

**BEFORE THE STATE 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. 25-VICE- 393 - 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, 2025

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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”).<sup>1</sup>

**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-MKEE-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, 21-SEPE-049-TAR (“21-149 Docket”),  
4 22-VICE-498-TAR, 23-VICE-793-TAR, and 24-VICE-690-TAR.

5  
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 2024 34.5kV FBR rate of \$3.72/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 2024**  
23 **Test Year?**

24 A. Yes. The Table 1 on the following page evidences that for 2024, Victory's Distribution Equity  
25 Ratio (for the Mid-Kansas division), calculated to be at 35.87 percent, was below the

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

Table 1. Victory (Mid-Kansas Division) 2024 Distribution Equity Ratio				
Excluding investment in Associated Organizations				
2024				
Bal. Sheet				
Ln. No.				
29	Total Assets & Other Debits		\$	128,849,341
36	Total Margins & Equities		\$	65,313,273
8	Investment in Associated Organizations - Patronage Capital		\$	28,737,179
9	Investment in Associated Organizations - Other - General Funds		\$	-
10	Investment in Associated Organizations - Other - Nongeneral Funds		\$	1,036,265
	Total Investment in Associated Organizations		\$	29,773,443
Distribution		Ln 36 - (Ln 8 + Ln 9 + Ln 10)		= 35.87%
Equity Ratio		Ln 29 - (Ln 8 + Ln 9 + Ln 10)		

Table 2. Victory Electric (Mid-Kansas Division) 2024 Investment in Associated Organizations		
<b>2024</b>		
Bal. Sheet		
Ln. No.	Description	Amount
	Cooperative Response Center - Equity Investment	\$ -
	Federated Insurance Capital Credits	\$ -
	Kansas Electric Cooperatives - Capital Credits	\$ -
	Farmway Co-op - Capital Credits	\$ -
	NRUCFC - Capital Credits	\$ 192,076
	Rural Telephone Capital Credits	\$ -
C8	Mid-Kansas Electric Company - Capital Credits	
	Sunflower Electric Power Corporation - Capital Credits	\$ 29,581,368
	CoBank - Capital Credits	\$ -
	National Information Solutions Cooperative - Capital Credits	\$ -
	National Rural Telecommunications Cooperative	\$ -
		<u>\$ 29,773,443</u>
	Mid-Kansas Electric Company - Margins Allocation	
Total Investment in Associated Organizations		<u>\$ 29,773,443</u>

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

A. Item No. 10 requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1, submitted in the instant Docket against the same categories as approved last year in the Docket No. 24-VICE-690-TAR, the following 2024 COS items were identified as showing over a 10 percent increase: Transmission Depreciation and Amortization, Interest – Other Expense, and Principal Payments. See the following summary in Table 3.<sup>1</sup>

Table 3. Victory (Mid-Kansas Division) COS Item Comparison					
COS Item Description	2024 FBR Approved Revenue Requirement	2025 FBR Revenue Requirement	Diff \$	Diff %	
<b><u>Operating Expenses</u></b>					
Transmission O&M	\$ 562,137	\$ 531,054	\$ (31,083)	-5.5%	
Administration & General	\$ 50,504	\$ 50,329	\$ (175)	-0.3%	
Depreciation & Amortization					
Transmission	\$ 663,946	\$ 729,267	\$ 65,321	9.8%	
General Plant	\$ 1,607	\$ 1,628	\$ 21	1.3%	
Property Tax	\$ -	\$ -	\$ -		
Other Taxes	\$ -	\$ -	\$ -		
L.T. Interest	\$ 857,319	\$ 876,952	\$ 19,633	2.3%	
Interest Charged to Construction	\$ -	\$ -	\$ -		
Interest - Other	\$ 24,616	\$ 30,177	\$ 5,561	22.6%	
Other Deductions	\$ 6,514	\$ 5,933	\$ (581)	-8.9%	
<b><u>Margin Requirement Components</u></b>					
Principal Payments	\$ 918,701	\$ 1,249,684	\$ 330,983	36.0%	
L.T. Interest	\$ 857,553	\$ 876,952	\$ 19,399	2.3%	

<sup>1</sup> 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 in Interest-Other was related to an increase in the interest rate on consumer  
3 deposits, which is set annually by the Commission. In addition, interest expense was recorded  
4 in 2024 for interest associated with the CFC Line of Credit.

5 **Q. Please explain the drivers behind the change in Principal Payments.**

6 A. This change is driven by the fact that there were five RUS debt payments made and recorded  
7 in 2024, whereas there were only four payments in 2023 due to the end of the year due dates  
8 falling on weekends in each of the previous three years. The 4<sup>th</sup> quarterly payment for 2023  
9 was made January 2, 2024. The 4<sup>th</sup> quarterly payment for 2024 was made December 31,  
10 2024.

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

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

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

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

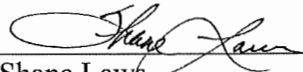
23 **Q. Does this conclude your testimony?**

24 A: Yes, it does.  
25

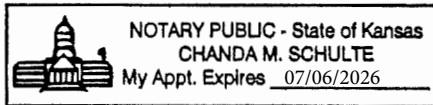
VERIFICATION OF SHANE LAWS

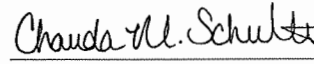
STATE OF KANSAS                    )  
  ) ss:  
COUNTY OF FORD                 )

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 29 day of April, 2025.



  
Notary Public

My Appointment Expires: July 6, 2026