

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS



Received
on

MAY 14 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 IN ITS CHARGES FOR]
ELECTRIC SERVICES IN THE GEOGRAPHIC]
SERVICE TERRITORY SERVED BY]
WESTERN COOPERATIVE ELECTRIC]
ASSOCIATION, INC.]

KCC Docket No. 12-MKEE-491-RTS

DIRECT TESTIMONY OF

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

May 14, 2012

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1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Andrea C. Crane and my business address is 199 Ethan Allen Highway,
4 Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown, Connecticut
5 06829.)

6
7 **Q. By whom are you employed and in what capacity?**

8 A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in
9 utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
10 undertake various studies relating to utility rates and regulatory policy. I have held several
11 positions of increasing responsibility since I joined The Columbia Group, Inc. in January
12 1989. I became President of the firm in 2008.

13
14 **Q. Please summarize your professional experience in the utility industry.**

15 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
16 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
17 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
18 (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product
19 Management, Treasury, and Regulatory Departments.

20
21 **Q. Have you previously testified in regulatory proceedings?**

1 A. Yes, since joining The Columbia Group, Inc., I have testified in approximately 350
2 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii,
3 Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma,
4 Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the
5 District of Columbia. These proceedings involved electric, gas, water, wastewater,
6 telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I
7 have filed testimony since January 2008 is included in Appendix A.

8
9 **Q. What is your educational background?**

10 A. I received a Master of Business Administration degree, with a concentration in Finance, from
11 Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in
12 Chemistry from Temple University.

13
14 **II. PURPOSE OF TESTIMONY**

15 **Q. What is the purpose of your testimony?**

16 A. On February 1, 2012, Mid-Kansas Electric Company (“MKEC” or “Company”) filed an
17 Application with the State of Kansas Corporation Commission (“KCC” or “Commission”)
18 seeking a rate increase of \$729,416 or approximately 4.2% in its electric rates for customers
19 in its service territory served by Western Cooperative Electric Association, Inc. (“Western”).

20 MKEC is owned by five Kansas cooperatives and one corporation that is a wholly-
21 owned subsidiary of a sixth Kansas cooperative (collectively “Members”). This case only
22 involves rates for customers served by Western (“Western Division”). The Columbia

1 Group, Inc. was engaged by The State of Kansas, Citizens' Utility Ratepayer Board
2 ("CURB") to review the Company's Application, and to provide recommendations to the
3 KCC regarding the interest expense and operating margin being requested in this case.
4 Stacey Harden is also submitting testimony on behalf of CURB. Ms. Harden's testimony
5 addresses various accounting adjustments as well as CURB's overall revenue requirement
6 recommendation.

7
8 **III. SUMMARY OF CONCLUSIONS**

9 **Q. What are your conclusions concerning the need for rate relief?**

10 **A.** Based on my analysis of the filing and other documentation in this case, my conclusions are
11 as follows:

- 12 1. The Western Division has overstated the pro forma interest expense that should be
13 used to determine its margin requirement.
- 14 2. The Western Division has pro forma interest expense of \$465,781 (Schedule ACC-
15 1).
- 16 3. The Western Division's revenue requirement should include an operating margin
17 based on an operating times interest earned ratio ("O-TIER") of 1.5.
- 18 4. The Western Division's revenue requirement should include an operating margin of
19 \$698,671, a reduction of \$285,041 from the operating margin reflected in the
20 Company's filing (Schedule ACC-2).
- 21 5. My recommendations will result in a times interest earned ratio ("TIER") of 1.72,
22 which is consistent with historic results (Schedule ACC-3).

1 **IV. DISCUSSION OF THE ISSUES**

2 **A. Introduction**

3 **Q. Please provide a brief description of MKEC.**

4 A. As discussed on page 3 of Mr. Lowry's Direct Testimony, MKEC was organized by its
5 Members "for the purpose of acquiring and operating the former Aquila-WPK electric utility
6 business and operations." MKEC began operating those assets on April 1, 2007, through an
7 operating agreement with Sunflower Electric Power Corporation, which is owned, directly or
8 indirectly, by the Members of MKEC, including Western.

9 MKEC owns 389 MW of generation and 1,083 miles of transmission facilities and
10 associated substation facilities. MKEC also has purchase power agreements for 175 MW of
11 generation from the Jeffrey Energy Center ("JEC") and for 75 MW of wind generation from
12 two wind facilities.

13 Customers of MKEC pay divisional rates based on the cost of service for customers
14 served by each MKEC Member. In this filing, MKEC is requesting a rate increase for
15 customers served in the Western service territory. These customers are largely served by
16 Western through a Service Agreement with MKEC.

17
18 **B. Pro Forma Interest Expense**

19 **Q. How did the Western Division determine its pro forma interest expense in this case?**

20 A. As shown on Exhibit RJM-WE-2, page 21, the Western Division annualized its monthly
21 interest, based on its actual expense for the month of May 2011. Given that its May 2011
22 expense was \$40,988, the Western Division is seeking interest expense of \$491,856 in this

1 case.

2 Western has two outstanding loans with the Rural Utilities Service ("RUS") that were
3 used, in part, to finance the utility system that is at issue in this case. Western also utilized a
4 portion of these two loans for other operations. Thus, as shown in the response to KCC-143,
5 Western allocated 84% of the interest (and fees) associated with these two loans to the
6 Company's revenue requirement in this case. Moreover, the Western Division's interest
7 expense claim also includes \$26,079 of annual costs associated with an outstanding line of
8 credit. The Company's margin requirement was based on its interest expense claim of
9 \$491,856, which included interest on the two RUS loans as well as on the line of credit.

10 In addition to this interest expense claim, the Western Division also included "Other
11 Interest Expense" of \$31,558 in its revenue requirement. This included a post-test year
12 adjustment of \$20,226 relating to interest on plant financed through the line of credit.

13
14 **Q. Are you recommending any adjustment to the Western Division's interest expense
15 claim?**

16 **A.** Yes, I am recommending that the claim for the \$26,079 of annual costs associated with its
17 outstanding line of credit be eliminated from interest expense. These costs are already
18 included in the "Other Interest Expense" claim of \$31,558. Thus, including them in interest
19 expense as well as in Other Interest Expense would double-count these costs. On Schedule
20 ACC-1, I have made an adjustment to eliminate \$26,079 of interest on the line of credit from
21 the Western Division's interest expense claim.

1 **C. Margin Coverage Requirement**

2 **Q. Are there differences in the way in which the KCC determines an investor-owned**
3 **utility's rates and the method used by the KCC for utilities organized as cooperatives?**

4 A. Yes. Instead of using a traditional rate base, rate of return ratemaking methodology, the
5 KCC has historically regulated cooperatives based on a cash flow approach, i.e., the KCC
6 sets rates that provide the cooperative with sufficient revenues to meet their financing
7 coverage requirements as contained in loan agreements between the cooperative and its
8 lenders. In this case, the Western Division has proposed that its rates be based on an O-
9 TIER requirement of 2.0.

10
11 **Q. Does Western have any equity?**

12 A. Western does have equity, resulting mainly from patronage capital. At December 31, 2011,
13 approximately 43% of total Western's "Assets and Other Debits" was financed with
14 "Margins and Equity", as shown in the balance sheet provided in response to KCC-75.
15 However, the overwhelming majority of "Margins and Equity" is attributable to patronage
16 capital while the vast majority of the distribution operations of Western is financed with
17 debt. Therefore, the coverage requirement of the lender is used to establish the level of
18 margin that must be maintained in order to comply with its debt covenants.

19
20 **Q. Doesn't the Company claim that it has negative equity?**

21 A. Yes, it does. On page 19 of Mr. Macke's testimony, he claims that Western actually has an
22 equity ratio of negative 2.59% compared with total capitalization, or negative 7.55% in

1 distribution equity. However, his calculation is based solely on what he calculated for the
2 Western Division, or that portion of Western's distribution system that was acquired from
3 Aquila. Accordingly, his calculation is impacted by the acquisition premium that was paid
4 for the assets as well as by the fact that the acquisition was financed with debt. However,
5 Western's financial statements are actually reported on a consolidated basis, and this is how
6 its lender, the Rural Utilities Service ("RUS") views Western. In addition, the (\$382,044) of
7 equity shown in Table 5 to Mr. Macke's testimony relates solely to Operating Margins –
8 Prior Year and does not include \$1,970,147 in Operating Margins earned from 2011.

9 Moreover, as I pointed out in my testimony in KCC Docket No. 06-MKEE-524-ACQ
10 ("524 Docket"), it was clearly the decision of the management of the MKEC Members,
11 including Western, to pursue the proposed acquisition at a price that resulted in a significant
12 acquisition premium, and which would require the Members to take on significant additional
13 debt. As shown in the responses to CURB-35 and CURB-36, Western issued \$14,317,554 of
14 debt to finance the Aquila acquisition, \$3,532,576 of which was used to finance the
15 acquisition premium. Thus, almost 25% of the Western Division's debt relates to the
16 acquisition premium.

17 As stated in my testimony in the 524 Docket, "...existing ratepayers should not be
18 penalized with higher rates as a result of this acquisition. I recommend that in any future rate
19 proceeding, the KCC deny any proposal by a MKEC member that its equity ratio should be
20 increased to rebalance its capital structure as a result of the proposed transaction."¹ Western
21 should not now be using its weak capital structure and high debt ratio as an excuse to recover

¹ Testimony of Andrea C. Crane, Docket No. 06-MKEE-524-ACQ, page 23.

1 excessive margins from its ratepayers.

2
3 **Q. What is the coverage requirement that Western must meet pursuant to its debt**
4 **covenant?**

5 A. According to Mr. Macke's testimony at page 16, Western is required to meet the following
6 coverage ratios:

7

Ratio	Requirement
TIER	1.25
DSC	1.25
OTIER	1.1
ODSC	1.1

8
9 Pursuant to its bond indenture, Western is required to meet these coverage requirements in
10 two of the three most current reporting years.

11
12 **Q. What coverage ratio is Western seeking in this case?**

13 A. Western is seeking an O-TIER coverage requirement of 2.0. According to Mr. Macke's
14 testimony at page 16, "O-TIER measures the ability to meet long-term debt obligations with
15 operating margins." Mr. Macke states on page 17 that he chose an O-TIER of 2.0 in order to
16 provide adequate margins for the Western Division to: 1) achieve and maintain an adequate
17 capital structure, 2) provide stability in terms of handling contingencies and extending the
18 time in between rate adjustments, 3) fund plant growth, 4) eventually support the retirement

1 of member equity (often referred to as capital credits), and 5) provide members an ownership
2 stake in the Cooperative.”

3
4 **Q. How is the O-TIER calculated?**

5 A. The O-TIER is generally defined as Operating Margins plus Interest on Long-Term Debt
6 divided by the Interest on Long-Term Debt, as shown below:

$$\text{O-TIER} = \frac{\text{Operating Margins} + \text{Interest on Long-Term Debt}}{\text{Interest on Long-Term Debt}}$$

7
8
9
10
11 **Q. Are you recommending any adjustment to Western’s requested coverage ratio?**

12 A. Yes, I am. I am recommending that the KCC approve rates that will result in an O-TIER of
13 1.50 for Western.

14
15 **Q. What is the basis for your recommendation?**

16 A. I recommend that the KCC apply the same level of scrutiny to cooperative utilities as it
17 applies to investor-owned utilities. Accordingly, the KCC should ensure that the Western
18 Division’s rate increase is as low as possible without jeopardizing its ability to provide safe
19 and reliable utility service. The Western Division’s request results in a cushion of almost
20 82% over the O-TIER that Western’s lender requires. While I am not adverse to rates that
21 would provide some cushion over the Western Division’s bond indenture requirements, the
22 question is how much is too much? I believe that an O-TIER of 1.50 results in a reasonable

1 balance between the need to provide some cushion to the Western Division and the need to
2 approve utility rates that are just and reasonable.

3
4 **Q. How did you quantify your adjustment relating to the Western Division's coverage
5 requirement?**

6 A. As shown on Schedule ACC-2, given my recommended pro forma interest expense of
7 \$465,781, an O-TIER of 1.5 results in an operating margin requirement of \$698,671. This
8 compares with the Western Division's request of \$983,712. Therefore, my recommendations
9 results in a recommended adjustment for the Western Division of \$232,890. Ms. Harden has
10 incorporated my adjustment in her revenue requirement recommendation.

11
12 **Q. Did you include "Other Interest Expense" in your calculation?**

13 A. No, I did not. Western's coverage requirement is based on interest on long-term debt and
14 does not include interest on its line of credit. Moreover, the Western Division did not
15 include "Other Interest Expense" in its O-TIER calculation, although as mentioned earlier it
16 did double-count interest on its line of credit in its revenue requirement claim.

17
18 **Q. What level of TIER coverage results from your recommendation?**

19 A. As shown in Schedule ACC-3, my recommendation results in a TIER of 1.72, well above the
20 1.25 required by Western's lender.

21
22 **Q. How does your recommendation compare with the Western Division's actual TIER**

1 **coverage over the past few years?**

2 A. In its 524 Docket compliance reports to the KCC, the Western Division reported a TIER of
3 1.46 for 2010 and a TIER of 1.62 for 2011. Therefore, my recommendation results in a TIER
4 that exceeds the Western Division's actual TIER in each of the past two years.

5
6 **Q. Did you calculate the DSC or O-DSC ratios that would result from your
7 recommendation?**

8 A. No, I did not. In response to CURB-38, the Company indicated that it has not calculated the
9 DSC or O-DSC ratios resulting from its recommendation in this case. Similarly, I did not
10 undertake such a calculation.

11
12 **V. SUMMARY OF ADJUSTMENTS**

13 **Q. Please summarize the adjustments that you are recommending for the Western
14 Division.**

15 A. I am recommending that the Company's interest expense claim be reduced to eliminate
16 interest expense on a line of credit that is also included in its "Other Interest Expense" claim.
17 In addition, I am recommending that the KCC approve an operating margin allowance of
18 \$698,671, resulting in a reduction of \$285,041 to the Company's proposed rate increase
19 request. My recommendations result in an O-TIER ratio of 1.5 and in a TIER ratio of 1.72,
20 both of which are well above the minimum ratios required pursuant to Western's bond
21 indenture.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

VERIFICATION

STATE OF CONNECTICUT)

COUNTY OF FAIRFIELD)

ss: *Ridgefield*

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

Andrea C. Crane
Andrea C. Crane

Subscribed and sworn before me this *4th* day of *May*, 2012.

Notary Public

Sandra P. Mosiello

SANDRA P. MOSIELLO
NOTARY PUBLIC
MY COMMISSION EXPIRES MAY 31, 2017

My Commission Expires: _____

APPENDIX A

List of Testimonies Filed Since January 2008

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Margin Requirements	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	WWW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al.	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

Supporting Schedules

Schedule ACC-1

**MID-KANSAS ELECTRIC COMPANY
WESTERN DIVISION**

TEST YEAR ENDING DECEMBER 31 2010

PRO FORMA INTEREST EXPENSE

1. Monthly Interest on RUS Loan 1	\$36,683	(A)
2. Monthly Interest on RUS Loan 2	<u>2,132</u>	(A)
3. Total Pro Forma Monthly Interest Expense	\$38,815	
4. Total Pro Forma Annual Interest Expense	465,781	(B)
5. Company Claim	<u>491,856</u>	(C)
6. Recommended Adjustment	<u>(\$26,075)</u>	

Sources:

(A) Response to KCC-143.

(B) Line 3 X 12 months.

(C) Exhibit RJM-WE-3, page 1.

**MID-KANSAS ELECTRIC COMPANY
WESTERN DIVISION**

TEST YEAR ENDING DECEMBER 31 2010

OPERATING TIER RATIO

1. Annual Interest on Long-Term Debt	\$465,781	(A)
2. Recommended O-TIER	<u>1.50</u>	(A)
3. Pro Forma Operating Margin	\$698,671	
4. Company Claim	<u>983,712</u>	(B)
5. Recommended Adjustment	<u><u>\$285,041</u></u>	

Sources:

(A) Schedule ACC-1, line 3 X 12 months.

(B) Exhibit RJM-WE-3, page 1.

Schedule ACC-3

**MID-KANSAS ELECTRIC COMPANY
WESTERN DIVISION**

TEST YEAR ENDING DECEMBER 31 2010

TIER RATIO

1. Pro Forma Operating Margin	\$698,671	(A)
2. Non-Operating Margin	<u>103,965</u>	(B)
3. Total Margins	\$802,636	
4. Pro Forma Interest Expense	<u>465,781</u>	(A)
5. Resulting TIER Ratio	<u><u>1.72</u></u>	

Sources:

(A) Schedule ACC-2.

(B) Exhibit RJM-WE-6, page 1.

APPENDIX C

Referenced Data Requests

CURB-35

CURB-36

CURB-38

KCC-75

KCC-143

Citizens' Utility Ratepayer Board
Data Request

Request No: CURB-35

Company Name Mid-Kansas Electric Company, LLC and
Western Cooperative Electric Association, Inc.

Docket Number 12-MKEE-491-RTS

Request Date February 15, 2012

Date Information Needed February 29, 2012

Please Provide the Following:

Please quantify the debt issued by Western related to the Aquila acquisition.

Response:

The amount of debt issued to purchase the Aquila assets was \$14,317,554.28. Please see attached pdf file for break-down of assets purchased (CURB DR #34 AQUILA ASSET ACQ COSTS.PDF).

Submitted By David Springe

Submitted To Mark Calcara

Citizens' Utility Ratepayer Board
Data Request

Request No: CURB-36

Company Name Mid-Kansas Electric Company, LLC and
Western Cooperative Electric Association, Inc.

Docket Number 12-MKEE-491-RTS

Request Date February 15, 2012

Date Information Needed February 29, 2012

Please Provide the Following:

Please quantify the current acquisition premium related to the Aquila acquisition.

Response:

The acquisition premium related to the Aquila acquisition is \$3,532,576.09.

Submitted By David Springe

Submitted To Mark Calcara

Citizens' Utility Ratepayer Board
Data Request

Request No: CURB-38

Company Name Mid-Kansas Electric Company, LLC and
Western Cooperative Electric Association, Inc.

Docket Number 12-MKEE-491-RTS

Request Date February 15, 2012

Date Information Needed February 29, 2012

Please Provide the Following:

Please identify the TIER, DSC, and ODSC that will result if the Company's revenue increase is approved. Please provide all supporting calculations with your response.

Response: The proposed increase is shown on page 1 of Exhibit RJM-3 to result in a TIER of 2.21. This is calculated by dividing (e)6 by (e)8 on that page. The resulting DSC and/or ODSC has not been determined.

Submitted By David Springe

Submitted To Mark Calcara

**Kansas Corporation Commission
Information Request**

Request No: 75

Company Name MID-KANSAS ELECTRIC COMPANY, LLC MKEE
Docket Number 12-MKEE-491-RTS
Request Date February 18, 2012
Date Information Needed February 27, 2012

RE: RUS Reports

Please provide all Rural Utility Service year-end operating and financial reports for Western for the last three years.
Please see attached pdf files. (KCC DR #75 FORM 7 2011, KCC DR #75 FORM 7 2010, KCC
DR #75 FORM 7 2009)

Submitted By Laura Bowman
Western

If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____ Stacey Malsam _____

Date: _____ 2/20/2012 _____

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION
KS0047

PERIOD ENDED December, 2011

BORROWER NAME
Western Cooperative Electric Association, Inc.

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

David Schneider

2/1/2012

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	32,244,359	34,843,228	33,854,691	2,829,789
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	22,132,469	23,533,899	22,856,737	1,852,060
4. Transmission Expense	221,086	285,911	256,788	23,495
5. Regional Market Expense		0	0	0
6. Distribution Expense - Operation	1,638,010	2,028,040	2,037,924	222,969
7. Distribution Expense - Maintenance	1,455,698	1,575,171	1,464,672	125,560
8. Customer Accounts Expense	742,852	812,407	823,644	82,742
9. Customer Service and Informational Expense	203,400	223,649	229,439	19,486
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	1,393,950	1,749,055	1,392,018	199,651
12. Total Operation & Maintenance Expense (2 thru 11)	27,787,465	30,208,132	29,061,222	2,525,963
13. Depreciation and Amortization Expense	1,768,885	1,755,927	1,786,644	149,697
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	932,331	882,556	884,124	84,749
17. Interest Charged to Construction - Credit	0	0	0	0
18. Interest Expense - Other	0	0	0	0
19. Other Deductions	11,332	26,466	13,434	0
20. Total Cost of Electric Service (12 thru 19)	30,500,013	32,873,081	31,745,424	2,760,409
21. Patronage Capital & Operating Margins (1 minus 20)	1,744,346	1,970,147	2,109,267	69,380
22. Non Operating Margins - Interest	43,284	40,202	38,100	5,998
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	(170,161)	(129,418)	(146,448)	(17,400)
26. Generation and Transmission Capital Credits	0	0	0	0
27. Other Capital Credits and Patronage Dividends	292,320	576,376	277,060	0
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	1,909,789	2,457,307	2,277,979	57,978

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			KS0047		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2011		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	158	204	5. Miles Transmission	268.76	268.76
2. Services Retired	43	56	6. Miles Distribution - Overhead	3,638.74	3,635.67
3. Total Services in Place	11,732	11,880	7. Miles Distribution - Underground	5.04	5.04
4. Idle Services (Exclude Seasonals)	561	346	8. Total Miles Energized (5+6+7)	3,912.54	3,909.47
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	67,037,363		30. Memberships		0
2. Construction Work in Progress	528,715		31. Patronage Capital		19,978,027
3. Total Utility Plant (1+2)	67,566,078		32. Operating Margins - Prior Years		(382,044)
4. Accum. Provision for Depreciation and Amort.	25,018,160		33. Operating Margins - Current Year		1,970,147
5. Net Utility Plant (3-4)	42,547,918		34. Non-Operating Margins		262,045
6. Non-Utility Property (Net)	21,250		35. Other Margins and Equities		378,279
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)		22,206,454
8. Invest. in Assoc. Org. - Patronage Capital	230,805		37. Long-Term Debt - RUS (Net)		5,099,883
9. Invest. in Assoc. Org. - Other - General Funds	1,984,248		38. Long-Term Debt - FFB - RUS Guaranteed		17,275,916
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	479,035		39. Long-Term Debt - Other - RUS Guaranteed		0
11. Investments in Economic Development Projects	853,610		40. Long-Term Debt Other (Net)		1,679,246
12. Other Investments	0		41. Long-Term Debt - RUS - Econ. Devel. (Net)		913,654
13. Special Funds	0		42. Payments - Unapplied		220,361
14. Total Other Property & Investments (6 thru 13)	3,568,948		43. Total Long-Term Debt (37 thru 41 - 42)		24,748,338
15. Cash - General Funds	500,134		44. Obligations Under Capital Leases - Noncurrent		0
16. Cash - Construction Funds - Trustee	0		45. Accumulated Operating Provisions and Asset Retirement Obligations		0
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44+45)		0
18. Temporary Investments	402,005		47. Notes Payable		0
19. Notes Receivable (Net)	0		48. Accounts Payable		2,295,266
20. Accounts Receivable - Sales of Energy (Net)	3,172,727		49. Consumers Deposits		696,121
21. Accounts Receivable - Other (Net)	59,585		50. Current Maturities Long-Term Debt		813,216
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development		44,440
23. Materials and Supplies - Electric & Other	1,074,446		52. Current Maturities Capital Leases		0
24. Prepayments	157,269		53. Other Current and Accrued Liabilities		779,641
25. Other Current and Accrued Assets	5,818		54. Total Current & Accrued Liabilities (47 thru 53)		4,628,684
26. Total Current and Accrued Assets (15 thru 25)	5,371,984		55. Regulatory Liabilities		0
27. Regulatory Assets	0		56. Other Deferred Credits		62,013
28. Other Deferred Debits	156,639		57. Total Liabilities and Other Credits (36+43+46+54 thru 56)		51,645,489
29. Total Assets and Other Debits (5+14+26 thru 28)	51,645,489				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KS0047
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. NOTES TO FINANCIAL STATEMENTS

PART C - LINE 28 OTHER DEFERRED DEBITS - Computer Hardware Maintenance, Software, Data Conversion, Computer Support & Network Installation Charges \$156,639.

PART C - LINE 56 OTHER DEFERRED CREDITS - Oil / Farm Services Prepayments \$62,013.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KS0047
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION
KS0047

PERIOD ENDED
December, 2011

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	44,712,646	4,116,519	2,131,321	0	46,697,844
2. General Plant	3,154,096	208,963	31,676	0	3,331,383
3. Headquarters Plant	2,261,422	77,748	0	0	2,339,170
4. Intangibles	3,532,998	0	0	0	3,532,998
5. Transmission Plant	10,843,922	519,823	227,777	0	11,135,968
6. Regional Transmission and Market Operation Plant		0	0	0	0
7. All Other Utility Plant	0	0	0	0	0
8. Total Utility Plant In Service (1 thru 7)	64,505,084	4,923,053	2,390,774	0	67,037,363
9. Construction Work in Progress	1,583,279	(1,054,564)			528,715
10. Total Utility Plant (8 + 9)	66,088,363	3,868,489	2,390,774	0	67,566,078

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,219,101	893,094	68,922	1,247,351	1,671	6,663	938,758
2. Other	139,794	42,943	0	2,609	44,440	0	135,688

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	37.520	23.300	3.070	43.000	106.890
2. Five-Year Average	20.660	677.500	4.690	113.950	816.800

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	55	4. Payroll - Expensed	2,463,485
2. Employee - Hours Worked - Regular Time	115,886	5. Payroll - Capitalized	827,006
3. Employee - Hours Worked - Overtime	2,123	6. Payroll - Other	379,411

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	11,107,794
	b. Special Retirements	122,645	1,925,335
	c. Total Retirements (a + b)	122,645	13,033,129
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	2,912	
	c. Total Cash Received (a + b)	2,912	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$	52,786	2. Amount Written Off During Year	\$	17,064
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KS0047
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011
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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Sunflower Electric Power Corp (KS0053)	18315			171,602,903	10,320,955	6.01	3,774,718	0
2	Mid Kansas Electric Company LLC (KS)	800494			212,282,181	13,212,944	6.22	1,065,434	0
	Total				383,885,084	23,533,899	6.13	4,840,152	0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KS0047	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KS0047	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Sunflower Electric	115 kv line	44,602
	TOTAL		44,602

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KS0047	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 5/11/2011	2. Total Number of Members 6,595	3. Number of Members Present at Meeting 94	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 179,026	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION KS0047		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2011		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	5,099,883	272,150	2,118,368	2,390,518
2	National Rural Utilities Cooperative Finance Corporation	194,874	14,574	30,473	45,047
3	CoBank, ACB	1,484,372	55,541	153,028	208,569
4	Federal Financing Bank	17,275,916	545,420	345,651	891,071
5	RUS - Economic Development Loans	913,654	0	44,441	44,441
6	Payments Unapplied	220,361			
	TOTAL	24,748,338	887,685	2,691,961	3,579,646

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION
KS0047
PERIOD ENDED
December, 2011

INSTRUCTIONS - See help in the online application.

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	5,812	5,798	
	b. kWh Sold			61,733,904
	c. Revenue			6,779,952
2. Residential Sales - Seasonal	a. No. Consumers Served	1,606	1,591	
	b. kWh Sold			2,681,621
	c. Revenue			482,959
3. Irrigation Sales	a. No. Consumers Served	432	430	
	b. kWh Sold			9,842,236
	c. Revenue			1,140,069
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,975	3,920	
	b. kWh Sold			277,953,703
	c. Revenue			25,445,691
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
6. Public Street & Highway Lighting	a. No. Consumers Served	55	33	
	b. kWh Sold			1,992,585
	c. Revenue			330,731
7. Other Sales to Public Authorities	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
10. Total No. of Consumers (lines 1a thru 9a)		11,880	11,772	
11. Total kWh Sold (lines 1b thru 9b)				354,204,049
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				34,179,402
13. Transmission Revenue				0
14. Other Electric Revenue				663,826
15. kWh - Own Use				0
16. Total kWh Purchased				383,885,084
17. Total kWh Generated				0
18. Cost of Purchases and Generation				23,819,810
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <u> </u> Coincident <u> </u>				67,884

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION KS0047

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)						
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less						
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total						

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KS0047
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED (S) (b)	EXCLUDED (S) (c)	INCOME OR LOSS (S) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Industrial Park Land (20 acres)	21,250			X
	Totals	21,250			
2	Investments in Associated Organizations				
	Sunflower Electric Power Corporation		616,100		
	NRECA	10			
	NRUCFC		550,193	23,336	
	Golden Belt Telephone	270			
	Midwest Cooperative	1,238			
	Kansas Electric Cooperatives	90,216			
	CoBank		15,380		
	Golden Plains Credit Union	11			
	National Rural Telecommunication Coop	1,544			
	Midwest Energy	16,483			
	Rural Telephone Service Cooperative	74,964			
	Federated Rural Electric Ins Exchange	112,634			
	Cooperative Response Center	12,000			
	Frontier Ag Inc. Membership	150			
	Mid-Kansas Electric Company LLC		1,200,295		
	Arkansas Electric Coop Inc.	2,600			
	Totals	312,120	2,381,968	23,336	
3	Investments in Economic Development Projects				
	Trego County - RLF Fire Truck	20,000			X
	Gove County Medical Center - RLF	132,000			X
	KD Services - RLF	2,140			X
	Sport Haven Inc. - RLF	24,919			X
	Ness County Hospital - RLF	87,500			X
	Trego Lemke Memorial Hospital	160,000			X
	Loving Wishes Floral & Gifts - RLF	32,051			X
	Gove Co. Hospital Therapy Pool - RLF	240,000			X
	Trego Co. Lemke Memorial Hospital CT - RLF	75,000			X
	Ness County Hospital - EHR - RLF	80,000			X
	Totals	853,610			
6	Cash - General				
	Trego WaKeeney State Bank	499,486			
	Working Funds - Western Cooperative Electric	400			
	Golden Belt Bank	53			
	Citizens State Bank	100			
	Golden Plains Credit Union	95			
	Totals	500,134			
8	Temporary Investments				
	Invesco		402,005		
	Totals		402,005		
9	Accounts and Notes Receivable - NET				
	Other Accounts Receivable (Electrician)	18,212			
	Other Receivable - Deferred Payment Arrangements	30,892			
	Other Receivable - Employee Personal Accounts	10,481			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KS0047	
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2011	
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet Items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.			
PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)			
	Totals	59,585	
11	TOTAL INVESTMENTS (1 thru 10)	1,746,699	23,336

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KS0047
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
1	Mid Kansas Electric Company, LLC Hays, KS	1/31/2037	2,041,300	1,724,735	
	TOTAL		2,041,300	1,724,735	
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KS0047			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2011			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					2.58 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
TOTAL					

Kansas Corporation Commission
Data Request

Request No: 143

Company Name Mid-Kansas Electric Company, LLC and
Western Cooperative Electric Association, Inc.

Docket Number 12-MKEE-491-RTS

Request Date March 22, 2012

Date Information Needed March 30, 2012

Please Provide the Following:

According to the response to Data Request No. 85, Western's Native territory and MKEC territory share two loans. Of the two loans, \$14,529,805 (84.06% of the total loan) and \$721,195 (84.06% of the total loan) are allocated to Western's MKEC service territory. According to the schedules provided, the accrued interest due on 06/30/2011 for both loans is \$122,882.45 and \$7,186.30. When dividing the quarterly accrued interest due by three months and then allocating the loans between territories, Staff calculates the accrued interest to be \$34,432 ($(\$122,882.45/3) \times 84.06\%$) and \$2,014 ($(\$7,186.30/3) \times 84.06\%$), totaling \$36,446. Please reconcile with the total interest expense recorded for the month ending 05/31/2011 of \$40,998 included on Exhibit RJM-WE-2, page 21. If allocation percentages are incorrect, please provide an explanation and support for the correct allocation.

All RUS FFB loans have an administration fee added to their listed interest rate of 0.125%. This is incorporated into the interest expense calculation. (Please see attached pdf (KCC DR#143 LONG TERM INTEREST EXPENSE.PDF)). Therefore, the effective interest rates on each loan are 3.017% and 3.528% not 2.892% and 3.403% as stated on the amortization schedules provided. The calculation of accrued interest would be as follows:

$$\begin{aligned} \$122,882.45 + \$5,311.31 (0.125\% \text{ fee}) &= \$128,193.76 / 91 \text{ days} = \$1,408.72 \times 31 \text{ days} = \\ & \$43,670.32 \times 84\% = \$36,683.15 \end{aligned}$$

$$\begin{aligned} \$7,186.30 + \$263.97 (0.125\% \text{ fee}) &= \$7,450.27 / 91 \text{ days} = \$81.87 \times 31 \text{ days} = \\ & \$2,537.97 \times 84\% = \$2,131.91 \end{aligned}$$

\$36,683.15 RUS FFB loan
\$2,131.91 RUS FFB loan
+ \$2,173.29 CFC outstanding Line of Credit interest for 05/2011
\$40,988.35 Interest included on Exhibit RJM-WE-2

Response:

Please see response above.

(d) With respect to each Advance that has a Maturity Date that will occur before the Final Maturity Date, the entire unpaid principal amount of the respective Advance shall be payable on such Maturity Date, subject to extensions of the maturity of such Advance (as provided in paragraph 15 of this Note).

(e) Notwithstanding which of the methods for the repayment of principal described in subparagraph (b) of this paragraph 8 is selected by the Borrower for any Amortizing Advance, the aggregate of all quarterly payments of principal and interest on such Amortizing Advance shall be such as will repay the entire principal amount of such Amortizing Advance, and pay all interest accrued thereon, on or before the Final Maturity Date.

9. Fee.

A fee to cover expenses and contingencies, assessed by FFB pursuant to section 6(c) of the FFB Act, shall accrue on the outstanding principal amount of each Advance from the date on which the respective Advance is made to the date on which the principal amount of such Advance is due. The fee on each Advance shall be equal to one-eighth of one percent (0.125%) per annum of the unpaid principal balance of such Advance. The fee on each Advance shall be computed in the same manner as accrued interest is computed under paragraph 6(b) of this Note, and shall be due and payable at the same times as accrued interest is due and payable under paragraph 7 of this Note (adjusted as provided in paragraph 10 of this Note if a Payment Date is not a Business Day). The fee on each Advance shall be credited to RUS as required by section 505(c) of the Federal Credit Reform Act of 1990, as amended (codified at 2 U.S.C. § 661d(c)).

10. Business Days.

(a) Whenever any Payment Date, the Maturity Date for any Advance, or the Final Maturity Date shall fall on a day on which either FFB or the Federal Reserve Bank of New York is not open for business, the payment that would otherwise be due on such Payment Date, Maturity Date, or Final Payment Date, as the case may be, shall be due on the first day thereafter on which FFB and the Federal Reserve Bank of New York are both open for business (any such day being a "Business Day").

(b) In the event that any Payment Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Payment Date shall be (1) taken into account in establishing the interest rate for the respective Advance, (2) included in computing interest due in

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CERTIFICATE OF SERVICE

12-MKEE-491-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic mail this 14th day of May, 2012, to the following:

RAY BERGMEIER, LITIGATION COUNSEL
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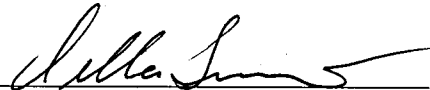
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A handwritten signature in cursive script, appearing to read "Della Smith", written over a horizontal line.

Della Smith
Administrative Specialist