

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

JAN 07 2013

In the Matter of the Joint Application of)
Mid-Kansas Electric Company, LLC,) by
Lane-Scott Electric Cooperative, Inc.,) State Corporation Commission
Prairie Land Electric Cooperative, Inc.,) of Kansas
Southern Pioneer Electric Company,) Docket No. 13-MKEE- 447-MIS
Victory Electric Cooperative Association, Inc.,)
Western Cooperative Electric Association, Inc., and)
Wheatland Electric Cooperative, Inc., Joint Applicants,)
for an Order approving the transfer of Certificates of)
Convenience with respect to all of Mid-Kansas' retail)
electric services and for other related relief.)

DIRECT TESTIMONY
OF
STEPHEN J. EPPERSON

SOUTHERN PIONEER ELECTRIC COMPANY

JANUARY 7, 2013

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

2 A. My name is Stephen J. Epperson.

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

4 A. I am the President and Chief Executive Officer (CEO) of Southern Pioneer
5 Electric Company ("Southern Pioneer"). Our corporate office is located at 1850
6 West Oklahoma, Ulysses Kansas, and our distribution-customer service offices
7 are located in Liberal and Medicine Lodge, Kansas.

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

9 A. I graduated from Ozark Christian College, a cooperative program with Missouri
10 Southern State University, in 1991 with a Bachelor's degree, which included
11 double majors in Bible and psychology. In 2002, I successfully completed the
12 National Rural Electric Cooperatives' Management Internship Program through
13 the University of Nebraska at Lincoln. In 2010, I received my Masters of Business
14 Administration from Bradley University.

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

16 A. I was appointed CEO and President of Pioneer and Southern Pioneer effective
17 January 1, 2011. Prior to that date, I served as the President and CEO at
18 McDonough Power Cooperative located in Macomb, Illinois from July 2006 to
19 December 31, 2010. From August 2001 to July 2006, I served as the senior
20 vice president of Northeast Rural Services, Inc., a subsidiary of Northeast
21 Oklahoma Electric Cooperative. I have also served in other capacities, at both
22 utilities and the private not-for-profit sectors as a business supervisor,
23 consultant, business development director, and counselor.

1 **Q. Are you also an officer of Mid-Kansas Electric Company, LLC (“Mid-**
2 **Kansas”)?**

3 A. Yes. I am member of the Board of Directors of Mid-Kansas. I have served in that
4 position since January 1, 2011.

5 **Q. Do you serve on any other boards for public utilities?**

6 A. Yes. Pioneer, Southern Pioneer’s parent company, is a member of Sunflower
7 Electric Power Corporation (Sunflower). I serve as a Director on the Sunflower
8 Board of Directors also.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to provide background information on Pioneer
11 and Southern Pioneer, and provide support for the relief sought in the Joint
12 Application filed by Mid-Kansas and its Members¹, including Southern Pioneer.

13 **1. HISTORICAL INFORMATION ON PIONEER AND SOUTHERN PIONEER**

14 **Q. Please provide an overview of your testimony.**

15 A. My testimony will primarily focus on a brief overview of Southern Pioneer and its
16 parent company, Pioneer, and support for the transfer of the certificated territory.

17 **Q. Please provide a brief overview of Pioneer and Southern Pioneer.**

18 A. Southern Pioneer is a Kansas corporation that is a wholly owned subsidiary of
19 Pioneer, an electric cooperative formed under the Kansas Electric Cooperative

¹ The six Kansas entities, collectively referred to as Members of Mid-Kansas, and their headquarters are as follows: Lane-Scott Electric Cooperative, Inc., Dighton, Kansas; Southern Pioneer Electric Company, a subsidiary of Pioneer Electric Cooperative, Inc., Ulysses, Kansas; Prairie Land Electric Cooperative, Inc., Norton, Kansas; Victory Electric Cooperative Association, Inc., Dodge City, Kansas; Western Cooperative Electric Association, Inc., WaKeeney, Kansas; Wheatland Electric Cooperative, Inc., Scott City, Kansas.

1 Act. Pioneer was formed for the purpose of supplying electric energy and
2 promoting and extending the use of such energy in rural areas of southwest
3 Kansas. Southern Pioneer was formed in November 2005. Pioneer was formed
4 in January 1944. Pursuant to a Services Agreement entered into between
5 Pioneer and Southern Pioneer on July 7, 2006 ("Services Agreement"), Pioneer
6 provides both professional and technical services to Southern Pioneer.

7 Therefore, Southern Pioneer, through Pioneer, has been providing electric retail
8 service in south central and southwest Kansas for over 68 years.

9 **Q. Would you provide a summary of the service area and the nature of service
10 Pioneer provided before the acquisition of Aquila-WPK by Mid-Kansas?**

11 A. Prior to the acquisition, Pioneer provided service in ten counties to 15,200 retail
12 meters. Its service territory encompassed all of three and portions of seven
13 southwest Kansas counties. Pioneer also serves two wholesale cities within its
14 certificated territory. Although it did not operate or own generation, it owned,
15 operated, and maintained approximately 93 miles of 69 or 115 kV transmission
16 lines, 3,536 miles of distribution line, and 96 miles of underground distribution, for
17 a total of 3,725 miles.

18 **Q. Would you provide a summary of the area served and scope by Southern
19 Pioneer after the acquisition of the Aquila-WPK by Mid-Kansas?**

20 A. Southern Pioneer was formed immediately prior to the acquisition to receive and
21 operate its portion of the Aquila Kansas Electric Network. Pursuant to a service
22 contract with Mid-Kansas, Southern Pioneer opened two local customer service-
23 distribution offices to begin serving approximately 16,700 retail meters in ten

1 south central and southwest Kansas counties, and continues to serve
2 approximately 17,300 retail meters in the Southern Pioneer division today.

3 **Q. Prior to the acquisition was Southern Pioneer a deregulated cooperative?**

4 A. No. Southern Pioneer is not organized as a cooperative and, therefore, Southern
5 Pioneer is not eligible to deregulate under the existing statute.

6 **Q. Why did the six Members of Mid-Kansas elect to pursue the acquisition of
7 Aquila-WPK?**

8 A. Pioneer saw the acquisition as an opportunity to acquire additional customer
9 base to justify building critical base load generation to potentially stabilize
10 wholesale and retail rates long term in both service areas, and an opportunity to
11 more efficiently use the combined resources and equipment of both companies
12 by spreading the cost over a larger customer base. Further, the Aquila-WPK
13 service territory was located in the central and western part of the state, adjacent
14 to Pioneer's service territory, and therefore the expansion into this territory could
15 be done at a far less cost to Pioneer than any other utility as we were already
16 serving in the general area.

17 **Q. Do you believe the acquisition has been a benefit to the acquired
18 customers?**

19 A. Yes. We firmly believe the acquisition has been good for acquired customers.
20 Not only have we experienced economic development through the opening of
21 local offices and additional employees for customer service, there has been cost
22 savings or reductions as anticipated, and the overall increases in costs have

1 been slowed as a result of the synergies and ability to spread costs across a
2 larger segment of customers.

3 **Q. Do you believe Southern Pioneer is capable of succeeding to a portion of**
4 **Mid-Kansas' certificated service territory as contemplated in the**
5 **application?**

6 A. Yes, and I believe that fact was established as part of the Aquila acquisition
7 investigation in Docket No. 06-MKEE-524-ACQ ("524 Docket"). Transfer of the
8 Certificate to the Mid-Kansas members was clearly expected at the time of the
9 Aquila acquisition, as evidenced by the following provision of the Settlement
10 Agreement:

11 The transfer of the distribution assets is an important aspect
12 in providing benefits to the WPK customers and should be
13 accomplished as quickly as possible. Therefore, MKEC will
14 file a request to transfer the distribution assets and
15 certificated territory as soon after the Effective Date as
16 reasonably possible.²
17

18 Southern Pioneer has been effectively serving the customers in the Southern
19 Pioneer division since the acquisition in 2007. We have great confidence in our
20 ability to serve the customers and provide quality and reliable electric service.

21 **Q. Is Southern Pioneer asking the Commission to approve the transfer of the**
22 **territory Southern Pioneer is currently serving pursuant to its service**
23 **contract with Mid-Kansas?**

² Settlement Agreement in the 524 Docket, filed on January 10, 2007, ¶ 23, approved by the Commission on February 23, 2007.) (Emphasis added.)

Direct Testimony of Stephen J. Epperson

1 A. Yes. It is in the public interest to take this next step in the acquisition process and
2 approve the transfer of the Certificate, as requested in the Application.

3 **Q. Does this conclude your testimony?**

4 A. Yes.

VERIFICATION

STATE OF KANSAS)
COUNTY OF GRANT) ss:

Stephen J. Epperson, of lawful age, being first duly sworn, deposes and says that he is the Stephen J. Epperson referred to in the foregoing document entitled "Direct Testimony of Stephen J. Epperson" 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.



Stephen J. Epperson

SUBSCRIBED AND SWORN to before me this 5 day of December, 2012.





Notary Public

My appointment expires: 11-24-2013