

BEFORE THE KANSAS 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 Debt
Service Coverage Formula Based Ratemaking Plan Approved in Docket No. 13-MKEE-
452-MIS and 34.5 kV Formula Based Ratemaking Plan Approved in Docket No. 16-
MKEE-023-TAR**

of

Southern Pioneer Electric Company

Docket No. 18-SPEE-477-RTS

July 16, 2018

**PREFILED REBUTTAL TESTIMONY
RANDALL D. MAGNISON
EXECUTIVE VICE PRESIDENT-ASSISTANT CHIEF EXECUTIVE OFFICER
SOUTHERN PIONEER ELECTRIC COMPANY**

ON BEHALF OF

SOUTHERN PIONEER ELECTRIC COMPANY

I. Introduction

Q. Please state your name and business address.

A. My name is Randall D. Magnison. My business address is 1850 W. Oklahoma, PO Box 430, Ulysses Kansas 67880-0430.

Q. Are you the same Randall D. Magnison, who prepared and caused to be prefled Direct Testimony in the instant case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony in Docket No. 18-SPEE-477-RTS (the “18-477 Docket”) is to support the recommendations in the Direct Testimony of Mr. Tim Rehagen of the Kansas Corporation Commission (“KCC” or “Commission”) Staff and reject or address the recommended adjustments, as well as other concerns, outlined in the Direct Testimony of intervener witnesses Ms. Stacey Harden and Ms. Cary Catchpole of the Citizens’ Utility Ratepayer Board (“CURB”), all as it relates to Southern Pioneer Electric Company’s (“Southern Pioneer” or “Company”) *consolidated* 2018 Debt Service Coverage (“DSC”) Formula Based Ratemaking (“FBR”) Pilot Plan (“DSC-FBR Plan”) and 34.5 kV FBR (“34.5 kV FBR”) Annual Update Filing (“Annual Update”).

II. Summary of Commission Staff’s and CURB’s Direct Testimony

Q. Please summarize the direct testimony of Commission Staff in this proceeding.

A. The Direct Testimony filed by Commission Staff witness Mr. Rehagen includes no recommendations for adjustment to Southern Pioneer’s filed rate application. Mr. Rehagen in his testimony advises that Southern Pioneer’s Annual Update for 34.5 kV FBR plan

1 results in a LAC (also known as “LADS”) rate of \$5.00/kW. The resulting revenue increase
2 to Southern Pioneer’s retail customers is \$64,270, while wholesale customers, who pay the
3 LAC rate, will experience an increase of \$0.12/kW or 2.5%. Southern Pioneer’s DSC-FBR
4 Annual Update resulted in a revenue increase of \$1,311,929 or 2%, applicable to Southern
5 Pioneer’s retail customers. The combined retail revenue adjustment from the DSC-FBR
6 and 34.5 kV-FBR plan results in a total revenue increase of \$1,376,199 or 2.1%.¹ Mr.
7 Rehagen went onto advise “Staff recommends the Commission approve Southern Pioneer’s
8 proposed DSC-FBR and 34.5 kV-FBR retail rate adjustments and the proposed 34.5 kV
9 LAC charge. The rates were calculated in accordance with the Commission-approved DSC-
10 FBR and 34.5 kV-FBR plan protocols and result in just and reasonable rates that are in the
11 public interest”.²

12 **Q. Do you agree with these recommendations by Staff?**

13 A. Southern Pioneer agrees with and supports Mr. Rehagen’s conclusions and therefore will
14 offer no further testimony concerning his recommendation other than to accept and
15 implement.

16 **Q. Please summarize the direct testimony of CURB Staff in this proceeding.**

17 A. Ms. Harden and Ms. Catchpole collectively recommend in their filed Direct Testimony that
18 the Commission approve a total of \$21,771 in downward adjustments to the Company’s
19 cost of service.³

20 **Q. Do you agree with these recommendations by CURB??**

¹ Rehagen Direct Testimony, p. 14, l. 13-19.

² Rehagen Direct Testimony, p. 15, l. 1-8.

³ Harden Direct Testimony, p. 13, l. 3-4.

1 A. Southern Pioneer does not agree with CURB Staff's recommendations as outlined below.

2 However, it should be noted that CURB admits that while they have recommended
3 downward adjustments, there will be no impact on Southern Pioneer's filed rate
4 adjustment.⁴ Therefore, Southern Pioneer requests that the Commission disregard CURB's
5 recommendations.

6
7 **III. Rebuttal to CURB Witness, Ms. Stacey Harden**

8 **Q. Please describe the content of your Rebuttal Testimony as it relates to Ms. Harden.**

9 A. My rebuttal testimony will generally respond to Ms. Harden's suggested downward
10 adjustments relating to:

- 11 • Southern Pioneer's Customer Records and Collection Expense;
- 12 • Customer Service and Info-Customer Assistance Expense;
- 13 • Miscellaneous General Expense; and
- 14 • Company's Annual Cost Adjustment.

15 **Q. You indicate Ms. Harden recommended adjustments to Southern Pioneer's Customer**
16 **Records and Collection Expense, Customer Service and Info-Customer Assistance**
17 **Expense and Miscellaneous General Expense. Can you briefly quantify these**
18 **adjustments?**

19 A. Yes, I can. Ms. Harden explains that she selected three of the Company's expense accounts
20 which are 100% included in the Company's DSC-FBR calculations and audited the costs in
21 each of these accounts. As a result, Ms. Harden recommends removing \$4,259 in Customer
22 Records & Collection expenses, \$505 in Customer Service & Info-Customer Assistance

⁴ Harden Direct Testimony, p. 13, l. 9-11.

1 expenses and \$3,908 in Miscellaneous General expenses for a total of \$8,672.

2 **Q. Does Southern Pioneer support Ms. Harden’s recommendation that the Commission**
3 **disallow an additional \$8,672 of expenses related to Southern Pioneer’s Customer**
4 **Records & Collection, Customer Service & Info-Customer Assistance and**
5 **Miscellaneous General expenses?**

6 A. No, Southern Pioneer does not. First, as testified in previous dockets, Southern Pioneer
7 reiterates that it is a not-for-profit utility and has no other means in which to pay for any
8 legitimate excluded business expenses such as incentives to maintain a healthy lifestyle,
9 employee meal reimbursement in the course of business and employee recognition, etc.

10 Second, as a result of Ms. Harden’s deeper dive into accounts and categories not
11 historically audited as part of the Commission-approved formula based ratemaking program
12 due to the agreed-to-protocols, Ms. Harden by her own admission, indicates in several
13 instances she was unable to determine which transactions provided food, snacks or
14 refreshments while traveling and therefore to be conservative, she arbitrarily recommended
15 the Commission disallow 50% of expenses previously allowed.⁵ While Southern Pioneer
16 believes this in-depth review is a departure from past practices, defeats the purpose of the
17 agreed to protocols and efficiencies of formula based filing with comprehensive exhibits,
18 Ms. Harden could have conducted additionally discovery and issued requests to Southern
19 Pioneer to validate.

20 **Q. You also indicate Ms. Harden mentioned Southern Pioneer’s Annual Cost Adjustment**
21 **(“ACA”). Can you briefly summarize her comments?**

⁵ Harden Direct, p. 7, l. 10-20; p. 8, l. 9-15; p. 9, l. 6-7.

1 A. Yes, I can. In 2018, Southern Pioneer discovered there was an error in the 2017 ACA
2 calculation that resulted in an under-recovery of \$141,653, which required Southern Pioneer
3 to adjust its revenues up in the 2018 DSC-FBR Annual Update to avoid collecting twice.

4 **Q. Did CURB disagree, express concern with or have recommendations concerning**
5 **Southern Pioneer's adjustment or the ACA?**

6 A. No, CURB does not disagree. However, Ms. Harden does indicate she has concerns with
7 Southern Pioneer changing its ACA factors without Commission approval in a docket each
8 year, but that it appears the ACA was reconciled and approved through informal
9 communications between the Company and Staff.⁶

10 **Q. Because of this, and because Ms. Harden believed the Commission had not acted upon**
11 **Southern Pioneer's ACA, Ms. she recommends that Southern Pioneer's ACA be**
12 **addressed in the Company's next General Rate Case. Do you share her concerns?**

13 A. No I do not. While the error was unfortunate and an isolated incident, this process has
14 already been defined and approved by the Commission. Pursuant to Dockets 09-MKEE-
15 969-RTS and 106850-U, and Southern Pioneer's Commission-approved Schedule 13-ECA
16 tariff, there is already a process in place in which a monthly compliance filing for the energy
17 cost adjustment ("ECA") information is made with the Commission Staff and then for each
18 twelve-month billing period at the close of December the accumulative ECA balance over
19 recovered or under recovered results in settlement factor (ACA) and collected the following
20 year, as defined in Southern Pioneer's Schedule 13-ECA on file with the Commission.

21
22 **IV. Rebuttal to CURB Witness, Ms. Cary Catchpole**

⁶ Harden Direct, p. 12, l. 9-13.

1 **Q. Please describe the content of your Rebuttal Testimony as it relates to Ms. Catchpole.**

2 A. My rebuttal testimony will generally respond to Ms. Catchpole's suggested downward
3 adjustments relating to Southern Pioneer's Advertising, Donations, Entertainment and
4 Other Transactions.

5 **Q. You indicate Ms. Catchpole recommended adjustments to Southern Pioneer's**
6 **Advertising, Donations, Entertainment and Other Transactions. Can you briefly**
7 **quantify these adjustments?**

8 A. Yes, I can. Ms. Catchpole recommends that the Commission reduce Southern Pioneer's
9 donation expense by \$212.50 in customer service energy credits; Company entertainment
10 expense by \$9,806; and sponsorships or related expenditures that have historically not qualified
11 as dues, donations or charitable contributions by \$3,080.⁷

12 **Q. Does Southern Pioneer support Ms. Catchpole's recommendation that the**
13 **Commission disallow an additional \$13,091 of donation, entertainment and**
14 **sponsorships or related expenditures?**

15 A. No, Southern Pioneer does not. As testified in response to Ms. Harden's recommended
16 adjustments, Southern Pioneer is a not-for-profit utility and has no other means in which to
17 pay for legitimate and reasonable excluded business expenses such as energy credit given
18 to consumer volunteers or provided as prizes to consumers; company-provided Christmas
19 dinners for employees, their spouse and retirees or periodic employee appreciation
20 luncheons, etc. to support Southern Pioneer's operations and the communities it serves.
21 Furthermore, as an example how far reaching and inappropriate these exclusions are, Ms.
22 Catchpole is requesting that the Commission disallow \$1,100.61, which was a luncheon

⁷ Catchpole Direct, p. 18, l. 17-20.

1 with the Commission-order Consumer Advisory Council and certain City and County
2 officials⁸ as part of the Council's quarterly meeting.

3
4 **V. Conclusion**

5 **Q. In concluding, please summarize your testimony and recommendation as it relates to**
6 **the impact of Staff and CURB's recommended adjustments, and recommendations**
7 **regarding implementation of the rate and tariffs.**

8 A. Certainly.

9 First, Southern Pioneer accepts Staff's recommendation and requests that the
10 Commission disregard CURB's adjustments, not only because there is no impact on the
11 Southern Pioneer filed rate but the adjustments are legitimate and reasonable business
12 expenditures.

13 Second, Staff, CURB, and the rest of the interveners had the opportunity to audit
14 Southern Pioneer's Annual Update Filing and recommend any adjustments.

15 Southern Pioneer requests that the Commission approve Southern Pioneer's Local
16 Access Charge rate of \$5.00/kW, an increase of \$0.12/kW or 2.5% over the current rate,
17 and the combined retail revenue adjustment from the DSC-FBR and 34.5 kV-FBR plans
18 resulting in a total revenue increase of \$1,376,199 or 2.1%. as just and reasonable, and as
19 soon as administratively possible.

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

21 A. Yes.

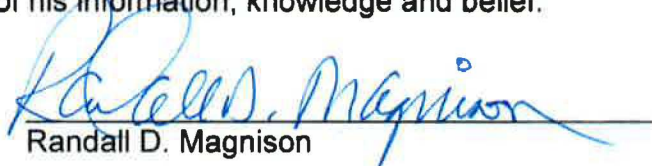
⁸ Catchpole Direct, p. 18, l. 11.

REBUTTAL TESTIMONY
CONSOLIDATED ANNUAL FILING
DOCKET NOS. 13-MKEE-452-MIS and 16-MKEE-023-TAR



VERIFICATION OF RANDALL D. MAGNISON

STATE OF KANSAS)
) ss:
COUNTY OF GRANT)

Randall D. Magnison, being first duly sworn, deposes and says that he is the Randall D. Magnison referred to in the foregoing document titled "Rebuttal Testimony of Randall D. Magnison" before the State Corporation Commission of the State of Kansas, that he is an officer of Southern Pioneer Electric Company, 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.


Randall D. Magnison

SUBSCRIBED AND SWORN to before me this 16 day of July 2018.

Seal  
Notary Public

My Appointment Expires: 9-30-2021