

ATTACHMENT B

Southern Pioneer Protocols

Southern Pioneer Electric Company

34.5kV FBR Protocols

A. PURPOSE

The 34.5kV FBR Plan is an annual formula-based ratemaking mechanism. Its purpose is to allow for timely adjustments to the corresponding wholesale Local Access Charge ("LAC") and applicable retail rates, without the expense (public and private) and regulatory lag related to preparing and presenting a full rate case every year before the Kansas Corporation Commission ("Commission" or "KCC").

B. PROCESS

No later than May 1 (or the next Business Day when the Commission's offices are open if May 1 is not a Business Day) of each year, in accordance with its Commission-approved 34.5kV FBR Plan, Southern Pioneer Electric Company ("Southern Pioneer") shall submit its 34.5kV FBR Plan "Annual Update" filing for the calendar year just ended ("Test Year") in accordance with the procedures and calculations set forth herein (such date of submittal being the "Filing Date"). The filing will be provided to all parties of record in Commission Docket 16-MKEE-023-TAR approving the initial application for Southern Pioneer's 34.5kV FBR Plan.

Upon filing, the Commission will determine the appropriate term for suspension of the Annual Update pursuant to K.S.A. 66-117. Notwithstanding this suspension, unless otherwise ordered by the Commission, Southern Pioneer, Commission Staff, and Interveners will process the filing as set forth herein. All discovery and confidentiality issues will be governed by Commission Discovery and Protective Orders, which will be issued after the filing of the Annual Update. Upon receipt of the Annual Update filing, the Commission may also immediately issue a Procedural Order in accordance with the following guidelines, which are discussed in more detail in the following timeline:

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| Day 1 | Day after the Filing Date |
| Day 40-45 | A one-day Technical Conference will be set during this time, if necessary. |
| Day 50-55 | A status telephone conference call will be set during this time. |
| Day 60 | Staff and Interveners complete the review of the Annual Update and Staff files a Report and Recommendation or, if necessary, Staff and/or Interveners shall file testimony as outlined hereafter. |
| Day 75 | Southern Pioneer files rebuttal testimony, if necessary. |
| Day 90 | Commission Order either approving the rate adjustments based upon the paper record or notifying the parties that an evidentiary hearing will be held. |
| Day 95-99 | A one-day evidentiary hearing will be set during this time in case it is needed based upon the Commission 90 day Order. |

Day 120 Final Order issued if the matter goes to evidentiary hearing.

The Commission Staff, and any other Intervener, will have 60 days from the Filing Date to review the Annual Update to determine if it results in just and reasonable rates that are in the public interest.

If within 60 days from the Filing Date, the Commission Staff and Interveners make a determination that indicates the results of the Annual Update filing are just and reasonable, Commission Staff will file a Report and Recommendation indicating the same. Nothing in this provision is intended to deny Interveners the opportunity to file testimony should there be a relevant objection relating to the Annual Update, rather the purpose of the Report and Recommendation is to relieve Staff and Interveners of the obligation to file formal testimony in the event formal testimony is unnecessary due to the lack of relevant objection to the Annual Update Filing. Provided there are no relevant objections, the Commission shall issue an Order allowing the rates proposed in the Annual Update to become effective no later than 90 days after the Filing Date.

If within 60 days from the Filing Date, Staff and/or Interveners make a determination that indicates the results of the Annual Update filing are unjust or unreasonable, Staff and Interveners shall make a reasonable attempt to resolve any issues surrounding the Annual Update informally with Southern Pioneer. The parties shall utilize the Technical Conference and Status Telephone Conference described below in Section F as a forum to try and resolve issues. If unable to resolve issues, Staff and Interveners shall file testimony within 60 days from the Filing Date, setting forth the reason the Annual Update would not result in just and reasonable rates along with supporting documentation, and evidence supporting the position. Issues regarding the Annual Update filing that do not change or impact the rate(s) resulting from the filing shall not be raised in testimony. A party who does not object to the Annual Update filing may file testimony in support of the filing within 60 days from the Filing Date. Questions, concerns or complaints regarding Southern Pioneer or its parent company that are outside the scope of the Annual Update filing, or the rates resulting from the filing, shall not be raised in the Annual Update filing dockets. However, no party is precluded from raising such issues through the normal means available before the Commission.

If within 60 days of the Filing Date, Staff and/or Interveners file testimony regarding Southern Pioneer's Annual Update filing indicating the filing would result in unjust or unreasonable rates that are not in the public interest, then Southern Pioneer shall have the opportunity to file responsive testimony to said objection(s) within 75 days from the Filing Date.

Within 90 days from the Filing Date, the Commission will issue an order either approving the Annual Update filing based upon the paper record, or ordering an evidentiary hearing to be held to address the issues raised by the Annual Update filing. The hearing, if necessary, will proceed as expeditiously as possible, with the explicit goal of a Commission Order within 120 days from the Filing Date. This 120 day order date may be extended by Commission Order if circumstances arise supporting a deviation from the agreed 120-day time period.

The process outlined above does not prohibit interested parties from exercising any other rights they may have to bring a separate complaint or show cause proceeding before the Commission regarding Southern Pioneer, its rates or services.

C. CUSTOMER NOTIFICATION

The Southern Pioneer Consumer Advisory Council shall be consulted prior to each Annual Update to obtain their input regarding the application and its impact on customers. A summary of their comments shall be included with the application.

Customers will receive notice of the filing at the time it is made with the Commission. The notice to wholesale LADS customers may be made via electronic mail or bill insert and for retail customers, the notice shall be made via monthly bill inserts. Both notices shall contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment presented.
3. As applicable, the resulting rate impact on wholesale LADS customers and each individual retail rate class as contained in the filing.
4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV FBR Plan, with a cite to Docket No. 16-MKEE-023-TAR and the date of the Commission's Order approving the 34.5 kV FBR Plan.
5. A Southern Pioneer contact person and phone number for questions.
6. An explicit statement as follows: If you have questions or complaints, please contact the Kansas Corporation Commission, Office of Public Affairs and Consumer Protection at public.affairs@kcc.ks.gov, or call 1(800)662-0027. Questions and/or complaints should reference Docket No. XX:XXX (to include applicable Docket No.).

D. CALCULATION

Each filing shall be based on actual results as presented in the sources listed below and utilizing the RUS Uniform System of Accounts:

- December National Rural Utilities Cooperative Finance Corporation Financial and Statistical Report (CFC Form 7).
- December Trial Balance.
- December Payroll Journal.
- December Balance Sheet.

The calculation shall follow the form and format included in the 34.5kV FBR templates, both blank, and populated, approved by the Commission in Docket No. 16-MKEE-023-. Specific details concerning the calculation are as follows:

1. Adjustments to actual results for the Test Year will be made as follows:

- a. *Distribution Operation and Maintenance ("O&M") Expenses* – if distribution plant used to provide Local Access Delivery Service is present that is not already accounted for in a separate rate-making mechanism, the Distribution O&M Expenses will be adjusted consistent with the adjustment to Other Deductions per Commission policy in accordance with K.S.A. 66-101f(a) as defined below and which may be applicable.
- b. *Administrative and General Expense ("A&G")* will be adjusted consistent with the adjustment to *Other Deductions* per Commission policy in accordance with K.S.A. 66-101f(a) as defined below and which may be applicable.
- c. *Depreciation* will be adjusted to remove the Acquisition Premium ("AP") amortization.
- d. *Other Taxes* will be adjusted, if necessary, to reflect cash only portion paid during the Test Year.
- e. *Interest on Long-Term Debt* will be adjusted to reflect the interest on long-term debt expected for the Budget Year.
- f. *Interest Expense – Other* will be adjusted as necessary to reflect the amount of short-term interest expected for the Budget Year.
- g. *Other Deductions* – If applicable, Other Deductions expense will be adjusted to reflect the exclusion of the items typically disallowed by the Commission, in whole or in part, per Commission policy in accordance with K.S.A. 66-101f(a) (i.e. dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses) and in a manner consistent with any other separate rate-making mechanism that Southern Pioneer may have in place at the time. As set forth below, Southern Pioneer will include with its filing a complete detailed listing, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year, accompanied by the work paper detailing the calculation of the appropriate exclusion, in whole or in part. Each party may present to the Commission in their recommendation or testimony their position and reasoning in support of inclusion or disallowance of these items. It is expected that disagreement on these issues would not be grounds for requiring the case to go to evidentiary hearing, and that absent other issues supporting the need for the evidentiary hearing, these matters will be resolved by the Commission based upon the paper record.
- h. *Debt Service Payments* for the Test Year shall be adjusted to reflect the interest expense and principal payments for the Budget Year. Interest expense for this purpose shall include both long-term and short-term interest expense. The debt service payments on

said debt requirements will be calculated using the expected amortization schedule(s) at the expected borrowing rate(s). The debt service payments will be determined within the context of Southern Pioneer's budget including the projected plant investments and cash flows needs.

2. The 34.5kV FBR Plan is intended to apply only to the sub-transmission portion of Southern Pioneer's system. In order to accomplish this, the financial results submitted as part of the Annual Update filing should be adjusted to only include the costs associated with such facilities. The following categories of expenses will need to be adjusted to remove the portion not associated with these facilities before the LAC is calculated. The allocation method to be used is listed next to each category. This list is not necessarily exhaustive, and other allocations may be necessary. If additional items are identified, expense or labor items should be allocated using a Labor ratio ("LAB"), and Plant or Debt Service items should be allocated using a Net Plant ratio ("NP").⁴⁰ The LAB ratio is calculated as a ratio of Transmission Labor to Total Non-A&G Labor, calculated for the Test Year. The NP ratio is calculated as a ratio of Net Transmission Plant to total Net Plant, calculated for the Test Year, where the Net Transmission Plant includes a General Plant allocation based upon the LAB ratio. These allocators should be calculated and submitted annually with each Annual Update filing. Because this 34.5kV FBR Plan and the DSC-FBR Ratemaking Plan approved in Docket No. 13-MKEE-452-MIS both rely on an allocated portion of the same underlying costs, in no case will the sum of both allocated cost amounts be greater than the total actual cost amount recorded on Southern Pioneer's financial statements.
 - a. A&G Expenses: allocated on LAB ratio.
 - b. Depreciation and Amortization Expense: Calculated directly, with the LAB ratio being applied to General Plant Depreciation.
 - c. Tax Expense (Property and Gross Receipts): allocated on NP ratio.
 - d. Tax Expense (Other: Calculated directly based on a percentage of calculated operating margin using the actual cash taxes paid during the Test Year to develop the percentage).
 - e. Other Deductions and AFUDC: allocated on NP ratio.
 - f. Interest on Long-Term Debt and Interest Charged to Construction: allocated on NP ratio.
 - g. Interest-Other: allocated on NP ratio.

⁴⁰ If any distribution plant that provides Local Access Delivery Service is present as detailed in D.1.a above, Distribution O&M Expenses will be allocated using a Distribution O&M ratio ("DOM"). The DOM ratio is calculated as a ratio of Net Distribution Plant used in provision of Local Access Delivery Service to Total Distribution Plant. As applicable, this allocator should be calculated and submitted with Annual Update filings.

E. FILING EXHIBITS

In support of the Annual Update filing, Southern Pioneer shall submit the following information:

1. An Annual Update filing containing the rate adjustment requested in compliance with the requirements of the Commission-approved 34.5kV FBR Plan. The filing should include testimony describing the rate adjustment being requested, and specifically how the Annual Update filing complies with the requirements of the 34.5 kV FBR Plan approved by the Commission in Docket No. 16-MKEE-023-TAR.
2. Southern Pioneer's CFC Form 7 or successor document, for the test year and two prior years.
3. Completed formula as contained in the 34.5kV FBR Plan template approved for Southern Pioneer by the Commission in Docket No. 16-MKEE-023-TAR. In addition to the PDF version, each Annual Update filing shall be supplemented with a populated formula template in fully functional spreadsheets, with all work papers attached, showing the 34.5kV FBR Plan calculations.
4. Trial Balance for the Test Year and two prior years.
5. Payroll Journal for the Test Year and two prior years.
6. Operating Budget for the Test Year and two prior years.
7. A summary explanation of any material increases in a cost of service item from the previous year. This explanation should include at a minimum a discussion of the drivers behind this change in costs, and any steps Southern Pioneer took to lessen the impact of this cost increase on its customers. This explanation may be contained within the prefiled testimony included in the Annual Update filing.
8. A detailed listing, by account, of all costs recorded by Southern Pioneer that resulted from an allocation of costs from Pioneer Electric Cooperative, Inc. (Pioneer) or a cost billed from Pioneer for the Test Year, unless otherwise noted. This detailed listing shall include at a minimum:
 - a. For each Pioneer employee that billed time to Southern Pioneer during the Test Year, a listing of each Pioneer employee's time and cost (including benefits and loadings) billed to Southern Pioneer, by account, for the Test Year, and for the two years prior. This list should also include time not billed to Southern Pioneer for each Pioneer employee (retained within Pioneer).
 - b. A detailed accounting of all directly assigned costs from Pioneer to Southern Pioneer, with supporting documentation available upon request regarding the method of determination for the directly assignable cost.

- c. A detailed accounting of all other allocated, assigned, or billed cost from Pioneer to Southern Pioneer. Supporting documentation should be available upon request.
9. A listing of Southern Pioneer's total employee compensation expense, including any bonuses, benefits expense, etc., for the Test Year and two years prior. This shall not include allocated or billed costs from Pioneer to Southern Pioneer.
10. A calculation of Southern Pioneer's Total Controllable Expenses per Consumer, and Total Wages (inclusive of Pioneer billed wages to Southern Pioneer) per Consumer for the Test Year and two years prior. These are similar to Ratios 87 and 110 of CFC's Key Ratio Trend Analysis.
11. Any other applicable supplemental schedules necessary to audit the filing for the Test Year.
12. A complete detailed accounting, by account, of all dues, donations, charitable contributions, promotional advertising, penalties and fines, and entertainment expenses incurred during the Test Year.
13. Proposed tariffs sheets including the proposed rate adjustments.

If any of the reports or statements intended to be used as support for Southern Pioneer's upcoming Annual Update filing become available prior to the Filing Date, Southern Pioneer will provide to Staff and Interveners copies of such. All required information will be made accessible on Southern Pioneer's Box.net site or a similar service, with a notification provided to Staff and Interveners alerting them of when the data becomes available.

F. TECHNICAL CONFERENCE AND STATUS CALL

Following the Filing Date, Southern Pioneer will work with Staff and Interveners to schedule a one-day Technical Conference, if necessary, to be held within days 40-45 from the Filing Date. The Technical Conference will be held at the Company's home office. Southern Pioneer will make its staff available to review requested documents and respond to questions. The parties shall submit to Southern Pioneer at least 10 business days before the conference a list of questions and a list of documents that the parties want Southern Pioneer to be prepared to answer and produce, respectively, at the technical conference. If requested, Southern Pioneer will make available to Staff, Interveners and the parties' consultants who are unable to travel to the home office, access to the conference via "GoToMeeting" or a similar internet-based conference program.

Within days 50-55 from the Filing Date, Southern Pioneer will work with Staff and Interveners to schedule a telephone conference call to discuss the status of any outstanding issues with the Annual Update filing. If there are no outstanding issues to discuss, the parties will consider Staff's filing of a Report and Recommendation indicating the results of the Annual Update filing are just and reasonable.

G. EQUITY TEST

A rate increase will not be implemented that would achieve or maintain an equity percent of assets in excess of 15 percent, unless such would be reasonably determined to force Southern Pioneer to violate its loan covenant(s) with its lender. For this purpose, equity shall be calculated consistent with its lender as contained in its loan documents and any amendments applicable thereto. This agreement on a 15% equity level is for purposes of the initial term of this 34.5kV FBR Plan only and will not be considered precedential, or asserted as such, in any other dockets or proceedings, including any proceeding to extend or otherwise modify this 34.5kV FBR Plan.

H. TERM

At the discretion of Southern Pioneer, the 34.5kV FBR Plan, as described herein, shall be implemented for a period of three calendar years, inclusive of the year adopted, with the initial filing occurring in 2016 and the final filing occurring in 2018. During the final year of the 34.5kV FBR Plan, Southern Pioneer shall advise the Commission if 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; provided, Southern Pioneer shall not be precluded from filing for extensions of both the DSC-FBR Plan and the 34.5kV FBR Plan contemporaneously, on or before the expiration of the DSC-FBR Plan in 2018. Staff of the Commission and any Intervener granted intervention by the Commission shall have the right to comment on the merits of such a request.

I. TRUE-UP

Beginning with the second Annual Update filing (anticipated to occur in the year 2017 for the first time), Southern Pioneer will include in the filing a comparison between: 1.) The projected revenue requirement of the projected items from the previous Budget Year (anticipated to be the year 2016 in the first true-up); and, 2.) The actual revenue requirement calculation of those same items for the test year. The resulting comparison, whether positive or negative, will be added or subtracted to the total rate request for the current Annual Update filing. This calculation will take place in all subsequent Annual Update filings and will always compare the previous Budget Year projected rate items with the actual Test Year calculated rate items, but only for the items that are projected within the cost of service.

J. MISCELLANEOUS PROVISIONS

1. Nothing in these Protocols limits or deprives Southern Pioneer, Staff of the Commission or any Intervener of any rights it may otherwise have under any applicable provision of applicable law. The provisions of the Protocols addressing review and objection of the Annual Update filings are not intended to, nor shall they be construed as limiting Southern Pioneer's, Staff of the Commission or any Intervener's rights under any applicable provision of applicable law.
2. Signatories who were a party to the original docket requesting the approval of the 34.5kV FBR Plan will be considered automatically

approved for intervention upon the filing of an Entry of Appearance in any individual Annual Update filing, provided they are not prohibited from participation by statute or otherwise.

K. DEFINITIONS

Budget Year shall mean the calendar year immediately following the Test Year.

Debt Service Payments means interest and principal payments made during the Test Year adjusted to reflect the interest and principal payments expected for the Budget Year, including both long-term and short-term debt.

Filing Date as defined in Section B of these 34.5kV FBR Plan Protocols.

Form 7 means the December National Rural Utilities Cooperative Finance Corporation Financial and Statistical Report (CFC Form 7) that utilizes the RUS Uniform System of Accounts.

Intervener means a party which has been granted intervention by the Commission in Southern Pioneer's Annual Update filing or as provided in Section J(2).

KCC or Commission means the State Corporation Commission of the State of Kansas.

LAC means the Local Access Charge per kW demand rate for LADS over Southern Pioneer's sub-transmission system as defined in Southern Pioneer's corresponding Local Access Delivery Service tariff on file with the Commission.

Line Losses means real power losses associated with the Local Access Delivery Service. The applicable loss factor is specified within Southern Pioneer's Commission-approved Local Access Delivery Service tariff in effect during the Test Year.

Local Access Delivery Service ("LADS") means wholesale delivery service over Southern Pioneer's sub-transmission system.

MDSC means a Modified Debt Service Coverage ratio of cash flows to annual interest and principal payments on debt, calculated in accordance with the application of Southern Pioneer's loan covenants with CoBank.

Monthly Billing Demand – as defined in Southern Pioneer's Commission-approved Local Access Delivery Service tariff in effect.

Monthly System Peak means the monthly maximum hourly demand on Southern Pioneer's Local Access Delivery System during the Test Year.

Net Plant means total Plant in Service as contained in all electric plant account per RUS Uniform System of Accounts less total Accumulated Reserves for Depreciation in account per RUS Uniform System of Accounts, where the account balances are determined by Southern Pioneer's year end trial balance for the Test Year.

Net Transmission Plant means the total plant in service used by Southern Pioneer for the provision of Local Access Service (including Transmission Plant in Southern Pioneer's accounts 350-359 per RUS Uniform System of Accounts; any Distribution Plant from accounts 360-373 per RUS Uniform System of Accounts that was allocated to the LAC, if applicable; plus any allocated General Plant from accounts 389-399 per RUS Uniform System of Accounts) minus the total amount of corresponding

Accumulated Provision for Depreciation in account 108 per RUS Uniform System of Accounts. The account balances are determined by Southern Pioneer's year end trial balance for the Test Year.

Non-A&G Labor means the Test Year wages associated with all of the Operating Expenses *except for* the wages in connection with the Administrative and General Expense accounts 920-935 per RUS Uniform System of Accounts.

Retail Billing Demand means Southern Pioneer's retail load monthly billing demand for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 34.5kV FBR Plan populated template).

Total Billing Demand means the summation of Southern Pioneer's wholesale and retail customers' monthly billing demands for the Test Year (work paper detailing calculation is contained in Southern Pioneer's work papers accompanying the 34.5kV FBR Plan populated template).

Transmission Labor means the Test Year wages associated with the provision of the Local Access Service and are comprised of 100% of the wages associated with the Transmission Expense in accounts 560-573 per RUS Uniform System of Accounts and, if applicable, any allocated Distribution wages associated with the Distribution O&M Expense accounts 360-373 per RUS Uniform System of Accounts.

RUS Uniform Systems of Accounts is contained in the United States Department of Agriculture Rural Utilities Service Bulletin 1767B-1.

Test Year means the most recent full calendar year prior to the Filing Date.