

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

In the Matter of the Application of The Victory)
Electric Cooperative Association, Inc. Seeking)
Commission Approval to Update Its Local Access) Docket No. 17-VICE-481-TAR
Delivery Service Tariff Pursuant to the 34.5kV)
Formula Based Rate Plan Approved in Docket No.)
16-MKEE-023-TAR.)

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

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation (R&R) dated August 28, 2017, attached hereto and made a part hereof by reference. Staff recommends the Commission approve the Application by Victory Electric Cooperative Association, Inc. — Mid-Kansas Division (Victory Mid-Kansas) of its 34.5 kV monthly Local Access Charge (LAC) rate of \$3.16 per kilowatt-month (kW-month). The rate of \$3.16 per kW-month is an increase from the previous rate of \$2.99 per kW-month.

WHEREFORE, Staff submits it's Report and Recommendation for Commission review and consideration, and for such other relief as the Commission deems just and proper.

Respectfully submitted,

/s/ Jason K. Fisher
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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Pat Apple
Commissioner Shari Feist Albrecht
Commissioner Jay Scott Emler

FROM: Tim Rehagen, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: August 28, 2017

SUBJECT: Docket No. 17-VICE-481-TAR – In the Matter of the Application of The Victory Electric Cooperative Association, Inc. Seeking Commission Approval to Update Its Local Access Delivery Service Tariff Pursuant to the 34.5kV Formula Based Rate Plan Approved in Docket No. 16-MKEE-023-TAR.

EXECUTIVE SUMMARY:

Staff recommends approval of the Victory Electric Cooperative Association, Inc. – Mid-Kansas Division (Victory Mid-Kansas) 34.5 kV monthly Local Access Charge (LAC) rate of \$3.16 per kilowatt-month (kW-month). This rate was derived in accordance with the 34.5 kV Formula Based Rate (FBR) plan approved by the Kansas Corporation Commission (Commission) in Docket No. 16-MKEE-023-TAR (16-023 Docket). An Order is due in this matter by October 26, 2017.

BACKGROUND:

The Victory Electric Cooperative Association, Inc. (Victory) is a member-owned distribution electric cooperative and a member-owner of Sunflower Electric Power Corporation (Sunflower) and Mid-Kansas Electric Company, LLC (Mid-Kansas). Victory serves over 19,600 retail customers in its Sunflower and Mid-Kansas service areas, as well as wholesale customers over its 34.5 kV system located in the Mid-Kansas service region. According to Kansas law, the services rendered to customers of the 34.5 kV system have been designated as “transmission service.”¹ Even though Victory has elected to deregulate from the jurisdiction, regulation, and control of the Commission, the Commission retains jurisdiction over charges related to transmission services.²

¹ See the Stipulation and Agreement and the Order Addressing Joint Motion to Approve Stipulation and Agreement issued under Docket No. 11-GIME-597-GIE on December 1, 2011, and January 11, 2012, respectively.

² See K.S.A. 66-104d(f).

In the 16-023 Docket, the Commission approved a 34.5 kV FBR plan, which allows for Victory Mid-Kansas to make annual adjustments to its LAC rate assessed to wholesale customers receiving service off Victory Mid-Kansas' 34.5 kV sub-transmission facilities.³ On May 1, 2017, Victory Mid-Kansas filed a request in the current Docket to update its monthly LAC rate, in accordance with the established 34.5 kV FBR plan. Victory Mid-Kansas is requesting an increase in its monthly LAC rate from \$2.99 per kW to \$3.16 per kW.⁴

In determining the proposed LAC rate of \$3.16 per kW-month, Victory Mid-Kansas divided its total revenue requirement of \$3,238,455 by the total billing demand of 1,025,797 kW.⁵ This proposed rate represents a 5.7% increase from Victory Mid-Kansas' current LAC rate of \$2.99 per kW. Factors contributing to this increase include increases in transmission plant depreciation expense, other deductions, and principal payments from the 16-494 Docket to the current Docket.⁶

ANALYSIS:

Upon reviewing the Application, Staff discovered only one minor adjustment. As shown in Exhibit 10 of the Application, Victory Mid-Kansas excluded 50% or 100% of various administrative and general expenses related to dues, donations, advertising, employee meals, etc. Upon reviewing this exhibit, Staff determined that the following additional disallowances should be made: 50% of an expense related to an annual subscription, 100% of expenses related to promotional mailings, and an additional 50% of expenses related to sponsorships. These expenses are the result of activities or programs that are not necessary to provide safe and reliable electric utility service. However, this adjustment would not have any effect on the final revenue requirement and, consequently, no effect on the final proposed LAC rate. Therefore, the monthly LAC rate after accounting for this adjustment is still \$3.16 per kW-month.

RECOMMENDATION:

Staff recommends the Commission approve Victory Mid-Kansas' proposed monthly LAC rate of \$3.16 per kW-month.

³ See the Order Approving Settlement issued on March 10, 2016, in Docket No. 16-MKEE-023-TAR.

⁴ The LAC rate of \$2.99/kW-month was approved in Docket No. 16-VICE-494-TAR (16-494 Docket). See Order Approving Application issued on September 29, 2016, in that Docket.

⁵ See Exhibit 5, page 1 of the Application for a detailed breakdown of the proposed monthly LAC rate calculation.

⁶ See pages 5-8 of the direct testimony of Shane Laws for a detailed explanation of the aforementioned increases.

CERTIFICATE OF SERVICE

17-VICE-481-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 29th day of August, 2017, to the following:

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A handwritten signature in cursive script, appearing to read "Pamela Griffith", is written over a horizontal line.

CERTIFICATE OF SERVICE

17-VICE-481-TAR

Pamela Griffeth
Administrative Specialist