

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Southern Pioneer Electric)
Company's Application for Approval of the) Docket No. 19-SPEE-240-MIS
Continuation of its Debt Service Coverage and 34.5)
kV Formula Based Ratemaking Plans.)

PREFILED DIRECT TESTIMONY OF

RICHARD J. MACKE
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PLANNING
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF
SOUTHERN PIONEER ELECTRIC COMPANY

December 9, 2019

TABLE OF CONTENTS

PART I - QUALIFICATIONS	1
PART II - INTRODUCTION	5
PART III - FBR REGULATION	9
PART IV - REQUESTED FBR PLAN	16
A. TEMPLATE AND PROTOCOLS	16
B. RATE DESIGN	28

TABLES

Table 1 - Initial FBR Plans Results.....	12
Table 2 - Summary of Modified DSC (2014-2018 Median Values) Source: CFC Key Ratio Trend Analysis	23
Table 3 - Southern Pioneer Equity Position <i>As of 12/31/18</i>	25
Table 4 - Distribution Cost of Service by Retail Rate Class.....	30
Table 5 - Transmission Cost of Service by Retail Rate Class	31

EXHIBITS

Exhibit RJM-1	- Formula-Based Rate Template - Blank
Exhibit RJM-2	- Formula-Based Rate Template - Populated for 2017
Exhibit RJM-3	- Formula-Based Rate Protocols
Exhibit RJM-4	- Curriculum Vitae - Richard J. Macke

PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Richard J. Macke. My business address is 10710 Town Square Drive NE, Suite 201, Minneapolis, Minnesota 55449.

Q. What is your profession?

A. I am a Vice President and lead the Economics, Rates, and Business Planning Department at Power System Engineering, Inc. (“PSE”), which is headquartered at 1532 W. Broadway, Madison, Wisconsin 53713.

Q. Please describe the business activities of PSE.

A. PSE is a consulting firm serving electric utilities across the country, but primarily in the Midwest. Our headquarters is in Madison, Wisconsin with regional offices in Indianapolis, Indiana; Topeka, Kansas; Lexington, Kentucky; Minneapolis, Minnesota; Marietta, Ohio; and Sioux Falls, South Dakota. 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; economic feasibility studies; merger and acquisition feasibility analysis; load forecasting; financial and operating consultation; telecommunication and network design, mapping/GIS; and system automation including Supervisory Control and Data Acquisition (“SCADA”), Demand Side Management (“DSM”), metering, and outage management systems.

1 **Q. Please describe your responsibilities with PSE.**

2 A. I lead and direct staff in Indiana, Kansas, Minnesota, and Wisconsin who provide economic,
3 financial, and rate-related consulting services to investor-owned, cooperative and municipal
4 utilities as well as regulators and industry associations. These services include:

- 5 • Cost of Service Studies
- 6 • Capital Credit Allocations
- 7 • Demand Response Studies
- 8 • Distributed Generation Rates
- 9 • Financial Forecasting
- Large Power Contract Rates/Proposals
- Line Extension Policies/Charges
- Load Forecasting
- Merger and Acquisition Analysis
- Pole Attachment Charges
- Policy and Board Audits
- Power Cost Adjustments
- Rate Consolidation
- Retail Rate Design and Analysis
- Wholesale Rate Design
- Special Fees and Charges
- Statistical Benchmarking

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

12 A. I graduated from Bethel University in St. Paul, Minnesota in 1996 with a Bachelor of Arts
13 degree in Business, which included an emphasis in Finance and Marketing. In 2007, I received
14 my Master of Business Administration degree, with an emphasis in Finance and Strategic
15 Management, from the University of Minnesota in Minneapolis, Minnesota. I have also
16 attended numerous industry seminars/courses on cost of service, pricing, valuation, distributed
17 generation, etc.

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

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

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

7 I rejoined PSE in 1999, and from 1999 to 2002, I held the position of Rate and Financial
8 Analyst in the Rates and Financial Planning Department. From 2002 to March 2008, I held
9 the position of Senior Rate and Financial Analyst in the Utility Planning and Rate Division.
10 My responsibilities have included performing complex financial analyses, such as rate studies
11 consisting of determination of revenue requirements, bundled and unbundled COS analysis,
12 and rate design. Other responsibilities included performing analysis of special rates and
13 programs, key account analyses, financial forecasting, merger and acquisition analysis,
14 activity-based costing, policy development and evaluation, and other financial analyses for
15 various PSE clients. Additional responsibilities included strategic planning, litigation support,
16 regulatory compliance, capital expenditure and operational assessments, and advisement.
17 From April 2008 to June 2010, I held the position of Leader, Rates and Financial Planning. In
18 July 2010, I was named Vice President, Rates and Financial Planning. Since June 2011, I have
19 held the position of Vice President, Economics, Rates, and Business Planning. In this capacity,
20 I continue to provide, amongst other things: 1) rate, financial, and economic consulting
21 services to clients, 2) management and leadership to the Economics, Rates, and Business
22 Planning Department, and 3) management and leadership at the corporate level to PSE through
23 participation on the Executive Committee and Board of Directors.

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

3 A. Yes. I submitted testimony on behalf of: Pioneer Electric Cooperative, Inc. in Docket No. 09-
4 PNRE-563-RTS; Wheatland Electric Cooperative, Inc. in Docket No. 09-WHLE-681-RTS;
5 Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in Docket Nos. 09-MKEE-969-RTS, 11-
6 MKEE-439-RTS, 12-MKEE-491-RTS, 12-MKEE-380-RTS, 13-MKEE-452-MIS, and 16-
7 MKEE-023-TAR; Southern Pioneer Electric Company (“Southern Pioneer”) in Docket Nos.
8 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-519-RTS, 16-SPEE-497-RTS, 16-SPEE-
9 501-TAR, 17-SPEE-476-TAR, 18-SPEE-477-RTS, and 20-SPEE-169-RTS; Prairie Land
10 Electric Cooperative, Inc. in Docket No. 16-PLCE-490-TAR; Victory Electric Cooperative
11 Association, Inc. in Docket No. 16-VICE-494-TAR; and Western Cooperative Electric
12 Association in Docket No. 16-WSTE-496-TAR.

13 **Q. Do you have any other relevant experience?**

14 A. Yes. I have directed well over 100 rate and COS studies and numerous other rate and financial
15 related projects. Many times, these projects were conducted for self-regulated electric utilities.
16 I have also performed such analyses for state-regulated cooperatives in Iowa, Kansas,
17 Kentucky, Michigan, Minnesota, New Hampshire, and Texas.

18 I have conducted seminars and made presentations to utilities, consumers, and industry
19 groups on a variety of topics including: COS, rate design, rate change communications, line
20 extension policies, mergers and acquisitions, DSM pilot programs, conservation and energy
21 efficiency, distributed generation rates, and industry trends.

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PART II - INTRODUCTION

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 Formula Based Ratemaking (“FBR”) Plan. 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 rates would be adjusted using the FBR that is requested by Southern Pioneer?

A. The FBR would be used to adjust the retail and wholesale Local Access Delivery Service (“LADS”) rates.

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

A. The Commission had previously approved two separate FBR plans for Southern Pioneer. The Debt Service Coverage Formula Based Rate Pilot Plan (“DSC FBR Plan”) was a five (5) year plan that was designed to allow Southern Pioneer to annually adjust its retail rates for distribution level service and was approved by the Commission in Docket No. 13-MKEE-452-MIS (“13-452 Docket”). The 34.5kV FBR Plan, approved in Docket No. 16-MKEE-023-TAR (“16-023 Docket”), was a three (3) year FBR plan that adjusted both retail and wholesale rates for changes in the cost of providing service over Southern Pioneer’s 34.5kV sub-transmission system.¹ The annual updates to both these initial FBR plans were reviewed and approved by the Commission and intervenors in subsequent Docket Nos. 14-SPEE-507-RTS, 15-SPEE-

¹ See Order Approving Non-Unanimous Settlement (issued September 26, 2013 in the 13-452 Docket); Order Approving Settlement (issued March 10, 2016 in the 16-023 Docket), and Order Granting Petition for Clarification (issued April 26, 2016 in the 16-023 Docket). In the 16-023 Docket, the Commission also approved five (5) year 34.5kV FBRs plans for three other electric distribution cooperatives, namely, Prairie Land, Victory, and Western. The reason Southern Pioneer’s 34.5kV FBR Plan was approved for a 3-year vs 5-year term was to synchronize it with the existing 5-year DSC-FBR Plan which began 2 years prior.

1 519-RTS, 16-SPEE-497-RTS, 16-SPEE-501-TAR, 17-SPEE-476-TAR, and 18-SPEE-477-
2 RTS.

3 Because both of the previous Commission-approved FBR plans were for a set number of years,
4 and that time has now elapsed, Southern Pioneer is requesting that the Commission approve
5 its application to continue them on a combined basis in one FBR Plan.²

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

8 A. Like the Initial FBR Plans approved by the Commission for Southern Pioneer, the requested
9 FBR Plan would use a predetermined formula to calculate the Debt Service Coverage (DSC)
10 ratio of Southern Pioneer and compare it against a predetermined DSC target. If the result is
11 a DSC that is beneath the target, then a rate increase would be implemented. If the result is a
12 DSC above the target, then a rate decrease would be implemented.

13 **Q. What is the DSC ratio?**

14 A. The DSC ratio is a financial ratio used to assess the ability of a firm to pay its debt obligations.
15 A high ratio means that the firm can pay its debt obligations relatively easily, while a low ratio
16 suggests that the firm's ability to pay its debt obligations is potentially at risk. Below is a very
17 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

21 In this example, the firm has income to pay its debt service twice.
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24 ² For simplicity, I will refer to the previous "DSC FBR Pilot Plan" and the "34.5kV FBR Plan" together as the "Initial
25 FBR Plans" and the combined plan proposed in this Application as the "FBR Plan".

1 **Q. How does the FBR Plan proposed by Southern Pioneer in the instant docket differ from**
2 **its Initial FBR Plans?**

3 A. The main differences are as follows:

- 4 • As noted above, the prior DSC FBR Plan and 34.5kV FBR Plan were separate and had
5 separate formula templates. The FBR Plan as proposed in the instant Docket combines the
6 two separate formula templates into a single template. This will be simpler versus having
7 two formula rates to complete, file, audit, and approve.

8 Importantly, while there will be one formula template, the revenue requirements
9 and rate adjustments will still be determined separately for distribution and 34.5kV sub-
10 transmission systems as is necessary. In this way, the wholesale LADS rate adjustment is
11 still determined based upon the cost of providing service over Southern Pioneer's 34.5kV
12 system while the retail rate adjustments will include adjustments for 34.5kV service and
13 distribution service.

- 14 • Southern Pioneer proposes to lower its margin target from the 1.75 Modified DSC used in
15 the Initial FBR Plans to a 1.6 Modified DSC.
- 16 • Any revenue adjustments determined by the FBR Plan applicable to retail rates will be
17 allocated to the retail rate classes based on the Test Year 2017 Class Cost of Service Study
18 ("CCOSS") rather than the 2010 Test Year CCOSS.³ Additionally, the distribution and
19 transmission cost allocations from the CCOSS will be used to apportion revenue
20 adjustments to the rate classes rather than the prior approach of using base revenues by rate
21 class.

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24 ³ The updated CCOS analysis based on 2017 Test Year has been filed in Docket No. 20-SPEE-169-RTS on October
25 10, 2019. (See Exhibit PSE-4, attached to the prefiled Direct Testimony of Richard J. Macke).

- 1 • Finally, where the prior DSC FBR Plan had a mechanism that may limit revenue
2 adjustments based upon the equity ratio of Southern Pioneer, this mechanism would be
3 removed.

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

5 A. No. The request is for approval of a DSC driven FBR Plan that would be used in the future,
6 to determine the rates for Southern Pioneer. Any future rate change would remain subject to
7 the review and approval of the Commission. The first FBR Plan annual filing will occur in
8 2021. Each year thereafter Southern Pioneer will make an FBR Plan annual filing.

9 **Q. What is Southern Pioneer requesting the Commission approve in its Application in this**
10 **docket?**

11 A. Southern Pioneer requests the Commission approve the future use of the FBR Plan for its retail
12 and wholesale LADS rates in accordance with the template and protocols that have been
13 developed and are included as exhibits to my direct testimony. The FBR template is provided
14 both as a blank template and populated with actual 2017 year-end data with supporting
15 information to demonstrate the workings.

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

17 A. The Initial FBR Plans have proven successful over the past 3 and 5 years. The initial objectives
18 of the plans were to implement a cost-effective regulatory approach for Southern Pioneer and
19 its customers that provides: (1) assurance of reasonable rates, (2) continued improvement and
20 stabilizing of Southern Pioneer's financial condition, and (3) financial flexibility needed to
21 fund plant investments related to economic development in the area. It provided for a method
22 of periodically, gradually, and cost-effectively adjusting Southern Pioneer rates.

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1 I believe that the Initial FBR Plans have proved the viability and benefits of this ratemaking
2 approach for Southern Pioneer - that the intended objectives have been achieved, and that the
3 Commission can continue this ratemaking approach for Southern Pioneer.

4 **Q. Are you sponsoring any exhibits?**

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

- 6 Exhibit RJM-1 - Formula-Based Rate Template - Blank
7 Exhibit RJM-2 - Formula-Based Rate Template - Populated for 2017
8 Exhibit RJM-3 - Formula-Based Rate Protocols
9 Exhibit RJM-4 - Curriculum Vitae - Richard J. Macke

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

11 A. Yes.

12 **PART III - FBR REGULATION**

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

15 A. As discussed above in my testimony and in the direct testimony of Southern Pioneer's CFO,
16 Mr. Chantry Scott, the Initial FBR Plans were successful. During the initial 5-years, the
17 mechanisms delivered on the goals and objectives for which they were requested by Southern
18 Pioneer and approved by the Commission.

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

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1 **Q. With regard to gradual rate adjustments, please summarize the annual rate adjustments**
2 **that were approved by the Commission during the years that the DSC FBR and 34.5kV**
3 **FBR Plans were in place.**

4 A. The revenue adjustments implemented by the Initial FBR Plans are as follows:

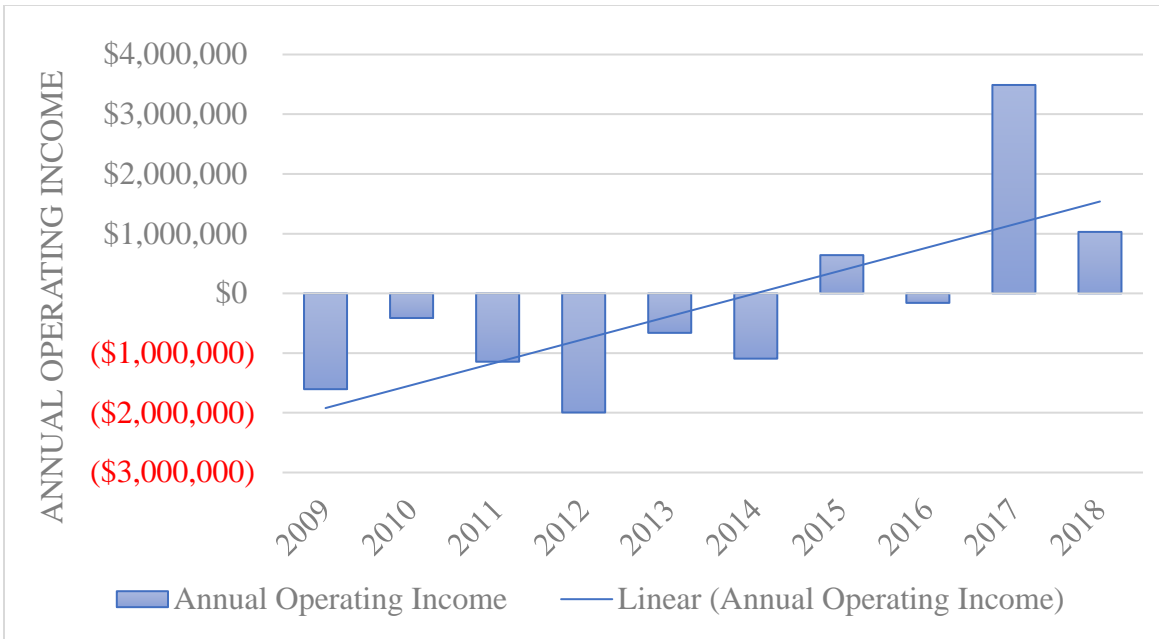
Filing Year	Revenue Adjustment
2014	-0.78%
2015	1.32%
2016	1.16%
2017	-0.52%
2018	2.09%
Average	0.65%

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14 **Q. Please summarize how the financial condition of Southern Pioneer has gradually**
15 **improved during the time that the Initial FBR Plans were in place.**

16 A. Prior to implementation of the DSC FBR mid-year 2014, Southern Pioneer was
17 experiencing significant negative operating income. Since the implementation of the FBR
18 Plans, Southern Pioneer's operating income has gradually improved. Please reference the
19 chart below for a history of Southern Pioneer's operating margins from 2009-2018.

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Clearly, the improvement in Southern Pioneer’s operating income has been gradual and so have the revenue adjustments, averaging less than 1% per year over the 5-year period the Initial FBR Plans were in effect, with two of the five years resulting in rate decreases.

The table below provides additional metrics such as the DSC and Equity ratios achieved by Southern Pioneer. As the Commission can see, prior to implementing the Initial FBR Plans in 2014, Southern Pioneer had negative equity in its capital structure. This is a condition that historically has not been considered acceptable for a utility company by this Commission. While the 2018 level of 15.24% equity is still far short of a balanced capital structure for a utility company, it is a definite improvement over where the company was 5 years ago.

Table 1
Initial FBR Plans Results

Time Period		DSC			Equity Ratio			
FBR Filing Year	Corresponding Test Year	Target DSC	Achieved CY DSC ¹	Required Minimum	Achieved CY Total Equity ¹	Required Minimum	Achieved CY Distr. Equity ²	FBR Rate Change ³
<i>prior to Pilot</i>	2012		0.95	1.35	-1.56%	0.00%	-9.04%	
	2014	1.75	1.48	1.35	1.59%	2.00%	-6.98%	-0.78%
	2015	1.75	1.49	1.35	3.27%	2.00%	-7.78%	1.32%
	2016	1.75	1.63	1.35	5.41%	5.00%	-5.38%	1.16%
	2017	1.75	1.68	1.35	8.75%	5.00%	-4.86%	-0.52%
	2018	1.75	1.59	1.35	12.49%	8.00%	-2.10%	2.09%
<i>end of Pilot</i>	2018		1.71	1.35	15.24%	8.00%	-0.04%	
	2019					11.00%		
	2020					15.00%		

¹ Reflecting calendar year unadjusted results for the Test Year.
² Excludes the investment in Associated Organizations (mainly Mid-Kansas and some CoBank patronage and membership).
³ Rate change for 2015-2017 Test Years includes net change from DSC-FBR and 34.5kV FBR.

Q. During the period of 2014-2018 did the Initial FBR Plans demonstrate an efficient level of regulatory costs?

A. Yes. It is difficult to estimate what costs Southern Pioneer would have incurred during that period were it not for the Initial FBR Plans or what it would incur in the future. However, the costs incurred for the annual filings were very reasonable in my opinion, based upon my experience.

For reference, Southern Pioneer’s last full rate application prior to the initiation of the Initial FBR Plans was in Docket No. 12-MKEE-380-RTS (“12-380 Docket”). In that traditional rate application, Southern Pioneer incurred costs of over \$400,000 for consulting and legal fees, and KCC and Citizens’ Utility Ratepayer Board (“CURB”) assessed costs. It should be noted that these costs, in addition to internal Southern Pioneer staff time and related expenses (which are not part of the \$400,000), are ultimately borne by customers. The cost and resource strain of making a full rate application is significant for a not-for-

1 profit utility the size of Southern Pioneer, which has approximately 17,000 customers and
2 44 full-time employees.

3 Traditional rate applications like in the 12-380 Docket are very costly and burdensome
4 due to the complexity and process of a rate application which includes:

- 5 1. Multiple rounds of expert testimony by the applicant, intervenors, and Staff.
- 6 2. Substantial analytical modeling by the applicant and its experts, along with
7 intervenors and Staff.
- 8 3. Multiple rounds of discovery involving the applicant, intervenors, and Staff.
- 9 4. Substantial auditing requirements due to the adjustments typically requested.

10 In addition, such dockets usually take 240 days to complete, delaying implementation
11 of necessary revenue adjustments during that time, which delays the goal of improving
12 financial stability for Southern Pioneer.

13 In contrast, the FBR Plan utilizes a pre-established template and protocols and requires
14 much less consulting, legal, Staff and CURB costs. The FBR Plans use standard year-end
15 financial reports and include very few adjustments, so the audit by Staff and CURB is much
16 less burdensome and costly. The need for and cost related to discovery and multiple rounds
17 of testimony is significantly reduced since the support information is clearly identified in
18 the agreed to template and protocols and is provided with the annual filing. Importantly,
19 the average time from filing the application in the Initial FBR Plans until receiving an Order
20 from the Commission was 90 days as compared to 240 days, thus allowing for more timely
21 rate adjustments. It was because of this expectation of less lag that the Initial FBR Plans
22 utilized a lower margin/return requirement than had been previously used in traditional rate
23 applications – an expectation that was realized.

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1 Southern Pioneer’s experience with the Initial FBR Plans over the past 5 years bears out
2 the cost advantages over the traditional full rate application approach. Below are the costs
3 incurred by Southern Pioneer from each annual update filing for the Initial FBR Plans. The
4 costs, which include KCC and CURB assessments as well as legal and consulting fees, were
5 significantly lower than the amounts spent on the last full rate case in the 12-380 Docket.
6 In fact, the sum of all the amounts over the 5 years are less than the \$400,000 amount
7 associated with a single rate case filing in the 12-380 Docket.

Filing Year	Expenses Incurred
2014	\$102,349
2015	\$37,963
2016	\$42,726
2017	\$36,232
2018	\$36,637
Total	\$255,907
12-380 Docket	\$400,619
Difference	-\$144,712

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15 It’s noteworthy that the first year of the annual filing took considerably more effort than
16 the remaining 4 years. This was due to working through the template and protocols the first
17 time for all parties involved. The costs from legal, consultants, and Staff were all at least
18 twice as much in the first year as the other years. Starting in 2015 and through 2018, the
19 annual cost averaged only \$38,400 which is less than 10% of the 12-380 Docket cost of
20 about \$400,000.⁴

21 **Q. How would implementation of the requested FBR Plan reduce regulatory lag?**

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24 ⁴ The referenced costs are actually somewhat understated because they do not include the internal costs of Southern
25 Pioneer for staff time and other resources allocated to the proceedings.

1 A. As mentioned above, a traditional rate application is subject to a 240-day suspension. In
2 addition, the application is normally prepared using the audited financials from the most
3 recent year, which are generally not available until late April. Add to that the time it takes
4 to prepare the analysis, testimony and application, the regulatory lag between the end of the
5 historical test year and the date of the expected order can easily be 420 to 480 days (14 to
6 16 months). For example, the 12-380 Docket rate application was filed using 2010 year-
7 end results. The Commission order was issued June 25, 2012. From the end of the test year
8 to the date of the order was 535 days.

9 The experience with the FBR Plans' annual filings demonstrates a significant reduction
10 in the time requirements. These annual filings were made by May 1 each year with a
11 Commission Order in July and rate changes implemented as early as August of each year.

12 **Q. Did the Initial FBR Plans provide for adequate control and regulatory oversight?**

13 A. Yes. I believe that the Initial FBR Plans have demonstrated that adequate control and
14 regulatory oversight is preserved using this ratemaking mechanism. The Initial FBR Plans'
15 templates and protocols were thoroughly evaluated and were approved by the Commission
16 in the 13-452 Docket and 16-023 Docket. Subsequent Initial FBR Plan annual filings and
17 resulting rate changes were fully reviewed by all parties and were subject to the
18 Commission's approval. The same is the case for the requested continuation of the FBR
19 Plan in the instant docket. When each annual filing is made, all parties will continue to have
20 an opportunity to review the filing along with all supporting information prescribed by the
21 protocols. They will continue to have an opportunity to submit questions and to participate
22 in a technical conference, again per the protocols. This process has worked well during the
23 Initial FBR Plans and Southern Pioneer is not requesting any changes to the review and
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1 oversight accommodations or process in the requested continuance of the FBR Plan.

2 **Q. Did the Initial FBR Plans allow interested parties to intervene in the dockets and is**
3 **Southern Pioneer proposing any changes in this regard in its request to continue the**
4 **FBR Plan?**

5 A. The Initial FBR Plans allowed for intervenors. Southern Pioneer recognizes that an
6 interested entity can request intervention in a proceeding before the Commission and that
7 Southern Pioneer has the right to object to such intervention based upon the facts and
8 circumstances of the case. My experience is that all parties requesting participation have
9 been given adequate opportunity to be involved, submit questions, participate in the
10 technical conference and other aspects of the proceeding. Interested entities would still have
11 the right to request intervention in the annual FBR Plan filings.

12
13 **PART IV - REQUESTED FBR PLAN**

14 **A. Template and Protocols**

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

16 A. The FBR Plan being requested is largely the same as the Initial FBR Plans that have recently
17 concluded. The requested FBR Plan would, like the Initial Plans, be used to determine the
18 adequacy of rates to recover Southern Pioneer's revenue requirement. In particular, and on an
19 annual basis, the FBR Plan will determine the DSC ratio for Southern Pioneer. If the DSC is
20 determined to be below or above the "target", the annual filing will include a proposed rate
21 adjustment to bring the DSC back to its targeted level.

22 The FBR Plan will follow the above approach for both distribution service and for 34.5kV
23 service. In the Initial FBR Plans, there was a separate FBR for distribution versus 34.5kV
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1 service. As previously discussed, the FBR Plan being requested will combine these into one
2 FBR, however, each will be separately evaluated and there will be a revenue adjustment
3 established for each.

4 **Q. Please summarize the procedural schedule being requested as part of the FBR Plan**
5 **protocols.**

6 A. The procedural schedule being requested is the same as that used in the previous FBR 34.5 kV
7 Plan.⁵ Please reference the schedule below.

8 Day 1 Day After Filing Day, with Filing Date being on or before May 1.

9 Day 40-45 A one-day Technical Conference will be set during this time, if
10 necessary.

11 Day 50-55 A status telephone conference call will be set during this time.

12 Day 60 Staff and Intervenors complete the review of the Annual Update and
13 Staff files a Report and Recommendation or, if necessary, Staff
14 and/or Intervenors file testimony as outlined hereafter.

15 Day 75 Southern Pioneer files rebuttal testimony, if necessary.

16 Day 90 Commission Order either approving the rate adjustments based upon
17 the paper record or notifying the parties that an evidentiary hearing
18 will be held.

19 Day 95-99 A one-day evidentiary hearing will be set during this time in case it
20 is needed based upon the Commission's 90-day Order.

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

22 The details for this process are addressed in the Protocols attached as Exhibit RJM-3.

23
24 ⁵ Specifically, it matches 34.5kV FBR Plan Protocols.
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1 **Q. Has the Commission previously approved of this procedural schedule for implementing**
2 **an FBR regulatory approach for Southern Pioneer?**

3 A. Yes. In the same dockets approving the Initial FBR Plans (13-452 Docket and 16-023 Docket),
4 a 120-day schedule was approved. In particular, the above procedural schedule was approved
5 in the 16-023 Docket and has been used efficiently and successfully since then.

6 **Q. Please explain how the requested FBR Plan calculation works.**

7 A. By May 1 of each year, Southern Pioneer will complete the formula worksheet template as
8 provided in the attached Exhibit RJM-1 and make its annual filing with the Commission. The
9 template will be populated with financial and operating data from Southern Pioneer's most
10 recent year-end Form 7, Trial Balance and budget.

11 The major components of the calculation, which are shown in more detail in Exhibit RJM-
12 1, are summarized as follows:

- 13 A. Statement of Operations
- 14 B. Debt Service Payments
- 15 C. Debt Service Margins
- 16 D. Debt Service Coverage
- 17 E. Operating Income Adjustments

18 **Q. Will any adjustments be made to the actual results or performance in completing the**
19 **above steps?**

20 A. Yes. The template pre-defines and limits the adjustments to the Form 7 data in order to achieve
21 the goals of the FBR Plan. The following adjustments will be made.

22 Operating Revenue and Patronage Capital: An adjustment will be made to annualize any
23 rate changes implemented during the year being evaluated. This is necessary to avoid
24
25

1 pancaking rate increases. For distribution system revenue requirement, the adjustment will
2 be made based on rate change per annual energy sales (\$/kWh) multiplied by the actual
3 energy sales (kWh) prior to the retail rate change implementation. For 34.5kV sub-
4 transmission system revenue requirement, the adjustment will be made based on LADS
5 rate change per annual billing demand (\$/kW) multiplied by the actual billing demand (kW)
6 prior to the LADS rate change implementation.

7 Tax Expense - Other: An adjustment will be made to remove non-cash deferred income tax
8 expense from the test year. This adjustment is consistent with the Initial FBR Plans and
9 was included therein in order to align with CoBank's calculation of the DSC.⁶ If CoBank's
10 calculation changes in this regard, the FBR Plan calculation would likewise need to change.

11 Debt Service: The actual debt service payments (principal and interest) in the test year will
12 be adjusted to the budgeted amounts.

13 Debt Service Margins: An adjustment will be made to add back non-cash expenses in order
14 to make the DSC calculation consistent with the application of the CoBank loan covenants.

15 **Q. Are you recommending a true-up be made to reconcile the projected debt service**
16 **payments to actual?**

17 A. Yes. Each filing will include a re-calculation of the DSC using the actual annual debt service
18 payments and will compare the operating income adjustment resulting from such calculation
19 to that which was previously implemented when the DSC was initially calculated using the
20 budget annual debt service payments. The difference, either positive or negative, will be
21 included ad a true-up adjustment in the current year's filing.

24 ⁶ CoBank is Southern Pioneer's creditor for 100% of its outstanding debt.

1 **Q. The FBR Plan will include the total Southern Pioneer system, i.e. both distribution and**
2 **34.5kV systems which were previously evaluated separately in the Initial FBR Plans. Will**
3 **the requested FBR Plan continue to evaluate the distribution and 34.5kV systems**
4 **separately, and if so, how?**

5 A. Yes. The requested FBR Plan will include both and will establish revenue adjustments for
6 both. The FBR Plan will first develop the adjusted Historical Test Year results as per the
7 process and adjustments described above. Then, the FBR Plan will allocate or assign the
8 revenues and costs between distribution and 34.5kV and each has a separate column in the
9 template (reference Exhibit RJM-1 or Exhibit RJM-2). The allocation methodology is
10 described in Exhibit RJM-3, Section F.2, titled “Allocation Between 34.5kV and Distribution.”
11 The FBR Plan allocation “mimics” how the separate Initial FBR Plans established the
12 distribution versus 34.5kV revenue requirements and operating income adjustments.

13 **Q. Have you included a template and protocols for the requested FBR Plan filing?**

14 A. Yes. I have included a working template of the assessment/calculation that would be made
15 and filed annually. This is provided as a blank template in Exhibit RJM-1 and populated with
16 2017 data in Exhibit RJM-2. Exhibit RJM-3 provides a description of the protocols for the
17 FBR Plan.

18 **Q. What DSC target will apply to Southern Pioneer under the FBR Plan?**

19 A. Southern Pioneer is proposing to utilize a 1.6 DSC in the requested FBR Plan.

20 **Q. Is this the same DSC target that was used in the previous FBR Plans?**

21 A. No. The DSC used in the Initial FBR Plans was 1.75. The explanation and rationale for
22 Southern Pioneer proposing to reduce the DSC target from the Initial FBR Plans is provided
23 in the direct testimony of Southern Pioneer witness, Mr. Chantry Scott.

24

25

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

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

10 **Q. For purposes of the FBR Plan, how are you recommending to define and calculate DSC?**

11 A. It will be defined and calculated consistent with CoBank's, definitions, as it was in the Initial
12 FBR Plans. As evidenced in the loan contract between Southern Pioneer and CoBank, the
13 Debt Service Coverage Ratio is defined as follows:

14 **"Debt Service Coverage Ratio"** means the ratio of: (a) net income (after taxes and after
15 eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus
16 depreciation expense, amortization expense, and interest expense, non-cash tax expense,
17 and other non-cash expenses (such as actuarial pension expenses) minus non-cash
18 patronage, and non-cash income from joint ventures, and cash tax expense; to (b) all
19 principal payments due within the period on all Long-Term Debt ... plus interest expense
20 (all as calculated on a consolidated basis for the applicable period in accordance with the
21 Accounting Standards).

22 Substantively, this is the same as the definition approved by the Commission in Southern
23 Pioneer's last full rate case filed in the 12-380 Docket and in the Initial FBR Plans.

24 **Q. What is the minimum DSC that CoBank requires of Southern Pioneer?**

25 A. Beginning third quarter 2013, CoBank's minimum DSC requirement is 1.35. Please reference
the following:

1 **“7.1 Debt Service Coverage Ratio.** The Borrower and its consolidated subsidiaries,
2 if any, will have at the end of each fiscal year of the Borrower, a Debt Service Coverage
3 Ratio...for such year of not less than 1.35 to 1.00, on both a consolidated and
4 unconsolidated basis.”

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

7 A. Yes. This has been recognized in prior rate applications and in the Commission’s approval of
8 the Initial FBR Plans previously in place. As was the case then, it is necessary to build in some
9 “buffer” to ensure positive operating margins are produced and to deal with contingencies such
10 as variability in sales and unexpected costs. Table 1 above demonstrated that, even though the
11 Initial FBR Plans were based upon targeting a 1.75 DSC, Southern Pioneer never did achieve
12 a 1.75 DSC. The closest was 1.68 DSC in 2017. A primary reason for this is that the Initial
13 DSC Plans (and the FBR Plan requested in the instant docket) utilize prior year information
14 and the adjustments are not implemented until approximately August of each year. That is,
15 there is still lag, even if that lag is reduced by the FBR Plan versus a traditional rate application.
16 Ultimately, the DSC buffer over the minimum requirement will facilitate improvement of
17 Southern Pioneer’s capital structure (i.e., equity ratio) to meet the standards of its lender,
18 stabilize its financial condition, and allow the guarantee currently required of Pioneer Electric
19 to be lifted eventually.

20 In terms of DSC benchmarks, the following Table 4 provides information on the national
21 and state median DSC ratios in the most recent five years as available from the National Rural
22 Utilities Cooperative Finance Corporation (“CFC”) for its electric cooperative borrowers.
23
24
25

Table 2 Summary of DSC (2014-2018 Median Values) <i>Source: CFC Key Ratio Trend Analysis</i>		
Year	National	Kansas
2014	1.82	1.80
2015	1.82	1.74
2016	1.83	1.51
2017	1.82	1.65
2018	1.92	1.75
<i>Avg.</i>	<i>1.84</i>	<i>1.69</i>

As can be seen in the above table, the median DSC in Kansas has recently ranged from 1.51 to 1.80, with an average of 1.69. It should be noted that, similar to CoBank, CFC also requires 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 about 0.34 (1.69 - 1.35). The cushion in Southern Pioneer’s request for a 1.6 DSC used in conjunction with the FBR Plan is only 0.25.

Q. Is it possible that Southern Pioneer could meet its minimum 1.35 DSC with CoBank while operating at negative operating income?

A. Yes, in fact this happened in 2009-2013, and in 2014 and 2016. This is evidence that simply achieving the minimum DSC cannot be relied upon to indicate the adequacy of rates for Southern Pioneer.

Q. You mentioned that targeting a DSC in excess of the minimum loan covenant is needed to improve the capital structure of Southern Pioneer. What is Southern Pioneer’s capital structure?

A. Using 2018 year-end financial statements, I have summarized in Table 3 Southern Pioneer’s

1 equity ratio as a percent of total assets. This has been prepared using the margins and equities
2 as stated on the balance sheet and excluding its investment/equity in associated organizations,
3 mainly Mid-Kansas.⁷ It is informative to look at the equity without the investment in Mid-
4 Kansas as the remainder represents the equity generated by the distribution operations of
5 Southern Pioneer. Although it accumulates an equity share in Mid-Kansas, such equity results
6 from Mid-Kansas' wholesale rates not from Southern Pioneer's retail rates that are the subject
7 of this FBR Plan and the Commission's jurisdiction. Furthermore, Southern Pioneer's
8 allocated equity from Mid-Kansas has historically not been received as cash and has not
9 available to meet its operational needs; i.e. debt, payroll, maintenance, etc. expenses. Until or
10 unless this allocated equity in Mid-Kansas is paid out to Southern Pioneer, the equity will
11 remain on the balance sheet of both Mid-Kansas and Southern Pioneer. Southern Pioneer's
12 equity position has, thus far, been generated 100 percent by another utility's (i.e. Mid-Kansas')
13 wholesale rates. Southern Pioneer's own rates have yet to produce a positive equity position,
14 although its operating income has certainly recovered and has been trending in the right
15 direction (reference the chart on page 11 of my testimony). This is certainly not an ideal
16 situation, since general industry practice is for a utility's own rates to recovery its own costs
17 and margin requirements.

23
24 ⁷ Southern Pioneer also has small investment in CoBank, but its total investment in associated organizations is
25 primarily (91 percent) made up of its investment in Mid-Kansas.

Table 3			
Southern Pioneer Equity Position			
<i>As of 12/31/18</i>			
1. Equity Over Assets			
	Total Equity¹	Total Assets	Equity Ratio
	(\$)	(\$)	(%)
Southern Pioneer	22,726,419	149,116,393	15.24
<i>National Median (CFC borrowers for 2018, Ratio 16)</i>			45.62
<i>State Median (CFC borrowers for 2018, Ratio 16)</i>			43.72
2. Distribution Equity (excluding equity in associated organizations)			
	Distribution Equity	Distribution Assets	Equity Ratio
	(\$)	(\$)	(%)
Southern Pioneer	-51,735	126,338,239	-0.04
<i>National Median (CFC borrowers for 2018, Ratio 17)</i>			37.60
<i>State Median (CFC borrowers for 2018, Ratio 17)</i>			35.92

Again, Southern Pioneer had negative distribution (local) equity as of December 31, 2018. Without adequate funding of operations and plant investments from its own rates, the capital structure of Southern Pioneer will continue to be substantially over-leveraged, which limits access to needed financing, increases debt costs and business risk. In fact, it is because of this that CoBank has required that Pioneer Electric guarantee Southern Pioneer’s debt. The ability for Southern Pioneer to borrow on its own merit is important to both Southern Pioneer and Pioneer Electric and its members and should be obtained as soon as possible.

1 The following are the minimum equity targets from Southern Pioneer's Credit Agreement
2 with CoBank dated November 9, 2018:

3 **FISCAL QUARTER REQUIRED RATIO ENDING:**

4 (Equal to or greater than)

9/30/2018 through 12/31/2018	8%
3/31/2019 through 12/31/2019	11%
Each fiscal quarter thereafter	15%

6 **Q. Is the 1.6 DSC being requested by Southern Pioneer for use in conjunction with the FBR
7 Plan appropriate?**

8 A. Given Southern Pioneer's gradually improving financial position and a desire to minimize rate
9 pressure to consumers, I would view a DSC of 1.6 as the minimum appropriate for use with
10 the requested FBR Plan. It would be below both the average national and state median for the
11 most recent five years, but it would allow Southern Pioneer to meet its goal of mitigating rate
12 pressure on its customers while still allowing the Company to have a small cushion above the
13 1.35 minimum required by CoBank. I would stress that the appropriateness of a 1.6 DSC has
14 been established based on the specific design of the requested FBR Plan. If the workings of
15 the formula were to change, the appropriate DSC target may need to be re-assessed.

16 **Q. Why is that?**

17 A. Because the two (i.e. FBR Plan protocols and DSC target) are inextricably linked. For example,
18 if the FBR Plan protocols were changed to require a purely historical Test Year, then an
19 analysis may find that a 1.6 DSC is no longer adequate to ensure Southern Pioneer is able to
20 meet its 1.35 minimum. Or if the FBR Plan was modified to exclude certain expenses from
21 being recovered, but those excluded expenses factor into Southern Pioneer's DSC used to meet
22 its lender's requirements, then again, the 1.6 DSC target may no longer be appropriate.

23

24

25

1 **Q. You previously identified that the Initial FBR Plans had an equity test that would limit**
2 **an operating income adjustment (a.k.a. revenue adjustment) if a certain equity level was**
3 **exceeded by Southern Pioneer. Is Southern Pioneer requesting that this provision be**
4 **excluded in the FBR Plan going forward?**

5 A. The DSC FBR Pilot Plan included an equity test that would limit a revenue increase if Southern
6 Pioneer's total equity (including Mid-Kansas allocated equity) exceeded 15%. This was
7 included in the DSC FBR Pilot Plan at Staff's request.

8 When the 15% equity test was adopted in the 13-452 Docket, Southern Pioneer's total
9 equity level was approximately 0%, distribution equity was negative, and staff witness, Mr.
10 Justin Grady, acknowledged that the 15% ratio limitation was not expected to affect Southern
11 Pioneer during the five-year course of the DSC-FBR Pilot Plan being recommended at that
12 time.⁸ The DSC FBR Pilot Plan is now complete. Over the past five years, the combination
13 of the template, protocols and DSC target have effectively regulated Southern Pioneer's rate
14 levels to avoid significant rate increases while slowly improving equity and very gradually
15 improving its financial position. Indeed, when including the equity allocated to it by Mid-
16 Kansas, Southern Pioneer's total equity ratio is now slightly over 15% - although its
17 distribution equity remains slightly negative. If the 15% equity test remains a part of the FBR
18 Plan as previously constructed (i.e. based on total equity), it is quite likely that it will need to
19 be intentionally violated in order to prevent Southern Pioneer from failing its DSC minimum
20 requirements with its lender. Southern Pioneer is already proposing a DSC that has very little
21 cushion over its lender's minimum requirements. It also still has negative distribution equity.

22
23
24 ⁸ Grady Direct Testimony filed May 3, 2013, pp. 26-27.
25

1 This is not a strong or advisable financial position, even though it is an improvement from 5
2 years ago. Whether Southern Pioneer's equity ratio is over 15% (as it is per 12/31/18), is not,
3 in my opinion, a valid reason to prevent a rate increase to achieve a 1.6 DSC and move towards
4 increasing its own distribution equity.

5 In summary, applying the previously established 15% test on total equity going forward
6 will potentially suppress the Company's operating income, possibly violating its lender
7 minimum requirements and likely keeping its own equity (excluding that allocated to it by
8 others) negative for the foreseeable future. These results are not consistent with sound
9 ratemaking practice, nor are they consistent with any past Commission decisions of which I
10 am aware.

11
12 **B. Rate Design**

13 **Q. Near the beginning of your testimony you referenced that the newly proposed FBR Plan**
14 **will apply to both the distribution system revenue requirement and the 34.5kV system**
15 **revenue requirement. Please explain.**

16 A. Southern Pioneer owns, operates, and maintains distribution and 34.5kV sub-transmission
17 facilities used to provide service to its retail customers and to wholesale LADS customers,
18 a.k.a. third parties. Its retail customers use both the distribution system and the 34.5kV system.
19 The wholesale customers use only the 34.5kV system. The FBR Plan will apply the same
20 formula and methodology to both and will establish a revenue adjustment for each.

21 **Q. Please describe how a rate adjustment identified by the FBR Plan would be**
22 **implemented.**

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1 A. As described in my Exhibit RJM-3, and illustrated in Exhibit RJM-1 and RJM-2, the rate
2 adjustment would be implemented using a two-step process, very similar to how the Initial
3 FBR Plans were structured. A similar process would be followed for both the distribution
4 system adjustment and the 34.5kV adjustment. The first step is to allocate or distribute the
5 revenue adjustment to the retail rate classes. The second step is to convert the revenue
6 adjustment by rate class to a rate change.

7 **Q. Regarding the first step, please describe how a revenue adjustment established in the**
8 **FBR Plan will be allocated to the retail rate classes.**

9 A. To describe this, I will separate the revenue adjustment into two pieces, namely the distribution
10 revenue adjustment and the 34.5kV revenue adjustment.

11 The distribution revenue adjustment would be allocated based upon the cost of providing
12 distribution service to each retail rate class as determined in the most recent CCOSS which
13 uses a 2017 Test Year.⁹ The exception to this is that the allocation to the Sub Transmission
14 Service (“STR”) rate will be made the same as it was for the DSC FBR Pilot Plan.¹⁰ The table
15 below shows each retail rate class’ distribution cost of service from the most recent CCOSS
16 that will be used to allocate distribution system revenue adjustments for the next 5-years under
17 the FBR Plan.

22
23 ⁹ The updated CCOS analysis based on 2017 Test Year has been filed in Docket No. 20-SPEE-169-RTS on October
10, 2019. (See Exhibit PSE-4, attached to the direct testimony of Richard J. Macke filed in that docket).

24 ¹⁰ 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.

Table 4		
Distribution Cost of Service by Retail Rate Class		
Line No.	Rate Schedule	Distribution Costs from CCOSS
		(\$)
1	Residential Service (17-RS)	
2	General Use	7,894,430
3	Space Heating	419,729
4	General Service Small (17-GSS)	1,000,202
5	General Service Large (17-GSL)	5,335,858
6	General Service Space Heating	239,842
7	Industrial Service (17-IS)	1,204,648
8	Interruptible Industrial Service (17-INT)	-
9	Real -Time Pricing (RTP)	-
10	Municipal Power Service (17-M-I)	123,438
11	Water Pumping Service (17-WP)	270,353
12	Irrigation Service (17-IP-I)	161,361
13	Temporary Service (17-CS)	5,075
14	Lighting	589,146

It should again be pointed out that there will be an assignment of the distribution portion of the FBR adjustment made to the STR schedule. The above table excludes the STR schedule and the numbers above will be used to allocate the remainder.

The 34.5kV revenue adjustment is applicable to both wholesale LADS and retail customers. The first step in allocating the 34.5kV revenue adjustment is to calculate the adjustment per kW – using total 34.5 kV system demand. This per kW adjustment will be added to the LADS charge in effect at the time to determine the LADS charge that will go into effect and will be billed under Southern Pioneer’s wholesale LADS rate tariff after approval by the Commission. The retail portion of the 34.5kV revenue adjustment will be determined based on the retail load ratio share of the total 34.5 kV system demand. The resulting 34.5kV revenue adjustment will be allocated similarly as the distribution revenue adjustment but using the transmission cost of service by rate class as determined in the most recent CCOSS. The

1 table below shows the transmission cost of service from the most recent CCOSS that will be
 2 used to allocate 34.5kV system revenue adjustments for the next 5-years under the FBR Plan.

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Table 5 Transmission Cost of Service by Retail Rate Class		
Line No.	Rate Schedule	Transmission Costs from CCOSS
1	Residential Service (17-RS)	
2	General Use	1,433,495
3	Space Heating	73,369
4	General Service Small (17-GSS)	132,095
5	General Service Large (17-GSL)	1,568,632
6	General Service Space Heating	63,026
7	Industrial Service (17-IS)	315,843
8	Interruptible Industrial Service (17-INT)	-
9	Real -Time Pricing (RTP)	-
10	Transmission Level Service (17-STR)	-
11	Municipal Power Service (17-M-I)	16,285
12	Water Pumping Service (17-WP)	44,832
13	Irrigation Service (17-IP-I)	24,827
14	Temporary Service (17-CS)	775
15	Lighting	33,484

15
16 **Q. Did the Initial FBR Plans use this same approach for allocating revenue adjustments?**

17 A. It used a similar process but a different allocator. The Initial FBR Plans used distribution
 18 revenue instead of distribution costs to allocate revenue adjustments. I believe that using costs
 19 instead of revenues will be an improvement. Using distribution revenue tends to under-allocate
 20 rate increases to rate classes that are under-collecting and over-allocate rate increases to rate
 21 classes that are over-collecting versus the CCOSS. Changing this aspect of the FBR Plan will
 22 flow the costs through to the rate classes in accordance with each rate class' cost of service and
 23 will not be skewed by the level of over or under-recovery in the existing rates. In that respect,
 24 this approach may even improve the equity of rates during the years the FBR Plan is in place.
 25

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

2 A. As stated previously, I believe it will, within a range of reasonableness. The proposed approach
3 of distributing revenue adjustments based on a pro rata basis of distribution and transmission
4 costs from the most recent CCOSS will ensure that rate adjustments caused by changes in per
5 unit costs are spread in a consistent manner that is reasonable in my opinion.

6 **Q. How will the revenue adjustments, once allocated to the rate classes, be converted into a**
7 **rate change?**

8 A. As has been done in the Initial FBR Plans, the adjustment allocated to each rate class will be
9 divided by the annual energy sales kWh to each rate class and the resulting per kWh adjustment
10 will be made to the Energy Charges for each rate class. Also, the same as has been done in the
11 Initial FBR Plans, the adjustment to lighting will be made on a per light per month basis rather
12 than per kWh because the lighting rates do not have an Energy Charge.

13 **Q. Please summarize your analysis of the requested FBR Plan.**

14 A. In my assessment, the FBR Plan has been developed in a way that meets the objectives of: (1)
15 assuring reasonable rates, (2) continuing to improve and stabilize Southern Pioneer's financial
16 condition, and (3) implementing gradual rate adjustments - all using a ratemaking approach
17 that is less costly to Southern Pioneer and its ratepayers.

18 **Q. Does this conclude your direct testimony?**

19 A. Yes, it does.
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SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - POPULATED TEMPLATE FOR 20XX TEST YEAR

(a)	(b)	(c)	(d)		(e)	(f)	(g)	(h)	
LINE NO.	ITEM	UNADJUSTED HISTORICAL TEST YEAR [YEAR] (\$)	ADJUSTMENTS NO.	AMOUNT (\$)	ADJUSTED HISTORICAL TEST YEAR [YEAR] (\$)	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)	
							(e) x (f)	(e) - (g)	
1.	A. STATEMENT OF OPERATIONS								
2.	Operating Revenue and Patronage Capital	F7, Pt. A, Col. B	[1]	#DIV/0!	#DIV/0!	Direct	1	-	#DIV/0!
3.	Power Production Expense	F7, Pt. A, Col. B			-	0.0000		-	-
4.	Cost of Purchased Power	F7, Pt. A, Col. B			-	0.0000		-	-
5.	Transmission Expense	F7, Pt. A, Col. B			-	1.0000		-	-
6.	Regional Market Expense	F7, Pt. A, Col. B			-	0.0000		-	-
7.	Distribution Expense - Operation	F7, Pt. A, Col. B	[2-a]	-	-	0.0000		-	-
8.	Distribution Expense - Maintenance	F7, Pt. A, Col. B	[2-b]	-	-	0.0000		-	-
9.	Customer Accounts Expense	F7, Pt. A, Col. B	[2-c]	-	-	0.0000		-	-
10.	Customer Service and Informational Expense	F7, Pt. A, Col. B	[2-d]	-	-	0.0000		-	-
11.	Sales Expense	F7, Pt. A, Col. B	[2-e]	-	-	0.0000		-	-
12.	Administrative and General Expense	F7, Pt. A, Col. B	[2-f]	-	-	#DIV/0!	2	#DIV/0!	#DIV/0!
13.	Total Operation & Maintenance Expense	- F7, Pt. A, Col. B		-	-			#DIV/0!	#DIV/0!
14.	Depreciation and Amortization Expense	F7, Pt. A, Col. B			-	#DIV/0!	3	#DIV/0!	#DIV/0!
15.	Tax Expense - Property & Gross Receipts	F7, Pt. A, Col. B			-	#DIV/0!	4	#DIV/0!	#DIV/0!
16.	Tax Expense - Other	F7, Pt. A, Col. B	[3]	-	-	#DIV/0!	5	#DIV/0!	#DIV/0!
17.	Interest on Long-Term Debt	F7, Pt. A, Col. B	[4]	-	-	#DIV/0!	4	#DIV/0!	#DIV/0!
18.	Interest Charged to Construction - Credit	F7, Pt. A, Col. B			-	#DIV/0!	4	#DIV/0!	#DIV/0!
19.	Interest Expense - Other	F7, Pt. A, Col. B	[5]	-	-	#DIV/0!	4	#DIV/0!	#DIV/0!
20.	Other Deductions	F7, Pt. A, Col. B	[2-g]	-	-	#DIV/0!	4	#DIV/0!	#DIV/0!
21.	Total Cost of Electric Service	- F7, Pt. A, Col. B		-	-			#DIV/0!	#DIV/0!
22.	Patronage Capital & Operating Margins	- F7, Pt. A, Col. B		#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!
23.	Non Operating Margins - Interest	F7, Pt. A, Col. B			-	#DIV/0!	4	#DIV/0!	#DIV/0!
24.	Allowance for Funds Used During Construction	F7, Pt. A, Col. B			-	#DIV/0!	4	#DIV/0!	#DIV/0!
25.	Income (Loss) from Equity Investments	F7, Pt. A, Col. B			-	0.0000		-	-
26.	Non Operating Margins - Other	F7, Pt. A, Col. B			-	0.0000		-	-
27.	Generation and Transmission Capital Credits	F7, Pt. A, Col. B			-	0.0000		-	-
28.	Other Capital Credits and Patr. Dividends	F7, Pt. A, Col. B			-	#DIV/0!	4	#DIV/0!	#DIV/0!
29.	Extraordinary Items	F7, Pt. A, Col. B			-	0.0000		-	-
30.	Patronage Capital or Margins	- F7, Pt. A, Col. B		#DIV/0!	#DIV/0!		6	#DIV/0!	#DIV/0!

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
LINE NO.	ITEM	UNADJUSTED HISTORICAL TEST YEAR [YEAR] (\$)	ADJUSTMENTS NO. AMOUNT (\$)	ADJUSTED HISTORICAL TEST YEAR [YEAR] (\$)	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)
31.						(e) x (f)	(e) - (g)
32.	<u>B. DEBT SERVICE PAYMENTS</u>						
33.	Interest Expense	- Line 17 + Line 19	-	-	#DIV/0!	4	#DIV/0!
34.	Principal Payments	F7, Pt. O, Col. B	[6] -	-	#DIV/0!	4	#DIV/0!
35.	Total Debt Service Payments	-	-	-	#DIV/0!		#DIV/0!
36.							
37.	<u>C. DEBT SERVICE MARGINS</u>						
38.	Patronage Capital or Margins	- Line 30		#DIV/0!	#DIV/0!	6	#DIV/0!
39.	Plus: Depreciation and Amortization Expense	- Line 14		-	#DIV/0!	3	#DIV/0!
40.	Plus: Interest Expense	- Line 33	-	-	#DIV/0!	4	#DIV/0!
41.	Plus: Non-Cash Other Deductions Amortizations	Trial Balance		-	#DIV/0!	4	#DIV/0!
42.	Plus: Cash Capital Credits Cash Received	F7, Pt. J, L6, Col. A		-	#DIV/0!	4	#DIV/0!
43.	Plus: Non-Cash Income Tax Expense	- Line 16	-	-	#DIV/0!	5	#DIV/0!
44.	Less: Income (Loss) from Equity Investments	- Line 25		-	0.0000		-
45.	Less: Other Capital Credits and Patr. Dividends	- Line 28		-	#DIV/0!	4	#DIV/0!
46.	Total Debt Service Margins	-		#DIV/0!			#DIV/0!
47.							
48.	<u>D. DEBT SERVICE COVERAGE</u>	#DIV/0!	Line 46/Line 35	-			#DIV/0!
49.							
50.	<u>E. DEBT SERVICE COVERAGE TARGET</u>					1.60	1.60
51.					Adjusted DSC Margins are:	#DIV/0!	#DIV/0!
52.							
53.	<u>F. OPERATING INCOME ADJUSTMENT</u>						
54.	DSC Adjustment Required to Achieve Target					#DIV/0!	#DIV/0!
55.	Debt Service Payments					#DIV/0!	#DIV/0!
56.	After-Tax Operating Income Adjustment					#DIV/0!	#DIV/0!
57.	Add True-Up					#DIV/0!	#DIV/0!
58.	Net Operating Income Adjustment					#DIV/0!	#DIV/0!

¹ Direct-assigned per Protocols Section F.2.a. For calculation of the direct-assigned 34.5kV revenues, see Page 5, Line 14.
² See Page 5, Line 25.
³ Column (g) amount divided by Column (e) amount. See Page 5, Line 63 for 34.5kV Depr. Expense amount.
⁴ See Page 5, 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 - 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		Input
4.	Total kWh Sales used to determine Rate Adjustment		Input
5.	Equivalent Average per kWh Rate Adjustment	#DIV/0!	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment		Input
7.	Revenue Adjustment to Annualize Rate Adjustment	#DIV/0!	L5 x L6
8.			
9.	Other Applicable Adjustments to Revenue Authorized by Commission		Input
10.	Adjustment - Distribution System Component	#DIV/0!	L7 + L9
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		Input
14.	Per kW Rate during Test Year - Post-Order thru December		Input
15.			
16.	Per kW Rate Change Authorized by the Commission	\$ -	L14 - L13
17.	34.5kV Demand Prior to Implementation of Rate Adjustment		Input
18.	Revenue Adjustment to Annualize Rate Adjustment	\$ -	L16 x L17
19.			
20.	Adjustment - 34.5kV System Component	\$ -	L18
21.			
22.	3. ADJUSTMENT [1] - Combined System	#DIV/0!	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 contributions, promotional advertising, penalties and fines, entertainment expense)</i>		
26.			
27.	2.a. Distribution Expense - Operation		Filing Exhibit per Protocols G.12
28.	2.b. Distribution Expense - Maintenance		Filing Exhibit per Protocols G.12
29.	2.c. Customer Accounts Expense		Filing Exhibit per Protocols G.12
30.	2.d. Customer Service and Informational Expense		Filing Exhibit per Protocols G.12
31.	2.e. Sales Expense		Filing Exhibit per Protocols G.12
32.	2.f. Administrative and General Expense		Filing Exhibit per Protocols G.12
33.	2.g. Other Deductions		Filing Exhibit per Protocols G.12
34.	Total Adjustment	\$ -	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	\$ -	F7, Pt. A, Col. B
38.	Tax Expense - Other paid in cash during Test Year		Input
39.	Adjustment to Actual Tax Expense - Other	<u>\$ -</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	\$ -	F7, Pt. A, Col. B
44.	Budget Year Long-Term Interest Expense		Budget
45.	Adjustment to Actual Long-Term Interest Expense	<u>\$ -</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	\$ -	F7, Pt. A, Col. B
50.	Budget Year Other Interest Expense		Budget
51.	Adjustment to Actual Other Interest Expense	<u>\$ -</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	\$ -	F7, Pt. O, Col. B
56.	Budget Year Principal Payments		Budget
57.	Adjustment to Actual Principal Payments	<u>\$ -</u>	L56 - L55

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			
<i>Annualized 34.5kV Rate Revenues</i>			
Most Recent \$/kW Rate Authorized During Test Year	Pg.2, L14	\$	-
Total 34.5 kV System Demand for the entire Test Year	WP1		-
	L5 x L6	\$	-
<i>Property Tax collected during Test Year from the 34.5 kV system users</i>			
Current \$/kW PTS Authorized by the Commission	Dkt. No.		-
Total 34.5 kV System Demand for the entire Test Year	L6		-
	L10 x L11		-
Total 34.5kV Revenue	L7 + L11	\$	-

II. CALCULATE LAB AND NP ALLOCATION RATIOS

Acct No	Source		
562-573	Transmission Labor	Payroll Journal	
562-573, 580-598, 902-912, 920-932	Total Labor	Payroll Journal	
920-932	A&G Labor	Payroll Journal	
	Total non-A&G Labor		\$ -
	<i>Transmission Labor RATIO</i>	L19 / L23	#DIV/0!

Notes

Acct No	Source		
350-359	Transmission Plant	Trial Balance	
360-373	Dist Plant	Trial Balance	
389-399	General Plant	Trial Balance	
	Total Plant	Sum L30: L32	\$ -
108.5, 108.501	Accumulated Depreciation - Trans	Trial Balance	
108.6, 108.601	Accumulated Depreciation - Dist	Trial Balance	
108.71-108.79	Accumulated Depreciation - General	Trial Balance	
	Total Accum. Depr.	Sum L36: L38	\$ -
	Net Plant - Transmission		\$ -
	Allocated General Net Plant on Transmission Labor		#DIV/0!
	Total Net Plant - Transmission (w/ allocated General)	Sum L42: L43	#DIV/0!
	Total Net Plant	L33- L39	\$ -
	<i>Net Transmission Plant RATIO</i>	L44 / L46	#DIV/0!

III. DIRECT-ASSIGN DEPRECIATION

Acct No	Source		
403.5	Transmission Depr	Trial Balance	
403.6	Dist Depr	Trial Balance	
403.7	General Plant Depr	Trial Balance	
	Total	Sum L55: L57	\$ -
	With Acct 406 - Amort of AP to match Form 7 inputs	L58 + Amort of AP	#DIV/0!
	Allocate resultant General Plant depr (with AP) balance on Transm. Labor	L57 Col (c) x L25	#DIV/0!
	Add Transm. Depr. resultant balance (w/ alloc. acct 406)	L55 Col (c)	#DIV/0!
	Tot 34.5 kV Depr. Expense to subtract from Tot Sys	L61 + L62	#DIV/0!

Spread Amort of AP	(a) Acct 406	(b)	(c) Tot w/ AP Amort
#DIV/0!	#DIV/0!		#DIV/0!
#DIV/0!	#DIV/0!		#DIV/0!
#DIV/0!	#DIV/0!		#DIV/0!
	#DIV/0!		#DIV/0!
			#DIV/0!

Check Corresponding Dist Sys Depr Exp %

#DIV/0!

65

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	#DIV/0!
2	Total Demand	Input	kW
3	Resultant \$/kW Adjustment	L1/L2	#DIV/0! /kW
4	Current LADS Rate	Pg.3, L14	\$ - /kW
5	Final Adjusted LADS Rate	L3 + L4	#DIV/0! /kW

II. Calculate the Total FBR Retail Rate Adjustment

Line No.	Description	Source	Amount
6	FBR Adjustment - Distribution	Pg.2, L58	#DIV/0!
7			
8	34.5kV Adjustment - Retail		
9	Retail 34.5kV Demand	Input	kW
10	Resultant \$/kW Adjustment	L3	#DIV/0! /kW
11		L9 x L10	#DIV/0!
12			
13	Total FBR Adjustment - Retail	L6 + L11	#DIV/0!
14			

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

(a)	(b)	(c)	(d)	(e)
Allocation of Rate Adjustment				
Line No.	Rate Schedule	Total FBR Adjustment ¹	Historical Energy Sales ²	FBR Adjustment per kWh ³
		(\$)	(kWh)	(\$)
15	Residential Service (17-RS)			
16	General Use	#DIV/0!		#DIV/0!
17	Space Heating	#DIV/0!		#DIV/0!
18	General Service Small (17-GSS)	#DIV/0!		#DIV/0!
19	General Service Large (17-GSL)	#DIV/0!		#DIV/0!
20	General Service Space Heating	#DIV/0!		#DIV/0!
21	Industrial Service (17-IS)	#DIV/0!		#DIV/0!
22	Interruptible Industrial Service (17-INT)	#DIV/0!		#DIV/0!
23	Real -Time Pricing (13-RTP)	#DIV/0!		#DIV/0!
24	Transmission Level Service (17-STR) ³	#DIV/0!		
25	Distribution	#DIV/0!		#DIV/0!
26	34.5kV	#DIV/0!		
25	Municipal Power Service (17-M-I)	#DIV/0!		#DIV/0!
26	Water Pumping Service (17-WP)	#DIV/0!		#DIV/0!
27	Irrigation Service (17-IP-I)	#DIV/0!		#DIV/0!
28	Temporary Service (17-CS)	#DIV/0!		#DIV/0!
29	Lighting	#DIV/0!		#DIV/0!
16	Total Retail Rates	#DIV/0!	0	

¹ Per Protocols F.4.a. The total FBR adjustment by rate class is the sum of Distribution and 34.5kV adjustments for that class.

² Test Year historical sales - Company records.

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.
The 34.5kV portion of the FBR adjustment applies only to 34.5kV STR and is billed on \$/kW.

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA-BASED RATE - POPULATED TEMPLATE FOR 2017 TEST YEAR

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)			
LINE NO.	ITEM	UNADJUSTED HISTORICAL TEST YEAR 2017 (\$)	ADJUSTMENTS NO. AMOUNT (\$)	ADJUSTED HISTORICAL TEST YEAR 2017 (\$)	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)			
						(e) x (f)	(e) - (g)			
1.	A. STATEMENT OF OPERATIONS									
2.	Operating Revenue and Patronage Capital	69,746,389	F7, Pt. A, Col. B	[1]	53,561	69,799,950	Direct	1	4,999,570	64,800,379
3.	Power Production Expense	-	F7, Pt. A, Col. B		-	0.0000	-	-	-	-
4.	Cost of Purchased Power	46,935,849	F7, Pt. A, Col. B		46,935,849	0.0000	-	-	-	46,935,849.00
5.	Transmission Expense	1,293,444	F7, Pt. A, Col. B		1,293,444	1.0000	1,293,444	-	-	-
6.	Regional Market Expense	-	F7, Pt. A, Col. B		-	0.0000	-	-	-	-
7.	Distribution Expense - Operation	4,203,913	F7, Pt. A, Col. B	[2-a]	(8,820)	4,195,093	0.0000	-	-	4,195,092.96
8.	Distribution Expense - Maintenance	1,705,676	F7, Pt. A, Col. B	[2-b]	-	1,705,676	0.0000	-	-	1,705,676.00
9.	Customer Accounts Expense	1,211,640	F7, Pt. A, Col. B	[2-c]	(537)	1,211,103	0.0000	-	-	1,211,102.77
10.	Customer Service and Informational Expense	234,008	F7, Pt. A, Col. B	[2-d]	(21,751)	212,257	0.0000	-	-	212,256.68
11.	Sales Expense	23,324	F7, Pt. A, Col. B	[2-e]	(16,675)	6,649	0.0000	-	-	6,648.95
12.	Administrative and General Expense	2,121,868	F7, Pt. A, Col. B	[2-f]	(35,792)	2,086,076	0.0496	2	103,495	1,982,581
13.	Total Operation & Maintenance Expense	57,729,722	F7, Pt. A, Col. B		(83,575)	57,646,147		3	1,396,939	56,249,207
14.	Depreciation and Amortization Expense	3,283,133	F7, Pt. A, Col. B		-	3,283,133	0.2778	4	912,215	2,370,918
15.	Tax Expense - Property & Gross Receipts	-	F7, Pt. A, Col. B		-	-	0.2738	5	-	-
16.	Tax Expense - Other	(1,281,817)	F7, Pt. A, Col. B	[3]	1,229,939	(51,878)	0.3890	4	(20,182)	(31,696)
17.	Interest on Long-Term Debt	5,517,278	F7, Pt. A, Col. B	[4]	108,054	5,625,332	0.2738	4	1,540,064	4,085,268
18.	Interest Charged to Construction - Credit	-	F7, Pt. A, Col. B		-	-	0.2738	4	-	-
19.	Interest Expense - Other	113,020	F7, Pt. A, Col. B	[5]	(871)	112,149	0.2738	4	30,703	81,446
20.	Other Deductions	895,163	F7, Pt. A, Col. B	[2-g]	(34,144)	861,019	0.2738	4	235,724	625,295
21.	Total Cost of Electric Service	66,256,499	F7, Pt. A, Col. B		1,219,403	67,475,902			4,095,463	63,380,439
22.	Patronage Capital & Operating Margins	3,489,890	F7, Pt. A, Col. B		(1,165,842)	2,324,048			904,107	1,419,941
23.	Non Operating Margins - Interest	37	F7, Pt. A, Col. B		-	37	0.2738	4	10	27
24.	Allowance for Funds Used During Construction	-	F7, Pt. A, Col. B		-	-	0.2738	4	-	-
25.	Income (Loss) from Equity Investments	1,528,647	F7, Pt. A, Col. B		-	1,528,647	0.0000	-	-	1,528,647
26.	Non Operating Margins - Other	(14,941)	F7, Pt. A, Col. B		-	(14,941)	0.0000	-	-	(14,941)
27.	Generation and Transmission Capital Credits	-	F7, Pt. A, Col. B		-	-	0.0000	-	-	-
28.	Other Capital Credits and Patr. Dividends	1,041,916	F7, Pt. A, Col. B		-	1,041,916	0.2738	4	285,248	756,668
29.	Extraordinary Items	-	F7, Pt. A, Col. B		-	-	0.0000	6	-	-
30.	Patronage Capital or Margins	6,045,549	F7, Pt. A, Col. B		(1,165,842)	4,879,707	0.2437		1,189,366	3,690,341

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

(a) LINE NO.	(b) ITEM	(c) UNADJUSTED HISTORICAL TEST YEAR 2017 (\$)	(d) ADJUSTMENTS NO. AMOUNT (\$)	(e) ADJUSTED HISTORICAL TEST YEAR 2017 (\$)	(f) 34.5 kV ALLOCATION FACTORS	(g) 34.5 kV SYSTEM (\$)	(h) DISTRIBUTION SYSTEM (\$)
31.						(e) x (f)	(e) - (g)
32.	<u>B. DEBT SERVICE PAYMENTS</u>						
33.	Interest Expense	5,630,298 <small>Line 17 + Line 19</small>		5,737,481	0.2738 ⁴	1,570,767	4,166,714
34.	Principal Payments	2,329,355 <small>F7, Pt. O, Col. B</small>	[6]	2,473,881	0.2738 ⁴	677,282	1,796,600
35.	Total Debt Service Payments	7,959,653		8,211,362	0.2738	2,248,049	5,963,314
36.							
37.	<u>C. DEBT SERVICE MARGINS</u>						
38.	Patronage Capital or Margins	6,045,549 <small>Line 30</small>		4,879,707	0.2437 ⁶	1,189,366	3,690,341
39.	Plus: Depreciation and Amortization Expense	3,283,133 <small>Line 14</small>		3,283,133	0.2778 ³	912,215	2,370,918
40.	Plus: Interest Expense	5,630,298 <small>Line 33</small>	107,183	5,737,481	0.2738 ⁴	1,570,767	4,166,714
41.	Plus: Non-Cash Other Deductions Amortizations	836,265 <small>Trial Balance</small>		836,265	0.2738 ⁴	228,947	607,318
42.	Plus: Cash Capital Credits Cash Received	737,447 <small>F7, Pt. J, L6, Col. A</small>		737,447	0.2738 ⁴	201,893	535,554
43.	Plus: Non-Cash Income Tax Expense	(1,281,817) <small>Line 16</small>	1,281,817	-	0.3890 ⁵	-	-
44.	Less: Income (Loss) from Equity Investments	(1,528,647) <small>Line 25</small>		(1,528,647)	0.0000	-	(1,528,647)
45.	Less: Other Capital Credits and Patr. Dividends	(1,041,916) <small>Line 28</small>		(1,041,916)	0.2738 ⁴	(285,248)	(756,668)
46.	Total Debt Service Margins	12,680,312		12,903,470		3,817,939	9,085,531
47.							
48.	<u>D. DEBT SERVICE COVERAGE</u>	1.59 <small>Line 46/Line 35</small>		1.57		1.70	1.52
49.							
50.	<u>E. DEBT SERVICE COVERAGE TARGET</u>					1.60	1.60
51.					Adjusted DSC Margins are:	Above the Target	Below the Target
52.							
53.	<u>F. OPERATING INCOME ADJUSTMENT</u>						
54.	DSC Adjustment Required to Achieve Target					(0.10)	0.08
55.	Debt Service Payments					2,248,049	5,963,314
56.	After-Tax Operating Income Adjustment					(221,061)	455,771
57.	Add True-Up				Ref. WP 8	(15,222)	(46,828)
58.	Net Operating Income Adjustment					(236,283)	408,943

¹ Direct-assigned per Protocols Section F.2.a. For calculation of the direct-assigned 34.5kV revenues, see Page 5, Line 14.

² See Page 5, Line 25.

³ Column (g) amount divided by Column (e) amount. See Page 5, Line 63 for 34.5kV Depr. Expense amount.

⁴ See Page 5, 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 - 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	\$ (745,507)	17-SPEE-476-TAR (DSC-FBR portion)
4.	Total kWh Sales used to determine Rate Adjustment	740,412,612	2016 TY as used in 17-SPEE-476-TAR
5.	Equivalent Average per kWh Rate Adjustment	\$ (0.00101)	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment	455,583,683	usage thru July, WP5-A (August column represents July kWh)
7.	Revenue Adjustment to Annualize Rate Adjustment	\$ (458,718)	L5 x L6
8.			
9.	Other Applicable Adjustments to Revenue Authorized by Commission	\$ 141,653	2017 ACA under-recovery authorized for collectin in 2018
10.	Adjustment - Distribution System Component	\$ (317,065)	L7 + L9
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	\$ 4.19	16-SPEE-501-RTS (34.5kV FBR)
14.	Per kW Rate during Test Year - Post-Order thru December	\$ 4.88	17-SPEE-476-TAR (34.5kV FBR)
15.			
16.	Per kW Rate Change Authorized by the Commission	\$ 0.69	L14 - L13
17.	34.5kV Demand Prior to Implementation of Rate Adjustment	\$ 537,139	WP1
18.	Revenue Adjustment to Annualize Rate Adjustment	\$ 370,626	L16 x L17
19.			
20.	Adjustment - 34.5kV System Component	\$ 370,626	L18
21.			
22.	3. ADJUSTMENT [1] - Combined System	\$ 53,561	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 contributions, promotional advertising, penalties and fines, entertainment expense)</i>		
27.	2.a. Distribution Expense - Operation	\$ (8,820)	Filing Exhibit per Protocols G.12
28.	2.b. Distribution Expense - Maintenance	\$ -	Filing Exhibit per Protocols G.12
29.	2.c. Customer Accounts Expense	\$ (537)	Filing Exhibit per Protocols G.12
30.	2.d. Customer Service and Informational Expense	\$ (21,751)	Filing Exhibit per Protocols G.12
31.	2.e. Sales Expense	\$ (16,675)	Filing Exhibit per Protocols G.12
32.	2.f. Administrative and General Expense	\$ (35,792)	Filing Exhibit per Protocols G.12
33.	2.g. Other Deductions	\$ (34,144)	Filing Exhibit per Protocols G.12
34.	Total Adjustment	\$ (117,719)	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	\$ (1,281,817)	F7, Pt. A, Col. B
38.	Tax Expense - Other paid in cash during Test Year	<u>\$ (51,878)</u>	WP2
39.	Adjustment to Actual Tax Expense - Other	<u>\$ 1,229,939</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	\$ 5,517,278	F7, Pt. A, Col. B
44.	Budget Year Long-Term Interest Expense	<u>\$ 5,625,332</u>	2018 Budget
45.	Adjustment to Actual Long-Term Interest Expense	<u>\$ 108,054</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	\$ 113,020	F7, Pt. A, Col. B
50.	Budget Year Other Interest Expense	<u>\$ 112,149</u>	2018 Budget
51.	Adjustment to Actual Other Interest Expense	<u>\$ (871)</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	\$ 2,329,355	F7, Pt. O, Col. B
56.	Budget Year Principal Payments	<u>\$ 2,473,881</u>	2018 Budget
57.	Adjustment to Actual Principal Payments	<u>\$ 144,526</u>	L56 - L55

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			
<i>Annualized 34.5kV Rate Revenues</i>			
Most Recent \$/kW Rate Authorized During Test Year	Pg.2, L14	\$	4.88
Total 34.5 kV System Demand for the entire Test Year	WP1		922,136
	L5 x L6	\$	4,500,026
<i>Property Tax collected during Test Year from the 34.5 kV system users</i>			
Current \$/kW PTS Authorized by the Commission	Dkt. No. 18-SPEE-270-TAR		0.541725
Total 34.5 kV System Demand for the entire Test Year	L6		922,136
	L10 x L11		499,544.37
Total 34.5kV Revenue	L7 + L11	\$	4,999,570

II. CALCULATE LAB AND NP ALLOCATION RATIOS			
Acct No		Source	
562-573	Transmission Labor	Payroll Journal	\$ 113,212
562-573, 580-598, 902-912, 920-932	Total Labor	Payroll Journal	\$ 3,038,140
920-932	A&G Labor	Payroll Journal	\$ 756,209
	Total non-A&G Labor		\$ 2,281,931
	<i>Transmission Labor RATIO</i>	L19 / L23	0.0496

Notes

Acct No		Source	
350-359	Transmission Plant	Trial Balance	\$ 29,310,492
360-373	Dist Plant	Trial Balance	\$ 59,108,566
389-399	General Plant	Trial Balance	\$ 13,139,357
	Total Plant	Sum L30: L32	\$ 101,558,415
108.5, 108.501	Accumulated Depreciation - Trans	Trial Balance	\$ 6,536,408
108.6, 108.601	Accumulated Depreciation - Dist	Trial Balance	\$ 5,695,089
108.71-108.79	Accumulated Depreciation - General	Trial Balance	\$ 4,591,940
	Total Accum. Depr.	Sum L36: L38	\$ 16,823,436
	Net Plant - Transmission		\$ 22,774,084
	Allocated General Net Plant on Transmission Labor		\$ 424,058
	Total Net Plant - Transmission (w/ allocated General)	Sum L42: L43	\$ 23,198,142
	Total Net Plant	L33- L39	\$ 84,734,978
	<i>Net Transmission Plant RATIO</i>	L44 / L46	0.2738

12/31/2017
12/31/2017
12/31/2017

III. DIRECT-ASSIGN DEPRECIATION			
Acct No		Source	
403.5	Transmission Depr	Trial Balance	\$ 677,892
403.6	Dist Depr	Trial Balance	\$ 1,495,585
403.7	General Plant Depr	Trial Balance	\$ 324,198
	Total	Sum L55: L57	\$ 2,497,674
	With Acct 406 - Amort of AP to match Form 7 inputs	L58 + Amort of AP	\$ 3,283,133
	Allocate resultant General Plant depr (with AP) balance on Transm. Labor	L57 Col (e) x L25	\$ 21,142
	Add Transm. Depr. resultant balance (w/ alloc. acct 406)	L55 Col (e)	\$ 891,073
	Tot 34.5 kV Depr. Expense to subtract from Tot Sys	L61 + L62	\$ 912,215

Spread Amort of AP	(a) Acct 406	(b) \$ 785,459	(c) Tot w/ AP Amort
27%	213,181		891,073
60%	470,326		1,965,910
13%	101,952		426,150
		785,459	3,283,133

Check Corresponding Dist Sys Depr Exp % 0.7222

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	\$ (236,283)
2	Total Demand	WP1, L 28	922,136 kW
3	Resultant \$/kW Adjustment	L1/L2	\$ (0.26) /kW
4	Current LADS Rate	Pg.3, L14	\$ 4.88 /kW
5	Final Adjusted LADS Rate	L3 + L4	\$ 4.62 /kW

II. Calculate the Total FBR Retail Rate Adjustment

Line No.	Description	Source	Amount
6	FBR Adjustment - Distribution	Pg.2, L58	\$ 408,943
7			
8	34.5kV Adjustment - Retail		
9	Retail 34.5kV Demand	WP1, L26	537,063 kW
10	Resultant \$/kW Adjustment	L3	\$ (0.26) /kW
11		L9 x L10	\$ (137,614)
12			
13	Total FBR Adjustment - Retail	L6 + L11	\$ 271,329
14			

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

(a)	(b)	(c)	(d)	(e)
Allocation of Rate Adjustment				
Line No.	Rate Schedule	Total FBR Adjustment ¹	Historical Energy Sales ²	FBR Adjustment per kWh ³
		(\$)	(kWh)	(\$)
15	Residential Service (17-RS)			
16	General Use	136,508	106,883,802	0.00128
17	Space Heating	7,363	5,790,181	0.00127
18	General Service Small (17-GSS)	19,120	11,352,578	0.00168
19	General Service Large (17-GSL)	70,169	130,420,192	0.00054
20	General Service Space Heating	3,430	5,013,974	0.00068
21	Industrial Service (17-IS)	17,253	30,481,488	0.00057
22	Interruptible Industrial Service (17-INT)	-	0	N.A.
23	Real -Time Pricing (13-RTP)	-	390,457	N.A.
24	Transmission Level Service (17-STR) ³	(5,649)		
25	Distribution	(4,607)	447,734,214	(0.00001)
26	34.5kV	(1,041)		
25	Municipal Power Service (17-M-I)	2,360	1,411,591	0.00167
26	Water Pumping Service (17-WP)	4,832	5,244,505	0.00092
27	Irrigation Service (17-IP-I)	2,955	2,357,658	0.00125
28	Temporary Service (17-CS)	93	50,207	0.00186
29	Lighting	12,895	3,947,867	0.00327
16	Total Retail Rates	271,329	751,078,714	

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.

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.

34.5 kV system Billing Demand for Test Year

**Southern Pioneer Electric Company
Summary of Local Access Billing Demands (kW) -- 2017
per G&T ¹**

<u>Line</u>	<u>Description</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
1	Total Local Access System ²	71,186	65,504	60,188	68,356	75,194	101,630	105,071	93,039	90,133	78,492	59,817	70,678	939,288
2	CP Date	05	02	20	19	31	28	25	19	14	06	16	27	
3	CP Time (hour Ending) CST	1900	1100	1600	1600	1500	1600	1600	1600	1600	1600	800	1900	
4														
5	Wholesale Customers @ Del. Pt.													
6	Ashland (KMEA)--Metered	2,245	2,230	1,638	1,489	2,160	3,496	3,529	2,595	3,211	2,245	1,914	2,566	29,317
7	Ashland (KMEA)--Generation	-	-	-	676	-	-	-	-	-	-	-	-	676
8	Subtotal--Ashland	2,245	2,230	1,638	2,165	2,160	3,496	3,529	2,595	3,211	2,245	1,914	2,566	29,993
9	Meade (KMEA)--Metered	2,683	1,007	2,159	2,680	3,089	4,189	4,714	3,973	3,873	2,934	1,825	2,705	35,829
10	Meade (KMEA)--Generation	-	1,353.25	0.25	-	0.25	-	-	-	-	-	-	-	1,353.75
11	Subtotal--Meade	2,683	2,361	2,159	2,680	3,089	4,189	4,714	3,973	3,873	2,934	1,825	2,705	37,183
12	Kingman (KPP)	6,291	6,031	5,202	6,257	7,809	6,642	5,781	6,240	6,831	7,250	4,990	4,628	73,951
13	Kingman (KPP) Generation ³	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Subtotal--Kingman	6,291	6,031	5,202	6,257	7,809	6,642	5,781	6,240	6,831	7,250	4,990	4,628	73,951
15	Greensburg (KPP)	2,317	2,252	1,417	1,527	1,985	2,352	2,573	2,426	2,256	1,915	1,665	2,192	24,875
16	Greensburg Wind Farm (KPP)	472	3,185	3,056	11,171	6,191	9,437	5,987	785	6,808	11,818	11,865	6,346	77,120
17	Isabel (AR)	148	87	138	86	81	155	203	175	136	115	53	217	1,594
18	KEPCO	12,067	11,207	8,513	9,133	10,494	14,916	15,806	14,388	12,746	10,264	9,869	10,957	140,359
19	Subtotal--Wholesale	26,222	27,353	22,122	33,017	31,810	41,187	38,592	30,581	35,861	36,540	32,180	29,609	385,073
20	Losses @ 1.86% of 34.5 kV Output	488	509	411	614	592	766	718	569	667	680	599	551	7,162
21	Subtotal with Losses (@ Source)	26,710	27,862	22,534	33,631	32,401	41,953	39,309	31,149	36,528	37,219	32,779	30,160	392,236
22														
23	Southern Pioneer Retail													
24	Retail with Losses (@ Source)	44,476	37,642	37,655	34,725	42,793	59,677	65,761	61,889	53,605	41,272	27,038	40,519	547,053
25	Losses @ 1.83% of 34.5 kV Input	812	687	688	634	781	1,090	1,201	1,130	979	754	494	740	9,989
26	Retail @ Delivery Point	43,664	36,955	36,967	34,091	42,011	58,587	64,561	60,759	52,626	40,519	26,544	39,779	537,063
27														
28	Total Load with Loss %	69,887	64,308	59,089	67,108	73,821	99,774	103,152	91,340	88,487	77,058	58,724	69,388	922,136

¹ From Mid-Kansas.

² With "behind the meter" generation, excluding Kingman, added back in, per 15-SPEE-161-RTS.

³ Exclude Kingman generation (per 15-SPEE-161-RTS, since MKEC does not have the transmission capacity to cover the full load).

**Southern Pioneer
Taxes Paid (Cash)
2017**

<u>Division</u>	<u>Account</u>	<u>Description</u>	<u>Date</u>	<u>Journal</u>	<u>Module</u>	<u>Description</u>	<u>Reference</u>	<u>Amount</u>
1	236.71	ACCR FEDERAL INCOME TAX	11/10/2017	276859 Invoice	MR	Refund	MR Invoice	\$ (51,878.00)

Southern Pioneer received a refund of \$51,878 during 2017 (Cash Transaction).

**Proportional Allocation of FBR Rate Adjustment to Retail Rate Classes
Based on CCOS by Rate Schedule**

1. Distribution

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Rate Schedule	Distribution Costs from CCOS ¹	Allocation of Rate Adjustment		
			Percent w/ STR	Percent w/o STR	FBR Adjustment - Distribution ²
					(\$)
1	Residential Service (17-RS)				
2	General Use	7,894,430	43.6%	45.8%	189,326
3	Space Heating	419,729	2.3%	2.4%	10,066
4	General Service Small (17-GSS)	1,000,202	5.5%	5.8%	23,987
5	General Service Large (17-GSL)	5,335,858	29.5%	30.9%	127,965
6	General Service Space Heating	239,842	1.3%	1.4%	5,752
7	Industrial Service (17-IS)	1,204,648	6.7%	7.0%	28,890
8	Interruptible Industrial Service (17-INT)	-	0.0%	0.0%	-
9	Real -Time Pricing (RTP)	-	0.0%	0.0%	-
10	Transmission Level Service (17-STR)	846,059	4.7%		(4,607)
11	Municipal Power Service (17-M-I)	123,438	0.7%	0.7%	2,960
12	Water Pumping Service (17-WP)	270,353	1.5%	1.6%	6,484
13	Irrigation Service (17-IP-I)	161,361	0.9%	0.9%	3,870
14	Temporary Service (17-CS)	5,075	0.0%	0.0%	122
15	Lighting	589,146	3.3%	3.4%	14,129
16	Total Retail Rates	18,090,141	100%	100%	408,943

¹ Distribution Costs from Class Cost of Service filed in Docket No. 20-SPEE-169-RTS. For STR, using revenues from delivery charge. See also footnote 2 below.

² The FBR Adjustment for the STR class is directly calculated to exclude non-distribution portion of the additional debt service in the Budget Year --see Workpaper 5, Part I.

2. Transmission (34.5kV)

(a)	(b)	(g)	(h)
Line No.	Rate Schedule	Transmission Costs from CCOS ³	Allocation of Rate Adjustment
			Percent
			(\$)
1	Residential Service (17-RS)		
2	General Use	1,433,495	38.7% (52,817)
3	Space Heating	73,369	2.0% (2,703)
4	General Service Small (17-GSS)	132,095	3.6% (4,867)
5	General Service Large (17-GSL)	1,568,632	42.3% (57,797)
6	General Service Space Heating	63,026	1.7% (2,322)
7	Industrial Service (17-IS)	315,843	8.5% (11,637)
8	Interruptible Industrial Service (17-INT)	-	0.0% -
9	Real -Time Pricing (RTP)	-	0.0% -
10	Transmission Level Service (17-STR)	-	(1,041)
11	Municipal Power Service (17-M-I)	16,285	0.4% (600)
12	Water Pumping Service (17-WP)	44,832	1.2% (1,652)
13	Irrigation Service (17-IP-I)	24,827	0.7% (915)
14	Temporary Service (17-CS)	775	0.0% (29)
15	Lighting	33,484	0.9% (1,234)
16	Total Retail Rates	3,706,663	100% (137,614)

³ Transmission Costs from Class Cost of Service filed in Docket No. 20-SPEE-169-RTS (less G&T Transmission). STR class was excluded from CCOS. See also footnote 4 below.

⁴ 34.5kV FBR Adjustment allocated to the STR class is for 34.5kV STR customers who pay LADS rate - see Workpaper 5, Part II; 115kV STR do not use this system;

Test Year SPEC Usage and Revenues by Class (from Patronage Report)
Supporting Data for the Allocation of the FBR Retail Rate Adjustment

kWh Totals by Revenue Class (Month is "Billed in/Recorded on F7" vs. "Used in")			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Res	1	1.440. Residential	9,288,361	7,650,236	6,383,388	5,946,376	6,778,823	10,119,828	14,378,535	13,597,869	11,449,762	7,606,926	6,578,371	7,105,327	106,883,802
Res	13	1.440. Residential Heating	968,992	806,252	552,743	448,632	401,244	331,202	397,987	429,660	372,804	291,258	354,551	434,856	5,790,181
Comm	2	1.442.1 Commercial Small	1,153,871	1,007,421	877,690	794,992	838,604	965,492	1,071,028	1,106,217	1,004,270	806,393	827,104	899,696	11,352,578
Comm	3	1.442.1 Commercial Large	10,915,715	10,668,548	10,372,097	7,570,353	9,505,301	10,552,210	12,335,323	12,214,052	11,816,872	11,423,202	12,431,692	10,614,827	130,420,192
Comm	4	1.442.1 Commercial Space Heating	599,921	493,973	368,714	336,638	355,505	410,133	463,503	474,735	425,775	341,481	363,241	380,355	5,013,974
Ind	6	1.442.2 Industrial	2,767,555	2,341,243	2,586,766	2,427,030	2,414,881	2,754,855	2,533,177	2,622,806	2,561,519	2,691,255	2,304,315	2,476,086	30,481,488
Ind	7	1.442.2 Industrial Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-
Ind	12	1.442.2 Real Time Pricing	32,263	32,311	30,009	35,371	34,828	37,268	45,597	31,172	43,384	31,239	18,325	18,690	390,457
Ind	9	1.442.2 Industrial-Sub Trans 34.5	170,565	189,441	208,827	163,402	157,889	208,351	239,483	202,934	189,411	212,152	214,468	219,297	2,374,220
Ind	15	1.442.2 Industrial-Sub Trans 115	33,972,589	32,757,831	37,652,786	35,484,824	35,779,886	37,775,685	38,820,458	39,478,493	38,893,527	39,662,381	38,054,763	37,026,771	445,359,994
Irr	8	1.441 Irrigation	2,258	1,316	39,650	37,926	40,821	240,306	714,633	770,779	351,692	97,154	34,026	27,097	2,357,658
Comm	5	1.442.15 Commercial Municipal	111,794	99,099	84,576	83,340	92,339	139,530	192,312	172,221	157,276	100,844	87,645	90,615	1,411,591
WP	16	1.442.15 Water Pumping	417,688	354,863	348,478	358,769	430,973	481,196	631,208	554,786	515,593	438,191	361,984	350,776	5,244,505
Lights	10	1.444. Lighting	332,772	332,400	332,924	332,169	329,528	328,977	328,359	327,595	327,086	325,754	325,313	324,990	3,947,867
Temp	17	1.444. Temporary Service	13,609	11,070	6,991	2,213	2,000	1,405	2,260	3,473	1,408	1,062	1,835	2,881	50,207
			60,747,753	56,746,004	59,843,639	54,022,035	57,162,622	64,346,438	72,153,863	71,986,792	68,110,379	64,029,292	61,957,633	59,972,264	751,078,714

Revenue Totals by Revenue Class			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Res	1	1.440. Residential	1,210,339	1,046,701	904,358	861,450	966,152	1,392,860	2,091,910	2,148,143	1,815,400	1,216,286	955,742	977,309	15,586,648
Res	13	1.440. Residential Heating	109,867	96,411	70,653	60,419	54,365	47,065	59,662	70,122	61,732	48,093	49,104	55,212	782,704
Comm	2	1.442.1 Commercial Small	157,734	147,554	136,529	129,953	134,962	149,562	173,291	190,420	176,048	147,481	135,072	136,868	1,815,474
Comm	3	1.442.1 Commercial Large	1,304,679	1,299,650	1,291,013	1,092,614	1,272,653	1,422,369	1,645,585	1,691,558	1,571,659	1,643,104	1,457,541	1,301,210	17,173,635
Comm	4	1.442.1 Commercial Space Heating	53,019	47,004	37,474	35,146	37,926	42,473	58,739	65,846	58,294	47,759	38,575	37,834	560,089
Ind	6	1.442.2 Industrial	278,154	253,540	272,464	246,768	273,566	298,369	334,278	356,335	340,712	323,125	257,389	263,867	3,498,567
Ind	7	1.442.2 Industrial Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-
Ind	12	1.442.2 Real Time Pricing	2,720	2,574	2,250	2,757	2,922	3,687	4,470	3,000	3,646	2,251	1,615	1,635	33,528
Ind	9	1.442.2 Industrial-Sub Trans 34.5	8,536	13,000	13,265	10,267	10,962	13,879	16,248	13,936	10,914	11,685	13,070	13,081	148,842
Ind	15	1.442.2 Industrial-Sub Trans 115	1,908,597	1,944,888	2,032,539	2,068,506	2,081,417	2,537,498	2,620,784	2,529,877	2,182,772	2,015,156	2,146,560	2,006,510	26,075,105
Irr	8	1.441 Irrigation	8,805	8,734	11,970	11,865	12,149	29,328	84,232	96,114	47,881	18,981	11,600	10,847	352,506
Comm	5	1.442.15 Commercial Municipal	13,885	12,837	11,204	11,295	12,168	18,323	25,925	26,096	24,010	15,477	12,178	11,861	195,260
WP	16	1.442.15 Water Pumping	45,016	39,397	38,961	40,518	48,668	55,870	79,812	77,687	71,787	58,546	42,090	38,763	637,115
Lights	10	1.444. Lighting	88,238	89,156	89,205	89,692	89,060	90,998	89,582	94,818	93,674	91,305	89,081	86,883	1,081,690
Temp	17	1.444. Temporary Service	3,183	2,607	1,660	522	488	334	576	891	350	257	430	671	11,969
			5,192,772	5,004,053	4,913,545	4,661,772	4,997,459	6,102,616	7,285,094	7,364,842	6,638,877	5,639,504	5,210,047	4,942,552	67,953,133

Cons Totals by Revenue Class			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg Cons
Res	1	1.440. Residential	11,946	11,932	11,921	11,888	12,013	11,996	11,991	11,988	11,957	11,967	11,951	11,973	11,960
Res	13	1.440. Residential Heating	661	663	659	653	659	661	663	662	661	660	659	658	658
Comm	2	1.442.1 Commercial Small	2,520	2,521	2,524	2,523	2,520	2,524	2,505	2,512	2,526	2,517	2,522	2,535	2,521
Comm	3	1.442.1 Commercial Large	1,422	1,419	1,419	1,415	1,416	1,415	1,420	1,403	1,389	1,392	1,396	1,395	1,408
Comm	4	1.442.1 Commercial Space Heating	51	51	51	51	50	50	71	71	71	71	72	72	61
Ind	6	1.442.2 Industrial	17	17	17	18	18	18	17	18	15	16	16	16	17
Ind	7	1.442.2 Industrial Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-
Ind	12	1.442.2 Real Time Pricing	1	1	1	1	1	1	1	1	1	1	1	1	1
Ind	9	1.442.2 Industrial-Sub Trans 34.5	2	2	2	2	2	2	2	2	2	2	2	2	2
Ind	15	1.442.2 Industrial-Sub Trans 115	4	4	4	4	4	4	4	4	4	4	4	4	4
Irr	8	1.441 Irrigation	41	41	41	41	41	41	41	41	41	41	41	41	41
Comm	5	1.442.15 Commercial Municipal	141	140	140	139	139	139	140	140	140	140	140	140	140
WP	16	1.442.15 Water Pumping	71	71	71	70	70	70	70	70	71	71	71	71	71
Lights	10	1.444. Lighting	142	141	141	140	140	140	140	140	138	136	136	136	139
Temp	17	1.444. Temporary Service	8	8	7	7	6	5	4	5	5	5	5	4	6
			17,027	17,011	16,998	16,952	16,949	16,929	16,928	16,917	16,879	16,884	16,876	16,910	16,939

STR Class Rate Adjustment

I. FBR Adjustment - Distribution System

Exclude non-general plant Debt Service (DS)

Ln No

1	-	Total Distribution Revenue Adjustment from EX J.3-A
2	89%	Non-general plant additions for Budget Year
3		
4	224,902	additional DS for non-general plant in the Test Year
5	27%	Distribution System allocation
6	61,572	
7	1.60	Target DSC
8	98,515	
9	(98,515)	
10	4.7%	STR %
	(4,607)	

Calculate STR Base Revenues for the Test Year (kWh x Delivery Chg)

	STR KWH	Rate	Base Rev	
Jan-Jul	253,580,017	0.00192	\$ 486,874	16-SPEE-497-RTS rate
Aug-Dec	194,154,197	0.00185	\$ 359,185	17-SPEE-476-TAR (DSC-FBR portion)
	447,734,214		\$ 846,059	

II. FBR Adjustment - 34.5kV System

Allocate 34.5kV FBR Adjustment to 34.5kV STR

Billing kW for Test Year	4064.10
Resultant \$/kW Adjustment	\$ (0.26) Pg 3, L3
Total 34.5kV STR Adjustment	\$ (1,041.36)

Southern Pioneer Electric Company

Construction Budget - Budget Year

<u>Loan Project Code</u>	<u>Description of Job</u>	<u>Amount Previously Completed</u>	<u>2018 Budget Amount</u>	<u>% of Job Related to Transmission</u>	<u>\$ Related to Transmission</u>	<u>\$ Related to Distribution</u>
101	New Consumers	\$ -	\$ 150,000	0.00%	\$ -	\$ 150,000
300-27	Wellsford to Haviland	\$ -	\$ 245,000	0.00%	\$ -	\$ 245,000
300-47	Kiowa to Hardtner	\$ -	\$ 270,000	0.00%	\$ -	\$ 270,000
500-03	ArcHazard Assessment	\$ -	\$ 50,000	0.00%	\$ -	\$ 50,000
500-13	Substation Exit Switches	\$ -	\$ 69,556	0.00%	\$ -	\$ 69,556
601-01	Meter Replacements	\$ -	\$ 46,370	0.00%	\$ -	\$ 46,370
601-02	Overhead/Padmount Transformers	\$ -	\$ 347,782	0.00%	\$ -	\$ 347,782
602-01	Service Upgrades	\$ -	\$ 69,556	0.00%	\$ -	\$ 69,556
603-01	Sectionalizing Equipment	\$ -	\$ 55,000	0.00%	\$ -	\$ 55,000
603-02	34.5kv Breakers	\$ -	\$ 40,000	100.00%	\$ 40,000	\$ -
603-03	34.5kv Capacitor Bank Switches	\$ -	\$ 144,909	100.00%	\$ 144,909	\$ -
604-01	Spare Regulators	\$ -	\$ 34,777	50.00%	\$ 17,389	\$ 17,389
606-01	Osmose Pole Replacement	\$ -	\$ 1,500,000	0.00%	\$ -	\$ 1,500,000
606-02	Copper Replacement	\$ -	\$ 600,000	0.00%	\$ -	\$ 600,000
606-03	Open Wire Secondary Replacement	\$ -	\$ 200,000	0.00%	\$ -	\$ 200,000
606-04	CSP Replacement(14.4kv)	\$ -	\$ 25,000	0.00%	\$ -	\$ 25,000
606-05	Ungrounded Circuits	\$ -	\$ 150,000	0.00%	\$ -	\$ 150,000
606-06	Cost of Unit Replacements	\$ -	\$ 579,636	0.00%	\$ -	\$ 579,636
702-01	Streetlight Installs	\$ -	\$ 15,000	0.00%	\$ -	\$ 15,000
702-02	Streetlight Replacements	\$ -	\$ 15,070	0.00%	\$ -	\$ 15,070
704-01	SCADA/Substation Metering	\$ -	\$ 100,000	50.00%	\$ 50,000	\$ 50,000
1000-11	Minneola to Englewood	\$ 487,948	\$ 480,000	100.00%	\$ 480,000	\$ -
1000-13	Wellsford to Haviland	\$ -	\$ 420,000	100.00%	\$ 420,000	\$ -
1000-17	Coldwater to Barber County Line	\$ 934,191	\$ 540,000	100.00%	\$ 540,000	\$ -
1100-06	34.5kV Unit Replacements	\$ -	\$ 144,909	100.00%	\$ 144,909	\$ -
TBD-2	34.5/13.8 10.5MVA Spare Transformer	\$ -	\$ 450,000	0.00%	\$ -	\$ 450,000
TBD-3	Substation Fencing	\$ -	\$ 60,000	75.00%	\$ 45,000	\$ 15,000
TBD-4	Hickory Street Relocate	\$ -	\$ 100,000	0.00%	\$ -	\$ 100,000
TBD-5	N Liberal 115/13.8 Design	\$ -	\$ 150,000	0.00%	\$ -	\$ 150,000
TBD-6	Pratt 115 Relay Replacement/Engineering	\$ -	\$ 50,000	100.00%	\$ 50,000	\$ -
TBD-7	Substation Rock Replacement	\$ -	\$ 30,000	0.00%	\$ -	\$ 30,000
TBD-8	Substation Maintenance Repairs	\$ -	\$ 200,000	100.00%	\$ 200,000	\$ -
		1,422,139	7,332,565		\$ 2,132,207	\$ 5,200,359
		TOTAL	\$ 7,332,565			
		GENERAL PLANT	\$ 874,000	11%		
			\$ 8,206,565			

Southern Pioneer Electric Company

Capital Budget - Budget Year
 Individual Items over \$5,000

Year: 2018

<u>Item Description</u>	<u>Department</u>	<u>2018 Budget Amount</u>	<u>Anticipated Purchase Date</u>	<u>Additional Comments</u>
iVUE Server Replacement	IT	\$ 21,500	August	iVUE Server Replacement Schedule
Domain Server Replacement	IT	\$ 17,000	August	Server Replacement Schedule
Terminal Server Replacement	IT	\$ 11,000	August	Replace Terminal Services Server
Video Conferencing - ML & Lib	IT	\$ 20,000	June	Connecting Offices
Computers, Metering	Warehouse/Facilities	\$ 12,000	April	Replace 2 ML Metering computers
Polaris Ranger	Warehouse/Facilities	\$ 20,000	1Q	Existing unit has had some engine work performed on it and it is still not running properly. 07 model and hours are at a level that is normal for trading in.
Misc. Items Recommended by Paric	Warehouse/Facilities	\$ 25,000	Throughout Year	
Pave/Cement Drive - Lib	Warehouse/Facilities	\$ 100,000		
Pave/Cement Drive - ML	Warehouse/Facilities	\$ 100,000		
Water Supply Connection - ML	Warehouse/Facilities	\$ 50,000	-	The tower has not yet been built
Service Bucket (Lib)	Operations	\$ 145,000	-	Normal replacement of unit 1038, Liberal outpost
Skid Steer Loader- Lib	Operations	\$ 115,000	1Q	Skid steer, grapple, pole setter and auger
Skid Steer Loader-ML	Operations	\$ 115,000	1Q	Skid steer, grapple, pole setter and auger
Distribution Automation Software/Equipment	Operations	\$ 100,000	2Q	
Buyout Lease Unit #1051	Operations	\$ 22,500	1Q	
	TOTAL	\$ 874,000		

= Input from prior year filed FBR, Page 1 and 2.
 = Input from SPEC financial records for TY.

<u>B. DEBT SERVICE PAYMENTS</u>	ADJUSTED HISTORICAL TEST YEAR 2016. (\$)	34.5 kV ALLOCATION FACTORS	34.5 kV SYSTEM (\$)	DISTRIBUTION SYSTEM (\$)
Total Margins for Debt Service	\$ 14,110,543		\$ 3,312,688	\$ 10,797,855
Actual Debt Service				
Interest on Long-Term Debt	\$ 5,517,278	0.2819	\$ 1,555,322	\$ 3,961,956
Interest Expense - Other	\$ 113,020	0.2819	\$ 31,860	\$ 81,160
Principal Payments	\$ 2,329,355	0.2819	\$ 656,646	\$ 1,672,709
Total Debt Service Payments	\$ 7,959,653		\$ 2,243,828	\$ 5,715,825
Debt Service Coverage - Adjusted			1.48	1.89
Debt Service Coverage - Target			1.60	1.60
DSC Adjustment Required to Achieve Target			0.12	(0.29)
Net Operating Income Adjustment			\$ 277,437	\$ (1,652,535)
Less: Net Operating Income Adjustment Previously Approved ¹			\$ 292,659	\$ (1,605,707)
True-Up Adjustment			\$ (15,222)	\$ (46,828)

¹ For purposes of this example, the FBR rate adjustments used are from 2016 TY populated DSC-FBR Pilot Plan template as approved but incorporating 34.5kV system amounts and applying DSC of 1.6.

SOUTHERN PIONEER ELECTRIC COMPANY
FORMULA BASED RATE - POPULATED TEMPLATE FOR 2016 TEST YEAR
FBR Template As Approved In Prior TY Filing¹

(a) LINE NO.	(b) ITEM	(c) UNADJUSTED HISTORICAL TEST YEAR 2016 (\$)	(d) ADJUSTMENTS NO. AMOUNT (\$)	(e) ADJUSTED HISTORICAL TEST YEAR 2016 (\$)	(f) 34.5 kV ALLOCATION FACTORS	(g) 34.5 kV SYSTEM (\$)	(h) DISTRIBUTION SYSTEM (\$)	
								(e) x (f)
A. STATEMENT OF OPERATIONS								
1.	Operating Revenue and Patronage Capital	69,890,650	[1]	673,949	70,564,599	Direct	4,535,551	66,029,048
2.	Power Production Expense	-		-	-	1.0000	-	-
3.	Cost of Purchased Power	46,483,909		46,483,909	46,483,909	0.0000	-	46,483,909
4.	Transmission Expense	1,296,041		1,296,041	1,296,041	1.0000	1,296,041	-
5.	Regional Market Expense	-		-	-	1.0000	-	-
6.	Distribution Expense - Operation	4,420,104	[2-a]	(22,546)	4,397,558	0.0000	-	4,397,558
7.	Distribution Expense - Maintenance	1,690,736	[2-b]	-	1,690,736	0.0000	-	1,690,736
8.	Customer Accounts Expense	1,250,910	[2-c]	(2,424)	1,248,486	0.0000	-	1,248,486
9.	Customer Service and Informational Expense	132,233	[2-d]	(19,162)	113,071	0.0000	-	113,071
10.	Sales Expense	13,594	[2-e]	(13,474)	120	0.0000	-	120
11.	Administrative and General Expense	1,868,421	[2-f]	(17,984)	1,850,437	0.0571	105,581	1,744,856
12.	Total Operation & Maintenance Expense	57,155,948		(75,591)	57,080,357		1,401,622	55,678,736
13.	Depreciation and Amortization Expense	3,026,359		3,026,359	3,026,359	0.2873	869,471	2,156,888
14.	Tax Expense - Property & Gross Receipts	-		-	-	0.2819	-	-
15.	Tax Expense - Other	3,294,166	[3]	(3,269,166)	25,000	0.1120	2,799	22,201
16.	Interest on Long-Term Debt	5,660,152	[4]	(142,898)	5,517,254	0.2819	1,555,315	3,961,939
17.	Interest Charged to Construction - Credit	-		-	-	0.2819	-	-
18.	Interest Expense - Other	83,838	[5]	42,705	126,543	0.2819	35,673	90,870
19.	Other Deductions	829,459	[2-g]	(38,178)	791,281	0.2819	223,062	568,219
20.	Total Cost of Electric Service	70,049,922		(3,483,128)	66,566,794	0.0614	4,087,942	62,478,852
21.	Patronage Capital & Operating Margins	(159,272)		4,157,077	3,997,805		447,609	3,550,196
22.	Non Operating Margins - Interest	13		13	13	0.2819	4	9
23.	Allowance for Funds Used During Construction	-		-	-	0.2819	-	-
24.	Income (Loss) from Equity Investments	4,248,150		4,248,150	4,248,150	0.0000	-	4,248,150
25.	Non Operating Margins - Other	7,250		7,250	7,250	0.0000	-	7,250
26.	Generation and Transmission Capital Credits	-		-	-	0.0000	-	-
27.	Other Capital Credits and Patr. Dividends	1,047,207		1,047,207	1,047,207	0.2819	295,208	751,999
28.	Extraordinary Items	-		-	-	0.0000	-	-
29.	Patronage Capital or Margins	5,143,348		4,157,077	9,300,425	0.0799	742,820	8,557,605
30.								
B. DEBT SERVICE PAYMENTS								
31.	Interest Expense	5,743,990	Line 17 + Line 19	(100,193)	5,643,797	0.2819	1,590,988	4,052,809
32.	Principal Payments	2,206,843	F7, Pt. O, Col. B	135,254	2,342,097	0.2819	660,238	1,681,859
33.	Total Debt Service Payments	7,950,833	[6]	35,061	7,985,894	0.2819	2,251,225	5,734,668
34.								
35.								
C. DEBT SERVICE MARGINS								
36.	Patronage Capital or Margins	5,143,348	Line 30		9,300,425	0.0799	742,820	8,557,605
37.	Plus: Depreciation and Amortization Expense	3,026,359	Line 14		3,026,359	0.2873	869,471	2,156,888
38.	Plus: Interest Expense	5,743,990	Line 33	(100,193)	5,643,797	0.2819	1,590,988	4,052,809
39.	Plus: Non-Cash Other Deductions Amortizations	711,316	Total Balance		711,316	0.2819	200,520	510,796
40.	Plus: Cash Capital Credits Cash Received	724,003	F7, Pt. J, L6, Col. A		724,003	0.2819	204,097	519,906
41.	Plus: Non-Cash Income Tax Expense	3,269,166	Line 16	(3,269,166)	-	0.1120	-	-
42.	Less: Income (Loss) from Equity Investments	(4,248,150)	Line 25		(4,248,150)	0.0000	-	(4,248,150)
43.	Less: Other Capital Credits and Patr. Dividends	(1,047,207)	Line 28		(1,047,207)	0.2819	(295,208)	(751,999)
44.	Total Debt Service Margins	13,322,825			14,110,543		3,312,688	10,797,855
45.								
46.								
47.	D. DEBT SERVICE COVERAGE	1.68	L46:L35		1.77		1.47	1.88
48.								
49.	E. DEBT SERVICE COVERAGE TARGET						1.60	1.60
50.								
51.								
52.	F. OPERATING INCOME ADJUSTMENT							
53.	DSC Adjustment Required to Achieve Target			(0.17)			0.13	(0.28)
54.	Debt Service Payments			7,985,894			2,251,225	5,734,668
55.	After-Tax Operating Income Adjustment			(1,333,113)			292,659	(1,605,707)
56.	Add True-Up							
57.	Net Operating Income Adjustment						292,659	(1,605,707)

Adjusted DSC Margins are: Below the Target Above the Target

¹ It will be a copy of the template amounts as approved for prior TY. In this example, using amounts from 17-SPEE-476-TAR (DSC-FBR portion) approved template, but adding 34.5kV system amounts on all lines and changing to use 1.6 DSC target.

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 Notice indicating whether it intends to continue with the FBR Plan for another five years, and if so, any proposed changes. 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. 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

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. 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) as defined in F.1.g. below and which may be applicable. g
- 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 E.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 1.E.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 E, 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 defer 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.

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 using Distribution Costs (for distribution system operating income adjustment) and Transmission Costs (for the 34.5kV system operating income adjustment – retail portion) from the class cost of service (“CCOS”) as filed with the Commission in Docket 20-SPEE-169-RTS.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 used 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 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

¹ The referenced information from the Class Cost of Service that was filed with the Commission in 20-SPEE-169-RTS docket is contained in Exhibit PSE-4, Pg. 2. Note that Transmission costs exclude the G&T wholesale transmission costs from Mid-Kansas.

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).

RICHARD J. MACKE

VICE PRESIDENT, ECONOMICS, RATES, AND BUSINESS PLANNING

SUMMARY OF EXPERIENCE AND EXPERTISE

- Over 23 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, strategic planning, mergers and acquisitions, and financial modeling.
- 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

Power System Engineering, Inc. - Minneapolis, 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 economic and rate practice areas and providing senior level consulting services to clients in the areas of cost of service, rate design, financial planning and forecasting, merger and acquisition analysis, and support. Additional responsibilities include strategic planning, litigation support, expert witness, regulatory compliance, capital expenditure, and operational assessments and advisement.

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.

RICHARD J. MACKE

EDUCATION

University of Minnesota, Minneapolis, MN
 Masters of Business Administration, 2007
 Bethel University, St. Paul, MN
 Bachelor of Arts Degree in Business, Minor in Economics, 1996

PRESENTATIONS AND PUBLICATIONS

Presentations at Industry Meetings

Topic	Organization	Conference	Location	Date
<i>Electric Services in an Annexed Area – 2019</i>	South Dakota Rural Electric Association	Oral Testimony to the SD Legislative Interim Study Committee	Pierre, SD	8/2019
<i>Trends in Rate Design - Panel</i>	Minnesota Rural Electric Association	2019 Energy Issues Summit	St. Cloud, MN	7/2019
<i>Electric Vehicle Development and Rate Trends</i>	Iowa Association of Electric Cooperatives	2019 Accountants Conference	Des Moines, IA	5/2019
<i>Electric Vehicle Development and Rate Trends</i>	Iowa Association of Electric Cooperatives	2019 CEO Conference	Des Moines, IA	4/2019
<i>Cost of Service and Rate Design Seminar</i>	PSE/Minnesota Rural Electric Association	Spring 2018 Seminar	Bloomington, MN	4/2018
<i>Cost of Service and Rate Design Seminar</i>	PSE/Kansas Electric Cooperatives	Fall 2017 Seminar	Salina, KS	10/2017
<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	9/2017
<i>Anti-Demand Charges: The Case for Peak-Time Rebate (PTR) Programs</i>	EUCI	Residential Demand Charges Conference	Charleston, SC	7/2017
<i>Power Cost Adjustment (PCA)</i>	Iowa Association of Electric Cooperatives	Managers and Board President's Summer Conference	Okoboji, IA	7/2017
<i>Distributed Generation Rate Design</i>	Kansas Rural Electric Cooperatives	Manager's Association Spring Meeting	Wichita, KS	6/2017
<i>NEM Policy Update and DG Rate Design</i>	Kansas Electric Cooperatives, Inc.	Regulatory Review and Tax Committee	Salina, KS	3/2017
<i>Rate Impact of Net Metering</i>	Generation and Transmission Finance and Accountants Assoc.	G&T Finance and Accounting Conference	Charleston, SC	6/2016
<i>Net Metering and Fixed Cost Recovery</i>	Iowa Association of Electric Cooperatives	Manager's Spring Conference	Des Moines, IA	4/2016
<i>Net Metering Deep Dive</i>	Minnesota Rural Electric Assoc.	Annual Meeting	St. Paul, MN	3/2016
<i>Retail Rate Design and Industry Update</i>	Association of Missouri Electric Cooperatives	Manager's Fall Conference	Branson, MO	9/2015

RICHARD J. MACKE

Presentations at Industry Meetings – cont.

Topic	Organization	Conference	Location	Date
<i>Rate Design and Cost of Service Seminar</i>	Power System Engineering, Inc.	Fall 2015 Seminar	Lexington, KY	9/2015
<i>Distributed Generation WI Survey Results</i>	Dairyland Power Cooperative	Solar Workshop	Plover, WI	9/2015
<i>Consumer-Owned Generation</i>	Hoosier Energy	2015 Board Strategic Issues Forum	French Lick, IN	8/2015
<i>Retail Rate Design and DG</i>	National Rural Electric Cooperative Assoc.	CEO Close-Up Conference	St. Petersburg, FL	1/2015
<i>Evolution of Retail Rate Design</i>	National Rural Electric Cooperative Assoc.	NRECA Issues Summit	Indianapolis, IN	10/2014
<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	8/2014
<i>Rate Design and Cost of Service Seminar</i>	Power System Engineering, Inc.	Spring 2014 Seminar	Indianapolis, IN	5/2014
<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	8/2013
<i>Dynamic Pricing</i>	National Rural Electric Cooperative Assoc.	Accounting, Finance and Tax Meeting	New Orleans, LA	7/2013
<i>Rate Trends</i>	Wisconsin Electric Cooperative Assoc.	Manager's Meeting	Warrens, WI	7/2013
<i>Standby Rates</i>	Iowa Association of Electric Cooperatives	Manager's Spring Conference	Des Moines, IA	4/2013

Publications

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.

RICHARD J. MACKE**EXPERT TESTIMONY**

State	Case or Docket No.	Description
KS	20-SPEE-169-RTS	Southern Pioneer Electric Company Application for Approval to Make Certain Changes in its Charges for Electric Service.
KS	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.
KS	17-SPEE-476-TAR	Annual Filing of Southern Pioneer Electric Company for Approval to Make Certain Changes to Its Charges for Electric Services, Pursuant to the Debt Service Coverage Formula Based Ratemaking Plan Approved in Docket No.13-MKEE-452-MIS and 34.5kV Formula Based Ratemaking Plan Approved in Docket No. 16-MKEE-023-TAR.
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.

RICHARD J. MACKE

State	Case or Docket No.	Description
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.
KS	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.
KS	09-PNRE-563-RTS	Pioneer Electric Cooperative, Inc., application to increase rates. Testimony filed on behalf of Pioneer.
KS	09-WHLE-681-RTS	Wheatland Electric Cooperative, Inc., application to increase rates. Testimony filed on behalf of Wheatland.
KY	2016-00365	Farmers Rural Electric Cooperative Corporation, application for matter of adjustment of rates. Testimony filed on behalf of Farmers.
MD	S.B. 771	Testified before Maryland State Senate in support of Senate Bill 771.
MD	H.B. 996	Testified before Maryland House of Delegates in support of House Bill 996.
MN	E-111/GR-03-261	Dakota Electric Association, application to increase rates. Testimony filed on behalf of Dakota.
SC	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.
SD	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.
TX	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.

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 9th day of December, 2019 to:

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