

BEFORE THE KANSAS CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Application of The)
Victory Electric Cooperative Association,)
Inc. Seeking Commission Approval to)
Update Its Local Access Delivery Service) Docket No. 23-VICE-⁷⁹³ - ^{TAR}
Tariff Pursuant to the 34.5kV Formula)
Based Rate Plan Approved in Docket No.)
21-SEPE-049-TAR.)

PREFILED DIRECT TESTIMONY OF

**SHANE LAWS
CHIEF EXECUTIVE OFFICER
THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.**

ON BEHALF OF

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

May 1, 2023

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Shane Laws. My business address is 3230 North 14th Avenue, Dodge City, Kansas.

Q. What is your profession?

A. I am Chief Executive Officer ("CEO") of The Victory Electric Cooperative Association, Inc. ("Victory" or "Cooperative"). As Victory's CEO, I am also a member of the Board of Sunflower Electric Power Corporation ("Sunflower").¹

Q. What is your educational background?

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

Q. What is your professional background?

A. Prior to becoming the Chief Executive Officer of Victory in 2013, I was the Director, Retail Programs for CoServ Electric in Corinth, Texas. I was directly responsible for a project engineering department that designed and contracted large-scale residential and commercial developments as well as an energy management department that provided residential/commercial audit services and administered a residential/commercial rebate program. In addition, I provided oversight for the Cooperative's rates and cost of service ("COS") studies and tariffs. I have served in various capacities with three electric cooperatives spanning more than 25 years.

Q. Have you previously presented testimony before the Kansas Corporation Commission ("KCC" or "Commission")?

1 A. Yes. I have provided testimony in Docket Nos. 16-MKEE-023-TAR (“16-023 Docket”), 16-
2 VICE-494-TAR, 17-VICE-481-TAR, 18-VICE-479-TAR, 19-VICE-448-TAR (“19-448
3 Docket”), 20-VICE-437-TAR, 21-VICE-412-TAR, 22-VICE-498-TAR and 21-SEPE-049-
4 TAR (“21-149 Docket”).

5
6 **PART II - SUMMARY OF DIRECT TESTIMONY**

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is as follows:

- 9 1. Affirm Victory’s support for the calculation of the wholesale demand rate for the Local
10 Access Delivery Service (“LADS”) service over Victory’s 34.5kV sub-transmission
11 system (Mid-Kansas division) as contained in Ms. Larson’s Prefiled Direct Testimony.
12 2. Confirm that Victory will notify its customers as required in Section C of the
13 Commission-approved 34.5kV FBR Protocols (“Protocols”) (attached to the April 15,
14 2021 Commission Order Approving Unanimous Settlement Agreement as Attachment
15 A2 to Exhibit A in the 21-049 Docket).
16 3. Attest to the Equity Test requirement noted in Section G of the Protocols.
17 4. Provide the information required by Item No. 10 listed in Section F of the Protocols.

18 **Q. What is Victory’s opinion concerning the proposed 2023 34.5kV FBR rate of \$3.07/kW?**

19 A. Victory’s Staff has provided the data necessary for the calculations as contained in the populated
20 34.5kV FBR template attached to the Application filed in the instant Docket as Exhibit 5.
21 Cooperative Staff has reviewed the exhibit and the supporting work papers and is in agreement
22 that the resultant rate was calculated in accordance with (1) Victory’s 34.5kV FBR Protocols
23
24
25

as approved by the Commission and (2) Emergency Order issued by the Commission on February 15, 2021 in Docket No. 21-GIMX-3030-MIX.¹

Q. Do you agree with the extraordinary adjustment made to exclude debt service associated with the Storm Uri in this year's filing as described in Ms. Larson's Prefiled Testimony?

A. Yes. Victory deferred debt related to extraordinary purchase power costs incurred in February 2021 as a result of Storm Uri and established a retail rider set to recover these costs from its retail members over 24 months. As Ms. Larson noted on page 9 of her Prefiled Testimony filed in the instant Docket, the said extraordinary costs are segregated and clearly identifiable as shown in Exhibit 8, also provided in the instant Docket. Accordingly, Victory believes this rate, as detailed in Ms. Larson's Prefiled Direct Testimony and included in the proposed LADS tariff, is just and reasonable, as it is based on the cost of service ("COS") and follows the Commission-prescribed methodology.

Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of Victory's 34.5kV FBR Protocols, will be fulfilled.

A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual Docket Number is known to the Cooperative), all customers taking wholesale LADS from Victory will receive notice of the filing when it is made with the Commission. Such notice may be made via electronic mail or bill insert and will contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment sought.
3. The resulting rate impact.

¹ See Part C on page 3 of the Emergency Order directing jurisdictional companies to defer Storm Uri-related costs. Although Victory is not regulated for its retail rates, it is jurisdictional to the KCC for wholesale 34.5kV system LADS rate. Therefore, filing this year's 34.5kV FBR excluding Storm Uri costs (set aside as a deferred debit and being recovered from its retail members on behalf of whom Western incurred the extraordinary purchased power costs), same as last year, satisfies KCC requirements outlined in the Emergency Order.

1 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
2 FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's
3 April 15, 2021, Order approving the application for continuation of Victory's 34.5kV
4 FBR for another five-year term.

5 5. A Victory contact person name and phone number for questions.

6 **Q. Please address the Equity Test requirement as noted in Section G of the 34.5kV FBR**
7 **Protocols.**

8 A. Per Section G of the Protocols, Pages 9 and 10, Victory must notify the Commission when its
9 distribution equity ratio (for the Mid-Kansas division) reaches 36.31 percent, which would
10 signal the re-evaluation of the currently-approved Operating Times Interest Earned Ratio
11 ("OTIER") and Modified Debt Service Coverage ("MDSC") metrics as used in the 34.5kV
12 FBR.

13 **Q. Has Victory (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2023**
14 **Test Year?**

15 A. Yes. Table 1 on the following page evidences that for 2022, Victory's Distribution Equity
16 Ratio (for the Mid-Kansas division), calculated to be at 32.80 percent, was below the
17 prescribed 36.31 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated
18 exclusive of equity in or from associated organizations. Note that the majority of such
19 excludable equity, as evidenced in Table 2, on the following page, is represented by Victory's
20 investment in Mid-Kansas.²

24
25 ² If Storm Uri deferred debit amount of \$603,739 (MKEC division portion) is removed, the
Distribution Equity percent is 33.01%, still below the cap.

Table 1. Victory (Mid-Kansas Division) 2022 Distribution Equity Ratio				
Excluding investment in Associated Organizations				
2022				
Bal. Sheet				
<u>Ln. No.</u>				
29	Total Assets & Other Debts	\$	124,473,859	
36	Total Margins & Equities	\$	59,007,642	
8	Investment in Associated Organizations - Patronage Capital	\$	27,053,194	
9	Investment in Associated Organizations - Other - General Funds	\$	-	
10	Investment in Associated Organizations - Other - Nongeneral Funds	\$	-	
	Total Investment in Associated Organizations	\$	27,053,194	
Distribution Equity Ratio	Ln 36 - (Ln 8 + Ln 9 + Ln 10)		=	32.80%
	Ln 29 - (Ln 8 + Ln 9 + Ln 10)			

Table 2. Victory Electric (Mid-Kansas Division) 2022 Investment in Associated Organizations		
2022		
Bal. Sheet		
<u>Ln. No.</u>	<u>Description</u>	<u>Amount</u>
	Cooperative Response Center - Equity Investment	\$ -
	Federated Insurance Capital Credits	\$ -
	Kansas Electric Cooperatives - Capital Credits	\$ -
	Farmway Co-op - Capital Credits	\$ -
	NRUCFC - Capital Credits	\$ 192,076
	Rural Telephone Capital Credits	\$ -
C8	Mid-Kansas Electric Company - Capital Credits	\$ 5,530,475
	Sunflower Electric Power Corporation - Capital Credits	\$ 8,015,871
	CoBank - Capital Credits	\$ -
	National Information Solutions Cooperative - Capital Credits	\$ -
	National Rural Telecommunications Cooperative	\$ -
		\$ 13,738,422
	Mid-Kansas Electric Company - Margins Allocation	\$ 12,677,260
Total Investment in Associated Organizations		\$ 26,415,682

Q. Now please discuss the information required for Item No. 10 on the list of required filing exhibits as contained in the Filing Exhibits Section E of the Protocols.

A. Item No. 10 requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1, submitted in the instant Docket against the same categories as approved last year in the Docket No. 22-VICE-498-TAR, the following 2022 COS items were identified as showing over a 10 percent increase: Administrative and General (“A&G”) Expense, Interest – Other Expense, and Principal Payments. See the following summary in Table 3.³

Table 3. Victory (Mid-Kansas Division) COS Item Comparison						
COS Item Description	2022 FBR Approved Revenue Requirement		2023 FBR Revenue Requirement		Diff \$	Diff %
<u>Operating Expenses</u>						
Transmission O&M	\$	635,016	\$	577,993	\$ (57,023)	-9%
Administration & General	\$	41,808	\$	47,569	\$ 5,761	14%
Depreciation & Amortization						
Transmission	\$	654,747	\$	660,580	\$ 5,833	1%
General Plant	\$	1,559	\$	1,556	\$ (3)	0%
Property Tax	\$	-	\$	-	\$ -	
Other Taxes	\$	-	\$	-	\$ -	
L.T. Interest	\$	834,782	\$	807,809	\$ (26,973)	-3%
Interest Charged to Construction	\$	-	\$	-	\$ -	
Interest - Other	\$	535	\$	2,302	\$ 1,767	330%
Other Deductions	\$	4,245	\$	7,485	\$ 3,240	76%
<u>Margin Requirement Components</u>						
Principal Payments	\$	690,036	\$	907,549	\$ 217,514	32%
L.T. Interest	\$	834,782	\$	807,809	\$ (26,973)	-3%

Q. Please explain the drivers behind the change in Administrative & General Expense.

³ Values displayed are rounded to the nearest dollar/percent.

1 A. This year's increase is driven by an increase in total A&G expense due to the travel freeze
2 lifted in 2022 allowing for several training seminars, safety conferences and courses
3 related to industry related updates. Further, additional rate studies were performed for
4 analysis of unexpected additional load and calculation of capital credit allocations. In
5 addition, charges for allowing use of credit card payments increased for the higher number
6 of members using credit cards as well as higher average bills due to drought and high
7 temperatures in 2022 compared to 2021. Also, supply chain challenges are generating
8 increases in costs across the board for office expenses like small technology or
9 communication equipment, paper supplies and various office needs. However, only a
10 portion of these costs was allocated to the Cooperative's 34.5kV FBR based on
11 transmission labor, as prescribed by the Commission-approved Protocols. The resultant
12 increase, although 15 percent, amounts to less than \$6,000.

13 **Q. Please explain the drivers behind the change in Interest - Other Expense.**

14 A. The dollar amount corresponding to a large percent increase is very small, at \$1,767. This
15 change is driven primarily by the increase in interest rate on consumer deposits, which is
16 set annually by the Commission.

17 **Q. Please explain the drivers behind the change in Principal Payments.**

18 A. This change is driven by the fact that 2021 principal payment amounts included in the last
19 year's 34.5kV FBR filing reflected only 3 quarterly payments (as the 4th quarter payment
20 fell on January 2-3, 2022) vs. 4 quarterly payments are reflected in the 2022 principal
21 payments included in this year's filing.

22 **Q. Do you have any other comments regarding the steps Victory took to lessen the impact
23 of the cost increase noted above on its customers?**

24 A. I would like to close by noting that increases in costs due to operational changes affect
25 Victory's wholesale and retail customers alike. Decisions made with regards to staffing, debt

1 financing, and the overall operations of Victory are always made with the customers' best
2 interest in mind. Every effort is taken to find cost saving measures whenever possible in order
3 to lessen the impact to our customers. .

4 **Q. What is your final recommendation to the Commission?**

5 A. I support Ms. Larson's recommendation to approve Victory's Application in the instant
6 Docket, as the resultant rate is reflective of the COS, was calculated in accordance with the
7 Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is
8 in the public interest.

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

10 A: Yes, it does.

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VERIFICATION OF SHANE LAWS


STATE OF KANSAS)
) ss:
COUNTY OF FORD)

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



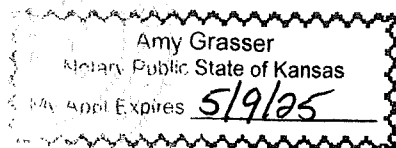
Shane Laws

SUBSCRIBED AND SWORN to before me this 1st day of May, 2023.



Notary Public

My Appointment Expires:



CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 1st day of May 2023 to:

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