

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAY 17 2013

by
State Corporation Commission
of Kansas

In the Matter of the Application of Mid-Kansas)
Electric Company, LLC for Approval to Make)
Certain Changes to its Charges for Electric) Docket No. 13-MKEE- 699 -RTS
Services in the Geographic Service Territory)
Served by Southern Pioneer Electric Company.)

PREFILED DIRECT TESTIMONY OF

STEPHEN J. EPPERSON
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SOUTHERN PIONEER ELECTRIC COMPANY

ON BEHALF OF

MID-KANSAS ELECTRIC COMPANY, LLC

May 17, 2013

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Stephen J. Epperson. My business address for legal service is 1850 W.
4 Oklahoma, Ulysses Kansas 67880 and for mail receipt is PO Box 430, Ulysses Kansas
5 67880-0430.

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

7 A. I am the President and Chief Executive Officer of Southern Pioneer Electric Company
8 (“Southern Pioneer”), pursuant to the Services Agreement entered into between Pioneer
9 Electric Cooperative, Inc. (“Pioneer”) and Southern Pioneer on July 7, 2006. Our
10 corporate office is located in Ulysses, Kansas, and our distribution-customer service
11 offices are located in Liberal and Medicine Lodge, Kansas. I am also CEO of Pioneer, a
12 member-owned electric cooperative and 100% owner of Southern Pioneer.

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

14 A. The President and CEO (“CEO”), along with other executive officers and vice presidents,
15 are appointed by the Board of Directors. As the CEO, I work directly for the Board of
16 Directors and am responsible for assisting in establishing policy and rates, implementing
17 strategic programs, , and overseeing the overall operation of Southern Pioneer, all while
18 using generally acceptable industry business practices. As the CEO, I also serve as a
19 Director on the Mid-Kansas Electric Company, LLC (“Mid-Kansas”) Board and work in
20 close cooperation with Mid-Kansas to provide reliable service at reasonable rates for the
21 Mid-Kansas customers that Southern Pioneer services under contract with Mid-Kansas.

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

2 A. The purpose of my testimony is to support the Application of Mid-Kansas and Southern
3 Pioneer under the abbreviated rate case filing requirements of K.A.R. 82-1-231(b)(3)(A)
4 requesting approval to make certain changes to its charges for electric services in the
5 geographic service territory served by Southern Pioneer. Pursuant to Kansas Corporation
6 Commission (“Commission” or “KCC”) approval, Southern Pioneer is seeking recovery
7 of additional debt service costs, including debt coverage, related to debt levels in excess of
8 Southern Pioneer's level of debt existing at the time of its last general rate proceeding in
9 Docket No. 12-MKEE-380-RTS (“the 380 Docket”)¹. Other than the adjustment for debt
10 service coverage, I hereby affirm that Southern Pioneer adopts all regulatory procedures,
11 and principles established by the Commission in the 380 docket. My testimony will
12 provide historical information on the formation of Mid-Kansas and Southern Pioneer;
13 highlight changes to Southern Pioneer’s business structure; and provide copies of
14 Consumer Advisory Council Meeting Minutes as required in the 380 Docket².

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

16 A. I graduated from Ozark Christian College, a cooperative program with Missouri Southern
17 State University, in 1991 with a Bachelors Degree, which included double majors in Bible
18 and Psychology. In 2002, I successfully completed the National Rural Electric
19 Cooperatives’ Management Internship Program through the University of Nebraska at
20 Lincoln, Nebraska. In 2010, I received my Masters of Business Administration from
21 Bradley University.

¹ The level of debt existing at the conclusion of the 380 Docket was identified by the parties as \$90,441,809. See *Joint Motion for Approval of Settlement Agreement*, ¶ 9, (filed May 21, 2012).

² The Commission directed Mid-Kansas to conduct advisory group meetings as provided in the 06-MKEE-524-ACQ Order at least quarterly and submit copies of minutes from these meetings with the Abbreviated Application. See Order approving Settlement Agreement with Modifications, ¶27, E (iii), (filed June 25, 2012).

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

2 A. I was appointed Southern Pioneer's CEO effective January 1, 2011. Prior to that date, I
3 served as the President and CEO at McDonough Power Cooperative located in Macomb,
4 Illinois from July 2006 to December 31, 2010. From August 2001 to July 2006, I served
5 as the Senior Vice President of Northeast Rural Services, Inc., a subsidiary of Northeast
6 Oklahoma Electric Cooperative. I have also served in other capacities, in both the utilities
7 and the private not-for-profit sectors as a business supervisor, consultant, business
8 development director and counselor.

9 **Q. Have you previously presented testimony before the State Corporation Commission**
10 **of the State of Kansas?**

11 A. Yes. I provided prefiled direct and rebuttal testimony in Docket No. 12-MKEE-380-RTS,
12 as well as live testimony in the evidentiary hearing for that docket. I also provided direct
13 testimony in Dockets No. 13-MKEE-447-MIS and 13-MKEE-452-MIS, which are both
14 pending before the Commission.

15 **Q. In addition to your testimony, is Mid-Kansas offering other testimony in support of**
16 **this Application?**

17 A. Yes. Southern Pioneer's Chief Financial Officer Chantry C. Scott has provided a listing
18 of capital projects and associated costs, net of aid in construction, and debt service not
19 included in the 380 Docket; and Mr. Nicholas M. Nelson, a Senior Rate and Financial
20 Analyst at Power System Engineering, Inc. ("PSE"), based on current billing units, has
21 prepared revised tariffs collecting the additional revenue requirement contemplated from
22 the abbreviated filing.

1 **II. MID-KANSAS AND SOUTHERN PIONEER**

2 **Q. Please provide some historical information on Mid-Kansas and Southern Pioneer?**

3 A. In March of 2005, Aquila, Inc. announced its intentions to sell its Kansas electric assets.

4 Five member cooperatives of Sunflower Electric Power Corporation (“Sunflower”) and

5 Southern Pioneer, a wholly owned subsidiary of Pioneer, joined to form Mid-Kansas, a

6 for-profit limited liability company (LLC), which has since converted to a “not-for-profit”

7 LLC, to acquire and serve the former Aquila service territory. Mid-Kansas and Aquila

8 executed an Asset Purchase Agreement dated September 21, 2005. After KCC approval

9 of the Aquila and Mid-Kansas Joint Application in Docket No. 06-MKEE-524-ACQ

10 (“524 Docket”), effective April 1, 2007, Southern Pioneer began to serve and

11 independently operate a designated geographic portion of the certificated territory

12 transferred from Aquila to Mid-Kansas as described earlier.

13 **Q. Please describe the business activities of Southern Pioneer.**

14 A. As a Mid-Kansas member-owner, and pursuant to the July 2, 2007, Electric Customer

15 Service Agreement approved by the Commission on December 21, 2007 in Docket No. 08-

16 MKEE-099-MIS, Southern Pioneer provides retail service to approximately 17,300

17 consumers in 34 communities in the Mid-Kansas Southern Pioneer Division. Southern

18 Pioneer also provides sub-transmission service to 34.5kV sub-transmission users.

19

20 **III.SOUTHERN PIONEER’S BUSINESS STRUCTURE**

21 **Q. Please describe Southern Pioneer’s overall business structure and philosophy in**

22 **servicing the Mid-Kansas Southern Pioneer Division customers and service territory.**

1 A. Unlike any other regulated utility in Kansas, Southern Pioneer does not have individual
2 shareholders. Rather, Southern Pioneer is governed by a Board of Directors that is
3 comprised of cooperative members, who are also residential and or commercial consumers
4 of the not-for-profit entity, Pioneer, and own and operate a commercial business in
5 Southern Pioneer's service area . Like Pioneer, Southern Pioneer's desire is to provide the
6 Mid-Kansas customers with reliable service at a competitive price in order to sustain
7 individual lifestyles and develop or strengthen the regional economy, all while managing
8 long-term risk to the utility and its stakeholders.

9 **Q. Could you please be more specific in describing why Southern Pioneer is unique or**
10 **unlike any other utility in Kansas?**

11 A. In the 524 Docket, the Commission approved the Stipulation and Agreement ("524 S&A")
12 agreed to and presented by the parties that contained a provision whereby Southern Pioneer
13 agreed to operate as a not-for-profit, taxable entity and not remit dividends to its sole
14 shareholder Pioneer without KCC and lender approvals. Since then, and effective February
15 15, 2013, Pioneer as the sole shareholder and Southern Pioneer's Board of Directors took
16 formal action to solidify this agreement and virtual not-for-profit operating practice by
17 amending and restating Southern Pioneer's Articles of Incorporation and Bylaws to convert
18 Southern Pioneer from a for-profit taxable corporation to a not-for-profit taxable corporation
19 with Pioneer as the sole member. I have attached a copy of those documents to my testimony
20 as **Exhibit SJE-1**.

21 **Q. Have these changes, the amended and restated Articles of Incorporation and Bylaws,**
22 **impacted the agreements reached in the 524 S&A, specifically to operate as a not-for-**

1 **profit and not pay dividends without KCC or lender approvals, and if so, please**
2 **explain.**

3 A. Yes, they have impacted the agreement in a positive way by making permanent the term
4 which requires Southern Pioneer to operate as a not-for-profit entity. No longer is any party
5 dependent upon Southern Pioneer choosing to operate as a not-for-profit. Rather, as a legally
6 formed, not-for-profit taxable corporation, Southern is required by law to operate as a not-
7 for-profit and as such, it is forbidden from paying dividends to its sole member, Pioneer. As
8 a result, Southern Pioneer's customers are guaranteed, now and in the future, that the
9 Company has no incentive to generate a rate of return for individual shareholders or to grow
10 excess value in Southern Pioneer at the expense of the Southern Pioneer customers.
11 Southern Pioneer customers are already protected from the possibility that Pioneer might
12 attempt to inappropriately allocate or shift operating costs between Pioneer and Southern
13 Pioneer, because Pioneer guarantees all Southern Pioneer debt and has a compelling interest
14 in strengthening Southern Pioneer to allow it to stand alone without equity support from
15 Pioneer. Southern Pioneer's financial goals are simply to earn adequate margins to meet
16 lender loan covenants, achieve financial targets and cover operating costs and debt service to
17 provide reliable and competitive service. Southern Pioneer works hand-in-hand with Pioneer
18 to eliminate redundant expenses to the benefit of the customers of both companies.

19 **Q. Are you aware of any other public utility company in Kansas that operates as a not-for-**
20 **profit taxable corporation owned by a member-owned cooperative?**

21 A. No, I am not.

1 **IV. CONSUMER ADVISORY COUNCIL**

2 **Q. As part of the Order issued and approving the Settlement Agreement with**
3 **Modifications in the 380 Docket, the Commission directed Mid-Kansas to conduct**
4 **advisory group meetings as provided in the 524 Docket at least quarterly and submit**
5 **copies of minutes from these meetings with the Abbreviated Application. Is that**
6 **correct?**

7 A. Yes, the Commission did.

8 **Q. And did Southern Pioneer on behalf of Mid-Kansas conduct such advisory group**
9 **meetings?**

10 A. Yes

11 **Q. Did Southern Pioneer prepare minutes of these meetings and submit them with the**
12 **application in this docket?**

13 A. Yes, Southern did prepare minutes and they are attached to my testimony as **Exhibit SJE-2**
14 **and Exhibit SJE-3.**

15 **Q. Does this conclude your Direct Testimony?**

16 A. Yes, it does.

KRIS W. KOBACH
Secretary of State



Memorial Hall, 1st Floor
120 S.W. 10th Avenue
Topeka, KS 66612-1594
(785) 296-4564

STATE OF KANSAS

February 15, 2013

KATHLEEN R. LEAL
FOULSTON SIEFKIN LLP ATTORNEYS AT LAW
1551 N. WATERFRONT PARKWAY, SUITE 100
WICHITA, KS 67206-4466

RE: SOUTHERN PIONEER ELECTRIC COMPANY

ID #: 606-510-6

To The Corporation

A certified copy of the amendment that was recently filed in the Corporations Division of our office is enclosed.

Every corporation in Kansas is assigned an identification number. Use of this number in any correspondence with our office will give us immediate access to your file and enable us to offer you faster, more efficient service. Your corporation's identification number is at the top of this letter.

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53-03

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
SOUTHERN PIONEER ELECTRIC COMPANY

(The Corporation was originally incorporated by
 Articles of Incorporation filed with the
 Kansas Secretary of State on December 7, 2005)

IT IS HEREBY CERTIFIED that the following Restated and Amended Articles of Incorporation, which restate and amend the Corporation's Articles of Incorporation, as originally filed, were duly set forth, proposed, approved, declared advisable, and adopted by one or more resolutions duly adopted by the Corporation's Board of Directors, in accordance with the provisions of K.S.A. § 17-6605 and amendments thereto, and the General Corporation Code of the State of Kansas, and that these Restated and Amended Articles of Incorporation constitute all of the Articles of Incorporation of the Corporation and do hereby supersede the Corporation's Articles of Incorporation as originally filed.

ARTICLE I

Name

The name of this Corporation is Southern Pioneer Electric Company (the "Corporation").

ARTICLE II

Registered Office and Resident Agent

The address of the Corporation's registered office in the State of Kansas is 1850 West Oklahoma, Ulysses, Grant County, Kansas 67880. The resident agent at such address is the Corporation.

ARTICLE III

Purposes

This Corporation is organized as a not-for-profit corporation, and the purposes of the Corporation are to:

- A. Provide, in a not-for-profit manner, consistent with Kansas corporation law, electric power to persons located in the Corporation's service area, as it may be revised from time to time; and
- B. Provide other goods and services to persons, regardless of their location, and to engage in any act or activity for which corporations may be organized under the Kansas corporation law, all in a not-for-profit manner.

This Corporation will not be operated for the primary purpose of carrying on a trade or business for profit.

ARTICLE IV

Membership Organization

This Corporation will not have authority to issue capital stock, and all voting powers normally vested in stockholders will be vested in the members of this Corporation. The sole Member of the Corporation will be Pioneer Electric Cooperative, Inc.

ARTICLE V

Board of Directors

A. The business and affairs of the Corporation will be managed and conducted by a Board of Directors ("Board") consisting of not less than 5 and not more than 15 persons, as determined by the Board from time to time.

B. The Board will have full power and authority to manage the Corporation and any and all of its assets, properties, and affairs, including the right to elect such officers and assistant officers and to designate and appoint such agents and employees as the Board deems advisable and to allow them suitable compensation, and will have any and all additional powers and authority, not inconsistent with the express terms of these Articles of Incorporation, that are expressly or impliedly granted to or invested in the Board by the statutes or laws of the State of Kansas, as now in effect and as hereafter amended or modified. Unless otherwise provided in the Bylaws of the Corporation, the election of directors by written ballot will be required only if requested by a member entitled to vote at said election.

ARTICLE VI**Bylaws**

The power to adopt, alter, amend or repeal this Corporation's Bylaws, in whole or in part, at any time and from time to time, will be vested in the Board, subject to the approval of the Member, as provided in the Bylaws.

ARTICLE VII**Perpetual Existence**

The Corporation will have perpetual existence.

ARTICLE VIII**Amendments to Articles of Incorporation**

Pursuant to the alternative method for amending a corporation's Articles of Incorporation provided in K.S.A. § 17-6602(c)(3), as it may be amended from time to time, the Articles of Incorporation of the Corporation may be amended by a vote of the Member of the Corporation and a majority vote of all of the Directors of the Corporation, which vote may occur at a joint meeting of such Member and Directors. In such event, the Board of Directors of the Corporation will not be required to hold two meetings regarding such amendment.

ARTICLE IX**Indemnification; Limitation on Liability**

A. The Corporation will indemnify any Director or officer of the Corporation who was, is, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (collectively a "Proceeding") by reason of the fact that such person is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, trustee, partner, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, to the fullest extent permitted by the Kansas General Corporation Code as now in effect and as hereafter amended. Such right to indemnification will be a contract right and will include the right to be paid by the Corporation for expenses incurred in defending any Proceeding in advance of its final disposition to the fullest extent permitted under the Kansas General Corporation Code as now in effect and as hereafter amended.

B. The rights conferred in paragraph A will not be exclusive of any other right to indemnification which any person may have or hereafter acquire under any statute, bylaw, agreement, contract, resolution of the Board or members of the Corporation, or otherwise.

C. The Corporation may purchase and maintain insurance on behalf of any Director, officer, employee, or agent of the Corporation against any liability asserted against such person and incurred in such capacity, whether or not the Corporation would be obligated to indemnify such person against such liability under the provisions of this Article.

D. No Director of the Corporation will be held personally liable to the Corporation or its members for breach of fiduciary duty as a Director except for liability (i) for any breach of a Director's duty of loyalty to the Corporation or its members, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (iii) for any transaction from which the Director derived an improper personal benefit.

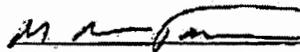
E. Any repeal or modification of this Article will be prospective only and will not adversely affect any right to indemnification or limitation on the personal liability of any person who was entitled thereto at the time of such repeal or modification.

ARTICLE X

Distribution of Assets Upon Dissolution

Upon dissolution of the Corporation, the Board will, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation by distributing them to, or in the manner approved by its Member.

IN WITNESS WHEREOF, I have hereunto subscribed my name at Ulysses, Kansas, on this 23 day of January, 2013, and declare under penalty of perjury under the laws of the State of Kansas that the foregoing is true and correct.


M. Moran Tomson, Secretary



I hereby certify this to be a true and correct copy of the original on file.
Certified on this date: Feb 15, 2013
KRIS W. KOBACH
Secretary of State 

AMENDED AND RESTATED BYLAWS
OF
SOUTHERN PIONEER ELECTRIC COMPANY

ARTICLE I – OFFICES

1.01. Offices and Members.

A. Offices. The registered office of the Corporation will be as set forth in its Articles of Incorporation until changed by the Directors as provided by law. The Corporation may also have such offices, within or without the State of Kansas, as the Board of Directors (“Board”) may determine from time to time is necessary.

B. Members. The Corporation will not have authority to issue capital stock, and except as expressly provided herein, all voting powers normally vested in stockholders will be vested in the Member or Members of the Corporation.

ARTICLE II - SEAL

The Corporation will not be required to have a seal.

ARTICLE III – DIRECTORS

3.01. Powers and Term. In addition to the powers and authorities expressly conferred upon it by these Bylaws and Articles of Incorporation, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not otherwise prohibited by statute, by the Articles of Incorporation, or by these Bylaws. The management of all the affairs, property, and interests of the Corporation will be vested in the Board. Each Director will serve until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, or removal; provided, however, that any Director may at any time, with or without cause, be removed by the Member or by the affirmative vote of a majority of the total number of Members. The Board of Directors may select a Chairperson of the Board.

3.02. Election. Directors will be appointed by the Member or elected by a majority of the Members at any time the Corporation has more than one Member.

3.03. Change of Number. The number of Directors may at any time be increased or decreased by a majority vote of the Board, as limited by the Corporation’s Amended and Restated Articles of Incorporation, but no decrease will have the effect of shortening the term of any incumbent Director.

3.04. Vacancies. All vacancies in the Board, whether caused by resignation, death or otherwise, may be filled by the Corporation as described above. Unless and until all Board member vacancies are filled, any corporate action taken or authorized by a majority of the remaining Directors at a meeting at which a quorum is present, or by the written consent of all remaining Directors who would constitute a quorum if acting at a meeting, will be valid and binding upon the Corporation, regardless of such unfilled vacancies.

3.05. Regular Meetings. Regular meetings of the Board may be held at the registered office of the Corporation or at such other place or places, either within or without the State of Kansas, as the President may from time to time designate. The annual meeting of the Board will be held at the time and place designated by the President.

3.06. Special Meetings. Special meetings of the Board may be called at any time by the President or upon written request by any 2 Directors. Such meetings will be held at the registered office of the Corporation or at such other place or places as the President may designate.

3.07. Notices and Use of Electronic Transmissions.

A. Notice of both regular and special meetings of the members, the Board, and/or committees will be given to the recipient: i) in person at least 2 days in advance of the meeting, ii) by mailing notice to the last known post office address reflected in the Corporation's books and records at least 3 days in advance of the day of the meeting, or iii) by personal delivery, telephone, telegram, or electronic transmission (to the last known address, phone number, electronic mail address, facsimile number, or the like, which is reflected in the Corporation's books and records) at least 2 days in advance of the day of the meeting. For purposes of these Bylaws, the term "electronic transmission" will have the meaning set forth in the Kansas General Corporation Code. Such notice need not specify the business to be transacted at, nor the purpose of the meeting.

B. Any action required or permitted to be taken by the Board or by any committee may be taken without a meeting if all of the members of the Board or of the committee consent in writing or by electronic transmission to the adoption of a resolution authorizing the action. The resolution and the written consents or electronic transmissions by the members of the Board or the committee will be filed with the minutes of the proceeding of the Board or of the committee.

3.08. Quorum. A majority of the entire Board will be necessary and sufficient at all meetings to constitute a quorum for the transaction of business.

3.09. Waiver of Notice. Whenever written notice is required to be given to the members of the Board, a written waiver thereof signed by a Director (whether the written waiver is signed before or after the meeting) will be in all respects tantamount to notice. Attendance in person at any Directors' meeting will for all purposes constitute waiver of notice thereof unless the Director attends the meeting for the sole purpose of objecting to the transaction of any business thereat because the meeting is not lawfully called or convened and unless he or she voices his or her objections at the beginning of the meeting and does not otherwise participate therein

3.10. Conduct of Meetings. The Chairman of the Board or the Vice-Chairman will preside at all meetings of the Board unless unable or unwilling to attend thereat. The President will act in the absence, refusal or inability of the Chairman and the Vice-Chairman to act. The Secretary will act in the absence, refusal or inability of the President to act. Except as otherwise provided in these Bylaws, by applicable law or by resolution of the Board, upon the motion of any Director, duly seconded, all meetings of the Board or of any committee designated by the Board will be conducted in conformity with a copy of Robert's Rules of Order, selected by the Secretary. Directors may not vote by proxy.

3.11. Registering Dissent. A Director who is present at a meeting of the Board at which action on a corporate matter is taken will be presumed to have assented to such action unless the Director makes a clear oral or written dissent or abstention to such action with the person acting as the Secretary of the meeting before the adjournment thereof. Such right to dissent or abstain will not apply to a Director who voted in favor of such action.

3.12. Fees and Compensation. Directors will not receive any compensation for their services as Directors, except as determined by the Board of Directors.

3.13. Committees; Advisory Bodies. The Board may appoint, from time to time, various standing or temporary committees and advisory bodies, panels, or councils, the membership of which may include persons who are not Directors. Committees may be vested with such powers as the Board may determine by resolution passed by a majority of the full Board of Directors, provided however, that no committee will have the authority of the Board with reference to:

- A. Amending, altering, or repealing these Bylaws;
- B. Electing, appointing, filling a vacancy or removing any Director or officer of the Corporation;
- C. Amending the Articles of Incorporation;
- D. Adopting a plan of merger or consolidation with another Corporation;
- E. Authorizing the sale, lease, exchange or mortgage, of all or a substantial amount of the property and assets of the Corporation;
- F. Authorizing the voluntary dissolution of the Corporation; or
- G. Amending, altering, or repealing any resolution of the Board which by its term provides that it will not be amended, altered, or repealed by such committee.

All committees so appointed will prepare and submit to the President a written report of the actions considered and undertaken at their committee meetings, and the President will cause those reports to be recorded in books or kept in files kept for that purpose in the office of the Corporation. The designation of any such committee and the delegation of authority thereto will not relieve the Board of any responsibility imposed by law.

ARTICLE IV – OFFICERS

4.01. Officers and Election Thereof. The officers of the Corporation will be a President, a Secretary, a Treasurer and such other officers and assistant officers, including, but not limited to, one or more Vice-Presidents, as the Board may from time to time deem necessary or advisable. Unless otherwise designated by the Board of Directors, the president of the Corporation will be the chief executive officer of the Corporation. Any number of offices may be held by the same person. Officers will be elected at the annual meeting of the Board. The Board will also be empowered to fill all vacancies in office.

4.02. Term and Removal. Each officer of the Corporation will hold office until the next annual meeting of the Board or until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, or removal; provided, however, that any officer elected by the Board may at any time, with or without cause, be removed by a majority vote of all of the Directors of the Corporation.

4.03. Delegation. If any officer of the Corporation is absent or unable to act and no other person is authorized to act in such officer's place by the provisions of these Bylaws, the Board may from time to time delegate the powers or duties of such officer to any other officer or any Director or any other person it may select.

4.04. Vacancies. Vacancies in any office arising from any cause may be filled by the Board at any regular or special meeting of the Board.

4.05. Compensation of Officers. Officers and other employees of the Corporation will receive such salaries or other compensation as may be determined by resolution of the Board of Directors or duly authorized committee.

ARTICLE V – AMENDMENTS TO ARTICLES AND BYLAWS

The Corporation's Articles of Incorporation and Bylaws may be amended upon a majority vote of all of the Members and Directors of the Corporation.

ARTICLE VI – MISCELLANEOUS

6.01. Securities of Other Corporations. Any officer of the Corporation will have the power and authority to transfer, endorse for transfer, vote, consent, or take any other action with respect to any securities of another issuer that may be held or owned by the Corporation, and to make, execute, and deliver any waiver, proxy, or consent with respect to any such securities.

6.02. Execution of Deeds, Mortgages, Etc. Neither the attestation by the Secretary or reasurer of the Corporation to the execution of any deed, mortgage, deed of trust, indenture, or other instrument executed by the Corporation nor the affixing of a corporate seal thereto will be necessary to constitute such deed, mortgage, deed of trust, indenture, or other instrument a valid and binding

obligation of the Corporation unless the resolution of the Board specifically authorizing the execution thereof expressly states that such attestation or such seal is required.

6.03. Telephone Meetings. Directors and members of any committee may participate in and hold meetings of Directors or of any committee by any means of which all persons participating in the meeting can hear and be heard by all other participants (e.g., through a conference call or webcam meeting) and the same will constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

6.04. Action Without a Meeting. Any action required or permitted by law, by the Articles of Incorporation of the Corporation, or by these Bylaws to be taken at a meeting of the Directors or any committee may be taken without a meeting if unanimous consent in writing setting forth the action so taken is signed by the members of the Board or committee entitled to vote thereat, if, to the extent required by law, such written consent is filed in the Corporation's official minute book containing the minutes of all meetings of the Board. Such consent will have the same force and effect as a vote of such Directors or committee members, as the case may be, at a meeting duly called and held.

6.05. Resignation. Any director, officer, or committee member may resign by so stating at any meeting of the Board or by giving written notice to the Board, the President, or the Secretary. Such resignation will be effective at the time specified therein or, if no such time is stated therein, upon receipt. Unless otherwise specified in the notice of resignation, no acceptance of such resignation will be necessary to make it effective.

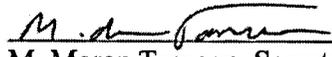
6.06. Conflict of Interest. In the event a conflict of interest or possible conflict of interest develops between any officer or Director and the Corporation, the Board will review the situation and make a determination as to appropriate action pursuant to the Corporation's policy on Conflicts of Interest, as amended from time to time. The Board will determine the appropriate procedures for each situation, but the provisions hereof will not necessarily prohibit any officer or Director from doing business with the Corporation.

6.07. Use of Electronic Transmissions. Any action required or permitted by law, by the Articles of Incorporation of the Corporation, or by these Bylaws to be taken at a meeting of the Members, Directors, or any committee may be taken by use of electronic transmissions to the maximum extent permitted under Kansas Law, and to the extent so taken, copies of such transmissions will be printed and filed in the Corporation's official minute book containing the minutes of all such meetings of the Board. Such actions will have the same force and effect as a vote of such Members, Directors, or committee members, as the case may be, at a meeting duly called and held.

6.08. Headings. All headings and other titles and captions used in these Bylaws are for convenience only and will not be considered in construing or interpreting any provision of these Bylaws.

CERTIFIED AS DULY ADOPTED BY THE BOARD.

Dated: January 23, 2013.



M. Moran Tomson, Secretary

EXHIBIT SJE-2

**SOUTHERN PIONEER ELECTRIC COMPANY
MINUTES OF THE QUARTERLY MEETING OF
THE CONSUMER ADVISORY COUNCIL**

January 22, 2013

INTRODUCTIONS

The first quarterly meeting of the Southern Pioneer Electric Company Consumer Advisory Council was held on Tuesday, January 22, 2013, at Ruffino's Restaurant in Liberal, Kansas, at 11:30 a.m.

Present at the meeting were council members representing various rate classes: Joe Rausch, Tom Walters, Jery Bailey and Joe Denoyer. Absent were: Vick Hannon, Mark Watts, Tim Strickland, Jessie Garetson and Mike Carlile.

Also present at the meeting were Southern Pioneer Electric Company's CEO, Stephen J. Epperson and Melanie Patterson, Executive Assistant.

Steve Epperson opened the meeting by making introductions.

GENERAL INFORMATION

This was the first official meeting of the SPECo Consumer Advisory Council. Since there were only four of the nine council members present and we did not have a quorum, nomination and election of officers was postponed until the next scheduled quarterly meeting. It was discussed and decided that quarterly meetings would be acceptable with those present. We will try to work out a scheduling system that works best for most council members.

Each member present was given a copy of the official Southern Pioneer Electric Company Bylaws for the Consumer Advisory Council for their review. They were also given an

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official Mid-Kansas Electric Service Territory map and a Southern Pioneer Electric, Pioneer Electric Cooperative Territory map, so they would be more familiar with the service territories for each company.

Each member present was also asked to fill out a Federal Form W-9 and expense report, so Southern Pioneer can reimburse council members for mileage and per diems.

MID-KANSAS ELECTRIC & SOUTHERN PIONEER HISTORY

Steve Epperson reviewed the history of Mid-Kansas Electric and Southern Pioneer Electric Company. He explained the reason for the formation of Mid-Kansas Electric, the company that was formed for the purpose of purchasing the Aquila electric properties in Kansas. Those properties were then split between the six electric utilities that formed Mid Kansas (Lane Scott, Southern Pioneer Electric, Prairie Land, Victory, Western and Wheatland). Steve explained the differences in how the companies brought the Aquila customers into their current customer bases and the reasons that Pioneer Electric chose to form a separate company instead of bringing those customers into their current customer base. He explained that Southern is operated as a not-for-profit company, like a cooperative. Steve told the members that the Board of Directors had voted to officially make Southern Pioneer Electric a non-profit entity and the paperwork is in the process of being filed. He then explained that the companies are now working to complete the final spin-down of the customers to each individual company from Mid-Kansas Electric.

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RATES & COMPANY INVESTMENT

Steve then discussed rates, company investment and the current rate related issues being discussed with the Kansas Corporation Commission. He explained the amount of money that Southern Pioneer has invested in our infrastructure in the past five and one-half years and our aggressive work plan for the next four years. A question was asked about wind energy and Steve explained the challenges with wind generation and that currently, there are transmission constraints to distributing the energy.

Steve discussed the current rate cases that we have before the KCC. He explained the formula based DSC Ratemaking proposal that we have before the KCC and the reasons why Southern feels that this would be a better, more fair way to address rate increases than the current process used that always have the companies asking and receiving rate increases that are based on historical information that is one to three years old.

CUSTOMER SERVICE SURVEY RESULTS

Steve then discussed the Customer Service Survey that Southern had conducted this past fall. It was the first survey of this type done at Southern Pioneer since the company was formed in April of 2007. The results were very positive and informative. The members of the council asked if they could receive a copy of the official survey results and those will be provided.

AMI METERING

Steve took a brief moment to discuss the current AMI metering project that both Southern Pioneer and Pioneer Electric are working on. He explained the benefits for the customers and the companies and the members were very impressed and appreciative for the background

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information that will allow them to answer questions regarding these meters. Tom Walters did ask if anyone was going to lose their jobs due to not needing meter readers and he was told that the majority of meter reading was performed by outside contractors and any Southern or Pioneer employees would be reassigned to different jobs in the metering departments.

QUESTIONS & COMMENTS

During the question and comments discussion, Jery Bailey asked about the current electric purchasing issue that is going on between the City of Garden City and Wheatland Electric, and any issues that may occur as a result of the City giving notice. Steve explained what he understood and said the future issues there could be quite difficult for Garden City.

Jery Bailey also asked a question regarding a line extension in Sublette, for the City of Sublette. Steve told him we would investigate the issue and get back to him.

NEXT MEETING

The next Advisory Council Meeting is scheduled for Friday, April 12, 2013.

ADJOURNMENT

The meeting was adjourned at 1:30 p.m.

EXHIBIT SJE-3

SOUTHERN PIONEER ELECTRIC COMPANY MINUTES OF THE QUARTERLY MEETING OF THE CONSUMER ADVISORY COUNCIL

April 12, 2013

INTRODUCTIONS

The quarterly meeting of the Southern Pioneer Electric Company (SPECo) Consumer Advisory Council was held on Friday, April 12, 2013, at Club D'Est, 202 S. Main St., Pratt, KS at 11:30 a.m.

Present at the meeting were council members representing various rate classes: Joe Rausch, Tom Walters, Jery Bailey, Tim Strickland, Joe Denoyer, Mike Carlile, and Jessie Garetson. Absent was: Vick Hannon and Mark Watts.

Also present at the meeting were SPECo's CEO, Stephen J. Epperson and Melanie Patterson, Executive Assistant.

Steve Epperson opened the meeting by making introductions and giving a brief prayer.

GENERAL INFORMATION

Since only four of the nine council members were present at the first meeting, election of officers was postponed. In accordance with the SPECo Consumer Advisory Council Bylaws, the selection of a Chairperson and Vice-Chairperson needed to be addressed. The Chairperson shall preside at all meetings and in their absence, the Vice-Chairperson shall preside. Mike Carlile nominated Joe Denoyer to be the Chairperson and Jery Bailey seconded the nomination. The vote was unanimous and Joe Denoyer will be the Chairperson from now through December 31, 2013. Jerry Bailey then nominated Jessie Garetson to be the Vice-Chairperson and Joe Denoyer seconded the nomination. The vote was unanimous and Jessie Garetson will be the Vice-Chairperson from now through December 31, 2013.

Melanie informed the group that council member Mark Watts from Medicine Lodge has resigned his position on the SPECo Advisory Council effective immediately. He felt that he currently does not have the time to actively participate on the council. This will create a vacancy on the council for a member to represent the Government entities in the Medicine Lodge District.

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The council was asked to please consider the position and submit any suggestions to Melanie so she can present them to the Southern Pioneer Executive Staff for appointment of a replacement.

It was discussed and decided that quarterly meetings would be acceptable with those present. We will try to work out a scheduling system that works best for most council members.

Each member present was given a copy of the official SPECo Bylaws for the Consumer Advisory Council for their review. They were also given official service territory maps for Mid-Kansas Electric Company, LLC (MKEC) and Southern Pioneer Electric-Pioneer Electric Cooperative, Inc., so they would be more familiar with the service territories for each company.

Those members that were not present at the first meeting were asked to fill out a Federal Form W-9 and expense report, so SPECo can reimburse council members for mileage and per diems, as defined in the bylaws.

MID-KANSAS ELECTRIC & SOUTHERN PIONEER HISTORY

Since there were members that were not at the first meeting, Steve Epperson reviewed the history of MKEC and SPECo. He explained the reason for the formation of MKEC, the company that was formed for the purpose of purchasing the Aquila electric properties in Kansas. Those properties were then split between the six electric utilities that formed Mid Kansas (Lane Scott, Southern Pioneer Electric, Prairie Land, Victory, Western and Wheatland). Steve explained the differences in how the companies brought the Aquila customers into their current customer bases and the reasons that Pioneer Electric ("Pioneer") chose to form a separate company, SPECo, instead of bringing those customers into their current customer base. He explained that SPECo is operated as a not-for-profit company, like a cooperative. Steve told the members that the Board of Directors had voted to officially make SPECo a not-for-profit entity and the paperwork was filed with the Secretary of State, effective February 15, 2013. He then explained that the companies are now working to complete the final spin-down of the customers to each individual company from MKEC.

RATES & COMPANY INVESTMENT

Steve then discussed rates, company capital investment and the current rate related issues being discussed with the Kansas Corporation Commission (KCC). He explained the amount of

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money that SPECo has invested in our infrastructure in the past five and one-half years and our aggressive work plan for the next four years. He explained to the members that Pioneer has operated SPECo the same as a not-for-profit company since acquiring the properties, and as previously mentioned, recently filed the official paperwork with the State of Kansas to official list SPECo as a not-for-profit company.

Steve discussed the current rate cases that we have before the KCC. He explained the formula based DSC Ratemaking proposal that we have before the KCC and the reasons why SPECo feels that this would be a better, more fair way to address rate increases than the current process used that always have the companies asking and receiving rate increases that are based on historical information that is one to three years old. It is a pro-active approach to keeping rates current.

CUSTOMER SERVICE SURVEY RESULTS

All members were given a copy of the results of the Customer Service Survey that SPECo had conducted in the fall of 2012. This survey was discussed at the first meeting of the council and members had requested a copy of the results that they could review. If they have questions after they review the results, they can bring them to the next meeting to be discussed.

AMI METERING

Steve took a brief moment to discuss the current AMI (Automatic Meter Infrastructure) project that both SPECo and Pioneer are working on. He explained the benefits for the customers and the companies and the members were very impressed and appreciative for the background information that will allow them to answer questions regarding these meters. Members were encouraged to share this information with others and direct any questions to the local offices in Liberal and Medicine, if additional information is needed. Tim Strickland inquired about what types of interconnection availability consumers will have with our AMI system with regards to monitoring their own use and real-time readings. Steve explained that the system is in its infancy and as applications become available, we will be communicating those

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with our consumers through bill messages and on our website. He told Tim he would get him more information and get back to him.

CUSTOMER SPIN-DOWN

When MKEC purchased the Aquila properties, the five cooperatives and SPECo split up the territories and each took a portion. Even though since April of 2007, each of the cooperatives and SPECO have been operating their portions of those territories, officially the customers still belong to MKEC. The paperwork to officially “spin-down” the customers to the individual utilities has been filed with the KCC.

QUESTIONS & COMMENTS

Steve posed the question to the council members, “What does SPECo need to do to better communicate with our consumers?” Joe Denoyer said to keep information simple and short. Other members said that putting information on the bills, in the local newspapers and on the radio is also good ways to communicate with the public. It was suggested that we hold informational meetings with local Chambers of Commerce, Lion’s Clubs, etc. Steve encouraged members to let people know that he would be happy to come and speak at such meetings and to contact Mel or Brandi to set up meetings on his schedule. Jessie Garetson offered that he sees Pioneer and SPECO as good stewards in their communities and by getting out into the communities with such meetings should be beneficial to the companies and the consumers alike.

Jessie Garetson thanked Steve for the prayer at the beginning of the meeting and for the information provided and all the members agreed that they feel that this council will be beneficial to getting information out to consumers and to bring concerns to the company from the consumers.

NEXT MEETING

The next meeting will be scheduled in the third quarter (July, August, September) of 2013. SPECo will try to schedule meetings on dates that work best of the majority of members. The next meeting will be in the Liberal District as we will try to alternate meetings between the Medicine Lodge and Liberal Districts.

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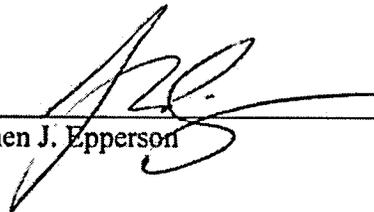
ADJOURNMENT

Joe Denoyer asked for a motion to adjourn the meeting. Mike Carlile moved the meeting be adjourned and Jery Bailey seconded. The meeting was adjourned at 1:30 p.m.

VERIFICATION

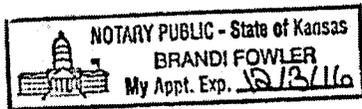
STATE OF KANSAS)
) ss
COUNTY OF GRANT)

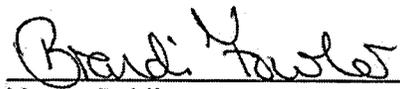
The undersigned, Stephen J. Epperson, upon oath first duly sworn, states that he is an officer of Southern Pioneer Electric Company, and that he has prepared the foregoing testimony, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Stephen J. Epperson

Subscribed and sworn to before me this 26 day of April, 2013.





Notary Public

My appointment expires: 12/3/16