

**NOV 21 2013**

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

by  
**State Corporation Commission  
of Kansas**

In the Matter of the Application of Pioneer Electric )  
Cooperative, Inc. for Approval of its Local Access ) Docket No. 14-PNRE-250-TAR  
Delivery Charge Tariff. )

**PREFILED DIRECT TESTIMONY OF**

**RANDALL D. MAGNISON  
EXECUTIVE VICE PRESIDENT-ASSISTANT CHIEF EXECUTIVE OFFICER**

**ON BEHALF OF PIONEER ELECTRIC COOPERATIVE, INC.**

**NOVEMBER 21, 2013**

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is Randall D. Magnison. My business address for legal service is 1850 W.  
4 Oklahoma, Ulysses Kansas 67880 and for mail receipt is PO Box 368, Ulysses Kansas  
5 67880-0368.

6 **Q. What is your profession?**

7 A. I am the Executive Vice President – Assistant Chief Executive Officer (“Assistant CEO”)  
8 of Pioneer Electric Cooperative, Inc. (“Pioneer”), a member-owned Kansas electric  
9 cooperative serving 16,952 retail consumers located in all or portions of ten southwest  
10 Kansas counties. Our corporate office is located in Ulysses, Kansas. I am also the  
11 Assistant CEO of Southern Pioneer, a not-for-profit wholly owned subsidiary of Pioneer.

12 **Q. Please describe your responsibilities with Pioneer?**

13 A. As the Assistant CEO of both companies, I provide assistance to the Chief Executive  
14 Officer (“CEO”) in the day-to-day management of both Pioneer and Southern Pioneer.  
15 Additionally, I oversee regulatory/compliance activities, and all of the Human Resource  
16 functions including personnel, compensation planning, and benefits administration.  
17 Further, as the Assistant CEO, I work directly for the CEO and with the Board of Trustees  
18 to establish policy and rates, implement strategic programs, and assist in the overall  
19 operation of both Pioneer and Southern Pioneer to ensure reliable service at a competitive  
20 cost, all while using generally acceptable industry business practices. As a Sunflower  
21 Electric Power Corporation (“Sunflower”) and Mid-Kansas Electric Company (“Mid-  
22 Kansas”) Board of Directors Alternate, I work in close cooperation with Sunflower and

1 Mid-Kansas to provide reliable service at reasonable rates for the customers that Pioneer  
2 and Southern Pioneer serve.

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. The purpose of my testimony is to (1) provide a general overview of the Abengoa  
5 Bioenergy Biomass of Kansas, LLC<sup>1</sup> (“ABBK”) project, (2) explain Pioneer’s business  
6 relationship with ABBK and the ABBK interconnection to the Pioneer transmission  
7 system, via an executed, confidential Generation Interconnect Agreement (the “GIA”),  
8 and (3) support the Application of Pioneer requesting the State Corporation Commission  
9 of the State of Kansas’ (the “Commission” or “KCC”) approval of Pioneer’s related Local  
10 Access Delivery Charge (“LADC”) Tariff filed pursuant to K.S.A. § 66-117.

11 **Q. What is your educational background?**

12 A. I graduated from Friends University in 1991 with a Bachelors of Science Degree in  
13 Human Resource Management. In 2005, I successfully completed the National Rural  
14 Electric Cooperatives’ Management Internship Program through the University of  
15 Wisconsin.

16 **Q. What is your professional background?**

17 A. I was employed in July 2000 as the Assistant to the CEO at Pioneer Electric. In  
18 September 2005, I served a dual role as Pioneer’s Assistant to the CEO and Southern  
19 Pioneer’s Executive Vice President-Chief Operating Officer (“COO”). As the COO of  
20 Southern Pioneer, I was instrumental in the formation of Southern Pioneer, and  
21 coordinated the acquisition and transition of Southern Pioneer’s portion of the acquired  
22 Aquila Kansas Electric Network from an investor-owned utility to that of a for-profit C-  
23 Corporation, owned by a cooperative and agreeing to operate as a taxable, not-for-profit

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<sup>1</sup> Abengoa Bioenergy Biomass of Kansas, LLC is a bio-mass fueled generation facility near Hugoton, Kansas.

1 entity. In May 2011, I was appointed the Executive Vice President and Assistant CEO of  
2 both Pioneer and Southern Pioneer, the position I continue to hold today. Prior to July of  
3 2000, I served as Manager of Benefits for Sunflower in Hays, Kansas, where I managed  
4 all Statutory and Welfare Benefit Programs, provided support to all Sunflower Member  
5 Systems and 500 plus system employees. Prior to Sunflower, I served seven years as the  
6 Administrator at a regional Accounting firm where I managed the daily activities of the  
7 firm as well as provided compensation and benefit consulting to clients.

8 **Q. Have you previously presented testimony before the KCC?**

9 A. Yes, I filed both Direct and Rebuttal testimony in Docket No. 06-MKKEE-524-ACQ, the  
10 Joint Application of Aquila, Inc., d/b/a Aquila Networks-WPK ("WPK") and Mid-Kansas  
11 in which the Joint Applicants sought an Order approving the transfer to Mid-Kansas of  
12 WPK's Certificates of Convenience and Franchises with respect to all of WPK's Kansas  
13 Electric Business, including its generation, transmission and local distribution facilities  
14 ("the 524 Docket"). I also filed annual compliance reports in the 524 Docket.  
15 Additionally, I filed Rebuttal testimony in Docket No. 12-MKKEE-380-RTS, the  
16 Application for Revised Rates, Tariffs, and Rate Design Changes in which the applicant,  
17 Mid-Kansas, on behalf of the Southern Pioneer Division, sought an Order approving  
18 revised rates, tariffs and rate design (the "380 Docket"). Further, I filed Rebuttal  
19 Testimony in Docket No. 13-MKKEE-452-MIS, the Application for Debt Service Coverage  
20 Formula Based Ratemaking Pilot Program, in which the applicant, Mid-Kansas, on behalf  
21 of the Southern Pioneer Division, sought an Order approving an alternative ratemaking  
22 methodology. Finally, I filed quarterly compliance reports in Docket No. 13-MKKEE-169-  
23 CPL, Mid-Kansas' Compliance filing of CoBank Reports as required in the 380 Docket.

1 **Q. In addition to your testimony, is Pioneer offering other testimony in support of this**  
2 **Application?**

3 A. Yes. Mr. Nick Nelson, a Senior Rate and Financial Analyst at Power System Engineering,  
4 Inc. ("PSE"), has conducted a limited Cost of Service Study and prepared the tariff to  
5 collect the additional revenue requirement contemplated from this filing.

6  
7 **II. Abengoa Bioenergy Biomass of Kansas, LLC ("ABBK")**

8 **Q. Please describe the ABBK project?**

9 A. In July 2011, ABBK broke ground and began the process of planning and building a plant  
10 for the production of 25 million gallons of cellulosic ethanol and 22 MW of renewable  
11 energy from biomass (mixture of agricultural waste, non-feed energy crops and wood  
12 waste). The plant will be located to the west of Hugoton in Stevens County, Kansas and  
13 will create approximately 65 permanent jobs upon achieving commercial operational  
14 status.

15 **Q. Please generally describe Pioneer's business relationship with the ABBK project?**

16 A. Pioneer is the certificated electric public utility in the area where ABBK is building the  
17 plant. Pursuant to Pioneer Board-approved retail tariffs, Pioneer will provide station  
18 power to ABBK during the construction, testing and start-up phases of operation, and then  
19 afterward, up to 7 MW of stand-by power during the course of normal operation when  
20 ABBK's generator cannot produce its full capacity requirements.

21 **Q. Please continue.**

22 A. Pioneer also owns and operates the 69 kV transmission system in the vicinity of the  
23 ABBK plant, which is necessary for ABBK to export any excess generation from the 20

1 MW renewable generator to the higher voltage grid. On August 28, 2012, after  
2 conducting lengthy negotiations and system impact studies, ABBK, Mid-Kansas,  
3 Sunflower and Pioneer executed a Letter of Agreement (“Letter Agreement”) in which  
4 ABBK engaged Mid-Kansas, Sunflower and Pioneer to construct a lateral interconnection  
5 with the 69 kV transmission system owned and operated by Pioneer necessary to allow  
6 ABBK to receive and provide electric power to and from the biomass fueled power  
7 plant/ethanol plant and cogeneration facility. A map showing the interconnection location  
8 and the Pioneer lines is attached hereto as **Exhibit C**.

9 **Q. What was the estimated cost to improve and/or construct the lateral 69 kV**  
10 **interconnection allowing ABBK to receive and provide electric power?**

11 A. Applying good utility practices and based on generally acceptable engineer design  
12 standards as required by Southwest Power Pool (“SPP”), Pioneer determined that the  
13 initial estimated cost to complete the scope of work as defined and agreed to in the Letter  
14 Agreement was approximately \$427,399. Subsequently, a Change Order was executed to  
15 incorporate design changes and to purchase three steel poles, totaling \$53,000. This  
16 change brought the total estimated cost and deposited amount to \$480,399.

17 **Q. Will this cost be recovered in rates from either retail or the local access tariff**  
18 **customers or did ABBK pay the estimated cost?**

19 A. No. In order to limit rate impact to other transmission users and retail customers alike,  
20 ABBK deposited with Pioneer an amount equivalent to the engineer’s estimate to  
21 complete the scope of work. While the plant is in the testing stage and not ready for  
22 commercial operation, if the deposited estimated amount is not sufficient to cover costs  
23 incurred to provide electric service, ABBK is required to deposit additional funds.

1       Conversely, once all work on the project is completed, if the all-in cost to provide service  
2       is less than the amount deposited, then ABBK will be refunded the excess deposit.

3       **Q. Has the scope of work to provide electric service, as defined in the Letter Agreement,**  
4       **been completed?**

5       A. Yes, Pioneer and Sunflower completed the identified system improvements on August 16,  
6       2013 and ABBK energized the lateral 69 kV interconnection on August 28, 2013.

7       **Q. In conjunction with work performed to allow access to the 69 kV transmission line,**  
8       **has ABBK executed the necessary documents to interconnect its generation facility to**  
9       **Pioneer's transmission system and sell excess energy, if any, to third parties?**

10      A. Yes. ABBK and Pioneer have jointly executed, and Pioneer has filed with the  
11      Commission as Exhibit A to the Application in this matter, a confidential Generation  
12      Interconnection Agreement ("GIA") for the interconnection of ABBK's generation facility  
13      near Hugoton, Kansas to Pioneer's transmission system. The basis of the GIA is the  
14      FERC-approved, unmodified Southwest Power Pool tariff GIA. The GIA, attached as  
15      Exhibit A to the Application, contains deviations and clarifications, as mutually agreed  
16      upon by both parties, to the SPP tariff GIA. The deviations and clarifications to the SPP  
17      tariff GIA are specifically noted in Exhibit A.

18      **Q. In order to recover costs associated with providing transmission services, will**  
19      **Pioneer charge ABBK or other third parties a fee to access and utilize Pioneer's 69**  
20      **kV transmission system to deliver excess energy from the ABBK renewable energy**  
21      **plant to the higher voltage system and ultimate buyers of the electricity?**

22      A. Yes. As part of this filing, Mr. Nelson is providing testimony quantifying Pioneer's cost  
23      of service to provide transmission service on this portion of the 69 kV system and

1 summarizing what Pioneer will charge and be compensated on a per kilowatt (“kW”) basis  
2 pursuant to a contemplated KCC-approved Local Access Delivery Charge Tariff.

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

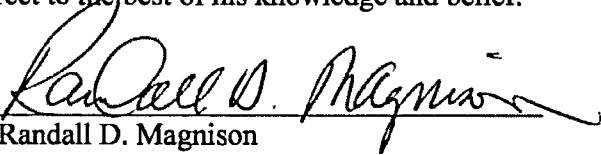
4 A. Yes.



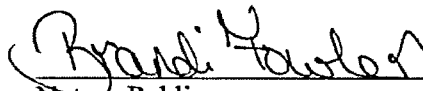
VERIFICATION

STATE OF KANSAS        )  
                                  ) ss  
COUNTY OF GRANT     )

The undersigned, Randall D. Magnison, upon oath first duly sworn, states that he is the Executive Vice President-Assistant CEO of Pioneer Electric Cooperative, Inc., and that he has prepared the foregoing testimony, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.

  
Randall D. Magnison

Subscribed and sworn to before me this 21<sup>st</sup> day of November, 2013.

  
Notary Public



My appointment expires: 12/3/16