

Direct Testimony of Shane Laws

1 **Q: Please state your name.**

2 A: My name is Shane Laws.

3 **Q: By whom are you employed and what is your business address?**

4 A: I am employed by The Victory Electric Cooperative Association, Inc.
5 ("Victory"). My business address is 3230 North 14th Avenue, Dodge City,
6 Kansas. As CEO of Victory, I am also a member of the Board of Directors
7 for Sunflower Electric Power Corporation ("Sunflower").

8 **Q: Would you summarize your educational background?**

9 A: I graduated from The University of Texas at Arlington in May 1997 with a
10 Bachelor of Business Administration degree with an emphasis in
11 Management. I completed the Robert I. Kabat Management Internship
12 Program at The University of Nebraska, Lincoln in May 2000. In
13 December 2006, I earned a Master of Business Administration degree
14 from Texas Woman's University located in Denton, Texas. In October
15 2024, I completed NRECA's Executive Leadership Program at
16 Northwestern University Kellogg School of Management.

17 **Q: Please summarize your work experience.**

18 A: I'm currently the CEO for Victory, Dodge City, Kansas. I've been with
19 Victory for approximately 12 years. Prior to Victory, I was the Director,
20 Retail Programs for CoServ Electric in Corinth, Texas. I was directly
21 responsible for a project engineering department that designed and
22 contracted large-scale residential and commercial developments as well
23 as an energy management department that provided

1 residential/commercial audit services and administered a
2 residential/commercial rebate program. In addition, I provided oversight
3 for the cooperative's rates and cost-of-service studies and tariffs. I have
4 served in various capacities with three electric cooperatives spanning over
5 30 years.

6 **Q: Have you previously presented testimony before the Kansas**
7 **Corporation Commission of the State of Kansas ("Commission")?**

8 A: Yes, I have provided testimony in the following dockets: 16-MKEE-023-
9 TAR; 16-VICE-494-TAR; 17-VICE-481-TAR; 18-VICE-479-TAR; 19-VICE-
10 448-TAR; 19-SEPE-054-MER; and 20-VICE-437-TAR, 21-VICE-412-TAR,
11 21-SEPE-049-TAR, 22-VICE-498-TAR, 23-VICE-793-TAR, 24-VICE-690-
12 TAR, and 25-VICE-393-TAR.

13 **Q: What is the purpose of your testimony today?**

14 A: The purpose of my testimony is to provide a background of Victory and to
15 confirm Victory's support for continuation of its 34.5 kV formula-based rate
16 ("34.5 kV FBR").

17 **Q: Please provide a brief overview of Victory.**

18 A: Victory is an electric cooperative formed in 1945 under the Kansas Electric
19 Cooperative Act, K.S.A. 17-4601 *et seq.*, primarily for supplying electric
20 energy to the farm and residential customers in rural areas of southwest
21 Kansas. Through the years, however, Victory expanded to a broad
22 consumer base. Today, Victory maintains 3,200 miles of line serving

1 diversified loads including residential, industrial, commercial, and irrigation
2 customers in nine southwest Kansas counties.

3 **Q: What is Victory's opinion concerning continuation of its 34.5 kV**
4 **formula-based rate ("FBR")?**

5 A: Victory supports the continuation of its 34.5 kV FBR, as detailed in the
6 Joint Application and the Prefiled Direct Testimony of Richard J, Macke
7 submitted in support of this Joint Application.

8 **Q: What are the reasons for Victory's request to continue the 34.5 kV**
9 **FBR?**

10 A: In Victory's opinion, the FBR approach has reduced the costs and
11 regulatory lag of a traditional rate case with respect to determining the
12 annual local access charge ("LAC") while ensuring the Commission and
13 interested parties are afforded a comprehensive and systematic review of
14 the resultant rates (which, by the inherent design of the 34.5 kV FBR,
15 remain cost-based). Prefiled Direct Testimony of Richard J, Macke further
16 highlights the advantages that a formula-based rate approach offers to the
17 Commission, affected utilities, and customers when compared to a
18 traditional rate application.

19 **Q: In your capacity as CEO of Victory, have you been directly involved**
20 **in Victory's annual update filing for its formula-based rates?**

21 A: Yes. I have filed direct testimony in each annual update.

22 **Q: Can you attest that Victory has experienced the often-suggested**
23 **advantages of formula-based rates?**

1 A: Yes, in my opinion, we have seen many of these advantages. The 34.5 kV
2 FBR has allowed Victory to annually update the LAC, which allows for the
3 proper recovery of costs associated with providing local access delivery
4 service ("LADS". The 34.5 kV FBR has also provided the benefit of
5 reducing the cost of rate case filings while producing a more efficient
6 recovery of costs with reduced regulatory lag.

7 **Q. In your opinion, have the annual updates each year provided a**
8 **streamlined and efficient process to determine an annual LAC?**

9 A. Overall, yes. The first couple years took more effort from all parties
10 because the 34.5 kV FBR was new. However, the annual update filings
11 and their review have settled into an efficient process. There have been
12 some years where the parties have not even had to meet for the technical
13 conference contemplated by the 34.5 kV Protocols because there are not
14 any additional questions from Commission Staff or customers. No annual
15 update filing of Victory has ever resulted in the need for an evidentiary
16 hearing, and each annual update filing's applied-for rate has been
17 approved.

18 **Q: What is the basic approach utilized in Victory's 34.5 kV FBR?**

19 A: Victory's 34.5 kV FBR calculates the annual revenue requirement based
20 upon pertinent operating expenses and margin requirements. The end
21 result is the ultimate LAC determined by the formula each year.

1 **Q: What type and level of margin requirement is Victory requesting be**
2 **used as the basis for the return requirement incorporated into its**
3 **34.5 kV FBR?**

4 A: Victory requests to continue to use a greater of a 1.8 Operating Times
5 Interest Earned Ratio (“OTIER”) or a 1.8 Modified Debt Service Coverage
6 Ratio (“MDSC”) as the margin requirement for determining the return
7 requirement. That is the approved margin requirement associated with the
8 original implementation, and subsequent continuation, of Victory’s 34.5 kV
9 FBR.

10 **Q: Why are those still appropriate levels and types of financial ratios for**
11 **determination of Victory’s margin requirement?**

12 A: A 1.8 OTIER/MDSC would allow for a sufficient level of positive operating
13 margins to facilitate the improvement of capital structure to ensure safe
14 and reliable service, as well as help deal with unexpected contingencies.
15 In addition, the “greater of” approach, with a secondary metric (the MDSC
16 of 1.8), allows flexibility in choosing the most appropriate driver for the
17 margin requirement as our debt matures.

18 **Q: Do you support the Prefiled Direct Testimony of Richard J. Macke**
19 **with respect to all aspects of the margin requirements and levels**
20 **thereof that are used to determine the revenue requirement in**
21 **Victory’s 34.5 kV FBR?**

22 A: Yes. I will defer to his testimony with respect to the specific details and
23 conclusions, but I generally concur with his analysis and the margin

1 requirements he details, which are the same margin requirements I
2 previously mentioned.

3 **Q. Are you requesting continuation of the same 34.5 kV FBR that was**
4 **approved in the last request to continue Victory's 34.5 kV FBR?**

5 **A.** Yes. We have requested approval of the very same 34.5 kV FBR, as well
6 as all the mechanics thereof, that was approved in Docket No. 21-SEPE-
7 049-TAR, without any modifications.

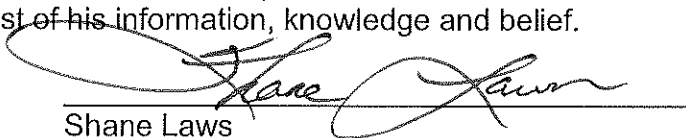
8 **Q: Does this conclude your testimony?**

9 **A:** Yes, it does.

Direct Testimony of Shane Laws

VERIFICATION OF SHANE LAWS

Shane Laws, being first duly sworn, deposes and says that he is the Shane Laws referred to in the foregoing document entitled "Direct Testimony of Shane Laws" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.



Shane Laws