

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

In the Matter of the Annual Filing of Southern)
Pioneer Electric Company for Approval to) Docket No. 25-SPEE-395-RTS
Make Certain Changes to Its Charges for)
Electric Services, Pursuant to the Consolidated)
Formula Based Ratemaking Plan Approved in)
Docket No. 19-SPEE-240-MIS

DIRECT TESTIMONY OF

**CHANTRY C. SCOTT
EXECUTIVE VP, ASSISTANT CEO & CFO
SOUTHERN PIONEER ELECTRIC COMPANY**

ON BEHALF OF

SOUTHERN PIONEER ELECTRIC COMPANY

May 1, 2025

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Chantry C. Scott. My business address for legal service is 1850 W. Oklahoma,
4 Ulysses Kansas 67880 and for mail receipt is PO Box 430, Ulysses Kansas 67880-0430.

5 **Q. What is your profession?**

6 A. I am the Executive VP – Assistant CEO & CFO (“Assistant CEO”) and Assistant Secretary
7 of Southern Pioneer Electric Company, (“Southern Pioneer”), with its corporate office in
8 Ulysses, Kansas and distribution-customer service offices located in both Liberal and
9 Medicine Lodge, Kansas. I am also Assistant CEO of Pioneer Electric Cooperative, Inc.
10 (“Pioneer Electric”), 100% owner of Southern Pioneer. Pioneer is a member-owned electric
11 cooperative not subject to Kansas Corporation Commission (“KCC” or “Commission”)
12 jurisdiction for rate setting.

13 **Q. Please describe your responsibilities with Southern Pioneer.**

14 A. As the Assistant CEO, I work directly for the President-Chief Executive Officer. I am
15 responsible for assisting with establishing financial policy and rates, implementing Board-
16 approved strategic programs, and the overall financial operations of Southern Pioneer. As
17 the Assistant Secretary, in the absence of the Corporate Secretary, I sign and attest to
18 corporate resolutions and other documents as necessary or as authorized or directed by the
19 Board of Directors.

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

21 A. The purpose of my testimony is to provide information regarding the main drivers of
22 increases in Southern Pioneer’s fifth annual rate adjustment under its Consolidated
23 Formula Based Ratemaking Plan (“Consolidated FBR Plan”).

1 **Q. What is your educational background?**

2 A. I graduated from the University of Kansas in 2000 with a Bachelor of Science in both
3 Accounting and Business Administration, and in 2001 with a Master of Accounting and
4 Information Systems. I attended and completed various industry specific training including
5 the National Rural Electric Cooperative Association's Financial Planning and Strategies
6 Workshop and the Cooperative Financial Professional Certificate program.

7 **Q. What is your professional background?**

8 A. I began work at Pioneer Electric in June of 2001 as Senior Accountant, where I assisted
9 the Manager of Finance and Administration in completing general accounting activities. In
10 December 2003, I was promoted to Manager of Accounting where I oversaw the Financial
11 Accounting department's activities such as budgeting, financial forecasting, monthly and
12 annual reporting, and various other accounting activities. In May 2011, I was promoted to
13 the position of Chief Financial Officer and VP of Finance and Accounting. In November
14 2020, I was promoted to the position of Executive VP – Chief Financial Officer. Finally,
15 in March 2024, I was promoted to my current position of Executive VP – Assistant CEO
16 & CFO. Pursuant to the July 7, 2006, Services Agreement between Pioneer Electric and
17 Southern Pioneer, I fulfill these same roles for Southern Pioneer.

18 **Q. Have you previously presented testimony before the KCC?**

19 A. Yes. I provided direct, and in some instances rebuttal, testimony in Docket No. 12-MKEE-
20 380-RTS ("12-380 Docket"), Docket No. 13-MKEE-699-RTS ("13-699 Docket"), Docket
21 No. 15-SPEE-161-RTS ("15-161 Docket"), Docket No. 18-KPEE-343-COC ("18-343
22 Docket"), Docket No. 19-SPEE-240-MIS (19-240 Docket), Docket No. 20-SPEE-169-
23 RTS ("20-169 Docket"), and Docket No. 21-SPEE-331-GIE ("21-331 Docket"). I have

1 also provided review of or assisted with preparing responses to and supporting documents
2 for data requests and witness testimony in numerous Southern Pioneer dockets.

3 **Q. In addition to your testimony, is Southern Pioneer offering other testimony in support**
4 **of this Application?**

5 **A.** Yes. Southern Pioneer is also offering the Direct Testimony of Richard J. Macke, Vice
6 President, Economics, Rates and Business Planning with Power System Engineering, Inc.
7 Mr. Macke's Direct Testimony addresses a range of topics identified in the Application
8 filed in this docket.

9 **II. SOUTHERN PIONEER HISTORY**

10 **Q. Please provide some historical information on the origination of Southern Pioneer**
11 **and describe the business activities of the Company.**

12 **A.** Southern Pioneer was formed in 2005 in response to Aquila's announcement of its intention
13 to sell its Kansas electric assets. Five member-owner cooperatives of Sunflower Electric
14 Power Corporation ("Sunflower") and Southern Pioneer, a wholly owned subsidiary of
15 Pioneer Electric, joined to form Mid-Kansas Electric Company, Inc. ("Mid-Kansas"), a
16 not-for-profit corporation, to acquire and serve the former Aquila service territory. Mid-
17 Kansas adopted the existing rate schedules of Aquila as part of the acquisition. On February
18 23, 2007, the Commission approved the Acquisition¹, and on April 1, 2007, Southern
19 Pioneer began to serve and independently operate a designated geographic portion of the
20 Mid-Kansas certificated territory formerly serviced by Aquila. At that time, Mid-Kansas
21 held the Certificate of Convenience and Necessity for the former Aquila area and Southern

¹ The acquisition was approved by the Commission in Docket No. 06-MKEE-452-ACQ.

1 Pioneer was serving a portion of the area via a Commission-approved Electric Customer
2 Service Agreement between Southern Pioneer and Mid-Kansas.

3 **Q. Please continue.**

4 A. As a Mid-Kansas member-owner, and pursuant to a Commission-approved Electric
5 Customer Service Agreement, Southern Pioneer contractually provided retail service,
6 using Aquila's former rate schedules, to approximately 17,300 Mid-Kansas customers in
7 34 communities in the Mid-Kansas "Southern Pioneer Division." Southern Pioneer also
8 provided sub-transmission service to 34.5kV wholesale sub-transmission users. The
9 Commission approved this arrangement until such time that the Mid-Kansas certificated
10 territory and customers were transferred to the member-owners on November 21, 2013,
11 when the Commission issued its order in Docket No. 13-MKEE-447-MIS ("13-447
12 Docket"), approving the Mid-Kansas certificate spin-down. The 13-447 Order provided
13 for, among other things, the transfer of the individual certificated territories, customers,
14 KCC-approved rules and regulations, and rate schedules to each of the Mid-Kansas
15 Members, including Southern Pioneer. As part of the 13-447 Docket, the Commission
16 granted Southern Pioneer public utility status and the Mid-Kansas customers being served
17 by Southern Pioneer officially became Southern Pioneer customers.

18 Southern Pioneer is a non-profit corporation, serving just over 17,000 retail meters
19 and four third-party wholesale customers, still employing many of the former Aquila rates
20 schedules. Southern Pioneer charges retail rates and wholesale local access delivery service
21 charges as authorized pursuant to Southern Pioneer's Formula Based Ratemaking program
22 ("FBR Plan") as last approved by the Commission in Docket No. 19-SPEE-240-MIS ("19-
23 240 Docket").

1 **Q. Would you say that Southern Pioneer is unique in its corporate form and governance?**

2 A. Yes. Southern Pioneer is unique in that it is a non-profit corporation owned by a self-
3 regulated cooperative. It is operated like a cooperative, but because it does not have
4 “member-owners” who vote on management decisions, it is not a cooperative as defined
5 under Kansas law. Because it is not a cooperative as defined by Kansas statute, it remains
6 regulated by the KCC. However, because it is a non-profit corporation, and operated like
7 a cooperative utilizing many hallmark cooperative governing principals, it is more like a
8 cooperative than a traditional independently owned utility (“IOU”), which generally is
9 much larger and has far more resources than does Southern Pioneer. Nevertheless, because
10 it is not strictly a cooperative under Kansas law, it is regulated more like an IOU than like
11 its peer cooperative organizations. Noting this dichotomy, the Commission has recognized
12 that full blown regulation of Southern Pioneer presents a higher level of regulatory burden
13 on Southern Pioneer than it does on its true peer organizations, specifically because it is
14 operated as a non-profit, and based on governing principles common to most cooperatives.

15 **Q: How does that history impact this docket?**

16 A: It is important to understand that Southern Pioneer faces a more substantial regulatory
17 burden than self-regulated cooperatives in this state, like its owner, Pioneer. While these
18 self-regulated cooperatives can effectuate changes to many of their tariffs and rates through
19 internal mechanisms and approvals, Southern Pioneer must initiate a docket and obtain
20 approval from the KCC for any such changes. These additional steps that Southern Pioneer
21 must take entail substantial time, resources and money spent to file and obtain regulatory
22 approval. For this reason, Southern Pioneer has at times been reluctant to pursue changes
23 that require substantial regulatory proceedings to accomplish, but it must pursue those

1 changes in spite of the unbalanced regulatory burden when it is necessary to do so.
2 However, because it is a regulated utility, but one that is operated on a non-profit basis and
3 more like a cooperative than an IOU, it faces higher regulatory burdens and generally
4 higher regulatory and administrative costs than peer organizations, which are organized as
5 cooperatives.

6 **III. IDENTIFICATION OF DRIVERS OF INCREASE IN FORMULA BASED**
7 **RATES FOR SOUTHERN PIONEER**
8

9 **Q. How has the cost of providing electrical service to its customers changed for Southern**
10 **Pioneer in test year 2024?**

11 A. Southern Pioneer has seen notable increases in the cost of service related to test year 2024.
12 Specifically, the cost of electric service, excluding power costs, increased by \$1,737,100
13 for test year 2024.

14 **Q: What are the primary drivers of the increase in the cost of service for test year 2024?**

15 A: Southern Pioneer can identify at least 3 drivers of this increase for test year 2024: (1)
16 increase in consulting, legal and regulatory expense, (2) increase in credit card
17 transaction fees, and (3) increase in cash tax.

18 **Q: Please discuss the nature and sources of increased consulting, legal and regulatory**
19 **expense for test year 2024.**

20 A: As the Commission is aware, Southern Pioneer had a substantial rate-design docket
21 filing, Docket Number 24-SPEE-415-RTS ("the 415 Docket"). The 415 Docket was a
22 substantial undertaking, and required substantial work and resources from Southern
23 Pioneer. As the Commission is aware, the 415 Docket proceeded through an evidentiary
24 hearing, and was contested by certain stakeholders throughout the proceeding. As one
25 would expect, the 415 Docket in particular resulted in substantial consulting, legal and

1 other regulatory costs falling into this category. As discussed above, because Southern
2 Pioneer is a regulated utility, albeit a company that operates on a not-for-profit basis,
3 and is not a cooperative, it must go through the lengthy and costly regulatory process of
4 filing a docket, and if opposed as was the case in the 415 Docket, prosecuting its case
5 through evidentiary hearing. By contrast, if Southern Pioneer were an unregulated
6 cooperative, it would likely be able to make the rate-design changes encompassed in the
7 415 Docket without the same level of substantial regulatory expense. The 415 Docket
8 was a necessary matter for Southern Pioneer to pursue, but it resulted in some substantial
9 costs. The total amounts of these costs were not directly within Southern Pioneer's
10 control, but were instead the result of its corporate form and regulated status.

11 **Q: How much have consulting, legal and regulatory expenses increased for test year**
12 **2024?**

13 A: The total increase in consulting, legal and regulatory expenses for test year 2024 was
14 \$328,000 or a 93.0% increase over 2023. Again, the increased costs in this category are
15 comprised of substantial and necessary costs, which are generally not within Southern
16 Pioneer's control, but are the result of the regulatory burden Southern Pioneer faces as
17 a regulated utility.

18 **Q: Can you please discuss the additional costs related to increases in credit card fees?**

19 A: Yes. As the Commission is aware, because the topic has been addressed in Docket 25-
20 SPEE-307-MIS ("307 Docket") and Docket 25-SPEE-353-TAR ("353 Docket"),
21 Southern Pioneer has had to confront and issue with respect to payment of substantial
22 customer bills by credit card. This issue is the main focus of the 307 Docket in which
23 Southern Pioneer has requested emergency relief limiting the use of credit card

1 payments by certain large industrial customers. It is also addressed in the 353 Docket,
2 wherein, among other revisions, Southern Pioneer has requested permission to revise its
3 Rules and Regulations tariff to permanently include certain limitations on the classes of
4 customers authorized to pay by credit card.

5 **Q: Can you briefly summarize the issues Southern Pioneer is confronting with respect to**
6 **credit card payments?**

7 A: As discussed in the 307 Docket and the 353 Docket, Southern Pioneer has recently
8 experienced a handful of non-residential customers paying their monthly invoices using a
9 series of credit card transactions, one customer of which the credit card transactions have
10 been substantial. The monthly amount paid by credit card by this customer exceeded
11 \$1,000,000 four times during 2024 with an average of 293 transactions processed by that
12 customer during those four months. The total amount paid by credit card by this customer
13 during 2024 was \$6,519,768 with 1400 transactions processed. Southern Pioneer's
14 merchant fee invoices increased from a monthly average of \$7,000 to \$34,000 in the
15 months it observed these unusual credit card payments. In total, the merchant fee charges
16 incurred by Southern Pioneer related to these large and numerous credit card transactions
17 caused the total amount of credit card fees paid in test year 2024 to increase by \$119,400
18 or 146.4% over the prior year, which has further contributed substantially to the increase
19 in the cost of service for test year 2024. Although Southern Pioneer is taking measures to
20 prevent or decrease the likelihood of such costs being incurred in the future, at the time
21 these costs were incurred, the Commission had previously prevented Southern Pioneer by
22 Order in Docket No. 18-SPEE-241-TAR from restricting the availability of credit card
23 payments from certain classifications of customers. Therefore, these increased credit card

1 fees were not within Southern Pioneer's control, and Southern Pioneer has taken reasonable
2 and prudent steps to help prevent them from being incurred in the future.

3 **Q: Can you please discuss the increased tax cash expense as a driver for the increase in**
4 **cost of service for test year 2024?**

5 A: Yes. Recent changes in the federal tax code mean that beginning in year 2024 Southern
6 Pioneer can no longer utilize net operating loss carry-forward to offset 100% of the current
7 year tax liability. Instead, a portion of that tax liability has to be paid in the current year,
8 whereas in previous years, it could be offset by prior net operating loss carry-forward. As
9 a result, in 2024, taxes paid in cash by Southern Pioneer increased by \$271,000 compared
10 with 2023. This is a substantial driver for the increase of cost of service for test year 2024.
11 And, of course, federal tax law and policy is well outside of Southern Pioneer's control.
12 Therefore, Southern Pioneer could not have reasonably avoided or prevented this expense.

13 **Q: Why have you identified these three forces as important drivers for the increase in**
14 **cost of service for test year 2024?**

15 A: I believe it is helpful for the Commission to understand the sources and reasons for some
16 substantially increased costs in order to help understand and contextualize the overall
17 increase in the cost of service for test year 2024. First, these three categories of costs are
18 substantial expenses. The increases in these three categories combined constitute an
19 increase of \$718,400 to costs for test year 2024. This accounts for 41.4% of the total
20 \$1,737,100 increase in the cost of electric service, excluding power costs, for test year
21 2024. As a result, without these costs, the increase in cost of service for 2024 would be
22 more consistent with other previous years during Southern Pioneer's FBR program. In
23 addition, based on past years, these costs are rather unique to test year 2024, and hopefully

1 will not recur to the same magnitude in other years. Most importantly, however, these
2 costs and their substantial increase for test year 2024 are all examples of increases to cost
3 of service, which are outside of Southern Pioneer's sole control and influence. Southern
4 Pioneer is not able to prevent changes to federal tax laws that impact its tax liability from
5 time to time, nor is Southern Pioneer able to control its regulatory burden or regulatory
6 restraints or limitations placed on it under Kansas law or by the Commission. Hopefully
7 these explanations provide some context as to why the cost of service has increased in the
8 manner that it did for test year 2024.

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

10 **A.** Yes, it does.

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF GRANT)

The undersigned, Chantry C. Scott, upon oath first duly sworn, states that he is Executive VP – Assistant CEO & Chief Financial Officer of Southern Pioneer Electric Company, that he has reviewed the foregoing document titled “Prefiled Direct Testimony of Chantry C. Scott” before the State Corporation Commission of the State of Kansas, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



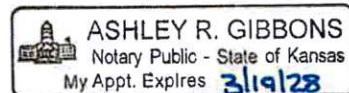
Chantry C. Scott

Subscribed and sworn to before me this 1st day of May, 2025.



Notary Public

My appointment expires: 3/19/28



CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing was electronically served this 1st day of May, 2025, to:

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