

BEFORE THE KANSAS CORPORATION COMMISSION

OF THE STATE OF KANSAS

In the Matter of the Application of The)
Victory Electric Cooperative Association,)
Inc. Seeking Commission Approval to)
Update Its Local Access Delivery Service) Docket No. 24-VICE- 690- TAR
Tariff Pursuant to the 34.5kV Formula)
Based Rate Plan Approved in Docket No.)
21-SEPE-049-TAR.)

PREFILED DIRECT TESTIMONY OF

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

ON BEHALF OF

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

May 1, 2024

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PART I - QUALIFICATIONS

Q. Please state your name and business address.

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

Q. What is your profession?

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

Q. What is your educational background?

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

Q. What is your professional background?

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

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

1 A. Yes. I have provided testimony in Docket Nos. 16-MKKEE-023-TAR (“16-023 Docket”), 16-
2 VICE-494-TAR, 17-VICE-481-TAR, 18-VICE-479-TAR, 19-VICE-448-TAR (“19-448
3 Docket”), 20-VICE-437-TAR, 21-VICE-412-TAR, and 21-SEPE-049-TAR (“21-149
4 Docket”), 22-VICE-498-TAR, 23-VICE-793-TAR.

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

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

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

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

19 **Q. What is Victory’s opinion concerning the proposed 2023 34.5kV FBR rate of \$2.92/kW?**

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

25

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

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

7 1. The date the filing was made with the Commission and the docket number assigned.

8 2. The amount of the revenue adjustment sought.

9 3. The resulting rate impact.

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

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

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

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

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

24 A. Yes. The Table 1 on the following page evidences that for 2023, Victory's Distribution Equity
25 Ratio (for the Mid-Kansas division), calculated to be at 33.36 percent, was below the

1 prescribed 36.31 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated
 2 exclusive of equity in or from associated organizations. Note that the majority of such
 3 excludable equity, as evidenced in Table 2, on the following page, is represented by Victory's
 4 investment in Mid-Kansas.

Table 1. Victory (Mid-Kansas Division) 2023 Distribution Equity Ratio				
Excluding investment in Associated Organizations				
<u>2023</u>				
Bal. Sheet				
<u>Ln. No.</u>				
9	29	Total Assets & Other Debts	\$	129,211,302
10	36	Total Margins & Equities	\$	61,984,024
11	8	Investment in Associated Organizations - Patronage Capital	\$	27,299,921
12	9	Investment in Associated Organizations - Other - General Funds	\$	-
12	10	Investment in Associated Organizations - Other - Nongeneral Funds	\$	1,036,265
		Total Investment in Associated Organizations	\$	28,336,186
14				
15	Distribution	Ln 36 - (Ln 8 + Ln 9 + Ln 10)		33.36%
	Equity Ratio	Ln 29 - (Ln 8 + Ln 9 + Ln 10)		

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

3 A. Item No. 10 requires the Cooperative to provide a summary explanation of any material
 4 increases from the previous year (where “material” is quantified to be over 10 percent) in a COS
 5 item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on
 6 Exhibit 5, Page 1, submitted in the instant Docket against the same categories as approved last
 7 year in the Docket No. 23-VICE-793-TAR, the following 2023 COS items were identified as
 8 showing over a 10 percent increase: Interest – Other Expense, and Other Deductions. See the
 9 following summary in Table 3.¹

Table 3. Victory (Mid-Kansas Division) COS Item Comparison					
COS Item Description	2023 FBR Approved Revenue Requirement	2024 FBR Revenue Requirement	Diff \$	Diff %	
Operating Expenses					
Transmission O&M	\$ 577,993	\$ 562,137	\$ (15,856)	-3%	
Administration & General	\$ 47,569	\$ 42,632	\$ (4,936)	-10%	
Depreciation & Amortization					
Transmission	\$ 660,580	\$ 663,946	\$ 3,366	1%	
General Plant	\$ 1,556	\$ 1,357	\$ (200)	-13%	
Property Tax	\$ -	\$ -	\$ -		
Other Taxes	\$ -	\$ -	\$ -		
L.T. Interest	\$ 807,809	\$ 857,319	\$ 49,510	6%	
Interest Charged to Construction	\$ -	\$ -	\$ -		
Interest - Other	\$ 2,302	\$ 24,609	\$ 22,307	969%	
Other Deductions	\$ 4,953	\$ 6,512	\$ 1,559	31%	
Margin Requirement Components					
Principal Payments	\$ 907,549	\$ 918,451	\$ 10,902	1%	
L.T. Interest	\$ 807,809	\$ 857,319	\$ 49,510	6%	

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

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

2 A. The increase is primarily due to the KCC rate increase from 0.21% to 4.78% on member
3 deposits.

4 **Q. Please explain the drivers behind the change in Other Deductions.**

5 A This change is due to increased donations driven by an uptick in events and a generator
6 donation to Ford County.

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

9 A. I would like to close by noting that increases in costs due to operational changes affect
10 Victory's wholesale and retail customers alike. Decisions made with regards to staffing, debt
11 financing, and the overall operations of Victory are always made with the customers' best
12 interest in mind. Every effort is taken to find cost saving measures whenever possible in order
13 to lessen the impact to our customers.

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

15 A. I support Mr. Craswell's recommendation to approve Victory's Application in the instant
16 Docket, as the resultant rate is reflective of the COS, was calculated in accordance with the
17 Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is
18 in the public interest.

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

20 A: Yes, it does.

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VERIFICATION OF SHANE LAWS

STATE OF KANSAS)
) ss:
COUNTY OF FORD)

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


Shane Laws

SUBSCRIBED AND SWORN to before me this 1 day of May, 2024.


Notary Public

My Appointment Expires:

