

**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. 25-VICE-393-TAR
Access Delivery Service Tariff Pursuant to the)
34.5kV Formula Based Rate Plan Approved in)
Docket No. 21-SEPE-049-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 ("R&R") regarding Western Cooperative Electric Association, Inc. ("Western")'s Application to update the monthly Local Access Charge ("LAC") demand rate contained in its Local Access Delivery Service ("LADS") tariff. Western's Application proposes to decrease the LAC demand rate assessed on wholesale users of its 34.5kV system from the \$1.27 per kilowatt-month rate currently in effect to a rate of \$1.26 per kilowatt-month. Western represents that it calculated this rate in accordance with its 34.5kV Formula-Based Rate ("FBR") originally approved in Docket No. 16-MKEE-023-TAR ("16-023 Docket") and subsequently renewed in Docket No. 21-SEPE-049-TAR ("21-049 Docket").

Staff has examined Western's Application and accompanying workpapers and recommends that the Commission find that there were no material errors or improper expenses included in the calculation of the LAC demand rate and that the calculation of the LAC demand rate followed the methodology agreed to in the 16-023 Docket and subsequently renewed in the 21-049 Docket. Therefore, Staff recommends that the Commission approve Western's Application as filed in the above-captioned docket as just and reasonable.

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

Respectfully submitted,

/s/ Madisen K. Hane

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Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Tim Rehagen, Senior Auditor
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Director of Utilities

DATE: August 28, 2025

SUBJECT: Docket No. 25-VICE-393-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 Victory Electric Cooperative Association, Inc. (Victory) 34.5 kV monthly Local Access Charge (LAC) demand rate of \$3.72 per kilowatt-month (kW-month), which represents a 14.11% increase from Victory's current LAC rate of \$3.26 per 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 28, 2025.

BACKGROUND:

Victory is a member-owned distribution electric cooperative and a member-owner of Sunflower Electric Power Corporation (Sunflower).¹ Victory serves approximately 20,800 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.

Pursuant to Kansas law, the services rendered to wholesale customers on the 34.5 kV system have been designated "transmission service."² Therefore, even though Victory has elected to deregulate

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.

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.

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

In Docket No. 16-MKEE-023-TAR (16-023 Docket), 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 of 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, 2025, 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 proposed an increase to its monthly LAC rate from \$3.26 per kW-month to \$3.72 per kW-month.⁶

In calculating the LAC rate, Victory divided its revenue requirement of \$4,189,900 by the total 2024 local access monthly billing demand of 1,127,445 kW. The resulting rate from this calculation is \$3.72 per kW-month.⁷ This proposed rate represents a 14.11% increase from Victory's current LAC rate of \$3.26 per kW-month.⁸

ANALYSIS:

Upon reviewing the Application, Staff found one minor adjustment to be made to the revenue requirement. As depicted in Exhibit 9 of the Application, Victory excluded 50% or 100% of various expenses in account 426.1 related to donations. Upon reviewing this exhibit, Staff determined that an additional 50% of expenses related to 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. However, this adjustment results in an immaterial decrease to the net revenue requirement (approximately \$175) and would ultimately have no impact on the calculation of Victory's proposed LAC rate. Therefore, Staff is not recommending any adjustment to the FBR revenue requirement and instead, recommends approval of Victory's proposed LAC rate of \$3.72 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. Victory is requesting the continuation of its FBR following the final year of the Commission-approved LAC rate period established in the 21-049 Docket (See Docket No. 26-SEPE-050-TAR).

⁶ The LAC rate of \$3.26/kW-month was approved in Docket No. 24-VICE-690-TAR. See the Order Approving Victory Electric Cooperative Association, Inc.'s Application issued on September 24, 2024, in that Docket.

⁷ See Exhibit 5, page 1 of the Application for the calculation of this rate.

⁸ The proposed 14.11% LAC rate increase is attributable to a 29.46% increase in principal payments from 2023 to 2024. As discussed on page 7 of the Prefiled Direct Testimony of Shane Laws in the current Docket, five quarterly principal payments were made on the Rural Utilities Services (RUS) loans during the calendar year 2024 instead of four payments as made in 2023. This occurred because the due dates for the final quarter 2023 principal payments fell on the last weekend of December of that year, thereby delaying the payments until January 2, 2024.

⁹ It should be noted that Victory's 2024 Distribution Equity Ratio amounted to 35.87% (See page 4 of Shane Laws' Prefiled Direct Testimony in the current filing for the calculation of the Distribution Equity Ratio). Therefore, Victory is about to exceed its maximum Distribution Equity Ratio of 36.31% as established in Section G of Victory's 34.5kV-FBR Protocols. Victory informed Staff that it anticipates a large draw down of long-term debt this year which should produce higher cash balances by the end of 2025, thereby reducing the Distribution Equity Ratio. Nevertheless, should Victory exceed its Distribution Equity Ratio next year, Section G of the Protocols requires Victory to submit a filing

RECOMMENDATION:

Staff recommends the Commission find that in calculating its proposed monthly LAC rate, Victory followed the methodology agreed to in the 16-023 Docket and subsequently renewed in the 21-049 Docket. Therefore, Staff recommends that the Commission approve Victory's monthly LAC rate of \$3.72 per kW-month based on Victory's net revenue requirement of \$4,189,900 as just and reasonable.

with the Commission to either retain or revise its Operating Times Interest Earned Ratio and Modified Debt Service Coverage rate included in its FBR.

CERTIFICATE OF SERVICE

25-VICE-393-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff R&R this 28th day of August, 2025, to the following:

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