

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

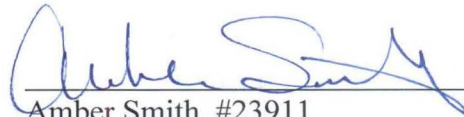
In the Matter of Sunflower Electric Power )  
Corporation's Formula-Based Rate Annual )  
Updates and True-Ups for Recovery of ) Docket No. 14-SEPE-220-TFR  
Transmission Costs as Required by )  
Commission Order in Docket No. 13-SEPE- )  
701-TAR. )

**NOTICE OF FILING STAFF'S REPORT AND RECOMMENDATION**

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) files its report and recommendation on Sunflower Electric Power Corporation's (Sunflower's) formula-based rate annual updates and true-ups for recovery of transmission costs. Staff notes Sunflower's annual transmission revenue requirement accurately reflects Sunflower's cost of transmission service. Staff further notes that, pursuant to the Commission-approved transmission formula rate protocols, the Commission is not required to issue an order approving Sunflower's updated annual transmission revenue requirement. Therefore, Staff does not recommend any Commission action at this time.

WHEREFORE, Staff submits its Report and Recommendation.

Respectfully submitted,



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For Commission Staff

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chair Shari Feist Albrecht  
Commissioner Jay Scott Emler  
Commissioner Pat Apple

**FROM:** Chad Unrein, Auditor  
Justin Grady, Chief of Accounting and Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** December 31, 2015

**SUBJECT:** Docket No. 14-SEPE-220-TFR – In the Matter of Sunflower Electric Power Corporation’s Formula-Based Rate Annual Updates and True-Ups for Recovery of Transmission Costs as Required by Commission Order in Docket No. 13-SEPE-701-TAR.

**EXECUTIVE SUMMARY:**

On September 23, 2015, Sunflower Electric Power Corporation (Sunflower) filed with the Kansas Corporation Commission (Commission) an Annual Update to its Commission-approved Transmission Formula Rate (TFR), thereby establishing new Annual Transmission Revenue Requirements (ATRR) for 2016. Sunflower’s 2016 Zonal ATRR totaled \$18,686,770, which includes a true-up adjustment of \$2,258,678 for the under-collection of Sunflower’s 2014 ATRR. Sunflower’s Base Plan Funded ATRR totaled 5,156,875 and includes a true-up adjustment of \$336,648 for the under-collection of the 2014 ATRR. Staff has reviewed Sunflower’s 2016 ATRR and true-up adjustments and found the ATRR accurately reflects Sunflower’s cost of transmission service as specified in the rate templates and Protocols. Per the Commission-approved TFR Protocols, the Commission is not required to issue an Order approving Sunflower’s updated ATRR and the rate is set to go into effect on January 1, 2016, allowing Southwest Power Pool (SPP) to begin billing Sunflower’s 2016 ATRR.

**BACKGROUND:**

Sunflower is a not-for-profit consumer-owned corporation that is directly owned by six consumer-owned cooperatives<sup>1</sup> who also own (directly or indirectly) Mid-Kansas Electric Company, LLC (Mid-Kansas).<sup>2</sup> Pursuant to K.S.A. 66-104d, Sunflower’s bundled wholesale

<sup>1</sup> The Sunflower member cooperatives are Lane-Scott Electric Cooperative; Pioneer Electric Cooperative (Pioneer); Prairie Land Electric Cooperative, Inc.; The Victory Electric Cooperative Association, Inc.; Western Electric Cooperative; and Wheatland Electric Cooperative, Inc.

<sup>2</sup> Except for Pioneer, the same members own Mid-Kansas. Pioneer’s interest in Mid-Kansas is indirect, through its wholly-owned subsidiary, Southern Pioneer Electric Company.



rates to its Members are no longer regulated by the Commission; however, Sunflower's charges, fees, or tariffs for transmission services remain subject to the Commission's jurisdiction.

On May 16, 2013, Sunflower filed a request with the Commission for a TFR in Docket No. 13-SEPE-701-TAR (13-701 Docket).<sup>3</sup> Sunflower TFR proposal consisted of accounting spreadsheets that compiled accounting data from Sunflower's KCC annual report to the Commission and other internal books and records of the Company to calculate an ATRR for different classes of transmission projects, as classified by SPP. Additionally, Sunflower's Application included a set of Protocols which contained parameters concerning how the TFR would be updated annually, customer review procedures, informal and formal challenges, etc. The ATRR is then submitted to SPP, which charges the rates to transmission customers in Sunflower's zone or throughout the SPP regional footprint depending on the classification of the transmission project as zonal or regional, respectively. SPP in turn remits to Sunflower the revenues it has collected for these projects. The parties to the case filed a Unanimous Stipulation and Agreement (S&A) recommending approval of the proposed TFR and Protocols. The Commission issued an Order approving the S&A on October 31, 2013.<sup>4</sup> Consistent with the filed S&A, the Order required Sunflower to file all future Annual Updates and True-Ups of its TFR in a compliance-type Docket with a "TFR" Docket designation. Docket No. 14-SEPE-220-TFR was the compliance-type Docket opened for this purpose.

On November 11, 2013, Sunflower filed its first TFR Annual Update Posting utilizing 2014 projected costs based in part on actual 2012 data. This was presented as the ATRRs that would be billed in 2013. On September 24, 2014, Sunflower filed its second Annual Update for 2015 projected costs including an adjustment to lower its revenue requirement due to the Company's re-amortization of existing debt, which reduced the Sunflower's principal payments. On December 2, 2014, the Commission granted Sunflower's Motion to approve its adjustment.

#### **ANALYSIS:**

On May 28, 2015, Sunflower filed its first annual true-up adjustment, which compares the 2014 actual revenue requirement against the 2014 projected ATRR. On June 16, 2015, Sunflower filed an Errata filing that corrected an error found in Tab A-11, cell E10, of the 2014 template for Administration and General Expense total. Staff verified the ATRR calculations were based on the financial data located in Sunflower's 2014 KCC Annual Report and other supporting financial documentation supported by Sunflower's internal records. On September 23, 2015, Sunflower filed the Annual Update of its TFR calculating a projected 2016 ATRR for the different classes of transmission projects, based in part on 2014 actual data. On June 12, 2015, Sunflower held a true-up filing customer meeting, as required by the Protocols. In this meeting, Sunflower discussed the Protocols related to the true-up filing and the results of the true-up calculations, which included the change found in Sunflower's Errata filing. Sunflower presented that it has under-collected \$2,258,678 on its 2014 Zonal ATRR and under-collected \$336,648 on its 2014 Base Plan Funded ATRR. These amounts were then rolled into the calculation of the 2016 ATRR, which will ultimately be incorporated into Attachment H of SPP's Open Access Transmission Tariff.<sup>5</sup>

<sup>3</sup> See Application for Sunflower Electric Power Corporation filed on May 16, 2013, in 13-701 Docket.

<sup>4</sup> See Order approving Unanimous Stipulation and Agreement in 13-701 Docket.

<sup>5</sup> The 2016 Zonal ATRR equals \$18,686,770 and the 2016 Base Plan Funded ATRR amounts to \$5,156,875. Attachment H of SPP's Open Access Transmission Tariff is entitled, "Annual Transmission Revenue Requirement for Network Integration Transmission Service."



As required by the Protocols, Sunflower held an annual customer meeting on October 14, 2015, to discuss its Annual Update and 2016 ATRR projections. Interveners and members of Commission Staff attended the meeting and questioned Sunflower about the filing and calculations.

Staff reviewed Sunflower's Annual Update filing and compared the financial data from the ATRR template against the corresponding data from Sunflower's 2014 Annual Report to ensure that all financial and operating data was correctly utilized to calculate the 2016 ATRR. Additionally, Staff determined the under-collected results from the 2014 true-up adjustment were correctly applied to Sunflower's 2016 ATRR. The 2016 projected revenue requirement template calculations were based on the Company's 2014 financial and operating results. Sunflower's Zonal ATRR totaled \$18,686,770, including the 2014 true-up under-collection of \$2,258,678. Sunflower's Base Plan Funded ATRR totaled \$5,156,875, including the 2014 under-collection of \$336,648. When compared to the 2015 ATRR, the Zonal transmission revenue requirement increased \$4,129,240, and the Base Plan Funded transmission revenue requirement increased by \$701,819.<sup>6</sup>

Throughout the review process, Staff submitted several requests for information and various supporting documentation including workpapers to verify the revenue credits section of the true-up; support for monthly coincident peak data; internal records for discrepancies between totals found in the ATRR template and those included in Sunflower's Annual Report, etc. Staff notes that Sunflower was cooperative and responsive to Staff's information requests within a reasonable amount of time. Staff also participated in a conference call with Sunflower where Sunflower cooperatively answered Staff's questions. The information provided by Sunflower in response to Staff's questions/requests enabled Staff to verify the data in the true-up adjustment and confirmed the adjustment was correctly applied to the 2016 ATRR. Staff found no material errors in its review of Sunflower's 2016 Annual Update and the 2014 true-up Filing.

**RECOMMENDATION:**

Staff is providing this Report and Recommendation to the Commission for the purpose of explaining the historical context and process for the Annual Updates for Sunflower's TFR. Staff verified all the documents and calculations required by the Protocols and concluded that Sunflower properly adhered to the Protocols in its Annual Update. Because a Commission Order is not required to be issued in this Docket, Staff is not including any recommendations for the Commission. However, Staff will continue to monitor Sunflower's TFR by reviewing the financial data in the Company's future TFR Annual Updates and true-up adjustments and provide yearly updates to the Commission.

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<sup>6</sup> The 2015 Zonal ATRR amounts to \$14,557,530 and the 2016 Base Plan Funded ATRR amounts to \$4,455,056.

## CERTIFICATE OF SERVICE

14-SEPE-220-TFR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing Staff's Report and Recommendation was served via electronic service this 6th day of January, 2016, to the following:

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14-SEPE-220-TFR

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