

BEFORE THE 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)
Charges for Electric Services, Pursuant to the) KCC Docket No. 15-SPEE-519-RTS
Debt Service Coverage Formula Based)
Ratemaking Plan Approved in Docket)
No. 13-MKEE-452-MIS)

DIRECT TESTIMONY OF

STACEY HARDEN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

July 1, 2015

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1 I. **STATEMENT OF QUALIFICATIONS**

2 Q. **Please state your name and business address.**

3 A. My name is Stacey Harden. My business address is 1500 SW Arrowhead Road, Topeka,
4 Kansas 66604.

5

6 Q. **By whom are you employed and in what capacity?**

7 A. I am employed by the Citizen's Utility Ratepayer Board ("CURB") as a Regulatory
8 Analyst.

9

10 Q. **Please describe your educational background.**

11 A. I earned a Bachelor of Business Administration degree from Baker University in 2001. I
12 earned a Master of Business Administration degree from Baker University in 2004.

13

14 Q. **Please summarize your professional experience.**

15 A. I joined the Citizens' Utility Ratepayer Board as a Regulatory Analyst in February 2008.
16 Prior to joining CURB, I was the manager of a rural water district in Shawnee County,
17 Kansas for five years. I am currently an adjunct faculty member at Friends University,
18 Baker University and Haskell Indian Nations University, where I instruct business and
19 accounting courses for undergraduate and graduate students.

20

21 Q. **Have you previously testified before the Commission?**

22 A. Yes. I previously offered testimony in KCC Docket Nos. 08-WSEE-1041-RTS, 10-
23 KGSG-421-TAR, 10-EPDE-497-TAR, 10-BHCG-639-TAR, 10-SUBW-602-TAR, 10-

1 WSEE-775-TAR, 10-KCPE-795-TAR, 10-KCPE-415-RTS, 11-SUBW-448-RTS, 12-
2 SUBW-359-RTS, 12-MKEE-410-RTS, 12-MKEE-491-RTS, 13-HHIW-570-RTS, 14-
3 WSEE-148-TAR, 14-ATMG-230-TAR, 15-WSEE-181-TAR, and 15-KCPE-116-RTS. I
4 have also authored Report and Recommendations to the Commission in 13-HHIW-570-
5 RTS, 14-KCPE-042-TAR, and 15-WSEE-021-TAR.

6
7 **II. PURPOSE OF TESTIMONY**

8 **Q. Please explain the purpose of the testimony you are providing in this case.**

9 A. On May 1, 2015, Southern Pioneer Electric Company (“Southern Pioneer” or
10 “Company”) filed an Annual Debt Service Coverage (“DSC”) Formula Based
11 Ratemaking Pilot Program (“DSC-FBR”) Annual Filing and Application with the Kansas
12 Corporation Commission of the State of Kansas (“Commission” or “KCC”) seeking an
13 increase of \$899,288 or 1.32%, in distribution rates for its customers.

14 The May 1, 2015 filing is the second of the five year program filings by Southern
15 Pioneer, made in accordance with a stipulation in Docket No. 13-MKEE-452-MIS (“452
16 Docket”). The DSC-FBR allows for retail rates to be adjusted annually based on a DSC
17 target, subject to review and approval by the Commission. The Commission Order in
18 Southern Pioneer’s first filing under the DSC-FBR, 14-SPEE-507-RTS (“507 Docket”),
19 decreased rates by \$503,465.

20 The purpose of my testimony is to support accounting adjustments for the 2014
21 Test Year. In addition, my testimony makes a recommendation regarding donations made
22 through Southern Pioneer’s Benevolent Fund.

1 **III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

2 **Q. What is your recommendation to the Commission regarding the Company's**
3 **application to raise rates?**

4 A. Based upon my analysis of the filing and other documentation in this case, I recommend
5 the Commission:

- 6 • approve the adjustments set forth in my testimony,
- 7 • disallow \$2,315.88 for transactions reported in the Company's Exhibit 9 that are
8 Company promotion, corporate advertising, and sponsorships;
- 9 • disallow allow \$9,715.99 for employee socials, golf tournaments, parties, and
10 gifts;
- 11 • reduce overall donation expense by an additional \$11,835.34, which directly
12 offsets the proceeds from the sale of scrap metal against the donations made
13 through the Helping Us Give to Society Program ("HUGS"); and
- 14 • require Southern Pioneer to offset its donation expense by the proceeds collected
15 through the sale of scrap metal in future DSC-FBR applications.

16
17 **IV. DISCUSSION OF THE ISSUES**

18 **Q. Please provide a brief background of this proceeding.**

19 A. A settlement was reached in the 452 Docket with Commission Staff and the
20 Western Kansas Industrial Electric Consumers allowing Southing Pioneer to seek annual
21 rate adjustments based on maintaining a target DSC ratio of 1.75. CURB opposed the
22 settlement arguing in favor of a lower DSC ratio. The Commission approved the DSC-

1 FBR Plan and bound Southern Pioneer to a set of filing protocols detailed in Exhibit A of
2 the settlement agreement.¹

3
4 **Q. Please explain how the Company calculated its proposed rate increase of \$899,288 in
5 this docket.**

6 A. As approved in the 452 Docket, the DSC is the ratio of (1) the difference between (i) net
7 income (after taxes and after eliminating any gain or loss on sale of assets or other
8 extraordinary gain or loss), plus depreciation expense, amortization expense, and interest
9 expense; minus (ii) non-cash patronage and non-cash income from joint ventures; to (2)
10 all principal payments due within the period on all Long-Term Debt plus interest expense
11 (all as calculated for the twelve month period ending with the end of the quarter in which
12 the calculation is being made in accordance with GAAP consistently applied).

13 Exhibit 3 of Southern Pioneer's application shows that its calculated DSC ratio,
14 based upon the 2014 test year, is 1.58, and that a rate increase of \$899,288 is necessary to
15 increase the DSC ratio to the ordered 1.75 level.

16
17 **Q. Would you like to make any initial comments or identify other general concerns
18 regarding Southern Pioneer's application?**

19 A. Yes I would. First, CURB opposed the Company's request for a DSC-FBR rate making
20 mechanism in the 452 Docket. Without reciting the details of CURB's objection to the
21 proposal, I will simply recount that the Commission approved a DSC ratio of 1.75 despite
22 the Company's loan covenants having a required minimum DSC ratio of 1.35. Southern

¹ September 26, 2013, Docket No. 13-MKEE-452-MIS, *Order Approving Non-Unanimous Settlement Agreement*.

1 Pioneer's current application reports that Southern Pioneer was able to achieve an actual
2 DSC ratio of 1.58 during 2014 – which is higher than its required minimum loan covenants,
3 but falls short of the Commission ordered minimum of 1.75.

4 Additionally, the Commission's Order approving the DSC-FBR plan indicated that
5 one of the stated purposes of setting the DSC ratio higher than the required loan covenants,
6 was to allow Southern Pioneer to increase equity. It appears that Southern Pioneer was able
7 to build its equity position in 2014. Southern Pioneer's total margins and equities increased
8 from \$1,890,889 at the end of 2013 to \$3,949,166 at the end of 2014.²

9 Yet, despite Southern Pioneer achieving a DSC roughly 17% higher than its required
10 loan covenants, and more than doubling its equity position, Southern Pioneer is still seeking a
11 rate increase through the DSC-FBR program.

12 Second, the DSC-FBR plan that was approved in the 452 Docket provides for an
13 expedited procedural schedule. The abbreviated format approved by the Commission
14 effectively limits intervenor's ability to scrutinize expenses. Specifically, in its current
15 application, Southern Pioneer reports that its total controllable expenses per consumer
16 increased from \$475.42 in 2013 to \$490.54 in 2014, and that the Company's wages per
17 consumer increased from \$238.27 in 2013 to \$242.36 in 2014.³ But with the expedited
18 procedural schedule approved in the 452 Docket, CURB must rely partially upon a pre-
19 filled formula, as opposed to being able to scrutinize certain expenses.

20 If Southern Pioneer's request to increase rates was treated like a traditional rate
21 case, as opposed to just calculating a formula ratio, it would be useful to seek answers to
22 questions like why did uncollectible account expense (sometimes referred to as bad debt

² Total margin and equities are reported in the Exhibit 3, which is the CFC Form 7. Total margin and equities appear in Part C, line 35. The amount reported in Part C, line 35, is also used to calculate the equity test provision of the S&A in the 452 Docket.

³ Exhibit 8 of Application

1 expense) increase \$70,234.18 in 2014 – which is 116% higher than in 2013; why did
2 distribution expense increase by 7.7% from 2013 to 2014; what caused customer service
3 and information expenses to increase 78% from 2013 to 2014; why is labor expense
4 \$354,369.30 higher in 2014 when compared to 2012? Each of these expenses impacted
5 the DSC ratio, and caused a part of the rate increase request. However, the DSC-FBR
6 plan’s abbreviated schedule, coupled with a guaranteed formula rate, makes it difficult to
7 effectively review and offer a recommendation on all these expenses.

8
9 **A. ADVERTISING, DONATIONS, AND CHARITABLE CONTRIBUTIONS**

10 **Q. Did Southern Pioneer provide a detailed accounting of its advertising, donations,**
11 **and charitable contributions?**

12 A. Yes. As part of its filing, Southern Pioneer provided a list of its advertising, dues,
13 donations, and charitable contributions in Exhibit 9. This exhibit was provided in
14 accordance with the Commission order in the 452 Docket that required Southern Pioneer
15 to “include with its filing a complete detailed accounting by account, of all dues,
16 donations, charitable contributions, promotional advertising, penalties, and fines, and
17 entertainment expenses incurred during the Test Year.”⁴

18
19 **Q. Has the Commission previously required a portion of charitable contributions or**
20 **donations be removed from the utility’s cost of service?**

21 A. Yes. In the past the Commission has generally required regulated utilities to exclude

⁴ September 26, 2013, Docket No. 13-MKKEE-452-MIS, *Order Approving Non-Unanimous Settlement Agreement*, Exhibit A, page 5

1 50% of its charitable contributions or a donation from the utility's cost of service. These
2 costs are generally considered inappropriate as they are not necessary for the provision of
3 safe and reliable utility service. The Commission policy is to eliminate these expenses
4 and conforms with K.S.A. 66-101f(a).⁵ In addition to removing 50% of a utility's
5 charitable contributions, the Commission has generally excluded all costs related to
6 Company promotion, sponsorships and other corporate advertising.

7
8 **Q. Did Southern Pioneer make an adjustment to eliminate 50% of its charitable**
9 **contributions from its cost of service?**

10 A. Yes. Southern Pioneer's Exhibit 9 shows that it eliminated 50% of some charitable
11 contributions from its cost of service. My adjustments focus on items which should not
12 be considered a charitable contribution, but rather corporate advertising or Company
13 promotion.

14
15 **Q. Please identify and explain each of your adjustments relating to Southern Pioneer's**
16 **advertising, donations, and charitable contributions.**

17 A. I recommend the Commission approve the eleven adjustments set forth below (each
18 transaction listed below appears in Southern Pioneer's Exhibit 9):

19
20
21

⁵ K.S.A. 66-101 f(a) states: "For the purposes of determining just and reasonable rates, the Commission may adopt a policy of disallowing a percentage, not to exceed 50% of utility dues, donations and contributions to charitable, civic and social organizations and entities, in addition to disallowing specific dues, donations and contributions which are found unreasonable or inappropriate."

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1. Southwest Medical Center – Donation

- Transaction Amount: \$1,500.00; Amount included in cost of service: \$750.00
- Reason for CURB’s adjustment: the 2013 Health Fair sponsorship was identified as advertising in Staff’s Exhibit CCU-6 in the 507 Docket, and was removed from the Company’s cost of service. Additionally, in its response to CURB Data Request 14, Southern Pioneer provides documentation supporting this expense as a sponsorship. CURB recommends this transaction be recognized as a corporate sponsorship and be removed from the Company’s cost of service.
- Net Impact of CURB’s Adjustment on Company’s Cost of Service: decrease the revenue requirement by \$750.00.

2. Miss Liberal Pageant – Scholarship Donation

- Transaction Amount: \$100.00; Amount included in cost of service: \$50.00
- Reason for CURB’s adjustment: this transaction was identified as a promotional item in Staff’s Exhibit CCU-6 in the 507 Docket, and was removed from the Company’s cost of service. CURB recommends this transaction receive similar treatment and be removed from the Company’s cost of service.
- Net Impact of CURB’s Adjustment on Company’s Cost of Service: decrease the revenue requirement by \$50.00.

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3. Satanta Chamber of Commerce – Satanta Day BBQ Donation

- Transaction Amount: \$100.00; Amount included in cost of service: \$50.00
- Reason for CURB’s adjustment: this transaction should be considered Company promotion or corporate advertising as it does not pertain to the Company’s provision of safe and reliable utility service.
- Net Impact of CURB’s Adjustment on Company’s Cost of Service: decrease the revenue requirement by \$50.00.

4. Satanta Booster Club – Business Membership

- Transaction Amount: \$75.00; Amount included in cost of service: \$37.50
- Reason for CURB’s adjustment: this transaction should be considered a sponsorship, as membership in a high school booster club does not pertain to the Company’s provision of safe and reliable utility service.
- Net Impact of CURB’s Adjustment on Company’s Cost of Service: decrease the revenue requirement by \$37.50.

5. CC Dillons – Gift Card, Supplies Red Cross Blood

- Transaction Amount: \$125.00; Amount included in cost of service: \$62.50
- Reason for CURB’s adjustment: this transaction was identified as a promotional item in Staff’s Exhibit CCU-6 in the 507 Docket, and was removed from the Company’s cost of service.
- Net Impact of CURB’s Adjustment on Company’s Cost of Service: decrease the revenue requirement by \$62.50.

1 6. The Community Enhancement Foundation – Donation Plains Grocery Store

- 2 • Transaction Amount: \$250.00; Amount included in cost of service:
3 \$125.00

- 4 • Reason for CURB’s adjustment: according to the Company’s response to
5 CURB Data Request 15, this donation “helped sponsor the community
6 event and (Southern Pioneer) was recognized in their advertising for the
7 event.” This transaction is either a sponsorship or corporate advertising
8 and should be removed from the Company’s cost of service.

- 9 • Net Impact of CURB’s Adjustment on Company’s Cost of Service:
10 decrease the revenue requirement by \$125.00.

11
12 7. JF Beaver Advertising – Crayons for Coloring Books

- 13 • Transaction Amount: \$480.55; Amount included in cost of service:
14 \$480.55

- 15 • Reason for CURB’s adjustment: Southern Pioneer’s Exhibit 9 identifies
16 this transaction as public service advertising. However the Company’s
17 response to CURB Data Request 6 shows that 1,440 boxes of crayons
18 were purchased with the Southern Pioneer logo placed on crayons and
19 box. This transaction is best defined as a Company promotional item and
20 should be removed from the Company’s cost of service⁶.

⁶ In addition to the crayons purchased by Southern Pioneer, CURB Data Request 6 also shows that 1,000 coloring books were purchased. The cost of the coloring books included in the Company’s cost of service is \$716.41. CURB has not made an adjustment to remove the cost of the coloring books because the books appear to be educational, encouraging safe use of electricity. While the coloring books could be considered public service advertising, the crayons adorned with the Company’s logo should not be included.

- 1 • Net Impact of CURB’s Adjustment on Company’s Cost of Service:
2 decrease the revenue requirement by \$480.55.

3
4 8. Molstad, Anna Elyse – Reimb- FB Promo Gift Card

- 5 • Transaction Amount: \$105.44; Amount included in cost of service: \$52.72
6 • Reason for adjustment: this transaction is a Company promotional item.
7 Southern Pioneer has a Facebook page, and during the summer of 2014,
8 Southern Pioneer encouraged people to “like” its Facebook page by
9 offering a chance to win a \$100 Visa Gift card.⁷ This transaction is clearly
10 Company promotion and should be removed from the Company’s cost of
11 service.
12 • Net Impact of CURB’s Adjustment on Company’s Cost of Service:
13 decrease the revenue requirement by \$52.72.

14
15 9. La Carmean & Associates – 4-H Sponsorship

- 16 • Transaction Amount: \$53.50; Amount included in cost of service: \$26.75
17 • Reason for adjustment: this transaction is an advertisement. The invoice
18 supporting the transaction was provided in response to CURB Data
19 Request 6. This is a corporate advertisement and should be removed from
20 the Company’s cost of service.
21 • Net Impact of CURB’s Adjustment on Company’s Cost of Service:
22 decrease the revenue requirement by \$26.75.

⁷ A screen shot of the Company’s Facebook page relating to the \$100 gift card giveaway is attached as Exhibit SMH-1.

1 10. CC Miscellaneous – Halloween Parade Candy

- 2 • Transaction Amount: \$33.04; Amount included in cost of service: \$16.52
- 3 • Reason for CURB’s adjustment: transactions for purchasing candy for
- 4 various parades were identified as promotional items in Staff’s Exhibit
- 5 CCU-6 in the 507 Docket, and were removed from the Company’s cost of
- 6 service. CURB recommends this transaction receive similar treatment and
- 7 be removed from the Company’s cost of service.
- 8 • Net Impact of CURB’s Adjustment on Company’s Cost of Service:
- 9 decrease the revenue requirement by \$16.52.

10

11 11. Various vendors (5 transactions) – relating to tailgate parties

- 12 • Transaction Amount: \$9.10 (CC Dillons); Amount included in cost of
- 13 service: \$4.55;
- 14 • Transaction Amount: \$426.47 (CC Dillons); Amount included in cost of
- 15 service: \$213.24;
- 16 • Transaction Amount: \$14.28 (CC Walmart); Amount included in cost of
- 17 service: \$7.14;
- 18 • Transaction Amount: \$643.25 (CC Miscellaneous); Amount included in
- 19 cost of service: \$321.63;
- 20 • Transaction Amount: -\$25.77 (return of tailgate items); Amount included
- 21 in cost of service: -\$12.89;
- 22 • Reason for adjustment: these transactions should be classified as Company
- 23 promotional items. Southern Pioneer hosted tailgate parties at baseball

1 games and football games during the test year. Patrons are encouraged to
2 come to the tailgate parties for free food and prizes.⁸ In Exhibit 9,
3 Southern Pioneer identified \$624.65 in costs for the baseball tailgate party
4 as being a corporate sponsorship, and excluded these costs from its cost
5 service. Accordingly, the costs of the football tailgate party should be
6 considered a corporate sponsorship and should be removed from the
7 Company's cost of service.

- 8 • Net Impact of CURB's Adjustment on Company's Cost of Service:
9 decrease the revenue requirement by \$533.67.

10
11 **Q. What is the impact of your eleven adjustments related to transactions identified in**
12 **the Company's Exhibit 9?**

13 A. If approved, the eleven adjustments reported above will decrease the Company's cost of
14 service by \$2,185.21.⁹ Specifically, my adjustments:

- 15 • decrease donation expense by \$1,075.00;
- 16 • decrease customer assistance expense by \$533.27;
- 17 • decrease miscellaneous customer information expense by \$550.19; and
- 18 • decrease general advertising expense by \$26.75.

19
20 **Q. Do you have an additional adjustment to make for promotional items that do not**
21 **appear in Southern Pioneer's Exhibit 9?**

22 A. Yes. Southern Pioneer included \$130.67 for the purchase of baby blankets and bibs in its

⁸ A screen shot of the Company's Facebook page relating to two tailgate parties is attached as Exhibit SMH-2.

⁹ Schedule SMH-2 and SMH-4 detail CURB's recommended adjustments

1 miscellaneous expense account. This transaction was not identified by Southern Pioneer
2 in Exhibit 9 in its current application. However, in the 507 Docket, Southern Pioneer did
3 identify a transaction for baby bibs and blankets with logs in Exhibit 9. This transaction
4 was determined to be a Company promotional item in Staff's Exhibit CCU-6 in the 507
5 Docket, and was removed from the Company's cost of service. Accordingly, the expense
6 of \$130.67 for baby blankets and bibs should again be disallowed and removed from the
7 Company's cost of service.

8
9 **Q. Does Southern Pioneer's omission of this transaction in its Exhibit 9 concern you?**

10 A. Yes. Exhibit 9 is created by Southern Pioneer to provide a detailed accounting of all dues,
11 donations, charitable contributions, promotional advertising, penalties, and fines, and
12 entertainment expenses incurred during the test year. Seven of the seventeen accounts
13 contained in Exhibit 9 include only the portion of the total general ledger balance that
14 Southern Pioneer deems "relevant to this exhibit. The remainder of the account contains a
15 significant amount of unrelated detail."¹⁰

16 It is not clear whether Southern Pioneer intentionally omitted this transaction
17 from Exhibit 9, or simply miscoded the transaction, or simply missed it when populating
18 Exhibit 9. However, Southern Pioneer reports that outside of the transactions detailed in
19 Exhibit 9, the general ledger accounts – which report on the Company's other expenses
20 included in its cost of service – contain "a significant amount of unrelated detail." This
21 transaction highlights the difficulty for interveners to truly analyze, with certainty that the
22 expenses impacting rates using the DSC-FBR formula are appropriate.

¹⁰ Southern Pioneer's Exhibit 9

1 **Q. If the Commission approves your adjustments, what is the impact on the**
2 **Company's cost of service?**

3 A. As I previously reported, the eleven recommended adjustments related to transactions
4 identified in Southern Pioneer's Exhibit 9, result in a \$2,185.21 decrease to the
5 Company's cost of service. Additionally, I am recommending one adjustment to
6 miscellaneous expense totaling \$130.67. If approved, my recommended adjustments will
7 reduce the Company's cost of service by \$2,315.88.¹¹

8
9 **B. EMPLOYEE SOCIALS**

10 **Q. Has Southern Pioneer included expenses for employee socials, parties, and golf**
11 **tournaments in its 2014 cost of service?**

12 A. Yes. Southern Pioneer's general ledger account 930.4 is titled Employee Socials-
13 Xmas/Picnic/Other. The general ledger was provided in response to CURB Data Request
14 No. 3. The general ledger account shows that \$10,465.99 was expended in 2014 for items
15 such as golf tournament fees, sponsorships and registrations for employees, Christmas
16 party gifts, employee meals, and Christmas decorations. Only one transaction for
17 \$750.00 was identified and excluded from the utility's cost of service in Exhibit 9. The
18 remaining \$9,715.99 is captured in Line 11 of the CFC Form 7 as an administrative and
19 general expense, which impacts the Company's overall net income, and therefore the
20 DSC-FBR calculations.

21
22 **Q. Should golf tournament fees, sponsorships and registrations for employees,**

¹¹ Schedule SMH-2

1 **Christmas party gifts, employee meals, and Christmas decorations be included in**
2 **the Company's cost of service?**

3 A. No. Golf tournament fees, sponsorships and registrations for employees, Christmas party
4 gifts, employee meals, and Christmas decorations are not related to the utility's
5 requirement to provide safe and reliable service. Southern Pioneer's customers should not
6 be paying for these expenses in their rates.

7
8 **Q. What is your recommendation regarding Southern Pioneer's Employee Social**
9 **costs?**

10 A. I recommend the Commission disallow \$9,715.99 in expenses included in Southern
11 Pioneer's cost of service for employee social events during 2014.

12
13 **C. HUGS PROGRAM / BENEVOLENT FUND**

14 **Q. What is Southern Pioneer's HUGS program?**

15 A. The Helping Us Give to Society Program ("HUGS" which is also known as the
16 "Benevolent Fund") is a program actively marketed by Southern Pioneer in order to give
17 back to the community in which Southern Pioneer serves. In 2014, Southern Pioneer
18 made eleven donations totaling \$41,279.04 through the HUGS program.

19
20 **Q. How is the HUGS program funded?**

21 A. According to Southern Pioneer's website, the HUGS program is funded by through the
22 sale of retired or scrapped equipment of Southern Pioneer Electric's recycled materials.

23

1 **Q. How much did Southern Pioneer collect in 2014 from the sale of scrap metal?**

2 A. According to the Company's response to Staff Data Request 10, Southern Pioneer
3 received \$36,154 in 2014 from the sale of scrap metal.

4
5 **Q. What is the impact on the DSC-FBR if donations made through the HUGS account
6 are made with the proceeds from retired or scrapped equipment?**

7 A. Typically, ratepayers would receive a benefit of these proceeds as the retirements are an
8 offset to plant in service, a function similar to depreciation. However, because
9 depreciation does not impact rates in the DSC calculation, the sale of retired or scrapped
10 equipment is simply a balance sheet transaction that does not benefit or harm ratepayers
11 through the DSC-FBR process. The DSC-FBR is impacted by the overall level of
12 donation expense (HUGS or otherwise) included in the Company's cost of service.

13
14 **Q. Did Southern Pioneer request rate recovery for donations made through the HUGS
15 program in its current application?**

16 A. Yes. Southern Pioneer has included 50% of all donations made through the HUGS
17 account in its cost of service. According to Exhibit 9 of the Company's application,
18 \$41,279.04 in donations was made through the HUGS account during the 2014 test year.
19 Southern Pioneer has included \$20,639.52 (50% of these donations) in its cost of service.

20
21 **Q. Did Southern Pioneer receive rate recovery for donations made through the HUGS
22 program in the 507 Docket?**

23 A. No. In the 507 Docket, Southern Pioneer did not request recovery of the \$51,837 in

1 donations made through the HUGS program in its cost of service.¹² This provided a
2 benefit to ratepayers because the Company's donation expense was directly reduced by
3 \$51,837 as a result of the sale of retired or scrapped equipment.
4

5 **Q. Why is Southern Pioneer seeking to collect 50% of donations made through the**
6 **HUGS program in its cost of service?**

7 A. Southern Pioneer contends that the donations made through the HUGS program should
8 be treated the same as other donations that are made by Southern Pioneer. In its response
9 to Staff Data Request 11, Southern Pioneer states that "the purpose of the benevolent
10 fund accrual is to simply act as a guideline or benchmark for the amount of benevolent
11 donations for the year, not as a direct funding source for those donations."
12

13 **Q. Do you agree with Southern Pioneer's clarification that the benevolent funds should**
14 **not be considered a direct funding for the donations made through the HUGS**
15 **account?**

16 A. No, I do not. Southern Pioneer markets the HUGS program as being funded by the sale of
17 scrap metal and that the sale of scrap metal allows the donations to continue. According
18 to Southern Pioneer's website, the "H.U.G.S. team is funded by Southern Pioneer
19 Electric's recycled materials. Any pieces of steel, aluminum or copper that have been
20 taken out of service due to repair or rebuild are recycled. Over time, the recycled funds

¹² Docket No. 14-SPEE-507-RTS, *Direct Testimony of Benjamin Cotton*, at Appendix B.

1 can be substantial ... As funds allow, the H.U.G.S. team will continue to seek out
2 projects to fund in Southern Pioneer's 10-county service territory.”¹³

3
4 **Q. What is your recommendation regarding the donations made through Southern
5 Pioneer's HUGS account?**

6 A. I recommend that all donations made through Southern Pioneer's HUGS account be
7 offset directly by the Company's proceeds from the sale of scrap metal. In the event that
8 the donations made through the HUGS account exceed the amount the Company receives
9 from the sale of scrap metal, the Company may be allowed to collect 50% of the excess
10 donations from ratepayers. Alternatively, in the event that the donations made through the
11 HUGS account are less than the amount the Company receives from the sale of scrap
12 metal, the excess proceeds from scrap metal should be used to reduce the Company's
13 overall donation expense. This provides a benefit to Southern Pioneer's ratepayers
14 through decreased donation expense, while still allowing Southern Pioneer to give back
15 to the community in which it serves.

16
17 **Q. If the donations made through Southern Pioneer's HUGS in 2014 are offset directly
18 by the Company's proceeds from the sale of scrap metal, what is the adjustment to
19 the Company's cost of service?**

20 A. As detailed in Schedule SMH-3, if CURB's previous recommendations to remove certain

¹³ A screen shot from the Southern Pioneer website is attached as Exhibit SMH-3. The Southern Pioneer website is no longer available because of website improvements. <http://www.southernpioneer.net/>

1 transactions from Southern Pioneer's overall donations, and if donations made through
2 Southern Pioneer's HUGS account are directly offset by proceeds from the sale of scrap
3 metal, the adjustment to Southern Pioneer's 2014 donation expense is \$11,835.34.

4
5 **Q. Do you recommend the Commission approve an adjustment of \$11,835.34 to**
6 **Southern Pioneer's 2014 donation expense to reflect the impact of directly offsetting**
7 **the proceeds from the sale of scrap metal against the donations made through the**
8 **HUGS program?**

9 A. Yes I do.

10
11 **Q. Is Southern Pioneer accounting for the HUGS donations appropriately?**

12 A. No, it is not. In its response to Staff Data Request 10, Southern Pioneer reports that
13 it is making an entry to donation expense at the time that it receives proceeds from scrap
14 metal, as opposed to recognizing the expense when the donation occurs. This entry
15 manually increases donation expense, despite there being no actual donations to support
16 the expense.

17
18 **Q. How might Southern Pioneer's current accounting of HUGS donations falsely**
19 **increase rates needed to achieve the prescribed DSC ratio. ?**

20 A. If Southern Pioneer continues to book expenses per its current account methods, it is
21 essentially "pre-booking" the expenses – i.e., increasing its cost of service without an
22 actual, verifiable transaction to support the level of expense. Because Southern Pioneer's
23 DSC-FBR guarantees a DSC ratio of 1.75, pre-booking expenses could cause the need for

1 a rate increase through the DSC-FBR plan. For example, if Southern Pioneer did not
2 actually make any donations through the HUGS program during the test year, but made
3 an entry to donation expense each time it received proceeds from the sale of scrap metal,
4 it would incorrectly increase the Company's cost of service by erroneously increasing
5 donation expense. This pre-booked level of donation expense would decrease the
6 Company's net income, which will understate the Company's DSC ratio, and could lead
7 to a rate increase in order to increase the falsely-understated DSC to the Commission
8 ordered 1.75.

9
10 **Q. How could Southern Pioneer appropriately account for donations made through the**
11 **HUGS program?**

12 A. I recommend Southern Pioneer establish a new general ledger account specifically
13 for the purpose of tracking donations made through the HUGS program. When a donation
14 is made, the appropriate accounting entry would debit the HUGS program donation
15 account and credit the Company's cash account. This transaction would be entirely
16 separate from the transactions performed by Southern Pioneer to record proceeds from
17 the sale of scrap metal.

18
19 **Q. Would your proposed accounting treatment track the proceeds received from the**
20 **sale of scrap metal and offset these proceeds against the donation expense?**

21 A. Unfortunately it will not. Southern Pioneer will need to continue to record the proceeds
22 from the sale of scrap metal by debiting its cash account, debiting accumulated
23 depreciation for the asset, crediting the asset account that has been sold, and crediting its

1 gain on disposal of asset account. These transactions will provide a reconciliation of how
2 much was received from the sale of scrap metal, but will not directly offset the donation
3 expense related to the case received from scrap metal sales. At the time Southern Pioneer
4 prepares its annual DSC-FBR filing, Southern Pioneer would need to report the amounts
5 and during the rate making process, it would then be offset against donation expense, as a
6 ratemaking adjustment.

7
8 **V. IMPACT OF ADJUSTMENTS ON DSC-FBR RATE**

9 **Q. What is the total amount of your recommended adjustments?**

10 A. I have recommended the Commission approve \$23,867.21 in adjustments to the
11 Company's cost of service.¹⁴

12
13 **Q. If the Commission approves your adjustments, will it impact Southern Pioneer's
14 DSC-FBR rate increase request?**

15 A. No. Schedule SMH-1 shows that even after CURB's recommended adjustments are
16 entered into the DSC Formula Based Rate, there is no change to Company's request to
17 increase rates \$899,288.

18
19 **Q. How can that be?**

20 A. The DSC is a formula based rate that produces a ratio based upon millions of dollars in
21 revenues and expenses. My recommendations are simply not large enough to move the
22 needle enough to change the DSC calculated rate increase.

¹⁴ Schedule SMH-1

1 Q. If your recommendations are not significant enough to impact the DSC calculated
2 rates, why should the Commission approve the adjustments?

3 A. I recommend the Commission adopt my adjustments because each adjustment represents
4 a cost that should not be included in any utility's cost of service.
5

6 VI. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

7 Q. Please summarize the impact of the adjustments you are recommending for
8 Southern Pioneer.

9 A. I recommend the Commission:

- 10 • approve the adjustments set forth in my testimony,
- 11 • disallow \$2,315.88 for promotional advertising, sponsorships and other donation
12 expense;
- 13 • disallow \$2,315.88 for transactions reported in the Company's Exhibit 9 that are
14 Company promotion, corporate advertising, and sponsorships;
- 15 • reduce overall donation expense by \$11,835.34, which directly offsets the
16 proceeds from the sale of scrap metal against the donations made through the
17 HUGS program; and
- 18 • require Southern Pioneer to offset its donation expense by the proceeds collected
19 through the sale of scrap metal in future DSC-FBR applications.
20

21 Q. Does this conclude your testimony?

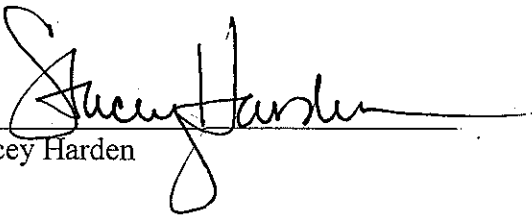
22 A. Yes it does.

VERIFICATION

STATE OF KANSAS)

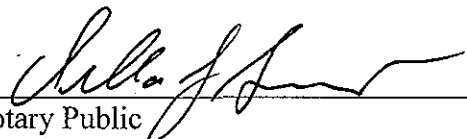
COUNTY OF SHAWNEE) ss:

I, Stacey Harden, of lawful age and being first duly sworn upon my oath, state that I am a regulatory analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

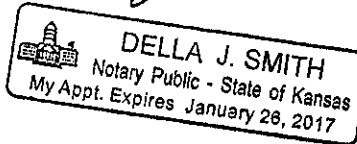


Stacey Harden

SUBSCRIBED AND SWORN to before me this 1st day of July, 2015.



Notary Public



My Commission expires: 01-26-2017.

APPENDIX A

Schedules

SMH-1

SMH-2

SMH-3

SMH-4

SCHEDULE SMH-2
 CURB'S ADJUSTMENTS TO DUES, DONATIONS AS LISTED IN EXHIBIT 9
 AND ADDITIONAL ADJUSTMENT TO MISCELLANEOUS EXPENSE

CURB Adjustment #	GL Account	Vendor	Description	Amount of Transaction	Amount Excluded by Southern Pioneer in Exhibit 9	Amount included in Southern Pioneer's Cost of Service	CURB's recommended adjustment
1	426.1	SOUTHWEST	DONATION	\$ 1,500.00	\$ (750.00)	\$ 750.00	\$ (750.00)
2	426.1	MISS LIBERAL	SHOLARSHIP DONATION	\$ 100.00	\$ (50.00)	\$ 50.00	\$ (50.00)
3	426.1	SATANTA CHAMBER	SATANTA DAY BBQ DONATION	\$ 100.00	\$ (50.00)	\$ 50.00	\$ (50.00)
4	426.1	SATANTA BOOSTER	BUSINESS MEMBERSHIP	\$ 75.00	\$ (37.50)	\$ 37.50	\$ (37.50)
5	426.1	CC DILLONS	GIFT CARD-SUPPLIES RED CROSS BLOOD DRIVE	\$ 125.00	\$ (62.50)	\$ 62.50	\$ (62.50)
6	426.1	THE COMMUNITY	DONATION-PLAINS GROCERY STORE FUNDRAISER	\$ 250.00	\$ (125.00)	\$ 125.00	\$ (125.00)
7	908	JF BEAVER	CRAYONS FOR COLORING BOOKS-SPEC	\$ 480.55	\$ -	\$ 480.55	\$ (480.55)
8	908	MOLSTAD, ANNA	REIMB-FB PROMO GFT CRD	\$ 105.44	\$ (52.72)	\$ 52.72	\$ (52.72)
9	930.1	LA CARMEAN &	4-H SPONSORSHIP	\$ 53.50	\$ (26.75)	\$ 26.75	\$ (26.75)
10	910	CC MISCELLANEOUS	HALLOWEEN PARADE CANDY	\$ 33.04	\$ (16.52)	\$ 16.52	\$ (16.52)
11	910	CC DILLONS	NAPKINS, HAND SANITZER-TAIL GATE PARTY	\$ 9.10	\$ (4.55)	\$ 4.55	\$ (4.55)
11	910	CC DILLONS	WATER, BUNS,FRANKS,CHIPS-TAIL GATE PARTY	\$ 426.47	\$ (213.24)	\$ 213.24	\$ (213.24)
11	910	CC WALMART	TAILGATE PARTY SUPPLIES	\$ 14.28	\$ (7.14)	\$ 7.14	\$ (7.14)
11	910	CC MISCELLANEOUS	GROCERIES FOR TAILGATE PARTY	\$ 643.25	\$ (321.63)	\$ 321.63	\$ (321.63)
11	910	CC MISCELLANEOUS	RETURNS FROM TAILGATE PARTY	\$ (25.77)	\$ 12.89	\$ (12.89)	\$ 12.89
Total Transactions Recommended by CURB to be removed from Cost of Service:				\$		\$	3,889.86
Total CURB Adjustment to Exhibit 9 Transactions:				\$		\$	(2,185.21)
12	930.2	JF BEAVER	BABY BLANKETS & BIBS	\$ 130.67	\$ -	\$ 130.67	\$ (130.67)
Total CURB Adjustment Miscellaneous Expense:				\$		\$	(130.67)

SCHEDULE SMH-3
ACCOUNTING ADJUSTMENTS FOR ONLY DONATIONS RECORDED IN GL 426.1,
INCLUDING HUGS DONATIONS

HUGS Donations made in 2014 per Exhibit 9	\$ 41,279.04
Less: Scrap Metal Proceeds in 2014 per Staff DR 10	\$ (36,154.00)
HUGS Donations in Excess of Proceeds from Scrap Metal	\$ 5,125.04
Company's General Donations per application	\$ 25,113.26
Less CURB Adjustments ⁽¹⁾	<u>\$ 2,150.00</u>
General Donations that should be included in application	\$ 22,963.26
Plus: HUGS donations in excess of scrap metal proceeds	\$ 5,125.04
Total Donations made by Southern Pioneer	\$ 28,088.30
50% of donations to be included in rates	<u>\$ 14,044.15</u>
Exhibit 9 - Donations included in cost of service	\$ 26,954.49
CURB recommendation for donations to be included in cost of service	<u>\$ 14,044.15</u>
Required adjustment to Southern Pioneer's Donation Expense	<u>\$ 12,910.34</u>

⁽¹⁾ This column represents the total amount of transactions CURB recommends not be included in the Company's calculation of donations.

\$ 11,835.34

SCHEDULE SMH-4
EXHIBIT 9 SUMMARY BY ACCOUNT
AFTER CURB'S ADJUSTMENTS

	Total Expense	Southern Pioneer's Disallowance	Amount included in Cost of Service	CURB's recommended Adjustment	Amount included in cost of service
426.1 DONATIONS	\$ 66,392.30	\$ (39,437.83)	\$ 26,954.48	\$ (12,910.34)	\$ 14,044.14
426.13 SCHOLARSHIP AWARDS	\$ 14,000.00	\$ (7,000.00)	\$ 7,000.00	\$ -	\$ 7,000.00
426.3 PENALTIES	\$ 75.01	\$ (75.01)	\$ -	\$ -	\$ -
588 DIST - MISCELLANEOUS EXPENSE	\$ 46,557.93	\$ (22,304.94)	\$ 24,252.99	\$ -	\$ 24,252.99
593 MTCE - OVERHEAD LINES	\$ 25.00	\$ (12.50)	\$ 12.50	\$ -	\$ 12.50
903 CUST REC & COLLECTION EXPENSE	\$ 933.73	\$ (933.73)	\$ -	\$ -	\$ -
907 KEY ACCOUNT	\$ 24,562.12	\$ (5,048.72)	\$ 19,513.40	\$ -	\$ 19,513.40
908 CUSTOMER ASSISTANCE EXPENSE	\$ 2,055.50	\$ (649.16)	\$ 1,406.34	\$ (533.27)	\$ 873.07
908.2 SCHOLARSHIP EXPENSES-MISC	\$ 8,201.18	\$ (4,219.09)	\$ 3,982.09	\$ -	\$ 3,982.09
910 MISC. CUSTOMER INFORMATION EXPENSE	\$ 7,798.91	\$ (1,113.37)	\$ 6,685.55	\$ (550.19)	\$ 6,135.36
910.11 YOUTH TOURS	\$ 14,964.51	\$ (7,877.87)	\$ 7,086.65	\$ -	\$ 7,086.65
912 DEMO AND SELLING EXPENSE	\$ 3,450.23	\$ (2,149.95)	\$ 1,300.28	\$ -	\$ 1,300.28
921 OFFICE SUPPLIES & EXPENSE	\$ 232.50	\$ (146.25)	\$ 86.25	\$ -	\$ 86.25
930.1 GENERAL ADVERTISING EXPENSE	\$ 16,185.01	\$ (3,434.75)	\$ 12,750.26	\$ (26.75)	\$ 12,723.51
930.2 MISCELLANEOUS EXPENSE	\$ 18,161.22	\$ (9,080.61)	\$ 9,080.61	\$ -	\$ 9,080.61
930.23 DUES/EXPENSES-ASSOC ORGANIZATION	\$ 2,510.51	\$ (1,255.26)	\$ 1,255.26	\$ -	\$ 1,255.26
930.4 EMPLOYEE SOCIALS-XMAS/PICNIC/OTHER	\$ 750.00	\$ (750.00)	\$ -	\$ -	\$ -
930.26 LOBBYING EXPENSE	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 226,855.66</u>	<u>\$ (105,489.02)</u>	<u>\$ 121,366.64</u>	<u>\$ (14,020.55)</u>	<u>\$ 107,346.09</u>

APPENDIX B

Exhibits

SMH-1

SMH-2

SMH-3

Exhibit
SMH-1



Southern Pioneer Electric Co.

July 1, 2014 ·

You could be a \$100 richer!!

Our first ever "Like" to win Facebook contest is being held from now until August 1, 2014.

To enter the contest, visit our Facebook page facebook.com/SouthernPioneerElectric. "Like" us by pressing the "Like" button at the top of the page. A winner will be randomly selected from the pool of our Facebook fans. That lucky person will receive a \$100 Visa Gift Card. The winner's name will be posted to our Facebook page on August 2, 2014. . Don't miss out! Visit us at, facebook.com/SouthernPioneerElectric.

Disclaimer: The winner must "like" the Southern Pioneer Electric Facebook page, live, work or attend school in our service territory. Employees are not eligible to win. <http://ow.ly/i/5Xg1L>

\$100 Visa Gift Card

"Like" &

WIN

Enter our

Write a comment...

Post

Exhibit
SMH-2

Southern Pioneer Electric Co.



Southern Pioneer Electric Co.

October 1, 2014

Tag someone in the comment section of this post who would want to join us tomorrow at Mustang Field at Southwestern Heights High School as we serve up food, prizes, and community pride. — at Southwestern Heights High School.

Southern Pioneer Electric Tailgate Party
6:00 p.m.
October 3

Mustang Field
Southwestern Heights

Southern Pioneer ELECTRIC COMPANY

Free Hotdogs & Prizes for All Fans!
SWH vs Russell

2 Likes

- Like
- Comment
- Share

Exhibit
SMH-2

Southern Pioneer Electric Co.



Southern Pioneer Electric Co.

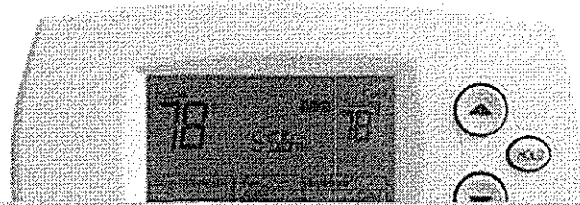
June 14, 2014

Food, fun, prizes, and America's favorite past time. Join us for a FREE BBQ before the Liberal BeeJay's baseball game TONIGHT (6/14/14) (From 5:30p.m. to First Pitch) at Brent Gould Field at Seward County Community College in Liberal.



4 Likes

Exhibit SMT-3



ACCOUNT SERVICES

PAY MY BILL

- » Apply for New Service
- » Transfer/Disconnect Service
- » Ways to Pay Your Bill
- » Understanding Your Bill

REPORTING AN OUTAGE

- » Your Home
- » Your Business
- » Your Community
- » About Us
- » FAQs
- » News Center
- » SPECo Careers

QuickLinks

- » Youth Tour Program
- » SPECo Scholarships



In this section

- Your Business**
- » Start Service
 - » Transfer Service
 - » Disconnect Service
 - » Dual Service During Move
 - » Deposits and Fees
 - » Ways to View Your Bill
 - » Ways to Reduce Your Bill
 - » Rates
 - » Understanding Your Bill
 - » Account Maintenance

Giving back to the communities we serve is a part of Southern Pioneer Electric Company's business plan. Our employees live, work and raise families in the same communities as our consumers; we have a vested interest in developing our communities to be strong and viable for years to come. Years ago, the H.U.G.S. (Helping Us Give to Society) team was formed to do just that - give back to the communities we serve.

The H.U.G.S. team is funded by Southern Pioneer Electric's recycled materials. Any pieces of steel, aluminum or copper that have been taken out of service due to repair or rebuild, are recycled. Over time, the recycled funds can be substantial. That's why this team was developed; we want to find ways to give back to our communities and build better, stronger relationships with our consumers. As funds allow, the H.U.G.S. team will continue to seek out projects to fund in Southern Pioneer's 10-county service territory.

Southern Pioneer Electric Company, a wholly owned subsidiary of Pioneer Electric Cooperative, is headquartered out of Ulysses, Kansas. Southern Pioneer Electric Company has local offices in Liberal and Medicine Lodge, Kansas. If you are interested in applying for a H.U.G.S. donation please print and fill out the attachment on the link below or contact Elyse

APPENDIX C

Data Requests

CURB-3*

CURB-6

CURB-14

CURB-15

STAFF-10

STAFF-11

***CURB-3 NOT INCLUDED**

Citizens' Utility Ratepayer Board
Information Request

Request No: CURB-6

Company Name SOUTHERN PIONEER ELECTRIC COMPANY

Docket Number 15-SPEE-519-RTS

Request Date June 2, 2015

Date Information Needed June 15, 2015

Please Provide the Following:

Provide copies of the following invoices (expenses included in Exhibit 9):

<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Amount</u>
02/18/14	969	JF Beaver Advertising	73175	106.66
05/22/14	969	JF Beaver Advertising	73570	716.41
06/12/14	166	Kansas Electric Cooperative	128346	4,200.00
06/17/14	969	JF Beaver Advertising	73576	480.55
7/15/14	3125	Molstad, Anna Elyse	20140717081255	105.44
8/18/14	3095	CC Walmart	393677	140.48
9/5/14	3096	CC Dillons	134672	426.47
10/1/14	2199	La Carmean & Associates	20141020120136	53.50
10/3/14	3093	CC Miscellaneous	679974	643.25

Response:

See attached: CURB DR-6 Invoices (Exh 9).pdf

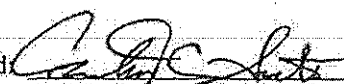
Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 
Name: Chantry Scott
Position: CEO
Dated: 6-11-15



PROMOTIONAL PRODUCTS SINCE 1954
 514 MAIN ST. SCOTT CITY, KS 67871
 PH: 620-872-2395 FX: 620-872-5442 (24hr)
 800-835-0002

INVOICE

DATE	INVOICE #
5/22/2014	73570

SOLD TO
 Pioneer Electric *Southern Pioneer*
 Att: Acct Payable
 PO Box 368
 Ulysses, KS 67880

SHIP TO
 Pioneer Electric
 Att: Dee Longoria
 1850 West Oklahoma
 Ulysses, KS 67880

E-mail dlongoria@pioneerelectric.coop

P.O. NUMBER	TERMS	REP	SHIP DATE	VIA	F.O.B.	PH	
	Net 10	MJB	5/20/2014	UPS	SP	620-356-1211	
ORDERED	SHIPPED	ITEM CODE	DESCRIPTION			PRICE EA.	AMOUNT
1,000	1,000	X	Lisa Lightning Bug Coloring Book			0.54	540.00
1	1	su	Setup Charge			35.00	35.00
1	1	proof1	Proof email to jfbnj@pld.com			0.00	0.00
			IMPRINT: Black				
			Ad copy: Southern Pioneer Electric Company				
			1490 General Welch Blvd Liberal, KS 67905 PO Box 1177 Liberal, KS 67901 Customer Service - 620.624.7433				
			113 N Main Medicine Lodge, KS 67104 PO Box 347 Medicine Lodge, KS 67104 Customer Service - 620.886.5100				
			Toll Free Number - 1.800.670.4381 Emergency or Lights Out Anytime - 1.866.668.8800 www.southernpioneer.net				
			Ship	Shipping Charge		87.42	87.42
SUBTOTAL							662.42
Sales Tax						8.15%	53.99

*SPEC
 Safety Coloring Book
 Irish wood*

*1,909
 102*

RECEIVED MAY 27 2014

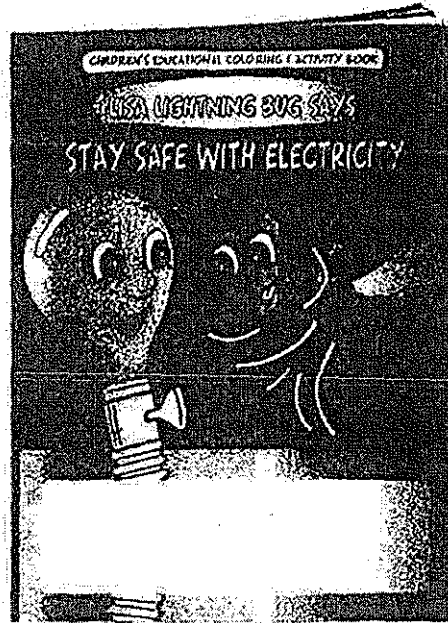
MAKE CHECKS PAYABLE TO:
 J.F. BEAVER ADV.
 514 MAIN ST.
 SCOTT CITY, KS 67871

Thank you for your business.

Total	\$716.41
Payments/Credits	\$0.00
Balance Due	\$716.41

Pioneer Electric
Attn: Dee Longoria
1850 West Oklahoma
Ulysses, KS 67880
620-356-1211
dlongoria@pioneerelectric.coop

Jay Beaver
jfbnj@pld.com
620-872-2395



Product Name Coloring Book

: Lisa Lightning Bug Says Stay Safe with Electricity

Description In this coloring book, Lisa Lightning Bug doesn't need electricity to glow and shine, but kids do, especially for TV, video games and computers! Lisa explains to be safe when using electricity, we must treat it with respect! This entertaining and educational coloring book has great story lines and includes games, puzzles and other fun activities for children to enjoy. Your logo, address and phone number are prominently displayed on the front! Crayons are available, unimprinted.

Size 8" x 10 1/2"

Imprint Method Printed, Imprint Charges: Set Up Charge - ~~125.00~~

Imprint Size 5" x 1 1/2"

Production Time 7 working days

Quantity 300 500 1000 2500

List Price ~~12.50~~ ~~15.00~~ ~~25.00~~ ~~40.00~~

Price Includes One or Two Color Imprint



PROMOTIONAL PRODUCTS SINCE 1954
 514 MAIN ST. SCOTT CITY, KS 67871
 PH: 620-872-2395 FX: 620-872-6442 (24hr)
 800-835-0002

INVOICE

DATE	INVOICE #
6/17/2014	73576

SOLD TO
Pioneer Electric Att: Acct Payable PO Box 368 Ulysses, KS 67880 <i>Southern Pioneer Elec</i>

SHIP TO
Pioneer Electric Att: Dee Longoria 1850 West Oklahoma Ulysses, KS 67880

E-mail dlongoria@pioneerelectric.coop

P.O. NUMBER	TERMS	REP	SHIP DATE	VIA	F.O.B.	PH	
	Net 10	MJB	6/9/2014	UPS	SP	620-356-1211	
ORDERED	SHIPPED	ITEM CODE	DESCRIPTION			PRICE EA.	AMOUNT
1,440	1,440	X	4 Pack Crayons			0.265	381.60
1	1	su	Setup Charge			23.00	23.00
1	1	proof	Proof			0.00	0.00
			IMPRINT: Reflex Blue				
			Ad copy: (Southern Pioneer Electric logo)				
			Shipping and tax added to invoice after shipment.				
		Ship	Shipping Charge			39.74	39.74
			SUBTOTAL				444.34
			Sales Tax			8.15%	36.21
<i>Dee</i> <i>All crayons for SPEC (promotional clients)</i> <i>Arian Wundt</i>							

MAKE CHECKS PAYABLE TO:
J.F. BEAVER ADV.
 514 MAIN ST.
 SCOTT CITY, KS 67871

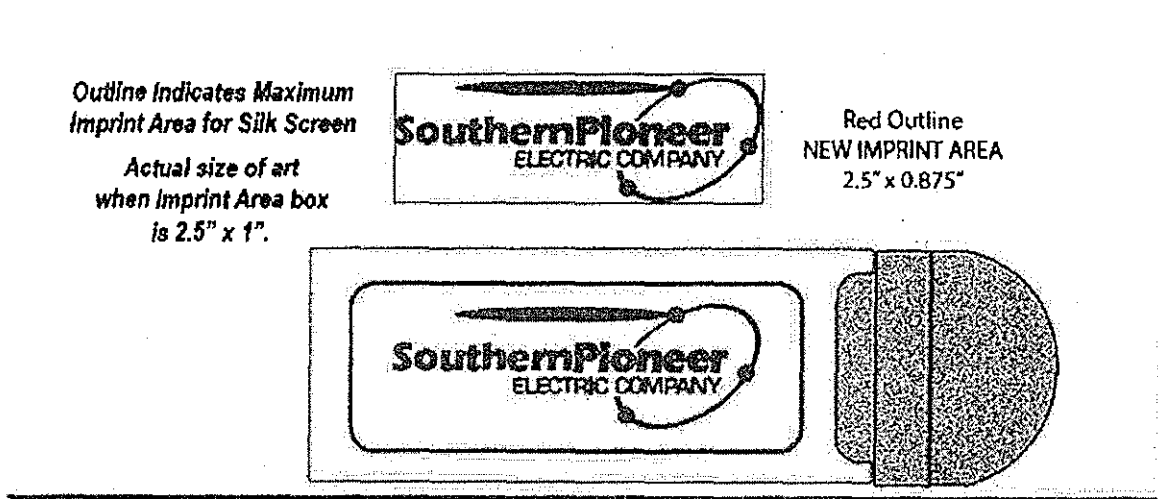
Thank you for your business.

		Total	\$480.55
Payments/Credits	\$0.00	Balance Due	\$480.55

Dee Longoria

From: Jay Beaver/Steph [jfbnj@pld.com]
Sent: Wednesday, May 07, 2014 10:39 AM
To: Dee Longoria
Subject: Proof approval request #73576

Please see attached for your proof #73576. We must have approval before we can proceed with your order.



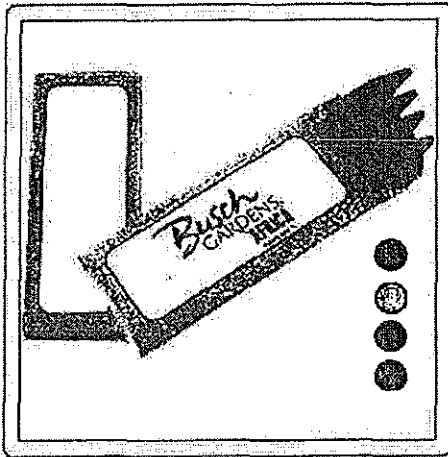
Thank you for your business,
Jay Beaver

JF Beaver Advertising
514 S. Main St.
Scott City, Ks 67871
Toll Free: 800-835-0002
Phone: 620-872-2395
Fax: 620-872-5442
Email: jfbnj@pld.com
Web: www.jfBeaverAdvertising.com

...

Product 1

Product Description



Ad Pack 4 Pack

Ad Pack 4 Pack most accommodating advertising package available for crayons. Crayon colors: Red, Yellow, Blue and Green, 3 1/2" . AP Certified Non-toxic and Conforms to ASTM D-4236 standards.

Tradename: Prang (R); Ad Pack

Supplier Information

Production Time: 5 - 15 working days

Rush Service: Yes

Rush Time: N/A

FOB Point: Georgia; Ontario, CAN

Shipping Weight: Must order in full cases; 288/case; 16 lbs.

Made in USA: N/A

Product Safety Warnings

No safety warnings for this product

Price(s)

05051

Imprint Option:1 Side Imprint

Quantity	576	1,440	5,184	10,080	20,160			
List Price	\$0.28	\$0.265	\$0.25	\$0.235	\$0.225			

Price subject to change without notice, please verify with supplier.

05052

Imprint Option:Second Side Imprint

Quantity	576	1,440	5,184	10,080	20,160			
List Price	\$0.38	\$0.365	\$0.35	\$0.335	\$0.325			

Price subject to change without notice, please verify with supplier.

Product Attributes

Category: CRAYONS

Size: 3 3/4" x 1 1/2" x 3/8"

Product No: 05051, 05052

Imprint Information

Imprint Size: 7/8" x 2 1/2"

Imprint Color: Black, Brown, Burgundy, Dark Green, Emerald Green, Maroon, Navy Blue, Orange, Pink, Process Blue, Purple, Red, Reflex Blue, Teal, White., Yellow

Imprint Method: Silkscreen, UnImprinted

Full Color Process: N/A

Personalization: N/A

Sold UnImprinted: Yes

Product Option

Products in the catalog are evaluated against and meet CA Prop 65 requirements and lead content levels.

Products in the catalog are evaluated against and meet CA Prop 65 requirements and lead content levels.

Production Time

5 working days (5-7 working days for US Customers); 15 working days (15 working days for Canadian Customers)

Rush Service

Other (Rush Service)

Imprint Method

Silkscreen; Unimprinted (Sold Unimprinted)

Imprint Size

7/8" x 2 1/2" (on one or two sides)

Imprint Option

1 side, 2 side imprint

1 Side Imprint - Prod. No. 05051; Second Side Imprint - Prod. No. 05052

HASKELL COUNTY MONITOR-CHIEF

Sublette, KS

RECEIVED OCT 9 11

Attn: Accounts Payable
Pioneer Electric Cooperative, Inc.
PO Box 368
Ulysses KS 67880

PLEASE DISREGARD
THIS STATEMENT
IF ALREADY PAID

OCT 08 2014

Advertising

4-H 2014 \$53.50

Authorized By Rae Gorman 8-28-14

OK
RGR
1,930.1
(100)

Specialty Pages Sold By LA Carmean & Associates
1-800-821-3305

PLEASE MAKE CHECKS PAYABLE TO:
LA CARMEAN & ASSOCIATES
P.O. BOX 520080
INDEPENDENCE, MO 64052-0080

PLEASE MAIL IN ENCLOSED ENVELOPE

TEARSHEETS WILL BE SENT AFTER PUBLICATION
PLEASE RETURN COPY OF STATEMENT WITH YOUR CHECK...THANK YOU

MX

<p>846-2275 Montezuma</p> <p>American Implement, Inc. John Deere Farm Equipment Sales - Service - Parts 1-800-161-2691 - Sublette 1-800-929-4265 - Dodge City 501 East Texcoco (East Highway 56) 846-2215 1-800-279-7283 Montezuma</p>	<p>275-5121 Garden City</p> <p>McDONALD'S RESTAURANT I'm lovin' it 1613 E. Kansas Plaza & 1106 Taylor Garden City 18 N. Kansas Ave & 24 E. Pancake Blvd. Liberal 612 E. 11th Hugoton 105 W. Oklahoma Ulysses</p>	<p>Lakin - 620-355-7483</p> <p>UNITED PRAIRIE AG, LLC 620/649-2230 Satanta 1125 West Oklahoma Ulysses 620/356-1241 Ulysses</p>	<p>620/624-4800 Liberal, KS</p> <p>Walmart  Save money. Live Better. Open 24 Hours - 7 Days A Week 250 East Tucker Road 620/624-0106 Liberal</p>
<p>ADM GRAIN "We Appreciate Your Business"  Your Grain Handling & Storage Facility John Wahl, Manager 846-2218 Montezuma</p>	<p>FELDT GUTTERING Seamless Steel, Rain Gutters, Steel & Seamless Loki Feldt, Owner 10 Colors To Choose From Custom Made At Your Home For Your Home Vinyl Fences - Privacy, Picket & Rail Professionally Installed Or Materials Furnished We Have Commercial 6" Guttering 205 South Main 275-4415 Garden City</p>	<p>LEIGHTY AG APPRAISAL SERVICE Dennis Leighty, Owner Farm Ranch Residential Commercial Minerals State Certified 356-5190 Ulysses</p>	<p>SUPREME CATTLE FEEDERS "We are Proud to Honor all members of 4-H and their dedicated leaders." 19016 Road 1 620/624-6296 Kismet</p>
<p>EHRESMAN PACKING Mike & Velda Plankenburg, Owners Beef & Pork - Custom Butchering, Processing & Curing Monday - Friday: 8am - 5:30pm Saturday: 8am - 12 We Accept VISA & Mastercard 912 East Fulton 276-3791 Garden City</p>	<p>J I E S, LLC Irrigation Engines Sales & Service 668-5585 Copeland</p>	<p>Southern Pioneer ELECTRIC COMPANY 1850 West Oklahoma Ulysses, KS 67880 www.southernpioneer.net</p>	<p>ELECTRIC MOTOR SERVICE COMPANY, INC. Electric Motors & Controls Generator Repair, Rewind, Rebuild & Phase Convertors 311 South Country Estate Road 620/624-1132 (South Highway 83 By-Pass) Liberal</p>

Venture Foods
Sublette
116 S. Inman
Sublette, KS
620-675-2204

The nominations for the homecoming king coronation followed by the Thursday night, Friday night at 7:00 p.m. on Friday night at 6:30 p.m. The Homecoming king coronation will be before the football game. The nominations for the homecoming king coronation followed by the Thursday night, Friday night at 7:00 p.m. on Friday night at 6:30 p.m. The Homecoming king coronation will be before the football game. The nominations for the homecoming king coronation followed by the Thursday night, Friday night at 7:00 p.m. on Friday night at 6:30 p.m. The Homecoming king coronation will be before the football game.

Above, Bailey Tedder and Cassidy Martin show off their new outfits Monday court this year are Obed Meraz and for Spirit Week.

AMERICAN IMPLEMENT
Auto 620-388-3883
PIONEER
EASY
Auto 620-388-3883

Citizens' Utility Ratepayer Board
Information Request

Request No: CURB-14

Company Name SOUTHERN PIONEER ELECTRIC COMPANY
Docket Number 15-SPEE-519-RTS
Request Date June 17, 2015
Date Information Needed As soon as possible, but no later than July 2, 2015

Please Provide the Following:

Please provide explanation of the \$1,500 donation made to Southwest Medical Center on 08/20/14. What were these funds provided for? Please include invoice and any other information that supports this donation.

Response: This donation was in support of the 2014 Community Health Fair held in Liberal, KS. Supporting documentation is attached.

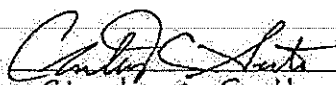
Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 
Name: Chantry C. Scott
Position: CEO
Dated: 6-19-15

Southern Pioneer Electric Company
Check Disbursement Request

0348
PAY TO: Southwest Medical Center
315 W. 15th St.
Liberal, KS 67901

A/P Period:
Date of Request: 20-Aug-14
Payment Date: 20-Aug-14

DESCRIPTION	Account	A/C	Amount
Health Fair 2013 Sponsorship <i>Donation</i>	1.426.1	101	\$1,530.00 / 500.00
Please put c/o Marketing Dept on envelope	NON-PROFIT	101	30.00
And please include attached forms	BOOTHS		

Requested by: Elyse Molstad
Approved by: *RG*

(General Manager or Management Staff)

SCANNED
AF

RECEIVED AUG 20

The Community Health is scheduled for **Saturday October, 4th 2014** at the Seward County Event Center at 810 Stadium in Liberal, KS. Your assistance with the Health Fair will aid in the ability to provide testing to the community and surrounding area at a discounted rate. The generous outpouring of donations in previous years has allowed and continues to allow us to offer testing at the discounted rate. The low price that is charged at the Health Fair, allows people to get testing done that they may not have normally been able to due to the high normal cost. Last year we had approximately 900 people attend the Health Fair, and this year we hope for more people to be able to take part in the Health Fair.

Any donation that you would be able to provide will be greatly appreciated. Attached is a sponsorship form to fill out with your contact information as well and information of what you intend to donate, whether is be in form of money, food or items for door prizes. For your convenience, items other than money donations can be picked up by making arrangements by phone or email.

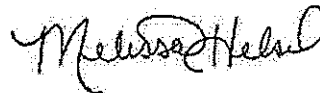
Please confirm your interest in being a sponsor by returning the attached sheet and donation.

If you have any questions do not hesitate to contact Marketing and Development Team at Southwest Medical Center. You can contact Keeley Moree, Marketing Director by phone at (620) 629-6335 or by email at kmoree@swmedcenter.com. You may also contact Melissa Helsel, Marketing Coordinator by phone at (620) 629-6424 or by email at mhelsel@swmedcenter.com.

Sincerely,



Keeley Moree
Marketing and Development Director
315 W 15th Street, P.O. Box 1340
Liberal, KS 67901
(620) 629-6335
kmoree@swmedcenter.com



Melissa Helsel
Marketing Coordinator
315 W 15th Street, P.O. Box 1340
Liberal, KS 67901
(620) 629-6424
mhelsel@swmedcenter.com

2014 Community Health Fair Sponsorship Form

Business Name: Southern Pioneer Electric Co.

Contact Person: Elyse Molstad

Phone Number: 620-655-5051

Mailing Address: 1490 Gen. Welch Blvd.

Physical Address: (see above)

Amount of Donation: \$1500.00

Make checks payable to Southwest Medical Center, note the Health Fair in the Memo line.

Signature:  Date: 8/20/14

The businesses and community members who host this event each year greatly appreciate your generous gifts which make this event possible. In today's economy, many people choose to cut down on personal expenses and one area they choose is healthcare. We are working to ensure that individuals in our communities are able to afford the annual exams necessary to detect health problems as early as possible.

COPY

2014

Community Health Fair

Booth/Company Name: Southern Pioneer Electric Co.

Contact Person: Elyse Molstad

Phone Number: ~~785-292-0000~~ 620-655-5051

Mailing Address: 1490 Gen. Welch Blvd.

Physical Address: (see above)

City/State/Zip: Liberal, KS 67901

Email Address: emolstad@southernpioneer.net

Information to be displayed: Electric Safety.

Number of Booths: 2

For Profit: _____ Non-Profit: We are a not-for-profit.

Special booth requirements: electricity.

Deadline of Applications: September 12th

Date: Saturday, October 4, 2014

Cost: For Profit \$40 per booth

Non- Profit \$15 per booth

Make checks payable to Southwest Medical Center, please note Healthfair in the Memo line.

Booths are 10'x10' with one 8' table and 2 chairs. Please specify if you will require more tables or chairs.

COPY

Citizens' Utility Ratepayer Board
Information Request

Request No: CURB-15

Company Name SOUTHERN PIONEER ELECTRIC COMPANY
Docket Number 15-SPEE-519-RTS
Request Date June 17, 2015
Date Information Needed As soon as possible, but no later than July 2, 2015

Please Provide the Following:

The following items are coded as "advertising" but are receiving the 50/50 rate treatment as if they were donations/dues. Please provide details for each of these transactions and an explanation as to whether the item should be considered a donation, dues or advertisement. Please include invoices and any other information that supports these transactions.

6/1/2014	INTL PANCAKE DAY OF LIBERAL INC	25-BREAKFAST BUTTONS	\$	100.00	100 - ADVERTISING	50%	\$	(50.00)
8/12/2014	THE COMMUNITY ENHANCEMENT FOUNDATION	DONATION- PLAINS GROCERY STORE FUNDRAISER	\$	250.00	100 - ADVERTISING	50%	\$	(125.00)
11/18/2014	SPIRIT STOP	2015 DUES INVESTMENT	\$	500.00	100 - ADVERTISING	50%	\$	(250.00)
1/17/2014	KANSAS ELECTRIC COOPERATIVES, INC.	YOUTH TOUR MATERIALS	\$	721.07	100 - ADVERTISING	50%	\$	(360.54)

Response: See attached an explanation and supporting documentation for each expense listed.

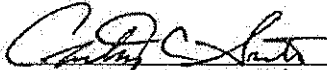
Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

VERIFICATION OF RESPONSE

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed: 
Name: Chantry C. Sott
Position: CFO
Dated: 6-22-15

Southern Pioneer Electric
 CURB-15
 Exh 9 - Donation, Dues or Advertising

The following items are coded as "advertising" but are receiving the 50/50 rate treatment as if they were donations/dues. Please provide details for each of these transactions and an explanation as to whether the item should be considered a donation, dues or advertisement. Please include invoices and any other information that supports these transactions.

1	6/1/2014	2174	INTE PANCAKE DAY OF LIBERAL INC	2880 25-BREAKFAST BUTTONS	\$100.00	426.1-Donations	100 - ADVERTISE	50%	(\$50.00)
2	8/12/2014	3300	THE COMMUNITY ENHANCEMENT FOUNDATION	201408-3300 DONATION-PLAINS GROCERY STORE FUNDRAISER	\$250.00	426.1-Donations	100 - ADVERTISE	50%	(\$125.00)
3	11/18/2014	2933	SPIRIT STOP	201411-2933 2015 DUES INVESTMENT	\$500.00	426.1-Donations	100 - ADVERTISE	50%	(\$250.00)
4	1/17/2014	166	KANSAS ELECTRIC COOPERATIVES, INC.	127545 YOUTH TOUR MATERIALS	\$721.07	910.11-Youth Tour	100 - ADVERTISE	50%	(\$360.54)

- The buttons allow entrance into the pancake breakfast and all Pancake Day activities.
 This is neither a donation nor advertising. The correct coding is 930.4 Employee Activities, activity code 9 Employee Activities.
- This was a donation to help raise money to build a community grocery store in Plains, Kansas which has no grocery store otherwise. Southern Pioneer helped sponsor the community event and was recognized in their advertising for the event.
 This expense is best characterized as a donation.
- SPIRIT stands for Southwest Passage Initiative for Regional and Interstate Transportation.
 This was coded as advertising because Southern Pioneer is listed on their website as a member/supporter.
 The annual dues are used to host meetings and promote the conversion of Highway 54 from 2 lane to 4 lane in Southwest Kansas to facilitate economic development, etc.
 The US Highway 54 corridor runs directly through Southern Pioneer's service area.
 This expense is best characterized as dues.
- The materials include DVDs, posters and brochures to help promote the youth tour program to high school counselors and students.
 The materials were sent to high schools in the 10-county service area.
 This expense is best characterized as advertising.

International Pancake Day of Liberal Inc.

P.O. Box 665
Liberal, KS 67905

Invoice

Date	Invoice #
3/30/2014	2880

Bill To
Southern Pioneer Electric Attn: Elyse Molstad PO Box 1177 Liberal, KS 67905

Terms

Description	Qty	Rate	Amount
25 Breakfast Buttons	25	3.69	92.25T
Sales Tax		8.40%	7.75
<i>Arin Wendt</i>			
Total			\$100.00

Payments/Credits	\$0.00
Balance Due	\$100.00

Southern Pioneer Electric Company
Check Disbursement Request

PAY TO: Community Enhancement Foundation of Plains
P.O. Box 143
Plains, KS 67869

A/P Period:
Date of Request: 12-Aug-14
Payment Date: 12-Aug-14

DESCRIPTION	Account	A/C	Amount
<u>Donation for Plains Grocery Store Fundraiser</u>	<u>1.426.1</u>	<u>100</u>	<u>\$250.00</u>

Requested by: Elyse Molstad
Approved by: 

(General Manager or Management Staff)

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S.P.I.R.I.T.

#2933

P.O. Box 158
 Liberal, KS 67905-0158
 Phone 620-624-1540
 Fax 620-626-9725

Statement

Southern Pioneer
 Attn: Mr. Randy Magnison
 P.O. Box 430
 Ulysses, KS 67880

DATE

11/18/2014

		AMOUNT DUE	AMOUNT ENC.		
		\$500.00			
DATE	TRANSACTION	AMOUNT	BALANCE		
11/17/14	Balance forward		0.00		
11/18/14	2015 Dues Investment	500.00	500.00		
<p>You may make Annual or Semi-Annual payments.</p> <p>Thank you for your continued support.</p>					
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	AMOUNT DUE
500.00	0.00	0.00	0.00	0.00	\$500.00

Handwritten notes:
 1.426.1
 (100)
 OK RGT


RECEIVED 11/18/14

Handwritten initials: MK



P.O. Box 4267
 Topeka, Kansas 66604-0267
 Phone: (785) 478-4554

INVOICE 127545

A Touchstone Energy® Cooperative 

To:

SOUTHERN PIONEER ELECTRIC COMPANY
 P O BOX 368
 ULYSSES, KS 67880-0368

CUSTOMER	DATE	TERMS	CONTACT	
SOPIONEER	01/17/14	Net 10	R MAGNISON	
DESCRIPTION			CHARGES	
1	MPS-PRINT	PRINT JOB YOUTH TOUR MATERIALS DVD, POSTERS, BROCHURES	\$655.00	\$655.00
1	MPS-SHIPPIN	SHIPPING CHARGE	\$11.73	\$11.73
			Invoice subtotal	\$666.73
			Sales tax @ 8.150%	\$54.34
			Invoice total	\$721.07

RECEIVED JAN 21 2014

1.9.10.11
 OK RGT

**Kansas Corporation Commission
Information Request**

Request No: 10

Company Name SOUTHERN PIONEER ELECTRIC COMPANY SPEE
Docket Number 15-SPEE-519-RTS
Request Date June 18, 2015
Date Information Needed June 26, 2015

RE: Benevolent Fund

Please Provide the Following:

Please provide a detailed description of the step-by-step process used for the sale of scrap metal from the Benevolent Fund. Please include a breakdown of debit and credit entries as well as the RUS account used for the journal entry for each step in the process from the sale of the metal, entry as the Benevolent Fund liability, recording the actual donation, and reversing any accrual used to zero out the liability account at the end of the test year.

Submitted By Chad Unrein

Submitted To Randy Magnison


Response: See Response to KCC DR10 Benevolent Fund

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____



Date: _____

6-23-15

Journal #	Date	Journal #	Dr.	Cr.
1	2014	131.00 Cash	\$ 36,154.00	\$ 36,154.00
		106.00 Gain/Loss on Disp. of Dirtr		\$ 36,154.00
To record the sale of scrap metal salvaged from retirement of plant in 2014. (Standard RUS Accounting Procedure).				
2	2014	426.10 Donations	\$ 36,154.00	\$ 36,154.00
		232.63 Accrual - Benevolent Fund		\$ 36,154.00
To record anticipated donations based upon the sale of scrap metal. (overstated expense)				
3	2014	232.63 Accrual - Benevolent Fund	\$ 41,279.04	\$ 41,279.04
		131.00 Cash		\$ 41,279.04
To record donations made from the Benevolent Fund accrual.				
4	2014	426.10 Donations	\$ 4,932.54	\$ 4,932.54
		232.63 Accrual - Benevolent Fund		\$ 4,932.54
Record donations in excess of Accrual				
The actual donations in 2014 exceeded the anticipated donations.				
2	2014		\$ 21,440.25	\$ 21,440.25
3	2014		\$ 36,154.00	\$ 36,154.00
4	2014		\$ 4,932.54	\$ 4,932.54
5	2014		\$ 192.50	\$ 192.50
6	2014		\$ 25,113.26	\$ 25,113.26
7	2014		\$ 21,440.25	\$ 21,440.25
Reverse portion of logo related expense				
			\$ 21,440.25	\$ 21,440.25
			\$ 44,759.55	\$ 44,759.55
To record donations made in 2014 (donations not related to the Benevolent Fund).				
7	2014	232.63 Accrual - Benevolent Fund	\$ 21,440.25	\$ 21,440.25
		930.20 Miscellaneous Expense		\$ 21,440.25
To reduce the balance of the 2011/2012 Accrual - Benevolent Fund to zero against expense in 2014. (Reduce expense for 2014 for the remaining 50% of the overstatement of expense from 2011/2012).				
8	2014	930.2/15 - Miscellaneous Expense	\$ 21,440.25	\$ 21,440.25
		426.10 Donations		\$ 21,440.25
To reclassify the previous entry from Misc Expense to Donation Expense (Correction).				

**Kansas Corporation Commission
Information Request**

Request No: 11

Company Name SOUTHERN PIONEER ELECTRIC COMPANY SPEE
Docket Number 15-SPEE-519-RTS
Request Date June 18, 2015
Date Information Needed June 26, 2015

RE: Benevolent Fund - Scrap metal sales

Please Provide the Following:

1. How much revenue did Southern Pioneer receive during the 2014 test year from the sale of scrap metal?
2. Were these funds used entirely to fund donations found in Exhibit 9 of the test year?

Submitted By Chad Unrein

Submitted To Randy Magnison

Response:

1. It is important to recognize that, in accordance with RUS Bulletin 1767B-1 (see excerpt below), the sale of scrap materials in the retirement of plant does not produce revenue. Because of this, the answer to the question is technically \$0. Consistent with RUS Bulletin 1767B-1, and as noted in response to KCC DR10, the sale of scrap materials in the retirement of utility plant assets is credited to accumulated depreciation. The accounting entries are then to debit cash and credit accumulated depreciation. As such, the sale of scrap material from the retirement of plant is only a balance sheet transaction.

As provided in the response to KCC DR10, the cash proceeds from the activity of selling scrap materials in 2014 were \$36,154. This cash was used in Southern Pioneer's operations and effectively reduced the need to borrow funds. Had Southern Pioneer not pursued these activities to sell scrap, the cash would not have been available, resulting in an incremental increase in borrowings to meet cash flow needs.

RUS Bulletin 1767B-1 (1767.16(i)(2)(ii))

(j) Additions and retirements of electric plant.

(1) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of retirement units and minor items of property.

(2) The addition and retirement of retirement units shall be accounted for as follows:

(i) When a retirement unit is added to electric plant, the cost thereof shall be added to the appropriate electric plant account, except that when units are acquired in the acquisition of any electric plant constituting an operating system, they shall be accounted for as provided in paragraph (e) of this section.

(ii) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in Item in paragraph (j)(4) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

(emphasis added)

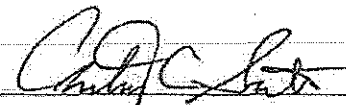
2. No. It would be incorrect to infer that the cash proceeds from the sale of scrap materials in 2014 directly funded or offset any donation expenses in 2014. There is **not** an actual, separate "fund" (i.e. bank account) that holds these proceeds for the purpose of making donations. The cash proceeds from scrap material sales are combined with cash generated from various other activities into Southern Pioneer's general fund. Consistent with RUS accounting, the salvage from the sale of scrap is credited to accumulated depreciation such that these proceeds cannot also be applied as revenue or as an offset to expenses, or they would be double-counted. The terminology Southern Pioneer has used in previous DR responses and the prior year accounting entries made to record the sale of scrap and benevolent activities and the corresponding benevolent fund accrual may have created some confusion and unwarranted complexity in the DSC FBR filing. To clarify, the purpose of the benevolent fund accrual is to simply act as a guideline or benchmark for the amount of benevolent donations for the year, not as a direct funding source for those donations. In any given year, actual benevolent donations may be more or less than the proceeds received from the sale of scrap. Importantly, in 2014, the amount of donations expense accurately reflects the amount of donations made.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____



Date: _____

6-23-15

CERTIFICATE OF SERVICE

15-SPEE-519-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 1st day of July, 2015, to the following:

ROBERT VINCENT, LITIGATION ATTORNEY
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
r.vincent@kcc.ks.gov

RANDALL D. MAGNISON, EXEC. VICE PRESIDENT - ASSISTANT CEO
SOUTHERN PIONEER ELECTRIC COMPANY
1850 W OKLAHOMA
P.O. BOX 430
ULYSSES, KS 67880-0430
rmagnison@pioneerelectric.coop

LINDSAY SHEPARD, EXECUTIVE VP - GENERAL COUNSEL
SOUTHERN PIONEER ELECTRIC COMPANY
1850 W OKLAHOMA
PO BOX 430
ULYSSES, KS 67880-0430
lshepard@pioneerelectric.coop

GLENDA CAFER, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH AVENUE
TOPEKA, KS
glenda@caferlaw.com

TERRI PEMBERTON, ATTORNEY
CAFER PEMBERTON LLC
3321 SW 6TH AVENUE
TOPEKA, KS
terri@caferlaw.com



Della Smith
Administrative Specialist