

**July 15, 2015**

1   **Q:     Please state your name.**

2   A:     My name is Shane Laws.

3   **Q:     By whom are you employed and what is your business address?**

4   A:     I am employed by The Victory Electric Cooperative Association, Inc.  
5           ("Victory"). My business address is 3230 North 14th Avenue, Dodge City,  
6           Kansas. As General Manager of Victory, I am also a member of the Board  
7           of Directors for both Mid-Kansas Electric Company, LLC ("Mid-Kansas")  
8           and Sunflower Electric Power Corporation ("Sunflower").

9   **Q:     Would you summarize your educational background?**

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

16  **Q:     Please summarize your work experience.**

17  A:     I'm currently the CEO for Victory, Dodge City, Kansas. I've been with  
18           Victory for approximately 18 months. Prior to Victory, I was the Director,  
19           Retail Programs for CoServ Electric in Corinth, Texas. I was directly  
20           responsible for a project engineering department that designed and  
21           contracted large-scale residential and commercial developments as well  
22           as an energy management department that provided  
23           residential/commercial audit services and administered a

1 residential/commercial rebate program. In addition, I provided oversight  
2 for the cooperative's rates and cost-of-service studies and tariffs. I have  
3 served in various capacities with three electric cooperatives spanning  
4 nearly 20 years.

5 **Q: Have you previously presented testimony before the Commission?**

6 A: No, I have not.

7 **Q: What is the purpose of your testimony today?**

8 A: The purpose of my testimony is to provide a background of Victory and to  
9 confirm Victory's support for this filing.

10 **Q: Please provide a brief overview of Victory.**

11 A: Victory is an electric cooperative formed in 1947 under the Kansas Electric  
12 Cooperative Act K.S.A. 17-4601 et seq. primarily for supplying electric  
13 energy to the farm and residential customers in rural areas of southwest  
14 Kansas. Through the years, however, Victory expanded to a broad  
15 consumer base. Today, Victory maintains 2,700 miles of line serving  
16 diversified loads including residential, industrial, commercial, and irrigation  
17 customers in nine southwest Kansas counties.

18 **Q: What is Victory's opinion concerning the proposed 34.5kV FBR?**

19 A: Victory supports the proposed 34.5kV FBR as detailed in the Joint  
20 Application and the Prefiled Direct Testimony of Richard J. Macke  
21 submitted in support of this Joint Application.

1   **Q:    What are the reasons for Victory's request to implement the**  
2           **proposed 34.5kV FBR?**

3   A:    In Victory's opinion, the FBR approach reduces the costs and regulatory  
4           lag of a traditional rate case while ensuring the Commission and  
5           interested parties are afforded a comprehensive and systematic review of  
6           the resultant rates (which, by the inherent design of the proposed 34.5kV  
7           FBR, remain cost-based). Prefiled Direct Testimony of Richard J. Macke  
8           further highlights the advantages that a formula-based rate approach  
9           offers to the Commission, affected utilities, and customers when  
10          compared to a traditional rate application.

11   **Q:    In your capacity as CEO of Victory, do you have any experience with**  
12          **formula-based rates?**

13   A:    Not directly. However, as mentioned previously, I serve on the Board of  
14          Victory's power suppliers, Sunflower and Mid-Kansas. Both of these  
15          utilities have Commission-approved formula-based rates for their  
16          respective transmission facilities.

17   **Q:    In your capacity as a member of the Boards of Directors for**  
18          **Sunflower and Mid-Kansas, can you attest that these companies**  
19          **have experienced the often suggested advantages of formula-based**  
20          **rates?**

21   A:    Yes, in my opinion, we have seen many of these advantages at Sunflower  
22          and Mid-Kansas. Formula-based rates have allowed Sunflower and Mid-  
23          Kansas to annually update rates, which allows for the proper recovery of

1 costs associated with providing transmission service. A formula-based  
2 rate has also provided the benefits of reducing the cost of rate case filings  
3 while producing a more efficient recovery of costs with reduced regulatory  
4 lag.

5 **Q: What is the basic approach utilized in the proposed Victory 34.5kV**  
6 **FBR?**

7 A: Victory's proposed 34.5kV FBR calculates the annual revenue  
8 requirement based upon pertinent operating expenses and margin  
9 requirements.

10 **Q: What type and level of margin requirement is Victory requesting be**  
11 **used as the basis for the return requirement incorporated into its**  
12 **34.5kV FBR?**

13 A: Victory requests that a greater of a 1.8 Operating Times Interest Earned  
14 Ratio ("OTIER") or a 1.8 Modified Debt Service Coverage Ratio ("MDSC")  
15 be used as the margin requirement for determining the return requirement.

16 **Q: Why are those appropriate levels and types of financial ratios for**  
17 **determination of Victory's margin requirement?**

18 A: A 1.8 OTIER/MDSC would allow for a sufficient level of positive operating  
19 margins to facilitate the improvement of capital structure to ensure safe  
20 and reliable service, as well as help deal with unexpected contingencies.  
21 In addition, the "greater of" approach, with a secondary metric (the MDSC  
22 of 1.8), allows flexibility in choosing the most appropriate driver for the  
23 margin requirement as our debt matures.

1   **Q:     Do you support the Prefiled Direct Testimony of Richard J. Macke**  
2           **with respect to all aspects of the margin requirements and levels**  
3           **thereof that are used to determine the revenue requirement in**  
4           **Victory's 34.5kV FBR?**

5   A:     Yes, I concur with his analysis and the margin requirements he details,  
6           which are the same margin requirements I previously mentioned.

7   **Q:     Are you comfortable with having Mid-Kansas act as the billing agent**  
8           **for purposes of Victory's formula-based rate sought in this**  
9           **proceeding?**

10  A:     Yes, I am. Mid-Kansas is already serving in that capacity for purposes of  
11          the Members' LAC. Although I was not serving in my current position at  
12          the time of the findings, it is my understanding that this is consistent with  
13          the prior Commission findings (addressed in the 09-MKEE-969-RTS  
14          Docket and later upheld in the 11-GIME-597-GIE Docket), where Mid-  
15          Kansas was designated to act as an agent for purposes of administering  
16          the local delivery service over the Mid-Kansas Members' 34.5 facilities.  
17          For a more detailed history on Mid-Kansas's role as a billing agent for the  
18          Members' LAC, see the Prefiled Direct Testimony of H. Davis Rooney.

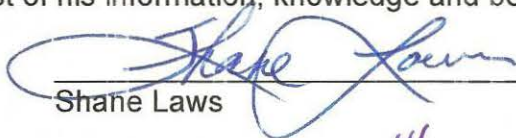
19  **Q:     Does this conclude your testimony?**

20  A:     Yes, it does.

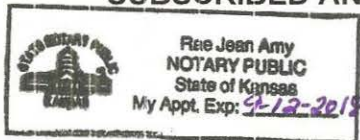
VERIFICATION OF SHANE LAWS

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 "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 14<sup>th</sup> day of July, 2015.



  
Notary Public

My Appointment Expires: 9-12-2018