

## **SOUTHERN PIONEER ELECTRIC COMPANY**

In the Matter of the Annual Filing of Southern )  
Pioneer Electric Company for Approval to )  
Make Certain Changes to Its Charges for ) Docket No. 16-SPEE-\_\_\_\_\_-RTS  
Electric Services, Pursuant to the Debt )  
Service Coverage Formula Based Ratemaking )  
Plan Approved in Docket No.13-MKEE-452- )  
MIS. )

### **APPLICATION, EXHIBITS AND TESTIMONY**

**SUBMITTED BY:  
SOUTHERN PIONEER ELECTRIC COMPANY**

**IN SUPPORT OF THE APPLICATION HEREIN CONTAINED**

May 2, 2016

| <u>Description</u>  | <u>Section</u> |
|---|----------------|
| <b><u>Application</u></b>   | <b>1</b>       |
| <b><u>Filing Exhibits to Support Application (Exhibits 2-13)</u></b>  | <b>2</b>       |
| <b>Exhibit 2 – Form 7 – 2015 (Test Year), 2014 and 2013 Years</b>   |                |
| <b>Exhibit 3 – DSC Template (Attachments 1 &amp; 2 to Settlement Agreement)</b>   |                |
| <b>Exhibit 4 – Comparative Income and Balance Sheets (2013-2015)</b>  |                |
| <b>Exhibit 5 – Material Changes in Cost of Service</b>  |                |
| <b>Exhibit 6 – Allocation of Costs or Billed Charges by Pioneer Electric to Southern Pioneer Electric</b>   |                |
| - List of Pioneer Employee’s Time and Cost Billed   |                |
| - List of All Directly Assigned Costs from Pioneer  |                |
| - List of All Other Allocated, Assigned or Billed Costs   |                |
| <b>Exhibit 7 – Southern Pioneer Total Employee Compensation Expense</b>   |                |
| <b>Exhibit 8 – Calculation of CFC Ratios 87 and 110 (2013-2015)</b>   |                |
| <b>Exhibit 9 – List of Dues, Donations, Charitable Contributions, Promotional Advertising, Penalties, Fines and Entertainment Incurred During Test Year</b> |                |
| <b>Exhibit 10 – Supplemental schedules</b>  |                |
| <b>Exhibit 11 – Tariff Sheets (Clean and Red-Lined Version)</b>   |                |
| <b>Exhibit 12 – Excel Sheets</b>  |                |
| <b>Exhibit 13 – Consumer Advisory Council Meeting Minutes</b>   |                |
| <b><u>Testimony</u></b>   |                |
| - Richard J. Macke Prefiled Direct  | See Macke      |
| - Randall D. Magnison Prefiled Direct   | See Magnison   |

**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 Make Certain Changes to Its ) Docket No. 16-SPEE-\_\_\_\_\_-RTS  
Charges for Electric Services, Pursuant to the )  
Debt Service Coverage Formula Based )  
Ratemaking Plan Approved in Docket )  
No.13-MKEE-452-MIS. )

**APPLICATION**

Southern Pioneer Electric Company, (“Southern Pioneer”), pursuant to K.S.A. § 66-117 and in accordance with Docket No. 13-MKEE-452-MIS (the “13-452 Docket”) and the September 26, 2013 *Order Approving Non-Unanimous Settlement Agreement* (the “13-452 Order”) of the State Corporation Commission of the State of Kansas (“Commission” or “KCC”), hereby files its third Annual Filing to make application for certain changes to its retail rates for electric services.

**I. Introduction**

1. Southern Pioneer files this Annual Filing and Application seeking Commission approval to increase retail rates charged to Southern Pioneer consumers.

**II. Background**

2. On January 8, 2013, Mid-Kansas Electric Company, LLC (“Mid-Kansas”) filed the 13-452 Docket Application seeking permission to create a five-year Debt Service Coverage (“DSC”) Formula Based Ratemaking (“FBR”) Pilot Program (“DSC-FBR Plan”, “DSC Plan” or “Plan”) for the geographic territory served by its member-owner, Southern Pioneer. The Plan allows for retail rates to be adjusted on an annual basis, using a formula and DSC target, subject to an annual review process by the Commission. As part of the 13-452 Docket Application, Mid-Kansas explained that on January 7, 2013, in Docket No. 13-MKEE-447-MIS (the “13-447

Docket”), it filed an Application seeking, *inter alia*, Commission approval to transfer its Certificate(s) of Necessity and Convenience (Certificate) for all of its local distribution facilities and retail electric utility business and operations located in the State of Kansas to its members-owners (also referred to as spin-down). Mid-Kansas further noted in its 13-452 Application that upon Commission approval of the spin-down, Southern Pioneer would be substituted as the Applicant in place of Mid-Kansas. On October 15, 2013, the Commission issued its *Amended Order Approving Unanimous Settlement Agreement* in the 13-447 Docket whereby it approved the transfer of Mid-Kansas’ retail Certificates to the Mid-Kansas member-owners. Subsequently, on November 21, 2013, the Commission issued to Southern Pioneer a Certificate for the geographic service territory previously served by Southern Pioneer but held by Mid-Kansas.

3. The Commission granted intervention in the 13-452 Docket to the Citizens’ Utility Ratepayer Board (“CURB”), Kansas Electric Power Cooperative, Inc. (“KEPCo”) and the Western Kansas Industrial Electric Consumers (“WKIEC”).<sup>1</sup>

4. As a result of a June 3, 2013 Settlement Conference, Mid-Kansas, Commission Staff (“Staff”) and WKIEC, hereafter referred to as “Signatories”, reached a settlement agreement in the 13-452 Docket (the “13-452 Settlement”). KEPCo neither joined in, nor opposed the proposed 13-452 Settlement. CURB opposed the 13-452 Settlement.

5. On September 26, 2013, the Commission issued its Order in the 13-452 Docket approving the 13-452 Settlement. The 13-452 Settlement provides,<sup>2</sup> in part, that:

- The DSC Program is approved for Mid-Kansas/Southern Pioneer in accordance with the processes and protocols contained in Exhibit A of the Settlement (attached to this Application as **Attachment A**).

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<sup>1</sup> Order Approving Non-Unanimous Settlement Agreement, p. 1, ¶2 (issued Sept. 26, 2013).

<sup>2</sup> Commission Order Approving Non-Unanimous Settlement Agreement, Page 3, §8 – Page 5, §19.

- A five-year pilot program, beginning in 2014 (based on a 2013 test year) and ending in 2018 (based on a 2017 test year), will be used to assess and adjust Southern Pioneer's divisional retail rates based on a pre-approved DSC formula.
- In the last year of the Plan, in a separate application and docket, Southern Pioneer shall advise the Commission if it wants to continue the DSC Plan.
- The DSC Plan is only applicable to the distribution portion of Southern Pioneer's utility system.
- A DSC Ratio of 1.75 will be used to calculate the DSC formula. If Southern Pioneer's forecast indicates the 1.75 DSC level will not satisfy CoBank's 1.35 DSC minimum loan covenant, Southern Pioneer will notify Staff that the application will include an additional amount to raise the DSC to 1.35.
- If the test year DSC is 1.75, there is no rate adjustment. A test year DSC differing from 1.75 will be adjusted to reach the DSC of 1.75 for the budget year. A revenue adjustment shall not exceed 10% calculated on an annual system-wide basis.
- A rate increase resulting in an equity percent of assets in excess of 15% will not be implemented, unless necessary to prevent Southern Pioneer from violating its loan covenants.
- By May 1 of each year of the DSC Program, or the next Business Day when the Commission's offices are open if May 1 is not a Business Day, Southern Pioneer will file its DSC Plan, to be provided to all parties of record in the 13-452 Docket. Upon the filing of the application, the Commission will issue a Procedural Order in accordance with Exhibit A to the 13-452 Settlement.

- Staff and other intervenors will have 60 days from the date of filing of the DSC Plan to review the application and file testimony. If the testimony confirms that the filing complies with the approved DSC Plan and results in just and reasonable rates, then no later than 90 days from the date of the filing of the DSC Plan, the Commission will issue an order approving the rate adjustment. If Staff or intervenors submit testimony and supporting evidence asserting the filing does not result in just and reasonable rates, Southern Pioneer will have the opportunity to file rebuttal testimony. Then, the Commission will either issue an order approving the proposed adjustment based upon the paper record, or notify parties that an evidentiary hearing is necessary. If the matter goes to hearing, it will be the goal of the Commission to issue an order within 120 days of the DSC Plan filing. Issues outside the scope of the DSC-FBR, or rates resulting from the filing, shall not be raised in the annual adjustment dockets.
- Signatories, who are parties to this docket, will be automatically approved for intervention (1) upon filing an entry of appearance in any individual annual DSC Plan application filed during the life of the initial pilot plan, and (2) provided they are not prohibited from participation by statute or law.
- Base revenue by rate schedule shall be determined from retail rate schedule revenue by rate class for the Test Year, plus ECA revenues/credits, less power supply costs for the Test Year determined by applying the average cost of power supply per kWh from the class cost of service submitted in the 12-MKKEE-380-RTS docket. Any rate adjustment for the Sub-Transmission and Transmission Level Service Rate (STR) customers resulting from the Plan will be determined without the impact of debt service additions for distribution plant investments in the Budget Year and shall be calculated according

to Exhibit A of the Settlement. If Southern Pioneer requests any other apportionment, such request must be accompanied by a new retail class cost of service study, which is subject to approval by the Commission.

- Prior to making its annual filing, Southern Pioneer shall consult with the Southern Pioneer Consumer Advisory Council (“Council”) and include a summary of Council’s comments with the application.
- Southern Pioneer’s customers shall receive notice of the DSC filing upon filing with the Commission.

6. On May 1, 2014, and May 1, 2015, in accordance with the protocols herein discussed, Southern Pioneer made its first and second annual filings under the approved Plan, in Docket Nos. 14-SPEE-507-RTS (the “14-507 Docket”) and 15-SPEE-519-RTS (the “15-519 Docket”), respectively. The Commission issued its Final Orders in the 14-507 Docket on July 31, 2014, and the 15-519 Docket on July 30, 2015, finding that the record was sufficient for the Commission to make its determination in the matter without the need for an evidentiary hearing, as contemplated under the Protocols. Southern Pioneer hereby submits its third annual filing under the DSC-FBR Plan.

### **III. Overview of Application**

7. In accordance with the findings and approval set forth in the 13-452 Docket, Southern Pioneer hereby submits its Annual filing.

8. In order to achieve the agreed target of 1.75 DSC for the distribution only portion of Southern Pioneer’s utility system using the processes and protocols contained in Exhibit A of the 13-452 Settlement, a rate increase of \$679,308 or 1.18% overall is required by Southern

Pioneer. The proposed revenue increase in this Application is just and reasonable, and is necessary to assure compliance with the Commission-approved DSC Plan.

9. The testimony and exhibits are filed in support of this Application as required by the 13-452 Order.

10. The names of the witnesses and subject matter of each witness' testimony are as follows:

- Richard J. Macke, Vice President-Economics, Rates and Business Planning at Power System Engineering, Inc. – Mr. Macke provides testimony on utilizing the processes and protocols contained in Exhibit A of the 452 Settlement to calculate Southern Pioneer's adjusted DSC compared to the 1.75 target; the proper rate design to achieve the target DSC of 1.75; impact of recognizing the payment received in the Commission-approved settlement between Mid-Kansas, Southern Pioneer and the Kansas Municipal Energy Agency ("KMEA") in Docket 15-MKKEE-461-TAR (the "15-461 Docket"); impact on average residential customers and implement the required rate increase for Southern Pioneer.
- Randall D. Magnison, Executive Vice President and Assistant CEO of Southern Pioneer – Mr. Magnison provides historical information on Southern Pioneer; presents comments from the Southern Pioneer Consumer Advisory Council ("Council") as it relates to the implementation of the DSC Program rate increase and filing as required by the 452 Order; summarizes the circumstances leading to settlement between Mid-Kansas, Southern Pioneer and KMEA in the 15-461 Docket and the resulting payment; explains any material changes in cost of service items from the previous year; and affirms, as part of calculating the revenue



requirement adjustment and incorporating the Commission's policy and practice, Southern Pioneer's continued removal of a 100% of certain promotional or corporate advertising expenses and limiting to 50% the amount of certain dues, donations and charitable contribution expenses, etc.

11. Section B of the Protocols provides that within 90 days from the filing date, the Commission is to issue an order either approving the Application based upon the paper record, or order an evidentiary hearing be held to address the issues raised by the Application, with the goal of a Commission order within 120 days from the filing date. Southern Pioneer, contemporaneous with the filing of this Application, has also filed its first annual update to its 34.5 kV retail and LADS rates pursuant to the 34.5 kV FBR mechanism approved by the Commission on March 10, 2016 in Docket 16-MKEE-023-TAR. The Southern Pioneer 34.5 kV FBR is intended to complement the DSC-FBR, as the plans result in the recovery of Southern Pioneer's total system revenue requirement.<sup>3</sup> Therefore, in order to ensure equitable cost recovery, it was necessary to align, where appropriate, the protocols of the 34.5 kV FBR with the DSC-FBR, including the timeline for Commission review and approval of the respective annual updates.<sup>4</sup> Therefore, for ease of administration of Southern Pioneer's retail rates, Southern Pioneer respectfully requests the Commission attempt to synchronize the timing of the final orders of the DSC FBR and 34.5 kV FBR annual update filings in order to allow Southern Pioneer to combine the final approved rate adjustments for both FBRs to facilitate a single rate change for its retail customers.<sup>5</sup>

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<sup>3</sup>See Southern Pioneer Testimony in Support of Settlement Agreement Prepared by Randall D. Magnison, p. 16, line 16 – p. 17, line 5 (Jan. 6, 2016), Docket No. 16-MKEE-023-TAR.

<sup>4</sup>Id.

<sup>5</sup>Stated otherwise, Southern Pioneer is conditionally willing to waive the 90-day Order requirement contained in the Protocols to allow the Commission the 120-day Order deadline option for the limited purpose of accommodating an evidentiary hearing in the 34.5 kV FBR annual update proceeding if the 34.5 kV FBR annual update filing proceeds to an evidentiary hearing and the instant proceeding does not.

12. In light of the compressed 90-day schedule, and in an attempt to bring efficiency to the regulatory review process, Southern Pioneer will make available to the 13-452 Docket Signatories who have executed a non-disclosure agreement, electronic working copies of all aforementioned Filing Exhibits at its secure “Box.net” website.<sup>6</sup> All other requested information will be managed in accordance with the Commission’s Discovery and Protective Orders.

13. Additionally, in order to facilitate discovery, Southern Pioneer respectfully requests that the Commission immediately issue a Discovery Order and Protective Order in this matter.

#### **IV. Overview of Applicant**

14. 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 in Liberal and Medicine Lodge, Kansas. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc., a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for ratemaking purposes.

15. As stated above, Southern Pioneer was granted public utility status on November 21, 2013, when the Commission approved the transfer of the retail certificated territory, consumers, Rules and Regulations, and tariffs from Mid-Kansas to Southern Pioneer in the 447 Docket.

16. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:


Randall D. Magnison  
Executive Vice President-Assistant CEO  
Southern Pioneer Electric Company  
P.O. Box 430  
Ulysses, KS 67880-0430

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<sup>6</sup>Southern Pioneer recognizes that Staff is not required to sign or otherwise execute a non-disclosure document as part of their Commission-related functions.

WHEREFORE, Southern Pioneer hereby requests the Commission (1) approve this Application and permit Southern Pioneer's revised schedules of rates for electric service to become effective as proposed; (2) immediately issue a Discovery Order and Protective Order to facilitate discovery efforts, and a Procedural Order in accordance with the Protocols; (3) issue an order in this docket within 90 days, or later (up to 120 days) if the Southern Pioneer 34.5 kV FBR annual update filing proceeds to an evidentiary hearing to ensure the timing of the final order is contemporaneous with the timing of an order in the Southern Pioneer 34.5 kV FBR annual update filing, necessary to facilitate a single rate change for Southern Pioneer's retail customers; and (4) grant such other and further relief as it deems just and reasonable.

Respectfully submitted,



Lindsay A. Shepard (#23276)  
Executive Vice President – General Counsel  
Southern Pioneer Electric Company  
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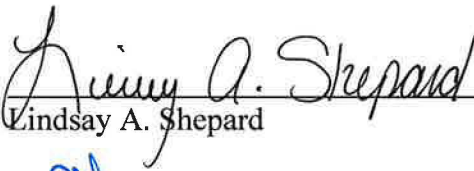
**ATTORNEY FOR SOUTHERN  
PIONEER ELECTRIC COMPANY**

**VERIFICATION**

STATE OF KANSAS            )  
  )  
COUNTY OF GRANT        )        ss:

Lindsay A. Shepard, of lawful age, being first duly sworn on oath states:

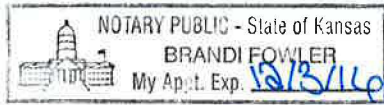
That she is counsel for Southern Pioneer Electric Company; that she has read the foregoing Application and knows the contents thereof; and that the facts therein are true and correct to the best of her knowledge, information, and belief.

  
\_\_\_\_\_  
Lindsay A. Shepard

SUBSCRIBED AND SWORN to before me this 2<sup>nd</sup> day of May, 2016.

  
\_\_\_\_\_  
Notary Public

My Commission expires: 12/3/16



**Mid-Kansas: Southern Pioneer Division  
DSC-FBR Plan Protocols**

**A. PURPOSE**

The DSC-FBR Plan is an annual ratemaking mechanism used to assess and potentially adjust Mid-Kansas' Southern Pioneer Electric Company's (Southern Pioneer) divisional retail rates based on a DSC based formula. Its purpose is to allow, for a five year pilot period, timely adjustments to 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 during the Plan ("Filing Date"), Southern Pioneer shall submit its DSC-FBR Plan, as approved by the Commission in Docket No. 13-MKEE-452-MIS, filing for the calendar year just ended ("Test Year") in accordance with the procedures and calculations set forth herein and in the Settlement Agreement to which this Exhibit is attached. The filing will be provided to all parties of record in Docket No. 13-MKEE-452-MIS.

Upon filing of the Plan by Southern Pioneer, the Commission will determine the appropriate term for suspension of the application pursuant to K.S.A 66-117. Notwithstanding this suspension, the Commission will process the DSC-FBR plan as set forth herein, unless ordered otherwise by the Commission. All discovery and confidentiality issues will be governed by Commission Discovery and Protective Orders, which will be issued immediately after the filing of the DSC application. Upon receipt of the filing, the Commission will 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 application is filed.  |
| Day 60    | Staff and Interveners file testimony   |
| Day 75    | Southern Pioneer files rebuttal testimony  |
| Day 90    | Commission Order either approving rate adjustment 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.  |

The KCC Staff, and any other intervener granted intervention by the Commission, will have 60 days from the date Southern Pioneer files to review the application to determine if it results in just and reasonable rates that are in the public interest. Within 60 days after the Filing Date, Staff or interveners may file testimony indicating whether the filing results in just and reasonable rates as filed. Prior to the filing of testimony that indicates that the results of the DSC-FBR plan are unjust or unreasonable, Staff and interveners shall make a reasonable attempt to resolve any issues surrounding the DSC-FBR filing informally with Southern Pioneer. If unable to resolve issues, any such testimony shall set forth the reason the DSC-FBR filing would not result in just and reasonable rates along with

supporting documentation, and evidence supporting the position. Other questions, concerns or complaints regarding Southern Pioneer or its parent company that are outside the scope of the DSC-FBR filing, or the rates resulting from the filing, shall not be raised in the annual adjustment dockets. However, no party is precluded from raising such issues through the normal means available before the KCC.

If Staff files testimony within 60 days confirming that Southern Pioneer's filing is in compliance with the DSC-FBR Plan approved by the Commission in this docket and that the rates resulting from the annual DSC-FBR filing are just and reasonable, and no other relevant objections, as determined by the Commission, are submitted by interveners, then the Commission shall issue an Order allowing the rates proposed in the application to become effective no later than 90 days after the Filing Date.

If Staff or interveners file testimony regarding Southern Pioneer's DSC-FBR application indicating the filing would result in unjust or unreasonable rates that are not in the public interest, then Southern Pioneer shall file its responsive testimony to said objection within 75 days from the Filing Date. Within 90 days from the Filing Date, the Commission will issue an order either approving the DSC-FBR application based upon the paper record, or ordering the previously scheduled evidentiary hearing to be held to address the issues raised by the DSC-FBR application. The hearing, if necessary, will proceed as expeditiously as possible, with the explicit goal of a Commission Order within 120 days from the DSC-FBR 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 filing 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. Such notice shall be made via bill inserts and 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. The impact on each individual rate class as contained in the filing.
4. A statement explaining that the rate adjustment is being made pursuant to the DSC-FBR Plan, with a cite to this docket and the date of the Commission's Order approving the Plan in this docket.
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](mailto:public.affairs@kcc.ks.gov), or call 1(800)662-0027. Questions and/or

complaints should reference Docket No. XXXXX (to include applicable Docket No.).

#### D. TERM

The DSC-FBR Plan, as described herein, shall be implemented for a period of five calendar years, inclusive of the year adopted, with the initial filing occurring in 2014 and the final filing occurring in 2018. During the final year of the DSC-FBR plan, Southern Pioneer shall advise the Commission if it wishes to continue the DSC-FBR Plan, and provide the Commission support and rationale for its position in a separate application and docket. Staff of the Commission and any Intervener granted intervention by the Commission shall have the right to comment on the merits of such a request. The DSC-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 DSC-FBR Plan shall no longer be valid.

#### E. CALCULATION

Each filing shall be based on actual results as presented in the *December Financial and Statistical Report* (Form 7) and trial balance utilizing the RUS Uniform System of Accounts.<sup>1</sup> The calculation shall follow the form and format included in Attachment 1 (blank) and Attachment 2 (populated) hereto, as may be modified by Commission Order in this docket, Docket No. 13-MKEE-452-MIS. Specific details concerning the calculation are as follows:

1. 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 measureable rate changes, as appropriate.
  - b. *Tax Expense – Other* will be adjusted to reflect the cash tax expense associated with 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 E.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.
  - c. *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”).
  - d. *Interest Expense – Other* will be adjusted as necessary to reflect the amount of short-term interest expense expected for the Budget Year.
  - e. *Debt Service Payments* actually made during 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

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<sup>1</sup> Reference United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1 which contains the Uniform System of Accounts for Electric Borrowers. Form 7 page number references in the DSC-FBR formula are from the 2011 Form 7 format.

service payments on said debt requirements will be calculated using a 30-year amortization schedule at the expected borrowing rate(s). The debt service payments will be determined within the context of the Southern Pioneer budget including the projected plant investments and cash flows needs.

2. The formula used to compute Southern Pioneer's DSC for purposes of the DSC-FBR will be made in accordance with Attachment 1 and Attachment 2, Page 2, Lines 32 through 48, as may be modified by Commission Order in this docket.
3. The DSC-FBR Plan is intended to apply only to the distribution portion of Southern Pioneer's utility system. In order to accomplish this, the costs associated with Southern Pioneer's 34.5 kV facilities that serve a transmission function must be removed from the adjusted financial results submitted as part of the annual filing. The following categories of revenue and expense will need to be adjusted to remove the non-distribution portion before the DSC ratio is calculated. The allocation method to be used is listed next to each category. This list is not necessarily exhaustive, and other allocations may be necessary. If additional items are identified, expense or labor items should be allocated using a Transmission Labor ratio, Plant or Debt Service items should be allocated using a Net Transmission Plant ratio. Revenue items should be directly assigned if possible. These allocators should be calculated and submitted annually with each DSC-FBR filing.
  - a. Revenue: Direct Assigned between Distribution and Transmission by applying the Local Access Charge (LAC) in place during the Test Year to the total kW load on the 34.5 kV system as measured during the monthly system peaks and adjusted for line losses as appropriate.
  - b. Administrative and General (A&G) Expenses: Ratio of Transmission Labor to Total non-A&G Labor, calculated for the Test Year.
  - c. Depreciation and Amortization Expense: Calculated Directly, with the Transmission Labor ratio being applied to General Plant Depreciation.
  - d. Tax Expense (Property and Gross Receipts)—Ratio of Net Transmission Plant to Total Net Plant, calculated for the Test Year: Net Transmission Plant for this purpose will include a General Plan allocation based upon the Transmission Labor ratio.
  - e. Tax Expense (Other: Allocated based upon Operating Margins, with non-cash tax expense removed.
  - f. Interest on Long-Term Debt, Interest Charged to Construction, Other Interest, Non-Operating Margins, AFUDC, Other Capital Credits, Principal Payments—Ratio of Net Transmission Plant to Total Net Plant, calculated for the Test Year: Net Transmission Plant for this purpose will include a General Plan allocation based upon the Transmission Labor ratio.

#### **F. DEBT SERVICE COVERAGE PARAMETERS**

The DSC determined in the formula will be evaluated based upon a DSC ratio of 1.75. 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 1.75 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 DSC-FBR



filing agree to not categorically oppose allowing Southern Pioneer to meet its 1.35 minimum DSC loan covenant. The agreement on a 1.75 DSC ratio is for purposes of this DSC-FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

#### G. REVENUE ADJUSTMENTS

Adjustments to the Southern Pioneer division retail rates will be determined by comparing the Test Year DSC, calculated in accordance with Section E, to a 1.75 DSC Ratio as follows:

- a) If the Test Year DSC is at 1.75, there will be no Rate Adjustment.
- b) If the Test Year DSC is greater than 1.75 then a Rate Adjustment necessary to reduce the Test Year DSC to 1.75 will be requested for application during the Budget Year.
- c) If the Test Year DSC is below 1.75, then a Rate Adjustment necessary to increase the Test Year DSC to 1.75 will be determined for application during the Budget Year.
- d) A revenue adjustment shall not exceed 10 percent calculated on an annual system-wide basis. In the event a greater increase is requested, a standard rate case filing consistent with the modified filing requirements approved by the Commission in Docket No. 12-MKKEE-380-RTS shall be required.
- e) Southern Pioneer may determine to reduce or defer a revenue *increase* adjustment resulting from the process described herein. It may not reduce or defer a revenue *decrease* adjustment.
- f) As set forth below, Southern Pioneer will include with its filing 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. Each party may present to the Commission in their 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. EQUITY TEST

A rate increase will not be implemented that would achieve or maintain an equity percent of assets in excess of 15 percent, unless such would be reasonably determined to force Southern Pioneer to violate its loan covenant(s) with its lender. For this purpose, equity shall be calculated consistent with its lender as contained in its loan documents and any amendments applicable thereto. This agreement on a 15% equity level is for purposes of this DSC-FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings.

#### I. RETAIL RATE DESIGN

Any rate adjustment resulting from the DSC-FBR Plan will be apportioned according to Test Year base revenue by rate schedule or class unless the Commission approves a cost of service study supporting something different. For purposes of the Plan, base revenue by rate schedule shall be determined from retail rate schedule revenue by rate class for the Test Year, plus ECA

revenue/credits, less power supply costs for the Test Year determined by applying the average cost of power supply per kWh from the class cost of service submitted in the 12-MKKEE-380-RTS docket and shown in Exhibit RJM-14, Page 2, Line 32 of the Rebuttal Testimony of Rich Macke filed on May 9, 2012, plus ECA revenue/credits.

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, any rate adjustment resulting from the DSC-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 amount of annual debt service additions attributable to distribution plant will then be multiplied by a 1.75 DSC and the product will be subtracted from the revenue adjustment otherwise determined. The result is the rate adjustment from which the STR will be allocated its portion based upon base revenue in relation to the total base revenue from all retail rate schedules.

If Southern Pioneer requests anything other than the apportionment described above, such request must be accompanied by a new class cost of service study, and is subject to approval by the Commission.

#### **J. FILING EXHIBITS**

In support of the annual DSC-FBR filing, Southern Pioneer shall submit the following information:

1. An Application describing the revenue adjustment requested, the proposed changes in rates and how the application complies with the requirements of the DSC Ratemaking Plan approved in this docket.
2. Southern Pioneer's complete RUS (or CoBank) Form 7 or successor document for the test year, and two prior years.
3. Completed formula with adjustments as contained in Attachments 1 and 2, as revised by the Commission Order in this docket, in fully functioning Excel format.
4. Three years of comparative operating income statements and balance sheets.
5. A summary explanation of any material changes in a cost of service item from the previous year. This explanation can be contained within the prefiled testimony included with the application.
6. 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.
7. 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.
8. A calculation of Southern Pioneer's Total Controllable Expenses per Consumer, and Total Wages (inclusive of Southern Pioneer billed wages) per Consumer for the Test Year and two years prior. These are similar to Ratios 87 and 110 of CFC's Key Ratio Trend Analysis (See Exhibit RJM-9 attached to Rich Make's direct testimony filed on January 8, 2013 in Docket No. 13-MKKE-452-MIS).
9. 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.
10. Any supplemental schedules necessary to audit the filing including trial balances for the Test Year and two years prior.
11. Proposed tariffs sheets including the proposed rate adjustment.
12. Each annual filing shall be supplemented with a populated formula template in fully functional spreadsheets showing the DSC-FBR Plan calculations.
13. Each annual filing shall also include each of the minutes from Consumer Advisory Council meetings held during the Test Year.
14. Southern Pioneer will provide to Staff and interveners copies of reports or statements the Company intends to use as support for its upcoming application as they become available, if available prior to the May 1<sup>st</sup> filing date. This information will be made available on Box.net or a similar service, with a notification going to Staff and interveners when it becomes available.

#### **K. TECHNICAL CONFERENCE**

Following an application under the DSC-FBR Plan, Southern Pioneer will work with Staff and interveners to schedule a Technical Conference on a mutually agreed upon 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 program.

**L. MISCELLANEOUS.**

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 DSC-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 13-MKEE-452-MIS docket will be considered automatically approved for intervention upon 1) the filing of an Entry of Appearance in any individual annual DSC-FBR Plan application filed during the five-year term of this pilot plan, and 2) provided they are not prohibited from participation by statute or otherwise.

3. 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.

**DSC-FBR Plan or Plan** means Debt Service Coverage Formula-Based Rate mechanism as approved by the Commission in the KCC Docket 13-MKEE-452-MIS for assessing and potentially adjusting Southern Pioneer's divisional retail rates.

**DSC ratio** shall mean a 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. Any applicable modifications are outlined in Section E below.

**Filing Date** means date on which Southern Pioneer submits its annual DSC-FBR Plan filing to the Commission. Filing Date will occur 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 during the Plan.

**Form 7** means the December Financial and Operating Report Electric Distribution that utilizes the RUS Uniform System of Accounts (note that page references from the Form 7 in this or associated documents are from the year 2011 format of Form 7).

**Intervener** means a party which has automatic intervener status in accordance with this agreement or has been granted intervention by the Commission in the Southern Pioneer's annual DSC-FBR Plan filing.

**KCC or Commission** shall mean the State Corporation Commission of the State of Kansas.

**LAC** shall mean the Local Access Charge in effect during the Test Year as specified in the Mid-Kansas LAC tariff for the Southern Pioneer division.

**Line Losses** shall mean real power losses associated with the Local Access delivery service. The applicable loss factor is contained within the Commission-approved Mid-Kansas LAC tariff (Southern Pioneer Division) in effect during the Test Year.

**Local Access Service** shall mean wholesale delivery service over Southern Pioneer's 34.5 kV facilities.

**Mid-Kansas or MKEC** shall mean Mid-Kansas Electric Company, LLC.

**Monthly System Peak** shall mean the monthly maximum hourly demand on the Southern Pioneer 34.5 kV delivery system for the Test Year.

**Net Plant** shall mean 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 the Southern Pioneer's year end trial balance for the Test Year.

**Net Transmission Plant** shall mean 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 the Southern Pioneer's year end trial balance for the Test Year.

**Net Transmission Plant Ratio** shall mean a ratio of Net Transmission Plant to Net Plant, calculated for the Test Year.

**Non-A&G Labor** shall mean 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.

**Transmission Labor** shall mean 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.

**Transmission Labor Ratio** shall mean a ratio of the dollar amount in Transmission Labor to the dollar amount in the total Non-A&G Labor for the Test Year.

**RUS Uniform Systems of Accounts** is contained in the United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1.

**Southern Pioneer** means Mid-Kansas' Southern Pioneer Electric Company.

**Test Year** shall mean the most recent calendar year prior to the Filing Date.

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

EXHIBIT A  
Attachment 1  
Page 1

| ITEM   | UNADJUSTED<br>HISTORICAL<br>TEST YEAR<br>[YEAR] | ADJUSTMENTS |                | ADJUSTED<br>HISTORICAL<br>TEST YEAR<br>[YEAR] | DISTRIBUTION<br>ALLOCATION<br>FACTOR | DISTRIBUTION<br>FBR<br>(\$) |
|--|---|-------------|----------------|---|--------------------------------------|-----------------------------|
|  |   | NO.         | AMOUNT<br>(\$) |   |                                      |                             |
| 1. <b>A. STATEMENT OF OPERATIONS</b>             |   |             |                |   |                                      |                             |
| 2. Operating Revenue and Patronage Capital       | F7, P.A. Col. B                                 | [1]         | -              | -   | Direct (E.3.a)                       | -                           |
| 3. Power Production Expense                      | F7, P.A. Col. B                                 |             | -              | -   | 0.0000                               | -                           |
| 4. Cost of Purchased Power                       | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 5. Transmission Expense                          | F7, P.A. Col. B                                 |             | -              | -   | 0.0000                               | -                           |
| 6. Regional Market Expense                       | F7, P.A. Col. B                                 |             | -              | -   | 0.0000                               | -                           |
| 7. Distribution Expense - Operation              | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 8. Distribution Expense - Maintenance            | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 9. Customer Accounts Expense                     | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 10. Customer Service and Informational Expense   | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 11. Sales Expense                                | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 12. Administrative and General Expense           | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 13. Total Operation & Maintenance Expense        | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.b)                   | -                           |
| 14. Depreciation and Amortization Expense        | F7, P.A. Col. B                                 |             | -              | -   |                                      | -                           |
| 15. Tax Expense - Property & Gross Receipts      | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.c)                   | -                           |
| 16. Tax Expense - Other                          | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.d)                   | -                           |
| 17. Interest on Long-Term Debt                   | F7, P.A. Col. B                                 | [2]         | -              | -   | Calculated (E.3.e)                   | -                           |
| 18. Interest Charged to Construction - Credit    | F7, P.A. Col. B                                 | [3]         | -              | -   | Calculated (E.3.f)                   | -                           |
| 19. Interest Expense - Other                     | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.f)                   | -                           |
| 20. Other Deductions                             | F7, P.A. Col. B                                 | [4]         | -              | -   | Calculated (E.3.f)                   | -                           |
| 21. Total Cost of Electric Service               | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.f)                   | -                           |
| 22. Patronage Capital & Operating Margins        | F7, P.A. Col. B                                 |             | -              | -   |                                      | -                           |
| 23. Non Operating Margins - Interest             | F7, P.A. Col. B                                 |             | -              | -   |                                      | -                           |
| 24. Allowance for Funds Used During Construction | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.f)                   | -                           |
| 25. Income (Loss) from Equity Investments        | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.f)                   | -                           |
| 26. Non Operating Margins - Other                | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 27. Generation and Transmission Capital Credits  | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 28. Other Capital Credits and Patr. Dividends    | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 29. Extraordinary Items                          | F7, P.A. Col. B                                 |             | -              | -   | Calculated (E.3.f)                   | -                           |
| 30. Patronage Capital or Margins                 | F7, P.A. Col. B                                 |             | -              | -   | 1.0000                               | -                           |
| 31.  | F7, P.A. Col. B                                 |             | -              | -   |                                      | -                           |

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

| ITEM  | UNADJUSTED | ADJUSTMENTS           |        | ADJUSTED   | DISTRIBUTION              | DISTRIBUTION            |
|---|------------|-----------------------|--------|------------|---------------------------|-------------------------|
|   | HISTORICAL | NO.                   | AMOUNT | HISTORICAL |                           |                         |
|   | TEST YEAR  |                       |        | TEST YEAR  | ALLOCATION                | FBR                     |
|   | [YEAR]     |                       |        | [YEAR]     | FACTOR                    | (S)                     |
|   | (S)        |                       | (S)    | (S)        |                           |                         |
| <b>32. B. DEBT SERVICE PAYMENTS</b>                 |            |                       |        |            |                           |                         |
| 33. Interest Expense                                | -          | Line 17 - Line 19     | -      | -          | Calculated (E.3.f)        | -                       |
| 34. Principal Payments                              | -          | P7, P8, O, Col. B     | {S}    | -          | Calculated (E.3.f)        | -                       |
| 35. Total Debt Service Payments                     | -          |                       | -      | -          |                           | -                       |
| 36.   |            |                       |        |            |                           |                         |
| <b>37. C. DEBT SERVICE MARGINS</b>                  |            |                       |        |            |                           |                         |
| 38. Patronage Capital or Margins                    | -          | Line 30               | -      | -          | 0.0000                    | -                       |
| 39. Plus: Depreciation and Amortization Expense     | -          | Line 14               | -      | -          | Calculated (E.3.c)        | -                       |
| 40. Plus: Interest Expense                          | -          | Line 33               | -      | -          | Calculated (E.3.f)        | -                       |
| 41. Plus: Non-Cash Other Deductions Amortizations   | -          | Total Balance         | -      | -          | Calculated (E.3.f)        | -                       |
| 42. Plus: Cash Capital Credits Cash Received        | -          | P7, P8, J, L4, Col. A | -      | -          | Calculated (E.3.f)        | -                       |
| 43. Plus: Non-Cash Income Tax Expense               | -          | Total Balance         | -      | -          | Calculated (E.3.e)        | -                       |
| 44. Less: Income (Loss) from Equity Investments     | -          | Line 25               | -      | -          | 1.0000                    | -                       |
| 45. Less: Other Capital Credits and Patr. Dividends | -          | Line 28               | -      | -          | Calculated (E.3.f)        | -                       |
| 46. Total Debt Service Margins                      | -          |                       | -      | -          |                           | -                       |
| 47.   |            |                       |        |            |                           |                         |
| <b>48. D. DEBT SERVICE COVERAGE</b>                 | -          | L46-L35               | -      | -          |                           | -                       |
| 49.   |            |                       |        |            |                           |                         |
| <b>50. E. DEBT SERVICE COVERAGE TARGET</b>          |            |                       |        |            |                           | 1.75                    |
| 51.   |            |                       |        |            |                           |                         |
| 52.   |            |                       |        |            | Adjusted DSC Margins are: | <b>Below the Target</b> |
| <b>53. F. INITIAL OPERATING INCOME ADJUSTMENT</b>   |            |                       |        |            |                           |                         |
| 54. DSC Adjustment Required to Achieve Target       |            |                       |        |            |                           | -                       |
| 55. Debt Service Payments                           |            |                       |        |            |                           | -                       |
| 56. After-Tax Operating Income Adjustment           |            |                       |        |            |                           | -                       |
| 57.   |            |                       |        |            |                           | -                       |

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

| ITEM   | UNADJUSTED     | ADJUSTMENTS |            | ADJUSTED        | DISTRIBUTION | DISTRIBUTION |
|--|----------------|-------------|------------|-----------------|--------------|--------------|
|  | HISTORICAL     | NO.         | AMOUNT     | HISTORICAL      |              |              |
|  | TEST YEAR      |             |            | TEST YEAR       | ALLOCATION   | FBR          |
|  | [YEAR]         |             |            | [YEAR]          | FACTOR       | (S)          |
| 58. <u>G. EQUITY TEST</u> (Increase will not result in > 15% equity ratio) | (S)            | (S)         |            | (S)             |              |              |
| 59.  |                |             | Plus       |                 |              |              |
| 60. Total Margins and Equities   | Pre-Adjustment |             | Adjustment | Post-Adjustment |              |              |
| 61. Total Assets   | F7, P. C. L23  |             | -          | -               |              |              |
| 62. Equity Ratio   | F7, P. C. L24  | [6]         | -          | -               |              |              |
| 63.  | L40 / L41      |             |            |                 |              |              |
| 64. <u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u>                            |                |             |            |                 |              |              |
| 65. Operating Income Adjustment  |                |             |            |                 |              | -            |
| 66. Rate Schedule Revenue  |                |             |            |                 |              | -            |
| 67. Adjustment Percentage  |                |             |            |                 |              | -            |



SOUTHERN PIONEER ELECTRIC COMPANY  
DSC-FBR - ADJUSTMENTS

|     |   |           |                   |
|-----|---|-----------|-------------------|
| 1.  | <b><u>ADJUSTMENT [1] -- REVENUE</u></b>                                     |           |                   |
| 2.  | <i>Adjustment to annualize rate adjustment implemented during test year</i> |           |                   |
| 3.  | Annual Rate Adjustment Authorized by Commission                             | -         |                   |
| 4.  | Total kWh Sales During Test Year  | -         |                   |
| 5.  | Average per kWh   | \$0.00000 | L3/L4             |
| 6.  | kWh Sales Prior to Implementation of Rate Adjustment                        |           | Input             |
| 7.  | Revenue Adjustment to Annualize Rate Adjustment                             | \$ -      | L5 x L6           |
| 8.  |   |           |                   |
| 9.  | <b><u>ADJUSTMENT [2] -- OTHER TAXES</u></b>                                 |           |                   |
| 10. | <i>Adjustment to add back non-cash income tax expense</i>                   |           |                   |
| 11. | Cash Test Year Other Tax Expense  |           |                   |
| 12. | Test Year Other Tax Expense   | -         | F7, Pt. A, Col. B |
| 13. | Adjustment to Actual Other Tax Expense                                      | \$ -      | L11 - L12         |
| 14. |   |           |                   |
| 15. | <b><u>ADJUSTMENT [3] -- Long-Term Interest Expense</u></b>                  |           |                   |
| 16. | <i>Adjustment to reflect the Budget.</i>                                    |           |                   |
| 17. | <u>Adjustment to Long-Term Interest Expense</u>                             |           |                   |
| 18. | Actual Year Long-Term Interest Expense                                      | \$ -      | F7, Pt. A, Col. B |
| 19. | Budget Year Long-Term Interest Expense                                      | -         | Budget            |
| 20. | Adjustment to Actual Long-Term Interest Expense                             | \$ -      | L19-L18           |
| 21. |   |           |                   |
| 22. | <b><u>ADJUSTMENT [4] -- Other Interest Expense</u></b>                      |           |                   |
| 23. | <i>Adjustment to reflect the Budget.</i>                                    |           |                   |
| 24. | <u>Adjustment to Other Interest Expense</u>                                 |           |                   |
| 25. | Actual Year Other Interest Expense  | \$ -      | F7, Pt. A, Col. B |
| 26. | Budget Year Other Interest Expense  | -         | Budget            |
| 27. | Adjustment to Actual Other Interest Expense                                 | \$ -      | L26 - L25         |
| 28. |   |           |                   |

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC-FBR - ADJUSTMENTS

29. ADJUSTMENT [5] -- Principal Payments

30. *Adjustment to reflect the Budget.*

31. Adjustment to Principal Payments

32. Actual Year Principal Payments

\$ - F7, Pt O, Col. B

33. Budget Year Principal Payments

- Budget

34. Adjustment to Actual Principal Payments

\$ - L33- L32

35.

36. ADJUSTMENT [6] -- Assets

37. *Adjustment to reflect budgeted Assets.*

38. Actual Year-End Assets

\$ - F7, Pt C, L28.

39. Budgeted Year-End Assets

- Budget

40. Adjustment to Actual Assets

\$ - L39 - L38

SOUTHERN PIONEER ELECTRIC COMPANY  
Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes  
Based on Base Revenue by Rate Schedule

| (a)<br>Line No. | (b)<br>Rate Schedule                | (c)<br>Rate Schedule Revenue<br>(\$) | (d)<br>Allocated Power Supply Cost of Service<br>(\$) | (e)<br>Base Revenue<br>(\$) | (f)<br>Percent<br>(%) | (g) (h) (i)<br>Allocation of Rate Adjustment |                      |                |
|-----------------|-------------------------------------|--------------------------------------|---|-----------------------------|-----------------------|--|----------------------|----------------|
|                 |                                     |                                      |   |                             |                       | FBR Adjustment<br>(\$)                       | Base Revenue<br>(\$) | Percent<br>(%) |
| 1               | Residential Service (12-RS)         |                                      |   |                             |                       |  |                      |                |
| 2               | General Use                         |                                      |   |                             |                       | (1)  | -                    |                |
| 3               | Space Heating                       |                                      |   |                             |                       | (1)  | -                    |                |
| 4               | General Service Small (12-GSS)      |                                      |   |                             |                       | (1)  | -                    |                |
| 5               | General Service Large (12-GSL)      |                                      |   |                             |                       | (1)  | -                    |                |
| 6               | General Service Space Heating       |                                      |   |                             |                       | (1)  | -                    |                |
| 7               | Industrial Service (12-IS)          |                                      |   |                             |                       | (1)  | -                    |                |
| 8               | Industrial Service-Primary Discount |                                      |   |                             |                       | (1)  | -                    |                |
| 9               | Real-Time Pricing (RTP)             |                                      |   |                             |                       | (1)  | -                    |                |
| 10              | Transmission Level Service (12-STR) |                                      |   |                             |                       | (1)  | -                    |                |
| 11              | Municipal Power Service (12-M-D)    |                                      |   |                             |                       | (1)  | -                    |                |
| 12              | Water Pumping Service (12-WP)       |                                      |   |                             |                       | (1)  | -                    |                |
| 13              | Irrigation Service (12-IP-I)        |                                      |   |                             |                       | (1)  | -                    |                |
| 14              | Temporary Service (12-CS)           |                                      |   |                             |                       | (1)  | -                    |                |
| 15              | Lighting                            |                                      |   |                             |                       | (1)  | -                    |                |
| 16              | Total Retail Rates                  | -                                    | -   | -                           | -                     | -  | -                    | -              |
| 17              |                                     |                                      |   |                             |                       |  |                      |                |
| 18              | Third Party LAC (12-LAC)            |                                      |   |                             |                       |  | -                    |                |
| 19              |                                     |                                      |   |                             |                       |  |                      |                |
| 20              | Total All Rates                     | -                                    | -   | -                           | -                     | -  | -                    | -              |

<sup>1</sup> Allocation of rate adjustments to be completed consistent with DSC-FBR Plan Protocols, Section I Retail Rate Design as may be modified by Commission Order in Docket No. 13-MKEE-452-MIS.

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

| ITEM   | UNADJUSTED                              | ADJUSTMENTS |                | ADJUSTED                                | DISTRIBUTION<br>ALLOCATION<br>FACTOR | DISTRIBUTION<br>FBR |
|--|---|-------------|----------------|---|--------------------------------------|---------------------|
|  | HISTORICAL<br>TEST YEAR<br>2011<br>(\$) | NO.         | AMOUNT<br>(\$) | HISTORICAL<br>TEST YEAR<br>2011<br>(\$) |                                      |                     |
| <b>1. A. STATEMENT OF OPERATIONS</b>             |   |             |                |   | Docket 380                           | (\$)                |
| 2. Operating Revenue and Patronage Capital       | 60,493,642                              | PI, PA, C&B | [1] -          | 60,493,642                              | Direct                               | 58,270,203          |
| 3. Power Production Expense                      | -                                       | PI, PA, C&B |                | -                                       | 0.0000                               | -                   |
| 4. Cost of Purchased Power                       | 45,347,282                              | PI, PA, C&B |                | 45,347,282                              | 1.0000                               | 45,347,282          |
| 5. Transmission Expense                          | 789,649                                 | PI, PA, C&B |                | 789,649                                 | 0.0000                               | -                   |
| 6. Regional Market Expense                       | -                                       | PI, PA, C&B |                | -                                       | 0.0000                               | -                   |
| 7. Distribution Expense - Operation              | 2,998,013                               | PI, PA, C&B |                | 2,998,013                               | 1.0000                               | 2,998,013           |
| 8. Distribution Expense - Maintenance            | 1,518,929                               | PI, PA, C&B |                | 1,518,929                               | 1.0000                               | 1,518,929           |
| 9. Customer Accounts Expense                     | 1,292,172                               | PI, PA, C&B |                | 1,292,172                               | 1.0000                               | 1,292,172           |
| 10. Customer Service and Informational Expense   | 68,128                                  | PI, PA, C&B |                | 68,128                                  | 1.0000                               | 68,128              |
| 11. Sales Expense                                | 12,674                                  | PI, PA, C&B |                | 12,674                                  | 1.0000                               | 12,674              |
| 12. Administrative and General Expense           | 1,266,887                               | PI, PA, C&B |                | 1,266,887                               | 0.9795                               | 1,240,974           |
| 13. Total Operation & Maintenance Expense        | 53,293,734                              | PI, PA, C&B |                | 53,293,734                              | 0.9847                               | 52,478,172          |
| 14. Depreciation and Amortization Expense        | 2,444,084                               | PI, PA, C&B |                | 2,444,084                               | 0.7427                               | 1,815,106           |
| 15. Tax Expense - Property & Gross Receipts      | -                                       | PI, PA, C&B |                | -                                       | 0.7427                               | -                   |
| 16. Tax Expense - Other                          | 966,129                                 | PI, PA, C&B | [2] (966,129)  | -                                       | Calculated (E.3.d)                   | -                   |
| 17. Interest on Long-Term Debt                   | 3,538,969                               | PI, PA, C&B | [3] 1,537,057  | 5,076,026                               | 0.7322                               | 3,716,534           |
| 18. Interest Charged to Construction - Credit    | -                                       | PI, PA, C&B |                | -                                       | 0.7322                               | -                   |
| 19. Interest Expense - Other                     | 275,477                                 | PI, PA, C&B | [4] (193,560)  | 81,917                                  | 0.7322                               | 59,977              |
| 20. Other Deductions                             | 155,121                                 | PI, PA, C&B |                | 155,121                                 | 0.7322                               | 113,576             |
| 21. Total Cost of Electric Service               | 60,673,514                              | PI, PA, C&B | 377,368        | 61,050,882                              | 0.9530                               | 58,183,366          |
| 22. Patronage Capital & Operating Margins        | (179,872)                               | PI, PA, C&B | (377,368)      | (557,240)                               |                                      | 86,837              |
| 23. Non Operating Margins - Interest             | 869                                     | PI, PA, C&B |                | 869                                     | 0.7427                               | 645                 |
| 24. Allowance for Funds Used During Construction | -                                       | PI, PA, C&B |                | -                                       | 0.7427                               | -                   |
| 25. Income (Loss) from Equity Investments        | 1,415,012                               | PI, PA, C&B |                | 1,415,012                               | 1.0000                               | 1,415,012           |
| 26. Non Operating Margins - Other                | (12,666)                                | PI, PA, C&B |                | (12,666)                                | 1.0000                               | (12,666)            |
| 27. Generation and Transmission Capital Credits  | -                                       | PI, PA, C&B |                | -                                       | 1.0000                               | -                   |
| 28. Other Capital Credits and Patr. Dividends    | 272,500                                 | PI, PA, C&B |                | 272,500                                 | 0.7322                               | 199,517             |
| 29. Extraordinary Items                          | -                                       | PI, PA, C&B |                | -                                       | 1.0000                               | -                   |
| 30. Patronage Capital or Margins                 | 1,495,843                               | PI, PA, C&B | (377,368)      | 1,118,475                               | 1.5104                               | 1,689,346           |
| 31.  |   |             |                |   |                                      |                     |

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

| ITEM  | UNADJUSTED                      | ADJUSTMENTS          |           | ADJUSTED                        | DISTRIBUTION<br>ALLOCATION<br>FACTOR | DISTRIBUTION<br>FBR  |
|---|---------------------------------|----------------------|-----------|---------------------------------|--------------------------------------|--|
|   | HISTORICAL<br>TEST YEAR<br>2011 | NO.                  | AMOUNT    | HISTORICAL<br>TEST YEAR<br>2011 |                                      |  |
|   | (\$)                            |                      | (\$)      | (\$)                            | Docket 380                           | (\$)   |
| <b>32. B. DEBT SERVICE PAYMENTS</b>                 |                                 |                      |           |                                 |                                      |  |
| 33. Interest Expense                                | 3,814,446                       | Line 17 + Line 19    | 1,343,497 | 5,157,943                       | 0.7322                               | 3,776,512  |
| 34. Principal Payments                              | 669,847                         | Pt. P, Q, Col. B     | 749,865   | 1,419,712                       | 0.7322                               | 1,039,476  |
| 35. Total Debt Service Payments                     | 4,484,293                       |                      | 2,093,362 | 6,577,655                       | 0.7322                               | 4,815,988  |
| 36.   |                                 |                      |           |                                 |                                      |  |
| <b>37. C. DEBT SERVICE MARGINS</b>                  |                                 |                      |           |                                 |                                      |  |
| 38. Patronage Capital or Margins                    | 1,495,843                       | Line 20              |           | 1,118,475                       | 1.5104                               | 1,689,346  |
| 39. Plus: Depreciation and Amortization Expense     | 2,444,084                       | Line 14              |           | 2,444,084                       | 0.7427                               | 1,815,106  |
| 40. Plus: Interest Expense                          | 3,814,446                       | Line 33              | 1,343,497 | 5,157,943                       | 0.7322                               | 3,776,512  |
| 41. Plus: Non-Cash Other Deductions Amortizations   | 53,816                          | Total Balance        |           | 53,816                          | 0.7322                               | 39,403   |
| 42. Plus: Cash Capital Credits Cash Received        | -                               | Pt. P, I, LA, Col. A |           | -                               | 0.7322                               | -  |
| 43. Plus: Non-Cash Income Tax Expense               | 966,129                         | Line 16              | (966,129) | -                               | Calculated (E.3.d)                   | -  |
| 44. Less: Income (Loss) from Equity Investments     | (1,415,012)                     | Line 25              |           | (1,415,012)                     | 1.0000                               | (1,415,012)  |
| 45. Less: Other Capital Credits and Patr. Dividends | (272,500)                       | Line 28              |           | (272,500)                       | 0.7322                               | (199,517)  |
| 46. Total Debt Service Margins                      | 7,086,306                       |                      |           | 7,086,806                       |                                      | 5,705,838  |
| 47.   |                                 |                      |           |                                 |                                      |  |
| 48. <b>D. DEBT SERVICE COVERAGE</b>                 | 1.58                            | Line 35              |           | 1.08                            |                                      | 1.18   |
| 49.   |                                 |                      |           |                                 |                                      |  |
| 50. <b>E. DEBT SERVICE COVERAGE TARGET</b>          |                                 |                      |           |                                 |                                      | 1.75   |
| 51.   |                                 |                      |           |                                 |                                      |  |
| 52.   |                                 |                      |           |                                 | Adjusted DSC Margins are:            | <span style="border: 1px solid black; padding: 2px;">Below the Target</span> |
| 53. <b>F. INITIAL OPERATING INCOME ADJUSTMENT</b>   |                                 |                      |           |                                 |                                      |  |
| 54. DSC Adjustment Required to Achieve Target       |                                 |                      |           |                                 |                                      | 0.57   |
| 55. Debt Service Payments                           |                                 |                      |           |                                 |                                      | 4,815,988  |
| 56. After-Tax Operating Income Adjustment           |                                 |                      |           |                                 |                                      | 2,722,141  |
| 57.   |                                 |                      |           |                                 |                                      |  |

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

| ITEM   | UNADJUSTED                                  | ADJUSTMENTS |                   | ADJUSTED                        | DISTRIBUTION<br>ALLOCATION<br>FACTOR | DISTRIBUTION<br>FBR |
|--|---|-------------|-------------------|---------------------------------|--------------------------------------|---------------------|
|  | HISTORICAL<br>TEST YEAR<br>2011             | NO.         | AMOUNT            | HISTORICAL<br>TEST YEAR<br>2011 |                                      |                     |
| 58. <u>G. EQUITY TEST</u> (increase will not result in > 15% equity ratio) | (5)   |             | (5)               | (5)                             | Docket 380                           | (5)                 |
| 59.  |   |             | Plus              |                                 |                                      |                     |
| 60. Total Margins and Equities   | <u>Pre-Adjustment</u>                       |             | <u>Adjustment</u> | <u>Post-Adjustment</u>          |                                      |                     |
| 61. Total Assets   | 329,229 <small>FT. PL. C. L. 14</small>     |             | 2,722,141         | 3,051,370                       |                                      |                     |
| 62. Equity Ratio   | 103,678,095 <small>FT. PL. C. L. 13</small> | [6]         | 12,733,879        | 116,411,974                     |                                      |                     |
| 63.  | <u>0.32%</u> <small>L. 60 / L. 61</small>   |             |                   | <u>2.62%</u>                    |                                      |                     |
| 64. <u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u>                            |   |             |                   |                                 |                                      |                     |
| 65. Operating Income Adjustment  |   |             |                   |                                 |                                      | 2,722,141           |
| 66. Rate Schedule Revenue  |   |             |                   |                                 |                                      | <u>58,270,203</u>   |
| 67. Adjustment Percentage  |   |             |                   |                                 |                                      | <u>4.67%</u>        |

FORMULA BASED RATE - ADJUSTMENTS

|     |   |                                |
|-----|---|--------------------------------|
| 1.  | <b><u>ADJUSTMENT [1] – REVENUE</u></b>                                      |                                |
| 2.  | <i>Adjustment to annualize rate adjustment implemented during test year</i> |                                |
| 3.  | Annual Rate Adjustment Authorized by Commission                             | -                              |
| 4.  | Total kWh Sales During Test Year  | 700,682,341                    |
| 5.  | Average per kWh   | <u>\$0.00000</u> L3/L4         |
| 6.  | kWh Sales Prior to Implementation of Rate Adjustment                        | Input                          |
| 7.  | Revenue Adjustment to Annualize Rate Adjustment                             | <u>\$ -</u> L5 x L6            |
| 8.  |   |                                |
| 9.  | <b><u>ADJUSTMENT [2] – OTHER TAXES</u></b>                                  |                                |
| 10. | <i>Adjustment to remove non-cash income tax expense</i>                     |                                |
| 11. | Cash Test Year Other Tax Expense  | \$ -                           |
| 12. | Test Year Other Tax Expense   | 966,129 F7, Pt. A, Col. B      |
| 13. | Adjustment to Actual Other Tax Expense                                      | <u>\$ (966,129)</u> L11 - L12  |
| 14. |   |                                |
| 15. | <b><u>ADJUSTMENT [3] -- Long-Term Interest Expense</u></b>                  |                                |
| 16. | <i>Adjustment to reflect the 2012 Budget.</i>                               |                                |
| 17. | <u>Adjustment to Long-Term Interest Expense</u>                             |                                |
| 18. | Actual Year Long-Term Interest Expense                                      | \$ 3,538,969 F7, Pt. A, Col. B |
| 19. | Budget Year Long-Term Interest Expense                                      | 5,076,026 Budget               |
| 20. | Adjustment to Actual Long-Term Interest Expense                             | <u>\$ 1,537,057</u> L19-L18    |
| 21. |   |                                |
| 22. | <b><u>ADJUSTMENT [4] --Other Interest Expense</u></b>                       |                                |
| 23. | <i>Adjustment to reflect the 2012 Budget.</i>                               |                                |
| 24. | <u>Adjustment to Other Interest Expense</u>                                 |                                |
| 25. | Actual Year Other Interest Expense  | \$ 275,477 F7, Pt. A, Col. B   |
| 26. | Budget Year Other Interest Expense  | 81,917 Budget                  |
| 27. | Adjustment to Actual Other Interest Expense                                 | <u>\$ (193,560)</u> L26 - L25  |
| 28. |   |                                |

FORMULA BASED RATE - ADJUSTMENTS

|     |  |        |                             |
|-----|--|--------|-----------------------------|
| 29. | <b><u>ADJUSTMENT [5] -- Principal Payments</u></b> |        |                             |
| 30. | <i>Adjustment to reflect the 2012 Budget.</i>      |        |                             |
| 31. | <u>Adjustment to Principal Payments</u>            |        |                             |
| 32. | Actual Year Principal Payments                     | \$     | 669,847 F7, Pl. O, Col. B   |
| 33. | Budget Year Principal Payments                     |        | 1,419,712 Budget            |
| 34. | Adjustment to Actual Principal Payments            | \$     | <u>749,865</u> L33-L32      |
| 35. |  |        |                             |
| 36. | <b><u>ADJUSTMENT [6] -- Assets</u></b>             |        |                             |
| 37. | <i>Adjustment to reflect budgeted Assets.</i>      |        |                             |
| 38. | Actual Year-End Assets                             | \$     | 103,678,095 F7, Pl. C, L28. |
| 39. | Budgeted Year-End Assets                           |        | 116,411,974 Budget          |
| 40. | Adjustment to Actual Assets                        | \$     | <u>12,733,879</u> L39-L38   |
| 41. |  |        |                             |
| 42. | <b><u>Depreciation Expense Allocator</u></b>       |        |                             |
| 43. | Depreciation - Transmission                        | 0.2573 | \$ 391,409                  |
| 44. | Depreciation - Distribution                        | 0.7427 | \$ 1,129,530                |
| 45. |  | 1.0000 | \$ <u>1,520,939</u>         |



Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes  
Based on Base Revenue by Rate Schedule

| (a)<br>Line No. | (b)<br>Rate Schedule                | (c)<br>Rate Schedule Revenue (\$) | (d)<br>Allocated Power Supply Cost of Service (\$) | (e)<br>Base Revenue (\$) | (f)<br>Percent (%) | (g)-(i)<br>Allocation of Rate Adjustment |                          |                    |
|-----------------|-------------------------------------|-----------------------------------|--|--------------------------|--------------------|--|--------------------------|--------------------|
|                 |                                     |                                   |  |                          |                    | (g)<br>DSC-FBR Plan Adjustment (\$)      | (h)<br>Base Revenue (\$) | (i)<br>Percent (%) |
| 1               | Residential Service (12-RS)         |                                   |  |                          |                    |  |                          |                    |
| 2               | General Use                         | 15,466,839                        | 8,201,386  | 7,265,453                | 42.3%              | [1]                                      |                          |                    |
| 3               | Space Heating                       | 962,557                           | 543,365  | 419,192                  | 2.4%               | [1]                                      |                          |                    |
| 4               | General Service Small (12-GSS)      | 1,954,373                         | 1,035,164  | 919,209                  | 5.4%               | [1]                                      |                          |                    |
| 5               | General Service Large (12-GSL)      | 14,962,201                        | 9,086,483  | 5,875,718                | 34.2%              | [1]                                      |                          |                    |
| 6               | General Service Space Heating       | 546,294                           | 358,139  | 188,155                  | 1.1%               | [1]                                      |                          |                    |
| 7               | Industrial Service (12-IS)          | 1,984,784                         | 1,280,249  | 704,535                  | 4.1%               | [1]                                      |                          |                    |
| 8               | Industrial Service-Primary Discount |                                   |  | -                        | 0.0%               | [1]                                      |                          |                    |
| 9               | Real-Time Pricing (RTP)             | 82,550                            | 82,550   | -                        | 0.0%               | [1]                                      |                          |                    |
| 10              | Transmission Level Service (12-STR) | 24,515,362                        | 23,809,675   | 705,687                  | 4.1%               | [1]                                      |                          |                    |
| 11              | Municipal Power Service (12-M-I)    | 211,942                           | 119,821  | 92,121                   | 0.5%               | [1]                                      |                          |                    |
| 12              | Water Pumping Service (12-WP)       | 611,125                           | 367,776  | 243,349                  | 1.4%               | [1]                                      |                          |                    |
| 13              | Irrigation Service (12-IP-I)        | 200,995                           | 111,907  | 89,088                   | 0.5%               | [1]                                      |                          |                    |
| 14              | Temporary Service (12-CS)           | 8,700                             | 3,769  | 4,931                    | 0.0%               | [1]                                      |                          |                    |
| 15              | Lighting                            | 947,775                           | 287,875  | 659,900                  | 3.8%               | [1]                                      |                          |                    |
| 16              | <b>Total Retail Rates</b>           | <b>62,455,499</b>                 | <b>45,288,159</b>                                  | <b>17,167,339</b>        | <b>100.0%</b>      | <b>2,722,141</b>                         | <b>19,889,481</b>        | <b>100.0%</b>      |
| 17              |                                     |                                   |  |                          |                    |  |                          |                    |
| 18              | Third Party LAC (12-LAC)            | 1,059,317                         | -  | 1,059,317                | 100.0%             |  | 1,059,317                | 100.0%             |
| 19              |                                     |                                   |  |                          |                    |  |                          |                    |
| 20              | <b>Total All Rates</b>              | <b>63,514,816</b>                 | <b>45,288,159</b>                                  | <b>18,226,656</b>        | <b>100.0%</b>      | <b>2,722,141</b>                         | <b>20,948,798</b>        | <b>100.0%</b>      |

<sup>1</sup> Allocation of rate adjustments to be determined consistent with DSC-FBR Plan Protocols, Section I. Retail Rate Design as may be modified by Commission Order in Docket No. 13-MKEE-452-MIS.

**CERTIFICATE OF SERVICE**

**SEP 26 2013**

13-MKEE-452-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Order Approving Non-Unanimous Settlement Agreement was served by electronic service on this 26th day of September, 2013, to the following parties who have waived receipt of follow-up hard copies.

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CERTIFICATE OF SERVICE

SEP 26 2013

13-MKEE-452-MIS

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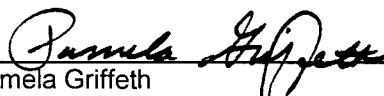
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ORDER MAILED SEP 26 2013

**SECTION 1**  
**APPLICATION**