

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

In the Matter of the Joint Application of)
Sunflower Electric Power Corporation and Prairie)
Land Electric Cooperative, Inc. for Approval of)
Continuation of 34.5kV Formula-Based Rates.) Docket No. 26-SEPE-2049-TAR
)
)

JOINT APPLICATION

Sunflower Electric Power Corporation (“Sunflower”), and one of its member-owners, Prairie Land Electric Cooperative, Inc. (“Prairie Land” or “Cooperative”) (collectively the “Joint Applicants”) hereby file this Joint Application seeking approval from the State Corporation Commission of the State of Kansas (“Commission”) of the following:

- a. Continuation of Prairie Land’s respective individual 34.5kV Formula-Based Rates (“34.5kV FBR(s)”), as originally approved in Docket No. 16-MKEE-023-TAR (“023 Docket”) and approved for renewal in Docket No. 21-SEPE-049-TAR (“21-049 Docket”), without any substantive changes.

In support of their Joint Application, Joint Applicants state the following:

I. INTRODUCTION AND JURISDICTION

1. Sunflower is a generation and transmission electric utility operating in the state of Kansas on a non-profit cooperative basis, with its principal place of business located in Hays, Kansas. Sunflower is a certificated electric public utility that has elected to exempt itself from the jurisdiction, supervision and control of the Commission pursuant to

K.S.A. 66-104d.¹ Sunflower remains subject to the Commission's jurisdiction for those items referenced in K.S.A. 66-104d(f).

2. Sunflower is owned by six Kansas consumer-owned cooperatives and one corporation, wholly owned by one of the six consumer-owned cooperatives.² On January 1, 2020, pursuant to Commission order in Docket No. 19-SEPE-054-MER ("19-054 Docket"), Sunflower merged with Mid-Kansas Electric Company, Inc. (formerly known as Mid-Kansas Electric Company, LLC)("Mid-Kansas"), with Sunflower as the surviving entity.

3. Sunflower's member-owners are certificated electric public utilities, each providing retail electric service to retail customers (comprised of individuals, small businesses, and industrial entities) pursuant to their respective Certificate and Order, issued on November 21, 2013, in Docket No. 13-MKEE-447 MIS ("13-447 Docket"). In addition to retail service, the member-owners also provide certain wholesale services, including local access delivery service ("LADS") over the member-owned 34.5kV sub-transmission facilities. As determined by the Commission in the Order Addressing Joint Motion to Approve Stipulation and Agreement in Docket No. 11-GIME-597-GIE ("11-597 Docket") on January 11, 2012, 34.5kV sub-transmission facilities that serve one or more wholesale LADS customer(s) provide a local "transmission service" under Kansas law.³

4. Mid-Kansas (prior to merger with Sunflower), as agent for its member-owners, previously administered wholesale LADS ("transmission service") over the 34.5kV

¹ Order Affirming Sunflower Electric Power Corporation's Electric to Deregulate, Docket No. 10-SEPE-072-DRC (filed September 28, 2009).

² The seven electric utilities that own Sunflower and their respective headquarters are as follows: The Lane-Scott Electric Cooperative, Inc., Dighton, Kansas; Southern Pioneer Electric Company, Ulysses, Kansas; Pioneer Electric Cooperative, Inc., Ulysses, Kansas; Prairie Land Electric Cooperative Association, Inc., Norton, Kansas; The Victory Electric Cooperative Association, Inc., Dodge City, Kansas; Western Cooperative Electric Association, Inc., WaKeeney, Kansas; and Wheatland Electric Cooperative, Inc., Scott City, Kansas. Southern Pioneer is a not-for-profit corporation wholly owned by Pioneer Electric Cooperative, Inc.

³ See also the Stipulation and Agreement, filed December 1, 2011 under the same docket.

facilities pursuant to the terms and conditions of the Mid-Kansas Open Access Transmission Tariff (“OATT”) and agreements entered into between Mid-Kansas, the member-owners and their respective wholesale LADS customers. Pursuant to the Settlement Agreement in the 19-054 Docket, as approved by the Commission, the Mid-Kansas OATT is to remain in effect upon merger, with Sunflower serving as the “Transmission Provider” under the Mid-Kansas OATT.⁴ For that reason, Sunflower now serves as Transmission Provider under the Mid-Kansas OATT and is a Joint Applicant herein.

5. Prairie Land has elected to be exempted from the jurisdiction, regulation, and control of the Commission pursuant to K.S.A. 66-104d.⁵ However, it continues to be regulated by the Commission as to its transmission service, in accordance with K.S.A. 66-104d(f). The 34.5kV FBR for this self-regulated Cooperative is designed to annually establish the revenue requirement associated with the costs of owning, operating, and maintaining 34.5kV sub-transmission facilities pursuant to the established 34.5kV FBR Protocols. The resultant local access charge (“LAC”) per unit demand rate, updated annually as a result of the proposed 34.5kV FBRs and recovered from the wholesale LADS customers under Prairie Land’s LADS tariff, represents the “charges, fees or tariffs for transmission service” cited as an exception to self-regulation under K.S.A. 66-104d(f). Thus, Prairie Land’s 34.5kV FBR remains subject to the Commission’s jurisdiction under K.S.A 66-104d(f).

⁴ Unanimous Settlement Agreement, Docket No. 19-SEPE-054-MER, ¶17 (filed as Exhibit A to Joint Motion for Approval of Unanimous Settlement Agreement on March 5, 2019); Order Approving Unanimous Settlement Agreement, Docket No. 19-SEPE-054-MER (filed March 28, 2019).

⁵ May 29, 2014 Order Affirming Prairie Land Electric Cooperative, Inc.’s Election to Deregulate under Docket No. 14-PLCE-466-DRC;

II. CONTINUATION OF 34.5kV FBRs

6. Prairie Land's current 34.5kV FBR was established and agreed to pursuant to the Unanimous Settlement Agreement, which was approved by the Commission in the 21-049 Docket, including the Protocols. Pursuant to Section H of the Protocols, during the final year of the 34.5kV FBR plan, Prairie Land shall advise the Commission whether it wishes to continue the 34.5kV FBR plan, and provide the Commission support and rationale for its position in a separate application and docket.⁶ The 2025 calendar year is the final year of its 34.5kV plan, and Prairie Land hereby provides its rationale for its position that the 34.5kV plan should be continued without any substantive changes, as reflected in this Joint Application and accompanying testimony.

7. The 34.5kV sub-transmission facilities that are the subject of the 34.5kV FBR are those 34.5kV facilities now owned or hereafter acquired or constructed by Prairie Land and are part of or utilized in conjunction with the electric system acquired by Prairie Land from Mid-Kansas in Docket No. 08-MKEE-099-MIS (the "08-099 Docket")(the "FBR Facilities").⁷ They are also the same sub-transmission facilities contemplated by Cooperative's LADS Tariff applicable to Prairie Land's wholesale LADS customer.

8. In the Stipulation and Agreement in Docket No. 09-MKEE-969-RTS ("09-969 Docket"),⁸ the parties agreed that for ease of administration and efficiency in providing wholesale LADS to customers, Mid-Kansas (prior to merger with Sunflower) would serve

⁶ Order On Unanimous Settlement Agreement, Exhibit A, Attachments A-1, § H. of Protocols, Docket No. 21-SEPE-049-TAR (filed April 15, 2021).

⁷ The subject facilities of each Sunflower's member-owning utility, including Prairie Land, is the former Aquila-WPK sub-transmission facilities transferred from Mid-Kansas to each Mid-Kansas member-owning utility, as approved by the Commission Order in the 08-099 Docket. For clarity, the non-Aquila, or "native" portions of the Prairie Land is not included in each 34.5kV FBR. The member-owning utility's certificated territory may be amended from time to time pursuant to applicable requirements of law.

⁸ At the time of such order, Mid-Kansas was the certificated retail service provider.

as the agent and single point of contact for administering the LADS Tariffs for each of its member-owners. More specifically, as it relates to this Joint Application, Sunflower is responsible for billing and collecting each Prairie Land's Commission-approved LAC for wholesale LADS customers taking service under the Mid-Kansas OATT, as well as applying the applicable loss factor associated with LADS.⁹ For additional history of the 34.5kV facilities and Sunflower's administration thereof, please see the Pre-filed Direct Testimony of Mr. James Brungardt.¹⁰

9. The current 34.5kV FBR approved in the 21-049 Docket utilizes a formulaic approach for the recovery of Prairie Land's revenue requirement associated with its LADS facilities via a monthly unit demand LAC directly applicable to the respective wholesale LADS customers under its LADS tariff.¹¹ The annual adjustments are made as necessary to keep revenue at a level to achieve pre-established financial coverage ratios. Because the total billing demand (used to divide the total resultant revenue requirement to arrive at a unit demand LAC) is comprised of both retail and wholesale load, it ensures that the wholesale LADS customers will pay only their portion, i.e., load ratio share, of the annual revenue requirement under the 34.5kV FBR.

10. The Joint Applicants' request submitted in this filing is not a request for an actual change to Prairie Land's currently approved LAC, nor a request to make any actual

⁹ Sunflower bills Prairie Land's LAC to its wholesale LADS customers under Schedules 7, 8 and 9 and Attachment H of the Mid-Kansas OATT, as applicable.

¹⁰ For additional history on the 34.5kV facilities, see also the Joint Application and Prefiled Direct Testimony of H. Davis Rooney in Docket No. 16-MKEE-023-TAR.

¹¹ Additionally, the 34.5kV FBR allows Prairie Land to allocate to the 34.5 kV revenue requirement the costs of lower voltage distribution plant, that provide service to a wholesale LADS customer(s), if such facilities are present, by utilizing a certain distribution ratio as outlined in the Protocols; provided such costs are not already accounted for in a separate rate-making mechanism. This practice was approved in the 16-023 Docket and is consistent with prior Commission-approved filings containing LAC Cost of Service ("COS"), including the 09-969 Docket and Docket No. 12-MKEE-380-RTS.

substantive changes to the 34.5kV FBR currently in place. Rather, the request is merely for the approval of the continuation of Prairie Land's 34.5kV FBR. Prairie Land's current LAC will not be changed by any requested approval in this Joint Application. The 34.5kV FBR process is further described and supported in the Pre-filed Direct Testimony of Richard J. Macke, as well as Pre-filed Direct Testimony of Kirk Girard, both included with this Joint Application.

11. The Commission originally approved Prairie Land's 34.5kV FBR in the 16-023 Docket finding:

- a. That the 34.5kV FBR would become the rate by which Prairie Land would be able to strike the balance between its desire for a reasonable assurance that it will earn sufficient revenues to meet its financial obligation versus the desire of the customers to keep rates as low as possible while still providing reliable local access delivery service.¹²
- b. The 34.5kV FBR mechanism closely tracks Prairie Land's actual cost of service, while reducing both the regulatory lag and the expense normally associated with traditional rate proceedings.¹³
- c. That the 34.5kV FBRs balances the interests of diverse parties, and that customers are granted safeguards in the 34.5kV FBRs in the form of enhanced filing exhibits and longer review period.¹⁴

¹² Order Approving Settlement ¶10, Docket No. 16-MKEE-023-TAR (filed March 10, 2016).

¹³ *Id.*

¹⁴ *Id.* While the Order also mentioned "annual true-ups with interest" as a benefit to the wholesale customers, those are no longer applicable as the current FBR is based on historical data.

The Commission ultimately found that the 34.5kV FBR, as originally approved in the 16-023 Docket and approved for renewal in the 21-049 Docket with minor modifications, result in just and reasonable rates and are in the public interest.¹⁵

12. Now, the Prairie Lands seeks to once again continue its 34.5kV FBR, and posits that the Commission's findings in support of their initial implementation and subsequent renewal are still true today. Since their implementation, the 34.5kV FBR has provided for timely recovery of Prairie Land's costs for its 34.5kV FBR facilities in order to meet financial obligations while remaining responsive to the service and facility demands of customers. It is still appropriate for customers to bear the actual cost of service over the 34.5kV systems as close to real time as possible in order to provide appropriate economic price signals, resulting in more efficient and economic decisions relative to the sources and types of capacity that customers require. Additionally, the uncertainty inherent in the traditional regulatory model will continue to be minimized with the approval of the continuation of the 34.5kV FBR—a benefit for all customers, as explained in the direct testimony of Richard J. Macke.

13. Prairie Land is filing this Application separately from other member-cooperatives of Sunflower due to the requirement noted in Section G of the 34.5kV FBR Protocols, which directs Cooperative to make an appropriate filing with Commission to retain or modify the margin target in the event its distribution equity reaches the stated cap. Prairie Land's Distribution Equity Ratio calculated for the most recent annual filing in the 21-PLCE-388-TAR exceeded the cap by one percent. As a result, Prairie Land is utilizing the instant docket to fulfill the required filing. Specifically, Prairie Land requests to retain

¹⁵ *Id.*; Order Approving Settlement, ¶15, Docket No. 21-SEPE-049-TAR (filed April 15, 2021).

the same margin target. Kirk Girard's testimony clarifies that the said Distribution Equity Ratio reflects the performance of Prairie Land's total rates, including retail rates not subject to Commission jurisdiction, which are the main driver for the growth of this ratio.¹⁶ Mr. Richard J. Macke further affirms that margin targets utilized by Prairie Land (higher of the 1.8 Operating Times Interest Earned or Modified Debt Service Coverage ratios) do not exceed those used by the Cooperative when setting its retail member-rates and are still within the reasonable range given the most recent national and state figures.¹⁷

14. The 34.5kV FBR continues to include an Annual Update Filing and review process, ensuring the element of customer protection afforded in a general rate proceeding is still present. The Annual Update Filing allows Commission Staff and customers the continued opportunity to audit the results of the previous twelve months to ensure compliance with the 34.5kV FBR. Such review also allows the Commission the continued ability to meet its obligation of ensuring just and reasonable rates for Prairie Land's wholesale LADS customers. Additionally, interested parties will continue to have the opportunity to intervene and participate in Prairie Land's Annual Update Filing. The proposed procedural schedule regarding Cooperative's Annual Update Filing is the same as approved in the 21-049 Docket.

15. The continuation of the proposed 34.5kV FBR will continue to relieve much of the cost and burden placed on the Commission, Commission Staff, Sunflower, Prairie Land, and their respective customers related to the traditional ratemaking process. While Prairie Land has engaged consulting and legal resources as necessary for each Annual

¹⁶ Prefiled Direct Testimony of Kirk Girard submitted in the instant Docket, Pages 5-6.

¹⁷ Prefiled Direct Testimony of Richard J. Macke submitted in the instant Docket, pages 13-14.

Filing Update to the 34.5kV FBR, with the continuation of such FBR, customers will continue to receive service at just and reasonable rates without the attendant costs of more involved motions, substantial discovery, analysis, and testimony typically incurred in the course of the traditional ratemaking process. Many of these costs can be avoided, while still ensuring that the Commission has the opportunity to review and approve rates. This serves the best interests of the public, consumers, Prairie Land and the Commission.

16. Historically, since the implementation of the 34.5kV FBR in 2016, each of Prairie Land's Annual Update Filings has been processed in a relatively easy manner, suggesting at least that the process of a formula rate for the LAC has been positive. None of the Annual Update Filings for any member have ever resulted in a need for hearing, and for many years, the parties have not even had to hold the Technical Conferences or Status Calls contemplated by the Protocols. Prairie Land believes the 34.5kV FBR plan has been successful, and its continuation will achieve the policy objectives of implementing formula rates while at the same time providing a smooth process for customer review of the LAC.

III. TESTIMONY AND SERVICE

17. The testimony of five witnesses is submitted with this application. The names of the witnesses, the subject of their direct testimony they sponsor are as follows:

**James Brungardt, Manager, Regulatory Relations
Sunflower**

- Reasons for Sunflower joining as a Joint Applicant in this proceeding.

**Richard J. Macke, Vice President of Economics, Rates, and Business Planning,
Power System Engineering, Inc.**

- Historical overview of the 34.5kV FBRs

- Recap of steps necessary to continue the 34.5kV FBRs

Kirk Girard, CEO

Prairie Land

- Overview of Prairie Land's organization and governance.
- Prairie Land's support for this Joint Application.

18. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

Sunflower Electric Power Corporation 301 W. 13th Street P.O. Box 980 Hays, Kansas 67601	James Brungardt Regulatory and Rate Analyst jbrungardt@sunflower.net	Monica A. Seib Corporate Paralegal Supervisor mseib@sunflower.net
Prairie Land Electric Cooperative, Inc. 14935 US Hwy 36 P.O. Box 360 Norton, Kansas 67654	Kirk Girard CEO kgirard@prairielandelectric.com	Elena Larson Director of Member Services elarson@prairielandelectric.com
Power System, Engineering, Inc. 6 Pine Tree Drive Suite 350 Arden Hills, Minnesota 53713	Richard J. Macke VP Economics, Rates, & Business Planning macker@powersystem.org	Justin Craswell Rate & Data Analyst craswellj@powersystem.org

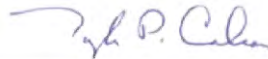
IV. CONCLUSION

19. Continuing the 34.5kV FBR is in the public interest and should be approved by the Commission. The 34.5kV FBR results in just and reasonable rates for the Prairie Land that is fully reviewed by the Commission, its Staff, and other interested parties. The 34.5kV FBR provides an efficient manner for recovering investment in the 34.5kV FBR Facilities necessary to ensure continued adequate, efficient and reliable utility service, and to maintain the financial integrity of Prairie Land.

WHEREFORE, the Joint Applicants pray that the Commission approve the following:

- a. Continuation of Prairie Land's existing 34.5kV FBR without any substantive changes as set forth in this Joint Application and supporting testimony;
- b. Such other and further relief as the Commission may deem just and reasonable.

Respectfully submitted,



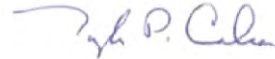
Taylor P. Calcara (#25561)
Jack Roenne (#30380)
Watkins Calcara, Chtd.
1321 Main Street, Suite 300
P.O. Drawer 1110
Great Bend, Kansas 67530
(620) 792-8231 telephone
(620) 792-2775 facsimile
tcalcara@wcrf.com
jroenne@wcrf.com

**COUNSEL FOR SUNFLOWER ELECTRIC
POWER CORPORATION AND PRAIRIE LAND
ELECTRIC COOPERATIVE, INC.**

VERIFICATION

Taylor P. Calcara, of lawful age, being first duly sworn on oath states:

That he is counsel for the Joint Applicants; that he has read the foregoing pleading and knows the contents thereof; and that the facts therein are true and correct to the best of his knowledge, information, and belief.



Taylor P. Calcara