



Written Testimony in Support of SB 348
Before the Kansas Senate Committee on Utilities

Southern Pioneer Electric Company
Lindsay A. Campbell, President & CEO

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Chairman Fagg, Vice Chair Petersen, Ranking Member Francisco and members of the Senate Committee on Utilities, thank you for the opportunity to submit comments in support of SB 348 on behalf of Southern Pioneer Electric Company ("Southern Pioneer"). My name is Lindsay Campbell, and I serve as the CEO of Southern Pioneer Electric Company and Pioneer Electric Cooperative, Inc.

Southern Pioneer is a not-for-profit, wholly-owned subsidiary of Pioneer Electric Cooperative, Inc. ("Pioneer Electric")¹, with its headquarters located in Ulysses, Kansas and local distribution offices located in Liberal, Kansas and Medicine Lodge, Kansas. Southern Pioneer was formed in 2006 for the sole purpose of purchasing its portion of the Aquila-WPK distribution assets and employees as part of the larger Aquila-WPK acquisition by Sunflower Electric Power Corporation and its distribution member-owners.² Southern Pioneer serves approximately 17,100 retail meters and provides wholesale transmission services across 34 communities in south-central and southwest Kansas counties. Southern Pioneer owns and operates approximately 302 miles of sub-transmission facilities and approximately 818 miles of distribution line and substation facilities. Southern Pioneer is a certificated electric public utility fully regulated by the Kansas Corporation Commission ("KCC").

Southern Pioneer's mission is to deliver the best possible service at the lowest possible cost while managing risk. As a not-for-profit electric utility with no shareholders, we operate at cost. We have no profit motive. Any revenue received beyond our operating expenses is returned to our customers to help stabilize rates for all Southern Pioneer customers and improve infrastructure. Our not-for-profit model is fully aligned with cooperative principles

¹ Pioneer Electric is a member-owned Kansas electric cooperative that serves approximately 16,639 meters in ten southwest Kansas counties. Pioneer Electric is a certified electric public utility that is self-regulated under K.S.A. §66-104d.

² Southern Pioneer and Pioneer Electric are both member-owners of Sunflower Electric and receive all their wholesale power supply and transmission services from Sunflower under respective all-requirements contracts.

whose core values include customer-centric service, transparency and responsible stewardship. We are committed to being good partners to our businesses and communities and improving the lives of our customers to help ensure the long-term economic viability of rural Kansas.

SB 348 would allow Southern Pioneer, as a not-for-profit wholly-owned subsidiary of an electric cooperative, the opportunity to self-regulate from the jurisdiction of the Kansas Corporation Commission (“KCC”) the same as the electric cooperatives under K.S.A. 66-104d.³ I want to emphasize that we certainly respect the statutory role and responsibility of the KCC and appreciate the Commission Staff’s professionalism and willingness to work with us over the years. They have recognized our unique structure and have found ways within their current statutory framework to provide Southern Pioneer with reduced regulatory lag for dockets involving revenue requirement rate changes. But generally, the regulatory model designed for investor-owned utilities does not fit the realities of a not-for-profit utility like Southern Pioneer. Southern Pioneer is the only non-investor-owned utility that is fully regulated by the KCC. The cost of regulation, combined with the need to be nimble, is difficult to manage as we strive to meet our mission.

The opportunity for Southern Pioneer to self-regulate would have a significant positive impact on Southern Pioneer and our ability to continue to meet our mission of ensuring affordable rates to our customers in southwest and south-central Kansas. The majority of our load is commercial and industrial, at approximately 70%. Our commercial and industrial customers include several agricultural facilities, oil and gas field and midstream gas and helium processing facilities, beef feedyards, and beef packing plants. These customers are very sensitive to electric costs as such costs are a majority of their operating expenses. We take our charge to ensure reliable and affordable electricity to these customers very seriously because if electric rates become uneconomical to any one of these customers, they can and will make alternative decisions about their operations – either shutting down, relocating, or self-generating. Southern Pioneer has a significant amount of electric infrastructure invested to serve these large customers. The loss of just a few of these large customers would result in fixed costs being shifted to all other Southern Pioneer ratepayers, likely resulting in rate shock to residential ratepayers.

Southern Pioneer has actively engaged our large customers regarding the proposed initiative to transition from Kansas Corporation Commission (KCC) jurisdiction to self-regulation, and the feedback has been overwhelmingly positive. Our two largest customers—the National Beef packing plant in Liberal, Kansas, and the National Helium midstream gas processing facility operated by Phillips 66—have both conveyed their clear support for Southern Pioneer pursuing self-regulated status.

In addition, we have full endorsement of the Southern Pioneer Consumer Advisory Council. This council, which includes representatives from all customer rate classes, has long played an important role in offering guidance and customer-focused insight into Southern Pioneer’s

³ Southern Pioneer is the only electric utility that fits this definition to self-regulate pursuant to this proposed legislation.

operations. Their support reflects broad-based confidence in our ability to continue delivering reliable, affordable, and customer-oriented service under a self-regulated structure.

Ensuring Affordability - Cost of Being Regulated

The cumulative cost of regulation is substantial and growing and has us concerned when combined with other significant rate pressures we are experiencing that are outside our control, primarily wholesale power costs. In 2024 alone, Southern Pioneer incurred approximately \$500K in regulatory expenses associated with dockets before the KCC. This does not include the cost of all the hours spent by key employees and staff on regulatory efforts. Because Southern Pioneer operates using cost-based rates, these regulatory expenses are recovered directly from our customers (ratepayers).

For a relatively small utility compared to an investor-owned utility, these expenses have become a significant factor in driving rate increases borne by all Southern Pioneer customers. The chart below summarizes the outside regulatory costs incurred by Southern Pioneer since 2019. In short, Southern Pioneer's electric rates would be lower than they are today if Southern Pioneer were self-regulated.

	2019	2020	2021	2022	2023	2024	YTD 2025	Total
Legal	\$ 157,567.55	\$ 77,985.00	\$ 52,365.00	\$ 17,040.00	\$ 22,026.00	\$ 145,184.98	\$ 52,154.59	\$ 524,323.12
Consulting	\$ 102,622.16	\$ 116,707.87	\$ 29,949.50	\$ 19,877.50	\$ 105,032.50	\$ 62,096.67	\$ 21,627.50	\$ 457,913.70
CURB	\$ 8,679.62	\$ 39,233.27	\$ 11,644.66	\$ 13,004.86	\$ 14,818.22	\$ 80,942.92	\$ 28,336.73	\$ 196,660.28
KCC	\$ 80,612.14	\$ 257,998.71	\$ 107,240.13	\$ 148,744.05	\$ 101,374.96	\$ 220,867.25	\$ 118,003.04	\$ 1,034,840.28
Total	\$ 349,481.47	\$ 491,924.85	\$ 201,199.29	\$ 198,666.41	\$ 243,251.68	\$ 509,091.82	\$ 220,121.86	\$ 2,213,737.38

Ensuring Affordability – Lost Economic Development Opportunities

Southern Pioneer has incurred significant opportunity costs due to the time, delay, and uncertainty involved in securing regulatory approvals. Southern Pioneer's charge to provide affordable electricity in an environment of rising costs depends on our ability to pursue local economic development opportunities that create growth within our service territory. The additional revenue received by Southern Pioneer by providing electric service to new businesses and industries helps offset the cost increases we are incurring, putting downward pressure on electric rates for all customers. However, Southern Pioneer has no ability to provide timely innovative or special service structures designed to attract large-scale customers who are seeking speed to market like Pioneer Electric and the other electric cooperatives can. Under the current regulatory framework, it takes about eight (8) months for Southern Pioneer to receive approval for innovative service structures. We have experienced potential new businesses making the decision to locate elsewhere because they could not risk waiting for the necessary regulatory approval. This costs our communities valuable economic development opportunities and hampers our ability to make living in rural

Kansas as viable as other urban Kansas population centers. These large customer loads also represent new opportunities for jobs and ancillary businesses that have the potential to attract and retain workers and families to rural Kansas. Being self-regulated would empower us to be competitive and respond to market opportunities, tailor rates to local needs and invest cost savings into infrastructure and service reliability improvements.

Local Control and Accountability

As a subsidiary of a mission-driven electric cooperative, we operate on cooperative principles predicated upon local control. The Southern Pioneer board of directors is currently comprised of member-owners of Pioneer Electric and customers of Southern Pioneer, ensuring every decision reflects local priorities for southwest and south-central Kansas. Our directors are not distant regulators - they live in and are accountable to the communities we serve.

This proximity ensures that every decision is grounded in firsthand understanding of local needs. When storms hit, when economic challenges arise, or when growth opportunities emerge, our board feels the impact personally—because it's their homes, their farms, and their businesses too.

In the event Southern Pioneer becomes self-regulated, the Southern Pioneer board of directors has committed by resolution to increase the number of Southern Pioneer customers on the Southern Pioneer board to ensure there are always six (6) Southern Pioneer customers providing representation and direct accountability. Additionally, as with the current cooperative self-regulation statute, this legislation provides as a backstop an express right of Southern Pioneer customers to petition the KCC for review of any rate established by Southern Pioneer.

Thank you again for the opportunity to share our support for SB 348. We respectfully request the Committee advance SB 348 out of committee with a favorable recommendation for passage. Doing so will affirm the local governance model that has served us so well for decades and will enable Southern Pioneer to better manage affordability to help ensure the vitality of rural Kansas. If you have any questions regarding our testimony, please feel free to contact me.

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