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

FEB 01 2012

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its)
Charges for Electric Service in the)
Geographic Service Territory Served by)
Western Cooperative Electric Association, Inc.)

Docket No. 12-MKEE-491-RTS

by
State Corporation Commission
of Kansas

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' rate schedules for the geographic service territory served by Western Cooperative Electric Association, Inc. (Western). In addition, Mid-Kansas requests an Order on this Application within ninety (90) days of filing. In support of the Application and requests herein, 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, which 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.

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;

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, Kansas 67601
dgulley@sunflower.net

David Schneider
Manager
Western Cooperative Electric Association, Inc.
P.O. Box 278
WaKeeney, Kansas 67672
davesch@westerncoop.com

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 Stipulation). The 524 Stipulation prohibited Mid-Kansas from filing for a rate increase that would affect Mid-Kansas customers until March 2009.²

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-MKEE-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."³ 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' 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

² 524 Stipulation, at para. 17.

³ *Id.*, at para. 23.

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' 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. In the 969 Docket, Mid-Kansas also filed to establish a wholesale rate for sales to each of the Mid-Kansas Members.

10. The application herein only affects those customers of Mid-Kansas in its certificated service territory served by Western and does not affect those certificated customers of Western under its certificate of convenience or any other geographic territory served by the other Members under the service contracts with Mid-Kansas.

11. On January 3, 2012, 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 January 25, 2012, the Commission issued an Order approving the Joint Petition (Order Granting Waiver).

II. OVERVIEW OF THE APPLICATION

A. RATE ADJUSTMENT

12. Mid-Kansas now files for changes in its rates for Mid-Kansas' services provided to customers within its designated geographical certificated service territory served by Western under the terms of the Service Agreement as follows:

- Establishment of revised retail rates for sales made to retail customers by Mid-Kansas in the designated geographical certificated service territory served by Western.
- Establishment of a revised local access charge for services by Mid-Kansas to customers accessing the 34.5 kV sub-transmission owned by Western.

13. The proposed revenues in this Application permit Mid-Kansas to recover revenues that are in the public interest and are necessary to (1) ensure continuing, adequate, efficient, and reliable utility service; (2) meet debt service requirements and make the required interest and principal payments on indebtedness; (3) maintain sufficient borrowing capability necessary to maintain, replace, and expand the electrical infrastructure in the Western Division; and (4) achieve the financial covenants required for financing and protecting the financial integrity of the Western Division.

14. Based upon the calculations of Mid-Kansas witness Richard J. Macke included with this Application, a total revenue increase of \$729,416 or 4.2% increase is needed by Mid-Kansas for the customers in the Mid-Kansas designated geographic service territory served by Western. Mid-Kansas' revenue requirement for the Western Division has been determined by using an Operating-Times Interest Earned Ratio (O-

TIER) of 2.00. Mid-Kansas requests in this Application that this overall increase for the Western Division be divided as follows:

Retail Rates: \$871,695 or 5.2% increase.

Local Access Charge: (\$142,279) or (27%) decrease.⁴

B. MISCELLANEOUS

15. Submitted with this Application is the testimony of Mid-Kansas witnesses, Stuart Lowry, president and CEO of Mid-Kansas, in addition to the testimony of Mr. Richard J. Macke referenced above. Mid-Kansas has included with this Application the supporting information and data identified in Attachment A of the Order Granting Waiver.

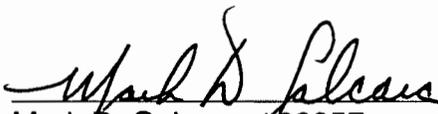
16. Mid-Kansas is also requesting that this Application be set on a ninety-(90) day schedule rather than the full 240 days allowed for under K.S.A. 66-117. Mid-Kansas is a member-owned utility, directly responsible to its member-owners. Although the Commission must still review and approve rates proposed for Mid-Kansas' Western Division, the extent of the process can be less stringent than the Commission employs when reviewing a rate application involving an investor-owned utility company where the interests of the shareholders and customers are not closely aligned as they are with a member-owned cooperative. A shorter procedural schedule is expected to reduce the overall costs of this proceeding and allow Mid-Kansas to more quickly implement the rate adjustment it needs in order for the Western Division rates to be adequate to cover the reasonable costs of providing service to those member-customers.

⁴ The Local Access Charge schedule may require updating to reflect any change in the revenue requirements associated with the outcome of Docket No. 11-GIME-597-GIE, which is presently pending before the Commission.

17. The proposed revenues in this Application are just and reasonable and are necessary to ensure continuing, adequate, efficient, and reliable utility service and to maintain the financial integrity of Mid-Kansas and the Western Division. The shorter procedural process requested by Mid-Kansas is reasonable and provides benefits to the customers and its member-owners.

WHEREFORE, Applicant prays that the Commission (1) issue an Order establishing a ninety- (90) day procedural schedule in this docket; (2) 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 (3) for such other and further relief as the Commission may deem just and proper.

Respectfully submitted,



Mark D. Calcara, #09957
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Suite 300, 1321 Main Street
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Great Bend, Kansas 67530
(620) 792-8231 telephone
(620) 792-2775 facsimile

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

VERIFICATION

I verify under penalty of perjury that the foregoing document is true and correct to the best of my knowledge and belief. Executed on January 30, 2012.


Mark D. Calcara, #09957
Counsel for Mid-Kansas

[Prepared in Accordance with K.S.A. 53-601]



Mid-Kansas
ELECTRIC COMPANY, LLC

neighbors serving neighbors

January 31, 2012

Via: UPS #1Z2635WF0397279127
1Z2635WF0396996934
1Z2635WF0398880948
1Z2635WF0397455150

Ms. Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

Received
on

FEB 01 2012

Re: Docket No. 12-MKEE-491-RTS

by
State Corporation Commission
of Kansas

Dear Ms. Petersen-Klein:

This is the first of four boxes containing the original and nine copies of Mid-Kansas' Application, Direct Testimony of Stuart Lowry, and Prefiled Direct Testimony of Richard Macke for filing in the above-captioned docket. Please file the original and distribute the remaining copies as appropriate.

If you have any questions concerning this filing, please contact Don Gulley at (785) 623-6630.

Sincerely,

Reneé K. Braun

Reneé K. Braun
Corporate Services Legal Assistant
Telephone: (785) 623-3302
rbraun@sunflower.net

Encl. 10

c. Hays Records Center