

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

**In the Matter of the Annual Filing of        )  
Southern Pioneer Electric Company        )  
To Make Certain Changes to Its Charges    )  
For Electric Service Pursuant to the Debt )  
Service Coverage Formula Based         )  
Ratemaking Plan Approved in Docket     )  
No. 13-MKEE-452-MIS**                      **Docket No. 15-SPEE-519-RTS**

**DIRECT TESTIMONY**

**PREPARED BY**

**CHAD UNREIN**

**UTILITIES DIVISION**

**KANSAS CORPORATION COMMISSION**

**July 1, 2015**

1 **Q. Would you please state your name?**

2 A. My name is Chad Unrein.

3

4 **Q. What is your business address?**

5 A. My business address is the Kansas Corporation Commission, 1500 Southwest  
6 Arrowhead Road, Topeka, Kansas, 66604.

7

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Kansas Corporation Commission (Commission) as a Regulatory  
10 Auditor.

11

12 **Q. Would you please describe your educational background and business  
13 experience?**

14 A. In May of 2010, I graduated with honors from Washburn University with a Master's  
15 degree in Business Administration. Prior to my MBA, I earned a Bachelor's of  
16 Business Administration with an emphasis in Accounting and a Gold-tiered Certificate  
17 in Leadership Studies from Washburn University in 2004. Upon graduation, I was  
18 promoted from an Intern to an Associate Accountant in the Financial Reporting  
19 Department of Westar Energy with various responsibilities for FERC Regulatory  
20 Reporting, managerial reporting, and developing financial analysis for presentations to  
21 Westar's Board of Directors. In 2005, I was promoted to the position of Risk  
22 Management Analyst in Westar's Risk Management Department, which is responsible  
23 for the oversight of Westar's asset and non-asset based energy marketing portfolios.

1 My primary responsibilities included counterparty credit analytics, virtual transaction  
2 reporting, and serving as Secretary for the Risk Oversight Committee. In 2006, I  
3 accepted a position at Security Benefit Group as a Portfolio Performance Analyst in  
4 their Asset Management Department. I performed a variety of benchmarking data  
5 analysis, risk/return analysis, and portfolio risk assessments. I began my employment  
6 with the Commission as a Regulatory Auditor in January of 2014. Throughout my  
7 career, I have participated in continued education seminars/conferences on Accounting  
8 for Utilities, RTO Settlements, Risk and Credit Analytics, Decision Making under  
9 Uncertainty, and Ratemaking.

10  
11 **Q. Have you ever testified before the Commission?**

12 A. Yes, I filed testimony in Docket Nos. 14-SPEE-507-RTS (14-507 Docket), 14-BHCG-  
13 502-RTS, 14-MRGT-097-KSF, 15-SPEE-161-RTS, and 15-KCPE-116-RTS.

14  
15 **Q. What were your responsibilities in the review of the Southern Pioneer Electric**  
16 **Company (Southern Pioneer) electric rate case Application in Docket No. 15-**  
17 **SPEE-519-RTS (15-519 Docket)?**

18 A. My responsibilities were to analyze, audit, and review Southern Pioneer's Debt Service  
19 Coverage Formula Based Rate (DSC-FBR) Case Application. I reviewed the  
20 Company's filing for accuracy and adherence to traditional regulatory accounting  
21 principles. My responsibilities included determining if the filed Application followed  
22 DSC-FBR Plan Protocols (DSC-FBR Protocols) in accordance with the Commission  
23 Order in Docket No. 13-MKKEE-452-MIS (13-452 Docket) on September 26, 2013, and

1 whether the resulting retail rates are just and reasonable to Southern Pioneer's customer  
2 base. My responsibilities were carried out under the supervision of Justin Grady, Chief  
3 of Accounting and Financial Analysis.

4  
5 **Q. Please provide the audit steps used by Staff in analyzing the Southern Pioneer**  
6 **Application.**

7 A. Southern Pioneer provided electronic copies of all the Exhibits and additional work  
8 papers used to calculate the DSC-FBR formula to all participating parties in this case.  
9 Staff reviewed and analyzed all of these documents, issued discovery, and participated  
10 in a technical conference on June 16, 2015, between Southern Pioneer and all  
11 intervening parties in the 15-519 Docket. Staff verified that all the historical data was  
12 correctly transferred from Southern Pioneer's 2014 Form 7 and all allocation factors  
13 used within Exhibit 3 were calculated correctly based on the DSC-FBR Protocols.  
14 Staff additionally reviewed all adjustments made to the historical test year and the  
15 methodology used in allocating the rate reduction among various customer classes.

16  
17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. The purpose of my testimony is to offer explanation and support for Southern Pioneer's  
19 request for a revenue requirement increase of \$899,288. Staff has one adjustment  
20 based on review of Southern Pioneer's rate case Application and Staff will present its  
21 position concerning donations made from Southern Pioneer's Benevolent fund, which  
22 was the primary disputed issue presented in the technical conference. I am sponsoring  
23 one Staff adjustment to the Applicant's Income Statement (IS), along with four

1 additional Staff Exhibits.<sup>1</sup> Due to rounding found in the calculation of the DSC-FBR  
2 formula, Staff's adjustment to the IS of (\$1,536) does not have any impact on Southern  
3 Pioneer's request for a revenue increase of \$899,288.

4 *Income Statement*

5 Adjustment No.                      Adjustment Description                      Amount

6        IS-1                      Advertising, Dues, and Donations                      (1,536)

7

8 **EXECUTIVE SUMMARY**

9 **Q. Please provide a summary of your testimony.**

10 A. The following is a summary of my testimony:

- 11        ▪ A general overview of the Debt Service Coverage Formula Based Rate Plan.
- 12        ▪ A summary of Staff's adjustment to the DSC-FBR Application filed by Southern  
13 Pioneer and support for Southern Pioneer's calculations of a \$899,288 rate increase  
14 following the DSC-FBR Protocols.
- 15        ▪ An overview of Staff's position regarding donations made through Southern  
16 Pioneer's Benevolent Fund.

17

18 **OVERVIEW OF THE DSC-FBR PLAN**

19 **Q. Please provide a general overview of the DSC-FBR Plan.**

20 A. Per Commission Order in the 13-452 Docket, Southern Pioneer's five-year pilot  
21 program was approved as an alternative ratemaking mechanism to adjust retail rates on  
22 an annual basis based on a formula for an allowed Debt Service Coverage (DSC) ratio.

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<sup>1</sup> Exhibits CCU-1 through CCU-4 are attached at the end of my testimony.

1 The purpose of the DSC-FBR Plan as stated in the DSC-FBR Protocols is to allow for  
2 timely adjustments to retail rates without the expense and regulatory lag related to  
3 preparing and filing a full rate case every year before the Commission.<sup>2</sup> This  
4 Application is the second annual filing under the DSC-FBR Plan.

5

6 **Q. Please provide an overview of the DSC formula.**

7 A. The DSC formula is based on Southern Pioneer's financial results as presented in the  
8 2014 December Financial and Statistical Report (Form 7) and trial balance utilizing the  
9 RUS Uniform System of Accounts. The definition of the modified DSC Ratio within  
10 the DSC-FBR Protocols is stated as:

11 "Debt Service Coverage Ratio" shall mean the ratio of: (1) the difference between  
12 (i) net income (after taxes and after eliminating any gain or loss on sale of assets or  
13 other extraordinary gain or loss), plus depreciation expense, amortization expense,  
14 interest expense; minus (ii) non-cash patronage and non-cash income from joint  
15 ventures; to (2) all principal payments due within the period on all Long-Term  
16 Debt plus interest expense (all as calculated for the twelve month period ending  
17 with the end of the quarter in which the calculation is being made in accordance  
18 with GAAP consistently applied)<sup>3</sup>."

19

20 This definition was derived from CoBank's method for calculating DSC ratios in  
21 Southern Pioneer's Credit Agreement. The loan covenant requires Southern Pioneer to  
22 maintain a minimum unadjusted DSC ratio of 1.35<sup>4</sup> for each fiscal quarter. The target  
23 adjusted DSC ratio within the DSC-FBR Protocols is 1.75.

24

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<sup>2</sup> See DSC-FBR Protocols, Section A.

<sup>3</sup> See Richard J. Macke testimony in Docket 13-MKKEE-452-MIS. CoBank allows Southern Pioneer to add cash capital credits and non-cash deferred income taxes to net income for the purpose of calculating the DSC ratio and included in the DSC-FBR template.

<sup>4</sup> See Exhibit CCU-4 Credit Agreement Amendments, Fourth Amendment, Section 2 (b), page 1-2.

1 **Q. Please describe the adjustments allowed within the DSC-FBR Protocols used in**  
2 **calculating the adjusted DSC ratio.**

3 A. A limited number of adjustments are allowed by Southern Pioneer within the DSC-  
4 FBR Protocols (see Section E.1). Adjustments made to the historical Test Year filed  
5 within the Application include:

- 6       ▪ An adjustment to annualize operating revenue and property tax revenue to the  
7       known and measurable rate increase approved by the Commission in the 14-507  
8       Docket and Docket No. 14-SPEE-297-TAR.
- 9       ▪ An adjustment to remove revenue and expenses associated with Southern  
10      Pioneer's 34.5 kV facilities.
- 11      ▪ An adjustment to Tax Expense-Other accounting for only the cash taxes that  
12      were paid by Southern Pioneer during the Test Year.
- 13      ▪ An adjustment to reflect the interest expense on long-term debt for the 2015  
14      budgeted calendar year.
- 15      ▪ An adjustment to reflect the interest expense on short-term debt for the 2015  
16      budgeted calendar year.
- 17      ▪ An adjustment to debt service payments that reflects both interest and principal  
18      payments expected for the 2015 budgeted calendar year.
- 19      ▪ An adjustment to total assets to reflect expected asset growth during the 2015  
20      budgeted calendar year.

21

1     **SUMMARY OF STAFF'S PROPOSED ADJUSTMENT AND CALCULATION OF**  
2   **THE DSC RATIO**

3     **Q. Please summarize Southern Pioneer's and Staff's positions in this Docket.**

4     A. In its Application, Southern Pioneer is requesting a revenue increase of \$899,288  
5         increasing rates by 1.3 percent. Southern Pioneer removed \$105,489 related to 100%  
6         of promotional advertising, penalties, sponsorships, and lobbying expenses and 50% of  
7         dues and donations expenses. The difference between Staff's and Southern Pioneer's  
8         filed positions relates to an additional adjustment of (\$1,536)<sup>5</sup> for certain advertising,  
9         dues, and donations expenses that Staff viewed as promotional advertising or  
10         sponsorships found in the audit of Southern Pioneer's Exhibit 9 and is labeled as  
11         Adjustment 1 in Exhibit CCU-1, lines 10 & 20. Due to rounding found in the DSC  
12         Adjustment Required to Achieve Target (line 54), Staff's recommended disallowance  
13         has no impact on Southern Pioneer's request of \$889,288. Therefore, Staff  
14         recommends approval of Southern Pioneer's requested revenue increase, which result  
15         in just and reasonable rates.

16  
17   **OVERVIEW OF STAFF'S POSITION ON THE BENEVOLENT FUND**

18     **Q. Please provide a basic overview of Southern Pioneer's Benevolent Fund?**

19     A. The Benevolent Fund (HUGS) is a program where Southern Pioneer provides  
20         community donations, which is funded through the sale of Southern Pioneer's recycled  
21         materials including pieces of steel, aluminum, or copper that have been taken out of  
22         service due to repair or rebuild. The HUGS program is used to fund community

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<sup>5</sup> See Exhibit CCU-3 – Advertising, Dues, and Donations Adjustment for Staff's analysis.



1 projects and events in the Company's service territory. Southern Pioneer removed  
2 50% of all the donations made through the Benevolent Fund in accordance with KSA  
3 66-101f(a).

4

5 **Q. How does Southern Pioneer account for the Benevolent Fund?**

6 A. At the time scrap revenue is received, an accrual of the Benevolent Fund liability is  
7 made (debit 426.1 Donations Expense, credit 232.63 Benevolent Fund liability). Prior  
8 to 2013, there was no limit on the time the funds were available to be granted. In 2011  
9 and 2012, the accrual became rather large. At the end of 2013, the decision was made  
10 to limit the use of these grant funds (without prior approval) to the year in which the  
11 scrap sales occurred (bring the accrual to \$0 at year end so that the 426.1 donations  
12 expense was equal to the grants award during the year).

13

14 **Q. Why were the donations made through the company's Benevolent Fund a source  
15 of controversy during the Technical Conference?**

16 A. From Staff's point of view, the accounting methodology being used by Southern  
17 Pioneer was overly complex and unnecessary. The Company was recording the initial  
18 sale of scrap metal and the gain/loss on sale of disposition of assets properly and in  
19 accordance with RUS accounting methodology. Southern Pioneer would then create a  
20 liability in account 232.63 for the Benevolent Fund and record donation expense in the  
21 426.1 account. The Company would then true-up the accounts at the end of the year.  
22 This additional complexity requires multiple accounting entries when Southern Pioneer  
23 could simply account for the entries as any other donation the company makes through

1 the year by recording the donations expenses when they occur. Since Southern Pioneer  
2 accounted for the transactions separately from other donations, it appeared that the  
3 funds were segregated from other normal donations.

4

5 **Q. Does Staff view Benevolent Funds proceeds from the sale of scrap metal**  
6 **separately from other methods for generating cash by Southern Pioneer?**

7 A. No. These funds, while generated from the proceeds of selling scrap metal, act as  
8 normal operating funds for Southern Pioneer. The Company uses the proceeds from  
9 scrap metal as a guideline or benchmark for its donations in the current year and  
10 follows RUS accounting methodology for the disposition of its assets. The proceeds  
11 from the sale of scrap metal should not be viewed as segregated funds or different than  
12 cash generated from operational savings or increased revenue within the test year. The  
13 Company provides a detailed analysis within its response to Staff Data Request No. 11  
14 for the accounting methodology used for activities involving the Benevolent Fund.

15

16 **Q. Please discuss Staff's position with regard to donations from the Benevolent Fund**  
17 **as it relates to KSA 66-101f(a).**

18 A. Staff's position regarding donations made by Southern Pioneer from the Benevolent  
19 Fund conforms to K.S.A. 66-101f(a), which states in part:

20 "The commission may adopt a policy of disallowing a percentage, not to exceed  
21 50% of utility dues, donations and contributions to charitable, civic and social  
22 organizations and entities, in addition to disallowing specific dues, donations and  
23 contributions which are found unreasonable or inappropriate."  
24

25 Staff's contention is that the Commission should apply the 50% inclusion/exclusion to  
26 Southern Pioneer as allowed by statute to donations made from Southern Pioneer's

1 Benevolent Fund, the allowance of 50% of these expenses is a legislative compromise  
2 position to alleviate the controversy between 100% and 0% ratepayer funding of these  
3 expenses.

4

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

6 A. Yes.

7

1

**EXHIBITS**

2	<u>Exhibit No.</u>	<u>Description</u>
3	CCU-1	Staff's DSC-FBR Calculation
4	CCU-2	Rate Schedule Allocation
5	CCU-3	Advertising, Dues, and Donations Adjustment
6	CCU-4	Relevant Data Request Discovery



SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED HISTORICAL TEST YEAR		ADJUSTMENTS		STAFF DSC-FBR ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR		DISTRIBUTION ALLOCATION	
	[2014]		NO.	AMOUNT	NO.	AMOUNT	[2014]		FACTOR	DSC-FBR
	(\$)			(\$)			(\$)		see Workpaper 1	(\$)
32.	<b><u>B. DEBT SERVICE PAYMENTS</u></b>									
33.	Interest Expense	5,630,380	Line 17 + Line 19	94,314			5,724,694		0.7076	4,050,539
34.	Principal Payments	1,594,429	F7, Pt. O, Col. B	[6] 157,224			1,751,653		0.7076	1,239,392
35.	Total Debt Service Payments	7,224,809		251,538			7,476,347		0.7076	5,289,931
36.										
37.	<b><u>C. DEBT SERVICE MARGINS</u></b>									
38.	Patronage Capital or Margins	2,711,435	Line 30				4,057,660		1.1330	4,597,268
39.	Plus: Depreciation and Amortization Expense	2,799,696	Line 14				2,799,696		0.7080	1,982,057
40.	Plus: Interest Expense	5,630,380	Line 33	94,314			5,724,694		0.7076	4,050,539
41.	Plus: Non-Cash Other Deductions Amortizations	1,033,812	Trial Balance				1,033,812		0.7076	731,479
42.	Plus: Cash Capital Credits Cash Received	689,749	F7, Pt. J, L6, Col. A				689,749		0.7076	488,036
43.	Plus: Non-Cash Income Tax Expense	1,681,959	Line 16	(1,681,959)			-		4.0041	-
44.	Less: Income (Loss) from Equity Investments	(2,790,460)	Line 25				(2,790,460)		1.0000	(2,790,460)
45.	Less: Other Capital Credits and Patr. Dividends	(986,653)	Line 28				(986,653)		0.7076	(698,112)
46.	Total Debt Service Margins	10,769,918					10,528,498			8,360,808
47.										
48.	<b><u>D. DEBT SERVICE COVERAGE</u></b>	1.49	L46/L35				1.41			1.58
49.										
50.	<b><u>E. DEBT SERVICE COVERAGE TARGET</u></b>									1.75
51.										Adjusted DSC Margins are: <b><u>Below the Target</u></b>
52.										
53.	<b><u>F. INITIAL OPERATING INCOME ADJUSTMENT</u></b>									
54.	DSC Adjustment Required to Achieve Target						0.34			0.17
55.	Debt Service Payments						7,476,347			5,289,931
56.	After-Tax Operating Income Adjustment						2,555,110			899,288
57.										

SOUTHERN PIONEER ELECTRIC COMPANY  
DSC FORMULA BASED RATE

ITEM	UNADJUSTED HISTORICAL TEST YEAR [2014]		ADJUSTMENTS		STAFF DSC-FBR ADJUSTMENTS		ADJUSTED HISTORICAL TEST YEAR [2014]	DISTRIBUTION ALLOCATION FACTOR	DSC-FBR	
	(\$)		NO.	AMOUNT (\$)	NO.	AMOUNT	(\$)	see Workpaper 1	(\$)	
58.	<b>G. EQUITY TEST (Increase will not result in &gt; 15% equity ratio)</b>									
59.	Pre-Adjustment		Adjustment				Post-Adjustment			
60.	Total Margins and Equities	4,650,158	F7, Pt. C, L35 + acct 426.6	899,288			5,549,446			
61.	Total Assets	120,829,095	F7, Pt C, L28	[7]	7,092,814			127,921,909		
62.	Equity Ratio	3.85%	L60 / L61					4.34%		
63.										
64.	<b>H. FINAL REVENUE ADJUSTMENT PROPOSED</b>									
65.	Operating Income Adjustment								899,288	
66.	Rate Schedule Revenue								68,229,730	
67.	Adjustment Percentage								1.32%	

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
 Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

		Notes, Source, or Protocols Reference
1.	<b><u>ADJUSTMENT [1] – REVENUE</u></b>	
2.	<i>Annualize rate adjustment implemented during Test Year</i>	
3.	Annual Rate Adjustment Authorized by Commission	E.1.a
4.	Total kWh Sales used to determine Rate Adjustment (14-SPEE-507-RTS Test Year)	14-SPEE-507-RTS
5.	Equivalent average per kWh rate	2013 F7, 14-SPEE-507-RTS
6.	kWh Sales Prior to Implementation of Rate Adjustment (2014 Test Year)	L3/L4
7.	Revenue Adjustment to Annualize Rate Adjustment	January-September, WP 3 and WP6
8.		L5 x L6
9.	<b><u>ADJUSTMENT TO DIRECT ASSIGN 34.5 kV SYSTEM REVENUE</u></b>	E.3.a.
10.	<i>Account for LAC revenues</i>	
11.	Per kW LAC rate Authorized by the Commission effective during Test Year	13-MKEE-699-RTS
12.	Total Annual 34.5 kV System Demand for the Test Year	WP2
13.		Ln 11 * Ln 12
14.	<i>Account for Property Tax collected during Test Year from the 34.5 kV system users</i>	
15.	Per kW PTS rate for LAC Authorized by the Commission effective during Test Year	14-SPEE-297-TAR
16.	Total Annual 34.5 kV System Demand for the Test Year	WP2
17.		Ln 15 * Ln 16
18.	<b>Total 34.5kV Revenue</b>	
19.		
20.	<b><u>ADJUSTMENT [2] – Certain Operating Expenses</u></b>	G(f)
21.	<i>Adjustment to remove typically disallowed items (dues, donations, charitable</i>	
22.	<i>contributions, promotional advertising, penalties and fines, entertainment expense)</i>	
23.	2-a. Distribution Expense - Operation	Exhibit 9
24.	2.b. Distribution Expense - Maintenance	Exhibit 9
25.	2.c. Customer Accounts Expense	Exhibit 9
26.	2.d. Customer Service and Informational Expense	Exhibit 9
27.	2.e. Sales Expense	Exhibit 9
28.	2.f. Administrative and General Expense	Exhibit 9
29.	2.g. Other Deductions	Exhibit 9
30.	<b>Total Adjustment</b>	Exhibit 9
31.		



**SOUTHERN PIONEER ELECTRIC COMPANY**  
**DSC-FBR - ADJUSTMENTS TO ACTUAL TEST YEAR RESULTS**  
 Per Sections E.1.a-e and E.3.a-f of the DSC-FBR Protocols

## Notes, Source, or Protocols Reference

32.	<b><u>ADJUSTMENT [3] – Other Taxes</u></b>			E.1.b.
33.	<i>Adjustment to include cash tax expense</i>			
34.	Test Year Tax Expense - Other (non-cash)	\$	1,681,959	F7, Pt. A, Col. B
35.	Cash Test Year Other Tax Expense	\$	1,354	WP4
36.	Adjustment to Actual Other Tax Expense	\$	<u>(1,680,605)</u>	L35- L34
37.				
38.	<b><u>ADJUSTMENT [4] – Long-Term Interest Expense</u></b>			E.1.c.
39.	<i>Adjustment to reflect the Budget.</i>			
40.	Actual Year Long-Term Interest Expense	\$	5,595,089	F7, Pt. A, Col. B
41.	Budget Year Long-Term Interest Expense	\$	5,669,926	Budget
42.	Adjustment to Actual Long-Term Interest Expense	\$	<u>74,837</u>	L41-L40
43.				
44.	<b><u>ADJUSTMENT [5] – Other Interest Expense</u></b>			E.1.d.
45.	<i>Adjustment to reflect the Budget.</i>			
46.	Actual Year Other Interest Expense	\$	35,291	F7, Pt. A, Col. B
47.	Budget Year Other Interest Expense	\$	54,769	Budget
48.	Adjustment to Actual Other Interest Expense	\$	<u>19,478</u>	L47 - L46
49.				
50.	<b><u>ADJUSTMENT [6] – Principal Payments</u></b>			E.1.e.
51.	<i>Adjustment to reflect the Budget.</i>			
52.	Actual Year Principal Payments	\$	1,594,429	F7, Pt. O, Col. B
53.	Budget Year Principal Payments	\$	1,751,653	Budget
54.	Adjustment to Actual Principal Payments	\$	<u>157,224</u>	L53 - L52
55.				
56.	<b><u>ADJUSTMENT [7] – Assets</u></b>			
57.	<i>Adjustment to reflect budgeted Assets.</i>			
58.	Actual Year-End Assets	\$	120,829,095	F7, Pt. C, L28.
59.	Budgeted Year-End Assets	\$	127,921,909	Budget
60.	Adjustment to Actual Assets	\$	<u>7,092,814</u>	L59 - L58

**SOUTHERN PIONEER ELECTRIC COMPANY**  
**Proportional Allocation of DSC-FBR Rate Adjustment to Rate Classes**  
**On Base Revenue by Rate Schedule**  
**Per Section I of the DSC-FBR Protocols**

(a)	(b)	(c)	(d)	(e)	(f)	(g)		(i)	(j)	(k)
						Allocation of Rate Adjustment				
Line No.	Rate Schedule	Rate Schedule Revenue <sup>1</sup>	Allocated Power Supply Cost of Service <sup>1</sup>	Base Revenue <sup>1</sup>	Percent of Tot Base Rev	FBR Adjustment <sup>1</sup>	Base Revenue	Check the Spread	Historical Energy Sales	FBR Adjustment per kWh <sup>2</sup>
		(\$)	(\$)	(\$)	(%)	(\$)	(\$)	(%)	(kWh)	(\$)
1	Residential Service (14-RS)									
2	General Use	16,914,331	9,448,928	7,465,402	40.1%	364,299	7,829,701	40.1%	115,774,893	0.00315
3	Space Heating	1,066,200	629,405	436,795	2.3%	21,315	458,109	2.3%	7,756,135	0.00275
4	General Service Small (14-GSS)	2,018,111	1,077,665	940,446	5.1%	45,892	986,338	5.1%	13,010,506	0.00353
5	General Service Large (14-GSL)	17,375,773	10,722,121	6,653,652	35.8%	324,687	6,978,339	35.8%	126,447,289	0.00257
6	General Service Space Heating	674,402	457,183	217,218	1.2%	10,600	227,818	1.2%	5,827,901	0.00182
7	Industrial Service (14-IS)	3,637,130	2,661,566	975,564	5.2%	47,606	1,023,170	5.2%	33,087,519	0.00144
8	Interruptible Industrial Service (14-IN)	-	-	-	0.0%	-	-	0.0%	-	N.A.
9	Real -Time Pricing (RTP)	(124,847)	(124,847)	-	0.0%	-	-	0.0%	(4,973,146)	N.A.
10	Transmission Level Service (14-STR)	26,309,065	25,629,080	679,985	3.7%	24,674	704,659	3.6%	375,682,212	0.00007
11	Municipal Power Service (14-M-I)	205,602	120,411	85,191	0.5%	4,157	89,348	0.5%	1,460,167	0.00285
12	Water Pumping Service (14-WP)	738,740	467,674	271,066	1.5%	13,228	284,293	1.5%	5,840,570	0.00226
13	Irrigation Service (14-IP-I)	293,579	166,980	126,599	0.7%	6,178	132,777	0.7%	1,997,078	0.00309
14	Temporary Service (14-CS)	17,462	7,901	9,561	0.1%	467	10,027	0.1%	73,536	0.00634
15	Lighting	1,068,488	326,920	741,568	4.0%	36,187	777,755	4.0%	4,180,930	0.00866
16	<b>Total Retail Rates</b>	<b>70,194,035</b>	<b>51,590,989</b>	<b>18,603,046</b>	<b>100.0%</b>	<b>899,288</b>	<b>19,502,335</b>	<b>100.0%</b>	<b>686,165,590</b>	<b>0.00131</b>

<sup>1</sup> See Workpaper 5 for detail.

<sup>2</sup> See Workpapers 10 and 11 for applying the resultant per kWh DSC-FBR adjustment to the corresponding tariff rates.

<sup>3</sup> The Adjustment for the STR class is calculated using only the non-distribution portion of the additional debt service in the Budget Year (per Section I of the Protocols)—see Workpapers 5 and 7.

Southern Pioneer Electric Company

Filing Exhibit 9: Dues, Donations & Contributions, Promotions & Advertising, Penalties & Fines, Entertainment - 2014 \*AMENDED\*

Added an additional column 'Form 7 Line #' with a summary of totals at the Form 7 line number in order to cross-reference directly to Adjustment [2] in Filing Exhibit 3 - DSC-FBR Calculation  
 Removed line items not related to dues, donations & contributions, promotions & advertising, penalties & fines, entertainment (Classification N/A). These expenses are not Exhibit 9 related and were not subjected to the Adjustment [2] - Certain Operating Expenses exclusion. Please see additional explanation regarding these transactions at the end of this amended Exhibit.

NOTE: The total dues, donations & contributions, Promotions & Advertising, penalties & fines, entertainment expense did not change. This amendment is a change in presentation only.

Acct	Account Desc	Date	Vendor Name	Reference	Total Amount	Activity	Classification	Exclusion %	EXCLUDED DOLLARS	INCLUDED DOLLARS	STAFF EXCLUDED DOLLARS	REASON
426	DONATIONS	6/1/2014	INTL PANCAKE DAY OF LIBERAL INC	25-BREAKFAST BUTTONS	\$ 100.00	100 - ADVERTISING	Donations (including labor)	50%	\$ (50.00)	\$ 50.00	\$ (50.00)	Buttons from Sponsored Event
426	DONATIONS	8/12/2014	THE COMMUNITY ENHANCEMENT FOUNDATION	DONATION-PLAINS GROCERY STORE FUNDRAISER	\$ 250.00	100 - ADVERTISING	Donations (including labor)	50%	\$ (125.00)	\$ 125.00	\$ (125.00)	Donations for a Sponsored Event
426	DONATIONS	8/20/2014	SOUTHWEST MEDICAL CENTER	DONATION	\$ 1,500.00	101 - DONATIONS	Donations (including labor)	50%	\$ (750.00)	\$ 750.00	\$ (750.00)	Health Fair Sponsorship
426	DONATIONS	11/18/2014	SPIRIT STOP	2015 DUES INVESTMENT	\$ 500.00	100 - ADVERTISING	Dues	50%	\$ (250.00)	\$ 250.00	\$ (250.00)	Member/Supporter related to Economic Hwy 54 Conversion Project
910	YOUTH TOURS	1/17/2014	KANSAS ELECTRIC COOPERATIVES, INC.	YOUTH TOUR MATERIALS	\$ 721.07	100 - ADVERTISING	Donations (including labor)	50%	\$ (360.54)	\$ 360.54	\$ (360.54)	Other Youth Tour Advertising was excluded 100% by Southern Pioneer
					<u>\$ 3,071.07</u>				<u>\$ (1,535.54)</u>	<u>\$ 1,535.54</u>	<u>\$ (1,535.54)</u>	
<b>TOTAL AMENDED EXHIBIT 9 FROM CURB DR. 3</b>					<u>\$ 199,616.29</u>				<u>\$ (105,489.02)</u>	<u>\$ 94,127.27</u>		

SUMMARY BY Form 7 Line Number

Item	Exhibit 3, Page 1 Line No.	Dues, donations, charitable contributions, promotional advertising, penalties and fines, entertainment included in Exhibit 3, Page 1 Unadjusted Historical Test Year	Adj to remove typically disallowed items Exhibit 3 Adj [2]	ADDITIONAL STAFF EXCLUDED DOLLARS
Distribution Expense - Operation	7	\$ 46,557.93	\$ (22,304.94)	2.a
Distribution Expense - Maintenance	8	\$ 25.00	\$ (12.50)	2.b
Customer Accounts Expense	9	\$ 933.73	\$ (933.73)	2.c
Customer Service and Informational	10	\$ 31,738.13	\$ (18,908.20)	2.d \$ (360.54)
Sales Expense	11	\$ 2,149.95	\$ (2,149.95)	2.e
Administrative and General Expenses	12	\$ 37,799.24	\$ (14,666.87)	2.f
Other Deductions	20	\$ 80,412.31	\$ (46,512.84)	2.g \$ (1,175.00)
		<u>\$ 199,616.29</u>	<u>\$ (105,489.02)</u>	<u>\$ (1,535.54)</u>

SUMMARY BY CLASSIFICATION

Total Amount	Classification	Exclusion %	EXCLUDED DOLLARS	INCLUDED DOLLARS	STAFF EXCLUDED DOLLARS
\$ 8,279.97	Advertising-Gen	100%	\$ (8,279.97)	\$ -	
\$ 8,953.10	Promotional Items	100%	\$ (8,953.10)	\$ -	
\$ 10,028.85	Sponsorship	100%	\$ (10,028.85)	\$ -	
\$ 1,948.05	Help Wanted Adv.	0%	\$ -	\$ 1,948.05	
\$ 7,021.56	Phone & Web Dir	0%	\$ -	\$ 7,021.56	
\$ 6,898.91	Public Service Ad	0%	\$ -	\$ 6,898.91	
\$ 90,035.07	Donations (includ	50%	\$ (45,017.54)	\$ 45,017.54	\$ (1,285.54)
\$ 66,269.11	Dues	50%	\$ (33,134.56)	\$ 33,134.56	\$ (250.00)
\$ 75.01	Penalties	100%	\$ (75.01)	\$ -	
\$ 106.66	N/A	0%	\$ -	\$ 106.66	
<u>\$ 199,616.29</u>			<u>\$ (105,489.02)</u>	<u>\$ 94,127.27</u>	<u>\$ (1,535.54)</u>

SOURCES: Response to CURB Data Request No. 3 - Exhibit 9 Amended  
 Response to CURB Data Request No. 14: Southwest Medical Center Donation  
 Response to CURB Data Request No. 15: Advertising/Donations

Southern Pioneer Electric Company

Filing Exhibit 9: Dues, Donations & Contributions, Promotions & Advertising, Penalties & Fines, Entertainment - 2014 \*AMENDED\*

Added an additional column 'Form 7 Line #' with a summary of totals at the Form 7 line number in order to cross-reference directly to Adjustment [2] in Filing Exhibit 3 - DSC-FBR Calculation  
 Removed line items not related to dues, donations & contributions, promotions & advertising, penalties & fines, entertainment (Classification N/A). These expenses are not Exhibit 9 related and were not subjected to the Adjustment [2] - Certain Operating Expenses exclusion. Please see additional explanation regarding these transactions at the end of this amended Exhibit.

NOTE: The total dues, donations & contributions, Promotions & Advertising, penalties & fines, entertainment expense did not change. This amendment is a change in presentation only.

SUMMARY BY GL ACCOUNT

Acct	Account Desc	Total Amount	EXCLUDED DOLLARS	INCLUDED DOLLARS	STAFF EXCLUDED DOLLARS
426	DONATIONS	\$ 66,337.30	\$ (39,437.83)	\$ 26,899.48	\$ (1,175.00)
426	SCHOLARSHIP AWARDS	\$ 14,000.00	\$ (7,000.00)	\$ 7,000.00	
426	PENALTIES	\$ 75.01	\$ (75.01)	\$ -	
588	DIST - MISCELLANEOUS EXPENSE	\$ 46,557.93	\$ (22,304.94)	\$ 24,252.99	
593	MTCE - OVERHEAD LINES	\$ 25.00	\$ (12.50)	\$ 12.50	
903	CUST REC & COLLECTION EXPENSE	\$ 933.73	\$ (933.73)	\$ -	
907	KEY ACCOUNT	\$ 5,048.72	\$ (5,048.72)	\$ -	
908	CUSTOMER ASSISTANCE EXPENSE	\$ 2,055.50	\$ (649.16)	\$ 1,406.34	
908	SCHOLARSHIP EXPENSES-MISC	\$ 8,201.18	\$ (4,219.09)	\$ 3,982.09	
910	MISC. CUSTOMER INFORMATION EXPENSE	\$ 1,468.22	\$ (1,113.37)	\$ 354.86	
910	YOUTH TOURS	\$ 14,964.51	\$ (7,877.87)	\$ 7,086.65	\$ (360.54)
912	DEMO AND SELLING EXPENSE	\$ 2,149.95	\$ (2,149.95)	\$ -	
921	OFFICE SUPPLIES & EXPENSE	\$ 192.50	\$ (146.25)	\$ 46.25	
930	GENERAL ADVERTISING EXPENSE	\$ 16,185.01	\$ (3,434.75)	\$ 12,750.26	
930	MISCELLANEOUS EXPENSE	\$ 18,161.22	\$ (9,080.61)	\$ 9,080.61	
930	DUES/EXPENSES-ASSOC ORGANIZATION	\$ 2,510.51	\$ (1,255.26)	\$ 1,255.26	
930	EMPLOYEE SOCIALS-XMAS/PICNIC/OTHER	\$ 750.00	\$ (750.00)	\$ -	
930	LOBBYING EXPENSE	\$ -	\$ -	\$ -	
		\$ 199,616.29	\$ (105,480.02)	\$ 94,127.27	\$ (1,535.54)

SMJ04 ACCR \$ 41,279.04 (See attached 'Donations from Benevolent Funds')  
 Includes the portion of the total GL balance relevant to this exhibit. The remainder of the account contains unrelated detail.

After speaking with Stacey Harden (CURB) to better understand her (a reviewer's) needs regarding agreeing the amounts to the GL (the underlying test of ensuring the correct total dollars are included in Exhibit 3 and the correct dollars are excluded per Exhibit 9), these expenses are not relevant to the purpose of Exhibit 9, nor do they provide the information necessary to verify the net expense included in the Revenue Requirement calculation (Filing Exhibit 3, net of Adjustment [2] amounts typically disallowed - dues, donations, charitable contributions, promotional advertising, penalties and fines, entertainment expense). Southern Pioneer's use of Activity Codes, in addition to GL Account Codes for recording expense precludes the use of a GL

Activity Codes: Southern Pioneer utilizes Activity Codes to provide additional detail for general ledger transactions without the need to create additional GL Accounts. When recording expense transactions, typically both a GL Account and an Activity Code are assigned. This allows Southern Pioneer to identify specific activities within the general ledger without creating a multitude of GL Accounts. In some cases, the GL Account balance is comprised of a single Activity (i.e. the only activity in GL 426.13 Scholarship Awards is Act 101 Donations), however, in many instances a GL

To gather data for Exhibit 9, Southern Pioneer uses both Activity Codes (8-Dues, 100-Advertising, 101-Donations, 102-Promotional Items) and GL Accounts (426.1-Donations, 426.13-Scholarship Awards, 426.3-Penalties, 908.2-Scholarship Expense, 910.11-Youth Tours, 930.1 General Advertising Expense, 930.23-Dues Assoc Organizations, 930.26-Lobbying Expense). This approach captures the relevant Activities, regardless of the GL Account in which the Activity is reported. It also captures the transactions within specific GL Accounts which are Exhibit 9 related but are not one of the Activities listed above (i.e. GL Account 426.1-Donations includes Activity Codes 2-Labor & Transportation, 17-Meals, 35-Postage, 100-

SOURCE: Response to CURB Data Request No. 3 - Exhibit 9 Amended

Exhibit CCU-4: Relevant Data Request Discovery

<u>Description</u>	<u>Page No.</u>
Response to Staff Data Request No. 10: Benevolent Fund	1-3
Response to Staff Data Request No. 11: Scrap Metal Sales	4-5
Response to CURB Data Request No. 13: Benevolent Fund	6-7
Response to CURB Data Request No. 14: Southwest Medical Center Donation	8-12
Response to CURB Data Request No. 15: Advertising/Donations	13-15

**Kansas Corporation Commission  
Information Request**

Request No: 10

Company Name	SOUTHERN PIONEER ELECTRIC COMPANY	SPEE
Docket Number	15-SPEE-519-RTS	
Request Date	June 18, 2015	
Date Information Needed	June 26, 2015	

RE: Benevolent Fund

**Please Provide the Following:**

Please provide a detailed description of the step-by-step process used for the sale of scrap metal from the Benevolent Fund. Please include a breakdown of debit and credit entries as well as the RUS account used for the journal entry for each step in the process from the sale of the metal, entry as the Benevolent Fund liability, recording the actual donation, and reversing any accrual used to zero out the liability account at the end of the test year.

Submitted By Chad Unrein

Submitted To Randy Magnison

**Response:** See Response to KCC DR10 Benevolent Fund

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

**Verification of Response**

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: 

Date: 6-23-15

2013 Beginning Balance	(120,412.80)	Accruals built during 2011 & 2012 when scrap being sold, but grants not being given (limited a
2013 Accruals from sale of scrap	(51,837.19)	
2013 Donations	77,131.66	
2013 Adjustment for logo (Benevolent funds not used)	400.69	
2013 Ending Balance before Adjustments	(94,717.64)	
2013 Reverse Accruals	51,837.19	J191532
2013 Ending Balance/Over-Accrual	(42,880.45)	Funds not made available for granting in future period (change in treatment EOY 2013)
2013 Reduction in Accrual/Expense	21,440.20	J191532 - Expensed to 930.2/15 rather than being reflected in 426.1/101
2014 Reduction in Accrual/Expense (SMJ13)	21,440.25	Expensed to 930.2/15 rather than being reflected in 426.1/101

Yr	Jrnl	Cash (131)	
2014	1	\$ 36,154.00	
2014	3		\$ 41,279.04
2014	5	\$ 192.50	
2014	6		\$ 25,113.26
			\$ 30,045.80
<u>Donations Expense (426.1)</u>			
2014	2	\$ 36,154.00	
2014	4	\$ 4,932.54	
2014	6	\$ 25,113.26	
		\$ 66,199.80	
2014	8		\$ 21,440.25
		\$ 44,759.55	

Yr	Jrnl	Accum Depr (108.6)	
2014	1		\$ 36,154.00
			\$ 36,154.00
<u>Accrual (232.63)</u>			
			\$ 21,440.25
2014	2		\$ 36,154.00
2014	3	\$ 41,279.04	
2014	4		\$ 4,932.54
2014	5		\$ 192.50
2014	7	\$ 21,440.25	
			\$ -

Yr	Jrnl	Misc Expense (930.2)	
2014	7		\$ 21,440.25
2014	8	\$ 21,440.25	
		\$ -	

Date	Journal #	Acct. No.	Name	Dr.	Cr.
2014	1	131.00	Cash	\$ 36,154.00	
		108.60	Gain/Loss on Disp of Distr		\$ 36,154.00
To record the sale of scrap metal salvaged from retirement of plant in 2014. (Standard RUS Accounting Procedure).					
2014	2	426.10	Donations	\$ 36,154.00	
		232.63	Accrual - Benevolent Fund		\$ 36,154.00
To record anticipated donations based upon the sale of scrap metal. (overstated expense)					
2014	3	232.63	Accrual - Benevolent Fund	\$ 41,279.04	
		131.00	Cash		\$ 41,279.04
To record donations made from the Benevolent Fund accrual.					
2014	4	426.10	Donations	\$ 4,932.54	
		232.63	Accrual - Benevolent Fund		\$ 4,932.54
Record donations in excess of Accrual. The actual donations in 2014 exceeded the anticipated donations.					
2014	5	131.00	Cash	\$ 192.50	
		232.63	Accrual - Benevolent Fund		\$ 192.50
Reverse portion of logo related expense					
2014	6	426.10	Donations	\$ 25,113.26	
		131.00	Cash		\$ 25,113.26
To record donations made in 2014 (donations not related to the Benevolent Fund).					
2014	7	232.63	Accrual - Benevolent Fund	\$ 21,440.25	
		930.20	Miscellaneous Expense		\$ 21,440.25
To reduce the balance of the 2011/2012 Accrual - Benevolent Fund to zero against expense in 2014. (Reduce expense for 2014 for the remaining 50% of the overstatement of expense from 2011/2012).					
2014	8	930.2/15	Miscellaneous Expense	\$ 21,440.25	
		426.10	Donations		\$ 21,440.25 Entry not made
To reclassify the previous entry from Misc Expense to Donation Expense (Correction).					



**Kansas Corporation Commission  
Information Request**

Docket No. 15-SPEE-519 RTS  
Exhibit CCU-4  
Page 4 of 15

Request No: 11

Company Name            SOUTHERN PIONEER ELECTRIC COMPANY            SPEE  
Docket Number        15-SPEE-519-RTS  
Request Date           June 18, 2015  
Date Information Needed   June 26, 2015

RE: Benevolent Fund - Scrap metal sales

**Please Provide the Following:**

1. How much revenue did Southern Pioneer receive during the 2014 test year from the sale of scrap metal?
2. Were these funds used entirely to fund donations found in Exhibit 9 of the test year?

Submitted By Chad Unrein

Submitted To Randy Magnison

**Response:**

1. It is important to recognize that, in accordance with RUS Bulletin 1767B-1 (see excerpt below), the sale of scrap materials in the retirement of plant does not produce revenue. Because of this, the answer to the question is technically \$0. Consistent with RUS Bulletin 1767B-1, and as noted in response to KCC DR10, the sale of scrap materials in the retirement of utility plant assets is credited to accumulated depreciation. The accounting entries are then to debit cash and credit accumulated depreciation. As such, the sale of scrap material from the retirement of plant is only a balance sheet transaction.

As provided in the response to KCC DR10, the cash proceeds from the activity of selling scrap materials in 2014 were \$36,154. This cash was used in Southern Pioneer's operations and effectively reduced the need to borrow funds. Had Southern Pioneer not pursued these activities to sell scrap, the cash would not have been available, resulting in an incremental increase in borrowings to meet cash flow needs.

**RUS Bulletin 1767B-1 (1767.16(j)(2)(ii))**

**(j) Additions and retirements of electric plant.**

(1) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of retirement units and minor items of property.

(2) The addition and retirement of retirement units shall be accounted for as follows:

(i) When a retirement unit is added to electric plant, the cost thereof shall be added to the appropriate electric plant account, except that when units are acquired in the acquisition of any electric plant constituting an operating system, they shall be accounted for as provided in paragraph (c) of this section.

(ii) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in Item in paragraph (j)(4) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.  
(emphasis added)

2. No. It would be incorrect to infer that the cash proceeds from the sale of scrap materials in 2014 directly funded or offset any donation expenses in 2014. There is not an actual, separate "fund" (i.e. bank account) that holds these proceeds for the purpose of making donations. The cash proceeds from scrap material sales are combined with cash generated from various other activities into Southern Pioneer's general fund. Consistent with RUS accounting, the salvage from the sale of scrap is credited to accumulated depreciation such that these proceeds cannot also be applied as revenue or as an offset to expenses, or they would be double-counted. The terminology Southern Pioneer has used in previous DR responses and the prior year accounting entries made to record the sale of scrap and benevolent activities and the corresponding benevolent fund accrual may have created some confusion and unwarranted complexity in the DSC FBR filing. To clarify, the purpose of the benevolent fund accrual is to simply act as a guideline or benchmark for the amount of benevolent donations for the year, not as a direct funding source for those donations. In any given year, actual benevolent donations may be more or less than the proceeds received from the sale of scrap. Importantly, in 2014, the amount of donations expense accurately reflects the amount of donations made.

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

#### Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: \_\_\_\_\_



Date: \_\_\_\_\_

6-23-15

**Citizens' Utility Ratepayer Board**  
Information Request

Request No: CURB-13

Company Name SOUTHERN PIONEER ELECTRIC COMPANY

Docket Number 15-SPEE-519-RTS

Request Date June 2, 2015

Date Information Needed June 15, 2015

**Please Provide the Following:**

In 14-SPEE-507-RTS, Southern Pioneer reduced all expense related to the Benevolent Fund, by crediting \$51,937.19 to donations. In the current filing, Southern Pioneer has indicated that \$41,279.04 in funds was provided through the Benevolent Fund. However, Southern Pioneer's current application does not reverse all expenses, but rather reduces the donations provided through the Benevolent Fund by 50% (\$20,639.52 is included in application). Please explain why Southern Pioneer is changing the accounting treatment of donations made through the Benevolent Fund.

**Response:**

**See attached: CURB DR-13 Exh 9 Benevolent Fund.xls**


Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

**VERIFICATION OF RESPONSE**

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed:   
Name: Chantry Scott  
Position: CFO  
Dated: 6-11-15

Southern Pioneer Electric  
CURB DR-13  
Benevolent Fund

1.232.63		
2013 Beginning Balance	(120,412.80)	Accruals built during 2011 and 2012 when scrap being sold, but grants not being given (limited applications)
2013 Accruals from sale of scrap	(51,837.19)	
2013 Donations	77,131.66	
2013 Adjustment for logo (Benevolent funds not used)	400.69	
2013 Ending Balance before Adjustments	<u>(94,717.64)</u>	
2013 Reverse Accruals	51,837.19	J191532
2013 Ending Balance/Over-Accrual	<u>(42,880.45)</u>	Funds not made available for granting in future period (change in treatment EOY 2013)
2013 Reduction in Accrual/Expense	21,440.20	J191532 - Expensed to 930.2/15 rather than being reflected in 426.1/101
2014 Reduction in Accrual/Expense (SMJ13)	(21,440.25)	Expensed to 930.2/15 rather than being reflected in 426.1/101

The Benevolent Fund (HUGS) is funded by the sale of scrap metal. At the time scrap revenue is received, an accrual of the Benevolent Fund liability is made (dr. 426.1 donations expense, cr. 232.63 Benevolent Fund liability). Prior to 2013 there was no limit on the time the funds were available to be granted. In 2011 and 2012 the accrual became rather large. At the end of 2013, the decision was made to limit the use of these grant funds (without prior approval) to the year in which the scrap sales occurred (bring the accrual to \$0 at year end so that the 426.1 donations expense was equal to the grants award during the year).

Because the total accrual was more than the donations given during the year, the accrual of \$51,837.19 posted in 2013 was reversed in its entirety. The grants given in 2013 offset the accrual created from scrap sales in 2011 and 2012, hence no donations expense related to the Benevolent Fund in 2013.

The remaining balance of the accrual (\$42,880.45) was reversed in 2013 and 2014. \$21,440.20 in 2013 and \$21,440.25 in 2014. The reversal of the accrual was recorded in 930.2/15-Misc Exp/Misc A/C. The intention of this treatment was to report in 426.1-Donations (A/C 101), only those grants/donations occurring in the current year.

In 2014, there is no concern regarding the correct total expense being reported in Exhibit 3 because it is based on all GL account activity and reported at the Form 7 level. This treatment of the Benevolent Fund over-accrual, however, does over-state Donations Expense and under-states Miscellaneous Expense by \$21,440.25 in Exhibit 3. If an adjustment is necessary, the correcting entry would be dr. 930.2/15, cr. 426.1/101. The net affect of this adjustment would be a \$10,720 decrease in Adjustment [2] of Filing Exhibit 3. See calculation below.

Excerpts of Exhibit 3 and Exhibit 9

	Exhibit 3 (P1) Unadjusted Historical Test Year (2014) as Filed (a)	Entry to move PY Accrual from Misc. Exp. to Donation Exp. (b)	GL Acct/ Act Code	Exhibit 3 (P1) Unadjusted Historical Test Year (2014) Adjusted (c) = (a) + (b)
Line 12. Administrative and General Expense (F7 Line 11)	\$1,838,163	\$21,440	930.2/15	\$1,859,603
Line 20. Other Deductions (F7 Line 19)	\$1,171,274	-\$21,440	426.1/101	\$1,149,834

\*NOTE: There is no change in the overall Total Cost of Electric Service (Exhibit 3 Line 21)

	Exhibit 9 Amount Subject to Exclusion as Filed (a)	Entry to move PY Accrual from Misc. Exp. to Donation Exp. (b)	Exhibit 9 Amount Subject to Exclusion Adjusted (c) = (a) + (b)	Exclusion % (d)	Exhibit 9 Exclusion Amount Adjusted (e) = (c) * (d)	Exhibit 9 Exclusion Amount as Filed (f) = (a) * (d)	Change in Exhibit 3, Adjustment [2] (g) = (e) - (f)	
930.2 Misc Exp A/C 15 (not in Exh 9 because not related to Dues, donations, etc.)	\$0	\$21,440	\$21,440	0%	\$0	\$0	\$0	2-f
426.1 Donations Total Expense	\$66,337	-\$21,440	\$44,897	50%	\$22,449	\$33,169	-\$10,720	2-g

**Citizens' Utility Ratepayer Board  
Information Request**

Request No: CURB-14

Company Name SOUTHERN PIONEER ELECTRIC COMPANY  
Docket Number 15-SPEE-519-RTS  
Request Date June 17, 2015  
Date Information Needed As soon as possible, but no later than July 2, 2015

**Please Provide the Following:**

Please provide explanation of the \$1,500 donation made to Southwest Medical Center on 08/20/14. What were these funds provided for? Please include invoice and any other information that supports this donation.

**Response: This donation was in support of the 2014 Community Health Fair held in Liberal, KS. Supporting documentation is attached.**


Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

**VERIFICATION OF RESPONSE**

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed:   
Name: Chantry C. Scott  
Position: CFO  
Dated: 6-19-15

Southern Pioneer Electric Company  
Check Disbursement Request

0348  
PAY TO: Southwest Medical Center  
315 W. 15<sup>th</sup> St.  
Liberal, KS 67901

A/P Period:  
Date of Request: 20-Aug-14  
Payment Date: 20-Aug-14

DESCRIPTION	Account	A/C	Amount
Health Fair 2013 Sponsorship <i>Donation</i>	1.426.1	101	\$1,530.00 / 500.00
Please put c/o Marketing Dept on envelopes	<i>NON-PROFIT</i>	<i>1.426.101</i>	<i>30.00</i>
And please include attached forms	<i>BOOTHS</i>		

Requested by: Elyse Molstad

Approved by: *KG*

(General Manager or Management Staff)

SCANNED  
AF

RECEIVED AUG 20 11

The Community Health Is scheduled for **Saturday October, 4<sup>th</sup> 2014** at the Seward County Event Center at 810 Stadium in Liberal, KS. Your assistance with the Health Fair will aid in the ability to provide testing to the community and surrounding area at a discounted rate. The generous outpouring of donations in previous years has allowed and continues to allow us to offer testing at the discounted rate. The low price that is charged at the Health Fair, allows people to get testing done that they may not have normally been able to due to the high normal cost. Last year we had approximately 900 people attend the Health Fair, and this year we hope for more people to be able to take part in the Health Fair.

Any donation that you would be able to provide will be greatly appreciated. Attached is a sponsorship form to fill out with your contact information as well and information of what you intend to donate, whether is be in to form of money, food or items for door prizes. For your convenience, items other than money donations can be picked up by making arrangements by phone or email.

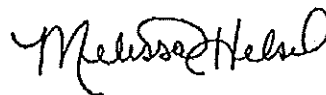
Please confirm your interest in being a sponsor by returning the attached sheet and donation.

If you have any questions do not hesitate to contact Marketing and Development Team at Southwest Medical Center. You can contact Keeley Moree, Marketing Director by phone at (620) 629-6335 or by email at [kmoree@swmedcenter.com](mailto:kmoree@swmedcenter.com). You may also contact Melissa Helsel, Marketing Coordinator by phone at (620) 629-6424 or by email at [mhelsel@swmedcenter.com](mailto:mhelsel@swmedcenter.com).

Sincerely,



Keeley Moree  
Marketing and Development Director  
315 W 15<sup>th</sup> Street, P.O. Box 1340  
Liberal, KS 67901  
(620) 629-6335  
[kmoree@swmedcenter.com](mailto:kmoree@swmedcenter.com)



Melissa Helsel  
Marketing Coordinator  
315 W 15<sup>th</sup> Street, P.O. Box 1340  
Liberal, KS 67901  
(620)629-6424  
[mhelsel@swmedcenter.com](mailto:mhelsel@swmedcenter.com)

# 2014 Community Health Fair Sponsorship Form

Business Name: Southern Pioneer Electric Co.

Contact Person: Elyse Molstad

Phone Number: 620-655-5051

Mailing Address: 1490 Gen. Welch Blvd.

Physical Address: (see above)

Amount of Donation: \$1500.00

Make checks payable to Southwest Medical Center, note the Health Fair in the Memo line.

Signature: *Anna Elyse Molstad* Date: 8/20/14

The businesses and community members who host this event each year greatly appreciate your generous gifts which make this event possible. In today's economy, many people choose to cut down on personal expenses and one area they choose is healthcare. We are working to ensure that individuals in our communities are able to afford the annual exams necessary to detect health problems as early as possible.

**COPY**



# 2014

## Community Health Fair

Booth/Company Name: Southern Pioneer Electric Co.

Contact Person: Elyse Molstad

Phone Number: ~~785-239-0000~~ (620-655-5051)

Mailing Address: 1490 Gen. Welch Blvd.

Physical Address: (see above)

City/State/Zip: Liberal, KS 67901

Email Address: emolstad@southernpioneer.net

Information to be displayed: Electric Safety.

Number of Booths: 2

For Profit: \_\_\_\_\_ Non-Profit: We are a not-for-profit.

Special booth requirements: electricity.

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### Deadline of Applications: September 12th

Date: Saturday, October 4, 2014

Cost: For Profit \$40 per booth

Non-Profit \$15 per booth

Make checks payable to Southwest Medical Center, please note Healthfair in the Memo line.

Booths are 10'x10' with one 8' table and 2 chairs. Please specify if you will require more tables or chairs.

# COPY

**Citizens' Utility Ratepayer Board**  
 Information Request

Request No: CURB-15

Company Name SOUTHERN PIONEER ELECTRIC COMPANY  
 Docket Number 15-SPEE-519-RTS  
 Request Date June 17, 2015  
 Date Information Needed As soon as possible, but no later than July 2, 2015

**Please Provide the Following:**

The following items are coded as "advertising" but are receiving the 50/50 rate treatment as if they were donations/dues. Please provide details for each of these transactions and an explanation as to whether the item should be considered a donation, dues or advertisement. Please include invoices and any other information that supports these transactions.

6/1/2014	INTL PANCAKE DAY OF LIBERAL INC	25-BREAKFAST BUTTONS	\$	100.00	100 - ADVERTISING	50%	\$	(50.00)
8/12/2014	THE COMMUNITY ENHANCEMENT FOUNDATION	DONATION- PLAINS GROCERY STORE FUNDRAISER	\$	250.00	100 - ADVERTISING	50%	\$	(125.00)
11/18/2014	SPIRIT STOP	2015 DUES INVESTMENT	\$	500.00	100 - ADVERTISING	50%	\$	(250.00)
1/17/2014	KANSAS ELECTRIC COOPERATIVES, INC.	YOUTH TOUR MATERIALS	\$	721.07	100 - ADVERTISING	50%	\$	(360.54)

**Response: See attached an explanation and supporting documentation for each expense listed.**


Submitted By: David Springe

Submitted To: Randall D. Magnison

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

**VERIFICATION OF RESPONSE**

I have read the foregoing Data Request and Answer(s) thereto and find the answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Citizens' Utility Ratepayer Board any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed:   
Name: Chantry C. Scott  
Position: CEO  
Dated: 6-22-15

## Southern Pioneer Electric

## CURB-15

## Exh 9 - Donatlon, Dues or Advertising

The following items are coded as "advertising" but are receiving the 50/50 rate treatment as if they were donations/dues. Please provide details for each of these transactions and an explanation as to whether the item should be considered a donation, dues or advertisement. Please include invoices and any other information that supports these transactions.

1	6/1/2014	2174	INTL PANCAKE DAY OF LIBERAL INC	2880 25-BREAKFAST BUTTONS	\$100.00	426.1-Donations	100 - ADVERTIS	50%	(\$50.00)
2	8/12/2014	3300	THE COMMUNITY ENHANCEMENT FOUNDATION	201408-3300 DONATION-PLAINS GROCERY STORE FUNDRAISER	\$250.00	426.1-Donations	100 - ADVERTIS	50%	(\$125.00)
3	11/18/2014	2933	SPIRIT STOP	201411-2933 2015 DUES INVESTMENT	\$500.00	426.1-Donations	100 - ADVERTIS	50%	(\$250.00)
4	1/17/2014	166	KANSAS ELECTRIC COOPERATIVES, INC.	127545 YOUTH TOUR MATERIALS	\$721.07	910.11-Youth Tot	100 - ADVERTIS	50%	(\$360.54)

1 The buttons allow entrance into the pancake breakfast and all Pancake Day activities.

This is neither a donation nor advertising. The correct coding is 930.4 Employee Activities, activity code 9 Employee Activities.

2 This was a donation to help raise money to build a community grocery store in Plains, Kansas which has no grocery store otherwise.

Southern Pioneer helped sponsor the community event and was recognized in their advertising for the event.

This expense is best characterized as a donation.

3 SPIRIT stands for Southwest Passage Initiative for Regional and Interstate Transportation.

This was coded as advertising because Southern Pioneer is listed on their website as a member/supporter.

The annual dues are used to host meetings and promote the conversion of Highway 54 from 2 lane to 4 lane in Southwest Kansas to facilitate economic development, etc.

The US Highway 54 corridor runs directly through Southern Pioneer's service area.

This expense is best characterized as dues.

4 The materials include DVDs, posters and brochures to help promote the youth tour program to high school counselors and students.

The materials were sent to high schools in the 10-county service area.

This expense is best characterized as advertising.

**CERTIFICATE OF SERVICE**

15-SPEE-519-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Direct Testimony of Chad Unrien was served via electronic service this 1st day of July, 2015, to the following:

GLENDА CAFER, ATTORNEY  
CAFER PEMBERTON LLC  
3321 SW 6TH ST  
TOPEKA, KS 66606  
Fax: 785-233-3040  
glenda@caferlaw.com

TERRI PEMBERTON, ATTORNEY  
CAFER PEMBERTON LLC  
3321 SW 6TH ST  
TOPEKA, KS 66606  
Fax: 785-233-3040  
terri@caferlaw.com

NIKI CHRISTOPHER, ATTORNEY  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
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n.christopher@curb.kansas.gov

DELLA SMITH  
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SHONDA SMITH  
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sd.smith@curb.kansas.gov

DAVID SPRINGE, CONSUMER COUNSEL  
CITIZENS' UTILITY RATEPAYER BOARD  
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TOPEKA, KS 66604  
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d.springe@curb.kansas.gov

ROBERT VINCENT, LITIGATION ATTORNEY  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604-4027  
Fax: 785-271-3354  
r.vincent@kcc.ks.gov

RANDY MAGNISON, EXEC VP & ASST CEO  
SOUTHERN PIONEER ELECTRIC COMPANY  
1850 W OKLAHOMA  
PO BOX 430  
ULYSSES, KS 67880-0430  
Fax: 620-356-4306  
rmagnison@pioneerelectric.coop

LINDSAY SHEPARD, EXECUTIVE VP - GENERAL  
COUNSEL  
SOUTHERN PIONEER ELECTRIC COMPANY  
1850 W OKLAHOMA  
PO BOX 430  
ULYSSES, KS 67880-0430  
Fax: 620-356-4306  
lshepard@pioneerelectric.coop

/s/ Vicki Jacobsen

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**CERTIFICATE OF SERVICE**

15-SPEE-519-RTS

Vicki Jacobsen