

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

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

PREFILED DIRECT TESTIMONY OF

**RANDALL D. MAGNISON
EXECUTIVE VICE PRESIDENT – ASSISTANT CHIEF EXECUTIVE OFFICER
SOUTHERN PIONEER ELECTRIC COMPANY**

ON BEHALF OF

SOUTHERN PIONEER ELECTRIC COMPANY

December 9, 2019

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Randall D. Magnison. My business address for legal service is 1850 W.
4 Oklahoma, Ulysses Kansas 67880 and for mail receipt, PO Box 430, Ulysses Kansas 67880-
5 0430.

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

7 A. I am the Executive Vice President and Assistant Chief Executive Officer (Assistant CEO)
8 of Southern Pioneer Electric Company (Southern Pioneer or Company), a wholly owned
9 subsidiary of Pioneer Electric Cooperative, Inc. (Pioneer Electric), pursuant to the Shared
10 Services Agreement entered into between Pioneer Electric and Southern Pioneer on
11 February 27, 2019. Our corporate office is located in Ulysses, Kansas, and our distribution-
12 customer service offices are located in Liberal and Medicine Lodge, Kansas.

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

14 A. As the Executive Vice President and Assistant CEO of both companies, I provide assistance
15 to the Chief Executive Officer (CEO) in the day-to-day management of both Pioneer
16 Electric and Southern Pioneer. Additionally, I oversee all of the Human Resource functions,
17 personnel, compensation planning, benefits administration and regulatory/compliance
18 activities, including ratemaking and regulatory filings. Further, as the Assistant CEO, I
19 work directly for the CEO and with the Board of Directors in establishing policy and rates,
20 implementing strategic programs and conducting the overall operation of both Pioneer
21 Electric and Southern Pioneer to ensure reliable service at a competitive cost, using
22 generally acceptable industry business practices.

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

2 A. The purpose of my testimony is to support the application of Southern Pioneer requesting
3 continuation of a combined Debt Service Coverage (DSC) and 34.5 kV formula-based rate
4 (FBR) plan (collectively, FBR Plan). Specifically, my testimony will provide historical
5 information on the creation of Southern Pioneer.

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

7 A. I graduated from Friends University in 1991 with a Bachelor of Science Degree in Human
8 Resource Management. In 2005, I successfully completed the National Rural Electric
9 Cooperatives' Management Internship Program through the University of Wisconsin.

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

11 A. I was employed in July 2000 as the Assistant to the CEO at Pioneer Electric. In September
12 2005, I served a dual role as the Assistant to the CEO and Southern Pioneer's Executive
13 Vice President-Chief Operating Officer (COO). As the COO of Southern Pioneer, I was
14 instrumental in the formation of Southern Pioneer and coordinated the acquisition and
15 transition of Southern Pioneer's portion of the acquired Aquila, Inc., d/b/a Aquila Networks-
16 WPK (Aquila) assets from an investor-owned utility to that of a for-profit C-Corporation,
17 owned by a cooperative and agreeing to operate as a taxable, not-for-profit entity. In May
18 2011, I was appointed the Executive Vice President and Assistant CEO of both Pioneer
19 Electric and Southern Pioneer, the position I continue to hold today. Prior to July of 2000,
20 I served as Manager of Benefits for Sunflower Electric Power Corporation (Sunflower
21 Electric) in Hays, Kansas, where I managed all Statutory and Welfare Benefit Programs,
22 and provided support to all Sunflower Member Systems and the 500 plus system employees.
23 Prior to Sunflower, I served seven years as the Administrator at a regional accounting firm

1 where I managed the daily activities of the firm, as well as provided compensation and
2 benefit consulting to clients.

3 **Q. Have you previously presented testimony before the Commission?**

4 A. Yes. I have filed both direct and rebuttal testimony as well as comments and compliance
5 reports in Docket Nos. 06-MKEE-524-ACQ (06-524 Docket), 10-NNHE-326-CON, 12-
6 MKEE-380-RTS (12-380 Docket), 13-MKEE-452-MIS (13-452 Docket), 14-SPEE-507-
7 RTS, 15-SPEE-116-RTS, 15-SPEE-519-RTS, 15-SPEE-161-RTS, 15-GIMX-344-GIV, 16-
8 GIME-403-GIE, 16-MKEE-023-TAR (16-023 Docket), 16-SPEE-497-RTS, 16-SPEE-501-
9 TAR, 17-KPPE-092-COM, 17-SPEE-129-TAR, 17-SPEE-476-TAR, 18-SPEE-241-TAR,
10 18-KPPE-343-COC and 20-SPEE-169-RTS (20-169 Docket). In addition to preparing
11 testimony or testifying before the Commission, I have filed applications for the purpose of
12 adopting an *ad valorem* tax surcharge in Docket Nos. 13-MKEE-695-TAR, 14-SPEE-297-
13 TAR, 15-SPEE-267-TAR, 16-SPEE-306-TAR, 17-SPEE-263-TAR, 18-SPEE-270-TAR
14 and 19-SPEE-236-TAR.

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

17 A. Yes. Mr. Richard J. Macke, rate consultant with Power System Engineering, Inc. (PSE), is
18 providing background on FBR regulatory mechanisms, review of Southern Pioneer's initial
19 DSC and 34.5 kV FBR plans performance results, and presentation of the proposed FBR
20 Plan. Additionally, Mr. Chantry Scott, Southern Pioneer's CFO – Vice President - Finance
21 & Accounting, is addressing issues related to Southern Pioneer's financial condition, debt
22 obligations and terms, and the financial ratios in the proposed FBR Plan.

1 **II. THE CREATION OF SOUTHERN PIONEER**

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

4 A. Southern Pioneer was formed in 2005 in response to Aquila’s announcement of its intention
5 to sell its Kansas electric assets. Five member-owner cooperatives of Sunflower Electric
6 and Southern Pioneer, a wholly owned subsidiary of Pioneer Electric, joined to form Mid-
7 Kansas Electric Company, Inc. (“Mid-Kansas”), a not-for-profit corporation, to acquire and
8 serve the former Aquila service territory. Mid-Kansas and Aquila executed an Asset
9 Purchase Agreement dated September 21, 2005 (“the Acquisition”) and submitted the
10 agreement to the State Corporation Commission of the State of Kansas (“Commission” or
11 “KCC”) for approval in the 06-524 Docket. On February 23, 2007, the Commission
12 approved the Acquisition, and pursuant to Commission order, on April 1, 2007, Southern
13 Pioneer began to serve and independently operate a designated geographic portion of the
14 Mid-Kansas certificated territory formerly serviced by Aquila. At that time, Mid-Kansas
15 held the Certificate of Convenience and Necessity for the former Aquila area and Southern
16 Pioneer was serving a portion of the area via a Commission-approved Electric Customer
17 Service Agreement.

18 **Q. Please continue.**

19 A. As a Mid-Kansas member-owner, and pursuant to a Commission-approved Electric Customer
20 Service Agreement, Southern Pioneer contractually provided retail service to approximately
21 17,300 Mid-Kansas consumers in 34 communities in the Mid-Kansas “Southern Pioneer
22 Division.” Southern Pioneer also provided sub-transmission service to 34.5kV wholesale sub-
23 transmission users. The Commission approved this arrangement until such time that the Mid-

1 Kansas certificated territory and customers were transferred to the member-owners on
2 November 21, 2013, when the Commission issued its order in Docket No. 13-MKEE-447-MIS
3 (13-447 Docket), approving the Mid-Kansas “spin-down”, which provided for, among other
4 things, the transfer of the individual certificated territories, consumers, KCC-approved rules
5 and regulations, and tariffs to each of the Mid-Kansas Members, including Southern Pioneer.
6 As part of the 13-447 Docket, the Commission granted to Southern Pioneer public utility status,
7 and the Mid-Kansas customers being served by Southern Pioneer, by virtue of the Electric
8 Customer Service Agreement noted above, officially became Southern Pioneer Customers.

9 **Q. How was the purchase of the Aquila properties financed by Mid-Kansas?**

10 A. Mid-Kansas financed the Aquila purchase with debt. That debt was apportioned to the Mid-
11 Kansas members when the Aquila territories and facilities were spun down to those members.
12 Thus, the assets received by Southern Pioneer were financed 100% by debt, which is the reason
13 why Southern Pioneer’s initial capital structure was 100% debt with no equity.

14 **Q. Were you personally involved in the activities you describe above that created**
15 **Southern Pioneer as it exists today?**

16 A. Yes, I was with Southern Pioneer when the acquisition occurred in 2005 and I was
17 personally involved on behalf of Southern Pioneer in that acquisition and the later spin-
18 down from Mid-Kansas.

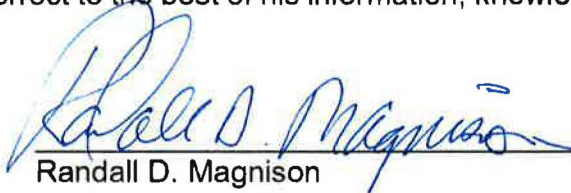
19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

VERIFICATION OF RANDALL D. MAGNISON

STATE OF KANSAS)
) ss:
COUNTY OF GRANT)

Randall D. Magnison, being first duly sworn, deposes and says that he is the Randall D. Magnison referred to in the foregoing document titled "Prefiled Direct Testimony of Randall D. Magnison" before the State Corporation Commission of the State of Kansas, that he is an officer of Southern Pioneer Electric Company, 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.

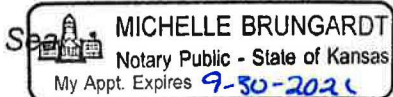


Randall D. Magnison

SUBSCRIBED AND SWORN to before me this 6 day of December 2019.



Notary Public



My Appointment Expires: 9-30-2021

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 9th day of December, 2019 to:

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