Col. B			-	0.0000		-	-
30.	Patronage Capital or Margins	3,252,036	F7, Pt. A, Col. B		1,273,579	4,525,615	0.0622	⁶	281,611	4,244,003

**SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - POPULATED TEMPLATE (Cont'd)**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		UNADJUSTED HISTORICAL TEST YEAR	ADJUSTMENTS	ADJUSTED HISTORICAL TEST YEAR	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)
LINE NO.	ITEM	2024 (\$)	NO. AMOUNT (\$)	2024 (\$)			
31.						(e) x (f)	(e) - (g)
32.	<u>B. DEBT SERVICE PAYMENTS</u>						
33.	Interest Expense	5,880,306	Line 17 + Line 19	285,086	6,165,392	0.2159	4 1,331,263
34.	Principal Payments	3,752,230	F7, Pt. O, Col. B	[6] 270,951	4,023,181	0.2159	4 868,706
35.	Total Debt Service Payments	9,632,536		556,037	10,188,573	0.2159	2,199,968
36.							7,988,605
37.	<u>C. DEBT SERVICE MARGINS</u>						
38.	Patronage Capital or Margins	3,252,036	Line 30		4,525,615	0.0622	6 281,611
39.	Plus: Depreciation and Amortization Expense	4,314,800	Line 14		4,314,800	0.2407	3 1,038,564
40.	Plus: Interest Expense	5,880,306	Line 33	285,086	6,165,392	0.2159	4 1,331,263
41.	Plus: Non-Cash Other Deductions Amortizations	876,898	Trial Balance		876,898	0.2159	4 189,344
42.	Plus: Cash Capital Credits Cash Received	1,494,713	F7, Pt. J, L6, Col. A		1,494,713	0.2159	4 322,746
43.	Plus: Non-Cash Income Tax Expense	1,213,769	Line 16	(1,213,769)	-	0.0603	5 -
44.	Less: Generation and Transmission Capital Credits	(2,401,562)	Line 27		(2,401,562)	0.0000	-
45.	Less: Other Capital Credits and Patr. Dividends	(963,439)	Line 28		(963,439)	0.2159	4 (208,031)
46.	Total Debt Service Margins	13,667,520			14,012,416		2,955,497
47.							11,056,918
48.	<u>D. DEBT SERVICE COVERAGE</u>	1.42	Line 46/Line 35		1.38		1.34
49.							1.60
50.	<u>E. DEBT SERVICE COVERAGE TARGET</u>						1.60
51.					Adjusted DSC Margins are:	Below the Target	Below the Target
52.							
53.	<u>F. OPERATING INCOME ADJUSTMENT</u>						
54.	DSC Adjustment Required to Achieve Target					0.26	0.22
55.	Debt Service Payments					2,199,968	7,988,605
56.	After-Tax Operating Income Adjustment					571,992	1,757,493
57.	Add True-Up					122,820	454,452
58.	Net Operating Income Adjustment					694,812	2,211,945

¹ Direct-assigned per Protocols Section F.2.a. For calculation of the direct-assigned 34.5kV revenues, see Page 6, Line 14.

² See Page 6, Line 25.

³ Column (g) amount divided by Column (e) amount. See Page 6, Line 63 for 34.5kV Depr. Expense amount.

⁴ See Page 6, Line 48. Distribution portion is calculated by subtracting Column (g) from Column (e) amount.

⁵ Allocation on Operating Margins per Section F.2.e of Protocols.

⁶ Column (g) divided by Column (e) amount.

**SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - POPULATED TEMPLATE (Cont'd)**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
LINE		UNADJUSTED		ADJUSTED			
NO.	ITEM	HISTORICAL	ADJUSTMENTS	HISTORICAL	34.5 kV	34.5 kV	DISTRIBUTION
		TEST YEAR	NO. AMOUNT	TEST YEAR	ALLOCATION	SYSTEM	SYSTEM
		2024		2024	FACTORS	SYSTEM	SYSTEM
		(\$)	(\$)	(\$)		(\$)	(\$)
59.	<u>G. EQUITY TEST (Increase will not result in > 15% Distribution Equity ratio if minimum DSC of 1.35 is achieved)</u>						
60.		<u>Pre-Adjustment</u>		<u>Plus Adjustment</u>			<u>Post-Adjustment</u>
61.	Total Margins and Equities	53,333,266	F7, Pt. C, L35	2,906,757			56,240,023
62.	Total Assets	189,054,533	F7, Pt C, L28 [7]	5,897,544			194,952,077
63.	Investment in Associate Organizations	<u>39,843,529</u>	F7, Pt. 7a, Col (c), Sum (L5:L8)	<u>39,843,529</u>			<u>39,843,529</u>
64.	Equity Ratio	<u>9.04%</u>	(L61-L63) / (L62-L63)	<u>10.57%</u>			
65.							
66.	<u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u>						
67.	Operating Income Adjustment			2,906,757		694,812	2,211,945
68.	Rate Schedule Revenue			<u>69,496,281</u>		<u>3,821,959</u>	<u>65,674,322</u>
69.	Adjustment Percentage			4.2%		18.2%	3.4%

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS
Per Section F.1 of the FBR Protocols

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE NOTES, SOURCE, OR PROTOCOLS
1.	<u>ADJUSTMENT [1] --REVENUE</u>		
2.	1. Annualize rate adjustment implemented during Test Year - Distribution System		Protocols F.1.a
3.	Annual Rate Adjustment Authorized by Commission	\$ 644,269	23-SPEE-792-RTS
4.	Total kWh Sales used to determine Rate Adjustment	<u>756,744,312</u>	2023 TY as used in 24-SPEE-688-RTS
5.	Equivalent Average per kWh Rate Adjustment	\$ 0.00085	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment	<u>479,885,519</u>	24-SPEE-688-RTS effective August 1, 2024
7.	Revenue Adjustment to Annualize Rate Adjustment	\$ 408,560	L5 x L6
8.			
9.	Other Applicable Adjustments to Revenue Authorized by Commission	\$ 91,910	WP10 - PTS Adjustment
10.	Adjustment - Distribution System Component	\$ 500,470	
11.			
12.	2. Annualize rate adjustment implemented during Test Year - 34.5kV System		Protocols F.1.a
13.	Per kW Rate during Test Year - January thru Order in Annual FBR Filing	\$ 4.00	23-SPEE-792-RTS effective August 1, 2023
14.	Per kW Rate during Test Year - Post-Order thru December	\$ 4.34	24-SPEE-688-RTS effective August 1, 2024
15.			
16.	Per kW Rate Change Authorized by the Commission	\$ 0.34	L14 - L13
17.	34.5kV Demand Prior to Implementation of Rate Adjustment	<u>463,535</u>	WP1 - Jan thru Jul
18.	Revenue Adjustment to Annualize Rate Adjustment	\$ 159,701	L16 x L17
19.			
20.	Adjustment - 34.5kV System Component	\$ (54,519)	L18 and WP10-PTS Adjustment
21.			
22.	3. ADJUSTMENT [1] - Combined System	<u><u>\$ 445,951</u></u>	L10 + L20
23.			
24.	<u>ADJUSTMENT [2] -- Certain Operating Expenses</u>		Protocols F.1 b, c, g.
25.	<i>Adjustment to remove typically disallowed items (dues, donations, charitable</i>		
26.	<i>contributions, promotional advertising, penalties and fines, entertainment expense)</i>		
27.	2.a. Distribution Expense - Operation	\$ (1,439)	Filing Exhibit per Protocols G.12
28.	2.b. Distribution Expense - Maintenance	\$ -	Filing Exhibit per Protocols G.12
29.	2.c. Customer Accounts Expense	\$ (3,135)	Filing Exhibit per Protocols G.12
30.	2.d. Customer Service and Informational Expense	\$ (15,386)	Filing Exhibit per Protocols G.12
31.	2.e. Sales Expense	\$ (56,999)	Filing Exhibit per Protocols G.12
32.	2.f. Administrative and General Expense	\$ (55,399)	Filing Exhibit per Protocols G.12
33.	2.g. Other Deductions	\$ (37,598)	Filing Exhibit per Protocols G.12
34.	Total Adjustment	<u><u>\$ (169,957)</u></u>	Sum (L32:L38)

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS
Per Section F.1 of the FBR Protocols

LINE NO.	DESCRIPTION	AMOUNT	REFERENCE NOTES, SOURCE, OR PROTOCOLS
35.	<u>ADJUSTMENT [3] -- Other Taxes</u>		
36.	<i>Adjustment to include cash tax expense</i>		Protocols F.1.d.
37.	Test Year Tax Expense - Other, as booked	\$ 1,213,769	F7, Pt. A, Col. B
38.	Tax Expense - Other paid in cash during Test Year	\$ 271,012	WP2
39.	Adjustment to Actual Tax Expense - Other	<u>\$ (942,757)</u>	L38 - L37
40.			
41.	<u>ADJUSTMENT [4] -- Long-Term Interest Expense</u>		Protocols F.1.e.
42.	<i>Adjustment to reflect the Budget.</i>		
43.	Actual Year Long-Term Interest Expense	\$ 5,699,565	F7, Pt. A, Col. B
44.	Budget Year Long-Term Interest Expense	\$ 5,869,326	2025 Budget, adjusted as shown in Exh 11 Debt Reconciliation
45.	Adjustment to Actual Long-Term Interest Expense	<u>\$ 169,761</u>	L44 - L43
46.			
47.	<u>ADJUSTMENT [5] --Other Interest Expense</u>		Protocols F.1.f.
48.	<i>Adjustment to reflect the Budget.</i>		
49.	Actual Year Other Interest Expense	\$ 180,741	F7, Pt. A, Col. B
50.	Budget Year Other Interest Expense	\$ 296,066	2025 Budget, adjusted as shown in Exh 11 Debt Reconciliation
51.	Adjustment to Actual Other Interest Expense	<u>\$ 115,325</u>	L50 - L49
52.			
53.	<u>ADJUSTMENT [6] -- Principal Payments</u>		Protocols F.1.h.
54.	<i>Adjustment to reflect the Budget.</i>		
55.	Actual Year Principal Payments	\$ 3,752,230	F7, Pt. O, Col. B
56.	Budget Year Principal Payments	\$ 4,023,181	2025 Budget, adjusted as shown in Exh 11 Debt Reconciliation
57.	Adjustment to Actual Principal Payments	<u>\$ 270,951</u>	L56 - L55
58.			
59.	<u>ADJUSTMENT [7] -- Assets</u>		
60.	<i>Adjustment to reflect budgeted Assets.</i>		
61.	Actual Year-End Assets	\$ 189,054,533	F7, Pt. C, L28.
62.	Budgeted Year-End Assets	\$ 194,952,077	2025 Budget, adjusted as shown in Exh 11
63.	Adjustment to Actual Assets	<u>\$ 5,897,544</u>	L62 - L61
64.			
65.	<u>ADJUSTMENT [8] -- Extraordinary Adjustment</u>		
66.	Adjustment to Non-Operating Margins - Other		

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - ALLOCATIONS
Per Section F.2 of the FBR Protocols

Line
No. F. 2 - Calculating Allocation Ratios and Direct-assigned Revenues

I. DIRECT-ASSIGN 34.5 kV SYSTEM REVENUE

Annualized 34.5kV Rate Revenues			
Most Recent \$/kW Rate Authorized During Test Year	Pg.2, L14	\$	4.34
Total 34.5 kV System Demand for the entire Test Year	WP1		808,684
	L5 x L6	\$	3,513,349
Property Tax collected during Test Year from the 34.5 kV system users			
Current \$/kW PTS Authorized by the Commission	Docket No. 25-SPEE-252-TAR		\$0.38162
Total 34.5 kV System Demand for the entire Test Year	WP10 - PTS Adjustment		808,684
	L10 x L11	\$	308,610
Total 34.5kV Revenue	L7 + L11	\$	3,821,959

II. CALCULATE LAB AND NP ALLOCATION RATIOS

Acct No		Source	
562-573	Transmission Labor	Payroll Journal	\$ 56,476
562-573, 580-598, 902-912, 920-932	Total Labor	Payroll Journal	\$ 4,078,578
920-932	A&G Labor	Payroll Journal	\$ 862,156
	Total non-A&G Labor		\$ 3,216,422
	Transmission Labor <i>RATIO</i>	L19 / L23	0.0176

Acct No		Source	
350-359	Transmission Plant	Trial Balance	\$ 34,904,628
360-373	Dist Plant	Trial Balance	\$ 80,036,404
389-399	General Plant	Trial Balance	\$ 24,220,399
	Total Plant	Sum L30: L32	\$ 139,161,431
108.5, 108.501	Accumulated Depreciation - Trans	Trial Balance	\$ 10,065,497
108.6, 108.601	Accumulated Depreciation - Dist	Trial Balance	\$ 4,160,681
108.71-108.79	Accumulated Depreciation - General	Trial Balance	\$ 8,631,724
	Total Accum. Depr.	Sum L36: L38	\$ 22,857,902
	Net Plant - Transmission		\$ 24,839,131
	Allocated General Net Plant on Transmission Labor		\$ 273,714
	Total Net Plant - Transmission (w/ allocated General)	Sum L42: L43	\$ 25,112,846
	Total Net Plant	L33- L39	\$ 116,303,529
	Net Transmission Plant <i>RATIO</i>	L44 / L46	0.2159

III. DIRECT-ASSIGN DEPRECIATION

Acct No		Source	
403.5	Transmission Depr	Trial Balance	\$ 838,740
403.6	Dist Depr	Trial Balance	\$ 2,077,455
403.7	General Plant Depr	Trial Balance	\$ 613,146
	Total	Sum L55: L57	\$ 3,529,341
	With Acct 406 - Amort of AP to match Form 7 inputs	L58 + Amort of AP	\$ 4,314,800
	Allocate resultant General Plant depr (with AP) balance on Transm. Labor	L57 Col (c) x L25	\$ 13,162
	Add Transm. Depr. resultant balance (w/ alloc. acct 406)	L55 Col (c)	\$ 1,025,402
	Tot 34.5 kV Depr. Expense to subtract from Tot Sys	L61 + L62	\$ 1,038,564

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - PROPORTIONAL ALLOCATION OF RATE ADJUSTMENT TO RATE CLASSES
Per Sections F.3.c and F.4.a-b of the FBR Protocols

I. Calculate the Resultant LADS Rate for 34.5kV System

Line No.	Description	Source	Amount
1	Net Operating Income Adjustment - 34.5kV	Pg.2, L58	\$ 694,812
2	Total Demand	WP1a, L 28	808,684 kW
3	Resultant \$/kW Adjustment	L1/L2	\$ 0.86 /kW
4	Current LADS Rate	Pg.3, L14	\$ 4.34 /kW
5	Final Adjusted LADS Rate	L3 + L4	\$ 5.20 /kW

II. Calculate the Total FBR Retail Rate Adjustment

Line No.	Description	Source	Amount
6	FBR Adjustment - Distribution	Pg.2, L58	\$ 2,211,945
7			
8	34.5kV Adjustment - Retail		
9	Retail 34.5kV Demand	WP1a, L26	570,171 kW
10	Resultant \$/kW Adjustment	L3	\$ 0.86 /kW
11		L9 x L10	\$ 489,885
12			
13	Total FBR Adjustment - Retail	L6 + L11	\$ 2,701,830
14			

III. Apportion the Total FBR Retail Rate Adjustment to Rate Classes

(a)	(b)	(c)	(d)	(e)
Line No.	Rate Schedule	Allocation of Rate Adjustment		
		Total FBR Adjustment ¹	Non-Pass Thru Revenue ²	Rate Component Adjustment Percentage ³
		(\$)	(kWh)	(\$)
1	Residential Service (17-RS)			
2	General Use	1,013,330	18,651,412	5.4%
3	Space Heating	27,147	519,553	5.2%
4	General Service Small (17-GSS)	151,883	2,320,526	6.5%
5	General Service Large (17-GSL)	932,860	17,529,528	5.3%
6	General Service Space Heating	10,563	287,634	3.7%
7	Industrial Service (17-IS)	248,239	4,998,713	5.0%
8	Interruptible Industrial Service (17-INT)	-	-	N.A.
9	Real -Time Pricing (13-RTP)	-	-	N.A.
10	Transmission Level Service (17-STR) ³			N.A.
11	Distribution	118,375	1,698,163	7.0%
12	34.5kV	7,844	28,016	28.0%
11	Municipal Power Service (17-M-I)	3,361	40,679	8.3%
12	Water Pumping Service (17-WP)	50,743	902,112	5.6%
13	Irrigation Service (17-IP-I)	19,516	346,292	5.6%
14	Temporary Service (17-CS)	1,187	15,246	7.8%
15	Lighting	116,780	1,135,393	10.3%
16	Total Retail Rates	-	48,473,267	

¹ See Workpaper 3 for detail. Total FBR adjustment by rate class is the sum of Distribution and 34.5kV adjustments for that class.

² See Work Paper 4. Reflects Revenue by Class less pass thru revenue.

³ The Distribution portion of the FBR Adjustment for the STR class is calculated using only the non-distribution portion of the additional debt service in the Budget Year--see Workpapers 3 and 5.
The 34.5kV portion of the FBR adjustment applies only to 34.5kV STR and is billed on \$/kW, see Workpaper 3.