

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

In the Matter of the Application of Southern Pioneer)
Electric Company for Approval to Make Certain) Docket No. 20-SPEE-169-RTS
Changes in its Charges for Electric Service.)

APPLICATION

Southern Pioneer Electric Company (Southern Pioneer or SPECo), pursuant to K.S.A. 66-117 and K.A.R. 82-1-231, hereby requests approval from the State Corporation Commission of the State of Kansas (Commission) to make certain changes in its electric service, as set forth herein. In support thereof, Southern Pioneer states the following:

I. BACKGROUND

1. Southern Pioneer is a Kansas Corporation not-for-profit utility with its principal place of business located in Ulysses, Kansas, with distribution and customer service offices located in Liberal and Medicine Lodge, Kansas.

2. Southern Pioneer is regulated by the Commission and is a wholly owned subsidiary of Pioneer Electric Cooperative, Inc. (Pioneer Electric), a not-for-profit Kansas member-owned electric cooperative not subject to Commission regulation for retail ratemaking purposes pursuant to K.S.A. § 66-104d.

3. Southern Pioneer provides electric service to just under 17,000 consumers in 34 communities throughout southcentral and southwestern Kansas.

4. Southern Pioneer's last general rate case was filed in Docket No. 12-MKEE-380-RTS on December 20, 2011 (the 12-380 Docket). Ultimately, the parties reached settlement on a

revenue requirement and the allocation thereof in the 12-380 Docket, which the Commission approved by Order issued June 25, 2012.

5. On January 8, 2013, in Docket No. 13-MKKEE-452-MIS (the 13-452 Docket), Southern Pioneer sought approval of an alternative revenue recovery mechanism, termed the DSC Ratemaking Plan, which would enable Southern Pioneer to make annual rate adjustments, as necessary, to keep revenue at a level to achieve a pre-established debt service coverage (DSC) target ratio.¹ The plan was offered as an alternative to the traditional rate-making process, with the overriding goals of growing necessary equity for Southern Pioneer, allowing Southern Pioneer to more effectively and efficiently meet the infrastructure demands of its existing and future customers, and reducing costs to ratepayers resulting from frequent rate case filings. The proposed mechanism would allow Southern Pioneer's retail rates to be adjusted on an annual basis over the course of five (5) years, using a formula and DSC target, subject to an annual review process by the Commission (the DSC-FBR Plan).² Because the 12-380 Docket had recently been decided and included a cost of service (COS) study, Southern Pioneer proposed utilizing the classification factors contained in the 12-380 Docket to allocate revenues over the 5-year course of the DSC-FBR Plan.³

6. The parties to the 13-452 Docket reached a non-unanimous settlement regarding the parameters of the DSC-FBR Plan, and on September 26, 2013, the Commission approved the settlement. As part of the settlement agreement, Southern Pioneer agreed to advise the Commission in 2018 of its desire to continue the DSC-FBR plan, and to provide the Commission with the support and rationale for such decision in a docket separate from the annual DSC-FBR

² 13-452 Docket Application, pp. 2-6, filed Jan. 8, 2013.

³ Direct Testimony, Richard J. Macke, p. 37, filed Jan. 8, 2013.

filings.⁴ Southern Pioneer made its requisite filing on December 20, 2018 in Docket No. 19-SPEE-240-MIS (the 19-240 Docket), notifying the Commission of its intent to seek approval for continuation of a DSC-FBR Plan, as well as its intent to file a separate and contemporaneous revenue-neutral cost of service and rate design application.⁵

7. On January 15, 2019, the Commission issued its *Order Acknowledging Notice of Intent to Continue Formula-Based Ratemaking Plan* (19-240 Order), wherein it directed Southern Pioneer to file its application for continuation of the DSC-FBR Plan in the 19-240 Docket, and to file its application for its anticipated rate case in a separate docket.⁶ Thereafter, on October 9, 2019, Staff, CURB and SPECo filed a Joint Petition opening this docket and agreeing on the filing requirements for SPECo to include with this application.

II. OVERVIEW OF APPLICATION

8. Southern Pioneer requests approval of a revenue-neutral rate adjustment to address cross-class and intra-class subsidizations that have occurred since Southern Pioneer's last COS study in the 12-380 Docket. The request is supported by a class COS study conducted by Power System Engineering, Inc. (PSE), and sponsored by Mr. Richard Macke. As explained by Mr. Macke, the results of the class COS indicate that the over or under recovery for the major revenue producing rates is plus or minus ten (10) percent, with some of the smaller rate classes having greater variances. Realignment of the rates will not only address existing cross-class and intra-class subsidizations, it will also provide a fresh foundation from which any future DSC-FBR increases will be applied, provided the Commission approves the DSC-FBR Plan being proposed in the 19-240 Docket.

⁴ Order Approving Non-Unanimous Settlement Agreement, ¶12 and Exhibit A, Section D, p. 3, issued Sept. 26, 2013.

⁵ 19-240 Docket, Notice and Initiation of Docket, p. 1-3.

⁶ 19-240 Order, p. 4.

9. Southern Pioneer also proposes rate design changes that will allow Southern Pioneer to recover more of its fixed costs in the non-energy dependent customer charge.

10. Southern Pioneer proposes to make these class COS and rate design changes under a three-year transition plan in order to bring rates closer in line with the class COS study, while adhering to the regulatory principal of gradualism. Under the rate design portion of the three-year transition plan, there would be a \$1.20 per month increase in the residential service (RS) customer charge for each of the next three years. The customer charge for other rate classes will be adjusted in a similar manner. A complete discussion regarding the class COS and proposed rate design adjustments is contained in the direct testimony of Mr. Richard J. Macke.

11. Southern Pioneer is also requesting approval of two new rates, one being a grid access charge (GAC) for future net metering customers that elect to install behind the meter distributed generation (“DG”) facilities, and the other being a LED lighting rate. As explained by Mr. Macke, the goal of the GAC is to (i) provide a price signal to customers that may be evaluating DG investment in the future and (ii) ensure that customer installations of DG do not unfairly affect the costs borne by customers that do not install DG. Existing net metering customers will not be subject to the GAC, rather, they will be grandfathered under the existing tariff such that the GAC will not apply to them until January 1, 2030, or to the extent permitted by law, which is consistent with the Commission’s directive in Docket No. 16-GIME-403-GIE.⁷ As part of the LED lighting request, Southern Pioneer proposes to close the existing Private Area/Street Lighting and Decorative Security lighting tariffs to assist in phasing out the older lighting technologies.

12. SPECo is requesting that rate adjustments resulting from this application be made effective in a manner that contemplates the potential for implementation of a new DSC FBR Plan

⁷ “In the Matter of the General Investigation to Examine Issues Surrounding Rate Design for Distributed Generation Customers”, *Final Order*, ¶ 29 (issued Sept. 21, 2017).

for SPECo. Should the Commission approve the continuation of Southern Pioneer’s DSC FBR Plan in the 19-240 Docket, Southern Pioneer will be adjusting rates under the Plan during the time period that the rate adjustments from this docket are occurring. If possible, Southern Pioneer would like to coordinate these rate adjustments to occur at the same time each year so that customers will not experience rate changes related to these two dockets more than once a year on their bills. To accomplish that goal, Southern Pioneer might delay the implementation of rates from this docket for a brief period to allow the DSC FBR docket to be completed and the first annual update thereunder to be made and rates approved on a timeline that will sync-up with the rate changes from this rate case. Whether this delay occurs depends upon the timing and content of a Commission Order in the DSC FBR Plan continuation docket. This coordination can be addressed during the course of this docket when the timing of the DSC FBR docket is better known. Mr. Magnison discusses this issue in more detail in his direct testimony.

13. Submitted with this Application is the testimony and supporting schedules and exhibits of the following witnesses:

| WITNESS | TOPIC(S) |
|---|--|
| Randall D. Magnison Southern Pioneer Executive Vice President – Assistant CEO | Historical information on Southern Pioneer; Timing of an updated COS Study; Importance of implementing LED rates and GAC at this time; Desire and rationale to close traditional lighting tariffs and changing designation on current lighting tariffs from frozen to closed; Proposed changes to Net Metering Rider to incorporate 2014 legislative changes; Conveyance of the comments of the Consumer Advisory Council regarding this filing. |
| Rich Macke Power System Engineering, Inc. VP – Economics, Rates, Business Planning | Cost of Service Study and Rate Design. |
| Elena Larson Power System Engineering, Inc. Manager, Rater and Regulatory Services | Revenue Requirements analysis in support of the Rate Application. |

14. The proposed changes contained in this Application are necessary to ensure continuing efficient and sufficient service at just and reasonable rates.

15. In addition to the undersigned counsel, all correspondence, pleadings, orders, decisions and communications regarding this proceeding should be sent to:

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WHEREFORE, Southern Pioneer hereby respectfully requests the Commission issue an Order granting this Application, thereby approving (i) a revenue-neutral rate adjustment over a three-year transition period, as detailed herein and in the supporting testimonies, exhibits and schedules filed herewith, (ii) a grid access charge for future net metering customers installing behind the meter DG facilities, (iii) a LED lighting tariff, (iv) the closing of the existing Private

Area/Street Lighting and Decorative Security Lighting tariffs, and for such other and further relief the Commission deems just and proper.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 10th day of October, 2019 to:

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