

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

In the Matter of the Annual Filing of )  
Southern Pioneer Electric Company for )  
Approval to Make Certain Changes to Its )  
Charges for Electric Services Pursuant to )  
the Consolidated Formula Based )  
Ratemaking Plan Approved in Docket No. ) Docket No. 23-SPEE- 792 -RTS  
19-SPEE-240-MIS and Implementation of )  
Rate Adjustment Pursuant to Docket No. )  
20-SPEE-169-RTS. )

**PREFILED DIRECT TESTIMONY OF**  
**RICHARD J. MACKE**  
**VICE PRESIDENT, ECONOMICS, RATES, AND BUSINESS**  
**PLANNING**  
**POWER SYSTEM ENGINEERING, INC.**

**ON BEHALF OF**  
**SOUTHERN PIONEER ELECTRIC COMPANY**

May 1, 2023



## TABLE OF CONTENTS

<b>PART I - QUALIFICATIONS .....</b>	<b>1</b>
<b>PART II - SUMMARY OF DIRECT TESTIMONY .....</b>	<b>4</b>
<b>PART III –FBR CALCULATIONS.....</b>	<b>5</b>
1. SUMMARY OF THE FBR PLAN RESULTS.....	5
2. ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS for the FBR PLAN .....	8
3. CALCULATED DSC AND RATE REVENUE ADJUSTMENT .....	14
4. IMPLEMENTATION OF THE FBR PLAN REVENUE ADJUSTMENT TO RATE SCHEDULES .....	16
<b>PART IV - CONCLUSION.....</b>	<b>20</b>

## TABLES

Table 1 - Southern Pioneer Electric Company Allocation of 2022 Allocation of FBR Rate Adjustment to Retail Rate Schedules .....	<b>8</b>
Table 2 - Southern Pioneer Electric Company Allocation of 2022 Allocation of 34.5kV Adjustment to Retail Rate Schedules .....	<b>17</b>
Table 3 - Southern Pioneer Electric Company Allocation of 2022 Allocation of Distribution Adjustment to Retail Rate Schedules.....	<b>19</b>
Table 4 - Southern Pioneer Electric Company Allocation of 2022 Allocation of FBR Rate Adjustment to Retail Rate Schedules .....	<b>21</b>

**PART I - QUALIFICATIONS**

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

A. My name is Richard J. Macke. My business address is 6 Pine Tree Drive, Suite 350, Arden Hills, Minnesota 55112.

**Q. What is your profession?**

A. I am a Vice President and lead the Economics, Rates, and Business Planning Department at Power System Engineering, Inc. (“PSE”), which is headquartered at 1532 W. Broadway, Madison, Wisconsin 53713.

**Q. Please describe the business activities of PSE.**

A. PSE is a consulting firm serving electric utilities across the country, but primarily in the Midwest. Our headquarters is in Madison, Wisconsin with regional offices in Topeka, Kansas; Minneapolis, Minnesota; Marietta, Ohio; Cincinnati, Ohio, and Sioux Falls, South Dakota. PSE is involved in: power supply, transmission and distribution system planning; distribution, substation and transmission design; construction contracting and supervision; retail and wholesale rate and cost of service (“COS”) studies; economic feasibility studies; merger and acquisition feasibility analysis; load forecasting; financial and operating consultation; telecommunication and network design, mapping/GIS; and system automation including Supervisory Control and Data Acquisition (“SCADA”), Demand Side Management (“DSM”), metering, and outage management systems.

**Q. Please describe your responsibilities with PSE.**

A. I lead and direct staff in Indiana, Minnesota, and Wisconsin who provide economic, financial, and rate-related consulting services to investor-owned, cooperative and municipal utilities as well as regulators and industry associations. These services include:

- Cost of Service Studies.
- Capital Credit Allocations.
- Demand Response.
- Distributed Generation Rates.
- Energy Efficiency.
- Financial Forecasting.
- Large Power Contract Rates/Proposals.
- Line Extension Policies/Charges.
- Load Management Analysis.
- Market and Load Research.
- Merger Analysis.
- Pole Attachment Charges.
- Policy and Board Audits.
- Power Cost Adjustments.
- Rate Consolidation.
- Retail Rate Design and Analysis.
- Special Fees and Charges.
- Load Forecasting.

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

A. I graduated from Bethel University in St. Paul, Minnesota in 1996 with a Bachelor of Arts degree in Business, which included an emphasis in Finance and Marketing. In 2007, I received my Masters of Business Administration degree, with an emphasis in Finance and Strategic Management, from the University of Minnesota in Minneapolis, Minnesota. I have also attended numerous industry seminars/courses on cost of service, pricing, valuation, distributed generation, etc.

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

A. From 1996 to 1998, I was employed by PSE in its Minneapolis, Minnesota office as a Financial Analyst in the Utility Planning and Rates Department. My work responsibilities primarily were focused on retail rate studies, including revenue requirements and bundled/unbundled COS studies. I also provided analyses used to support testimony, mergers and acquisitions analysis, and financial forecasting.

From 1998 to 1999, I was employed as a Senior Analyst by Energy & Resource Consulting Group, LLC in Denver, Colorado, a financial, engineering, and management consulting firm. I performed consulting services related to electric, gas, and water rate studies. As part of the Legend Consulting Advisor Team contracted to the City Council of the City of New Orleans,

1 Louisiana, I assisted in various electric and gas utility matters. I also provided general  
2 financial, management, and public policy support to clients.

3 I rejoined PSE in 1999; and from 1999 to 2002, I held the position of Rate and Financial  
4 Analyst in the Rates and Financial Planning Department. From 2002 to March 2008, I held  
5 the position of Senior Rate and Financial Analyst in the Utility Planning and Rate Division.  
6 My responsibilities have included performing complex financial analyses, such as rate studies  
7 consisting of determination of revenue requirements, bundled and unbundled COS analysis,  
8 and rate design. Other responsibilities included performing analysis of special rates and  
9 programs, key account analyses, financial forecasting, merger and acquisition analysis,  
10 activity-based costing, policy development and evaluation, and other financial analyses for  
11 various PSE clients. Additional responsibilities included strategic planning, litigation support,  
12 regulatory compliance, capital expenditure and operational assessments, and advisement.  
13 From April 2008 to June 2010, I held the position of Leader, Rates and Financial Planning. In  
14 July 2010, my title changed to Vice President, Rates and Financial Planning. Since June 2011,  
15 I have held the position of Vice President, Economics, Rates, and Business Planning. In this  
16 capacity, I continue to provide, amongst other things: 1) rate, financial, and economic  
17 consulting services to clients, 2) management and leadership to the Economics, Rates, and  
18 Business Planning Department, and 3) management and leadership at the corporate level to  
19 PSE through participation on the Executive Committee and Board of Directors.

20 **Q. Have you previously presented testimony before the Kansas Corporation Commission**  
21 **(“KCC” or “Commission”)?**

22 A. Yes. I submitted testimony on behalf of: Pioneer Electric Cooperative, Inc. in Docket No. 09-  
23 PNRE-563-RTS; Wheatland Electric Cooperative, Inc. in Docket No. 09-WHLE-681-RTS;  
24 Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in Docket Nos. 09-MKEE-969-RTS, 11-  
25 MKEE-439-RTS, 12-MKEE-491-RTS, 12-MKEE-380-RTS, 13-MKEE-452-MIS, and 16-

1 MKEE-023-TAR; Southern Pioneer Electric Company (“Southern Pioneer”) in Docket Nos.  
2 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-519-RTS, 16-SPEE-497-RTS, 16-SPEE-  
3 501-TAR,17-SPEE-476-TAR, 18-SPEE-477-RTS, 18-WSEE-328-RTS, 19-SPEE-240-MIS,  
4 20-SPEE-169-RTS, 21-SPEE-411-RTS, 22-SPEE-501-TAR; Prairie Land Electric  
5 Cooperative, Inc. in Docket No. 16-PLCE-490-TAR and 20-PLCE-406-TAR; Victory Electric  
6 Cooperative Association, Inc. in Docket No. 16-VICE-494-TAR and 21-VICE-412-TAR; and  
7 Western Cooperative Electric Association in Docket No. 16-WSTE-496-TAR and 21-WSTE-  
8 404-TAR.

9 **Q. Do you have any other relevant experience?**

10 A. Yes. I have directed over 200 rate and COS studies and numerous other rate and financial  
11 related projects. Many times these projects were conducted for self-regulated electric utilities.  
12 I have also performed such analysis which was filed in regulated rate cases on behalf of  
13 cooperatives in Iowa, Kansas, Kentucky, Michigan, Minnesota, New Hampshire, and Texas.

14 I have also conducted seminars and made presentations to utilities, consumers, and industry  
15 groups on a variety of topics including: COS, rate design, rate change communications, line  
16 extension policies, mergers and acquisitions, DSM pilot programs, conservation and energy  
17 efficiency, distributed generation rates, and industry trends.

18  
19 **PART II - SUMMARY OF DIRECT TESTIMONY**

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

21 A. The purpose of my testimony is to support the Application of Southern Pioneer for its 2023  
22 annual update under its Consolidated FBR Plan approved by Order dated August 11, 2020 in  
23 Docket No. 19-SPEE-240-MIS (“19-240 Order” and “19-240 Docket”). My testimony  
24 provides the FBR Plan calculations which establish the annual adjustment to Southern  
25 Pioneer’s retail rates and its wholesale Local Access Delivery Service (“LADS”) rates for

1 service over Southern Pioneer's 34.5kV sub-transmission system. My testimony also provides  
2 rate design to implement the established revenue adjustments in alignment with the provisions  
3 of the Order in the 19-240 Docket and protocols included therein.

4 **Q. Are there particular Exhibits to Southern Pioneer's Application that you will be**  
5 **describing and explaining?**

6 A. Yes. My testimony concerns, and is supported by, the following Exhibits to the Application  
7 filed by Southern in this Docket:

8 Exhibit 3 - FBR Calculation for Test Year  
9 Exhibit 11 - Proposed Tariffs

10 **Q. Have the exhibits been prepared by you or under your supervision?**

11 A. Yes.

12  
13 **PART III –FBR CALCULATIONS**

14 **1. SUMMARY OF THE FBR PLAN RESULTS**

15 **Q. Please briefly recap the FBR Plan.**

16 A. The FBR Plan, as approved by the Commission in the 19-240 Docket, provides a method  
17 for periodic adjustments to retail and LADS rates, as might be necessary, to achieve a debt  
18 service coverage ("DSC") ratio of 1.60. The FBR Plan includes a calculation of any revenue  
19 adjustment (a.k.a. net operating income adjustment) necessary for providing service over  
20 Southern Pioneer's 34.5kV sub-transmission system and its distribution system. Prior to the  
21 19-240 Docket, Southern Pioneer had two separate FBRs, one for the 34.5kV System and  
22 one for the Distribution System. The 19-240 Docket combined these into one FBR Plan  
23 which continues to separately establish any revenue adjustments for each system. If the  
24 result of the calculation for either system is a DSC that is less than 1.60, then a rate increase  
25 would be implemented, so long as such an increase does not cause the equity ratio to exceed



1 15 percent.<sup>1</sup> If the DSC is above 1.60, then a rate decrease would be implemented. If the  
2 resultant DSC equals 1.60, there would be no change in rates. The details of the calculations  
3 for the DSC and any corresponding rate adjustments are outlined in Section F of the FBR  
4 Plan Protocols (Protocols), which are attached to Southern Pioneer’s Application as **Exhibit**  
5 **1.**

6 **Q. What data formed the basis for the 2023 FBR Plan calculation?**

7 A. Consistent with the Protocols, the calculation was based upon a 2022 Historical Test Year. As  
8 such, it utilizes historical figures from Southern Pioneer’s December 2022 Financial and  
9 Statistical Report (“Form 7”), Trial Balance, and Payroll Journal.<sup>2</sup>

10 **Q. Please summarize the results of the 2023 FBR Plan calculation for the 34.5kV System and**  
11 **Distribution System.**

12 A. The FBR Plan calculation for the Test Year is contained in **Exhibit 3**. Completing the FBR  
13 Plan template calculation consistent with the Protocols approved by the Commission in the 19-  
14 240 Docket results in the need for the following 34.5kv System and Distribution net operating  
15 income adjustments:

16 **34.5kV System:** The calculation shows that a DSC of 1.42 was achieved for the  
17 Test Year. To bring the revenue in line with the Commission authorized 1.60 DSC,  
18 an increase of \$480,024 is required, representing an average 12.1% increase.

19  
20 **Distribution System:** The calculation shows that a DSC of 1.69 was achieved for  
21 the Test Year. To bring the revenue in line with the Commission authorized 1.60

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22  
23 <sup>1</sup> Unless such an increase was necessary for Southern Pioneer to avoid violating its debt covenants with its  
24 lender, FBR Plan Protocols, Page 4, Section E.

25 <sup>2</sup> Included in Southern Pioneer’s Application as part of Exhibits 2 (Form 7), 4 (Trial Balance), and 5 (Payroll  
Journal). Please note Company has already adjusted its 2021 financials to exclude costs related to Storm Uri  
as directed by the Commission’s Emergency Order in Docket No. 21-GIMX-303-MIS and further explained  
in Mr. Scott’s testimony filed in the instant Docket.

1 DSC, a revenue decrease of \$287,652 is required, representing an average 0.3%  
2 decrease.

3 **Note both amounts already reflect the True-Up also applicable in this year's filing.**

4 **Q. Please summarize how the adjustment for 34.5kV service will be implemented.**

5 A. In accordance with Section F.3.c of the Protocols, the change for the 34.5kV System is  
6 converted to a \$/kW adjustment by dividing it by the 34.5kV Total Billing Demand (retail and  
7 wholesale). The resultant per unit adjustment, multiplied by the respective retail and wholesale  
8 34.5kV billing demand, yields the corresponding retail and wholesale shares of the total  
9 34.5kV adjustment. For the retail share of the 34.5kV adjustment, the dollar amount is  
10 included with the Distribution System adjustment and allocated to the rate classes as described  
11 below, which is on the basis of Test Year base revenue (i.e., gross revenue less purchased  
12 power expense).

13 **Q. Please summarize how the revenue change for distribution service will be implemented.**

14 A. In accordance with Section F.4.a. of the Protocols, the increase is to be spread amongst the  
15 retail rate schedules of Southern Pioneer based upon the Test Year base revenue (i.e., gross  
16 revenue less purchased power expense).

17 **Q. Please provide a summary of the retail adjustment by rate schedule for both the 34.5kV  
18 and Distribution system adjustment.**

19 A. Table 1 summarizes the revenue adjustment for both the 34.5kV and distribution system to  
20 each of the retail rate schedules.

21  
22  
23  
24  
25

**Table 1**

<b>SOUTHERN PIONEER ELECTRIC COMPANY</b>						
<b>Allocation of FBR Rate Adjustment to Retail Rate Schedules</b>						
Line No.	Rate Schedule	Rate Schedule Revenue	34.5kV System Adjustment	Distribution System Adjustment	Total Adjustment	Change as Percent
		(\$)	(\$)	(\$)	(\$)	(%)
1	Residential Service (21-RS)					
2	General Use	20,453,264	134,139	(106,954)	27,186	0.1%
3	Space Heating	944,625	6,624	(5,281)	1,342	0.1%
4	General Service Small (21-GSS)	2,550,008	19,228	(15,331)	3,897	0.2%
5	General Service Large (21-GSL)	19,806,144	123,600	(98,550)	25,050	0.1%
6	General Service Space Heating	349,082	1,900	(1,515)	385	0.1%
7	Industrial Service (21-IS)	5,614,934	34,637	(27,618)	7,020	0.1%
8	Industrial Service-Primary Discount	0	0	0	-	N.A.
9	Real -Time Pricing (13-RTP)	5,444	0	0	-	N.A.
10	Transmission Level Service (21-STR)	36,666,095	2,456	(14,884)	(12,428)	0.0%
11	Municipal Power Service (21-M-I)	41,166	327	(261)	66	0.2%
12	Water Pumping Service (21-WP)	985,478	6,423	(5,121)	1,302	0.1%
13	Irrigation Service (21-IP-I)	504,673	2,920	(2,328)	592	0.1%
14	Temporary Service (21-CS)	702,911	7,519	(5,995)	1,524	0.2%
15	Lighting	442,920	4,782	(3,813)	969	0.2%
16	<b>Total Retail Rates</b>	<b>89,066,744</b>	<b>344,556</b>	<b>(287,652)</b>	<b>56,904</b>	<b>0.1%</b>

**2. ADJUSTMENTS TO THE ACTUAL TEST YEAR RESULTS for the FBR PLAN**

**Q. You stated that 2022 actual results formed the basis for the FBR Plan calculation. The Protocols specify a limited number of adjustments to be made. What adjustments did you make to Southern Pioneer’s actual 2022 financial results in completing the FBR Plan calculation?**

**A. Consistent with Section F.1 of the FBR Plan Protocols, adjustments were made to the following categories of revenues and/or costs:**

- Operating Revenue and Patronage Capital
- Tax Expense - Other
- Interest on Long-Term Debt
- Interest Expense - Other
- Debt Service Payments

1 Further, per Section F.1.g of the Protocols and in recognition of the Commission policy  
2 adopted per K.S.A. 66-101f (a), the following expense categories were adjusted to remove  
3 certain amounts associated with the dues, donations, charitable contributions, promotional  
4 advertising, penalties and fines, and entertainment expenses incurred during the Test Year:<sup>3</sup>

- 5 • Distribution Expense - Operation
- 6 • Customer Accounts Expense
- 7 • Customer Service and Informational Expense
- 8 • Sales Expense
- 9 • Administrative and General (“A&G”) Expense
- 10 • Other Deductions

11 The position and reasoning in support of inclusion or exclusion of these items is provided  
12 in the direct testimony of Mr. Chantry Scott, filed on behalf of Southern Pioneer in this Docket.

13 **Q. Please describe the adjustments made to the Test Year Operating Revenue and**  
14 **Patronage Capital.**

15 A. Annualization rate adjustments were made to both Distribution and 34.5kV system revenues  
16 to annualize rate changes approved in last year’s FBR Plan in Docket No. 22-SPEE-501-TAR,  
17 resulting in \$755,101 annualization adjustment for the Distribution System and (\$437,985)  
18 adjustment to the 34.5kV System.

19 Additionally, an adjustment was made to include the current level of the Property Tax  
20 Surcharge (“PTS”) being assessed on customers. The most recent PTS (“current PTS”) was  
21 approved in January of 2023 (Docket No. 23-SPEE-552-TAR). It is a based on recovering  
22 2022 Property Tax expense and thus it is appropriate to include the additional revenue from  
23

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24 <sup>3</sup> K.S.A. 66-101f (a) allows adoption of a policy of “ disallowing a percentage, not to exceed 50%, of utility  
25 dues, donations and contributions to charitable, civic and social organizations and entities, in addition to  
disallowing specific dues, donations and contributions which are found unreasonable or inappropriate.”

1 the 2023 PTS versus the PTS that was in place during 2022 (“prior PTS”), which was aimed  
2 at the recovery of the 2021 Property tax expense. This is a similar approach to how the PTS  
3 has been handled in the Annual Updates under the prior 34.5kV FBR and DSC-FBR. In the  
4 prior 34.5kV FBR, after the rate was determined based upon the Test Year revenue  
5 requirement, the then current PTS was subtracted to yield the rate for the LADS schedule. The  
6 amount of the adjustment in the instant filing is a reduction of (\$1,292,665), with the  
7 (\$1,158,572) for distribution portion and (\$134,093) for 34.5kV portion, and represents the  
8 difference between the current and prior PTS. However, while the prior PTS was applied to  
9 2022 historical billing units as before, the current PTS this year was multiplied by the adjusted  
10 2022 billing determinants that account for the loss of Kingman’s load (“pro-forma billing  
11 demand”).<sup>4</sup> The latter is necessary to align with the 2023 PTS rider approved by the  
12 Commission in Docket no. 23-SPEE-522-TAR, where the resultant unit surcharge, which  
13 became effective in 2023, was calculated based on 2022 billing units without Kingman load,  
14 as it was already known Kingman load will not be there to collect from. <sup>5</sup> Workpaper WP10,  
15 provided to the parties, details this adjustment, which is then summarized in Exhibit 3, Page 4,  
16 Lines 9 and 20 (though note line 20 also adds in the 34.5kV system annualization adjustment  
17 detailed above).

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21 <sup>4</sup> Kingman load was present only for 10 months out of the year in 2022, and will no longer be on Southern  
22 Pioneer’s 34.5kV system going forward. See Work Paper 1.a that show subtraction of Kingman load from  
2022 historical LAC kW.

23 <sup>5</sup> Page 2 of Exhibit A attached to the Commission Order issued on January 24, 2023 in Docket 23-SPEE-522-  
24 TAR states, “As of November of 2022, the Kansas Power Pool’s Kingman (6,000 kW-mo) load is no longer  
25 being served by Southern Pioneer. Going forward, the LAC kW total with the Kingman load still included  
would not be an accurate representation of Southern Pioneer’s LAC PTS going forward. In their updated  
Application, Southern Pioneer removed the contracted amount for the Kingman load from their LAC kW  
calculation. Staff agrees that removing these kW’s is the appropriate treatment in order to better align the  
Property Tax Surcharge Rider with the expected ongoing billing demand, as this is a known and measurable  
change and should thus be reflected “.

1 The Combined System adjustment from the items described above was (\$975,549) as reflected  
2 in Exhibit 3, Page 1, Line 2 Column (d) and Page 4, Line 22.

3 **Q. Please describe the adjustments made to the Test Year Tax Expense - Other.**

4 A. Section F.1.d of the Protocols calls for an adjustment to reflect only cash tax expense. In 2022,  
5 Southern Pioneer's cash tax transactions were \$0 as evidenced in Workpaper WP-2 attached  
6 to Exhibit 3. Therefore, a downward adjustment of \$1,900,195 was applied to remove all non-  
7 cash tax expense from the Test Year. The adjustment is detailed in Exhibit 3, Page 5, Lines  
8 37-39.

9 **Q. Please describe the adjustments made to the Test Year Interest on Long-Term Debt.**

10 A. The historical amount of Interest on Long-Term Debt for the 2022 Test Year was \$5,572,229  
11 as reported on Southern Pioneer's Form 7. The Protocols, in Section F.1.e., specify that the  
12 actual amount be adjusted to reflect Southern Pioneer's budgeted amount for 2023. Southern  
13 Pioneer's budgeted long-term interest expense is \$5,523,574, and so a reduction in the amount  
14 of \$48,655 was included.<sup>6</sup> The details of this adjustment are shown in Exhibit 3, Page 5, Lines  
15 43-45.

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24  
25 <sup>6</sup> Excludes Storm Uri portion.

1 **Q. Please describe the adjustments made to the Test Year Interest Expense - Other.**

2 A. The historical amount of Other Interest Expense for the 2022 Test Year was \$17,781 as  
3 reported on Southern Pioneer's Form 7. Consistent with Section F.1.f of the Protocols, the  
4 amount has been adjusted to reflect Southern Pioneer's 2023 Budget for short-term interest  
5 expense of \$15,981.<sup>7</sup> To accomplish this, an adjustment of \$1,801 was included. The details  
6 of the adjustment can be found in Exhibit 3, Page 5, Lines 49-51.

7 **Q. Please describe the adjustments made to the Test Year Debt Service Payments.**

8 A. Debt Service Payments are comprised of interest and principal payments on debt outstanding.  
9 Since I previously discussed the adjustments to interest expense, I will here focus on the  
10 adjustment to principal payments. The historical amount of Principal Payments for the 2022  
11 Test Year was \$3,284,744 (as reported on Southern Pioneer's Form 7). The Protocols, in  
12 Section F.1.h, require that the Test Year be adjusted to reflect Southern Pioneer's budgeted  
13 amount for 2023. Southern Pioneer's budget for 2023 principal payments is \$3,449,261, so an  
14 adjustment in the amount of \$164,517 was included.<sup>8</sup> This adjustment is detailed in Exhibit 3,  
15 Page 5, Lines 55-57.

16  
17 **Q. Please describe the adjustments made to the Test Year Operating Expenses in**  
18 **conjunction with Section F.1.g of the Protocols and the Commission's policy per K.S.A.**  
19 **66-101f (a).**

20 A. The historical amounts of the following operating expenses were adjusted as shown:

- 21
  - Distribution - Operation Expense was reduced by \$907.

22  
23  
24 <sup>7</sup> *Ibid.*

25 <sup>8</sup> *Ibid.*

- 1 • Customer Accounts Expense was reduced by \$7,976
- 2 • Customer Service and Informational Expense was reduced by \$24,925.
- 3 • Sales Expense was reduced by \$10,359.
- 4 • A&G Expense was reduced by \$59,010.
- 5 • Other Deductions Expense was reduced by \$28,714.

6 Overall, \$131,890 of expenses were removed through these adjustments. The details are  
7 shown in Exhibit 3, Page 4, Lines 27-33.

8 **Q. Please describe the allocations made to classify revenue and expenses between the 34.5kV**  
9 **System and the Distribution System.**

10 A. Section F.2 of the Protocols specifies the relevant explanation of the allocations.

11 Per Section F.2.a of the Protocols, 34.5kV system-related revenues are to be direct-  
12 assigned using 34.5kV system rates effective during the Test Year. As such, revenue in the  
13 amount of \$3,955,087 was determined to be directly assignable to the 34.5kV System. This  
14 includes \$3,161,742 in base rate revenues obtained by multiplying the total 34.5kV system  
15 billing demand by the LADS rate effective during the Test Year. In addition, it includes  
16 \$793,345 in Property Tax Surcharge (“PTS”) rider revenues to reflect the portion attributable  
17 to the 34.5kV System. The latter amount was determined by multiplying the total pro-forma  
18 34.5kV system billing demand by the PTS rate currently in effect.<sup>9</sup> After the direct assignment  
19 of 34.5kV System revenues, the resultant Distribution System revenues in the FBR Plan is  
20 \$85,909,696, as evident on Page 1, Line 2, Column “Distribution System” of Exhibit 3.

21 For Depreciation and Amortization Expense, as per Section F.2.c of the Protocols,  
22 \$992,619 of the historical Form 7 amount of \$4,040,660 was allocated to the 34.5kV System  
23 with the remainder of \$3,048,041 allocated to Distribution System.

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24  
25 <sup>9</sup> See footnote Nos 4 and 5 and explanation on Page 10 above, lines 8-14.



1 For A&G, Property and Gross Receipts Tax, Interest on Long-Term Debt, Other Interest,  
2 Other Capital Credits, Principal Payments, and other applicable items per Sections F.2.b, F.2.d,  
3 F.2.f, F.2.g, F.2.h, F.2.i and F.2.j of the Protocols, the following two allocation ratios are  
4 calculated: Transmission Labor Ratio (“LAB”) and Net Transmission Plant Ratio (“NP”).  
5 Applying the allocation factor to the Adjusted Historical Test Year amounts establishes the  
6 34.5kV System amount with the remainder assigned to the Distribution System. These  
7 allocation factors are listed on Exhibit 3, Pages 1-2, “34.5kV Allocation Factors” and the  
8 calculations is detailed in Exhibit 3, Page 6.

9 Tax Expense - Other (cash portion) was allocated between the 34.5kV and Distribution  
10 Systems based on Operating Margins per Section F.2.e of the Protocols.

11 Non-Operating Margins – Other was allocated based upon payroll using the labor allocator.

### 12 **3. CALCULATED DSC AND RATE REVENUE ADJUSTMENT**

13 **Q. Using the FBR Plan template<sup>10</sup>, what is Southern Pioneer’s DSC ratio for the 2022 Test**  
14 **Year for the 34.5kV System and Distribution System after performing the adjustments**  
15 **and allocations detailed above?**

16 A. The FBR Plan template with the adjustments and allocations prescribed by the Protocols  
17 produces a DSC ratio of 1.42 for the 34.5kV System and 1.69 for the Distribution System for  
18 the Test Year. Below shows the calculations:

19 ***34.5kV System:*** \$2,895,108 Total Debt Service Margins ÷ \$2,039,943 Total Debt  
20 Service Payments = 1.42 DSC

21 ***Distribution System:*** \$11,761,036 Total Debt Service Margins ÷ \$6,948,873 Total  
22 Debt Service Payments = 1.69 DSC

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24  
25 <sup>10</sup> As required under the Protocols, Section G.3.

1 The 34.5kV resultant ratio is below the 1.6 target DSC. Consistent with the provisions of  
2 Section F.3.a. of the Protocols, an increase is being requested.

3 The Distribution resultant ratio is above the 1.6 target DSC. Consistent with the provisions  
4 of Section F.3.a of the Protocols, a decrease is being requested.

5 **Q. Please describe any additional adjustment to Operating Income.**

6 A. As detailed in Workpaper WP8 attached to Exhibit 3 and included on Page 2 of Exhibit 3, Line  
7 57, comparing 2022 budgeted debt service included in last year's FBR Plan filing to 2022  
8 actual debt service results in a \$112,835 True-Up to 34.5kV System and 337,747 True-Up to  
9 the Distribution system net operating income previously approved.

10 **Q. Please identify and explain how the revenue adjustment was determined within the FBR**  
11 **Plan template for the 2022 Test Year.**

12 A. Section F.3.a of the Protocols directs that the revenue adjustment is to be determined by  
13 comparing the Test Year DSC to a 1.60 DSC Ratio for each system. This section addresses  
14 the scenario when the Test Year DSC is lower than the target DSC, instructing that an increase  
15 in rates will be necessary to bring the Test Year DSC up to 1.60. The first step then is to  
16 subtract the Test Year DSC from the target DSC, to get the variance between the Test Year  
17 and target DSC. Multiplying this variance by the Test Year debt service payments for the  
18 34.5kV and Distribution System yields the adjustment required for each. Please see the  
19 calculation below:

20 **34.5kV System:**  $1.60 - 1.42 = 0.18$  multiplied by \$2,039,943 = 367,190 plus an  
21 annual True-Up of 112,835 results in a \$480,024 revenue decrease required.

22 **Distribution System:**  $1.60 - 1.69 = -0.09$  multiplied by \$6,948,873 = (\$625,399)  
23 plus an annual True-Up of \$337,747 results in \$287,652 revenue decrease required.  
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1 **4. IMPLEMENTATION OF THE FBR PLAN REVENUE ADJUSTMENT TO RATE**

2 **SCHEDULES**

3 **Q. Please describe how the revenue adjustment determined in the FBR Plan for the 34.5kV**  
4 **System is implemented.**

5 A. In accordance with Section F.3.c. of the Protocols, the resultant revenue adjustment was  
6 divided by the total billing demand for the Test Year to arrive at the \$ per kW adjustment.<sup>11</sup>  
7 The result is an \$0.56 per kWh increase to the \$4.03 per kW LADS rate currently in effect.  
8 Using the Load Ratio Share (“LRS”), around \$135,469, or 28 percent, of the increase is  
9 applicable to Southern Pioneer’s wholesale LADS customers; and the remaining \$344,556 , or  
10 about 72 percent, is applicable to Southern Pioneer’s retail customers. For Southern Pioneer’s  
11 wholesale LADS customers, the result is a new LADS rate of \$4.03 per kW. In accordance  
12 with Section F.4. of the Protocols, the revenue adjustments resulting from the FBR Plan  
13 attributable to retail rates are to be spread amongst the retail rate schedules of Southern Pioneer  
14 based upon the Test Year base revenue (i.e., gross revenue less purchased power expense).  
15 Therefore, consistent with the FBR Plan Protocols, the Net Operating Income Adjustments  
16 resulting from the FBR Plan was apportioned accordingly:

- 17 1. First, all power costs recovered in rates were removed from the historical revenues  
18 recorded for each schedule to arrive at the base revenues by rate schedule.
- 19 2. Next, the ratio (expressed in percentages) of base revenue by schedule to the total base  
20 revenues was determined.

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23 <sup>11</sup> As already noted on page 10, lines 8-14 and footnotes 4 and 5, as well as on page 13, lines 17-18 and footnote  
24 9, billing demand for the Test Year, shown on page 7 of Exhibit 3, has been adjusted from what was provided  
25 by Sunflower Electric Power Corporation, Southern Pioneer’s G&T provider, to exclude Kingman’s  
load. This adjustment was made to more accurately reflect the units over which the new LADS rate will  
recover. This approach is aligned with the most recent PTS calculation approved by the Commission Docket  
No. 23-SPEE-522-TAR.

3. The base revenue ratios were then applied to the sum of 1) the retail share of the 34.5kV System adjustment and, 2) the Distribution System adjustment establish each rate schedule's apportioned revenue adjustment.<sup>12</sup>

Table 2 shows the allocation of the 34.5kV adjustment to the retail rate schedules.

**Table 2**

<b>SOUTHERN PIONEER ELECTRIC COMPANY</b>				
<b>Allocation of 34.5kV Adjustment to Retail Rate Schedules</b>				
<b>Line No.</b>	<b>Rate Schedule</b>	<b>Rate Schedule Revenue</b>	<b>34.5kV System Adjustment</b>	<b>Change as Percent</b>
		(\$)	(\$)	(%)
1	Residential Service (21-RS)			
2	General Use	20,453,264	134,139	0.7%
3	Space Heating	944,625	6,624	0.7%
4	General Service Small (21-GSS)	2,550,008	19,228	0.8%
5	General Service Large (21-GSL)	19,806,144	123,600	0.6%
6	General Service Space Heating	349,082	1,900	0.5%
7	Industrial Service (21-IS)	5,614,934	34,637	0.6%
8	Industrial Service-Primary Discount	-	0	N.A.
9	Real -Time Pricing (13-RTP)	5,444	0	0.0%
10	Transmission Level Service (21-STR)	36,666,095	2,456	0.0%
11	Municipal Power Service (21-M-I)	41,166	327	0.8%
12	Water Pumping Service (21-WP)	985,478	6,423	0.7%
13	Irrigation Service (21-IP-I)	504,673	2,920	0.6%
14	Temporary Service (21-CS)	702,911	7,519	1.1%
15	Lighting	442,920	4,782	1.1%
16	<b>Total Retail Rates</b>	<b>89,066,744</b>	<b>344,556</b>	<b>0.4%</b>

<sup>12</sup> As per the Protocols, Section F.4.a., the FBR adjustment for the STR class was determined first and system-wide without the impact of additional debt service for investments in distribution plant in the Budget Year. This resulting revenue adjustment was then allocated to the STR class based upon its base revenue. This STR class revenue adjustment was then subtracted from the total to be allocated to the remaining retail rate classes, as detailed in Exhibit 3, Page 6 and corresponding work papers containing the electronic format of Exhibit 3.

1 **Q. Please describe how the revenue adjustment determined in the FBR Plan for the**  
2 **Distribution System is implemented.**

3 A. Whereas the net operating income adjustment for the 34.5kV System must be allocated  
4 between wholesale LADS rate and retail rates using the LRS, the revenue adjustment  
5 determined by the FBR Plan for the Distribution System is fully assigned to retail rates. As  
6 stated in the implementation of the retail share of the 34.5kV System operating income  
7 adjustment above, Section F.4.a. of the Protocols prescribes that any revenue adjustment  
8 resulting from the FBR Plan is to be allocated to the retail rate classes on the basis of Test Year  
9 base revenues by rate schedule.<sup>13</sup> Southern Pioneer has therefore apportioned the adjustment  
10 to retail rate classes using the Test Year base revenues, as approved in the 20-169 Docket.

11 Table 3 on the following page summarizes the results of this allocation for the Distribution  
12 System adjustment. Exhibit 3, Page 7 and Workpaper WP3 provides further detail.

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25 <sup>13</sup> Unless Southern Pioneer files a COS study supporting something different and the Commission approves such a request for variance per Plan Protocols, at F.4.a.

**Table 3**

<b>SOUTHERN PIONEER ELECTRIC COMPANY</b>				
<b>Allocation of Distribution Adjustment to Retail Rate Schedules</b>				
<b>Line No.</b>	<b>Rate Schedule</b>	<b>Rate Schedule Revenue</b>	<b>Distribution System Adjustment</b>	<b>Change as Percent</b>
		(\$)	(\$)	(%)
1	Residential Service (21-RS)			
2	General Use	20,453,264	(106,954)	-0.5%
3	Space Heating	944,625	(5,281)	-0.6%
4	General Service Small (21-GSS)	2,550,008	(15,331)	-0.6%
5	General Service Large (21-GSL)	19,806,144	(98,550)	-0.5%
6	General Service Space Heating	349,082	(1,515)	-0.4%
7	Industrial Service (21-IS)	5,614,934	(27,618)	-0.5%
8	Industrial Service-Primary Discount	-	0	N.A.
9	Real -Time Pricing (13-RTP)	5,444	0	0.0%
10	Transmission Level Service (21-STR)	36,666,095	(14,884)	0.0%
11	Municipal Power Service (21-M-I)	41,166	(261)	-0.6%
12	Water Pumping Service (21-WP)	985,478	(5,121)	-0.5%
13	Irrigation Service (21-IP-I)	504,673	(2,328)	-0.5%
14	Temporary Service (21-CS)	702,911	(5,995)	-0.9%
15	Lighting	442,920	(3,813)	-0.9%
16	<b>Total Retail Rates</b>	<b>89,066,744</b>	<b>(287,652)</b>	<b>-0.3%</b>

**Q. How are the resulting revenue increases by rate schedule implemented in the rate design?**

A. The Protocols, in F.4.b. specify that the resultant revenue adjustment by rate schedule is to be divided by the Test Year energy sales to determine a per kWh rate adjustment that is then added to the energy charges for each rate schedule. The result of this calculation is shown in Column (e) of Exhibit 3, Page 7.

The one exception required is for lighting. Since the lighting rate schedules do not have an energy charge, the monthly charge must be adjusted. The lighting rate schedules do have an estimated energy use for the various sizes/types of lights, and so the energy adjustment can still be applied to affect the monthly charge in a way that is proportionate to usage. This approach then provides consistency between all the retail rates being adjusted.

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**Q. Have the proposed tariffs as required in the Protocols in Section G.13 been provided?**

A. Yes, they are included as Exhibit 13 of the Application in the instant Docket.

**PART IV - CONCLUSION**

**Q. Please recap the results of the FBR Plan Annual Update for Southern Pioneer.**

A. Southern Pioneer’s FBR Plan, updated for 2022 Test Year, results in a DSC ratio of 1.69 for the Distribution System, requiring a \$287,652 revenue decrease applicable to Southern Pioneer’s retail customers. The FBR Plan results in a DSC ratio of 1.42 for the 34.5kV system, requiring a \$480,024 increase. On a LRS basis, the retail share of this adjustment is 72% and the wholesale share is 28%. The aggregate retail increase when combining the Distribution and 34.5kV System results is \$56,904, or 0.1%, which is allocated to the rate schedules and implemented as a per kWh adjustment, consistent with the FBR Protocols. The wholesale LADS rate will increase from \$3.47/kW to \$4.03/kW. The allocation of the net change to retail rate schedules is summarized in Table 4 below.

**Table 4**

<b>SOUTHERN PIONEER ELECTRIC COMPANY</b>						
<b>Allocation of FBR Rate Adjustment to Retail Rate Schedules</b>						
Line No.	Rate Schedule	Rate Schedule Revenue	34.5kV System Adjustment	Distribution System Adjustment	Total Adjustment	Change as Percent
		(\$)	(\$)	(\$)	(\$)	(%)
1	Residential Service (21-RS)					
2	General Use	20,453,264	134,139	(106,954)	27,186	0.1%
3	Space Heating	944,625	6,624	(5,281)	1,342	0.1%
4	General Service Small (21-GSS)	2,550,008	19,228	(15,331)	3,897	0.2%
5	General Service Large (21-GSL)	19,806,144	123,600	(98,550)	25,050	0.1%
6	General Service Space Heating	349,082	1,900	(1,515)	385	0.1%
7	Industrial Service (21-IS)	5,614,934	34,637	(27,618)	7,020	0.1%
8	Industrial Service-Primary Discount	0	0	0	-	N.A.
9	Real -Time Pricing (13-RTP)	5,444	0	0	-	N.A.
10	Transmission Level Service (21-STR)	36,666,095	2,456	(14,884)	(12,428)	0.0%
11	Municipal Power Service (21-M-I)	41,166	327	(261)	66	0.2%
12	Water Pumping Service (21-WP)	985,478	6,423	(5,121)	1,302	0.1%
13	Irrigation Service (21-IP-I)	504,673	2,920	(2,328)	592	0.1%
14	Temporary Service (21-CS)	702,911	7,519	(5,995)	1,524	0.2%
15	Lighting	442,920	4,782	(3,813)	969	0.2%
16	<b>Total Retail Rates</b>	<b>89,066,744</b>	<b>344,556</b>	<b>(287,652)</b>	<b>56,904</b>	<b>0.1%</b>

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

A. My recommendation is to approve Southern Pioneer’s Application in this docket which is just and reasonable and in the public interest.

**Q. Does this conclude your Direct Testimony?**

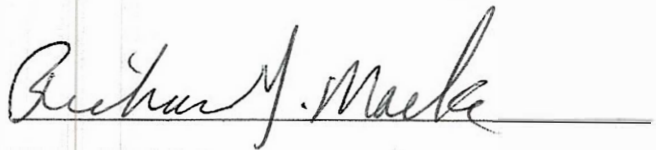
A. Yes, it does.



**VERIFICATION**

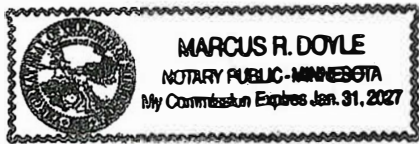
STATE OF MINNESOTA        )  
  ) ss:  
COUNTY OF WASHINGTON    )

The undersigned, Richard J. Macke, upon oath first duly sworn, states that he is the Richard J. Macke referred to in the forgoing document titled "Prefiled Direct Testimony of Richard J. Macke" before the State Corporation Commission of the State of Kansas, that he is an employee of Power System Engineering, Inc., that the contents therein were prepared by him or under his direction, and are true and correct to the best of his information, knowledge, and belief.



Richard J. Macke

Subscribed and sworn to before me this 1<sup>st</sup> day of May, 2023.



Notary Public

My appointment expires: 01/31/2027

## CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 1<sup>st</sup> day of May, 2023 to:

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