

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

In the Matter of the Application of Southern)
Pioneer Electric Company for Approval to) Docket No. 24-SPEE-415-TAR
Make Certain Revenue Neutral Changes to its)
Rate Design.)

APPLICATION

Southern Pioneer Electric Company (“Southern Pioneer” or “Company”), pursuant to K.S.A. 66-117, hereby requests approval from the State Corporation Commission of the State of Kansas (“KCC” or “Commission”) to make certain revenue neutral changes in its rate design, as set forth herein.

I. BACKGROUND

1. Southern Pioneer is a Kansas not-for-profit corporate utility with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas.

2. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (“Pioneer Electric”), a not-for-profit Kansas member-owned electric cooperative not subject to Commission rate regulation pursuant to K.S.A. 66-104d.

3. Southern Pioneer provides electric service to approximately 17,000 consumers in 34 communities located in Barber, Clark, Comanche, Haskell, Kingman, Kiowa, Meade, Pratt, Reno, and Seward counties. Throughout these counties, Southern Pioneer serves 28 distribution

substations operated at 13.8-kV. These substations feed 60 primary distribution circuits, containing approximately 830 miles of overhead distribution line.

4. Southern Pioneer’s last case addressing rate design and class cost of service (“CCOS”) was filed in Docket No. 20-SPEE-169-RTS (“20-169 Docket”), with a Commission Order issued July 14, 2020.

5. Southern Pioneer’s retail rates and local access delivery charges are adjusted annually pursuant to Southern Pioneer’s Formula Based Ratemaking program (“FBR Plan”) as last approved by the Commission in Docket No. 19-SPEE-240-MIS (“19-240 Docket”). Pursuant to the Commission-approved protocols for the FBR Plan, Southern Pioneer will file its next revenue requirement adjustment on May 1, 2024, with an Order to be issued July 30, 2024.¹

II. OVERVIEW OF APPLICATION

6. Southern Pioneer requests approval of certain revisions in its rate design to address cross-class and intra-class subsidizations occurring under its present rate structure, to modernize its rates and tariffs to better serve its customers’ needs and demands as they have evolved with changes in the industry, and to clarify some language in the tariffs for ease of administration in the future. Southern Pioneer has largely been operating under the current rate design since it was inherited from its predecessor, Aquila-WPK, in 2007.

7. Southern Pioneer’s last CCOS study presented in the 20-169 Docket was based upon a 2017 test year. The changes requested in this Application are supported by a 2022 test year CCOS study conducted by Power System Engineering, Inc. (“PSE”), and sponsored by Company

¹ Under the FBR Plan protocols, the Order will issue by July 30, 2024, if there is no need for an evidentiary hearing, which has been the case in all previous FBR dockets. If an evidentiary hearing is held, the Order will issue no later than August 29, 2024.

witness, Mr. Richard Macke. As explained by Mr. Macke, the results of the CCOS indicate that the over or under recovery for the major revenue producing rates is around plus or minus ten percent, with some of the smaller rate classes having even greater variances, as depicted in the table below:

Retail Class Cost of Service Summary Under Present Rates				
Rate Class	Present Rate Revenue	Cost of Service	Difference	As Percent
	(\$)	(\$)	(\$)	(%)
Residential Service General Use 23-RS	19,490,617	21,450,691	1,960,074	10.1%
Residential Space Heating 23-RS	871,704	1,029,320	157,616	18.2%
General Service Small 23-GSS	2,414,833	2,592,792	177,959	7.4%
General Service Large 23-GSL	18,633,902	17,182,421	(1,451,482)	(7.8%)
General Service Space Heating Rider No 1	318,159	418,634	100,475	31.7%
Industrial Service 23-IS	5,102,897	4,565,953	(536,944)	(10.6%)
Municipal Power Service 23-M-I	39,233	80,967	41,733	106.9%
Water Pumping Service 23-WP	944,801	860,794	(84,007)	(8.9%)
Irrigation Service 23-IP-I	490,626	471,290	(19,337)	(4.0%)
Temporary Service 23-CS	1,301	2,423	1,123	86.7%
Lighting	1,123,625	776,415	(347,210)	(31.0%)
TOTAL	49,431,700	49,431,700	0	

8. Southern Pioneer is requesting approval to modify its rate structure to better align costs with rates, recognizing the need for gradualism in rate increases and other Commission ratemaking policies. Additionally, there are proposals that will modernize the rates and tariffs and clarify some language to improve administration. The Application includes the following proposals:

- a. The present Customer Charge is set at \$14.67 per consumer per month. To recover the consumer-related costs, the Customer Charge would need to be set at \$21.04. As a gradual step towards cost causation, the Customer Charge is proposed to be increased to \$16.67. Recovering more of the consumer costs in the Customer Charge aligns with principles of cost causation and reduces intra-class subsidies

that exist between consumers served within the same rate class that pay different amounts of fixed costs based upon how much energy they use.

- b. Change the approach of classifying between the Residential and General Service Small (“GSS”) to classifying based upon Single Phase and Three Phase. This will remove some of the challenges of equitably determining a residential and non-residential customer, since both residences and businesses are being co-located at the same premise. It will also alleviate the consistent need to manage whether a location has changed from a residence to a business.

This proposed change is also consistent with how Pioneer classifies its member-consumers. Since Southern Pioneer and Pioneer share staff, billing systems, and have consumers in the same general area, the proposed change will remove some administrative challenges and help provide continuity across the two service areas.

The change also addresses cost causation. There are currently many Single Phase GSS consumers being charged the same rates as Three Phase GSS consumers when there are cost of service differences between Single Phase and Three Phase service.

- c. Modify GSS classification in a way that will improve rate stability for these customers. Currently, a GSS consumer with a kW demand exceeding 10 kW for any one month is moved to the General Service Large (“GSL”) rate schedule. This creates an administrative burden along with some bill variability for consumers who could potentially switch back and forth between the GSS and GSL rates month-to-month. The proposed Single Phase and Three Phase rate schedules apply to the same threshold of 10 kW, however, if a Three Phase or Non-Domestic Single Phase service exceeds ten kW for three (3) consecutive months, it will be moved to the GSL rate schedule. This will reduce the movement of consumers back and forth with the GSL rate and allows consumers to demonstrate some consistency of the greater than 10 kW demand before moving them to the GSL.
- d. Include a Demand Charge for the Single Phase rate schedule, with a corresponding reduction to the Energy Charge. Customers served under the proposed Single Phase rate schedule do not currently pay a Demand Charge even though 58% of the cost

of providing service are demand-related costs. Per the Class COS, the total Capacity costs for the current Residential rate class are just over \$12.00 per kW. This is the level that would be necessary to fully recover demand-related costs for Power Supply, Transmission, and Distribution service. Southern Pioneer is proposing a Demand Rate of only \$3.00 per kW. This level of demand charge balances the need to better align the rate structure with the costs structure, recognizing other rate design goals related to gradualism and consumer acceptance. This is also consistent with the introductory demand charge Pioneer Electric Cooperative implemented in 2022 for its member-consumers taking Single Phase service.

Imposing a Demand Charge will help ensure that customers pay their fair share of the fixed costs incurred to serve them even if they reduce their energy usage through distributed generation or other resources. The inclusion of a Demand Charge allows for a corresponding reduction in the Energy Charge.

- e. The Single-Phase Space Heating rate will become applicable to all Single Phase consumers with demand under 10 kW. Because of the implementation of a Demand Charge for Single Phase customers, the Energy Charge for this heating block will be reduced.
- f. The proposal includes a Demand Charge of \$3.00 per kW for the Three Phase rate. The current GSS rate is presently under-recovering in part due to a rate structure that attempts to recover fixed costs through a kWh-based Delivery Charge. Introducing a \$3.00 per kWh Demand Charge will help ensure a more consistent and fair recovery of fixed costs. This is also consistent with the introductory demand charge Pioneer Electric Cooperative implemented in 2022 for its member-consumers taking Three Phase service.

According to the Class COS, the Customer Charge is nearly adequate at its current level, and so the proposal is to increase the Customer Charge very slightly to recover the full consumer-related costs of \$22.98 per consumer per month, with an offsetting reduction to the Delivery Charge to maintain revenue neutrality in this rate class.

- g. The main changes requested for the proposed GSL rate are related to the Demand Charge component and the tariff's minimum bill clause. The proposed rate will

reduce the current 9 kW free allowance on billing demand, down to a 7kW allowance. There is no cost-based reason for the rate to include any free kW allowance, but getting rid of it all together would be too impactful to consumer bills.

- h. The current GSL tariff states that “the minimum bill shall be the customer charge plus \$11.81 for each kW over nine (9) kW of the highest demand during the twelve (12) months currently ending”. The proposed rate eliminates the ratchet demand component from the minimum clause, and instead aligns the minimum charge with the Industrial tariff, which states that the minimum shall be the Demand Charge. The proposed demand rates are \$13.29 and \$11.29 per kW in the Summer and Winter, respectively.
- i. The GS Space Heating rate is a rider linked to the standard GSS and GSL Service. The only component of this rate that differs from GSL is the Delivery Charge for heating months, which is reduced to \$0.01796. Additionally, to address the confusion previously experienced about whether these customers should be paying the Demand Charge, the proposed tariffs include language to reinforce that they are billed for all components under the standard schedule.
- j. The proposed Industrial rate eliminates the current 10 kW free allowance on billing demand. There is no cost-based reason for the rate to include any free allowance and eliminating it does not impose a substantial impact on customer’s bills. The proposal also reduces the current ratchet component on billing demand from 75 percent to 50 percent. The proposed Demand Charges are \$15.78 and \$12.78 per kW in the Summer and Winter, respectively.
- k. Southern Pioneer is also proposing to change the GSL rate schedule so that a customer will not be moved into the GSL rate class unless service exceeds 10 kW for three consecutive months instead of relying on just one month. This will reduce the monthly movement of consumers back and forth, allowing consumers to demonstrate some consistency of the greater than 10 kW demand before moving them to the GSL.

- l. The M-I rate currently adopts the RS Customer Charge, and the request is to continue this such that the Customer Charge increases requested for the RS rate would also apply to the M-I rate. To keep overall revenue neutral, the Delivery Charge is reduced.

There are also proposed modifications that will allow this lighting rate to be available to entities other than just municipalities, such as recreation centers and county parks. Additionally, we have proposed some changes that will make it easier for Southern Pioneer to provide this service to customers who cannot supply their own transformer and to give Southern Pioneer the ability to approve requests for three phase service at some of these locations if circumstances justify it..

- m. The Water Pumping rate currently has a Customer Charge set just below that of the current GSS rate. The proposed rate requests to align the Customer Charge with the Three Phase rate, which would be an increase of \$2.64 per month. The proposed rate also introduces a Demand Charge of \$3.00 per NCP kW, in alignment with the Three Phase rate. Per the Class COS, the total Capacity costs for this class are about \$17.00 per NCP kW, so once again the Demand charge is set much lower than the total COS. The Delivery Charge is reduced to maintain revenue neutrality to the class overall.
- n. The proposal for the STR rate requests that the current Delivery Energy Charge be converted to a Delivery Demand Charge of \$1.57 per NCP kW.
- o. Other more minor tariff changes that will clean up Southern Pioneer's tariffs, improve administration, and assist in the provisioning of service to customers.
- p. Finally, the Application re-bases the current property tax surcharge ("PTS") riders, consistent with treatment of the PTS in prior rate dockets.

9. All requested changes in the Application are revenue neutral to Southern Pioneer.

The proposed changes contained in this Application are necessary to ensure continuing efficient and sufficient service at just and reasonable rates.

III. TESTIMONY AND SERVICE

10. Submitted with this Application is the testimony and supporting schedules and exhibits of the following witnesses:

WITNESS	TOPIC(S)
Chantry C. Scott Southern Pioneer Executive VP – Chief Financial Officer	Historical information on Southern Pioneer. Description of Southern Pioneer’s Service and Customers. Customer Notice of Proposed Changes. Sponsorship of the 2022 Audit Report.
Brian Beecher / Southern Pioneer	Customer experiences supporting the proposed rate design and tariff changes.
Rich Macke Power System Engineering, Inc. VP – Economics, Rates, Business Planning	Cost of Service Study and Rate Design.

11. In addition to the undersigned counsel, all correspondence, pleadings, orders, decisions and communications regarding this proceeding should be sent to:

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IV. TIMING AND PROCEDURAL MATTERS

12. The filing of this docket has been timed to coordinate with Southern Pioneer's 2024 FBR Plan filing wherein any adjustments in Southern Pioneer's revenue requirement will be determined. It is Southern Pioneer's intent, subject to Commission approval, to submit compliance tariffs in this docket redlining changes to present rates resulting from the Order received in this case. Those new rates will then be the basis for applying any rate increases or decreases resulting from the FBR Plan docket, and compliance tariffs redlining those changes will be filed in the FBR Plan docket.

13. Concurrent with the filing of this Application, Southern Pioneer, Commission Staff and CURB have filed a Joint Motion to waive the minimum filing requirements of KAR 82-1-231 to the extent they may be applicable, and to find Southern Pioneer has complied with the 30-90 day notice provision of KAR 82-1-214 or waive the same

14. Southern Pioneer will work with Staff and CURB to develop a proposed procedural schedule to present to the Commission for consideration within the next few days.

WHEREFORE, Southern Pioneer respectfully requests the Commission issue an Order granting this Application, thereby approving the rate design and tariff changes presented herein and as described more fully in the Direct Testimonies filed in support of this Application, and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,

/s/ Glenda Cafer

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STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

I, Glenda Cafer, verify under penalty of perjury that I have caused the foregoing pleading to be prepared; that I have read and reviewed the same; and that the contents thereof are true and correct to the best of my information, knowledge, and belief.

/s/ Glenda Cafer