

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

**In the Matter of the Annual Filing of            )**  
**Southern Pioneer Electric Company            )**            **Docket No. 16-SPEE-497-RTS**  
**To Make Certain Changes to Its Charges    )**  
**For Electric Service Pursuant to the Debt )**  
**Service Coverage Formula Based            )**  
**Ratemaking Plan Approved in Docket    )**  
**No. 13-MKEE-452-MIS                            )**

**DIRECT TESTIMONY**

**PREPARED BY**

**CHAD UNREIN**

**UTILITIES DIVISION**

**KANSAS CORPORATION COMMISSION**

**June 30, 2016**

1 **Q. Would you please state your name?**

2 A. My name is Chad Unrein.

3

4 **Q. What is your business address?**

5 A. My business address is the Kansas Corporation Commission, 1500 Southwest

6 Arrowhead Road, Topeka, Kansas, 66604.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Kansas Corporation Commission (Commission) as a Regulatory

10 Auditor.

11

12 **Q. Would you please describe your educational background and business  
13 experience?**

14 A. In May of 2010, I graduated with honors from Washburn University with a Master's

15 degree in Business Administration. Prior to my MBA, I earned a Bachelor's of

16 Business Administration with an emphasis in Accounting and a Gold-tiered Certificate

17 in Leadership Studies from Washburn University in 2004. Upon graduation, I was

18 promoted from an Intern to an Associate Accountant in the Financial Reporting

19 Department of Westar Energy with various responsibilities for FERC Regulatory

20 Reporting, managerial reporting, and developing financial analysis for presentations to

21 Westar's Board of Directors. In 2005, I was promoted to the position of Risk

22 Management Analyst in Westar's Risk Management Department, which is responsible

23 for the oversight of Westar's asset and non-asset based energy marketing portfolios.

1 My primary responsibilities in this position included counterparty credit analytics,  
2 virtual transaction reporting, and serving as Secretary for the Risk Oversight  
3 Committee. In 2006, I accepted a position at Security Benefit Group as a Portfolio  
4 Performance Analyst in their Asset Management Department. I performed a variety of  
5 benchmarking data analysis, risk/return analysis, and portfolio risk assessments. I  
6 began my employment with the Commission as a Regulatory Auditor in January of  
7 2014. Throughout my career, I have participated in continued education  
8 seminars/conferences on Accounting for Utilities, RTO Settlements, Risk and Credit  
9 Analytics, Decision Making under Uncertainty, and Ratemaking.

10

11 **Q. Have you ever testified before the Commission?**

12 A. Yes, I filed testimony in Docket Nos. 14-SPEE-507-RTS, 14-BHCG-502-RTS, 14-  
13 MRGT-097-KSF, 15-SPEE-519-RTS, 15-SPEE-161-RTS, 15-KCPE-116-RTS, and  
14 16-MKEE-023-TAR.

15

16 **Q. What were your responsibilities in the review of the Application filed in Docket**  
17 **No. 16-SPEE-497-RTS (16-497 Docket)?**

18 A. My responsibilities as the lead auditor in the 16-497 Docket were to analyze, audit, and  
19 review Southern Pioneer Electric Company's (Southern Pioneer) Debt Service  
20 Coverage Formula Based Rate (DSC-FBR) Application. I examined the Company's  
21 filing for accuracy and adherence to regulatory accounting principles and determined  
22 whether the filed Application followed the DSC-FBR Plan Protocols (Protocols)  
23 approved in Docket No. 13-MKEE-452-MIS (13-452 Docket). I was responsible for

1 making any necessary adjustments to Southern Pioneer's DSC-FBR formula rate inputs  
2 and ensuring the resulting rate was just and reasonable to Southern Pioneer's customer  
3 base. All of my responsibilities were carried out under the direction of Justin Grady,  
4 Chief of Accounting and Financial Analysis.

5  
6 **Q. Would you please provide the audit steps used by Staff in analyzing the Southern**  
7 **Pioneer Application?**

8 A. Southern Pioneer provided electronic copies of all the Exhibits and additional work  
9 papers used to calculate the DSC-FBR formula to all participating parties in this case.  
10 Staff reviewed and analyzed all of these documents, issued discovery, and participated  
11 in a Technical Conference on June 14<sup>th</sup> and status call on June 23<sup>rd</sup> between Southern  
12 Pioneer and all of the intervening parties in this Docket. Staff verified that all the  
13 historical data was correctly transferred from Southern Pioneer's 2014 Form 7 and all  
14 allocation factors used within Exhibit 3 were calculated correctly based on the DSC-  
15 FBR Protocols. Staff additionally reviewed all adjustments made to the historical test  
16 year and the methodology used in allocating the rate reduction among various customer  
17 classes.

18 It should be noted that many of the Exhibits provided in support of the DSC-FBR  
19 Plan are most useful in Staff's review of the DSC-FBR over a multi-year period. For  
20 instance, Exhibits which relate to the level of Southern Pioneer payroll expense or  
21 identify directly assigned costs from Pioneer to Southern Pioneer may serve more of a  
22 purpose in analyzing the trends in these cost items overtime, as opposed to identifying  
23 individual costs in any one filing which may be inappropriate for ratepayer recovery.

**EXECUTIVE SUMMARY**

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

A. The purpose of my testimony is to offer explanation and support for 3 Staff adjustments to the DSC-FBR calculation proposed by Southern Pioneer. Staff Adjustment No. 1 is recommending the Commission disallow an additional \$8,257 related to Southern Pioneer's Advertising, Dues, and Donations. Staff Adjustment No. 2 corrects revenue annualization adjustment from Southern Pioneer's Errata Application. Finally, Staff Adjustment No. 3 properly recognizes a one-time payment related to a Kansas Electric Power Cooperative (KEPCo) billing error connected to the 34.5 kV transmission system. Through the processes established in the DSC-FBR Protocols, Staff has worked proactively with Southern Pioneer and CURB to find consensus regarding these adjustments and all parties concur with Staff's recommended adjustments. These adjustments were necessary to correctly calculate rates under the DSC-FBR Template and Protocols. Staff is sponsoring three adjustments as well as four additional Staff Exhibits.<sup>1</sup> A summary of Staff's Adjustments are listed in the table below.<sup>2</sup>

<b>Adjustment No.</b>	<b>Description</b>	<b>Adjustment Amount</b>
[1]	Advertising, Dues, and Donations Adjustment	\$ (8,257)
[2]	Revenue Annualization Adjustment	\$ 43,571
[3]	Revenue Recognition of KEPCo CMS Delivery Point Billing Error (KEPCo billing error)	\$ 198,323

<sup>1</sup> Exhibits CCU-1 through CCU-4 are attached at the end of my testimony.

<sup>2</sup> The table containing the three adjustments was calculated based on Southern Pioneer's Exhibit 3: DSC-FBR template provided in the Errata to the initial Application on May 13, 2016.

1 **Q. Would you please discuss the impact that the three adjustments have on the**  
2 **calculated DSC-FBR revenue requirement in the 16-497 Docket?**

3 A. Southern Pioneer requested a revenue requirement increase of \$679,308 or 1.18% in  
4 the Company's initial DSC-FBR Application. Southern Pioneer subsequently issued  
5 an Errata to the filed Application on May 13, 2016, which raised the proposed revenue  
6 requirement increase to \$735,917 or 1.27%. After incorporating the adjustments above  
7 into the DSC-FBR template, Staff is recommending an \$113,218 increase to the  
8 proposed revenue requirement increase, totaling \$849,135 or 1.47%.

9

10 **Q. Would you please discuss the impact these adjustments have on the 34.5 kV**  
11 **Formula Based Rate (34.5 kV FBR) filed in Docket No. 16-SPEE-501-TAR (16-**  
12 **501 Docket)?**

13 A. When incorporating the three adjustments into Southern Pioneer's 34.5 kV FBR, the  
14 revenue requirement is offset mainly due to the recognition of the one-time payment by  
15 KEPCo for a billing error and its recognition in the 34.5 kV FBR template. In the 16-  
16 501 Docket, Southern Pioneer's initial Application included a total net revenue  
17 requirement of \$4,591,995, which resulted in a Local Access Delivery Service (LADS)  
18 rate of \$4.41/kilowatt (kW), a decrease of \$0.10/kW over the rate approved by the  
19 Commission in Docket No. 16-SPEE-161-TAR. On May 13, 2016, Southern Pioneer  
20 filed an Errata to its 34.5 kV FBR Application in the 16-501 Docket with a revised  
21 revenue requirement of \$4,597,178, which resulted in Local Access Charge (LAC) of  
22 \$4.37kW, a further reduction of \$0.04/kW. After incorporating Staff's adjustments  
23 into the 34.5kV-FBR template, the revenue requirement is reduced by \$173,644, which

1 results in a net revenue requirement of \$4,423,534 or a LAC of \$4.19/kW in the 16-501  
2 Docket.

3

4 **Q. Would you please provide a summary of the remainder of your testimony?**

5 A. The following is a summary of my testimony.

6     ▪ A general overview of the Debt Service Coverage Formula Based Rate Plan and  
7 background information regarding Southern Pioneer's 34.5 kV FBR in the 16-501  
8 Docket.

9     ▪ A discussion of Staff's adjustments to the DSC-FBR Errata Application filed by  
10 Southern Pioneer and support for Staff's calculated revenue requirement of  
11 \$849,135.

12     ▪ A summary of the rate schedule allocation of the 2016 DSC-FBR revenue  
13 requirement to Southern Pioneer's retail customers.

14     ▪ A discussion of additional Staff recommendations regarding administration of the  
15 DSC-FBR and 34.5 kV FBR rates and future Southern Pioneer Applications.

16

17                   **OVERVIEW OF THE DSC-FBR PLAN & 34.5 kV FBR**

18 **Q. Would you please provide a general overview of the DSC-FBR Plan?**

19 A. Per Commission Order in the 13-452 Docket, Southern Pioneer's five-year pilot  
20 program was approved as an alternative ratemaking mechanism to adjust retail rates on  
21 an annual basis based on a formula for an allowed Debt Service Coverage (DSC) ratio.  
22 The purpose of the DSC-FBR Plan as stated in the DSC-FBR Protocols is to allow for  
23 timely adjustments to retail rates without the expense and regulatory lag related to

1 preparing and filing a full rate case every year before the Commission.<sup>3</sup> This

2 Application is the third annual filing under the DSC-FBR Plan.

3

4 **Q. Would you please provide an overview of the DSC formula?**

5 A. The DSC formula is based on Southern Pioneer's financial results as presented in the  
6 2015 December Financial and Statistical Report (Form 7) and trial balance utilizing the  
7 RUS Uniform System of Accounts. The definition of the modified DSC Ratio within  
8 the DSC-FBR Protocols is stated as:

9 "Debt Service Coverage Ratio" shall mean the ratio of: (1) the difference  
10 between(i) net income (after taxes and after eliminating any gain or loss on sale of  
11 assets or other extraordinary gain or loss), plus depreciation expense, amortization  
12 expense, interest expense; minus (ii) non-cash patronage and non-cash income  
13 from joint ventures; to (2) all principal payments due within the period on all  
14 Long-Term Debt plus interest expense (all as calculated for the twelve month  
15 period ending with the end of the quarter in which the calculation is being made in  
16 accordance with GAAP consistently applied)<sup>4</sup>."

17

18 This definition was derived from CoBank's method for calculating DSC ratios in  
19 Southern Pioneer's Credit Agreement. The loan covenant requires Southern Pioneer to  
20 maintain a minimum unadjusted DSC ratio of 1.35<sup>5</sup> for a rolling 12-month period  
21 measured at each fiscal quarter. The target adjusted DSC ratio within the DSC-FBR  
22 Protocols is 1.75.

23

24

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<sup>3</sup> See DSC-FBR Protocols, Section A.

<sup>4</sup> See Richard J. Macke testimony in Docket 13-MKEE-452-MIS. CoBank allows Southern Pioneer to add cash capital credits and non-cash deferred income taxes to net income for the purpose of calculating the DSC ratio and included in the DSC-FBR template.

<sup>5</sup> See Exhibit CCU-4 Credit Agreement Amendments, Fourth Amendment, Section 2 (b), page 1-2.



1 **Q. Would you please describe the adjustments allowed within the DSC-FBR**  
2 **Protocols used in calculating the adjusted DSC ratio?**

3 A. A limited number of adjustments are allowed within the DSC-FBR Protocols (see  
4 Section E.1). Adjustments made to the historical Test Year filed within the  
5 Application include:

- 6       ▪ An adjustment to annualize operating revenue and property tax revenue to the  
7       known and measurable rate increase approved by the Commission in Docket  
8       No. 15-SPEE-519-RTS (15-519 Docket) and Docket No. 15-SPEE-267-TAR.
- 9       ▪ An adjustment to remove all revenue and expenses associated with Southern  
10      Pioneer's 34.5 kV facilities.
- 11      ▪ An adjustment to Tax Expense-Other, accounting for only the cash taxes that  
12      were paid by Southern Pioneer during the Test Year.
- 13      ▪ An adjustment to reflect the interest expense on long-term debt for the 2016  
14      budgeted calendar year.
- 15      ▪ An adjustment to reflect the interest expense on short-term debt for the 2016  
16      budgeted calendar year.
- 17      ▪ An adjustment to debt service payments that reflects both interest and principal  
18      payments expected for the 2016 budgeted calendar year.
- 19      ▪ An adjustment to total assets to reflect expected asset growth during the 2016  
20      budgeted calendar year.

21

1 **Q. Would you please provide a historical background as it relates to the Southern**  
2 **Pioneer's 34.5 kV FBR Plan in the 16-501 Docket?**

3 A. In Docket No. 16-MKEE-023-TAR, the Commission approved separate 34.5 kV FBR  
4 Plans covering the costs related to the operation of the 34.5 kV transmission systems of  
5 Southern Pioneer, Prairie Land, Victory, and Western, which are member-owners of Mid-  
6 Kansas.<sup>6</sup> Southern Pioneer's 34.5 kV FBR is a three-year formula based ratemaking plan,  
7 which includes the annual recovery of the revenue requirement associated with Southern  
8 Pioneer's 34.5 kV sub-transmission system. Staff's recommendation for Southern  
9 Pioneer's 34.5kV-FBR included a similar methodology to the DSC-FBR, which includes  
10 identical adjustment mechanisms and a yearly true-up for expenses that are based on  
11 Southern Pioneer's yearly budget. The 34.5 kV Protocols established a formula for  
12 annually calculating an LAC for third-party wholesale customers that utilize Southern  
13 Pioneer's 34.5 kV facilities and allocates the remaining revenue requirement to Southern  
14 Pioneer's retail customers based on both wholesale and retail load's respective  
15 contribution to 12-month coincident peak demand. The 34.5 kV FBR Plan works in  
16 combination with the DSC-FBR Ratemaking Plan incorporating identical costs based on  
17 the Company's Form 7 with limited adjustments and encompasses Southern Pioneer's  
18 entire costs with separately calculated revenue requirements based on Southern Pioneer's  
19 allocated costs structure. Because of the interrelated nature of the cost structure necessary  
20 to provide distribution service and local access service, adjustments to the DSC-FBR will  
21 affect the results of the 34.5 kV FBR, and vice versa.

22

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<sup>6</sup> Pioneer Electric Cooperative is one of five member-owners of Mid-Kansas. Southern Pioneer is a not-for-profit corporation, wholly owned by Pioneer Electric Cooperative.



1 **Q. Would you please summarize Staff's Revenue Annualization Adjustment No. 2?**

2 A. Staff Adjustment No. 2 corrects the revenue annualization adjustment by increasing the  
3 adjustment by \$43,571, which increased the revenue annualization to \$431,739. The  
4 adjustment had an impact on both Southern Pioneer's operating revenue and income  
5 tax, and the correction reduced the revenue requirement by \$56,609. The adjustment is  
6 label as adjustment [2] and color coded in yellow in Staff Exhibit CCU-1.

7 In Southern Pioneer's filed Application, the Company used a generalized approach  
8 to annualizing all company revenue from January through July of 2015. Staff issued  
9 discovery<sup>8</sup> regarding the issues of revenue recognition and found Southern Pioneer  
10 should have annualized revenue from January through August of 2015 since its rates  
11 from the 15-519 Docket went into effect on July 1, 2015. Because Southern Pioneer  
12 uses a cycle billing process, the Company's adjustment would normally reflect a one-  
13 month lag for the rate increase approved in the 15-519 Docket to become effective  
14 across the entire customer base. However, one billing cycle identified as Cycle 25 was  
15 billed correctly at the new rate throughout the month of July. To correct the error in  
16 the DSC-FBR, Staff annualized Southern Pioneer's kilowatt hour (kWh) sales for the  
17 month of August and deducted the kWhs sold for Cycle 25 (20,887,553 kWh) during  
18 the for the month of August. Staff's corrected annualization adjustment increased the  
19 annual kWh sales by 33,245,138 kWh, which decreased the revenue requirement by  
20 \$56,609.

21

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<sup>8</sup> See Exhibit CCU-4 – Staff Data Request No. 17: Revenue Annualization

1 **Q. Would you please provide a brief background concerning the KEPCo billing**  
2 **error?**

3 A. Through discussions with KEPCo and Southern Pioneer, Staff has learned the  
4 following regarding this billing error: In November 17, 2010, a metering point was  
5 taken out of service for maintenance. It was placed back into service November 22,  
6 2010. The Current Transformer ratio or CT ratio was reprogrammed from 25:1 to 50:1  
7 but there was a communication error, and the meter and pulse multipliers were  
8 never updated in the Sunflower Electric meter interrogation software. This error  
9 caused KEPCO's meter readings to record only half of the power consumed, until  
10 KEPCo identified and self-reported the error in September of 2014.

11

12 **Q. Would you please provide the resolution KEPCo, Mid-Kansas and Southern**  
13 **Pioneer used in order to correct the billing error?**

14 A. First, KEPCo agreed to make a one-time payment, to include interest from November  
15 2010 - September 2014, to Southern Pioneer for LAC and Property Tax Surcharge  
16 under-billings totaling \$198,323. Second, KEPCo agreed to make 35 monthly  
17 payments, to include interest from November 2010 - September 2014, totaling  
18 \$3,061,984.47, for demand/energy KEPCo consumed to Mid-Kansas, who will credit  
19 against Southern Pioneer's monthly wholesale power bill, i.e. WHM -Power Supply,  
20 which would reduce purchased power costs ultimately reducing the retail Energy  
21 Cost Adjustment. For additional information, please see Staff Exhibit CCU-4:  
22 Response to Staff Data Request No. 16: KEPCo Billing Error.

23

1 **Q. Would you please summarize Adjustment No. 3 to Southern Pioneer's revenue**  
2 **recognition of KEPCo/CMS billing error?**

3 A. In Staff Adjustment No. 3, Staff reduces Southern Pioneer's operating revenue by  
4 \$198,323 in the DSC-FBR template. In January of 2015, Southern Pioneer booked  
5 revenue related to a one-time payment by KEPCo for a billing error that was related to  
6 the 34.5kV transmission system. Staff's Adjustment No. 3 removes this revenue from  
7 the DSC-FBR and can be found in Staff's Exhibit CCU-1, line 1, labeled as adjustment  
8 [3] and color coded in red. The DSC-FBR template was impacted by the reduction to  
9 operating revenue of \$198,323 for the test year, which reduced income taxes as well.  
10 The DSC-FBR revenue requirement impact was an increase of \$169,827. In order to  
11 correct the issue in the 34.5kV FBR, Southern Pioneer will credit this one-time  
12 payment against the 34.5kV transmission system's net revenue requirement and  
13 removed from operating revenue in line 1 of the DSC-FBR template.

14

15 **Q. What is the combined rate impact to the DSC-FBR revenue requirement after the**  
16 **recognition of the three adjustments discussed above?**

17 A. After reflecting these adjustments in the DSC-FBR rate template, the overall impact to  
18 the revenue requirement is an increase of \$113,218, for a total increase of \$849,135 or  
19 1.47%. Staff contends that this increase, as adjusted, will result in just and reasonable  
20 rates for Southern Pioneer's retail customers.

21



<b>SOUTHERN PIONEER ELECTRIC COMPANY</b>					
<b>Allocation of DSC-FBR Rate Adjustment to Rate Classes</b>					
<b>Line No.</b>	<b>Rate Schedule</b>	<b>Rate Schedule Revenue</b>	<b>DSC-FBR Base Revenue</b>	<b>FBR Adjustment</b>	<b>Change as Percent</b>
		(\$)	(\$)	(\$)	(%)
1	Residential Service (13-RS)				
2	General Use	15,768,066	7,636,672	342,821	2.2%
3	Space Heating	937,451	428,633	19,242	2.1%
4	General Service Small (13-GSS)	1,787,831	938,783	42,143	2.4%
5	General Service Large (13-GSL)	16,702,915	6,951,443	312,061	1.9%
6	General Service Space Heating	596,672	214,520	9,630	1.6%
7	Industrial Service (13-IS)	3,471,395	1,120,217	50,288	1.4%
8	Interruptible Industrial Service (13-INT)	-	-	-	N.A.
9	Real -Time Pricing (RTP)	(5,467,259)	-	-	N.A.
10	Transmission Level Service (13-STR)	23,263,116	671,536	15,618	0.1%
11	Municipal Power Service (13-M-I)	205,095	92,387	4,147	2.0%
12	Water Pumping Service (13-WP)	640,798	262,370	11,778	1.8%
13	Irrigation Service (13-IP-I)	308,410	145,904	6,550	2.1%
14	Temporary Service (13-CS)	19,574	11,302	507	2.6%
15	Lighting	1,039,269	765,137	34,348	3.3%
16	<b>Total Retail Rates</b>	<b>59,273,330</b>	<b>19,238,905</b>	<b>849,135</b>	<b>1.43%</b>

1

2



1 **ADDITIONAL STAFF RECOMMENDATIONS**

2 **Q. Does Staff have any additional recommendations for the Commission's**  
3 **consideration regarding the implementations of the rate and tariff changes?**

4 A. In the 16-479 Docket and the 16-501 Docket, Staff recommends the Commission order  
5 the new rates to go into effect on the same date for administrative efficiency. This  
6 would allow Southern Pioneer's rate-payers to have one rate change as the result of  
7 both Dockets. Additionally, the tariff for retail customers would include the impact of  
8 both Dockets and end with the filing of a single tariffed rate for each of the retail rate  
9 classes.

10

11 **Q. Does Staff have any additional recommendations for the Commission's**  
12 **consideration regarding administering the DSC-FBR and 34.5kV-FBR in a single**  
13 **docket in the future?**

14 A. Staff recommends that Southern Pioneer be permitted to file the DSC-FBR annual  
15 filing the 34.5 kV FBR annual update filing within one docket in the future. Allowing  
16 Southern Pioneer to combine the DSC-FBR and 34.5 kV FBR filings in one docket,  
17 will provide greater administrative efficiency as intended by the protocols. Staff,  
18 Southern Pioneer, and intervening parties will benefit from reduced duplication of data  
19 in the Application and during the discovery process. Such duplication has been  
20 evidenced by the parties' experience with the current 16-497 and 16-501 filings.  
21 Southern Pioneer would still have to follow both the DSC-FBR and 34.5kV-FBR  
22 Protocols and provide separate rate templates, but within the same docket. Staff and  
23 intervening parties would issue discovery identifying which set of protocols the

1 question references. The rate calculations and allocations are balanced between the  
2 DSC-FBR and 34.5kV-FBR, and the adjustments typically affect both rate calculations,  
3 as referenced in this testimony. Additionally, the eventual tariff rate for the ratepayers  
4 are a combination of the increase/decrease between the templates, and the consumer of  
5 the energy would experience greater transparency with a single notice of the  
6 anticipated rate changes in filing both FBRs. Additionally, the ratepayer should  
7 ultimately experience reduced rate-payer costs due to the administrative efficiency  
8 gained by processing combined filings versus two largely duplicative proceedings.

9

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

11 A. Yes.

12

1

**EXHIBITS**

2	<u>Exhibit No.</u>	<u>Description</u>
3	CCU-1	Staff's DSC-FBR Calculation
4	CCU-2	Rate Schedule Allocation
5	CCU-3	Advertising, Dues, and Donations Adjustment
6	CCU-4	Staff Discovery & Workpapers

STATE OF KANSAS                    )  
  ) ss.  
COUNTY OF SHAWNEE            )

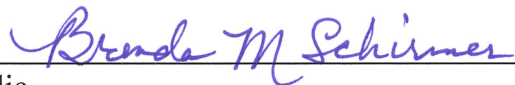
**VERIFICATION**

Chad Unrein, being duly sworn upon his oath deposes and says that he is a Regulatory Auditor for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Direct Testimony* and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



\_\_\_\_\_  
Chad Unrein, Regulatory Auditor  
State Corporation Commission of the  
State of Kansas

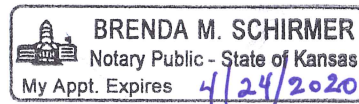
Subscribed and sworn to before me this 30th day of June, 2016.



\_\_\_\_\_  
Notary Public

My Appointment Expires:

4/24/2020



**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC FORMULA BASED RATE**

ITEM	UNADJUSTED HISTORICAL TEST YEAR [2015]		ADJUSTMENTS		STAFF ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR [2015]	DISTRIBUTION ALLOCATION FACTOR	DSC-FBR	34.5 kV Total System
	(\$)	Reference	NO.	AMOUNT (\$)	NO.	AMOUNT	(\$)	see Workpaper 1	(\$)	
1.	<b>A. STATEMENT OF OPERATIONS</b>									
2.	Operating Revenue and Patronage Capital	61,904,720	F7, Pt. A, Col. B	[1]	431,739	[2&3]	62,336,459	Direct (E.3.a)	57,608,285	4,728,175
3.	Power Production Expense	-	F7, Pt. A, Col. B				-	0.0000	-	
4.	Cost of Purchased Power	40,379,199	F7, Pt. A, Col. B				40,379,199	1.0000	40,379,199	
5.	Transmission Expense	1,123,753	F7, Pt. A, Col. B				1,123,753	0.0000	-	
6.	Regional Market Expense	-	F7, Pt. A, Col. B				-	0.0000	-	
7.	Distribution Expense - Operation	3,469,012	F7, Pt. A, Col. B	[2-a]	(23,637)		3,445,375	1.0000	3,445,375	
8.	Distribution Expense - Maintenance	1,745,856	F7, Pt. A, Col. B	[2-b]	-		1,745,856	1.0000	1,745,856	
9.	Customer Accounts Expense	1,228,142	F7, Pt. A, Col. B	[2-c]	(14,008)		1,214,134	1.0000	1,214,134	
10.	Customer Service and Informational Expense	184,350	F7, Pt. A, Col. B	[2-d]	(17,607)		166,743	1.0000	166,743	
11.	Sales Expense	17,789	F7, Pt. A, Col. B	[2-e]	(14,638)		3,151	1.0000	3,151	
12.	Administrative and General Expense	1,833,655	F7, Pt. A, Col. B	[2-f]	(25,328)	[1]	1,801,232	0.9541	1,718,532	
13.	<b>Total Operation &amp; Maintenance Expense</b>	49,981,756	F7, Pt. A, Col. B		(95,218)		49,879,443		48,672,990	
14.	Depreciation and Amortization Expense	2,866,993	F7, Pt. A, Col. B				2,866,993	0.7044	2,019,615	847,378
15.	Tax Expense - Property & Gross Receipts	-	F7, Pt. A, Col. B				-	0.7137	-	
16.	Tax Expense - Other	1,320,076	F7, Pt. A, Col. B	[3]	(1,009,871)	[2&3]	310,205	0.7417	230,075	80,130
17.	Interest on Long-Term Debt	5,645,848	F7, Pt. A, Col. B	[4]	14,304		5,660,152	0.7137	4,039,598	
18.	Interest Charged to Construction - Credit	-	F7, Pt. A, Col. B				-	0.7137	-	
19.	Interest Expense - Other	24,974	F7, Pt. A, Col. B	[5]	23,253		48,227	0.7137	34,419	
20.	Other Deductions	1,424,762	F7, Pt. A, Col. B	[2-g]	(38,610)	[1]	1,384,989	0.7137	988,454	
21.	<b>Total Cost of Electric Service</b>	61,264,409	F7, Pt. A, Col. B		(1,106,142)		60,150,009	0.9308	55,985,151	
22.	<b>Patronage Capital &amp; Operating Margins</b>	640,311	F7, Pt. A, Col. B		1,537,881		2,186,450		1,623,134	
23.	Non Operating Margins - Interest	8,582	F7, Pt. A, Col. B				8,582	0.7137	6,125	
24.	Allowance for Funds Used During Construction	-	F7, Pt. A, Col. B				-	0.7137	-	
25.	Income (Loss) from Equity Investments	466,435	F7, Pt. A, Col. B				466,435	1.0000	466,435	
26.	Non Operating Margins - Other	(59,126)	F7, Pt. A, Col. B				(59,126)	1.0000	(59,126)	
27.	Generation and Transmission Capital Credits	-	F7, Pt. A, Col. B				-	1.0000	-	
28.	Other Capital Credits and Patr. Dividends	986,315	F7, Pt. A, Col. B				986,315	0.7137	703,924	
29.	Extraordinary Items	-	F7, Pt. A, Col. B				-	1.0000	-	
30.	<b>Patronage Capital or Margins</b>	2,042,517	F7, Pt. A, Col. B		1,537,881		3,588,656	0.7637	2,740,492	

**Staff Adjustment - Legend**

[1]	Staff Adjustment: Advertising, Dues, & Donations
[2]	Staff Adjustment: Revenue Annualization Adjustment
[3]	Staff Adjustment: KEPCo Metering Error
[2&3]	Resulting Impact Of Staff's Adjustment For Revenue Annualization & KEPCo Metering Error

**SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE**

ITEM	UNADJUSTED HISTORICAL TEST YEAR [2015]		ADJUSTMENTS		STAFF ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR [2015]		DISTRIBUTION ALLOCATION FACTOR	DSC-FBR	34.5 kV Total System
	(\$)	Reference	NO.	AMOUNT (\$)	NO.	AMOUNT	(\$)		see Workpaper 1	(\$)	
31.											
32.	<b><u>B. DEBT SERVICE PAYMENTS</u></b>										
33.	Interest Expense	5,670,822	Line 17 + Line 19		37,557		5,708,379	0.7137		4,074,018	
34.	Principal Payments	1,788,305	F7, Pt. O, Col. B	[6]	435,181		2,223,486	0.7137		1,586,881	
35.	Total Debt Service Payments	7,459,127			472,738		7,931,865	0.7137		5,660,899	
36.											
37.	<b><u>C. DEBT SERVICE MARGINS</u></b>										
38.	Patronage Capital or Margins	2,042,517	Line 30				3,588,656	0.7637		2,740,492	
39.	Plus: Depreciation and Amortization Expense	2,866,993	Line 14				2,866,993	0.7044		2,019,615	
40.	Plus: Interest Expense	5,670,822	Line 33		37,557		5,708,379	0.7137		4,074,018	
41.	Plus: Non-Cash Other Deductions Amortizations	1,247,442	Trial Balance				1,247,442	0.7137		890,288	
42.	Plus: Cash Capital Credits Cash Received	689,408	F7, Pt. J, L6, Col. A				689,408	0.7137		492,024	
43.	Plus: Non-Cash Income Tax Expense	1,097,148	Line 16		(1,097,148)	[2]	-	0.7417		-	
44.	Less: Income (Loss) from Equity Investments	(466,435)	Line 25				(466,435)	1.0000		(466,435)	
45.	Less: Other Capital Credits and Patr. Dividends	(986,315)	Line 28				(986,315)	0.7137		(703,924)	
46.	Total Debt Service Margins	12,161,580					12,648,128			9,046,077	
47.											
48.	<b><u>D. DEBT SERVICE COVERAGE</u></b>	1.63	L46/L35				1.59			<b>1.60</b>	
49.											
50.	<b><u>E. DEBT SERVICE COVERAGE TARGET</u></b>									<b>1.75</b>	
51.											
52.											
53.	<b><u>F. INITIAL OPERATING INCOME ADJUSTMENT</u></b>										
54.	DSC Adjustment Required to Achieve Target						0.16			0.15	
55.	Debt Service Payments						7,931,865			5,660,899	
56.	After-Tax Operating Income Adjustment						1,232,635			849,135	
57.											

**Staff Adjustment - Legend**

[2]	Staff Adjustment: Revenue Annualization Adjustment
	Resulting Revenue Requirement After Staff's Adjustments

**SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE**

ITEM	UNADJUSTED HISTORICAL TEST YEAR [2015]		ADJUSTMENTS		STAFF ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR [2015]		DISTRIBUTION ALLOCATION FACTOR	DSC-FBR	34.5 kV Total System
	(\$)	Reference	NO.	AMOUNT (\$)	NO.	AMOUNT	(\$)	(\$)			
58.	<b><u>G. EQUITY TEST (Increase will not result in &gt; 15% equity ratio)</u></b>										
59.	Pre-Adjustment		Plus		Adjustment		Post-Adjustment				
60.	Total Margins and Equities	7,206,092	F7, Pt. C, L35 + acct 426.6	849,135			8,055,227				
61.	Total Assets	128,003,440	F7, Pt C, L28	[7] 5,946,386			133,949,826				
62.	Equity Ratio	5.63%	L60 / L61				6.01%				
63.											
64.	<b><u>H. FINAL REVENUE ADJUSTMENT PROPOSED</u></b>										
65.	Operating Income Adjustment									849,135	
66.	Rate Schedule Revenue									57,608,285	
67.	Adjustment Percentage									1.47%	

**Staff Adjustment - Legend**

Resulting Revenue Requirement After Staff's Adjustments

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

			<b>Notes, Source, or Protocols Reference</b>
1.	<b><u>ADJUSTMENT [1] -- REVENUE</u></b>		
2.	<i>Annualize rate adjustment implemented during Test Year</i>		E.1.a
3.	Annual Rate Adjustment Authorized by Commission	\$ 899,288	15-SPEE-519-RTS
4.	Total kWh Sales used to determine Rate Adjustment	686,165,589	2014 F7, used in 15-SPEE-519-RTS
5.	Equivalent average per kWh rate	\$ 0.00131	L3/L4
6.	kWh Sales Prior to Implementation of Rate Adjustment	329,421,203 [2]	usage thru July, WP6 (August column represents July kWh)
7.	Revenue Adjustment to Annualize Rate Adjustment	<u>\$ 431,739</u>	L5 x L6
8.			
9.	<b><u>ADJUSTMENT TO DIRECT ASSIGN 34.5 kV SYSTEM REVENUE</u></b>		E.3.a.
10.	<i>Account for LAC revenues</i>		
11.	Per kW rate during Test Year - January thru April of 2015	\$ 2.78	13-MKKEE-699-RTS
12.	34.5 kV System Demand for the Test Year - January thru April of 2015	284,007	WP2
13.		\$ 789,539	Ln 11 x Ln 12
14.	Per kW rate during Test Year - May thru December of 2015	\$ 4.51	15-SPEE-161-RTS
15.	34.5 kV System Demand for the Test Year - May thru December of 2015	697,497	WP2
16.		\$ 3,145,711	Ln 14 x Ln 15
17.			
18.	Recognize KMEA Payment for LAC owed, booked in December 2015	\$ 444,800	15-MKKEE-461-TAR
19.			
20.	<i>Account for Property Tax collected during Test Year from the 34.5 kV system users</i>		
21.	Per kW PTS rate for LAC Authorized by the Commission effective during Test Year	\$ 0.115830	15-SPEE-267-TAR
22.	Total 34.5 kV System Demand for the entire Test Year (2015 Test Year)	981,504	WP2
23.		\$ 113,688	Ln 21 x Ln 22
24.			
25.	Recognize KMEA Payment for Property Tax owed (34.5kV system), booked in December 2015	\$ 36,114	15-MKKEE-461-TAR
26.	Account for KEPCo one time payment (LAC and PTS combined) booked in 2015 - CMS Plains	\$ 198,323 [3]	
27.	<b>Total 34.5kV Revenue</b>	<u>\$ 4,728,175</u>	L13 + L16 + L18 + L23 + L25
28.			
29.	<b><u>ADJUSTMENT [2] -- Certain Operating Expenses</u></b>		G(f)
30.	<i>Adjustment to remove typically disallowed items (dues, donations, charitable contributions, promotional advertising, penalties and fines, entertainment expense)</i>		
31.			
32.	2-a. Distribution Expense - Operation	\$ (23,637)	Exhibit 9
33.	2.b. Distribution Expense - Maintenance	\$ -	Exhibit 9
34.	2.c. Customer Accounts Expense	\$ (14,008)	Exhibit 9
35.	2.d. Customer Service and Informational Expense	\$ (17,607)	Exhibit 9
36.	2.e. Sales Expense	\$ (14,638)	Exhibit 9
37.	2.f. Administrative and General Expense	\$ (25,328)	Exhibit 9
38.	2.g. Other Deductions	\$ (38,610)	Exhibit 9
39.	<b>Total Adjustment</b>	<u>\$ (133,828)</u>	Sum (L32:L38)

**Staff Adjustment - Legend**

- [2] Staff Adjustment: Revenue Annualization Adjustment
- [3] Staff Adjustment: KEPCo Metering Error



**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

			<b>Notes, Source, or Protocols Reference</b>
40.	<b><u>ADJUSTMENT [3] -- Other Taxes</u></b>		
41.	<i>Add Tax Obligation associated with E.1.a. above</i>		Per E.1.b.
42.	<i>Calculate Tax Rate</i>		
43.	Test Year Cash Tax - portion directly associated with the 2015 Income	\$ 129,440	WP3, Ln 8
44.	Test Year Operating Margins	\$ 640,311	F7, Pt. A, Col. B
45.		20%	Per E.1.b.
46.	<i>Apply to Revenue Adjustment made per E.1.a</i>	\$ 431,739 [2]	From L7 above.
47.	Resultant additional cash tax	\$ 87,277	L46 x L47
48.	<i>Add Test Year Cash Tax - total</i>	\$ 222,928	WP3, Ln 9
49.	<b>Resultant Tax Expense - Other, cash</b>	<b>\$ 310,205 [2]</b>	L49 + L50
50.			
51.	<i>Adjustment to include cash tax expense</i>		
52.	Test Year Tax Expense - Other, as booked	\$ 1,320,076	F7, Pt. A, Col. B
53.	Tax Expense - Other cash (adjusted)	\$ 310,205	From L50 above
54.		<u>\$ (1,009,871)</u>	
55.	<b><u>ADJUSTMENT [4] -- Long-Term Interest Expense</u></b>		E.1.c.
56.	<i>Adjustment to reflect the Budget.</i>		
57.	Actual Year Long-Term Interest Expense	\$ 5,645,848	F7, Pt. A, Col. B
58.	Budget Year Long-Term Interest Expense	\$ 5,660,152	2016 Budget
59.	Adjustment to Actual Long-Term Interest Expense	<u>\$ 14,304</u>	L59 - L58
60.			
61.	<b><u>ADJUSTMENT [5] -- Other Interest Expense</u></b>		E.1.d.
62.	<i>Adjustment to reflect the Budget.</i>		
63.	Actual Year Other Interest Expense	\$ 24,974	F7, Pt. A, Col. B
64.	Budget Year Other Interest Expense	\$ 48,227	2016 Budget
65.	Adjustment to Actual Other Interest Expense	<u>\$ 23,253</u>	L65 - L64
66.			
67.	<b><u>ADJUSTMENT [6] -- Principal Payments</u></b>		E.1.e.
68.	<i>Adjustment to reflect the Budget.</i>		
69.	Actual Year Principal Payments	\$ 1,788,305	F7, Pt. O, Col. B
70.	Budget Year Principal Payments	\$ 2,223,486	2016 Budget
71.	Adjustment to Actual Principal Payments	<u>\$ 435,181</u>	L71 - L70
72.			
73.	<b><u>ADJUSTMENT [7] -- Assets</u></b>		
74.	<i>Adjustment to reflect budgeted Assets.</i>		
75.	Actual Year-End Assets	\$ 128,003,440	F7, Pt. C, L28.
76.	Budgeted Year-End Assets	\$ 133,949,826	2016 Budget
77.	Adjustment to Actual Assets	<u>\$ 5,946,386</u>	L77 - L76

**Staff Adjustment - Legend**

[2] Staff Adjustment: Revenue Annualization Adjustment

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes**  
**On Base Revenue by Rate Schedule**  
**Per Section I of the DSC-FBR Protocols**

(a) Line No.	(b) Rate Schedule	(c) Rate Schedule Revenue <sup>1</sup>	(d) Allocated Power Supply Cost of Service <sup>1</sup>	(e) Base Revenue <sup>1</sup>	(f) Percent of Tot Base Rev	Allocation of Rate Adjustment			(j) Historical Energy Sales (kWh)	(k) FBR Adjustment per kWh <sup>2</sup>
						(g) FBR Adjustment <sup>1</sup>	(h) Base Revenue	(i) Check the Spread		
1	Residential Service (15-RS)	(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(%)	(kWh)	(\$)
2	General Use	15,768,066	8,131,393	7,636,672	39.7%	342,821	7,979,494	39.7%	113,778,960	0.00301
3	Space Heating	937,451	508,817	428,633	2.2%	19,242	447,875	2.2%	7,199,942	0.00267
4	General Service Small (15-GSS)	1,787,831	849,048	938,783	4.9%	42,143	980,927	4.9%	11,759,613	0.00358
5	General Service Large (15-GSL)	16,702,915	9,751,472	6,951,443	36.1%	312,061	7,263,503	36.2%	131,415,482	0.00237
6	General Service Space Heating	596,672	382,152	214,520	1.1%	9,630	224,150	1.1%	5,624,917	0.00171
7	Industrial Service (15-IS)	3,471,395	2,351,177	1,120,217	5.8%	50,288	1,170,506	5.8%	33,942,433	0.00148
8	Interruptible Industrial Service (15-INT)	-	-	-	0.0%	-	-	0.0%	-	N.A.
9	Real -Time Pricing (13-RTP)	(5,467,259)	(5,467,259)	-	0.0%	-	-	0.0%	(99,635,259)	N.A.
10	Transmission Level Service (15-STR) <sup>3</sup>	23,263,116	22,591,580	671,536	3.5%	15,618	687,154	3.4%	365,162,574	0.00004
11	Municipal Power Service (15-M-I)	205,095	112,708	92,387	0.5%	4,147	96,534	0.5%	1,575,233	0.00263
12	Water Pumping Service (15-WP)	640,798	378,427	262,370	1.4%	11,778	274,149	1.4%	5,479,881	0.00215
13	Irrigation Service (15-IP-I)	308,410	162,506	145,904	0.8%	6,550	152,454	0.8%	2,177,795	0.00301
14	Temporary Service (15-CS)	19,574	8,271	11,302	0.1%	507	11,810	0.1%	84,434	0.00601
15	Lighting	1,039,269	274,132	765,137	4.0%	34,348	799,485	4.0%	4,082,334	0.00841
16	<b>Total Retail Rates</b>	59,273,330	40,034,425	19,238,905	100.0%	<b>849,135</b>	20,088,039	100.0%	582,648,339	

<sup>1</sup> See Workpaper 5 for detail.

<sup>2</sup> See Workpapers 10 and 11 for applying the resultant per kWh DSC-FBR adjustment to the corresponding tariff rates.

<sup>3</sup> The Adjustment for the STR class is calculated using only the non-distribution portion of the additional debt service in the Budget Year (per Section I of the Protocols)--see Workpapers 5 and 7.

**Staff Adjustment - Legend**

Resulting Revenue Requirement After Staff's Adjustments

Southern Pioneer Electric Company Dues, Donations, Charitable Contributions, Promotional Advertising, Penalties and Fines, and Entertainment Expense - 2015

ADMISTRATION & GENERAL ADJUSTMENT

Line No.	Account	Account Description	Activity	Date	Amount (\$)	Reference	Vendor Name	Classification	Exclusion %	Excluded (\$)	Excluded (\$)	Staff Excluded (\$)	Staff Exclusion Detail
1	930.1	General Advertising Expense	100 - Advertising	01/31/15	29.71	Web Directory Services	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.71	29.71	Pioneer Communication Ad
2	930.1	General Advertising Expense	100 - Advertising	02/28/15	29.71	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.71	29.71	Pioneer Communication Ad
3	930.1	General Advertising Expense	100 - Advertising	03/31/15	29.73	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.73	29.73	Pioneer Communication Ad
4	930.1	General Advertising Expense	100 - Advertising	04/30/15	29.73	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.73	29.73	Pioneer Communication Ad
5	930.1	General Advertising Expense	100 - Advertising	05/01/15	2,454.00	SCTELCOM 2015 Directory	Pioneer Communications	Phone & Web Directory Advertising	0%	-	2,454.00	2,454.00	Pioneer Communication Ad
6	930.1	General Advertising Expense	100 - Advertising	05/03/15	775.86	Balance Paid In Full - Advertising	HIBU Inc.	Phone & Web Directory Advertising	0%	-	775.86	775.86	Pioneer Communication Ad
7	930.1	General Advertising Expense	100 - Advertising	06/01/15	29.73	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.73	29.73	Pioneer Communication Ad
8	930.1	General Advertising Expense	100 - Advertising	06/30/15	29.73	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.73	29.73	Pioneer Communication Ad
9	930.1	General Advertising Expense	100 - Advertising	08/01/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
10	930.1	General Advertising Expense	100 - Advertising	08/31/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
11	930.1	General Advertising Expense	100 - Advertising	09/30/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
12	930.1	General Advertising Expense	100 - Advertising	10/31/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
13	930.1	General Advertising Expense	100 - Advertising	11/01/15	1,694.88	Pioneer Comm 2015 Directory Ad	Pioneer Communications	Phone & Web Directory Advertising	0%	-	1,694.88	1,694.88	Pioneer Communication Ad
14	930.1	General Advertising Expense	100 - Advertising	11/30/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
15	930.1	General Advertising Expense	100 - Advertising	12/31/15	29.75	Web Directory Charges	Pioneer Communications	Phone & Web Directory Advertising	0%	-	29.75	29.75	Pioneer Communication Ad
16	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	04/28/15	550.00	Justin Bailey Memorial Golf Tourney	UHL, Traci Lynn	Donations (including labor)	50%	275.00	275.00	275.00	Golf Event
17	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	05/07/15	240.00	Wheatland Golf Tournament	Southwind Country Club	Donations (including labor)	50%	120.00	120.00	120.00	Golf Event
18	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	06/04/15	500.00	Golf Tournament 2015 Scholarship-Team	API Scholarship Fund	Donations (including labor)	50%	250.00	250.00	250.00	Golf Event
19	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	06/11/15	120.00	Golf-KMMA Annual Meeting	Kansas Material Managers	Donations (including labor)	50%	60.00	60.00	60.00	Golf Event
20	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	06/11/15	64.06	Numbers on Softball shirts	CC Miscellaneous	Donations (including labor)	50%	32.03	32.03	32.03	Softball Shirts
21	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	06/01/15	110.80	13-Men's Softball Shirts	CC Miscellaneous	Donations (including labor)	50%	55.40	55.40	55.40	Softball Shirts
22	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	07/17/15	160.00	4 Person Scramble Fees	Buffalo Dunes Golf Course	Donations (including labor)	50%	80.00	80.00	80.00	Golf Event
23	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	08/12/15	1,000.00	J&J Powerline Golf-2 Teams	Golf for Scholarships	Donations (including labor)	50%	500.00	500.00	500.00	Golf Event
24	930.4	Employee Socials -Christmas/Other	17 - Meals	08/27/15	7.22	Cobank Reg Golf-Meal PEC 3	CC Meals	Donations (including labor)	50%	3.61	3.61	3.61	Golf Event
25	930.4	Employee Socials -Christmas/Other	17 - Meals	08/28/15	7.28	KCRE Golf - Meal PEC 3	CC Meals	Donations (including labor)	50%	3.64	3.64	3.64	Golf Event
26	930.4	Employee Socials -Christmas/Other	17 - Meals	08/28/15	17.24	KCRE Golf - Meal PEC 3	CC Meals	Donations (including labor)	50%	8.62	8.62	8.62	Golf Event
27	930.4	Employee Socials -Christmas/Other	17 - Meals	08/27/15	27.78	KCRE Golf - Meal PEC 3	CC Meals	Donations (including labor)	50%	13.89	13.89	13.89	Golf Event
28	930.4	Employee Socials -Christmas/Other	17 - Meals	08/26/15	34.32	Cobank Reg Golf-Meal PEC 3	CC Meals	Donations (including labor)	50%	17.16	17.16	17.16	Golf Event
29	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/27/15	49.25	Cobank Reg Golf-Meal Lodging-MS	CC Travel/Training	Donations (including labor)	50%	24.63	24.62	24.62	Golf Event
30	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/28/15	50.87	KCRE Golf - Lodging-CS	CC Travel/Training	Donations (including labor)	50%	25.44	25.43	25.43	Golf Event
31	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/28/15	50.87	KCRE Golf Tourney - Lodging-MS	CC Travel/Training	Donations (including labor)	50%	25.44	25.43	25.43	Golf Event
32	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/31/15	82.60	Cobank Reg Golf-Mileage Reimbursement	Scott, Chantry C	Donations (including labor)	50%	41.30	41.30	41.30	Golf Event
33	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/31/15	82.60	KCRE Golf-Mileage Reimbursement	Scott, Chantry C	Donations (including labor)	50%	41.30	41.30	41.30	Golf Event
34	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	08/27/15	49.25	Cobank Reg Golf-Lodging-GB	CC Travel/Training	Donations (including labor)	50%	24.63	24.62	24.62	Golf Event
35	930.4	Employee Socials -Christmas/Other	9 - Employee Activities	09/01/15	240.00	Golf Entries- 4 SPEC	Kansas Line Supervisor Assn	Donations (including labor)	50%	120.00	120.00	120.00	Golf Event
36	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	09/01/15	41.20	Cobank Golf Tournament - Lodging	CC Travel/Training	Donations (including labor)	50%	20.60	20.60	20.60	Golf Event
37	930.4	Employee Socials -Christmas/Other	3 - Travel & Training	09/01/15	50.87	KCRE Golf Tournament - Lodging-GB	CC Travel/Training	Donations (including labor)	50%	25.44	25.43	25.43	Golf Event
38	930.4	Employee Socials -Christmas/Other	17 - Meals	09/12/15	90.66	Meals-EE Golfing in Dodge City Tourney	CC Meals	Donations (including labor)	50%	45.33	45.33	45.33	Golf Event
39											<b>TOTAL</b>	<b>\$ 7,095</b>	
41	426.1	Donations	101 - Donations	04/20/15	250.00	Tournament Sponsor @ Yucca Ridge Golf	Yucca Ridge Golf Club LLC	Donations (including labor)	50%	125.00	125.00	125.00	Golf Event
42	426.1	Donations	101 - Donations	04/08/15	500.00	2015 Dues Investment	S.P.I.R.I.T.	Donations (including labor)	50%	250.00	250.00	250.00	SPIRT DUES
43	426.1	Donations	101 - Donations	07/17/15	100.00	Golf Tournament Hole Sponsor	Satanta Lions Club	Donations (including labor)	50%	50.00	50.00	50.00	Golf Event
44	426.1	Donations	101 - Donations	07/30/15	250.00	Business Card Ad Sponsor	Rodeo Group LLC	Donations (including labor)	50%	125.00	125.00	125.00	Ad Sponsorship
45	426.1	Donations	101 - Donations	11/20/15	225.00	Southern Pioneer Softball Team Sponsor	City of Liberal	Donations (including labor)	50%	112.50	112.50	112.50	Sports Sponsorship
46		<b>OTHER DEDUCTIONS ADJUSTMENT</b>									<b>TOTAL</b>	<b>663</b>	
47		<b>STAFF ADJUSTMENT TOTAL</b>									<b>TOTAL</b>	<b>\$ 7,757</b>	

### Exhibit CCU-4: Staff Discovery & Workpapers

Description	Page No.
Response to Staff Data Request No. 16: KEPCo Billing Error	1-3
Response to Staff Data Request No. 17: Revenue Annualization	4
Billing Cycle 25 Workpaper	5
Technical Conference Agenda	6-7

**Kansas Corporation Commission**  
Information Request

16-SPEE-497-RTS  
Exhibit CCU-4  
Page 1 of 7

Request No: 16

Company Name	SOUTHERN PIONEER ELECTRIC COMPANY	SPEE
Docket Number	16-SPEE-497-RTS	
Request Date	June 16, 2016	
Date Information Needed	June 23, 2016	

RE: Follow-up from the Technical Conference - CMS Metering Error

**Please Provide the Following:**

Please provide a brief discussion of the KEPCo CMS Delivery Point metering issue include the amount of the correction, a description of the KEPCO/Mid-Kansas/Southern agreement, the impact on the DSC-FBR and 34.5kV FBR, and the reduction to Southern Pioneer wholesale power costs in the retail ECA.

Submitted By Chad Unrein

Submitted To Randy Magnison

**Response:**

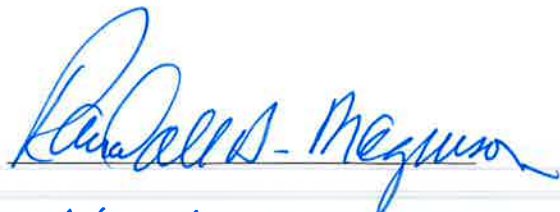
See attached summary and the "Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment" and "Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 Updated Tax-Other and KEPCo pmt" Excel files attached for reference. *Note the latter file also contains the updated Footnote 1 on Page 1 and preserves rounding to 2 decimal places on Page 2 for retail allocation as requested by Staff during the Technical Conference call.*

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

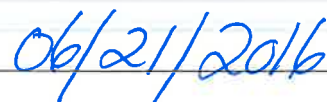
**Verification of Response**

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: \_\_\_\_\_



Date: \_\_\_\_\_



**DR-16 – Summary of KEPCo-CMS Delivery Point Issue (Metering)** Page 2 of 7

- Metering point was taken out of service for maintenance on November 17, 2010. It was placed back into service November 22, 2010. The CT ratio was reprogrammed from 25:1 to 50:1, but there was a communication error and the meter and pulse multipliers were never update in the Sunflower Electric meter interrogation software. This error caused the readings to be exactly half of what they should have been.
- Since this meter is a deduction from Southern Pioneer Electric Company’s (“Southern Pioneer” or “SPEC”) distribution load and the primary metering (115\34.5kV) was correct, it shifted the load from KEPCo-CMS to Southern Pioneer.
  - Southern Pioneer was billed this incorrect reading by Mid-Kansas from November 2010 through September 2014.
- KEPCo identified and self-reported the error in September 2014.
  - In order to correct the metering error, KEPCo/Mid-Kansas/Southern Pioneer agreed that KEPCo would:
    - Make a one-time payment, to include interest from November 2010 – September 2014, to Southern Pioneer for LAC and PTS charges totaling \$198,322.76 that KEPCo would have paid had the error not occurred. *(Please note the additional \$43,954.99 paid by KEPCo to MKEC in excess of the \$198,322.76 – i.e. the remainder of the \$242,277.75 grand total one-time payment due from KEPCo as reflected in the CMS Plains Delivery Point Billing Resolution agreement between KEPCo and Mid-Kansas, – was retained by Mid-Kansas as charges related to ancillary, losses, and the associated remainder of the total interest, i. e. this additional amount was not remitted to Southern Pioneer and is not reflected on SPEC’s books).*
    - Make 35-monthly payments, to include interest from November 2010 – September 2014, totaling \$3,061,984.47 for demand/energy KEPCo consumed to Mid-Kansas, who will credit against Southern Pioneer’s monthly wholesale power bill, i.e. WHM – Power Supply. *(Please note that the additional \$640,059.84 to be paid by KEPCo to Mid-Kansas in excess of \$3,061,984.47 – i.e. the remainder of the grand total \$3,702, 044.31 in the 35-monthly payments as reflected in the CMS Plains Delivery Point Billing Resolution agreement between KEPCo and Mid-Kansas, – would be retained by Mid-Kansas, i. e. this additional amount would not be credited against Southern Pioneer’s monthly wholesale power bill).*

<b>Payment From KEPCo to MKEC Credited to SPECo</b>	
Interest	\$ 223,799.45
WHM - Power Supply	\$ 2,838,185.02
Paid Over 35-Months	\$ 3,061,984.47

*(1 Payment of \$87,485.29 & 34 Payments of \$87,485.27 to MKEC and Credited to SPECo's Monthly Power Bill)*

<b>Payment from KEPCo to SPECo</b>	
Interest	\$ 7,906.94
LAC	\$ 182,032.64
PTS	\$ 8,383.18
One-Time Payment	\$ 198,322.76

*(Paid \$198,322 in 1 Lump Sum to SPECo)*

**DR-16 SUMMARY** – Continued

- As outlined in response to Staff’s DR-9 in Docket 16-497 and DR-8 in Docket 16-501, the one-time payment of \$198,322.76 was recorded as revenue on Southern Pioneer’s 2015 Form 7 (on SPEC books), and the \$87,485.29 plus 10 out of the 34 total payments of \$87,485.27 (for the total of \$962,337.99) was applied as a reduction (credit) to MKEC’s 2015 wholesale power costs ultimately reducing the retail ECA. See PDF File titled “SPEC Mid-Kansas 2015 Power Bills” and Excel File titled “Southern Pioneer 2015 Retail ECA Calculation”, Line 17, which demonstrates credit received from Mid-Kansas and flowed through by Southern Pioneer to retail customers.
  - Since the one-time \$198,322.76 payment is related to the 34.5kV system and was included in SPEC’s 2015 TY operating revenues, it should be recognized in the 34.5kV system revenues. In short, it should be treated similar to KMEA payment.
    - In the DSC-FBR (for Historical Test Year 2015) in 16-497 Docket, it will increase 34.5kV system revenues while reducing the DSC-FBR Operating Revenues by the same amount. The attached “Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment” Excel file highlights the change made on Page 4, Line 26, and the corresponding impact on Page 4, Line 27 and then Page 1, Line 2. Also note the corresponding change in the Operating Margins allocator on Page 1, Line 16, “Distribution Allocation Factor” Column. On its own (i.e. before accounting for the Cycle 25 adjustment described in a response to DR-17), subtracting additional \$198,322.76 from the DSC-FBR system revenues change would result in a DSC ratio of 1.59 vs 1.62 as filed. Together, with the 16-497 Docket DR-17 adjustment for rate annualization, the resultant DSC ratio for the Adjusted Historical Test Year is 1.60.
    - In the 34.5kV FBR, these revenues should be added on Page 1, Line 3 along with the KMEA payment to be recognized as an offset to the Total Revenue Requirement, thus reducing the Net Revenue Requirement by the additional \$198,322.76. See the noted change reflected on Page 1, Line 3 of the “Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 Updated Tax-Other and KEPCo pmt” Excel file. Additionally, Page 1, Line 16 Allocation Factor would be affected, as well, as it is the remainder of the Operating Margins allocator used on Page 1, Line of the DSC-FBR. The resultant LAC rate is \$4.19/kW compared to the \$4.37/kW as filed.
    - The \$874,852.72 credit to MKEC’s 2015 wholesale power cost is already reflected in the Purchased Power expense for the 2015 (since Mid-Kansas offset Southern Pioneer’s WHM – Power Supply by that amount), and therefore, in the lower retail ECA paid and collected for 2015 (with the 2015 retail ECA revenues reflected in the 2015 total operating revenues). Therefore, no additional adjustment is necessary to either of the DSC-FBR or 34.5kV FBR to reflect this credit.

**Kansas Corporation Commission**  
Information Request

16-SPEE-497-RTS  
Exhibit CCU-4  
Page 4 of 7

Request No: 17

Company Name	SOUTHERN PIONEER ELECTRIC COMPANY	SPEE
Docket Number	16-SPEE-497-RTS	
Request Date	June 16, 2016	
Date Information Needed	June 23, 2016	

RE: Follow-up from the Technical Conference - Billing Cycle Adjustments

**Please Provide the Following:**

Are there any Billing Cycle Adjustments needed for KWh sales in the annualization adjustment similar to WP3 need in the 16-497 Docket or 16-501 Docket? Please describe any impact to both Dockets.

Submitted By Chad Unrein

Submitted To Randy Magnison

**Response:**

Yes. For 16-497 Docket (DSC-FBR), Page 4, Line 6 should include kWh thru August vs. thru July (from Patronage report, as August represents July usage), but with the reduction of 20,887,553 kWh for Cycle 25 (August usage for this cycle is actual usage for that month, not prior). The change is reflected in the attached "Exhibit 3 SPEC 2016 DSC-FBR 6-13-16 with Cycle 25 Adjustment and KEPCo payment, Page 4, Line 6, as well as on Page 5, Line 47, 48, and 50 and on Page 1, Line 16. Stand-alone (i.e. before including KEPCo payment described in a response to the Staff DR-14 in the 16-501 Docket), this adjustment would change DSC ratio to 1.63 from 1.62 as filed. Together with the Docket 16-501 DR-14 adjustment for KEPCo payment, the resultant DSC ratio for the Adjusted Historical Test Year is 1.60.

For 16-501 Docket (34.5kV FBR), the impact of this change is evidenced in the attached Exhibit 3 for 2016 SP 34 5kV - FBR 6-20-16 with Updated Tax-Other and KEPCo pmt" Excel file, Page 1, Line 16 (in the amount of the total Tax-Other for the Adjusted Historical Test Year, as well as the allocator, as the latter is the remainder of what is assigned to the DSC-FBR). For transparency, the resulted change has been also documented on "WP1-Input" tab (or Page 3), Line 72. The referenced file shows a cumulative impact of the KEPCo payment adjustment (noted in a response to DR-16 in Docket 16-497), as well as the instant change per revenue annualization noted above. Combined with the Docket 16-497 DR-16 adjustment for KEPCo payment, the resultant LAC rate is \$4.19/kW compared to \$4.37/kW as filed (notice that applying only KEPCo payment adjustment described in a response to the Docket 16-497 DR-16 still results in a final LAC rate of \$4.19/kW, i.e. the adjustment to the DSC-FBR rate annualization and the resultant slight increase in the total Tax-Other/cash expense did not change the impact on the 34.5kV LAC due to the corresponding reduction - compared to Docket 16-497 DR-16 change only-- in the allocation factor on Line 16 on Page 1 of the 34.5kV FBR).

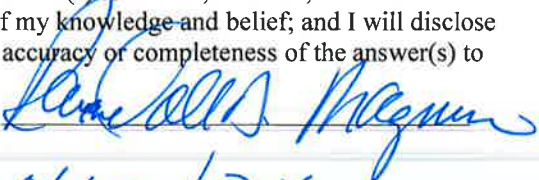
If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

**Verification of Response**

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

  
06/21/2016



Southern Pioneer Electric Company  
 Cycle 25 Billing Period

GL Period Aug-15  
 Cycle 25 Billing:

Account	Rate Schedule	Name	Service Description	Cycle	Current Month's Billing-Adjusted		Rate Schedule Classification	Rate Schedule Reference
					kWh Billed	Electric Revenue		
10749302	KS982	HIGH PLAINS COTTON GIN	80105 W US HWY 54	25	12,473	1,620	3	GSL
10539001	KSK30	NATIONAL GYPSUM MINE	GYP MINE	25	1,504,244	166,708	6	IND
11493901	KS939	NATIONAL GYPSUM MILL	MILL	25	6,362	1,170	6	IND
10016307	KS933	FLAT RIDGE WIND ENERGY	FLAT RIDGE WIND FARM	25	61,520	2,982	15	STR 115kV
10018820	KS932	GREENSBURG WIND FARM		25	3,560	373	9	STR 34.5kV
10941200	KS997	AIR PRODUCTS & CHEMICALS	CIMARON RIVER STATION POWER PLANT	25	4,209,923	301,706	15	STR 115kV
11602000	KS996	DCP MIDSTREAM	CIMARRON RIVER	25	17,383,894	1,164,866	15	STR 115kV
11196302	KS960	NATIONAL BEEF	LIBERAL MAIN PLANT	25	11,280,268	812,654	15	STR 115kV
10039845	KS931	PLAINS PIPELINE LP	HWY 183 3/4 M N OF COLDWATER	25	180,127	10,894	9	STR 34.5kV
10036519	KS404	DCP MIDSTREAM-NATL HEL RTP	RTP CIMARRON RIVER	25	(13,799,325)	(807,969)	12	RTP
10813702	KS401	NATIONAL BEEF RTP	CITY WASTE WATER PUMP	25	44,507	4,459	12	RTP
					<u>20,887,553</u>	<u>1,659,462</u>		

By Revenue Class

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LARGE COMMERCIAL  
 INDUSTRIAL  
 INDUSTRIAL SUB-TRANS  
 RTP - REAL TIME PRICING

KWH Billed	Check by KCC rate schedule
12,473	12,473
1,510,606	1,510,606
33,119,292	33,119,292
(13,754,818)	(13,754,818)
<u>20,887,553</u>	<u>20,887,553</u>

**Call In Number:**

Southern Pioneer Conf. Bridge Toll 877-273-4202, Conference Room # 6169656

**GoToMeetings Link:**

<https://global.gotomeeting.com/join/677047621>

Meeting ID: 677-047-621

- I. Introduction of Participants
  - a. (KCC Staff, CURB, KEPCo, PSE & SPECo Representatives)
- II. Discuss Anticipated Technical Conference Call Schedule
  - a. I.E. Ending Time, Counsel Participation, Parties Electing to Drop-Off Due to Discussing Two Dockets of Which They May Not be a Party or have Interest.
- III. Opening Comments
  - a. SPECo/PSE
  - b. KCC Staff
  - c. CURB
  - d. KEPCo
- IV. KCC Staff Discussion Topics (If Any)
  - a. A brief discussion of the CMS Delivery Point billing issue including Southern Pioneer's reduction to power cost and if there is any direct impact on either the 16-497 or 16-501 dockets.
  - b. As part of the 15-519 DSC-FBR, Southern Pioneer included a reduction in KWh to the annualization adjustment for Billing Cycle 25 in WP3 of the docket. Are there any Billing Cycles adjustments needed for this year's KWh sales in the annualization adjustment similar to WP3 need in the 16-

497 or 16-501 dockets? If so, please have the information available for any needed adjustment.

- c. Other
- V. CURB Discussion Topics (If Any)
- a. A brief history of the KMEA settlement, its impact on both the DSC-FBR rate and the 34.5kV-FBR rate, and finally a simple discussion on the adjustment in both Exhibit 3.
  - b. Could you please discuss the Income Tax Expense removal of \$1,320,076 on line 16 and the margin offset of \$1,316,588 on line 43 and the removal of the full non-cash income taxes in the DSC equation?
  - c. Other
- VI. KEPCo Discussion Topics (If Any)
- a. ?
  - b. Other
- VII. Discuss Submission of Tariff Sheets Reflecting Commission-Approved Rate
- a. Docket 16-501 Results in a Rate Decrease and Docket 16-497 Results in a Rate Increase. Rather Than Filing Two Separate Sets of Compliance Tariffs, Can Southern File One Set of Tariffs Reflecting the Net Impact?
- VIII. Follow Up Action Items (If Any)
- IX. Combined Status Call Scheduled for 9:00 AM, June 23, 2016
- X. Closing Comments
- a. KCC Staff
  - b. CURB
  - c. KEPCo
  - d. SPECo

## CERTIFICATE OF SERVICE

16-SPEE-497-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony of Chad Unrein was served by electronic service on this 30th day of June, 2016, to the following:

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