

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

In the Matter of the Joint Application of)
Sunflower Electric Power Corporation and)
Mid-Kansas Electric Company, Inc. for an)
Order Approving the Merger of Mid-Kansas) Docket No. 19-SEPE-054-MER
Electric Company, Inc. into Sunflower)
Electric Power Corporation.)

PREFILED DIRECT TESTIMONY OF

SHANE LAWS

CHIEF EXECUTIVE OFFICER

VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

ON BEHALF OF

SUNFLOWER ELECTRIC POWER CORPORATION

and

MID-KANSAS ELECTRIC COMPANY, INC.

AUGUST 3, 2018

1 **Q. Please state your name.**

2 A. My name is Shane Laws.

3 **Q. By whom are you employed and what is your business address?**

4 A. I am employed by The Victory Electric Cooperative Association, Inc. ("Victory").

5 My business address is 3230 North 14th Avenue, Dodge City, Kansas. As Chief
6 Executive Officer of Victory, I am also a member of the Board of Directors for
7 both Mid-Kansas Electric Company, Inc. ("Mid-Kansas") and Sunflower Electric
8 Power Corporation ("Sunflower").

9 **Q. Would you summarize your educational background?**

10 A. I graduated from The University of Texas at Arlington in May 1997 with a
11 Bachelor of Business Administration degree with an emphasis in Management. I
12 completed the Robert I. Kabat Management Internship Program at The University
13 of Nebraska, Lincoln in May 2000. In December 2006, I earned a Master of
14 Business Administration degree from Texas Woman's University located in
15 Denton, Texas.

16 **Q. Please summarize your work experience.**

17 A. I'm currently the CEO for Victory, Dodge City, Kansas. I was named CEO on
18 October 1, 2013. Prior to Victory, I was the Director, Retail Programs for CoServ
19 Electric in Corinth, Texas. I was directly responsible for a project engineering
20 department that designed and contracted large-scale residential and commercial
21 developments as well as an energy management department that provided
22 residential/commercial audit services and administered a residential/commercial
23 rebate program. In addition, I provided oversight for the cooperative's rates and

1 cost-of-service studies and tariffs. I have served in various capacities with three
2 electric cooperatives spanning nearly 23 years.

3 **Q. Have you previously presented testimony before the Commission?**

4 A. Yes, in Dockets 16-MKEE-023-TAR, 16-VICE-494-TAR, 17-VICE-481-TAR, 18-
5 VICE-479-TAR.

6 **Q. What is the purpose of your testimony today?**

7 A. The purpose of my testimony is to provide a background of Victory and to
8 support the approval of the merger of Sunflower and Mid-Kansas.

9 **Q. Please provide a brief overview of Victory.**

10 A. Victory is an electric cooperative formed in 1945 under the Kansas Electric
11 Cooperative Act K.S.A. 17-4601 et seq. primarily for supplying electric energy to
12 the farm and residential customers in rural areas of southwest Kansas. Through
13 the years, however, Victory expanded to a broad consumer base. Today, Victory
14 maintains 3,200 miles of line serving diversified loads including residential,
15 industrial, commercial, and irrigation customers in nine southwest Kansas
16 counties.

17 **Q. Is Victory subject to the regulation and oversight of the Commission?**

18 A. No. Victory is self-regulated except for transmission services which are still
19 regulated by the Commission.

20 **Q. Does Victory support the merger of Sunflower and Mid-Kansas with
21 Sunflower becoming the surviving corporation?**

22 A. Yes. Our Board of Directors unanimously approved the Agreement and Plan of
23 Merger which included the new bylaws for the surviving corporation.

1 **Q. Why does Victory support the merger of the two companies?**

2 A. Our board, after thoughtful review, determined that the combined entity would be
3 a financially stronger company through an improved credit profile which will have
4 a positive impact on cost of debt. The combined companies will also improve the
5 equity ratio which again has a positive impact by lowering overall cost of debt.
6 However, the most significant reason for approving the merger for Victory is the
7 benefits from economies of scale derived from the merger, which will lead to
8 greater rate stabilization.

9 **Q. Why is rate stabilization a key factor in Victory's decision to approve the**
10 **merger?**

11 A. On the certificated territory Victory acquired from the Aquila acquisition, Victory
12 has a number of large industrial customers. Through discussions with those
13 customers, and particularly through discussions with Western Kansas Industrial
14 Electric Consumers, I am aware that low rates are of utmost importance to them
15 as they are with all electric retail customers. However, of equal importance is
16 stabilized rates. As the customers have shared with me, they set budgets for
17 each ensuing year. If rates are modified mid-year, it can have a significant impact
18 on pricing of their product(s) and profitability. By combining the two companies, a
19 loss of load doesn't have as significant an impact on a combined company's
20 revenue requirements. A merged Sunflower and Mid-Kansas can more easily
21 absorb the impact of a load loss better than either Sunflower or Mid-Kansas can
22 on a standalone basis. By combining the two companies, the merged company,
23 and therefore our customers, are far less vulnerable to rate fluctuations due to

1 load variations or other major events throughout the year. The combined
2 company can better mitigate the risk of rate increases than either Sunflower or
3 Mid-Kansas can without merger. Victory sees that as extremely beneficial to our
4 customers that operate and make decisions derived from a budget to set prices
5 and conduct their business. That is not to say it is not important to our irrigation
6 customers or residential customers. I just know that we have had those
7 discussions with our industrial customers and they have expressed how
8 important it is to them to provide stabilized rates.

9 **Q. Who are your current electric wholesale providers?**

10 A. Victory is an all requirements customer of Sunflower and an all requirements
11 customer of Kansas Electric Power Cooperative, Inc. ("KEPCo") for a portion of
12 our native (non-Aquila) load at specified delivery point within our service territory.
13 Victory is also an all requirements customer of Mid-Kansas for the delivery points
14 in the certificated territory acquired from Aquila-WPK in 2007. At the end of 2020,
15 Victory's contract with KEPCo ends and Victory will have only Sunflower and
16 Mid-Kansas as wholesale suppliers. If the merger is approved, then Sunflower
17 will be Victory's only wholesale supplier after 2020.

18 **Q. With several wholesale suppliers, how do you currently price your retail**
19 **rates to your retail customers?**

20 A. Our retail rate is a blending of the rates of the three wholesale suppliers into a
21 single retail rate.

1 **Q. Will the merger affect the local access delivery services (“LADS”) provided**
2 **to wholesale customers taking service on Victory’s 34.5 kV system or the**
3 **local access charge (“LAC”)?**

4 A. The merger of Sunflower and Mid-Kansas will have no material impact on the
5 LADS or the LAC. Mid-Kansas and Sunflower currently serve as administrator of
6 the Mid-Kansas Open Access Transmission Tariff under which Victory provides
7 and supports the local access services. The 34.5 kV facilities are owned by
8 Victory and the services are provided by Victory. The LAC is based off of the
9 formula rate that is based upon Victory’s costs of service to the wholesale sub-
10 transmission customers. The merger of Sunflower and Mid-Kansas will have no
11 impact on the LADS or LAC other than the merger will result in a single
12 administrator, Sunflower, rather than two as there are currently. Furthermore, to
13 the extent the merger would have any impact, any such impact would be
14 necessarily addressed at the Victory level and not at Sunflower or Mid-Kansas.
15 The LADS and LAC are not impacted by the merger of Sunflower and Mid-
16 Kansas. If there were required changes, the changes to the LADS or LAC would
17 be addressed in a Victory docket before the Commission.

18 **Q. Does Victory believe the merger of the two companies is in the public**
19 **interest?**

20 A. Yes, it does, or they would not have voted to approve it, nor would I, as a director
21 of Sunflower and Mid-Kansas, voted to approve the merger. A merged company
22 is a stronger, and more financially sound company. The merger will provide
23 greater rate stability and lower costs of operation. Frankly, nothing has changed

1 since the acquisition of Aquila-WPK. At the time of the acquisition, all Members
2 of Mid-Kansas concluded the acquisition and eventual merger of the two
3 companies was the right thing to do for the customers of Victory and western
4 Kansas. Nothing has changed.

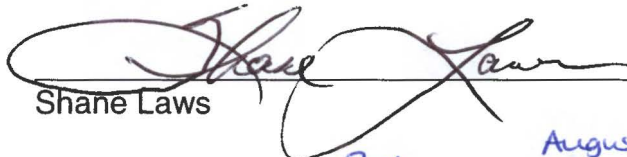
5 **Q. Does that conclude your testimony?**

6 **A. Yes.**

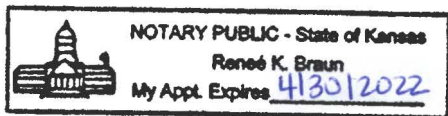
VERIFICATION


STATE OF KANSAS)
) ss:
COUNTY OF Ellis)

Shane Laws, being first duly sworn, deposes and says that he is the Shane Laws referred to in the foregoing document entitled "PREFILED DIRECT TESTIMONY OF SHANE LAWS" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.


Shane Laws

SUBSCRIBED AND SWORN to before me this 3rd ^{August} day of July, 2018.




Notary Public

My Appointment Expires: