

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas)
Power Pool for a Certificate of)
Convenience and Authority to Transact the)
Business of an Electric Public Utility in the)
State of Kansas for Transmission Rights)
Only in Cross Service Territory of) Docket No. 18-KPPE-343-COC
Southern Pioneer Electric Company and)
Ninnescah Rural Electric Company.)

PREFILED DIRECT TESTIMONY OF
ELENA E. LARSON
MANAGER, RATES AND REGULATORY SERVICES
POWER SYSTEM ENGINEERING, INC.

ON BEHALF OF
SOUTHERN PIONEER ELECTRIC COMPANY

July 9, 2018

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Elena E. Larson. My business address is 3321 Southwest 6th Avenue, Topeka, KS 66606.

Q. What is your profession?

A. I am Manager of Rates and Regulatory Services at Power System Engineering, Inc. ("PSE"), which is headquartered at 1532 W. Broadway, Madison, Wisconsin 53713.

Q. Please describe the business activities of PSE.

A. PSE is a consulting firm serving electric utilities across the country, but primarily in the Midwest. Our headquarters is in Madison, Wisconsin with regional offices in Indianapolis, Indiana; Topeka, Kansas; Lexington, Kentucky; Minneapolis, Minnesota; Marietta, Ohio; and Sioux Falls, South Dakota. PSE is involved in: power supply, transmission and distribution system planning; distribution, substation and transmission design; construction contracting and supervision; retail and wholesale rate and cost of service ("COS") studies; economic feasibility studies; merger and acquisition feasibility analysis; load forecasting; financial and operating consultation; telecommunication and network design, mapping/GIS; and system automation including Supervisory Control and Data Acquisition ("SCADA"), Demand Side Management ("DSM"), metering, and outage management systems.

Q. Please describe your responsibilities with PSE.

A. I work on a team of staff that provide economic, financial, and rate-related consulting services to investor-owned, cooperative and municipal utilities as well as regulators and industry associations. These services include:

- Cost of Service Studies.
- Capital Credit Allocations.
- Demand Response.
- Distributed Generation Rates.
- Energy Efficiency.
- Financial Forecasting.
- Individual Customer Profitability.
- Large Power Contract Rates/Proposals.
- Line Extension Policies/Charges.
- Load Management Analysis.
- Load Forecasting.
- Market and Load Research.
- Merger Analysis.
- Pole Attachment Charges.
- Policy and Board Audits.
- Power Cost Adjustments.
- Rate Consolidation.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Statistical Performance Measurement (Benchmarking).
- Value of Service.

Q. What is your educational background?

A. I graduated from Washburn University in Topeka, Kansas in 2001 with a Bachelor of Science degree in Mathematics and a minor in Computer Science. In 2008, I received my Masters of Business Administration (“MBA”) degree from Ashford University in Clinton, Iowa.

Q. What is your professional background?

A. Prior to advancing to graduate degree studies in 2006, I worked as a computer programmer for a private corporation and taught mathematics. After graduating with an MBA in September 2008, I began my employment with the Kansas Corporation Commission (“KCC” or “Commission”) in Topeka, Kansas in July 2009, as an Energy Analyst in the Energy Operations Section of the Utilities Division. My work responsibilities at the KCC at that time included monitoring and assessing various periodic compliance reports (e.g., Quality of Service and Electric Reliability); providing technical analysis on informal and formal electric and gas customer complaints; monitoring and participating in various Southwest Power Pool (“SPP”) working groups; and assisting in writing the rules and regulations when mandated by the Kansas legislature. In January 2012, I assumed the position of Senior Utility Rate Analyst in the Economics and Rates Section of the Utilities Division of KCC. In that capacity, my responsibilities expanded to filing recommendations

1 and/or testimony addressing utility applications for various tariff modifications, including
2 change of retail and wholesale rates.

3 In April 2013, I joined PSE, where I assumed a position of Rate and Financial Analyst in the
4 Rates and Financial Planning Department. In January 2018, my title changed to Rate and
5 Regulatory Consultant. In June 2018, I was promoted to Manager, Rates and Regulatory
6 Services. My responsibilities include performing rate studies consisting of determination of
7 revenue requirements, cost of service (“COS”), and rate design; developing financial
8 forecasting, special rates, and programs; and performing other financial analysis for various
9 PSE clients. Additionally, I participate in the leadership of our department by heading PSE’s
10 Kansas office branch business development and helping develop strategy in the regulatory
11 services area.

12 **Q. Have you previously presented testimony before the Commission?**

13 A. Yes. I submitted testimony on behalf of KCC Staff in Docket Nos. 11-GBEE-624-COC, 11-
14 MKEE-597-GIE, 12-WSEE-112-RTS, and 12-MKEE-380-RTS. I authored Report and
15 Recommendations on behalf of KCC Staff in Docket Nos. 09-KGSG-927-COM, 10-BHCG-
16 409-COM, 10-WSEE-507-TAR, 10-KGSG-535-COM, 10-KGSG-644-COM, 10-MDWE-
17 733-TAR, 11-KCPE-031-COM, 11-WSEE-599-TAR, and 11-MDWE-763-TAR. I have also
18 filed testimony on behalf of Prairie Land Electric Cooperative, Inc. (“Prairie Land”) in Docket
19 Nos. 15-PLCE-176-TAR, 17-PLCE-478-TAR, and 18-PLCE-462-TAR; on behalf of Victory
20 Electric Cooperative Association, Inc. (“Victory”) in Docket Nos. 17-VICE-481-TAR and 18-
21 VICE-479-TAR; on behalf of Western Cooperative Electric Association, Inc. (“Western”) in
22 Docket Nos. 17-WSTE-477-TAR and 18-WSTE-473-TAR; on behalf of Midwest Energy, Inc.
23 in Docket No. 16-MDWE-324-TFR; and assisted with preparation of testimony on behalf of
24 Southern Pioneer Electric Company (“Southern Pioneer”), Victory, Western, Prairie Land,
25 and Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in Docket Nos. 14-SPEE-507-RTS,

1 15-SPEE-161-RTS, 15-SPEE-357-TAR, 15-SPEE-519-RTS, 16-MKEE-023-TAR, 16-PLCE-
2 490-TAR, 16-VICE-494-TAR, 16-WSTE-496-TAR, 16-SPEE-497-RTS, 16-SPEE-501-TAR,
3 17-SPEE-476-TAR, and 18-SPEE-477-RTS. Additionally, I have performed analyses filed
4 with Applications on behalf of Mid-Kansas, Prairie Land, and Southern Pioneer in Docket Nos.
5 14-MKEE-084-TAR, 14-PLCE-312-TAR, 15-SPEE-267-TAR, 16-SPEE-306-TAR, 17-
6 SPEE-263-TAR, and 18-SPEE-270-TAR, respectively.

7 **Q. Do you have any other relevant experience?**

8 A. I have attended numerous industry seminars/courses on COS, rate design, pricing, distributed
9 generation, financing transmission expansion, transmission cost allocation, renewable power
10 project siting, etc. I have also presented at industry events on the topics of Revenue
11 Requirement and Rate Design.

12 As it pertains to the experience relevant in this proceeding, I am closely familiar with the
13 cost recovery process for Southern Pioneer and three other Mid-Kansas member-owners'
14 34.5kV sub-transmission systems, as I assist Southern Pioneer, Prairie Land, Victory, and
15 Western with their respective 34.5kV Formula Based Rate ("FBR") annual update filings. I
16 also support Midwest Energy with its Transmission Formula Rate, which requires an adequate
17 understanding of the SPP Open Access Transmission Tariff ("OATT") and practices. In my
18 previous position with the KCC, I monitored and participated in several SPP working groups.
19 In addition, I participated in Docket No. 11-GIME-597-GIE ("11-597 Docket") on behalf of
20 the Commission Staff; therefore, I am familiar with the terms of the resultant Commission-
21 approved Stipulation and Agreement regarding the classification of the Mid-Kansas member-
22 companies' (including Southern Pioneer) 34.5 kV systems and obligations to wholesale local
23 delivery customers. This includes the "Or" pricing for assigning the cost of upgrades to
24 Southern Pioneer's 34.5kV facilities related to service to the City of Kingman and the
25 anticipated provisions for the annual planning process to be carried out for the Mid-Kansas

1 member-companies' owned 34.5kV systems. Lastly, I also participated in the KCC Docket
2 No. 12-KPPE-630-MIS on behalf of the Commission Staff, where Kansas Power Pool ("KPP")
3 requested an approval of an FBR calculating the Annual Transmission Revenue Requirement
4 ("ATRR") for the City of Winfield's 69kV assets to be included in the rates charged by SPP
5 for transmission service in the transmission pricing zone of Westar Energy, Inc.

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

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

9 A. I will be addressing certain portions of KPP's analysis presented in the Direct Testimony and
10 Exhibits of Larry W. Holloway filed in the instant Docket. Specifically, I will demonstrate
11 that KPP's assessment as it pertains to cost/rate impacts of the Kingman Direct Connection is
12 incomplete, materially flawed, and does not support the Commission's standards for meeting
13 the public interest when determining whether to grant KPP a Certificate of Convenience to
14 construct the Kingman Direct Connection. Overall, my testimony supports Southern Pioneer's
15 position, generally outlined below:

16 1. Southern Pioneer's SemCrude Substation upgrade option, as defined in the Direct
17 Testimonies of Randall D. Magnison, Brian Beecher and Erik Sonju (the "SemCrude
18 Substation Upgrade"), is the better alternative to the KPP-proposed Kingman Direct
19 Connection project from an overall public interest perspective.¹ Implementing the
20 SemCrude Substation Upgrade solution would achieve the same goal as the Kingman
21 Direct Connection; i.e., eliminating the import limitation to the City of Kingman.

22 2. The SemCrude Substation Upgrade alternative possesses the following beneficial
23

24
25 ¹ In the Direct Testimony of Larry W. Holloway filed in the instant Docket, Southern Pioneer's SemCrude Substation Upgrade option is being referred to as the "SPEC Project."

attributes:

- It is a product of a thorough analysis vetted in a joint planning process and, as such, adheres to an established local planning criteria.
- It accomplishes the objective by upgrading the capacity at an existing substation without duplicating facilities by building a brand new substation.
- It costs considerably less than the KPP-proposed project and therefore imposes less costs on Kansas ratepayers.

3. Comparing the two alternatives put forth before the Commission as means of evaluating whether to grant the KPP's Application in the instant docket should be about choosing the best solution in totality. A project should benefit the public as a whole as opposed to only a particular entity. Under the Commission's standard of review, from a cost perspective, a project should be a "least cost option" to the public in general; meaning to all affected customers, not a limited sub-group or a single customer only. The Kingman Direct Connection project fails to meet this standard and should therefore be rejected.

4. The existing local planning processes, established for purposes of allowing for a collaborative forum and aimed at efficient use of resources, meets the goal of the State's policy of avoiding duplication of facilities and services, minimizing disputes, and encouraging the orderly development of electric service.² KPP's proposed project, which was not developed within this process, should be rejected by the Commission. In doing so, the Commission will be upholding the established local planning process as the proper venue for originating project proposals. Allowing KPP, or other parties, to pursue its unilaterally developed solution that disregards integrated and long-term planning processes

² K.S.A. 66-1,171(a).

1 would not be consistent with “best practice” and would “open up a can of worms,” resulting
2 in wasteful duplication of facilities and services in the area and unnecessary additional
3 costs to the public.

- 4 5. Allowing wholesale customers taking Local Access Delivery Service (“LADS”) service
5 off Mid-Kansas member companies’ 34.5kV sub-transmission systems to build duplicate
6 electric facilities and services in whole or part simply to avoid the local access delivery
7 service (“LADS”) charge has the potential for creating a domino effect; i.e., each time there
8 will be fewer billing determinants available to recover the fixed costs, thus causing LADS
9 rates to spike. LADS rates are based solely on the cost to serve and are established by
10 Southern Pioneer and the other Mid-Kansas member-companies in their respective
11 Commission-approved FBRs. The potential for significant rate impact caused by such
12 practice should be of concern to the Commission, as the remaining wholesale and retail
13 customers would be left to pay higher rates for 34.5kV facilities built and planned long-
14 term to serve both retail and wholesale customer loads. Not only that but these same
15 customers will also be required to pay for the cost of duplicate transmission facilities, if
16 such transmission facilities are included in the SPP OATT. It should also be noted that the
17 affected retail load is even at a higher risk, as for the most part, these customers remain
18 captive (i.e., unlike KPP, they have no ability to easily switch to another alternative in an
19 attempt to avoid paying LADS rates).

20 **Q. Please outline the key points you will be making.**

21 A. I will elaborate on the following:

- 22 i. KPP’s analysis submitted in the instant Docket to support its Application for
23 Certificate of Convenience and Authority for Transmission Rights Only (“TRO”) to
24 construct its Kingman Direct Connection project provides the Commission with a
25 one-sided view as it only describes the alleged benefits to the City of Kingman and

1 KPP. A closer look at all the facts shows that if the Kingman Direct Connection is
2 put into service, it will negatively impact other Kansas ratepayers. Specifically, it
3 will increase the rates paid by Southern Pioneer's retail consumers and the remaining
4 wholesale LADS customers, most of whom also serve their respective retail loads;
5 as well as increase SPP transmission charges paid by all customers in the Mid-
6 Kansas transmission pricing zone. Not only is the KPP project uneconomical on its
7 own merits (compared to SPEC's solution or even a "do nothing" alternative), but it
8 would cause a major cost shift from KPP to other wholesale and retail consumers in
9 Kansas.

10 ii. KPP asserts that the SemCrude Substation Upgrade, Southern Pioneer's solution that
11 originated from and was driven by KPP's need, is more costly to the City of Kingman
12 and KPP than the KPP's proposed Kingman Direct Connection project and should
13 therefore be rejected. However, the SemCrude Upgrade project is less costly from a
14 construction perspective as well as to the public as a whole, resulting in a lower rate
15 impact for all customers.

16 iii. It is clear that KPP's analysis only tells the story from KPP and the City of Kingman's
17 single perspective; i.e., KPP's point of view. And it is exceedingly clear that what may
18 be best for KPP and the City of Kingman is not necessarily best for the public. The
19 Commission should consider KPP's request from the position of what is the best
20 solution in totality; i.e., a project that benefits the public interest as a whole as opposed
21 to only a particular entity. Accordingly, from the cost/rate perspective, a project that
22 is the "least cost option" to the public in general should prevail, which means that
23 KPP's project should not be approved by the Commission.

PART III - ANALYSIS

i. The Analysis Supporting the Kingman Direct Connection Project is Incomplete

Q. Is KPP's conclusion that the Kingman Direct Connection project is in the public interest based on the public interest standard applicable in Kansas?

A. No. It is based solely on Mr. Holloway's analysis showing that the KPP-proposed option provides the best solution to the City of Kingman and KPP.

Q. Should the Commission make its decision about whether or not to grant the Certificate of Convenience and Authority to the KPP based on KPP's analysis?

A. No. Mr. Holloway's conclusion only considers the interests of KPP and its member utilities, including Kingman. In evaluating KPP's Application for a Certificate of Convenience and Authority, it is my understanding that the Commission is tasked with assuring that the public convenience and necessity are being promoted, not the interests of a single party.³ Moreover, although I am not a lawyer, I am aware that the Kansas Supreme Court has stated "[i]n determining whether such certificate of convenience should be granted, the public convenience ought to be the Commission's primary concern, the interest of public utility companies already serving the territory secondary, and the desires and solicitations of the applicant a relatively minor consideration."⁴ The analysis provided by KPP is extremely one-sided, and it does not provide the Commission with an adequate assessment of the public convenience or the interest of the public utility that is already serving the territory. It instead focuses primarily on the "desires and solicitations of the applicant." As such, I do not believe it provides the

³ K.S.A. 66-1,171(e) and the Kansas Supreme Court in *Central Kansas Power Co. v. State Corp. Comm 'n*, 206 Kan. 670, 676, 482 P.2d 1, 6-7 (1971).

⁴ The Kansas Supreme Court in *Central Kansas Power Co.* at 677, citing *Kansas Gas & Electric Co. v. Public Service Comm 'n*, 122 Kan. 462, 251 P.2d 1097, 1099.

Commission with adequate information sufficient to determine whether the proposed project promotes the public convenience and necessity.

Q. According to KPP, what is the impact of Kingman Direct Connection to parties other than Kingman and KPP?

A. KPP does not engage in this discussion, but rather limits all focus to the KPP/Kingman customers and “local area.” Further, KPP wrongfully asserts that granting the certificate will have no effect on retail electric suppliers.⁵ In fact, quite the opposite is true, as construction of the Kingman Direct Connection will affect the rates of customers of other retail electric suppliers; rates paid by KPP for service to its members; as well as rates paid by other wholesale suppliers that serve retail consumers.

Q. Whose rates will be affected by KPP’s proposed Kingman Direct Interconnect project?

A. Besides the City of Kingman and the other KPP members, the Kingman Direct Connection project, if approved, will impact the rates of the following ratepayers:

- Southern Pioneer’s retail customers.
- Southern Pioneer’s other LADS wholesale customers (including KPP) and their respective retail loads.⁶
- Other retail and wholesale customers in the Mid-Kansas transmission pricing zone.

⁵ Direct Testimony of Larry W. Holloway, Page 30, Lines 8-14.

⁶ See next page 11 for a list of all Southern Pioneer’s LADS customers.

ii. **The Kingman Direct Connection Project Is Not the Least Cost Option to Kansas Ratepayers**

Q. Please explain how the rates of the aforementioned customers would be affected by the Kingman Direct Connection project. Please begin by explaining the impact on the rates paid by the retail and wholesale customers served off Southern Pioneer’s 34.5kV sub-transmission system.

A. First, it should be recapped that Southern Pioneer’s 34.5kV sub-transmission system’s total load is composed of its own retail load as well as wholesale LADS customers’ load. The latter includes the Kansas Municipal Energy Agency (“KMEA”), KPP (represented by City of Kingman, City of Greensburg, and Greensburg Wind Farm), Kansas Electric Power Cooperative, Inc. (“KEPCo”), and the City of Isabel. Kingman’s load makes up 19 percent (73,951 kW out of 385,073 kW) of Southern Pioneer’s wholesale LADS load and 8 percent (73,951 kW out of 922,136 kW) of Southern Pioneer’s total 34.5kV system load.⁷ Construction of the Kingman Direct Connection would mean that Kingman’s load would drop off the Southern Pioneer 34.5kV system. The load decrease on Southern Pioneer’s 34.5kV sub-transmission system caused by Kingman’s load exit would result in an 8.5 percent *rate increase* for Southern Pioneer’s retail and the remaining wholesale LADS customers. See the following Table 1.⁸

⁷ Based on billing demand as utilized in Southern Pioneer’s currently pending 2018 34.5kV FBR filed in Docket No. 18-SPEE-477-RTS, which uses 2017 demand on Southern Pioneer’s 34.5kV system as reported by Mid-Kansas (adjusted for losses). Note that, per Stipulation and Agreement approved by the Commission in the 15-SPEE-161-RTS Docket, Southern Pioneer’s 34.5kV FBR uses Kingman’s actual Coincident Peak (“CP”) demand but without the “behind meter generation.” (When assessed the resultant LADS rate, Mid-Kansas bills Kingman for a 6MW reservation, not for the actual CP demand.)

⁸ Table 1 shows the rate impact of Kingman’s load loss based on the most recent 2017 Test Year used to calculate the currently pending LADS rate filed in the 18-SPEE-477-RTS Docket. Performing the same calculation using the currently effective LADS rate filed and approved in the 17-SPEE-476-TAR Docket based on the 2016 Test Year results in an 8.3 percent impact; thus showing that the difference between using the 2017 and 2016 data is insignificant. Also note that the LADS rate used is “unadjusted” vs. “net”; i.e., it includes Southern Pioneer’s Property Tax Surcharge. Lastly, although Southern Pioneer retail customers do not pay the LADS rate explicitly on a \$/kW, they are assessed an equivalent \$/kWh rate adjustment based on the LADS.

Table 1

| Impact of Kingman's Load Loss on Southern Pioneer's 2018 LADS Rate | | |
|---|-------------------------------------|--|
| | As Filed/ Load Unchanged | With Kingman's Load Removed |
| Total Net Revenue Requirements (\$) | 5,109,736 | 5,109,736 |
| Divided By Total System Billing Demand (kW) | 922,136 | 849,845 |
| Unadjusted LADS Rate (\$/kW-mo.) ¹ | 5.54 | 6.01 |
| Difference (\$) | | 0.47 |
| Difference (%) | | 8.5% |
| ¹ <i>Before subtracting Property Tax Surcharge</i> | | |

Q. Would Kingman's exit provide an inherent benefit by allowing for additional capacity to become available on Southern Pioneer's system?

A. No. Southern Pioneer experienced load reduction on its 34.5kV system over the past three years. Its total 34.5kV system load decreased 2 percent from 2015 to 2016, and 4 percent from 2016 to 2017. Thus, given the fact that Southern Pioneer is not "suffering" from a congested system to begin with, an additional load loss is an impairment, not a benefit.

Q. Would the Kingman Direct Connection have any other impact on the rates paid by customers taking SPP transmission service in the Mid-Kansas pricing zone besides this shifting of cost recovery to them and away from Kingman?

A. Yes. Some portion of the costs of the Kingman Direct Connection would also be paid by other western Kansas customers outside of the City of Kingman.

Q. Please explain.

A. Although KPP states that it will pick up the costs to construct its proposed facilities, it also states it intends to place "...applicable portions of the Kingman Direct Connection and Kingman's existing 34.5 kV line under the SPP OATT."⁹ If KPP is successful at

⁹ Direct Testimony of Larry W. Holloway, Page 24, Lines 1-3. Additionally, in its response to Staff's Information Request No. 15 issued in the instant Docket, KPP noted it believes that the addition of another wholesale load

1 accomplishing the latter and considering the origin and/or voltage criteria of the project
2 (proposed outside of SPP planning process, voltage less than 100kV on the low side of the
3 transformer), the corresponding Annual Transmission Revenue Requirement (“ATRR”)
4 would most likely be considered 100 percent zonal. The result then would be an increase
5 in the total zonal ATRR paid by all wholesale customers and their respective retail loads in
6 the Mid-Kansas transmission pricing zone.¹⁰ KPP is assessed only a small portion of these
7 total costs based on its Load Ratio Share, currently at less than 3 percent (see the following
8 Table 2). Therefore, if the Kingman Direct Connection project is approved by the
9 Commission, KPP will have: 1) successfully avoided paying for its equitable share of the
10 cost to provide its member service on the local delivery system and 2) effectively achieved
11 free transmission service by building duplicate transmission facilities, forcing Kansas
12 ratepayers to pay for the cost of such facilities that only benefit the City of Kingman. It
13 would also force the public to pay for a project with a higher cost than the SemCrude
14 Substation Upgrade. So not only does it shift costs, it shifts the higher costs. This doubly
15 impacts the Southern Pioneer customers because not only will their rates increase as a result
16 of cost recovery shifting caused by the lost load, they will also pay for the Kingman Direct
17 Connection project by virtue of the SPP OATT zonal allocation.

24 other than the City of Kingman on the Kingman Direct Connection would qualify all Kingman Direct Connection
25 and Kingman 34.5kV facilities as transmission under the SPP OATT.

¹⁰ *Ibid.* Note that in its response, KPP also acknowledges the applicable SPP OATT funding would be zonal.

Table 2

Mid-Kansas Transmission Zone Load Ratio Shares*

| <u>Customer</u> | <u>Annual Average (kW)</u> | <u>LRS (%)</u> |
|-----------------|----------------------------|----------------|
| MKEC Members | 338,031.9 | 65.35% |
| KMEA | 63,926.3 | 12.36% |
| KEPCo | 99,402.0 | 19.22% |
| KPP | 13,938.0 | 2.69% |
| Westar | 557.2 | 0.11% |
| Sunflower | 1,419.4 | 0.27% |
| | 517,274.8 | 100.00% |

**Source - Mid-Kansas*

Q. How is KPP describing the impact of Southern Pioneer’s SemCrude Substation Upgrade alternative to its Kingman Direct Connection?

A. KPP asserts that adopting Southern Pioneer’s SemCrude Substation Upgrade, which is only necessitated due to KPP’s own needs, results in an “unacceptable financial outcome for KPP” because KPP is required to “pay for most of the necessary upgrades and then to also pay increased [LADS] charges.”¹¹ This is yet another example of a very one-sided assessment that disregards the impact on the public in general and makes it sound as though Southern Pioneer is doing something inequitable by requiring KPP to pay for most of the upgrades benefiting the City of Kingman.

First of all, KPP downplays the fact that the total project costs for the SemCrude Substation Upgrade are, in fact, significantly less than those for the Kingman Direct Connection.¹² Under the “Or” pricing methodology that Southern Pioneer is directed to follow pursuant to the 11-

¹¹ Direct Testimony of Larry W. Holloway, Page 14, Lines 8-10.

¹² As validated in the Direct Prefiled Testimony of Erik Sonju of PSE filed in the instant Docket on behalf of Southern Pioneer (and further commented on by Al Tamimi and Davis Rooney of Mid-Kansas, whose Direct Prefiled Testimony is also being submitted in the instant Docket on behalf of Southern Pioneer).

1 597 Docket S&A, its retail consumers and the remaining wholesale LADS customers (which
2 includes KPP's own City of Greensburg and Greensburg Wind Farm) would only share in the
3 balance of the SemCrude Substation Upgrade's total costs after the Kingman's direct-assigned
4 portion is paid by KPP.¹³ Furthermore, since SemCrude Substation Upgrade project's cost
5 recovery would only take place among the users of the Southern Pioneer's 34.5kV system, the
6 rates paid by the retail and wholesale customers in the Mid-Kansas transmission pricing zone
7 would remain unaffected. Clearly, the SemCrude Substation Upgrade alternative is less costly
8 to Kansas ratepayers as a whole.

9 As for the statement that KPP pays the cost for most of the necessary upgrades under the
10 SemCrude Substation Upgrade option, the reason Kingman/KPP is assigned a greater portion
11 of the SemCrude Substation Upgrade project's total costs is not an example of an unduly and
12 discriminatory practice; but, rather, it is a fair way of allocating the costs under the "Or" pricing
13 policy that Southern Pioneer was required to implement and KPP agreed to in the Settlement
14 approved by the Commission in the 11-597 Docket. The Direct Prefiled Testimony of Randall
15 Magnison of Southern Pioneer, filed in the instant Docket, further addresses common cost
16 allocation and specifically the "Or" pricing methodology. To the extent KPP considers
17 Southern Pioneer's LADS rate unacceptable, it should be pointed out that LADS rates undergo
18 an annual review by the Commission and other stakeholders, including KPP, in the
19 Commission-approved 34.5kV FBR. Accordingly, each year, the resultant LADS rate charged
20 to Southern Pioneer's wholesale LADS customers has been found to be just and reasonable by
21 the Commission.

22
23 ¹³ Pricing for direct-assigning the cost of upgrades to Southern Pioneer's 34.5kV facilities related to the service to
24 the City of Kingman, as agreed upon in the Stipulation and Agreement approved by the Commission in the 11-
25 597 Docket.

Additionally, although KPP pays more LADS charges for more service, the amount of direct assigned facilities is reduced by the value of those charges in the "Or" pricing. KPP is not paying twice.

1 Lastly, per KPP's complaint that, under the SemCrude Substation Upgrade, in addition to
2 paying its direct-assigned share, it would have "...then to also pay increased LAC charges,"
3 it should be noted that KPP's calculation of the cost impact of SemCrude Substation Upgrade
4 on KPP is based on the currently effective LADS rate (escalated at a given percentage for
5 future years).¹⁴ Therefore, it seems to ignore the fact that eliminating the existing import
6 limitation for Kingman would result in greater billing determinants being used to calculate
7 Southern Pioneer's LADS rate (as currently, the behind the meter demand is not being
8 accounted for in Kingman's total load used in LADS rate calculation), thus lowering the rate.
9 If, however, KPP's verbiage of "increased LAC charges" is merely meant to reflect the fact
10 that now Mid-Kansas would apply the LADS rate to a greater demand for Kingman (i.e., not
11 necessarily higher per unit LADS rate but higher total cost since \$/kW rate is multiplied by
12 more kW), then this statement is unwarranted, as it is KPP that wishes to import/export higher
13 demand than its current 6MW reservation. This is not something that is being forced upon
14 KPP but would simply result from its desire to increase the import/export capabilities.

15 **iii. The Kingman Direct Connection Project Is Not in the Public Interest.**

16 **Q. Given the above analysis comparing the cost/rate impacts of both alternatives on various**
17 **groups of customers, what do you recommend to the Commission?**

18 A. I recommend the Commission deny KPP's application because KPP's analysis provided in
19 support of the Kingman Direct Connection project fails to 1) support the primary purpose of
20 pursuing the convenience to the public from the cost/rate impact perspective and 2) achieve a
21 secondary goal of protecting the interest of the utility already serving the area. This failure is
22 evidenced by demonstrating that Southern Pioneer's SemCrude Substation Upgrade, which
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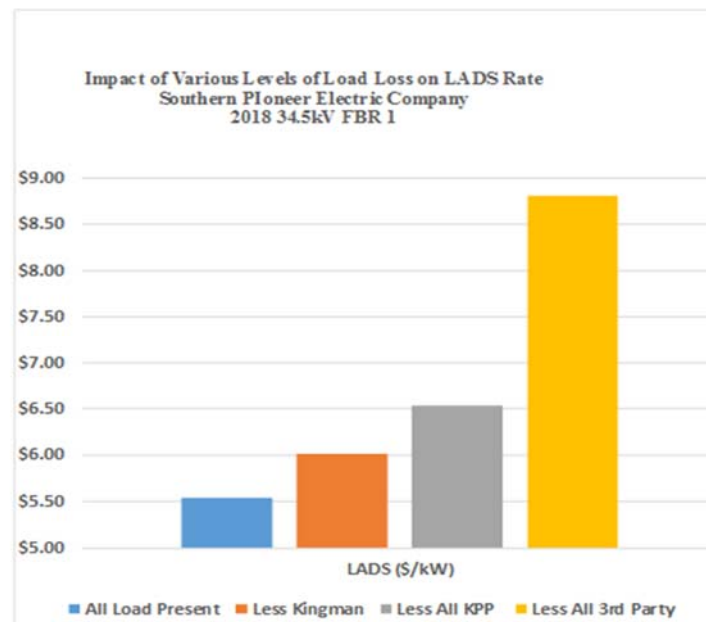
25 ¹⁴ Direct Testimony of Larry W. Holloway, Exhibit LWH-3, Page 9 of 17, Table 6.

1 was the result of an integrated and Commission-approved planning process, provides for a
2 more efficient, least cost option to the public as a whole.

3 **Q. Do you have any additional comments for the Commission to consider?**

4 A. Yes. The Commission should be aware that if it were to grant KPP the certificate to move
5 forward with the Kingman Direct Connection, the Commission will be setting a new precedent
6 for Kansas that could encourage other wholesale customers to follow suit in disregarding the
7 local planning process and building duplicate facilities effectively free of cost to the wholesale
8 customer, solely to avoid paying for the equitable cost to be served on the local delivery system.
9 If this happens, it will harm Kansas ratepayers. Consider the following Chart 1 and Table 3
10 example that summarizes the impact on Southern Pioneer's LADS rate caused by various
11 levels of wholesale load desertion. In addition to causing an almost 9 percent total system rate
12 increase for Southern Pioneer's other customers, the loss of Kingman's load also has a potential
13 to escalate if more load were to leave. The 34.5kV local delivery system was built and is
14 planned on to serve both retail and wholesale customer loads on a long-term basis; but,
15 increasingly, retail customers would be left paying the cost. Such a result should be avoided -
16 -- not facilitated -- by the Commission, consistent with past policies and practices.

Chart 1



¹ LADS rate is the unadjusted amount that includes property tax surcharge. Southern Pioneer's 2018 34.5kV FBR is filed in the Docket No. 18-SPEE-476-RTS.

Table 3

| Impact of Various Levels of Load Loss on LADS Rate Southern Pioneer Electric Company 2018 34.5kV FBR (2017 TY) | | | | |
|--|------------------|--------------|--------------|--------------------|
| | All Load Present | Less Kingman | Less All KPP | Less All 3rd Party |
| Unadjusted LADS (\$/kW)¹ | 5.54 | 6.01 | 6.53 | 8.81 |
| Incremental Difference (\$/kW) | | 0.47 | 0.52 | 2.28 |
| Incremental Difference (%) | | 8.5% | 8.6% | 34.9% |
| Cumulative Difference (\$/kW) ² | | 0.47 | 0.99 | 3.27 |
| Cumulative Difference (%) ² | | 8.5% | 17.9% | 59.0% |
| Total Billing Demand (kW)³ | 922,136 | 849,845 | 782,270 | 579,794 |
| Incremental Difference (kW) | | (72,292) | (67,575) | (202,476) |
| Incremental Difference (%) | | -7.8% | -15.2% | -37.1% |
| Cumulative Difference (kW) | | (72,292) | (67,575) | (202,476) |
| Cumulative Difference (%) | | -7.8% | -15.2% | -37.1% |
| Wholesale Portion of the Total Demand (kW) | 385,073 | 325,870 | 208,731 | |
| Load Ratio Share - Wholesale (%) | 41.8% | 38.3% | 26.7% | - |
| Retail Portion of the Total Demand (kW) | 537,063 | 523,974 | 573,539 | 579,794 |
| Load Ratio Share - Retail (%) | 58.2% | 61.7% | 73.3% | 100.0% |

¹ Represents unadjusted LADS rate; i.e., before subtracting Property Tax Surcharge. For unadjusted LADS rate under the "All Load Present" scenario, see Line 38 value on Page 1 in Exhibit 3-B in Docket No. 18-SPEE-476-RTS. Unadjusted LADS rates for the remaining scenarios were calculated in the similar fashion using updated total billing demand.

² Compared to "All Load Present" scenario.

³ From Mid-Kansas (with wholesale kW before loss, retail kW after loss, as used in 34.5kV FBR). The initial LRS for wholesale does not match the cumulative difference for "Less All 3rd Party" due to the fact that each time the additional load drop is modeled, peak dates/times may change, thus slightly changing each wholesale customer's contribution to the peak.

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

2 A. I recommend the Commission reject KPP's Application for a Transmission Rights Only

3 Certificate of Convenience and Authority for the Kingman Direct Connection.

4 **Q. Does this conclude your prefiled Direct Testimony?**

5 A. Yes, it does.

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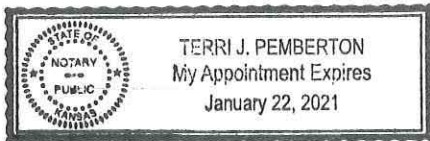
VERIFICATION OF ELENA LARSON

STATE OF KANSAS)
) ss
SHAWNEE COUNTY)

The undersigned, Elena Larson, upon oath first duly sworn, states that she is an employee of Power System Engineering, Inc., and that the foregoing testimony was prepared by her or under her supervision, that she is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of her knowledge and belief.

Elena Larson
Elena Larson

Subscribed and sworn to before me this 7th day of July, 2018.



Terri J. Pemberton
Notary Public

My appointment expires: 1/22/21