

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

In the Matter of the Application of Southern Pioneer )  
Electric Company for Approval of a Regulatory Asset, )  
Allocation and Implementation Plan for Recovery of ) Docket No. 21-SPEE-331-GIE  
Extraordinary Costs Incurred as a Result of Extreme )  
Weather and Market Conditions Experienced During )  
the Month of February 2021. )

**APPLICATION AND REQUEST  
FOR AN EXPEDITED INTERIM ORDER**

Southern Pioneer Electric Company (“Southern Pioneer”) files this Application pursuant to the Emergency Order of the State Corporation Commission of the State of Kansas (“KCC” or “Commission”) issued February 15, 2021 (Emergency Order) in Docket No. 21-GIMX-303-MIS (21-303 Docket).<sup>1</sup> Southern Pioneer requests approval of its regulatory asset, its plan for recovery of the extraordinary costs incurred as a result of extreme weather and market conditions experienced during February of 2021, and waiver of its Energy Cost Adjustment (ECA) tariff to the extent necessary to carry out the terms of the plan proposed in this Application.

In addition, Southern Pioneer is requesting the Commission issue an Expedited Interim Order within ten (10) days approving special provisions for customers disconnecting prior to the Commission’s issuance of a final order in this docket and allowing one large industrial customer

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<sup>1</sup> This Application is being filed in this company-specific docket per the direction contained in the Commission *Order Adopting Staff’s Report and Recommendation to Open Company-Specific Investigations; Order on Petitions to Intervene of Bluemark Energy, LLC and CURB; Protective and Discovery Order*, issued March 9, 2021 in the 21-303 Docket.

to pay its share of the extraordinary February costs in its April bill instead of through allocation of the regulatory asset.

In support of this Application, Southern Pioneer states as follows:

## **I. BACKGROUND**

1. Between February 13, 2021 and February 16, 2021, temperatures in Southern Pioneer's service territory were below zero, dropping to as low as -19 degrees at one point. Similar extreme weather temperatures were experienced during the same time through-out Kansas and other areas of the Southwest Power Pool (SPP) region, which encompasses a fourteen (14) state footprint from North Dakota down to northern Texas.<sup>2</sup> These frigid temperatures also encompassed the rest of the state of Texas, which is located in the ERCOT region.<sup>3</sup> From February 7, 2021 through February 19, 2021, this area of the country experienced temperatures below freezing for thirteen straight days, with the temperatures during most of that time in the single digits to below zero.

2. Southern Pioneer is a Member owner of its generation and transmission provider, Sunflower Electric Power Corporation (Sunflower). Sunflower is a transmission owning member of SPP and participates in the SPP Integrated Marketplace (IM).

3. The extremely cold temperatures in the region dramatically increased customers' need for power to heat their homes and businesses, which placed an unprecedented demand upon the generation resources available to serve SPP load. The frigid temperatures also resulted in natural gas freezing in the fields and pipelines, causing a significant strain on gas supply necessary

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<sup>2</sup> Southwest Power Pool is the regional transmission organization (RTO) providing several services for member utilities in Kansas, with members in Arkansas, Iowa, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming. These services include, but are not limited to, transmission planning services, balancing area and reliability coordination, and facilitating the Integrated Energy Market. SPP also provides contract reliability coordination services in Arizona, Colorado and Utah.

<sup>3</sup> The Electric Reliability Council of Texas (ERCOT) is the independent transmission system operator in Texas, servicing about 90 percent its electric load.

to run gas generation units across the region. Therefore, several gas generation units in the SPP, including Sunflower-owned gas generation units, experienced limited fuel supply or were not available to run during all or part of the event. That, coupled with the fact that wind production was minimal and there was limited import of energy from other regions, resulted in SPP foreseeing the potential inability to effectively balance generation with load and meet contingency reserve requirements.

**A. Reliability Impacts**

4. SPP, in its role as the consolidated balancing authority for the entire SPP region, is obligated by the North American Electric Reliability Corporation (NERC) reliability standards to initiate varying levels of Energy Emergency Alerts (EEA) when it foresees or is experiencing a capacity emergency across the SPP system. Starting on Sunday, February 14<sup>th</sup> and running through Friday February 19<sup>th</sup>, SPP initiated EEAs from Levels 1-3 (maximum) several times throughout the week due to the continuing capacity emergency. An EEA Level 1 is essentially a notice of a possible capacity emergency requiring action. An EEA Level 2 means SPP is able to maintain minimum contingency reserves but is no longer able to meet its energy requirements. It requires that SPP request load serving entities in the entire footprint to make public appeals to customers to voluntarily conserve energy. This is in an effort to mitigate the capacity emergency to prevent implementation of load shedding across the SPP footprint. An EEA Level 3 means SPP is forced to begin relying on contingency reserves and may be required to initiate load shedding once all available reserves have been exhausted.

5. On Sunday, February 14<sup>th</sup>, SPP sent an email to its member utilities advising it would be initiating an EEA Level 1 at 5:00 a.m. the following morning. In the communication, SPP requested energy conservation efforts to begin immediately. In response, Sunflower sent an

email to its distribution member owners, including Southern Pioneer, communicating the message from SPP. Sunflower also advised its Members that it was starting to see a spike in market prices over the weekend. In response, Southern Pioneer attempted to contact several of its large commercial and industrial consumers to advise them of the market conditions and make a public appeal to conserve energy.

6. At 7:22 a.m. on February 15<sup>th</sup>, SPP declared its first EEA Level 2. Sunflower, in turn, again made a request to Southern Pioneer and the rest of the Sunflower Members to make public appeals to each of the Members' customers to conserve energy in order to mitigate the chance of automatic shedding of load across the SPP footprint. Southern Pioneer followed up with calls to its large commercial and industrial accounts requesting these customers self-generate or curtail usage.

7. At 10:08 a.m. on February 15<sup>th</sup>, SPP declared an EEA Level 3 and at 12:10 p.m. SPP directed its member utilities to implement controlled, temporary interruptions of service under each utility's load shedding plan. These load shedding plans, required by the NERC reliability standards, have predetermined load shed blocks containing identified circuits of load to shed when directed by the Balancing Authority during an EEA Level 3 capacity emergency. There are certain Southern Pioneer circuits identified within the Sunflower load shedding plan blocks. SPP directed Sunflower to shed a total of 14 MWs of load during this event. Two Southern Pioneer circuits were impacted by this load shed event.

8. The second EEA Level 3 event occurred at 6:15 a.m. on February 16<sup>th</sup>. SPP system-wide capacity dropped below the then current load of 42 GW and SPP again directed member utilities to implement their respective load shedding plans for controlled curtailments of service. SPP initially directed Sunflower to shed a total of 30 MW of load at 6:45 a.m. This was

subsequently increased to 60 MW of load shed at 7:18 a.m. In response, Sunflower began implementing rolling outages, rotating between its identified load shedding blocks in an attempt to impact customers for no longer than 60 minutes at a time. There were several Southern Pioneer communities and meters impacted by this load shed event, which lasted until 10:07 a.m.

9. For the remainder of the week, the SPP remained at an EEA Level 1 or Level 2, until Friday, February 19<sup>th</sup>, when SPP announced it had returned to normal operations, meaning it had enough generation available to meet demand and reserve requirements and foresaw no further threats to reliability. Up until then, Sunflower continued to ask its distribution Members to make appeals to its customers to continue to conserve energy to ensure system stability. As a result of this request by Southern Pioneer to its customers, Southern Pioneer customers voluntarily self-generated approximately 1200 kW (24,700 kWh) and curtailed approximately 2400 kW (230,300 kWh) of load during the event.

***B. Market Impacts***

10. In addition to the reliability impacts caused by the winter storm event, conditions caused prices for natural gas to skyrocket from a prior week average of approximately \$3.59/mmBtu, to as high as \$999/mmBtu. This in turn drove the SPP market price for electricity to exorbitant levels. Sunflower on average purchases load from the SPP IM at a price of around \$20/MWh. Market prices first began to spike on February 14<sup>th</sup> and remained extremely high through the entire week. At one point, day-ahead market prices reached over \$3,700/MWh. Sunflower has a diverse generation portfolio that normally results in about an 89% hedge against its purchases in the market. However, because Sunflower's gas generation units were not able to consistently run due to the limited gas supply, coupled with the limited wind output, Sunflower

was only able to achieve a 66% hedge in the market during the event. Therefore, approximately 34% of the Sunflower load purchases were exposed to the extremely high market energy prices.

11. Southern Pioneer was in constant contact with Sunflower during the week of the event, starting on Sunday February 14<sup>th</sup> when Sunflower notified Southern Pioneer of the increase in market prices and the expectation of the impending week. As mentioned above, that evening, Southern Pioneer contacted several of its large commercial and industrial customers to let them know of the increase in market prices in addition to the public appeal to conserve energy for reliability purposes. Southern Pioneer's residential customers were also notified of the spike in market prices that same evening by way of a social media post. This communication with Southern Pioneer's customers concerning high power prices continued throughout the week in conjunction with the public appeal to conserve energy for reliability purposes. Additionally, even after the event was over and market prices began to come down to within normal ranges, Southern Pioneer continued to urge its customers to conserve energy through the end of the month in order to mitigate the power supply costs that would be allocated to Southern Pioneer and its customers based on usage during the entire month of February.

12. Sunflower estimates it incurred an additional \$92.5M in fuel and market costs for the event. This is close to its annual budget of \$100M. This is an estimated amount as there remains market settlements and generation make-whole payments to be reconciled over the next 30-90 days.

**C. State Response**

13. On February 14, 2021, Governor Kelly issued a State of Disaster Emergency due to the wind chill warnings and stress on utility and natural gas providers, noting that the sub-zero temperatures were causing increased energy demand and natural gas supply constraints throughout

Kansas, and utilities were experiencing wholesale natural gas price increases from 10-100 times higher than normal.

14. On February 15, 2021, the Commission issued its Emergency Order pursuant to K.S.A. 77-536(a), acknowledging that increased energy demand, natural gas supply constraints and dramatically higher prices could cause reliability issues, and that the higher costs would eventually flow through to consumers in monthly utility bills. The Commission authorized every jurisdictional electric and natural gas distribution utility that incurs extraordinary costs associated with ensuring their customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continue to receive utility service during this weather event to defer those costs to a regulatory asset account.<sup>4</sup> The Commission provided a list of the types of costs to be deferred and stated that such costs may also include carrying costs at the utility's weighted average cost of capital.<sup>5</sup> The Commission mandated that once the weather event is over and all costs have been accumulated and recorded, each utility should file a compliance report detailing the extent of such costs incurred, and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame.<sup>6</sup>

15. Southern Pioneer hereby files its compliance report as ordered by the Commission in its Emergency Order. In addition, Southern Pioneer is submitting for Commission approval its plan to recover its extraordinary costs in a manner that minimizes the financial impacts of this extreme weather event on its customers and allocates such costs fairly and equitably.

16. In addition to signatory counsel below, please add the following individuals to the Commission's service list for this docket:

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<sup>4</sup> Emergency Order, p. 2, ¶ 4.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, at p. 3, ¶ 5.

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## **II. SOUTHERN PIONEER'S COMPLIANCE REPORT AND PLAN FOR COST RECOVERY**

17. The impact of the weather event on Southern Pioneer was extreme. Based on the estimated \$92.5M of incremental fuel and market extraordinary costs incurred by Sunflower, Sunflower computed an additional 28.4 cents per kWh ECA that was applied to all kWh usage for the month of February and charged to Sunflower Members, including Southern Pioneer, through the Sunflower Energy Adjustment Charge (ECA). This was billed to Members on March 9, 2021. The budgeted Sunflower ECA billed to the Members for the month of February is approximately 2.13 cents, for a total billed ECA of approximately 30.5 cents. As a result, Southern Pioneer was allocated approximately \$17M of the estimated extraordinary event costs. These extraordinary costs are solely for fuel and market purchases from February 10-20, 2021. These costs will be placed in a regulatory asset to be recovered under Southern Pioneer's proposed plan, as set forth below.<sup>7</sup>

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<sup>7</sup> One large customer of Southern Pioneer has indicated its preference to pay its full share of the obligation in its April bill, so that customer's share will not be placed in the regulatory asset since it will be recovered in the April billing cycle if the Commission grants Southern Pioneer's request herein for an Interim Order approving this exception. The amount being handled this way is approximately \$5.5M.



18. The primary goal of the plan proposed by Southern Pioneer is to recover the regulatory asset in rates in an efficient and fair manner that will minimize the impact, as much as possible, on Southern Pioneer's customers. The plan is explained in detail in the supporting testimony of Mr. Chantry Scott, CFO and Vice President of Finance and Accounting for Southern Pioneer, being filed concurrently with this Application. Under the plan, the regulatory asset will be recovered from customers in the following manner:

- a. Each customer's share of the costs will be computed based upon their kWh usage during the entire month of February 2021.
- b. The amount calculated will be recovered in equal monthly payments over a thirty-six (36) month period. Large industrial customers will have the option of paying their obligation in fewer than thirty-six months if they provide notice to Southern Pioneer.
- c. If a customer disconnects service, the amount still owed on this charge will be included as part of the disconnect fee for that customer and collected accordingly.

19. The initial amount of the regulatory asset will be based upon the wholesale power bill Southern Pioneer received from Sunflower on March 9, 2021 for the extraordinary incremental fuel and market costs incurred by Sunflower during the event, from February 10-20, 2021. This amount could be adjusted over the next 60-90 days to reflect market resettlements and generation make-whole payments not presently known. To the extent these later adjustments are minimal and not material to the overall amount of the regulatory asset, Southern Pioneer is requesting it have the option of passing them through its ECA rather than accruing them in the regulatory asset. If not minimal, then Southern Pioneer will allocate them to customers in the same manner as the regulatory asset is allocated and will include them on the customers' bills over the remainder of

the thirty-six (36) month period as a separate special charge. Similarly, if any government assistance on the February power costs is received by Southern Pioneer in the future, that amount will also be allocated to customers in the same manner as the regulatory asset and a separate charge for only that assistance will be included as a credit on the customers' bills over the remainder of the thirty-six (36) month period. Southern Pioneer believes it will simplify administration and be more transparent and understandable to customers if the process refrains from modifying the regulatory asset once the monthly charge is calculated and communicated to the customer.

20. Mr. Scott's testimony provides an explanation of the costs deferred in the regulatory asset to allow the Commission to perform a review for prudence and reasonableness. He also explains in narrative form, *inter alia*, the proposed plan for recovery by separate charge(s) of the regulatory asset and supports Southern Pioneer's request that it be granted a waiver of its ECA to the extent necessary to carry out the terms of this proposal. In addition, Mr. Scott explains the basis for Southern Pioneer's request for an expedited interim order, as addressed in the following section.

### **III. REQUEST FOR EXPEDITED INTERIM ORDER**

21. Southern Pioneer is requesting the Commission issue an Expedited Interim Order within ten (10) days of the filing of this Application approving special provisions for customers disconnecting service prior to the Commission's issuance of a final order in this docket and allowing one large industrial customer to pay its share of the extraordinary expenses in its April bill instead of through allocation of the regulatory asset. The Commission has authority under K.S.A. 66-117 to issue an Interim Order as requested.<sup>8</sup>

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<sup>8</sup> See Docket No. 14-ANGG-401-CON, "Interim Order Approving Gas Supply Agreement", issued March 25, 2014.

22. Interim special provisions regarding charges upon disconnection are being requested because of the inequities that would result when a customer terminates service prior to the time a final order is issued in this docket. Under normal circumstances, the customer's final bill would include their portion of power costs from the previous month per the ECA calculation. Because extraordinary costs from February will not be charged to customers until after a final order is issued, a customer who leaves the system prior to that time would avoid its responsibility for those costs as Southern Pioneer would not be able to collect from a former customer the portion of the regulatory asset ultimately determined to be their responsibility. Issuing an Interim Order on an expedited basis that allows an estimate of the customer's obligation to be placed on its final billing will avoid this in inequitable situation.

23. Additionally, the Interim Order is requested to allow Southern Pioneer to charge one large customer its full share of the extraordinary February costs on the customer's April bill instead of collecting the amount through the regulatory asset charge. This method for payment is the customer's preference. It amounts to approximately \$5.5M.

24. Mr. Scott's testimony explains how these special temporary provisions requested in the Interim Order would operate during the pendency of this docket.

#### **IV. PRAYER FOR RELIEF**

25. Based upon the information contained in this Application, Southern Pioneer requests the Commission issue an Order (1) finding the costs included in its regulatory asset to be reasonable and prudently incurred, (2) approving the proposed plan for recovery by separate charge(s) over thirty-six (36) months to reduce the financial impact of the event, and (3) waiving Southern Pioneer's ECA tariff for these costs to the extent necessary to carry out the terms of this proposed plan.

26. In addition, Southern Pioneer is requesting the Commission issue an Expedited Interim Order within ten (10) days of the filing of this Application approving special provisions for customers disconnecting from service prior to the Commission's issuance of a final order in this docket and allowing Southern Pioneer to charge one large industrial customer its full share of February extraordinary expenses in the customer's April bill instead of through allocation of the regulatory asset.

Respectfully submitted,

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**ATTORNEYS FOR PIONEER AND  
SOUTHERN PIONEER**

**VERIFICATION**

STATE OF KANSAS        )  
                                  ) ss:  
COUNTY OF GRANT     )

Chantry C Scott, of lawful age, being first duly sworn on oath states:

That he is Executive Vice President/CF● for Southern Pioneer Electric Company; that he has read the foregoing pleading and knows the contents thereof; and that the facts therein are true and correct to the best of his knowledge, information, and belief.



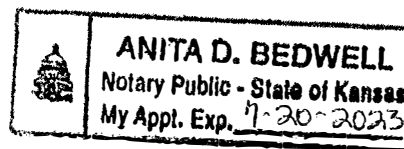
Chantry C. Scott

Subscribed and sworn to before me this 10<sup>th</sup> day of March, 2021.



Notary Public

My appointment expires: 7-20-2023



STATE OF KANSAS            )  
  ) ss:  
COUNTY OF SHAWNEE    )

**VERIFICATION**

I, Glenda Cafer, verify under penalty of perjury that I have caused the foregoing pleading to be prepared; that I have read and reviewed the same; and that the contents thereof are true and correct to the best of my information, knowledge, and belief.

*Glenda Cafer*

**CERTIFICATE OF SERVICE**

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 10<sup>th</sup> day of March, 2021 to:

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*/s/ Glenda Cafer*

Glenda Cafer