

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE ANNUAL FILING] KCC DOCKET NO. 25-SPEE-395-RTS
OF SOUTHERN PIONEER ELECTRIC]
COMPANY FOR APPROVAL TO MAKE]
CERTAIN CHANGES TO ITS CHARGES]
FOR ELECTRIC SERVICES, PURSUANT TO] THE CONSOLIDATED FORMULA BASED]
RATEMAKING PLAN APPROVED IN]
DOCKET NO. 19-SPEE-240-MIS]

DIRECT TESTIMONY OF
AUDREY BENHAM
ON BEHALF OF
THE CITIZENS' UTILITY RATEPAYER BOARD

JULY 3, 2025

TABLE OF CONTENTS

| | Page |
|--|------|
| I. Statement of Qualifications | 1 |
| II. Overview | 2 |
| III. Southern Pioneer's Revenue Increase Request | 3 |
| IV. KCC Staff's Analysis | 5 |
| V. CURB's Analysis | 6 |

1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Audrey Benham. I am employed by the Citizens' Utility Ratepayer Board
4 ("CURB"). My business address is 1500 S.W. Arrowhead Road, Topeka, KS 66604.
5

6 **Q. Please describe your educational background and qualifications.**

7 A. I earned a Bachelor's Degree in Business Administration from Washburn University of
8 Topeka, Kansas in 2009, majoring in accounting and business management.
9

10 **Q. Please describe your professional background.**

11 A. In 2017, I began employment with the Kansas Corporation Commission ("KCC" or
12 "Commission") as an Accountant in the Fiscal Department. My duties consisted of managing
13 KCC's accounts receivable, including assisting with the yearly reconciliation of the Agency's
14 accounts receivable system against the State of Kansas' Statewide Management, Accounting,
15 and Reporting Tool (SMART); accounts payable; assisting in large information technology
16 purchases; review and calculation of regulated utility and telecommunication company
17 assessments for KCC and CURB, and the gas pipeline meter assessment for KCC. In May of
18 2023, I began employment with CURB. My current position is a Regulatory Accountant.
19

20 **Q. Have you previously testified before the Commission?**

21 A. Yes. I filed testimony in docket number 25-BHCG-298-RTS.

II. OVERVIEW**Q. What is the purpose of your testimony?**

A. On behalf of CURB, I will provide a response to support an additional adjustment to operating expenses described in the direct testimony of KCC Staff's witness Mr. Timonthy Rehagen.

Q. Please provide a brief overview of Southern Pioneer and its Application.

A. Southern Pioneer Electric Company ("Southern Pioneer" or "Company") was formed in 2005 and is a not-for-profit wholly owned subsidiary of Pioneer Electric Cooperative, Inc ("Pioneer Electric"). Southern Pioneer and Pioneer Electric are managed and operated by the same trustees, managers, and employees; however, Southern Pioneer is operated like a cooperative, but since it does not have member-owners who vote on management decisions¹, the Company is considered not to be a cooperative under Kansas law. Therefore, it is regulated by the Commission for ratemaking purposes.

Southern Pioneer serves approximately 17,000 retail meters through its distribution system and four third-party wholesale customers through its 34.5kV sub-transmission system. The Company assesses retail rates and Local Access Delivery Service ("LADS") rates through the Commission-approved Formula Based Rate ("FBR") plan. The Company finances its assets with 100% debt through CoBank. CoBank requires Southern Pioneer to achieve a debt service coverage ("DSC") ratio of 1.35 at the end of each fiscal year. However, in KCC Docket 19-SPEE-240-MIS ("19-240 Docket"), the Commission approved a modified DSC ratio of 1.60.

¹ Direct Testimony of Chantry C. Scott on behalf of Southern Pioneer, pg.6, lines 4-5 (May 1, 2025)

Q. What is Southern Pioneer's FBR Plan?

A. On August 11, 2020, in the 19-240 Docket, the Commission issued an Order approving Southern Pioneer's request to make annual rate adjustments through its FBR mechanism for five years. On May 1, 2025, Southern Pioneer filed its fifth annual rate adjustment requesting a revenue requirement increase of \$2,211,945 for the Company's Distribution system and a revenue requirement increase of \$489,885 for the Company's 34.5kV system. The combined Distribution and 34.5kV system revenue requirement increase request results in an overall total of \$2,701,830 or a 4% increase in retail rates.

Southern Pioneer utilizes the FBR calculation to reach a DSC ratio of 1.60 for both of its systems. If the FBR calculation produces a DSC ratio of less than 1.60, then the Company notifies the Commission of a request to increase rates, subject to review of the Company's distribution equity ratio. If the FBR calculation produces a DSC ratio above 1.60, then the Company is required to request a revenue reduction in rates. If the FBR calculation produces a DSC ratio of 1.60, then no adjustment is needed.

III. SOUTHERN PIONEER'S REVENUE INCREASE REQUEST

Q. What is the Company's requested revenue increase?

A. In order for Southern Pioneer to meet the 1.60 targeted DSC ratio, the Company requests a \$2,211,945 overall revenue increase for its distribution system and a \$694,812 overall revenue increase for its 34.5kV system. However, of the \$694,812 34.5 kV system revenue increase, approximately \$204,928 will be allocated to the LADS wholesale customers and approximately \$489,885 will be allocated to retail customers taking service on the 34.5 kV system. The combined

total FBR adjustment requested increase for retail ratepayers is \$2,701,830 or a 4% increase in retail rates. The FBR calculation produces a combined adjusted equity ratio of 10.57%.

Q. What test year is used in the fifth annual FBR calculation?

A. Southern Pioneer utilizes the 2024 historical test year.

Q. What financial data is used in the FBR calculation?

A. The Company utilizes the 2024 trial balance, payroll journals, and the Form 7 Financial and Statistical Report.

Q. What are the primary drivers for Southern Pioneer's increase in its FBR?

A. During the 2024 test year, Southern Pioneer has indicated three primary drivers that contribute to the revenue increase: 1) increase in consulting, legal and regulatory expense, 2) increase in credit card transaction fees, and 3) increase in cash tax.²

Q. What adjustments did Southern Pioneer make to the 2024 test year?

A. Southern Pioneer included the following allowable adjustments:

- An adjustment to annualize rate changes to the 34.5kV and Distribution system revenues that were applied during the 2024 test year resulting from KCC Docket No. 24-SPEE-688-RTS;

² Direct Testimony of Chantry C. Scott on behalf of Southern Pioneer, pg.7, lines 15-17 (May 1, 2025)

- 1 • An adjustment to remove disallowed items from operating expenses
- 2 including dues, donations, charitable contributions, promotional
- 3 advertising, penalties and fines, and entertainment expenses;
- 4 • An adjustment to remove all non-cash tax expense from the test year Tax
- 5 Expense-Other;
- 6 • An adjustment to the test year Interest Expense-Other to reflect the 2025
- 7 budget for short-term interest;
- 8 • An adjustment to the test year Debt Service Payments to reflect the 2025
- 9 budget for principal payments; and
- 10 • An adjustment to reflect the 2025 budget for projected asset growth.

12 **IV. KCC STAFF'S ANALYSIS**

13 **Q. Did KCC Staff make any adjustments to Southern Pioneer's requested**

14 **revenue increase?**

15 A. Yes. In the direct testimony of Timothy Rehagen, he made an additional adjustment

16 to Southern Pioneer's operating expenses. In Exhibit 12, the Company removed

17 operating expenses that they determined were disallowed items resulting from dues,

18 donations, charitable contributions, entertainment expenses. Mr. Rehagen further

19 determined that an additional \$29,523 of various expenses related to sponsorships,

20 coffee, meals, prizes, gifts, holiday parties, etc. should also be disallowed.³ This

21 additional adjustment reduces Southern Pioneer's net operating income to

³ Direct Testimony of Timothy Rehagen on behalf of the Kansas Corporation Commission, pg. 7, lines 15-17 (June 24, 2025)

1 \$2,132,059 for the distribution system. This adjustment does not affect the 34.5kV
2 system.

3
4 **Q. Does KCC Staff's additional adjustment affect Southern Pioneer's**
5 **proportional allocation to rate classes?**

6 A. Yes, it does. The proportional allocation to rate classes is based on the total net
7 operating income for retail customers. KCC Staff's adjusted combined total net
8 operating income of \$2,621,944 results in the Residential General Use class being
9 allocated \$984,188 instead of \$1,013,330 and the General Service Small class being
10 allocated \$147,515 instead of \$151,883. To achieve the FBR adjustment on a per
11 kilowatt-hour ("kWh") basis, the allocated amount per class is divided by the
12 allocated historical energy sales (measured in kWh) per class. Therefore, the
13 adjustment in net operating income results in the Residential General Use class
14 being charged \$0.00862 per kWh and the General Service Small class being
15 charged \$0.01133.

16
17 **V. CURB's Analysis**

18 **Q. Does CURB agree with KCC Staff's analysis?**

19 A. Yes. CURB performed its own thorough audit of the FBR calculation and
20 accompanying exhibits, workpapers, data requests, and supporting documentation.
21 CURB reviewed Exhibit 12 and found items that should be 100% disallowed, such
22 as coffee, Christmas party supplies, breakroom drinks, meals, etc., but were not
23 removed in Southern Pioneer's original operating expense adjustment. Southern

1 Pioneer ratepayers should not be responsible for these types of costs because these
2 costs are not necessary for Southern Pioneer to provide safe and reliable service.
3 Therefore, CURB agrees with KCC Staff's additional adjustment to remove
4 \$29,523 of various expenses and KCC Staff's adjusted proportional allocation to
5 rate classes.

6
7 **Q. Does CURB wish to address any other concerns?**

8 A. Yes. Southern Pioneer stated that one of the primary drivers causing the FBR
9 increase was the increase in credit card merchant fees. In the direct testimony of
10 Mr. Chantry C. Scott, he stated that Southern Pioneer's merchant fee invoices have
11 increased from \$7,000 on average to \$34,000 on average in the months it observed
12 these unusual credit card payments.⁴ This increase was the result of a non-
13 residential customer paying their bill by credit card. That customer paid a total
14 amount of \$6,519,768 with 1400 transactions during 2024 test year.⁵ In response
15 to CURB DR-5, Southern Pioneer explained that credit card merchant fees are
16 assessed to Southern Pioneer and not to the customer making the credit card
17 payment. The Company incurs fees based on the amount and type of credit card
18 used by the customer, and customers can pay up to \$4,999.99 per transaction. If
19 the non-residential customer has a large monthly bill, then that customer would
20 have to make multiple transactions, resulting in increased credit card merchant fees
21 to the Company. These fees are included in the annual FBR calculation and are
22 socialized among all ratepayers, including residential ratepayers. Therefore, CURB

⁴ Direct Testimony of Chantry C. Scott on behalf of Southern Pioneer, pg.9, lines 13-15 (May 1, 2025)

⁵ Direct Testimony of Chantry C. Scott on behalf of Southern Pioneer, pg.9, lines 12-13 (May 1, 2025)

1 believes residential ratepayers should not be responsible for large credit card
2 merchant fees originating from a non-residential customer with a high bill.
3

4 **Q. Has Southern Pioneer attempted to address the increase in credit card fees?**

5 A. Yes. In the active KCC Docket 25-SPEE-353-TAR (“25-353 Docket”), Southern
6 Pioneer has requested to limit payments made by credit card to residential
7 customers and those customers receiving single-phase service.⁶ Offering payment
8 by credit card is a benefit and a convenience to customers and a normal cost
9 incurred by the Company. However, a sudden and drastic increase in credit card
10 fees can cause these fees to be unordinary for future FBR filings. By addressing
11 this issue in 25-353 Docket, it will help normalize future FBR filings. Once this
12 issue is resolved, CURB is hopeful that future FBR updates will not require an
13 increase that reflects spikes associated with credit card merchant fees. Thus, it does
14 not give CURB cause to oppose their inclusion in the FBR at this time.
15

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

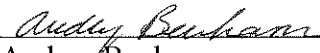
17 A. Yes, it does.

⁶ Direct Testimony of Chantry C. Scott on behalf of Southern Pioneer, Docket No. 25-SPEE-353-TAR, pg.13, lines 17-19 (March 14, 2025)

VERIFICATION

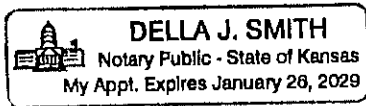
STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:


I, Audrey Benham, 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.



Audrey Benham

SUBSCRIBED AND SWORN to before me this 2nd day of July, 2025.





Notary Public

My Commission expires: 01-26-2029.

CERTIFICATE OF SERVICE

25-SPEE-395-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 3rd day of July, 2025, to the following:

AARON BAILEY, ASSISTANT GENERAL
COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
aaron.bailey@ks.gov

PATRICK HURLEY, CHIEF LITIGATION
COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Patrick.Hurley@ks.gov

SUSAN B. CUNNINGHAM, SVP/REGULATO
RY & GOVT AFFAIRS & COUNSEL
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
scunningham@kepco.org

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

JAMES GING, DIRECTOR ENGINEERING
SERVICES
KANSAS POWER POOL
2229S WEST STREET
WICHITA, KS 67213
jging@kpp.agency

COLIN HANSEN, CEO/GENERAL
MANAGER
KANSAS POWER POOL
2229S WEST STREET
WICHITA, KS 67213
chansen@kpp.agency

GLEND A. CAFER, MORRIS LAING LAW
FIRM
MORRIS LAING EVANS BROCK &
KENNEDY CHTD
800 SW JACKSON STE 1310
TOPEKA, KS 66612-1216
gcafer@morrislaing.com

WILL B. WOHLFORD, ATTORNEY
MORRIS LAING EVANS BROCK &
KENNEDY CHTD
300 N MEAD STE 200
WICHITA, KS 67202-2745
wwohlford@morrislaing.com

JUSTIN CRASWELL, UTILITY RATE
ANALYST
POWER SYSTEM ENGINEERING, INC.
1532 W BROADWAY
STE 103
MADISON, WI 53713
craswellj@powersystem.org

RICHARD J. MACK E, VP OF ECONOMICS,
RATES & BUSINESS PLANNING
POWER SYSTEM ENGINEERING, INC.
1532 W BROADWAY
STE 103
MADISON, WI 53713
macker@powersystem.org

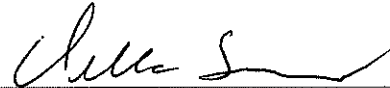
LINDSAY CAMPBELL, CHIEF EXECUTIVE
OFFICER
SOUTHERN PIONEER ELECTRIC
COMPANY
1850 W OKLAHOMA
PO BOX 430
ULYSSES, KS 67880-0368
lcampbell@pioneerelectric.coop

LARISSA LAYMAN, LEGAL & REG
AFFAIRS COORDINATOR
SOUTHERN PIONEER ELECTRIC
COMPANY
1850 W OKLAHOMA
PO BOX 430
ULYSSES, KS 67880-0368
LLAYMAN@PIONEERELECTRIC.COOP

CHANTRY SCOTT, EXEC VP, ASST CEO &
CFO
SOUTHERN PIONEER ELECTRIC
COMPANY
1850 WEST OKLAHOMA
PO BOX 403
ULYSSES, KS 67880
CSCOTT@PIONEERELECTRIC.COOP

J. T. KLAUS, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
jtklaus@twgfirm.com

KACEY S. MAYES, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
ksmayes@twgfirm.com



Della Smith
Senior Administrative Specialist