

Mid-Kansas
ELECTRIC COMPANY, LLC

neighbors serving neighbors

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

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC)
for Approval to Make Certain Changes) Docket No. 10-MKEE-439-RTS
in its Charges for Electric Service)

APPLICATION

STATE CORPORATION COMMISSION

AND

DEC 14 2010

PRE-FILED TESTIMONY OF:

**L. EARL WATKINS, JR.
RICHARD J. MACKE**

AND

SUPPLEMENTAL INFORMATION



December 13, 2010

VIA: UPS# 1Z2635WF0396902329

Susan K. Duffy
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604

STATE CORPORATION COMMISSION

Re: New filing

DEC 14 2010

Dear Ms. Duffy:

A handwritten signature in black ink that reads "Susan K. Duffy". The signature is written in a cursive style.

Please find enclosed the original and seven binders of a new filing entitled *In the Matter of the Application of Mid-Kansas Electric Company, LLC for Approval to Make Certain Changes in its Charges for Electric Service, Docket No. 10-MKEE-439* RTS.

Please file the original and seven copies and return the eighth unbound copy file-stamped for our file.

Please do not hesitate to contact our office if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Renee K. Braun". The signature is written in a cursive style.

Renee K. Braun
Corporate Services Legal Assistant
rbraun@sunflower.net

Enclosures (9)

C: SunflowerRecords

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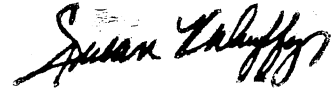
BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

Before Commissioners:

Thomas Wright, Chair
Ward Loyd
Joseph Harkins

DEC 14 2010



In the Matter of the Application of)
Mid-Kansas Electric Company, LLC)
for Approval to Make Certain Changes)
in its Charges for Electric Service)

Docket No. ~~10~~-MKEE- 439 -RTS

APPLICATION

COMES NOW, Mid-Kansas Electric Company, LLC (“Mid-Kansas” or “MKEC”) and pursuant to K.S.A. 66-104, 66-117 *et seq.*, hereby files this Application to the State Corporation Commission of the State of Kansas (hereinafter referred to as the “Commission”) for the purpose of making changes to Mid-Kansas’s schedules for electric service and for other related relief that may be required. In support of the Application, Mid-Kansas states as follows:

1. Mid-Kansas is a Kansas Limited Liability Company operated on a not-for-profit basis with its principal place of business located in Hays, Kansas. 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 Aquila, Inc., d/b/a Aquila Networks – WPK’s (“WPK”) Kansas electric utility assets.¹ Mid-Kansas is an electric public utility regulated by the Commission.
2. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

¹ The six electric utilities, collectively referred to as “Mid-Kansas Members,” and their headquarters are as follows: Lane-Scott Electric Cooperative, Inc., Dighton; Southern Pioneer Electric Company, Ulysses; Prairie Land Electric Cooperative, Inc., Norton; Victory Electric Cooperative Association, Inc., Dodge City; Western Cooperative Electric Association, Inc., Wakarusa; Wheatland Electric Cooperative, Inc., Scott City.

Don Gulley
Senior Manager, Regulatory Relations and Billing
Mid-Kansas Electric Company, LLC
301 West 13th Street
P.O. Box 980
Hays, KS 67601
(785) 623-6630

3. On November 16, 2005, WPK and Mid-Kansas filed a Joint Application in Docket No. 06-MKKEE-524-ACQ, requesting approval to transfer WPK's certificate of convenience and franchise to Mid-Kansas, as well as transfer all WPK's electric business in Kansas to Mid-Kansas, including WPK's generation, transmission and local distribution facilities located in Kansas.
4. On January 10, 2007, a Joint Motion for Approval of Stipulation and Agreement was filed in Docket No. 06-MKKEE-524-ACQ, requesting approval of, among other things, the transfer of WPK's generation, transmission and local distribution facilities located in Kansas to Mid-Kansas. Mid-Kansas also agreed to adopt the then-current WPK retail and wholesale rates.
5. On February, 23, 2007, the Commission issued an Order Adopting Stipulation and Agreement in Docket No. 06-MKKEE-524-ACQ approving the transfer of WPK's generation, transmission and local distribution facilities located in Kansas to Mid-Kansas, subject to specific conditions set forth in the Stipulation and Agreement in Docket No. 06-MKKEE-524-ACQ ("524 Stipulation").
6. On April 1, 2007, Mid-Kansas began operation of the WPK electric generation, transmission and distribution facilities in Kansas.
7. On July 26, 2007, Mid-Kansas submitted its Application in Docket No. 08-MKKEE-099-MIS ("099 Application"), requesting the authority to transfer its distribution assets and

enter into service agreements with the Mid-Kansas Members to service its retail electric customers, pursuant to the terms of the 524 Stipulation, stating that "...MKEC will file a request to transfer the distribution assets and certificated territory as soon after the Effective Date as reasonably possible." 524 Stipulation, at ¶23. As part of the 099 Application, Mid-Kansas submitted for approval an Electric Customer Service Agreement ("Service Agreement") with each Mid-Kansas Member that replaced the Lease and Service Agreement previously executed and approved by the Commission. The Service Agreements required each of the Mid-Kansas Members to provide to Mid-Kansas certain electric service to facilitate Mid-Kansas's ability to service its customers within its certificated service territory, all in accordance with the terms of the Service Agreements. Mid-Kansas was to continue to utilize the retail rates approved by the Commission.

8. On December 21, 2007, the Commission issued an Order Approving Spin-Down of Distribution Assets in Docket No. 08-MKEE-099-MIS, approving the transfer of the distribution assets of Mid-Kansas to the respective Mid-Kansas Members. The distribution assets transferred to the respective members were to be utilized, in part, for the service of Mid-Kansas's customers as required under the Service Agreements.
9. The 524 Stipulation prohibited Mid-Kansas from filing for a rate increase that would affect Mid-Kansas customers until March 2009. Stipulation, at ¶17.
10. Mid-Kansas, with the exception of the Mid-Kansas certificated territory served by Wheatland Electric, filed for changes in rates in 09-MKEE-969-RTS (969 Docket) for each designated geographical service area within its certificated service territory served by its respective Members that reflected the current cost of service for Mid-Kansas within

each of the specified geographical areas. Mid-Kansas, in the 969 Docket, filed to establish a wholesale rate for sales to each of the Mid-Kansas Members.

11. Mid-Kansas now files for changes in its rates that reflect the cost of service for Mid-Kansas's customers within its designated geographical certificated service territory, which is based on the cost to Mid-Kansas for services rendered by Wheatland Electric under the terms of the Service Agreement as follows:

- Establishment of an energy cost adjustment (“ECA2”) for retail sales made by Mid-Kansas to retail customers.
- Establishment of retail rates for sales made to retail customers by Mid-Kansas to retail customers.
- Establishment of a local access charge for services by Mid-Kansas to customers accessing the 34.5 kV sub-transmission owned by Wheatland Electric.

12. Mid-Kansas would seek at this time the deferral and reservation by the Commission of the classification of the 34.5 kV and appropriate lower voltage facilities as provided for at paragraphs 10 and 11 of the Stipulation and Agreement approved by the Commission in the 969 Docket.

13. In order to facilitate the filing of the aforementioned rate changes in the 969 Docket, Mid-Kansas, the Citizens' Utility Ratepayer Board, and the Staff of the Kansas Corporation Commission filed a Joint Petition for Waiver of Filing Requirement in Docket No. 09-MKEE-816 MIS (“Joint Petition”).

14. On May 8, 2009, the Commission issued an Order Granting Waiver of Filing Requirements in Docket No. 09-MKEE-816 MIS (“816 Order”), approving the Joint

Petition and directing Mid-Kansas to file a rate application in the 969 Docket as prescribed in the 816 Order.

15. Mid-Kansas is subject to the rate filing requirements of K.A.R. 81-1-231. Mid-Kansas Member-owners are cooperatives, with the exception of Southern Pioneer Electric Company, and are generally subject to the less stringent rate filing requirements of 82-1-231a for their native load customers. Because this filing is primarily based upon the costs of service of the retail load served by Wheatland Electric, Mid-Kansas requests that the Commission waive the filing requirements contained in K.A.R. 82-1-231 and allow Mid-Kansas to file for purposes this rate filing the information attached hereto which is consistent with Schedule 1 of the 816 Order and pursuant to the filings authorized by the Commission in the 969 Docket.
16. Mid-Kansas further states that because the historical information required as part of the rate filing under K.A.R. 82-1-231 is either not available or applicable, Mid-Kansas further requests a waiver of the filing requirements that pertain to the three calendar years immediately preceding the test year.
17. Mid-Kansas has discussed the request for the waivers with the staff of the Kansas Corporation Commission and Citizen's Utility Ratepayers Board ("CURB") and neither are opposed to the waivers.
18. Mid-Kansas should be permitted to earn adequate and sufficient net margins to allow Mid-Kansas to serve its customers with sufficient and efficient service and to continue to expand investment needed for public service.
19. The proposed revenues in this Application permit Mid-Kansas to recover revenues in excess of expenses that are in the public interest and are necessary to: (1) assure

continuing, adequate, efficient and reliable utility service; (2) provide for debt service and enable Mid-Kansas to make the required interest and principal payments on its indebtedness; (3) maintain the borrowing capability of Mid-Kansas necessary to maintain, replace and expand its respective electrical infrastructure; and (4) achieve the financial covenant requirements contained within their respective financing documents and protect their respective financial integrity.

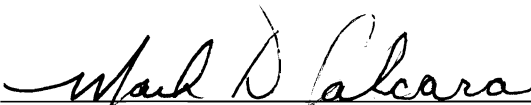
20. The schedules filed with this Application establish a gross revenue deficiency for electric customers in Mid-Kansas's certificated service territory served by Wheatland Electric of approximately \$4,264,081, based on normalized operating results for the 12 months ending December 31, 2009, adjusted for known and measureable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments specified with the filed schedules. The increase is to be phased in over two years. Phase I increase of \$2,384,968 will be effective upon approval, resulting in a 10.87% increase. Phase II increase of \$1,879,113 will be effective one year from the effective date of the Phase I increase and result in a 7.72% incremental increase over the Phase I. Of the additional revenue, \$52,043 is attributable to an increase in the local access charge for third-party user of the 34.5 kV line owned by Wheatland. The increase for the local access charges will be part of the Phase I, with no increase of the local access charge in Phase II.

21. Submitted with this Application is the testimony of the Mid-Kansas witnesses, as well as the required schedules pursuant to the same requirements set forth in the 816 Order, which are filed in support of this Application.

22. The proposed revenues in this Application are just and reasonable, and are necessary to assure continuing, adequate, efficient and reliable utility service, and to maintain the financial integrity of Mid-Kansas.

WHEREFORE, Applicant prays that the Commission waive the filing requirements as requested herein, approve the Applicant's revised rate schedules to produce the annual revenue required hereunder, substituting such schedules for those currently on file and approved for Applicant; that such new rate schedules be effective in accordance with the provisions of K.S.A. 66-117 and rules and regulations of the Commission; and that Applicant have such other and further relief as the Commission may deem just and proper.

MID-KANSAS ELECTRIC COMPANY, LLC

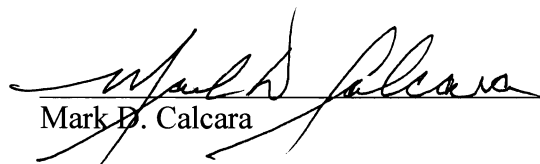
By: 
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VERIFICATION

STATE OF KANSAS)
)
COUNTY OF ELLIS) ss:

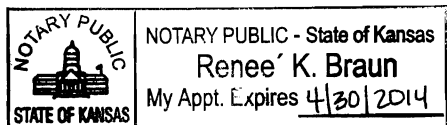
Mark D. Calcara, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Mid-Kansas Electric Company, LLC, named in the foregoing Application, knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.



Mark D. Calcara

SUBSCRIBED AND SWORN to before me this 13th day of December, 2010.





Notary Public – Renee K. Braun

My Commission Expires: April 30, 2014