

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

DEC 21 2012

by  
State Corporation Commission  
of Kansas

In the Matter of the Application of )  
Mid-Kansas Electric Company, LLC to )  
Approve Extraordinary Transmission )  
Facility Extension Service Terms as an )  
Appendix to its Open Access Transmission )  
Tariff )

Docket No. 13-MKEE-434-TAR

APPLICATION

COMES NOW, Mid-Kansas Electric Company, LLC ("Mid-Kansas") and pursuant to K.S.A. 66-104, 66-117 *et seq.*, hereby files this Application with the State Corporation Commission of the State of Kansas (hereinafter referred to as the "Commission") for the purpose of gaining approval of its Extraordinary Transmission Facility Extension Service Terms (the "Service Terms"), attached hereto as Exhibit A and by reference incorporated herein, in order to establish a method under the Mid-Kansas Open Access Transmission Tariff by which Mid-Kansas provides Extraordinary Extensions (as hereinafter defined) to serve a Member's or third party wholesale transmission customer's new customer load. In support of its application, Mid-Kansas states as follows:

1. Mid-Kansas is a Kansas limited liability company operated on a non-profit basis. Mid-Kansas is a coalition of five Kansas consumer-owned cooperatives and one corporation wholly owned by a sixth Kansas consumer-owned cooperative who collectively organized Mid-Kansas for the purpose of acquiring the Kansas electric utility assets of Aquila, Inc., d/b/a Aquila

Networks – WPK. Mid-Kansas is an electric public utility regulated by the Commission.

2. Mid-Kansas' principal office is at 301 West 13th Street, P.O. Box 980, Hays, Kansas 67601, and it holds certificates of convenience and authority from the Commission to transact business as an electric public utility for the generation, transmission and sale of electric energy to its certificated retail service territory through its six member cooperatives: Prairie Land Electric Cooperative, Inc., Norton, Kansas; Western Cooperative Electric Association, Inc., WaKeeney, Kansas; Lane-Scott Electric Cooperative, Inc., Dighton, Kansas; Victory Electric Cooperative Association, Inc., Dodge City, Kansas; Southern Pioneer Electric Company, Ulysses, Kansas; and Wheatland Electric Cooperative, Inc., Scott City, Kansas (collectively, the "Members").
3. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

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**The Extraordinary Transmission Facility Extension Service Terms**

4. Mid-Kansas expects an increase in oil and gas exploration in areas of Kansas within its certificated retail service territory that will cause the need for additional electrical transmission facilities. As such, Mid-Kansas expects to receive requests from its Members or third party wholesale transmission customers (“Member” and “third party wholesale transmission customers” are interchangeable throughout) for new transmission facilities requiring a significant capital outlay. However, the new load requested by the Member is difficult to forecast and the load duration and magnitude is limited and uncertain.
5. This new load is such that after giving full consideration to the Member’s load requirements and characteristics, Mid-Kansas’ estimated revenue from the Member may not, in Mid-Kansas’ judgment, generate sufficient revenue to recover the actual cost of the transmission facilities needed to service the Members’ new load (an “Extraordinary Extension”). The purpose of the Service Terms is to establish a method by which Mid-Kansas provides Extraordinary Extensions of transmission facilities in a way that provides adequate recovery of costs and protects existing Member customers from unnecessary risks and potential stranded costs.

*Initial Customer*

6. Under the Service Terms, the Member customer initially causing the request for an Extraordinary Extension (the "Initial Customer"), will pay in advance the estimated cost to design, engineer, construct, install, energize, and decommission the transmission facilities required to complete the Extraordinary Extension. Mid-Kansas will then use such proceeds to construct and energize the transmission facilities. After construction is complete, Mid-Kansas will conduct a true-up with the Initial Customer of the prepaid estimated cost and the actual cost of planning, designing, and engineering the transmission facilities. Mid-Kansas, third party wholesale transmission customer, if applicable, Member, and Initial Customer will enter Mid-Kansas' pro-forma agreement setting forth the terms and conditions for the design, construction, ownership and payment of Extraordinary Extensions and associated Performance Refunds (as hereinafter defined).
7. Mid-Kansas also has the discretion to allow the Member, or the Member's designee, to construct the transmission facilities required under the Extraordinary Extension. Mid-Kansas will provide an estimated cost for the planning, design, and engineering of the transmission facilities, as will the Member or Member's designee. The lesser of the two estimates will become the estimated cost and will be deemed the actual cost for the Extraordinary

Extension. The Extraordinary Extension must be constructed in accordance with all applicable legal, regulatory, and company standards.

8. Under either scenario, the Initial Customer becomes eligible for a refund once it has received electrical service long enough to allow Mid-Kansas to submit the Initial Customer's load data to the Southwest Power Pool ("SPP") to determine its coincident peak average ("CPA"). The Initial Customer is then eligible to recover the actual costs, less any payments to accelerate construction, through credits against delivery of electric service (the "Performance Refund"). Mid-Kansas will pay to the Member an amount based on the ratio of the Initial Customer's CPA, coincident with Mid-Kansas' CPA, times Mid-Kansas' Annual Transmission Revenue Rate on a monthly basis over a period of ten years. After receiving the Performance Refund from Mid-Kansas, the Member will refund the Initial Customer the same Performance Refund amount in the same manner.

*Subsequent Customers*

9. If a Member requests direct service for new customer load on the transmission facilities, sponsored by the Member or Initial Customer, and the request by the Member for a new customer load would have otherwise been determined by Company to be an Extraordinary Extension ("Subsequent Customer"), Mid-Kansas will calculate the actual costs less payments to accelerate construction, and less any Performance Refunds paid or accrued as of the date Subsequent Customer takes service ("Unfunded Balance"). Subsequent Customers will pay a proportionate share of the Unfunded

Balance to the Initial Customer and any prior Subsequent Customer. The Subsequent Customers can then earn a Performance Refund up to the amount of this additional payment. Any additional Subsequent Customers are treated the same.

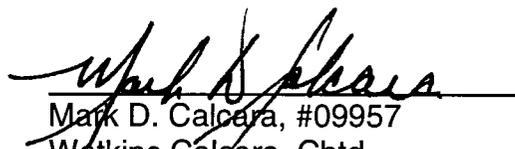
**Pro-Forma Agreements**

10. Mid-Kansas intends to institute a set of pro-forma agreements to further implement the Service Terms as between Mid-Kansas, third party wholesale transmission customers, if applicable, Member, and Initial and Subsequent Customers. The pro-forma agreements will set forth the specific terms and conditions for the design, construction, ownership and payment for the Extraordinary Extension and associated Performance Refunds. Each Initial and Subsequent Customer will enter a pro-forma agreement with Mid-Kansas, third party wholesale transmission customers, if applicable, and its applicable Member.
11. The proposed Extraordinary Transmission Facility Extension Service Terms and corresponding pro-forma agreements are just and reasonable and are necessary to establish service terms by which Mid-Kansas provides Extraordinary Extensions to serve new Member or third party wholesale transmission customer load in a way that provides adequate recovery of costs and protects existing Member customers from unnecessary risks and potential stranded costs.

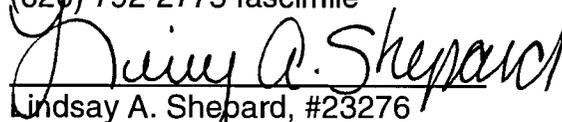
WHEREFORE, Applicant prays that the Commission (1) issue an Order approving the Extraordinary Transmission Facility Extension Service Terms as an appendix to

Mid-Kansas' Open Access Transmission Tariff by which Mid-Kansas provides  
Extraordinary Extensions to serve a Member's new customer load; and (2) for such  
other and further relief as the Commission may deem just and proper.

Respectfully submitted,



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**Attorneys for Mid-Kansas Electric  
Company, LLC**

**Exhibit A**

Extraordinary Transmission Facility Extension Service Terms

(Attached)

**EXTRAORDINARY TRANSMISSION FACILITY EXTENSION SERVICE TERMS****PURPOSE**

The purpose of these Extraordinary Transmission Facility Extension Service Terms ("Service Terms") is to establish a method by which Mid-Kansas Electric Company, LLC ("Mid-Kansas") provides Extraordinary Extensions to serve new Member load and Third Party Wholesale Transmission Customers in a way that provides adequate recovery of costs and protects existing Member customers from unnecessary risks and potential stranded costs.

**APPLICABILITY**

These Service Terms are applicable to any Member or Third Party Wholesale Transmission Customer request for service where the request requires an extension of Transmission Facilities and the extension is determined by Mid-Kansas to be an Extraordinary Extension. Mid-Kansas will determine if any required Transmission Facility extension is an Extraordinary Extension. All Extraordinary Extensions shall follow the guidelines outlined in these Service Terms, and Mid-Kansas has the sole discretion to determine the interpretation of all provisions herein.

**DEFINITIONS**

**"Actual Cost"**: The actual total cost for materials, labor, and equipment required for the design, engineering, construction, installation and energization of the Extraordinary Extension meeting Company Standard, including, but not limited to, costs of any required studies, right-of-way or fee title property acquisition costs, regulatory costs, any Schedule Acceleration Cost, and reasonable legal and consulting fees. Actual Cost does not include costs that are not recoverable under the Open Access Transmission Tariff.

**"Additional Payment"**: As defined in Section 4(a)(i) of these Service Terms.

**"Annual Transmission Revenue Requirement (ATRR)"**: As stated in the Open Access Transmission Tariff.

**"Company Schedule"**: The estimated schedule to complete the Extraordinary Extension following Good Utility Practice and avoiding Schedule Acceleration Costs or other premium costs as prepared by Mid-Kansas or Mid-Kansas' consultants.

**"Company Standard"**: In accordance with Good Utility Practice, Mid-Kansas' board approved specifications, policies, procedures, criteria and facilities connection requirements, as well as, all applicable laws, rules and regulations, including, but not limited to, the North American Electric Reliability Corporation ("NERC") Standards and requirements, Kansas Corporation Commission ("KCC") rules and regulations, the National

Electric Safety Code requirements, the Rural Utility Service (“RUS”) requirements and the SPP (or applicable Regional Reliability Organization) tariff, criteria, standards, policies, and procedures.

“**Credits**”: As defined in Section 3(a)(i) of these Service Terms.

“**Designee**”: As defined in Section 2 of these Service Terms.

“**Estimated Cost**”: All estimated costs for materials, labor, and equipment required for the design, engineering, construction, installation, energization, and decommissioning of the Transmission Facilities, including, but not limited to, costs of any required studies, right-of-way or fee title property acquisition costs, regulatory costs, and reasonable legal and consulting fees in order to meet the Company Standard, as determined by Mid-Kansas, to serve the Initial Customer.

“**Extraordinary Extension**”: Transmission Facilities required to serve new Member load, whereby the Transmission Facilities would require an investment by Mid-Kansas that, after giving full consideration to Member’s load requirements and characteristics, Mid-Kansas’ estimated revenue from the Member may not, in Mid-Kansas’ judgment, generate sufficient revenue to recover the Actual Cost of the Transmission Facilities.

“**Good Utility Practice**”: Any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act section 215(a)(4).

“**Initial Customer**”: The Member customer(s) causing the Extraordinary Extension.

“**Initial Customer Transmission Coincident Peak Average (IC-TCPA)**”:

The Initial Customer’s monthly load contribution coincident (same date and time) with Mid-Kansas’ monthly transmission peak load averaged over a calendar year (“CPA”) as reported to SPP and used to bill Mid-Kansas for Transmission Service. The CPA is used for 12 calendar months until a new CPA is established and reported to SPP in January of each year.

“**Member**”: The applicable Mid-Kansas Member-Owner cooperative: Lane-Scott Electric Cooperative, Inc., Southern Pioneer Electric Company, Prairie Land Electric Cooperative, Inc., Victory Electric Cooperative Association, Inc., Western Cooperative Electric Association, Inc., and Wheatland Electric Cooperative, Inc.

**“Mid-Kansas-Transmission Coincident Peak Average (M-TCPA)”**: Mid-Kansas’ monthly transmission coincident peak average load expressed in megawatts (MW) and averaged over a calendar year as reported to and used by SPP to bill Mid-Kansas for Transmission Service. The M-TCPA shall be used for 12 months until a new M-TCPA is established and reported to SPP in January of each year.

**“Open Access Transmission Tariff (OATT)”**: The Mid-Kansas Open Access Transmission Tariff approved by and on file with the KCC.

**“Performance Refund”**: As defined in Section 3(a) of these Service Terms.

**“Schedule Acceleration Costs”**: Those additional costs necessary to accelerate schedule as compared to the Company Schedule.

**“The Southwest Power Pool, Inc. (SPP)”**: The regional transmission organization that has functional control of Mid-Kansas’ transmission assets.

**“Third Party Wholesale Transmission Customer”**: Any third party wholesale distributor receiving transmission service from Mid-Kansas under the terms and conditions of the OATT who is not a Mid-Kansas Member. For purposes of these Service Terms, the term Third Party Wholesale Transmission Customer is interchangeable with the term Member.

**“Subsequent Customer”**: A Member’s customer who requests service on an Extraordinary Extension after the execution of the Transmission Facilities Sponsorship Agreement by and between Mid-Kansas, the Member and the Initial Customer and the request would have otherwise been determined by Mid-Kansas to be an Extraordinary Extension.

**“Subsequent Customer-Transmission Coincident Peak Average (SC-TCPA)”**: The Subsequent Customer’s monthly load contribution expressed in megawatts (MW) as measured coincident (same date and time) with the M-TCPA.

**“Transmission Facilities”**: Electric transmission line and substation facilities operated at 100 kV and above.

**“Transmission Facilities Sponsorship Agreement (TFSA)”**: The agreement entered into by and between Mid-Kansas, Member and Initial Customer or Subsequent Customers, setting forth the terms and conditions for the design, construction, ownership and payment of Extraordinary Extensions and associated Performance Refunds (as applicable) in accordance with these Service Terms.

**“Unfunded Balance”**: As defined in Section (4)(a)(i) of these Service Terms.

**EXTRAORDINARY EXTENSIONS**

1. **Mid-Kansas Responsible for Completion of Extraordinary Extension.** Mid-Kansas will provide the Extraordinary Extension required to serve the Initial Customer's load. Mid-Kansas, the Member and the Initial Customer will enter into a TFSA.
  - a. **Cost Responsibility.** The Initial Customer will be responsible for 100% of the Actual Cost and will bear all risk associated with future recovery. Without limiting the generality of the foregoing, Mid-Kansas will require advance payment by the Initial Customer for the total Estimated Cost to complete and energize the Extraordinary Extension. Mid-Kansas has the right to modify such contribution made by the Initial Customer after the Actual Cost becomes known.
    - i. Prior to construction, Mid-Kansas will develop an Estimated Cost of the Extraordinary Extension. Initial Customer will pay to Mid-Kansas the total Estimated Cost in accordance with payment terms as may be defined in the TFSA.
    - ii. Upon completion of the Extraordinary Extension, a true-up of payments to Actual Cost will be made.
2. **Member Build Option.** Mid-Kansas may, at its sole option, allow the Member or a designee acceptable to Mid-Kansas (the "Designee"), to provide the Extraordinary Extension (excluding right-of-way procurement and other activities, as determined by Mid-Kansas in its sole discretion) pursuant to the guidelines contained in this Section 2. Mid-Kansas, the Member and the Initial Customer will enter into a TFSA.
  - a. The engineering, design, construction and installation of the Extraordinary Extension will meet the Company Standard.
  - b. Mid-Kansas will have the right, but not the obligation, to review and approve the plans and specifications for the design and construction of the Extraordinary Extension. The Member or the Designee must receive prior approval from Mid-Kansas of such plans and specifications before commencing construction. In no event will expenses associated with rework required to complete the Extraordinary Extension in accordance with approved plans and specifications or the Company Standard be included in the Performance Refund to be paid to the Member (or Designee) as described in Section 3 below.
  - c. The Initial Customer will be responsible for 100% of the Actual Cost of the Extraordinary Extension.
    - i. The Member or the Designee will develop an Estimated Cost of the Extraordinary Extension utilizing the Company Standard. Mid-Kansas may allocate estimated project management costs to the

Member or Designee's Estimated Cost for the Extraordinary Extension.

- ii. If the Member or Designee's Estimated Cost for the Extraordinary Extension differs from Mid-Kansas' Estimated Cost, then the lesser of the two estimates will become the Estimated Cost and will be deemed the defined Actual Cost for the Extraordinary Extension for purposes of any "Performance Refund" paid to the Member as described in Section 3(a) below.
- d. After completion of the Extraordinary Extension, the Member or Designee will transfer ownership of the Extraordinary Extension, along with all warranties for design, material and construction, free of any liens or encumbrances, to Mid-Kansas upon terms and conditions satisfactory to Mid-Kansas. Such transfer shall occur prior to the commissioning and energization of the Extraordinary Extension.

### **3. Initial Customer Performance Refund.**

- a. Mid-Kansas will pay to the Member a performance refund for the Actual Costs, less all Schedule Acceleration Costs, of the Extraordinary Extension (the "Performance Refund").
  - i. The Performance Refund will be based on the ratio of the IC-TCPA, coincident with the M-TCPA times the ATRR on a monthly basis over a period of 10 years (the "Credits"). In no event will the Credits exceed the Actual Cost less any Schedule Acceleration Costs.
  - ii. After the Member receives the Performance Refund from Mid-Kansas, the Performance Refund will be passed to the Initial Customer in accordance with the TFSA.

### **4. Subsequent Customers Additional Payment and Performance Refund.**

- a. **Subsequent Customer.** If a Member requests electric service for a Subsequent Customer, Mid-Kansas, the Member and the Subsequent Customer will enter into a TFSA.
  - i. Mid-Kansas will calculate, as of the effective date of the TFSA, the Actual Cost less any Schedule Acceleration Costs and Credits paid or accrued ("Unfunded Balance"). The Subsequent Customer will pay one-half of the Unfunded Balance as an additional payment ("Additional Payment") to the Initial Customer as an additional Credit against the Actual Cost less any Schedule Acceleration Costs.
  - ii. Credits will be calculated and paid to the Member based upon the ratio of the SC-TCPA to the M-TCPA times the ATRR on a monthly basis, for the remaining 10 year term of the Initial Customer's TFSA. After receiving the Performance

Refund from Mid-Kansas, the Member will refund the Subsequent Customer the same Performance Refund amount in the same manner. In no case will the Member provide Credits to the Initial Customer or Subsequent Customer that in the aggregate exceed the Actual Cost less Schedule Acceleration Costs.

- b. **Additional Subsequent Customers.** For each additional electric service request by the Member for Subsequent Customers, Mid-Kansas, the Member and the next Subsequent Customer will enter into a TFSA.
  - i. Mid-Kansas will calculate, as of the effective date of the TFSA, any Unfunded Balance to determine the contribution by the next Subsequent Customer and reduce the Unfunded Balance of the Initial Customer and any prior Subsequent Customers. Additional Subsequent Customers will be treated the same.
  - ii. With the addition of each Subsequent Customer, Credits will be calculated and paid to Member based upon the ratio of IC-TCPA and SC-TCPA times the ATRR for the remaining 10 year term of the Initial Customer's TFSA. In no case will the Member provide Credits to the Initial Customer or any Subsequent Customers that in the aggregate exceed the Actual Cost less Schedule Acceleration Costs.

#### **MODIFICATIONS TO SERVICE TERMS**

The Mid-Kansas Board of Directors may revise these Service Terms from time to time at its discretion.

#### **KANSAS CORPORATION COMMISSION APPROVAL**

These Service Terms have been approved by and filed with the Kansas Corporation Commission as an appendix to the Mid-Kansas Open Access Transmission Tariff.



**Mid-Kansas**  
ELECTRIC COMPANY, LLC

neighbors serving neighbors

December 21, 2012

Via: Fax and UPS #1Z2635WF0396033027

Kansas Corporation Commission  
Patrice Petersen-Klein  
Executive Director  
1500 SW Arrowhead Road  
Topeka, Kansas 66604  
Fax No. (785) 271-3303

Received  
on

DEC 21 2012

by  
State Corporation Commission  
of Kansas

Re: Mid-Kansas Electric Company Extraordinary Line Extension Service Terms  
Application

Dear Ms. Petersen-Klein:

Please find enclosed for filing the original and eight copies of Mid-Kansas' Extraordinary  
Line Extension Service Terms Application.

Please return one copy of each with the Commission's filed-stamp to:

Mid-Kansas Electric Company, LLC  
James Brungardt  
Regulatory Affairs Administrator  
P.O. Box 980  
Hays, Kansas 67601-0980

Thank you for your assistance.

Sincerely,

James Brungardt  
Regulatory Affairs Administrator  
Phone: 785-623-6638  
jbrungardt@sunflower.net