

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

In the Matter of Southern Pioneer Electric Company) 26-SPEE-099-RTS
for Approval of the Continuation of its Formula Based) Docket No. 25-SPEE-099 -
Ratemaking Plan.)
)

APPLICATION

Southern Pioneer Electric Company (Southern Pioneer), pursuant to K.S.A. 66-117, hereby files this Application with the State Corporation Commission of the State of Kansas (Commission) for an Order approving the continuation of its formula-based rate plan (FBR Plan). In support of this Application, Southern Pioneer states the following:

I. INTRODUCTION AND BACKGROUND

1. Southern Pioneer is a Kansas Corporation not-for-profit utility with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas.

2. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (Pioneer Electric), a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes pursuant to K.S.A. § 66-104d.

3. The Commission had previously approved three separate FBR Plans for Southern Pioneer. On September 26, 2013, in Docket No. 13-MKEE-452-MIS (13-452 Docket), the Commission approved a five (5) year Debt Service Coverage Formula Based Rate Pilot Plan (“DSC FBR Pilot Plan”) designed to allow Southern Pioneer to annually adjust its retail rates for

distribution level service.¹ The DSC FBR Pilot Plan used a pre-approved formula with a DSC target, subject to an annual review process by the Commission. As part of the settlement agreement approved in the 13-452 Docket, Southern Pioneer agreed to advise the Commission in 2018 of its desire to continue the DSC FBR Pilot Plan, and to provide the Commission with the support and rationale for such decision in a docket separate from the annual DSC-FBR filings.

4. On March 10, 2016, in Docket No. 16-MKEE-023-TAR (16-023 Docket), the Commission approved an FBR plan for Southern Pioneer for its Local Access Delivery Service (LADS) rates (34.5kV FBR Plan). The 34.5kV FBR Plan was a three (3) year plan that adjusted both retail and wholesale rates for changes in cost of providing service over Southern Pioneer's 34.5kV sub-transmission system.² Southern Pioneer's 34.5kV FBR Plan was designed to complement and align with the previously approved DSC FBR Pilot Plan, including the initial term of the plan and the requirement for Southern Pioneer to notify the Commission in 2018 of its intent with regard to the continuation of the 34.5 kV FBR Plan.

5. On August 11, 2020 in Docket No. 19-SPEE-240-MIS (19-240 Docket), the Commission approved an FBR plan for Southern Pioneer for, which consolidated the initial DSC FBR Pilot Plan and the 34.5kV FBR Plan into one consolidated FBR Plan. The consolidated FBR

¹ See Order Approving Non-Unanimous Settlement (issued September 26, 2013 in the 13-452 Docket). At the time of the filing, Mid-Kansas Electric Company, LLC (Mid-Kansas) still possessed the retail service certificate for Southern Pioneer's service territory, in accordance with the provisions pertaining to the Mid-Kansas acquisition of Aquila, Inc. d/b/a Aquila Networks-WPK (WPK) (referred to as Aquila) in Docket No. 06-MKEE-524-ACQ (06-524 Docket). The retail service certificate was eventually transferred from Mid-Kansas to Southern Pioneer by the Commission on November 21, 2013, in Docket No. 13-MKEE-447-MIS (13-447 Docket), subsequent to the Commission's Order Approving Unanimous Settlement Agreement issued in that same docket on September 17, 2013.

² See 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.

Plan provided for a five (5) year plan that adjusted retail and wholesale rates for changes in cost of providing service over Southern Pioneer's system.³

5. The annual updates to the consolidated FBR Plan were reviewed and approved by the Commission and interveners in subsequent n Docket Nos. 21-SPEE-411-RTS ("21-411 Docket"), 22-SPEE-501-TAR ("22-501 Docket"), 23-SPEE-792-RTS ("Docket 23-792"), 24-SPEE-688-RTS ("Docket 24-688") and 25-SPEE-395-RTS ("Docket 25-395") respectively.

6. Southern Pioneer now files this Application in furtherance of Southern Pioneer's intent to continue utilizing the FBR mechanisms.

7. In addition to the undersigned counsel, all correspondence, pleadings, orders, decisions and communications regarding this proceeding should be sent to:

Lindsay Campbell
Chief Executive Officer
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430
lcampbell@pioneerelectric.coop

Rich Macke
VP – Economics, Rates, Business Planning
Power System Engineering, Inc.
10710 Town Square Drive NE, Suite 201
Minneapolis, Minnesota 55449
rmacke@powersystem.org

Chantry Scott
Executive VP, Assistant CEO & CFO
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880-0430
cscott@pioneerelectric.coop

Larissa Layman
Legal and Regulatory Affairs Coordinator
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880
llayman@pioneerelectric.coop

Shelby Hughart
Administrative Assistant
Morris Laing Law Firm
300 N. Mead, Suite 200
Wichita, KS 67202
shughart@morrislaing.com

II. OVERVIEW OF APPLICATION

³ See Order Approving Settlement, filed August 11, 2020 in the 19-240 Docket.

10. Southern Pioneer is proposing approval of a FBR Plan that includes (i) the annual calculation and recovery of Southern Pioneer's revenue requirement, based upon an established formula, to keep revenue at a level to achieve a pre-established DSC target ratio for services provided to all of its customers, and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission. Southern Pioneer is not seeking a rate adjustment as part of this Application.

11. As proposed, every five years 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. If an entity wants to comment on whether the Plan should be continued or on any proposed changes, or wants to present its own proposed changes, it can do so in response to the Notice. Of course, the Commission retains the on-going authority to revise the FBR Plan at any time if the Commission determines that a revision or termination is in the public interest.

12. The requested FBR Plan would use a predetermined formula to calculate the DSC ratio of Southern Pioneer and compare it against a predetermined DSC target. If the result is a DSC that is beneath the target, then a rate increase would be implemented. If the result is a DSC above the target, then a rate decrease would be implemented.

13. Southern Pioneer seeks to make the following changes to the formula and manner in which rates are calculated under the FBR Plan:

- a) Removing the "equity cap" that is part of the FBR Template and Protocols, and
- b) Requested changes to how a revenue adjustment determined by the FBR Plan in an annual update filing is implemented in retail rate design, as discussed in pages 13–17 of the Direct Testimony of Richard J. Macke filed in this docket.

14. Southern Pioneer does not propose to lower or otherwise change its margin target from the 1.6 Modified DSC adopted in the 19-240 Docket.

14. The Initial FBR Plans have operated as intended and have proven successful over the past 3 and 5 years. The initial objectives of the plans were to implement a cost-effective regulatory approach for Southern Pioneer and its customers that provides: (1) assurance of reasonable rates, (2) continued improvement and stabilizing of Southern Pioneer's financial condition, and (3) financial flexibility needed to fund plant investments related to economic development in the area. The Initial FBR Plans met those objectives in a cost-effective manner. Results from the Initial FBR Plans establish the viability and benefits of this ratemaking approach for Southern Pioneer, supporting their continuation into the future for Southern Pioneer and its customers.

15. Submitted with this Application is the testimony and supporting schedules and exhibits of the following witnesses:

WITNESS	TOPIC
Chantry Scott Southern Pioneer CFO – Vice President - Finance & Accounting	History of the creation of Southern Pioneer, and issues related to Southern Pioneer's financial condition, debt obligations and terms, and the proposed financial ratios.
Rich Macke Power System Engineering, Inc. VP – Economics, Rates, Business Planning	Background on FBR regulatory mechanisms, review of the initial results of Southern Pioneer's FBR Pilot Plans, and presentation of the proposed FBR Plan.

16. Granting this Application will extend the demonstrated benefits of the Initial FBR Plans, fairly balancing the interests of the various stakeholders. These benefits include gradual rate adjustments, gradual improvement of Southern Pioneer's financial condition, and relatively

low regulatory costs, all accomplished using a process that provides for adequate stakeholder review and oversight. Southern Pioneer requests the Commission issue an Order approving this Application as filed and for such other relief as the Commission determines is just and proper.

Respectfully submitted,

Lindsay A. Campbell (#23276)
Executive Vice President – General Counsel
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, Kansas 67880
(620) 424-5206 telephone
lcampbell@pioneerelectric.coop

Respectfully submitted,

/s/Will B. Wohlford

Will B. Wohlford (#21773)
Morris Laing Law Firm
300 N. Mead, Suite 200
Wichita, Kansas 67202
Phone: (316) 262-2671
wwohlford@morrislaing.com

**COUNSEL FOR SOUTHERN PIONEER
ELECTRIC COMPANY**

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

VERIFICATION

I, Will B. Wohlford, verify under penalty of perjury that I have caused the foregoing pleading to be prepared; that I have read and reviewed the same; and that the contents thereof are true and correct to the best of my information, knowledge and belief.

/s/ Will B. Wohlford