

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Annual Filing of Southern)
Pioneer Electric Company for Approval to) Docket No. 24-SPEE-688-RTS
Make Certain Changes to its Charges for)
Electrical Services, Pursuant To the)
Consolidated Formula Based Ratemaking
Plan Approved in Docket No. 19-SPEE-240-
MIS

**TESTIMONY IN RESPONSE TO DIRECT TESTIMONY PREPARED BY TIM
REHAGEN, UTILITIES DIVISION, KANSAS CORPORATION COMMISSION
SUBMITTED BY**

Chantry C. Scott
Executive Vice President – Chief Financial Officer
Southern Pioneer Electric Company

Filed on Behalf of

SOUTHERN PIONEER ELECTRIC COMPANY

July 19, 2024

1 **Q: Please state your name and business address.**

2 A: My name is Chantry C. Scott. My business address for legal service is 1850 Oklahoma,
3 Ulysses Kansas 67880 and for mail receipt is PO Box 430, Ulysses Kansas 67880-0430.

4 **Q: What is your position with Southern Pioneer?**

5 A: I am Executive Vice President – Chief Financial Officer (“CFO”) and Assistant Secretary
6 of Southern Pioneer. I am also CFO of Pioneer Electric Cooperative, Inc. (“Pioneer”),
7 100% owner of Southern Pioneer, and a member-owned electric cooperative not subject to
8 Kansas Corporation Commission (“KCC” or “Commission”) jurisdiction for rate setting.

9 **Q: Please state the purpose of your testimony.**

10 A: I am providing the following testimony in response to Direct Testimony Prepared by Tim
11 Rehagen, Utilities Division, Kansas Corporation Commission, which was filed July 12,
12 2024 in this docket (“Rehagen Testimony”).

13 **Q: Have you reviewed the Rehagen Testimony?**

14 A: Yes.

15 **Q: Please state the content of your response to the Rehagen Testimony.**

16 A. Mr. Rehagen recommends an adjustment to the FBR calculations be made beginning on p.
17 7, line 10 of his testimony, in which he states that “an additional \$28,545 of various
18 expenses related to coffee, drinks, gifts, holiday parties, gym memberships, etc. should be
19 disallowed” from the calculation. *See Rehagen Testimony, p. 7, ln. 10–15, fn. 12.* He states
20 that “[t]hese expenses are the result of activities or programs that are not necessary to
21 provide safe and reliable electric utility service to customers” and that they should therefore
22 be disallowed.

1 **Q: Do you disagree with Mr. Rehagen’s assessment that these expenses should be**
2 **disallowed?**

3 A. Yes.

4 **Q: Please state why you disagree.**

5 A: These are legitimate business expenses of Southern Pioneer, and I do not agree that they
6 should be removed or disallowed from the filing on the premise that these expenses are not
7 necessary to provide safe, efficient and reliable service.

8 **Q: Why is that?**

9 A. I believe Mr. Rehagen’s position is flawed in that it ignores that these expenses are
10 reasonable and legitimate expenses for the benefit of Southern Pioneer’s employees, and
11 to further promote Southern Pioneer’s relationships with the community and its workforce.
12 It is important to attract and retain experienced, high-performing employees as our
13 employees are the basis for provisioning safe, efficient and reliable service to our
14 customers. Minimal expenditures made to support our employees and remind them how
15 valuable they are to our business is a *direct* cost of doing business. If our employees feel
16 valued, it impacts their work activities which increases customer service and relations.

17 It’s important to note that with the increase in self-generation over the past few
18 years, customers have alternatives for obtaining electric service. They are not bound to
19 receiving all their power from only the local distribution utility. Customer service and
20 satisfaction helps keep our customers on our system and thus contributing to the payment
21 of overhead costs. It is best for all our customers to take steps and incur reasonable
22 expenses to achieve that goal.

23 **Q. Are there other reasons supporting these expenditures as justified business costs?**

1 A. Yes. Mr. Rehagen’s testimony seems to assume that the *only* role of an electric utility like
2 Southern Pioneer is to provide safe, efficient and reliable electric service. Although this
3 level of service is certainly expected, and Southern Pioneer takes that expectation very
4 seriously, Southern Pioneer serves other roles as well. Southern Pioneer also takes
5 seriously its obligations to its employees to provide a quality work environment, and to
6 contribute to the health and well-being of its employees. In addition, as a corporate citizen
7 in communities it serves, Southern Pioneer is expected and committed to support those
8 communities where its customers work and live and where its employees work and live.
9 The expenses Mr. Rehagen suggests should be disallowed are reasonable and normal
10 services and additional benefits provided to Southern Pioneer employees, and they foster a
11 healthy and committed workforce, as well as a connection between that workforce and the
12 local communities Southern Pioneer serves. As such, they are valid and reasonable
13 business expenses incurred by Southern Pioneer in connection with important corporate
14 missions and values of Southern Pioneer, and should not be disallowed.

15 **Q: Why did Southern Pioneer include these expenses in its calculation?**

16 A. As stated in Paragraph F.1.g. on page 5 of Exhibit 1 attached to the Application, Southern
17 Pioneer included as “Other Deductions” that portion of expenses that it understands were
18 not disallowed in whole or in part by the Commission pursuant to Commission policy in
19 accordance with K.S.A. 66-101f(a), specifically related to dues, donations, charitable
20 contributions, promotional advertising, penalties and fines and entertainment expenses. As
21 Mr. Rehagen notes, Southern Pioneer removed 50% or 100% of expenses in these
22 categories that the Commission had disallowed pursuant to its policies. It appears that Mr.
23 Rehagen is proposing that the Commission should disallow an additional \$28,545 over and

1 above those expenses disallowed under existing policies developed under K.S.A. 66-
2 101f(a). Again, these expenses are reasonable expenses consistent with valid corporate
3 functions of Southern Pioneer, and their inclusion is not in violation of any stated policy
4 of the Commission requiring that they be removed or disallowed. That is why Southern
5 Pioneer included these expenses, and why Southern Pioneer believes these expenses should
6 not be disallowed.

7 **Q: Does Southern Pioneer believe a hearing is necessary to address this adjustment and**
8 **the disallowances in Mr. Rehagen’s Testimony?**

9 A. No. As stated in Paragraph F.1.g. on page 5 of Exhibit 1 attached to the Application,
10 Southern Pioneer understands that the parties, including Staff, may “present to the
11 Commission in their recommendation or testimony their position and reasoning in support
12 of inclusion or disallowance of these items,” and that although this disagreement may exist
13 “[i]t is expected that disagreement on these issues would not be grounds for requiring the
14 case to go to evidentiary hearing, and that absent other issues supporting the need for the
15 evidentiary hearing, these matters will be resolved by the Commission based upon the
16 paper record.” Southern Pioneer believes this issue, and likely any issue of disagreement
17 regarding these allowable expenses, can and should be resolved by the Commission based
18 upon the written record and without an evidentiary hearing.

19 **Q: What is Southern Pioneer’s ultimate position as to how the Commission should**
20 **resolve the adjustment proposed in Mr. Rehagen’s testimony?**

21 A: While Southern Pioneer believes the expenses are reasonable and should be allowed, this
22 issue should not prevent the Commission from approving the overall rate adjustment under
23 its Consolidated Formula Based Ratemaking Plan now, and without the need for any

1 further proceedings. Although Southern Pioneer disagrees with Mr. Rehagen's
2 reasoning for the disallowance, it is willing to accept the adjustment if the
3 Commission deems the adjustment appropriate.

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

5 A: Yes.

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VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF GRANT)

The undersigned, Chantry C. Scott, upon oath first duly sworn, states that he is Executive VP – Chief Financial Officer and Assistant Secretary of Southern Pioneer Electric Company, that he has reviewed the foregoing document titled “Testimony in Response to Direct Testimony Prepared by Tim Rehagen, Utilities Division, Kansas Corporation Commission” before the State Corporation Commission of the State of Kansas, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Chantry C. Scott

Subscribed and sworn to before me this 19th day of July, 2024.



Notary Public

My appointment expires: 9-30-2024



CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was electronically filed with the Kansas Corporation Commission on July 19, 2024, and that one copy was delivered electronically to all parties on the service list as follows:

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