

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

In the Matter of the Application of The Victory)
Electric Cooperative Association, Inc. seeking)
Commission Approval to Update its Local) Docket No. 23-VICE-793-TAR
Access Delivery Service Tariff Pursuant to the)
34.5kV Formula Based Rate Plan Approved in)
Docket No. 21-SEPE-09-TAR)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), and files its Report and Recommendation regarding the Application of the Victory Electric Cooperative Association, Inc. (Victory), in which Victory requested to update its monthly Local Access Charge (LAC) demand rate.

After accounting for corrections and Staff's adjustments, as detailed in this Report and Recommendation, the net revenue requirement amounts to \$3,430,751, resulting in a LAC of \$3.06 per kilowatt month (kW-month). Staff recommends the Commission approve Victory's 34.5 kV monthly LAC demand rate of \$3.06/kW-month. This rate is in accordance with the 34.5kV Formula Based Rate (FBR) plan established in Docket No. 21-SEPE-049-TAR.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Brett W. Berry

Brett W. Berry, #15026

Litigation Counsel

1500 SW Arrowhead Rd

Topeka, KS 66604

Phone (785) 271-3287

Email: b.berry@kcc.ks.gov

Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

Laura Kelly, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

FROM: Tim Rehagen, Senior Auditor
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: August 28, 2023

SUBJECT: Docket No. 23-VICE-793-TAR – In the Matter of the Application of The Victory Electric Cooperative Association, Inc. Seeking Commission Approval to Update Its Local Access Delivery Service Tariff Pursuant to the 34.5kV Formula Based Rate Plan Approved in Docket No. 21-SEPE-049-TAR.

EXECUTIVE SUMMARY:

Staff recommends approval of the revised Victory Electric Cooperative Association, Inc. (Victory) 34.5 kV monthly Local Access Charge (LAC) demand rate of \$3.06 per kilowatt month (kW-month). This rate was derived in accordance with the 34.5 kV Formula Based Rate (FBR) plan approved by the Kansas Corporation Commission (Commission) in Docket No. 21-SEPE-049-TAR (21-049 Docket). An Order is due in this matter by October 30, 2023.

BACKGROUND:

Victory is a member-owned distribution electric cooperative and a member-owner of Sunflower Electric Power Corporation (Sunflower).¹ Victory serves approximately 20,000 retail customers in its Sunflower and Mid-Kansas service areas, as well as wholesale customers over its 34.5 kV system located in the Mid-Kansas service region. According to Kansas law, the services rendered to wholesale customers on the 34.5 kV system have been designated as “transmission service.”² Even though Victory has elected to deregulate from the jurisdiction, regulation, and

¹ Victory was previously a member-owner of both Sunflower and Mid-Kansas Electric Company, Inc. until January 1, 2020, when Sunflower and Mid-Kansas officially merged into one entity and retained the Sunflower company name. However, in compliance with the 34.5 kV-FBR Protocols, the data that is inputted into the 34.5 kV-FBR template still represent the Victory-Mid-Kansas division’s data.

² See the Stipulation and Agreement and the Order Addressing Joint Motion to Approve Stipulation and Agreement issued under Docket No. 11-GIME-597-GIE on December 1, 2011, and January 11, 2012, respectively.

control of the Commission, the Commission retains jurisdiction over charges related to transmission services.³

In Docket No. 16-MKEE-023-TAR, the Commission approved a 34.5 kV-FBR plan which allowed for Victory to make annual adjustments to its LAC demand rate assessed to wholesale customers receiving service off Victory's 34.5 kV sub-transmission facilities.⁴ In the 21-049 Docket, the Commission approved the continuation of Victory's 34.5 kV-FBR plan.⁵ On May 1, 2023, Victory filed a request in the current Docket to update its monthly LAC demand rate in accordance with the established 34.5 kV FBR plan. Victory originally proposed to increase its monthly LAC rate from \$2.80 per kW-month to \$3.07 per kW-month.⁶

In calculating the proposed LAC rate, Victory divided its revenue requirement of \$3,433,283 by the total 2022 local access billing demand of 1,119,430 kW. The initial resulting rate from this calculation was \$3.07 per kW-month. This proposed rate represents a 9.54% increase from Victory's current LAC rate of \$2.80 per kW-month. The primary factor contributing to this increase is a 32% increase in principal payments from 2021 to 2022.⁷

ANALYSIS:

Upon reviewing the Application, Staff found one minor adjustment to be made to the revenue requirement. In Exhibit 9 of the Application, Victory removed 50% or 100% of various administrative and general expenses related to dues, donations, advertising, employee meals, etc. as well as 50% of expenses from accounts 426.1 and 426.5 classified as donations. Staff further reviewed the administrative and general expense accounts and the donation expenditures in the 426 accounts and concluded that an additional 50% of expenses related to donations and sponsorships should be disallowed, as these expenses are the result of activities or programs that are not necessary to provide safe and reliable utility service.⁸ Staff's disallowances result in a \$2,533 decrease to the net revenue requirement.

After accounting for Staff's adjustment, the net revenue requirement amounts to \$3,430,751, and the monthly LAC rate amounts decreases by \$0.01 to \$3.06 per kW-month.⁹

³ See K.S.A. 66-104d(f).

⁴ See the Order Approving Settlement in Docket No. 16-MKEE-023-TAR (March 10, 2016).

⁵ See the Order on Unanimous Settlement Agreement in Docket No. 21-SEPE-049-TAR (April 15, 2021). In this Docket, the Commission approved Victory's request (along with the same requests from Prairie Land Electric Cooperative, Inc. and Western Cooperative Electric Association, Inc.) to continue its 34.5 kV-FBR plan for another five-year period, with the initial filing occurring in the calendar year 2021 and the final filing occurring in 2025. See Section H of the 34.5 kV-FBR Protocols approved in the 21-049 Docket for the details of the term of this FBR plan (included in Attachment A2 of the Unanimous Settlement Agreement, which is attached to the final Order).

⁶ The LAC rate of \$2.80/kW-month was approved in Docket No. 22-VICE-498-TAR. See the Order Approving Rate Adjustments issued on September 22, 2022, in that Docket.

⁷ See page 7 of the Prefiled Direct Testimony of Shane Laws (May 1, 2023) for an explanation of this increase in annual principal payments.

⁸ See Staff Exhibit 2 for the calculations of Staff's adjustment to account 426.1. The final dollar amount of this adjustment can be found in Column (f) of Staff Exhibit 1.

⁹ See Staff Exhibit 1 for the updated version of the Application exhibit that was impacted by Staff's adjustment.

RECOMMENDATION:

Staff recommends the Commission approve Staff's revised monthly LAC rate of \$3.06 per kW-month based on Staff's revised net revenue requirement of \$3,430,751.

The Victory Electric Cooperative Association, Inc.
Mid-Kansas Division
34.5kV Formula Based Rate
Revised Revenue Requirement and Rate Calculation
For the Historical Test Year Ending December 31, 2022

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Line	Description	Source	Unadjusted Historical Test Year 2022	Victory Adjustments No. Amount	Staff Adjustment	Adjusted Historical Test Year 2022	Allocation Factor Name	Factor	FBR Revenue Requirement
				Source: WP2			Source: WP3		
1	Operating Expenses								
2	Power Production Expense	WP1, L29, Col (d)	-			\$ -		0.000000	\$ -
3	Cost of Purchased Power	WP1, L30, Col (d)	\$ 45,379,658			\$45,379,658		0.000000	\$ -
4	Transmission O&M	WP1, L31, Col (d)	\$ 577,993			\$ 577,993		1.000000	\$ 577,993
5	Distribution Expense-Operation	WP1, L32, Col (d)	\$ 2,961,423	[1] \$ -		\$ 2,961,423	DOM	0.000000	\$ -
6	Distribution Expense-Maintenance	WP1, L33, Col (d)	\$ 1,115,991	[2] \$ -		\$ 1,115,991	DOM	0.000000	\$ -
7	Consumer Accounts Expense	WP1, L34, Col (d)	\$ 763,915			\$ 763,915		0.000000	\$ -
8	Customer Service and Informational Expense	WP1, L35, Col (d)	\$ 267,496			\$ 267,496		0.000000	\$ -
9	Sales Expense	WP1, L36, Col (d)	\$ 16,376			\$ 16,376		0.000000	\$ -
10	Administration & General	WP1, L37, Col (d)	\$ 3,320,565	[3] \$ (80,326)		\$ 3,240,239	LAB	0.014681	\$ 47,569
11	Total O&M Expense	Sum (L2:L10)							\$ 625,562
12	Depreciation and Amortization								\$ -
13	Transmission	WP1, L40, Col (d)	\$ 660,580			\$ 660,580		1.000000	\$ 660,580
14	General Plant	WP1, L41, Col (d)	\$ 106,022			\$ 106,022	LAB	0.014681	\$ 1,556
15	Property Tax	WP1, L43, Col (d)	\$ -			\$ -	NP	0.375166	\$ -
16	Other Taxes	WP1, L44, Col (d)	\$ -			\$ -	NP	0.375166	\$ -
17	L.T. Interest ¹	WP1, L45, Col (d)	\$ 2,153,205			\$ 2,153,205	NP	0.375166	\$ 807,809
18	Interest Charged to Construction - Credit	WP1, L46, Col (d)	\$ -			\$ -	NP	0.375166	\$ -
19	Interest-Other	WP1, L47, Col (d)	\$ 6,136			\$ 6,136	NP	0.375166	\$ 2,302
20	Other Deductions	WP1, L48, Col (d)	\$ 44,810	[4] \$ (24,857)	\$ (6,750)	\$ 13,202	NP	0.375166	\$ 4,953
21	Total Cost of Electric Service								\$ 2,102,762
22									
23	Margin Requirement								
24	Principal Payments ¹	WP1, L62, Col (d)	\$ 2,419,061			\$ 2,419,061	NP	0.375166	\$ 907,549
25	L.T. Interest ¹	L17	\$ 2,153,205	\$ -		\$ 2,153,205	NP	0.375166	\$ 807,809
26	Subtotal	Sum (L24:25)							\$ 807,809
27	Required Coverage Ratio	WP1, L64, Col (d)							1.80
28	Gross Margin Requirements	L26 x L27							1,454,057
29	Less: Offsets to Margin Requirements	WP4, L4 or L13, Col (i)							1,097,494
30	Net Margin Requirement	L28 - L29							\$ 356,563
31									\$ 1,327,988
32	Total Revenue Requirements								
33	Using the greater of OTIER or MDSC Margin Requirements	L21 + L30							\$3,430,751
34	Divided By Total Billing Demand	WP5, L20, Col (Total)							1,119,430 kW
35	Unadjusted Unit Rate	L33 / L34							\$3.06/kW-mo.
36	Less: Property Tax Surcharge	N/A							
37	Resultant Unit Rate	L35 - L36							\$3.06/kW-mo.

¹ Excludes portion attributable to debt for extraordinary purchased power costs due to Storm Uri, in accordance with the Commission's Emergency Order issued on 02/15/21 in Docket No. 21-GIMX-303-MIS (page 3, Part C of the Order).

Staff's adjustment.

Amounts impacted by Staff's adjustment.

STAFF ADJUSTMENT TO ACCOUNT 426.1

<u>Acct</u>	<u>Description</u>	<u>Date</u>	<u>Reference</u>	<u>Vendor Name</u>	<u>Extended Reference</u>	<u>Amount</u>	<u>Victory - Percent Excluded</u>	<u>Victory - Excluded Amount</u>	<u>Staff - Percent Excluded</u>	<u>Staff - Excluded Amount</u>	<u>Staff Adjustment</u>
426.1	DONATIONS	1/1/2022	Shirts/Hoodies-Ladies Community Outreach	THE LOCKER ROOM SPECIAL TEE GRAPHICS	VEC logo on back of hoodies/shirts	\$ 566.34	50%	\$ (283.17)	100%	\$ (566.34)	\$ (283.17)
426.1	DONATIONS	1/5/2022	Platinum Sponsor-Scholarships, Events, Fees	MISS DODGE CITY ORGANIZATION	4 Tickets, program ad, recognition at competition, social media shout-out, scholarship in business' name.	\$ 750.00	50%	\$ (375.00)	100%	\$ (750.00)	\$ (375.00)
426.1	DONATIONS	1/26/2022	2022 Shrine Circus	DODGE CITY SHRINE CLUB	VEC banner hung during circus, 15 adult tickets	\$ 374.25	50%	\$ (187.13)	100%	\$ (374.25)	\$ (187.13)
426.1	DONATIONS	1/31/2022	Capper Cooperative Park Project	KANSAS ELECTRIC COOPERATIVES	Names on house Pillar, wall inside Park, included in news release, ribbon cutting photo op, private reception at Kansas State Fair's White House.	\$ 750.00	50%	\$ (375.00)	100%	\$ (750.00)	\$ (375.00)
426.1	DONATIONS	2/8/2022	Character Adoption - Rosie	DODGE CITY HIGH SCHOOL	6 Program Tickets, VEC Listed in Program and Pre-Show Presentation.	\$ 187.50	50%	\$ (93.75)	100%	\$ (187.50)	\$ (93.75)
426.1	DONATIONS	2/23/2022	2022 5K & Pub Crawl-Autism Awareness	PERFECT FIT FOUNDATION	VEC logo on T-shirts, banners and social media posts.	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	4/1/2022	2022 July 4th Fireworks	OLD DODGE CITY 4TH OF JULY	VEC listed in Press Release, Social Media and Radio announcements.	\$ 750.00	50%	\$ (375.00)	100%	\$ (750.00)	\$ (375.00)
426.1	DONATIONS	4/5/2022	2022 City of Windmills Festival	SPEARVILLE CITY OF WINDMILLS FESTIVAL	Adv Name Mentions, Banner Ad	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	4/15/2022	2022 Bust-a-Clay - Kids' Sake Event	PASS IT ON - OUTDOOR MENTORS, INC.	VEC listed on web page	\$ 750.00	50%	\$ (375.00)	100%	\$ (750.00)	\$ (375.00)
426.1	DONATIONS	4/16/2022	2020 Easter Egg Hunt Donation	LADIES COMMUNITY OUTREACH	VEC listed on all event material/advertising	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	4/25/2022	2022 Topeka Dodge City Night	DODGE CITY CONVENTION & VISITORS BUREAU	VEC listed on all event material.	\$ 652.91	50%	\$ (326.46)	100%	\$ (652.91)	\$ (326.46)
426.1	DONATIONS	4/27/2022	2022 Pack the Park Fireworks	HORSETHIEF RESERVOIR	VEC Logo on FB Promotions, festival banners, fliers and posters. Name mention on radio ads.	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	4/27/2022	2022 Baseball	SPEARVILLE RECREATION COMMISSION	VEC logo on Team Shirts	\$ 75.00	50%	\$ (37.50)	100%	\$ (75.00)	\$ (37.50)
426.1	DONATIONS	5/17/2022	2022 Wildeat Basketball Classic	USD 219	VEC Banner display, 6 passes	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	5/26/2022	Teacher Appreciation	DODGE CITY MIDDLE SCHOOL	VEC mentions	\$ 300.00	50%	\$ (150.00)	100%	\$ (300.00)	\$ (150.00)
426.1	DONATIONS	6/14/2022	T-Shirts - Youth Development Summer Bowl	DODGE CITY HIGH SCHOOL	VEC Logo on t-shirt	\$ 225.00	50%	\$ (112.50)	100%	\$ (225.00)	\$ (112.50)
426.1	DONATIONS	6/20/2022	4H T-Shirts	FLATLAND GRAPHICS, INC.	VEC logo on sleeve.	\$ 2,268.73	50%	\$ (1,134.37)	100%	\$ (2,268.73)	\$ (1,134.37)
426.1	DONATIONS	8/2/2022	2022 Silver Sponsorship - Awareness and Support	PREGNANCY AND INFANT LOSS AWARENESS	Social Media recognition, logo/name on sign along run/walk, logo/name on T-shirt.	\$ 187.50	50%	\$ (93.75)	100%	\$ (187.50)	\$ (93.75)
426.1	DONATIONS	8/31/2022	2022 Gala Dinner & Auction	DCCC FOUNDATION	VEC listed on auction website, media recognition, 6 event tickets.	\$ 2,062.50	50%	\$ (1,031.25)	100%	\$ (2,062.50)	\$ (1,031.25)
426.1	DONATIONS	9/1/2022	Family Fun Day	SMOKY HILLS PUBLIC TELEVISION, INC.	Advertising, name on the website, name inside giveaway book.	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	9/1/2022	Public Library Foundation Wine & Cheese	DODGE CITY PUBLIC LIBRARY	Name on Posters/Press Releases, Name in Program.	\$ 225.00	50%	\$ (112.50)	100%	\$ (225.00)	\$ (112.50)
426.1	DONATIONS	9/23/2022	2022 State of the City Address	DODGE CITY AREA CHAMBER OF COMMERCE	2 Registrations, Verbal/Logo Recognition, Reserved Table w/Logo, Chamber Newsletter Recognition	\$ 150.00	50%	\$ (75.00)	100%	\$ (150.00)	\$ (75.00)
426.1	DONATIONS	9/27/2022	2022 Downtown Trick-or-Treat - Bike	MAIN STREET DODGE CITY	VEC listed in all event flyers and on website.	\$ 150.00	50%	\$ (75.00)	100%	\$ (150.00)	\$ (75.00)
426.1	DONATIONS	12/21/2022	DCHS Class of 1973 Reunion - Platinum	DCHS CLASS OF 73	VEC listed in program, logo at event, Facebook web link, verbal recognition.	\$ 375.00	50%	\$ (187.50)	100%	\$ (375.00)	\$ (187.50)
426.1	DONATIONS	12/21/2022	2022-2023 Season - Box Office Display	DEPOT THEATER COMPANY	VEC on Box Office Display	\$ 225.00	50%	\$ (112.50)	100%	\$ (225.00)	\$ (112.50)
426.1	DONATIONS	12/27/2022	2023 School Auction	SACRED HEART SCHOOL AUCTION	VEC listed in programs	\$ 225.00	50%	\$ (112.50)	100%	\$ (225.00)	\$ (112.50)

Staff Adjustment to Account 426.1 \$ (6,749.87)

CERTIFICATE OF SERVICE

23-VICE-793-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 28th day of August, 2023, to the following:

BRETT W BERRY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
b.berry@kcc.ks.gov

DAVID COHEN, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
d.cohen@kcc.ks.gov

WALKER HENDRIX, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
w.hendrix@kcc.ks.gov

SUSAN B. CUNNINGHAM, SVP, REGULATORY AND
GOVERNMENT AFFAIRS, GENERAL COUNSEL
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
scunningham@kepco.org

MARK DOLJAC, DIR RATES AND REGULATION
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
mdoljac@kepco.org

REBECCA FOWLER, MANAGER, REGULATORY AFFAIRS
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
rfowler@kepco.org

BRAD HUTTON, FINANCIAL/REGULATORY SPECIALIST
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
bhutton@kepco.org

PAUL MAHLBERG, GENERAL MANAGER
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
mahlberg@kmea.com

TERRI J PEMBERTON, GENERAL COUNSEL
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
pemberton@kmea.com

DARREN PRINCE, MANAGER, REGULATORY & RATES
KANSAS MUNICIPAL ENERGY AGENCY
6300 W 95TH ST
OVERLAND PARK, KS 66212-1431
prince@kmea.com

CERTIFICATE OF SERVICE

23-VICE-793-TAR

SHANE LAWS, CEO
VICTORY ELECTRIC COOPERATIVE ASSN., INC.
3230 N 14TH ST
PO BOX 1335
DODGE CITY, KS 67801-1335
accounting@victoryelectric.net

ANGELA UNRUH
VICTORY ELECTRIC COOPERATIVE ASSN., INC.
3230 N 14TH ST
PO BOX 1335
DODGE CITY, KS 67801-1335
angela@victoryelectric.net

TAYLOR P. CALCARA, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
tcalcara@wcrf.com

JEFFREY M KUHLMAN, ATTORNEY
WATKINS CALCARA CHTD.
1321 MAIN ST STE 300
PO DRAWER 1110
GREAT BEND, KS 67530
jkuhlman@wcrf.com

/s/ Ann Murphy

Ann Murphy