

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

|   |   |                            |
|---|---|----------------------------|
| In the Matter of the Joint Application of               | ) |                            |
| Sunflower Electric Power Corporation, Prairie Land      | ) |                            |
| Electric Cooperative, Inc., The Victory Electric        | ) |                            |
| Cooperative Association, Inc., and Western              | ) | Docket No. 21-SEPE-019-TAR |
| Cooperative Electric Association, Inc., for Approval of | ) |                            |
| Continuation of 34.5 kV Formula-Based Rates and         | ) |                            |
| Updated 34.5 kV Loss Factors.                           | ) |                            |

**PREFILED DIRECT TESTIMONY OF**

**SHANE LAWS**

**ON BEHALF OF**

**THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.**

**July 29, 2020**

Direct Testimony of Shane Laws

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 Sunflower Electric Power Corporation ("Sunflower").

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

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

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

16   A:    I'm currently the CEO for Victory, Dodge City, Kansas. I've been with  
17       Victory for approximately 7 years. Prior to Victory, I was the Director,  
18       Retail Programs for CoServ Electric in Corinth, Texas. I was directly  
19       responsible for a project engineering department that designed and  
20       contracted large-scale residential and commercial developments as well  
21       as an energy management department that provided  
22       residential/commercial audit services and administered a  
23       residential/commercial rebate program. In addition, I provided oversight

1 for the cooperative's rates and cost-of-service studies and tariffs. I have  
2 served in various capacities with three electric cooperatives spanning over  
3 25 years.

4 **Q: Have you previously presented testimony before the Kansas**  
5 **Corporation Commission of the State of Kansas ("Commission")?**

6 A: Yes, I have provided testimony in the following dockets: 16-MKEE-023-  
7 TAR; 16-VICE-494-TAR; 17-VICE-481-TAR; 18-VICE-479-TAR; 19-VICE-  
8 448-TAR; 19-SEPE-054-MER; and 20-VICE-437-TAR.

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

10 A: The purpose of my testimony is to provide a background of Victory and to  
11 confirm Victory's support for (i) continuation of its 34.5 kV formula-based  
12 rate ("34.5 kV FBR") with the requested modification and clarifications,  
13 and (ii) updating its Local Access Delivery Service ("LADS") Tariff loss  
14 factor.

15 **Q. Are you sponsoring any exhibits?**

16 A. Yes, I am sponsoring the following exhibits:

- 17 • Exhibit SL-1 - redlined and clean copy of Victory's LADS Tariff with the  
18 proposed updated loss factor requested in this proceeding.

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

20 A: Victory is an electric cooperative formed in 1945 under the Kansas Electric  
21 Cooperative Act, K.S.A. 17-4601 *et seq.*, primarily for supplying electric  
22 energy to the farm and residential customers in rural areas of southwest  
23 Kansas. Through the years, however, Victory expanded to a broad

1 consumer base. Today, Victory maintains 3,100 miles of line serving  
2 diversified loads including residential, industrial, commercial, and irrigation  
3 customers in nine southwest Kansas counties.

4 **Q: What is Victory's opinion concerning continuation of its 34.5 kV**  
5 **formula-based rate ("FBR") with one limited modification and minor**  
6 **clarifications?**

7 A: Victory supports the continuation of its 34.5 kV FBR with limited  
8 modification and minor clarifications, as detailed in the Joint Application  
9 and the Prefiled Direct Testimony of Elena E. Larson submitted in support  
10 of this Joint Application.

11 **Q: What are the reasons for Victory's request to continue the 34.5 kV**  
12 **FBR?**

13 A: In Victory's opinion, the FBR approach has reduced the costs and  
14 regulatory lag of a traditional rate case with respect to determining the  
15 annual local access charge ("LAC") while ensuring the Commission and  
16 interested parties are afforded a comprehensive and systematic review of  
17 the resultant rates (which, by the inherent design of the 34.5 kV FBR,  
18 remain cost-based). Prefiled Direct Testimony of Elena E. Larson further  
19 highlights the advantages that a formula-based rate approach offers to the  
20 Commission, affected utilities, and customers when compared to a  
21 traditional rate application.

22 **Q: In your capacity as CEO of Victory, have you been directly involved**  
23 **in Victory's annual update filing for its formula-based rates?**

1 A: Yes. I have filed direct testimony in each annual update.

2 **Q: Can you attest that Victory has experienced the often-suggested**  
3 **advantages of formula-based rates?**

4 A: Yes, in my opinion, we have seen many of these advantages. The 34.5 kV  
5 FBR has allowed Victory to annually update the LAC, which allows for the  
6 proper recovery of costs associated with providing LADS). The 34.5 kV  
7 FBR has also provided the benefit of reducing the cost of rate case filings  
8 while producing a more efficient recovery of costs with reduced regulatory  
9 lag.

10 **Q. In your opinion, have the annual updates each year provided a**  
11 **streamlined and efficient process to determine an annual LAC?**

12 A. Overall, yes. The first couple years took more effort from all parties  
13 because the 34.5 kV FBR was new. However, the annual update filings  
14 and their review have settled into an efficient process. There have been  
15 some years where the parties have not even had to meet for the technical  
16 conference contemplated by the 34.5 kV Protocols because there are not  
17 any additional questions from Commission Staff or customers. No annual  
18 update filing of Victory has ever resulted in the need for an evidentiary  
19 hearing, and each annual update filing's applied-for rate has been  
20 approved.

21 **Q: What is the basic approach utilized in Victory's 34.5 kV FBR?**

## Direct Testimony of Shane Laws

1 A: Victory's 34.5 kV FBR calculates the annual revenue requirement based  
2 upon pertinent operating expenses and margin requirements. The end  
3 result is the ultimate LAC determined by the formula each year.

4 **Q: What type and level of margin requirement is Victory requesting be**  
5 **used as the basis for the return requirement incorporated into its**  
6 **34.5 kV FBR?**

7 A: Victory requests to continue to use a greater of a 1.8 Operating Times  
8 Interest Earned Ratio ("OTIER") or a 1.8 Modified Debt Service Coverage  
9 Ratio ("MDSC") as the margin requirement for determining the return  
10 requirement. That is the approved margin requirement associated with the  
11 original implementation of Victory's 34.5 kV FBR.

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

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

20 **Q: Do you support the Prefiled Direct Testimony of Elena E. Larson with**  
21 **respect to all aspects of the margin requirements and levels thereof**  
22 **that are used to determine the revenue requirement in Victory's 34.5**  
23 **kV FBR?**

1 A: Yes. I will defer to her testimony with respect to the specific details and  
2 conclusions, but I generally concur with her analysis and the margin  
3 requirements she details, which are the same margin requirements I  
4 previously mentioned.

5 **Q. What is the limited modification to the 34.5 kV FBR that Victory is**  
6 **requesting?**

7 A. Currently, the 34.5 kV FBR calculates the LAC in each annual update  
8 filing using historical costs, plus some limited budgeted projections.  
9 Because the calculation includes some limited budgeted projections, each  
10 annual update filing includes a true-up of the previous year's limited  
11 budgeted projections to the actual costs of those projections. Victory is  
12 proposing to modify the 34.5 kV FBR to remove the limited budgeted  
13 projections from the formula so that the 34.5 kV FBR calculates the LAC  
14 based solely on known historical costs at each annual update filing.  
15 Correspondingly, because only known historical costs are used in the  
16 formula, the true-up no longer serves a purpose and can be removed from  
17 the 34.5 kV FBR. While it is a modification, I believe it is a simplification of  
18 the 34.5 kV FBR.

19 **Q. Why do you believe removal of limited budgeted projections and the**  
20 **corresponding annual-true up is a simplification of the 34.5 kV FBR?**

21 A. At the risk of over-simplifying, it is one less item for all parties to calculate  
22 and address each year in the annual update filing, and its removal does  
23 not harm customers. While using limited budgeted projections in a

1 formula rate helps further achieve an overall objective of reduced  
2 regulatory lag, using projections necessitates the need for a true-up to  
3 actual costs for those projected items. Ultimately, over the last five years,  
4 it has been Victory's experience that the concept of using projections with  
5 a true-up does reduce regulatory lag with respect to those items, but the  
6 time and effort associated with calculating and reviewing the true-up each  
7 year outweigh the benefits of that conceptual structure. In other words,  
8 the work associated with the true-up for all parties outweighs the benefits  
9 it provides.

10 **Q. Does removing the true-up negatively benefit customers?**

11 A. No, because the 34.5 kV FBR, as modified, does not include any  
12 projections, which was the sole driver for the annual true-up. The  
13 proposed modified 34.5 kV FBR only uses known historical costs that will  
14 not change from year to year, so there is no need for a true-up.

15 **Q. Earlier, you indicated that the 34.5 kV FBR has worked very well in**  
16 **the last five years, so why are you suggesting a modification?**

17 A. I stand by my earlier testimony that the 34.5 kV FBR has worked well for  
18 the last five years, but Victory believes the 34.5 kV FBR could be  
19 streamlined and work even more efficiently with this modification. While it  
20 is a modification, it is my opinion that the modification is a simplification of  
21 the 34.5 kV FBR, to the benefit of Victory, Commission Staff, and  
22 customers.

1   **Q.     What is Victory's opinion concerning the updated LADS Tariff loss**  
2       **factor applied for in this Joint Application?**

3   A.     Victory supports the updated loss factor for its LADS Tariff, as detailed in  
4       the Joint Application and the Prefiled Direct Testimony of Erik Sonju  
5       submitted in support of this Joint Application. I have attached to my  
6       testimony Exhibit SL-1, which shows the updated LADS Tariff with the  
7       proposed loss factor requested in this proceeding.<sup>1</sup>

8   **Q.     What are the reasons for Victory's support of updating its LADS**  
9       **Tariff loss factor?**

10  A.     Over time, topology of, and load on, a system changes. Generally,  
11       changes in topology and load can have effects on many aspects of a  
12       system, but specifically, on the losses associated with that system. My  
13       understanding is that the current loss factor in Victory's LADS Tariff was  
14       determined in Docket No. 09-MKEE-969-RTS. Periodically, losses should  
15       be reviewed and updated, and Victory believes now is a good time to do  
16       so for its 34.5 kV facilities.

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

18  A:     Yes, it does.

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<sup>1</sup> For clarity, Victory has a pending request to update the LADS Tariff in Docket No. 20-VICE-437-TAR, and the requested update from that docket is not included in this exhibit because it has not yet been approved. If approved, it is likely such update will occur prior to the end of this docket. In that event, if the proposed loss factors requested in this docket are approved, the LADS Tariff to be updated as a result will include approved changes from Docket No. 20-VICE-437-TAR.

Direct Testimony of Shane Laws

VERIFICATION OF SHANE LAWS

STATE OF KANSAS

COUNTY OF Ford ) ss:  
 )

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 29<sup>th</sup> day of July, 2020.



Rae Jean Amy  
NOTARY PUBLIC  
State of Kansas  
My Appt. Exp: 9-12-2022

  
Notary Public

My Appointment Expires: 9-12-2022

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.  
(Name of Issuing Utility)Schedule: 1921-LACReplacing Schedule 1819-LAC Sheet 1Which was filed September 12<sup>th</sup>, 201~~8~~<sup>9</sup>MID-KANSAS SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 1 of 2 Sheets

LOCAL ACCESS DELIVERY SERVICEAVAILABLE

Entire Mid-Kansas Service Area.

APPLICABLE

For delivery to wholesale (sales for resale) customers over Victory's 34.5 kV (or other available lower primary voltage) subtransmission/distribution system.

CHARACTER OF SERVICE

Alternating current, 60 cycle, three phase, 34.5 kV or other available lower primary voltage.

MONTHLY RATE

Demand Charge @ \$3.89 per kW.

MONTHLY BILLING DEMAND

When service is provided in association with network service, Monthly Billing Demand shall be defined as the Customer's kilowatt contribution to the Local Access Delivery System maximum hourly demand coincident with Victory's monthly Local Access Delivery System peak in the billing month as measured at the low side of the delivery point (the "Actual CP Demand"). Generation that is located behind the meter of a designated network load shall be metered and the amount of generation serving the Customer's network load at the time of Victory's monthly Local Access Delivery System peak shall be added to the Customer's Actual CP Demand to determine the Monthly Billing Demand. For other local access service (including, but not limited to, point-to-point transmission service requiring local access service and service reservations), Monthly Billing Demand shall be the greater of the Customer's service request or actual maximum monthly demand.

LOSSES

Real Power Losses are associated with all Local Access Delivery service. The Local Access Delivery customer is responsible for replacing losses associated with all transmission service as calculated by MKEC or paying MKEC for the Real Power Losses at MKEC's wholesale rate. The applicable Real Power Loss factor for the entire Mid-Kansas Service Area is as follows:

LOSS FACTOR2.021.76 percent of energy as measured at delivery point.DELAYED PAYMENT

As per schedule DPC.

Issued September 12 2019  
Month Day YearEffective October 11 2019  
Month Day YearBy \_\_\_\_\_  
Signature Title

THE STATE CORPORATION COMMISSION OF KANSAS

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.  
(Name of Issuing Utility)

Schedule: 1921-LAC

MID-KANSAS SERVICE AREA  
(Territory to which schedule is applicable)

Replacing Schedule 1819-LAC Sheet 2  
Which was filed on September 124, 20189

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 2 of 2 Sheets

TERMS AND CONDITIONS

Service will be rendered under Cooperative's Rules and Regulations as filed with the Kansas Corporation Commission.

Issued September 12 2019  
Month Day Year

Effective October 11 2019  
Month Day Year

By \_\_\_\_\_  
Signature Title

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC  
(Name of Issuing Utility)

Schedule: 21-LAC

Replacing Schedule 19-LAC Sheet 1  
Which was filed September 12, 2019MID-KANSAS SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 1 of 2 Sheets

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LOSSES

Real Power Losses are associated with all Local Access Delivery service. The Local Access Delivery customer is responsible for replacing losses associated with all transmission service as calculated by MKEC or paying MKEC for the Real Power Losses at MKEC's wholesale rate. The applicable Real Power Loss factor for the entire Mid-Kansas Service Area is as follows:

LOSS FACTOR

1.76 percent of energy as measured at delivery point.

DELAYED PAYMENT

As per schedule DPC.

Issued \_\_\_\_\_  
Month Day YearEffective \_\_\_\_\_  
Month Day YearBy \_\_\_\_\_  
Signature Title

# THE STATE CORPORATION COMMISSION OF KANSAS

Exhibit SL-1  
Index No. 24

THE VICTORY ELECTRIC COOPERATIVE ASSOCIATION, INC.

Schedule: 21-LAC

(Name of Issuing Utility)

Replacing Schedule 19-LAC Sheet 2  
Which was filed on September 12, 2019

MID-KANSAS SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 2 of 2 Sheets

## TERMS AND CONDITIONS

Service will be rendered under Cooperative's Rules and Regulations as filed with the Kansas Corporation Commission.

Issued \_\_\_\_\_  
Month Day Year

Effective \_\_\_\_\_  
Month Day Year

By \_\_\_\_\_  
Signature Title