

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

AUG 06 2012

by  
State Corporation Commission  
of Kansas

In the Matter of the Application of )  
Mid-Kansas Electric Company, LLC )  
for Approval to Make Certain Changes ) Docket No. 12-MKEE-410-RTS  
in its Charges for Electric Service in the )  
Geographic Service Territory Served by )  
Lane-Scott Electric Cooperative, Inc. )

APPLICATION

COMES NOW, Mid-Kansas Electric Company, LLC (“Mid-Kansas”) and pursuant to K.S.A. 66-117, hereby files this Application to the State Corporation Commission of the State of Kansas (“Commission”) for the purpose of making changes to Mid-Kansas’s rate schedules for the geographic service territory served by Lane-Scott Electric Cooperative, Inc. (“Lane-Scott”). In support of the Application and requests therein, Mid-Kansas states as follows:

**I. INTRODUCTION AND BACKGROUND**

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.<sup>1</sup> Mid-Kansas is an electric public utility regulated by the Commission.

<sup>1</sup> 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.,

2. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

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

Dow Morris  
Interim General Manager  
Lane-Scott Electric Cooperative, Inc.  
P.O. Box 758  
Dighton, KS 67839-0758

3. On November 16, 2005, WPK and Mid-Kansas filed a Joint Application in Docket No. 06-MKEE-524-ACQ (“524 Docket”), 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 the 524 Docket, 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 the 524 Docket 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 (“524

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Scott City.

Stipulation”). The 524 Stipulation prohibited Mid-Kansas from filing for a rate increase that would affect Mid-Kansas customers until March 2009.<sup>2</sup>

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-MKKE-099-MIS (“099 Docket”), 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, which stated that “...Mid-Kansas will file a request to transfer the distribution assets and certificated territory as soon after the Effective Date as reasonably possible.”<sup>3</sup> As part of the Application filed in the 099 Docket, 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 previously approved by the Commission.

8. On December 21, 2007, the Commission issued an Order Approving Spin-Down of Distribution Assets in the 099 Docket, approving the transfer of the distribution assets of Mid-Kansas to the respective Mid-Kansas Members. The distribution assets

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<sup>2</sup> 524 Stipulation, at para. 17.

<sup>3</sup> *Id.*, at para. 23.

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. 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, including the Lane-Scott geographical area. In the 969 Docket, Mid-Kansas also filed to establish a wholesale rate for sales to each of the Mid-Kansas Members. The 969 Docket was resolved by a Settlement Agreement filed on November 25, 2009, which was revised on November 30, 2009, and approved by the Commission on January 11, 2010.

10. On December 5, 2011, a Joint Petition for Waiver of Filing Requirements was filed in this docket by Mid-Kansas, the Commission Staff, and the Citizens' Utility Ratepayer Board ("CURB"), wherein the parties requested the Commission waive the filing requirements of K.A.R. 82-1-231 and allow Mid-Kansas to file this rate case using a modified process previously approved for other Mid-Kansas Members. On December 14, the Commission issued an Order approving the Joint Petition ("Order Granting Waiver").

11. On July 26, 2012, the Commission issued an Order Dismissing Application Without Prejudice. On August 1, 2012, Mid-Kansas filed for reconsideration of that Order, which is still pending.

## II. OVERVIEW OF THE APPLICATION

### A. RATE ADJUSTMENT

12. Mid-Kansas now files for changes in its rates for Mid-Kansas's services provided to retail customers within its designated geographical certificated service territory served by Lane-Scott under the terms of the Service Agreement. This Application affects only the rates charged to customers in the Lane-Scott geographic area who were formally served by Aquila and who were acquired by Mid-Kansas in the 524 acquisition.

13. The proposed revenues in this Application permit Mid-Kansas to recover revenues that are in the public interest and are necessary to (1) assure continuing, adequate, efficient and reliable utility service, (2) cover the reasonable, prudent costs incurred to provide service to customers in the Lane-Scott Division, and (3) maintain sufficient borrowing capability necessary to maintain, replace and expand the electrical infrastructure in the Lane-Scott Division.

14. Based upon the calculations of Mid-Kansas witness Mr. Doug Shepherd included with this Application, a revenue increase of \$510,915 or 13.34 percent is needed by Mid-Kansas for the customers in the Mid-Kansas designated geographic service territory served by Lane-Scott. Mid-Kansas's revenue requirement for the Lane-Scott Division has been determined by using a rate of return of 8.718 percent. Mid-Kansas requests in this Application that this overall increase be distributed among the classes of customers served in the Lane-Scott Division as set forth in the Direct Testimony of Mr. Doug Shepherd.

*B. TESTIMONY AND SUPPORTING SCHEDULES*

15. Submitted with this Application is the testimony of Mid-Kansas witnesses, Stuart S. Lowry, President and CEO of Mid-Kansas, and Dow Morris, Interim General Manager of Lane-Scott, in addition to the testimony of Mr. Doug Shepherd referenced above. Mr. Lowry provides background information regarding the creation, structure and operation of Mid-Kansas. Mr. Morris' testimony addresses the operation of Lane-Scott and the financing of the Lane-Scott portion of the Aquila acquisition. Mid-Kansas has included with this Application in the Direct Testimony of Mr. Doug Shepherd the supporting information and data identified in Attachment A of the Commission's Order Granting Waiver as follows:

- (1) Prefiled Direct Testimony in Support of Exhibits and Workpapers.
- (2) A schedule detailing plant investments by functional classification, unadjusted amounts, proposed adjustments to these amounts, and jurisdictional amounts.
- (3) A schedule detailing the components included in working capital, proposed adjustments and jurisdictional allocations.
- (4) A schedule indicating the amounts of major components of the capital structure of the company, including long-term debt and patronage capital outstanding at the beginning and the end of the test year.
- (5) Statement of Operations – Present Rates with Pro Forma Adjustments and Supporting Schedules.
- (6) Schedule of Revenue Requirements.
- (7) Cost of Service analysis.
- (8) Statement of Operations – Proposed Rates with Pro Forma Adjustments and Supporting Schedules for Rate Classes.
- (9) Comparison of Present and Proposed Rate Schedules.
- (10) Comparison of Monthly Bills.

- (11) Present Rate Schedules.
- (12) Present Rate Schedules with Redlined Proposed Changes.
- (13) Proposed Rate Schedules.
- (14) Workpapers (provided electronically).
- (15) Audited Financial Statements.

Attached hereto as **Exhibit A** is a Cross-Reference Table identifying the Sections of Mr. Shepherd's Exhibit DSS-1, corresponding to each of the items listed above as (2) through (15).

16. Notice of this proposed change in rates will be provided to customers of the Lane-Scott Division by bill inserts to be included with bills issued during the month of September.

17. 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 and the Lane-Scott Division.

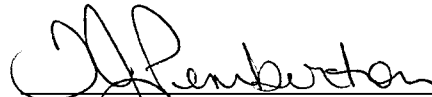
WHEREFORE, Applicant prays that the Commission issue a final Order approving the Applicant's revised rate schedules to produce the annual revenue required hereunder, substituting such schedules for those currently on file and approved for Applicant, and for such other and further relief as the Commission may deem just and proper.

Respectfully submitted,

Lindsay Shepard, (#23276)

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**COUNSEL FOR MID-KANSAS  
ELECTRIC COMPANY, LLC**



**Mid-Kansas – Lane Scott Division**  
**Attachment A Filing Requirements Cross-Reference Sheet**

	<b>Attachment A Filing Requirement</b>	<b>Application reference</b>
1	Prefiled Direct Testimony in Support of Exhibits and Workpapers	
2	A schedule detailing plant investments by functional classification, unadjusted amounts, proposed adjustments to these amounts, and jurisdictional amounts.	Shepherd Direct Exhibit DDS-1 Section D Schedules
3	A schedule detailing the components included in working capital, proposed adjustments and jurisdictional allocations.	Shepherd Direct Exhibit DDS-1 Section F Schedules
4	A schedule indicating the amounts of major components of the capital structure of the company, including long-term debt and patronage capital outstanding at the beginning and the end of the test year.	Shepherd Direct Exhibit DDS-1 Section G Schedules
5	Statement of Operations – Present Rates with Pro Forma Adjustments and Supporting Schedules	Shepherd Direct Exhibit DDS-1 Section I Schedules
6	Schedule of Revenue Requirements	Shepherd Direct Exhibit DDS-1 Section C Schedules
7	Cost of Service analysis	Shepherd Direct Exhibit DDS-1 Section L Schedules
8	Statement of Operations – Proposed Rates with Pro Forma Adjustments and Supporting Schedules for Rate Classes	Shepherd Direct Exhibit DDS-1 Section I Schedules
9	Comparison of Present and Proposed Rate Schedules	Shepherd Direct Exhibit DDS-1 Section Q Schedules
10	Comparison of Monthly Bills	Shepherd Direct Exhibit DDS-1 Section Q Schedules
11	Present Rate Schedules	Shepherd Direct Exhibit DDS-1 Section R Schedules
12	Present Rate Schedules with Redlined Proposed Changes	Shepherd Direct Exhibit DDS-1 Section R Schedules
13	Proposed Rate Schedules	Shepherd Direct Exhibit DDS-1 Section R Schedules
14	Workpapers	Provided Electronically
15	Audited Financial Statements	Shepherd Direct Exhibit DDS-1 Section P Schedules

**CERTIFICATE OF SERVICE**

I, the undersigned, hereby certify that a true and correct copy of the above *Application and Direct Testimony* was served electronically by e-mail, hand-delivered or mailed, postage prepaid, this 6th day of August, 2012 to:

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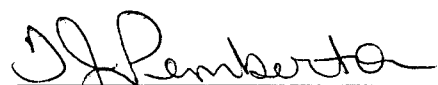
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