

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

In the Matter of Southern Pioneer Electric Company )  
for Approval of the Continuation of its Debt Service ) Docket No. 19-SPEE-240-MIS  
Coverage and 34.5 kV Formula Based Ratemaking )  
Plans. )

**APPLICATION**

Southern Pioneer Electric Company (Southern Pioneer), pursuant to K.S.A. 66-117, hereby files this Application with the State Corporation Commission of the State of Kansas (Commission) for an Order approving the continuation of a combined Debt Service Coverage (DSC) and 34.5 kV formula based rate (FBR) plan (collectively, FBR Plan). In support of this Application, Southern Pioneer states the following:

**I. INTRODUCTION AND BACKGROUND**

1. Southern Pioneer is a Kansas Corporation not-for-profit utility with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas.

2. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (Pioneer Electric), a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes pursuant to K.S.A. § 66-104d.

3. The Commission had previously approved two separate FBR Plans for Southern Pioneer. On September 26, 2013, in Docket No. 13-MKEE-452-MIS (13-452 Docket), the Commission approved a five (5) year Debt Service Coverage Formula Based Rate Pilot Plan (“DSC FBR Pilot Plan”) designed to allow Southern Pioneer to annually adjust its retail rates for

distribution level service.<sup>1</sup> The DSC FBR Pilot Plan used a pre-approved formula with a DSC target, subject to an annual review process by the Commission. As part of the settlement agreement approved in the 13-452 Docket, Southern Pioneer agreed to advise the Commission in 2018 of its desire to continue the DSC FBR Pilot Plan, and to provide the Commission with the support and rationale for such decision in a docket separate from the annual DSC-FBR filings.

4. On March 10, 2016, in Docket No. 16-MKEE-023-TAR (16-023 Docket), the Commission approved an FBR plan for Southern Pioneer for its Local Access Delivery Service (LADS) rates (34.5kV FBR Plan). The 34.5kV FBR Plan was a three (3) year plan that adjusted both retail and wholesale rates for changes in cost of providing service over Southern Pioneer's 34.5kV sub-transmission system.<sup>2</sup> Southern Pioneer's 34.5kV FBR Plan was designed to complement and align with the previously approved DSC FBR Pilot Plan, including the initial term of the plan and the requirement for Southern Pioneer to notify the Commission in 2018 of its intent with regard to the continuation of the 34.5 kV FBR Plan.

5. The annual updates to both the DSC FBR Pilot Plan and the 34.5 kV FBR Plan (Initial FBR Plans) were reviewed and approved by the Commission and interveners in subsequent Docket Nos. 14-SPEE-507-RTS, 15-SPEE-519-RTS, 16-SPEE-497-RTS, 16-SPEE-501-TAR, 17-SPEE-476-TAR, and 18-SPEE-477-RTS.

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<sup>1</sup> See Order Approving Non-Unanimous Settlement (issued September 26, 2013 in the 13-452 Docket). At the time of the filing, Mid-Kansas Electric Company, LLC (Mid-Kansas) still possessed the retail service certificate for Southern Pioneer's service territory, in accordance with the provisions pertaining to the Mid-Kansas acquisition of Aquila, Inc. d/b/a Aquila Networks-WPK (WPK) (referred to as Aquila) in Docket No. 06-MKEE-524-ACQ (06-524 Docket). The retail service certificate was eventually transferred from Mid-Kansas to Southern Pioneer by the Commission on November 21, 2013, in Docket No. 13-MKEE-447-MIS (13-447 Docket), subsequent to the Commission's Order Approving Unanimous Settlement Agreement issued in that same docket on September 17, 2013.

<sup>2</sup> See Order Approving Settlement (issued March 10, 2016 in the 16-023 Docket), and Order Granting Petition for Clarification (issued April 26, 2016 in the 16-023 Docket). In the 16-023 Docket, the Commission also approved five (5) year 34.5kV FBRs plans for three other electric distribution cooperatives, namely, Prairie Land, Victory, and Western. The reason Southern Pioneer's 34.5kV FBR Plan was approved for a 3-year vs 5-year term was to synchronize it with the existing 5-year DSC-FBR Plan which began 2 years prior.

6. In conformance with the Commission's Orders in the 13-452 and 16-023 Dockets, on December 20, 2018, Southern Pioneer filed its *Notice and Initiation of Docket* (Notice), wherein it notified the Commission of Southern Pioneer's desire to continue the Initial FBR Plans previously approved by the Commission. The Commission docketed the Notice in the instant matter, and on January 15, 2019, issued its *Order Acknowledging Notice of Intent to Continue Formula-Based Ratemaking Plan*. This Application is in furtherance of Southern Pioneer's intent to continue utilizing the FBR mechanisms.

7. In addition to the undersigned counsel, all correspondence, pleadings, orders, decisions and communications regarding this proceeding should be sent to:

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8. The Citizens Utility Ratepayer Board (CURB) sought intervention in this docket, which was granted by the Commission on January 15, 2019.

9. The Kansas Power Pool (KPP) also sought intervention in this docket, which was granted on March 19, 2019.

## **II. OVERVIEW OF APPLICATION**

10. Southern Pioneer is proposing a FBR Plan that will combine the DSC and 34.5 kV FBRs into one annual filing, with necessary modifications to allow for assimilation of the historic and separate Initial FBR Plans. Specifically, Southern Pioneer proposes approval of a FBR Plan that includes (i) the annual calculation and recovery of Southern Pioneer's revenue requirement, based upon an established formula, to keep revenue at a level to achieve a pre-established DSC target ratio for services provided to all of its customers, including wholesale customers receiving LADS over Southern Pioneer's 34.5kV sub-transmission facilities; and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission. Southern Pioneer is not seeking a rate adjustment as part of this Application.

11. As proposed, every five years Southern Pioneer will file with the Commission a Notice indicating whether it intends to continue with the FBR Plan for another five years, and if so, any proposed changes. If an entity wants to comment on whether the Plan should be continued or on any proposed changes, or wants to present its own proposed changes, it can do so in response to the Notice. Of course, the Commission retains the on-going authority to revise the FBR Plan at any time if the Commission determines that a revision or termination is in the public interest.

12. The requested FBR Plan would use a predetermined formula to calculate the DSC ratio of Southern Pioneer and compare it against a predetermined DSC target. If the result is a DSC that is beneath the target, then a rate increase would be implemented. If the result is a DSC above the target, then a rate decrease would be implemented.

13. The proposed FBR Plan differs from the Initial FBR Plans in the following ways:

- a. The prior DSC FBR Pilot Plan and 34.5kV FBR Plan were separate and had separate formula templates. The FBR Plan as proposed in the instant docket combines the two separate formula templates into a single template.
- b. Southern Pioneer proposes to lower its margin target from the 1.75 Modified DSC used in the Initial FBR Plans to a 1.6 Modified DSC.
- c. Any revenue adjustments determined by the FBR Plan applicable to retail rates will be allocated to the retail rate classes based on the Test Year 2017 Class Cost of Service Study (“CCOSS”) rather than the 2010 Test Year CCOSS used in previously filings.<sup>3</sup>
- d. The distribution and transmission cost allocations from the CCOSS will be used to apportion revenue adjustments to the rate classes rather than the prior approach of using base revenues by rate class.
- e. The mechanism in the prior plans that could limit revenue adjustments based upon the equity ratio of Southern Pioneer has been removed.

14. The Initial FBR Plans have operated as intended and have proven successful over the past 3 and 5 years. The initial objectives of the plans were to implement a cost-effective regulatory approach for Southern Pioneer and its customers that provides: (1) assurance of reasonable rates, (2) continued improvement and stabilizing of Southern Pioneer’s financial condition, and (3) financial flexibility needed to fund plant investments related to economic development in the area. The Initial FBR Plans met those objectives in a cost-effective manner. Results from the Initial FBR Plans establish the viability and benefits of this ratemaking approach

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<sup>3</sup> The updated CCOS analysis based on 2017 Test Year has been filed in Docket No. 20-SPEE-169-RTS on October 10, 2019. (See Exhibit PSE-4, attached to the direct testimony of Richard J. Macke filed in that docket).

for Southern Pioneer, supporting their continuation into the future for Southern Pioneer and its customers.

15. Submitted with this Application is the testimony and supporting schedules and exhibits of the following witnesses:

WITNESS	TOPIC
Randall D. Magnison   Southern Pioneer Executive VP – Assistant Chief Executive Officer	History on the creation of Southern Pioneer.
Chantry Scott   Southern Pioneer CFO – Vice President - Finance & Accounting	Issues related to Southern Pioneer’s financial condition, debt obligations and terms, and the proposed financial ratios.
Rich Macke   Power System Engineering, Inc. VP – Economics, Rates, Business Planning	Background on FBR regulatory mechanisms, review of the initial results of Southern Pioneer’s FBR Pilot Plans, and presentation of the proposed FBR Plan.

16. Granting this Application will extend the demonstrated benefits of the Initial FBR Plans, fairly balancing the interests of the various stakeholders. These benefits include gradual rate adjustments, gradual improvement of Southern Pioneer’s financial condition, and relatively low regulatory costs, all accomplished using a process that provides for adequate stakeholder review and oversight. Southern Pioneer requests the Commission issue an Order approving this Application as filed and for such other relief as the Commission determines is just and proper.

Respectfully submitted,

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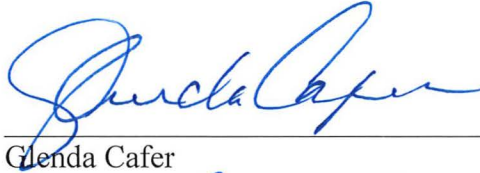
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**COUNSEL FOR SOUTHERN PIONEER  
ELECTRIC COMPANY**

**VERIFICATION**

I do solemnly, sincerely and truly declare and affirm, that the foregoing is true and correct, and this I do under the pains and penalties of perjury.



Glenda Cafer



Date