

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

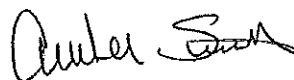
In the Matter of Sunflower Electric Power )  
Corporation's Formula-Based Rate Annual )  
Updates and True-Ups for Recovery of ) Docket No. 14-SEPE-220-TFR  
Transmission Costs as Required by )  
Commission Order in Docket No. 13-SEPE- )  
701-TAR. )

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

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) files its report and recommendation on Sunflower Electric Power Corporation's (Sunflower's) formula-based rate annual updates and true-ups for recovery of transmission costs. Staff notes Sunflower's annual transmission revenue requirement accurately reflects Sunflower's cost of transmission service. Staff further notes that, pursuant to the Commission-approved transmission formula rate protocols, the Commission is not required to issue an order approving Sunflower's updated annual transmission revenue requirement. Therefore, Staff does not recommend any Commission action at this time.

WHEREFORE, Staff submits its Report and Recommendation.

Respectfully submitted,



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For Commission Staff

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

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

**FROM:** Chad Unrein, Auditor  
Justin Grady, Chief of Accounting and Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** December 22, 2016

**SUBJECT:** Docket No. 14-SEPE-220-TFR – In the Matter of Sunflower Electric Power Corporation’s Formula-Based Rate Annual Updates and True-Ups for Recovery of Transmission Costs as Required by Commission Order in Docket No. 13-SEPE-701-TAR.

**EXECUTIVE SUMMARY:**

On September 22, 2016, Sunflower Electric Power Corporation (Sunflower) filed with the Kansas Corporation Commission (Commission) an Annual Update to its Commission-approved Transmission Formula Rate (TFR), thereby establishing new Annual Transmission Revenue Requirements (ATRR) for 2017. Sunflower’s 2017 Zonal ATRR totaled \$10,605,957, which includes a true-up adjustment of \$1,105,033 for the over-collection of Sunflower’s 2015 ATRR. Sunflower’s Base Plan Funded ATRR totaled \$6,333,833 and includes a true-up adjustment of \$419,726 for the over-collection of the 2015 ATRR. Staff has reviewed Sunflower’s 2017 ATRR and true-up adjustments and found the ATRR accurately reflects Sunflower’s cost of transmission service as specified in the rate templates and Protocols. Per the Commission-approved TFR Protocols, the Commission is not required to issue an Order approving Sunflower’s updated ATRR and the rate is set to go into effect on January 1, 2017, allowing Southwest Power Pool (SPP) to begin billing Sunflower’s 2017 ATRR.

**BACKGROUND:**

Sunflower is a not-for-profit consumer-owned corporation that is directly owned by six consumer-owned cooperatives<sup>1</sup> who also own (directly or indirectly) Mid-Kansas Electric

<sup>1</sup> The Sunflower member cooperatives are Lane-Scott Electric Cooperative; Pioneer Electric Cooperative (Pioneer); Prairie Land Electric Cooperative, Inc.; The Victory Electric Cooperative Association, Inc.; Western Electric Cooperative; and Wheatland Electric Cooperative, Inc.

Company, LLC (Mid-Kansas).<sup>2</sup> Pursuant to K.S.A. 66-104d, Sunflower's bundled wholesale rates to its Members are no longer regulated by the Commission; however, Sunflower's charges, fees, or tariffs for transmission services remain subject to the Commission's jurisdiction.

On May 16, 2013, Sunflower filed a request with the Commission for a TFR in Docket No. 13-SEPE-701-TAR (13-701 Docket).<sup>3</sup> Sunflower TFR proposal consisted of accounting spreadsheets that compiled accounting data from Sunflower's KCC annual report to the Commission and other internal books and records of the Company to calculate an ATRR for different classes of transmission projects, as classified by SPP. Additionally, Sunflower's Application included a set of Protocols which contained parameters concerning how the TFR would be updated annually, customer review procedures, informal and formal challenges, etc. The ATRR is then submitted to SPP, which charges the rates to transmission customers in Sunflower's zone or throughout the SPP regional footprint depending on the classification of the transmission project as zonal or regional, respectively. SPP in turn remits to Sunflower the revenues it has collected for these projects. The parties to the case filed a Unanimous Stipulation and Agreement (S&A) recommending approval of the proposed TFR and Protocols. The Commission issued an Order approving the S&A on October 31, 2013.<sup>4</sup> Consistent with the filed S&A, the Order required Sunflower to file all future Annual Updates and true-up adjustments of its TFR in a compliance-type Docket with a "TFR" Docket designation. Docket No. 14-SEPE-220-TFR was the compliance-type Docket opened for this purpose. Sunflower filed its first TFR Annual Update in November of 2013 and its first annual True-up filing in May of 2015.

#### **ANALYSIS:**

On May 31, 2016, Sunflower filed its second annual true-up adjustment, which compares the 2015 actual revenue requirement against the 2015 projected ATRR. On June 9, 2016, Sunflower held a True-up filing customer meeting, as required by the Protocols. In this meeting, Sunflower discussed the Protocols related to the True-up filing and the results of the true-up calculations. On July 21 2016, Sunflower filed an Errata to the True-up filing in response to a discussion with Staff regarding the proper allocation of Commission Assessment charges within the formula rate template.<sup>5</sup> Staff verified the ATRR calculations in the template were based on the financial data located in Sunflower's 2015 KCC Annual Report and other supporting financial documentation from Sunflower's internal records. After factoring in interest, Sunflower had over-collected \$1,105,033 on its 2015 Zonal ATRR and over-collected \$419,726 on its 2015 Base Plan Funded ATRR. These amounts were then rolled into the calculation of the 2017 ATRR, which will ultimately be incorporated into Attachment H of SPP's Open Access Transmission Tariff.<sup>6</sup>

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<sup>2</sup> Except for Pioneer, the same members own Mid-Kansas. Pioneer's interest in Mid-Kansas is indirect, through its wholly-owned subsidiary, Southern Pioneer Electric Company.

<sup>3</sup> See Application for Sunflower Electric Power Corporation filed on May 16, 2013, in 13-701 Docket.

<sup>4</sup> See Order approving Unanimous Stipulation and Agreement in 13-701 Docket.

<sup>5</sup> See Sunflower's 2015 Formula Rate Template, Tab A-11(Act A&G), line 24.

<sup>6</sup> Attachment H of SPP's Open Access Transmission Tariff is entitled, "Annual Transmission Revenue Requirement for Network Integration Transmission Service."

On September 22, 2016, Sunflower filed its Annual Update to the TFR calculating a projected 2017 ATRR for the different classes of transmission projects, based in part on 2015 actual data. As required by the Protocols, Sunflower held an annual customer meeting on October 4, 2016, to discuss its Annual Update and 2017 ATRR projections. Interveners and members of Commission Staff attended the meeting and questioned Sunflower about the filing and calculations.

Staff reviewed Sunflower's Annual Update filing and compared the financial data from the ATRR template against the corresponding data from Sunflower's 2015 Annual Report to ensure that all financial and operating data was correctly utilized to calculate the 2017 ATRR. Additionally, Staff determined the true-up adjustments for the over-collection of the 2015 ATRR were correctly applied to Sunflower's 2017 ATRR. Sunflower's Zonal ATRR totaled \$10,605,957, which includes the true-up for the over-collection of \$1,105,033 in 2015. Sunflower's Base Plan Funded ATRR totaled \$6,333,833, which includes the true-up for the over-collection of \$419,726 in 2015. When compared to the 2016 ATRR, the Zonal transmission revenue requirement decreased \$8,080,813, and the Base Plan Funded transmission revenue requirement increased by \$1,176,958.<sup>7</sup>

Throughout the review process, Staff submitted requests for information and supporting documentation regarding the true-up adjustment, revenue credits, coincident peak data, and discrepancies between totals found in the ATRR template and those included in Sunflower's Annual Report. Staff notes that Sunflower was cooperative and responsive to Staff's information requests within a reasonable amount of time. The information provided by Sunflower in response to Staff's questions/requests enabled Staff to verify the data in the true-up adjustment and confirmed the adjustment was correctly applied to the 2017 ATRR. Staff found no material errors in its review of Sunflower's 2017 Annual Update and the Errata to the True-up Filing.

**RECOMMENDATION:**

Staff is providing this Report and Recommendation to the Commission for the purpose of explaining the historical context and process for the Annual Updates for Sunflower's TFR. Staff verified all the documents and calculations required by the Protocols and concluded that Sunflower properly adhered to the Protocols in its Annual Update. Because a Commission Order is not required to be issued in this Docket, Staff is not including any recommendations for the Commission. However, Staff will continue to monitor Sunflower's TFR by reviewing the financial data in the Company's future TFR Annual Updates and true-up adjustments and provide yearly updates to the Commission.

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<sup>7</sup> The 2016 Zonal ATRR amounts to \$18,686,770 and the 2016 Base Plan Funded ATRR amounts to \$5,156,875.

## CERTIFICATE OF SERVICE

14-SEPE-220-TFR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing Staff's Report and Recommendation was served by electronic service on this 23rd day of December, 2016, to the following:

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