

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

IN THE MATTER OF SOUTHERN)
PIONEER ELECTRIC COMPANY FOR)
APPROVAL OF THE CONTINUATION) KCC Docket No. 19-SPEE-240-MIS
OF ITS DEBT SERVICE COVERAGE)
AND 34.5 kV FORMULA BASED)
RATEMAKING PLANS.)

**TESTIMONY IN SUPPORT OF THE
UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT**

**PREPARED BY
PATRICK ORR**

**ON BEHALF OF
THE CITIZENS' UTILITY RATEPAYER BOARD**

JUNE 22, 2020

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Patrick N. Orr, and my business address is 1500 SW Arrowhead Road, Topeka,
4 Kansas 66604.

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes. I filed cross answering testimony in this proceeding on May 18, 2020.

7 **Q. What is the purpose of this testimony?**

8 A. The purpose of my testimony is to provide CURB's support for the uncontested, unanimous
9 settlement agreement. I have reviewed the proposed Unanimous Stipulation and
10 Settlement Agreement ("S&A") and support this proposed settlement. This agreement will
11 result in just and reasonable rates for residential and small commercial ratepayers. The
12 Agreement is supported by substantial competent evidence as found in the record as a
13 whole and is in the public interest.

14 **Q. Please provide a brief description of the settlement agreement.**

15 A. The S&A provides for the continuation of Southern Pioneer's Formula Based Ratemaking
16 ("FBR") Plans. It combines the two initial FBR plans, the Debt Service Coverage Formula
17 Based Rate Pilot Plan ("DSC FBR Pilot Plan") and the 34.5KV FBR Plan, and extends the
18 term for another five years, at which time Southern Pioneer will be responsible for
19 requesting an extension or modification with the Commission, if it so chooses. The S&A
20 provides for annual adjustments based on a DSC ratio of 1.60. The S&A also retains an
21 equity test based on a 15% equity cap, but applies the test only to distribution equity. The
22 S&A requires the Company to propose a permanent equity test in its next renewal

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1 application. The S&A also requires the Company to make an affirmative filing to seek
2 continuation of a FBR plan after five years, and provides for a true-up mechanism if the
3 FBR Plan is suspended or terminated. Finally, the S&A specifies how rate adjustments
4 will be allocated to customer classes during the term of the FBR Plan.

5 **Q. Why does CURB believe that the S&A is in the public interest?**

6 A. CURB believes that Southern Pioneer is in a unique position, given its structure as a
7 corporation owned by a non-for-profit cooperative. Given this unique situation, the FBR
8 Plan that was initially adopted for Southern Pioneer has worked well, and the changes
9 outlined in the S&A will provide additional safeguards for ratepayers. Reducing the DCS
10 target ratio to 1.60 will result in lower rates relative to rates resulting from a DSC target of
11 1.75. The equity test will prevent the Company from implementing rates that would result
12 in excessive equity levels. The combination of the two plans will simplify regulatory
13 review and reduce administrative costs. The S&A does not include an annual DSC true-
14 up for wholesale customers as proposed by KMEA. The S&A does include a final true-up
15 mechanism for all ratepayers in the event that the FBR Plan is suspended or terminated.
16 For all these reasons, CURB believes that the S&A is in the public interest.

17 **Q. Please explain why CURB was opposed to the annual DSC true-up mechanism as**
18 **previously recommended by KMEA for wholesale customers in Southern Pioneer's**
19 **FBR Plan.**

20 A. CURB was conceptually opposed to KMEA's recommendation that the Commission
21 implement a true-up mechanism that unduly favors one rate class over another. CURB

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1 generally believes that true-up mechanisms can lessen the incentive for a utility to manage
2 its operations efficiently and effectively. The settlement agreement does not include the
3 annual true-up mechanism proposed by KMEA.

4 **Q. Does CURB support the final true-up mechanism in the event that the FBR Plan is**
5 **suspended or terminated?**

6 A. Yes, while CURB opposed an annual DSC true-up for wholesale customers, CURB
7 supports a final true-up in the event that the FBR Plan is suspended or terminated. This
8 final true-up would be limited to the difference between the estimated debt service costs
9 included in the prior year's rates and the actual debt service costs incurred by the Company
10 during that period.

11 **Q. Please explain CURB's support to maintain the use of an equity test as laid out in the**
12 **settlement agreement.**

13 A. Southern Pioneer will remain subject to use of an Equity Test to determine whether a rate
14 increase is allowed. Instead of the totality of Southern Pioneer's equity being measured,
15 only its distribution equity set at 15% will be examined. At the end of this next extension,
16 Southern Pioneer is required to propose a new structure for this test. As I pointed out on
17 page 4 of my cross-answering testimony, KMEA testified in its direct testimony that the
18 inclusion of an equity test in the FBR is an acceptable alternative to the true-up proposal.
19 Therefore, the S&A's inclusion of this modified equity test represents a reasonable
20 compromise with KMEA's filed position and CURB's opposition to their proposed true-
21 up.

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1 **Q. What do you recommend?**

2 A. I recommend that the Commission approve the S&A, based on a finding that the settlement
3 agreement will result in just and reasonable rates and is in the public interest.

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

5 A. Yes, it does.

VERIFICATION


STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I, Patrick Orr, of lawful age and being first duly sworn upon my oath, state that I am a Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



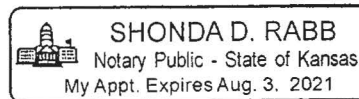
Patrick Orr

SUBSCRIBED AND SWORN to before me this 22nd day of June, 2020.



Notary Public

My Commission expires: 8-03-2021



CERTIFICATE OF SERVICE

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I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 22nd day of June, 2020, to the following:

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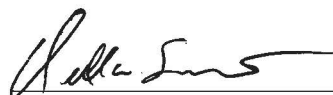
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